



## GCR affirms Infiniti Insurance Limited's national scale financial strength rating of A<sub>(ZA)</sub>; Outlook Stable

### Rating action

Johannesburg, 30 July 2021 - GCR Ratings ("GCR") has affirmed Infiniti Insurance Limited's ("Infiniti") national scale financial strength rating of A<sub>(ZA)</sub>, with the outlook accorded as Stable.

Rated entity / issue	Rating class	Rating scale	Rating	Outlook/Watch
Infiniti Insurance Limited	Financial strength	National	A <sub>(ZA)</sub>	Stable Outlook

### Rating rationale

Infiniti's rating balances moderately strong risk adjusted capitalisation and liquidity with a limited business profile and modest (but improved) earnings.

Underwriting performance has been on an upward trend over the last three years, largely supported by cancellation of non-performing business, coupled with continued underwriting discipline. In this regard, the net loss ratio registered at 49% in FY21 (FY20: 51%), compared to 60% at the beginning of the review period. As such, the three-year underwriting margin registered at 6.4%, compared to -0.5% over the prior two-year period. Net income after tax continued on an upward trend in FY21 despite the tough economic environment. Resultantly, the three-year return on net earned premiums ("NEP") ratio equated to 5.3% (excluding unrealised gains). The insurer's ability to improve and sustain underwriting profitability over the medium term represents a key rating driver.

Infiniti's liquidity profile has shown consistent improvement over the past three years, despite volatility associated with the insurer's domestic and foreign equity holdings. In this regard, cash and stressed financial assets coverage of net technical liabilities measured at 2.0x (FY20: 1.9x), while operational cash coverage registered at 10 months at FY20 (FY20: 9 months). The sizeable investment portfolio, consisting largely of tradable securities, coupled with the investment mandate, allows for cash draw down from the portfolio. This is viewed to offer Infiniti a high level of liquidity support. Going forward, we expect liquidity to be maintained within a similar range, although noting potential volatility as a result of changes in asset allocation. In partial mitigation of this risk, the non-cash investment portfolio is actively managed in line with a specific mandate targeting capital preservation, with the tactical asset allocation strategy taking into account prevailing market conditions and volatility.

The level of capitalisation also contributes to GCR's view that the insurer is positioned to absorb a degree of potential exogenous shocks emanating from capital markets. Risk adjusted capitalisation has been maintained within a moderately strong range, underpinned by sound internal capital



generation supporting the level of insurance and market risk exposures. Infiniti's regulatory Solvency Capital Requirement ("SCR") coverage has been maintained above 1.4x over the review period and is expected to be sustained at a similar level over the outlook horizon, in light of modest growth targets and the capital management strategy in place.

Infiniti's business profile is viewed to be limited, with a gross premium market share of around 0.9% and a relative market share of 0.7x. Similarly, the premium mix is viewed to be intermediate, with two lines of business representing more than 10% of net premiums. However, the business model centres on supporting established and diversified specialised underwriting management agencies ("UMAs), books of business from independent brokers and branches in specialized areas. GCR views positively Infiniti's participation in specialist business, such as aviation and marine.

#### Outlook statement

The Stable Outlook reflects expectation of a stable financial profile, while factoring in non-material changes in the business profile. GCR expects net earnings to continue to register at improved levels over the outlook horizon, supporting SCR coverage above 1.2x, while liquidity metrics are expected to average 1.8x.

#### Rating triggers

Upward rating movement could result from a sustainable improvement in underwriting profitability, while maintaining liquidity at strengthened levels. Conversely, downward rating pressure may arise from a persistent deterioration in risk adjusted capitalisation and earnings.

#### Analytical contacts

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#### Related criteria and research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Insurance Companies, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019

GCR Country Risk Scores, July 2021

GCR Insurance Sector Risk Scores, April 2021

### Ratings history

Infiniti Insurance Limited

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Claims paying ability	Initial	National	A <sub>(ZA)</sub>	Stable Outlook	December 2010
Financial strength	Last	National	A <sub>(ZA)</sub>	Stable Outlook	July 2020

### Risk score summary

Rating components and factors	Risk scores
<b>Operating environment</b>	<b>15.00</b>
Country risk score	7.00
Sector risk score	8.00
<b>Business profile</b>	<b>(2.50)</b>
Competitive position	(2.00)
Premium diversification	(0.50)
Management and governance	0.00
<b>Financial profile</b>	<b>0.00</b>
Earnings	(0.25)
Capitalisation	0.00
Liquidity	0.25
<b>Comparative profile</b>	<b>0.00</b>
Group support	0.00
Government support	0.00

Peer analysis	0.00
<b>Total score</b>	<b>12.50</b>

## Glossary

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.
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.
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.
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.
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.
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.

#### SALIENT POINTS OF ACCORDED RATING

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

The credit rating has been disclosed to the rated entity. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating. Infiniti Insurance Limited participated in the rating process via virtual management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

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

- Draft annual financial statements to 31 March 2020;
- Four years of comparative audited financial statements to 31 March;
- Unaudited interim results to 30 April 2021;
- Quarterly quantitative statutory returns at 31 March 2021; and
- Other relevant documents.