

3Q14

# Automobile Insurance Industry Report



Mexico



Mexico City; November 11, 2014

## Introduction

In this industry report it is worth noting the insurance industry slight growth during the first nine months of the year, with a 2.2% growth. In terms of individual companies, the growth rates of Quálitas and Mapfre stand out. It is important to consider that the LTM inflation rate stood at 4.22%.

The low growth in the industry is below the 4.1% increase in the sale of new cars. However, the automobile financing has risen, increasing from 56.4% to 60.0% of car sales, driven by the financial branches of automakers.

In terms of costs, the industry experienced a decline, registering a combined ratio of 95.3% vis-à-vis the 93.4% figure of last year. This increase is mostly explained by the intensification of rains and the growth in severance payments in case of death.

In order to better analyze the sector, we have separated the segment of insurance companies belonging to financial groups. These companies carry out inter-group sales with their bank's customers, and have a different cost structure. As a result, it is possible to compare combined costs ratios in different market segments.

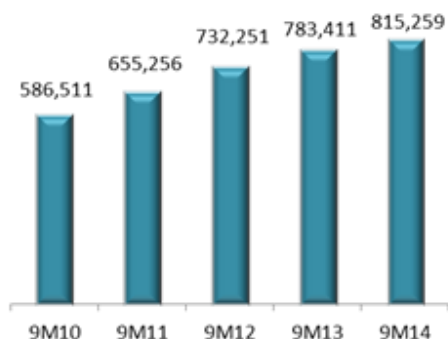
	Written Premiums	Growth 6M14-6M13	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
<b>Quálitas</b>	<b>12,237</b>	<b>14.3%</b>	<b>131</b>	<b>801</b>	<b>657</b>	<b>68.7%</b>	<b>96.0%</b>
Others (23)	27,949	-2.5%	0.6	1,198	1,371	66.5%	100.6%
<b>Insurance Companies (24)</b>	<b>40,186</b>	<b>2.1%</b>	<b>132</b>	<b>2,000</b>	<b>2,028</b>	<b>67.1%</b>	<b>99.0%</b>
<b>Insurance Companies from Financial Groups (10)</b>	<b>9,347</b>	<b>2.4%</b>	<b>1,737</b>	<b>977</b>	<b>2,191</b>	<b>59.4%</b>	<b>80.5%</b>
<b>TOTAL MARKET (34 Comp)</b>	<b>49,533</b>	<b>2.2%</b>	<b>1,869</b>	<b>2,976</b>	<b>4,219</b>	<b>65.6%</b>	<b>95.3%</b>

The combined cost ratio, without the insurance companies belonging to financial groups, amounts to 99.0%. Quálitas obtained a 96.0% ratio, and the rest of the market, a 100.6% ratio.



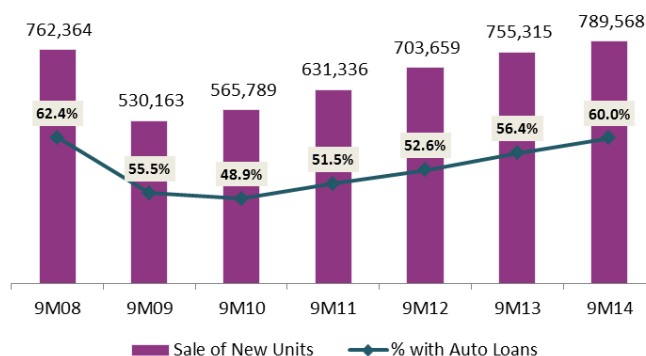
## Automobile Industry and Automobile Financing

