

Gjensidige Forsikring ASA's Tier 2 Notes Rated 'BBB+'¹

September 21, 2023

LONDON (S&P Global Ratings) Sept. 21, 2023--S&P Global Ratings today assigned its 'BBB+' issue rating to the Tier 2 Norwegian krone (NOK) 1.2 billion subordinated notes issued by Norway-based Gjensidige Forsikring ASA (Gjensidige; A/Stable/--).

We classify the notes as having intermediate equity content, as per our hybrid capital criteria. We include securities of this nature--up to a maximum of 25% of total-adjusted capital--as the basis of our consolidated risk-based capital analysis of insurance companies. The inclusion is subject to the notes being considered eligible as regulatory own funds.

We rate the Tier 2 notes two notches below the long-term issuer credit rating (ICR) on Gjensidige. In this case, we deduct:

- One notch to reflect the notes' subordination to Gjensidige's senior creditors; and
- One notch to reflect the payment risk arising from the mandatory and optional coupon deferral.

Interest deferral is mandatory in the event of a breach of either the solvency capital requirement (SCR) or the minimum capital requirement under Solvency II.

Gjensidige's SCR coverage remained robust at 180% at the end of first-half 2023. We will monitor the group's SCR coverage and capital plans to assess if the ICR on Gjensidige adequately captures the payment risk associated with its hybrid instruments. An unexpected deterioration in the group's regulatory solvency position that is not accompanied by a change in the ICR, or increased sensitivity to stress, could lead us to lower the issue rating on the notes by increasing the notching between the issue rating and the ICR to reflect the heightened payment risk.

The Tier 2 notes are callable on or after September 2028 subject to the conditions for redemption, including approval from the regulator. The notes also have a 100 basis point step-up after December 2033. We understand part of the proceeds will be used to repurchase NOK696 million of the group's current outstanding Tier 2 debt.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019

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- 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

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.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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