



GCR accords an initial rating of BBB+(NG) to Standard Alliance; outlook Stable.

Johannesburg, 29 May 2013 — Global Credit Ratings has today assigned an initial national scale claims paying ability rating of BBB+(NG) to Standard Alliance; with the outlook accorded as Stable. The rating(s) are valid until 12/2013.

RATING RATIONALE

Global Credit Ratings has accorded the above credit rating(s) on Standard Alliance based on the following key criteria:

Standard Alliance Insurance (“SAI”) was incorporated as a private limited liability company in July 1981 and commenced full operations in 1982 under the name Jubilee Insurance Company Limited. The name was changed to Standard Alliance in 1996 and listed on NSE in August 2003. SAI operates as a non-life insurance provider following the separation of the life business into another entity, Standard Alliance Life (“SA Life”) in 2007 (a subsidiary wholly owned by Standard Alliance Group). The company operates from its head office in Lagos and 23 branches spread across the country.

The rating recognises SAI’s position in the domestic short term insurance arena. However, liquidity constraints result in negative ratings pressure. The low level of technical reserve coverage also points to liquidity strain, while the balance of the investment portfolio is tied up in large illiquid assets, limiting flexibility to meet substantially increased cash calls, or the large callable bond. SAI’s nominal international solvency margin is viewed as moderately strong compared to the peer group average, although the pronounced downward trend over the past three years, as well as the thin statutory solvency buffer, have resulted in downward rating pressure. Positively, SAI has recorded underwriting profitability over the bulk of the review period, while lead reinsurers are viewed to be adequate, with net retention per risk viewed to be manageable. Corporate governance practices within Nigeria constitute an ongoing and significant concern for GCR.

Upward movement on the rating or outlook could develop following a strengthening in the insurer’s market profile and earnings diversification. The insurer must achieve a notable strengthening in liquidity, as well as a realignment of the investment portfolio that allows for enhanced diversification and liquidity-support. Increased risk-adjusted solvency levels, a stringent capital management & ERM policy, claims reserving adequacy testing may also allow for positive movement. Negative rating action may follow a deterioration in the international solvency margin below GCR’s comfort level for this rating. A further weakening in liquidity metrics, or a sustained decline in profitability may also result in downward ratings pressure.

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

GCR's Criteria for Rating Short Term Insurance and Reinsurance Companies

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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

Standard Alliance participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of info received was considered adequate and has been independently verified where possible.

The credit rating/s has been disclosed to Standard Alliance with no contestation of the rating.

The information received from Standard Alliance and other reliable third parties to accord the credit rating included the latest audited annual financial statements (plus four years of comparative numbers), latest internal and/or external report to management, full year detailed budgeted financial statements, most recent year to date management accounts, the current year reinsurance/retrocession cover notes, actuarial valuation statement, debtors provisioning policy



document, ERM processes/framework (including catastrophe management framework), reserving methodologies, capital management policy.

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