

Gustav Siale
 Managing Director
 Ghana Reinsurance Company Limited
 Plot 24 Sudan Road, Ambassador Area, Ridge.
 P.O. Box 7509, Accra-North.

Dear Gustav Siale,

This letter serves as a formal notice of your organisation's Best's Ratings after an analysis of all current information shared with us. The financial strength rating (FSR) and issuer credit rating (ICR) assignments, public financial strength rating rationale, non-public rating commentary, regulatory considerations and rating release procedures are detailed below. We encourage you to visit our online Rating Center, located at <http://www.ambest.com/ratings>, for the latest Best's Ratings, as well as an overview of our rating process and rating methodologies.

The following public rating assignments will be published:

<u>AMB#</u>	<u>Company Name</u>	<u>FSR</u>	<u>FSR Outlook/ Implication</u>	<u>ICR</u>	<u>ICR Outlook/ Implication</u>
090035	Ghana Reinsurance Company Limited	B	Positive	bb	Positive

The positive outlook on the ratings of Ghana Reinsurance Company Limited (Ghana Re) reflects its improved business profile and decreasing level of outstanding premium debtors. The ratings also consider the company's strong risk-adjusted capitalisation, solid operating performance and exposure to the high political, economic and financial system risks associated with its operation in Sub-Saharan Africa.

Following the repeal of compulsory legal cessions in 2008, Ghana Re experienced a decline in its domestic profile, as cedants reassessed their reinsurance strategies. Gross written premiums (GWP) are expected to rise by approximately 10% to GHS 75 million in 2013, compared to GHS 50 million in 2008, supported by opportunities associated with the domestication of life business, as well as the rise in investments in infrastructure and construction, largely due to the discovery of oil and gas reserves in the country. Growth is expected to continue at an annual rate of approximately 15% in the near term.

Over the same period, Ghana Re has demonstrated consistent improvements in the level of exposure to outstanding premium debtors. Premium receivables decreased to 36% of GWP in 2012, compared to 74% at its highest point in 2008. Additionally, the absolute amount of outstanding premium debtors declined in 2012, despite significant growth in premium volumes in the year. These improvements demonstrate the efforts taken by Ghana Re to implement stringent procedures to support premium collection. Ghana Re remains exposed to payment delays across its targeted markets and will be expected to sustain these improvements as it expands.

Ghana Re's risk-adjusted capitalisation is expected to remain at a strong level, supported by its solid earnings profile and modest dividend policy. Operating performance remains at a good level, as demonstrated by an average return on capital of 14.5% over the last five years. A negative rating factor is Ghana Re's high expense ratio, mainly due to the special quota share arrangements offered in 2008, which produced large commissions, in response to the loss of compulsory legal cessions. This is reflected in a 5-year average expense ratio of 65%.

Positive rating actions will be dependent on Ghana Re's ability to sustain the above demonstrated improvements over the medium-term period. Deterioration in operating performance and/or risk-adjusted capitalisation to levels outside of A.M. Best's expectations could result in negative rating actions. Additionally, a decline in the economic fundamentals of Ghana could also result in downward ratings pressure.

Non-Public Rating Commentary

Following the repeal in compulsory cessions in 2008 and its subsequent impact on Ghana Re's business profile, the committee viewed positively the growth in premium volumes in recent years. The committee will expect Ghana Re to continue to demonstrate profitability as it expands, in order to support any upwards ratings actions.

The decline in outstanding premium debtors, both in absolute terms and relative to gross written premiums, was also viewed positively owing to what appears to be the considerable improvements made in premium collections since 2008. Nonetheless, in view of the problems with premium collections in Africa, A.M. Best will expect Ghana Re to maintain its conservative approach, with regards to its exposure to outstanding premium receivables, as it expands.

