

Insurance  
Peru  
Full Rating Report

# RIMAC Internacional Compañía de Seguros y Reaseguros

## Ratings

Security Class	Rating
Local Currency Insurer Financial Strength	BBB-
Sovereign Risk Foreign Long-Term IDR Local Long-Term IDR	BBB- BBB

## Rating Outlook

Sovereign Local Long-Term IDR Insurer Financial Strength	Positive Positive
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## Related Research

### Applicable Criteria

- [Insurance Rating Methodology, Dec. 29, 2009](#)

### Other Research

- [Latin America Insurance Review & Outlook 2010: Good Growth Prospects but Challenges Ahead, May 18, 2010](#)

## Rating Rationale

- RIMAC Internacional Compañía de Seguros y Reaseguros' (RIMAC) ratings reflect the company's adequate profitability, moderate liquidity, and its strong market share and diversified business mix. In addition, conservative retention ratios and the adequate quality of its investment portfolio benefit the rating.
- After a slight deterioration of its profitability and leverage in 2007–2008, affected mostly by deteriorating underwriting results and rapid expansion, RIMAC was able to strengthen its results despite the volatility of the operating environment based on the strength of its franchise that allowed a significant increase in prices and cleanup of its insured portfolio without losing market share. The expected recovery in economic activity in Peru and the preservation of RIMAC's improved underwriting skills seems promising in the short and medium term, despite the fierce market rivalry of the Peruvian insurance market.
- Following a time of extremely cautious investment policy (with large concentrations in short term bank deposits in local banks), RIMAC has come back to a more profit driven and balanced portfolio management policy, always prioritizing the good credit quality of its fixed income portfolio and adequate asset and liability management. Investment grade securities represent the bulk of its portfolio (70% of total investments as of December 2009), but concentration to Peruvian sovereign debt remains sizable (1.1x equity), which is a common characteristic in emerging markets. However, exposure to non-investment grade counterparties (120% of its equity, mainly due to its investment in the local capital markets that do not carry international ratings but are represented by the best local names) and exposure to variable income securities (mostly shares of local blue chips) is still sizable at 28% of its equity.
- Despite its vigorous growth and helped by good profitability and a conservative cash dividend policy, RIMAC's leverage ratios have improved to levels aligned with the market trend and in line with international best practices for composite insurers. At year-end 2009, the total-liabilities-to-equity ratio improved to 4.0x, while its net-earned-premium-to-equity ratio was 1.8x. It is worth mentioning that 76% of RIMAC's technical reserves are explained by its life insurance business, especially annuities and other products with accumulation features.

## What Could Trigger an Upgrade?

- The Rating Outlook is Positive. The ability of the company to preserve its improved operating results and enhance its leverage in times of expected growth will be key for a future upgrade. A back turn in its leverage and/or profitability will revert the Outlook to Stable.

## Profile

RIMAC is the largest insurance company in Peru, operating in all branches and managing close to USD645 million in earned premiums in 2009. RIMAC's owners are related to one of the largest economic groups in Peru, with diverse interest in other financial entities, construction, and export-oriented companies.

- Largest diversified insurance company in Peru.
- The company is the market leader in a number of branches, while its franchise and distribution channels have proven to hold well during the fierce market competition.

RIMAC is the largest insurance company in Peru that operates in all market segments — life and property and casualty (P&C) — while also operating a health services company. Since 2005 the company has managed about 36% of the total Peruvian insurance market (including the health business) in a highly concentrated market. RIMAC is the result of the 1992 merger of Compañía de Seguros RIMAC (founded in 1896) and Compañía Internacional de Seguros del Perú (founded in 1895).

RIMAC is a diversified insurance company that participates in all insurance branches in Peru and one of the two companies in the country that still manages this operating structure. The company has also owned a health services company since 1998 (RIMAC Internacional S.A. Entidad Prestadora de Salud [RIMAC EPS]). At year-end 2009, RIMAC EPS managed more than 487,000 affiliates with premium income of about USD116 million (15% of consolidated gross premiums or 26% of consolidated retained premiums). In addition, the company owns a private hospital in Lima, which serves not only RIMAC and RIMAC EPS affiliates, but also other independent customers. Other minor subsidiaries that offer medical-related services are controlled by RIMAC. All of these subsidiaries are fully consolidated in RIMAC's audited financial statements that were considered for our financial review.

