

Automobile insurance industry report

2022

1st Half



Qualitas®

Mexico's auto insurance industry report 1H22

Figures in this document are stated in millions of Mexican pesos, except where otherwise specified, and they may vary due to rounding or consolidation from the regulator. Growth rates are presented in nominal terms.

According to the Mexican Association of Insurance Institutions (AMIS per its acronym in spanish), during the first half of the year the auto insurance industry in Mexico reported an increase of 9.2% in terms of written premiums. It is worth noting that, during the same period the GDP increased by 1.7%¹ in comparison with same half of previous year. On the other hand, as of June 2022 the annual inflation rate stood at 9.5%².

Regarding the industry's cost ratios, for the 1H22 the industry registered a combined ratio of 97.3%, an increase of 8.3 pp in comparison to 1H21. Such is explained by an increase of 7.7 pp in the loss ratio related to an increase in the frequency of claims, as well as an increase in loss costs related to industry's inflation and supply chain shortages.

In the chart below³, it has been disaggregated the bank-owned insurance companies, since some of them belong to a financial group, having a cross selling scheme with the bank's clients, thus resulting in a different cost structure.

Company	Written premium	Growth	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Qualitas	17,602	2.8%	1,112	822	1,510	66.7%	94.2%
Others	31,540	13.8%	104	1,048	586	66.5%	99.7%
Insurance companies	49,142	12.2%	1,216	1,870	2,096	67.4%	98.2%
Bank-owned companies	9,248	7.3%	453	508	874	69.9%	93.5%
Industry (34 companies)*	58,390	9.2%	1,669	2,379	2,970	67.2%	97.3%

Figures in million pesos.

*33 Insurers and 1 reinsurer.

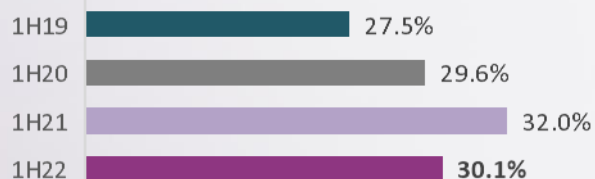
Note: The number of insurers may vary due to non-submission to the regulator.

Qualitas Mexico (Q Mx)³

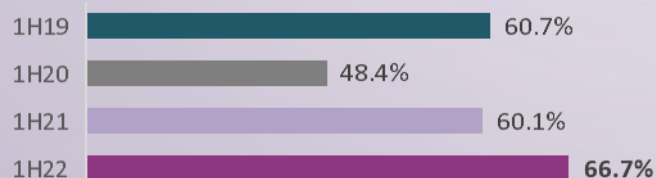
Written premiums (million MXN)



