



Auto
Insurance Industry
Report

Second Quarter

2020



Mexico's Auto insurance industry report 2Q20

Figures in this document are stated in millions of Mexican pesos, except where otherwise specified, and they may vary due to rounding.

According to the Association of Insurance Institutions (AMIS), during 2Q20 the auto insurance industry in Mexico had a nominal decrease of 9.4% in written premiums. It is worth mentioning that GDP decreased 18.9%¹ in comparison with the same period of last year, and also decreased 17.3% vs the last quarter of 2019; the cumulative inflation rate as of March was -3.0%².

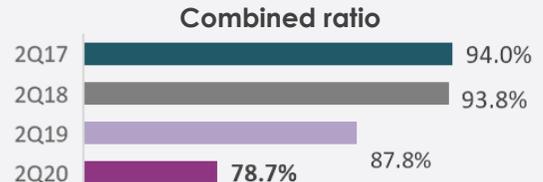
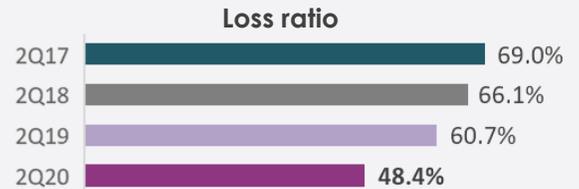
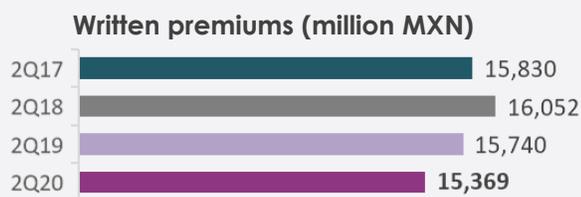
Automobile financing represented 62.5% of new car sales during the quarter, with a 26.2% decrease compared to the same period of 2019, mainly caused by the 28.6% decrease in the placement of new vehicles, the lowest in the last 5 years. New light vehicles cumulative sales slowed down by 31.9% at the end of June compared to the same period of the previous year, with April being the month with the steepest decline with a contraction of 64.5%. Wholesale truck sales decreased 63.4% compared to the same period of the previous year.³

Regarding costs ratios, at the end of June 2020 the industry registered a combined rate for the second quarter of 83.2%, a decrease of 6.8 percentage points compared to what reported during the same period of the previous year. The decrease was mainly driven by a drop in the loss ratio, derived by the lockdown measures and the slowdown in economic activity due to the health contingency, which helped to drastically reduce the number of vehicles on the road and, therefore, the claims attended.

In the table below⁴, we disaggregate bank-owned insurance companies. These companies, as they are part of financial groups, have cross selling with the bank clients and have different cost structures.

Companies	Written premium	Growth	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Quálitas	15,369	(2.4%)	4,237	899	3,651	48.4%	78.7%
Others	28,212	(13.2%)	4,530	1,710	4,738	53.1%	86.0%
Sum insurance companies	43,581	(9.7%)	8,767	2,609	8,389	51.2%	83.1%
Bank-owned	8,259	(8.1%)	1,884	1,018	2,550	55.5%	79.9%
Total market (35 companies)*	51,840	(9.4%)	10,651	3,627	10,940	52.0%	83.2%

