



Fitch Downgrades 2 South African Insurance Groups' IFS Ratings

Link to Fitch Ratings' Report: South Africa Insurance Review (Six Groups) - Rating Action Report (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875442)

Fitch Ratings-London-14 December 2015: Fitch Ratings has completed a review covering six insurance groups within South Africa focused exclusively on the impact of Fitch's downgrade of the South African sovereign rating.

The review resulted in the downgrade of the Insurer Financial Strength (IFS) ratings of Guardrisk International Limited PCC (Guardrisk PCC) to 'BBB' from 'BBB+' and RMB Financial Services Limited, RMB Structured Insurance Limited and RMB Structured Insurance Limited PCC (collectively RMBSI) to 'BBB-' from 'BBB'. The Outlooks are Stable.

Fitch has simultaneously affirmed the National IFS ratings of Home Loan Guarantee Company NPC, Guardrisk Insurance Company Limited, Guardrisk Life Limited, MMI Group Limited, Liberty Group Limited and Standard Insurance Limited.

On 4 December 2015, Fitch downgraded South Africa's Long-term foreign and local currency Issuer Default Rating (IDR) to 'BBB-' from 'BBB' and to 'BBB' from 'BBB+', respectively. The Outlooks are Stable.

KEY RATING DRIVERS

The downgrade of Guardrisk PCC's IFS rating reflects the cap introduced by the downgrade of South Africa's local currency IDR to 'BBB'. The downgrade of RMBSI's IFS ratings reflects its exposure to the deteriorating South African operating environment as a small niche insurer.

The downgrade of South Africa's IDRs reflects further weakness in GDP growth and estimates of growth potential, an increase in forecast gross general government debt and South Africa's persistent current account deficit. These factors create a weaker operating environment for South Africa-based insurers, thereby weakening their credit profiles.

National scale ratings have not been affected by the sovereign downgrade as the relative credit worthiness of South African insurance groups remains unchanged, in Fitch's view. The main industry-wide risk factors to South African insurers' ratings remain broadly unchanged, in Fitch's view.

RATING SENSITIVITIES

A downgrade or upgrade of South Africa's Long-term foreign or local currency IDRs could trigger a similar rating action on Guardrisk PCC's and RMBSI's IFS ratings.

For the Key Ratings Drivers and Sensitivities for a specific entity, see the most recently published Rating Action Commentaries or issuer research reports.

SUMMARY OF RATING ACTIONS

A link to a summary report that details all of the ratings actions taken as part of the portfolio review is available via the link below under "Related Research".

The linked summary report includes:

- A full list of ratings and related rating actions
- A hyperlink to each rated entity's ratings summary page on the Fitch website
- Primary analyst and secondary analyst contact information

--Participation status

LIMITATIONS

The review was limited in scope, and only included an assessment of the impact of the recent downgrade of South Africa's IDRs, as outlined in 'Fitch Downgrades South Africa to 'BBB-'; Outlook Stable' published on 4 December 2015 on www.fitchratings.com.

Where relevant, Fitch considered the appropriateness of the relative ranking of ratings in the South African insurance sector.

This review did not include the reviews of the Santam group and the Old Mutual group, which were published on 10 and 14 December 2015 respectively on www.fitchratings.com

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Additional information is available on www.fitchratings.com

Applicable Criteria

Insurance Rating Methodology (pub. 16 Sep 2015)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=871172)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=996683)

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