GCR RATINGS

Public credit rating report | Mozambique Insurance | September 2020

Global Alliance Seguros S.A.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook/Watch
Global Alliance Seguros S.A.	Financial strength	National	BBB+$_{(MZ)}$	Negative Outlook

Rating rationale

Global Alliance Seguros S.A.'s ("GA Seguros") rating downgrade follows a sustained deterioration in risk adjusted capitalisation emanating from weak earnings generation. Over the review period, the insurer's capital base deteriorated significantly without concomitant reduction in aggregate risk exposures. The downgrade also takes into account GCR's view of a moderation in support from the parent company, Absa Financial Services Africa Holdings which has not provided capital or strategic support for the entity's turnaround in the face of persistent challenges.

Risk adjusted capitalisation continued to weaken driven in large by poor earnings generation, which resulted in substantial capital erosion over the review period. In this respect, the capital base weakened by 47% to MZN431m at FY19 while aggregate risk exposures remained elevated, with the GCR capital adequacy ratio ("CAR") declining to 1.1x (FY18: 1.4x; FY15: 2.1x). In the absence of additional capital support and/or a sustained turnaround in operating profitability, risk adjusted capital adequacy is likely to moderate further over the outlook horizon. Reinsurance counterparties reflect a sound level of aggregate credit strength, with maximum deductibles set at conservative levels.

The rating factors the insurer's access to operational and technical support from the parent company, a wholly owned subsidiary of Absa Group Limited. However, in light of persistent weakness in both earnings and capitalisation, GCR views the absence of capital assistance as well as lack of a sustainable turnaround strategy as a show of diminished support levels.

GA Seguros earnings performance remained weak, registering persistent underwriting deficits over the entire review period. Poor underwriting performance is largely a function of elevated operating costs and claims experience relative to historical levels. Consequently, the underwriting margin equated to a review period high of -32% in FY19, driven by additional workmen compensation reserves and cyclone-induced claims. Notwithstanding portfolio remediation efforts instigated by management since FY17, absent the abovesaid once-off items, claims experience remained elevated, while operating cost pressure largely stemming from very high group shared costs persisted, limiting underwriting profit headroom. Poor underwriting results consequentially impacted on bottom line performance, with realised investment (which also contracted due to a reduction in interest rates and invested funds) and other income being insufficient to curtail the occurrence of a net loss of MZN28m in FY19. A look through the latest management accounts reflects an underwriting margin of 6.5% at 8M F20 against a budget of -3%, while net profit before tax equated to MZN168m. The underwriter's ability to sustain the recent earnings performance over the next over the next 12 to 18 months will be positively considered.

The insurer's liquidity profile saw a temporary moderation attributable to the application of funds in settling cyclone induced claims. This was further compounded by an increase in net technical liabilities arising from additional reserves related to workmen compensation obligations. In this respect, cash and stressed assets coverage of net technical liabilities reduced to 1.2x at FY19 (FY18: 1.6x), while coverage of operational requirements also moderated to 12 months (FY18: 18 months). Given that the majority of cyclone related claims were reinsured, the liquidity ratio has since rebounded to 1.6x at 8M F20 following recoveries from participating reinsurers.

The business profile is considered to be neutral to the rating, with the underwriter's competitive strength in the local market serving to offset a negative assessment on premium diversification. In this respect, GA Seguros continued to operate in the top tier of the local insurance market, occupying the fifth position in FY19 despite persistently shedding market share over the review period (FY19: 10%; FY17: 12%; FY15: 27%). Although the premium base continues to reflect a good spread at both gross and net levels, the benefits of such premium diversity are yet to filter through to the entity's performance given the losses reported, particularly at underwriting level.

Outlook statement

The Negative Outlook reflects GCR's expectations of continued strain on risk adjusted capitalisation and earnings which may be exacerbated by uncertainty posed by the COVID-19 pandemic. Accordingly, GCR's CAR is anticipated to measure around 1.0x, while the liquidity ratio may recover to around 1.5x over the next 12 months. Nevertheless, the assessment of competitive position is likely to be maintained at currently levels, despite a possible slight moderation in market share at the close of the review year.

Rating triggers

Reversion to Stable Outlook may follow a persistent improvement in earnings and risk adjusted capitalisation. This will have to be supported by sustained competitive strength and a sound liquidity profile. Conversely, downward rating pressure may arise should earnings weakness persist, adversely impacting on risk adjusted capitalisation and liquidity.

