

Best's Credit Rating Effective Date

July 09, 2021

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

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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](#).

Mutua de Riesgo Maritimo, Sociedad de Seguros a Prima Fija

AMB #: 095280

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

| |
|-------------------------|
| B++ |
| Good |
| Outlook: Stable |
| Action: Affirmed |

Issuer Credit Rating (ICR)

| |
|-------------------------|
| bbb |
| Good |
| Outlook: Stable |
| Action: Affirmed |

Assessment Descriptors

| Balance Sheet Strength | Strong |
|----------------------------|--------------------|
| Operating Performance | Adequate |
| Business Profile | Limited |
| Enterprise Risk Management | Appropriate |

Rating Unit - Members

Rating Unit: Mutua Riesgo Maritimo Soc Seg | AMB #: 095280

AMB # Rating Unit Members
083690 Mutua Riesgo Maritimo Soc Seg

Rating Rationale

Balance Sheet Strength: **Strong**

- Mutua de Riesgo Marítimo, Sociedad de Seguros a Prima Fija's (Murimar) balance sheet strength was underpinned by the strongest level of risk-adjusted capitalisation at year-end 2020, as measured by Best's Capital Adequacy Ratio (BCAR). BCAR scores have deteriorated in line with Murimar's growth strategy. Over the medium term, BCAR scores are expected to remain at the same assessment level based on its forecast.
- Murimar holds sufficient reserves and demonstrates favourable overall loss reserve development trends with a conservative approach to reserving.
- Murimar has an appropriate reinsurance programme that provides a degree of financial stability within its risk appetite. Additionally, Murimar benefits from the support of the Consorcio de Compensación de Seguros, a government funded catastrophe protection scheme.
- Offsetting factors include Murimar's concentration in real estate, representing 37% of its asset investment portfolio. This strategy reduces the mutual's liquidity and adds exposure to the Spanish commercial real estate market. The mutual is reliant on the cash holdings of its life insurance subsidiary for sufficient liquidity. However, liquidity risk is mitigated by the group's centralized management structure, which allows transferring funds within subsidiaries.

Operating Performance: **Adequate**

- During past years, Murimar has reported net profits driven by stricter underwriting conditions and improved claim management procedures.
- Murimar's return on equity is low; however, it is in line with the mutual's strategy and nature to focus on service to customers rather than achieving higher levels of profitability.
- Over the last five years (2016-2020), Murimar has reported an average loss ratio of 73.6% with an improving trend, supported by selective underwriting, exiting unprofitable accounts.
- In 2020, the mutual reported a lower operating expense ratio of 22.7%. The decrease is attributable to higher retention stemming from a shift in the quota share arrangement for the maritime line.
- Life business, which mainly focuses on protection rather than savings products, represents 10% of gross premiums written with a retention of 39%.

Business Profile: **Limited**

- Murimar is a Spanish marine insurance mutual that has been operating for over 93 years. It specialises in small and medium-size vessels with a focus on the fishing fleet and is the fourth-largest marine insurer in Spain.
- The mutual's gross premiums written are mainly sourced in Spain. Murimar has increased its share in international markets, surpassing its projections for 2020. The main markets include Portugal and France, expanding to the Nordic region and Latin America.
- The company's market position is supported by a strong agency network and its mutual status, which contribute to maintaining its client retention capability.
- Although the mutual has continued to diversify its portfolio of products, it remains highly skewed to maritime insurance, which represented approximately 80% of Murimar's gross premiums written in 2020.

Enterprise Risk Management: **Appropriate**

- Murimar has an enterprise risk management framework suitable to the mutual's size and inherent risk. Business units have ongoing responsibility for risk controls with processes reviewed by internal audits. Risk management tools are effectively used for strategic decision-making.
- Given Murimar's small balance sheet, exposure to the inherent volatility of marine insurance business represents a key risk. This is controlled with a reinsurance programme that restricts net exposures.
- Murimar has appropriate risk monitoring and control measures in place including the assessment of capital adequacy using the standard formula for Solvency II.

Outlook

- The stable outlooks reflect AM Best's expectation that Murimar will be able to maintain the strongest level of risk-adjusted capitalisation, whereby growth is supported by internal capital generation, its operating performance will remain profitable underpinned by a well-structured retrocession programme, whilst maintaining its competitive position as a niche maritime insurer for small and medium-size vessels in Spain.

Rating Drivers

- Negative rating pressure could arise if Mutua de Riesgo Maritimo, Sociedad de Seguros a Prima Fija (Murimar) is unable to generate sufficient capital to support planned growth.
- Negative rating actions could occur from a weakening in risk-adjusted capitalisation or if operating performance deteriorates substantially as Murimar continues to expand its business both locally and internationally.

