Guardrisk Insurance Company Limited

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Security class	Currency	Rating	Date	Rating watch	Previous rating
Claims paying ability	Rand	AA	11/2002	No	AA

Rating rationale

Our rating is based on the following key factors:

- The experienced management team and conservative risk management practice adopted throughout the organisation.
- Guardrisk's comparative advantage in sourcing and writing cell captive business, given its established market presence.
- However, the overall solvency margin has reduced in 2002, with around half of those cells analysed (in terms of premium income) capitalised at between 25% and 50%.
- The cell captive will experience increasing difficulty in purchasing large reinsurance capacity in the local market due to the higher reinsurance rates.
- The conservative claims and IBNR reserves built up over the years have provided substantial protection. However, if and when these reserves are released, this will invoke higher tax liabilities to the applicable cell structures.

Capital structure / risk management

Each Guardrisk cell is capitalised in order to provide adequate capacity to underwrite risk. Of a sample of 44 cells, representing 75% of the premium, only 15 cells were undercapitalised (some of which were in run off) whilst a similar number of cells with very high solvency margins was evidenced (11). Overall the solvency margin was 44% in 2002, declining from 66% in 2001, due to higher net premium retention. The financial base ratio has also declined, from 227% to 168%, which is still very conservative. Management advise that the solvency margin for the promoter's cell (including contingency risk business) remains above the overall statutory solvency requirement. A higher contingency reserve resulted from the higher risk retention, but the lower use of non-approved reinsurance reduced the reserve to 11.6% of net premium, from 13.7%. The unearned premium reserve was left relatively unchanged in 2002. The adjusted outstanding claims provision in 2002 was higher than in 2001. The IBNR reserve has reduced, from 52% in 2001 to 42% in 2002.

Recent developments

A prominent reinsurance partner to Guardrisk, Gerling Re (South Africa) has gone into run-off, making the already small list of reinsurance partners more concentrated. The reinsurer is significantly capitalised, with on-risk scenarios monitored by Guardrisk.

Major risks

Given increased reinsurance rates worldwide and the recent consolidation within the South African insurance industry, it would be an opportune time for local reinsurers to price higher rates into higher levels of reinsurance cover, leaving insurers to pass on the costs to their policyholders. This adversely affects insurers with large price sensitive corporate business as they cannot ordinarily pass this price increase onto the narrow client base. Additionally, during the past down cycle, the advantage afforded to niche/cell captive programmes in purchasing relatively cheaper reinsurance, has resulted in the extensive use of reinsurance in order to 'buy down' cover that would now be ordinarily expensive to maintain.

Guardrisk expects to attract higher premium from existing cell clients that wish to increase their risk participation on their conventional programmes, which could pressure the solvency margin. Accordingly, attracting the requisite capital in a higher cost of capital environment could be more challenging.

Fundamentals

Guardrisk Insurance Company Limited ("Guardrisk") is registered as a short term insurer offering cell captive facilities. The ultimate holding company of Guardrisk is financial services group Alexander Forbes.

Industry overview

Guardrisk has been an industry leader in the promulgation of the cell captive concept, and has amassed a significant share of the market. The competing cell captive insurers include, SA Eagle Risk, Mutual & Federal Risk, Nova Risk Partners and Allianz Risk Transfer. Given the relative number of insured parties fitting the profile for cell captive insurance in South Africa and the low economic growth rate, the industry has moved from the self-funding concept to more profitable captive insurance underwriting (more scope). Whilst some cell captives (controlled by multiline insurers) have remained self-insured focused, others have mimicked the captive insurance market (using the third party concept - where risks displaying homogeneous characteristics, having a common distribution/branding thread, are effectively underwritten in a quasi-mutual arrangement, within a cell captive environment). This concept, as well as self-insurance on a smaller scale (through contingency policies), has also been offered by cell captives (via the promoter's cell), with more loosely structured arrangements facilitated by traditional insurers, such as Hollard and Santam (via their ART programmes).

