Public credit rating report | Mozambique Insurance | July 2021

Global Alliance Seguros S.A.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
Global Alliance Seguros S.A.	Financial strength	National	BBB+(MZ)	Stable Outlook

Strengths

- Capitalisation strengthened by a rebound in earnings and complemented by a MZN38m capital increase in FY20;
- Liquidity within strong ranges supported by a very conservative asset allocation;
- Parental support from the larger Absa Group Limited through Absa Financial Services Africa Holdings.

Weaknesses

- A shrinking market share, which may result in the insurer sliding from top to mid-tier market position over the medium term;
- An elevated operating cost structure limiting underwriting and net profitability.

Rating rationale

Global Alliance Seguros S.A.'s ("GA Seguros") rating affirmation and Outlook reversion to Stable, from Negative, is underpinned by improved capitalisation following a material increase in internally generated capital and a capital increase in FY20. While the latter demonstrates parental support from Absa Financial Services Africa Holdings, these funds partially compensated for capital erosion over the past four years, facilitating compliance with minimum capital requirement of MZN295m to be achieved by July 2021. Consequently, the insurer's financial profile strengthened within the intermediate range, somewhat balancing pressures on the business profile stemming from persistent loss of market share.

An improvement in risk adjusted capitalisation represents a key risk mitigant, after a capital increase of MZN38m, while further benefitting from net profits recorded in the review year. Consequently, total capital grew by 29% to USD9m in FY20, partially recovering for capital eroded since FY17, but enough to comply with regulatory requirements. This supported an increase in the GCR capital adequacy ratio ("CAR") into the strong range, at 1.8x (FY19: 1.1x), albeit the factor assessment remains limited by the absence of strong capital management and uncertainty over the persistence of the foreign exchange gains driving review year net profits, leaving capital exposed to volatile earnings. Therefore, the GCR CAR is expected to trend around 1.5x, balanced by relatively low levels of aggregate risk exposures.

The liquidity profile remained credit positive, supported by strong operating cash inflows, notably underpinned by reinsurance recoveries related to cyclone driven claims of FY19. Furthermore, GA Seguros maintained a very conservative asset allocation, with almost the entire investment portfolio placed in low-risk assets. Accordingly, the cash and stressed financial assets coverage of net technical liabilities rebounded to 1.5x (FY19: 1.2x), along with the operational cash coverage, measuring at a higher 20 months (FY19: 14 months). Going forward, liquidity is likely to measure within the same range, supported by a very conservative asset allocation, albeit susceptible to occurrences of catastrophic events.

GA Seguros earnings performance is still assessed weak, constrained by persistent underwriting deficits averaging -25% over the review period, which compressed average return on revenue to -0.2% despite support from sound and relatively stable investment income. Note is taken of lower net incurred loss ratio (FY20: 58%; FY19; 62%) and net commission ratio (FY20: 6%; FY19: 9%) driven by reinsurance recoveries, while operating costs also reduced in the midst of movement restrictions to contain the COVID-19 pandemic. Nevertheless, the operating cost structure of the insurer remains elevated and inefficient to turnaround underwriting performance, with review year net profits heavily supported by foreign exchange gains. Going forward, GCR expects similar dynamics to persist, with underwriting losses restraining progression in net profitability.

The business profile is neutral to the rating, with the insurer maintaining a strong market position and good premium spread across at least three lines of business and policyholders' net accounts. Nevertheless, GCR notes that gross premiums growth continues to lag behind industry growth and management targets, which translated in lower market share and relative market share of 8% and 1.7x respectively (FY19: 10% and 2.1x). Going forward, premium growth is likely to remain subdued below the market average, factoring in negative market dynamics such as price-based competition in major lines of business. Therefore, despite efforts to stimulate product uptake and increase customer retention, the insurer's market position may slide into a mid-tier range over the medium term, which may result in a reduction of the factor assessment.

The rating factors support from the parent company, Absa Financial Services Africa Holdings, a wholly owned subsidiary of Absa Group Limited. This has been historically demonstrated through operational integration, access to group technical resources, and recently reinforced by ensuring compliance with minimum capital requirement.

