

# Old Mutual Life Assurance Co. (South Africa) Ltd. 's Proposed Unsecured Subordinated Notes Rated 'zaA+'

September 20, 2021

LONDON (S&P Global Ratings) Sept. 20, 2021--S&P Global Ratings today assigned its 'zaA+' South Africa national scale issue rating to the unsecured deferrable subordinated notes to be issued by South African life insurer Old Mutual Life Assurance Co. (South Africa) Ltd. (OMLACSA; long- and short-term South Africa national scale ratings of 'zaAAA/zaA-1+'). The issue rating is subject to confirmation of the final terms and conditions of the issue. We understand that the company will use the proceeds for general corporate purposes.

To arrive at the issue rating, we first apply a one-notch downward adjustment to the 'BB' global scale rating on OMLACSA to take into account the coupon payment risk on the notes. From this, we derive a national scale rating of 'zaAA' using our mapping specification. This captures both the coupon payment risk and OMLACSA's stable credit profile. We then deduct two further notches from the resulting national scale rating to reflect the notes' subordination. As a result, we rate the deferrable subordinated notes 'zaA+', four notches below the 'zaAAA' long-term national scale rating on OMLACSA.

Our assessment of payment risk captures the provisions for mandatory interest deferral on breach of the regulatory solvency requirements. At mid-2021, OMLACSA's solvency ratio stood at 206%, and that of its parent, Old Mutual Group, was 177%. In our base case, we anticipate that Old Mutual Group will maintain capital within its 165%-195% target range. OMLACSA can redeem the notes on the specified maturity date. The notes also contain mandatory interest deferral provisions if the regulatory capital requirements are breached.

We expect to classify the notes as having no equity content, given their short (five-year) term. We estimate that OMLACSA's financial leverage will be about 20% and its fixed-charge coverage ratio will hover around 4x over 2021-2023.

## 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: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

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- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- 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.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.

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