

PRI Pensionsgaranti Mutual Insurance Co.

Primary Credit Analyst:

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

Secondary Contact:

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

Research Contributor:

Rahul Iyer, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

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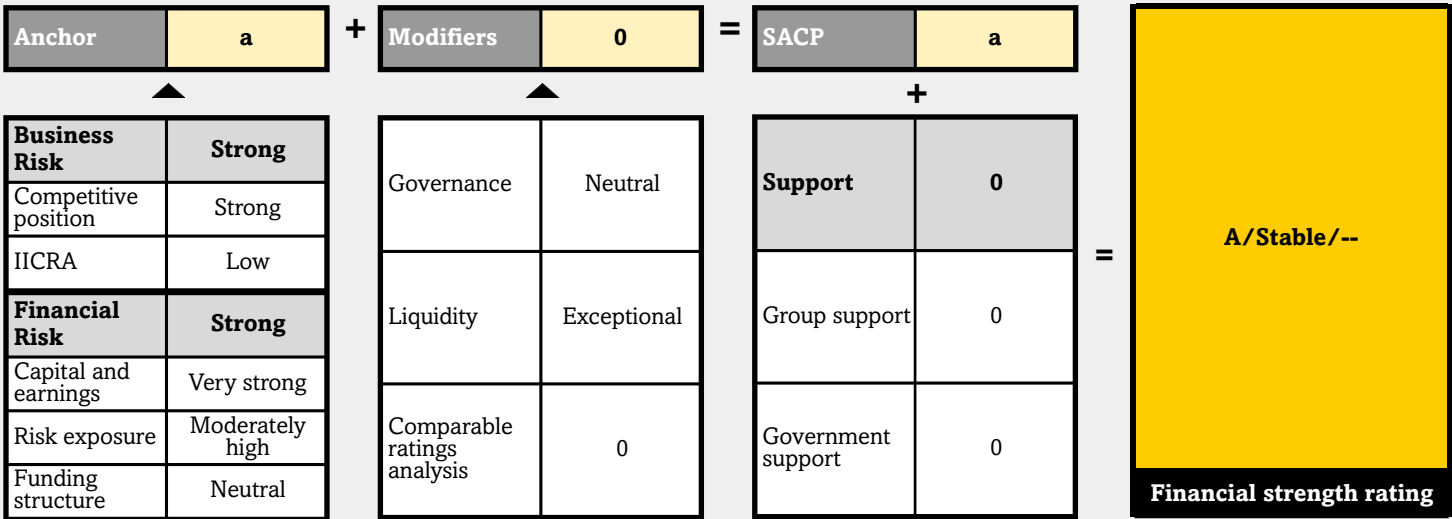
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PRI Pensionsgaranti Mutual Insurance Co.



IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

Credit Highlights

Overview	
Key strengths	Key risks
Sustainable and profitable business model, thanks to a niche position in the Swedish occupational pensions market as the sole provider of credit insurance for pensions funded by the credit insurance model under the "Industrins och handelns tilläggspension 2" (ITP 2) scheme.	Elevated exposure to equities, with about 28% of the portfolio allocated to equities at year-end 2024.
Excellent capitalization, which is well above the '99.99%' confidence level of our risk-based capital model.	Lack of scale and limited diversity, both in terms of geographic presence and product type.
Robust economic standing of Swedish corporate pension clients.	Exposure to volatile capital markets, and the economic downturn in Sweden, which could hamper revenue and earnings profile.

We think that PRI Pensionsgaranti Mutual Insurance Co. (PRI) will maintain its strong technical profitability thanks to its niche market position. In our view, PRI's competitiveness benefits from its long-standing role as the sole credit insurer and service provider of occupational pensions in Sweden. Moreover, PRI can transform its expertise into sustainable long-term profitability and high operating margins, which helps the company navigate the volatile nature of credit insurance. In our opinion, PRI's policyholders, lines of business, and narrow geographic footprint limit PRI's competitive position.

We expect PRI will maintain a favorable combined profit and loss ratio. The company's combined ratio was about 29% in 2024 and averaged about 20% between 2020 and 2024. In our view, PRI's earnings remain resilient, but volatility in the financial markets has weighed on its investment results in the past. Assuming no major losses, we anticipate a net combined ratio of approximately 45% in 2025-2026 and a return on investments of at least 2%, although this is subject to volatility due to a material share of high-risk assets.

In our view, PRI's very robust capitalization will remain a key strength over 2025-2026. We expect PRI to maintain its excellent capital position over the forecast period, not least due to its retained earnings and sustainably low claims ratios. The redundancy at the '99.99%' level is about on par with PRI's entire equity exposure, which underlines PRI's resilience against volatile equity markets.

PRI has also demonstrated a very stable and robust Solvency II ratio, with almost no volatility. As per year-end 2024, the ratio stood robustly at 230%, including the capital add-on from the regulator.

Outlook: Stable

The stable outlook reflects our expectation that PRI will maintain its strong operating performance and its material capital buffer above our 99.99% capital requirement over the next two years.