Cell captives (GPI - Rm)	2000	%	2001	%
Guardrisk	1,277	58.1	1,006	41.5
RMB Structured	377	17.2	459*	18.9
SA Eagle Risk	203	9.2	226	9.3
M&F Risk	145	6.6	218	9.0
Nova Risk Partners	99	4.5	246	10.2
Allianz Risk	96	4.4	268	11.1
Total	**2,197**	**100.0**	**2,423**	**100.0**

* only the liability book

Guardrisk remains the dominant cell captive insurer in South Africa, followed by RMB Structured Insurance (note GCR has 'stripped out' miscellaneous premium of R1.1bn). Other cell captives include Nova Risk Partners and Allianz Risk Transfer, both demonstrating high premium growth during 2001. Whilst both SA Eagle Risk and M&F Risk remain appendages of their multi-line parents, their presence in the market remains a competitive threat.

Cell captives vs traditional

Santam has positioned itself as the dominant supplier of insurance across the widest possible scope of cover. This is followed by Mutual & Federal, which is an equally dominant player, with ample capacity to meet increased demand within the industry. Following industry wide consolidation in 2000 and 2001, there is a shortage of 2nd tier insurers, which now comprise of SA Eagle, Hollard and AIG.

There was a level of insurance business that migrated off-shore in the early 1990s (i.e. Lloyds). Although this will continue, the higher reinsurance rates worldwide and the recent fall in the Rand have encouraged some programmes back on-shore. Whether their needs are more adequately met by cell captives or large insurers will be determined by the views taken on inflation (cost of capitalising cells) and the value of the Rand. The length of the hardening cycle of global reinsurance rates will also have to be considered.

Following the events of September 11th, there has been an immediate repricing of reinsurance, thus impacts on primary insurance risks. In addition, certain risks are no longer reinsurable, thereby increasing the levels at which the insurance market would have to internally fund such risks, to either retain market share or satisfy consumer appetite. This could, however, have a positive spin-off for cell captives, where the clients or group of clients are prepared to self-insure the unmarketable risks internally.

As a result of the local consolidation, it could be an opportune time for local reinsurers to price even higher rates into higher levels of reinsurance cover, leaving insurers to pass on the costs to their policyholders. Moreover, for those insurers/cell captives that rely on selective reinsurance progammes, this pricing problem could be more acute. Additionally, during the past down cycle, the advantage afforded to niche/cell captive programmes in purchasing relatively cheaper reinsurance has resulted in the extensive use of reinsurance, in order to 'buy down' cover that would now ordinarily be expensive to maintain.

Positively, the existing cell owners, which due to the higher rates put through by insurers on their conventional programmes, wish to place more deductibles or self-insured layers through their cells is foreseen. This is expected to keep premium growth for cell captives above the rest of the market.

Fundamentals

Financial sector risks were a large generator of premium for Guardrisk. Two banking clients have closed up their facilities, due to changes in the banking regulatory environment, the policies provided became redundant. The motor/retail industry (45%) is now the largest contributor, followed by industrial (14%) and mining/resources (9%).

1) Third party business

A branded luxury motor manufacturer's third party cell, registered with Guardrisk, has been its trademark programme. The reinsurance arrangements comprise a quota share, with a long serving leading reinsurer (70% of 100%) and Guardrisk (30% of 100%), with Guardrisk buying down its exposure to 3%, through

Gerling Global Re. The cell was set up for the express purpose of aftermarket service to the manufacturer's customers, as the insurance market was perceived, at the time, to be priced anti-competitively, based on the high assumed theft incidence affecting such manufacturer. The cell operates as an independent insurer, responsible for premium quoting, claims submissions, claims assessments and settlements. The Rand cost for providing the facility is divided into differentiated service level agreements between the cell, and various organisations within the supply chain and Guardrisk. Given the high proportion of reinsurance, the cell earns reinsurance commission, but risk profits/losses are mainly borne by the reinsurers, not the cell. The cell relies on an acceptable return (reinsurance profit commissions net of expenses) on vested capital to support its solvency. New business penetration rates in relation to total potential business is monitored, in order to ensure that the risk rates charged remain comparable to the marketplace.

The benefits of the structure include the lower acquisition costs and the renewable income source, given the strong brand name of the manufacturer. In addition, claims settlement through procurement and repair is more cost effective within the network. The shortfalls include the lack of substitutability of risks into the pool, as it is strategically difficult to decline bad risks. Additionally, the possibility of anti-selecting its clients.

2) Volume business

Guardrisk used to underwrite 'Priceless', Alexander Forbes' personal lines group scheme. Together with the other group schemes, these were underwritten in the promoter's cell, for the benefit of the proprietary shareholders of Guardrisk (but was heavily reinsured). When Alexander Forbes Insurance Company was launched, most of this business was then reinsured by the latter. Since April 2002, this portfolio was placed directly with a number of co-insurers, with no participation by Guardrisk. Guardrisk does not intend writing new open scheme volume business and personal lines going forward, as this business is more suitable to the traditional insurance model.