RIMAC's shareholder, the Brescia Group, has diversified interests along the Peruvian economy, mostly in construction, export-oriented industries (e.g. fishing), and the financial sector. In regards to the group's activities in the financial sector, the group has joint control with Banco Bilbao Vizcaya Argentaria from Spain (BBVA, long-term issuer default rating [IDR] of 'AA-' by Fitch), the second largest bank in the country, and Banco BBVA Continental (long-term IDR 'BBB'), one of the largest private pension fund administrators.

### Strategy

RIMAC's business strategy has evolved over time by taking advantage of its franchise and the vigorous economic growth in Peru. During the 2002–2006 period, the company experienced a rapid increase in its market share (organic and also by acquisitions), and the introduction of new and strong distribution channels were an important part of this strategy. Retail sales and the expansion of the underdeveloped insurance market for individuals were backed by its strong and growing presence in the corporate and large risks market. After increasing its market share to an average of 36% in the 2005–2009 period from around 20% before 2002, the company was able to tame its expansion and be more cautious in times when international economic turmoil limited Peru's economic expansion.

Since late 2007, the company decided to complete a comprehensive evaluation of its expanded insured portfolio, reviewing its underwriting tools and starting a cleanup process in some business lines; a drastic adjustment of prices after several years of fierce price wars in the country was also completed. Furthermore, the company employed other organizational changes to ensure its ability to digest the new needs of its expanded size and the need to sustain an adequate development of mid-tier management in order to secure its long-term orientation.

Going forward, the company is focused on taking opportunity of the expected growth of the Peruvian insurance market based on its strong franchise and improved underwriting skills while constant refining of the process is contemplated (as seen in the development of a comprehensive Risk Control Unit since late 2008 and the efforts made to provide the company with an appropriate skilled team of professionals that may drive the company in the medium and long term).

- A highly concentrated but competitive insurance market.
- Good growth prospects for the economy and the sector.
- Fierce competition will prevail in the short and medium term.

## Market Trends

After a period of sustained deterioration in its technical results (2004–2008) — affected by fierce price competition — the Peruvian insurance market (life and P&C combined) is finally on its way to post improved results in the short and medium term. The most concentrated insurance market in the region, where the three largest insurance companies manage more than 70% of total collected premiums, has been characterized by high rivalry levels despite the sustained growth provided by a vigorous economic activity and the expansion of the insured universe in the country (12.4% average premium growth during the 2004–2009 period). During the 2004–2008 period, competition was highly driven by price reductions, while the trend in the average cost of claims (and its frequency) deteriorated, in part due to less than proportional growth in the providers of good and services to the insurance market and the overall outdated transportation grid in the country. In addition, the occurrence of some high value claims in 2007 and 2008 resulted in a deterioration of the claims ratio. As such, the net loss ratio increased to a peak of 81% in 2007 (from 68% in 2003), while net operating costs are still sizable at around 40% in 2009. Despite these trends, the Peruvian insurance market posted combined ratios well above 100% from 2004 until 2008 (126% average), as a more cautious approach in terms of pricing since late 2008, advances in terms of claims cost control, and slight, but still limited, advances in operating costs resulted in the first combined ratio below 110% in 2009. This trend may continue in 2010 thanks to price discipline, the overall expected growth of the economy, and the benefit of better underwriting and claims control techniques.

After a year of lower financial income (partially due to the global financial crisis and some non recurring gains observed in 2007 and 2008), 2009 was quite positive for the life insurance market, with profitability ratios returning to previous averages (return on average assets [ROAA] of around 3.5%). This rebound in profits was also possible due to lower claims pressures — especially from the health business and the compulsory workers' compensation scheme — and some cost saving initiatives pursued by several players.

