

## 2012 Outlook: Andean Region Insurance

### Adequate Performance but Challenges Remain Outlook Report

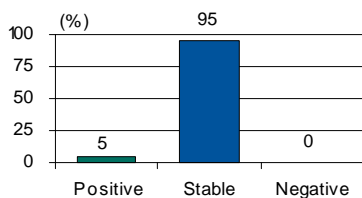
#### Rating Outlook

Colombia  
**STABLE**

Venezuela  
**STABLE**

Peru  
**STABLE**

#### Andean Insurance Sector Rating Outlook



Source: Superintendency, Fitch.

#### Other Outlooks

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#### Analysts

Jazmín Roque (Venezuela)  
+503 2516 6607  
[jazmin.roque@fitchratings.com](mailto:jazmin.roque@fitchratings.com)

Hugo Cussato (Peru)  
+51 1 444 5588  
[hugo.cussato@aai.com.pe](mailto:hugo.cussato@aai.com.pe)

Rodrigo Salas (Peru)  
+56 2 499 3300  
[rodrigo.salas@fitchratings.com](mailto:rodrigo.salas@fitchratings.com)

Johann Goebel (Colombia)  
+57 1 326 9999, ext. 1380  
[johann.goebel@fitchratings.com](mailto:johann.goebel@fitchratings.com)

Milena Carrizosa (Colombia)  
+57 1 326 9999, ext. 1090  
[milena.carrizosa@fitchratings.com](mailto:milena.carrizosa@fitchratings.com)

Pedro El Khaouli (Venezuela)  
+58 2 285 5080  
[pedro.elkhaouli@fitchratings.com](mailto:pedro.elkhaouli@fitchratings.com)

Eduardo Recinos (Regional Coordinator)  
+503 2516 6606  
[eduardo.recinos@fitchratings.com](mailto:eduardo.recinos@fitchratings.com)

#### Rating Outlook

**Stable Outlook for the Insurance Industry:** Fitch Ratings believes that rated Colombian, Venezuelan, and Peruvian companies are in a position to handle the challenges they are currently facing. Ninety-six percent of these companies currently have a Stable Outlook, and no significant changes are expected in their ratings over the short term.

**Positive Growth Outlook:** The regional economy has experienced positive growth thus far in 2011, with Colombia and Peru standing out for their dynamism. The 2012 growth outlook for all three countries analyzed in this report continues to be positive, with a modest slowdown possible in Colombia and Peru and acceleration likely in Venezuela.

**Higher Market Penetration:** A favorable economic environment, combined with the insurance industry's strategy to grow large-scale, low-price, and low-risk insurance segments, will help the sector attain higher market penetration as its business begins to target the less insured segments of the population.

**Challenges to Technical Profitability:** While the region's technical performance is adequate, loss ratios remain under pressure from inflation, more intense competition, severe climatic events, and regulatory changes that may require the establishment of larger reserves.

**Uncertainty in Portfolio Profitability:** Andean region insurers' reserves are primarily invested in government instruments and local bank bonds from each respective country and, to a lesser extent, in private debt securities. The trend is slightly different in Colombia, where a greater percentage of the portfolio is held in equity instruments. The portfolios' profitability has been very modest and in line with the monetary policies of each country, but they have been less volatile than in countries such as Chile.

**Adequate Capitalization:** The insurers' capitalization ratios are in line with international standards. However, Venezuela's capital is highly exposed to real estate, at levels that exceed international standards.

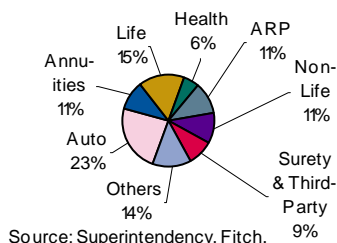
#### What Could Change the Outlook

**Downgrade:** The largest threat faced by Andean region insurers is prolonged, fierce competition that could drive prices down further. Also, higher leverage ratios and equity exposure could trigger a downgrade in the sector's outlook.

**Upgrade:** With slower economic growth anticipated for 2012, the industry faces challenges in terms of combined ratio and investment income. Therefore, an upgrade in the industry outlook to positive from stable will depend on more company-specific issues.

Colombia

Colombia: Premium Breakdown — Dec. 2011

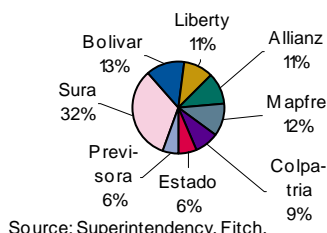


Source: Superintendency, Fitch.

