

FITCH UPGRADES GUARDRISK'S NATIONAL IFS RATINGS TO 'AA+(ZAF)'

Fitch Ratings-Johannesburg/London-21 November 2014: Fitch has upgraded Guardrisk Insurance Company Limited's (Guardrisk Insurance) and Guardrisk Life Limited's (Guardrisk Life) National Insurer Financial Strength (IFS) ratings to 'AA+(zaf)' from 'AA(zaf)'. The Outlooks are Stable.

Fitch has also upgraded Mauritius-based Guardrisk International Limited PCC's (GIL) IFS rating to 'BBB+' from 'BBB' with a Negative Outlook.

The upgrades follows Fitch's revision of the Guardrisk group's strategic importance to its parent, MMI Holdings Limited (MMI), to 'Very Important', as defined in Fitch's insurance group rating methodology.

The Negative Outlook on GIL's IFS rating reflects both the Guardrisk group's and MMI's concentration in South Africa and a weakening operating environment as indicated by the Negative Outlook on South Africa's sovereign ratings (see "Fitch Revises South Africa's Outlook to Negative; Affirms at 'BBB' ", dated 13 June 2014 at www.fitchratings.com).

The Stable Outlooks on the Guardrisk group's National ratings reflects Fitch's expectation that the Guardrisk group's credit strength relative to the best credit in the country will remain stable.

KEY RATING DRIVERS

Fitch views Guardrisk's strategic status as 'very important', and has applied a one-notch uplift to its National IFS ratings compared with its standalone group assessment. This reflects Guardrisk's strategic alignment with its parent, even though it is still new to the group. MMI completed its acquisition of Guardrisk in March 2014.

Guardrisk's ability to attract new business is set to benefit from its new ownership. As an insurance parent, MMI is willing to accept and is able to manage a degree of insurance risk where new opportunities arise. In addition, Guardrisk's presence within an insurance group, as opposed to a predominantly financial intermediary services group, enables it to write business through large brokers that compete with its previous owner, Alexander Forbes.

From a standalone perspective, Guardrisk's rating benefits from being the leading provider of cell captive insurance services in South Africa, its strong capitalisation and low volatility of profits.

Fitch believes that Guardrisk is strongly capitalised based on regulatory requirements and the agency's Prism Factor Based Model (Prism FBM) result. Regulatory solvency coverage for Guardrisk Insurance and Guardrisk Life at the licence level was 1.4x and 3.7x, respectively, at year-end, and the Guardrisk group's Prism FBM score was 'Extremely Strong'.

The majority of the Guardrisk group's income is generated through management fees, charged for services provided within the cell captive structure, such as underwriting, access to insurance licences, reserving and risk management. Only a small proportion of group profitability is generated through direct underwriting.

Around 95% of the Guardrisk group net revenues come from South Africa, with the remainder from Mauritius and Gibraltar.

RATING SENSITIVITIES

A downgrade of South Africa's Long-term foreign or local currency Issuer Default Ratings could trigger a downgrade of GIL's IFS rating. A downgrade of the sovereign ratings is not expected to affect the National IFS ratings of Guardrisk Insurance and Guardrisk Life, as the relativity of these ratings to that of the best credits in South African should remain unaffected.

Given Fitch's view that Guardrisk is 'Very Important' to the MMI group under Fitch's insurance group rating methodology, any downgrade of MMI Group's ratings would have a similar impact on Guardrisk's ratings. An upgrade of MMI Group's ratings is unlikely in the medium term.

A downgrade could also be triggered by deterioration in Guardrisk's standalone profile so that Fitch would no longer consider it as 'Very Important' to MMI. This could arise from sustained weak operating performance or lower levels of capitalisation.

Contact:

Primary Analyst

Willem Loots

Director

+27 11 290 9402

Fitch Southern Africa (Pty) Ltd

23 Impala Road

Sandton 2196

Secondary Analyst

Harish Gohil

Managing Director

+44 20 3530 1257

Committee Chairperson

Chris Waterman

Managing Director

+44 20 3530 1168

Media Relations: Elaine Bailey, London, Tel: +44 203 530 1153, Email: elaine.bailey@fitchratings.com.

Additional information is available at www.fitchratings.com.

- (a) No part of the rating was influenced by any other business activities of the credit rating agency;
- (b) The rating was based solely on the merits of the rated entity, security or financial instrument being rated;
- (c) Such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

Applicable criteria, Insurance Rating Methodology, dated 4 September 2014, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=756650

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/](http://FITCHRATINGS.COM/)

UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.