

RATING ACTION COMMENTARY

Fitch Downgrades Wilton Re's Ratings; Removed Rating Watch Negative; Outlook Stable

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Fitch Ratings - New York - 19 Dec 2024: Fitch Ratings has downgraded Wilton Re Ltd.'s Long-Term Issuer Default Rating (IDR) to 'BBB' from 'BBB+' and Insurer Financial Strength (IFS) ratings of its U.S. and Bermuda operating companies (collectively, Wilton Re) to 'A-' from 'A'. The Rating Watch Negative was removed and the Outlook is Stable.

KEY RATING DRIVERS

The Rating Watch was resolved following the completion of the reinsurance transaction between Wilton Re and Prudential Financial, Inc. (Prudential), in which Wilton Re assumed approximately \$11 billion of universal life with secondary guarantee (ULSG) reserves from Prudential. The downgrade of the ratings reflects the deterioration in Fitch's view of Wilton Re's capital position, driven by the decline in its capital model score from on the cusp of 'Strong' to 'Adequate' pro forma the transaction.

Wilton Re has an efficient capital management strategy, with capital targets below those of similarly rated peers. Fitch expects Wilton Re's Prism score to remain 'Adequate' over the rating horizon, given the company's excess capital relative to management's targets. The company's U.S. RBC ratio declined yoy to 323% as of YE 2023, from 391% as of YE 2022, while Wilton Re's Bermuda subsidiaries' Bermuda solvency capital requirement (BSCR) ratios were materially in excess of their targets at YE 2023, and continue to remit capital to the parent.

Fitch views the transaction as neutral to Wilton Re's company profile with the risk of the block partially offset by enhanced scale and diversification. Fitch views ULSG as on the risky end of the liability spectrum, though Wilton Re has experience with the liability. The company has a track record of reinsuring ULSG blocks prior to the transaction and Fitch assesses key deal pricing assumptions as appropriately mitigating the risk. The transaction