

Norwegian Life Insurer Storebrand Livsforsikring AS

Subordinated Notes Rated 'BBB'

March 22, 2021

STOCKHOLM (S&P Global Ratings) March 22, 2021--S&P Global Ratings today assigned its 'BBB' issue rating to the €300 million fixed- to floating-rate, subordinated Tier 2 notes to be issued on March 22, 2021 by Norwegian life insurer Storebrand Livsforsikring AS (A-/Stable/--). We classify the notes as having intermediate equity content. The rating and equity content classification are subject to our review of the final terms and conditions.

Our rating on the notes is two notches below the long-term issuer credit and financial strength ratings on Storebrand Livsforsikring, which reflects our standard approach for reflecting the subordination and interest deferral features of the notes. It also considers our understanding that:

- The notes are subordinated to Storebrand Livsforsikring policy holders and senior creditors;
- The issuer can choose to defer interest as long as it has not declared or made a dividend or other payment (including payment in relation to redemption or repurchase) on a more junior security in the previous six months;
- Under the notes' terms and conditions, interest deferral is mandatory if a solvency event has occurred, which, under Solvency II, would be a breach of the solvency capital requirement; and
- The notes will be eligible as regulatory Solvency II Tier 2 capital.

We classify the notes as having intermediate equity content under our criteria. Securities of this nature can comprise up to a maximum of 25% of total-adjusted capital (TAC), which is the basis of our consolidated risk-based capital analysis of insurance companies. The inclusion in TAC is subject to the notes being considered eligible for regulatory solvency treatment.

The notes are scheduled to mature in September 2051. We understand that the instrument is callable six months before the first reset date in September 2031, and on any interest payment date thereafter, subject to the repayment conditions, including approval from the insurance regulator. The notes will bear a fixed interest rate payable annually until the first reset date. Thereafter, interest equal to the three-month Euro Interbank Offered Rate plus the applicable step-up of 100 basis points, will be paid semi-annually.

We understand that the estimated net proceeds of the issue may be used, in whole or in part, to repurchase or refinance its existing Tier 2 debt. An amount equal to the net proceeds of the notes will be allocated by the issuer to the financing or refinancing, in whole or in part, of green assets. We do not foresee any material effect on capitalization or leverage over the medium term.

Our ratings and outlook on holding company Storebrand ASA (BBB/Stable/--) and operating subsidiary Storebrand Livsforsikring AS are not affected by this action.

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Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- 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

- Storebrand Group, Nov. 20, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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