Research Update:

African Trade Insurance Agency 'A' Rating Affirmed Despite Pending Unrecovered Sovereign Claims; Outlook Stable

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Overview

- The government of Niger's failure to fully reimburse African Trade Insurance Agency for two noncommercial claim payouts within our 180-day recovery window constitutes an arrears event under our criteria.
- Consequently, the entity's preferred creditor treatment (PCT) arrears ratio rises to 10.6% in 2024 from 7.1% in 2023.
- We expect the government of Niger will uphold its PCT on the entity in the near future.
- Despite sovereign stress, we think that African Trade Insurance Agency continues to demonstrate key strengths that underpin its strong role and public policy mandate.
- We therefore affirmed our 'A' long-term issuer credit rating on African Trade Insurance Agency. The outlook is stable.

Rating Action

On Sept. 19, 2024, S&P Global Ratings affirmed its 'A' long-term issuer credit rating on African Trade Insurance Agency, now operating commercially as African Trade & Investment Development Insurance (ATIDI). We also affirmed our financial strength and enhancement ratings at 'A'. The outlook remains stable.

Outlook

The stable outlook reflects our view that despite growing stress in the region and difficulties in the reimbursement of claims in Niger and Ghana, ATIDI members will remain committed to upholding their PCT with the agency over the next 12-24 months.

We expect ATIDI will continue to consolidate its role and relevance in Africa through steady progress in expanding its shareholder base and through underwriting activities, while strengthening key managerial and risk functions that support its growth.

Downside scenario

We could lower the ratings if we were to see evidence of fading shareholder support, such as a further weakening of PCT indicated by an additional increase in arrears or protracted failure to pay from sovereigns currently in arrears, or if ATIDI's immunity and privileges as a multilateral lending institution are not upheld by member states.

Upside scenario

We could raise the rating in the event of significant expansion of the shareholder base that leads to an increase in the agency's regional market penetration and strengthening of its credit fundamentals.

We could also raise the rating if the risk profile of ATIDI's exposures improves and the capacity of the entity to minimize risks deriving from its countries of operations increases.

Rationale

In January and March 2024, ATIDI made two insurance claim payouts relating to noncommercial exposures in Niger. We understand the government of Niger has only partially reimbursed ATIDI for these claims within our 180-day reimbursement window, which expired on June 22, 2024. The payment delays are due to sanctions imposed by the Economic Community of West African States on Niger between September 2023 and February 2024, which involved a freezing of Niger's sovereign assets at the regional central bank.

Since these claims were not reimbursed within our 180-day recovery period, we assess them as having fallen into arrears, as per our criteria. Consequently, ATIDI's calculated PCT arrears ratio increases to 10.6% in 2024, from 7.1% in 2023, which is borderline between our adequate and moderate assessment. Because our PCT assessment is based on a 10-year period, we also include current arrears events from Ghana and past arrears events from Kenya, Malawi, Tanzania, and Zambia. We acknowledge, however, that the latter four sovereigns are now current with the agency.

While our ratio could indicate a potentially weaker assessment of PCT, we think that the governments of Niger and Ghana are willing to uphold the agency's PCT--evidenced by their partial reimbursement of claims--but that current political, economic, and liquidity dynamics have constrained their abilities to do so in full. We understand that both sovereigns have fallen into arrears with other supranational and multilateral lending institutions, but that many have since been paid. Considering such developments, we expect ATIDI to benefit from further reimbursements, especially from Niger, in the near future. All else being equal, this could improve our arrears ratio to a more solid footing for our current assessment.

Notwithstanding challenging macroeconomic dynamics, ATIDI's capitalization and liquidity levels remain robust. Equity increased to $699 million in 2023 (from $558 million in 2022), while the agency continues to demonstrate strong top-line growth, recording gross premiums of $226 million in 2023 (from $133 million in 2022). Organic portfolio growth as well as new underwriting deals across the continent, with notable growth in Angola, Senegal, Tanzania, and Nigeria, support this.

In our view, the agency consolidates its market presence and increases its membership, reinforcing its strong role and public policy mandate. Over the past two years, ATIDI accepted four new member countries and its gross underwritten exposure increased by 19%, reaching $9.6 billion in 2023. We expect ATIDI will maintain a balanced growth strategy, anchored by strong reinsurance usage and conservative risk management and underwriting standards. However, continued expansion into new markets will require a more sophisticated and integrated enterprise risk management framework.

Our ratings on ATIDI reflect its strong enterprise risk profile and strong financial risk profile. Combined, these factors result in a stand-alone credit profile (SACP) of 'a'. ATIDI does not benefit from any mechanism for extraordinary shareholder support; therefore, we equalize our ratings on the agency with its SACP.

Ratings Score Snapshot

Issuer credit rating:	A/Stable/--
Stand-alone credit profile	a
Enterprise risk profile:	Strong
Policy importance:	Strong
Governance and management expertise:	Adequate
Financial risk profile:	Strong
Capital adequacy:	N/A
Funding and liquidity:	N/A

N/A--Not applicable.

Related Criteria

- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, July 26, 2024
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- African Trade Insurance Agency ‘A’ Rating Affirmed; Outlook Remains Stable, April 26, 2024
- Supranationals Special Edition 2023: Capital Optimization At The Forefront for MLIs, Oct. 13, 2023
- Supranationals Special Edition 2023, Oct. 12, 2023

- Supranationals Edition 2023: Comparative Data For Multilateral Lending Institutions, Oct. 12, 2023
- Introduction To Supranationals Special Edition 2023, Oct. 11, 2023

Ratings List

Ratings Affirmed	
African Trade Insurance Agency	
Issuer Credit Rating	
Foreign Currency	A/Stable/--
Financial Enhancement Rating	
Local Currency	A/--/--
Financial Strength Rating	
Local Currency	A/Stable/--