

# Best's Rating Report

## SAGICOR LIFE INSURANCE COMPANY

Austin, Texas



A-

**Ultimate Parent:**  
**Sagicor Financial Corporation**  
**SAGICOR LIFE INSURANCE COMPANY**

Exec/Admin: 4010 W. Boy Scout Blvd., Suite 800  
Tampa, FL 33607

Web: [www.sagicorlifeusa.com](http://www.sagicorlifeusa.com)

Tel: 888-724-4267

AMB#: 006057

Ultimate Parent#: 088130

Fax: 480-425-5127

NAIC#: 60445

FEIN#: 74-1915841

### BEST'S CREDIT RATING

Best's Financial Strength Rating: A-

Best's Financial Size Category: VII

Outlook: Stable

### RATING RATIONALE

**Rating Rationale:** The ratings of Sagicor Life Insurance Company (Sagicor Life Insurance) reflect the company's integral role within Barba-

dos-based Sagicor Financial Corporation (SFC), its continuing focus on growth in the U.S. marketplace through acquisitions and direct marketing of its life and annuity product portfolio, and its adequate level of risk-adjusted capitalization due mostly to capital contributions from its parent. The ratings acknowledge SFC's absolute and unconditional financial guarantees through a net worth maintenance agreement as well as its planned periodic surplus contributions as it seeks to develop and grow its life insurance market presence in the U.S. Partially offsetting these strengths are statutory net operating losses due to new business strain, a high proportion of surplus notes in its capital structure, exposure to collateralized mortgage obligations (CMOs) within the fixed income portfolio and its continuing involvement in the Federal Home Loan Bank (FHLB) program.

Sagicor Life Insurance's parent, SFC, has a strong competitive position in the financial services markets that it serves in the Caribbean. The group has operations in more than 22 countries, mainly in the Caribbean and Latin America. The group's acquisition of Sagicor

# Best's Rating Report

Life Insurance represented a part of its diversification and expansion strategy in the U.S. market. Sagicor Life Insurance continues to seek growth through relatively small acquisitions evident by the acquisition of PEMCO Life Insurance Company in 2012 and through direct marketing of its life and annuity products. SFC is fully committed to supporting Sagicor Life Insurance's business growth strategy and maintaining adequate risk-based capitalization as evidenced by the net worth maintenance agreement and capital infusions.

While new business strain has produced negative operating results on a statutory basis over the last several years, including 2013 and 2014, Sagicor Life Insurance has consistently operated profitably on an IFRS basis. Moreover, while A.M. Best believes that statutory operating results will continue to be negatively impacted over the next few years by costs associated with further expansion into the U.S. life insurance market, A.M. Best does note that the company showed positive net income for 2013 and 2014. Net premiums written have fluctuated in the past few years as Sagicor Life Insurance strives to mitigate the effects of the prolonged low interest rate environment and spread compression on its statutory operating results and interest-sensitive fixed annuities portfolio. Within the company's fixed income portfolio, the exposure to CMOs remains high and may pose prepayment risk to its balance sheet. This risk is mitigated, however, by the fact that a majority of these CMOs are matched against short-term FHLB debt (maturities of 30 days or less) versus long-term policyholder liabilities. In addition, its FHLB program remains high relative to its capital and surplus funds. Given continued losses and the need for ongoing capital contributions, affiliated surplus notes constitute about half of its capital and surplus funds. In A.M. Best's opinion, this level of debt diminishes the quality of capital and could pressure the company's balance sheet strength going forward.

Positive rating movement is unlikely over the near to medium term. Factors that could lead to negative rating action include loss of support from its parent and a rapid increase in annuity premiums causing a drop in risk-adjusted capital ratios.

## KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income
2011	882,085	54,820	2,314	103,716	37,756	-3,893
2012	1,099,904	60,088	5,704	148,820	41,117	-9,525
2013	1,176,198	75,827	7,879	87,407	46,228	1,122
2014	1,214,895	74,250	8,448	74,163	46,888	189
2015	1,193,811	82,131	6,096	80,831	43,385	6,299

(\* ) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

## BUSINESS PROFILE

Sagicor Life Insurance Company (Austin, TX) (Sagicor Life) is wholly owned by Barbados based Sagicor Financial Corporation (SFC). SFC, a public company, is one of the dominant financial services companies in the Caribbean with operations in more than 22 countries, mainly the Caribbean and Latin America. Sagicor Life was a former subsidiary of Laurel Life Insurance Company (Laurel Life), a stock life insurance company domiciled in Texas. As of January 1, 2012, Laurel Life was merged into Sagicor Life Insurance via a downstream merger. As part of Sagicor Life's continued focus on acquisitions, PEMCO Life insurance Company was purchased by and merged into Sagicor Life in 2012.

