

# Various South Africa-Based Insurer Outlooks Revised To Positive Following Similar Rating Action On The Sovereign

November 20, 2024

- On Nov. 15, 2024, we revised our outlook to positive from stable and affirmed the 'BB-' foreign currency and 'BB' local currency long-term sovereign credit ratings on South Africa.
- We therefore revised our outlooks to positive from stable and affirmed our global scale ratings on various South African insurers.
- We also affirmed our national scale ratings and issue ratings on these insurers and their debt.

JOHANNESBURG (S&P Global Ratings) Nov. 20, 2024--S&P Global Ratings today revised its outlooks to positive from stable and affirmed its ratings on various South African insurers.

These rating actions follow the outlook revision to positive from stable on South Africa (see "South Africa Outlook Revised To Positive On Improved Reform And Growth Potential," published Nov. 15, 2024, on RatingsDirect).

## Summary of South African insurers rating actions

| Entity                                                   | Global scale ratings* | National scale ratings    |
|----------------------------------------------------------|-----------------------|---------------------------|
| AIG Life South Africa Ltd.                               | Affirmed 'BB'         | Affirmed 'zaAAA'          |
| AIG South Africa Ltd.                                    | Affirmed 'BB'         | Affirmed 'zaAAA'          |
| Allianz Global Corporate and Specialty South Africa Ltd. | Affirmed 'BB+'        | Affirmed 'zaAAA'          |
| Liberty Group Ltd.                                       | N/A                   | Affirmed 'zaAA+'/'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 Specialised Finance Proprietary Ltd               | N/A                   | Affirmed 'zaAAA'/'zaA-1+' |
| Sanlam Ltd.                                              | N/A                   | Affirmed 'zaA+'           |
| Santam Ltd.                                              | Affirmed 'BB'         | Affirmed 'zaAAA'          |
| 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                       |

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## Summary of South African insurers rating actions (cont.)

| Entity                                                                     | Global scale ratings* | National scale ratings |
|----------------------------------------------------------------------------|-----------------------|------------------------|
| Swiss Re Corporate Solutions Africa Ltd.                                   | N/A                   | Affirmed 'zaAAA'       |
| <b>Issue credit ratings</b>                                                |                       |                        |
| Subordinated deferrable: Liberty                                           | N/A                   | Affirmed 'zaA+'        |
| Subordinated deferrable: Old Mutual Life Assurance Co. (South Africa) Ltd. | N/A                   | Affirmed 'zaAA-'       |
| Subordinated deferrable: Sanlam Life Insurance Ltd.                        | N/A                   | Affirmed 'zaAA-'       |
| Subordinated deferrable: Santam Ltd.                                       | N/A                   | Affirmed 'zaAA-'       |

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

South Africa's insurance sector has maintained resilient and sound capital buffers in a challenging economic environment. This has been supported by risk management practices under the local risk-based solvency regime to manage and mitigate both underwriting and financial market shocks. We recognize that insurers remain subject to the long-term economic growth prospects of South Africa, given their concentration in the country. We believe long-term premium and earnings growth in South Africa remains constrained considering an improving but still-challenging economic environment.

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

Primary analyst: Tatiana Grineva

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 belief 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), And Sanlam Specialised Finance Proprietary Ltd. (SanFin)

Primary analyst: Tatiana Grineva and Adnan Osman

We affirmed our national scale ratings on Sanlam Life at 'zaAAA', in line with the national scale rating on the sovereign. We rate Sanlam Life one notch above the foreign currency rating on the sovereign. This reflects our belief that the insurer's largely loss-absorbing liability profile would allow it to withstand the stress associated with a foreign currency sovereign default.

We affirmed our 'zaA+' national scale rating on Sanlam Ltd, reflecting the structural subordination that comes from its nonoperating holding company status.

We affirmed our national scale ratings on SanFin at 'zaAAA/--/zaA-1+'. We consider SanFin a core entity to the Sanlam group, so our ratings on it are tied to those on the group's core operating

company Sanlam Life.

## Liberty Group Ltd. (LGL)

Primary analyst: Tatiana Grineva

We affirmed our long-term South Africa national scale rating on LGL at 'zaAA+' and the short-term national scale rating at 'zaA-1+'. We also affirmed the 'zaA+' rating on Liberty Group's subordinated debt instruments.

Our 'zaAA+' national scale rating on LGL is at the level of South African foreign currency ratings but one notch below the local currency ratings. This is because it does not pass our sovereign stress test, meaning we do not expect LGL's capital to withstand the stress if South Africa were to default, based on our hypothetical stress test.

