MOODY'S
INVESTORS SERVICE

CREDIT OPINION
18 October 2016

Update

Rate this Research

RATINGS

Plan Seguro, S.A. de C.V., Co. de Seguros

Domicile	Mexico
Long Term Rating	Baa3
Type	Insurance Financial Strength - Dom Curr
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Francisco Uriostegui 52-55-1253-5728
Analyst
francisco.uriostegui@moodys.

Jose Angel Montano 52-55-1253-5722
VP-Senior Analyst
joseangel.montano@moodys.com

Diego Nemirovsky 5411-5129-2627
VP-Sr Credit Officer
diego.nemirovsky@moodys.com

Marc R. Pinto, CFA 212-553-4352
Managing Director
marc.pinto@moodys.com

Plan Seguro, S.A. de C.V., Co. de Seguros

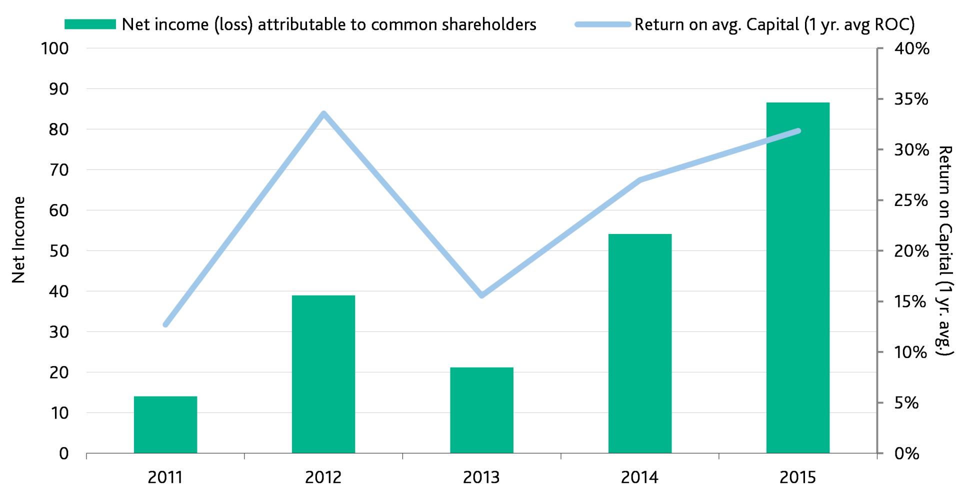
Update Following Rating Action

Summary Rating Rationale

Plan Seguro, S.A. de C.V., Compañía de Seguros (Plan Seguro)'s Baa3 and Aa3.mx National Scale insurance financial strength ratings are based primarily on the company's leading position in the Mexican specialized private health insurance industry, its sound asset quality, and its improving profitability. These elements are partially offset by Plan Seguro's limited product diversification, given the mono-line nature of the company, by its high dependence on one distribution channel as well as by Mexico's moderate insurance operating environment. The outlook for the ratings is stable.

Plan Seguro is one of the 10 specialized health insurance companies in Mexico. Basically, the company provides private health insurance protection which serves as an alternative of the social security system or other government related health insurance programs. Plan Seguro offers health and medical expenses insurance and it is privately owned by a group of international and local businessmen.

Exhibit 1
Net Income and Return on Capital (1 yr. avg.)



Source: Moody's Investors Service based on company's financial statements

Recent Credit Developments

On 14 October 2016, Moody's changed the outlook of Plan Seguro to negative from stable, and affirmed its Baa3 global local currency and Aa3.mx national scale insurance financial strength (IFS) ratings.

Plan Seguro's negative outlook primarily reflects a deterioration of the insurer's capital position derived from an increase in unearned premiums reserve since the beginning of the year, which resulted in a capital reduction of about one-third. Furthermore, Plan Seguro will probably need to increase its current reinsurance cessions in order to meet the new solvency regime more comfortably, resulting in a lower profitability for the company. A deterioration of Plan Seguro's profitability along with an eventual lack of shareholders support in case of capital needs may result in a rating downgrade.