Similar to most of the countries in the region, asset quality was vaguely affected by the international financial crisis due to the conservative investment policies followed by the market, the controls over investments abroad contemplated by the regulator, the sizable participation of Peruvian government debt, and, to a lesser extent, investments in the shallow local capital market. Accordingly, financial income improved in 2009.

Similar to the Chilean insurance market and, to a lesser extent the Brazilian market, the significant and growing share of life insurance —annuities related to the private pension fund scheme as the largest driver of such growth— results in a steady increase on the liabilities-to-equity ratio (average of 4.5x during the 2005–2009 period), but is still well below to the levels seen in Chile where the industry is more mature. Despite the former, a relatively conservative dividend payout ratio has helped mitigate that trend, a policy that may be expected in the short and medium term given the bright growth prospects of the sector for 2010 and 2011. Recent regulatory changes in regards to earlier pension possibilities for employees with certain characteristics will result in an at least temporary expansion of the life insurance market in the country. (See "Latin American Insurance Review & Outlook 2010: Good Growth Prospects with Challenges Ahead", released on May 18, 2010 at [www.fitchratings.com](http://www.fitchratings.com).)

## Financial Performance

### Underwriting and Business Lines

RIMAC is a diversified insurance company that operates in life and non-life insurance branches, as well as in the health sector (directly and through a subsidiary). As

mentioned before, the expansion strategy of the company has been focused on the retail market as a cornerstone, a trend that has resulted in some changes in the overall distribution of the insured portfolio (see the table below). Auto insurance almost doubled its share of retained premium to 21% of the total during the 2005–2009 period, while life insurance also increased its share to 20% of the total from 15%. Other business lines such as health and compulsory third-party liability for auto (locally know as SOAT) have slightly reduced its share but still represent 13% and 4% of the total respectively. As such, retail business lines represent 58% of the total, while annuities and disability and survivor (D&S) increase that share up to 74%. It is worth mentioning that life business lines (life, annuities, and D&S) are not only distributed to individuals, but also to some of the largest industrial groups in the country using the strong worksite sales force of the company.

Excluding SOAT, annuities, and D&S, the company manages at least 30% of market share in each of the mentioned business lines, while its lower than proportional participation on the first two business lines is explained by RIMAC's decision to limit the commercialization of SOAT and annuities products given the adverse trends in the market due to fierce competition based on below technical pricing. It is worth mentioning that the company enjoys above average market share in fire (53%),

technical branches (61%), third-party liability (42%), and maritime (54%). This trend may not be sustainable in the future given current market competition and the company's intention to only preserve the best risks in its portfolio.

RIMAC's distribution channels seem as strong due to their close relationship with the largest economic groups in the country (through its ample market share in the large-risk business), which help the company to sustain a good level of persistence in its business. As such, the company not only has active relationship with the largest insurance brokers in the country, but also maintains a very strong worksite sales force (mostly to distribute life lines) and have successfully engaged relationships with banks, retailers, and other massive distribution channels. Long lasting relationships with international reinsurance companies also aid the company to tab the complex market of multinationals companies operating in Peru. Concentration per channel and client is controlled, being that the share of large risks (20 largest) has remained around 15% of the total premium, which is usual for a company that underwrites large risks in a small market.

Given the high level of dollarization in the Peruvian economy, a significant part of the business subscribed by RIMAC is denominated in U.S. dollars (USD) (around 60%, down from more than 90% some years ago) because the behavior of the foreign exchange market could affect its premium income due to sudden changes in the exchange rate, and local inflation is not always parallel to the changes of the exchange rate. These changes in the currency denomination of premiums (USD/PEN) can result in some pressure in the performance of Peruvian insurance companies given that the cost of its claims and general operating expenses are not necessarily aligned by the trends of the currency. In some cases, local costs can increase despite the appreciation of the local currency.

