

Companhia Geral de Seguros de Moçambique

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Mozambique Insurance Analysis

Security class	Rating scale	Currency	Rating	Date	Rating watch
Claims paying ability	National	Metical	A	03/2005	No

Fundamentals

Companhia Geral de Seguros de Moçambique (“CGSM”) was registered as an insurer in 1992. The company is licensed to transact both short term and life insurance, however, at this stage, is predominantly a short term insurer. CGSM is a 100% owned subsidiary of Global Alliance Holdings (“GAH”), a diversified investment company. The bulk of CGSM’s business is sourced from the corporate market, which includes the large multinationals and several large parastatals.

Rating rationale

The rating is based on the following key factors:

- CGSM has rapidly grown to one of the dominant insurers in the Mozambiquan market, gaining a market share of around 25%, and demonstrating a high level of broker acceptance.
- Solvency has remained relatively stable over the last three years, despite the strengthening currency and growth in premiums.
- Cognisance was taken of the insurer’s strong liquidity position, characterised by strong claims cash coverage.
- CGSM is considered to have adequate reinsurance protection.
- Notwithstanding the fact that management expenses are considered inhibitive, a gradual decreasing trend has been noted in recent years, which is expected to continue in the medium term.
- However, the rating was constrained by the difficult and largely unregulated operating environment, although gradual constructive steps are being taken by the insurance authorities. In this regard, a recent amendment to the law relating to outstanding premiums has positively impacted on the insurer’s debtors profile and working capital management.
- The negative impact the appreciation of the Metical against the US\$ has on the insurer’s financial results (given that claims, premiums and cash holdings are US\$ denominated), although the strength of the local currency is unsustainable in the medium term.

Solvency and liquidity

CGSM’s international solvency margin increased to a three year high of 67% in F04, from 61% previously. This was attributed to the 12% growth in reserves to Mt62bn, whilst NPI remained flat at Mt93bn. Management have stated that they are comfortable with a solvency level of around 60%, although have forecast a ratio of 75% for F05. Furthermore, the insurer displayed a high financial base ratio of 120% in F04 (F03: 106%), whilst the conservative reinsurance programme, led by Munich Re, offered additional support. The company’s investment portfolio comprised largely of cash holdings (96%), which increased by a significant 41% to Mt80bn in F04. This contributed to an increase in the claims cash coverage ratio to a very high 29 months, from 24 months in F03. The overwhelming majority of cash holdings are held in US\$, which given the weakening against the Metical, serves to increase business risk in the short term.

Major risks

- Going forward, the Mozambiquan insurance sector will largely remain dependant on relative market share shift for business growth, which could negatively influence profitability in the event of competitor undercutting to gain market share. In this regard, CGSM is looking to gradually grow its business in various niche areas, although this could serve to increase business risk.
- The state of the local economy also remains a major influence to the growth prospects of CGSM.