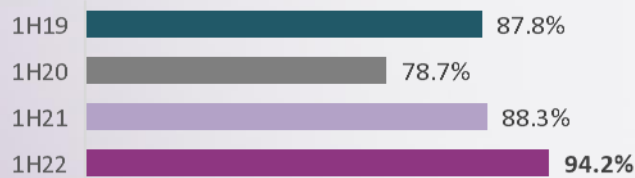
Market share



Loss ratio



Combined ratio



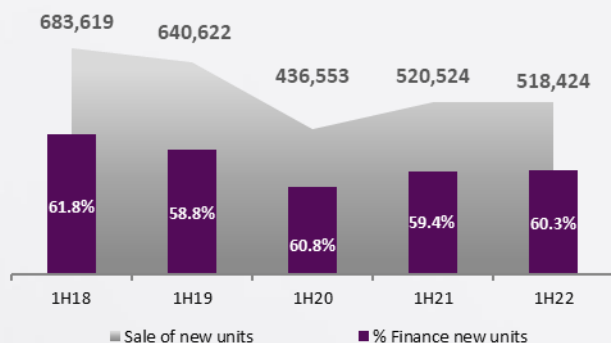
¹ Source: INEGI

² Source: BANXICO

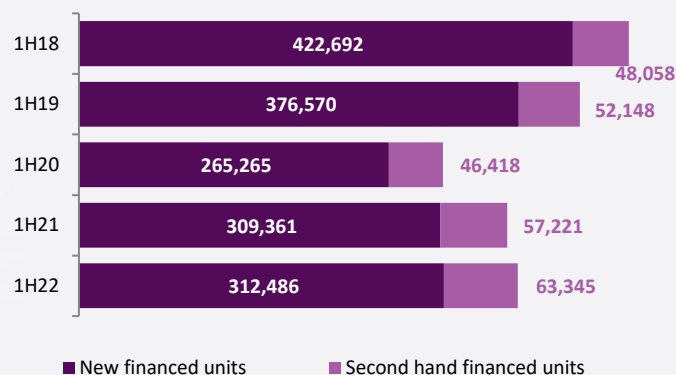
³ Source: AMIS

Vehicle' sales and financing

New vehicles sales⁴



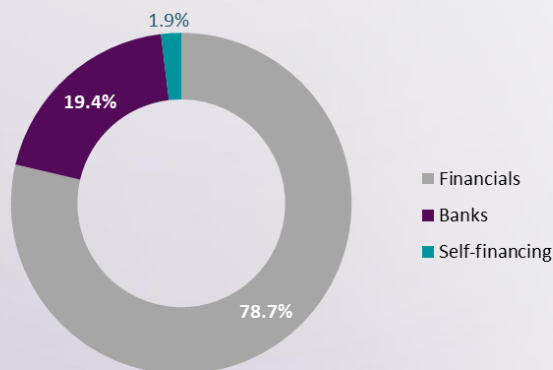
Financing by vehicle type⁴



The sale of light units (automobiles and trucks) increased 2.1% during 2Q22 compared to 2Q21, reaching 265,042 vehicles sold from April to June. Comparing this figure vs. 2Q20, new vehicles sales have increased 89.6%. During the first half of the year, there were 2,100 units or a -0.4% decrease comparing to first half 2021. Sales of heavy equipment (vehicles of more than 3.5 tons) increased 23.7% during the second quarter 2022 vs. same period 2021; cumulatively there was an increase of 24.3%.

Out of the total of new car sales, the automobile loans for light vehicles reached 60.3% of the total, slightly above the reported figure of 1H21 showing an increase of 0.9%. Whilst financing of secondhand vehicles increased 10.7%, reaching the highest figure in the last 8 years, representing 16.9% of the total financed units.

Automobile financing market⁴



During 1H22, the main sources of financing for vehicles purchase were financials (financial arms of the car dealerships) with a 78.7% share, which had an increase of 115 bps vs. same period 2021, followed by banks, which had a decrease of 116 bps compared to the 1H21.

Mexican interest reference rate stood at 7.75%⁵ by the end of June 2022.

⁴ Source: AMDA

⁵ Source: BANXICO

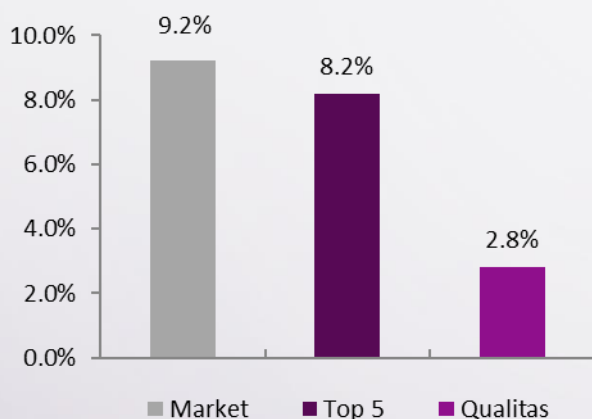
Figures in allocations and may vary given some updates from the regulator.

