

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

August 26, 2021

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.

**PRIMARY CREDIT ANALYST**

**Andreas Lundgren Harell**  
Stockholm  
+ 46 8 440 5921  
andreas.lundgren.harell  
@spglobal.com

**SECONDARY CONTACT**

**Mark D Nicholson**  
London  
+ 44 20 7176 7991  
mark.nicholson  
@spglobal.com

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

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

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](http://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](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](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://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.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.