GCR Publishes Insurance Sector Risk Scores for Burkina Faso, Madagascar and Namibia

Johannesburg, 11 December 2019: GCR Ratings ("GCR") has published Insurance Sector Risk Scores for Burkina Faso, Madagascar and Namibia.

The Insurance Sector Risk Scores are available for download at gcrratings.com/risk-scores/.

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, 11 December 2019", available at https://gcrratings.com/risk-scores/, supersedes the article published on 05 November 2019.

Insurance Sector Risk Scores

Burkina Faso, Sector Risk Score 3.00. Country Risk Score 3.5*, Mapping Table 3.0 to 3.5

Burkina Faso's insurance sector risk score of '3.0' is supported by observed above average compliance with CIMA zone regulations, further supported by comparatively high levels of insurance penetration (1%) and average industry real growth rate of 10% over the past five years. Earnings risk is viewed to be intermediate given strong earnings support from investment income, while note is taken of the recent improvement in underwriting performance across most short term insurers. Barriers to entry are considered to be moderately high as demonstrated by the absence of new market entrances over the past five years, with the industry exhibiting a moderately concentrated market structure. Burkina Faso's financial sector score has a negative impact on the insurance sector risk score.

Republic of Madagascar, Sector Risk Score 2.00. Country Risk Score 2.25*, Mapping Table 2.0 to 2.5

The Malagasy insurance sector risk score of '2.0' reflects GCR's view of an intermediate regulatory environment, healthy industry growth potential and moderate earnings risk. In this respect, solvency assessment is compliance based, while the legislative framework is considered intermediate. Implementation and enforcement are deemed to be low with infrequent onsite and offsite surveillance. Furthermore, transparency is assessed at weak levels, with key industry statistics not available in the public domain. Insurance penetration and density are very low, with the former approximately below 1% while the latter is below USD5.00. Industry growth potential is moderately healthy, having expanded by around 4% in real terms over the past five years. The risk to earnings is viewed to be moderate, with key players consistently posting underwriting surpluses. The industry is, however, susceptible to economic shocks emanating from erratic weather conditions and weak institutional and governance structures. The score also considers the somewhat concentrated structure of the market, comprising five players, with the top insurer accounting for about 59% of gross premiums, and moderately high barriers to entry. The insurance sector risk score is adversely impacted by a weak financial sector assessment.

Republic of Namibia, Sector Risk Score 5.75. Country Risk Score 5.75*, Mapping Table 5.5 to 6.0

Namibia's insurance sector risk score of '5.75' is supported by an intermediate regulatory environment characterized by a provisional risk-based solvency regime and strong legislative framework, which are partially moderated by intermediate levels of transparency and implementation. Furthermore, the sector evidences high penetration of 9.3% and insurance density USD485 per person. This is largely due to the high presence of strong insurance franchises in the country, translating to concentrated industry composition and well managed earnings risk. Industry growth is likely to be maintained at an annual average of 4%, reflecting moderately high barriers to entry. Industry growth is view to be intermediate with a five year average of 4%, while the Namibian financial sector risk score has a neutral impact.

*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
Secondary analyst	Yvonne Mujuru	Sector Head: Insurance
Johannesburg, South Africa	YMujuru@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 Country Risk Scores, June 2019

GCR Financial Institutions Risk Scores, July 2019