

# AUTOMOBILE INSURANCE INDUSTRY REPORT

■ 4Q16



Mexico City, March 21, 2017

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

## Introduction

The Auto Insurance Industry in Mexico had a nominal growth of 20.4% in written premiums during 2016. It is worth mentioning that for the same period of time the GDP grew 2.3% and the inflation rate was 3.36%.

Automobile financing continued to gain market registering 67% of new car sales, this mainly driven by financial branches of automakers. New light vehicle sales grew 18.6% compared to 2015.

Regarding costs, the industry recorded a combined ratio of 96%, a lower figure when compared to the 99% registered last year. This change is mainly related to an improvement in the claims ratio.

In order to have a better analysis of the Industry, we subdivide bank-owned insurance companies as some of these companies have cross selling with the bank's customers and have different costs structures.

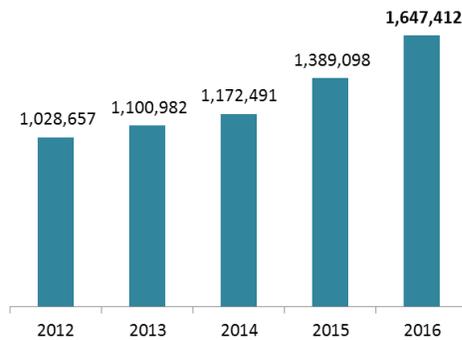
Companies	Written Premiums	Growth 9M16-9M15	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
Quálitas	28,736	49.9%	1,103	762	1,246	63%	89%
Other	47,103	10.3%	(692)	2,453	1,239	70%	102%
Sum Insurance Companies	75,839	22.6%	411	3,215	2,485	67%	97%
Bank-owned	15,263	10.8%	1,899	1,859	3,102	64%	88%
<b>Total Market (36 Companies)<sup>1</sup></b>	<b>91,102</b>	<b>20.4%</b>	<b>2,310</b>	<b>5,074</b>	<b>5,588</b>	<b>67%</b>	<b>96%</b>

Combined ratio without bank-owned insurance companies was 88%, whereas Quálitas recorded an 89% combined ratio.

<sup>1</sup> 35 Insurance Companies and 1 Reinsurance Company

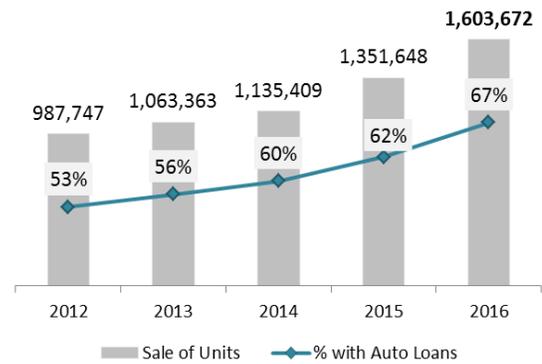
## Automobile Industry and Automobile Financing

### Nationwide Sales of Vehicles<sup>2</sup> (Automobiles & Trucks)



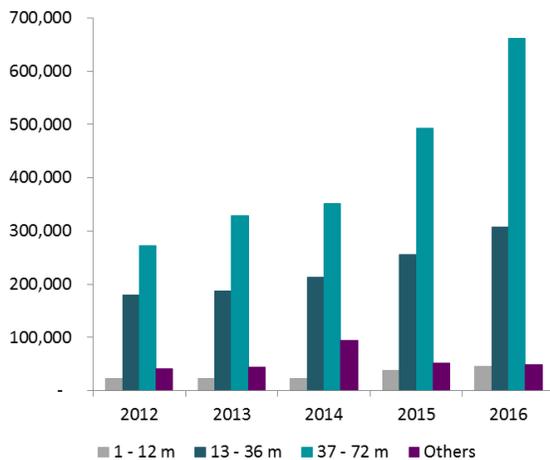
Sales of new units (automobiles & trucks) increased 18.6% when compared to 2015, totaling 1,647,412 units.

### Automobile Financing<sup>3</sup>



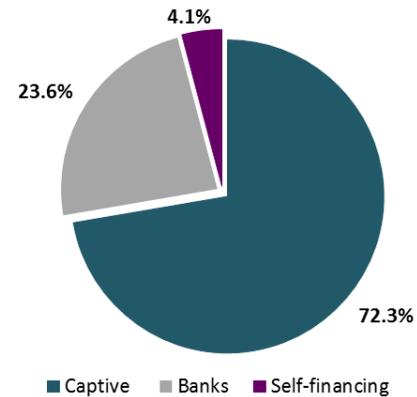
Automobile financing continued to grow, 67% of car sales were on credit.

