



BEST'S COMPANY REPORT

SAGICOR LIFE INSURANCE COMPANY

Domiciliary Address: 3410 Far West Boulevard, Suite 200, Austin, Texas 78731 United States

Administrative Office: 8660 E. Hartford Drive, Suite 200, Scottsdale, Arizona 85255 United States

Mailing Address: P.O. Box 52121, Phoenix, Arizona 85072-2121 United States

AMB #: 006057

NAIC #: 60445

FEIN #: 74-1915841

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Best's Credit Rating Effective Date

October 20, 2023

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Sagicor Life Insurance Company

AMB #: 006057 | **NAIC #:** 60445 | **FEIN #:** 74-1915841

Ultimate Parent: AMB # 088130 - Sagicor Financial Company Ltd.

Best's Credit Ratings

Financial Strength Rating (FSR)

<p>A-</p> <p>Excellent</p> <p>Outlook: Stable Action: Affirmed</p>
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Issuer Credit Rating (ICR)

<p>a-</p> <p>Excellent</p> <p>Outlook: Stable Action: Affirmed</p>
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Assessment Descriptors

Balance Sheet Strength	Adequate
Operating Performance	Marginal
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Sagicor Life Insurance Company | **AMB #:** 006057

AMB # **Rating Unit Members**
068076 Laurel Life Insurance Company *

* AMB# 068076 was deleted as a member of the Rating unit

Rating Rationale

Balance Sheet Strength: **Adequate**

- Capital Maintenance Agreement supporting surplus levels.
- Conservative, liquid investment portfolio.
- Surplus notes make up a significant portion of capital.
- Dependence on reinsurance.

Operating Performance: **Marginal**

- Strong growth in direct annuity premiums.
- Negative statutory net income; profitable IFRS results.
- Volatile statutory results due to new business strain and hedging program.

Business Profile: **Neutral**

- Diversified product portfolio.
- Annuity market is very competitive; Sagicor Life Insurance Company (SLIC) lacks scale.
- SLIC is a significant part of Sagicor Financial Company Ltd.'s (SFC) overall strategy, contributing approximately 60% of the direct premium and holding 40% of the assets of consolidated SFC.

Enterprise Risk Management: **Appropriate**

- Integrated ERM program set by the group manages risks across all the companies under SFC.
- Product risk elevated due to concentration in annuities, which are risk managed by a hedging program.

Rating Lift/Drag

- Parental guarantee to provide capital at the 300% risk-based capitalization (RBC) level.
- SFC has made capital contributions consistently each year to support the Capital Maintenance Agreement.

Outlook

- The rating outlooks are stable as the US operations are a strategic growth focus.

Rating Drivers

- A negative rating action could occur if there is significant deterioration of the balance sheet metrics of Sagicor Life Insurance Company.
- Although unlikely, a positive rating action could occur if there is improved operating performance metrics.

Credit Analysis

Balance Sheet Strength

Capitalization

A.M. Best notes that the relatively large proportion of surplus notes to statutory capital and surplus is a concern. However, A.M. Best acknowledges that these surplus notes are held by the company's parent as part of its compliance with a capital maintenance agreement to maintain the company's statutory risk-based capital at 300% RBC (company action level). The company has also received explicit support which includes over \$100 million in capital contributions.

Sagicor Life Insurance Company's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), has been steady over the past several years. New business growth and related statutory strain have contributed to the company's low risk-adjusted capitalization.

Balance Sheet Strength (Continued...)

As a result of the parent company's financial support, A.M. Best expects the company to support its new growth strategy while rejuvenating its internal business and operational infrastructure.

Asset Liability Management - Investments

Over the past five years, both investment and insurance assets have grown consistently in line with the company's growth in premiums and capital and surplus funds. SLIC maintains a diversified investment portfolio, primarily comprised of high credit quality fixed income securities, while its exposure to below-investment-grade bonds remains modest. The company's bond portfolio primarily consists of investment-grade government bonds, corporate issues and public utility bonds. Over time, the amount of NAIC class 2 bonds has increased. The company maintains a portfolio of CMO's to support its participation in the Federal Home Loan Bank (FHLB) lending program, which provides the company with net investment income to support its operating performance, as well as a source for liquidity. The mortgage loans portfolio as a percentage of invested assets has grown over time and now represents approximately 6% of total invested assets. The remainder of SLIC's investment portfolio consists principally of preferred and common stock holdings.