LGL has a more concentrated business risk profile relative to Sanlam or Old Mutual, given its niche focus and less diversified books of business. This makes it more susceptible to the business cycle and economic conditions.

## Santam Ltd. And Santam SI Investments Group (Santam SI)

Primary analyst: Sylvia Mhlanga

We affirmed our global scale ratings on Santam Ltd. at 'BB' and our national scale ratings at 'zaAAA'. We rate Santam Ltd. above the 'BB-' foreign currency sovereign ratings on South Africa. This is because we think that it would be able to withstand the stress associated with South Africa defaulting on its foreign currency obligations, based on the insurer's asset allocation and regulatory capital base.

We continue to regard Santam SI 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 affirmed our 'BB-' global scale issuer credit ratings on Santam Structured Reinsurance Ltd PCC and Santam Structured Insurance, which we regard as core to Santam SI. We also affirmed our 'zaAA' national scale rating on Santam Structured Insurance.

We regard Santam Structured Insurance Ltd. PCC as highly strategic to Santam SI. Therefore, we affirmed our 'B+' global scale rating on it, one notch below that on Santam Structured Insurance Ltd. We also affirmed our 'B-' rating on Santam SI Investments Mauritius Ltd. This is two notches below that on Santam Structured Insurance PCC to reflect dependency on dividends and other distributions from the operating company to meet its obligations.

## How Our Local Currency Ratings On South Africa Affect OMLACSA, Sanlam Life, And Santam

We cap our ratings on these insurers with the local currency rating on South Africa. This is 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 national scale rating on an issuer to take into account the coupon payment risk on the debt, then deduct another two notches to reflect the subordination. As a result, for OMLACSA, Sanlam Life, and Santam Ltd., we continue to rate the deferrable notes 'zaAA-', and for Liberty 'zaA+' three notches below our 'zaAAA' and 'zaAA+' national scale ratings on the issuers of these notes.

## AIG South Africa Ltd. And AIG Life South Africa Ltd. (Collectively AIG South Africa)

Primary analyst: Sylvia Mhlanga

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 we believe the insurer is unlikely to default on its liabilities in the event of a foreign currency default by South Africa.

We continue to view AIG South Africa as strategically important to the wider 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 rating uplift, since our assessment of its stand-alone credit profile (SACP) is already higher than the local currency sovereign rating.

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

Primary analyst: Jure Kimovec

We affirmed our 'BB+' insurer financial strength and issuer credit ratings and our 'zaAAA' national scale ratings on AGCSSA. We consider AGCSSA to be highly strategic to Allianz Global Corporate & Specialty SE, the core operating entity of Allianz SE (AA/Stable/A-1+). We therefore rate this entity two notches above the foreign currency rating on South Africa, in line with our group rating methodology.

## Swiss Re Corporate Solutions Africa Ltd. (SRCS Africa)

Primary analyst: Robert Greensted

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-/Stable/A-1+).

## Outlooks: AIG South Africa, AGC SSA, OMLACSA, Santam, And Santam SI

The positive outlooks on the global scale ratings on these insurers mirror our positive outlook on South Africa.

### Upside scenario

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

### Downside scenario

An outlook revision to stable over the next 12 months would be driven by a similar action on the sovereign.

### National scale ratings

Our national scale ratings for South African entities have no outlooks.

### Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- 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: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

### Related Research

- South Africa Outlook Revised To Positive On Improved Reform And Growth Potential, Nov. 15, 2024

## Ratings List

\*\*\*\*\* Allianz SE \*\*\*\*\*

### 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+/Positive/-- BB+/Stable/--

Financial Strength Rating

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

\*\*\*\*\* AIG South Africa Ltd.\*\*\*\*\*

### 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/Positive/-- BB/Stable/--

Financial Strength Rating

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

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

### Ratings Affirmed

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

Issuer Credit Rating

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

#### Old Mutual Ltd.

Issuer Credit Rating

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

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

Subordinated zaAA-

## Various South Africa-Based Insurer Outlooks Revised To Positive Following Similar Rating Action On The Sovereign

### Ratings Affirmed; Outlook Action

|                                                          | To             | From         |
|----------------------------------------------------------|----------------|--------------|
| <b>Old Mutual Life Assurance Co. (South Africa) Ltd.</b> |                |              |
| Issuer Credit Rating                                     |                |              |
| Local Currency                                           | BB/Positive/-- | BB/Stable/-- |
| Financial Strength Rating                                |                |              |
| Local Currency                                           | BB/Positive/-- | BB/Stable/-- |

