

FITCH AFFIRMS CHARTIS SOUTH AFRICA AT IFS 'AAA(ZAF)', OUTLOOK STABLE

Fitch Ratings-London/Johannesburg-15 February 2011: Fitch Ratings has affirmed Chartis Life South Africa Limited's (Chartis Life SA) and Chartis South Africa Limited's (Chartis SA) National Insurer Financial Strength (IFS) ratings at 'AAA(zaf)'. The Outlook on all the ratings is Stable.

The affirmation follows Fitch's downgrade of the parent company, Chartis Overseas, Limited's (Chartis Overseas) IFS rating to 'A' from 'A+' on 10 February 2011 (see "Fitch Downgrades AIG's Domestic Non-Life Subs to 'A', Affirms Holding Co Ratings", on www.fitchratings.com). Chartis Life SA and Chartis SA's ratings reflect strong formal support agreements provided by Chartis Overseas, a wholly-owned property/casualty subsidiary of American International Group Inc (AIG, 'BBB'/Stable). The National IFS ratings of Chartis Life SA and Chartis SA are unaffected by Chartis Overseas' downgrade, as Chartis Overseas' ratings were higher than they needed to be to support the National IFS ratings of Chartis Life SA and Chartis SA. However, any further downgrade of Chartis Overseas would likely to lead to a downgrade of Chartis Life SA and Chartis SA's ratings.

Chartis Life SA's and Chartis SA's ratings reflect the companies' well-established business positions in their chosen market segments, conservative investment portfolios with high levels of liquidity, and strong capital positions. Chartis SA's solvency margin strengthened to 50% at financial year ended 30 November 2010 (FYE10; FYE09: 47%) and is well above the regulatory requirement of 25%. Despite the deterioration in Chartis Life SA's published regulatory capital adequacy requirement (CAR) cover to 4.0x at FYE10 from 6.3x at FYE09, which was attributable to a dividend payment to its immediate holding company, Johannesburg Insurance Holdings (Pty) Ltd (JIH, a pure holding company with no trading activities), it remains at a strong level and above the regulatory requirement of 1x cover.

The key rating drivers that could result in a downgrade include the guarantor's, Chartis Overseas' ratings being further downgraded. Chartis Life SA and Chartis SA would also be downgraded given the strong support agreements provided by the guarantor. In addition, a significant and sustained reduction in capitalisation and/or deterioration in Chartis Life SA's and/or Chartis SA's business positions could exert negative rating pressure.

Chartis Life SA and Chartis SA are both incorporated in South Africa. Chartis Life SA is a life insurance company underwriting accident and health contracts in the South African market and focuses solely on retail business. Chartis SA conducts all classes of non-life insurance business in the South African market. It focuses predominantly on large commercial business where it is one of the leading non-life insurers in South Africa. Chartis Overseas is the holding company of both Chartis Life and Chartis SA with AIG being the ultimate parent.

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Insurance Rating Methodology' dated 16 August 2010; 'Life Insurance Rating Methodology (Global)' dated 24 March 2010; 'Non-Life Insurance Rating Methodology (Global)' dated 24 March 2010; 'National Ratings Criteria' dated 19 January 2011; 'Insurance Industry: Global Notching Methodology and Recovery Analysis' dated 29 December 2009; and 'Fitch's Approach to Rating Insurance Groups' 14 December 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Life Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506285

Non-Life Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=506369

National Ratings Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=595885

Insurance Industry: Global Notching Methodology and Recovery Analysis

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493114

Fitch's Approach to Rating Insurance Groups

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=586765

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547766

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