Research Update:

Poland-Based PZU Group 'A-' Ratings Affirmed On Resilient Financial Strength; Outlook Positive

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Primary Contact

Jure Kimovec, FRM, CAIA, ERP
Frankfurt
49-693-399-9190
jure.kimovec
@spglobal.com

Secondary Contact

Johannes Bender
Frankfurt
49-693-399-9196
johannes.bender
@spglobal.com

Research Contributor

Nadeem N Shaikh
CRISIL Global Analytical Center, an S&P Global Ratings affiliate
Mumbai

Overview

- Powszechny Zaklad Ubezpieczen S.A. (PZU) reported strong ongoing operating performance and robust capitalization for first quarter 2026, allowing it to pass our hypothetical foreign currency sovereign default stress test.
- Over the past year, the group has outlined several scenarios through which it intends to offset the impact of increasing capital requirements under the updated Solvency II rules coming into effect in January 2027.
- We believe PZU is committed to maintaining robust capitalization under the Solvency II update. However, if implemented, some of the proposed scenarios could potentially hinder the group's ability to continue passing our sovereign stress test.
- We therefore affirmed our 'A-' issuer credit and financial strength ratings on PZU and its core subsidiaries.
- The outlook remains positive, indicating that we could raise the ratings if the final measures implemented by the group preserve PZU's ability and willingness to pass our hypothetical foreign currency sovereign stress test under the updated Solvency II capital requirements.

Rating Action

On May 29, 2026, S&P Global Ratings affirmed its 'A-' issuer credit and financial strength ratings on Poland-based insurer Powszechny Zaklad Ubezpieczen S.A. (PZU) and its core operating subsidiaries: Powszechny Zaklad Ubezpieczen na Zycie S.A. and Towarzystwo Ubezpieczen Wzajemnych Polski Zaklad Ubezpieczen Wzajemnych. We maintained our positive outlook on the three entities.

Rationale

The affirmation and positive outlook reflect our view that PZU has sufficient flexibility to navigate the materially increased capital requirements expected under the updated Solvency II framework from early 2027. It also reflects our uncertainty around how alternative capital optimization measures may affect the group's medium-to-long-term ability and willingness to keep passing our hypothetical sovereign stress test--a key factor that supports our rating on PZU being rated above the foreign-currency sovereign rating on Poland (A-/Stable/A-2).

We understand that the ownership restructuring originally outlined by PZU in mid-2025 ("Bulletin: PZU And Pekao Ratings Unchanged Following Announced Reorganization Memorandum," June 2, 2025), and considered as the key mitigation measure, continues to depend on major legislative changes and stakeholder approval. While the Polish government has been conducting intergovernmental consultations over recent quarters, no formal legal proposal has been agreed upon or submitted to parliament. As such, four laws--insurance and reinsurance law, banking law, the law on the management of state assets, and insurance distribution law--continue to present a roadblock and would need to be amended to facilitate the transaction. Consequently, the timing and feasibility of the legal changes required to enable the creation of a holding company and potential subsequent merger into Bank Pekao (A-/Stable/A-2) is highly uncertain.

In parallel, PZU has been preparing alternative mitigating scenarios if the proposed holding company creation and subsequent merger solution is not feasible. Given the current legislative stalemate, we understand that PZU is now preparing to execute alternative management actions to preserve its robust regulatory capital position as the updated Solvency II regulation takes effect in 2027. PZU's management has identified several possible actions, including adjustments to its reinsurance program, material shifts in its investment portfolio toward Polish sovereign bonds, and a potential regulatory application to use an internal model. We also understand PZU's management remains committed to its 2025-2027 business strategy, which, among other objectives, foresees the consolidation of PZU banking assets, a move that could also help offset the impact of the new regulatory rules. (See "Bulletin: Potential Reorganization Of PZU's Banking Participations Would Likely Be Neutral For The Ratings On All Entities," Dec. 12, 2024)

Over the past year, PZU has also strengthened its regulatory solvency capital buffers, which increased to 239% at the end of 2025 from 226% at end-2024 (based on the standard formula, no transitional adjustment). At year-end 2025, the group capital adequacy had a sizable capital buffer above our insurance capital model at the 99.99% confidence threshold. The group continued to show solid earnings generation in first quarter 2026, when it reported an operating profit of Polish zloty (PLN) 1.36 billion (about €320 million). This operating profit underpins steady capital generation, even as the group declared moderate dividends for the fiscal year 2025 (ending Dec. 31, 2025). In our view, sustained and resilient earning generation through 2026 and in 2027 would facilitate strong ongoing capital generation, providing greater flexibility regarding the extent of implementation of other alternative capital optimization measures.

