

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

May 24, 2022

- On May 20, 2022, we revised our outlook to positive from stable and affirmed our 'BB-' foreign currency and 'BB' local currency long-term sovereign credit ratings on South Africa.
- We think that more favorable terms of trade supporting South Africa's fiscal and external receipts and economic activity are lowering the overall accompanying credit risk within the economy. This could help support growth and earnings prospects in the insurance sector and lowers the risk of asset quality deterioration.
- We therefore revised our outlook 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.

LONDON (S&P Global Ratings) May 24, 2022--S&P Global Ratings today revised its outlooks to positive from stable and affirmed its ratings of various South African insurers.

These rating actions follow the outlook revision to positive from stable on South Africa on May 20.

Summary Of South African Insurers Rating Actions

Entity	Global-scale ratings§	National-scale ratings
AlIG Life South Africa Ltd.	Affirmed 'BB'	Affirmed 'zaAAA'
AlIG 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'
Sanlam Capital Markets Pty Ltd.	N/A	Affirmed 'zaAA'/'zaA-1+'
Santam Structured Insurance Ltd.*	Affirmed 'BB-'	Affirmed 'zaAA'

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Summary Of South African Insurers Rating Actions (cont.)

Entity	Global-scale ratings§	National-scale ratings
Santam Structured Reinsurance Ltd. PCC*	Affirmed 'BB-'	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+'

*These two Santam structured entities are collectively known as Santam SI Investments. §We revised our outlooks on the global-scale ratings to positive from stable. N/A--Not applicable.

South Africa is experiencing a cyclical upturn in its near-term economic performance and current account position. Following the rebound in 2021, we expect growth will decline to 1.8% in 2022. Growth has been supported by the relaxation of lockdown restrictions, the economy's reopening, and an upturn in global commodity prices, which will help improve terms of trade. We expect South Africa's GDP growth to taper off to 1.7% on average over the next three years. Structural constraints, including energy shortages and infrastructural bottlenecks will continue to limit medium-term economic growth. This could imply constrained growth within the insurance market.

The insurance sector has come out of the pandemic with sound and resilient capital buffers. This has been further 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 for South Africa, given the concentration in the country. We believe the 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: 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 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 Capital Markets Proprietary Ltd. (SCM)

Primary analyst: Trevor Barsdorf

We affirmed our national scale ratings on Sanlam Life at 'zaAAA', in line with the national scale

rating on the sovereign. This reflects our belief 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, reflecting the insurer's structural subordination that comes from its non-operating holding company status.

We affirmed our national scale ratings on SCM of 'zaAA/zaA-1+'. We consider SCM highly strategic 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.

Primary analyst: Trevor Barsdorf

We affirmed our national scale ratings on Liberty Group at 'zaAAA', in line with the national scale rating on the sovereign, since the group's liability profile allows it to absorb almost all losses. This would enable it to withstand 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. 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 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 a South African default on its foreign currency obligations, based on the insurer's asset allocation and regulatory capital base.

We affirmed our 'BB-' global scale issuer credit rating on the two entities collectively known as Santam SI Investments and affirmed our 'zaAA' national scale rating on Santam Structured Insurance Ltd.

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.

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 reflecting 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: Ali Karakuyu

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 a 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: Sebastian Dany

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: Trevor Barsdorf

We affirmed our 'zaAAA' national scale ratings on SRCS Africa. We consider SRCS Africa highly strategic to 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 positive outlooks on the global scale ratings on these insurers reflects our positive 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

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 Africa have no outlooks.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- 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 Positive On Resilient External Sector; Ratings Affirmed, May 20, 2022

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
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Allianz Global Corporate and Specialty South Africa Ltd.

Issuer Credit Rating

Local Currency	BB+/Positive/--	BB+/Stable/--
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Financial Strength Rating

Local Currency	BB+/Positive/--	BB+/Stable/--
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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
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AIG Life South Africa Ltd.

AIG South Africa Ltd.

Issuer Credit Rating

Local Currency	BB/Positive/--	BB/Stable/--
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Financial Strength Rating

Local Currency	BB/Positive/--	BB/Stable/--
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***** Old Mutual Ltd. *****

Ratings Affirmed

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

Issuer Credit Rating

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

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Old Mutual Ltd.

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

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

Subordinated	zaA+	
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Ratings Affirmed; Outlook Action

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

Issuer Credit Rating		
Local Currency	BB/Positive/--	BB/Stable/--
Financial Strength Rating		
Local Currency	BB/Positive/--	BB/Stable/--

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

Ratings Affirmed

Sanlam Life Insurance Ltd.

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

Sanlam Ltd.

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

Sanlam Capital Markets Pty Ltd.

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

Santam Ltd.

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

Santam Structured Insurance Ltd.

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

Ratings Affirmed; Outlook Action

	To	From
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Santam Ltd.

Issuer Credit Rating		
Local Currency	BB/Positive/--	BB/Stable/--
Financial Strength Rating		
Local Currency	BB/Positive/--	BB/Stable/--

Santam Structured Insurance Ltd.

Santam Structured Reinsurance Ltd. PCC

Issuer Credit Rating		
Local Currency	BB-/Positive/--	BB-/Stable/--
Financial Strength Rating		
Local Currency	BB-/Positive/--	BB-/Stable/--

***** **Liberty Group Ltd.** *****

Ratings Affirmed

Liberty Group Ltd.

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

Liberty Group Ltd.

Subordinated	zaA+
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***** **Swiss Re Ltd.** *****

Ratings Affirmed

Swiss Re Corporate Solutions Africa Ltd.

Financial Strength Rating	
Local Currency	zaAAA/--/--

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

Regulatory Disclosures

Liberty Group Ltd.

- Primary Credit Analyst: Trevor Barsdorf, Associate Director
- Rating Committee Chairperson: Ralf Bender
- Date initial rating assigned: Feb. 18, 2016
- Date of previous review: Feb. 16, 2022

Sanlam Ltd.

- Primary Credit Analyst: Trevor Barsdorf, Associate Director

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

- Rating Committee Chairperson: Ralf Bender
- Date initial rating assigned: Feb. 26, 2016
- Date of previous review: Feb. 16, 2022

Sanlam Capital Markets Pty Ltd.

- Primary Credit Analyst: Trevor Barsdorf, Associate Director
- Rating Committee Chairperson: Ralf Bender
- Date initial rating assigned: Feb. 25, 2016
- Date of previous review: Feb. 22, 2022

Disclaimers

This rating has been determined by a rating committee based solely on the committee's independent evaluation of the credit risks and merits of the issuer or issue being rated in accordance with S&P Global Ratings published criteria and no part of this rating was influenced by any other business activities of S&P Global Ratings.

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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.

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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.

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