



European Non-Life		
Publish Date:	July 2019	
Sector Details:		
Sector:	European Non-Life	
Region:	Developed Markets - Europe	
Country:	France	
Country IDR:	AA Stable	
Country IDR Action:	Affirmed	
Country Action Date:	14-Jun-19	
Country Ceiling:	AAA	
Ratings History		
Date	IFS	Action
10-Jul-19	AA- Stable	Affirmed
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

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											AAA
aa+							Credit Factor				AA+
aa	█	█	█				Not Applicable		█	█	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+
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	
Relevant Criteria & References		
Insurance Rating Criteria (Jan 2019)		
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	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				
	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's business profile benefits from its large and diversified franchise in the global credit insurance sector, where it is the third-largest player, with an estimated market share of 17%.
Strong Capitalisation	Fitch's assessment of Coface's capitalisation is based on its moderate nominal net credit exposure to equity ratio, as well as its Solvency II (S2) ratio of 169% at end-2018 (above the group's 140%-160% target range).
Low Financial Leverage, High TFC	The financial leverage ratio (FLR), from which we exclude factoring assets, was stable at 18% at end-2018. The total financing and commitments (TFC) ratio was high, albeit stable, at 1.7x, reflecting the funding of the factoring business.
Strong Profitability	Fitch views Coface's financial performance and earnings as strong, underpinned by underwriting profitability and effective risk management across the cycle. The net combined ratio improved to 79.6% in 2018 (2017: 86.6%).
Strategic Actions Bear Fruit	Coface's strong financial results in 2018 and 1Q19 show that actions taken as part of the 'Fit to Win' strategic plan ending in 2019 have enhanced financial performance through stronger risk management and greater operational efficiency.
Sensitivities	
Lower Capital or Higher Leverage	The ratings could be downgraded if Coface's S2 ratio falls below 140% or the FLR increases to more than 25%.
Deterioration of Profitability	The ratings could also be downgraded if the combined ratio increases to above 100% or the Fitch calculated ROE falls below 5%, over a sustained period.
Upgrade Unlikely	An upgrade is unlikely in the medium term, given Coface's smaller size and lower product diversification than 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.

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 left-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 the [number of] general 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 and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

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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