

## **FITCH REVISES KBC VERZEKERINGEN'S & KBC GROUP RE'S OUTLOOKS TO POSITIVE; AFFIRMS IFS AT 'A'**

Fitch Ratings-London-19 April 2016: Fitch Ratings has revised KBC Verzekeringen's and KBC Group Re's (together, KBC Insurance) Outlooks on their Insurer Financial Strength (IFS) ratings to Positive from Stable.

At the same time, Fitch has affirmed KBC Insurance's IFS rating at 'A'. Fitch has also affirmed KBC Verzekeringen's Long-term Issuer Default Rating (IDR) at 'A-'.

### **KEY RATING DRIVERS**

The Outlook revision follows a similar rating action on KBC Group (IDR: A-/Positive; see "Fitch Affirms KBC Bank's 'A-' IDR; Revises Outlook to Positive", published on 14 April 2016). The ratings continue to reflect the core strategic importance of KBC Insurance within KBC Group, given the latter's integrated bancassurance business model. KBC Insurance relies on KBC Group for its roles, business position and strategic direction.

KBC Group's 'A-' IDR continues to act as a cap on KBC Verzekeringen's IDR. The standalone IFS assessment of KBC Verzekeringen would be higher if its IDR were not capped. The IFS assessment factors in the benefits derived by KBC Verzekeringen from being part of KBC Group, specifically regarding integrated capital management, the alignment of strategy and distribution.

The standalone IFS assessment reflects KBC Verzekeringen's important business position in Belgium where it is the third-largest insurer. It is also underpinned by KBC Verzekeringen's strong profitability and capitalisation. The company's reported combined ratio was a strong 91% in 2015. Its consolidated regulatory solvency II ratio is also very strong (end-December 2015: 231%), and in particular, its Fitch Prism Factor-Based Model score on 2014 data was 'Extremely Strong', which Fitch expects to have continued in 2015.

### **RATING SENSITIVITIES**

Changes in KBC Group's ratings are likely to result in similar changes to KBC Verzekeringen's ratings. In addition, if, in Fitch's view, KBC Insurance becomes less strategically important to KBC Group this would also likely result in a downgrade.

KBC Group Re relies on KBC Verzekeringen for its role as a captive reinsurer, business position, strategic direction and asset management expertise. Any changes to its parent's ratings are likely to have a corresponding impact on KBC Group Re's ratings.

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#### Applicable Criteria

Insurance Rating Methodology (pub. 16 Sep 2015)

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