Downside scenario

We could lower the ratings over the next 12-24 months if capital erodes below the '99.99%' confidence level in our risk-based capital model due to a macroeconomic downturn--leading to a material increase of client defaults and consequently higher claims; or a strong drop in equity markets--resulting in a material loss.

Upside scenario

We regard a positive rating action as remote over the next two years, considering the concentration of PRI's business in and exposure to a niche product that is highly sensitive to the economic conditions of a single country.

Assumptions

- Swedish GDP to increase by 1.8% in 2025, followed by a 2.8% in 2026 and 2.5% in 2027.
- Inflation between 1.8%-1.9% over 2025-2027.
- Interest rates to increase. In the eurozone, we anticipate 10-year government bond yields of about 3.0% over 2025-2027.

PRI Pensionsgaranti Mutual Insurance Co.--Key metrics

(Mil. SEK)	2026f	2025f	2024	2023	2022	2021	2020
Net premiums written	~500	~500	475	551	538	563	562
Net income (attributable to all shareholders)	~350-450	~350-450	1,749.2	1,479.2	(1,581.9)	2,849.1	67.9
S&P Global Ratings capital adequacy*	99.99	99.99	99.99	99.99	Excellent	Excellent	Excellent
Return on shareholders' equity (%)	>3	>3	4.8	4.3	(4.7)	8.8	0.2
Financial leverage including pension deficit as debt (%)	~0.1	~0.1	0.1	0.1	0.1	0.1	0.1
P/C: net combined ratio (%)§	<50	<50	28.7	36.3	17.6	20.7	18.0
Return on revenue (%)	>50	>50	53.2	30.4	73.2	(11.0)	72.6

PRI Pensionsgaranti Mutual Insurance Co.--Key metrics (cont.)							
(Mil. SEK)	2026f	2025f	2024	2023	2022	2021	2020
Return on assets (excluding investment gains/losses) (%)	>1.5	>1.5	4.3	1.7	1.9	(0.3)	1.7

*Capital adequacy for 2023 onward as per new capital model. §Excluding bonus payments. f--Forecast. P/C-- Property/casualty. SEK--Swedish krona

Business Risk Profile: Strong

PRI is the main provider of credit insurance and administrative services for occupational pension plans in Sweden. It benefits from being the exclusive provider of credit insurance for ITP 2 schemes. Funding is based on a book reserve system, for which credit insurance is compulsory. ITP 2 is a defined-benefit pension scheme for private-sector white-collar workers born in or before 1978. In our opinion, PRI's unique position in a niche segment of the Swedish insurance market drives its stable income streams and healthy underwriting profitability.

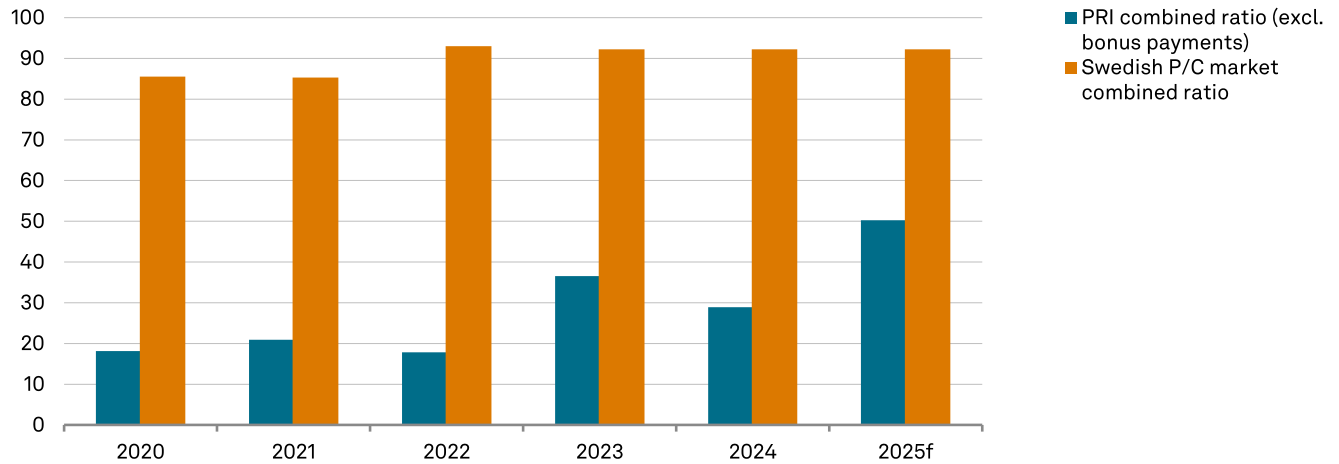
PRI has about 1,100 policyholder owners, including many of the major companies based in Sweden. The business concept is based on issuing credit insurance covering the owners' pension liabilities, which enables the owners to retain their pension capital in their business operations. In our view, PRI's mutual status, its longstanding relationship with its policyholder owners, and its broad range of products (which include financial reporting services, pension fund administration, and other pension administration services) support its overall strong position in the Swedish market.

