

Best's Credit Rating Effective Date

July 21, 2023

Analytical Contacts

Jose Berenguer
Senior Financial Analyst
Jose.Berenguer@ambest.com
+31 20 308 5429

Angela Yeo
Senior Director-Analytics, Head of Operations
Angela.Yeo@ambest.com
+31 20 308 5421

Information

[Best's Credit Rating Methodology](#)

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Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A.

AMB #: 085618

Ultimate Parent: AMB # 086684 - Unipol Gruppo S.p.A.

Best's Credit Ratings

Financial Strength Rating (FSR)

A-
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a-
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strong
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Strong**

- Best's Capital Adequacy Ratio (BCAR) assessment was at the very strong level at year-end 2022, driven by Standard BCAR scores at the strongest level and Catastrophe Stressed BCAR scores at the strong level.
- Good liquidity profile, with liquid assets representing approximately 142% of net technical liabilities at year-end 2022.
- Material, albeit decreasing, investment exposure to Italian sovereign debt, measuring 39% of investments and 85% of capital and surplus.
- High level of reinsurance dependence, partially mitigated by the excellent credit quality of the reinsurance panel and long-standing relationships with reinsurers.

Operating Performance: **Adequate**

- SIAT's technical performance was good in 2022, as reflected by a combined ratio at 90.1% (as calculated by AM Best).
- The company has shown a long track record of operating profits, with a good balance of underwriting and investment earnings.
- SIAT has reported consistent profits supported by income from its real estate and bond portfolios.

Business Profile: **Neutral**

- Strong reputation as a niche specialist insurer in the marine hull and cargo segments, where SIAT maintains a defensible market position in Italy.
- Well-established direct and indirect distribution channels, with further synergies expected to be established with the agency network of its parent, UnipolSai Assicurazioni S.p.A. (UnipolSai).
- Well integrated within the UnipolSai group, which cedes a large share of its marine business to SIAT and delegates the management of its marine risk portfolio.

Enterprise Risk Management: **Appropriate**

- SIAT's risk management capabilities are viewed as aligned with its risk profile.
- Risk management centralised at the group level, with UnipolSai setting appetite and tolerance levels for the company.
- Developed management framework that benefits from stringent controls and regulatory requirements.

Rating Lift/Drag

- The ratings of SIAT reflect its importance to, and integration into the operations of, UnipolSai.
- SIAT's market position within the marine market makes it a valuable asset for UnipolSai, improving the group's overall profile.
- In line with the group's risk framework, UnipolSai did not require a dividend from SIAT in years where performance was poorer (2018 and 2019) to support the subsidiary's solvency position.

Outlook

- The stable outlooks reflect the expectation that the company's risk-adjusted capitalisation, as measured by BCAR, will remain at least at a very strong level, supported by good and stable underwriting profitability and access to high-quality specialist business.

Rating Drivers

- A prolonged significant deterioration in the company's performance could put downward pressure on the ratings.
- Negative pressure could arise if balance sheet strength were to deteriorate materially due, for instance, to a decline in risk-adjusted capitalisation.
- A positive/negative rating action on SIAT could take place following a positive/negative rating action on UnipolSai.

Key Financial Indicators

AM Best may reclassify company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	66.9	51.5	44.5	42.3

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Net Premiums Written:					
Non-Life	51,744	48,140	44,687	43,607	43,809
Composite	51,744	48,140	44,687	43,607	43,809
Net Income	6,137	5,694	4,505	809	119
Total Assets	428,702	373,737	359,931	434,337	430,164
Total Capital and Surplus	69,378	67,373	64,965	61,418	61,228

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	5,356	5,253	4,940	-924	-546	...
Net Income Return on Revenue (%)	10.5	11.1	9.8	1.8	0.3	7.0
Net Income Return on Capital and Surplus (%)	9.0	8.6	7.1	1.3	0.2	5.4
Non-Life Combined Ratio (%)	90.1	89.3	88.8	102.1	101.3	94.0
Net Investment Yield (%)	3.6	1.8	1.6	1.7	2.0	2.2
Leverage:						
Net Premiums Written to Capital and Surplus (%)	74.6	71.5	68.8	71.0	71.6	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

SIAT's balance sheet strength is underpinned by risk-adjusted capitalisation at the very strong level, as measured by Best's Capital Adequacy Ratio (BCAR), and good liquidity. Offsetting rating factors include the company's investment concentration in Italian government bonds and its high dependence on reinsurance to write large risks. Siat's sizeable gross PML compared to its capital and surplus is a potential driver of volatility for the company's risk-adjusted capitalisation. Considering all these factors, SIAT's balance sheet is assessed as strong.