On 31 March 2016, Moody's Investors Service changed the outlook of Mexico's local-currency and foreign-currency A3 sovereign bond rating to negative from stable. As result, Moody's affirmed the ratings of Plan Seguro with stable outlook, reflecting that, even though the insurer's investment exposure to the sovereign is significant, its financial strength rating is well positioned at its current level, indicating that a potential downgrade of the Mexican sovereign bond rating is not likely to put downward pressure on the insurer's credit profile. Moody's notes that Mexican insurers' broadly benefit from very modest reliance on debt funding and financing and their liquidity positions are relatively strong, given good premium revenue streams and the relative lack of credit-sensitivity of insurance premiums broadly. The insurers also benefit from their profitability and from the internal capital generation that derives from insurance underwriting, as well as investment activities. These considerations broadly support rating stability of the sector.

Credit Strengths

» Largest specialized private health insurer in Mexico

» Good asset quality

» Improving profitability

Credit Challenges

» Modest scale and operating

» Limited product mix, given the mono-line nature of the specialized private health insurance sector in Mexico

» Limited geographic diversification

» Mexico's moderate insurance operating environment

Rating Outlook

The outlook for Plan Seguro's ratings is negative, reflecting a deterioration of the insurer's capital position derived from an increase in unearned premiums reserve since the beginning of the year 2016, which resulted in a capital reduction of about a one-third. Furthermore, Plan Seguro will probably need to increase its current reinsurance cessions in order to meet the new solvency regime more comfortably, resulting in a lower profitability for the company. A deterioration of Plan Seguro's profitability along with an eventual lack of shareholders support in case of capital needs may result in a rating downgrade.

Factors that Could Lead to an Upgrade

Given that the company's rating outlook is negative, an upgrade is unlikely. However, the following factors with lead to a change of the outlook back to stable:

» An improvement in the company's capitalization (e.g. GUL below 5x on a consistent basis)

» An increase in the company's market presence

- Upgrade of the Mexican government bond ratings, coupled with an improvement in the country's operating environment

Factors that Could Lead to a Downgrade

- A significant decline in the quality of the company's investment portfolio – e.g. allocation of over 20% of portfolio in high risk assets
- A significant deterioration in the company's capitalization levels; (e.g. GUL above 6.5x on a consistent basis)
- Weakening of profitability metrics on a consistent basis (e.g. return on capital consistently below 5%)
- Lack of shareholders support in case of capital needs
- Downgrade on Mexico´s bond ratings, coupled with a deterioration in the country's operating environment

Key Indicators

Exhibit 2

Plan Seguro, S.A. de C.V., Co. de Seguros[1][2]	2015	2014	2013	2012	2011
As Reported (Mexican Peso Millions)					
Total Assets	1,189	1,156	969	765	693
Total Shareholders' Equity	300	244	158	115	118
Net income (loss) attributable to common shareholders'	87	54	21	39	14
Gross Premiums Written	1,180	1,116	1,041	826	704
Net Premiums Written	1,179	1,116	1,041	826	704
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	70.4%	68.9%	96.2%	107.9%	74.7%
Reinsurance Recoverable % Shareholders' Equity	0.1%	1.3%	4.3%	3.3%	0.2%
Goodwill & Intangibles % Shareholders' Equity	-	-	-	-	-
Gross Underwriting Leverage	4.6x	5.3x	7.9x	8.9x	7.1x
Return on avg. Capital (1 yr. avg ROC)	31.8%	27.0%	15.6%	33.6%	12.7%
Sharpe Ratio of ROC (5 yr. avg)	254.2%	225.0%	NA	NA	NA
Adv./(Fav.) Loss Dev. % Beg. Reserves (1 yr. avg)	NA	NA	NA	NA	NA
Financial Leverage	0.0%	0.0%	0.0%	0.0%	0.0%
Total Leverage	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings Coverage (1 yr.)	-	NM	NM	NM	NM
Cash Flow Coverage (1 yr.)	NA	NA	NA	NA	NA

[1] Information based on Local GAAP financial statements as of Fiscal YE December 31
[2] Certain items may have been relabeled and/or reclassified for global consistency

Source: Moody's Investors Service based on company's financial statements.

