

Best's Credit Rating Effective Date

November 01, 2024

Additional Rating Types

National Scale Rating for [Reaseguradora Patria, S.A. \(AMB#086054\)](#) is **aaa.MX**

Best's Country Risk Reports Utilized

[Mexico - CRT - 3](#)

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

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](#).

Reaseguradora Patria, S.A.

AMB #: 086054 | **AIIN #:** AA-2730800

Ultimate Parent: AMB # 033224 - Peña Verde, S.A.B.

Best's Credit Ratings

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Strongest**

- Risk-adjusted capitalization remains at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR); adjusted policyholders' surplus (APHS) is supported by the strengthening of catastrophe reserves.
- Conservative investment strategy, mainly allocated in Mexican sovereign fixed-income instruments.
- Sound retrocession program, placed with highly rated entities and proven successful at protecting the company's capital position through catastrophic events.

Operating Performance: **Adequate**

- Profitability achieved through positive underwriting results, further strengthened by investment income.
- Premium sufficiency maintained through the years, even in the wake of extraordinary catastrophic events.
- Catastrophic reserves continue to limit bottom-line results.

Business Profile: **Neutral**

- Only reinsurer in the Mexican industry, and top player in Latin America with strong relationships with other participants.
- Diversified business portfolio across property/casualty lines and life business and geographic regions.
- Global expansion efforts have successfully materialized in South America and more recently in the US.

Enterprise Risk Management: **Appropriate**

- Leader in enterprise risk management (ERM) framework development in Mexico and Latin America.
- Risk management follows a process centered primarily on measuring and monitoring while reporting every quarter in order to mitigate risks.
- Sound retrocession program placed with highly rated entities.

Outlook

- The stable outlooks reflect Reaseguradora Patria's ability to maintain stable profitability metrics along with the strongest level of risk-adjusted capitalization, while implementing its business expansion strategy.

Rating Drivers

- Factors that could lead to positive rating actions include a consistent upward trend in profitability metrics, while maintaining its strongest level of risk-adjusted capitalization, as well as the continued and successful operation of its overseas expansion.
- Factors that may lead to negative rating actions include a sustained decline in profitability, as well as significant deterioration in risk-adjusted capitalization, driven either by unfavorable results or significant cash withdrawals.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	71.0	59.0	54.0	52.0

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2023 MXN (000)	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)
Net Premiums Written:					
Life	836,283	839,738	487,324	425,593	355,127
Non-Life	9,189,264	8,192,506	6,535,363	5,252,977	3,668,916
Composite	10,025,547	9,032,244	7,022,687	5,678,570	4,024,043
Net Income	1,114,533	1,250,282	1,095,995	811,838	888,175
Total Assets	24,840,264	22,462,320	20,144,772	17,248,450	13,816,393
Total Capital and Surplus	10,094,183	9,685,261	8,819,345	7,583,228	6,618,814

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2023 MXN (000)	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	33,450	-262,250	-390,026	-33,383	11,731	...
Balance on Non-Life Technical Account	305,900	1,538,503	1,035,807	331,485	243,119	...
Net Income Return on Revenue (%)	11.0	13.4	16.1	14.3	22.1	14.3
Net Income Return on Capital and Surplus (%)	11.2	13.5	13.4	11.4	14.0	12.6
Non-Life Combined Ratio (%)	96.4	80.7	82.8	93.2	92.4	88.7
Net Investment Yield (%)	4.8	3.6	2.6	3.1	3.9	3.7
Leverage:						
Net Premiums Written to Capital and Surplus (%)	99.3	93.3	79.6	74.9	60.8	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Balance sheet strength assessment remains at the strongest level, underpinned by its strongest capital adequacy levels and supported by an appropriate retro program, which helps the company preserve its capital position. In addition, the company maintains a more conservative investment policy.

