



Fitch Rates Rothesay's Proposed Tier 3 Notes 'BBB+'

Fitch Ratings - London - 08 July 2019:

Fitch Ratings has assigned Rothesay Life Plc's (Issuer Default Rating (IDR) A/Stable) proposed GBP300 million Tier 3 subordinated notes a 'BBB+' rating.

The proposed notes are rated two notches below Rothesay Life Plc's IDR: one notch for expected recovery and one notch for moderate non-performance risk, in line with Fitch's notching criteria. The proceeds will be used for general corporate purposes.

RATING ACTIONS

ENTITY/DEBT	RATING		
Rothesay Life Plc			
subordinated	LT BBB+ New Rating		

Key Rating Drivers

The proposed notes will have a maturity of seven years and a fixed coupon. They will rank ahead of ordinary shares and Solvency II Restricted Tier 1 and Tier 2 subordinated debt in the event of a winding-up, but behind senior creditors. The level of subordination results in our baseline recovery assumption of 'below average'.

The proposed notes will include a mandatory redemption deferral feature that would be triggered if the company is unable to meet its solvency capital requirements. Fitch regards the mandatory redemption deferral feature as leading to 'moderate' non-performance risk.

We have therefore notched down the ratings twice from Rothesay Life Plc's 'A' IDR, one notch for the 'below average' recovery prospects and one notch for 'moderate' non-performance risk.

The proposed notes will qualify as Tier 3 capital under Solvency II and will be treated as 100% equity in Fitch's Prism Factor-Based Model due to the application of the agency's regulatory override. However, given that these notes are a dated instrument, they will be treated as 100% debt in Fitch's financial debt leverage calculation.

We expect both the financial leverage ratio (FLR) and fixed charge coverage (FCC) ratio to remain in line with the company's ratings over the medium term. The proposed issuance will increase the FLR to 27% on a pro-forma basis based on the financial year ended 31 December 2018 figures, which is close to Rothesay's 30% FLR ratings sensitivity threshold. We expect the FCC ratio to reduce to around 5x (2018-end: 6.5x).

Rating Sensitivities

The rating of the proposed notes is subject to the same sensitivities that may affect Rothesay's Long-Term IDR (for more details, see Fitch Affirms Rothesay Life's 'A+' IFS Rating; Outlook Stable dated 21 June 2019 at www.fitchratings.com).

Date of Relevant Committee

03-Jul-2019

Additional information is available on www.fitchratings.com

FITCH RATINGS ANALYSTS

Primary Rating Analyst

Fedor Smolyakov

Director

+44 20 3530 1306

Fitch Ratings Ltd

30 North Colonnade, Canary Wharf

London E14 5GN

Secondary Rating Analyst

Willem Loots

Senior Director

+44 20 3530 1808

Committee Chairperson

Federico Faccio

Senior Director

+44 20 3530 1394

MEDIA CONTACTS

Athos Larkou

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Applicable Criteria

Insurance Rating Criteria (pub. 11 Jan 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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