

**Automobile
insurance**
industry report
2023

1st Half



Mexico' auto insurance industry report 6M23

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 first half 2023, automobile insurance industry reported an increase of 24.1% in written premiums. Mexican GDP during same first half, posted an increase of 3.6%¹ compared to same period of last year. On the other hand, as of June 2023 annual general inflation was 5.1%².

Regarding industry's cost ratios, during the first half of 2023, the industry posted a combined ratio of 100.4%, an increase of 3.1pp vs. 1H22. Such is explained by an increase of 5.4 pp in loss ratio pressured by three main factors: 1) inflation, 2) frequency and accidents' severity and 3) thefts.

In the chart³ below 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	22,640	28.6%	575	1,384	1,432	70.2%	95.8%
Others	39,590	18.9%	(1,886)	1,694	(261)	72.9%	103.9%
Insurance companies	62,230	22.3%	(1,311)	3,078	1,171	71.8%	100.8%
Bank-owned companies	10,208	36.2%	86	484	453	77.0%	96.6%
Industry (36 companies*)	72,438	24.1%	(1,225)	3,562	1,624	72.6%	100.4%

Figures in million pesos.

*35 companies and 1 reinsurance company.

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

Qualitas Mexico (Q Mx)³

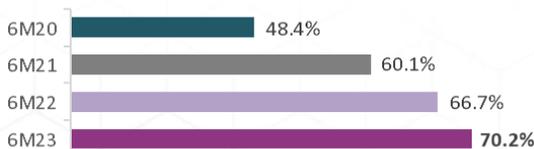
Written premiums



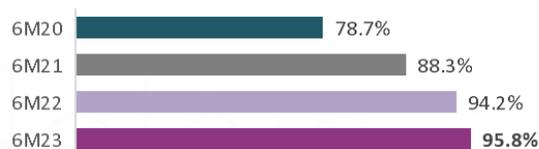
Market share



Loss ratio



Combined ratio



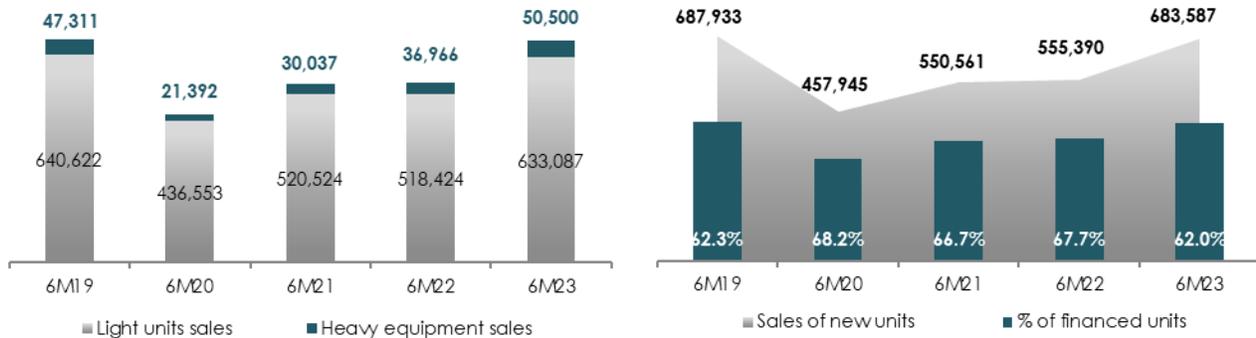
¹ Source: INEGI

² Source: BANXICO

³ Source: AMIS, written premiums in million pesos. Prior year figures may vary given updates from the regulator.

