



Global Credit Rating Co (“GCR”) has reaffirmed Centriq Insurance Company Limited’s (“Centriq”) domestic ZAR currency claims paying ability rating of A+ (single A plus). The rating is an indication of high claims paying ability and above average protection factors.

Centriq specialises in the provision of cell captive facilities and alternative risk transfer (“ART”) vehicles, with the latter mainly comprising contingency policies. According to Susan Andrews, insurance analyst at GCR, the rating recognised Centriq’s position as a top tier player in the cell captive and ART space. Furthermore, the reinsurance capacity provided by Santam is expected to sustain growth in its target market going forward. The rating was supported by the company’s consistent profitability at the promoter level, underpinned by a large component of fee-based income and selective participation in underwriting risk. Cognisance was also taken of Centriq’s highly conservative investment approach and sound liquidity levels.

In early F10, Santam acquired Kagiso Risk Solutions’ 33% stake in the Centriq group, to increase its effective shareholding in Centriq to 100%. A subsequent review of capital efficiency resulted in Centriq adopting a tiered solvency approach, with capital allocated according to the nature of risks in the respective business lines. GCR considered promoter solvency to be adequate, complemented by a draw down facility from Santam. Moreover, the corrective measures implemented by management to improve the solvency in undercapitalised third party cells were favourably viewed.

Going forward, Centriq considers the UMA segment to be a strong potential growth area, in view of the more stringent compliance regulations and solvency regime, which will make it difficult to run this business model without advanced systems capabilities. Furthermore, the insurer plans to increase its participation in the underwriting performance of certain cells. Andrews commented that, while this will take place selectively, it does increase the insurer’s exposure to earnings volatility, particularly in the currently challenging operating environment.