Small in Latin America, but Important in the Andean Region

The Colombian insurance industry has low market penetration and is highly concentrated in terms of companies and business lines. The market is still small with ample room for growth, ranking sixth in Latin America and representing only 2% of GDP. Fitch anticipates insurance penetration to increase in Colombia in 2012 given the growth the industry experienced in 2011. Success will largely depend on the performance of the Colombian economy, where, despite the global economic slowdown, unemployment fell (to 9.4% in June 2011 versus 10.1% in June 2010), credit grew (21% as of June 2011), domestic spending rose, and foreign direct investment increased significantly.

Colombia: Market Share — Dec. 2011



Source: Superintendency, Fitch.

Greater Penetration in Insurance Possible

Historically, the Colombian insurance industry has been closely tied to GDP growth. For example, the sector recorded real growth of 3.9% in 2010, while the economy expanded by 4.29% (as of December 2010). As of June 2011, premiums written recorded a 14% increase in real terms, exceeding GDP growth of 5.0% during the same period (Fitch's full-year estimate is 4.9%). This growth has occurred not only in traditional insurance segments, but has also been spurred by insurers' expanding their large-scale and micro-insurance lines with innovative, uncomplicated, low-cost products. Colombian insurers are expected to develop and strengthen their agriculture insurance in 2012 through government incentives and subsidies aimed at growing this segment.

Moderately Concentrated Market

Colombia's insurance sector is only moderately concentrated compared to that of Peru and Venezuela. Its portfolio breakdown is roughly in line with that of other Latin American countries but is more diversified than Venezuela's and Peru's. Its portfolio is similar to Peru's in that a large percentage is composed of long-term lines (annuities, retirement insurance, workers' compensation, and individual life insurance).

The market's five largest companies hold 56% of the industry's total premiums. Sixty-one percent of premiums belong to locally-owned insurers, and only 7% belong to government-owned companies. Concentration by business line is moderate, with the five largest lines representing 65% of total premiums written (voluntary and compulsory auto insurance, group life, workers' compensation, retirement, and annuity and health plans). The remaining 35% is distributed among over seven lines, each of which represents no more than 5% of total premiums. Despite the moderate concentration and positive outlook of the industry for the short and medium term, a significant entry of foreign players into the Colombian market is not expected due to the competitive advantages exhibited by the largest local competitors and their strong ties to the financial sector. Nevertheless, it should be noted that a few foreign players are currently in the process of making significant acquisitions within the region.

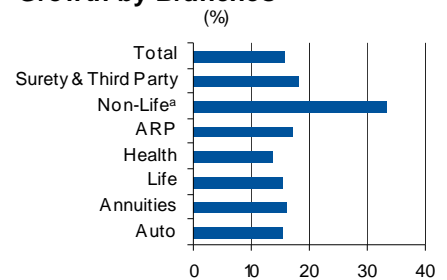
Related Criteria

Insurance Rating Methodology, Sept. 22, 2011

## Growth Across Insurance Lines; Positive Economic Environment

The double-digit growth experienced in underwriting activity across all insurance lines stems from Colombia's positive economic environment — vehicle sales have risen substantially (39% as of September 2011), retail and corporate credit is dynamic, the job market and job quality have improved, the minimum wage has increased, insurance companies have expanded their large-scale insurance lines, and significant investments have been made in the mining sector.

### Growth by Branches



<sup>a</sup>Non-life incl. fire, earthquake, technical branches.  
Source: Superintendency, Fitch.

It is important to note that the disability and survival plus retirement insurance lines have increased significantly due to a drop in the unemployment rate, sizable price adjustments as a result of updated mortality tables, a higher minimum wage, the implementation of the new multifund obligatory pension scheme, and changes made to the legal framework in this business line. This has led to a higher loss ratio in the disability and survival segment and to increased issuance of disability and survival life annuities.

## Technical Profitability Still Under Pressure

The Colombian insurance industry's combined ratio is higher than that of Venezuela but similar to that of Peru, as both markets hold a high percentage of their premiums in long-term business lines. The combined ratio has been rising thus far in 2011 (111% as of September 2011 versus 108% in 2010), primarily due to ongoing growth in long-term lines such as life annuities, which involve higher mathematical reserves.

