

Rating Action: Moody's affirms Atradius' ratings, changes outlook to positive

11 October 2022

Paris, October 11, 2022 – Moody's Investors Service (Moody's) has today affirmed the A2 insurance financial strength ratings (IFSRs) of Atradius N.V.'s (Atradius) main subsidiaries as well as Atradius Finance B.V.'s Baa2(hyb) backed subordinated debt rating and changed the outlooks on these entities to positive from stable. A full list of ratings impacted by this rating action is available at the end of this press release.

RATINGS RATIONALE

The affirmation of the ratings reflects Atradius' improvements in business risk profile in the last five years, notably its geographic diversification, good profitability, improvements in capital and limited exposure to Russia.

Geographic diversification improved thanks to a lower concentration to Spain and Portugal, jurisdictions which have traditionally experienced a higher level of trade credit insurance claims than many other European countries. As at year-end 2021, these represented less than 12% of Atradius' credit insurance exposure. While this is larger than peers on a relative basis, this concentration reduced from 16% in 2017.

In addition, although Atradius is 100% owned by Grupo Catalana Occidente, a Spanish-based insurance group, the lower concentration to Spain reduces linkages between the credit profile of Atradius and that of the Government of Spain (Baa1 stable). The looser linkage is also evidenced by Atradius' ability to finance itself independently from its Spanish parent. While Atradius is not a frequent debt issuer, it has some debt outstanding issued by Atradius Finance B.V., an entity domiciled in the Netherlands.

Atradius reported low combined ratios in the last twelve months (65% gross combined ratio in 2021) despite prudent reserving, as the credit cycle has been extremely benign. Furthermore, the insurer's capital has strengthened with the group's Solvency II ratio consistently maintained above 200% since 2019, supported by good profits, a moderate dividend policy as well as a controlled growth in risk exposure and a continued conservative asset allocation.

The group's moderate exposure to Russia and Ukraine, together with reinsurance protection should also limit the impact of a potential increase in claims in Russia on Atradius' credit profile in the short-term.

OUTLOOK

The change in outlook to positive from stable reflects Moody's expectations that Atradius will maintain a conservative underwriting risk appetite and be able to manage credit risk exposures to limit the impact of the deterioration in the economic activity on its profitability.

Moody's anticipates claims to increase going forward as credit defaults rise. Besides, credit insurance prices go down, but the rating agency expects a limited deterioration in Atradius' profitability in its base case scenario. Moody's also expects Atradius to be little impacted by volatility in financial markets, thanks to a conservative investment strategy.

The positive outlook also reflects Moody's expectations that Atradius will maintain strong capital levels and a low financial leverage.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Atradius's ratings could be upgraded if (1) the group maintains a strong profitability with a combined ratio below 80% through the cycle, with moderate volatility, (2) the group consistently maintains a Solvency II ratio above 180%, and (3) the group maintains a conservative asset and underwriting risk appetite.

Conversely, the outlook could revert to stable in case of (1) a volatile underwriting profitability, with for example a spike in the combined ratio above 100%, (2) a decline in capital, as evidenced for example by a Solvency II capital coverage below 180%, (3) a meaningful change in asset or underwriting risk appetite, or (4) a meaningful weakening in the credit profile of its parent, Grupo Catalana Occidente or the Spanish sovereign.

LIST OF AFFECTED RATINGS

Issuer: Atradius Finance B.V.

Affirmation:

....Backed Subordinate Regular Bond/Debenture, affirmed Baa2(hyb)

..Outlook Action:

....Outlook changed to Positive from Stable

Issuer: Atradius Credito y Caucion S.A.

Affirmations:

....Insurance Financial Strength Rating, affirmed A2

....Short-term Insurance Financial Strength Rating, affirmed P-1

Outlook Action:

....Outlook changed to Positive from Stable

Issuer: Atradius Reinsurance DAC

Affirmation:

....Insurance Financial Strength Rating, affirmed A2

Outlook Action:

....Outlook changed to Positive from Stable

Issuer: Atradius Trade Credit Insurance Inc.

Affirmation:

....Insurance Financial Strength Rating, affirmed A2

Outlook Action:

....Outlook changed to Positive from Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Trade Credit Insurers Methodology published in November 2019 and available at <https://ratings.moodys.com/api/rmc-documents/69014>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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