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AM Best Affirms Credit Ratings of General de Salud, Compañía de Seguros, S.A.

MEXICO CITY, November 5, 2020—AM Best has affirmed the Financial Strength Rating of A- (Excellent), the Long-Term Issuer Credit Rating of “a-” and the Mexico National Scale Rating (NSR) of “aaa.MX” of General de Salud, Compañía de Seguros, S.A. (Gsalud) (Mexico City, Mexico). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Gsalud’s balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

Gsalud’s balance sheet strength is supported by risk-adjusted capitalization at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR), along with strong underwriting practices. The ratings also recognize Gsalud’s affiliation and strategic importance to its ultimate parent, Peña Verde, S.A.B., the leading group in Mexico’s insurance and reinsurance industries, which provides synergies and operating efficiencies. Offsetting these positive rating factors are Gsalud’s concentration in a single line of business in Mexico’s highly competitive health insurance market.

Gsalud is a fully owned subsidiary of General de Seguros, S.A.B. (Genseg) and is focused solely on health insurance. The company provides products mainly in the individual and collective health segments, as well as for major medical expenses. Gsalud has used the same distribution channels as Genseg, which involves agents, brokers and commercial offices.

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Gsalud's strongest level of risk-adjusted capitalization has been maintained despite an increased risk appetite, as reflected by a higher exposure to shares, which makes the company susceptible to equity risk. Historically, the company's strong underwriting practices have resulted in positive technical performance with no dependence on investment revenue to achieve positive bottom line results. In 2019, underwriting practices, coupled with investments results, sustained profitability, as reflected in a 15% return on equity.

The company benefits from being integrated into the Peña Verde, S.A.B. group, gaining operational advantage through common systems, procedures and ERM practices.

Gsalud is undergoing a comprehensive transformation project, which includes the implementation of a new core system, pricing and risk-assessment tools, digital platforms and products for agents and policyholders, as part of its strategy to strengthen its underwriting practices and increase its market scope.

Factors that may trigger positive rating actions include a consistent upward trend of positive underwriting results that strengthen profitability to operating performance levels that AM Best considers strong. The company's ratings could come under pressure should a lack of underwriting discipline result in overall profitability falling short of AM Best's expectations, or if capitalization is no longer supportive of the ratings. Negative rating actions also could take place if the support provided by its group, Peña Verde, S.A.B., would weaken in AM Best's view.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of AM Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version June 11, 2020)

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- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- AM Best's Ratings On a National Scale (Version Oct. 13, 2017)
- Scoring and Assessing Innovation (Version March 5, 2020)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, please refer to [Guide to Best's Credit Ratings](#).

- Previous Rating Date: Nov. 1, 2019
- Date Range of Financial Data Used: Dec. 31, 2014-June 30, 2020

This press release relates to rating(s) that have been published on AM Best's website. For additional rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page.

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