Non-life insurance companies' combined ratios remained stable compared to 2010 (101% as of September 2011) thanks to growth in premiums written, which offset the higher loss ratio caused by the winter flooding that occurred in Colombia in the fourth quarter of 2010 and the first quarter of 2011. Insurance companies covered losses of some USD600 million in this disaster, most of which had been ceded to the international reinsurance market. Although preventive measures have been taken to mitigate the impact of another winter flood season, the threat of severe events persists, particularly fire. More frequent claims are expected in auto insurance, which will keep the industry's loss ratio under pressure.

## Financial Performance Affected by Market Fluctuations

The performance of Colombian insurers' investment portfolio exceeds that of the Venezuelan market, but is lower than the Peruvian. Its performance has suffered greatly from exchange rate fluctuations and the general drop in the value of variable-income instruments, primarily shares. Net income as of September 2011 (USD188.5 million) was 70% lower than in September 2010, and the operating ratio was 97% as of September 2011, up from 82% in September 2010. With rising interest rates, which have already been deducted by the market, primarily in debt instruments, less generous portfolio results and fewer high earnings opportunities are anticipated over the short to medium term.

### **Ample Liquidity and Adequate Credit Quality**

Colombian insurers' investment portfolios have ample liquid assets covering their technical reserves (1.2x as of September 2011), a very adequate level for the region. Of the total portfolio, 85% is invested in debt instruments and cash equivalents at banks. Most of the investments are in government bonds, multilateral organizations, as well as local banks and international banks domiciled in Colombia, and they are rated in the 'AAA(col)' to 'AA(col)' range. A smaller percentage of investments are in nonfinancial sector bonds, most of which are rated 'AAA(col)'.

### **Conservative Reserve Policy**

Colombian provisioning regulations are adequate and compare favorably with those of other countries. Reserve coverage for net earned premiums was 2.3x as of September 2011, which is higher than that of other Latin American countries. The regulator is currently working on a project that would lead to an increase in all insurance sector reserves, with its enactment, anticipated for 2012, requiring a greater effort from insurance companies to increase their capital.

### **Adequate Capitalization**

The Colombian insurance industry has adequate capitalization levels relative to the Andean region and the rest of Latin America. Its leverage ratio (liabilities/equity without surplus) was 3.8x in September 2011, which compares favorably with the rest of the region and is rooted in high reserves and adequate operating leverage (1.4x as of September 2011). Equity instruments represent 60% of total equity without surplus and 32% with surplus, which is in line with other, more developed Latin American markets.

### **Solid Regulatory Framework**

The Colombian regulatory framework is one of the most advanced in Latin America after the Mexican, Chilean, and Peruvian regulatory systems. In 2010 the regulator issued two decrees expanding the investment regime for reserves and establishing more explicit capitalization requirements. No changes were implemented in investment regulations that would have a negative effect on the industry. In terms of capitalization, no significant changes occurred with the inclusion of asset risk, but market risk regulations (which have not yet been approved) are expected to establish more stringent capitalization requirements that could affect the industry.

The regulator and the industry have been reviewing the technical reserves regime and holding discussions with independent actuaries since 2008 in order to align the system with international standards. A preliminary version of the new reserves regime is expected in 2012, and will involve higher capitalization requirements for the Colombian insurance industry.

The recently approved Free Trade Agreement with the U.S. will allow insurance to be purchased in the U.S. It will enable American insurance companies to open branches in Colombia, but they will have to comply with Superintendencia Financiera regulations in terms of capitalization. The passage of the FTA is not expected to affect the overall insurance sector, but certain business lines, such as international transportation insurance, health insurance, and export credit, could experience stiffer competition.

**2012 Outlook**

The Colombian insurance industry's combined ratio could exhibit a slight deterioration at the end of 2011 and 2012 due to 1) a second round of winter flooding that is expected to last until the first quarter of 2012 and 2) to a price war taking place among the most important insurance lines. However, the negative effects of the loss ratio could be offset by an increase in underwriting activity driven by the favorable economic environment, with Fitch Ratings anticipating 5% real GDP growth for 2012. Therefore, no drastic changes are expected in insurers' credit profiles that would give rise to changes in the industry's outlook and its assigned ratings.

**Venezuela**

**Favorable Growth Expectations for 2012; Technical Performance Pressured by Higher Loss Ratios**

***Adverse Economic Environment***

Inconsistent macroeconomic policies, a multiple exchange rate regime, high inflation, and an economy that is highly dependent on oil prices are all factors behind the macroeconomic distortions and volatile performance of the Venezuelan economy and, consequently, the Venezuelan insurance and reinsurance industry. These factors could dampen the ratings assigned.

