



GCR maintains Insurance Sector Risk Scores for Benin, Burkina Faso, Cameroon and Cote d'Ivoire

Johannesburg, 15 July 2020: GCR Ratings ("GCR") has maintained the Insurance Sector Risk Scores for Benin, Burkina Faso, Cameroon and Cote d'Ivoire.

The Insurance Sector Risk Scores are available for download at gcrratings.com/risk-scores/ and relevant sector research pieces are available at: <http://gcrresearch.com/reports/house/industry-reports/>.

The GCR Insurance Sector Risk Assessment

The Insurance sector risk score (ranging from 0 to 15) is a key factor in the operating environment component score. The core of the GCR Ratings Framework is based on GCR's opinion that an entity's operating environment largely frames its creditworthiness. As a result, the operating environment analysis anchors the underlying risk score for the GCR rating methodology. GCR combines elements of the country risk and sectoral risk analysis, blended across countries for entities operating across multiple jurisdictions, to anchor an insurer to its current operating conditions. For more details on any of the above, please read the related criteria and research listed below.

GCR will periodically publish updated "Insurance Sector Risk Scores", which will supersede previous publications. The publication titled "GCR Insurance Sector Risk Scores, 15 July 2020", available at <https://gcrratings.com/risk-scores/>, supersedes the article published on 04 June 2020.

Insurance sector risk scores

Republic of Benin, Sector Risk Score 2.75. Country Risk Score 3.0*, Mapping Table 3.0 to 3.5

Benin's sector risk score of '2.75' reflects GCR's view of an intermediate regulatory environment, further limited by very low levels of financial inclusion, evidenced by insurance penetration well below 1% and insurance density of less than USD10. Nevertheless, industry growth potential remained moderately healthy, with real industry premium growth measuring around 5%. Risk to earnings is considered moderate, supported by sound investment income, albeit noting moderation in underwriting margins. Barriers to entry remained moderately high with limited scope for new entrants, supporting a fairly diversified market structure across mid and bottom tier market players, despite two insurance groups controlling at least 70% of gross premiums. The banking sector score has a negative impact on the insurance sector risk score.

Burkina Faso, Sector Risk Score 3.00. Country Risk Score 3.0*, Mapping Table 2.5 to 3.0

Burkina Faso's insurance sector risk score of '3.0' is supported by observed above average compliance with CIMA Zone regulations, which contributed among other factors to strong industry

growth. Consequently, the insurance penetration rate compares favourably to mature regional peers, although trending below 1%, while insurance density remained very low (below USD10). Risk to earnings is assessed within intermediate ranges, supported by a stable stream of investment income offsetting underwriting deficits stemming from price competition. However, the industry premium growth rate could slow down over the medium to long term as the industry matures, which coupled with competitive pressures amidst economic challenges in the country, may moderate earnings. Nonetheless, a fairly competitive market structure was maintained, supported by intermediate barriers to entry and consolidations among smaller market players.

Republic of Cameroon, Sector Risk Score 2.75. Country Risk Score 3.25*, Mapping Table 3.0 to 3.5

Cameroon's insurance sector risk score of '2.75' reflects its above average market depth compared to peers in the region, evidenced by an insurance penetration rate trending around 1% and insurance density of USD15, albeit very low from a global perspective. Furthermore, the score balances moderately healthy growth potential (with the real growth rate registering around 5%) and moderately low earnings risks. These strengths are however offset by an intermediate regulatory environment, despite recent institution of cash and carry reinsurance purchases, among other efforts aimed at promoting healthy market dynamics against economic challenges exacerbated by the COVID-19 pandemic. Barriers to entry remained intermediate, while a fairly competitive market structure was maintained, demonstrated by gross premiums well spread among top, mid and bottom tier market players. The financial sector score has a negative impact on the insurance sector risk score.

Cote D'Ivoire, Sector Risk Score 3.25. Country Risk Score 4.5*, Mapping Table 4.5 to 5.0

Cote d'Ivoire's insurance sector risk score of '3.25' reflects its maturity relative to regional peers, demonstrated by an insurance penetration rate slightly above 1%. Density measured around USD30, which also compares well with regional peers (Cameroon: USD15; Burkina Faso: USD7), despite being very low from a global perspective. Furthermore, the industry maintained healthy growth, underpinned by relatively strong economic growth. Note was taken of the regulator's efforts aimed at promoting healthy market dynamics, such as the recent institution of the cash and carry regulation at the level of reinsurers. Nevertheless, moderately high risk to earnings is expected to persist due to increased competitive dynamics amidst economic challenges due to the COVID-19 pandemic. Market composition is deemed fairly diversified across market participants, although controlled by insurance groups given intermediate barriers to entries. The financial sector score has a negative impact on the insurance sector risk score.

*Country Risk scores as at date of publication.

Analytical contacts

Primary Analyst	Godfrey Chingono	Deputy Sector Head: Insurance
Johannesburg, South Africa	GodfreyC@GCRratings.com	+27 11 784 1771
Primary Analyst	Matthew Pirnie	Group Head of Ratings
Johannesburg, South Africa	MatthewP@GCRratings.com	+27 11 784 1771

Related criteria and research

Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Insurance Companies, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019
GCR Country Risk Scores, May 2020
GCR Financial Institutions Risk Scores, June 2020