

June 23, 2009

Research Update:

African Reinsurance Corp. Rating Raised To 'A-' On Strong Competitive Position; Outlook Stable

Primary Credit Analyst:

Matthew Day, London (44) 20-7176-7044; matthew_day@standardandpoors.com

Secondary Credit Analyst:

Kevin Willis, London (44) 20-7176-7085; kevin_willis@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings List

Research Update:

African Reinsurance Corp. Rating Raised To 'A-' On Strong Competitive Position; Outlook Stable

Overview

- The upgrade reflects the continued stable earnings and the strong regional competitive position.
- We have raised the rating on African Reinsurance Corp. to 'A-' from 'BBB+'.
- The outlook is stable, reflecting our expectation that earnings will be maintained at a strong level and enterprise risk management will continue to develop.

Rating Action

On June 23, 2009, Standard & Poor's Ratings Services raised its long-term counterparty credit and insurer financial strength ratings on Nigeria-based African Reinsurance Corp. (African Re) to 'A-' from 'BBB+'. The outlook is stable.

Rationale

The upgrade reflects the cementing of the strong competitive position in the African insurance markets, coupled with the continued strong, stable operating performance, and strong capitalization. These positive factors are partially offset by its enterprise risk management (ERM) structure, which, although adequate, lags international peers in terms of sophistication. The political and economic environment drag within the company's core African markets is to some extent mitigated by the shareholder structure.

African Re continues to enjoy a strong competitive position in the African reinsurance market. Success is based on both its privileged access to business and the relationships within the African insurance community. African Re enjoys a strong market share of approximately 8%, which implies reasonable room for growth, particularly as a reinsurance provider to the increasingly locally-retained energy business. Outside Africa, the company's competitive position is more limited, although non-African business is not part of the company's core strategy.

African Re has demonstrated strong and very stable earnings for more than 10 years. Its rapid growth in South Africa has not undermined this trend and in 2008, the group delivered a combined ratio of 99.7%, slightly above the long-term average of 98.8%. The return on equity of 9.2% for 2008 was substantially down on the 2007 level of 16.3%, reduced by lower interest yields.

Regular capital infusions have enabled African Re to maintain strong capitalization during a sustained period of growth. The company continues to benefit from direct investments by development finance institutions, indicating the strong level of international support for the corporation in its development role and strong financial flexibility. Capital adequacy is strong, demonstrated by some redundancy above the current rating level.

African Re has adequate ERM. However, both the industry's and African Re's risk profile have changed, which suggests a more sophisticated approach is warranted to bring the company up to the standards set by international peers. The company has embraced improving its ERM, and has established a proactive risk function, headed by newly appointed chief risk officer, as well as engaging in an ongoing project to improve its risk modeling capabilities.

African Re operates in a diverse range of countries, many with the propensity to experience political or economic turmoil, which may affect the local or regional claims experience, liquidity, or competitive position of the company. The shareholding structure of African Re includes the African Development Bank (AAA/Stable/A-1+) and 41 African Governments, which help mitigate these risks partially.

Outlook

The outlook is stable. Standard & Poor's expects that the company will continue to enhance its capital and risk modeling. Opportunities for profitable growth within the African continent are limited by the prevailing economic development, but Standard & Poor's believes the company is well placed to take advantage of these.

Continued stability in the earnings profile is key to the company maintaining a rating within the 'A' range, and material underwriting losses, particularly if repeated, may prompt an outlook revision to negative. Rapid development of the non-African, or South African, business could also cause concern if the company looked to be moving away from its core markets, or founding edicts. Future potential for upward rating movement is currently limited.

Ratings List

Upgraded	To	From
African Reinsurance Corp.		
Counterparty Credit Rating		
Local Currency	A-/Stable/--	BBB+/Positive/--
Financial Strength Rating		
Local Currency	A-/Stable/--	BBB+/Positive/--

Additional Contact:

Insurance Ratings Europe; InsurancInteractive_Europe@standardandpoors.com

Ratings information is available to RatingsDirect subscribers at

www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Find a Rating. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.