**Insurance Market**

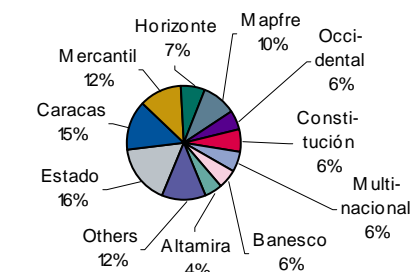
***Modest Economic Growth in 2011; Favorable Outlook for 2012***

In the first quarter of 2011, the Venezuelan economy exhibited real growth of 1%, reversing the economic slowdown experienced in 2010 (-1.4% in real terms). This growth was due to higher international oil prices, increased public spending, and improvements in the electricity sector. However, annual inflation was 21% as of June 2011, and is expected to be around 28.5% at the end of 2011 due to limited supplies, particularly in the food industry. Fitch anticipates GDP growth at about 2.7% in 2012 with an inflation rate of 30%, driven by an increase in public spending during the election process and by an expected rise in international oil prices.

***Market Penetration Benefits from Inflation and Exchange Rates***

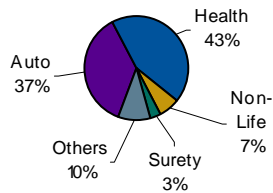
While the premium to GDP ratio compares favorably to the upper range for the region, the recent currency devaluation suggests that market penetration is actually much more moderate. The extremely low market penetration of life insurance (excluding health), which is among the lowest in the region, provides an opportunity for the sector to grow. The new insurance law, which makes accident, health, and funeral service insurance mandatory for retirees, pensioners, senior citizens the disabled, and low-income families, will increase insurance penetration in Venezuela.

**Venezuela: Market Share — Dec. 2011**



Source: Sudeseg, Fitch.

### Venezuela: Premium Breakdown — Dec. 2011



Source: Superintendency, Fitch.

#### **Moderate Concentration by Company**

The Venezuelan insurance industry has historically been moderately concentrated. As of September 2011, the 10 largest companies comprised 70% of total premiums written, which is fairly low for the region. When the government took control of some insurers in 2009 and 2010, their weight in the industry rose to approximately 15% of all premiums. This, together with an increased demand for insurance from publicly owned companies, has significantly changed the various insurers' market positions.

#### **High Concentration by Segment**

Auto and health policies represent 70% of the premiums written in the Venezuelan insurance sector, making it one of Latin America's least diversified countries in terms of insurance lines. The life segment has the lowest market share due to the lack of private pension funds, the population's low purchasing power, constant inflationary and devaluation threats to the amounts insured, and to the fact that Venezuelans are generally not in the habit of buying this type of coverage.

#### **Growth Continues to Be Driven by Auto and Health**

As of September 2011, the Venezuelan insurance industry recorded a 32% increase (approximately 13% in real terms) after having experienced slower growth in 2010 (27% nominal, 3.3% real) due to the economic contraction. Although the vehicle market has only grown by 4% (as of September 2011), inflation and soaring vehicle prices have contributed to the growth of this line. The health segment has experienced greater demand from government entities due to the weak public health system. In addition, health insurance prices have been increasing due to rising costs in medical services and supplies.

#### **Positive Performance in Technical Profitability**

As a measure of technical profitability, the combined ratio (96% as of September 2011) places the Venezuelan insurance industry below average for the region. However, the market's technical performance in the first three quarters of 2011 was positive due to a decline in the loss ratio. As of September 2011, the loss ratio fell to 61% after being at 65% in December 2009, an improvement that stemmed from growth in premiums written, which diluted the higher costs of claims. While the loss ratio has fallen, it remains higher than that recorded in 2007 (58%) due to inflationary pressures, exchange rate fluctuations, rising vehicle repair costs, and medical inflation.

#### **Low Reserves Benefit Technical Results**

The Venezuelan insurance industry's technical margins compare positively with those of other countries in the region due to less stringent technical and loss reserve requirement policies, which result in lower loss and combined ratios. However, the new regulatory framework introduces new provisioning practices, aligning them with international standards.

#### **Stable Net Financial Income**

The ratio of net financial income to premiums has remained stable (averaging 4.0%) but well below the regional average because of low interest rates, relatively lower reserves, high intermediation costs, a lack of depth in the capital market, and regulatory restrictions aimed at promoting securities issued or guaranteed by the government.

