

SAGICOR LIFE INC. RATING ACTION BY S&P

Overview:

Following the recent lowering of the sovereign rating on Barbados to “B” from “BB-”, Standard and Poor’s (S&P) on December 30, 2014 lowered the rating on Sagicor Life to “BB-”, from “BB+”. The rating action on Sagicor is as a direct result of the rating action on Barbados, and the rating on Sagicor remains the maximum two notches above its Sovereign Barbados. At the same time, S&P lowered the rating on Sagicor Finance Ltd.’s US \$150 million, 10 year senior unsecured note to “B”. Sagicor passed stress tests for both Barbados and Jamaica; and therefore S&P assigned a rating of “BB-”, which is above the current rating of these two countries.

Rationale:

In explaining its rationale for the rating action, S&P indicated that on a stand-alone basis Sagicor has a potential rating of “BB+”, which is supported by the company’s moderately strong capitalization, improving operating performance and adequate competitive position. However, the current rating action is as a result of the rating action on Barbados.

While Sagicor passes the default stress scenario for Barbados, a life insurer’s rating is capped by its country of domicile due to its high sensitivity to country risk, the critical role of regulations and access to funding. The rating action also considers Sagicor’s exposure to Jamaica, which is rated “B-”.

The Sagicor Group recorded net income of US \$39.0 million for the nine months ended September 30th 2014, compared to a loss of US \$1.9 million for the same period of 2013. The Group’s continuing operations recorded net income of US \$39.6 million for the nine months in 2014, compared to US \$39.3 million for the corresponding period in 2013.

Outlook:

The rating outlook is negative, reflecting the outlook on the Barbados rating, and remains susceptible to any further rating action on Barbados. According to S&P, the Sagicor rating could be upgraded if the company maintains the positive trend in its operating performance, adequate capitalization levels commensurate with the “BBB” benchmark, completion of its plans to relocate its country of domicile to a country with at least investment grade ratings, strong regulations and adequate access to funding.

Sagicor Life Inc.



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