Fitch Affirms Sagicor Financial's Ratings; Outlook Stable

Fitch Ratings - New York - 06 Dec 2021: Fitch Ratings has affirmed Sagicor Financial Company Limited's (SFCL) Long-Term Issuer Default Rating (IDR) at 'BB'. Fitch has also affirmed SFCL's senior debt ratings at 'BB-'. The Rating Outlook is Stable.

Key Rating Drivers

The affirmation of SFCL's ratings considers the company's 'less favorable' business profile, which is heavily influenced by the economic environment and sovereign risks of Barbados and Jamaica. The ratings also consider the company's strong capitalization and profitability, large investment exposure to below-investment grade sovereign debt, and macroeconomic challenges associated with low interest rates.

Fitch's view of SFCL's business profile is heavily influenced by the economic environment and sovereign risks of Barbados and Jamaica. While the company has made progress diversifying its business mix driven by growth in the U.S., the company's operations remain concentrated in Barbados and Jamaica.

SFCL's investment portfolio has considerably above average investment risk relative to the industry. SFCL's investment portfolio has substantial concentrations in Jamaica and Barbados sovereigns. These investments are primarily used to meet regulatory requirements and for insurance liability matching purposes; as a result the portfolio has a significant concentration of below investment-grade debt.

While the sovereign concentrations are reasonable given the company's operations in these two countries, the sovereign exposures represent a large concentration risk and a potential source of volatility to capital adequacy in the event of an adverse sovereign scenario.

Fitch views capitalization of SFCL's insurance operations to be strong and supportive of the ratings following the 2019 acquisition by Alignvest II Acquisition Corporation (AQY), which brought in significant capital proceeds. Fitch's view of SFCL's strong capitalization is supported by strong consolidated MCCSR reported at 247% as of Sept. 30, 2021 and operating leverage at 7x as of Sept. 30, 2021, which is very strong relative to life insurance peers.

SFCL's financial leverage ratio of 29% (adjusted to exclude non-controlling interests from capital) as of Sept. 30, 2021 is within Fitch's expectations for the current rating. SFCL's financial leverage has historically been high and favorably declined primarily due to additional capital proceeds following completion of the AQY transaction. Financial leverage increased following the debt refinance in the second quarter of 2021.
Fitch considers SFCL's financial performance to be strong and supportive of the ratings. SFCL's strong operating results for the first nine months of 2021 benefited from favorable investment performance, favorable annual assumption review results and strong sales growth in the U.S. SFCL's 2020 financial performance was negatively affected by the pandemic, largely driven by unfavorable marked to market losses and higher overall credit impairments.

SFCL is a Bermuda-based financial holding company and leading provider of insurance products and financial services in the Caribbean. It also provides insurance products in the U.S. as well as banking and investment management services in Jamaica. Primary insurance subsidiaries and the corresponding regions for SFCL include Sagicor Group Jamaica Ltd. (Jamaica and Cayman Islands), Sagicor Life Inc. (Barbados and Trinidad and Tobago), and Sagicor Life USA (U.S.). Aside from these main subsidiaries and regions, the company also has insurance operations in many of the Eastern and Dutch Caribbean islands and select Latin American countries.

RATING SENSITIVITIES

Under its criteria, notching between actual and/or implied Insurer Financial Strength "anchor" ratings and the IDR of a holding company compresses/expands by one notch when the anchor rating migrates between investment grade and non-investment grade. SFCL's implied anchor ratings would move between that cusp point if upgraded by one notch, implying the next potential upgrade in SFCL's holding company IDR and senior debt ratings would be by two notches.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--No material deterioration in economic and operating environments and sovereigns of Jamaica, Trinidad, and Barbados;

--Deployment of capital proceeds from the AQY transaction to grow operations in investment grade jurisdictions;

--Decline in financial leverage ratio below 25% (adjusted to exclude non-controlling interests from capital).

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Significant deterioration in the economic and operating environments and sovereigns of Jamaica, Trinidad, and Barbados which would lead to a material decline in operating performance and/or credit profile of SFCL's investment portfolio;

--Deterioration in key financial metrics, including consolidated MCCSR falling below 180% and financial leverage exceeding 50% and ROE below 5% on a sustained basis.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive
direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Fitch Ratings Analysts

Nelson Ma, CFA
Director
Primary Rating Analyst
+1 212 908 0273
Fitch Ratings, Inc. Hearst Tower 300 W. 57th Street New York, NY 10019

Milena Carrizosa
Senior Director
Secondary Rating Analyst
+60 1 484 6772

Julie Burke, CFA, CPA
Managing Director
Committee Chairperson
+1 312 368 3158

Media Contacts

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com
### Rating Actions

<table>
<thead>
<tr>
<th>ENTITY/DEBT</th>
<th>RATING</th>
<th>RECOVERY</th>
<th>PRIOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sagicor Financial Company Ltd.</td>
<td>LT IDR BB</td>
<td>Affirmed</td>
<td>BB</td>
</tr>
<tr>
<td>• senior unsecured LT</td>
<td>BB-</td>
<td>Affirmed</td>
<td>BB-</td>
</tr>
</tbody>
</table>

### RATINGS KEY

<table>
<thead>
<tr>
<th>OUTLOOK</th>
<th>WATCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSITIVE</td>
<td>⬠</td>
</tr>
<tr>
<td>NEGATIVE</td>
<td>☹</td>
</tr>
<tr>
<td>EVOLVING</td>
<td>⬠</td>
</tr>
<tr>
<td>STABLE</td>
<td>☹</td>
</tr>
</tbody>
</table>

### Applicable Criteria

Insurance Rating Criteria (pub.26 Nov 2021) (including rating assumption sensitivity)

### Additional Disclosures

Solicitation Status

### Endorsement Status

- Sagicor Financial Company Ltd.: EU Endorsed, UK Endorsed

### Disclaimer

All Fitch credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). In addition, the
FOLLOWING HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

Copyright

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at
the time a rating or forecast was issued or affirmed.
The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Endorsement policy
Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s Regulatory Affairs page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.