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 | 59.8 | 40.1 | 32.1 | 29.4 |

Source: Best's Capital Adequacy Ratio Model - Universal

| Key Financial Indicators | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Premiums Written: | | | | | |
| Life | 894 | 993 | 974 | 482 | 477 |
| Non-Life | 10,222 | 6,225 | 6,723 | 5,677 | 5,501 |
| Composite | 11,116 | 7,218 | 7,697 | 6,159 | 5,978 |
| Net Income | 146 | 76 | 79 | 133 | -275 |
| Total Assets | 46,393 | 42,670 | 44,011 | 38,850 | 39,649 |
| Total Capital and Surplus | 12,053 | 11,860 | 11,783 | 11,706 | 11,043 |

Source: BestLink® - Best's Financial Suite

| Key Financial Indicators & Ratios | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) | Weighted 5-Year Average |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| Profitability: | | | | | | |
| Balance on Life Technical Account | 16 | -29 | -72 | -23 | -229 | ... |
| Balance on Non-Life Technical Account | 218 | 247 | 226 | 209 | 108 | ... |
| Net Income Return on Revenue (%) | 1.5 | 1.0 | 1.0 | 2.1 | -5.2 | 0.4 |
| Net Income Return on Capital and Surplus (%) | 1.2 | 0.6 | 0.7 | 1.2 | -2.6 | 0.3 |
| Non-Life Combined Ratio (%) | 95.4 | 98.3 | 99.5 | 99.4 | 104.1 | 98.8 |
| Net Investment Yield (%) | 0.6 | 0.2 | 0.2 | 0.2 | 0.1 | 0.3 |

Leverage:

| | | | | | | |
|---|------|------|------|------|------|-----|
| Net Premiums Written to Capital and Surplus (%) | 92.2 | 60.9 | 65.3 | 52.6 | 54.1 | ... |
|---|------|------|------|------|------|-----|

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Additional credit report commentary for this section is pending and will be released in the near term.

Balance Sheet Strength (Continued...)

Capitalisation

| Capital Generation Analysis | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Beginning Capital and Surplus | 11,859 | 11,783 | 11,706 | 11,043 | 10,473 |
| Net Income | 146 | 76 | 79 | 133 | -275 |
| Change in Equalisation and Other Reserves | 48 | ... | -200 | 305 | 845 |
| Net Change in Paid-In Capital and Surplus | ... | ... | 200 | 225 | ... |
| Other Changes in Capital and Surplus | ... | ... | -2 | ... | ... |
| Net Change in Capital and Surplus | 194 | 76 | 77 | 663 | 570 |
| Ending Capital and Surplus | 12,053 | 11,859 | 11,783 | 11,706 | 11,043 |
| Net Change in Capital and Surplus (%) | 1.6 | 0.6 | 0.7 | 6.0 | 5.4 |

Source: BestLink® - Best's Financial Suite

| Liquidity Analysis (%) | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|
| Liquid Assets to Total Liabilities | 20.8 | 20.0 | 18.5 | 18.8 | 14.7 |
| Total Investments to Total Liabilities | 46.9 | 44.2 | 42.0 | 46.7 | 38.8 |

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

| Composition of Cash and Invested Assets | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total Cash and Invested Assets | 16,108 | 13,629 | 13,530 | 12,667 | 11,108 |
| Cash (%) | 44.4 | 45.3 | 44.1 | 40.2 | 37.9 |
| Real Estate, Mortgages and Loans (%) | 39.7 | 47.4 | 48.5 | 51.9 | 59.4 |
| Other Invested Assets (%) | 15.9 | 7.3 | 7.4 | 7.9 | 2.7 |
| Total Cash and Unaffiliated Invested Assets (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total Cash and Invested Assets (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: BestLink® - Best's Financial Suite

Operating Performance

Additional credit report commentary for this section is pending and will be released in the near term.

| Financial Performance Summary | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Pre-Tax Income | 163 | 74 | 96 | 150 | -266 |
| Net Income after Non-Controlling Interests | 146 | 76 | 79 | 133 | -275 |

Source: BestLink® - Best's Financial Suite

| Operating and Performance Ratios (%) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|-------------|-------------|-------------|-------------|-------------|
| Overall Performance: | | | | | |
| Return on Assets | 0.3 | 0.2 | 0.2 | 0.3 | -0.7 |
| Return on Capital and Surplus | 1.2 | 0.6 | 0.7 | 1.2 | -2.6 |
| Non-Life Performance: | | | | | |
| Loss and LAE Ratio | 72.6 | 74.0 | 77.4 | 69.4 | 74.3 |
| Expense Ratio | 22.7 | 24.3 | 22.1 | 30.0 | 29.8 |
| Non-Life Combined Ratio | 95.4 | 98.3 | 99.5 | 99.4 | 104.1 |

