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

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 Seguros, S.A.B. (Genseg) (Mexico City, Mexico). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Genseg’s balance sheet strength, which AM Best categorizes as strongest, as well as its marginal operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also recognize Genseg’s affiliation and strategic importance to its ultimate parent, Peña Verde, S.A.B., a leading group in Mexico’s insurance and reinsurance industries, which provides synergies and operating efficiencies, as well as the reinsurance support provided by affiliated company, Reaseguradora Patria, S.A.

Genseg initiated operations in Mexico City in 1970. The company mainly underwrites motor, accident and health, a mix of property/casualty and life insurance lines and historically has participated in the crop insurance market. Genseg operates throughout Mexico with a network of independent agents, brokers and commercial offices.

Genseg’s balance sheet strength is supported by risk-adjusted capitalization at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). The company’s capitalization and liquidity provide Genseg

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with flexibility to cover deviations in claims or volatile securities market conditions without having to realize losses in its investment portfolio. The company's capitalization is further supported by a reinsurance program placed with highly rated entities.

Historically, operating performance been limited by underwriting performance and investment valuation. However, the company shifted its investment strategy in order to offset volatility, and in 2019, investment income improved, leading to positive bottom-line results. As of June 2020, the effects of the COVID-19 pandemic on Mexico's stock market, as well as the continuous decline in Mexico's sovereign debt rating, have caused losses in the valuation of Genseg's investments, further limiting operating performance in 2020.

Genseg 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 achieve premium sufficiency and increase its market scope.

Factors that may trigger positive rating actions include an improved and constant upward trend in operating performance, as measured by Genseg's underwriting quality and positive bottom-line results. The company's ratings could come under pressure should soft market conditions continue and if a lack of underwriting discipline generates negative technical results, causing profitability to fall 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)

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- Understanding Universal BCAR (Version June 11, 2020)
- Catastrophe Analysis in AM Best Ratings (Version Oct. 13, 2017)
- 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.

AM Best does not validate or certify the information provided by the client in order to issue a credit rating.

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