### ***Lower-than-Average Liquidity for the Region***

The Venezuelan market's liquidity ratios are lower than the regional average, given its low level of reserves and the high percentage of real estate in the total portfolio. Reserve coverage to liquid assets at 0,95x as of September 2011, is lower than the average for the Andean region and Latin America. Venezuelan government bonds represent a large portion of liquid assets (45%), with the remaining percentage invested in debt instruments in private entities and in term deposits with local banks.

Venezuelan legislation allows real estate and fixed assets to be considered as reserves. They are normally recorded at purchase value, which can undervalue the amounts invested and actually available. Valuation and continued investment in these assets have increased their percentage of reserves (28%) and the overall portfolio (16%).

### ***Leverage Ratios Benefit from Low Reserves; High Exposure to Real Estate***

Low reserve levels have kept the Venezuelan insurance sector's leverage ratios in line with the region's average (1.9x as of September 2011). The operating leverage ratio (net earned premiums/equity) is higher than the Latin American industry average (2.8x), but it has remained stable over the last five years due to good technical performance. The sector's equity exposure to real estate, at 120% of total equity, exceeds both international and regional standards.

### ***New Regulations Bring Change to the Insurance Industry***

In 2010, the National Assembly passed a new insurance law replacing the regulations that had been in effect since 1994. The enactment of this new law will bring about positive changes in technical terms as it strengthens minimum capital required, makes improvements in investments, promotes more conservative reserves, and is oriented toward best international practices. It also changes oversight mechanisms, giving the regulator greater capacity to protect policyholders and addressing certain sectors and economic groups that had previously been overlooked.

However, the new law also introduces factors that could, to some extent, increase the industry's operating and financial risks and could lead to problems of adverse selection, limit the use of banks as distribution channels, and restrict price increases. All of this, together with the fact that financial groups cannot be formed, will have a negative effect on the sector's business activity and its players' financial performance.

## **Reinsurance Market**

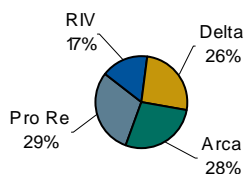
### ***Concentrated Market***

The Venezuelan reinsurance sector is composed of four companies, all of which are owned by local businesspeople. The number of players is expected to be reduced to three in the short term as RIV is to cede its premium portfolio to Pro Re, its parent company and Venezuela's largest reinsurer, once the operation is approved by the regulator. The portfolio consists primarily of fire and earthquake, auto, personal accident, bond, aviation, technical lines, and hull and machinery insurance. Most of the coverage is offered through facultative contracts, with a smaller percentage in quota share and nonproportional agreements.

### ***Relative Improvement in the Industry's Technical Performance***

The reinsurance sector's technical performance improved, with a combined ratio of 98.9% in June 2011 versus 100.6% in June 2010. This level is adequate and translates into a positive operating margin of 0.8% of net premiums. Although small, this margin is an improvement over

### **Venezuela: Reinsurance Market — June 2011**



Source: Sudeseg, Fitch.

the technical losses recorded in June of 2010 (-0.4% of net premiums) and the less favorable results in other international reinsurance markets. The improvement in the Venezuelan reinsurance industry's combined ratio stems from greater operating efficiency in the first three quarters of 2011 (expense ratio: 44.6% at September 2011 versus 47.9% in September 2010). The net loss ratio for the period rose to 42.6% (versus 38.1% in June 2010), although it remains at an acceptable level.

Fitch believes that the industry's performance will hinge on its ability to maintain adequate underwriting and cost control policies despite inflationary pressures and exchange rate restrictions and given market expansion.

#### ***Below Average Capitalization by International Standards***

At 24.2%, the industry's capitalization ratio (adjusted equity/assets) continues to be influenced by a high percentage of fixed capital, particularly revalued assets and unrealized gains (35%). This had a negative impact on leverage, which averaged 2.7x as of June 2011.

#### ***Relatively Tight Liquidity***

The reinsurance industry has relatively tight liquidity, with the liquid assets/reserves ratio at 1.4x and the liquid assets/total liabilities ratio at 0.4x as of June 2011. An important factor is the percentage of fixed assets in real estate (averaging 22% as of June 2011), which the Ley de la Actividad Aseguradora (Insurance Activity Law) accepts as reserves despite the limitations this places on financial flexibility.

