

# RatingsDirect®

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## Pohjola Insurance Ltd

**Primary Credit Analyst:**

Andreas Lundgren Harell, Stockholm + 46 8 440 5921; andreas.lundgren.harell@spglobal.com

**Secondary Contacts:**

Mark D Nicholson, London + 44 20 7176 7991; mark.nicholson@spglobal.com

Salla von Steinaecker, Frankfurt +49 69 33999 164; salla.vonsteinaecker@spglobal.com

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# Pohjola Insurance Ltd

## Credit Highlights

*The 'A+' ratings on Pohjola Insurance Ltd. (Pohjola) reflects our view of its role as a core subsidiary of OP Financial Group.* We view Pohjola as be integral to the overall group's bancassurance strategy and we believe it makes a meaningful earnings contribution to the group (more than 20% of operating profit in the first half of 2024). That said, we expect that the Finnish resolution authority would exclude insurance activities from a bail-in resolution process if the group were to approach non-viability and, as such, we do not believe that Pohjola would benefit from the banking group's additional loss-absorbing capacity in a resolution scenario. Therefore, we equalize our long-term ratings on the core subsidiary, Pohjola Insurance Ltd., with our 'a+' assessment of OP Financial Group's group stand-alone credit profile (SACP).

*We consider that Pohjola enjoys a strong and resilient market position.* With a solid market share of above 30%, Pohjola remains one of the leading non-life insurance companies in Finland, and as such benefits from healthy brand recognition. In the non-life insurance segment, Pohjola saw a 3.3% increase in written premiums as of June 30, 2024, compared with the same period last year, owing to growth in customers and general rate increases. Because of harsh winter conditions and sustained high level of health-related claims in the beginning of the year, the total number of claims reported during the reporting period grew by about 8% compared with the same period of 2023. Moreover, the number of large claims increased slightly. Adding to this, the cost ratio saw an increase attributed to personal costs and IT development. Consequently, the combined (loss and expense) ratio increased to 100.4% as of June 30, 2024, compared with same period last year (97.6%). Nonetheless, we continue to regard the company's underwriting as sound, which, together with a healthy investment result (€135 million on June 30, 2024), translates into €131 million of operating profit as of June 30, 2024, for the non-life segment. With respect to the life insurance segment, unit-linked assets increased by 7.5% from year-end 2023 to €13.5 billion, and premiums written in term life insurance grew by 6.1%. The fair value return on investment was 2.0% and the operating profit amounted to €131 million as of June 30, 2024, compared with €101 million for the same period in the prior year.

*We believe OP Financial Group's life and non-life insurance entities' solvency positions will remain solid.* As of June 30, 2024, the non-life and life solvency

Operating Company Covered  
By This Report

Financial Strength Rating

Local Currency

A+ / Stable / --

ratios stood healthy at 187% and 211%, respectively. We note both ratios decreased compared with the same period in 2023; this because of increased capital requirement due to higher equity risk in line with investment strategy. Nevertheless, we understand that the group targets solvency levels of about 170%. Consequently, we do not expect the banking group to overcapitalize its insurance subsidiaries and therefore we anticipate regular dividend payouts to the group and relatively stable development of capitalization levels, barring any extraordinary event.

## 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 rating over the next 12-24 months if we revised down our assessment of OP Financial Group's group SACP. We could also lower the rating if we no longer regarded Pohjola as core to the group. While unlikely at this stage, this 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

Although unlikely currently, we could raise the rating over the next 12-24 months if we revised up our assessment of OP Financial Group's group SACP.

## Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Banking Industry Country Risk Assessment Update: August 2024, Aug. 29, 2024
- Insurance Industry And Country Risk Assessment: Finland Property / Casualty, Jul 08, 2024
- OP Corporate Bank PLC, May 10, 2024

### Ratings Detail (As Of September 11, 2024)\*

#### 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

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