

Bulletin:

# Elba Assicurazioni's Credit Quality Proves Resilient To Market Volatility And Sovereign Outlook Revision

August 1, 2022

This report does not constitute a rating action.

MILAN (S&P Global Ratings) Aug. 1, 2022--S&P Global Ratings today said that its credit rating assessment of surety insurer Elba Assicurazioni SpA (BBB+/Stable/--) remains unchanged by market volatility and Italy's transition to a new government. Elba's 2022 half-year results are in line with our current base-case expectations, and we believe that the lower net income partly results from temporary accounting adjustments, likely to be recovered in the coming quarters.

Elba's gross written premiums expanded 44% year-on-year to €56.2 million at end-June 2022, in line with the company's average 40% growth target over 2022-2025. The growth reflects a focus on diversifying premium beyond surety insurance to a wide range of specialty line insurance policies, a path the company has been on since its acquisition by Revo SPAC last fall. The technical result declined to €5.9 million from €10.4 million in June 2021 due to one-off costs in technology and human capital. After €4.8 million of negative value adjustments on investments, net profits stood at €1.6 million. These adjustments reflect the Italian accounting principles of "lower cost or market" valuation, and the company will make up for them over the next few quarters as its bonds near maturity.

The July 26, 2022, outlook revision on our sovereign credit ratings on Italy (unsolicited BBB/Stable/A-2) has no impact on Elba's credit quality, in our view. We believe that the regulatory capital of the combined group, Elba and Revo, sufficiently covers our estimates of losses linked to a hypothetical sovereign default. The group's Solvency II ratio was 263% at June 30, 2022, and the group's exposure to Italian government bonds stood below 50% of its total investments at the same date. Euro-area government and corporate bonds make up most of the remaining investments.

## Related Research

- Italy Outlook Revised To Stable From Positive On Risks To Reforms; Ratings Affirmed, July 26, 2022
- Elba Could Benefit From Diversification Into Specialty Lines Insurance, March 31, 2022
- Elba Assicurazioni Upgraded To 'BBB+' After Acquisition By Revo; Outlook Stable, Dec. 6, 2021

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