Capitalization

Reaseguradora Patria's risk-adjusted capitalization remains at strongest levels for 2023, as measured by AM Best's Capital Adequacy Ratio (BCAR). During 2023 increase in Adjusted policyholder surplus (APHS), driven by positive net results coupled by the strengthening of Patria's Catastrophic Reserve which continues to provide additional capital. Net required capital increased too, driven mainly by Net Premium Risk, as net premiums written incremented 12% in 2023; underwriting risk is the main contributor to required capital, followed by investment risk.

The company employs a robust reinsurance program: capital is protected by several contracts, tailored for the specific regions in which Patria operates. CAT reserves regulation points to face a 1,500 years PML of windstorm or earthquake, the company has accumulated for an event in around 1,350 years. The retro program has proven successful at protecting the company's capital position through several catastrophic events, the most recent one, Hurricane Otis.

Balance Sheet Strength (Continued...)

Capital Generation Analysis	2023 MXN (000)	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)
Beginning Capital and Surplus	2,062,322	1,897,498	1,630,434	1,745,185	1,707,429
Net Income	200,756	259,974	252,201	-123,578	239,616
Net Unrealized Capital Gains (Losses)	86,851	-51,465	14,863	8,827	20,161
Stockholder Dividends	...	...	...	...	-222,021
Other Changes in Capital and Surplus	...	-43,685	...	...	...
Net Change in Capital and Surplus	287,607	164,824	267,064	-114,751	37,756
Ending Capital and Surplus	2,349,929	2,062,322	1,897,498	1,630,434	1,745,185
Net Change in Capital and Surplus (%)	13.9	8.7	16.4	-6.6	2.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2023	2022	2021	2020	2019
Liquid Assets to Total Liabilities	115.9	123.3	128.3	123.3	135.5
Total Investments to Total Liabilities	119.6	127.3	132.6	128.2	141.9

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The company's investment strategy remains prudent and focused in creating an adequate match between terms and currencies. The investment portfolio is comprised mainly by Mexican sovereign fixed income, followed by foreign fixed income and equities.

Composition of Cash and Invested Assets	2023 MXN (000)	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)
Total Cash and Invested Assets	17,630,257	16,264,014	15,020,860	12,388,457	10,211,210
Cash (%)	0.4	0.3	0.4	0.9	1.3
Bonds (%)	85.6	86.8	83.1	82.1	76.2
Equity Securities (%)	10.9	9.7	13.3	13.2	18.0
Real Estate, Mortgages and Loans (%)	2.8	2.9	2.9	3.4	4.0
Other Invested Assets (%)	0.2	0.3	0.3	0.4	0.2
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	99.7
Investments in Affiliates (%)	...	...	...	...	0.3
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Reserves continue to be constituted adequately to fulfill policyholder and company's obligations as required by CNSF guidelines and certified by the actuarial reports.

Holding Company Assessment

Peña Verde is the public holding company of reinsurer Reaseguradora Patria as well as Mexican insurers, General de Seguros and General de Salud, along with other service companies. The company does not issue debt and as such it does not pressures financial flexibility of its subsidiaries and while public, its shares are held by its shareholders. Peña Verde risk-adjusted capitalization remains strongest.

The purpose of the company is to create and enhance synergies through the insurance operations held under its ownership. Its strategy aims to provide financial flexibility, risk diversification, asset management, institutionalization, digital transformation and create a socially responsible company.

Balance Sheet Strength (Continued...)

PV's most important subsidiary, Patria Re, is generally considered the leader in ERM practices in the Mexican market. The group has strong management with significant experience in Mexico and Latin America. The business profile of Patria Re and General de Seguros differs in scope, but both are considered strong in the markets in which they operate. The subsidiaries have strong balance sheets and earning potential and all three entities have no debt.

Influence of holding company is considered neutral.

Operating Performance

During 2023, Patria was able to grow its premiums by 12%. The company maintained stable levels of retention at 80%. During 2023 almost all Patria lines of business reported positive growth figures.