Outlook

The positive outlook reflects our view that the group will successfully adapt to the upcoming Solvency II update due for January 2027 and will continue to withstand potential sovereign stress as defined under our hypothetical scenario. Additionally, we anticipate that PZU's insurance and banking operations will continue to generate strong and resilient earnings.

Downside scenario

We could consider revising the outlook to stable within the next 12 months if, contrary to our current expectations, we believe PZU would be unlikely to pass our hypothetical sovereign stress test due to:

- A complex reorganization resulting in PZU becoming a subsidiary of Bank Pekao without sufficient operational autonomy from the parent group,
- A significant increase in investment risk exposure to Polish sovereign bonds or the Polish banking sector, or
- A combination of heightened regulatory capital requirements and material capital and earnings volatility.

Upside scenario

Within the next 12 months, we could consider raising the ratings if:

- The group continues to sustainably pass our hypothetical foreign currency sovereign stress test.
- Insurance performance remains resilient, with the non-life combined ratio at 95% or lower and the life-business margin at or above 20%.
- Banking investments remain resilient and provide a stable profit contribution to PZU.

Rating Component Scores

Business Risk Profile	**Strong**
Competitive position	Very strong
IICRA	Moderately high risk
Financial Risk Profile	**Strong**
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
Anchor	**a-**
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A-/Positive/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A-/Positive/--
Foreign currency issuer credit rating	A-/Positive/--

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
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Research Update: Poland 'A-/A-2' Foreign Currency And 'A/A-1' Local Currency Ratings Affirmed; Outlook Stable, May 8, 2026
- Research Update: Alior Bank Upgraded To 'BBB-/A-3' From 'BB+/B' On Improving Risk Profile; Outlook Stable, Feb. 24, 2026
- Insurance Industry And Country Risk Assessment: Poland Life, Dec. 9, 2025
- Insurance Industry And Country Risk Assessment: Poland Property/Casualty, Dec. 9, 2025
- Bulletin: Economic Risks For Polish Banks Unchanged Amid Rising Fiscal Risks In The Country, Nov. 10, 2025
- Research Update: Poland 'A-/A-2' Foreign Currency And 'A/A-1' Local Currency Ratings Affirmed; Outlook Stable, Nov. 7, 2025
- Alior Bank S.A. Full Analysis, July 9, 2025
- Bulletin: PZU And Pekao Ratings Unchanged Following Announced Reorganization Memorandum, June 2, 2025
- Research Update: Alior Bank Affirmed At 'BB+/B' On Gradually Improving Risk Profile; Outlook Positive, May 26, 2025
- European Bancassurers Are On The Offensive, April 8, 2025
- Bulletin: PZU Group CEO Change Should Not Lead To Change In Focus On Robust Performance And Capital Position, Jan. 29, 2025
- Bulletin: Potential Reorganization Of PZU's Banking Participations Would Likely Be Neutral For The Ratings On All Entities, Dec. 12, 2024
- Research Update: Bank Polska Kasa Opieki Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable, Sept. 13, 2024
- Research Update: Poland-Based PZU Group Outlook Revised To Positive On Ongoing Robust Performance And Capital Position; Affirmed At 'A-', May 28, 2024

Ratings List

Ratings List	
Ratings Affirmed	
Powszechny Zaklad Ubezpieczen S.A.	
Issuer Credit Rating	A-/Positive/--
Powszechny Zaklad Ubezpieczen na Zycie S.A.	
Issuer Credit Rating	

Ratings List

Local Currency	A-/Positive/--
Powszechny Zaklad Ubezpieczen S.A.	
Powszechny Zaklad Ubezpieczen na Zycie S.A.	
Towarzystwo Ubezpieczen Wzajemnych Polski Zaklad Ubezpieczen Wzajemnych	
Financial Strength Rating	
Local Currency	A-/Positive/--