

**UNIVERSAL**

Insurance • Finance • Investments<sup>TM</sup>

# **Presentation to Cámara de Comercio de PR**

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# Introduction

- The agents and/or policyholders must evaluate the financial stability of an insurance company before offering or selecting it.
- Different types of producer
  - Producer – Person with a license issued by the Office of the Commissioner of Insurance that transacts insurance in PR on behalf of the insured
  - Authorized Representative – Producer representing an insurance company as employee or independent consultant
- The selected company should have a Secure Rating.
- There are various sources of information.

# Sources of Information

- Rating agencies
- Office of the Commissioner of Insurance
  - Website ([www.ocs.gobierno.pr](http://www.ocs.gobierno.pr))
  - Operational and Financial Examinations
  - Audit Reports and Fines
- Others
  - Press Releases
  - Public Information



# Role of the Rating Agencies

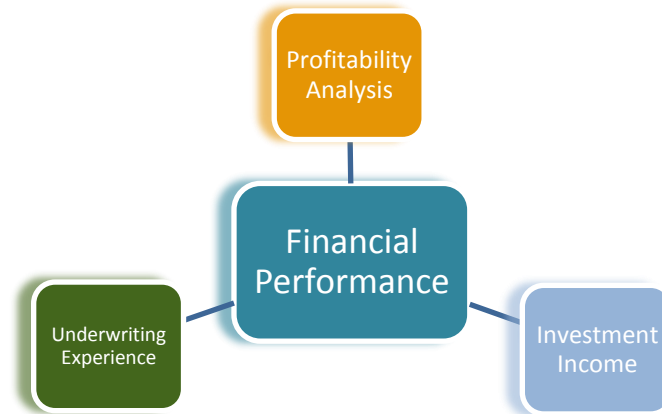
- ▶ Rating agencies are “de-facto” regulators
- ▶ Companies must meet rating agency capital (and other) requirements for targeted rating level
- ▶ A downgrade can put a company out of business in a given product line
- ▶ A downgrade can cause a “run-on-the-bank” and put a company out of business, period



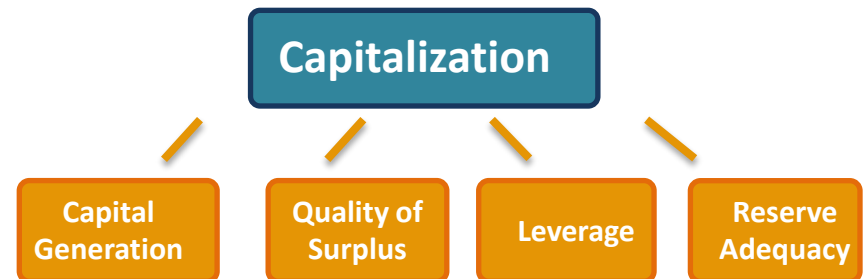
# How to evaluate Insurance Companies?

## ► Factors evaluated by the rating agencies

### ► I. Financial Performance



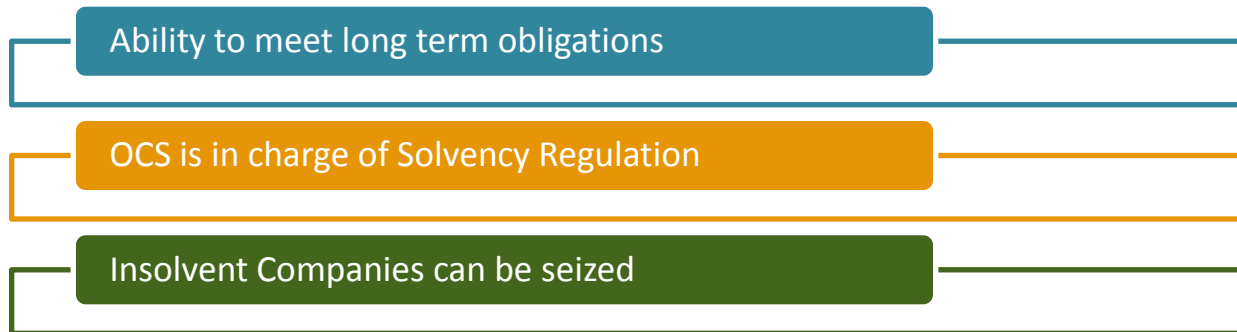
### ► II. Capitalization



# How to evaluate Insurance Companies?

## ► Factors evaluated by the rating agencies

### ► III. Solvency



### ► IV. Liquidity

- Liquidity ratios
- Cash flow analysis

# How to evaluate Insurance Companies?

- ▶ Factors evaluated by the rating agencies:
  - ▶ Other Factors:
    - ▶ V. Growth Analysis
    - ▶ VI. Capacity to respond to catastrophic events
    - ▶ VII. Market Position
    - ▶ VIII. Reputation
    - ▶ IX. ERM Program