3) Contingency/rent-a-captive

Contingency business written in the promoter's cell must have a risk layer, usually 20% of GPI, Guardrisk has bought down this exposure to a cumulative R10m, shared between the insurer and a reinsurer.

4) First party cell

Reinsurance arrangements/risk appetite vests with the cell owner. Risk management, premium setting, capital/reserving and profit conclusion are determined in principle by the cell owner, in conjunction with its broker and Guardrisk as per the "A" shareholder agreement.

Reinsurance

Gerling Re (South Africa) has gone into run-off, although significantly capitalised, on-risk scenarios are being monitored by Guardrisk. Given that Gerling Re has only been utilised for meaningful counterparty lines since 2000, no historical outstanding claims are being entertained. However, strategically, the loss of a reinsurance partner limits the competitive pricing options available. Guardrisk has relied extensively on reinsurance in the past, providing high capacity at relatively inexpensive rates to its clients. Excluding participation in certain offshore jurisdictions (through non-approved mandates), which is expensive from a solvency perspective, Guardrisk has fewer alternative options should a squeeze on the insurance/reinsurance pricing differential arise (as foreseen). The increased use of co-insurance is possible (as is currently utilised), but could crowd out Guardrisk from the insurance purchasing decision altogether. Despite being a bulk purchaser of reinsurance from the domestic market (which does have portfolio wide benefits), Guardrisk will face increasing competition from multi-line insurers with higher capital bases, who can more easily motivate better rates.

The promoter's cell is protected by catastrophe cover for each incident. Furthermore, a 'cash gap' protection facility protects the company in the event that a cell does not honour its obligation to recapitalise after a loss.

Capital/reserving

The benefit afforded to existing cell owners that are facing pricing pressures for larger risks, is to counterbalance with higher retention limits in the cells. However, this requires capital, which should have accumulated during the past 'soft market'. The trade-off of paying away more premiums in the current context versus capitalising the cell is considered as follows; the lower benefit of corporate insurance premium (compared to 5 years ago where corporate tax rates were higher) must be weighed up with the bottoming out of the cost of capital, which, with the increasing inflationary environment, will become more expensive. The cell owners would therefore be hard pressed if both premium and capital were required to meet technical/solvency criteria. In addition, the previous tax benefit of contingency reserves (10% of approved NPI) has fallen away. However, assuming the higher risk retention going forward (due to higher reinsurance rates), the likelihood of utilising the current conservative claims reserves would depend on the better run-off experience.

Risk in the company

Premium distribution
The spread of risk across the separately defined risk categories is tabled below. On a gross basis, risk is spread across motor (58.3%), followed by accident/liability (11.8%), fire & allied perils (9.9%) and marine (8.9%). On a net basis, motor represents a lower 47.6%, due to the higher net retention of fire & allied perils (16.5%).

Category (%)	Gross	Net
Fire & allied perils	9.9	16.5
Marine	8.9	10.7
Motor	58.3	47.6
CAR/engineering	3.0	3.1
Personal lines	7.5	8.7
Credit/financial risk	0.6	1.1
Accident/liability	11.8	12.1
Total	**100.0**	**100.0**

As evidenced in the following table, the promoter's cell accounts for half the total premium in 2002, made up mostly of personal lines, contingency and rent-a-captive business. The third party cells account for a further 21%. On a net basis, first party cells of more than R100m premium and cells between R10m and R50m contribute a relatively large 11% each of overall premium.

Premium (%)	Gross	Net
Promoter's cell	50.5	45.1
Third party cells	21.1	24.0
First party cells > R100m	7.3	11.7
First party cells R50m -R100m	10.4	2.8
First party cells R10m -R50m	6.0	11.1
First party cells < R10m	4.7	5.3
Total	**100.0**	**100.0**

Solvency margin
Solvency levels for each cell are calculated monthly, based on a minimum solvency margin of 25% (in terms of compliance). Guardrisk is, however, prepared to relax the requirement (except for the 3rd party cells) to the degree that the particular cell is able and ready to meet future solvency requirements, relying on the accumulated capital of the promoter's cell to meet the overall statutory solvency requirement.