In addition, the law encourages companies to hold deposits in the country's financial institutions and to invest in government bonds. The bonds are not required to be valued at market prices, which can give rise to overvalued portfolios. Fitch believes the industry could benefit from more sophisticated investment portfolios.

### **2012 Outlook**

Growth in the Venezuelan insurance sector will be driven by the country's anticipated economic growth (which hinges on the electoral process and high oil prices), which will be due to higher public spending, a positive outlook for auto sales, and continued price adjustments to keep up with high inflation. In addition, increased business activity in Venezuela's Seguros Solidarios (Solidarity Insurance, which includes health, accident, and funeral) and higher coverage for catastrophic illness under the new insurance law will also spur growth in the industry.

While the combined ratio could improve in 2012 with growth in premiums written, it could also be pressured by the loss ratio and higher net operating costs. The loss ratio could worsen due to inflationary pressure and to the impact of new legislation that fixes premiums and expands coverage for preexisting conditions. Finally, efficiency could worsen because of higher expenses stemming from the elimination of marketing synergies and from the compulsory nature of some segments that require more intense control and oversight.

Peru

**Favorable Growth Outlook but Efficiency Ratios Challenged**

**Relative Size and Market Penetration Still Below that of Regional Peers**

The size and relative importance of the insurance industry in Peru's economy remains low compared to the Latin American average. Recent figures place total premiums written at 1.5% of GDP, while the region's average is around 2.5%. However, the Peruvian market has been fostering large-scale insurance products, which could bring about higher market penetration. Meanwhile, a growing banking industry is auspicious for related growth in the insurance sector.

**A Highly Concentrated Market**

The Peruvian market is comprised of few companies in comparison with other Latin American countries such as Chile or Colombia, each of which has over 30 players. With 58% of net premiums held by the two largest insurance groups, Peru is one of the most concentrated insurance markets in the region. Nonetheless, competition in the sector remains strong, with smaller, specialized niche companies making a concerted effort to gain market share. Peru's premiums are highly concentrated by segment, with 49% of premiums written in two lines: 1) voluntary and compulsory auto insurance (SOAT) and 2) disability, survival, and life annuities.

**Growth Driven by the Country's Economy and Life Annuities**

The Peruvian insurance market has been particularly dynamic over the last four years, averaging 20% growth in premiums written. This growth trend continued in the first two quarters of 2011 as the economy continued to thrive despite electoral uncertainty (8% growth as of June 2011). Fitch anticipates GDP growth of 6.4% at the end of 2011, which will have a direct impact on the insurance sector.

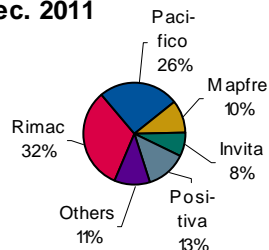
The life annuity segment has exhibited the most dynamic growth, particularly with the enactment of the Special Early Retirement Program (REJA, Régimen Especial de Jubilación Anticipada). The program only lasts until 2012, however, and this segment's underwriting activity is expected to abate, or even decline, over the medium term.

All business lines grew as a result of the companies' aggressive marketing strategies, which included the increased use of alternative distribution channels, stronger sales forces, and greater activity in the provinces. Fitch expects the industry to continue with this marketing strategy in 2012.

**Emphasis on Controlling the Loss Ratio; Challenges in Diluting Acquisition and Administrative Expenses**

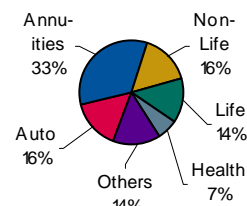
Since 2009, insurers have turned their attention to insurance basics through better pricing and risk management, which has brought about healthy technical results almost sector wide. Evidence of this is the combined ratio's downward trend, which was 111% as of September 2011, compared to 127% in 2008. This has been the result of better claims management, the lack of natural disasters, changes in underwriting policies, and the implementation of technical risk management policies. However, efficiency ratios have deteriorated significantly as the insurers have developed large-scale marketing channels in order to increase the industry's

**Peru: Market Share — Dec. 2011**



Source: SBS, Fitch.

**Peru: Premium Breakdown — Dec. 2011**



Source: SBS, Fitch.

market penetration. These ratios, at 62% as of September 2011, are currently higher than the regional average.