Outlook statement

The Stable Outlook reflects GCR's expectations that capitalisation and liquidity strengths will remain sufficient to offset pressures on the business profile. Accordingly, the GCR CAR is anticipated to measure around 1.5x, while the liquidity ratio may stabilise around 1.5x over the medium term, albeit sensitive to earnings volatility.

Rating triggers

Positive rating action may follow sustained improvements in core earnings, stabilising risk adjusted capitalisation at current levels. This will have to be supported by sustained competitive strength and a sound liquidity profile. Conversely, downward rating pressure may arise from earnings weakness, adversely impacting on risk adjusted capitalisation and liquidity. Furthermore, sustained deterioration in the entity's competitive position below expectations may also result in negative rating action.

Analytical contacts

Primary analyst Johannesburg, ZA	Fleur Ngassa MarlaineN@GCRratings.com	Analyst: Insurance Ratings +27 11 784 1771
Committee chair Johannesburg, ZA	Godfrey Chingono GodfreyC@GCRratings.com	Deputy Sector Head: Insurance Ratings +27 11 784 1771

Related criteria and research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Insurance Companies, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019
GCR Country Risk Scores, June 2021

Analytical entity: Global Alliance Seguros S.A.

Corporate history and ownership structure

The company was founded in 1993, trading as General Insurance Company of Mozambique ("CGSM"). In 2001, Robert Lewis bought 100% of the shareholding through Global Alliance Holdings, a group that was based in Isle of Man. The entity was subsequently renamed to Global Alliance CGSM, SARL in 2005, and to Global Alliance Seguros S.A in 2008. Barclays Africa Group Limited (now Absa Group Limited also referred here as "the Group") bought the business in 2011 through Absa Financial Services Africa Holdings ("the parent"). The shareholding structure of the insurer remained unchanged as at 31 December 2020, while ensuring that the entity is compliant with the regulatory minimum capital requirement of MZN295m. Absa Financial Services Africa Holdings maintained a 98% stake in GA Seguros, with the balance equally split between Absa Insurance Company Limited and Absa Life Limited.

Corporate strategy

- GA Seguros' strategy is centred on writing profitable business through risk-based pricing.

The company has a composite licence to transact in both non-life and life insurance. GA Seguros strategy revolves around writing profitable business through enforcement of stringent underwriting criteria, including rates remediation. In this respect, the insurer has adopted risk-based pricing across all its product offerings, with the assistance of the parent's actuaries. While this is likely to exert further strain on premium growth and market share over the short term, the adopted strategy may serve to promote a degree of margin enhancement, notably through higher quality risk retention and cost rationalisation initiatives.

Management and governance

- Management and governance factors are considered to be neutral to the rating.

The board of directors was increased to five members in FY20, with the appointment of two non-executive directors. The independent director remained the chairman of the board. The entity's operations, structure and shareholding are clear and the level of transparency and disclosure is deemed adequate. The risk management and governance framework is aligned with the parent's risk philosophy and methodologies. The framework is managed through the capital investment & underwriting and risk governance & control committees, which convene quarterly. Furthermore, regular executive committee meetings are held, while GA Seguros benefits from access to the Absa group's insurance and reinsurance expertise when required.

Operating environment

- The operating environment score reflects exposures to the local economy and market dynamics, given that the underwriter entirely operates in Mozambique.

Country risk

The Mozambique weak country risk assessment reflects the ongoing restructuring of government bonds and related debt. However, GCR also note the low levels of wealth and moderate institutional strengths, somewhat offset by sound economic fundamentals. Further details on the Mozambican country risk can be obtained from: https://gcrratings.com/

Sector risk

Similarly, Mozambique's insurance sector risk is viewed to be high reflecting a weak regulatory environment, low insurance penetration and very low insurance density as well as moderately high earnings risk balanced by moderately healthy growth potential. For more details regarding the Mozambican sector score, please visit: https://gcrratings.com/

Business profile

Competitive position

- Competitive positioning remained strong but with potential for a moderation given persisting loss of market share.

