MOODY'S
RATINGS

# Rating Action: Moody's Ratings upgrades ATIDI's IFSR to A2, outlook stable

**24 September 2024**

London, September 24, 2024 – Moody's Ratings (Moody's) has today upgraded to A2 from A3 the insurance financial strength rating (IFSR) of The African Trade Insurance Agency (trading as African Trade & Investment Development Insurance or ATIDI) and changed the outlook to stable from positive.

RATINGS RATIONALE

The upgrade of ATIDI's rating reflects continuing growth in its membership base, leading to a more diversified portfolio and stronger capital adequacy, and good profitability, even amidst the challenging operating environment across a number of African countries. Despite the incurring increased gross losses in 2024 to date, primarily due to defaults from members Ghana and Niger, ATIDI's preferred creditor status (PCS) and extensive reinsurance coverage are expected to ultimately protect its net results.

The rating also reflects ATIDI's high quality and conservative investment portfolio and strong relationships with a number of global reinsurers, which offer significant risk mitigation. These strengths are partially offset by the inherently high risk nature of its exposures, dependence on reinsurance for underwriting capacity and limited direct access to capital markets.

ATIDI's capital has continued to grow rapidly, to $763 million at June 2024 (from $558 million at December 2022), reflecting retention of profits and a continually growing membership base. We expect capital to reach the $1.0 billion mark by 2027. This capital growth, against the backdrop of ATIDI's conservative underwriting risk appetite given the challenging operating environment, has resulted in a low net exposure leverage of under 2x, a trend expected to persist as capital grows.

ATIDI bears limited underwriting risk on its own balance sheet thanks to the recoveries from members due to its PCS and extensive reinsurance protection (more than 80% of gross exposure is ceded to reinsurers). Enforcement of PCS and access to good quality reinsurance protection are key to ATIDI's current rating level. While we have limited concerns based on ATIDI's current experience, negative developments in either could be highly credit negative.

Despite having limited direct access to capital markets, ATIDI maintains good relationships with large development finance institutions that have regularly funded a portion of the capital contribution required for countries to become members, or extend their memberships. This support has been an indirect but steady source of capital for ATIDI. ATIDI also benefits from a number of institutional members, including large international DFIs and private insurers, which diversify its membership base outside of Africa.

OUTLOOK

The stable outlook reflects our expectation that ATIDI will continue to generate underwriting profits, supported by conservative underwriting, enforcement of its preferred creditor status with members and strong reinsurance protection, and continue to grow its capital base supported by ongoing membership growth and retention of profits.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Considered unlikely given recent upgrade, but the following factors could lead to an upgrade: (i) significant strengthening of franchise including expanded membership, greater diversification and higher market shares; (ii) ongoing enforcement of preferred creditor status leading to minimal claims, net of recoveries, on a sustained basis; (iii) strong capital adequacy, with net portfolio leverage remaining comfortably below 3x; (iv) demonstrated ability to retain strong reinsurance support.

The following factors could lead to a downgrade: (i) an increase in net insured portfolio leverage to be consistently above 4x shareholders' equity or a reduction in shareholders' equity of more than 10% over a one-year basis; (ii) a sustained increase in claims, net of recoveries; (iii) significant reduction in reinsurance availability or quality of reinsurers; (iv) deterioration in ATIDI's franchise, including its standing with members and ability to enforce its preferred creditor status.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Trade Credit Insurers published in April 2024 and available at https://ratings.moodys.com/rmc-documents/418357. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody’s key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody’s Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody’s does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

This rating is solicited. Please refer to Moody’s Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and is(are) endorsed for use in the EU in accordance with the EU CRA Regulation.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Will Keen-Tomlinson
VP-Senior Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Antonello Aquino
Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London, E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454