Automobile insurance industry

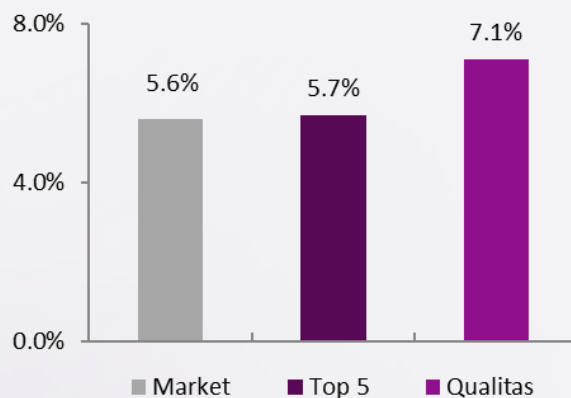
Total market written premiums during first half of 2022 was \$58,390 million, an increase of 9.2% compared to same period of 2021. The growth for the top 5 insurance companies was 8.2%; the medium-sized companies grew 9.3%, while the rest of the insurers reported an increase of 29.6%.

Net result for the market reached \$2,970 million. This can be explained by an operating result of \$1,669 million and a financial income of \$2,379 million. Qualitas represents 50.8% of the industry' net result; 66.6% of the operating result and 34.6% of the financial income respectively.

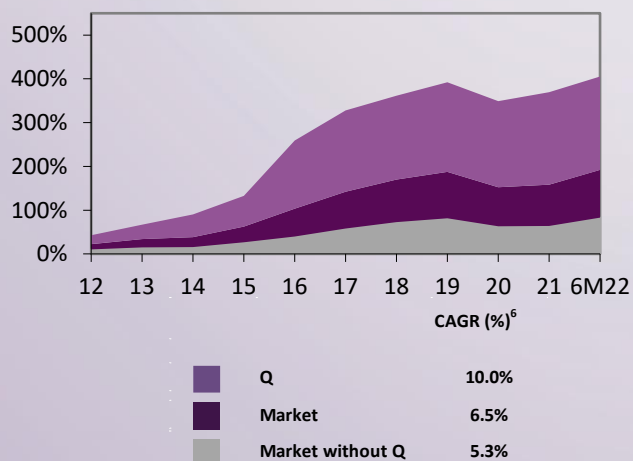
**Written premium growth
1H22 vs 1H21**



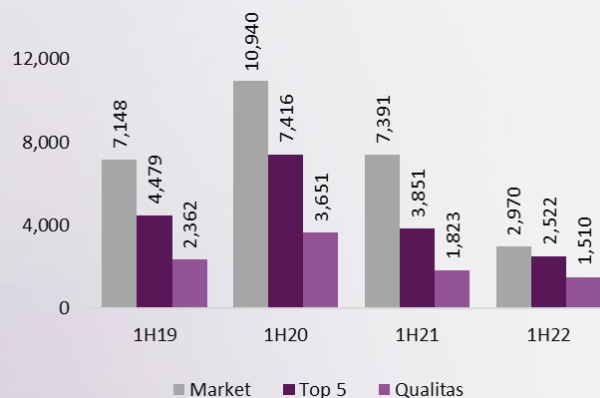
**Earned premium growth
1H22 vs 1H21**



**Cumulative growth
written premium (2012 base)**



Net Result



⁶ CAGR: Compound annual growth rate last 10 years
Figures in millions (MXN)
Source: AMIS

Company	Written premiums	Growth 2021 vs 2020	Market share	Earned premiums	Market share
Qualitas	17,602	2.8%	30.1%	17,759	33.6%
G.N.P.	7,708	15.9%	5.0%	7,270	13.7%
Chubb Seguros Mexico	6,623	16.2%	11.3%	2,791	5.3%
AXA Seguros	4,782	7.2%	8.2%	4,739	9.0%
HDI Seguros	3,631	8.3%	6.2%	3,566	6.7%
Top 5	40,347	8.2%	69.1%	36,125	68.3%
BBVA Seguros	2,934	8.0%	5.0%	2,598	4.9%
Banorte	2,467	4.9%	4.2%	2,426	4.6%
Inbursa	1,902	6.9%	3.3%	1,923	3.6%
Atlas	1,633	3.8%	2.8%	1,551	2.9%
Mapfre Mexico	1,479	13.4%	2.5%	1,149	2.2%
ANA	1,492	9.4%	2.6%	1,506	2.8%
Afirme	1,324	33.2%	2.3%	1,220	2.3%
Zurich Daños	1,278	2.2%	2.2%	1,178	2.2%
General de Seguros	661	20.0%	1.1%	598	1.1%
El Potosi	540	10.7%	0.9%	520	1.0%
Medium-size	15,710	9.3%	26.9%	14,668	27.7%
Other	2,333	29.6%	4.0%	2,101	4.0%
Total market (34 companies*)	58,390	9.2%	100.0%	52,894	100.0%

