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FOR IMMEDIATE RELEASE

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AM Best Upgrades Credit Ratings of CICA Re

LONDON, 16 February 2022—AM Best has upgraded the Financial Strength Rating to B+ (Good) from B (Fair) and the Long-Term Issuer Credit Rating to “bbb-” (Good) from “bb+” (Fair) of Compagnie Commune de Réassurance des Etats Membres de la Conférence Interafricaine des Marchés d’Assurances (CICA Re) (Togo). The outlook of these Credit Ratings (ratings) has been revised to stable from positive.

The ratings reflect CICA Re’s balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and marginal enterprise risk management (ERM).

The rating upgrades reflect the strengthening of CICA Re’s ERM framework and capabilities over recent years, during which the company carried out a detailed framework review, utilising strengthened internal resources and third-party risk consultants. Following these developments, AM Best considers CICA Re’s ERM framework to be evolving, and risk management capabilities to be aligned generally with the profile of its key risks. Nonetheless, AM Best expects ongoing ERM developments, notably as the company further embeds its ERM framework into its decision-making and operations.

CICA Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation, which was at the strongest level at year-end 2020, as measured by Best’s Capital Adequacy Ratio (BCAR). AM Best expects CICA Re’s risk-adjusted capitalisation to remain comfortably at the strongest level prospectively, despite the increase in

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underwriting risks linked to the company’s growth following recent changes to compulsory cessions in the Conférence Interafricaine des Marchés d’Assurances (CIMA) region. CICA Re’s risk-adjusted capitalisation is supported by its good financial flexibility, demonstrated through its successful capital raise from existing and new shareholders, which increased paid-up capital by USD 31 million (XOF 20 billion) since 2018, to reach USD 86 million (XOF 50 billion) at year-end 2021. Offsetting balance sheet strength factors include high levels of receivables and the limited quality of invested assets, which have the potential to lead to volatility in the company’s solvency position.

CICA Re has a track record of adequate operating performance, with a five-year (2016-2020) weighted average return on equity of 9%, reflecting robust technical results with a five-year (2016-2020) weighted average combined ratio of 96% (both as calculated by AM Best) and good investment results. The company reported a net profit of USD 10.8 million (XOF 5.7 billion) in 2020, up from USD 8.7 million (XOF 5.1 billion) in 2019, driven by improved technical earnings. Going forward, AM Best expects continued robust underwriting performance, aided by the underlying profitability of insurance markets in the CIMA region, to be supported by good investment income.

CICA Re’s neutral business profile assessment reflects its good market position in the CIMA region, where the company benefits from compulsory cessions on reinsurance and direct insurance business and strong relationships with local cedants. The company’s gross written premium (GWP) increased to USD 163 million (XOF 87 billion) in 2020, up from USD 109 million (XOF 64 billion) in 2019. The company also continues to develop a portfolio of conventional open-market business originated from the CIMA region and across Africa, Asia and the Middle East, which accounted for 59% of GWP in 2020. Despite CICA Re’s good regional presence, the business profile assessment remains constrained by the company’s modest scale by international standards, owing to the small size of the CIMA zone, and its role as a largely following reinsurer.

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This press release relates to Credit Ratings that have been published on AM Best’s website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best’s [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best’s Credit Ratings](#). For information on the proper use of Best’s Credit Ratings, Best’s Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best’s Ratings & Assessments](#).

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