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Research Update:

South Africa-Based Santam Ltd. Outlook Revised To Negative Following Sovereign Action; 'A-' Ratings Affirmed

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Research Update:

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Overview

- On Oct. 12, 2012, we lowered the Republic of South Africa's long-term local and foreign currency sovereign credit ratings to 'A-' and 'BBB', respectively.
- Under our criteria, we generally cap the ratings on insurers with a material direct exposure to a sovereign at the level of the sovereign local currency rating.
- We are therefore revising the outlook on Santam Ltd. to negative from stable, reflecting that on the sovereign.
- At the same time, we are affirming the 'A-' ratings and raising the national scale rating to 'zaAA+' from 'zaAA' following publication of revised mapping guidelines for the South African national credit rating scale.

Rating Action

On Oct. 17, 2012, Standard & Poor's Ratings Services revised the outlook on South Africa-based Santam Ltd. to negative from stable. At the same time, we affirmed the 'A-' long-term counterparty credit and insurer financial strength ratings. We also raised the South Africa national scale rating to 'zaAA+' from 'zaAA'.

Rationale

On Oct. 12, 2012, we lowered the long-term local and foreign currency sovereign credit ratings on the Republic of South Africa to 'A-' and 'BBB' from 'A' and 'BBB+', respectively. Under our ratings criteria, sovereign risk is a key factor influencing the financial strength of insurers. As a result, we cap our ratings on insurers with a material direct exposure to a sovereign at the level of the local currency rating on that sovereign.

Our approach reflects the exposure of Santam's business and investment portfolios and deposits to South Africa and the influence of general country risk factors on the company's business franchise and financial profiles.

Outlook

The negative outlook on Santam reflects that on South Africa. If we were to lower the sovereign credit rating on South Africa, we would also lower the ratings on Santam in line with those on the sovereign.

Based on current information, we consider an upgrade to be unlikely.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal.

- Principles Of Credit Ratings, Feb. 16, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Group Methodology, April 22, 2009
- Interactive Ratings Methodology, April 22, 2009
- Counterparty Credit Ratings And The Credit Framework, April 14, 2004
- Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings, Feb. 11, 2003

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Santam Ltd.		
Counterparty Credit Rating	A-/Negative/--	A-/Stable/--
Financial Strength Rating	A-/Negative/--	A-/Stable/--

Upgraded

	To	From
Santam Ltd.		
Counterparty Credit Rating		
South African National Scale	zaAA+/--/--	zaAA/--/--

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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