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

### Ratings Affirmed

#### Sanlam Ltd.

|                             |           |  |
|-----------------------------|-----------|--|
| Issuer Credit Rating        |           |  |
| South Africa National Scale | zaA+/-/-- |  |

#### Sanlam Specialised Finance Proprietary Ltd.

|                             |                 |  |
|-----------------------------|-----------------|--|
| Issuer Credit Rating        |                 |  |
| South Africa National Scale | zaAAA/--/zaA-1+ |  |

#### Santam Ltd.

#### Sanlam Life Insurance Ltd.

|                             |             |  |
|-----------------------------|-------------|--|
| Issuer Credit Rating        |             |  |
| South Africa National Scale | zaAAA/--/-- |  |

#### Santam Structured Insurance Ltd.

|                           |            |  |
|---------------------------|------------|--|
| Financial Strength Rating |            |  |
| Local Currency            | zaAA/--/-- |  |

#### Santam Ltd.

|              |       |  |
|--------------|-------|--|
| Subordinated | zaAA- |  |
|--------------|-------|--|

#### Sanlam Life Insurance Ltd.

|              |       |  |
|--------------|-------|--|
| Subordinated | zaAA- |  |
|--------------|-------|--|

### Ratings Affirmed; Outlook Action

|                                               | To             | From         |
|-----------------------------------------------|----------------|--------------|
| <b>Santam Ltd.</b>                            |                |              |
| Issuer Credit Rating                          |                |              |
| Local Currency                                | BB/Positive/-- | BB/Stable/-- |
| Financial Strength Rating                     |                |              |
| Local Currency                                | BB/Positive/-- | BB/Stable/-- |
| <b>Santam SI Investments Mauritius Ltd.</b>   |                |              |
| Issuer Credit Rating                          |                |              |
| Local Currency                                | B-/Positive/-- | B-/Stable/-- |
| <b>Santam Structured Insurance Ltd.</b>       |                |              |
| <b>Santam Structured Reinsurance Ltd. PCC</b> |                |              |
| Issuer Credit Rating                          |                |              |

## Various South Africa-Based Insurer Outlooks Revised To Positive Following Similar Rating Action On The Sovereign

|                                          |                 |               |
|------------------------------------------|-----------------|---------------|
| Local Currency                           | BB-/Positive/-- | BB-/Stable/-- |
| Financial Strength Rating                |                 |               |
| Local Currency                           | BB-/Positive/-- | BB-/Stable/-- |
| Santam Structured Insurance Ltd. PCC     |                 |               |
| Financial Strength Rating                |                 |               |
| Local Currency                           | B+/Positive/--  | B+/Stable/--  |
| ***** Stanbic IBTC Holdings PLC *****    |                 |               |
| Ratings Affirmed                         |                 |               |
| Liberty Group Ltd.                       |                 |               |
| Issuer Credit Rating                     |                 |               |
| South Africa National Scale              | zaAA+/-/zaA-1+  |               |
| Liberty Group Ltd.                       |                 |               |
| Subordinated                             | zaA+            |               |
| ***** Swiss Re Ltd. *****                |                 |               |
| Ratings Affirmed                         |                 |               |
| Swiss Re Corporate Solutions Africa Ltd. |                 |               |
| Financial Strength Rating                |                 |               |
| Local Currency                           | zaAAA/--/--     |               |

## Regulatory Disclosures

### Santam Ltd.

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Oct. 10, 2012
- Date of previous review: Dec 14, 2023

### Santam SI Investments Mauritius Ltd.

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Dec. 23, 2022
- Date of previous review: December 14, 2023

### Santam Structured Insurance Ltd.

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director



- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: May. 24, 2017
- Date of previous review: December 14, 2023

### **Santam Structured Reinsurance Ltd. PCC**

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: May. 24, 2017
- Date of previous review: December 14, 2023

### **Santam Structured Insurance Ltd. PCC**

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Dec. 23, 2022
- Date of previous review: December 14, 2023

### **Sanlam Specialised Finance Proprietary Ltd.**

- Primary Credit Analyst: Adnan Osman
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Feb. 25, 2016
- Date of previous review: Feb. 26, 2024

### **AIG South Africa Ltd.**

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Oct. 14, 2013
- Date of previous review: April 3, 2024

### **AIG Life South Africa**

- Primary Credit Analyst: Sylvia Mhlanga, Associate Director
- Rating Committee Chairperson: Johannes Bender
- Date initial rating assigned: Oct. 14, 2013
- Date of previous review: April 3, 2024

## Disclaimers

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Materials Used In The Credit Rating Process: Sufficient information in general consists of both (i) financial statements that describe the Issuer's financial condition, results of operations and cash-flows, and (ii) a description of the activities and obligations of the entity including of its governance and legal structure.

