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CONTACTS: Eli Sánchez
Associate Director
+52 55 1102 2720, ext. 122
eli.sanchez@ambest.com

Alfonso Novelo
Senior Director, Analytics
+52 55 1102 2720, ext. 107
alfonso.novelo@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Jim Peavy
Director, Public Relations
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

AM Best Affirms Credit Ratings of Quálitas Compañía de Seguros S.A. de C.V.

MEXICO CITY, June 5, 2020—AM Best has affirmed the Financial Strength Rating of B+ (Good), the Long-Term Issuer Credit Rating of “bbb-” and the Mexico National Scale Rating of “aa-.MX” of Quálitas Compañía de Seguros S.A. de C.V. (Quálitas) (Mexico City, Mexico). The outlook of these Credit Ratings (rating) is stable.

The ratings reflect Quálitas’ balance sheet strength, which AM Best categorizes as adequate, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Quálitas’ balance sheet strength is underpinned by its strengthened risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), sustained premium sufficiency and profitability metrics, the company’s consistent leading position in the auto insurance segment and its strong distribution network. Partially offsetting these positive rating factors are the adverse conditions present in Mexico’s economy and financial markets, mainly the large contraction in new car sales and the compromised quality and liquidity of securities in the country.

Quálitas has established a strong distribution capability across Mexico through its network of local agents, financial institutions and service offices. This has enabled the company to maintain its leading market position in Mexico’s auto insurance segment and achieve a 25.9% market share amid challenging competitive conditions. For the remainder of 2020 and looking into 2021, the company’s business profile will be challenged

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by depressed new car sales and protective credit offerings; however, its focus in special businesses, and its regional efforts provide an alternative to the dependence of new car sales.

Quálitas' risk-adjusted capitalization has strengthened over time due to its sound net results and to reduced exposure to equities in its investment portfolio. AM Best will continue to monitor the effects on the company's balance sheet, derived from the developments in its domestic financial markets. Nevertheless, the shift in its risk profile, in addition to the short tenor of its investments and a proper matching in currencies, provides the company with financial flexibility to react in the best interest of its capital position.

The strong assessment of Quálitas' operating performance is supported by the 2019 historical year net results for the company derived from solid underwriting and claim management, despite the already contracting new car sales in Mexico. The COVID-19 pandemic has limited business generation further in Mexico's auto insurance market, but also has limited claims frequency; which could compensate for the shortage of premiums. Qualitas' market presence, in addition with controlled administrative expenses and underwriting, provide the company with the necessary tools to maintain a profitable profile.

Positive rating actions could occur if a shift in Quálitas' risk profile continues to reflect in a strengthened assessment of its balance sheet in the medium term. Continuation of profitable results will remain key for an upgrade of the ratings. Negative rating actions could occur if the company's capital base is depleted whether by capital outflows or by negative bottom line results.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of AM Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

Key insurance criteria reports utilized:

- AM Best's Ratings On a National Scale (Version Oct. 13, 2017)

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- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- Catastrophe Analysis in A.M. Best Ratings (Version Oct. 13, 2017)
- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version May 23, 2019)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, please refer to [Guide to Best's Credit Ratings](#).

- Previous Rating Date: May 23, 2019
- Date Range of Financial Data Used: Dec. 31, 2008-March 31, 2020

This press release relates to rating(s) that have been published on AM Best's website. For additional rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page.

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