Vehicles' sales and financing

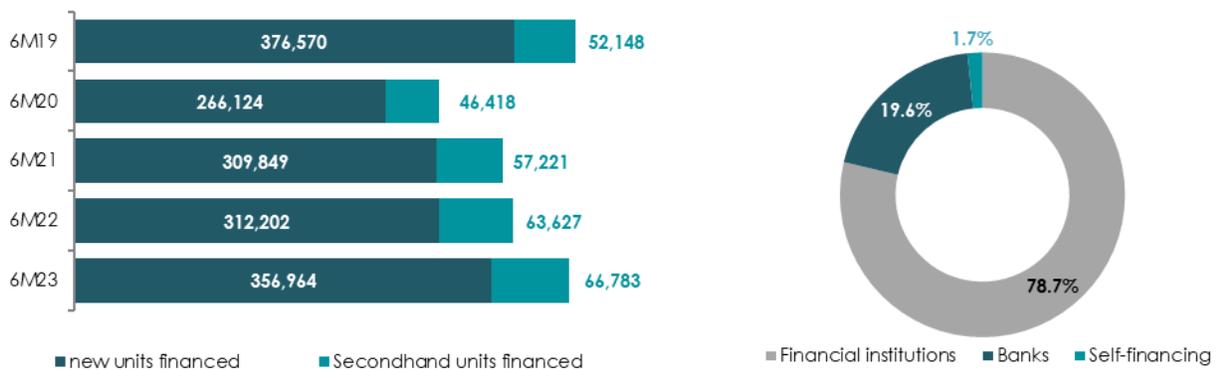
New vehicles' sales⁴



The sale of light units (automobiles and trucks) increased 20.0% during 2Q23 vs. 2Q22, reaching a total of 317,961 units sold; in cumulative terms, first half increase was of 22.1% vs same period 2022 and practically at same pre-pandemic levels 1.2% below 1H19. Sales of heavy equipment (vehicles of more than 3.5 tons) increased 35.4% by the end of June vs. 2Q22 and 36.6% vs 1H22; resulting in an increase of 23.1% in total new car sales during the first half of the year compared to same period of last year.

Out of total new car sales by the end of June, the automobile loans for light vehicles (new and used) reached 62.0% of the total, 5.7 pp below same period of last year. Financing of new vehicles increased 1.2% whilst secondhand vehicles decreased in same proportion.

Financing by type of vehicle and market share by institution⁴



During first half 2023, trends and sources of financing for vehicles purchase are still financials (financial arms of the car dealerships) with 78.7% share, with a decrease of 4 pb vs. 1H22, followed by banks, which had an increase of 25 pb vs, same period 2022.

By the end of June, Mexican reference rate stood at 11.25%⁵, which compared to a 7.8% by the end of June 2022.

⁴ Source: AMDA, figures of prior years may vary given the association updates.
⁵ Source: BANXICO
 Figures are expressed as number of credits granted and may vary given regulator updates.

Automobile insurance industry

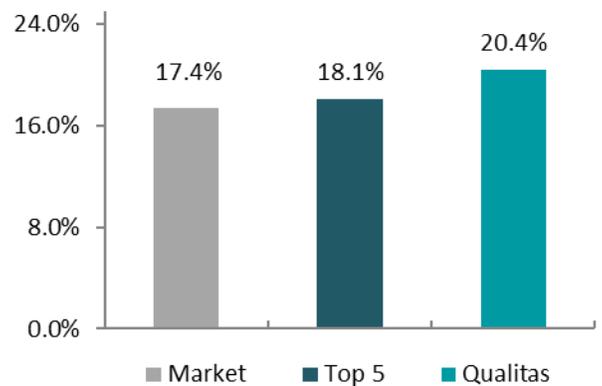
During 6M23 total written premiums of the industry were \$72,438 million, an increase of 24.1% compared to 1H22. Growth from top 5 companies was 25.1%; medium-sized insurance companies had a 31.7% increase; whilst the rest of the companies posted a decrease of 17.7%.

Net result of the industry was \$1,624 million, a decrease of 45.3%. Such explains the negative operating result of -\$1,225 million, and a financial income of \$3,562 million.

