

MUA Ltd

August 19,2022

Ratings

Facilities/Instruments	Amount (MUR Million)	Rating ¹	Rating Action
Bond Issue	500	CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]	Reaffirmed with Outlook revised from Stable to Positive
Bond Issue	100	CARE MAU AA-; Positive [Double A Minus; Outlook: Positive]	Reaffirmed with Outlook revised from Stable to Positive
Total	600		

Rating Rationale

The rating assigned to the bond issues of MUA Ltd continues to derive strength from a successful track record of insurance operations which extend over the past 70 years, professional & experienced management team and comfortable revenue profile. The group is well established with a diversified revenue and product profile across different geographies and is one of the leading players in General Insurance (23% market share) & Life Insurance business (14% market share) in Mauritius. The Group maintains a sound investment portfolio, robust systems & processes, and a strong solvency position against regulatory requirements. The group maintains a satisfactory track record of meeting claims. In addition, investment in group companies is well within the limits of compliance norms.

The rating is however constrained by losses incurred in the Kenya business which have negatively impacted the overall performance of the East African operations and higher operating expense reflecting in the higher claims and combined ratios.

The outlook has been changed from Stable to Positive due to stable performance of the Insurance business in Mauritius, Tanzania, Rwanda & Uganda in FY20 & FY21 and proposed equity infusion by Proparco.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Completion of the proposed Equity infusion by Proparco to strength the company's network and regulatory ratios
- Achieving profitability in the Kenyan operation with the integration of the newly acquired Saham Assurance Kenya Limited with the existing Kenyan operations.

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Deterioration in any of the regulatory ratios
- Any proposed large acquisition affecting the performance adversely.
- Weakening of profitability, capitalisation, investment portfolio and solvency levels.

BACKGROUND

MUA Ltd. ("MUA") was founded by Noel Coignet in 1948. It is listed on the Stock Exchange of Mauritius (SEM). Since inception, MUA offered life, pension, motor, household, fire policies amongst others to the Mauritians and was also the first to provide loans at affordable rates. Over the last 70 years, it has grown its operations in Mauritius and expanded in East Africa (Kenya, Tanzania, Rwanda and Uganda).

¹Complete definitions of the ratings assigned are available at www.careratingsafrica.com.

CARE Ratings (Africa) Private Limited

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BRN: C14127054 • FSC License No.: CR14000001

MUA Ltd is the holding company of the MUA Group and it holds 100% stake in the Mauritius Union Assurance CY Ltd (MUACL; engaged in providing general insurance business) and Phoenix Transafrica Holdings Limited (renamed as MUA Transafrica Holding PLC). MUACL owns 100% of MUA Life Ltd, the entity which is engaged in life insurance business while MUA Transafrica Holding PLC holds 66% stake in MUA Insurance (Kenya) Limited which provides General Insurance in East African countries. MUA group has an ownership base of approximately 2,100 shareholders, with only 3 shareholders holding more than 5% of the ordinary shares as at December 31, 2021. These are Kasa Investments Ltd (CARE MAU A (SO)) – investment company of Mr. Dominique Galea – (13.86%), Succession Mr. Pierre Joseph Emile Latour-Adrien (10.68%) and Devlin Investments Ltd (6.91%) which collectively, hold 31.45% stake in MUA.

MUA has major presence in 6 countries namely Mauritius, Seychelles, Kenya, Uganda, Tanzania and Rwanda. As at December 31, 2021, the company's financial & operational highlights were as follows:

MUR Million, except otherwise stated

Particulars	Market Share in terms of GPE*		Position in the Industry*		Amount	% of GPE	Amount	% of GPE	
	2020	2021	2020	2021	2020		2021		
Total Revenue					5,630		6,840		
Gross Premium Earned (GPE)					5,237		6,680		
<i>General Insurance Mauritius (Mauritius Union Assurance CY)</i>	<i>Overall</i>	23%	23%	No. 2	No. 2	2,497	44%	2,586	38%
	<i>Motor</i>	22%	23%	No.1	No.1				
	<i>Accident & Health</i>	20%	23%	No. 2	No. 2				
	<i>Property</i>	23%	23%	No. 2	No. 2				
<i>Life Insurance Mauritius (MUA Life)</i>		12%	14%	No. 3	No. 3	1,311	23%	1,555	23%
<i>General Insurance East Africa (MUA Kenya)</i>			2.3%		No.17	1,041	13%	1,302	19%
PAT						365		415	
Gross Sum Insured (Life Ins.)						57,000		57,000	
Solvency ratio (Group)						217%		218%	
Total assets						19,203		22,023	
Life Insurance Fund						7,778		8,902	
Return on Equity						11.8%		11.00%	
Gearing						0.15		0.15	