### Nationwide Sales of New Vehicles<sup>1</sup> (Automobiles, Trucks)



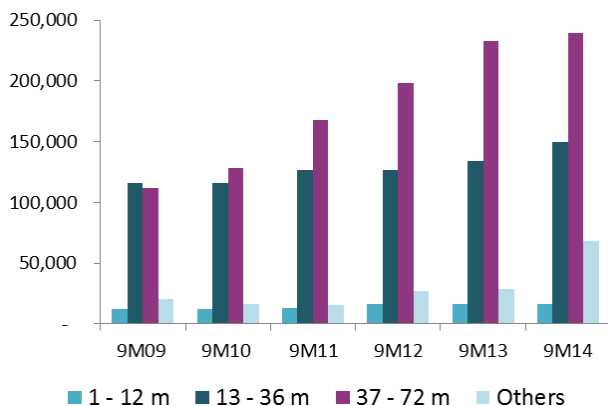
Sales of new units decreased by 4.1% compared to 2013, reaching 815,259 units.

### Automobile Financing<sup>2</sup>



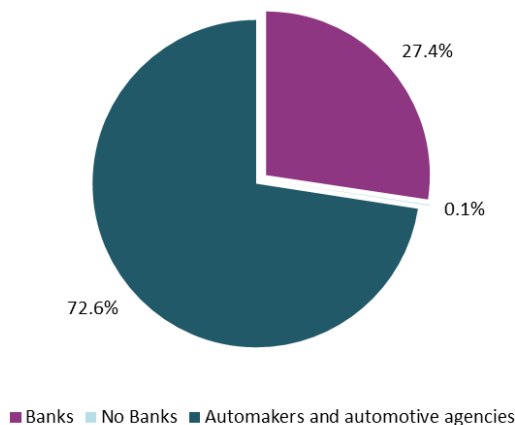
In 2014, automobile financing continues recovering; 60.0% of the sales of new cars as of September 2014 were financed, figure higher than last year's, but still below that of 2007.

### Financing Term<sup>2</sup>



As of September 2014, most car loans were offered with a 36, 48 and 60 months term. The term of the loans has been increasing for the last 5 years.

### Automobile Financing Market<sup>2</sup>



The main financing sources to purchase a car are the automakers and automotive agencies.

<sup>1</sup>Source: AMIA, ANPACT and AMDA. Figures are stated in units of automobiles sold.

<sup>2</sup>Source: JATO Dynamics. (Only includes cars, does not include all banks and financial institutions, does not include operating or financial leasing).



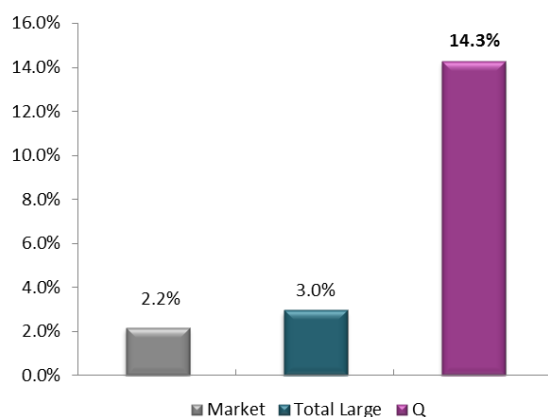
Figures in this document are stated in millions of Mexican pesos, except where otherwise specified, so that they may vary due to rounding.

## Automobile Insurance Industry

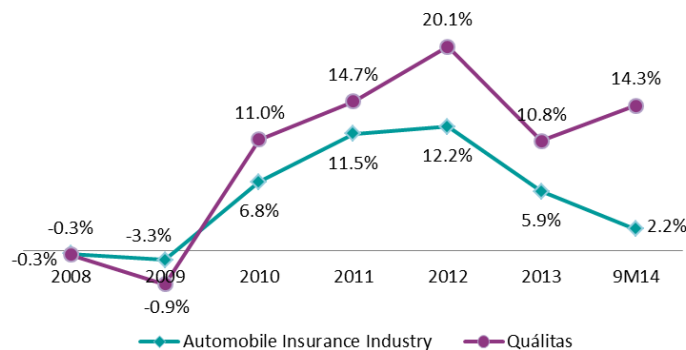
Total written premiums by the market amounted to \$49,533, growing by 2.2%. Among the large companies, two of them registered important growth rates, well above the market figure. On the other hand, in the group of medium size companies, there were also some relevant increases. The 5 largest companies grew 3.0%, the medium companies 0.6%, and the small ones 1.4%.