BCAR scores presented under the Best's Capital Adequacy Ratio Summary section of this report are based on the year-end 2022 audited financial statements of the company.

Capitalisation

SIAT's Best's Capital Adequacy Ratio (BCAR) assessment was at the very strong level at year-end 2022, driven by a combination of Standard BCAR scores at the strongest level and Catastrophe Stressed BCAR scores at the strong level. The company's sizeable gross PML (if compared to capital and surplus) drives Catstressed BCAR scores down. AM Best expects the BCAR assessment to be maintained, at least, at the very strong level.

The company reported an SCR ratio of 169% at year-end 2022 (2021: 168%), resulting from own funds of EUR 71.9 million against capital requirements of EUR 42.7 million.

Balance Sheet Strength (Continued...)

SIAT benefits from good financial flexibility, which stems from the relatively small size of its capital base when compared to that of the group and from having no financial leverage. In 2023, SIAT paid dividends of EUR 3.8 million, corresponding to 78% of the prior year's profit.

Capital Generation Analysis	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Beginning Capital and Surplus	64,897	62,593	59,152	59,063	62,918
Net Income	4,921	4,204	3,441	89	325
Stockholder Dividends	-3,040	-1,900	...	...	-4,180
Net Change in Capital and Surplus	1,881	2,304	3,441	89	-3,855
Ending Capital and Surplus	66,778	64,897	62,593	59,152	59,063
Net Change in Capital and Surplus (%)	2.9	3.7	5.8	0.2	-6.1

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	36.4	32.3	32.6	27.5	27.3
Total Investments to Total Liabilities	41.5	38.4	39.1	32.6	32.4

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

As at year-end 2022, SIAT had an investment split of: 80% fixed-income (2021: 79%), 12% real-estate (16%), 8% cash and deposits (3%). A negligible share invested in loans, unquoted bonds and inter-company investments.

SIAT is materially exposed to Italian government bonds, which accounted for approximately 39.3% of its total investments at year-end 2022 (2021: 41.9%). However, market risk related to spread volatility is relatively low compared to other Italian insurers due to the short maturity of its portfolio.

A material share of investments is in real estate holdings, which are represented by SIAT's headquarters in Genova (Italy). Part of the building is rented out to other businesses.

SIAT maintains a good liquidity profile with liquid assets accounting for 142% of net technical liabilities at year-end 2022. Risk management practices, including periodical liquidity stress tests, mitigate liquidity risk.

Composition of Cash and Invested Assets	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Total Cash and Invested Assets	149,181	117,790	115,264	121,389	119,680
Cash (%)	8.0	3.5	2.8	4.2	3.1
Bonds (%)	79.6	79.4	79.4	79.1	80.1
Equity Securities (%)	...	1.0	1.1	1.0	1.0
Real Estate, Mortgages and Loans (%)	12.3	15.8	16.3	15.6	15.7
Total Cash and Unaffiliated Invested Assets (%)	99.9	99.8	99.7	99.9	99.9
Investments in Affiliates (%)	0.1	0.2	0.3	0.1	0.1
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

SIAT's reserving practices are conservative, as suggested by positive developments in most years. However, the company has reported minor reserve deficiencies for underwriting years 2018, 2020 and 2021.

Balance Sheet Strength (Continued...)

SIAT business is not significantly exposed to catastrophe risk as the non-marine/property component of the business is negligible and well-diversified geographically.

Operating Performance

Operating performance

In 2022, SIAT reported pre-tax profits of EUR 7.9 million (2021: EUR 7.3 million) (adjusted by AM Best for extraordinary income and expenses) and an adequate return on equity ratio (ROE) of 9.0% (8.6%), significantly above its five-year average ROE of 5.4% (2018-2022), as calculated by AM Best.

SIAT has a long track record of operating profits, with a good balance of technical and non-technical earnings. AM Best expects SIAT to continue to report profits, in line with its track record.

Underwriting performance

SIAT generated underwriting profits of EUR 5.4 million in 2022, (2021: EUR 5.2 million) (as calculated by AM Best). Underwriting performance remained stable year-on-year, the company reported a combined ratio of 90.1% in 2022, which compares positively with its five-year average CR of 94.0% (2018-2022).

In 2022, SIAT's technical result was balanced between its main two segments, hull and cargo. The company made significant efforts in the past years to better select and underwrite risks in the hull segment, which have resulted in improved performance. The company's cargo business continues to show profitable and stable results.

