

Slovenia Based Insurer Sava Re Tier 3 Subordinated Notes Rated 'BBB+'

September 27, 2024

FRANKFURT (S&P Global Ratings) Sept. 27, 2024--S&P Global Ratings today assigned its 'BBB+' issue rating to the €50 million fixed subordinated Tier-3 notes issued by Slovenia-based insurer Sava Re (A/Stable/--). We have not assigned any equity content to the proposed notes, due to their short duration of five years.

In accordance with our methodology for subordinated debt issues, we rate the notes two notches below the long-term issuer credit rating on Sava Re.

The rating incorporates:

- One notch to reflect the notes' subordination to Sava Re's senior creditors; and
- One notch to reflect the payment risk created by the mandatory coupon deferral. Interest deferral is mandatory in the event of a breach of the minimum solvency capital requirement under Solvency II by the issuer (Sava Re) or group (Sava Insurance Group).

Sava Re' solvency capital requirement remained solid at 196% at the end of the first quarter of 2024. We note that the company's Solvency II exposure to main market sensitivities remains comparably low, as such, we believe that one notch for payment risk sufficiently reflects the risks. We will monitor the group's solvency capital requirement and capital plans to assess if the issuer credit rating adequately incorporates the payment risk associated with its hybrid instruments.

Sava Re also has the option to redeem the notes following certain external events, such as an accounting, tax, rating agency, gross up, or regulatory event linked to Solvency II.

The notes' proceeds will be used for general corporate purposes. We believe that the transaction will have neutral impact on the Sava's funding structure. Sava Re's financial leverage (debt plus hybrid capital, divided by the sum of shareholder equity, debt, and hybrid capital) will slightly increase to around 19%, and remain very comfortably below our thresholds of 40%. Fixed-charge coverage (EBITDA divided by senior and subordinated debt interest) is likely to remain above 10x and we believe will remain firmly above our minimum thresholds of 4x.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10,

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2021

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sava Re FAR (upcoming in Sep 2024)
- Slovenia-Based Sava Insurance Group 'A' Ratings Affirmed Following Revised Capital Model Criteria; Outlook Stable, June 3, 2024

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/sourceid/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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