

# BEST'S RATING REPORT



## **BEST MERIDIAN INSURANCE COMPANY**

8950 S.W. 74th Court, 24th Floor, Miami, Florida, United States 33156

**AMB #:** 060007

**NAIC #:** 63886

**FEIN#:** 59-2764247

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**Website:** [www.bmicos.com](http://www.bmicos.com)



**Best's Credit Rating Effective Date**

July 16, 2020

**Best's Country Risk Reports Utilized**

- [Mexico - CRT - 3](#)
- [Costa Rica - CRT - 4](#)
- [Venezuela - CRT - 5](#)
- [Ecuador - CRT - 5](#)

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**Information**

- [Best's Credit Rating Methodology](#)
- [Understanding Best's Credit Ratings](#)
- [Market Segment Outlooks](#)

**Financial Data Presented**

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

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](#).

# Best Meridian Insurance Company

**AMB #:** 060007 | **NAIC #:** 63886 | **FEIN#:** 59-2764247  
**Ultimate Parent:** AMB # 051318 - BMI Financial Group, Inc.

**Best's Credit Ratings – for the Rating Unit Members**

**Financial Strength Rating (FSR)**

A-
Excellent
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Issuer Credit Rating (ICR)**

a-
Excellent
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Assessment Descriptors**

Balance Sheet Strength	<b>Strongest</b>
Operating Performance	<b>Adequate</b>
Business Profile	<b>Neutral</b>
Enterprise Risk Management	<b>Marginal</b>

**Rating Unit - Members**

**Rating Unit:** Best Meridian Ins Co | **AMB #:** 060007

**AMB #**    **Rating Unit Members**  
 086911    Best Meridian Intl Ins Co SPC

## Rating Rationale

### Balance Sheet Strength: **Strongest**

- Strongest level of risk-adjusted capitalization as measured by the Best's Capital Adequacy Ratio (BCAR) model.
- The group has no dependence on debt to manage its balance sheet.
- Risk associated with a relatively large investment allocation to mortgage loans. However, majority of the mortgages are directly issued shorter-term loans on local properties. There is no history of defaults.
- Potential risk associated with Best Meridian International Insurance Company SPC's growing reinsurance business. However, close to 100% of that business is currently retro-ceded to high quality reinsurers.

### Operating Performance: **Adequate**

- Positive net gains driven by steady net investment income. Investment income has historically offset underwriting volatility.
- Underwriting results deteriorated substantially over the past three years driven by higher loss ratio.
- Deterioration in economic conditions have impacted reinsurance assumed for Best Meridian Insurance Company (BMIC).

### Business Profile: **Neutral**

- Despite the economic challenges in Latin America, the group has been able to maintain a niche status in private medical insurance and universal life.
- Business persistency is more solid as products are specifically designed to serve the markets of Latin America and the surrounding region. Premiums are diversified by geography with no heavy dependency on one market.
- The group is exposed to the economic, political and regulatory risks in Latin American countries to the extent that they may impact its sales and/or persistency of products.

### Enterprise Risk Management: **Marginal**

- The group's risk management framework is developing, and its risk management capability is viewed to be marginal relative to the size and complexity of its operations.
- The group has good controls and adequate capability for key underwriting risks; however, AM Best considers there to be deficiencies in the management of certain key risks.
- Country risk remains a key risk for the group given its underwriting operations are primarily focused in Latin America. Therefore, challenges posed by regulatory and economic uncertainty risk from revenue streams from its high-risk markets are discussed by the directors of the group on a regular basis.

### Outlook

- The stable outlooks reflect the group's strongest level of balance sheet strength assessment.

### Rating Drivers

- Negative rating movement could occur if there is a growing exposure to lower quality reinsurance counterparties.
- Negative rating movement could occur if the group reports a material decline in risk-adjusted capitalization.
- Negative rating movement could occur if there is a deterioration of operating performance.

## Credit Analysis

### Balance Sheet Strength

BMIC's balance sheet strength is underpinned by risk-adjusted capital level that is at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). The balance sheet strength is evaluated on a consolidated basis to include BMIC's sister company, Best Meridian International Insurance Company SPC (BMIIC), the Cayman Islands subsidiary of BMI Financial Group. The consolidated level of risk-adjusted capitalization is expected to remain at the strongest level in the near to medium term based on current projections.

## Balance Sheet Strength (Continued...)

### Capitalization

BMIC and BMIIC have maintained strongest level of risk-adjusted capitalization over the past several years. The organization maintains a modest level of change in unrealized gains due to normal invested asset fluctuating trend. Increase in capital and surplus combined with smaller increase in net premium written has resulted in strengthening of net premium leverage in 2019. BMIC's investment philosophy and profile, combined with its stable liability structure, provide good liquidity and an adequate level of capital to liabilities. The company has not paid stockholder dividends over the past couple of years.