### RIMAC Net Earned Premium Breakdown

(%)

	2005	2006	2007	2008	2009	Avg.
Fire	6	7	5	7	8	7
Auto	13	14	15	18	21	16
Maritime	4	4	3	2	2	3
Technical Branches	3	3	2	5	6	4
Health	14	14	15	14	13	14
Compulsory Third-Party Liability for Auto	7	8	6	4	4	6
Life	15	16	22	23	20	19
Annuities, Disability and Survivor	28	25	22	18	16	22
Others	10	10	10	10	10	10

Source: RIMAC and Normative data.

- Adequate business diversification.
- Improved claims ratios.
- Operating costs are still a key variable to control in order to preserve the current improvement on the underwriting result.
- After some trading losses on early 2009, financial income is expected to slightly recover despite the current environment of low interest rates.

### Operating Performance

During 2009, net earned premium grew almost 20% compared to 2008 (the highest increase in the last three years), propelled by a significant increase in the P&C business (around 36% of underwritten premium) and a good result for the life business (+11%). The expansion of the P&C business was a result of price increases on the vast majority of the insured portfolio (as part of the company's strategy to adjust prices to structural changes in the frequency and severity of the claims in Peru), and by the expansion of the insured portfolio. The largest contributors were fire (+36%) and auto (44%), although most of the other business lines posted positive growth figures. On the other hand, life business growth was based mostly by the annuities business (+49%), while traditional life lines posted a more moderate growth. 2010 is expected to be a year of continued growth for the insurance business in Peru because of the rebound of car sales, infrastructure projects, and higher economic activity, which is expected to sustain this trend. In the case of the life business, the expansion of bank credit and some regulatory changes related to the possibility of anticipated pensions for a group of employees may also result in a boost on life insurance lines. Underwriting discipline will be essential to preserve the good technical results achieved in 2009.

Increased prices, the growth of the insured portfolio and the positive results of several claim control policies started since late 2007 have helped RIMAC to improve its claim ratio to levels even lower than the market average. Significant advances were achieved on auto, maritime, SOAT, and personal casualties, while more modest gains were recorded in fire and technical branches. As of year-end 2009, the net claim ratio decreased to a low 56.2%, the lowest record in the last seven years and a level that may not be sustainable in the long term given the short-lived effect of price increases and competitive pressures. Despite the former, a moderate increase in RIMAC's claim ratio, balanced with a better control of its operating costs, would not hinder its current performance.

After its peak in 2007, operating expenses have grown less than proportional versus premium income thanks to a very tight operating control policy and the benefits of the expanded business. As such, administrative expenses decreased its share of total earned premium to 13.6%, compared to a high of 17% in 2007 and an average of 14% in the 2003–2006 period. Despite the former, Fitch believes that there is still room for improvement in this matter. When acquisition costs are included (which have remained a stable portion of total earned premium at 8% on average), the ratio of net operating costs to retained premium of 32% is quite similar to the ratio's peak of 37% in 2007.

As a result, a lower claim ratio and the better dilution of operating costs resulted in a significant improvement of RIMAC's combined ratio, down to 99% in 2009 (2007: 123%), below the market average and in line with similar companies, considering that the life insurance business is still significant for the company. It is worth mentioning that, given the significant size of RIMAC's annuities business, its combined ratio is somewhat distorted by the significant income provided by its large portfolio of investments. Despite the significant decrease of the average yield of the investment portfolio (in part due to lower interest rates some trading losses at the beginning of 2009), the improved combined ratio was more than enough to sustain a decrease of the operating ratio to 87%, the lowest in the last seven years. Similar to other players in the market, RIMAC's effective tax rate is relatively low for international standards due to several tax exemptions in the Peruvian tax law and mostly related to the income resulting from the investment portfolio. Recent changes in the tax regime in Peru will not affect this trend.

Thanks to the positive trend of the operating ratio and despite lower financial income, RIMAC's net income increased to PEN144 million, and overall profitability ratios also improved above the market average (ROAA: 4.1%; ROAE: 22.6%). It is worth mentioning

that despite the expected rebound on the claim ratio in the medium term to more normal levels, the recurrent nature of 2008 and 2009 earnings bode well for the company to preserve its improved profitability in a market with bright growth prospects.