Loss ratio increased slightly, to 50.3% driven by losses from Hurricane Otis which represented a gross loss of USD 90.6M and a net loss of USD 67.55M. The company has a sound retrocession program in place, which protected the company in this event and in the past, as Hurricane ETA and the Brazilian drought, allowing each time for loss ratio to remain stable. Management expenses and acquisition costs remained stable; Combined ratio stood at 96% for 2023. Without hurricane Otis, combined ratio would have been 85%.

Given its risk exposures, the bottom line results of the company continue to be limited by the creation of CAT reserves; 2023 results were characterized by profitable underwriting and positive investment income, which allowed for positive bottom line results.

Financial Performance Summary	2023 MXN (000)	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)
Pre-Tax Income	1,233,166	1,416,299	1,191,616	814,977	930,325
Net Income after Non-Controlling Interests	1,114,533	1,250,282	1,095,995	811,838	888,175

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2023	2022	2021	2020	2019
Overall Performance:					
Return on Assets	4.7	5.9	5.9	5.2	6.8
Return on Capital and Surplus	11.2	13.5	13.4	11.4	14.0
Non-Life Performance:					
Loss and LAE Ratio	49.7	43.3	43.8	50.8	45.9
Expense Ratio	46.7	37.4	39.0	42.5	46.5
Non-Life Combined Ratio	96.4	80.7	82.8	93.2	92.4

Source: BestLink® - Best's Financial Suite

Business Profile

Patria Re is Mexico's only locally registered reinsurer, founded in 1953. The company has a strong niche position in the Mexican and Latin American market, where it has developed very strong client relationships. Patria Re writes mostly short-tailed business with 93% of GPW in PC and 7% in life and health.

Efforts to diversify the portfolio have been successful regionally and by business line as the company has been able to grow in South America and to diversify into other industries mainly through their contracts for PC. Mexico, South America, and Central America remains as the largest markets for the company, but its expansion overseas already has an important component of business from Europe and Asia.

The company continues to work with a large pool of brokers, as well as their own agents and offices.

The business profile of the company is considered neutral, on the positive side, its business model has been strong enough to withstand adverse market conditions in past years, with a good diversification within Latin America and an appropriate retro program.

Enterprise Risk Management

Reaseguradora Patria has a defined ERM framework that attends to risk identification, assessment, monitoring, and control. Additionally, such processes are backed up by the use of systems, tools, and communication to staff through education and training. ERM is a key pillar for the governance of the company and it serves to comply with the CNSF (Mexican regulator) requirements to prepare a comprehensive strategic plan, with defined risk committees, a risk manual, and internal or independent auditor of the risk management framework.

Several committees are revised through a risk committee which in turn is reported to the Board of Directors and to the Shareholders Assembly. In compliance with the Solvency II pillar, the company has defined limits to its underwriting risk in terms of retention and exposure to bonds and retro. Such limits are measured through a VaR model. Market, liquidity, credit, and operational risk are also quantified with defined daily limits and annual limits also employing a VaR model at 99.5% and 95% measures.

The company is a model in ERM development in Mexico. The company has further reinforced this area through the acquisition of CAT modeling technologies such as RMS that will enable the company to also provide outsourcing consulting to affiliates and clients. Patria risk management capabilities are ahead of the Mexican industry in terms of the integration of ERM company-wide and Solvency II implementation which enables it to optimize solvency capital requirements. The company has its own economic capital model.

The company's ERM is categorized as neutral. It adequately serves the needs of the business and is appropriate for the company's risk appetite.

