



EMEA Non-Life			
Publish Date:	November 2020		
Sector Details:			
Sector:	EMEA Non-Life		
Region:	Developed Markets - Europe		
Country:	France		
Country IDR:	AA Negative		
Country IDR Action:	Affirmed		
Country Action Date:	15-May-20		
Country Ceiling:	AAA		
Ratings History			
Date	IFS	Action	
05-Nov-20	AA- RWN	Rating Watch Maintained	
14-May-20	AA- RWN	Rating Watch Maintained	
31-Mar-20	AA- RWN	Rating Watch On	
10-Jul-19	AA- Stable	Affirmed	
29-Aug-18	AA- Stable	Affirmed	
08-Sep-17	AA- Stable	Affirmed	
29-Sep-16	AA- Stable	Affirmed	

Factor Levels	Operational Profile			Financial Profile			Asset/Liability 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 and Financial Flexibility	Financial Performance & Earnings	Investment and Liquidity Risk					
aaa							Credit Factor Not Applicable				AAA
aa+											
aa	█	█	█								AA
aa-				█				█	█	█	AA- RWN
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+
ccc											CCC
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		
█	Moderate Influence		
█	Lower Influence		
Bar Arrows = Rating Factor Outlook			
↑	Positive		
↓	Negative		
↕	Evolving		
□	Stable		
Applicable Criteria & References			
Insurance Rating Criteria (Aug 2020)			
Analysts			
Manuel Arrive (+33 1 44 29 91 77)			
Willem Loots (+44 20 3530 1808)			

Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				
Non-Insurance Attributes	Positive	Neutral	Negative	+0
Corporate Governance & Management	Effective	Some Weakness	Ineffective	+0
Ownership / Group Support	Positive	Neutral	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	No	AAA	+0
Insurer Financial Strength (IFS)				
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				
				+1
Direct Peer Group				
Company	Current IFS	Previous IFS	Date Changed	
Seoul Guarantee Insurance Company	AA-	A+	04-Mar-2013	

Drivers	
Rating Watch Negative	The Rating Watch Negative (RWN) reflects continued risks to ratings from further deterioration of financial performance through 2021 due to rising credit insurance losses. The RWN also reflects the possibility that COFACE SA's overall post-recovery financial profile could be worse than its previous financial profile.
Earnings Pressure	The pandemic has had an adverse, but so far manageable, impact on Coface's earnings: the 3Q20 net combined ratio was 85.3%. However, there is near-term material downside risk pressure on earnings, as Fitch Ratings expects pandemic-related claims activity to rise further in 2021.
Very Strong Business Profile	Coface's business profile benefits from Coface's large and diversified franchise in the global credit insurance sector, where it is the third-largest insurer.
Very Strong Capitalisation & Leverage	We expect Coface's capitalisation to remain very strong in 2021. The 1H20 Solvency II ratio was 191% (190% as of end-2019). The 3Q20 financial leverage ratio (FLR), from which we exclude factoring assets, was broadly stable at 17%.
Sensitivities	
Coronavirus Assumptions	The ratings remain sensitive to any material change in Fitch's Rating Case assumptions with respect to the coronavirus pandemic.
Deteriorating Business Profile	An adverse change in Fitch's view of the business risk profiles of the global trade credit insurance industry in general, and of Coface in particular, could lead to a downgrade.
Sustained Weaker Profitability	The rating could be downgraded upon Fitch's expectation of a combined ratio above 100% in 2021 or a Fitch-calculated ROE below 5% in 2021, or both.
Lower Capitalisation, Higher Leverage	The ratings could be downgraded if the Solvency II ratio falls below 160% or if the Fitch-calculated FLR rises above 25% on a sustained basis, or both.
RWN Removal Conditions	The ratings could be removed from RWN and affirmed if Fitch believes that CR ratio will be below 100% in 2021, assuming that Fitch's assessment of Coface's capitalisation and business profile remains unchanged.

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

Credit-Relevant ESG Derivation

COFACE SA has 6 ESG potential rating drivers

- ➔ COFACE SA has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- ➔ COFACE SA has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	6	issues	3		
not a rating driver	2	issues	2		
	6	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	2	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

CREDIT-RELEVANT ESG SCALE		
How relevant are E, S and G issues to the overall credit rating?		
5		Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4		Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3		Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2		Irrelevant to the entity rating but relevant to the sector.
1		Irrelevant to the entity rating and irrelevant to the sector.

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