Company	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Qualitas	1,112	822	1,510	66.7%	94.2%
G.N.P.	131	430	385	63.3%	96.3%
Chubb Seguros Mexico	(023)	(054)	(085)	75.9%	106.5%
AXA Seguros	121	351	312	69.7%	97.6%
HDI Seguros	313	235	400	60.4%	96.7%
Top 5	1,654	1,785	2,522	66.5%	96.3%
BBVA Seguros	9	297	131	81.0%	97.6%
Banorte	411	100	571	61.7%	82.7%
Inbursa	141	57	171	67.0%	93.0%
Atlas	244	(007)	223	62.7%	83.3%
Mapfre Mexico	18	54	49	59.5%	97.7%
ANA	(057)	70	10	67.6%	104.2%
Afirme	(385)	25	(353)	72.1%	137.2%
Zurich Daños	(221)	28	-137	88.7%	116.4%
General de Seguros	(179)	(117)	(328)	94.3%	126.6%
El Potosi	29	16	51	64.3%	93.6%
Medium-size	9	523	389	70.8%	99.5%
Other	6	70	59	53.1%	99.7%
Total market (34 companies*)	1,669	2,379	2,970	67.2%	97.3%

Figures in million (MXN)

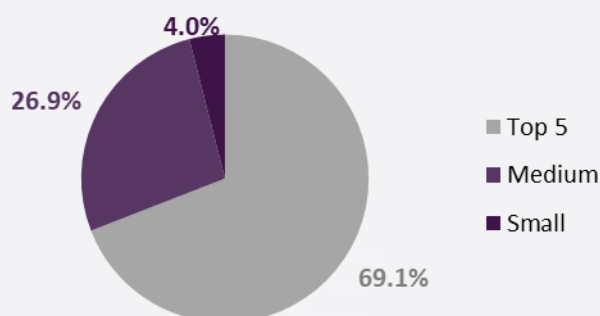
Source: AMIS

*33 insurers and 1 reinsurer.

Note: total number of insurance companies may vary given any omission in the information presented by the regulator.






Market share

Automobile insurance market share distribution



In line with recent years' trend, ~70% of the automobile industry market share is comprised by the top five companies: Qualitas, G.N.P., Chubb, AXA and HDI. Stands out Qualitas as the leader insurer in the industry with a 30.1% market share. The mid-sized companies maintained its market share at 26.9%, whereas the rest of the companies increased almost 63 bps its share.

Qualitas maintains a solid positioning in the main market segments, standing within the first places in terms of market share in each business.

 Total Auto Written premium: \$17,602 Δ%* 2.8% Market share: 30.1% ↓ Δpb* (188) Standing: 1°	 Auto Written premium: \$8,424 Δ%* (5.1)% Market share: 23.6% ↓ Δpb* (269) Standing: 1°	 Trucks Written premium: \$8,574 Δ%* 10.9% Market share: 43.7% ↓ Δpb* (66) Standing: 1°	 Tourists Written premium: \$176 Δ%* 35.1% Market share: 20.9% ↑ Δpb* 332 Standing: 2°	 Others Written premium: \$428 Δ%* 11.7% Market share: 19.1% ↓ Δpb* (576) Standing: 3°
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Top 5	Cars			
	Written premium growth	Market Share	% LR	% CR
Qualitas	(5.1%)	23.6%	66.3%	94.3%
GNP	15.7%	13.6%	63.7%	100.1%
Chubb	15.1%	12.4%	74.3%	112.7%
AXA	6.9%	9.0%	76.1%	107.5%
BBVA	5.7%	6.8%	91.6%	109.1%
Total	5.1%	65.3%	70.4%	100.7%