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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, May 2020
GCR Insurance Sector Risk Scores, July 2020

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) bought the business in 2011 through Absa Financial Services Africa Holdings. The company has a composite licence to transact both non-life and life insurance.

As at 31 December 2019, Absa Financial Services Africa Holdings ("the parent"), a wholly owned subsidiary of Absa Group Limited (("AGL or "the group") held 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 protects is centred on writing profitable business through risk-based pricing.

GA Seguros strategy revolves around writing profitable business through enforcement of stringent underwriting criteria, as well as rates remediation, moving away from the long-standing objective of consolidating its erstwhile market leading position. 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 over the short term, the adopted strategy may serve to promote a degree of margin enhancement, which has been elusive, over the longer term. The latter would be supported by higher quality risk retention and cost rationalisation initiatives. GA Seguros benefits from operational and technical support provided by the group, as well as additional avenues for growth through access to the parent and group's large client base. However, in GCR's view the level of support is viewed to have diminished given that the parent company has not provided capital or strategic support for the entity's turnaround in the face of persistent challenges.

Management and governance

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

The board of directors comprises three members, one executive, a non-executive non-independent, and an independent director who is also the chairperson. Management hinted that they are currently recruiting directors who will sit on the Audit Committee that is yet to established this year. The committee will comprise three members and will be chaired by an independent director. 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 the insurer's sensitivity to the local economy and market dynamics, given that the underwriter's entire operations are exposed to 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 are somewhat offset by sound economic fundamentals. Further details on the Mozambican country risk can be obtained from: https://gcrratings.com/wp-content/uploads/2020/05/20200527-Country-Risk-publication.pdf

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/wp-content/uploads/2020/07/Sector-Risk-publication-15-July-2020.pdf

Business profile

Competitive position

- ❖ Competitive positioning remained strong despite persistent moderation on the back of a tough operating environment and ongoing portfolio remediation efforts.

Table 1: Premium scale, growth and market share

Market position	FY15	FY16	FY17	FY18	FY19
GA Seguros GWP (USD'm)	65.2	39.3	23.3	24.3	26.1
GA Seguros GWP (MZN'm)	2 512	2 460	1 540	1 466	1 573
Industry GWP (MZN'm)	9 374	10 617	13 023	13 159	15 709
Key ratios					
GWP growth (%)	(5.9)	(2.1)	(37.4)	(4.8)	7.3
Market GWP growth (%)	--	13.3	22.7	0.1	19.4
Market share (%)	26.8	23.2	11.8	11.1	10.0
Relative market share (x)	3.2	3.7	1.9	2.1	2.1

Following four successive years of premium contraction, the premium base expanded 7% to MZN1.6bn in FY19. Achieved growth was nevertheless slightly below budgeted expectations of a 10% growth target which management attributed to the unintended consequences that followed strict enforcement of the anti-money laundering legislation. Management seeks to sustain the positive premium development trend in FY20, targeting an expansion rate of 27%.

Notwithstanding positive growth reported in FY19, GA Seguros gross premium progression underperformed the industry, which expanded 19% during the same year. Accordingly, the insurer's competitive position continued to moderate, equating to 10% (FY18: 11.1%; FY16: 23%) and is expected to weaken further should the entity continue to lag industry growth. However, in relative terms, the insurer sustained a relative market share of 2.1x, reflecting a strong market position in the local insurance industry, despite sliding one rank lower to occupy the fifth position in FY19 based on market share.

Premium diversification

- ❖ The premium base is well-diversified by product line, although jurisdictional market spread is deemed limited given that all premiums are sourced domestically.

Table 2: Line of business diversification

Line of business	GWP		NWP		Retention	
	FY18	FY19	FY18	FY19	FY18	FY19
Fire/property	9.6	11.3	4.3	5.1	24.7	26.9
Transport	2.6	2.5	0.8	0.9	16.5	21.3
Motor	21.0	23.9	37.9	38.7	99.8	97.3
Accident	15.3	16.6	18.2	16.3	65.9	58.9
Liability	8.0	6.5	13.1	9.7	90.6	89.7
Individual life	0.1	0.0	0.1	0.1	100.0	100.0
Group life	26.0	24.2	20.2	24.4	42.9	60.6
Miscellaneous	17.6	14.9	5.4	4.9	17.0	19.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**55.2**	**60.0**

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 FY19. Nevertheless, the benefit of such revenue diversity is not yet fully reflected in the entity's financial performance given the losses reported over the review period, particularly at underwriting level. Furthermore, 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.

