

Kroll Bond Rating Agency Assigns Insurance Financial Strength Ratings to Lombard International

NEW YORK, NY (April 18, 2017) – Kroll Bond Rating Agency (KBRA) has assigned insurance financial strength ratings (IFSR) of A with a stable outlook to the key operating subsidiaries of Lombard International – Lombard International Assurance S.A.; Lombard International Life Assurance Company; and Lombard International Life Assurance Company of New York (collectively referred to as Lombard International). Additionally, KBRA has assigned an issuer rating of BBB with a stable outlook to Lombard International’s ultimate holding company, LIA Holdings Ltd. (Cayman). Lombard International is a leading global life insurance-based wealth-planning-solutions provider with head offices in Luxembourg and Philadelphia. Lombard International is owned by funds managed by The Blackstone Group L.P. [NYSE: BX], one of the world’s leading investment firms.

The ratings reflect Lombard International’s leading market position in providing wealth-planning solutions to high-net-worth and ultra-high-net-worth individuals, families, and institutions in Europe, the U.S., Asia, and Latin America. The firm has deep expertise and critical mass in the private-placement and unit-linked life insurance and annuity markets operating in over 20 countries around the globe.

Lombard’s transaction volume is generally low relative to the retail insurance sector and its high-net-worth clients necessitate a higher-touch approach, resulting in fairly tight margins. However, KBRA notes that Lombard International’s business model accepts minimal risk when it comes to asset valuations and interest rates due to the separate account structure whereby performance of the underlying investments is passed through to the policyholder. Lombard International’s annuity products do not have any investment return guarantees associated with them. Moreover, the group’s operating results are generally consistent, driven by fee-based revenue, and its low mortality risk is managed through several reinsurance relationships with highly creditworthy counterparties.

Balancing these strengths is the susceptibility of Lombard International’s business model to regulatory or tax changes in key markets, the potential challenges posed by the United Kingdom leaving the European Union, the company’s uneven historical operating results, and the capital positions of Lombard International’s insurance entities, which are moderate relative to several diversified, global life insurance organizations. KBRA notes that Lombard International’s U.S. operations will be net consumers of capital for the enterprise through 2017, though this is more than offset by favorable results generated by the European operations. KBRA believes that the enterprise’s financial flexibility is somewhat hindered due to debt incurred as part of the financing for Blackstone’s purchase of Lombard International’s European business, yielding a debt-to-capital ratio of roughly 30%. Additionally, KBRA notes that Lombard International’s EBITDA interest coverage of approximately three times is somewhat lower than similarly rated peers.

The ratings are based on KBRA’s [Global Insurer & Insurance Holding Company Rating Methodology](#) published on April 21, 2016.

To view the report, please click [here](#).

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About Kroll Bond Rating Agency

KBRA is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (NRSRO). In addition, KBRA is recognized by the National Association of Insurance Commissioners (NAIC) as a Credit Rating Provider (CRP).