

## **FITCH AFFIRMS SOUTH AFRICA'S SANTAM AT IFS 'AA+(ZAF)'; OUTLOOK STABLE**

Fitch Ratings-Johannesburg/London-16 October 2014: Fitch Ratings has affirmed South Africa-based Santam Limited's (Santam) National Insurer Financial Strength (IFS) rating at 'AA+(zaf)' and National Long-term rating at 'AA(zaf)'. The Outlooks are Stable. Fitch has simultaneously affirmed Santam's subordinated debt at 'A+(zaf)'.

### **KEY RATING DRIVERS**

The ratings reflect Santam's "Core" status within the Sanlam group, under Fitch's insurance group rating methodology. The ratings also reflect its standalone credit profile, which is consistent with the IFS rating of Sanlam Life Insurance Limited at 'AA+(zaf)'.

Santam is the largest general insurer in South Africa, with a strong domestic franchise. At end-1H14 Santam increased its gross written premiums by 6.8% to ZAR10.5bn, having weathered strong competition and a difficult economic environment.

Fitch believes that Santam remains adequately capitalised based on the agency's own risk-adjusted assessment and the regulatory statutory requirement. At end-1H14, Santam's regulatory solvency ratio improved to 44% (end-2013: 42%; end-2012: 41%), which is within the company's target range of 35% to 45%. Fitch expects solvency to remain strong in 2014, supported by retained earnings.

Net profit improved 126% to ZAR953m in 1H14, supported by an improved underwriting result and higher interest rates. Santam's improved combined ratio of 92.6% (1H13: 98.7%) was mainly attributed to a turnaround in the crop insurance business and remedial premium increases in commercial and personal intermediated lines. Santam has a long history of strong underwriting profitability, with a 10-year average combined ratio of 92.5%, which compares favourably with peers.

### **RATING SENSITIVITIES**

Given Fitch's view that Santam is "Core" to the Sanlam group any upgrade or downgrade of Sanlam's ratings would have a similar impact on those of Santam.

A downgrade could also be triggered by deterioration in the standalone profile to an extent that Fitch would no longer consider Santam as "Core" to Sanlam. This could result from a sustained poor operating performance and/or severe weakening in Santam's market share.

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- (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](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=756650](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=756650)

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