Source: BestLink® - Best's Financial Suite

Business Profile

Additional credit report commentary for this section is pending and will be released in the near term.

| Geographical Breakdown of Gross Premium Written | 2020 EUR (000) | 2019 EUR (000) | 2018 EUR (000) | 2017 EUR (000) | 2016 EUR (000) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| European Community | ... | ... | 1,106 | ... | ... |
| Spain | ... | ... | 18,675 | ... | ... |
| Total Europe | ... | ... | 19,781 | ... | ... |
| Other World-Wide | ... | ... | -2 | ... | ... |
| Total | ... | ... | 19,779 | ... | ... |

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Additional credit report commentary for this section is pending and will be released in the near term.

Financial Statements

| | 12/31/2020 | | 12/31/2020 |
|---------------------------------------|------------|-------|------------|
| | EUR (000) | % | USD (000) |
| Balance Sheet | | | |
| Cash and Short Term Investments | 7,154 | 15.4 | 8,788 |
| Other Invested Assets | 8,954 | 19.3 | 10,999 |
| Total Cash and Invested Assets | 16,108 | 34.7 | 19,787 |
| Reinsurers' Share of Reserves | 15,140 | 32.6 | 18,598 |
| Debtors / Amounts Receivable | 11,602 | 25.0 | 14,252 |
| Other Assets | 3,543 | 7.6 | 4,352 |
| Total Assets | 46,393 | 100.0 | 56,989 |
| Unearned Premiums | 11,039 | 23.8 | 13,560 |
| Non-Life - Outstanding Claims | 14,231 | 30.7 | 17,481 |
| Life - Long Term Business | 1,607 | 3.5 | 1,974 |
| Total Gross Technical Reserves | 26,877 | 57.9 | 33,016 |
| Debt / Borrowings | 136 | 0.3 | 167 |
| Other Liabilities | 7,327 | 15.8 | 9,000 |
| Total Liabilities | 34,340 | 74.0 | 42,183 |
| Retained Earnings | 146 | 0.3 | 179 |
| Other Capital and Surplus | 11,907 | 25.7 | 14,627 |
| Total Capital and Surplus | 12,053 | 26.0 | 14,806 |
| Total Liabilities and Surplus | 46,393 | 100.0 | 56,989 |

Source: BestLink® - Best's Financial Suite
US \$ per Local Currency Unit 1.2284 = 1 Euro (EUR)

| | 12/31/2020 | | | | 12/31/2020 |
|---|------------|-----------|-----------|-----------|------------|
| | Non-Life | Life | Other | Total | Total |
| Income Statement | EUR (000) | EUR (000) | EUR (000) | EUR (000) | USD (000) |
| Gross Premiums Written | 24,917 | 2,290 | ... | 27,207 | 33,421 |
| Net Premiums Earned | 8,329 | 1,007 | ... | 9,336 | 11,468 |
| Net Investment Income | ... | 89 | -4 | 85 | 104 |
| Unrealized capital gains / (losses) | ... | -1 | 6 | 5 | 6 |
| Other Income | 173 | 6 | ... | 179 | 220 |
| Total Revenue | 8,502 | 1,101 | 2 | 9,605 | 11,799 |
| Benefits and Claims | 6,050 | 457 | ... | 6,507 | 7,993 |
| Net Operating and Other Expense | 2,234 | 628 | 73 | 2,935 | 3,605 |
| Total Benefits, Claims and Expenses | 8,284 | 1,085 | 73 | 9,442 | 11,599 |
| Pre-Tax Income | 218 | 16 | -71 | 163 | 200 |
| Income Taxes Incurred | ... | ... | ... | 17 | 21 |
| Net Income before Non-Controlling Interests | ... | ... | ... | 146 | 179 |
| Net Income/(loss) | ... | ... | ... | 146 | 179 |

Source: BestLink® - Best's Financial Suite
US \$ per Local Currency Unit 1.2284 = 1 Euro (EUR)

Related Methodology and Criteria

[Best's Credit Rating Methodology, 11/13/2020](#)

[Catastrophe Analysis in A.M. Best Ratings, 10/13/2017](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

AMB #: 095280 - Mutua de Riesgo Maritimo, Sociedad Seg

[Scoring and Assessing Innovation, 03/05/2020](#)[Understanding Universal BCAR, 03/11/2021](#)

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