Table 1: Premium scale, growth and market share

Market position	FY16	FY17	FY18	FY19	FY20
GA Seguros GWP (USD'm)	39.3	23.3	24.3	25.2	22.8
GA Seguros GWP (MZN'm)	2 460	1 560	1 466	1 573	1 585
Industry GWP (MZN'm)	10 617	13 023	13 159	15 709	19 216
Key ratios					
GWP growth (%)	(2.1)	(37.4)	(4.8)	7.3	0.8
Market GWP growth (%)	13.3	22.7	0.1	19.4	22.3
Market share (%)	23.2	11.8	11.1	10.0	8.3
Relative market share (x)	3.7	1.9	2.1	2.1	1.7

Gross written premiums ("GWP") were relatively stable in FY20, although consistently lagging behind expectations reflected by a targeted annual growth of 27% compared to a market growth rate of 22%. Consequently, market share and relative market share maintained a downward trend to 8% and 1.7x respectively (FY19: 10% and 2.1x), although retaining the third place in the long-term market and the fifth place in the overall ranking. Subdued growth was attributed to losses of accounts and delays in launches of new products because of the COVID-19 pandemic, as well as to persisting constrains from the strict enforcement of the anti-money laundering legislation. Management maintains double-digit growth targets over the medium to long term, planning to leverage off group resources to reinforce marketing efforts and using among other means digitalisation to improve the quality of services, stimulate product uptake and increase customers' retention. Nevertheless, YTD are indicating that gross premiums growth may remain subdued below expectations, which coupled with consistent underperformance relative to industry growth, is likely to prolong losses of market shares and register the entity among mid-tier market players. As such, the entity's ability to stabilise its competitive position at rating sufficient levels will represent a key consideration going forward.

Premium diversification

- The premium base is well-diversified by product line, albeit limited by jurisdictional concentration, exposure to brokers and corporate segments.

Table 2: Line of business diversification

Line of business	GWP		NWP		Retention	
	FY19	**FY20**	**FY19**	**FY20**	**FY19**	**FY20**
Fire/property	11.3	14.8	5.1	6.7	26.9	25.8
Transport	2.5	2.5	0.9	1.0	21.3	22.3
Motor	23.9	22.7	38.7	39.7	97.3	98.9
Accident	16.6	18.9	16.3	15.9	58.9	47.4
Liability	6.5	4.9	9.7	8.2	89.7	94.0
Individual life	0.0	0.0	0.1	0.1	100.0	100.0

Group life	24.2	21.9	24.4	23.3	60.6	60.2
Miscellaneous	14.9	14.2	4.9	5.2	19.5	20.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**60.0**	**56.6**

GA Seguros product mix reflects a well-diversified earnings base, with at least three lines of business contributing materially to overall GWP and NWP in FY20. Nevertheless, the net risk base remained concentrated around motor risks in view of very high retention in this line, while geographic concentration is evident given that all premiums are sourced domestically. Further limiting the factor assessment, the distribution channel mix is skewed towards brokers, despite material premium contributions from bancassurance (c.11%) and direct sales (c. 19%). Note is taken that, brokered business remains relatively stable around 45% of GWP, along with some stable exposures to the top and five largest brokers making up respectively for about 15% and 30% of total written premiums. However, participation by market segment remained dominated by corporate risks, although proportion of corporate business reduced to 78% (FY19: 85%) against 22% for personal lines (FY19: 15%). Meanwhile, policyholder diversification is moderately high, with the largest and top five accounts constituting 8% and 15% of GWP in FY20, respectively (FY19: 6% and 15% respectively). Over the medium term, we expect a relatively similar premium diversification, with potential to dilute exposures to brokers and corporate clients over the longer term, as the entity utilises more group resources to also attract small and medium size businesses.

