

# Sagicor Financial Co. Ltd.'s Proposed Senior Unsecured Notes For Up To \$400 Million Rated 'BB+'

# May 3, 2021

MEXICO CITY (S&P Global Ratings) May 3, 2021--S&P Global Ratings today assigned its 'BB+' issue-level rating to Sagicor Financial Co. Ltd.'s (SFC; BB+/Stable/--) proposed up to \$400 million senior unsecured notes with a tenor of up to seven years. The insurance group will mainly use the proceeds to pay down Sagicor Finance (2015) Ltd.'s (SF15; BB+/Stable/--) \$320 million seven-year senior unsecured notes due 2022, with the remainder for general corporate purposes. We expect Sagicor to continue deploying capital to finance growth opportunities in the next few years, mostly in the U.S. We believe the insurance group's financial leverage will remain stable at about 25% after SF15 pays down its outstanding \$320 million notes.

The rating on the proposed \$400 million senior unsecured notes is the same as that on the issuing entity, SFC, because of the notes' seniority. We rate SFC two notches below our group credit profile (GCP; 'bbb') on the Sagicor group because of the holding company's structural subordination to the policyholder obligations of the group's operating companies. SFC is the ultimate parent at the top of the Sagicor group's structure.

The GCP on Sagicor group reflects its solid brand recognition in the Caribbean, as well as its sound business and geographic diversification. Moreover, we believe the group's focus on efficient growth and conservative underwriting policies will continue supporting stable earnings, with a return on equity (ROE) above 8% in the next few years once the effects of the pandemic have dissipated. The GCP also captures our Insurance Industry Country Risk Assessment (IICRA), which assesses the economic, regulatory, and operating conditions for the industries and countries where the group bases its insurance operations. We expect Sagicor to maintain premiums in the U.S. representing about 40% of total premiums in the next two years, which, combined with relatively stable share of business in Jamaica and Barbados, preserves our overall country and industry weightings per our IICRA assessment.

Our assessment of Sagicor's creditworthiness also incorporates its strong capitalization under our risk-based capital model, good investment and insurance portfolio diversification, and ability to manage debt. We expect sound and increasing earnings, along with stable debt, to continue improving our financial leverage ratio to about 25% and fixed-charge coverage to about 8x in the next few years. Our assessment also reflects the group's record of active capital deployment in new businesses, including recent rapid growth in the U.S. and external acquisitions of insurance assets in Jamaica and Trinidad and Tobago, which could pressure the strong capitalization level beyond our current expectations. Our ratings also incorporate our expectations of continued high liquidity and satisfactory corporate governance standards.

#### PRIMARY CREDIT ANALYST

#### Camilo Andres Perez

Mexico City + 52 55 5081 4446 camilo.perez @spglobal.com

#### SECONDARY CONTACT

#### Sergio A Garibian

+ 55 11 3039 9749 sergio.garibian @spglobal.com

### Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- 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
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

## Related Research

- Sagicor Upgraded To 'BB+' From 'BB' On Consistently Stronger Capital Adequacy, Outlook Stable, Nov. 25, 2020

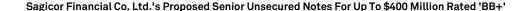
# **Ratings List**

#### **New Rating**

#### Sagicor Financial Co. Ltd.

Senior Unsecured BB+

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