



Fitch Revises Outlook on Patria International's IFS to Negative Following Mexican Sovereign Action

Fitch Ratings-Monterrey-09 November 2018: Fitch Ratings has affirmed Reaseguradora Patria S.A.'s (Patria) International Insurer Financial Strength (IFS) rating at 'A-'. The Rating Outlook has been revised to Negative from Stable.

The rating actions on Patria follow the revision of the Rating Outlook on Mexico's Long-Term Foreign Currency Issuer Default Ratings (IDR) to Negative from Stable. (For further information, see Fitch Affirms Mexico at 'BBB+'; Revises Outlook to Negative', dated Oct.31, 2018, at www.fitchratings.com).

Fitch has published an exposure draft of its global master criteria for rating insurance companies, titled 'Exposure Draft: Insurance Rating Criteria'. The exposure draft includes proposed changes to criteria elements and a number of edits to enhance readability.

KEY RATING DRIVERS

Patria's rating is based on the company's strong capitalization along with geographical and product diversification. A revision of Mexico's Foreign Currency IDR impacts Patria's rating since, according to Fitch's criteria, the company's IFS is treated as a Foreign Currency obligation due to its approximately 71% premium concentration in 70 countries. Investment allocation is diversified by currency.

Patria's foreign currency premiums dominate over local currency. Mexican insurance regulation restricts investments outside Mexico, nevertheless, Patria's portfolio is diversified and of high quality. Approximately 73% of Patria's investment portfolio is invested in federal bonds that are diversified by currency.

RATING SENSITIVITIES

Patria's ratings have limited upside potential in the short term given its relatively small size in a market where large global players manage the largest share of the reinsurance market. Operating leverage ratio above 1.5x and recurrent high operating and financial losses that undermine Patria's profitability and equity base, may trigger a negative rating action.

Negative movements on Mexico's country ceiling and sovereign rating may trigger a review of Patria's rating.

Fitch's final adoption of the proposed criteria would likely result in revising Patria's Outlook to Stable.

FULL LIST OF RATING ACTIONS

Fitch has taken the following rating actions:

Reaseguradora Patria S.A.'s (Patria)

--IFS affirmed at A-; Outlook revised to Negative from Stable.

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Applicable Criteria

Exposure Draft: Insurance Rating Criteria (pub. 04 Oct 2018)
(<https://www.fitchratings.com/site/re/10044902>)

Insurance Rating Criteria (pub. 30 Nov 2017) (<https://www.fitchratings.com/site/re/905036>)

Metodología de Calificación de Seguros (pub. 12 Jan 2018) (<https://www.fitchratings.com/site/re/907539>)

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