

Outlooks On Various South Africa-Based Insurers Revised To Stable Following Similar Action On The Sovereign

March 10, 2023

- On March 8, 2023, we revised our outlook to stable from positive and affirmed our 'BB-' foreign currency and 'BB' local currency long-term sovereign credit ratings on South Africa.
- Growth and earnings prospects for South African insurers could be depressed by the increasing pressure on the country's economic growth caused by infrastructure constraints--in particular, severe shortages of electricity.
- We therefore revised our outlook to stable from positive and affirmed our global scale ratings on various South African insurers.
- Where these insurers have been assigned national scale or issue ratings, we have also affirmed these ratings.

LONDON (S&P Global Ratings) March 10, 2023--S&P Global Ratings today revised to stable from positive its outlooks on the ratings on various South African insurers, and affirmed the ratings.

These rating actions follow our revision of the outlook on South Africa to positive from stable (see "South Africa Outlook Revised To Stable As Infrastructure Constraints Weigh On Growth; 'BB-/B' FC Ratings Affirmed," published on March 8, 2023).

Summary Of South African Insurers Rating Actions

Entity	Global scale ratings*	National scale ratings
AIIG Life South Africa Ltd.	Affirmed 'BB'	Affirmed 'zaAAA'
AIIG South Africa Ltd.	Affirmed 'BB'	Affirmed 'zaAAA'
Swiss Re Corporate Solutions Africa Ltd.	N/A	Affirmed 'zaAAA'
Allianz Global Corporate and Specialty South Africa Ltd.	Affirmed 'BB+'	Affirmed 'zaAAA'
Liberty Group Ltd.	N/A	Affirmed 'zaAAA'/'zaA-1+'
Old Mutual Life Assurance Co. (South Africa) Ltd.	Affirmed 'BB'	Affirmed 'zaAAA'/'zaA-1+'
Old Mutual Ltd.	N/A	Affirmed 'zaA+'/'zaA-1'
Sanlam Life Insurance Ltd.	N/A	Affirmed 'zaAAA'
Sanlam Ltd.	N/A	Affirmed 'zaA+'
Santam Ltd.	Affirmed 'BB'	Affirmed 'zaAAA'

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Summary Of South African Insurers Rating Actions (cont.)

Entity	Global scale ratings*	National scale ratings
Santam Structured Insurance Ltd.	Affirmed 'BB-'	Affirmed 'zaAA'
Santam Structured Reinsurance Ltd. PCC	Affirmed 'BB-'	N/A
Santam Structured Insurance Ltd. PCC	Affirmed B+	N/A
Santam SI Investments Mauritius Ltd.	Affirmed B-	N/A
Issue credit ratings		
Subordinated deferrable: Liberty	N/A	Affirmed 'zaA+'
Subordinated deferrable: Old Mutual Life Assurance Co. (South Africa) Ltd.	N/A	Affirmed 'zaA+'
Subordinated deferrable: Sanlam Life Insurance Ltd.	N/A	Affirmed 'zaA+'
Subordinated deferrable: Santam Ltd.	N/A	Affirmed 'zaA+'

*We revised our outlooks on the global scale ratings to stable from positive. N/A--Not applicable.

Despite the government's attempts to reform the power sector, acute electricity shortages pose a downside risk to both short-and medium-term growth prospects. During the fourth quarter of 2022, the economy contracted by 1.3% compared with the third quarter because of a sharp rise in power cuts. The downturn was broad-based but the agricultural and mining sectors saw the largest declines. Real GDP growth for the full year now stands at 2.0% and we also revised down our real GDP growth forecasts for 2023--to 1.0% from 1.5% previously. We now expect growth to average 1.7% in 2024-2026. Downside risks to this forecast remain prominent, given that South Africa has not been able to fully capitalize on the global upswing in commodity prices. The continued electricity shortages also signal a potentially difficult winter ahead. Income inequality and unemployment remain structurally high, particularly among young people.

In our view, the macroeconomic impediments could weigh on insurers' growth and earnings trajectory where their business and assets are concentrated in the country. That said, we consider insurers' capital positions to be sound, in terms of both the local risk-based solvency regime and our capital model. This should help them manage and mitigate both underwriting and financial market shocks and supports insurers' creditworthiness and the industry's prospects.

Old Mutual Life Assurance Co. (South Africa) Ltd. (OMLACSA) And Old Mutual Ltd. (OML)

Primary analyst: Simran Parmar

We affirmed our 'BB' global scale ratings on OMLACSA. We also affirmed our national scale ratings on OML (zaA+/zaA-1) and OMLACSA (zaAAA/zaA-1+).

We rate OMLACSA one notch above the foreign currency rating on the sovereign. This reflects our view that the insurer's largely loss-absorbing liability profile would allow it to withstand the stress associated with a foreign currency sovereign default.