Reserve Adequacy

Reserves are adequate for anticipated cash flows and contractual obligations.

Operating Performance

Sagicor Life Insurance Company has reported statutory operating losses due to new business strain and volatile statutory results due to hedge accounting. The company reports profitable comprehensive income on an IFRS basis.

The company offers a variety of life and annuity products in line with its new business plan supported by its diverse distribution platform. Annuities continue to generate the majority of direct premium. The company has historically managed strain associated with new annuity business with coinsurance agreements. In 2018, the company began to retain 100% of its new annuity business. Annuity direct premium has significantly increased since 2018 due to the introduction of MYGA and indexed annuity offerings. The company entered into a reinsurance agreement with a captive reinsurer, Sagicor Reinsurance Bermuda Ltd (life reinsured in 2020, annuities reinsured in 2021), to lower the impact of statutory new business strain.

Going forward, A.M. Best notes that SLIC's statutory operating results may continue to be impacted by its continued focus on new business growth along with new product development and marketing which result in additional expenses. In addition, net income may be impacted by required statutory accounting treatment for commissions on new business as well as hedging options and realized gains on investments that do not follow the economic substance of these transactions. This impact is expected to be mitigated by reinsurance.

Business Profile

Sagicor Life Insurance Company (Austin, TX) is wholly owned by Bermuda based Sagicor Financial Company Ltd. SFC is one of the dominant financial services companies in the Caribbean with operations in 21 countries, mainly Canada, the Caribbean, Latin America, and the United States.

SLIC's growth strategy historically had consisted of acquisitions, reinsurance transactions, and organic annuity growth. While the company continues to look for strategic acquisitions and reinsurance transactions to complement growth, it is now focused on growing organically. The company has developed several universal life, and whole life products featuring return of premium options as well as chronic illness benefits. SLIC has also developed a suite of indexed life and annuity products that feature a basket option for those policyholders looking for diversification without downside risk. The company has focused on balancing its sales between the product lines and managing capital levels. Although annuity production is managed by adjusting crediting rates and face amounts accepted, surplus strain associated with annuity new business prior to 2018 was also managed by reinsuring portions with unaffiliated third-parties.

The annuity portfolio currently consists of single premium deferred annuities, fixed index annuities, and a suite of Multi-Year Guaranteed Annuities.

SLIC markets its products through traditional agencies and financial institution general agencies as well as individually contracted personal producing general agents (PPGAs). SLIC maintains a policy administration system that is continually being enhanced and provides flexibility and efficiency for processing life insurance products and has enabled the company to provide third-party administration services effectively to unaffiliated insurers.

Enterprise Risk Management

SFC continues to develop an effective system of processes across its holdings to achieve integrated and centralized risk management. The enterprise risk management framework, which is overseen by the Chief Risk Officer, comprises articulation of risk philosophy and appetite, risk policies and a regime of monitoring risk exposures both at SFC and at the subsidiary levels. Ownership of risk rests with the business units while there is an enterprise wide view for setting risk tolerances and risk appetite.

SFC has implemented a governance, risk and compliance system to facilitate the identification and management of risks, the identification and monitoring of internal controls relating to those risks and the review and audit of areas identified by business units. All companies within the SFC group use the same data repository and share a common taxonomy and language, making it easier to understand and report in these critical areas. One of the primary purposes of the system is to automate much of the work associated with the documentation and reporting of risk management and compliance activities that are most closely associated with corporate governance. Another purpose is to facilitate better entity management.

Country Risk: While Sagicor Life Insurance Company operates in the United States, and its ultimate parent is now domiciled in Bermuda, the operations of the other subsidiaries of its ultimate parent are based in Canada and Caribbean countries with varying levels of Country Risk, including Jamaica, Barbados and Trinidad and Tobago.

Reinsurance Summary

SLIC has an historically high dependence on reinsurance. The company entered into a reinsurance agreement with a captive reinsurer, Sagicor Reinsurance Bermuda Ltd (life reinsured in 2020, annuities reinsured in 2021), which is projected to lower the strain of new business. The company also entered into a modified coinsurance agreement in 2022 with Hannover Re to cede a \$1.9 billion block of MYGA annuities written in 2021 and 2022.

Rating Lift/Drag

In 2007, SFC approved an unconditional guarantee to provide additional capital as needed by Sagicor to maintain a minimum RBC level of 300% of Company Action Level. There is consistent support from the parent company in the form of a capital maintenance agreement. SFC holds approximately \$126 million of the company's surplus notes as of year end 2022.

