

## **FITCH MAINTAINS GUARDRISK'S IFS RATINGS ON RATING WATCH EVOLVING**

Fitch Ratings-London-07 November 2013: Fitch Ratings has maintained South Africa-based Guardrisk Insurance Company Limited (Guardrisk Insurance) and Guardrisk Life Limited (Guardrisk Life)'s 'AA(zaf)' Insurer Financial Strength (IFS) rating on Rating Watch Evolving (RWE). Fitch has also maintained Guardrisk Insurance's Mauritius-based subsidiary Guardrisk International Limited PCC's (GIL) International IFS rating of 'BBB' on RWE.

This follows the announcement of the MMI group's (MMI; IFS rating of main operating entity: 'AA(zaf)/Positive) intention to acquire Guardrisk for ZAR1.6bn, subject to regulatory approval by the competition authorities and the relevant regulators. Fitch views Guardrisk Insurance, Guardrisk Life and GIL (together referred to as Guardrisk) as "Core" to the Guardrisk group, as defined in the agency's insurance rating methodology.

The MMI group's ratings remain unaffected following the announcement, given the relatively small size of the transaction.

### **KEY RATING DRIVERS**

Fitch placed Guardrisk's ratings on RWE on 25 July 2013, reflecting the uncertainty of future ownership at the time following Alexander Forbes announcing its intentions to invite expressions of interest in Guardrisk.

The RWE will be resolved upon completion of the acquisition by MMI as expected. Upon acquisition, Fitch would consider Guardrisk to be strategically "Important" to the MMI group, as defined under Fitch's insurance rating methodology and its ratings would be affirmed at the current level. Should the transaction be rejected by the approving authorities, the RWE would be maintained.

Fitch believes that Guardrisk would benefit from being part of the larger MMI group, including potential cross-selling opportunities. Also, MMI is likely to draw benefits from Guardrisk's strong relationships with corporates and contributing to its overall strategic objective of diversifying its business profile.

Fitch believes that there is limited integration risk given the nature and scale of the acquisition. The MMI Group reported total equity of ZAR23.9bn and net earnings of ZAR2.7bn for the year ended 30 June 2013. The acquisition will be funded from MMI's existing capital buffer.

### **RATING SENSITIVITIES**

Should the transaction receive the necessary approvals to proceed to completion, Fitch would affirm Guardrisk's ratings.

The RWE would be maintained if the acquisition is not completed and resolution would depend on subsequent developments.

Contact:

Primary Analyst  
Anna Bender

Associate Director  
+44 20 3530 1671  
Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

Secondary Analyst  
Harish Gohil  
Managing Director  
+44 20 3530 1257

Committee Chairperson  
Federico Faccio  
Senior Director  
+44 20 3530 1394

Media Relations: Hannah Huntly, London, Tel: +44 20 3530 1153, Email:  
hannah.huntly@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Insurance Rating Methodology', dated 19 August 2013 are available at  
[www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=715468](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715468)

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