



GCR affirms NICOZDiamond Insurance Limited's rating of A-(ZW); Outlook Stable.

Johannesburg, 03 May 2018 — Global Credit Ratings has today affirmed the national scale claims paying ability rating assigned to NICOZDiamond Insurance Limited of A-(ZW), with the outlook accorded as Stable. The rating is valid until May 2019.

SUMMARY RATING RATIONALE

Global Credit Ratings ("GCR") has accorded the above credit rating to NICOZDiamond Insurance Limited ("NICOZDiamond") based on the following key criteria:

NICOZDiamond's risk adjusted capitalization remained moderately strong, supported by relatively well contained insurance risks and sound capital growth catering for an increased quantum of aged debtors and higher market risk exposure. Accordingly, the adjusted international solvency margin equated to a fairly high 58% at FY17 (FY16: 53%). Risk adjusted capitalisation may remain within a moderately strong range over the rating horizon, supported by sound internal capital generation, and barring any impact of potential capital injections. Furthermore, maximum net deductibles per risk and event are limited at a conservative level relative to capital, while the reinsurance panel reflects an intermediate aggregate level of credit strength.

Earnings capacity is viewed to be healthy, underpinned by moderately strong underwriting profitability, coupled with improved investment returns in FY17. In this regard, the five year aggregated underwriting margin equated to 6% (FY17: 4%; FY16: 8%), while the investment yield registered at a higher 11% in FY17 (FY16: 6%; review period: 4%). In GCR's view, earnings capacity is likely to remain within a similar range over the rating horizon, mainly supported by sound underwriting performance. GCR's view of reserving sufficiency is positively impacted by the certification of reserve levels by a qualified external actuary.

The insurer's liquidity metrics remained at an intermediate level, after historically measuring at moderately strong levels. In this respect, claims cash coverage equated to 7 months (FY16: 5 months; FY15: 9 months), while cash covered net technical liabilities by 0.6x (FY16: 0.4x; FY15: 0.8x). Additional support is available from tradeable interest securities, long term government securities and listed equities. As such, GCR expects adjusted liquidity measures to register within a moderately strong range, supported by sound cash flow generation, albeit sensitive to shifts in asset allocation.

NICOZDiamond reflects a strong business profile, supported by fairly well diversified earnings and healthy competitive positioning. In this respect, the insurer's business mix is mainly spread across motor and fire, with two other ancillary lines of business materially contributing to gross premiums. The insurer is also one of the leading domestic short term players, with an estimated share of 14% of total short term industry premiums in FY17. Entrenched market relationships, strong brand recognition, expanded distribution channels and anticipated merger activity are expected to support



an enhanced business profile over the rating horizon.

GCR views country risk factors to be elevated, and a systematic rating consideration applicable to insurers. Operational challenges are likely to persist over the rating horizon, albeit with positive changes in the socio-political outlook and macroeconomic fundamentals possible over the medium term, should the political situation stabilise.

The rating currently matches the national scale ceiling applicable to entities operating within the Zimbabwean insurance industry. As a result, upward movement of the rating may follow an assessment of country and industry risk factors. Conversely, downward rating pressure may arise from a sustained weakening in operating performance and/or a material reduction in solvency and capitalisation metrics.

NATIONAL SCALE RATINGS HISTORY
Initial rating (post US dollarisation May 2009)
Claims paying ability: A _(ZW)
Outlook: Stable
Last rating (May 2017)
Claims paying ability: A _(ZW)
Outlook: Stable

ANALYTICAL CONTACTS

Primary Analyst	Committee Chairperson
Yvonne Mujuru	Godfrey Chingono
Sector Head: Insurance Ratings	Senior Credit Analyst
(011) 784 - 1771	(011) 784 - 1771
ymujuru@globalratings.net	godfreyc@globalratings.net

APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Criteria for Rating Short Term Insurance Companies, updated April 2018

NICOZDiamond Insurance Limited rating reports, 2009-2017

RATING LIMITATIONS AND DISCLAIMERS



ALL GCR'S CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS](http://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS). IN ADDITION, GCR'S RATING SCALES AND DEFINITIONS ARE ALSO AVAILABLE FOR DOWNLOAD AT THE FOLLOWING LINK: [HTTP://GLOBALRATINGS.NET/RATINGS-INFO/RATING-SCALES-DEFINITIONS](http://GLOBALRATINGS.NET/RATINGS-INFO/RATING-SCALES-DEFINITIONS). GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, PUBLICATION TERMS AND CONDITIONS AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE AT [HTTP://GLOBALRATINGS.NET](http://GLOBALRATINGS.NET).

SALIENT FEATURES OF ACCORDED RATINGS

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.

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

The credit rating has been disclosed to NICOZDiamond Insurance Limited with no contestation of the rating.

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

- The 2017 audited annual financial statements 4 years of comparative audited numbers
- Unaudited interim results to 31 March 2018
- Budgeted financial statements for 2018
- 2018 reinsurance cover notes
- Other related documents.

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

TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S INSURANCE GLOSSARY

Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital	The sum of money that is invested to generate proceeds.
Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.

Cash	Funds that can be readily spent or used to meet current obligations.
Claim	A request for payment of a loss, which may come under the terms of an insurance contract.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Distribution Channel	The method utilised by the insurance company to sell its products to policyholders.
Enterprise Risk Management	ERM refers to an integrated or holistic approach to managing risk across an organisation, using clearly articulated frameworks and processes controlled from board level.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For an insurer, its exposure may also relate to the risk related to policies issued.
International Scale Rating ("ISR")	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Intermediary	A third party in the sale and administration of insurance products.
Interest	Money paid for the use of money.
Investment Portfolio	A collection of investments held by an individual investor or financial institution.
Liquidity	The speed at which assets can be converted to cash. The ability of an insurer to convert its assets into cash to pay claims if necessary. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Market Risk	Volatility in the value of a security/asset due to movements in share prices, interest rates, currencies, commodities or wider economic factors.
National Scale Rating ("NSR")	National Scale credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss.
Policyholder	The person in actual possession of an insurance policy.
Portfolio	All of the insurer's in-force policies and outstanding losses, with respect to described segments of its business.
Premium	The price of insurance protection for a specified risk for a specified period of time.
Rating Horizon	The rating outlook period
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Short Term	Current; ordinarily less than one year.
Solvency	With regard to insurers, having sufficient assets (capital, surplus, reserves) and being able to satisfy financial requirements (investments, annual reports, examinations) to be eligible to transact insurance business and meet liabilities.
Statutory	Required by or having to do with law or statute.
Subordinated Debt	Debt that in the event of a default is repaid only after senior obligations have been repaid. It is higher risk than senior debt.
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.
Underwriting Margin	Measures efficiency of underwriting and expense management processes.



For a more detailed glossary of term, please [click here](#)

GCR affirms NICOZDiamond Insurance Limited's rating of A_(ZW); Outlook Stable.