### Reserves and Other Liabilities

Under Peruvian insurance law there are five different types of reserves: claims (including incurred but not reported [IBNR]), unearned premium, mathematical for life insurance and annuities, complementary workers' compensation, catastrophic risk, reserves for D&S obligations, and, in the case of EPS companies, one additional reserve related to IBNR claims and unearned payments from affiliates. These reserves must be created following a diverse array of formulas mandated by the regulator. Nevertheless, much of the calculus is related to the past claim experience (rolling average) of each company and does not necessarily follow actuarial calculus, such as international trends and suggesting a possible underestimation of reserves, which many of the players and regulators are aware of.

RIMAC generally adopts a conservative position with respect to its technical reserves, and in many cases the company uses a more conservative reserve methodology than that used for local regulations. The reserve methodologies are developed by the actuarial area (advised by an in-house actuary) together with each business unit, and all are submitted to the regulators.

At December 2009, RIMAC's total reserves increased to PEN2,543 million (up 7% compared to year-end 2008), reflecting the company's increased business volume and stable retention levels. Mathematical reserves for life insurance and annuities represent the largest individual reserve, with a participation of 47%, consistent with the larger participation of such branches in total retained premium. In addition, reserves related to pension fund insurance represented 21% of the total, unearned premium reserves amounted to 11%, and the rest is mostly claims reserves and reserves related to the complementary workers' compensation program. The company shows adequate levels of reserve coverage, although the ratio slightly decreased in 2009 (190% of retained premiums at year-end 2009). Also, technical reserves continued to be the bulk of RIMAC's liabilities (85% at year-end 2009), while financial debt was not meaningful.

### Investments and Liquidity

RIMAC's investment policies are considered conservative. An investment committee composed of the general manager, the comptroller, and the investment manager is in charge of the investment decisions and follows the risk "appetite" mandated by the board of directors. The investment strategy distinguishes the needs of the company and the different return needs across business lines. Historically, RIMAC has tried to sustain low concentrations in its investment portfolio but have been limited by the shallow Peruvian capital market and the recent turmoil in the international capital markets. In addition, internal guidelines regarding maximum exposure per issuer, minimum credit quality, and proactive assets and liability management in terms of returns and maturities are closely monitored by the investment committee.

Following local guidelines (recently changed in 2009), the securities portfolio is registered through three different categories: trading (registered at market value through the income statement), available for sale (registered at market value through changes in equity), and held to maturity (at cost). At the end of December 2009 total liquid investments increased to PEN2,967 million. After a significant increase in 2008 and as a conservative measure in the midst of the volatility of the international capital markets, RIMAC phased out its policy for above-average holding of short-term bank deposits and rebuilt its securities portfolio. As a result, the share of fixed income

- Adequate reserving policies for local standards, but there is still room for additional refining trying to resemble international best practices.
- High reserve-to-premium coverage, appropriate for companies with significant exposure to the annuities business.
- Very low financial debt, mostly leasing operations.

- Conservative investment policies toward fixed income investments but above average exposure to variable income securities.
- Adequate asset and liability management.
- Liquidity levels are sound and in line with peer averages.

securities (issued locally and abroad) increased, and the portfolio was as balanced as it was before the start of the crisis. In general, the company invests in securities issued abroad rated at least investment grade (some restrictions apply in the case of some sovereign bonds issued by the Republic of Colombia), while investments in fixed income securities in the local market must have a national scale rating of 'AA+' or above. As of year-end 2009, only a small portion of the foreign investment portfolio is represented by securities rated below the investment grade (4% of its equity), and no local fixed income securities were rated below the 'AA+' national rating. If all non-investment grade securities are added (including 100% of the portfolio of local fixed income securities as a precautionary measure given that those do not carry international ratings, although are represented by securities issued by the best local names), total exposure to nonrated, non-investment grade securities would be around 120% of RIMAC equity, which is above international best practices, but reasonable considering the limitations of the local capital markets.