#### ***Conservative Investment Portfolio Drives Positive Financial Performance***

The investment portfolio's performance is particularly important for Peruvian insurance companies because of the industry's high concentration in long-term segments. The portfolio's performance has been stable in recent years due to conservative investments. A large percentage is invested in highly rated local debt instruments with reasonable liquidity, should the need for conversion arise. It should be noted that the industry's tendency to invest in government bonds is also tied to the fact that there are few instruments available that can match insurers' long-term obligations.

#### ***Liquidity in Line with International Standards***

Liquid assets represent 90% of technical reserves, a metric that is in line with the region's standards and with the particular features of the Peruvian insurance sector, where the total premium portfolio is heavily weighted toward life annuities. In general terms, a large percentage of the portfolio is in fixed income assets, approximately 92% when real estate investments that generate leasing income are included.

An important trend in the market is the interest a number of companies have shown in exploring different investment options that help broaden the limited choices available in the local capital market. They have shown a greater interest in real estate investments and special purpose vehicles with financing structures that match their long-term obligations. However, the largest insurers are interested in these investments only so long as they do not affect the average credit rating of their portfolios. Therefore, it is unlikely that they will come to represent more than 5%–8% of the companies' individual portfolios.

#### ***Adequate Capitalization***

Peruvian insurance companies tend to have high-quality capital with limited exposure to equity instruments and real estate. Leverage ratios are in line with the kind of business they do and are similar to those of countries with similar portfolio breakdowns, such as Chile and Colombia. The leverage ratio (liabilities/equity) was 4.0x, and net earned premiums/equity was 1.5x as of September 2011. Equity instruments and mutual funds represent 39% of the sector's total equity, an adequate figure given the market's capital structure.

#### ***A Conservative Regulatory Framework that is Proactive in Reforms***

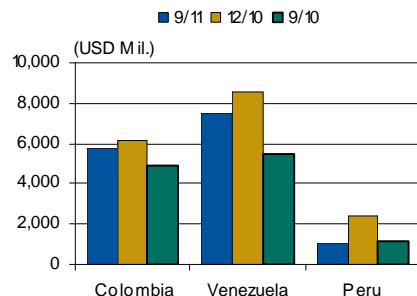
The Peruvian regulatory framework is considered one of the most modern in the region, and the regulator has shown itself to be proactive in constantly adjusting regulatory requirements and controls to meet international standards. Two particularly noteworthy aspects are 1) the requirement that all legal entities under its supervision apply International Financial Reporting Standards (IFRS) to their annual audited financial statements as of Dec. 31, 2011 and 2) the requirement of carrying out impact studies for the gradual implementation of Solvency II capitalization and reserve models.

**2012 Outlook**

Fitch considers that, with the market's growth and competitiveness, companies will have to prove their flexibility and capacity to adapt in order to maintain their efficiency levels. A failure to improve efficiency metrics could put pressure on insurers' technical results in the medium term. The agency anticipates that the Peruvian insurance market could close 2011 with a 20% growth in premiums written, expecting a somewhat lower growth rate for 2012. Fitch anticipates today's competitive environment to continue in 2012, with an emphasis on developing new market segments and alternative distribution channels. The soft price environment of 2008 and 2009 does not seem to be the most likely scenario for 2012 since both the economy and the insurance industry enjoy positive growth outlooks.

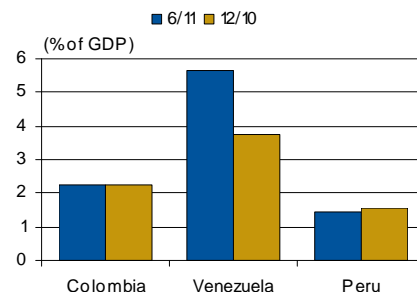
## Appendix: Statistics by Country

### Gross Written Premium



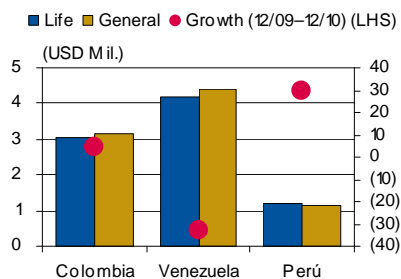
Source: Superintendency, Fitch.

### Insurance Market Penetration



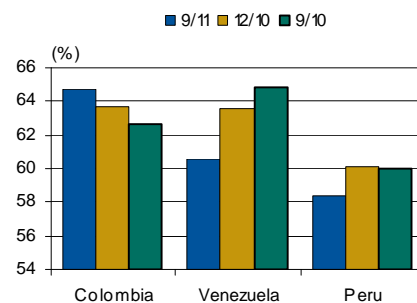
Source: Superintendency, Fitch.