This credit rating was disclosed to the rated entity or related third party before being issued.

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## Glossary

- Anchor: The starting point for rating an insurer, based on S&P Global Ratings' assessments of the business and financial risk profiles.
- Business risk profile (BRP): Assesses the risk inherent in the insurer's operations and therefore the potential sustainable return to be derived from those operations.
- Capital and earnings: Measure of an insurer's ability to absorb losses.
- Competitive position: An assessment based on an insurer's market or niche position, scale or efficiency of operations, brand name recognition or reputation, and strength of distribution.
- Date initial rating assigned: The date S&P Global Rating's assigned the long-term foreign currency issuer credit rating on the entity.
- Date of previous review: The date S&P Global Rating's last reviewed the credit rating on the entity.

- Earnings before interest (other than interest on nonrecourse or operational leverage) and taxes. We may apply analytical adjustments for items such as nonrecurring events; realized investment gains/losses; or impairments to goodwill.
- ESG credit factors: Those environmental, social, and governance (ESG) factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. These credit factors can have a negative or positive impact on creditworthiness, depending on whether they represent a risk or an opportunity.
- ESG credit indicator: An ESG credit indicator is an alphanumeric representation of the qualitative assessment of ESG factors' impact on creditworthiness produced as part of the ratings process. Our ESG credit indicators provide additional disclosure by reflecting our opinion of how material the influence of ESG factors is on the various analytical components in our rating analysis through an alphanumeric 1-5 scale. ESG credit indicators are applied after the ratings have been determined.
- Financial leverage. Financial obligations/(reported equity + financial obligations). We deduct from reported equity any off-balance-sheet pension deficit, net of tax, and any financial obligations included in reported equity, such as preferred stock. We typically include noncontrolling interests as part of reported equity. We may use net assets rather than reported equity, for example in the case of mutual insurers.
- Financial obligations/EBITDA. Determines the number of years of normalized earnings required to pay back debt and is another measure of the sustainability of the level of debt taken on by an insurer.
- Financial risk profile (FRP): The consequence of decisions that management makes in the context of its business risk profile and its risk tolerances.
- Financial strength rating (FSR): A forward-looking opinion about the financial security characteristics of an insurer with respect to its ability to pay under its insurance policies and contracts, in accordance with their terms.
- Fixed-charge coverage. EBITDA/fixed charges. Fixed-charge coverage represents an insurer's ability to service interest on financial obligations out of EBITDA. Fixed charges include total interest expense including interest expense reported as investment expense, lease expense, and preferred stock dividends (tax-adjusted), minus any interest expense on debt that we consider to be nonrecourse or operational leverage.
- High-risk assets: Volatile or illiquid assets.
- Insurance Industry And Country Risk Assessment (IICRA): Addresses the risks typically faced by insurers operating in specific industries and countries, and is generally determined at a country or regional level.
- Intangibles: The sum of goodwill, intangible assets, deferred acquisition costs (DAC), value of in-force, value of business acquired, and deferred tax assets.
- Issuer credit rating (ICR): A forward-looking opinion about an obligor's overall creditworthiness, focusing on its capacity and willingness to meet its financial obligations in full and as they come due.
- Prebonus pretax earnings are the sum of EBITDA and policyholder dividends.
- Return on assets (ROA): Indicates to us how efficiently management uses its assets to generate earnings by comparing EBIT to the two-year average of total assets adjusted. Total assets

adjusted is total assets minus reinsurance assets.

- Return on revenue (ROR): EBIT divided by total revenue. Total revenue is the sum of net premiums earned (or net written premium if net earned premium is not available), net investment income, and other income. We remove the effects of realized and unrealized gains or losses from investments and derivatives to provide a more complete picture of an insurer's revenue-generating abilities.
- Risk exposure: Assesses material risks that the capital and earnings analysis does not incorporate and specific risks that it captures but that could make an insurer's capital and earnings significantly more or less volatile.
- Return on equity (ROE): Reported net income divided by the average of opening and closing reported equity for the year. Reported net income is before remuneration of preferred stock and non-controlling interests. Reported equity includes non-controlling interests and preferred stock.
- Stand-alone credit profile (SACP): S&P Global Ratings' opinion of an insurer's creditworthiness, in the absence of extraordinary intervention from its parent, affiliate, or related government.
- Total adjusted capital (TAC): S&P Global Ratings' measure of the capital an insurer has available to meet capital requirements.
- Total assets are the average of opening and closing total assets (less reinsurance assets) for the year.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings). Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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