

RatingsDirect®

Pohjola Insurance Ltd

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Table Of Contents

Credit Highlights

Outlook

Related Criteria

Related Research

Pohjola Insurance Ltd

Credit Highlights

The 'A+' ratings on Pohjola Insurance Ltd.'s (Pohjola) reflect our view of its role as a core subsidiary of OP Financial Group. Pohjola is, in our view, integral to the overall group's strategy. However, we do not believe that it will benefit from the bank's additional loss-absorbing capacity in resolution. Therefore, we equalize our long-term ratings on the subsidiary with our 'a+' assessment of OP Financial Group's unsupported group credit profile (UGCP).

We consider that Pohjola enjoys a strong market position. Pohjola is one of the leading non-life insurance companies in Finland, with a solid market share above 30%, and benefits from a well-known brand. The company benefits from profitable non-life underwriting results, with a combined ratio (loss and expense) of 81.8% as of September 2021, thanks to reduced social and economic activity and lower claims. In the life insurance segment, the group focuses on capital-light products like unit-linked business, supported by an increase of almost 12% in unit-linked assets as of September 2021 over the past year.

We believe the solvency positions of OP Financial Group's life and non-life insurance entities will remain solid. The solvency ratios of the insurance entities increased recently to 187% (non-life) and 175% (life; excluding transitional measures). We understand that the group wants to maintain solvency levels at around 170%. Overall, we do not expect the group will overcapitalize its insurance subsidiaries and therefore we expect dividend payouts to the group from the subsidiaries and a relatively stable development of capitalization levels, barring any extraordinary event.

Operating Company Covered
By This Report

Financial Strength Rating

Local Currency

A+ / Stable / --

Outlook

Our stable outlook on Pohjola reflects the creditworthiness of OP Financial Group. This is because we regard Pohjola as a core subsidiary of the group, and as such, we believe it would receive support under all foreseeable circumstances if needed.

Downside scenario

We could lower the ratings over the next 12-24 months if we revised our assessment of OP Financial Group's UGCP downward. We could also lower the ratings if we no longer regarded Pohjola as core to the group. While unlikely at this stage, but it could result from a significant weakening of Pohjola's operating performance or group integration, or any indications of OP Financial Group's reduced commitment to Pohjola.

Upside scenario

We could raise the ratings over the next 12-24 months if we revised our assessment of OP Financial Group's UGCP upward.

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- OP Corporate Bank PLC, Sept. 17, 2021

Ratings Detail (As Of November 30, 2021)*

Operating Company Covered By This Report

Pohjola Insurance Ltd

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

Local Currency

A+/Stable/--

Domicile

Finland

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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