Detailed Rating Considerations

Moody's rates Plan Seguro´s IFS at Baa3 on a global basis, which is in line with the adjusted rating indicated by the Moody's global insurance financial strength rating scorecard.

Insurance Financial Strength Rating

The key factors currently influencing the rating and outlook are:

Business Profile

MARKET POSITION AND BRAND: Baa – A NICHE MARKET LEADER

Plan Seguro's is a leader in the specialized private health insurance sector in Mexico, with a 40.7% share of this specialized sector's premiums written in 2015. However, the company represented only 0.3% of Mexican general insurance market, reflecting the small scale of the mono-line specialized private health insurance sector, which also remains very small in comparison with the country's public health sector. The insurer's strong brand recognition in this segments is partly tempered by its high dependence on third party distribution channels. We consider Plan Seguro's leadership in its specialized sector and brand recognition are in line with expectations at the Baa level instead the Ba indicated by the unadjusted metric.

PRODUCT FOCUS AND DIVERSIFICATION: Ba - LIMITED BUSINESS DIVERSIFICATION, GIVEN THE MONO-LINE NATURE OF THE SPECIALIZED PRIVATE HEALTH INSURANCE SECTOR

Consistent with regulatory guidelines requiring Mexican specialized private health insurers to operate exclusively in that line of business, Plan Seguro´s revenue structure is concentrated, with private health insurance accounting for approximately 70% of its total premiums written, and with major medical expenses representing the remainder. Consequently, product and business diversification are very modest. That said, a fairly large percentage of membership is concentrated in individual policies, which we view favorably from a credit perspective, as it mitigates its risks.

In addition, Plan Seguro operates exclusively in Mexico, with the metropolitan area of Mexico City representing more than half of premiums written. In recent years, Plan Seguro has expanded its operations in the states of Jalisco and Nuevo León, which accounted for approximately one-fourth of its premiums written in 2015. Consequently, given the regulatory limitations Plan Seguro's product risk portfolio diversification is limited, therefore we view the company consistent with expectations at the Ba level, rather than the Baa indication provided by the unadjusted scorecard.

