

Rating Action: Moody's assigns an Aaa.za national scale IFS rating to Guardrisk Insurance Group

Global Credit Research - 27 May 2016

London, 27 May 2016 -- Moody's Investors Service, ("Moody's") has assigned Aaa.za national scale insurance financial strength (IFS) ratings to both Guardrisk Insurance Company Limited (Guardrisk Insurance) and Guardrisk Life Limited (Guardrisk Life). At the same time, Moody's also assigned a Baa2 global scale IFS rating to Guardrisk International Limited PCC, incorporated in Mauritius (Guardrisk International).

In the same action, Moody's assigned the following global scale IFS ratings, which serve as the basis for the national scale ratings: Guardrisk Insurance at Baa2 and Guardrisk Life at Baa2. The outlook is negative, on a global scale basis, and follows from the negative outlook for the Government of South Africa (Baa2, negative)

Moody's considers Guardrisk's various entities (Guardrisk Insurance, Guardrisk Life and Guardrisk International) as a single analytic unit, and, as such rates them at the same level. In fact Moody's considers Guardrisk's entities to be closely related, the South African entities benefiting from a common operating platform and management structure. In addition, the three rated entities form part of Guardrisk's overall platform and integrated service offering to clients, allowing it to offer a variety of risk transfer solutions to clients.

RATINGS RATIONALE

The ratings of the Guardrisk reflect (i) its good market position as the largest cell captive insurer in the South African market, (ii) low underwriting risk due to its fee based model, (iii) diverse product mix across life insurance and short-tailed non-life insurance lines, and (iv) strong and consistent profitability. These strengths are partially offset by (i) its investment portfolio's concentrated exposure to the South African economy and banking system, which is somewhat correlated with the credit risk of cell owners, and (ii) the uncertainty around the level of its capital coverage under the upcoming SAM regulations, including meaningfully lower future capital coverage levels expected for Guardrisk Insurance if the company's internal model is not approved by regulators in the long term. Given its exposure to the South African market, the IFS rating is constrained by South Africa's Baa2, negative outlook, government debt rating.

Guardrisk is the largest provider of cell captive insurance in South Africa and manages cells that insure both life and non-life risks in South Africa and internationally, predominately in other African countries. Based on premiums written -- both at the cell and promoter levels -- Guardrisk is amongst the top five largest non-life insurers in South Africa. Guardrisk is a subsidiary of MMI Holdings Limited, a leading insurance group in South Africa. MMI purchased Guardrisk from the Alexander Forbes Group in 2014.

As a cell captive insurer, Guardrisk's primary risk is the credit risk of the third party cell owners. Cell owners are responsible for maintaining adequate solvency of the respective cells; however, in the event cell owners are not able to recapitalize following adverse underwriting performance, Guardrisk retains the ultimate responsibility to policyholders. In addition to managing captive cells, for which it earns fee income, Guardrisk retains a moderate portion of insurance risk through direct business, and premiums generated by selected cells for its own account.

Guardrisk's primary sources of revenue are the fees it earns for managing the cells and invested assets belonging to cell owners. Similarly, its expenses are substantially related to operational expenses, and it is not exposed to significant underwriting gains and losses. This fee based model decreases volatility in earnings, and reduces the level of underwriting risk Guardrisk is exposed to. However, because of the white-label nature of Guardrisk's business model, with its lack of consumer interaction and meaningful underwriting risk, Guardrisk's business might be less sticky in the face of increased competition in the cell captive market.

The group is well capitalized relative to current regulatory capital requirements, with Guardrisk Insurance at 1.67x the solvency capital requirements (SCR) and Guardrisk Life at 2.6x the capital adequacy requirement (CAR) at year-end 2015. Under the upcoming SAM requirements, Guardrisk's regulatory capital coverage levels are expected to be adversely impacted, primarily due to the ring-fencing of individual cells capital requirements, and not allowing for meaningful diversification benefit in determination of the aggregate capital

requirement. Guardrisk Life plans to implement the standard formula approach, while Guardrisk Insurance has applied for regulatory approval of its internal model, which it believes reflects a more economic view of the cell captive business.

The Guardrisk ratings are constrained by South Africa's Baa2, government debt rating. In fact Moody's views Guardrisk's credit profile as having a meaningful link to the South African sovereign (Government of South Africa, Baa2 negative) and banking system. The primary reasons for this link include, the significant majority of the group's invested assets being held in domestic securities, including deposits with domestic banks, and sensitivity of the group's operating performance to the South African economy and financial markets. While Guardrisk International is based in Mauritius (Government of Mauritius, Baa1 stable), Moody's considers its credit profile to be linked to the broader Guardrisk group, and its parent, Guardrisk Insurance, that is based in South Africa.

RATINGS OUTLOOK

The negative outlook on Guardrisk reflects the negative outlook on South Africa's Baa2 government bond rating.

WHAT COULD CHANGE THE RATING UP OR DOWN

Moody's stated that the following factors could lead to an upgrade of the Guardrisk ratings on the global scale: (1) an upgrade of South Africa's sovereign rating, (2) explicit support from a higher rated entity within the MMI group, and (3) diversification of Guardrisk's geographic footprint, related to its invested assets and policyholder base, that meaningfully reduces its exposure to South Africa, or other highly correlated regions. Conversely, Moody's noted that the following factors could lead to a downgrade of the group's ratings on the global scale: (1) a downgrade of South Africa's government debt rating and/or a downgrade of the South African banking sector, and (2) failure to attain regulatory compliance, including a transitional dispensation, under the upcoming SAM regulations.

OTHER

Guardrisk Insurance is the largest non-life insurer in the Guardrisk group, with net written premium of ZAR 7.3 billion in 2015 (15 months ended June 2015), primarily focused on providing cell captive insurance for the South African market. It writes a wide range of corporate, personal and commercial lines that are mostly short-tailed.

Guardrisk Life is a life insurer primarily focused on providing cell captive insurance for the South African market. It offers a diverse range of long-term insurance lines including funeral benefits, health, employee benefits, and net written premiums of approximately ZAR 2.3 billion in 2015 (15 months ended June 2015).

Guardrisk International is domiciled in Mauritius and is licensed to write both short-term and long-term insurance, although its business is predominately short-term focused. It offers a diverse set of products to Guardrisk's clients with operations outside of South Africa, predominately in Africa.

LIST OF NEW RATINGS

The following insurance financial strength ratings were assigned on the global scale:

Guardrisk Insurance Company Limited at Baa2

Guardrisk Life Limited at Baa2

Guardrisk International Limited PCC at Baa2

A negative outlook was assigned

The following insurance financial strength ratings were assigned on the national scale:

Guardrisk Insurance Company Limited at Aaa.za

Guardrisk Life Limited at Aaa.za

PRINCIPAL METHODOLOGIES

The principal methodology used in rating Guardrisk Insurance Company Limited and Guardrisk International Limited PCC was Global Property and Casualty Insurers published in April 2016. The principal methodology used in rating Guardrisk Life Limited was Global Life Insurers published in April 2016. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189530.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Brandan Holmes
Vice President - Senior Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Antonello Aquino
Associate Managing Director
Financial Institutions Group

JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454



© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE. MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives,

licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.