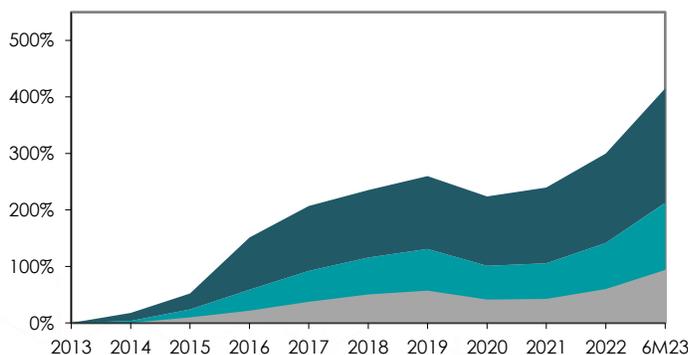
**Written premium growth
6M23 vs 6M22**



**Earned premium growth
6M23 vs 6M22**

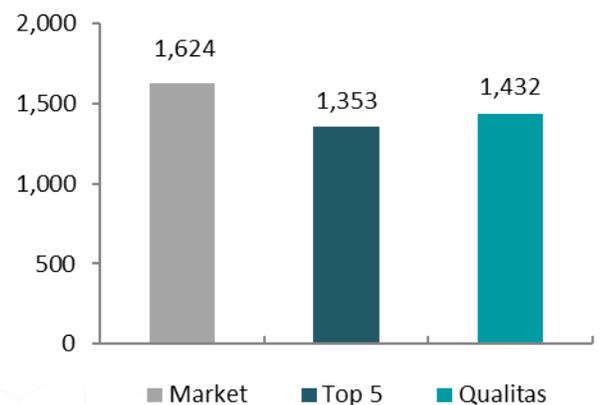


**Cumulative growth
written premium (2013 base)**



	CAGR (%) ⁶
Q	11.5%
Mercado	8.7%
Mercado sin Q	7.6%

Net result



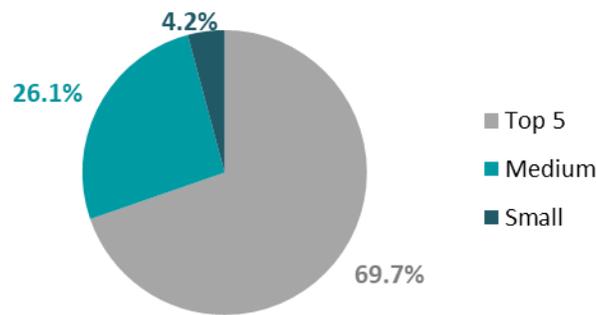
⁶ CAGR: Compound annual growth rate past 10 years
 Figures in million (MXN)
 Source: AMIS, figures from past years may vary given the association updates.

Company	Written premiums	Growth 9M22 vs 9M21	Market share	Earned premiums	Market share
Qualitas	22,640	28.6%	31.3%	21,379	34.4%
G.N.P.	10,196	32.3%	14.1%	8,835	14.2%
Chubb Seguros Mexico	6,819	3.0%	9.4%	2,781	4.5%
AXA Seguros	5,901	23.4%	8.1%	5,411	8.7%
HDI Seguros	4,930	35.8%	6.8%	4,251	6.8%
Top 5	50,487	25.1%	69.7%	42,657	68.7%
BBVA Bancomer	3,999	36.3%	5.5%	3,356	5.4%
Banorte	3,294	33.5%	4.5%	2,995	4.8%
Inbursa	2,479	30.4%	3.4%	2,201	3.5%
Atlas	1,958	19.9%	2.7%	1,731	2.8%
ANA	1,629	10.1%	2.2%	1,234	2.0%
Zurich Aseguradora Mexicana	1,625	NA	2.2%	1,437	2.3%
Mapfre México	1,454	(2.5%)	2.0%	1,509	2.4%
Afirme	1,171	(8.4%)	1.6%	1,132	1.8%
General de Seguros	736	11.3%	1.0%	688	1.1%
Seguros SURA	574	11.7%	0.8%	533	0.9%
Medium-size	18,920	31.7%	26.1%	16,818	27.1%
Other	3,032	(17.7%)	4.2%	2,622	4.2%
Total market (36 companies*)	72,438	24.1%	100.0%	62,097	100.0%

