

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

Fitch Ratings-London/Johannesburg-16 August 2011: Fitch Ratings has affirmed Santam Limited's (Santam) National Insurer Financial Strength (IFS) rating at 'AA+(zaf)' and National Long-term rating at 'AA(zaf)'. Fitch has simultaneously affirmed Santam's subordinated debt at 'A+(zaf)'. The Outlooks are Stable.

The affirmation reflects Fitch's view that Santam has core status within the Sanlam group. Although Santam's ratings are primarily based on its core status, they also take into account its standalone credit profile. Santam's ratings reflect its strong position as the largest non-life insurer in South Africa with over 22% market share in terms of gross written premiums, its good and robust capital position as well as its improved and resilient financial performance, despite the prevailing tough economic conditions. In addition, Santam has a well-established distribution network, diversified product offering and good risk management. Offsetting factors include the intensely competitive South African market, the challenging economic environment and the company's limited diversification outside South Africa.

Santam's headline earnings were up 51% at ZAR1,545m in 2010, supported by an improved underwriting performance and good investment returns (stemming from stronger equity markets). The substantially stronger underwriting performance of ZAR1,146m (2009: ZAR453m) was mainly attributable to the property and motor classes generating underwriting profits in 2010 compared to losses in the previous year. Santam reported an improved combined ratio of 91.5% (2009: 96.5%) supported by a lower claims ratio of 64.1% (2009: 70.6%) attributable mainly to a lower level of claims in 2010. Fitch considers Santam's capital position to be good with the company reporting a regulatory solvency ratio (net asset value/net premiums written) of 45% at end-2010 (end-2009: 42%), which is at the high end of the company's long-term target range of 35%-45% and well above the minimum regulatory requirement of 25%.

Given Fitch's view that Santam has core status within the Sanlam group, any upgrade or downgrade of Sanlam's ratings could be expected to have a similar impact on those of Santam.

In addition, if Santam was no longer seen as a core part of the Sanlam group, as well as a sustained deterioration in Santam's standalone profile in terms of sustained poor operating performance, sustained deterioration of capital levels to below a regulatory solvency ratio of 40% with the current asset mix, and/or weakening of market position (loss of market share), this could lead to a downgrade.

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

Applicable criteria, 'Insurance Rating Methodology' dated 31 March 2011; 'Non-Life Insurance Rating Methodology (Global)' dated 31 March 2011; 'National Ratings Criteria' dated 19 January 2011; and 'Insurance Industry: Global Notching Methodology and Recovery Analysis', dated 31 March 2011, 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=614266](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=614266)

Non-Life Insurance Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=604366](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=604366)

National Ratings Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=595885](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=595885)

Insurance Industry: Global Notching Methodology and Recovery Analysis

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=614265](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=614265)

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