Quálitas Mexico (Q MX)⁴



¹ Source: INEGI

² Source: BANXICO

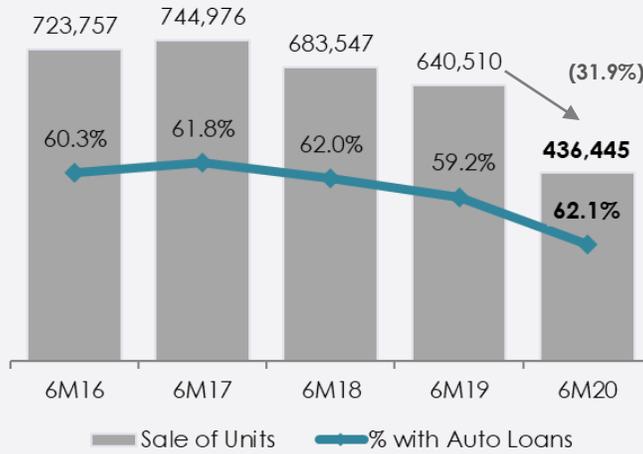
³ Source: AMDA

⁴ Source: AMIS

*34 insurance companies y 1 reinsurer

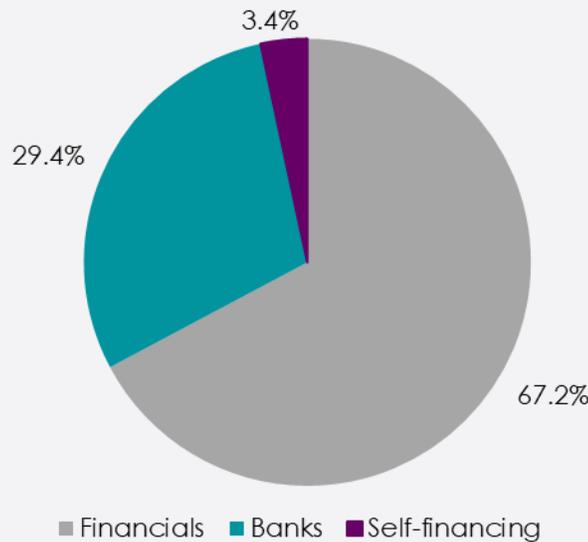
Auto industry and financing

Nationwide sales of vehicles and financing⁵



New light unit's sales (automobile and trucks) decreased 31.9% compared to the first half of 2019, reaching a total of 204,065 non commercialized vehicles. The automotive credit reached 62.1% of the commercialization of light vehicles sales compared to the 62.5% registered in the previous quarter and the 59.2% in the same period of the previous year.

Automobile financing market ^{5*}



The main sources of financing to purchase a car were through financial institutions with a 67.2% market share and an increase of 139 bp when compared to 2Q19, followed by bank financing which had a decrease of 50 bp compared to the same period a year ago.

⁵ Source: AMDA
*Figures in allocations

Auto insurance industry

Information contained in this page was obtained from a report issued by AMIS.

The market recorded total written premiums of \$51,840 million, a decrease of 9.4% in comparison with same period 2019. The fall in the issuance of the top five was 7.7%, the medium ones decreased 12.8%, and the rest also had a drop of 15.7%.

Market's net result was \$10,940 million, this is mainly explained by an operating result of \$10,651 million, cause by the low loss ratio of the industry, and a financial income of \$3,627 million.

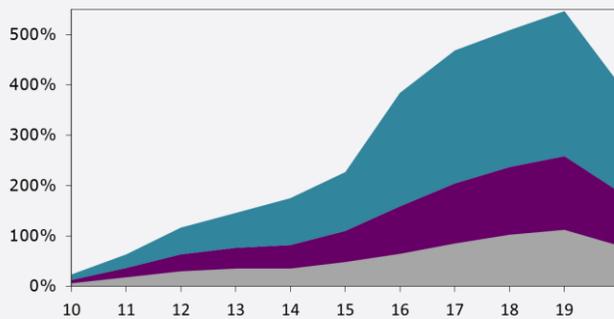
**Written premiums growth
2Q20 vs 2Q19**



**Earned premiums growth
2Q20 vs 2Q19**

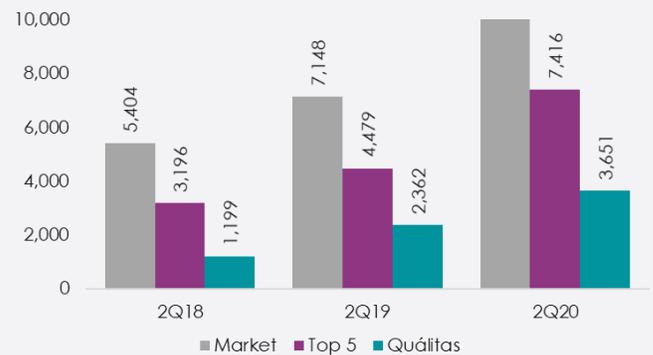


**Cumulative growth in premiums written
(Base 2011)**



CAGR (%) ⁶	
Q	11.8%
Market	7.1%
Market without Q	5.6%

Net result



⁶ CAGR: Compound Annual Growth Rate of the last 10 years
Figures in millions (MXN)