### Financing Term<sup>3</sup>



As of December 2016, most car loans had duration of 48 and 60 months. The duration of the loans has been increasing over the last 5 years.

### Automobile Financing Market<sup>3</sup>



The main sources of financing to purchase a car were automakers and automotive agencies (captives).

<sup>2</sup>Source: ANPACT and AMDA. Figures are stated in units of automobiles sold.

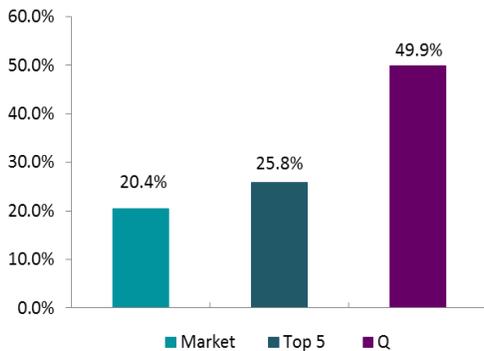
<sup>3</sup>Source: JATO Dynamics. (Only includes cars, does not include all banks and financial institutions, nor operating or financial leasing).

## Automobile Insurance Industry

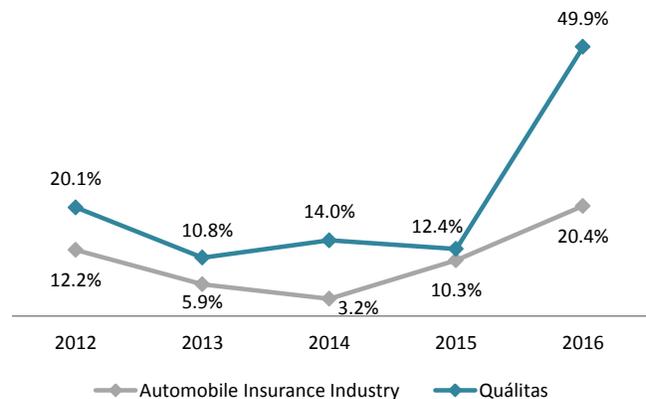
The market recorded total written premiums of \$91,102 in 2016, a 20.4% increase in comparison to the previous year. Top 5 companies grew 25.8%, medium companies 8.9%, and the small companies 27.2%.

Market's net profit increased 118% when compared to last year's figure. This is mainly explained by an operating result of \$2,310 and an increase of 31% on the investment income.

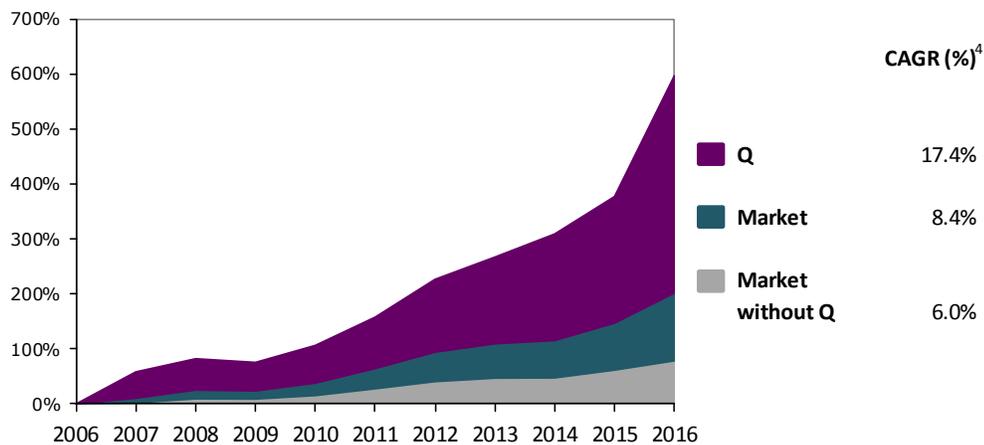
### Growth in Written Premiums 2016 vs 2015



