

**Best's Credit Rating Effective Date**

May 30, 2024

**Best's Country Risk Reports Utilized**[Costa Rica - CRT - 4](#)**Analytical Contacts**

Olga Rubo  
Senior Financial Analyst  
[Olga.Rubo@ambest.com](mailto:Olga.Rubo@ambest.com)  
+52 55 5208 1264

Eli Sanchez  
Director  
[Eli.Sanchez@ambest.com](mailto:Eli.Sanchez@ambest.com)  
+52 55 5208 1264

**Information**[Best's Credit Rating Methodology](#)[Guide to Best's Credit Ratings](#)[Market Segment Outlooks](#)**Financial Data Presented**

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

**Instituto Nacional de Seguros****AMB #:** 086238 | **AIIN #:** AA-2381000**Best's Credit Ratings****Financial Strength Rating (FSR)**

<b>A</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Issuer Credit Rating (ICR)**

<b>a</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Assessment Descriptors**

Balance Sheet Strength	<b>Strongest</b>
Operating Performance	<b>Strong</b>
Business Profile	<b>Neutral</b>
Enterprise Risk Management	<b>Appropriate</b>

## Rating Rationale

### Balance Sheet Strength: **Strongest**

- Risk-adjusted capitalization is at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR), even with a 25% dividend paid to the state.
- Surplus adequately protected by reinsurance program with guidelines set by law.
- Adequate asset and liability management protects balance sheet.

### Operating Performance: **Strong**

- Stable trends with regard to its underwriting and profitability metrics, discounting the effect of exchange rate losses.
- Investment income continues to support the company's operating performance.
- Results are subject to compulsory contributions to the state.

### Business Profile: **Neutral**

- Market dominance of the Costa Rican market.
- Governmental company with underwriting leadership in key social insurance segments.
- Geographical diversification is in its early stages.

### Enterprise Risk Management: **Appropriate**

- Actuarial and compliance functions further enhanced since formation of additional control units.
- Revised risk appetite profile makes way for further improvement in ERM framework.
- Capital position based on regulatory model instead of proprietary model.

### Outlook

- The stable outlooks reflect the expectation that Instituto Nacional de Seguros will maintain a balance sheet assessment in the strongest range over the intermediate term with strong operating results contributing to surplus growth needed to support an expanding book of business. The outlooks also reflect the stability the company has in the market and the strategic role it plays in public finances.

### Rating Drivers

- Negative rating actions could occur if technical results deteriorate or 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 the current ratings.
- Although unlikely, positive rating actions could take place as a result of the successful consolidation of the business strategy in the medium term, supportive of the current level of risk-adjusted capitalization, as measured by BCAR.

## Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

### Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	71.0	68.0	67.0	66.0

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2023 CRC (000)	2022 CRC (000)	2021 CRC (000)	2020 CRC (000)	2019 CRC (000)
Net Premiums Written:					
Composite	620,262,585	571,913,901	513,312,263	519,527,484	525,282,324
Net Income	29,400,744	37,212,629	133,700,694	73,471,864	59,983,293
Total Assets	2,495,807,452	2,343,655,831	2,352,837,973	2,206,859,135	2,237,822,556
Total Capital and Surplus	1,168,022,343	1,081,669,477	1,145,369,208	1,036,224,505	1,054,276,048

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2023 CRC (000)	2022 CRC (000)	2021 CRC (000)	2020 CRC (000)	2019 CRC (000)	Weighted 5-Year Average
Profitability:						
Net Income Return on Revenue (%)	3.6	4.8	16.1	9.9	7.5	8.4
Net Income Return on Capital and Surplus (%)	2.6	3.3	12.3	7.0	6.0	6.2
Net Investment Yield (%)	5.2	4.7	6.7	6.2	7.0	5.9
Leverage:						
Net Premiums Written to Capital and Surplus (%)	53.1	52.9	44.8	50.1	49.8	...