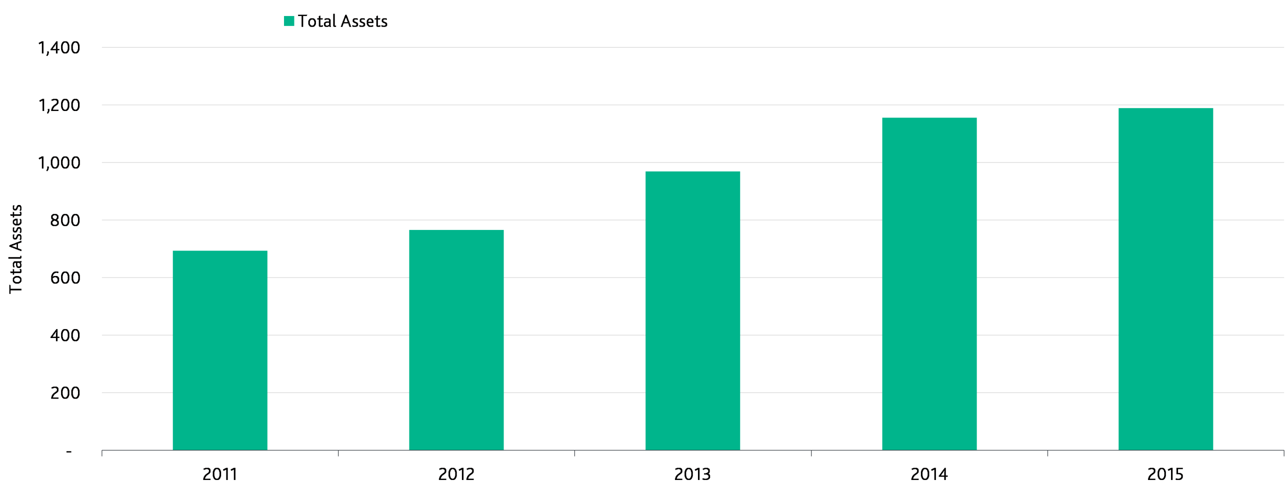
Financial Profile

ASSET QUALITY: A – HIGH QUALITY PORTFOLIO, WITH INVESTMENTS CONCENTRATED IN GOVERNMENT BONDS

Plan Seguro's investment portfolio is concentrated in Mexican government securities (A3, negative), with more than 70% of its holdings at the end of 2015 and as of June 2016 comprising these type of assets. Nonetheless the assets are managed through unrated bond mutual funds, which we consider to be risky. The company also takes care to maintain asset and liabilities cash flows and maturities in order to support liquidity potential needs. Given the adequate concentration of the company's investment portfolio in Mexican government securities, we consider Plan Seguro's asset quality to be in line with expectations at the A level, rather than the Aa indication provided by the unadjusted scorecard metric.

Exhibit 3

Total Assets % Shareholders' Equity



Source: Moody's Investors Service based on company's financial statements

CAPITAL ADEQUACY: Ba- CAPITALIZATION LEVEL IS UNDER PRESSURE,

Plan Seguro's adjusted gross underwriting leverage (GUL) has averaged 6.8x in the last five years, which has been high if compared to local and regional peers, with a clear downward trend in past years. However for 2016 and going forward, we expect a deterioration in this metric resulting from an increase in reserves, which in turn derived from the new accounting regime and solvency standards in force in Mexico since the beginning of 2016. During the period 2011-2013 the GUL ratio had fluctuated between 7.1x-8.9x which indicates a moderate level of capital adequacy, suggesting that capacity to absorb loss deviations is not particularly strong. In 2015 the company´s GUL was 4.6x, in part reflecting non-recurring income related to reserve releases that increased SHE by 54% in 2014 and 23% in 2015. Plan Seguro is not exposed to catastrophic risk, which is a positive credit consideration, although health insurance risk can generate significant volatility in underwriting results, affecting earnings and capital. The implementation of Solvency II also derived in additional requirements of capital for the company, we will closely monitor the evolution of capital requirements over the coming months. We view Plan Seguro's intrinsic limitations to absorb loss deviations are consistent with expectations at the Ba level rather than the A proposed by the unadjusted scorecard. If the deterioration of the company's capitalization observed since the beginning of 2016 remains in the medium-to-long term, the ratings of the company could be downgraded.

PROFITABILITY: Baa- POSITIVE TREND MAY BE CHALLENGED CHALLENGED BY HIGHER REINSURANCE CESSIONS

The company's 5-year average return-on-capital (ROC) was 28% as of year-end 2015, which is strong in comparison to local and regional peers, reflecting a combination of releasing of reserves (non-recurring), net underwriting income growth and a good investment performance. Results in 2014 and 2015 were affected by a one time event related to the changes in the method used to calculate the company's reserves. The combined ratio have fluctuated at 95% and 98% in the last 3 years, in 2015 the increase in the combined ratio resulted from the raise in claims measured by the claims ratio (claims/net underwriting premiums) development from 53% in 2014 to 60%, going forward we expect this ratio to converge at historical levels. In addition, despite the recent very low interest rate environment in Mexico, investment returns have contributed to net income. During 2016, the implementation of new reserving guidelines will prompt a significant loss; we expect a ROC of about -22% for 2016. Despite Plan Seguro's past favorable profitability track record, the company will probably need to increase its current reinsurance cessions in order to meet the new solvency regime more comfortably, resulting in a lower profitability for the company. The company's profitability profile is in line with expectations at the Baa level, lthough it may be moved down in case of a sustained deterioration of Plan Seguro's earnings.

RESERVE ADEQUACY: Baa - MODERATE RESERVE RISK PROFILE

Moody's considers Plan Seguro as having moderate reserve risk, given both its focus on potentially volatile health insurance exposures, which we view as partly tempered by the granularity of the company's individual insurance risks. The company's reserves has been in constant monitoring by regulators and third-party auditors. Since January 1, 2016, the company significantly increased its unearned premiums reserve, due to new accounting and solvency rules. Given these recent developments we will closely monitor the development of company's reserves. In the meantime, we view the company's reserve adequacy as being consistent with expectations at the Baa level on a global basis.