Sagicor Life's growth strategy historically consisted of acquisitions, reinsurance transactions, and organic annuity growth. While the company continues to look for strategic acquisitions and reinsurance transactions to complement growth, it has turned its attention to developing organic strength in recent years. The historical block of life products consisted of universal life, term and whole life products. These products were designed for particular purposes, including providing low-cost long-term coverage, cash accumulation, estate planning, and mortgage protection. The company brought to market several new term, universal life and whole life products featuring return of premium options as well as chronic illness benefits. Sagicor Life also developed a suite of indexed products (life and annuity) that features an innovative basket option for those policyholders looking for diversification without downside risk. Sagicor Life saw a spike in new business, especially annuity sales, as the industry experienced a flight to quality. The company has focused on balancing its sales between the product lines and managing capital levels through the low interest

# Best's Rating Report

rate environment. Although the annuity production is being managed by adjusting crediting rates and face amounts accepted, surplus strain associated with annuity new business is also being reinsured with Guggenheim Life & Annuity Company.

The annuity portfolio historically consisted of single premium and flexible premium deferred annuities with varying benefits and interest rate guarantees. More recently, the company developed several annuity products. A shorter-term (six-year) single premium deferred annuity was developed as well as a fixed indexed single premium deferred annuity and a single premium immediate annuity.

Sagicor Life markets its products through traditional agencies and financial institution general agencies as well as individually contracted personal producing general agents (PPGAs) and a small, but growing number of career agents. In addition to direct marketing and growth through acquisition of blocks of business, the company acts as a third-party administrator for other insurers. Sagicor Life maintains a policy administration system that is continually being enhanced and provides flexibility and efficiency for processing life insurance products and has enabled the company to provide third-party administration services effectively to unaffiliated insurers.

**Territory:** The company is licensed in the District of Columbia, AL, AZ, AR, CA, CO, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WV, WI and WY. It is qualified or accredited for reinsurance in Maine and Vermont.

## OPERATING PERFORMANCE

**Operating Results:** Sagicor Life has reported statutory operating losses over the past several years as the company has experienced new product launches, higher marketing and distribution costs and new business strain. In addition, net premiums written have been fluctuating as the company focuses more of its marketing efforts on life products.

Annuities continue to generate the majority of direct premium. However, in order to manage the capital strain associated with new annuity business growth, Sagicor Life entered into a coinsurance agreement with Guggenheim Life and Annuity effective February 2013 to reinsure a percentage of new sales. Sagicor Life is actively managing the coinsurance percentage to manage its growth and associated capital strain.

Investment income continues to increase as invested assets grow. The company offers a variety of life and annuity products in line with its new business plan supported by its diverse distribution platform. Both

ordinary life and fixed annuity lines of business have been its core premium contributor over the last five years.

Going forward, A.M. Best notes that Sagicor Life's operating results may continue to be impacted unfavorably due to its continuing focus on new product development and marketing which result in additional expenses, along with the customary reserve strain from new ordinary life business. A.M. Best notes that the company's net income has been positive in 2013, 2014, and year to date 2015 aided by realized capital gains.

## BALANCE SHEET STRENGTH

**Capitalization:** Sagicor Life Insurance Company's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), declined slightly in 2014 after improving in 2013. Significant items driving an increase in 2013 included additional parental support, a change in reserve valuation basis, and capital gains.

A.M. Best notes that the large proportion of surplus notes on the balance sheet relative to capital and surplus is a concern; however A.M. Best acknowledges that these surplus notes are held by the company's parent and the positive aspects of capital contributions from the parent. New business growth combined with continuing operating losses have been attributed to the company's low risk-adjusted capitalization. In addition to explicit support, which includes capital contributions of over \$80 million in recent years, SFC has provided a net worth maintenance agreement to Sagicor Life Insurance. The intent of the capital support is to maintain an RBC ratio (company action level) of 300%.

