

RATING ANNOUNCEMENT

GCR affirms Compass Insurance Company Limited's national scale financial strength rating of AA+(ZA); Outlook Stable

Rating action

Johannesburg, 23 March 2026 – GCR Ratings (GCR) has affirmed Compass Insurance Company Limited's (Compass Insure or the insurer) national scale financial strength rating of AA+(ZA), with a Stable Outlook.

Rated entity	Rating class	Rating scale	Rating	Outlook/Watch
Compass Insurance Company Limited	Financial strength	National	AA+(ZA)	Stable Outlook

Rating rationale

Compass Insure's rating reflects sustained strength in the financial profile characterised by competitive earnings, strong risk adjusted capitalisation and comfortable liquidity. The rating also derives uplift from implied parental support from Hannover Re South Africa Limited, given strategic integration and alignment with group-wide risk and capital management frameworks. These strengths are moderated by the insurer's relatively small scale and positioning within the short-term insurance sector.

Compass Insure's insurance revenue grew by 33% to ZAR3.1bn (USD183m) in the financial year ending 31 December 2025. This was underpinned by about ZAR521m in new business, predominantly from one established underwriting management agency (UMA), as well as strong organic growth in the other core portfolios. This is likely to support a slight strengthening in market share, which is expected to reach about 1.5% in 2026 (previously about 1%), after a full year of new business premiums feeds through. However, net premium scale is comparatively limited at about ZAR354m (2024: ZAR283m) due to large reinsurance cessions, in line with the group's strategy. The product mix remains concentrated towards property, which accounted for 55% of premiums in 2025 (2024: 58%), although new business saw the motor line becoming a more meaningful diversifier, contributing 18% of gross premiums (2024: 13%). There is some UMA concentration, but this was also diluted by the onboarding of new partners. The largest agency accounted for a lower 40% of gross premiums (2024: 48%), with the next four contributing between 6% and 15%. Moreover, the policyholder base is highly diversified, reducing reliance on any single account.

Compass Insure continues to register above average cross-cycle earnings, underpinned by robust underwriting profitability and healthy investment income. Strong risk selection and underwriting have supported competitive claims experience, with the gross and net loss ratios averaging 49% and 25% over the past five years. This, in conjunction with stability in the operating cost structure, has contributed to sustained core earnings, reflected by a five-year average combined ratio of 88% in 2025, comparing very favourably

to peer averages. The insurer's net earnings are further bolstered by steady investment income, primarily derived from interest and dividends. Consequently, return on revenue stood at 30% in 2025 (2024: 38%) and averaged 30% over the review period. Following the benign weather-related claims experience in recent years, there is potential for underwriting profitability to moderate over the next 12 to 24 months as claims experience increases. We therefore expect the combined ratio to register between 85% and 90% and return on revenue between 20% and 25%, although remaining competitive.

The insurer's risk adjusted capitalisation remained robust, despite strong business growth and a ZAR200m dividend distribution in 2025. The GCR capital adequacy ratio (CAR) registered at 2.5x at 31 December 2025 (31 December 2024: 3.5x), while regulatory solvency capital requirement (SCR) coverage dipped to 1.6x from 1.9x previously. This was nevertheless comfortably within the targeted range. We expect solid earnings and disciplined capital management to sustain capitalisation metrics at strong levels going forward, with the GCR CAR projected to remain comfortably above 2x over the outlook horizon.

Liquidity also reduced on the back of the dividend distribution. The GCR liquidity coverage ratio registered at 1.4x at 31 December 2025 (31 December 2024: 1.6x), having also been impacted by an increase in technical reserves following the new business written. Looking ahead, we expect a gradual strengthening in the metric in the wake of higher profit retention. This is likely to be supported by the consistently conservative investment strategy, with most of the portfolio placed in short term deposits and government bonds.

Outlook statement

The Stable Outlook reflects our expectation of sustained strength in the financial profile. We anticipate solid earnings generation and retention to support continued strength in risk adjusted capitalisation, while liquidity is projected to be anchored by positive operational cash flow generation and conservative asset allocation. Strong premium growth is expected to be sustained into 2026, although the business profile is not expected to change materially over the Outlook horizon.

Rating triggers

Positive rating action may follow sustained strengthening in the insurer's competitive position while maintaining strong earnings. Although unlikely over the next 12 months, a rating downgrade could follow a persistent weakening in liquidity and capitalisation registering below expectations. The rating could also be negatively impacted if any group support characteristics appear to weaken.

Analytical contacts

Primary analyst
Johannesburg, ZA

Susan Hawthorne
SusanH@GCRratings.com

Deputy Sector Head: Insurance
+27 11 784 1771

Committee chair
Johannesburg, ZA

Sheri Morgan
Morgan@GCRratings.com

Deputy Sector Head: Corporates
+27 11 784 1771

Related criteria and research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Insurance Companies, May 2024
GCR Ratings Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, December 2025
GCR Insurance Sector Risk Scores, October 2025

Rating history

Compass Insurance Company Limited

Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Claims paying ability	Initial	National	A _(ZA)	Stable Outlook	September 2004
Financial strength	Last	National	AA+ _(ZA)	Stable Outlook	March 2025

Risk score summary

Rating components & factors	Score
Operating environment	14.00
Country risk score	6.75
Sector risk score	7.25
Business profile	(2.00)
Competitive position	(2.00)
Sustainability	0.00
Financial profile	3.50
Earnings	1.00
Capitalisation	1.75
Liquidity	0.75
Comparative profile	2.00
External support	2.00
Peer comparison	0.00
Total risk score	17.50

Glossary

Agency	An insurance sales office which is directed by an agent, manager, independent agent, or company manager.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its risks.

Capitalisation	The provision of capital for a company, or the conversion of income or assets into capital.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cession	Amount of the insurance ceded to a reinsurer by the original insuring company (cedant) in a reinsurance transaction.
Combined Ratio	Measures the ability to conserve profits through the expense line.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. 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.
Policyholder	The person in actual possession of an insurance policy.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Premium	The price of insurance protection for a specified risk for a specified period of time.
Reinsurance	The practice whereby one party, called the Reinsurer, in consideration of a premium paid to him agrees to indemnify another party, called the Reinsured, for part or all of the liability assumed by the latter party under a policy or policies of insurance, which it has issued. The reinsured may be referred to as the Original or Primary Insurer, or Direct Writing Company, or the Ceding Company.
Reserve	An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders.
Retention	The net amount of risk the ceding company keeps for its own account.
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.
Term Deposit	A savings account held for a fixed term. Also called a time deposit. Generally, there are penalties for early withdrawal.
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.

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 the rated entity, security or financial instrument being rated; and c.) such ratings were 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.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Draft financial statements to 31 December 2025;
- Four years of comparative audited financial statements to 31 December;
- Budgeted financial results to 31 December 2026;
- Exchange rate source: South African Reserve Bank (ZAR16.96/USD at 31 December 2025); and
- Other relevant information.

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