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MAY 19, 2022 01:00 PM (EDT)

AM Best Affirms Credit Ratings of Instituto Nacional de Seguros

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FOR IMMEDIATE RELEASE

MEXICO CITY - MAY 19, 2022 01:00 PM (EDT)

AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of “a” (Excellent) of Instituto Nacional de Seguros (INS) (San Jose, Costa Rica). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect INS’ balance sheet strength, which AM Best assesses as strongest, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management (ERM).

INS’ risk-adjusted capitalization remains at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR), and is supported by a comprehensive and adequate reinsurance program, solid operating performance and its position as the leading insurer in Costa Rica. INS’ business profile assessment considers the characteristics of Costa Rica’s market, derived from the country’s Insurance Law of 2008, and includes INS’ robust market share and the guarantee provided by Costa Rica’s government to support INS’ domestic obligations.

INS is Costa Rica's largest insurer with a market share of 67%, as of November 2021. The company still dominates compulsory workers' compensation and mandatory auto insurance segments despite the market opening up for other participants several years ago. INS' compulsory premium segment represents 35% of its business portfolio, as of December 2021.

In 2021, Costa Rica's market showed a recovery, after being affected by a slowdown during the previous year, as a result of the economic contraction caused by the COVID-19 pandemic and an adverse fiscal situation. INS' profitability improved in comparison with 2020, presenting a return on equity of 12.3% from 6.4%, consolidating a positive trend for the past three periods. The company has not relaxed its underwriting standards from the adjustments implemented in previous years, like the abandonment of poor-performing products in auto, personal property and group life.

Investment income, based on a conservative investment portfolio, also has been stable and strong during the past five years, contributing to a positive bottom-line result of USD 212.6 million at year-end 2021, providing a solid growth for its capital base, despite the compulsory 25% dividend paid to the government.

AM Best expects INS to continue improving and consolidating its business by implementing its geographical diversification strategy progressively, which should offset increased competition in the voluntary segments. The company is in a good position to maintain its strongest risk-adjusted capitalization, as measured by BCAR, due to its good profitability, appropriate ERM practices and adequate reinsurance with highly rated international reinsurers, which provides a buffer for variations in claim severity and catastrophe events.

Positive rating movements are not expected in the medium term. Negative rating actions could occur if technical results deteriorate or if there is a reduction in net income, given any kind of loss that significantly affects the company's profitability or risk-adjusted capitalization to levels that are no longer supportive of its current ratings.

The methodology used in determining these ratings is [Best's Credit Rating Methodology](#) (Version Nov. 13, 2020), which provides a comprehensive explanation of AM 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.

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Global BCAR (Version July 22, 2021)
- Catastrophe Analysis in A.M. Best Ratings (Version Oct. 13, 2017)
- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- Scoring and Assessing Innovation (Version March 5, 2020)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, please refer to [Guide to Best's Credit Ratings](#).

- Previous Rating Date: May 21, 2021
- Date Range of Financial Data Used: Dec. 31, 2015-Dec. 31, 2021

This press release relates to rating(s) that have been published on AM Best's website. For additional 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.

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