Financial profile

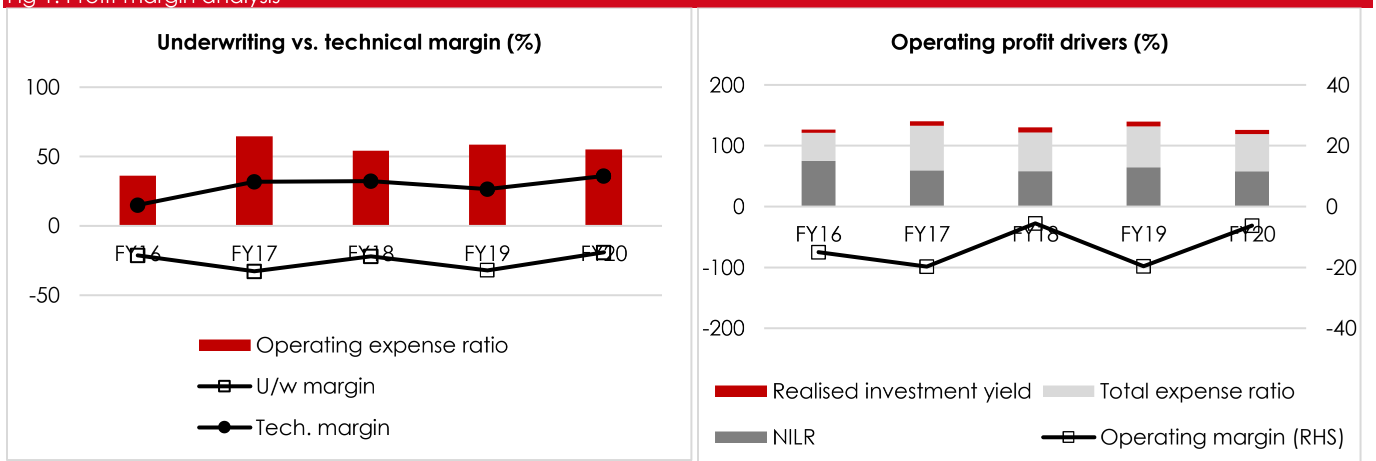
Earnings capacity

- ❖ Earnings remains under pressure from an elevated total operating cost structure, despite some improvements in FY20.

Table 3: Earnings progression

Earnings analysis (MZN'm)	FY16	FY17	FY18	FY19	FY20
NEP	1 171.6	874.6	820.7	917.2	892.3
Claims	(879.9)	(518.6)	(475.2)	(590.0)	(514.9)
Net commission	(115.2)	(77.2)	(80.4)	(84.4)	(84.4)
Total expenses	(540.2)	(642.2)	(525.3)	(620.8)	(547.6)
Underwriting result	(248.4)	(286.3)	(179.8)	(293.7)	(170.2)
Net profit after tax	(22.1)	(220.3)	21.6	(28.4)	239.7

Fig 1: Profit margin analysis



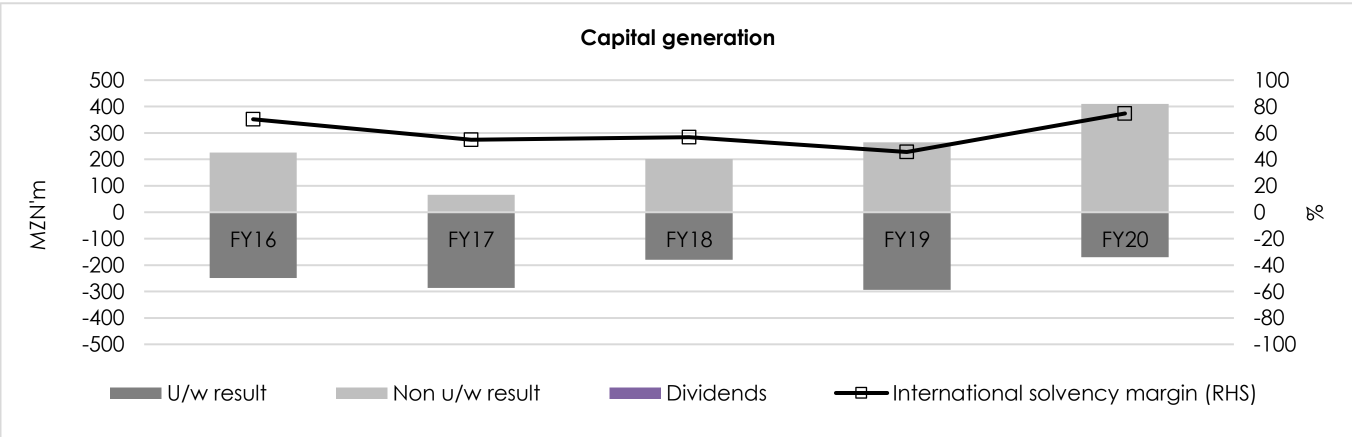
GA Seguros' earnings remained weak as indicated by review period average underwriting deficit of 25% and return on revenue of -0.2%, both metrics associated with a certain degree of volatility. Nevertheless, note is taken of earnings improvement in FY20, driven by reinsurance recoveries, which resulted in review period low commission ratio and net claims ratio of 6% and 58% respectively (FY19: 9% and 64% respectively). In addition, operating expenses (including group shared costs and transfer pricing) reduced by 8%, with the operating expenses ratio registering at 55% (FY19: 59%), albeit in line with the past five-year average of 54%. Those improvements in the overall operating cost structure of the insurer were further attributed to movement restrictions following the outbreak of the COVID-19 pandemic, which notably positively impacted on the loss ratio of motor and accident lines of business. Resultantly, underwriting deficits reduced to 19%, measuring well below the review period average deficits of 25% (FY19: -32%). Notwithstanding the above, the operating cost structure of GA Seguros remains relatively high, noting a potential normalisation of motor and accident claims experience which could offset impact of initiated claims controls. Meanwhile, the net premiums base remains also limited by price-based competition in key lines of business, in addition to pressures stemming from portfolio cleaning exercises. Consequently, underwriting deficits are likely to persist, with its magnitude also contingent upon the occurrence of catastrophic events.

