Norwegian Life Insurer Storebrand Livsforsikring AS' Restricted Tier 1 Notes Rated 'BBB-'

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STOCKHOLM (S&P Global Ratings) Aug. 26, 2021--S&P Global Ratings today assigned its 'BBB-' issue rating to the estimated Swedish krona (SEK) 900 million of restricted tier 1 (RT1) subordinated callable notes issued by Norwegian life insurer Storebrand Livsforsikring AS (Storebrand; A-/Stable/--). The issue rating is subject to our review of the final terms and conditions. We classify the notes as having intermediate equity content.

Our rating on the RT1 notes is three notches below the long-term issuer credit rating on Storebrand. We deduct:

- One notch to reflect the notes' subordination to the company's senior obligations;
- One notch to reflect the risk of a potential write-down of principal; and
- One notch to reflect the payment risk created by the mandatory and optional coupon-cancellation features.

Storebrand's regulatory capital adequacy, based on Solvency II, stood at 172% half-year 2021 (178% at year-end 2020), which is well within the target range of 150%-180%. Moreover, we view the company's solvency position to be moderately sensitive to market movements, and it has exhibited resilience to the market volatility related to the COVID-19 pandemic. Therefore, we do not anticipate heightened payment risk for the notes, and do not believe it is necessary to deduct a further notch from the issuer credit rating to derive the issue rating on the notes.

We understand that the notes are perpetual but callable at par after at least five years and on any interest payment date thereafter. The notes carry a floating interest rate--a three-month Stockholm Interbank Offered Rate plus margin--payable quarterly. There is no step-up in the interest rate if Storebrand does not call the notes on the first call date. Storebrand also has the option to redeem the notes at par before the first call date under specific circumstances, such as for changes in tax, regulatory, or rating agency treatment.

We classify the notes as having intermediate equity content, subject to our receipt and review of the notes' final terms and conditions. Hybrid capital instruments with intermediate equity content can comprise up to 25% of total adjusted capital (TAC), which is the basis of our consolidated risk-based capital analysis of insurance companies. Inclusion in TAC is also subject to the notes being considered eligible for regulatory solvency in terms of both their amount and terms and conditions.

We understand that Storebrand will use the proceeds of the notes for general corporate purposes. We forecast that, even after issuance, Storebrand's leverage of about 24x and interest coverage of about 8x will remain within our tolerances for the rating.

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

Related Criteria

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

- Norwegian Insurer Storebrand Ratings Affirmed At 'A-'; Outlook Stable, June 1, 2021