Top 5	Trucks			
	Written premium growth	Market Share	% LR	% CR
Qualitas	10.9%	43.7%	68.5%	93.0%
Chubb	21.8%	10.0%	81.1%	103.3%
GNP	(2.3%)	8.3%	69.8%	102.0%
AXA	7.4%	7.9%	57.9%	81.6%
HDI	40.7%	6.9%	59.2%	80.1%
Total	12.3%	76.8%	67.3%	89.2%

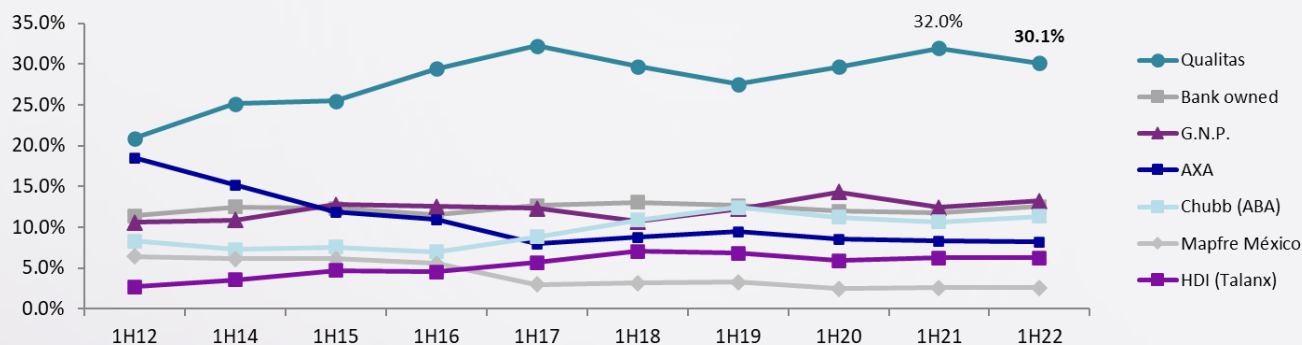
Figures in million (MXN)

*In comparison with 6M21

Source: AMIS, prior year figures may vary given updates from the regulator

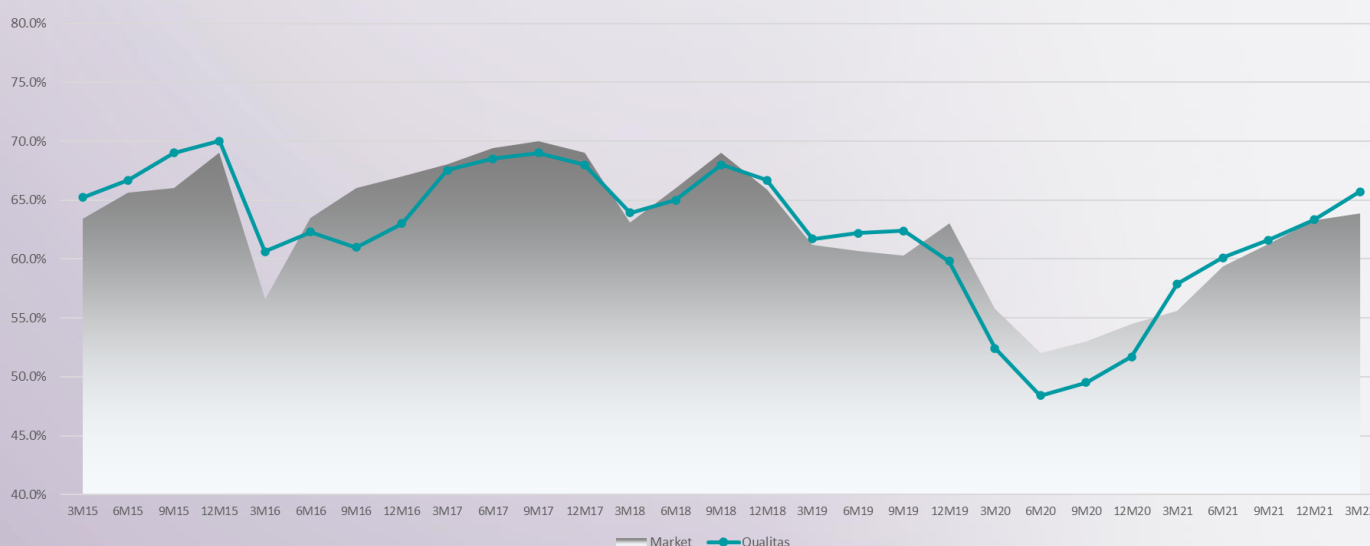
Note: Others include motorcycles, compulsory insurance and floor plan policies.

