Sun Life downgrade follows Guggenheim deal

By Editor Test *Wed, Dec 19, 2012*

The rating actions follow the December 17, 2012 announcement by SLF of its agreement to sell its U.S. annuity and certain life insurance business lines to a Guggenheim Partners-led investor group for approximately $1.35 billion.

A.M. Best Co. has downgraded the financial strength rating (FSR) to A- (Excellent) from A (Excellent) and issuer credit ratings (ICR) to "a-" from "a" of Sun Life Assurance Company of Canada (U.S.) and Sun Life Insurance and Annuity Company of New York. The ratings are under review with negative implications.

The ratings of Sun Life Financial Inc. and Sun Life Assurance Company of Canada remain unchanged.

The rating actions follow the December 17, 2012 announcement by SLF of its agreement to sell its U.S. annuity and certain life insurance business lines to a Guggenheim Partners-led investor group for approximately $1.35 billion. This business will be transferred through the legal entities listed above (SLUS and SLNY). The transaction is expected to close in the second quarter of 2013.

The regulatory solvency ratio of Sun Life Assurance Company of Canada, SLF's flagship insurance company, is not expected to be impacted, but the transaction will reduce SLF's book value by about $950 million.

SLF has indicated its commitment to a "Four Pillar" growth strategy, which in the U.S. is focused on the employee benefits market and the company's asset management businesses globally through MFS and its other asset management operations.

The revised ratings reflect SLUS and SLNY's adequate stand-alone capitalization as well as an elevated risk profile that is reflected in high levels of volatility in its reported earnings. Their ratings will remain under review pending discussions with the new ownership group.