Company	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Qualitas	575	1,384	1,432	70.2%	95.8%
G.N.P.	(509)	387	(070)	72.5%	101.5%
Chubb Seguros Mexico	(644)	80	(561)	96.7%	128.3%
AXA Seguros	115	395	409	70.2%	95.8%
HDI Seguros	(191)	383	144	71.2%	105.9%
Top 5	(655)	2,628	1,353	72.5%	100.2%
BBVA Bancomer	(312)	63	(398)	92.3%	106.9%
Banorte	265	268	598	67.1%	89.0%
Inbursa	(12)	130	111	73.9%	97.5%
Atlas	69	20	75	70.5%	93.2%
ANA	(128)	57	(78)	70.8%	108.8%
Zurich Aseguradora Mexicana	(35)	72	(11)	62.6%	104.7%
Mapfre México	(2)	39	35	68.5%	101.3%
Afirme	(281)	117	(99)	94.3%	123.7%
General de Seguros	(112)	(14)	(94)	79.2%	113.9%
Seguros SURA	(4)	24	21	64.3%	98.2%
Medium-size	(550)	775	159	75.6%	101.4%
Other	-19	158	111	52.1%	96.1%
Total market (36 companies*)	(1,225)	3,562	1,624	72.6%	100.4%

Market share

Automobile insurance market share distribution



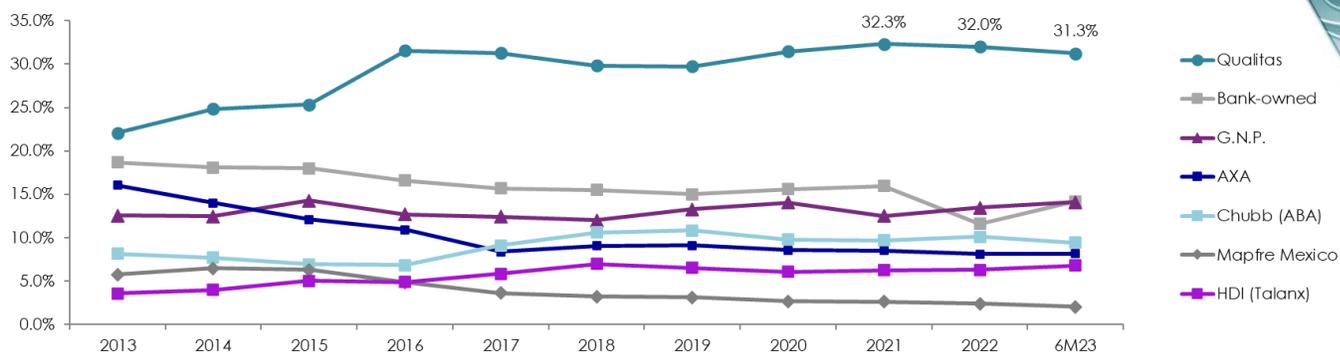
In line with recent years' trend, ~70% of the automobile insurance industry market share is comprised by the top five companies: Qualitas, G.N.P., Chubb, AXA and HDI. Qualitas continues as the leading company in the automobile insurance industry with 31.3% market share. Medium size companies increased 152 bps its share during 1H23 whilst the rest decreased more than 2 pp.

Qualitas maintains a solid position in the automobile insurance industry, standing within the first positions in terms of market share in each business.

Total Auto	Auto	Trucks	Tourists	Others
 Total Auto Written premium: \$22,640 $\Delta\%*$ 28.6% Market share: 31.3% $\uparrow \Delta pb*$ 111 Standing: 1°	 Auto Written premium: \$11,189 $\Delta\%*$ 32.8% Market share: 25.7% $\uparrow \Delta pb*$ 204 Standing: 1°	 Trucks Written premium: \$10,736 $\Delta\%*$ 25.2% Market share: 42.6% $\downarrow \Delta pb*$ 204 Standing: 1°	 Tourists Written premium: \$182 $\Delta\%*$ 3.2% Market share: 20.0% $\downarrow \Delta pb*$ (89) Standing: 2°	 Others Written premium: \$533 $\Delta\%*$ 24.6% Market share: 19.8% $\uparrow \Delta pb*$ 71 Standing: 3°

Top 5	Cars			
	Written premium growth	Market Share	% LR	% CR
Qualitas	32.8%	25.7%	68.3%	95.1%
G.N.P.	31.3%	14.6%	69.2%	102.3%
Chubb	2.2%	10.4%	96.5%	136.1%
AXA	17.6%	8.7%	79.2%	107.9%
BBVA	30.1%	7.2%	102.3%	117.7%
Total	22.2%	100.0%	74.3%	104.4%