Auto insurance industry

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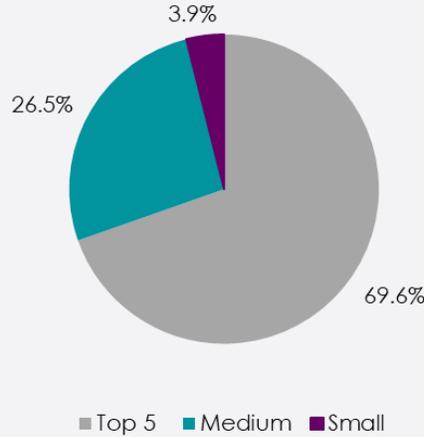
Company	Written premiums	Market share	Growth 1Q20 vs 1Q20	Earned premiums	Market share
Quálitas	15,369	29.7%	(2.4%)	17,155	32.8%
G.N.P.	7,430	14.3%	6.3%	7,321	14.0%
Chubb Seguros México	5,821	11.2%	(17.9%)	3,046	5.8%
AXA Seguros	4,429	8.5%	(17.7%)	5,030	9.6%
HDI Seguros	3,041	5.9%	(22.1%)	3,313	6.3%
Top 5	36,090	69.6%	(7.7%)	35,864	68.5%
Banorte	2,589	5.0%	(15.8%)	2,824	5.4%
BBVA Seguros	2,466	4.8%	3.9%	2,323	4.4%
Atlas	1,513	2.9%	(11.0%)	1,567	3.0%
Inbursa	1,463	2.8%	(11.0%)	1,842	3.5%
Afirme	1,286	2.5%	(31.0%)	1,543	2.9%
Mapfre México	1,281	2.5%	(0.5%)	1,244	2.4%
ANA	1,161	2.2%	2.1%	879	1.7%
Zurich Daños	937	1.8%	(32.3%)	1,159	2.2%
General de Seguros	546	1.1%	(13.7%)	580	1.1%
Seguros SURA	470	0.9%	(26.2%)	493	0.9%
Medium	13,713	26.5%	(12.8%)	14,455	27.6%
Others	2,037	3.9%	(15.7%)	2,027	3.9%
Total market (35 companies*)	51,840	100.0%	(9.4%)	52,346	100.0%

Company	Operating result	Investment income	Net result	Loss ratio	Combined ratio
Quálitas	4,237	899	3,651	48.4%	78.7%
G.N.P.	999	330	947	51.3%	85.2%
Chubb Seguros México	674	211	649	55.7%	90.0%
AXA Seguros	1,958	482	1,979	41.1%	63.7%
HDI Seguros	86	228	189	68.1%	107.1%
Top 5	7,954	2,150	7,416	50.4%	81.6%
Banorte	867	269	1,178	52.7%	70.8%
BBVA Seguros	495	616	812	61.6%	77.7%
Atlas	299	169	388	54.7%	81.8%
Inbursa	272	21	282	61.2%	91.5%
Afirme	190	75	178	49.4%	95.3%
Mapfre México	176	72	173	50.2%	84.7%
ANA	122	59	123	45.4%	84.5%
Zurich Daños	274	40	311	53.4%	93.3%
General de Seguros	(074)	(108)	(160)	77.8%	114.8%
Seguros SURA	(030)	30	(013)	70.0%	110.3%
Medium	2,591	1,242	3,272	56.1%	84.7%
Others	106	235	252	50.2%	97.8%
Total market (35 companies*)	10,651	3,627	10,940	52.0%	83.2%

Market share

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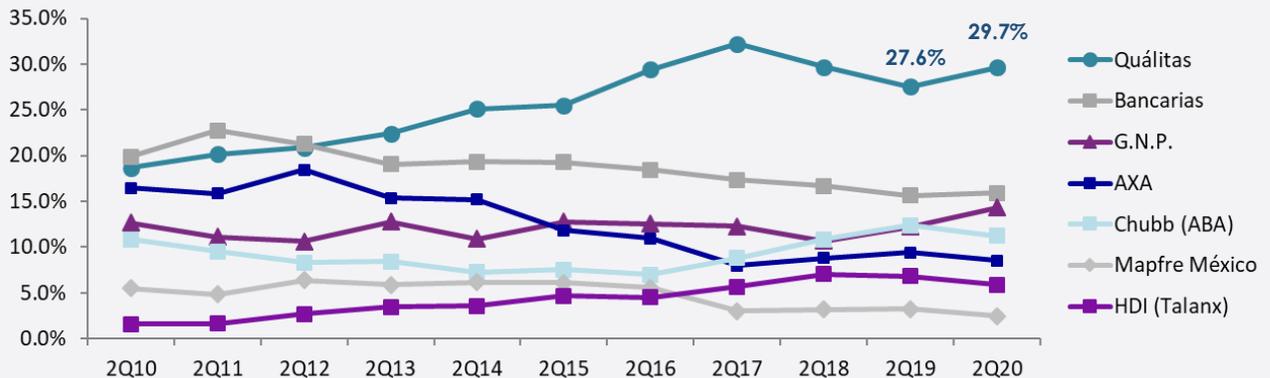
Automobile insurance market share



The five largest companies in the industry accounted for 69.6% of automobile insurance market share. During the second quarter of 2020, larger companies gained 132 bp of market share, medium companies lost 103 bp and small also lost 50 bp. when compared to the same period of 2019.