Source: BestLink® - Best's Financial Suite

## Credit Analysis

### Balance Sheet Strength

The assessment of INS's balance sheet is strongest due to its large capital base supporting the arising risks from its well managed balance sheet, which is also protected by adequate laws that limit capital outflows and set terms for reinsurance counterparts.

### Capitalisation

As of 2023, risk-adjusted capitalization assessment was strongest, without material changes with respect to 2022 levels. Increase in APHS is mostly explained by its net income. From the required capital side, main risk stems from the investment portfolio, as a significant portion of the instruments are concentrated in Costa Rica. The rest of the risks are relatively evenly distributed, with no volatility in current or projected years. There is no significant increase in any of them, as the company has prudent risk mitigation practices.

Investment assets are allocated responsibly. The company is focused on matching its obligations to its resources in terms of tenure and currency. Premium leverage is adequate, and the company does not have any financial leverage. Financial flexibility is limited as it is constrained by a 25% dividend to the state and 4% of EBITDA corresponds to the premiums sold (paid). On the upside, capital outflows are also constrained by this same law.

Balance sheet is considered strongest. The risk adjusted capitalization of the company relies on a large capital base supported by a profitable operation. In addition, as it is a state company, capital outflows are limited to those set by the law, as well as the quality of its reinsurers. The company also follows an adequate investment strategy focused on maintaining assets and liabilities being matched.

Capital Generation Analysis	2023 CRC (000)	2022 CRC (000)	2021 CRC (000)	2020 CRC (000)	2019 CRC (000)
Beginning Capital and Surplus	1,081,669,477	1,145,369,208	1,036,224,505	1,054,276,048	931,772,078
Net Income	29,400,744	37,212,629	133,700,694	73,471,864	59,983,293
Net Unrealized Capital Gains (Losses)	-39,884,086	...	-38,414,486	14,656,532	101,214,190
Change in Equalisation and Other Reserves	52,843,037	-107,433,142	24,918,498	-22,356,042	-33,724,836
Net Change in Paid-In Capital and Surplus	39,885,040	...	62,411,861	-23,840,604	57,646,115
Other Changes in Capital and Surplus	4,108,131	6,520,782	-73,471,864	-59,983,293	-62,614,792
Net Change in Capital and Surplus	86,352,866	-63,699,731	109,144,703	-18,051,543	122,503,970
Ending Capital and Surplus	1,168,022,343	1,081,669,477	1,145,369,208	1,036,224,505	1,054,276,048
Net Change in Capital and Surplus (%)	8.0	-5.6	10.5	-1.7	13.1

Source: BestLink® - Best's Financial Suite

## Balance Sheet Strength (Continued...)

<b>Liquidity Analysis (%)</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Liquid Assets to Total Liabilities	126.5	125.5	139.1	139.4	137.0
Total Investments to Total Liabilities	151.5	149.3	162.7	161.9	156.8

Source: BestLink® - Best's Financial Suite

## Asset Liability Management - Investments

<b>Composition of Cash and Invested Assets</b>	<b>2023 CRC (000)</b>	<b>2022 CRC (000)</b>	<b>2021 CRC (000)</b>	<b>2020 CRC (000)</b>	<b>2019 CRC (000)</b>
Total Cash and Invested Assets	2,012,072,988	1,884,340,081	1,964,041,177	1,895,829,227	1,855,834,164
Cash (%)	6.5	6.3	4.5	4.7	7.0
Bonds (%)	77.0	77.8	81.0	81.4	80.4
Real Estate, Mortgages and Loans (%)	10.6	10.4	9.7	9.9	8.8
Total Cash and Unaffiliated Invested Assets (%)	94.1	94.5	95.2	96.0	96.2
Investments in Affiliates (%)	5.9	5.5	4.8	4.0	3.8
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

## Operating Performance

During 2023, underwriting performance improved in comparison to 2022, posting a lower composite combined ratio.. Nevertheless, INS presented reduced profitability mainly due to exchange rate losses. Return On Equity and Return On Assets stood at 2.6% and 1.2%, respectively.

