

European Non-Life			
Publish Date:	04-Sep-18		
Sector Details:			
Sector:	European Non-Life		
Region:	Developed Markets - Europe		
Country:	France		
Country IDR:	AA	Stable	
Country IDR Action:	Affirmed		
Country Action Date:	20-Jul-18		
Country Ceiling:	AAA		
Ratings History			
Date	IFS	Stability	Action
29-Aug-18	AA-	Stable	Affirmed
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

Factor Levels	Operational Profile					Financial Profile					Insurer Financial Strength
	Industry Profile & Operating Environment	Business Profile	Capitalization & Leverage	Debt Service Capabilities & Financial Flexibility	Financial Performance & Earnings	Investment & Liquidity	Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk	Other Factors & Criteria Elements (see below)	
aaa											AAA
aa+	↑										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

- Higher Influence (Red)
- Moderate Influence (Blue)
- Lower Influence (Light Blue)

Bar Arrows = Rating Factor Outlook

- Positive (Up Arrow)
- Negative (Down Arrow)
- Evolving (Double Arrow)
- Stable (Square)

Relevant Criteria & References

[Insurance Rating Criteria \(Nov 2017\)](#)

[European Non-Life: SCF Report \(Feb 2018\)](#)

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	
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 is a specialist insurer but has a strong and diversified franchise in credit insurance.
Strong Capitalisation	Fitch views Coface's capitalisation as strong and its risk-management framework as robust. This view is based on Coface's moderate multiple of nominal net credit exposure to equity, its appropriate reserving and its Solvency II position.
Low Financial Leverage, High TFC	Coface's Fitch-calculated financial leverage ratio (FLR), which excludes factoring assets, was low at 18% at end-2017. Fitch expects the FLR to remain stable. The total financing and commitments ratio was high at 1.6x due to the factoring business.
Strong Profitability	Earnings recovered strongly in 2H17 and 1H18, in line with Fitch's expectations. The net combined ratio improved to 77% in 1H18. Fitch expects return on equity (ROE) to exceed 6% in 2018 and profitability to be less volatile.
Factoring Well Funded	Fitch considers the sources of funding for Coface's factoring business to be robust and well diversified by source and counterparty.

Sensitivities

Lower Capital, Higher Leverage	The ratings could be downgraded if Coface's net premiums written-to-equity ratio increases to 1.1x (2017: 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.

The Navigator summarizes the main IFS rating(s) of the noted operating company, and/or operating company subsidiaries of the noted holding company.

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