The distribution channel mix is skewed towards brokers, contributing 45% of GWP in FY19, although a fair level of premium spread within brokered business is observable, with top five brokers making up 30% of total written premiums. Other material channels include the bancassurance and direct sales (accounting for 20% of GWP apiece). Participation by market segment is split between corporate risks (85%) and personal lines (15%), while policyholder diversification is moderately high, with the largest and top five accounts constituting 6% and 13% of GWP in FY19, respectively.

Financial profile

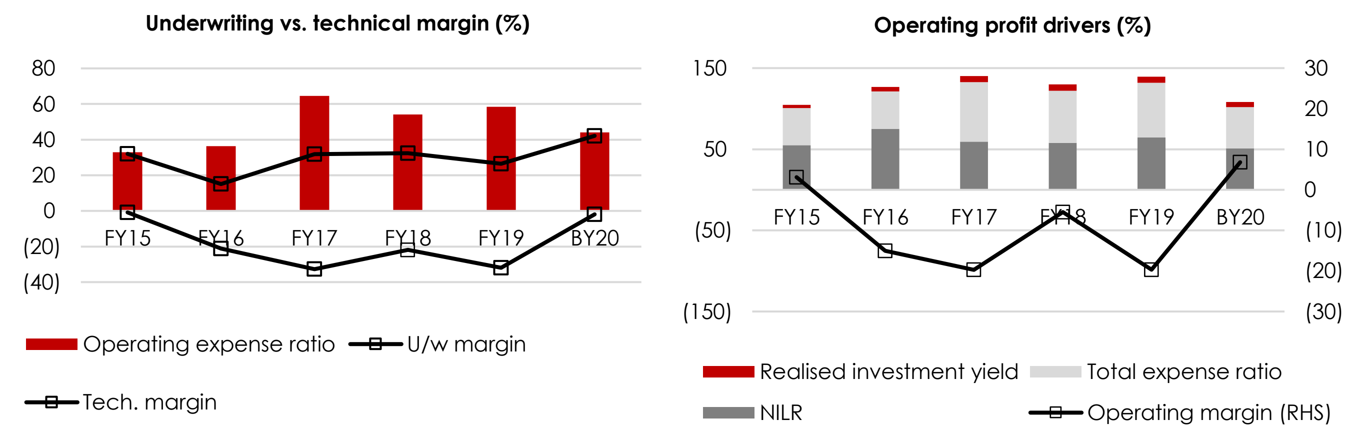
Earnings capacity

- Earnings weakness persisted on the back of continued elevation in claims and operating expenses.

Table 3: Earnings progression

Earnings analysis (MZN'm)	FY15	FY16	FY17	FY18	FY19
NEP	1 024.7	1 171.6	874.6	820.7	917.2
Claims	(565.1)	(879.9)	(518.6)	(475.2)	(590.0)
Net commission	(131.0)	(115.2)	(77.2)	(80.4)	(84.4)
Total expenses	(468.3)	(540.2)	(642.2)	(525.3)	(620.8)
Underwriting result	(8.7)	(248.4)	(286.3)	(179.8)	(293.7)
Net profit after tax	103.8	(22.1)	(220.3)	21.6	(28.4)

Fig 1: Profit margin analysis



GA Seguros earnings performance remained weak, registering persistent underwriting deficits over the entire review period. Poor underwriting performance is largely a function of elevated claims experience and operating costs relative to historical levels.

Claims experience

Net claims incurred remained a pressure point, driven by additional workmen compensation reserves amounting to MZN65m and cyclone-induced losses (gross exposure: USD13.5m; net exposure: USD130,000). Notwithstanding portfolio remediation efforts instituted by management beginning in FY17, absent the abovesaid once-off items, claims experience remained elevated, closing the year at MZN590m (FY18: MZN475m), translating to a net loss ratio of 64% (FY18: 58%; review period average: 63%).