We view the company as highly exposed to Sweden's economic development, because its insurance business is closely linked to economic cycles. PRI's business is also concentrated in terms of products, policyholders, and geography, with Swedish exposures representing about two-thirds of the total business.

Despite elevated unemployment and continued inflationary pressure in Sweden during 2024, PRI experienced an immaterial number of claims and, as such, reported a robust combined ratio of about 29%. We view the strong five-year average (2020-2024) combined ratio excluding bonus payments at about 20% as positive. Technical profit amounted to about Swedish krona (SEK) 400 million (excluding bonus payout), and net income came in at about SEK1.7 billion at year-end 2024, further improving the company's capital base.

Chart 1

PRI demonstrates robust technical profitability

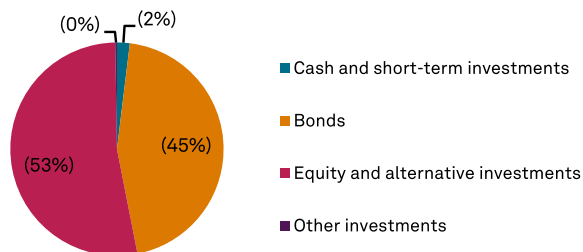


*Estimates for the Swedish P/C market for 2025. P/C--Property/casualty. f--Forecast. Sources: Swedish Insurance Association. S&P Global Ratings.
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Based on our prudent assumptions, we forecast a combined ratio of about 45% over 2025-2026. At the end of 2024, about 52% of the investment portfolio was allocated to equities and alternative investments, such as real estate funds and hedge funds. We view the allocation to equities and alternatives as elevated when comparing to market average. We view the fixed income portfolio, that consists of low-risk assets such as government and mortgage bonds, as positive. PRI's healthy capitalization allows for the allocation. The portfolio returned about 7.0% in 2024, which is well above the target of 5.5%.

Chart 2

Investment portfolio with meaningful allocation to equities and alternatives (%)



*Includes investment in affiliates. Sources: S&P Global Ratings.
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In our base case, we are prudent and expect PRI to report a net income of about SEK400 million (about €36 million) over the forecast period.

Financial Risk Profile: Strong

Given PRI's very robust capital buffers, its capital adequacy stands well above the benchmark of our '99.99%' category under our risk-based capital model. However, we acknowledge that our estimates of PRI's capital requirements, based on historical loss levels, may underestimate the sensitivity of PRI's gross exposure to potential economic shocks. We have incorporated these uncertainties in our conservative assessment of the financial risk profile. Therefore, we expect PRI to maintain its excellent capital position over the forecast period, not least due to its retained earnings and sustainably low claims ratios. The redundancy at the '99.99%' level is slightly larger than PRI's entire equity exposure, which underlines PRI's resilience against volatile equity markets.

The company's regulatory Solvency II ratio at the end of 2024 stood at 230%, including the capital add-on from the regulator. PRI has demonstrated a very stable and robust Solvency II ratio, with insignificant volatility. The regulator first applied the capital add-on in 2021 owing to their view that PRI's risk profile deviates significantly from the assumptions underlying the calculation of the solvency capital requirement according to the standard formula. The regulator has asked PRI to develop its own partial internal model, a project that was initiated in 2023. We think that the partial internal model will more accurately measure PRI's exposure and are closely monitoring any changes it may have on PRI's solvency ratio.

The 10 largest policyholders represent just under 40% of the company's net exposure, therefore, we consider policyholder concentration as one of PRI's main risks. We maintain this view, despite PRI's purchase of additional reinsurance for its peak exposures and the requirement that policyholders increase collateral to reduce customer concentration and overall net exposure.

The company has no debt on its balance sheet, and we expect its earnings will meet capital needs for future organic growth. Another strength, in our view, is the company's flexible bonus policy toward its mutual policyholders--because of this flexible policy it had made no bonus payouts until 2021. In 2022, PRI made a bonus payout of SEK400 million to policyholders. The decision regarding bonus payouts is taken annually and depends on consolidation and economic outlook.

Other Key Credit Considerations

Governance

PRI benefits from what we see as a highly experienced, stable management team. It has a strong governance track record and solid expertise in both the Swedish pension system in general and, more specifically, in credit insurance for pensions that rely on the book reserve system.

Given the company's relatively small size, we see some operational risk since it may be difficult to replace key personnel on short notice.

Liquidity

We consider PRI's liquidity as exceptional, owing to its solid available liquidity sources. These make PRI more than capable of dealing with any unexpected increases in the size or frequency of claims.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of March 18, 2025)*

PRI Pensionsgaranti Mutual Insurance Co.

Financial Strength Rating

Local Currency

A/Stable/--

Issuer Credit Rating

Local Currency

A/Stable/--

Holding Company

None

Domicile

Sweden

*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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