Quálitas continues to be the leader in the automobile insurance sector with 29.7% market share, which represents an increase of 160 bp versus the first quarter of the year, and remains well positioned amongst key segments of the market. The company is ranked in the top places in every branch of the industry in terms of market share.

 Total Auto	 Cars	 Trucks	 Tourists	 Other
Written premiums: \$15,369	Written premiums: \$ 7,094	Written premiums: \$ 7,919	Written premiums: \$ 119	Written premiums: \$ 238
Market share: 29.7% ▲ Δpb* 160	Market share: 22.2% ▲ Δpb* 110	Market share: 44.0% ▲ Δpb* 130	Market share: 19.3% ▲ Δpb* 170	Market share: 17.9% ▼ Δpb* (6)
Place: 1°	Place: 1°	Place: 1°	Place: 2°	Place: 2°

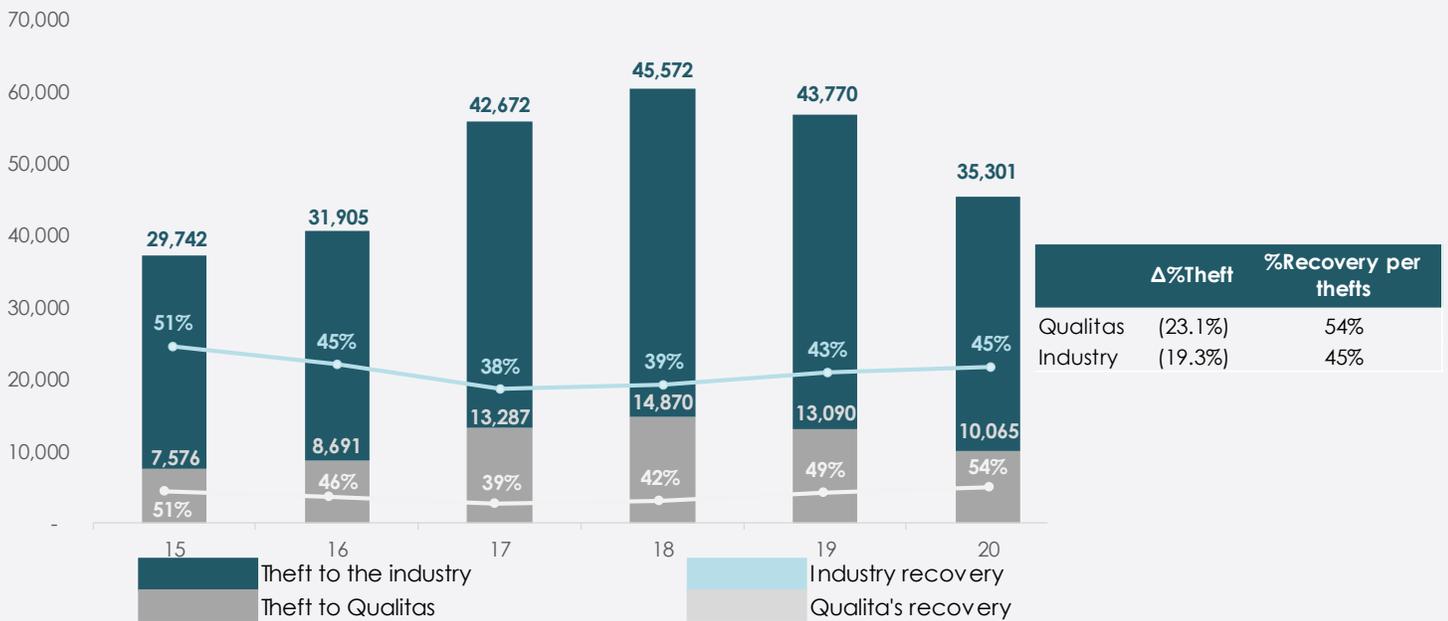


Auto theft & recovery

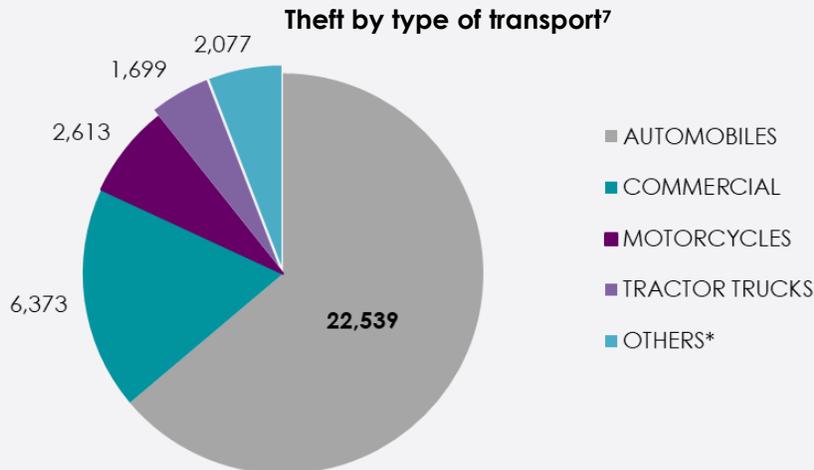
