

## FOR IMMEDIATE RELEASE

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### **A.M. Best Assigns Ratings to Wapic Insurance Plc**

**LONDON, 18 December 2014**—A.M. Best has assigned the financial strength rating of B- (Fair) and the issuer credit rating of “bb-” to **Wapic Insurance Plc** (Wapic) (Nigeria), the operating holding company of the Wapic group of companies. The outlook assigned to both ratings is stable.

The ratings of Wapic reflect its developing business profile in the Nigerian market, tempered (near-term) earnings prospects due to its high expense base and solid risk-adjusted capitalisation.

Wapic is a small insurance group that has been operating under new management since 2013, following its divestment by Access Bank. Wapic is a domestic non-life entity, which wholly owns a life insurer in Nigeria and a non-life insurer in Ghana. The group reported consolidated gross written premiums of NGN 3.0 billion (approximately USD 25 million) in 2013. Under Wapic’s new strategy, rapid premium growth in excess of 25% per annum is anticipated in the medium-term as the group seeks to strengthen its competitive position by developing its profile within the corporate segment of the market and increasing its underwriting of compulsory lines. The successful execution of Wapic’s strategy is largely dependent on the group increasing its profile in the low penetrated and highly competitive markets of Nigeria and Ghana, and requires significant development of its direct distribution channels. As such, A.M. Best believes that Wapic faces challenges in implementing its plans and will continue to monitor the progression of this expansion over the medium term.

Despite the relatively low claims environment in Nigeria, Wapic’s projected earnings are expected to be

—MORE—

—2—

dampened by its substantial fixed costs as the group establishes its operating infrastructure to support expansion. For 2014, Wapic is expected to produce a combined ratio in excess of 100%, significantly lower than the 205.3% reported in 2013, which was also affected by legacy claims issues that have now been settled. Although the company is anticipated to break even in 2014, Wapic will need to achieve significant scale within its operations to support meaningful contributions from its underwriting to overall earnings going forward.

Wapic's risk-adjusted capitalisation is expected to be maintained at a solid level, based on its performance forecasts. Wapic maintains a substantial surplus within its risk-adjusted capitalisation following a NGN 7 billion (approximately USD 40 million) capital raise in 2013. Medium-term growth in Wapic's surplus base is expected to be underpinned by the full retention of earnings. Wapic's balance sheet strength is supported by a conservative investment portfolio consisting mainly of cash deposits and fixed income investments and a panel of predominantly highly rated reinsurers.

Positive rating actions could occur if Wapic successfully implements its business plans. This includes demonstrating a track record of solid underwriting performance whilst maintaining a strong level of risk-adjusted capitalisation. Worse than expected underwriting results, a decline in the quality of its investments or reinsurance protection, or a deterioration in risk-adjusted capitalisation could result in negative rating actions.

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 Non-Insurance Ultimate Parents

—MORE—

—3—

- Evaluating Country Risk
- Rating Members of Insurance Groups
- 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.](#)**

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