

European Non-Life		
Publish Date:	20-Sep-17	
Sector Details:		
Sector:	European Non-Life	
Region:	Developed Markets - Europe	
Country:	France	
Country IDR:	AA Stable	
Country IDR Action:	Affirmed	
Country Action Date:	28-Jul-17	
Country Ceiling:	AAA	
Ratings History		
Date	IFS	Action
08-Sep-17	AA- Stable	Affirmed
29-Sep-16	AA- Stable	Affirmed
20-May-16	AA- Stable	Affirmed
17-Jul-15	AA- Stable	Affirmed
15-Dec-14	AA- Stable	Affirmed
12-Mar-14	AA- Stable	Affirmed
27-Nov-13	AA- Stable	Affirmed

Factor Levels	Operational Profile			Financial Profile			Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk	Other Factors & Criteria Elements (see below)	Insurer Financial Strength
	Industry Profile & Operating Environment	Business Profile	Capitalization & Leverage	Debt Service Capabilities & Financial Flexibility	Financial Performance & Earnings	Investment & Liquidity					
aaa											AAA
aa+	↑						Credit Factor Not Applicable				AA+
aa		↓	↓								AA
aa-				↑				↓	↓	↑	AA- Stable
a+					↓	↓					A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc											CCC
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Importance

- Red: Higher Influence
- Dark Blue: Moderate Influence
- Light Blue: Lower Influence

Bar Arrows = Rating Factor Outlook

- ↑ Positive
- ↓ Negative
- ↕ Evolving
- Stable

Relevant Criteria & References

[Insurance Rating Methodology \(Apr 2017\)](#)

[European Non-Life: SCF Report \(Nov 2016\)](#)

Analysts

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Other Factors & Criteria Elements

Unadjusted Insurer Financial Strength AA-

Other Credit Factors

Non-Insurance Attributes	Positive	Neutral	Negative	+0
Corporate Governance & Management	Effective	Some Weakness	Ineffective	+0
Ownership	Positive	Neutral	Negative	+0

Other Criteria Elements

Sovereign-Related Constraint	Yes	No	AAA	+0
Country Ceiling	Yes	No	AAA	+0
Start-up / Runoff Constraint	Yes	No	n.a.	+0

Insurer Financial Strength (IFS) Final: AA-

IFS Recovery Assumption	Good			-1
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Issuer Default Rating (IDR) Final: A+

Direct Peer Group

Company	Current IFS	Previous IFS	Date Changed
Seoul Guarantee Insurance Company	AA-	A+	04-Mar-2013
Credendo Single Risk Insurance AG	A-		10-Sep-2012

Drivers

Very Strong Business Profile Coface is the third-largest credit insurer worldwide with an estimated 16% market share in the credit insurance industry. Coface has limited diversification by product range, but it has a strong franchise in credit insurance.

Solid Capitalisation Fitch views Coface's capitalisation as solid and the risk-management framework as robust. This view is based on Coface's moderate multiple of nominal net credit exposure to equity, appropriate reserving and its Solvency II position.

Low Financial Leverage Fitch-calculated financial leverage ratio (FLR), which excludes factoring assets, was 18% at end-2016, unchanged from 2015. Fitch does not expect Coface to raise additional financial debt over the medium term.

Strong Profitability 2016 earnings were hit by adverse claims experience caused by the economic downturn in certain geographies. However, Fitch expects Coface's management actions to result in a return to strong profitability in 2017.

Strategic Plan Under Way Coface launched a strategic plan in 2016 called "Fit to Win", which aims to enhance the company's financial performance. Fitch views this plan positively and believes Coface is on track to achieve its 2019 targets.

Sensitivities

Lower Capital, Higher Leverage The ratings could be downgraded if Coface's net premiums written-to-equity ratio increases to 1.1x (2016: 0.5x) or its financial leverage increases to 25%.

Deterioration of Profitability The ratings could also be downgraded if the combined ratio increases to above 100% or the Fitch-calculated ROE remains below 5%, over a sustained period.

Upgrade Unlikely A rating upgrade is unlikely in the medium term, given Coface's size and level of product diversification compared with higher-rated insurers.

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