Top 5	Trucks			
	Written premium growth	Market Share	% LR	% CR
Qualitas	25.2%	42.6%	73.4%	97.4%
Chubb	58.6%	10.3%	71.2%	97.8%
G.N.P.	35.7%	8.3%	54.2%	74.1%
AXA	0.6%	7.9%	98.9%	112.4%
HDI	28.2%	6.9%	74.0%	103.5%
Total	28.5%	100.0%	71.5%	94.7%



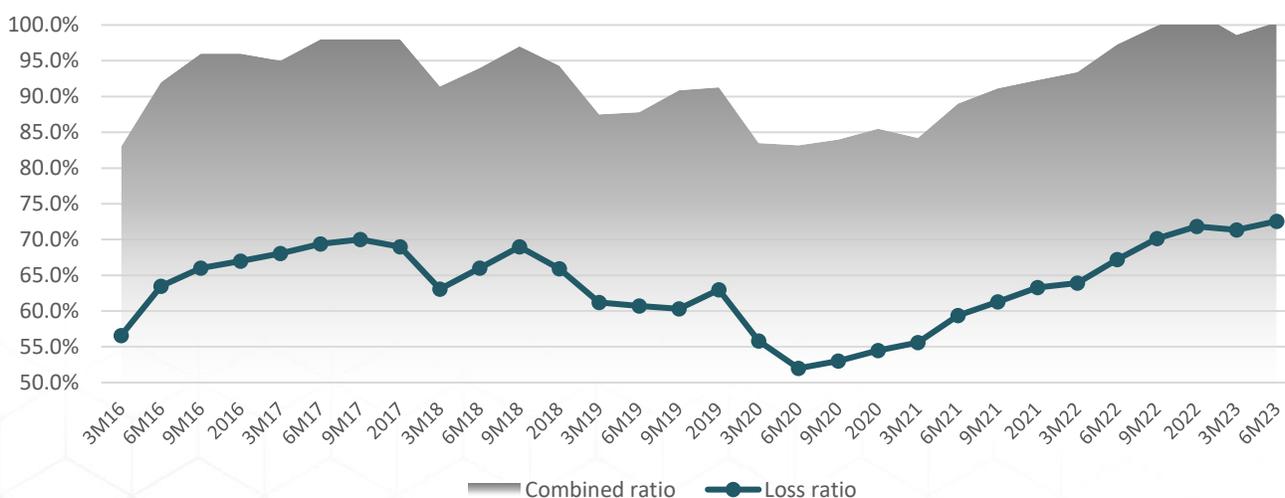
Loss costs of automobile insurance industry

During 1H23, the operating performance of the industry in Mexico continued to be impacted by the increase in frequency, which is reflected in the average number of claims which an insurance policy or a group of policies had during a period, and the average cost of each claim during a specific timeframe.

It was also impacted by the high inflationary context which prevails in the industry. General annual inflation in Mexico has stabilized in the past months, by the end of June it stood at 5.1% whilst underlying inflation stood at 6.9%. In this regard, spare parts' inflation from the last twelve months stood at 9.3%. Although those figures represent a downwards trend vs. last years' levels, it continues to be a pressure on our costs.

The auto insurance industry is a cyclical industry as shown below:

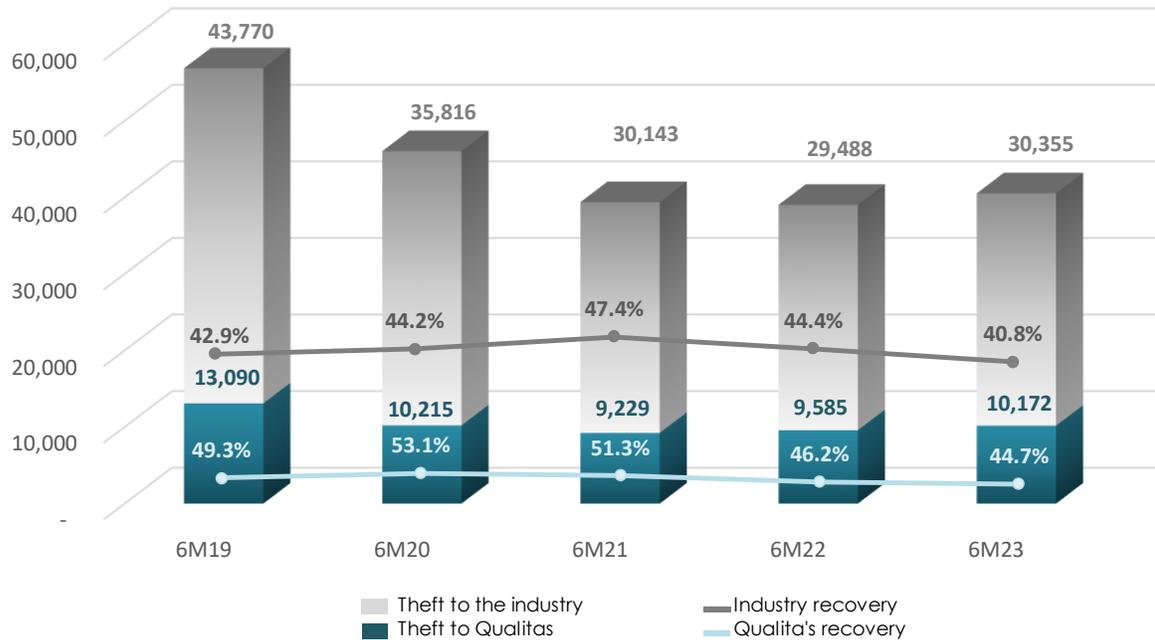
Industry' ratios



Theft and recovery

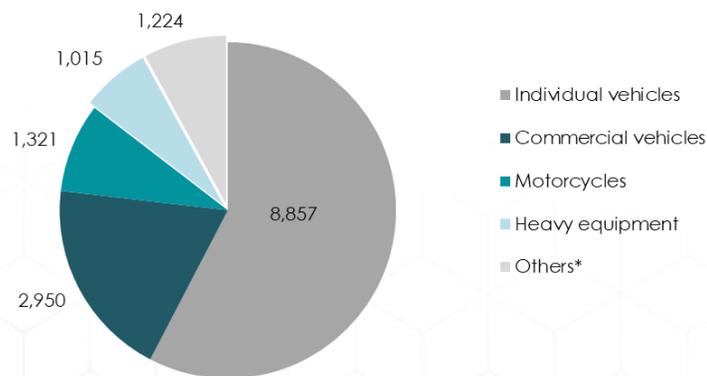
By the end of June, according to the Office for the Coordination of Insured Risks (OCRA per its acronym in Spanish) figures, theft of insured units in Mexico increased 3.1% for the whole industry compared to 1H22, with a cumulative recovery rate of 40.8%.

While an upwards trend is reflected, theft in the industry is still ~30% below 2019 level. During 6M23, Qualitas recovered 44.7% of its stolen units, more than 5.9 pp vs. the rest of the industry average.



From 30,355 stolen units in the industry, 57.3% were light vehicles and heavy equipment, followed by 19.1% from commercial vehicles and; in third place, motorcycles with 8.9%.

