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AM Best Affirms Credit Ratings of Fidelidade Moçambique - Companhia de Seguros, S.A.

LONDON, 16 August 2024—AM Best has affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of “bb” (Fair) of Fidelidade Moçambique - Companhia de Seguros, S.A. (Fid Moz) (Mozambique). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Fid Moz’s balance sheet strength, which AM Best assesses as strong, as well as its strong operating performance, limited business profile and marginal enterprise risk management (ERM).

Fid Moz’s balance sheet strength is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR), at year-end 2023. Despite the company’s strong liquidity, capital consumption is driven primarily by asset risk arising from the company’s concentrated investment portfolio, which is weighted toward domestic fixed income securities and real estate. The balance sheet strength assessment also factors in the company’s prudent reserving practices. A partially offsetting factor is Fid Moz’s moderate dependence on reinsurance, although the associated credit risk is managed through the use of a stable reinsurance panel of solid credit quality.

Fid Moz has a track record of solid underwriting results, despite challenging market conditions in Mozambique, as demonstrated by a five-year (2019-2023) weighted average combined ratio and return-on-equity ratio of 81.7% and 15.1%, respectively. The inclusion of health business since 2022 has driven Fid Moz’s combined ratio above its five-year weighted average to 90.6% in 2023, as calculated by AM Best. In line with

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global trends, health claims expenses have risen due to inflation and higher utilisation following the COVID-19 pandemic. Nonetheless, the company’s operating performance is supported by a good balance of earnings between underwriting and investment income. In recent years, the latter has contributed more to overall earnings, driven by the higher interest rate environment. In 2023, Fid Moz reported a net profit before tax of MZN 826 million (USD 13.1 million), a modest improvement from prior year’s MZN 792 million (USD 12.5 million).

Fid Moz maintains a solid competitive position in its domestic market, as the second-largest insurer in terms of 2023 gross written premium. However, the company’s profile remains limited to Mozambique, which exposes it to very high levels of economic, political, and financial system risk. This presents challenges for the company, although AM Best expects these risks to be mitigated partly by the company’s strong market position and evolving ERM function, which is expected to benefit from the support of its immediate insurance parent, Fidelidade S.A.

This press release relates to Credit Ratings that have been published on AM 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 see AM Best’s [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best’s Credit Ratings](#). For information on the proper use of Best’s Credit Ratings, Best’s Performance Assessments, Best’s Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best’s Ratings & Assessments](#).

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