The insurer also registered net profits of MZN240m in FY20 (FY19: 28m loss), a function of strong foreign exchange profits of MZN306m complementing investment income stable at MZN114m. GA Seguros still maintains a sizeable amount of USD denominated deposits relative to USD liabilities. Therefore, volatile foreign exchange gains may continue supporting the bottom line of the entity over the medium term, which, coupled with the volatility of underwriting profitability, further increase uncertainties around net profitability.

Capitalisation

❖ Capitalisation strengthening on the back of earnings improvements and MZN38m capital increase.

Figure 2: Capital generation



Risk adjusted capitalisation improved to strong levels, evidenced by the GCR CAR registering at 1.8x in FY20 from 1.1x in FY19, while statutory solvency exhibited a similar progression to 217% (FY19: 187%). The improvement was due to strong net profits recorded in the review year and their full retention, further complemented by a MZN38m capital increase from ultimate parent AGL. Consequently, capital erosions of the previous four years were partially offset, with the capital base in nominal terms recovering to USD9.0m from USD7.0m in FY19, which level was also compliant with the new regulatory minimum capital requirement of MZN295m.

Nevertheless, capital management is viewed to be relatively moderate, largely dependent on reinsurance for balance sheet protection, leaving capital exposed to frequent shocks on net accounts among other underwriting weaknesses.

As such, the GCR CAR is expected to trend around 1.5x over the medium term, balanced in the range by relatively low and stable insurance, market and counterparty risks, taking also note of the planned introduction of a risk-based pricing approach.

Reserving

In terms of claims reserving, GA Seguros follows the higher of the group and local regulatory requirement. Local regulations stipulate a minimum of IBNR provision at 1% and 5% of the current year's net premiums earned for life and short-term business respectively. Reserves for outstanding claims are raised based on historical claims patterns and management's experience. As a percentage of the risk base, the outstanding claims (including IBNR) and the unearned premium reserves equated to 118% and 18% at FY20 respectively.

Liquidity

- Liquidity rebounded and is expected to be stabilised within strong levels, albeit sensitive to occurrence of catastrophic events.

Table 4: Liquidity

Liquidity metrics	FY16	FY17	FY18	FY19	FY20
Cash and stressed financial assets coverage of net tech liab (%)	1.7	1.9	1.6	1.2	1.5
Operational cash coverage (months)	11.3	14.7	17.6	12.1	19.6

Liquidity metrics rebounded in line with expectations, following reinsurance recoveries for claims related to the FY19 cyclone. In this respect, cash stressed financial assets coverage of net technical liabilities equated to 1.5x (FY19: 1.2), while the operational cash coverage of 20 months (FY19: 12 months) further benefitted from a leaner operating cost structure. Note is taken of premiums receivables increasing by 19% to MZN226m in FY20, while reinsurance receivables also measured at a higher MZN921m (FY19: MZN860m). Although, most receivables are due for less than 30 days, these limit the operating cash generation and liquidity potential of the entity. As such, liquidity metrics are expected to register in a similar range over the medium term, supported by a very conservative asset allocation, albeit susceptible to occurrences of catastrophic events.

