Swan Life Ltd
November 14, 2023

Ratings

Instrument	Amount	Rating[1]	Rating Action
Issuer Rating	Not Applicable	**CARE MAU AA+ (Is); Stable [Double A Plus (Issuer); Outlook: Stable]**	**Reaffirmed**

Rating Rationale

The Issuer rating assigned to Swan Life Ltd ("SLL") continues to derive strength from the company being part of the Swan Group with Swan General Ltd (leading general insurance company in Mauritius and holding company of the Group) holding 82.7% stake in SLL, the successful track record of the life insurance segment in Mauritius extending over 70 years, leadership 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 track record 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 SLL.

The rating strengths are partially offset by moderate underwriting performance and probable impact of an ageing population of Mauritius weighing on the company's performance in the long term. Further, CRAF also factors in the SLL'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:

- Improvement in overall premium collections, underwriting profitability
- Sustained reduction in claims and improvement in profitability ratios
- Continuous decline in investment in Swan General's shareholder's group companies over next 2 years

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

- Dip in solvency ratio to 3x or below as against 6.3x as on 31 December 2022
- Weakening of profitability, capitalization, investment portfolio and solvency levels.
- Increase in gearing level above 2x.

BACKGROUND

Established in 1855, SWAN Group is the leading insurance & financial solutions provider in 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.

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

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

merged with CIM Life and at the same time acquired the stockbroking and asset management businesses of the Rogers Group.

Since 30 April 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 ("SGL") and The Anglo-Mauritius Assurance Society Ltd was renamed as Swan Life Ltd ("SLL").

SLL which is an 82.72% subsidiary of SGL, is listed on the Stock Exchange of Mauritius and had a market capitalization of MUR 4,212 million at 31 July 2023.

In addition to its life insurance operations, SLL also provides pensions, actuarial and investment advisory services through its subsidiaries namely, Swan Pensions Ltd, Swan Actuarial Services Ltd, Swan Wealth Managers Ltd and Swan Securities Ltd. A summarised performance of the main Group companies of SLL during FY22 is as follows:

Year ended/ as on 31 December 2022	**Stake (%)**	**Revenue**	**PAT**	**Total debt**	**TNW**
		MUR Million			
Swan Life Ltd (Standalone)		9,001	447	-	2,094
Subsidiaries					
Swan Wealth Managers Ltd	80%	302	231	-	795
Swan Financial Solutions Ltd	80%	80	73	-	588
Swan Pensions Ltd	100%	88	18	-	78
Swan Securities Ltd	80%	28	8	-	80
Swan Actuarial Services Ltd	100%	35	17	-	12
Manufacturers' Distributing Station Limited	99.80%	4	7	-	106
Swan Corporate Advisors Ltd	80%	5	3	-	5
Swan Pensions Rwanda (SPR) Ltd	60%	-	-	-	-
SWAN LIFE LTD – (Consolidated)*		9,282	653		2,665

** Total may not add up due to consolidated adjustments*

SLL (standalone) registered a growth of 10.90% in its GPW during FY22, supported by higher demand for life policies and pension plans, and also upward revision in certain insurance products. This growth was however offset by a 21% increase in net claims incurred which was observed across all product categories, especially in survival policies and annuities. Claims ratio went up from 70% in FY21 to 76.29% in FY22 and combined ratio increased from 87.39% to 89.99%. The underwriting profit of SLL decreased by 12% to MUR 551 million for FY22 but remains at satisfactory level.

As on 31 December 2022, SLL has built up a technical reserve of MUR 51,848 million which is backed by high quality investments which are adequately diversified to protect the policyholders' funds. The Company maintained around 27% of its portfolio in government securities and cash & FDs which are the safest and highest liquid assets which can be easily availed of to meet unexpected obligations which may arise in the short term. SLL also remains strongly capitalized with a solvency ratio of 6.3x at end of FY22 (end of FY21:.5.8x).

For the half year ended H1FY23, GPW decreased by 4% compared to the same period last year. The investment portfolio registered satisfactory growth driven mainly by robust gains from its international holdings. International equity indices continued to grow, buoyed by signs of economic resilience and easing inflationary pressures. On the other hand, the local listed companies recorded modest gains.

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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.

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.

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