



**Fitch Downgrades Millenniumbcp-Ageas's Operating Entities' IFS to 'BBB-'; Outlook Negative**

25 Nov 2011

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Fitch Ratings-London-25 November 2011: Fitch Ratings has downgraded Portuguese insurer Millenniumbcp-Ageas's (MBCPA) operating entities' Insurer Financial Strength (IFS) ratings to 'BBB-' from 'BBB'. The Rating Watch Negative (RWN) on the ratings has been removed. The Outlook is Negative.

The downgrade follows Fitch's downgrade of Portugal's Long-term foreign and local currency Issuer Default Ratings (IDR) to 'BB+' from 'BBB-/RWN' on 24 November 2011 (see "Fitch Downgrades Portugal to 'BB+' from 'BBB-'; Outlook Negative" on [www.fitchratings.com](http://www.fitchratings.com)). The agency considers that the deterioration in Portugal's economic and fiscal profile, to which, as a largely domestic insurer, MBCPA has both significant business and investment concentration, indicates a heightened probability of a further rating downgrade of the insurer in the near term. This is reflected in the Negative Outlook, which also reflects the Negative Outlook attached to the sovereign rating.

Fitch continues to believe that the immediate impact of the deterioration in Portugal's economic and fiscal profile will be evidenced in a weakening of the insurer's regulatory solvency through the accumulation of sizeable unrealised capital losses on the Portuguese fixed-income portfolio and the part-suspension of new business being produced by the minority partner, Banco Commercial Portugues (Millennium bcp; 'BB+/Negative'). While a prolonged period of deterioration could result in a liquidity strain for the insurer, as policyholders look to redeem their policies, Fitch has no evidence to suggest that this is currently happening.

MBCPA's ratings incorporate some benefit from the Ageas Group's ratings (AG Insurance; IFS 'A+/Stable) reflecting ongoing and expected future operational and financial support. Majority owner Ageas has clearly stated that it continues to view MBCPA as a strategic investment and a long-term partnership and that, together with Millennium bcp, owner of the remaining 49% of MBCPA, it would ensure the protection of existing policyholders should this be necessary.

The most likely reason for a rating downgrade at this time would be a further downgrade of the Portuguese sovereign rating. A reduction in the level of implied support from the majority owner, Ageas, could also result in a downgrade. Conversely, explicit unilateral support from Ageas could result in a rating upgrade.

The ratings actions are as follows:

Ocidental-Companhia Portuguesa de Seguros de Vida S.A.  
IFS rating downgraded to 'BBB-' from 'BBB', Negative Outlook

Ocidental-Companhia Portuguesa de Seguros S.A.  
IFS rating downgraded to 'BBB-' from 'BBB', Negative Outlook

Companhia Portuguesa de Seguros de Saude S.A.  
IFS rating downgraded to 'BBB-' from 'BBB', Negative Outlook

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Insurance Rating Methodology' dated 16 August 2010 and 'Non-Life Insurance Rating Methodology' dated 31 March 2011, are available on [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

[Insurance Rating Methodology](#)

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