Investment portfolio and asset allocation

Table 5: Investment portfolio structure

Investment portfolio	FY19		FY20	
	MZN'm	%	MZN'm	%
Cash on-hand	168.6	12.1	430.3	22.6
Short term deposits	551.5	39.6	706.8	37.2
Short term government securities (<1 year)	502.5	36.1	595.0	31.3
Cash and equivalents	**1 222.7**	**87.9**	**1 732.1**	**91.2**
Investment property	168.6	12.1	168.1	8.8
Non-cash investments	**168.6**	**12.1**	**168.1**	**8.8**
Total investments	**1 391.6**	**100.0**	**1 900.2**	**100.0**

GA Seguros follows a very conservative asset allocation strategy, with the quasi-totality of assets placed in low-risk investments, being cash (23%), short term deposits (37%), and treasury bills (31%). Foreign exchange gains and other working capital releases stimulated a 42% growth in cash and equivalents, which diluted the proportion of investment properties from 12% to 9%. The return on the investment portfolio was stable at 7%, which is expected to remain in line with the prior five-year average of 7%, with the considerable size of the investment portfolio likely to offset any potential pressures on investment returns. Meanwhile, counterparty concentration risk is viewed to be moderately low, with cash and short-term deposits spread across more than 10 banks and the largest counterparty holding XX% of total deposits. The majority of these deposits (XX%) were denominated in foreign currency, exposing the insurer to currency risk

Comparative profile

Peer analysis

The peer analysis is neutral to the ratings.

Group support

The rating of GA Seguros receives uplift for support from the wider Absa Group Limited, through Absa Financial Services Africa Holdings Proprietary Limited, given evidence of operational and technical integration. The group support was further reinforced through a MZN38m capital increase in FY20 to facilitate compliance with the new minimum capital requirement. Nevertheless, the extend of support is still viewed relatively limited, in light of persistent challenges threatening a sustainable turnaround of the entity.

Rating adjustment factors

Structural adjustments

No structural adjustments have been made to the ACE in arriving at the final ratings.

Instrument ratings

No adjustments for instrument ratings are applicable.

Risk score summary

Rating components & factors	Risk scores
Operating environment	**3.00**
Country risk score	1.00
Sector risk score	2.00
Business profile	**0.00**
Competitive position	0.50
Premium diversification	(0.50)
Management and governance	0.00
Financial profile	**0.00**
Earnings	(1.00)
Capitalisation	0.50
Liquidity	0.50
Comparative profile	**0.50**
Group support	0.50
Government support	0.00
Peer analysis	0.00
Total score	**3.50**

Global Alliance Seguros, S.A.

(MZN in millions except as noted)