Sanlam Life Insurance Ltd. (Sanlam Life), Sanlam Ltd. (Sanlam)

Primary analyst: Tatiana Grineva

We affirmed our national scale ratings on Sanlam Life at 'zaAAA', in line with the national scale rating on the sovereign. This reflects our view that the group's liability profile is largely loss-absorbing, which would allow it to withstand the stress associated with a foreign currency sovereign default. We affirmed our 'zaA+' national scale rating on Sanlam; this rating incorporates the insurer's structural subordination as a nonoperating holding company.

Liberty Group Ltd.

Primary analyst: Simran Parmar

We affirmed our national scale ratings on Liberty Group at 'zaAAA/zaA-1+', in line with the national scale rating on the sovereign, because the group's liability profile allows it to absorb almost all losses. This would enable it to withstand the stress associated with a foreign currency sovereign default.

Liberty has a more-concentrated business risk profile, relative to Sanlam or Old Mutual, given its niche focus and less diversified books of business. We believe that this makes it more susceptible to the business cycle and economic conditions.

Santam Ltd. And Santam SI Investments

Primary analyst: Ali Karakuyu

We affirmed our global scale ratings on Santam Ltd. at 'BB' and our national scale ratings at 'zaAAA'. We continue to rate Santam Ltd. above the 'BB-' foreign currency sovereign rating on South Africa because we think that it would be able to withstand the stress if South Africa were to default on its foreign currency obligations. Our view is based on the insurer's asset allocation and regulatory capital base.

We affirmed our 'BB-' global scale issuer credit rating on Santam Structured Insurance Ltd. and Santam Structured Reinsurance Ltd. PCC (collectively known as Santam SI Investments) and affirmed our 'zaAA' national scale rating on Santam Structured Insurance Ltd. We also affirmed our 'B+' rating on Santam Structured Insurance Ltd. PCC (SSI PCC) and the 'B-' rating on its nonoperating holding company, Santam SI Investments Mauritius Ltd. (SSIML).

We continue to regard Santam SI Investments as a highly strategic subgroup of the Santam group. Therefore, our global ratings on it are one notch below those on the group's core operating entity, Santam Ltd. We view Mauritius-based SSI PCC as highly strategic to Santam SI Investments group.

The impact of our local currency ratings on South Africa on OMLACSA, Liberty Group, Sanlam Life, and Santam

We cap our ratings on these insurers at the local currency rating on South Africa because, in our view, their asset and liability concentration in the domestic economy makes them susceptible to the financial and economic stresses associated with a local currency sovereign default.

Issue ratings

We affirmed our national scale ratings on the deferrable debt issued by Liberty, OMLACSA, Sanlam Life, and Santam Ltd. Under our methodology for rating these issues, we apply a one-notch downward adjustment to the global scale rating on an issuer to take into account the coupon payment risk on the debt, then derive the national scale rating using our mapping. To reflect the payment risk, we selected the 'zaAA' national scale rating, based on the insurers' resilient credit profiles and relative credit differentiation within the South African bond market. We then deduct two notches from the resulting national scale rating to reflect the instruments' subordination. As a result, for Liberty, OMLACSA, Sanlam Life, and Santam Ltd., we continue to rate the deferrable notes 'zaA+', four notches below our 'zaAAA' South Africa national scale rating.

AIG South Africa Ltd. & AIG Life South Africa Ltd. (Collectively Known As AIG South Africa)

Primary analyst: Mario Chakar

We affirmed our 'BB' global scale and 'zaAAA' national scale ratings on AIG South Africa's entities.

AIG South Africa's strong capital position and liquid assets allow it to withstand the stress associated with our foreign currency sovereign default scenario. Consequently, we rate AIG South Africa above our foreign currency rating on South Africa because, in our view, the insurer would be unlikely to default on its liabilities if South Africa were to default on its foreign currency liabilities.

We continue to view AIG South Africa as a strategically important subsidiary of the U.S.-based AIG group. We could assign up to three notches of uplift to reflect group support, up to the level of the local currency sovereign rating. In AIG South Africa's case, group support does not lead to any rating uplift, as our assessment of its SACP is already at the same level as the local currency sovereign rating.

Allianz Global Corporate And Specialty South Africa Ltd. (AGCSSA)

Primary analyst: Jure Kimovec

We affirmed our 'BB+' ratings and our 'zaAAA' national scale ratings on AGCSSA. We consider AGCSSA to be highly strategic to Allianz (core operating entities rated AA/Stable/A-1+). We therefore rate this entity two notches above the foreign currency rating on South Africa, in line with our criteria for ratings above the sovereign.

Swiss Re Corporate Solutions Africa Ltd. (SRCS Africa)

Primary analyst: Robert Greensted

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We affirmed our 'zaAAA' national scale ratings on SRCS Africa. We consider SRCS Africa highly strategic to the Swiss Re Corporate Solutions business unit (core operating entities rated AA-/Negative/A-1+).