INS has not relaxed its underwriting standards from the adjustments done in previous years, like the abandonment of poor performing products in auto, personal property and group life.

For the last years, the company has presented good underwriting results and operating results from adjustments in its products offerings and prices, despite variations in business volume. Looking forward, we expect the company to meet its growth targets. It is also expected for management to continue adjusting strategy to remain profitable.

In comparison to the strong operating benchmark, metrics are consistent for INS, except ROE, as the company has a very large capital base, and is subject to a 25% dividend charge by the government. Premium level presents a moderate degree of growth and investment income has also been stable and strong during the last 5 years, further enhancing bottom-line results.

There is no material observed volatility in operating results, but rather stable trends on its underwriting and profitability metrics, discounting the effect of exchange rate losses. The metrics are still within those of the strong operating performance benchmark. Furthermore, the company has met its forecasts consistently in the past, and given its position in the Costa Rica market, the company is adequately set to meet its future targets in terms of profitability and quality of underwriting.

<b>Financial Performance Summary</b>	<b>2023 CRC (000)</b>	<b>2022 CRC (000)</b>	<b>2021 CRC (000)</b>	<b>2020 CRC (000)</b>	<b>2019 CRC (000)</b>
Pre-Tax Income	39,028,252	52,149,137	166,751,606	93,908,844	66,323,790
Net Income after Non-Controlling Interests	29,400,744	37,212,629	133,700,694	73,471,864	59,983,293

Source: BestLink® - Best's Financial Suite

<b>Operating and Performance Ratios (%)</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Overall Performance:					
Return on Assets	1.2	1.6	5.9	3.3	2.8
Return on Capital and Surplus	2.6	3.3	12.3	7.0	6.0

Source: BestLink® - Best's Financial Suite

## Business Profile

INS was established in 1924 as an independent insurance company fully owned by the government of Costa Rica. In 1975, the company had all insurance and reinsurance operations in the form of a statutory monopoly until 2008 when the market was open for other participants. However, the company remains as the largest insurer in Costa Rica, underwriting life insurance lines, health insurance, automobile, property and casualty, surety bonds, and compulsory insurance, which includes workers' compensation, auto, and comprehensive crop insurance for the local market.

As of December 2023, INS presented USD 1.4 billion in GWP, expanding 6.1%, as economic activity in Costa Rica continued its recovery after the global economic situation caused by the Covid-19 pandemic. INS currently holds 65% of the total Costa Rican market.

The current insurance law, which was enacted in August 2008, states that the Costa Rican government provides a guarantee for all obligations arising from INS' insurance operations at the local level.

This guarantee however, does not apply to debt issued by INS or any operations outside of Costa Rica, directly or indirectly. INS is required by law from 2014 and onward to provide the Costa Rican government a dividend-type quota of 25% of its available net income besides the 4% contribution to the firefighters decentralized entity. Capital outflows are limited by law to the taxes and benefits described above. Difficult changes to the law would be needed to obtain additional resources from INS.

In 2016, the company implemented a new strategic plan to maintain its leadership in the market while putting emphasis on efficiency and sustainability of its own business. To accomplish this plan, it reorganized its business model by segments and abandoned some very specific products that were not profitable. The main objective of the strategic plan was to increase profitability, reduce costs, and make products more attractive for current and new customers.

For the above reasons, the company has started to participate in fronting businesses in Latin America looking for revenue diversification.

Business Profile is considered neutral for the rating. INS has an indisputable leadership in the Costa Rican market. While the degree of competition has increased in the last years, the company has made strategic changes to further diversify internationally, as well as significant efforts to remain competitive. The company is also improving its distribution channels by reaching new brokers.

## Enterprise Risk Management

ERM continues to be developed by participating in the regulator's risk-based capitalization exercises, and arrangements to its risk manuals. Additionally, a risk appetite profile has been implemented.