# Major Rating Agencies in Insurance

- ▶ AM Best ([www.ambest.com](http://www.ambest.com))
  - ▶ Focused exclusively on insurance companies
- ▶ S & P ([www.standardandpoors.com](http://www.standardandpoors.com))
- ▶ Moody's ([www.moody's.com](http://www.moody's.com))
  - ▶ Both issue ratings for a broad range of business sectors



# Rating Agencies

- AM Best - Financial Strength Ratings
  - Secure
    - A++, A+ (Superior)
    - A, A- (Excellent)
    - B++, B+ (Good)
  - Vulnerable
    - B, B- (Fair)
    - C++, C+ (Marginal)
    - C, C- (Weak)
    - D (Poor)
    - E (Under Regulatory Supervision)
    - F (In Liquidation)
    - S (Suspended)



# Rating Agencies

- AM Best - Financial Strength Ratings
  - Rating Modifiers
    - u – Under Review
    - pd – Public data
    - s - Syndicate
  - Affiliation Codes
    - g – Group
    - p – Pooling
    - r – Reinsurance
  - Rating Outlook
    - Positive
    - Negative
    - Stable
  - Financial Size Category
    - Class I (smallest) to Class XV (greatest)
  - Not Rated Categories
    - NR - 1 to NR – 5

# Rating Agencies

- Standard & Poor's- Financial Strength and Issuer Credit Ratings
  - AAA (Extremely Strong Capacity)
  - AA (Very Strong Capacity)
  - A (Strong Capacity)
  - BBB (Adequate Capacity)
  - BB,B, CCC and CC (Significant speculative characteristics)
  - BB (Less vulnerable)
  - B (More vulnerable)
  - CCC (Currently vulnerable)
  - CC (Highly vulnerable)

# Rating Agencies

- Standard & Poor's- Financial Strength and Issuer Credit Ratings
  - Plus (+) or minus (-) sign show relative standing
  - R (Regulatory supervision)
  - SD (Selective default) and D (failed to pay)
  - NR (Not Rated)

# Rating Agencies

- Moody's – Long Term Obligation Ratings
  - Aaa (Highest Quality with minimal credit risk)
  - Aa (High Quality and very low credit risk)
  - A (Upper-medium grade and low credit risk)
  - Baa (Moderate credit risk)
  - Ba (Substantial credit risk)
  - B (High credit risk)
  - Caa (Very high credit risk)
  - Ca (Likely in default)
  - C (In default)

# Rating Agencies

- Moody's – Relative Repayment Ability
  - P-1 (Prime 1 - Superior ability to repay)
  - P-2 (Prime 2 - Strong ability to repay)
  - P-3 (Prime 3 - Acceptable ability to repay)
  - NP (Not Prime)

