



## RATING ACTION COMMENTARY

# Fitch Assigns Resolution Life New Zealand's First-Time 'A' IFS Rating; Outlook Stable

Mon 22 Aug, 2022 - 4:25 AM ET

Fitch Ratings - Sydney/Singapore - 22 Aug 2022: Fitch Ratings has assigned Resolution Life New Zealand Limited (Resolution Life NZ) an Insurer Financial Strength (IFS) Rating of 'A' (Strong) and Long-Term Issuer Default Rating (IDR) of 'A-'. The Outlook is Stable.

## KEY RATING DRIVERS

**Core Subsidiary:** We regard Resolution Life NZ as a core subsidiary of Resolution Life NOHC Pty Ltd - the Australia-based parent of Resolution Life Australasia Limited (RLA, IFS: A/Stable). This leads us to rate Resolution Life NZ based on a group basis by considering the credit quality of the Australia and New Zealand operation - which is driven by RLA as Resolution Life NOHC's main operating entity. Resolution Life NZ allows RLA to satisfy regulatory requirements in order to carry out its branch operation in New Zealand and, as such, is a key part of RLA and Resolution Life NOHC's governance framework.

**Stronger Policyholder Protection:** Resolution Life NZ, which is fully owned by Resolution Life NOHC, was incorporated in 2020 to meet measures introduced by the Reserve Bank of New Zealand that aimed to strengthen policyholder protection. Its incorporation formed part of RLA's ownership change from Australia-based AMP Limited to Bermuda-based Resolution Life Group Holdings Ltd (IDR: BBB/Stable). Resolution Life NZ was appointed as the trustee of a new trust that consists of the notionally ringfenced assets allocated to RLA's New Zealand branch, which are currently in run-off.

**Reinsurance Treaty with RLA:** Resolution Life NZ entered into a reinsurance agreement with RLA, where it reinsured RLA's New Zealand obligations. This agreement also provides transparency on RLA's financial position to Resolution Life NZ and the Reserve Bank of New Zealand, as RLA's branch operation is prudentially regulated by Australian authorities.

**High Solvency Margin:** Resolution Life NZ has a solid regulatory capital position, with a solvency margin of over NZD45 million. This exceeds the NZD5 million minimum capital requirement. We do not expect Resolution Life NZ to have additional funding needs in the medium term as a result of the high capital base. There is also a low likelihood of a claim under its reinsurance contract with RLA. Coverage of RLA's prescribed capital amount is high, at 2.82x at end-2021.

**Investment Income to Support Earnings:** Resolution Life NZ's earnings are driven by services, such as financial and actuarial reporting, provided to the wider Resolution group by its fully owned subsidiary, Resolution Life Services New Zealand Limited (RLSNZ). We expect Resolution Life NZ's investment returns to support its operating expenses, which mainly relate to administration and governance costs. Its assets are fully invested in cash with ASB Bank Limited (A+/Stable).

Resolution Life NZ provides group life insurance cover to RLSNZ's employees - this is Resolution Life NZ's only insurance contract other than the reinsurance treaty.

## **RATING SENSITIVITIES**

The ratings will move in tandem with RLA's ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- a weakening in the strategic importance of Resolution Life NZ to the group's Australia and New Zealand operation, in Fitch's view

- A downgrade of RLA's rating would lead to a downgrade of Resolution Life NZ's rating.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- An upgrade of RLA's rating would lead to an upgrade of Resolution Life NZ's rating.

Please see [Fitch Affirms Resolution Life Australasia's 'A' IFS Rating; Outlook Stable](#) for RLA's rating sensitivities.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

## DATE OF RELEVANT COMMITTEE

18 August 2022

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡		
Resolution Life New Zealand Limited	LT IDR	A- Rating Outlook Stable	New Rating
	Ins Fin Str	A Rating Outlook Stable	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

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## APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 16 Jul 2022\) \(including rating assumption sensitivity\)](#)

## APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.8.0 (1)

## ADDITIONAL DISCLOSURES

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## ENDORSEMENT STATUS

Resolution Life New Zealand Limited

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Insurance   Asia-Pacific   New Zealand

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