

Swan Life Ltd

31 May 2023

Ratings

Facilities/Instruments	Amount (Mur Million)	Rating ¹	Rating Action
Issuer Rating	Not Applicable	CARE MAU AA+ (Is); Stable [Double A Plus (Issuer); Outlook: Stable]	Assigned

Rating Rationale

The Issuer rating assigned to Swan Life Ltd ("Swan Life"), derives strength from the company being part of the Swan Group - Swan General Ltd (leading general insurance company in Mauritius and holding company of the Group) holds 82.7% stake in Swan Life, successful track record of the life insurance activities in Mauritius extending over 70 years, leading position in the Mauritian life insurance sector with around 45% market share on a Gross Premium Written basis, a highly professional & experienced management team, and satisfactory history of meeting claims. The rating also factors in the Company's robust and well diversified investment portfolio, low levels of non-performing loans in its mortgage portfolio, highly comfortable asset-liability maturity profile combined with a strong solvency position well above regulatory requirements further support the strength of Swan Life

The rating is however constrained by few product offerings having negative impact on the bottom-line and probable impact of an ageing population of Mauritius weighing on the company's performance in the long term. Further, CRAF factors Swan Life's investment in the group companies of Swan General's major shareholders which is well within the Regulatory concentration limit.

Rating Sensitivities:

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

- Stable or decline in investment in Swan General's shareholder's group companies over next 2 years
- Improvement in overall premium collections and profitability

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

- Dip in solvency ratio to 3.0x or below as against 6.3x as on December 31, 2022
- Weakening of profitability, capitalization, investment portfolio and solvency levels.
- Increase in gearing level above 3x.

BACKGROUND

Established in 1855, SWAN group is the leading insurance & financial solutions provider of Mauritius. Swan General, main holding company of the group was formed in 1855 as The Mauritius Fire Insurance Company Ltd. and was then merged with Colonial Fire Insurance Company Limited in 1955, to become Swan Insurance Company Limited. The company is engaged in providing general insurance.

In 1951, there was the creation of The Anglo Mauritius Assurance Society Limited which provided life assurance policies for individuals and the management of pension funds for corporates.

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

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In 1972, Swan Insurance Company Limited acquired a majority stake in the Anglo Mauritius Assurance Society Limited. In 2000, Swan Insurance amalgamated its activities with CIM Insurance while the Anglo Mauritius Assurance Society Limited merged with CIM Life and at the same time acquired the stockbroking and asset management businesses of the Rogers Group.

Since April 30, 2015, all the companies and products of Swan Group are united under a single brand SWAN. Swan Insurance Company Ltd. was renamed as Swan General Ltd. and The Anglo-Mauritius Assurance Society Ltd. was renamed as Swan Life Ltd. (Swan Life) which is an 82.7% subsidiary of Swan General, is listed on the Stock Exchange of Mauritius and had a market capitalization of MUR 3,948 million at March 24, 2023.

Swan Life provides life insurance policies and pensions, actuarial and investment advisory services through its subsidiaries namely, Swan Pensions Ltd, Swan Wealth Managers Ltd, Swan Securities Ltd and Swan Actuarial Services Ltd. The table summarizes the financial performance of Swan Life and its subsidiaries.

Companies [FY21]	Stake (%)	Revenue	PAT	Total debt	TNW	Overall Gearing
MUR Million						
Swan Life Ltd (Standalone)		7,792	429	-	1,818	N. A
<i>Subsidiaries</i>						
Swan Wealth Managers Ltd	100%	295	269	-	642	N. A
Swan Financial Solutions Ltd	80%	78	71	-	580	N. A
Swan Pensions Ltd	100%	69	17	-	-	
Swan Securities Ltd	100%	25	9	-	80	N. A
Swan Actuarial Services Ltd	100%	9	3	-	4	N. A
Manufacturers' Distributing Station Limited (group)	99.80%	3	2	-	50	N. A
Swan Corporate Advisors Ltd	100%	0.6	0.3	-	1	N. A
Swan Pensions Rwanda (SPR) Ltd	60%	-	-	-	-	
SWAN LIFE LTD – (Consolidated)		8,025	630		2,204	

Despite the challenging economic and sanitary conditions which prevailed during FY21, Swan Life has performed better than FY20 in FY21. The improvement is attributed to a 9% increase in GPW, coupled with stable claims incurred and contained commissions and operating expenses. The Group recorded underwriting profits 73% higher compared to the previous year, despite the challenging economic and sanitary conditions which prevailed during the year. The Group also holds a well-diversified investment portfolio which delivered strong gains during the year, boosted by the recovery in economic activities worldwide and the confirmed exit of Mauritius from the FATF grey list. Swan Life (Consolidated) achieved a 13% higher PAT of MUR 630 million in FY21 compared to MUR 557 million in FY20. Level of provisions for the year was marginal.

At the company level, however, PAT witnessed a marginal increase of less than 1% as a result of the implementation of the new Alternative Minimum Tax applicable to life insurance business.

For the period ended September 30, 2022, Swan Life has written gross premium of MUR 4,305 million which is equivalent to 84% of the total gross written premium for the whole year ending 31 December 2021. The Company achieve an underwriting of MUR 882 million for the period ending 30 September 2022 which exceeded the MUR 622 million registered for FY21. The performance of Swan Life for the period ending 30 September 2022 are deemed to be satisfactory considering that total claims payments are more than 20% compared to a year earlier. During the first nine months of

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FY22, the higher cost of living and economic strain have forced a number of policyholders to surrender and cash in on their policies to meet their cash requirements while an important number of policies are also matured. Despite these circumstances, the Company managed to generate a PAT of MUR 2,404 million (9MFY21: MUR 2,482 million).

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 Issuer Rating

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

CRAF's Issuer Rating (CIR) reflects the overall credit risk of the issuer. The rating scale has been aligned with the long-term instrument rating scale ranging from AAA (Is) (Highest Safety) to D (Is) (Default). 'Is' suffix indicates 'Issuer Rating'

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.

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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