Year ended : 31 December		2016	2017	2018	2019	2020
Income Statement						
Gross written premium (GWP)		2 459.8	1 539.8	1 465.8	1 573.4	1 585.4
Reinsurance cession		(1 342.4)	(743.4)	(656.3)	(628.8)	(688.5)
Net written premium (NWP)		**1 117.4**	**796.4**	**809.5**	**944.6**	**896.8**
Net UPR movement		54.2	78.2	11.3	(27.4)	(4.6)
Net earned premiums (NEP)		**1 171.6**	**874.6**	**820.7**	**917.2**	**892.3**
Net claims incurred		(879.9)	(518.6)	(475.2)	(590.0)	(514.9)
Net commission expenses		(115.2)	(77.2)	(80.4)	(84.4)	(56.4)
Operating expenses		(425.0)	(565.1)	(445.0)	(536.4)	(491.2)
Underwriting result		**(248.4)**	**(286.3)**	**(179.8)**	**(293.7)**	**(170.2)**
Realised investment income		72.6	113.7	134.5	113.3	114.1
Unrealised investment income		20.5	(18.9)	(0.3)	(6.8)	(0.8)
Other income / (expenses)		140.0	15.9	57.8	147.7	298.9
Taxation		(6.9)	(44.7)	9.4	11.0	(2.2)
Net income after tax		**(22.1)**	**(220.3)**	**21.6**	**(28.4)**	**239.7**
Other comprehensive income		0.0	0.0	0.0	0.0	0.0
Total comprehensive income		**(22.15)**	**(220.27)**	**21.64**	**(28.45)**	**239.73**
Balance Sheet						
Shareholders' interest		**787.2**	**437.6**	**459.2**	**430.8**	**670.5**
Total capital		**787.2**	**437.6**	**459.2**	**430.8**	**670.5**
Net UPR		158.3	144.4	134.4	158.6	160.8
Net OCR		661.5	682.5	822.1	963.1	1 054.3
Other liabilities		595.9	853.9	1 394.1	1 689.2	1 721.0
Total capital & liabilities		**2 203.0**	**2 118.4**	**2 809.9**	**3 241.6**	**3 606.8**
Fixed assets		191.1	101.1	111.0	118.2	124.5
Investments		122.8	262.8	175.6	168.9	168.1
Cash and equivalents		1 338.3	1 359.6	1 468.2	1 222.7	1 732.1
Other assets		550.7	467.8	1 055.0	1 731.9	1 582.1
Total assets		**2 203.0**	**2 191.4**	**2 809.9**	**3 241.6**	**3 606.8**
Key Ratios						
Solvency						
International solvency margin	%	70.4	54.9	56.7	45.6	74.8
Liquidity						
Cash and stressed financial assets coverage of net tech liab	(%)	1.7	1.9	1.6	1.2	1.5
Claims cash coverage	mth	18.3	31.5	37.1	24.9	40.4
Operational cash coverage	mth	11.3	14.7	17.6	12.1	19.6
Underwriting profitability						
GWP growth rate	%	(2.1)	(37.4)	(4.8)	7.3	0.8
Premium retention rate	%	45.4	51.7	55.2	60.0	56.6
Net incurred loss ratio	%	75.1	59.3	57.9	64.3	57.7
Net commission expense ratio	%	9.8	8.8	9.8	9.2	6.3
Operating expense ratio	%	36.3	64.6	54.2	58.5	55.0
Total expense ratio	%	46.1	73.4	64.0	67.7	61.4
Technical margin	%	15.1	31.9	32.3	26.5	36.0
Underwriting margin	%	(21.2)	(32.7)	(21.9)	(32.0)	(19.1)
Combined ratio	%	121.2	132.7	121.9	132.0	119.1
Net profitability						
Operating margin	%	(15.0)	(19.7)	(5.5)	(19.7)	(6.3)
Investment yield (excluding unrealised gains / losses)	%	5.5	7.4	8.2	7.5	6.9
Investment yield (including unrealised gains / losses)	%	7.0	6.1	8.2	7.0	6.9
ROaE (excluding unrealised gains / losses)	%	(5.3)	(32.9)	4.9	(4.9)	43.7
ROaE (including unrealised gains / losses)	%	(2.8)	(36.0)	4.8	(6.4)	43.5
RoR (excluding unrealised gains / losses)	%	(3.8)	(25.3)	2.7	(2.3)	26.8
RoR (including unrealised gains / losses)	%	(1.9)	(25.2)	2.6	(3.1)	26.9
Reserving						
Net UPR / NWP	%	14.2	18.1	16.6	16.8	17.9
Net OCR & IBNR / NWP	%	59.2	85.7	101.6	102.0	117.6

Glossary

Premium	The price of insurance protection for a specified risk for a specified period of time.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Reinsurance	The practice whereby one party, called the Reinsurer, in consideration of a premium paid to him agrees to indemnify another party, called the Reinsured, for part or all of the liability assumed by the latter party under a policy or policies of insurance, which it has issued. The reinsured may be referred to as the Original or Primary Insurer, or Direct Writing Company, or the Ceding Company.
Retention	The net amount of risk the ceding company keeps for its own account.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Securities	Various instruments used in the capital market to raise funds.
Security	One of various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Short Term	Current; ordinarily less than one year.
Underwriting	The process of selecting risks and classifying them according to their degrees of insurability so that the appropriate rates may be assigned. The process also includes rejection of those risks that do not qualify.

For a detailed glossary of terms utilized in this announcement please click here.

SALIENT POINTS OF ACCORDED RATING

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the rating is based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such rating is an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit rating has been disclosed to the rated party. The rating was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating. The rated entity participated in the rating process via virtual management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The information received from the entity and other reliable third parties to accord the credit rating included:

- Audited financial results as at 31 December 2020;
- Four years of comparative audited financial statements to 31 December;
- Unaudited interim results to February 2021;
- Full year budgeted financial statements for 2021;
- Reinsurance cover notes for 2020; and
- Other relevant documents.