The risk appetite profile document is a starting point for the company to better develop its ERM capabilities. It properly identifies risks and sets the limits to those risks and a revision plan for when breached. Additionally, there is Risk Area in charge of overseeing all risks to the organization reporting to the board and to the CEO. A new actuarial function department took office in 2018 as well as a compliance position. The company also has in place an audit area reporting to the board as well as the appropriate committees for major risk categories. The company is able to identify the largest risks it has and its impact on the capital of the company.

ERM is considered appropriate for the size and complexity of the operations and its structure is in line with good practices.

## Reinsurance Summary

INS retains most of its business, and has a warranty given by law by the Costa Rican government for any of its insurance activities. Besides that financial protection, the company is obliged to follow reinsurance regulations specific to it as stated in the INS Regulation.

INS uses mainly proportional contracts in its reinsurance programs for life, property & casualty; and uses non-proportional for auto products, transport, marine, and personal accident products.

## Environmental, Social & Governance

AM Best considers INS' exposure to material environmental, social and corporate governance (ESG) risks to be low.

## Financial Statements

	12/31/2023		12/31/2023
<b>Balance Sheet</b>	<b>CRC (000)</b>	<b>%</b>	<b>USD (000)</b>
Cash and Short Term Investments	130,158,360	5.2	256,412
Bonds	1,549,425,009	62.1	3,052,367
Other Invested Assets	332,489,619	13.3	655,005
<b>Total Cash and Invested Assets</b>	<b>2,012,072,988</b>	<b>80.6</b>	<b>3,963,784</b>
Reinsurers' Share of Reserves	53,292,570	2.1	104,986
Debtors / Amounts Receivable	236,578,777	9.5	466,060
Other Assets	193,863,117	7.8	381,910
<b>Total Assets</b>	<b>2,495,807,452</b>	<b>100.0</b>	<b>4,916,741</b>
Unearned Premiums	93,136,975	3.7	183,480
Non-Life - Outstanding Claims	120,307,263	4.8	237,005
Life - Outstanding Claims	450,542,203	18.1	887,568
Life - Long Term Business	151,590,623	6.1	298,634
Other Technical Reserves	32,037,968	1.3	63,115
<b>Total Gross Technical Reserves</b>	<b>847,615,032</b>	<b>34.0</b>	<b>1,669,802</b>
Debt / Borrowings	25,173,249	1.0	49,591
Other Liabilities	454,996,828	18.2	896,344
<b>Total Liabilities</b>	<b>1,327,785,109</b>	<b>53.2</b>	<b>2,615,737</b>
Capital Stock	912,444,895	36.6	1,797,516
Retained Earnings	29,400,744	1.2	57,919
Other Capital and Surplus	226,176,704	9.1	445,568
<b>Total Capital and Surplus</b>	<b>1,168,022,343</b>	<b>46.8</b>	<b>2,301,004</b>
<b>Total Liabilities and Surplus</b>	<b>2,495,807,452</b>	<b>100.0</b>	<b>4,916,741</b>

Source: BestLink® - Best's Financial Suite

	Non-Life	Life	Other	12/31/2023	12/31/2023
<b>Income Statement</b>	<b>CRC (000)</b>	<b>CRC (000)</b>	<b>CRC (000)</b>	<b>Total CRC (000)</b>	<b>Total USD (000)</b>
Gross Premiums Written	...	...	...	697,213,911	1,373,511
Net Premiums Earned	...	...	...	645,138,054	1,270,922
Net Investment Income	...	...	101,089,777	101,089,777	199,147
Other Income	...	...	...	63,218,473	124,540
<b>Total Revenue</b>	<b>...</b>	<b>...</b>	<b>101,089,777</b>	<b>809,446,304</b>	<b>1,594,609</b>
Benefits And Claims	...	...	384,718,632	384,718,632	757,896
Net Operating And Other Expenses	...	...	385,699,420	385,699,420	759,828
<b>Total Benefits, Claims And Expenses</b>	<b>...</b>	<b>...</b>	<b>770,418,052</b>	<b>770,418,052</b>	<b>1,517,724</b>
<b>Pre-Tax Income</b>	<b>...</b>	<b>...</b>	<b>39,028,252</b>	<b>39,028,252</b>	<b>76,886</b>
Income Taxes Incurred	...	...	...	9,627,508	18,966
<b>Net Income before Non-Controlling Interests</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>29,400,744</b>	<b>57,919</b>
<b>Net Income/(loss)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>29,400,744</b>	<b>57,919</b>