### Growth of Automobile Insurance Industry



### Growth in Written Premiums Base 2006



<sup>4</sup> CAGR: Compound Annual Growth Rate

## Automobile Insurance Industry 2015

(Figures in millions of pesos)<sup>5</sup>

Company	Written Premiums	Market Share (written)	Growth 2016 - 2015	Earned Premiums	Market Share (earned)
Quálitas	28,736	31.5%	49.9%	23,235	29.2%
G.N.P.	11,581	12.7%	7.2%	10,332	13.0%
AXA Seguros	9,933	10.9%	8.4%	10,499	13.2%
Aba/Seguros	6,226	6.8%	18.4%	3,166	4.0%
Banorte	4,991	5.5%	11.4%	4,883	6.1%
<b>Top 5</b>	<b>61,466</b>	<b>67.5%</b>	<b>25.8%</b>	<b>52,114</b>	<b>65.5%</b>
Mapfre Mexico	4,451	4.9%	16.7%	3,983	5.0%
HDI Seguros	4,405	4.8%	-7.7%	4,352	5.5%
Inbursa	4,369	4.8%	3.0%	4,594	5.8%
BBVA Bancomer	3,849	4.2%	10.5%	3,674	4.6%
Zurich Daños	2,805	3.1%	11.2%	2,114	2.7%
Atlas	2,178	2.4%	21.9%	2,039	2.6%
Afirme	1,402	1.5%	33.1%	1,298	1.6%
General de Seguros	1,161	1.3%	-0.8%	1,184	1.5%
ANA	1,120	1.2%	31.6%	773	1.0%
El Potosi	550	0.6%	24.4%	531	0.7%
<b>Medium</b>	<b>26,290</b>	<b>28.9%</b>	<b>8.9%</b>	<b>24,544</b>	<b>30.9%</b>
<b>Other</b>	<b>3,345</b>	<b>3.7%</b>	<b>27.2%</b>	<b>2,876</b>	<b>3.6%</b>
<b>Total Market (36 Companies)<sup>5</sup></b>	<b>91,102</b>	<b>100.0%</b>	<b>20.4%</b>	<b>79,534</b>	<b>100.0%</b>

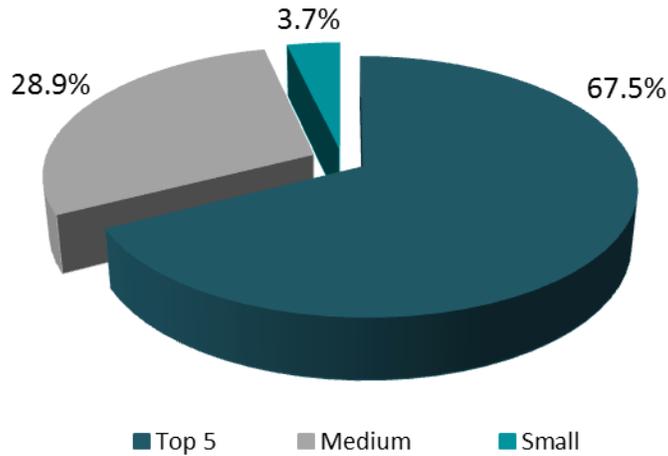
Company	Operating Result	Investment Income	Net Result	Claims	Combined Ratio
Quálitas	1,103	762	1,246	63%	89%
G.N.P.	(404)	628	188	69%	103%
AXA Seguros	(218)	670	381	73%	104%
Aba/Seguros	646	192	592	68%	90%
Banorte	443	290	672	75%	91%
<b>Top 5</b>	<b>1,570</b>	<b>2,542</b>	<b>3,079</b>	<b>68%</b>	<b>95%</b>
Mapfre Mexico	101	145	175	68%	98%
HDI Seguros	(651)	210	(418)	78%	115%
Inbursa	841	199	814	52%	83%
BBVA Bancomer	217	1,265	1,172	69%	93%
Zurich Daños	51	125	173	54%	99%
Atlas	123	102	169	68%	93%
Afirme	50	55	83	59%	93%
General de Seguros	(92)	184	100	82%	108%
ANA	33	17	31	56%	92%
El Potosi	42	19	56	67%	91%
<b>Medium</b>	<b>716</b>	<b>2,321</b>	<b>2,355</b>	<b>65%</b>	<b>97%</b>
<b>Other</b>	<b>24</b>	<b>211</b>	<b>154</b>	<b>61%</b>	<b>100%</b>
<b>Total Market (36 Companies)<sup>5</sup></b>	<b>2,310</b>	<b>5,074</b>	<b>5,588</b>	<b>67%</b>	<b>96%</b>

<sup>5</sup> 35 Insurance Companies and 1 Reinsurance Company

## Market Share

The five largest companies in the industry accounted for 67.5% of automobile insurance market share. During 2016, large companies gain 2.5 percentage points in terms of market share when compared to 2015. On the other hand, medium companies decreased 2.9 and small companies increased 0.4 percentage points.