Solvency margin	# of cells	Premium (%)
> 100%	11	11.0
76-100%	3	2.5
51-75%	5	4.9
26-50%*	9	48.7
<25%	15	7.0
Total	**44**	**74.1**

* includes the promoter's cell

Across 44 of the cells, representing 74% of the premium, 15 cells are undercapitalised (some of which are in run-off) with 11 cells capitalised at over 100%. Overall the solvency margin was 44% in 2001. If the solvency margin of the promoter's cell is separately considered, management advise that the solvency margin remains above the statutory limit. Further protection is afforded by extensive catastrophic risk programme with a highly rated reinsurer.

Earned loss ratios
The earned loss ratio by cell type, reflects a high earned loss ratio of 91% for the promoter's cell, which results from the high claims ratios stemming from contingency business (priced to be marginally profitable) and personal lines business (from a 70% loss ratio upward). The low gross loss ratio relates to a large benefit transferred to the reinsurance market. The first party cells recorded a 77% loss ratio (on a net basis) from 110%, reflecting significant benefit received from reinsurance. The third party cells generally display lower loss ratios.

Earned loss (%)	Gross	Net
Captive cells (1st Party)	110	77
Promoter's cell	44	91
Third party cell 1	78	77
Third party cell 2	55	55
Third party cell 3	14	26
Third party cell 4	33	33

Whilst some of the cells are providing for claims incurred but not reported, thus recording substantially higher loss ratios, others have negative loss ratios resulting from either the clawback from reinsurance or downward adjustment of closing outstanding claims.

Earned loss (%)	# of cells
Above 121%	6
101-120%	4
91-100%	1
71-90%	6
51-70%	7
0-50%	27
<0%	4
Total	**55**

Reinsurance

Overall, the use of reinsurance has declined, to R420m on an earned premium base. However, commissions received remain significantly high.

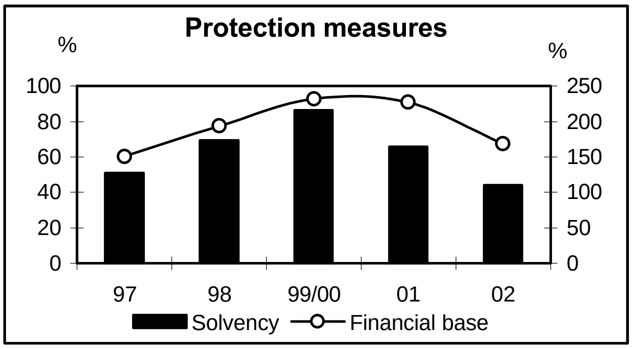
Reinsurance trade off	2000 *	2001	2002
Ceded : proportional	724	530	237
Ceded : non-proportional	182	221	69
Premium ceded	**906**	**751**	**305**
Change in UPR	(158)	22	114
Earned premium ceded	**748**	**772**	**420**
Claims paid	(259)	(388)	(168)
Change in OCP/IBNR	(118)	52	45
Commission	(53)	(94)	(78)
Underwriting result	**318**	**342**	**219**

* 15 month period.

The reinsurance premium ceded is lead by Hannover Re, followed by a very highly rated direct insurer, Gerling Re and Munich Re. With respect to claims outstanding, Hannover ranks first, followed by Gerling and an off-shore based captive.

Solvency and reserving

Guardrisk's overall solvency margin has declined, from 66% in 2001 to 44% in 2002, mostly the result of the higher retention by the company, as well as the large dividend payments (to "A" shareholders) in 2002, partly relating to the closure of some large cells. Accordingly, the financial base has declined, from 227% to 168%, which remains very high, reflecting the continued build up of reserves and provisions, as elaborated on below.



UPR development

The unearned premium reserve for annual contracts, on a net basis, was almost 50% of gross contract premium unearned at year end in 2002, compared to around 20% in 2001 and 10% in 2000. With respect to non-annual contracts, the unearned premium reserve totalled 30%.