Top 5	Other			
	Written premium growth	Market Share	% LR	% CR
GNP	64.8%	51.1%	50.4%	63.5%
Cardif	77.7%	21.1%	12.7%	80.3%
Qualitas	11.7%	19.1%	47.4%	70.0%
HDI	4.2%	3.7%	44.1%	73.2%
ANA	(1.9%)	1.5%	40.1%	58.4%
Total	48.3%	96.5%	41.2%	68.8%



Loss ratio of the industry

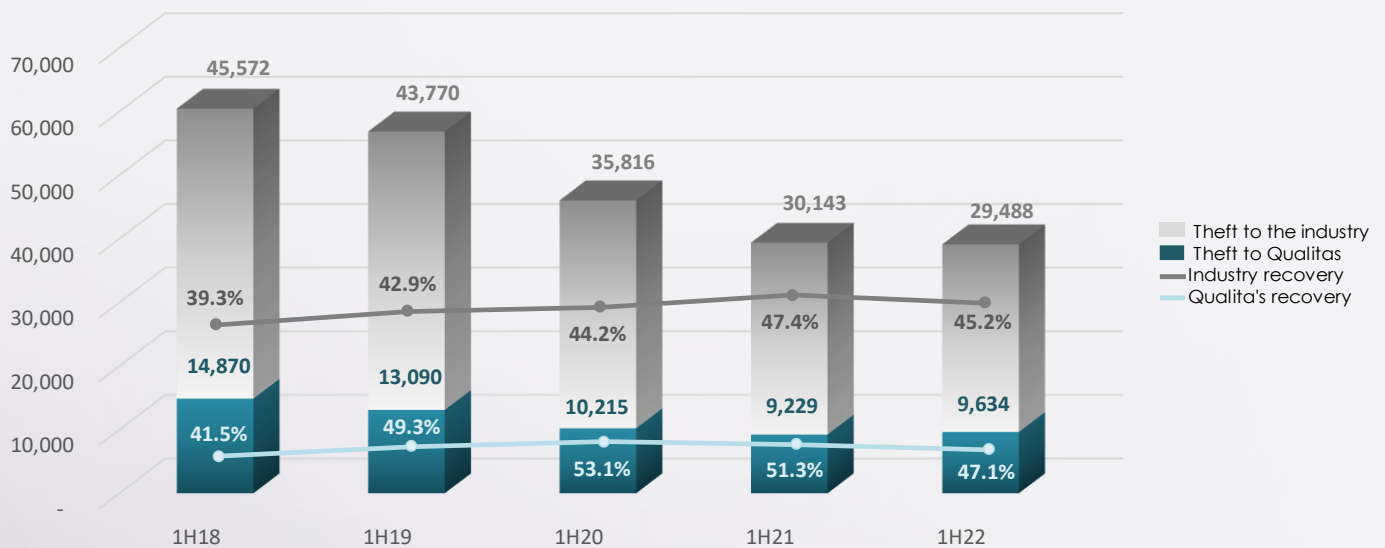
During the first half of the year, the industry has experienced an increase in claims' frequency and in costs related to the industry given inflation increase and supply chain constraints. Loss ratio cycle is evident for all players in the industry, those with the lowest and most disciplined cost structure would have a higher competitive advantage over the other players given that frequency and inflation impact all the variable cost of the industry.