### Automobile Insurance Market Share



Q remains well positioned amongst key segments of the market. The Company is ranked in the first two places in every business line in terms of market penetration.

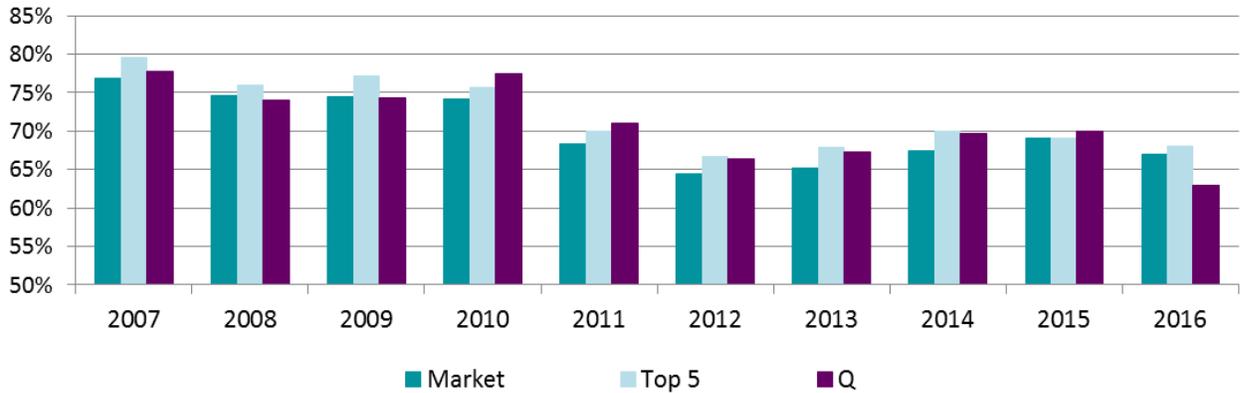
### Breakdown of the Automobile Insurance Market

	Written Premiums	Q's Participation	Q's Position
Cars	\$18,457	29.1%	1
Trucks	\$9,740	39.1%	1
Tourists	\$219	16.4%	2
Other	\$320	23.3%	2
<b>Total</b>	<b>\$28,736</b>	<b>31.5%</b>	<b>1</b>

## Costs

The industry recorded higher claims ratio when compared to 2015. Claims ratio of the five largest companies decreased to 68% from 69%, **Q**'s claims ratio decreased to 63% from 70%.

### Claims Ratio



Combined ratio for the industry reached 96%, a figure lower than the 99% registered during last year. The five largest companies recorded 95% combined ratio, while **Q** registered 89%.

Combined ratio for the industry, without Bank-owned Insurance Companies, reached 97%.

### Combined Ratio



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

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*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.*

### Information sources:

- 1) AMIS. Asociación Mexicana de Instituciones de Seguros, A.C., (Mexican Association of Insurance Institutions); [www.amis.com.mx](http://www.amis.com.mx)
- 2) ANPACT. Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones, A.C., (National Association of Producers of Buses, Trucks and Lorries); [www.anpact.com.mx](http://www.anpact.com.mx)
- 3) AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C.(Mexican Association of Automotive Suppliers) ; [www.amda.mx](http://www.amda.mx)
- 4) JATO Dynamics. <http://www.jato.com/Mexico>

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](http://www.cnsf.gob.mx)

### Investor Relations:

**Mariana Fernández**[mfernandez@qualitas.com.mx](mailto:mfernandez@qualitas.com.mx)

T: +52 (55) 1555-6103

**Mónica Pérez Diez**[monperez@qualitas.com.mx](mailto:monperez@qualitas.com.mx)

T: +52 (55) 155-6316

**Andreina Incandela**[aicandela@qualitas.com.mx](mailto:aicandela@qualitas.com.mx)

T: +52 (55) 155-6104

[www.qualitas.com.mx](http://www.qualitas.com.mx)