Rm	2000	2001	2002
Annual contracts			
Gross premium for unearned contracts	556.4	1,028.0	606.0
Net UPR	69.8	225.3	313.6
Non-annual contracts			
Gross premium for unearned contracts	225.7	189.3	61.0
Net UPR	120.8	74.3	21.3
Total UPR	**190.5**	**299.6**	**334.9**

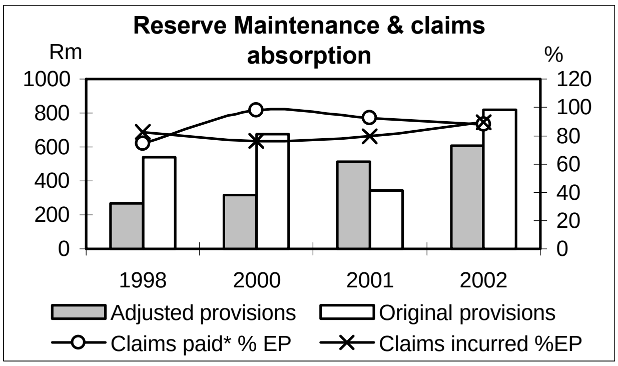
The contingency reserve has increased from R72.2m in 2001 to R81.4m in 2002, reflecting the higher net premium retained in 2002. The comparatively lower use of non-approved reinsurance resulted in the reduction of the reserve, from 13.7% of net premium to 11.6%. Previously, insurers enjoyed the tax benefit of a transfer to the contingency reserve, which will be disallowed going forward. A portion of the deferred tax cost of the accumulated contingency reserve was charged in 2002, with the balance to be charged in 2003. It is noted that this has had the effect of increasing the effective tax levy for 2002, from 32.3% to a high 47.6%.

Claims development

Claims paid increased in 2002 to R558m, Additionally, the claims provision raised for 2002 was higher at R106.4m.

IBNR development

IBNR claims in 2002 of R72m was significantly lower than the R250m in 2001. At the end of 2002, the adjusted IBNR provision has increased to R295m.



* includes IBNR claims admitted

Financial performance

Gross premium income decreased by a large 21.3% in 2002, to total R1.0bn. A significantly higher retention ratio of 70% in 2002, from 41% in 2001, bolstered net premium written to R701m. A small transfer from the unearned premium reserve of R15m resulted in earned premiums of R716m (2001: R417m). Claims incurred increased from R333m to R641m, or expressed as a percentage of earned premiums from 80% to 90%. Net commissions received of R2.4m versus R5m (net paid) and management expenses of R72.7m (2001: R81m) resulted in a marginal underwriting profit of R4m, compared to the deficit of R2m in 2001. Investment income of R107m equating to an investment return of 7.9%, net of a higher tax bill of R53m, resulted in a net profit of R58m, a 21% reduction on 2001.

Future prospects

The strategy of not writing new volume business is unlikely to have a negative impact on growth, given its strong branding in core markets. The opportunity to 'graduate' the contingency/rent-a-captive business into fully fledged first party cells is to be explored, widening the base of first party cells, thus decreasing the reliance on a few cells, for management fee margins. In addition, increased business from first party cells that are providing higher self-insurance limits, should provide strong impetus for growth.

Guardrisk Insurance Company Limited

(R in Millions except as noted)