### GWP and Growth



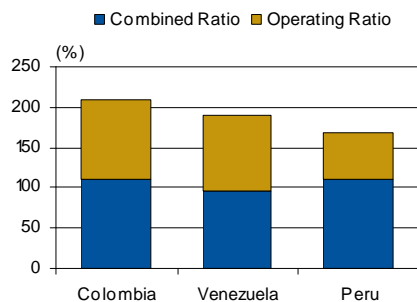
GWP – Gross written premium.  
Source: Superintendency, Fitch.

### Loss Ratio



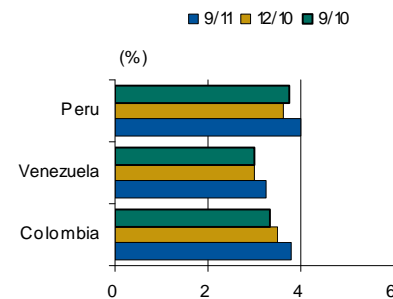
Source: Superintendency, Fitch.

### Combined and Operating Ratio



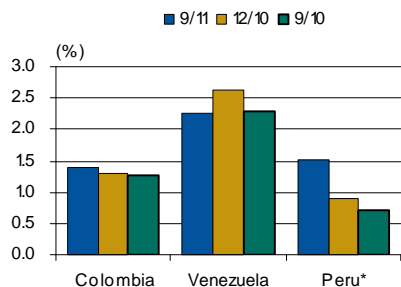
Source: Superintendency, Fitch.

### Liabilities/Equity



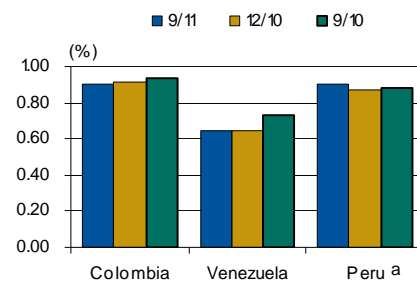
Source: Superintendency, Fitch.

### Net Premium Earned/Equity



\*Peru figures reflect June 2011.  
Source: Superintendency, Fitch.

### Liquidity Assets/Liabilities



<sup>a</sup>Peru figures reflect June 2011.  
Source: Superintendency, Fitch.

**Annex: International and National Ratings**

<b>Issuer Name</b>	<b>National Insurer Financial Strength</b>	<b>Outlook</b>
<b>Colombia</b>		
Aseguradora Colseguros S.A.	AA+(col)	Stable
Black Gold Re Ltd.	AAA(col)	Stable
Compania Aseguradora de Fianzas S.A. — Confianza	AA-(col)	Stable
Compania de Seguros Bolivar S.A.	AAA(col)	Stable
Seguros Comerciales Bolivar S.A.	AAA(col)	Stable
Compania Mundial de Seguros S.A.	AA-(col)	Stable
La Previsora S.A. Compania de Seguros	AA(col)	Positive
Liberty Seguros de Vida S.A.	AAA(col)	Stable
Liberty Seguros S.A.	AAA(col)	Stable
Mapfre Colombia Vida Seguros S.A.	AA(col)	Stable
Mapfre Seguros Generales De Colombia S.A.	AA(col)	Stable
QBE del Istmo, Compania de Reaseguros Inc.	AA(col)	Stable
QBE Seguros S.A.	AA(col)	Stable
RSA Seguros S.A.	AAA(col)	Stable
Seguros Colpatría S.A.	AA(col)	Stable
Seguros De Vida Colpatría S.A.	AA(col)	Stable
EEPPM RE LTD.	BBB	Stable
<b>Venezuela</b>		
Reaseguradora Delta, C.A.	BBB(ven)	N.A.
Americana de Reaseguros	BBB+(ven)	N.A.
Provincial de Reaseguros	A(ven)	N.A.
Reaseguradora Internacional de Venezuela	BBB(ven)	N.A.
<b>Peru<sup>a</sup></b>		
Ace Seguros	A(pe)	Stable
El Pacifico Peruano Suiza	A(pe)	Stable
El Pacifico Vida Seguros	A+(pe)	Stable
Rímac Internacional Seguros	A+(pe)	Stable

<sup>a</sup>Peruvian issuers rated by Apoyo y Asociados, an affiliate of Fitch Ratings. N.A. – Not applicable.  
Source: Fitch Ratings.

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