

NRCP Receives Strong Credit Rating

National Reinsurance Corporation of the Philippines (NRCP), the country's sole professional reinsurer, was assigned a financial strength rating of **PRS A plus**, with a **Stable Outlook**, by Philippine Rating Services Corporation (PhilRatings).

An insurer rated **PRS A** has **strong** financial security characteristics but is somewhat more likely to be affected by adverse business conditions compared to higher-rated insurance companies. The "plus" further qualifies the assigned rating. On the other hand, a **Stable Outlook** indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

The assigned financial strength rating and Outlook take into account NRCP's: a) solid market franchise; b) strong shareholders and highly-experienced management; c) sound investment portfolio; d) marked improvement in profitability; and e) above satisfactory capitalization.

PhilRatings based its assessment on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to NRCP and may change the rating and Outlook at any time, should circumstances warrant a change.

As the sole domestic professional reinsurance firm in the Philippines, NRCP enjoys a solid market franchise. Legislatively, it has the advantage of being entitled to take up at least 10% of all outward reinsurance business from domestic insurance companies. This grants NRCP significant access to the local reinsurance business and insight into the reinsurance needs of domestic reinsurers.

The Government Service Insurance System (GSIS), a government-owned and controlled corporation mandated to provide and administer social security benefits for government employees, was NRCP's largest shareholder with 25.8% ownership stake as of end-2024. MICO Equities, Inc. (MEI) and Bank of the Philippine Islands (BPI) were the Company's other major shareholders, with ownership interests of 12.9% and 13.7%, respectively. MEI operates as a holding company for the Yuchengco Group's non-life business, Malayan Insurance Co., Inc., and which was the second largest domestic non-life insurance company in 2024, based on its gross premiums written (GPW) of ₱15.1 billion. On the other hand, BPI is one of the leading universal banks in the Philippines. Based on Bangko Sentral ng Pilipinas' (BSP) data as of end-2024, BPI ranked second in terms of total capital (₱428.2 billion) and total net loans and receivables (₱2.2 trillion), and third in terms of total assets (₱3.3 trillion) and total deposits (₱2.6 trillion), among the country's universal and commercial banks.

NRCP is also led by a management team which is considered to have a solid experience in and understanding of the insurance industry and financial markets, both domestic and global. Management is led by Allan R. Santos, the Company's President and Chief Executive Officer since 2018. Prior to his current position, Mr. Santos was the Executive Vice President (EVP) and Chief Operating Officer (COO) of NRCP. He was COO for affiliate companies of Philam Life and was also Regional Chief Financial Officer (CFO) for Europe of Cigna Global Health Benefits.

As of end-2023, NRCP's total investment assets stood at ₱10.2 billion, up by 10.6% from ₱9.2 billion as of end-2022. Such marginally grew by 1.3% to ₱10.3 billion, as of end-September 2024. Low-risk fixed income investments accounted for 92.5% of its total investment portfolio as of end-September 2024, while equities made up the remaining 7.5%. Government securities comprised bulk of the Company's fixed income portfolio, accounting for 74.5%. Corporate bonds came in second with a 15.5% share. For NRCP's equity investments, companies listed on the Philippine Stock Exchange (PSE) accounted for 93.4%.

In 2023, growth in NRCP's life and domestic non-life businesses drove the significant 32.1% growth in GPW to ₱6.2 billion, from ₱4.7 billion in 2022. The growth was mainly due to the addition of Agriculture reinsurance, which generated ₱1.8 billion or around 29.4% of total GPW. This was partly offset, however, by the 50.9% increase in net claims and claims reserve, from ₱1.9 billion in 2022 to ₱2.9 billion in 2023, mainly from significant property losses from the non-life domestic business. As a result, net underwriting income grew by 142.4%, from ₱236.2 million in 2022 to ₱572.5 million in 2023. The Company's net profit stood at ₱536.1 million in 2023, an 862.5% jump from ₱55.7 million in 2022.

In the first nine months of 2024 (9M2024), NRCP recorded GPW of ₱4.3 billion, slightly down by 8.6% from ₱4.7 billion in the same period last year, mainly due to lower reinsurance premium income from non-life domestic business, particularly from Fire and Agriculture. Nevertheless, the Company's net underwriting income rose by 193.1%, from ₱133.8 million in 9M2023 to ₱392.3 million in 9M2024. This resulted primarily from higher release of premium reserves for the Company's non-life foreign business in 9M2023. The Company registered a net income of ₱424.7 million in 9M2024, an increase of 102.3% from ₱210.0 million in 9M2023.

Returns were noticeably up, in line with significantly better operating results. Return on average assets (ROAA) was 2.8% in 2023, which was higher compared with returns in the last five years.

The Company's risk-based capital (RBC) ratio of 227.0% as of end-September 2024 was more than double the minimum ratio of 100.0% required by the Insurance Commission.

Updates based on its most recent disclosure show NRCP posting a net income of ₱551.3 million in 2024, representing a marginal increase of 2.8%, mainly on account of the hike in investment and other income and expenses (net). As of end-2024, NRCP's total assets stood at ₱21.0 billion, up by 4.5%. With its equity of ₱6.9 billion as of end-2024, NRCP was more than compliant with the minimum regulatory net worth requirement of at least ₱3.0 billion.