

07 DEC 2021

## Fitch Assigns 'BB-' Rating to Sagicor Financial's Notes

Fitch Ratings - New York - 07 Dec 2021: Fitch Ratings has assigned a 'BB-' rating to the senior notes proposed to be issued by Sagicor Financial Company Limited (SFCL). SFCL's existing ratings are not affected by this rating action.

### Key Rating Drivers

Today's rating action follows the company's announcement that SFCL proposes to issue additional senior notes via a reopening of its senior note issue completed in May 2021. SFCL expects to use the proceeds for the additional issuance for general corporate purposes, including, but not limited to supporting growth in the company's U.S. business.

The ratings assigned to the senior unsecured notes reflect standard notching based on Fitch's rating criteria. The senior unsecured notes are rated one notch below SFCL's IDR of 'BB'.

### RATING SENSITIVITIES

Under its criteria, notching between actual and/or implied Insurer Financial Strength "anchor" ratings and the Issuer Default Rating (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;

--A 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>

### **Date of Relevant Committee**

03 December 2021

### **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](http://www.fitchratings.com/esg).

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## Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Sagicor Financial Company Ltd.			
• senior unsecured <sup>LT</sup>	BB-		New Rating

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

## 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

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