Total expenses

Relative to historical periods, GA Seguros continued to maintain a high operating cost base, largely attributable to the incurrence of group shared costs and transfer pricing. Accordingly, the total expense ratio averaged 68% over the past three years relative to an aggregate of 46% registered over the first two years of the review period. Given the operational nature of these costs and their recurrence, total expenses are forecast to remain elevated over the rating outlook.

Profitability

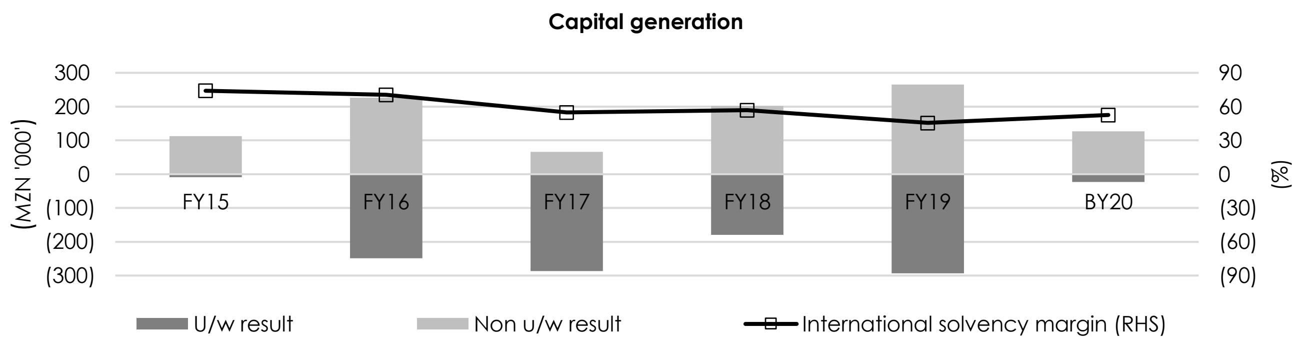
In view of the aforesaid drivers, underwriting performance remained weak, with the insurer registering persistent underwriting deficits for the entire review period. In this respect, the underwriting margin equated to a review period high of -32% in FY19 (review period average: 21%) and is projected to trend in the negative territory over the rating horizon.

The deep underwriting deficit reported in FY19 (MZN294m) filtered through to bottom-line performance, with realised investment income (which also suffered a contraction) and foreign currency translation gains insufficient to limit the occurrence of another net loss. In this respect, net loss after tax equated to MZN28m, with the five-year return on revenue turning negative at -3% in FY19. In FY20 we are likely to see a significant reduction in currency translation gains following the abolishment of premium and claims settlement in foreign currency. Management also hinted that they will be scaling down their exposure to USD deposits as USD claims will now be settled at an exchange rate that prevailed at policy inception / renewal as opposed to the date of loss. A look through the latest management accounts reflects an underwriting margin of 6.5% at 8M F20 against a budget of -3%, while net profit before tax equated to MZN168m. The underwriter's ability to sustain the recent earnings performance over the next over the next 12 to 18 months will be positively considered.

Capitalisation

- Capital scale continues to shrink on the back of persistent earnings weakness.

Figure 2: Capital generation



The underwriter's capital base continues to shrink due to the incurrence of net losses, with net loss after tax cumulatively amounting MZN145m over the review period. In this respect, shareholder's funds closed lower at MZN431 (~USD7m) at FY19 (FY15: MZN809m (~USD17m)). Looking ahead, the capital base is likely to weaken further given its susceptibility to poor earnings generation.

Risk adjusted capitalisation

Risk adjusted capitalisation sustained a downward trend, driven in large by poor earnings generation which resulted in substantial capital erosion without concomitant reduction in aggregate risk exposures. In this respect, the GCR CAR declined to 1.1x (FY18: 1.4x; FY15: 2.1x). In the absence of additional capital support and/or a sustained turnaround in operating profitability, risk adjusted capital adequacy is likely to moderate further over the outlook horizon. Reinsurance counterparties reflect a sound level of aggregated credit strength, with maximum deductibles set at conservative levels.

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 102% and 17% at FY19 respectively.

Despite conforming to local reserving requirements and the group's guidelines, GA Seguros reserves for workmen compensation were revised upwards by MZN65m in FY19. According to the insurer's actuaries the long tail nature of these risks, coupled with limitations on the existing system prompted an upward revision to the current reserves to reflect the best estimate obligations due to policyholders.