The bulk of the investment portfolio is registered as held to maturities investments (80% of the total), while the rest is registered as available for sale. Also, the breakdown of the gross portfolio (including cash and bank deposits) at year-end 2009 is as follows: local fixed income (29%), Peru sovereign debt (27%), foreign fixed income (19%), bank deposits (13%), variable income securities (8%), and foreign currency securities issued by other governments and multilateral entities. RIMAC presents a moderate concentration of its investment portfolio in related parties (less than 12% including deposits in BBVA Continental).

- Conservative exposures to large claims and catastrophes.
- Low-risk reinsurance pool and low reinsurance receivables.
- Nonproportional protections call for appropriate capitalization and reserve policies.

Bank deposits are explained mostly by local banks (most of them rated investment grade in the global rating scale). RIMAC follows conservative asset and liabilities management policies, and the company is hedged in terms of currency, maturity, and interest rates, aided by the portion of its investment portfolio denominated in U.S. dollars, while other hedging strategies are also followed.

Liquidity ratios slightly increased in 2009. As such, the liquid-assets-to-total-reserves ratio stood at 1.2x at year-end 2009, while the ratio of liquid assets to total liabilities was 1.0x. The company does not account for loans in its assets, while fixed assets represent a low 3% of total assets and premium receivables show adequate rotation and low past due levels.

### Reinsurance

RIMAC's reinsurance program is comprised of proportional and nonproportional coverage that provides the company with sufficient acceptance capacity and properly protects its results against unexpected deviations in claims and catastrophic (CAT) events through a pool of high-ranked reinsurance companies. In 2004, a significant part of the program was changed to nonproportional due to the risks of relatively high retention levels, while big risks remain conservatively protected through facultative and excess loss contracts. Despite the change in the reinsurance program, retained risks are still small given that the maximum loss retention per event reaches less than 1% of RIMAC's equity, while the maximum loss retention per CAT is about 4% of equity.

Total CAT exposure looks adequately covered in about 6.5% of the largest CAT accumulation in the country. This approach is fairly in line with market trends and was updated in 2007 with the help of external consultants. The company uses comprehensive controls in order to lower the operative risk of the reinsurance process through the implementation of several monitoring tools for all the business units. All reinsurance companies from the pool must be rated at least 'A', except when specific coverage is provided by only one company (the rating can be lower than 'A' but must still be investment grade). The leaders of the reinsurance program are Munich Re,

Partner Re, Everest Re, XL Re Latin America, Casiopea Re, Zurich Insurance, Scor Re, and Swiss Re.

Adequate controls of such exposures and the control of the inherent operating risk of reinsurance contracts have been enough to sustain good recoveries from RIMAC's protections in case of catastrophe. In general, the level of reinsurance receivables has dropped significantly in the past few years to just 4% of equity at year-end 2009 (from an average of 19% for the 2002–2005 period).

### Capital and Capital Adequacy

After several years of increasing leverage due to vigorous growth and lower profitability, RIMAC's enhanced earnings and conservative cash dividend policy in 2008 and 2009 resulted in a change of this trend despite the moderate burden of the larger amount of reserves for annuities. At year-end 2009, the total liabilities to equity ratio improved to 4.0x, slightly below the market average, while its premium to equity ratio was 1.8x. Going forward, the company expects to further expand its size based on the expected growth of the Peruvian insurance market, being that adequate results and conservative cash dividends will be required to preserve the aforementioned improvement in leverage.

As is the case for local regulations in many other countries, Peru's capitalization requirements are monitored through the solvency margin methodology. Until now, this capitalization measure did not incorporate any charge for credit and operating risk (issues to be addressed in the future by the regulator) and was in compliance with the original Spanish Solvency rule commonly used in Latin America. Despite the former, the local rule also adds another capital requirement (locally known as Guarantee Fund — a fixed proportion of total collected premium) on top of that requirement, which, on average, represents an additional 35% of the required equity demanded by the solvency margin rule. Companies must hold enough capital to cover both requirements, being that regulatory capital is only comprised of tier 1 capital and retained earnings are not considered part of this capital.