FINANCIAL FLEXIBILITY: Ba - FINANCIAL FLEXIBILITY LIMITED

Plan Seguro has no debt. However, we have adjusted this factor score down to Ba, from the unadjusted score indication, to reflect the company's lack of direct access to the capital markets, in the event it required external funds, which would be somewhat limited by Plan Seguro's modest scale in addition we consider the low degree of development of the capital markets of the country is a limiting factor. As a consequence Plan Seguro's financial flexibility is constrained by company's ability to raise debt and equity on its own, which is more in line with expectations at the Ba level, instead of the A provided by the unadjusted scorecard.

OPERATING ENVIRONMENT: Baa - MODEST PENETRATION OF INSURANCE IN MEXICO'S ECONOMY, BUT SUPPORTED BY HIGH ECONOMIC STRENGTH

In addition to the company's business and financial fundamentals, Moody's considers Mexico's operating environment in arriving at our final rating indication for the company. Our overall Baa-level insurance operating environment score, which carries a 20% weight in the scorecard, is based on an A-range score for systemic risk (reflecting consideration of Moody's Sovereign Risk group's assessment of the country's economic strength (high), institutional strength (moderate +) and susceptibility to event risk (low)) and a B-range score for insurance market development (reflecting consideration of the very low degree of penetration of insurance in the Mexican economy and low per capita insurance utilization in comparison with other countries worldwide). In our view, the country's operating environment exerts a minor influence on Plan Seguro's overall credit profile.

Other Considerations

GLOBAL LOCAL CURRENCY AND NATIONAL SCALE INSURANCE FINANCIAL STRENGTH RATINGS

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in May 2016 entitled "Mapping National Scale Ratings from Global Scale Ratings". While NSRs have no inherent absolute meaning in terms of default risk or expected loss, a historical probability of default consistent with a given NSR can be inferred from the GSR to which it maps back at that particular point in time. For information on the historical default rates associated with different global scale rating categories over different investment horizons, please see https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_189530.

Plan Seguro's Aa3.mx national scale insurance financial strength (IFS) rating is based on the application on Moody's mapping criteria for its global local currency IFS rating to the Mexican national scale. At the Baa3 global local currency rating level, the corresponding rating in Mexican national scale is Aa3.mx.

Rating Methodology and Scorecard Factors

Exhibit 4

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adjusted Score
Business Profile								Ba	Baa
Market Position and Brand (20%)								Ba	Baa
- Relative Market Share Ratio					X				
- Underwriting Expense Ratio % Net Premiums Written					39.8%				
Product Focus and Diversification (8%)								Baa	Ba
- Product Risk			X						
- P&C Insurance Product Diversification					X				
- Geographic Diversification						X			
Financial Profile								A	Baa
Asset Quality (8%)								Aa	A
- High Risk Assets % Shareholders' Equity			70.4%						
- Reinsurance Recoverable % Shareholders' Equity	0.1%								
- Goodwill & Intangibles % Shareholders' Equity									
Capital Adequacy (12%)								A	Ba
- Gross Underwriting Leverage			4.6x						
Profitability (12%)								Aa	Baa
- Return on Capital (5 yr. avg)	X								
- Sharpe Ratio of ROC (5 yr. avg)			X						
Reserve Adequacy (8%)									Baa
- Adv./(Fav.) Loss Dev. % Beg. Reserves (5 yr. wtd avg)									
Financial Flexibility (12%)								A	Ba
- Financial Leverage	0.0%								
- Total Leverage	0.0%								
- Earnings Coverage (5 yr. avg)									
- Cash Flow Coverage (5 yr. avg)									
Operating Environment								Baa	Baa
Aggregate Profile								Baa1	Baa3

[1] Information based on Local GAAP financial statements as of Fiscal YE December 31

[2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis

Source: Moody's Investors Service based on company's financial statements

Ratings

Exhibit 5

Category	Moody's Rating
PLAN SEGURO, S.A. DE C.V., CO. DE SEGUROS	
Rating Outlook	NEG
Insurance Financial Strength	Baa3
Insurance Financial Strength--National Scale	Aa3.mx

Source: Moody's Investors Service

REPORT NUMBER 1043569

MOODY'S
INVESTORS SERVICE