

RATING ACTION COMMENTARY

Fitch Affirms ivari's IFS Rating at 'A-'; Removes from RWN; Outlook Stable

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Fitch Ratings - New York - 04 Oct 2023: Fitch Ratings has affirmed ivari's Insurer Financial Strength (IFS) rating at 'A-' and removed the rating from Rating Watch Negative (RWN). The Rating Outlook is Stable.

KEY RATING DRIVERS

The rating actions follow the completion of the previously announced sale of ivari from Wilton Re Ltd. to Sagicor Financial Company Ltd. The affirmation with a Stable Outlook reflects Fitch's view that ivari's credit quality will be maintained under its new owner, with a stronger balance sheet partially offset by a weaker parent.

ivari is a mid-size Canadian life insurer with a leading position in universal life (UL) insurance, with an emphasis on the middle-income market, which Fitch expects to persist under new ownership. ivari will largely operate as a standalone entity, with minimal integration with its new parent. ivari is rated higher than its new parent based on Fitch's view that it is sufficiently insulated from any potential weakness. ivari will have dividend paying capacity to support parent company objectives, though it is expected to maintain a higher regulatory target capital level compared with under prior ownership. As of 2Q23, ivari's Life Insurance Capital Adequacy Test Ratio was viewed as very strong at 123%.

Fitch views ivari's balance sheet as conservative and risk as generally low, with equity risk primarily borne by UL policyholders. Profitability has been modest and volatile over recent years, in part due to the mark-to-market accounting regime and assumption updates, and is expected to exhibit more stability under IFRS 17, though return metrics will trail larger and higher rated Canadian peers.

RATING SENSITIVITIES

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

--An upgrade is unlikely absent an upgrade in Sagicor's rating coupled with improvement in ivari's standalone credit quality, which could be driven by an improved business profile along with a LICAT ratio in excess of 120% and a return on capital exceeding 9%.

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

--A decline in Sagicor's ratings could lead to a downgrade in ivari's ratings;

--Deterioration in capital as evidenced by a LICAT ratio below 110%;

--Deterioration in Fitch's assessment of business profile driven by a change in strategy or increased risk in the product profile;

--Decline in profitability with a return on capital sustained below 5%.

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.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

ivari's ratings are linked to those of its new parent, Sagicor Financial Company Ltd.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
ivari	LT IFS A- Rating Outlook Stable Affirmed	A- Rating Watch Negative

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APPLICABLE CRITERIA

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ivari EU Endorsed, UK Endorsed

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