# Market Analysis

## P & C PR Domiciled Companies

### Admitted Assets December 2006 to September 2011

COMPANY NAME	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Sept 11</u>
<b>GROUPS:</b>						
<i>Universal Insurance Group</i>	755,070	728,828	733,284	742,919	708,862	762,996
MAPFRE Group	531,237	530,423	535,457	510,192	514,885	519,346
Cooperativa Group	623,129	600,617	563,139	561,956	557,656	546,699
<b>OTHER PR DOMESTIC COMPANIES:</b>						
Ace Ins. Company	87,562	92,274	92,077	100,032	114,759	120,715
Chartis	213,069	224,961	231,887	228,981	209,149	209,328
Antilles Insurance Company	62,909	68,634	69,745	79,503	85,013	86,382
Caribbean American Property Ins. Co.	30,473	34,218	33,963	29,688	33,123	45,942
Integrand Assurance Company	153,379	159,187	143,700	144,515	167,512	162,335
National Insurance Company <sup>1</sup>	149,466	138,261	137,654	114,257	79,362	79,362
Newport Bonding and Surety Company	7,271	6,967	6,679	6,283	5,894	6,947
Optima Insurance Co. <sup>1</sup>	9,263	16,275	31,516	40,106	46,138	46,138
Triple S Propiedad	255,701	272,942	270,684	280,256	274,589	265,881
Tower Bonding & Surety Co.	4,203	3,671	2,965	2,951	3,823	3,790
United Surety & Indemnity	92,792	99,702	104,670	110,803	115,100	106,692
<b>Total</b>	<b>\$ 2,975,524</b>	<b>\$ 2,976,959</b>	<b>\$ 2,957,419</b>	<b>\$ 2,952,442</b>	<b>\$ 2,915,865</b>	<b>\$ 2,962,553</b>

<sup>1</sup> Data from previous year because actual data was not available.

# Market Analysis

## P & C PR Domiciled Companies

### Company's Surplus December 2006 to September 2011

COMPANY NAME	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Sep-11</u>
<b>GROUPS:</b>						
<i>Universal Insurance Group</i>	183,437	207,844	213,592	232,957	245,350	251,041
MAPFRE Insurance Group	184,810	191,630	192,968	204,213	203,590	190,385
Cooperativa Group	222,160	244,117	214,131	213,294	197,876	182,665
<b>OTHER PR DOMESTIC COMPANIES:</b>						
Ace Ins. Company	15,038	16,065	22,343	27,795	35,237	31,731
Chartis	118,766	132,543	142,275	151,203	147,319	139,311
Antilles Insurance Company	43,227	47,019	47,619	50,137	54,241	56,703
Caribbean American Prop Ins Co	15,681	20,180	18,304	16,917	21,573	24,519
Integrand Assurance Company	62,405	66,595	62,520	65,804	71,450	73,144
National Insurance Company <sup>1</sup>	62,592	52,893	50,280	41,588	15,667	15,667
Newport Bonding and Surety Company	3,001	2,610	2,142	1,911	2,548	2,520
Optima Insurance Company <sup>1</sup>	2,820	2,704	10,251	10,506	10,550	10,550
Triple S Propiedad	84,215	95,105	97,680	102,899	108,699	112,857
Tower Bonding & Surety Co.	1,210	1,415	1,555	2,057	2,248	2,379
United Surety & Indemnity	46,844	50,911	50,879	55,124	62,130	62,036
<b>Total</b>	<b>1,046,206</b>	<b>1,131,632</b>	<b>1,126,540</b>	<b>1,176,404</b>	<b>1,178,478</b>	<b>1,155,509</b>

<sup>1</sup> Data from previous year because actual data was not available.



# Market Analysis

## P & C PR Domiciled Companies

### September 2011

Year established	Company	AMB #	Financial Strength Rating	Action	Effective Date	Outlook
1988	Ace Ins Co	10652	A+g	AFFIRMED	6/21/2011	STABLE
1972	Universal Ins Co	3665	A	AFFIRMED	6/9/2011	STABLE
1969	Antilles Insurance Company	4151	A	AFFIRMED	1/26/2011	STABLE
1992	Caribbean American Property Ins Co	11355	A	AFFIRMED	11/18/2010	STABLE
1971	Chartis Inc Co PR	3536	A	AFFIRMED	12/20/2010	NEGATIVE
1965	Cooperativa Group	18651	A-	DOWNGRADED	7/29/2011	STABLE
1968	MAPFRE Group	3866	A	AFFIRMED	6/21/2011	STABLE
1990	United Surety & Indemnity Co	11138	A	AFFIRMED	12/13/2010	STABLE
1973	Integrand Assurance Co	3534	A-	AFFIRMED	3/8/2011	STABLE
1988	Triple S Propiedad	370	A-	AFFIRMED	11/9/2010	STABLE
1961	National Ins Co	3106	E	DOWNGRADED	5/31/2011	NOT APLICABLE
1991	Newport Bonding & Surety Co	11317	C++	AFFIRMED	10/28/2011	NEGATIVE
1998	Tower Bonding and Surety Co	12250	B	AFFIRMED	5/25/2011	NEGATIVE
2005	Optima Ins Co	13088	B++	FIRST	10/11/2011	STABLE

