

Insurance Markets

ASR Nederland N.V.'s Proposed Junior Subordinated Notes Rated 'BBB-'

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- Dutch insurance holding company ASR Nederland N.V. plans to issue unsecured, resettable, and callable junior subordinated notes.
- We are assigning our 'BBB-' issue rating to the proposed notes.
- We expect to classify the notes as having "intermediate equity content" according to our hybrid capital criteria.

LONDON (Standard & Poor's) Sept. 16, 2014--Standard & Poor's Ratings Services said today that it has assigned its 'BBB-' long-term issue rating to the proposed unsecured, resettable, callable, and perpetual notes, to be issued by ASR Nederland N.V., the holding company of the ASR group of insurance companies. The rating on the notes is subject to our receipt and review of the issue's final terms and conditions.

The rating reflects our standard notching for subordinated debt issues, which in this instance is two notches below the 'BBB+' long-term counterparty credit rating on ASR Nederland N.V. One notch reflects the subordination of the notes to ASR's senior creditors. The second notch reflects the notes' optional deferral clause, which allows ASR to defer coupon payments on any payment date, unless a dividend was paid on its equity securities in the previous 12 months. Deferred coupons are cumulative.

The notes are perpetual, but may be called after 10 years and on any interest payment date thereafter. Until 2024, ASR will pay a fixed coupon, after which the coupon will reset every five years. We understand that the step-up at the first reset date will be no more than 100 basis points above the initial margin.

ASR has the option to redeem at par, exchange, or vary the terms of the notes under certain circumstances, such as for regulatory or rating reasons. The issuer can amend the terms of the notes should the existing terms prevent the notes from being eligible for regulatory capital purposes following the implementation of the EU Solvency II Directive.

We expect to classify the notes as having "intermediate equity content" under our hybrid capital criteria, subject to our review of the final terms. We include securities such as these in total adjusted capital (TAC), up to a maximum of 25% of TAC. TAC is our measure of available capital in our consolidated risk-based capital analysis of insurance companies.

We understand that ASR intends to use the proceeds of the proposed notes to:

- Call the two tranches of debt whose first call date was in 2009.
- Perform a cash tender offer for two tranches of notes whose first call date is in 2019.

Overall then, we anticipate an only modest increase in financial leverage and a very limited fall in fixed-charge coverage following the issuance of the notes.

RELATED CRITERIA AND RESEARCH

- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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