

17 MAR 2020

## Fitch Revises Sagicor Financial Company Limited's Rating Outlook to Stable; Affirms Ratings

Fitch Ratings - New York - 17 Mar 2020: Fitch Ratings has revised Sagicor Financial Company Limited's (SFCL) Rating Outlook to Stable from Positive. In addition, Fitch has affirmed SFCL's Long-Term Issuer Default Rating (IDR) at 'BB' and senior debt ratings at 'BB-'.

### Key Rating Drivers

SFCL's Outlook revision to Stable coincides with Fitch's decision to revise its industry outlook to negative, and reflects significant uncertainty created by the global coronavirus pandemic, which has resulted in high levels of volatility in capital markets. This, in turn, has resulted in a sharp drop in interest rates, as well as significant variability in stock, bond and derivative prices. Life insurers are also exposed to spikes in mortality. The combination will likely create some pressure on earnings and variability in capital levels, the severity and duration of which is impossible to predict at this time. Fitch believes the totality of these conditions no longer support a Positive Outlook.

SFCL's ratings consider the company's strong and improving capitalization, and the operating and economic environments of two of its main insurance subsidiaries in Jamaica and Barbados, both of which have below-investment grade sovereign ratings. SFCL has very high capital exposure and concentrations in below-investment-grade sovereign debt, which are primarily used to meet local regulatory requirements and match local liabilities. The ratings also consider SFCL's strong and stable profitability, and macroeconomic challenges associated with low interest rates.

### RATING SENSITIVITIES

A near-term return to a Positive Outlook would hinge on a fast resolution of the coronavirus situation, with minimal impact on the economy, which Fitch currently views as highly unlikely. Barring that, longer-term sensitivities that could result in an upgrade include:

- No material deterioration in economic and operating environments and sovereigns of Jamaica, Trinidad, and Barbados resulting from the coronavirus situation;
- Deployment of capital proceeds from the AQY transaction to grow operations in investment grade jurisdictions;
- Decline in financial leverage ratio below 25% (adjusted to exclude non-controlling interests from capital).

Fitch is continuing to monitor the potential impact of the coronavirus pandemic on ratings, including development of appropriate base case ratings assumptions. Downward pressure could result if application of Fitch's base case ratings assumptions would indicate a pro-forma financial profile that falls outside of the flowing sensitivities:

--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 MCCR falling below 180% and financial leverage exceeding 50% and ROE below 5% on a sustained basis.

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## Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
Sagicor Financial	LT IDR	BB 	Affirmed	BB 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Company Ltd.			
Sagicor Finance (2015) Limited			
• senior unsecured <sup>LT</sup>	BB-	Affirmed	BB-

#### RATINGS KEY OUTLOOK WATCH

POSITIVE	+	◆
NEGATIVE	-	◆
EVOLVING	◊	◆
STABLE	○	

#### Applicable Criteria

[Insurance Rating Criteria \(pub.02 Mar 2020\)](#)

#### Additional Disclosures

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