# Market Analysis

## Life PR Domiciled Companies

### Admitted Assets December 2006 to September 2011

COMPANY NAME GROUPS:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Sept 11</u>
TRIPLE-S VIDA INC	292,972	309,465	329,391	352,485	380,060	411,231
COOPERATIVA DE SEGUROS DE VIDA DE PR	317,603	327,243	316,367	379,819	409,833	393,307
UNIVERSAL LIFE INSURANCE COMPANY	40,992	75,305	128,097	216,053	309,058	388,834
NATIONAL LIFE INSURANCE COMPANY	131,865	134,975	146,587	145,308	142,759	129,669
MAPFRE LIFE INSURANCE COMPANY	57,072	62,804	75,987	81,994	74,715	80,019
CARIBBEAN AMERICAN LIFE ASSURANCE CO	78,163	69,298	64,001	54,001	47,224	43,067
TRANSOCEANIC LIFE INSURANCE CO	22,621	24,691	27,560	32,128	38,067	41,422
ATLANTIC SOUTHERN INSURANCE COMPANY	18,004	18,133	18,502	19,311	19,289	17,593
<b>Total</b>	<b>\$ 959,294</b>	<b>\$ 1,021,915</b>	<b>\$ 1,106,492</b>	<b>\$ 1,281,098</b>	<b>\$ 1,421,006</b>	<b>\$ 1,505,141</b>

# Market Analysis

## Life PR Domiciled Companies

### Company's Surplus December 2006 to September 2011

COMPANY NAME GROUPS:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Sept 11</u>
TRIPLE-S VIDA INC	39,770	44,724	48,742	49,326	52,904	60,741
UNIVERSAL LIFE INSURANCE COMPANY	9,403	11,860	20,261	22,108	23,424	23,626
MAPFRE LIFE INSURANCE COMPANY	17,166	13,999	7,902	24,533	22,508	20,175
COOPERATIVA DE SEGUROS DE VIDA DE PR	39,895	38,786	19,175	23,721	24,348	17,522
TRANSOCEANIC LIFE INSURANCE CO	9,388	9,839	6,500	9,045	13,657	15,253
CARIBBEAN AMERICAN LIFE ASSURANCE CO	17,589	13,848	18,725	16,669	17,150	14,392
NATIONAL LIFE INSURANCE COMPANY	30,141	26,270	28,527	20,236	13,294	9,771
ATLANTIC SOUTHERN INSURANCE COMPANY	8,283	8,207	8,530	8,729	8,900	7,562
<b>Total</b>	<b>\$ 171,635</b>	<b>\$ 167,534</b>	<b>\$ 158,362</b>	<b>\$ 174,367</b>	<b>\$ 176,186</b>	<b>\$ 169,042</b>

# Market Analysis

## Life PR Domiciled Companies

### September 2011

Year established	Company	AMB #	Financial Strength Rating	Action	Effective Date	Outlook
1994	Universal Life Insurance Co.	60097	B++	Affirmed	6/9/2011	Stable
2007	Atlantic Southern Insurance Co.	6135	C++*	Affirmed	7/8/2011	Stable
1988	Caribbean American Life Assurance Co	68045	A-	Affirmed	11/18/2010	Stable
1960	Cooperativa de Seguros de Vida de PR	7607	B-	Affirmed	12/22/2010	Positive
1990	MAPFRE Life Insurance Co.	7981	NOT RATED	Withdrawn	10/10/2008	N/A
1969	National Life Ins. CO.	7447	C++*	Downgraded Under Review	8/26/2011	Negative
1959	Transoceanic Ins. Co.	7132	B++	Affirmed	5/19/2011	Stable
2007	Triple-S Vida	7631	B++	Affirmed	7/27/2010	Stable

# Market Analysis

## Standard & Poor's Rating

Currently, Universal is the only P&C Insurance Company in Puerto Rico rated by S&P

Company	S&P #	Financial Strength Rating	Action	Rating Date	Outlook
Universal Ins Co. (PR)	12725Z	A-	Affirmed	15-Nov-11	STABLE
Cooperativa de Seguros Múltiples de Puerto Rico	208951Z	N/A	Withdrawn at Company's Request		

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