Moody's Affirms the A2 IFSR of Coface with a Stable Outlook

Moody's has affirmed the A2 insurance financial strength rating of Coface, the international credit insurer, and the associated Baa1(hyb) guaranteed subordinated debt rating. All ratings carry a stable outlook, Moody's said.

"The A2 IFSR of Coface reflects the group's good position in the global credit insurance industry, its good economic capitalisation and underwriting profitability through the cycle underpinned by Coface's dynamic management of the exposure and effective underwriting risk monitoring tools."

Coface launched a partial IPO (59%) of its capital on the Euronext stock exchange in 2014. Although Natixis remains Coface's largest shareholder at 41%, Natixis had announced its intention to dispose gradually its stake in Coface by 2017.

Moody's said Coface has a good market share in the global credit insurance industry, being the third largest credit insurer with an estimated market share of 17% at YE2014 (Moody's calculations based on ICISA's industry data). "The group has a good geographic footprint globally, albeit it is predominantly oriented to Europe which still represents over 70% of revenues in the first half of 2015."

Moody's said it believes that Coface has a good track record in taking actions to mitigate risk arising in a deteriorating environment to protect its underwriting profitability and capitalisation. "The company's dynamic management of the liability can be evidenced by the sustained good underwriting profitability despite the weak economic environment (five-year average gross combined ratio 85% between 2010 and 2014) and the sharp turnaround in profitability in the aftermath of the financial crisis in 2008."

"Our view of Coface's underwriting profitability is also supported by its conservative reserving policy. Coface significantly increased its prudence in reserving after 2009, with reserve releases consistently exceeding 20% of premiums."

Moody's said it views Coface's economic capitalisation as good. "Moody's believes that Coface's economic capitalisation is supported by the company's dynamic management of the exposure and good underwriting risk-monitoring tools, which can mitigate the volatility of the liability profile in an economic downturn scenario. Coface's reported economic capital ratio was stable at 144% as at YE14 with a good quality of capital (financial leverage low at 22% as at YE14)."

"Under Solvency II the company is going through the approval process with the regulator for its partial internal model. Moody's will monitor the volatility of the economic capitalisation following the meaningful investment risk which, in Moody's opinion, would probably be correlated to Coface's liability profile in an economic downturn scenario," Moody's said.

About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2014, the Group, supported by its 4,406 staff, posted a consolidated turnover of €1.441 billion. Present directly or indirectly in 98 countries, it secures transactions of 40,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.
In France, Coface manages export public guarantees on behalf of the French State.

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