Additionally, the organization's access to external capital resources remains limited. As a result, there is limited margin for any significant adverse earnings performance. As the BMI group continues to focus on expansion, access to capital might become more of an issue. With internally generated earnings as the main source of surplus growth, A.M. Best believes the company may be challenged to generate the capital necessary to further expand its Latin American operations, although the current capital level is more than adequate to support the company's insurance and investment risks.

Acquisition cost for its insurance policies are high partially due to its high sales commissions. However, the company's net deferred acquisition costs are lower because surrender charges in case of lapsed contracts often offset the unamortized acquisition costs.

### Asset Liability Management - Investments

Nearly three-fifths of BMIC's invested assets were allocated to long-term bonds. The rest of the company's holdings were held in cash, other short-term securities, mortgage loans, real estate, stocks and policy holder loans. The company's investment strategy is to meet liquidity and cash flow needs, while maintaining yield spread, safety of investments, and providing adequate total returns.

Bonds were mainly allocated to corporate securities, U.S Government, Corporate and Special Revenue and a small percentage in other foreign obligations. All of the fixed income securities mainly publicly traded, where almost all are held in above investment grade securities. Real estate investments make up nearly one tenth of the company's invested assets, consisting mainly of offices occupied by the company plus other property added recently.

While BMIC maintains a diversified investment portfolio, the company continues to remain exposed to investment concentration risk with mortgage loans accounting for approximately 14% of invested assets. Its mortgage loans portfolio represents approximately 67% of its capital and surplus position in 2019, increasing in recent years. The mortgage portfolio is comprised of a mix of residential and commercial loans, with commercial loans accounting for about 83% of the portfolio, all on property located within Florida. The company began investing in mortgage loans over ten years ago and continues to conduct thorough evaluation and apply strict underwriting guidelines for each loan. The company's investment in mortgage loans has exhibited favorable investment yields.

### Holding Company Assessment

BMI Financial Group, Inc. (BMI) is a privately held insurance-based holding company located in Miami, Florida. Minority shareholders include producing life insurance agents of Best Meridian Insurance Company (BMIC). The group has over 100 employees, an international field force of 1,000 general agents, and corporate offices in South Florida, Grand Cayman, and major cities throughout Latin America. In addition to BMIC and Best Meridian International Insurance Company SPC (BMIIC), the insurers within the BMI group include BMI del Ecuador Compañía de Seguros de Vida, S.A. (BMI of Ecuador), BMI Iguales Medicas del Ecuador, S.A. (HMO-Iguales Ecuador), BMI Compañía de Seguros, S.A. (BMI of Dominican Republic), BMI Compañía de Seguros de Guatemala, S.A. and BMI Colombia Compañía de Seguros de Vida, S.A. BMI of Ecuador offers group and individual medical, group life and credit life products. These companies and branch operations provide local currency denominated life and health insurance products to the growing middle income population of their respective countries.

### Operating Performance

Best Meridian Insurance Company's (BMIC) operating performance is considered to be adequate. The company operating performance has been profitable-albeit fluctuating in recent years. The majority of the operating gains have been generated in the individual and group accident and health segment through 2019.

Underwriting loss over the past several years are due to unfavorable medical loss ratio and claims experience. The company experienced elevated morbidity in its health segment leading to sizable underwriting losses across multiple geographies. However, investment earnings have demonstrated improvement over the recent years. Net investment income has offset underwriting losses and continues to be a major contributor to net income. Over the last five years, net investment yield has ranged between 4.17% and 4.78% providing sufficient hedge against underwriting fluctuation.

### Operating Performance (Continued...)

Growth in new business resulted in premium growth in 2019. However, premium development has been volatile over the years. Five-year compounded aggregated growth rate (CAGR) of net premium was unfavorable, reflecting a decline of almost 3% in 2019. Individual accident and health premiums are the dominant line of business and reported an increase in net premium through 2019. Group life policies increased marginally but average premium declined lowering net premium written for this line of business. For the ordinary life line of business, the number of policies issued was higher over the past couple of years.

Some of the premium decline in prior years was related to BMIC's decision to discontinue some reinsurance relationships due to political and financial instability in several Latin America countries. Going forward, BMIC plans to grow its assumed premium through new reinsurance contracts established in more stable jurisdictions in Latin America.