**Latest available FSC Statistics*

Proposed Equity Infusion by Proparco

On June 2, 2022, MUA has announced that Proparco (a leading Development Finance Institution (DFI), and the private financing arm of Group Agence Française de Développement (AFD Group) is set to make an equity investment of USD 10M (MUR 452 million), making Proparco MUA's largest international institutional shareholder. ***The deal is subject to Regulatory and shareholder's approval and is expected to be closed by August 2022.***

In FY21, MUA's Gross Premium Earned increased by 28% to MUR 6,680 million (FY20: MUR 5,237 million), which contributed to a 43% surge in Group PAT to MUR 523 million, compared to a decline of 18% in FY20.

Both Claims and Combined ratios for the Group have risen significantly in FY21 compared to FY21 which is explained by the fact that on the life segment, MUA Life has been offering policyholders the opportunity to surrender their policies at no penalty, and cash back their funds prior to maturity.

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An additional factor contributing to the higher PAT in FY21 was a more than double increase in investment income which includes interest & dividends from investments as well as fair value gains. At December 31, 2021, the Group had a total investment portfolio of MUR 13 billion which back the policyholders' funds. On the solvency front, all major companies of the MUA Group are comfortably positioned with excess capital being well above the minimum requirement.

Prospects

The prospects of MUA Limited depends on the operational and financial performance of dividend paying subsidiaries (MUACY and MUA Life), turnaround in General Insurance business in Kenya and the ability to maintain performance in other East African countries.

Disclaimer

CARE Ratings (Africa) Private Limited ("CRAF")'s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CRAF's ratings do not convey suitability or price for the investor. CRAF's ratings do not constitute an audit on the rated entity. CRAF has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CRAF does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CRAF have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CRAF may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CRAF is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CRAF is not responsible for any errors and states that it has no financial liability whatsoever to the users of CRAF's rating. CRAF's ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure I

Rating Symbols

Long /Medium-term Instruments

Symbols	Rating Definition
CARE MAU AAA	Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry lowest credit risk.
CARE MAU AA	Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry very low credit risk.
CARE MAU A	Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry low credit risk.
CARE MAU BBB	Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations, in Mauritius. Such instruments carry moderate credit risk.
CARE MAU BB	Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU B	Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU C	Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations, in Mauritius.
CARE MAU D	Instruments with this rating are in default or are expected to be in default soon.

Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories CARE MAU AA to CARE MAU C. The modifiers reflect the comparative standing within the category. A suffix of '(SO)' may be added to the rating indicating that the instrument / facility is a "Structured Obligation". A prefix of 'Provisional' may be added to a 'SO' rating indicating that the rating is subject to completion of certain conditions.

Rating Outlook

The rating outlook can be 'Positive', 'Stable' or 'Negative'.

A 'Positive' outlook indicates an expected upgrade in the credit ratings in the medium term on account of expected positive impact on the credit risk profile of the entity in the medium term.

A 'Negative' outlook would indicate an expected downgrade in the credit ratings in the medium term on account of expected negative impact on the credit risk profile of the entity in the medium term.

A 'Stable' outlook would indicate expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

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About CARE Ratings (Africa) Private Limited:

CARE Ratings (Africa) Private Limited (CRAF) is the first credit rating agency to be licensed by the Financial Services Commission of Mauritius in May 2015. It is also recognized by Bank of Mauritius as External Credit Assessment Institution (ECAI) from May 2016. CRAF is also licensed by Capital Markets Authority of Kenya to operate as a Credit Rating Agency in Kenya. CRAF intends to expand across other geographies in Africa with Mauritius as its hub of operations. With an equitable position in the Mauritius capital market, CARE Ratings (Africa) Private Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

CRAF's shareholders are CARE Ratings Limited, African Development Bank, MCB Equity Fund and SBM (NFC) Holdings Limited.

CRAF gets its technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings Limited on an ongoing basis. CARE Ratings Limited, with an established track record of rating companies over almost three decades, follows a robust and transparent rating process that leverages its domain and analytical expertise backed by the methodologies congruent with the international best practices.

CRAF's Rating Committee consist of full-time members comprising of Senior Rating officials from CARE Ratings Limited and a panel of experienced professionals from Mauritius and African Development Bank.

CRAF has had a pivotal role to play in developing bank debt and capital market instruments including MMIs, corporate bonds and structured credit.

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