

10 SEP 2021

## Fitch Affirms FWU Life Insurance Austria's IFS at 'BBB-'; Outlook Positive

Fitch Ratings - Frankfurt am Main - 10 Sep 2021: Fitch Ratings has affirmed FWU Life Insurance Austria AG's (FWU Austria) Insurer Financial Strength (IFS) Rating at 'BBB-' (Good) with a Positive Outlook.

### Key Rating Drivers

The Positive Outlook reflects our expectation that FWU Austria will be able to continue growing its new business sales in the medium term, which would result in an improved business-profile assessment. The rating reflects a balance between FWU Austria's 'least favourable' business profile and strong capitalisation.

FWU Austria's 'least favourable' business profile compared with other German, Luxembourg and Austrian insurance groups' reflects the company's 'least favourable' competitive position, 'less favourable' diversification and a 'moderate' business risk profile. Given this ranking, Fitch scores FWU Austria's business profile at 'bb+' under its credit factor scoring guidelines.

FWU Austria is a small pure unit-linked life insurer with total assets of EUR1.2 billion at end-2020. As a result of a large maturing back-book compared with new business volumes, we expect FWU Austria's gross written premiums (GWP) to continue declining in 2021 (2020: EUR76 million, 2019: EUR84 million).

The company - operating as Skandia Austria at the time - was placed into run-off in 2012. However, the German financial services group FWU AG acquired it in 2016 and relaunched FWU Austria's new business in 2018. We expect premium income of EUR70 million-EUR75 million for 2021 if the new business relaunch continues to be successful. Current new business, which amounted to EUR102 million of new business premiums in 2020, would imply an increase in GWP to about EUR100 million over the long term.

We regard FWU Austria's capitalisation as strong. The company scored 'Extremely Strong' in Fitch's Prism Factor-Based Model (Prism FBM), based on end-2020 financial results. It reported a strong Solvency II (S2) ratio of 249% at end-1Q21, up from 190% at end-2020 and 223% at end-2019, reflecting favourable market movements.

FWU Austria's return on equity (ROE) was -1% in 2020 (2019: 3%), reflecting the impact of the coronavirus pandemic as well as the increased new business volumes and costs related to the restructuring of the company's sales force. We expect the ROE to be between 1% and 3% in 2021 and to increase to around 5% in 2022.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Sustained new business premiums of around EUR110 million or more could lead to an upgrade.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--New business premiums remaining below EUR110 million on a sustained basis or expectations that ROE will remain below 4% on a sustained basis may lead to the Outlook being revised to Stable.

### **Best/Worst Case Rating Scenario**

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

### **ESG Considerations**

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

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## Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
FWU Life Insurance Austria AG	Ins Fin Str BBB- 	Affirmed	BBB- 

## RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

## Applicable Criteria

[Insurance Rating Criteria \(pub.15 Apr 2021\) \(including rating assumption sensitivity\)](#)

## Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 [\(1\)](#)

## Additional Disclosures

## Solicitation Status

## Endorsement Status

FWU Life Insurance Austria AG EU Issued, UK Endorsed

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