Liquidity

- Liquidity suffered a temporary deterioration attributable to cyclone induced claims, with recoveries from reinsurers expected to improve liquidity metrics.

Table 4: Liquidity

Liquidity metrics	FY15	FY16	FY17	FY18	FY19
Liquidity ratio (%)	2,9	1,7	1,9	1,6	1,2
Operational cash coverage (months)	11,5	11,3	14,7	17,6	12,1

The insurer's liquidity profile saw a temporary moderation attributable to the application of funds in settling cyclone induced claims. This was further compounded by an increase in net technical liabilities arising from additional reserves related to workmen compensation obligations. In this respect, cash and stressed assets coverage of net technical liabilities reduced to 1.2x at FY19 (FY18: 1.6x), while coverage of operational requirements also moderated to 12 months (FY18: 18 months). Given that the majority of cyclone related claims were reinsured, the liquidity ratio has since rebounded to 1.6x at 8M F20 following recoveries from participating reinsurers.

Investment portfolio and asset allocation

Table 5: Investment portfolio structure

Investment portfolio	FY18		FY19	
	MZN'm	%	MZN'm	%
Cash on-hand	328,5	20,0	168,6	12,1
Short term deposits	615,6	37,4	551,5	39,6
Short term government securities (<1 year)	524,1	31,9	502,5	36,1
Cash and equivalents	**1 468,2**	**89,3**	**1 222,7**	**87,9**
Investment property	175,6	10,7	168,9	12,1
Non-cash investments	**175,6**	**10,7**	**168,9**	**12,1**
Total investments	**1 643,9**	**100,0**	**1 391,6**	**100,0**

GA Seguros follows a very conservative asset allocation strategy, with the majority of securities invested in low risk assets. Owing to the abovesaid reduction in liquid assets, the portfolio contracted 15%, closing at MZN1.4bn at FY19. The portfolio returned 7% in FY19, tracking the prior three-year average.

Cash and equivalents

The value of the liquid asset pool declined 17% to close the year at MZN1.2bn, largely due to an increase in cash resources used to pay cyclone-related claims. The majority of these assets were in the form of term deposits and short-dated government instruments while a small portion comprised cash at bank. Counterparty concentration risk is viewed to be moderately low, with cash and short-term deposits spread across more than 10 banking counterparties. In this respect, the largest counterparty by exposure accounted for 23% of total deposits, while the three largest counterparties constituted 56%. The majority of these deposits (55%) were denominated in foreign currency, exposing the insurer to currency risk

Non-cash assets

Non-cash assets are in the form of real estate investments comprising two properties, namely; Property 9A Golden sands and Property Marginal. The latter is a building in Maputo, partly utilised as GA Seguros head office, with the other portion rented out. The value of these investments contracted 4% to MZN169m at FY19 due to fair value losses.

Comparative profile

Peer analysis

The peer analysis is neutral to the ratings.

Group support

The rating of GA Seguros receives uplift from the parent company, Absa Financial Services Africa Holdings Proprietary Limited and the wider Absa Group Limited given evidence of operational and technical integration. Nevertheless, factor moderation reflects GCR's view of reduced support level from the parent company, which has not provided capital or strategic support for the entity's turnaround in the face of persistent challenges.

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	**(0.50)**
Earnings	(1.00)
Capitalisation	0.00
Liquidity	0.50
Comparative profile	**0.50**
Group support	0.50
Government support	0.00
Peer analysis	0.00
Total score	**3.00**

Global Alliance Seguros, S.A.

(MZN in millions except as noted)

