

Research Update:

Credendo Short-Term Non-EU Risks And Credendo Short-Term EU Risks Assigned 'A' Ratings; Outlooks Stable

February 3, 2022

Overview

- We regard Credendo Short-Term Non-EU Risks (Credendo STN) and Credendo Short-Term EU Risks (Credendo STE) as core entities of the Belgium-based credit insurer, Credendo group.
- Credendo STN writes credit insurance policies mostly covering risks in the emerging and developing markets, whereas Credendo STE writes business predominantly in Europe; both are 100% owned by Credendo Export Credit Agency (Credendo ECA).
- We are assigning our 'A' insurer financial strength ratings to Credendo STN and Credendo STE.
- The stable outlook on Credendo STN reflects our view that the company will remain core to the group, generate profitable growth, and maintain stable underwriting performance.
- The stable outlook on Credendo STE reflects our view that the company will remain core to the group and become more important to the group's strategy in the coming years as its business volume increases.

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Rating Action

On Feb. 3, 2022, S&P Global Ratings assigned its 'A' long-term insurer financial strength ratings to Belgium-domiciled insurer Credendo Short-Term Non-EU Risks (Credendo STN) and to Czech Republic-domiciled insurer Credendo Short-Term EU Risks (Credendo STE). The outlooks on both entities are stable.

Rationale

We regard Credendo STN as a core subsidiary of Credendo ECA, operating as a dedicated entity selling short-term trade credit insurance policies covering risks in emerging and developing markets, within the group's core business segment. Credendo STN is 100% owned by parent

company Credendo ECA, fully integrated into the group's operations, and closely linked to the group's reputation and brand name. The company benefits from very significant proportional and non-proportional reinsurance protection, in which the parent company participates, notably via a multi-year stop loss protection. Over the past five years, Credendo STN has contributed to the group's profitability through positive net income (except in 2020 when the overall group reported a loss). Based on the most recent available figures as of Sept. 30, 2021, the company's profitability recovered sharply with strongly positive net income and considerable improvement in net combined (loss and expense) ratio. Capital adequacy is in line with the group's standards as reflected by its solid regulatory solvency ratio of 241% at year-end 2020, and a significant buffer above the 'AAA' threshold in our risk-based capital model.

Credendo STE is also a dedicated entity selling short-term trade credit insurance policies, but covers risks predominantly in European markets within the group's core business segment, and we see it as a core subsidiary.

Credendo STE is 100% owned by Credendo ECA, the group's parent company. It is fully integrated into the group's operations and closely linked to the group's reputation and brand name. Although Credendo STE is relatively small and constitutes only a limited part of the group, we expect that it will become much larger in the coming few years. The company benefits from very significant proportional and non-proportional reinsurance protection, in which the parent company participates, notably via a multi-year stop loss protection. In recent years, Credendo STE has started to contribute toward the group's profitability through positive net income. Based on the most recent available figures as of Sept. 30, 2021, the company's profitability increased sharply, with strongly positive net income and a considerable improvement in the net combined ratio. Capital adequacy is in line with the group's standards as reflected by its solid regulatory ratio (225% at year-end 2020). Also, as of year-end 2020, Credendo STE's capital adequacy is at the 'A' confidence level in our risk-based capital model.

Outlook

The stable outlook on Credendo STN reflects our view that the company will continue to receive a consistent level of support from Credendo group over the next two years.

The stable outlook on Credendo STE reflects our view that the company's relative size will increase materially over the next two years while it continues to benefit from a consistent level of support from the group.

Downside scenario

We could lower the ratings over the next two years if the group were to show reduced willingness or capacity to support its subsidiaries, or if the entities were to experience a sustained deterioration of their stand-alone financial profiles, which may lead us to review their importance to the parent company and hence the likelihood of support.

Upside scenario

We could raise our ratings on both Credendo STN and Credendo STE if we were to revise upward our assessment of the group's stand-alone profile.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | Specialty: Trade Credit Insurance Capital Requirements Under S&P Global Ratings' Capital Adequacy Model, Dec. 6, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Belgian Export Credit Agency Credendo ECA, Aug. 24, 2021

Ratings List

***** Delcredere/Ducroire (Credendo ECA) *****

New Rating

Credendo Short-Term EU Risks

Credendo Short-Term Non-EU Risks

Financial Strength Rating

Local Currency

A/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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