

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

February 20, 2024

LONDON (S&P Global Ratings) Feb. 20, 2024--S&P Global Ratings today assigned its 'BBB+' issue rating to the tier 2 Norwegian krone (NOK) 800 million subordinated notes issued by Norway-based insurance company 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 30% of adjusted common equity--as the basis of our consolidated risk-based capital analysis of insurance companies. The inclusion is subject to the notes being considered eligible as the company's 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 payment risk arising 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 and was 166% at year-end 2023. 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 tier 2 notes are callable on or after May 2029, subject to conditions for redemption, including approval from the regulator. The notes also have a 100 basis-point step-up of the coupon after August 2034.

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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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- 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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