Year ended:		2015	2016	2017	2018	2019
Income Statement						
Gross written premium (GWP)		2 512,2	2 459,8	1 539,8	1 465,8	1 573,4
Reinsurance cession		(1 419,5)	(1 342,4)	(743,4)	(656,3)	(628,8)
Net written premium (NWP)		**1 092,6**	**1 117,4**	**796,4**	**809,5**	**944,6**
Net UPR movement		(68,0)	54,2	78,2	11,3	(27,4)
Net earned premiums (NEP)		**1 024,7**	**1 171,6**	**874,6**	**820,7**	**917,2**
Net claims incurred		(565,1)	(879,9)	(518,6)	(475,2)	(590,0)
Net commission expenses		(131,0)	(115,2)	(77,2)	(80,4)	(84,4)
Operating expenses		(337,3)	(425,0)	(565,1)	(445,0)	(536,4)
Underwriting result		**(8,7)**	**(248,4)**	**(286,3)**	**(179,8)**	**(293,7)**
Realised investment income		40,9	72,6	113,7	134,5	113,3
Unrealised investment income		72,4	20,5	(18,9)	(0,3)	(6,8)
Other income / (expenses)		85,6	140,0	15,9	57,8	147,7
Taxation		(86,4)	(6,9)	(44,7)	9,4	11,0
Net income after tax		**103,8**	**(22,1)**	**(220,3)**	**21,6**	**(28,4)**
Balance Sheet						
Shareholders interest		**809,4**	**787,2**	**437,6**	**459,2**	**430,8**
Net UPR		173,0	158,3	144,4	134,4	158,6
Net OCR		203,6	661,5	682,5	822,1	963,1
Other liabilities		757,2	595,9	853,9	1 394,1	1 689,2
Total capital & liabilities		**1 943,3**	**2 203,0**	**2 118,4**	**2 809,9**	**3 241,6**
Fixed assets		108,1	191,1	101,1	111,0	106,2
Investments		190,4	122,8	189,8	175,6	168,9
Cash and equivalents		991,0	1 338,3	1 359,6	1 468,2	1 222,7
Other assets		653,7	550,7	467,8	1 055,0	1 743,9
Total assets		**1 943,2**	**2 203,0**	**2 118,4**	**2 809,9**	**3 241,6**
Key Ratios						
Solvency						
International solvency margin	%	74,1	70,4	54,9	56,7	45,6
Liquidity						
Claims cash coverage	mth	21,0	18,3	31,5	37,1	24,9
Operational cash coverage	mth	11,5	11,3	14,1	17,6	12,1
Cash / Technical liabilities	x	2,6	1,6	1,6	1,5	1,1
Cash / Technical liabilities (incl. interest and long term government securities)	x	2,6	1,6	1,6	1,5	1,1
Claims cash coverage (incl. government bonds)	mth	21,0	18,3	31,5	37,1	24,9
Cash / Technical liabilities (incl. government bonds)	x	2,6	1,6	1,6	1,5	1,1
Average premium debtor days	days	69,9	53,2	36,7	33,7	39,2
Underwriting profitability						
GWP growth rate	%	(5,9)	(2,1)	(37,4)	(4,8)	7,3
Premium retention rate	%	43,5	45,4	51,7	55,2	60,0
Net incurred loss ratio	%	55,1	75,1	59,3	57,9	64,3
Net commission expense ratio	%	12,8	9,8	8,8	9,8	9,2
Operating expense ratio	%	32,9	36,3	64,6	54,2	58,5
Total expense ratio	%	45,7	46,1	73,4	64,0	67,7
Technical margin	%	32,1	15,1	31,9	32,3	26,5
Underwriting margin	%	(0,9)	(21,2)	(32,7)	(21,9)	(32,0)
Combined ratio	%	100,9	121,2	132,7	121,9	132,0
Net profitability						
Operating margin	%	3,1	(15,0)	(19,7)	(5,5)	(19,7)
Investment yield (excluding unrealised gains / losses)	%	3,9	5,5	7,6	8,4	7,5
Investment yield (including unrealised gains / losses)	%	10,8	7,0	6,3	8,4	7,0
ROaE (excluding unrealised gains / losses)	%	4,1	(5,3)	(32,9)	4,9	(4,9)
ROaE (including unrealised gains / losses)	%	13,7	(2,8)	(36,0)	4,8	(6,4)
RoR (excluding unrealised gains / losses)	%	2,9	(3,8)	(25,3)	2,7	(2,3)
RoR (including unrealised gains / losses)	%	10,1	(1,9)	(25,2)	2,6	(3,1)
Dividend cover	x	n.a.	n.a.	n.a.	n.a.	n.a.
Reserving						
Net UPR / NWP	%	15,8	14,2	18,1	16,6	16,8
Net OCR & IBNR / NWP	%	18,6	59,2	85,7	101,6	102,0

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 2019;
- Four years of comparative audited financial statements to 31 December;
- Unaudited interim results to August 2020;
- Full year budgeted financial statements for 2020;
- Reinsurance cover notes for 2020; and
- Other relevant documents.