

Research Update:

Global Atlantic Financial Group's Operating Insurance Entities Upgraded To 'A' On Stable Capital Growth; Outlook Stable

April 7, 2025

Overview

- Global Atlantic Financial Group (GAFG) has consistently maintained strong capital--above the 99.80% confidence level per our capital model--while continuing to grow and diversify its business over the past few years.
- We have raised our issuer credit and financial strength ratings on GAFG's operating insurance entities to 'A' from 'A-'.
- The stable outlook reflects our expectation that the company will maintain a balanced product portfolio, sustain its competitive position in its core markets with strong operating performance, and continue to hold a strong capital position while maintaining a prudent investment philosophy.

Rating Action

On April 7, 2025, S&P Global Ratings raised its financial strength and issuer credit ratings on Global Atlantic Financial Group's operating insurance entities to 'A' from 'A-'. At the same time, we raised our rating on the holding company to 'BBB' from 'BBB-'. The outlook is stable.

Rationale

GAFG's capital adequacy has strengthened over the past few years. It has consistently maintained strong capital--with capital redundancy above the required capital at the 99.80% confidence level per our capital model--while growing its business profitably and diversifying its product and risk profile. The increased diversity--along with the support of its parent, KKR & Co. Inc., (A/Stable) and access to third-party capital through the Ivy sidecars--has also served to stabilize GAFG's capital and earnings.

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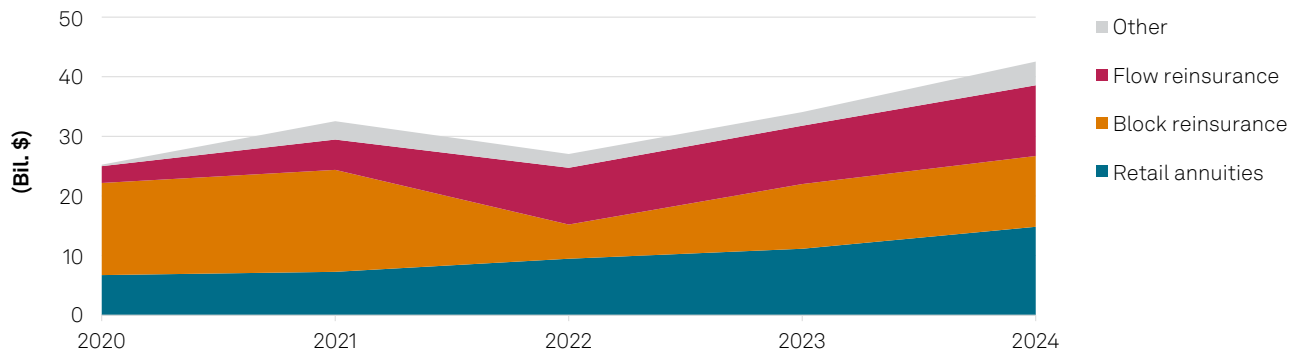
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Historically, GAFG was mainly a block reinsurer--which meant that its acquisitive business model could result in capital and earnings volatility, since this type of business tends to be lumpy. Over the past few years--and especially since it was acquired by KKR in 2021--the company has both grown this business and expanded its nonblock acquisition activities in retail annuities, flow reinsurance, funding agreement back notes, pension risk transfers (PRT), and pre-need life insurance. The company's operating performance, measured by GAAP earnings adjusted for realized investment gains and losses, has also stabilized during this period.

Block reinsurance made up roughly 61% of GAFG's new business volume in 2020; it dropped to about 28% in 2024 (see chart).

Global Atlantic Financial Group--New business volume



Source: Company financial supplements.

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GAFG has also benefited from capital support from KKR and access to on-demand third-party capital via its various Ivy sidecars (Ivy). These partnerships have been instrumental in the execution of various block reinsurance and PRT transactions. KKR has invested over \$3 billion in capital into GAFG's business in the last few years, helping to mitigate the capital and earnings volatility associated with these transactions.

Since the launch of Ivy in April 2020, the company has added 13 block deals and 47 PRT transactions, including large transactions with MetLife (GAFG's largest block transaction deal thus far, at \$19.2 billion) and Manulife Financial Corp. (about \$10 billion). In our view, GAFG's contracts with Ivy give it a significant amount of influence over Ivy's strategy, particularly in acquiring new business, capital and investment management, and enterprise risk management.

As a result, Ivy's and future Ivy vehicles' growth plans and capital strength, based on our risk-based capital model, are integral to our overall view of GAFG.

While the relationship with Ivy has helped stabilize GAFG's capital and has fueled its growth, it also introduces meaningful counterparty risk. As GAFG reinsures more business to Ivy, its dependence on Ivy's financial strength grows. Although GAFG has a great deal of influence over Ivy, it doesn't own any of Ivy's equity or debt; therefore, Ivy is not consolidated into GAFG's financials. We incorporate a view of Ivy's capitalization and the counterparty risk it represents into our analysis of GAFG's capital adequacy.

Outlook

The stable outlook reflects our expectation that GAFG will maintain its strong operating performance; continue its profitable growth in its institutional, retail annuity, and life insurance lines; maintain a high-quality investment portfolio; and consistently manage a strong capital and earnings position, with healthy redundancy at the 99.80% confidence level per our capital model.

The outlook further assumes that GAFG will continue to benefit from its partnership with KKR, Ivy, and future Ivy vehicles, and that neither KKR's nor Ivy's financial health will materially deteriorate.

Downside scenario

We may lower our ratings if GAFG's capital adequacy falls below the 99.80% level because of increased risk in the investment portfolio--or for any other reason--such that its capital adequacy no longer supports the current ratings. We may also lower our ratings if the company's operating performance weakens to where we no longer view its business risk profile as strong.

We would also likely downgrade GAFG if KKR was downgraded, or if there was a material deterioration in Ivy's capitalization.

Upside scenario

Given GAFG's relative concentration in spread-based businesses, we think it's unlikely that we would raise our financial strength rating on the company within the next two years.

Rating Component Scores

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Low risk
Financial Risk Profile	Strong
Capital and earnings	Strong
Risk exposure	Moderately low
Funding structure	Neutral
Anchor	a
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A/Stable/--
Foreign currency financial strength rating	A/Stable/--
Local currency issuer credit rating	A/Stable/--
Foreign currency issuer credit rating	A/Stable/--

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings list

Upgraded; Outlook Action

	To	From
Accordia Life and Annuity Co.		
Commonwealth Annuity and Life Insurance Co.		
First Allmerica Financial Life Insurance Co.		
Forethought Life Insurance Co.		
Global Atlantic Assurance Ltd.		
Global Atlantic Re Ltd.		
Issuer Credit Rating		
Local Currency	A/Stable/--	A-/Positive/--
Financial Strength Rating		
Local Currency	A/Stable/--	A-/Positive/--
Global Atlantic Financial Group		
Global Atlantic (Fin) Co.		
Global Atlantic Limited (Delaware)		
Issuer Credit Rating	BBB/Stable/--	BBB-/Positive/--
Global Atlantic Financial Life Ltd.		
Issuer Credit Rating		
Local Currency	BBB/Stable/--	BBB-/Positive/--
Upgraded		
	To	From
GA Global Funding Trust		
Senior Secured	A	A-
Global Atlantic (Fin) Co.		
Senior Unsecured	BBB	BBB-
Junior Subordinated	BB+	BB

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