

RATING RELEASE

November 19, 2021

CariCRIS reaffirms 'good creditworthiness' credit ratings to Colonial Fire & General Insurance Company Limited

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the Issuer/Corporate Credit Ratings of *CariA* (Foreign and Local Currency Ratings) on the regional rating scale, and *ttA* on the Trinidad and Tobago (T&T) National scale to Colonial Fire and General Insurance Company Limited (Colfire or the Company). These ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is good. CariCRIS has also reaffirmed the assigned financial strength rating of *CariA*, which indicates that the Company's ability to meet its ongoing insurance obligations is **good**.

The ratings of Colfire continue to reflect the Company's good market position supported by its robust distribution network. Additionally, the Company's continued good asset quality, as well as its profitability which was underpinned by a favourable claims experience over the last year, and adequate information systems and risk management policies also support the ratings. Adding to these rating strengths is the Company's adequate capitalization level, notwithstanding the likely impact of the Insurance Act 2020 on its regulatory capital adequacy ratio. These strengths are however tempered by the challenging economic environment in T&T, with constrained access to foreign exchange.

CariCRIS has also maintained a **stable** outlook on the ratings. The stable outlook is based on our expectation that Colfire will continue to be profitable in 2021, as projected from the 6-month Interim Financials. Additionally, the Company is expected to remain adequately capitalised with adequate liquidity.

Factors that could, individually or collectively, lead to an improvement in the Ratings and/or Outlook include:

- An improvement in the credit rating of the Government of The Republic of Trinidad and Tobago
- Sustained growth in PAT by >15% over the next 2 years without impacting other financial health indicators like capital adequacy and asset quality.

Factors that could, individually or collectively, lead to a lowering of the Ratings and/or Outlook include:

- A lowering of the credit rating of the Government of the Republic of Trinidad and Tobago
- A 2-notch deterioration of the credit rating of any of Colfire's top 3 reinsurers by Standard and Poor's Ratings Services
- A deterioration of the Company's regulatory capital adequacy ratio below 150% over the next 12 months
- Loss of relationship with any of the Company's major reinsurers due to issues relating to accessing foreign exchange
- A 15% fall in Motor Premium Income

About the company

Colonial Fire Insurance Company Limited was founded by the late Mr. Cyril Lucius Duprey. It commenced operations in 1958 in Port of Spain, Trinidad, as a small, specialized company of qualified Underwriters. The Company's name was amended in 1968 to Colonial Fire & General Insurance Company Limited (Colfire or the Company) to satisfy all general insurance needs in Property, Motor, Liability, Marine and Specialty insurance for both individual and institutional clients. The Company is currently 94.24% owned by CL Financial Limited, with the residual being held by several minority shareholders. In March 2021, CL Financial announced that it would accept bids for its shareholdings in Colfire, which currently remains up for sale. The Company derives 100% of its premium income from the Trinidad and Tobago (T&T) market. In addition, Colfire underwrites on average 7.5% and 14.1% respectively of total gross premiums and total motor insurance premiums in the T&T general insurance industry¹ and derived an average of 66.1% of its gross premium income from motor insurance over 2018-2020.

Colfire has one wholly owned subsidiary, Temple Properties Limited, a real estate company acquired in 2001 and incorporated in Trinidad & Tobago.

¹ Source: Central Bank of Trinidad and Tobago. Market information is as at 31 December 2020.



For more information on the ratings of Colonial Fire & General Insurance Company Limited, please visit www.caricris.com or contact:

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