Financial Statements

	6-Months		Year End - December 31			
	2023		2022		2021	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	221,438	4.8	69,848	1.7	224,972	7.5
Bonds	3,649,020	78.9	3,444,817	82.7	2,230,754	74.4
Preferred and Common Stock	183,550	4.0	178,708	4.3	282,035	9.4
Other Invested Assets	441,040	9.5	360,876	8.7	176,907	5.9
Total Cash and Invested Assets	4,495,048	97.2	4,054,249	97.3	2,914,668	97.2
Premium Balances	8,631	0.2	8,359	0.2	8,070	0.3
Net Deferred Tax Asset	9,827	0.2	9,827	0.2	13,376	0.4
Other Assets	109,611	2.4	92,326	2.2	61,492	2.1
Total General Account Assets	4,623,118	100.0	4,164,761	100.0	2,997,606	100.0
Total Assets	4,623,118	100.0	4,164,761	100.0	2,997,606	100.0
Net Life Reserves	3,884,268	84.0	3,401,029	81.7	2,227,668	74.3
Net Accident & Health Reserves	455	...	335	...	234	...
Liability for Deposit Contracts	463,087	10.0	507,562	12.2	527,416	17.6
Asset Valuation Reserve	32,333	0.7	16,148	0.4	24,342	0.8
Other Liabilities	74,841	1.6	38,673	0.9	48,224	1.6
Total General Account Liabilities	4,454,984	96.4	3,963,747	95.2	2,827,884	94.3
Total Liabilities	4,454,984	96.4	3,963,747	95.2	2,827,884	94.3
Capital Stock	2,500	0.1	2,500	0.1	2,500	0.1
Paid-In and Contributed Surplus	376,773	8.1	376,364	9.0	274,761	9.2
Unassigned Surplus	-337,106	-7.3	-303,817	-7.3	-253,506	-8.5
Other Surplus	125,967	2.7	125,967	3.0	145,967	4.9
Total Capital and Surplus	168,134	3.6	201,014	4.8	169,722	5.7
Total Liabilities, Capital and Surplus	4,623,118	100.0	4,164,761	100.0	2,997,606	100.0

Source: BestLink® - Best's Financial Suite

Sagicor Life Insurance Company

Operations

Date Incorporated: April 05, 1954 | **Date Commenced:** April 05, 1954

Domiciled: Texas, United States

Licensed: (Current since 10/31/2018). It is qualified or accredited for reinsurance in Connecticut, Maine and Vermont. The company is licensed in the District of Columbia, AL, AZ, AR, CA, CO, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WV, WI and WY.

Business Type: Life, Annuity, and Accident
Organization Type: Stock
Marketing Type: Independent Agency
Best's Financial Size Category: VIII (USD 100 Million to Less than 250 Million)

Last Update

November 08, 2023

Identifiers

AMB #: 006057
NAIC #: 60445
FEIN #: 74-1915841
LEI #: 549300LOMHNA80VL1783

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 006057 - Sagicor Life Insurance Company

Refer to the [Best's Credit Report for AMB# 006057 - Sagicor Life Insurance Company](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1962. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Oct 20, 2023	A-	Stable	Affirmed	a-	Stable	Affirmed
Sep 1, 2022	A- u	Developing	Under Review	a- u	Developing	Under Review
Nov 4, 2021	A-	Stable	Affirmed	a-	Stable	Affirmed
Sep 11, 2020	A-	Stable	Affirmed	a-	Stable	Affirmed
Sep 20, 2019	A-	Stable	Affirmed	a-	Stable	Affirmed

Management

Officers

CEO: Andre Mousseau

CFO: Gregg Clifton

SVP, Chief Administrative Officer: Michael P. Stricker

SVP, Group Vice President, Chief Investment Officer: Bernard R. Gaffney (Senior, Investments)

SVP, Corporate Secretary: James G. Golembiewski (Legal & Compliance)

SVP: Dennis Cody (Financial Planning & Analysis)

Vice President: Catherine Hauck (Human Resources)

Directors

Stephen McNamara (Chair)

Damion Brown

Todd M. Campbell

Monish K Dutt

Patrick Ellis

Jonathan Finkelstein

William P. Lucie-Smith

Dodridge D. Miller

Vikki L. Pryor

Peggy M. Rubin-Dittemore

Aviva Shneider

Craig Story

History

Originally incorporated as American Founders Life Insurance Company, the present title was adopted during 2006.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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