Reinsurance Summary

Patria retro philosophy is to buy CAT protections looking to reduce volatility in results without creating any dependence on it. Following this rationale, the company reports that for non-cat risks, this strategy allows them to decrease volatility in results of around 15% and decrease risk capital according to the regulatory model. The main retro covers are an XL per risk, a whole account, an XL surplus and an ultramar CAT XL. With the use of the XL programs, the company can face an event loss of 1,500 years: currently the company has built up reserves that can face an event with a PML of 1 in 931 years. Additionally, the company employs a wide array of other contracts to protect its specialty lines, life and bonds. The quality of the reinsurance panel is top line with Lloyds syndicates, Hannover, Everest, Gen Re among others.

Environmental, Social & Governance

Patria is aware of the relevance of ESG factors, and considers that reinsurers play a fundamental role in the ESG agenda, as they also recognize that ESG is about creating opportunities, and not merely a tool for risk identification and measuring. The company deems ESG factors very important for its operations in the long term, which is why the company has incorporated a team dedicated specifically to ESG. Board of directors discusses ESG factors on a yearly basis.

The company is in the process of incorporating ESG factors in its investment processes, for which Patria incorporates negative screening filters and explicit ESG integration, for 25% up to 50% of its investment portfolio, and the company expects this percentage to increase within the next 12 months. Less than 5% of its portfolio is invested in green assets, as the main challenge the company faces is a limited offer of sustainable investments.

Patria incorporates ESG into its underwriting process, and recognizes the challenges that arise with the consistent integration of these factors into its investment and underwriting processes.

Financial Statements

	12/31/2023		12/31/2023
	MXN (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	68,157	0.3	4,018
Bonds	15,098,829	60.8	890,076
Equity Securities	1,930,202	7.8	113,785
Other Invested Assets	533,069	2.1	31,424
Total Cash and Invested Assets	17,630,257	71.0	1,039,304
Reinsurers' Share of Reserves	3,048,733	12.3	179,723
Debtors / Amounts Receivable	3,245,921	13.1	191,347
Other Assets	915,353	3.7	53,960
Total Assets	24,840,264	100.0	1,464,334
Total Gross Technical Reserves	10,830,458	43.6	638,455
Other Liabilities	3,915,623	15.8	230,826
Total Liabilities	14,746,081	59.4	869,281
Capital Stock	888,161	3.6	52,357
Retained Earnings	1,123,218	4.5	66,214
Other Capital and Surplus	8,082,804	32.5	476,481
Total Capital and Surplus	10,094,183	40.6	595,052
Total Liabilities and Surplus	24,840,264	100.0	1,464,334

Source: BestLink® - Best's Financial Suite

	Non-Life MXN (000)	Life MXN (000)	Other MXN (000)	12/31/2023	12/31/2023
				Total MXN (000)	Total USD (000)
Income Statement					
Gross Premiums Written	11,672,979	862,770	...	12,535,749	738,982
Net Premiums Earned	8,537,843	824,256	...	9,362,099	551,896
Net Investment Income	...	...	815,633	815,633	48,082
Realized capital gains/(losses)	...	...	12,163	12,163	717
Unrealized capital gains/(losses)	...	...	418,429	418,429	24,666
Total Revenue	8,537,843	824,256	1,246,225	10,608,324	625,361
Benefits And Claims	4,240,768	471,035	...	4,711,803	277,761
Net Operating And Other Expenses	3,991,175	319,771	352,409	4,663,355	274,905
Total Benefits, Claims And Expenses	8,231,943	790,806	352,409	9,375,158	552,666
Pre-Tax Income	305,900	33,450	893,816	1,233,166	72,695
Income Taxes Incurred	...	...	...	118,633	6,993
Net Income before Non-Controlling Interests	...	...	...	1,114,533	65,702
Net Income/(loss)	...	...	...	1,114,533	65,702

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's National Scale Ratings, 05/16/2024](#)

[Best's Credit Rating Methodology, 08/29/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 08/15/2024](#)

[Evaluating Country Risk, 06/06/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding Global BCAR, 08/01/2024](#)

Additional Rating Types

National Scale Rating for [Reaseguradora Patria, S.A. \(AMB#086054\)](#) is aaa.MX

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