

Fitch Affirms Maxseguros EPM Ltd's IFS Rating at 'BBB'; Outlook Stable

Written by Australian Business

NEW YORK & BOGOTA, Colombia--([BUSINESS WIRE](#))--Fitch Ratings has affirmed Maxseguros EPM Ltd's Insurer Financial Strength (IFS) rating at 'BBB'.

KEY RATING DRIVERS

Maxseguros EPM Limited's rating is equalized to the rating of the parent due to Fitch considers that it is a core subsidiary. Empresas Publicas de Medellin E.S.P. (EPM) has a local-currency Issuer Default Rating (LC IDR) of 'BBB' with Stable Outlook. Maxseguros continues to have a non-retention risk policy and limited exposure of its equity.

Maxseguros is considered a core subsidiary of EPM due to the tight linkage with EPM's Risk Management department. Maxseguros is responsible for the assurance strategy of all assets and subsidiaries of EPM Group. Besides, there is a formal business partnership agreement between EPM and the captive that provides rights and obligations to both parties and the resources necessary for the optimal operation of the captive, especially in regards to investments, human resources, and corporate governance.

Maxseguros' profitability shows a positive trend. At December, 31 2013, Maxseguros reported a net income of USD2.6 million, 37% higher than the previous year. This performance was as result of greater ceding commissions coming from its participation in the security program of Ituango's construction all risk coverage.

Capitalization and Liquidity levels are strong. At Dec. 31, 2013, Maxseguros equity reached USD26 million, 26% higher than the previous year due to the policy of reinvesting profits. The coverage ratio of liquid assets over liabilities is 1,2x and the investments are placed in financial institutions with good credit quality and marketable investments in funds concentrated in fixed-income investments.

RATING SENSITIVITIES

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The Rating Outlook is Stable. An upgrade may be considered if positive changes occur to the credit profile of the parent.

Key rating triggers that may lead to a downgrade include negative changes in availability and willingness of Empresas Publicas de Medellin to provide support.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

--'Insurance Rating Methodology' (Nov. 13, 2013).

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Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=723072

Additional Disclosure

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