Year ended : 31 March	1998	2000*	2001	2002
Income Statement				
Gross premium income (GPI)	843.0	1,342.8	1,278.0	1,006.0
Reinsurance premiums	(492.0)	(906.0)	(751.0)	(305.0)
Net Premium income (NPI)	351.0	436.9	527.0	701.0
(Increase) / Decrease in insurance funds	9.8	38.5	(110.0)	15.0
Net premiums earned	**360.7**	**475.3**	**417.0**	**716.0**
Claims incurred	(297.8)	(362.0)	(333.0)	(642.0)
Commission	(31.1)	(32.0)	(5.0)	3.0
Management expenses	(58.9)	(100.0)	(81.0)	(73.0)
Underwriting profit / (loss)	(27.1)	(18.7)	(2.0)	4.0
Investment income	94.6	141.8	101.0	107.0
Other income / (expenses)	0.0	0.0	0.0	0.0
Taxation	(19.4)	(32.2)	(26.0)	(53.0)
Net income after tax	**48.1**	**91.0**	**73.0**	**58.0**
Unrealised gains / (losses)	(0.4)	8.0	(2.0)	(5.0)
Cash Flow Statement				
Cash generated by operations	(36.4)	(55.7)	103.0	(6.0)
Cash flow from investment income	94.6	145.0	105.0	116.0
Working capital decrease / (increase)	121.7	251.1	14.0	308.0
Cash available from operating activities	179.9	340.4	222.0	418.0
Tax paid	(17.4)	(29.0)	(53.0)	(36.0)
Dividends paid	(38.0)	(83.0)	(16.0)	(116.0)
Cash flow from operating activities	**124.6**	**228.4**	**153.0**	**266.0**
Purchases of investments	(80.1)	80.4	(49.5)	(49.0)
Proceeds on disposal of investments	0.0	0.0	0.0	0.0
Other investing activities	(0.7)	(0.7)	0.0	0.0
Cash flow from investing activities	**(80.7)**	**79.7**	**(49.5)**	**(49.0)**
Cash flow from financing activities	**25.0**	**13.1**	**(10.0)**	**1.0**
Net cash inflow / (outflow)	**68.8**	**321.2**	**93.5**	**218.0**
Balance Sheet				
Shareholders interest	**244.0**	**301.3**	**347.0**	**310.0**
Insurance funds	229.0	190.0	300.0	285.0
Other liabilities	468.4	570.0	633.0	943.0
Total capital & liabilities	**941.3**	**1,061.3**	**1,280.0**	**1,538.0**
Fixed assets	0.9	2.8	4.0	4.0
Investments	171.3	134.5	181.0	230.0
Cash and short term deposits	566.3	887.5	981.0	1,199.0
Other current assets	202.8	36.5	114.0	105.0
Total assets	**941.3**	**1,061.3**	**1,280.0**	**1,538.0**
Key Ratios				
Solvency / Liquidity				
Shareholders funds / NPI	69.5	86.2	65.8	44.2
Financial base	193.4	232.2	227.1	168.2
Cash flow from operating activities / Liabilities	17.9	30.1	16.4	21.7
Profitability				
ROaE (before unrealised gains / losses)	21.3	26.7	22.5	17.7
ROaE (after unrealised gains / losses)	21.2	29.6	21.9	16.1
Investment yield (including unrealised gains / losses)	14.2	13.9	9.1	7.9
Cash investment yield (average)	14.3	12.9	9.3	8.3
Efficiency / Growth				
GPI Growth	79.4	27.4	19.0	(21.3)
Premiums reinsured / GPI	58.4	67.5	58.8	30.3
Earned loss ratio	82.6	76.2	79.9	89.7
Commissions / Earned premiums	8.6	6.7	1.2	(0.4)
Management expenses / Earned premiums	16.3	21.0	19.4	10.2
Underwriting result / Earned premium	(7.5)	(3.9)	(0.5)	0.6
Operating				
Effective tax rate	28.8	26.1	26.3	47.7
Dividend cover	1.4	1.9	4.6	n.a.

* 15-month period, relevant ratios have been annualised.

Long term debt

Investment grade

AAA	Highest credit quality. The risk factors are negligible, being only slightly more than for risk free government bonds.
AA+ **AA** **AA-**	Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significantly.
A+ **A** **A-**	High credit quality. Protection factors are good. However, risk factors are more variable and greater in periods of economic stress.
BBB+ **BBB** **BBB-**	Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.

Non-investment grade

BB+ **BB** **BB-**	Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.
B+ **B** **B-**	Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes.
CCC	Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company developments.
DD	Defaulted debt obligations. Issuer failed to meet scheduled principal and/or interest payments.

Short term debt

High Grade

A1+	Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills.
A1	Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.
A1-	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Good Grade

A2	Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Satisfactory Grade

A3	Satisfactory liquidity and other protection factors qualify issues as to investment grade However, risk factors are larger and subject to greater variation.

Non-investment Grade

B	Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation

Default

C	Issuer failed to meet scheduled principal or interest payments.

Claims paying ability

Secure

AAA	Highest claims paying ability. The risk factors are negligible.
AA+ **AA** **AA-**	Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to economic and/or underwriting conditions.
A+ **A** **A-**	High claims paying ability. Protection factors are above average although there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
BBB+ **BBB** **BBB-**	Adequate claims paying ability. Protection factors are adequate although there is considerable variability in risk over time due to economic and/or underwriting conditions.
BB+ **BB** **BB-**	Uncertain claims paying ability and less than investment grade quality. The ability of these organisations to discharge obligations is considered moderate and thereby not well safeguarded in the future. Protection factors will vary widely with changes in economic and/or underwriting conditions.
B+ **B** **B-**	Possessing substantial risk that policyholder and contract-holder obligations will not be paid when due. Judged to be speculative to a high degree.
CCC	Company has been, or is likely to be, placed under an order of the court.

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