Best Meridian International Insurance Company SPC (BMIIC) has consistently reported favorable net income over the years driven by strong business growth and adequate pricing. Earnings trends can be attributed to fairly steady loss ratios which has been below 80%. Positive financial performance for the company is expected in the near term. Both net return on revenue and return on equity were favorable in 2019.

### Business Profile

Best Meridian Insurance Company (BMIC) markets ordinary life insurance as well as individual and group accident and health products with the majority of health products being major medical insurance. Included in the company's life product portfolio are universal life, individual term and whole life policies. The majority of individual life premium is universal life. BMIC is a U.S.-based stock company located in Miami, FL and a wholly owned subsidiary of BMI Financial Group, Inc., an insurance holding company also located in Miami, FL.

The Latin American market for private medical insurance continues to have growth potential. As such, BMIC has been expanding its business in its current markets and expanding into new countries. BMIC has reported favorable premium development over the past few years.

BMIC markets its insurance products to business executives and professionals primarily in Latin America. These products, all written in U.S. dollars, are modeled after domestic insurance policies. This market niche has been developed and further enhanced by BMIC's senior executives, who have diversified domestic and international insurance backgrounds. The current sales force has been built primarily through referrals. All policies are printed in both English and Spanish, and all employees who are required to interact with the field force and customer base are bilingual.

The company utilizes the services of UnitedHealthcare as a third-party administrator (TPA) for accident and health claims. UnitedHealthcare administers all health claims that are incurred by BMIC's customers in the continental United States. BMIC benefits from the UnitedHealthcare claims underwriting experience and the pricing leverage within its network of providers. BMIC also benefits from not being subject to U.S. Health regulations (specifically, minimum medical loss ratio requirements) because its customers are not U.S. citizens.

Best Meridian International Insurance Company SPC (BMIIC) writes life and health insurance policies in Latin America, with majority of life/health premium ceded to BMIC.

In 2017, BMIIC received authorization and established Segregated Cell to reinsure property, casualty, bond, unemployment and structured finance products. In 2018, BMIIC began to assume modest amounts of property/casualty business from various parties in Latin America, Europe, and Asia. Premium recorded for this line of business grew to over \$50 million in 2018. BMIIC retro-ceded 100% of this premium to multiple reinsurers. BMIIC contracts contain additional protection through simultaneous payment clause where BMIIC is not obligated to pay until the retro-cession party satisfies its obligation.

Business Men's Insurance Corp. is an international sales agency dedicated to serving Latin America's business community. The company has over 40 years of experience and is a leading provider of life and health insurance in Latin America, and generates virtually all of BMIC's life and health business. BMI Services, Inc. is a TPA for active life insurers (and leading international reinsurers) in Latin America, including the BMI companies and their joint ventures. This service company provides new business underwriting, policy issue and services, billing and collection, and systems support.

### Enterprise Risk Management

Best Meridian Insurance Company (BMIC) does not have well-documented risk management framework which identifies risk management principles and governance. However, the company has been successful in navigating complexities of writing generally profitable products in multiple countries with challenging regulatory and business environment. There are eight committees throughout the organization that meet either annually, quarterly or as needed. The committees address various risk areas of the company

**Enterprise Risk Management (Continued...)**

including business, financial and operational. There is a special emphasis on disaster recovery and business continuity with alternative locations available for all offices. Although the company writes in riskier jurisdictions, these concerns are somewhat mitigated as BMIC is regulated and domiciled in the United States.

**Reinsurance Summary**

The company maintains coinsurance and yearly renewable term reinsurance treaties. Reinsurers include the Hannover Life Re, the Reinsurance Group of America, Swiss Re Life & Health America, Inc., SCOR Global Life, and MAPFRE RE. Maximum net retention on any one life by Best Meridian is \$500,000.

BMIC is also engaged in a reinsurance relationship with BMIIC, where all health policies written by BMIIC are ceded to BMIC and one of the universal life plans written by BMIC is ceded to BMIIC. BMIIC expanded its reinsurance relationships in 2018 for its retro-ceded property/casualty business. The retro-cession panel includes a number of lower rated or unrated carriers, however BMIIC exercises high degree of due diligence when selecting counterparties.

All reinsurance recoverable balances at year-end 2018 were due from companies rated A- or higher.

