

Norway-Based Insurer Gjensidige's Proposed Subordinated Tier 2 Debt Rated 'BBB+'

October 29, 2024

(Editor's Note: We republished this report Oct. 30, 2024, to clarify that the solvency capital requirement ratio is as of Sept. 30, 2024.)

LONDON (S&P Global Ratings) Oct. 29, 2024--S&P Global Ratings today said it assigned its 'BBB+' issue rating to the proposed tier 2 Norwegian krone (NOK) subordinated notes to be issued by Norway-based insurance company Gjensidige (A/Stable/--).

We expect to 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 30% of adjusted common equity--as the basis of our consolidated risk-based capital analysis of insurance companies. We expect the issuance will bring Gjensidige's total intermediate equity content hybrids above this 30% threshold, so a portion will not be included in our calculation of total adjusted capital. The remainder's inclusion is subject to the notes being considered eligible as the company's regulatory own funds.

We rate the notes two notches below the long-term issuer credit rating (ICR) on Gjensidige. We deduct:

- One notch to reflect the notes' subordination to Gjensidige's senior creditors; and
- One notch to reflect payment risk from the mandatory and optional coupon deferral clauses in the documentation. 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 ratio remains robust, at 164% at Sept. 30, 2024. We will monitor the group's SCR coverage and capital plans to assess whether the ICR on Gjensidige adequately captures the payment risk associated with its hybrid instruments. A deterioration of 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 notes are callable on or after August 2030, subject to conditions for redemption, including approval from the regulator. The notes also have a 100 basis-point step-up of the coupon after November 2034.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023

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- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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