Theft and recovery

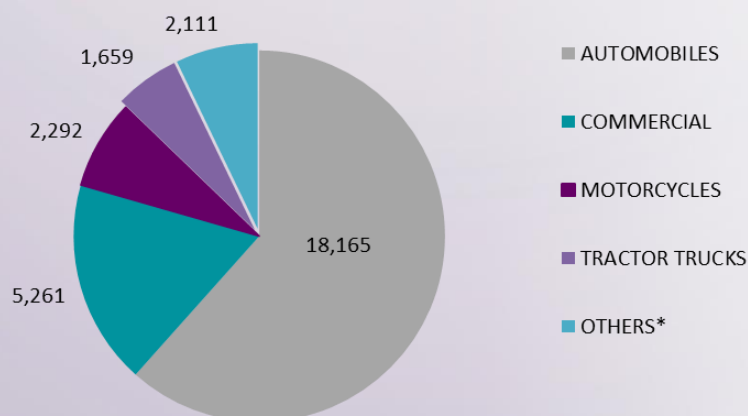
During first half 2022, robberies in Mexico had a flattish trend. According to the Office for the Coordination of Insured Risks (OCRA per its acronym in Spanish) figures, the theft of insured units in Mexico decreased 2.2% for the whole industry, compared to same period last year, from which 45.2% were recovered.

Qualitas' recovery percentage was even higher, 1.9 pp above the industry average.



From the 29,488 stolen vehicles, 61.6% were light vehicles and trucks, 17.8% commercial vehicles, and, lastly, 7.8% motorcycles.