AM Best expects SIAT to generate a combined ratio below 100% prospectively.

Investment performance

In 2022, SIAT achieved net investment earnings of approximately EUR 2.9 million, as calculated by AM Best, with a net investment yield of 3.6% (2021: 1.8%) (excluding gains/losses). Investment profits derived mainly from interest on fixed-income securities (principally Italian government bonds) and real estate lease income.

Financial Performance Summary	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Pre-Tax Income	7,866	7,259	5,919	1,137	502
Net Income after Non-Controlling Interests	6,137	5,694	4,505	809	119

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	1.5	1.6	1.1	0.2	...
Return on Capital and Surplus	9.0	8.6	7.1	1.3	0.2
Non-Life Performance:					
Loss and LAE Ratio	79.7	64.3	60.2	76.2	75.7
Expense Ratio	10.3	25.0	28.6	25.9	25.5
Non-Life Combined Ratio	90.1	89.3	88.8	102.1	101.3

Source: BestLink® - Best's Financial Suite

Business Profile

SIAT is a subsidiary of UnipolSai, which holds a 94.7% share of the company. SIAT was created in 1967 as a marine specialist insurer and is currently the transportation hub of the group offering insurance services to corporate customers primarily reached through brokers.

Business Profile (Continued...)

SIAT has a strong reputation as a specialist marine insurer. It is a leading player in the Italian hull and cargo segments, and has well-established ties with major international ship owners and shipping companies. The company represents UnipolSai's underwriting hub for marine business due to its specialist knowledge in underwriting, surveying and claims handling of marine risks in the hull and cargo segments. An offsetting factor is the small size of SIAT relative to peers with limited diversification by line of business.

SIAT solely writes marine risks that relate to the hull and cargo insurance segments and a small portfolio of aviation risks. Its book of business comprises ship-owners, shipyards, pleasure craft owners, a variety of niches related to the cargo portfolio, including traders, multimodal operators, terminal operators and fine arts and general aviation and AeroSpace. In 2022, the company reported gross written premiums (GWP) of EUR 173 million (2021: EUR 151 million), with 63% coming from hull (63%), 35% from cargo (33%) and 2% coming from aviation (3%). According to ANIA's report on the Italian insurance market in 2022, the group ranked third in the hull segment and second in the cargo segment, with market shares of 25% and 15%, respectively. Whilst its portfolio is concentrated by business line, SIAT has managed to leverage its strong expertise in marine insurance to generate healthy results through market cycles.

SIAT's portfolio is well-diversified geographically, with approximately 35% of its 2022 GWP stemming from overseas interests (including Italian companies operating internationally). This reduces the correlation of performance with the economic conditions of Italy. The majority of international business relates to SIAT's hull portfolio, while cargo business is primarily sourced from Italy.

The company has a well-established independent distribution channel of brokers and foreign agencies, which sourced approximately 85% of its 2022 GWP. The remaining share was represented by indirect business written through the wider distribution network of UnipolSai. SIAT leverages the presence of its agencies in France (two) and Belgium to expand its global interests. Foreign business is mainly focused on Greece, Turkey, France and Germany, independently of where it is underwritten.

SIAT's penetration in the Italian insurance market is likely to be strengthened by the creation of more synergies with UnipolSai's agency network.

Geographical Breakdown of Gross Premium Written	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018 EUR (000)
Germany	...	1,019	7,902	12,202	5,579
Italy	...	150,194	141,462	147,574	142,905
Total Europe	...	151,213	149,364	159,776	148,484
Total	...	151,213	149,364	159,776	148,484

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

SIAT's risk management capabilities are considered appropriate for its risk profile.

The company's risk framework is in line with that of the UnipolSai, which adopts a holistic approach to risk management and sets out specific policies that are then adopted by individual group companies. The risk management, actuarial, internal audit and compliance functions are centralised at the group level. SIAT benefits from the group's effort to create a more integrated approach to risk management and improve the technological infrastructure across all subsidiaries. Specific risk appetites, tolerances and capacity for the company are defined by the group risk management function and validated by SIAT's board of directors.

SIAT maintains a rigorous approach to the identification, assessment and control of risks. Liquidity and capital adequacy are closely monitored and stress tests are run to confirm the sensitivity to fluctuations in Italian bonds rates, equity markets, inflation, catastrophe losses and the overall combined ratio, and counterparty default.

SIAT reported a SCR ratio, as per Solvency II standard formula, of 169% at year-end 2022, well above its appetite (130%).