Outlook: AIG South Africa, AGCSSA, OMLACSA, Santam, And Santam SI Group

The stable outlooks on the global scale ratings on these insurers mirror our stable outlook on the sovereign.

Upside scenario

Over the next 12 months, the most likely trigger for an upgrade would be a similar action on the sovereign.

Downside scenario

Over the next 12 months, the most likely trigger for a downgrade would be a similar action on the sovereign.

National scale ratings

We do not assign outlooks to our South Africa national scale ratings.

ESG Credit Indicators:

AIG South Africa Ltd.: E-2, S-2, G-2

Liberty Group Ltd.: E-2, S-2, G-2

Old Mutual Life Assurance Co. (South Africa) Ltd.: E-2, S-2, G-2

Sanlam Ltd.: E-2, S-2, G-2

Santam Ltd.: E-2, S-2, G-2

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019

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- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Insurance | Property/Casualty: Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 20, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- South Africa Outlook Revised To Stable As Infrastructure Constraints Weigh On Growth; 'BB-/B' FC Ratings Affirmed, March 8, 2023

Ratings List

***** Allianz Global Corporate and Specialty South Africa Ltd.*****

Ratings Affirmed

Allianz Global Corporate and Specialty South Africa Ltd.

Issuer Credit Rating

South Africa National Scale zaAAA/--/--

Ratings Affirmed; Outlook Action

To

From

Allianz Global Corporate and Specialty South Africa Ltd.

Issuer Credit Rating

Local Currency BB+/Stable/-- BB+/Positive/--

Financial Strength Rating

Local Currency BB+/Stable/-- BB+/Positive/--

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***** American International Group Inc. *****

Ratings Affirmed

AIG Life South Africa Ltd.

AIG South Africa Ltd.

Issuer Credit Rating

South Africa National Scale zaAAA/--/--

Ratings Affirmed; Outlook Action

To

From

AIG Life South Africa Ltd.

AIG South Africa Ltd.

Issuer Credit Rating

Local Currency BB/Stable/-- BB/Positive/--

Financial Strength Rating

Local Currency BB/Stable/-- BB/Positive/--

***** Old Mutual Ltd. *****

Ratings Affirmed

Old Mutual Ltd.

Issuer Credit Rating

South Africa National Scale zaA+/--/zaA-1

Old Mutual Life Assurance Co. (South Africa) Ltd.

Issuer Credit Rating

South Africa National Scale zaAAA/--/zaA-1+

Old Mutual Life Assurance Co. (South Africa) Ltd.

Subordinated zaA+

Ratings Affirmed; Outlook Action

To

From

Old Mutual Life Assurance Co. (South Africa) Ltd.

Issuer Credit Rating

Local Currency BB/Stable/-- BB/Positive/--

Financial Strength Rating

Local Currency BB/Stable/-- BB/Positive/--

***** Sanlam Ltd. *****

Ratings Affirmed

Sanlam Ltd.

Issuer Credit Rating

South Africa National Scale zaA+/--/--

Santam Ltd.

Sanlam Life Insurance Ltd.

Issuer Credit Rating

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South Africa National Scale	zaAAA/--/--	
Santam Structured Insurance Ltd.		
Financial Strength Rating		
Local Currency	zaAA/--/--	
Santam Ltd.		
Subordinated	zaA+	
Sanlam Life Insurance Ltd.		
Subordinated	zaA+	
Ratings Affirmed; Outlook Action		
	To	From
Santam Ltd.		
Issuer Credit Rating		
Local Currency	BB/Stable/--	BB/Positive/--
Financial Strength Rating		
Local Currency	BB/Stable/--	BB/Positive/--
Santam SI Investments Mauritius Ltd.		
Issuer Credit Rating		
Local Currency	B-/Stable/--	B-/Positive/--
Santam Structured Insurance Ltd.		
Santam Structured Reinsurance Ltd. PCC		
Issuer Credit Rating		
Local Currency	BB-/Stable/--	BB-/Positive/--
Financial Strength Rating		
Local Currency	BB-/Stable/--	BB-/Positive/--
Santam Structured Insurance Ltd. PCC		
Financial Strength Rating		
Local Currency	B+/Stable/--	B+/Positive/--
***** Liberty Group Ltd. *****		
Ratings Affirmed		
Liberty Group Ltd.		
Issuer Credit Rating		
South Africa National Scale	zaAAA/--/zaA-1+	
Liberty Group Ltd.		
Subordinated	zaA+	
***** Swiss Re Corporate Solutions Africa Ltd. *****		
Ratings Affirmed		
Swiss Re Corporate Solutions Africa Ltd.		
Financial Strength Rating		
Local Currency	zaAAA/--/--	

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