At year-end 2009 the company had an excess of 18% of the required equity, a margin that looks relatively tight compared to other international capital measures such as the RBC in the U.S. or the Solvency I rule in Europe. Excluding the burden of the guarantee fund and incorporating retained earnings (after cash dividends, but not adjusting by the investment on subsidiaries), the adjusted solvency margin excess would be more than 102%.

### Prospects

RIMAC's business plan intends to consolidate its expanded market share in the fiercely competitive and concentrated Peruvian market by using the company's efficient distribution channels and by providing new and improved services to its customers. Given the significant decrease observed in its claim ratio, further advances in this area seem limited due to the company's ability to curb its expenses and deal with the possible increase in reinsurance costs, which seems to be the most visible challenge of the company to preserve its overall profitability.

- Leverage ratios benefit from strong earnings and conservative cash dividends.
- Unrealized losses are not meaningful as of December 2009, but the larger than proportional exposure to variable income equities could result in some volatility.

**Financial Summary — RIMAC Internacional Compañía de Seguros y Reaseguros**

(PEN Mil., Consolidated, Years Ended Dec. 31)

	2009	2008	2007	2006	2005	2004
<b>Balance Sheet</b>						
Liquid Assets	2,967	2,399	2,109	1,845	1,617	1,289
Deposits with Banks	385	650	1,002	296	396	406
Securities Portfolio	2,582	1,748	1,107	1,549	1,220	883
Private Sector	1,463	876	576	1,000	824	529
Government	898	702	445	466	303	235
Variable Income	210	222	135	142	119	133
Other	12	12	10	10	9	9
Reserves	0	(64)	(58)	(69)	(36)	(23)
Loans	0	0	0	0	0	0
Premiums Receivable (Net)	322	286	232	219	150	127
Current	341	293	228	216	146	124
Past Due (> 30 days)	38	38	41	35	16	14
Reserves	(57)	(46)	(37)	(32)	(13)	(11)
Reinsurance Receivables	33	37	45	36	85	60
Fixed Assets	125	122	101	84	75	64
Investments in Subsidiaries and Affiliates	13	31	31	27	24	26
Other Assets	290	386	240	203	183	163
<b>Total Assets</b>	<b>3,749</b>	<b>3,260</b>	<b>2,759</b>	<b>2,414</b>	<b>2,134</b>	<b>1,729</b>
Claims Reserves	293	320	253	171	145	94
Claims	275	284	238	143	131	81
Incurred but not Reported	18	36	16	27	14	12
Technical Reserves	2,250	2,049	1,727	1,605	1,411	1,128
Mathematicals	1,194	1,152	922	880	692	473
Unearned Premiums	279	222	159	181	150	121
Other	776	675	647	544	568	534
Bank Debt	3	11	6	18	9	9
Reinsurance Payable	173	144	138	68	104	87
Accounts Payable	195	149	118	86	69	59
Other Liabilities	85	65	46	39	13	11
<b>Total Liabilities</b>	<b>2,999</b>	<b>2,738</b>	<b>2,288</b>	<b>1,986</b>	<b>1,751</b>	<b>1,388</b>
Minority Interest	1	1	1	1	1	1
Paid in Capital	442	381	335	295	280	265
Reserves	72	65	58	49	43	39
Retained Earnings	236	75	77	83	60	36
<b>Total Equity</b>	<b>749</b>	<b>521</b>	<b>470</b>	<b>427</b>	<b>382</b>	<b>340</b>
Year-End Exchange Rate (Nuevos Soles/USD)	3.89	3.14	3.00	3.27	3.30	3.41

Source: RIMAC audited information.