**Financial Statements**

	3-Months		Year End - December 31			
	2020		2019		2018	
<b>Balance Sheet</b>	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	54,095	14.4	53,045	14.1	50,813	14.5
Bonds	173,597	46.3	170,552	45.3	164,137	46.8
Preferred and Common Stock	3,013	0.8	3,025	0.8	4,328	1.2
Other Invested Assets	76,689	20.5	77,311	20.6	71,300	20.3
<b>Total Cash and Invested Assets</b>	<b>307,393</b>	<b>82.1</b>	<b>303,932</b>	<b>80.8</b>	<b>290,578</b>	<b>82.9</b>
Premium Balances	17,225	4.6	17,791	4.7	16,832	4.8
Net Deferred Tax Asset	3,389	0.9	3,389	0.9	3,048	0.9
Other Assets	46,629	12.4	51,082	13.6	39,973	11.4
<b>Total General Account Assets</b>	<b>374,637</b>	<b>100.0</b>	<b>376,194</b>	<b>100.0</b>	<b>350,430</b>	<b>100.0</b>
<b>Total Assets</b>	<b>374,637</b>	<b>100.0</b>	<b>376,194</b>	<b>100.0</b>	<b>350,430</b>	<b>100.0</b>
Net Life Reserves	250,710	66.9	250,696	66.6	233,093	66.5
Net Accident & Health Reserves	41,361	11.0	42,284	11.2	42,867	12.2
Liability for Deposit Contracts	424	0.1	434	0.1	485	0.1
Asset Valuation Reserve	4,271	1.1	4,213	1.1	3,666	1.0
Other Liabilities	17,356	4.6	17,109	4.5	10,437	3.0
<b>Total General Account Liabilities</b>	<b>314,123</b>	<b>83.8</b>	<b>314,736</b>	<b>83.7</b>	<b>290,548</b>	<b>82.9</b>
<b>Total Liabilities</b>	<b>314,123</b>	<b>83.8</b>	<b>314,736</b>	<b>83.7</b>	<b>290,548</b>	<b>82.9</b>
Capital Stock	750	0.2	750	0.2	750	0.2
Paid-In and Contributed Surplus	5,650	1.5	5,650	1.5	5,650	1.6
Unassigned Surplus	54,114	14.4	55,058	14.6	53,482	15.3
<b>Total Capital and Surplus</b>	<b>60,514</b>	<b>16.2</b>	<b>61,458</b>	<b>16.3</b>	<b>59,882</b>	<b>17.1</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>374,637</b>	<b>100.0</b>	<b>376,194</b>	<b>100.0</b>	<b>350,430</b>	<b>100.0</b>

Source: BestLink® - Best's Financial Suite

# Best Meridian Insurance Company

## Last Update

August 17, 2020

## Identifiers

**AMB #:** 060007

**NAIC #:** 63886

**FEIN #:** 59-2764247

## Contact Information

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8950 S.W. 74th Court, 24th Floor,  
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## Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

## Operations

**Date Incorporated:** June 23, 1986 | **Date Commenced:** August 01, 1987

**Domiciled:** Florida, United States

**Licensed:** (Current since 01/04/2002). The company is licensed in Florida. The company also insures Foreign Nationals in Latin America, the Caribbean and Asia.

**Business Type:** Life, Annuity, and Accident

**Organization Type:** Stock

**Marketing Type:** Independent Agency

**Financial Size:** VII (\$50 Million to \$100 Million)

## Best's Credit Ratings

### Rating Relationship

**AM Best Rating Unit:** [060007 - Best Meridian Insurance Company](#)

Refer to the [Best's Credit Report for AMB# 060007 - Best Meridian Insurance Company](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

### Best's Credit Rating History

AM Best has assigned ratings on this company since 1993. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Effective Date	Best's Financial Strength Ratings			Best's Long-Term Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
<b>Current -</b>						
<b>Jul 16, 2020</b>	<b>A-</b>	<b>Stable</b>	<b>Affirmed</b>	<b>a-</b>	<b>Stable</b>	<b>Affirmed</b>
May 31, 2019	A-	Stable	Affirmed	a-	Stable	Affirmed
May 4, 2018	A-	Stable	Affirmed	a-	Stable	Affirmed
Mar 31, 2017	A-	Stable	Affirmed	a-	Stable	Affirmed
Mar 24, 2016	A-	Stable	Affirmed	a-	Stable	Affirmed

## Management

### Officers

**Chairman of the Board:** Antonio M. Sierra

**Vice Chairman of the Board:** Brent Bush

**President and CEO:** Anthony F. Sierra

**Officers (Continued...)**

**Vice President, Treasurer and CFO:** Manuel Pelati

**Vice President:** Karen M. Michell

**Secretary:** Andrew Sierra

**Medical Director:** Rene J. Gomez

**General Counsel:** Carlos M. Machado

**Directors**

Brent Bush

Carlos Garcia-Velez

Rosario Portuondo Duncan

Anthony F. Sierra

Antonio M. Sierra

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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