

## FOR IMMEDIATE RELEASE

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### **A.M. Best Affirms Ratings of Ghana Reinsurance Company Limited**

**LONDON, 12 December 2014**—A.M. Best has affirmed the financial strength rating (FSR) of B (Fair) and the issuer credit rating (ICR) of “bb” of **Ghana Reinsurance Company Limited** (Ghana Re) (Ghana). The outlook for the FSR is stable while the outlook for the ICR is positive.

The ratings reflect Ghana Re’s improving domestic profile and the impact of new regulations in Ghana on the company’s reduced holdings of outstanding premium debtors. Additionally, the ratings consider Ghana Re’s strong risk-adjusted capitalisation and solid operating performance.

Following the repeal of compulsory legal cessions in 2008, Ghana Re experienced a decline in its domestic profile, as cedants reassessed their reinsurance strategies. Since 2011, the company has demonstrated consistent growth in premiums across Ghana and other African markets, with gross written premiums rising by 10% in 2013 (2012: 38%; 2011: 2%). Premium income is expected to continue to grow by approximately 15% annually in the near term.

The prevailing issue relating to premium collection in Ghana is expected to be addressed through the implementation of the “no premium, no cover” regulation. Enforced in April 2014, the regulation invalidates the provision of (re)insurance cover without the payment of premiums in advance. In preparation for the new legislation, Ghana Re impaired GHS 19.2 million (approximately USD 6 million) of outstanding receivables (representing 29% of net earned premiums) in 2013, relating to premiums written during the first half of the year.

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Although Ghana Re remains exposed to payment delays across its target markets outside of Ghana, the company aims to adhere to this standard in other countries. A.M. Best will expect to see a material decline in the level of outstanding premium debtors on Ghana Re’s balance sheet in 2014 and going forward.

Ghana Re’s strong risk-adjusted capitalisation is expected to remain supported by solid earnings retention, despite the historical volatility in the company’s technical results. In 2014, Ghana Re is likely to report a combined ratio below 100% (2013: 130.4%), owing to the reduced impact of the impairments made to the company’s outstanding premium receivables, which significantly affected technical performance in 2013.

Positive rating actions will be dependent on Ghana Re’s ability to sustain the aforementioned improvements over the next 12 to 36 months, as well as demonstrating the positive benefits of the new regulation on its cash flows and technical earnings.

Negative rating actions could occur if there were a return to the significant holdings of premium receivables on Ghana Re’s balance sheet or if there were deterioration in risk-adjusted capitalisation to levels outside of A.M. Best’s expectations due to weakened operating results. Additionally, a decline in the economic fundamentals of Ghana could also result in downward ratings pressure.

The methodology used in determining these ratings is Best’s Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best’s rating process and contains the different rating criteria employed in the rating process. Best’s Credit Rating Methodology can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

Key insurance criteria reports utilised:

- Analyzing Insurance Holding Company Liquidity
- Catastrophe Analysis in A.M. Best Ratings
- Evaluating Country Risk
- Evaluating Non-Insurance Ultimate Parents

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- Risk Management and the Rating Process for Insurance Companies
- Understanding Universal BCAR

In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures: [A.M. Best Europe - Rating Services Limited Supplementary Disclosure](#).

This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please visit A.M. Best's [Ratings & Criteria Center](#).

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