**Financial Summary — RIMAC Internacional Compañía de Seguros y Reaseguros**

(PEN Mil., Consolidated, Years Ended Dec. 31)

	2009	2008	2007	2006	2005	2004
<b>Income Statement</b>						
Gross Written Premium and Affiliates'						
Contribution	2,261	1,792	1,523	1,500	1,275	1,127
Earned Premium and Affiliates Contribution	1,944	1,563	1,342	1,252	1,065	875
Ceded Premium	603	445	384	365	331	304
Net Written Premium and Affiliates						
Contributions	1,340	1,118	958	887	733	571
Gross Paid Claims	1,121	1,032	1,172	763	708	485
Claims Recovered from Reinsurance	358	252	433	161	228	92
Claims Recoveries	9	9	7	6	4	3
Retained Claims	753	770	731	596	476	390
Acquisition Costs	162	127	119	109	88	69
Operating Expenses	265	231	230	176	152	127
	427					
Net Operating and Acquisition Costs		359	349	285	239	196
Other Operating Income (Expenses) Net	(153)	(124)	(104)	(78)	(72)	(36)
Operating Result	8	(135)	(226)	(72)	(54)	(52)
Financial Income	206	210	297	180	123	85
Financial Expenses	1	19	2	220	96	110
Other Income (Expenses) Net	(44)	17	14	199	93	120
Extraordinary Items	(6)	0	3	(1)	(1)	(1)
Income from Subsidiaries and Affiliates	0	0	0	0	0	0
Profits before Taxes	162	72	86	85	65	43
Taxes	19	8	9	3	7	5
Participation of Minority Shareholders	0	0	0	0	0	0
<b>Net Income</b>	<b>144</b>	<b>65</b>	<b>77</b>	<b>81</b>	<b>59</b>	<b>38</b>
<b>Financial Ratios (%)</b>						
<b>Performance</b>						
Market Share (% Earned Premium)	45.5	38.1	39.1	39.6	39.8	35.2
Retention Ratio	69.0	71.5	71.4	70.9	68.9	65.2
Gross Loss Ratio	57.7	66.0	87.3	61.0	66.5	55.5
Net Loss Ratio	56.2	68.9	76.3	67.2	64.9	68.4
Acquisition Costs/Earned Premium	8.3	8.2	8.9	8.7	8.3	7.9
Operating Expenses/Earned Premium	13.6	14.8	17.2	14.1	14.2	14.5
Net Operating and Acquisition Costs/Net Earned Premium	31.8	32.1	36.5	32.1	32.6	34.3
Combined Ratio	99.4	112.1	123.6	108.2	107.3	109.1
Operating Ratio	87.4	93.5	91.4	90.3	91.0	92.4
Net Financial Income/Earned Premium	8.3	13.3	23.0	12.6	11.2	10.9
ROAA	4.1	2.2	3.0	3.6	3.0	2.5
ROAE	22.6	13.1	17.1	20.1	16.3	11.8
<b>Solvency and Leverage</b>						
Liabilities/Equity (x)	4.00	5.25	4.87	4.65	4.58	4.09
Reserves/Liabilities (x)	0.85	0.87	0.87	0.89	0.89	0.88
Financial Debt/Liabilities (%)	0.09	0.40	0.26	0.89	0.53	0.68
Reserves/Net Earned Premium (%)	189.69	211.94	206.76	200.15	212.16	214.10
Net Earned Premium/Equity (x)	1.79	2.14	2.04	2.08	1.92	1.68
Regulatory Capital Excess (%)	4.24	1.48	5.58	1.99	10.82	12.35
Total Leverage/Equity	5.79	7.40	6.91	6.73	6.50	5.76
Equity/Assets (%)	19.98	15.99	17.04	17.69	17.93	19.67
<b>Investments and Liquidity</b>						
Liquid Assets/Reserves (x)	1.17	1.01	1.06	1.04	1.04	1.05
Liquid Assets/(Reserves + Financial Debt) (x)	1.17	1.01	1.06	1.03	1.03	1.05
Liquid Assets/Liabilities (x)	0.99	0.88	0.92	0.93	0.92	0.93
Fixed Assets/Total Assets (%)	3.32	3.75	3.65	3.47	3.51	3.70
Accounts Receivables Rotation (Days)	59.7	65.8	62.4	63.1	50.7	52.4

Source: RIMAC Audited Information.

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