Information contained in this page was obtained from a report issued by OCRA

During this semester, the decrease in robberies in Mexico continued its positive trend. According to the figures reported by the Office for the Coordination of Insured Risks (OCRA), the theft of insured units in Mexico decreased 19.3% for the entire industry, compared to the same period of the previous year, of which 45% was recovered.

This recovery represents an increase of 185 bp compared to the first semester of 2019.



From the total of 35,301 units stolen, 63.8% were automobiles, followed by 18.1% of commercial cars, and in third place, 7.4% were motorcycles. Motorcycle was the type of transport that had the greatest decrease in theft with a 28.9% quarter vs quarter.



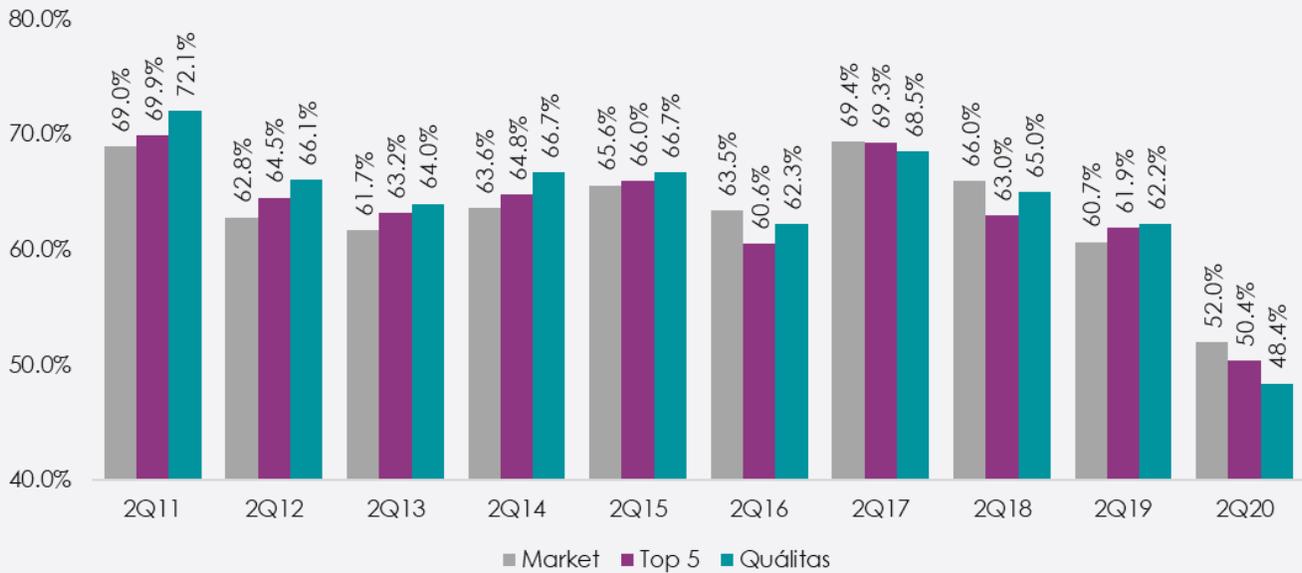
⁷ Source: OCRA

*Others: semi-trailers, trucks, buses, etc.