As a result of the parent company's financial support, A.M. Best expects the company to sustain its risk-adjusted capitalization at an adequate level to support its new growth strategy while rejuvenating its internal business and operational infrastructure.

**Liquidity:** Sagicor Life Insurance Company's liquidity profile is favorable as a majority of its holdings are readily marketable. In addition, the company has access through the FHLB of Dallas to substantial borrowings, if the need arises. However, net cash from operations has been fluctuating in the most recent years reflecting both changes in premiums and high benefit payments.

**Investments:** Over the past five years, both investment and insurance assets have grown consistently in line with the company's growth in premiums and capital and surplus funds. Sagicor Life maintains a diversified investment portfolio, primarily comprised of high credit quality fixed income securities, while its exposure to below-invest-

# Best's Rating Report

ment-grade bonds remains modest. The company's bond portfolio primarily consists of investment-grade government bonds, corporate issues and public utility bonds. The company maintains a portfolio of CMOs to support its participation in the Federal Home Loan Bank (FHLB) lending program, which provides the company with net investment income to support its operating performance, as well as a source for liquidity, if needed. The mortgage loans portfolio as a percentage of invested assets has declined in recent years, representing approximately 2% of total invested assets. The remainder of Sagicor Life Insurance's investment portfolio consists principally of policy loans and preferred and common stock holdings.

## MANAGEMENT

**Officers:** Chairman of the Board, Stephen D. McNamara; Chief Executive Officer, Dodridge D. Miller; President and Chief Operating Officer, Bart F. Catmull; Chief Risk Officer, Tyler J. Denison; Senior Vice President and Chief Financial Officer, Shaun Williams; Senior Vice President and Chief Administrative Officer, Michael P. Stricker; Senior Vice President, Bernard R. Gaffney (Investments); Vice President, Secretary and General Counsel, Jim Golembiewski (Legal & Compliance); Vice Presidents, James Burke (Corporate Communications), Catherine Hauck (Human Resources), Steve Mills (Independent Sales), Glen Pederson (Systems), Teri Townsend (Programming), James R. Weiskircher (Finance).

**Directors:** J. Arthur Bethell, Todd M. Campbell, Monish K Dutt, William Lucie-Smith, Kendrick A. Marshall, Stephen McNamara, Dodridge D. Miller, Vikki Lynn Pryor, Ravi C. Rambarran, Peggy M. Rubin-Dittmore, John F. Shettle.

## Balance Sheet

### Assets (\$000)

	YE 2015
Total bonds .....	\$ 958,859
Total preferred stocks .....	17,668
Total common stocks.....	7,732
Mortgage loans .....	25,602
Real estate .....	492
Contract loans .....	30,509
Cash & short-term invest .....	-1,301
Premis and consids due .....	7,079
Accrued invest income.....	12,518
Other assets.....	134,652
	<hr/>
Assets .....	\$1,193,811

### Liabilities (\$000)

Net policy reserves.....	\$ 748,280
Policy claims .....	12,356
Deposit type contracts.....	41,278
Interest maint reserve.....	21,086
Comm taxes expenses.....	4,407
Borrowed money .....	167,815
Asset val reserve .....	6,096
Other liabilities .....	110,363
	<hr/>
Total Liabilities .....	\$1,111,679
Common stock.....	2,500
Surplus notes .....	43,055
Paid in & contrib surpl .....	129,388
Unassigned surplus .....	-92,811
	<hr/>
Total .....	\$1,193,811

# Best's Rating Report

## Why is this *Best's® Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation**

to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company or A.M. Best Europe – Rating Services Limited.

For the latest Best's Financial Strength Ratings along with their definitions and A.M. Best's Terms of Use, visit the A.M. Best website at [www.ambest.com](http://www.ambest.com). You may also obtain AMB Credit Reports by visiting our site or calling our Customer Service department at +1-908-439-2200, ext. 5472. To expedite your request, please provide the company's identification number (AMB#).

Copyright © 2016 A.M. Best Company, Inc. and/or its affiliates. All rights reserved.

No part of this report may be reproduced, distributed, or stored in a database or retrieval system, or transmitted in any form or by any means without the prior written permission of the A.M. Best Company. While the data in this report was obtained from sources believed to be reliable, its accuracy is not guaranteed.