Theft by type of vehicle⁷

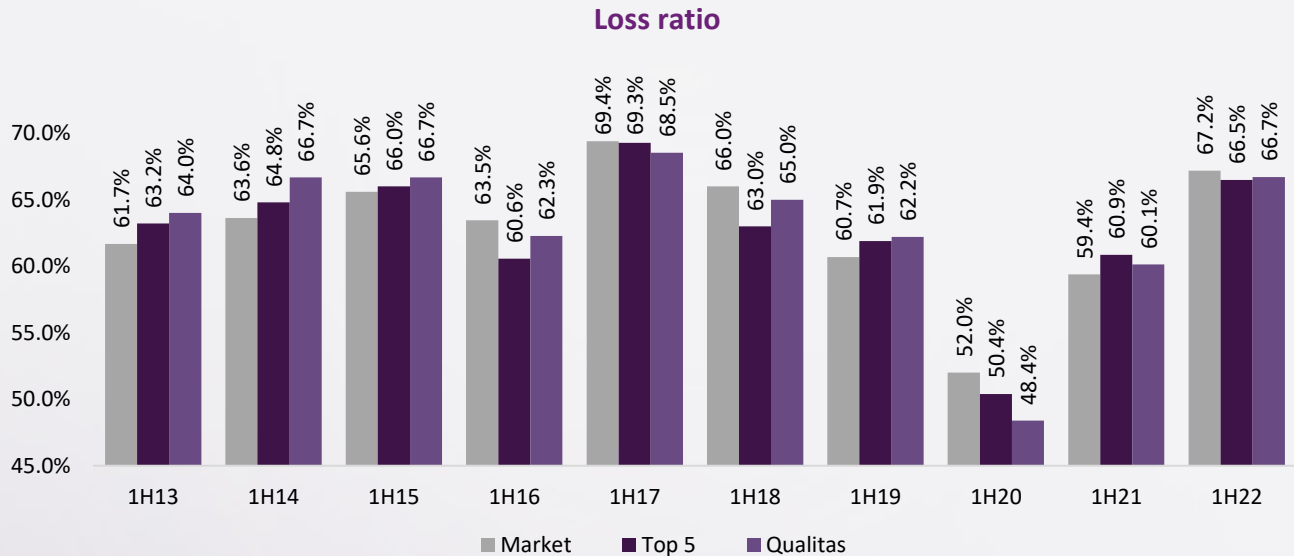


⁷ Source: OCRA, figures in number of cumulative units

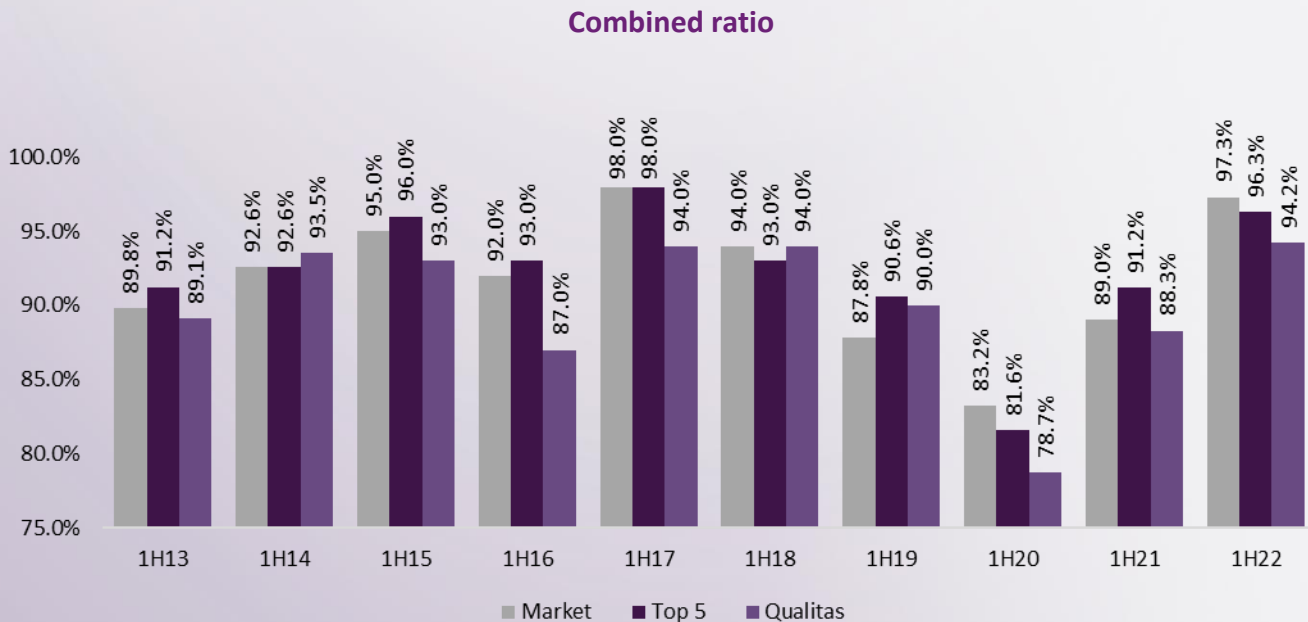
*Others: semitrailers, heavy equipment, buses, collectives, etc.

Costs ratios

The industry recorded a higher loss ratio compared to same period 2021, driven by the several items mentioned before, standing at 67.2%. Top five companies' ratio reported an increase of 5.6 pp standing at 66.5%; likewise, Qualitas presented an increase, from 60.1% to 66.7% during the first half of the year.



The industry's combined ratio stood at 97.3%, which was 8.3 pp above 1H21 figure. The five largest companies registered a ratio of 96.3%, whereas Qualitas reported an increase from 88.3% to 94.2% as of June 2022.



Information sources

- *AMIS. Asociacion Mexicana de Instituciones de Seguros, A.C.*; www.amis.com.mx (information from August 12th 2022)
- *AMDA. Asociacion Mexicana de Distribuidores de Automotores, A.C.*; www.amda.mx
- *BANXICO. Banco de Mexico*; www.banxico.org.mx
- *INEGI. Instituto Nacional de Estadística y Geografía*; www.inegi.org.mx
- *OCRA. Oficina Coordinadora de Riesgos Asegurados, S.C.*; www.ocra.com.mx/

If you wish to refer to another source, you may visit the Mexican Insurance Companies' Regulator (National Insurance and Bonds Commission) web page: www.cnsf.gob.mx

This document may include forward-looking statements that involve risks and uncertainties. Information may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainty. Actual results may differ materially from what is discussed here today, and the company cautions you not to place undue reliance on these forward-looking statements. Qualitas undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About Qualitas

Qualitas Controladora (Q) the company with the largest market share in the auto insurance industry in Mexico and has presence in the United States, Peru, Costa Rica and El Salvador. Its unique business model, based on excellence service and a strict cost control policy, has allowed it to offer a first quality service under the largest coverage network in the country. Qualitas is listed on the Mexican Stock Exchange under the symbol "Q" (Bloomberg: Q *: MM)

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