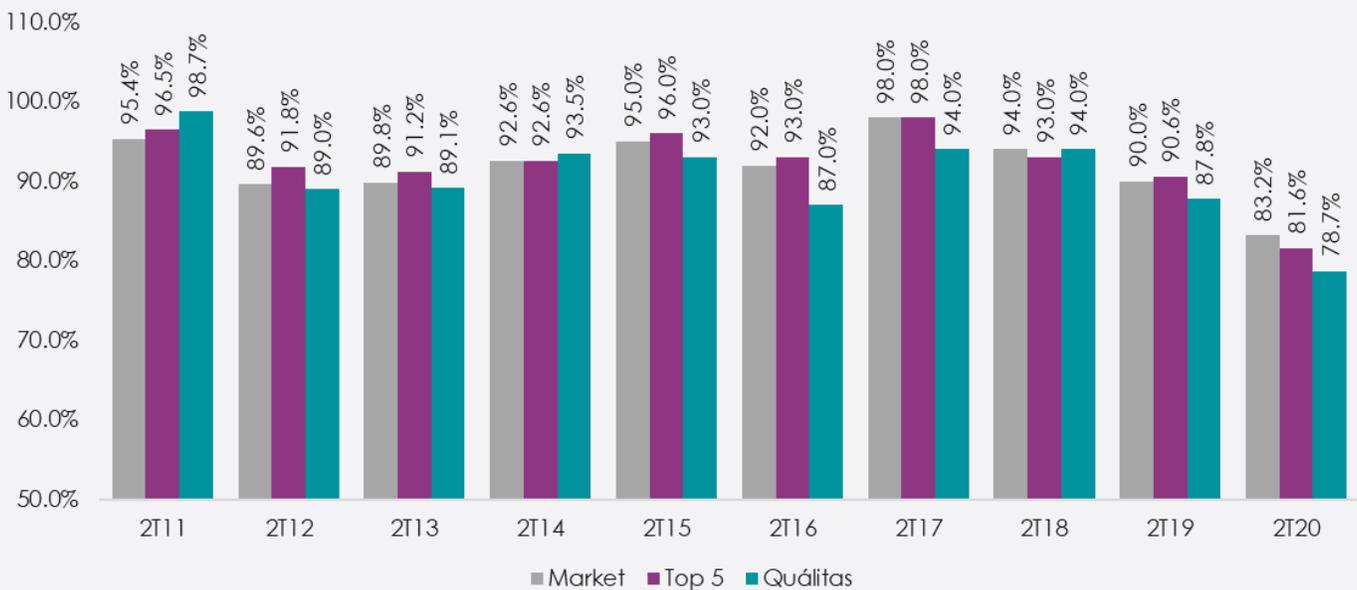
Costs ratios

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The industry recorded a lower loss ratio compared to the same period in 2019, driven by a 19.3% decrease in thefts for the industry and the already mention effects of the health contingency and the lockdown measures. The loss ratio of the top five companies also decreased 11.5 percentage points, positioning at 50.4%, while Quálitas fell from 62.2% to 48.4%.



Combined ratio for the industry reached 83.2%, figure 4.6 percentage points lower than the registered same period previous year. The five largest companies recorded 81.6% combined ratio and Quálitas reached 78.7%.



Information sources

1. AMIS. Asociación Mexicana de Instituciones de Seguros, A.C.; www.amis.com.mx
2. AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C.; www.amda.mx
3. BANXICO. Banco de México; www.banxico.org.mx
4. INEGI. Instituto Nacional de Estadística y Geografía; www.inegi.org.mx
5. 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. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” and similar expressions may identify such forward-looking statements. The Company wants to caution readers that any forward-looking statement in this document or made by the company’s management, involves risks and uncertainties that may change based on various important factors not under the Company’s control. Forward-looking statements relate to the company’s current situation only as of their dates of publication.

About Quálitas

Quálitas (Q) is the largest auto insurance company in Mexico in terms of market cap penetration, with operations in El Salvador, Costa Rica, USA and Peru. Its specialized business model, has allowed the company to provide top quality service under the largest network in the country. Quálitas is listed on the Mexican Stock Exchange (BMV) under the ticker “Q” (Bloomberg: Q*:MM).

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