Reinsurance Summary

SIAT heavily relies on reinsurers to write a number of large-value risks. The risk of high reinsurance costs following major losses is partly mitigated by the company's long-term relationships with its reinsurance panel. In addition, credit risk is partly tempered by the

Enterprise Risk Management (Continued...)

good credit quality of SIAT's reinsurers. As at 2022 year end, 98% of the company's reinsurance recoverables were due from counterparties with an AM Best FSR of "A-" or above.

SIAT has proportional reinsurance programmes in place for all lines of business. In addition, an excess of loss programme is in place to reduce the company's exposure to major claims and accumulations between hull and cargo. Residual risks are placed by means of facultative insurance. The company's reinsurance programme has effectively controlled volatility in the company's net results over recent years. This is demonstrated by a significantly lower volatility in net technical profit than in gross technical profit.

Environmental, Social & Governance

AM Best considers that SIAT has a moderate exposure to climate change risk, with rising global temperatures contributing to higher frequency and severity of weather-related claims, such as typhoons, storms and hurricanes. However, the company is well protected by a comprehensive reinsurance programme and its underwriting portfolio is diversified geographically.

SIAT benefits from UnipolSai's ESG-related capabilities. UnipolSai has identified ESG as one of the key pillars of its 2022-2024 business plan.

Rating Lift/Drag

SIAT benefits from rating enhancement from its parent, Unipolsai, which brings SIAT's rating in line with that of its parent.

SIAT represents UnipolSai's underwriting hub for marine business due to its specialist knowledge in underwriting, surveying and claims handling of marine risks in the hull and cargo segments. The company is well-integrated within UnipolSai and its claims management standards have been progressively aligned with those of the group following the merger in 2014.

SIAT benefits from enhanced financial flexibility as part of the Unipol group. Following the drop in the SCR ratio in 2018, UnipolSai did not require a dividend from SIAT for the fiscal years 2018 and 2019, which allowed SIAT's capital and surplus to increase progressively.

SIAT's financial flexibility also derives from the relatively small size of its capital (EUR 69 million) (reported under ITA local GAAP) when compared to UnipolSai (EUR 5.8 billion). Therefore it would not be difficult for UnipolSai to provide financial support should it be needed.

Financial Statements

	12/31/2022		12/31/2022
	EUR (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	11,922	2.8	12,729
Bonds	118,750	27.7	126,792
Other Invested Assets	18,509	4.3	19,762
Total Cash and Invested Assets	149,181	34.8	159,284
Reinsurers' Share of Reserves	195,830	45.7	209,092
Debtors / Amounts Receivable	76,458	17.8	81,636
Other Assets	7,233	1.7	7,723
Total Assets	428,702	100.0	457,734
Unearned Premiums	45,409	10.6	48,484
Non-Life - Outstanding Claims	242,569	56.6	258,996
Total Gross Technical Reserves	287,978	67.2	307,480
Other Liabilities	71,346	16.6	76,178
Total Liabilities	359,324	83.8	383,657
Capital Stock	38,000	8.9	40,573
Retained Earnings	4,920	1.1	5,253
Other Capital and Surplus	26,458	6.2	28,250
Total Capital and Surplus	69,378	16.2	74,076
Total Liabilities and Surplus	428,702	100.0	457,734

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit 1.06772 = 1 Euro (EUR)

	Non-Life EUR (000)	Life EUR (000)	Other EUR (000)	12/31/2022	12/31/2022
				Total EUR (000)	Total USD (000)
Income Statement					
Gross Premiums Written	172,951	...	...	172,951	184,663
Net Premiums Earned	53,854	...	...	53,854	57,501
Net Investment Income	...	...	4,832	4,832	5,159
Realized capital gains / (losses)	...	...	-716	-716	-764
Unrealized capital gains / (losses)	...	...	-1,191	-1,191	-1,272
Total Revenue	53,854	...	2,925	56,779	60,624
Benefits and Claims	42,927	...	...	42,927	45,834
Net Operating and Other Expense	5,571	...	415	5,986	6,391
Total Benefits, Claims and Expenses	48,498	...	415	48,913	52,225
Pre-Tax Income	5,356	...	2,510	7,866	8,399
Income Taxes Incurred	...	...	...	1,729	1,846
Net Income before Non-Controlling Interests	...	...	...	6,137	6,553
Net Income/(loss)	...	...	...	6,137	6,553

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit 1.06772 = 1 Euro (EUR)

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Catastrophe Analysis in A.M. Best Ratings, 03/10/2023](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding Global BCAR, 07/06/2023](#)

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