Source: BestLink® - Best's Financial Suite

## Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)



[Available Capital and Insurance Holding Company Analysis, 01/18/2024](#)

[Evaluating Country Risk, 06/06/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding Global BCAR, 03/07/2024](#)

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

Visit <https://www.ambest.com/ratings/index.html> for additional information or <https://www.ambest.com/terms.html> for details on the Terms of Use.

**Copyright © 2024 A.M. Best Company, Inc. and/or its affiliates. All rights reserved** No portion of the content may be reproduced, distributed, or stored in a database or retrieval system, or transmitted, or uploaded into any external applications, bots or websites, including those using artificial intelligence technologies such as large language models and generative Artificial Intelligence in any form or by any means without the prior written permission of AM Best. AM Best does not warrant the accuracy, completeness, or timeliness of the AM Best content. While the content was obtained from sources believed to be reliable, its accuracy is not guaranteed. You specifically acknowledge that neither AM Best nor the content gives any investment, financial, tax, insurance, or legal advice. You are solely responsible for seeking competent professional advice before making any investment, financial, tax or insurance decision. For additional details, refer to our *Terms of Use* available at the AM BEST website: [www.ambest.com/terms](https://www.ambest.com/terms). All information contained herein was obtained by AM BEST from sources believed by it to be accurate and reliable. Notwithstanding the foregoing, AM BEST does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained herein, and all such information is provided on an "as is" and "as available" basis, without any warranties of any kind, either express or implied. Under no circumstances shall AM BEST have any liability to any person or entity for (a) any loss or damage of any kind, in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of AM BEST or any of its directors, officers, employees, or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory, punitive or incidental damages whatsoever (including without limitation, personal injury, pain and suffering, emotional distress, loss of revenue, loss of present or prospective profits, loss of business or anticipated savings, or loss of goodwill) resulting from the use of, or inability to use, any such information, in each case, regardless of (i) whether AM BEST was advised in advance of the possibility of such damages, (ii) whether such damages were foreseeable, and (iii) the legal or equitable theory (contract, tort or otherwise) upon which the claim is based. The credit ratings, performance assessments, financial reporting analysis, projections, and any other observation, position or conclusion constituting part of the information contained herein are, and shall be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor do they individually or collectively address the suitability of any particular financial obligation for a specific purpose or purchaser. Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. Service performance risk is the risk that an entity may not meet its contractual service performance obligations on behalf of its insurance partners. Consequently, neither credit ratings nor performance assessments address any other risk, including but not limited to, liquidity risk, market value risk or price volatility of rated securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR ASSESSMENT OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY AM BEST IN ANY FORM OR MANNER WHATSOEVER. Each credit rating, performance assessment or other opinion must be weighed solely as one factor in any investment or purchasing decision made by or on behalf of any user of the information contained herein. Each such user will, with due care, make its own study and evaluation of each security or other financial obligation, and of each issuer and guarantor of, and each provider of credit support, and an independent view of service provider performance for, each security or other financial obligation that it may consider purchasing, holding, or selling or for each service contract that it may consider entering into. For additional detail on credit ratings or performance assessments, and their respective scales, usage, and limitations, refer to the Guide to Best's Credit Ratings (<https://www.ambest.com/ratings/index.html>) or the Guide to Best's Performance Assessments (<https://www.ambest.com/ratings/assessmentMethodology.html>).

**Reports were prepared exclusively for the use of Esteban Chavarría Olmedo. Not for redistribution unless otherwise permitted.**