Thefts by type of unit⁷

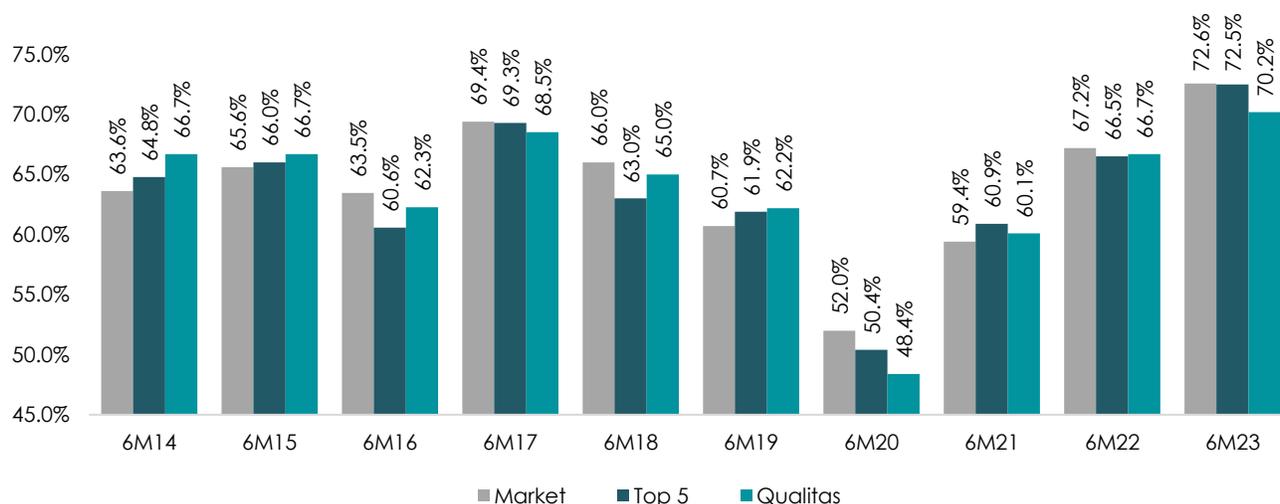


⁷ Source: OCRA, figures in number of cumulative units
 *Others: semitrailers, heavy equipment, buses, collectives, etc.

Costs ratios

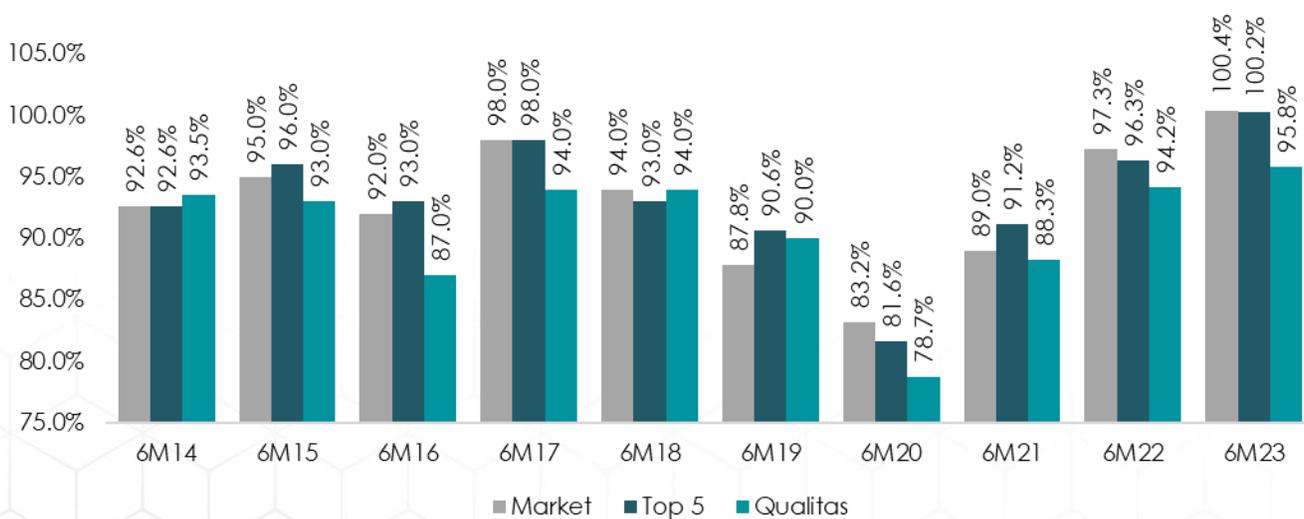
The industry posted a higher loss ratio compared to first half of 2022, driven by the several items mentioned before, standing at 72.6% for the whole industry. Top 5 companies loss ratio increased 6 pp vs. same period of last year, standing at 72.5%; likewise, Qualitas loss ratio increased from 66.7% to 70.2%.

Loss ratio



The industry combined ratio was 100.4%, which is 3.1 pp above 6M22. Top 5 companies posted a 100.2% combined ratio, Qualitas combined ratio stood at 95.8%; nevertheless, only Qualitas and AXA reported a positive operating result from top companies during 6M23.

Combined ratio



Sources of information

- AMIS. Asociación Mexicana de Instituciones de Seguros, A.C.; www.amis.com.mx (information consulted on August 16th, 2023)
- AMDA. Asociación 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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