The market's net profit decreased by 5.0% when compared to last year's figure. This is mainly explained by the increase in the combined ratio of 1.8 percentage points, which offset the 6.0% growth in investment income.

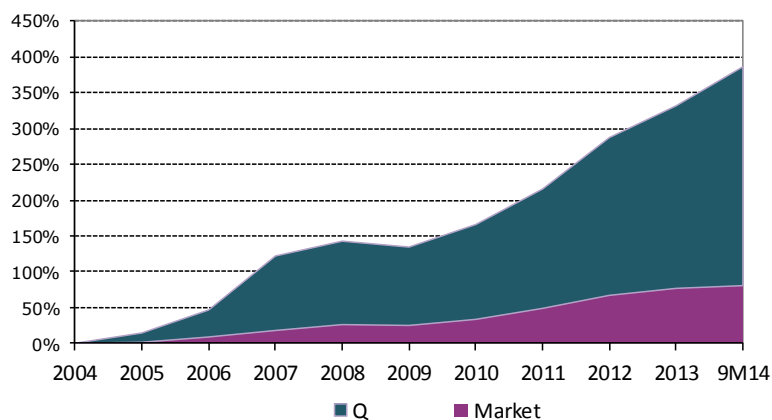
Growth in Written Premiums  
9M14 – 9M13



Growth of Automobile  
Insurance Industry



Growth in Written Premiums  
Base 2004 = 0



CAGR (%)

16.2%

6.5%



## Automobile Insurance Industry 9M14

(Figures in millions of pesos)

	Company	Written Premiums	Market Share (written)	Earned Premiums	Market Share (earned)	Growth 9M14 - 9M13
1	Quálitas	12,237	24.7%	11,146	24.1%	14.3%
2	AXA Seguros	7,223	14.6%	7,976	17.2%	-7.1%
3	G.N.P.	5,714	11.5%	5,816	12.6%	-6.0%
4	Aba/Seguros	3,893	7.9%	2,341	5.1%	-1.3%
5	Mapfre Mexico	3,159	6.4%	2,900	6.3%	13.1%
	<b>LARGE</b>	<b>32,225</b>	<b>65.1%</b>	<b>30,179</b>	<b>65.2%</b>	<b>3.0%</b>
6	Banorte	3,044	6.1%	2,931	6.3%	9.7%
7	Inbursa	2,846	5.7%	3,099	6.7%	-9.5%
8	BBVA Bancomer	2,603	5.3%	2,348	5.1%	5.5%
9	HDI Seguros	1,867	3.8%	1,690	3.6%	8.2%
10	Zurich Daños	1,738	3.5%	1,256	2.7%	-8.4%
11	Atlas	1,112	2.2%	1,173	2.5%	-8.6%
12	ANA	781	1.6%	639	1.4%	5.5%
13	General de Seguros	670	1.4%	581	1.3%	20.2%
14	Afirme	597	1.2%	565	1.2%	13.9%
15	Royal & Sunalliance	407	0.8%	465	1.0%	-21.9%
	<b>MEDIUM</b>	<b>15,664</b>	<b>31.6%</b>	<b>14,748</b>	<b>31.8%</b>	<b>0.6%</b>
	<b>SMALL</b>	<b>1,644</b>	<b>3.3%</b>	<b>1,346</b>	<b>2.9%</b>	<b>1.4%</b>
	<b>MARKET (34 Comp)</b>	<b>49,533</b>	<b>100%</b>	<b>46,312</b>	<b>100%</b>	<b>2.2%</b>

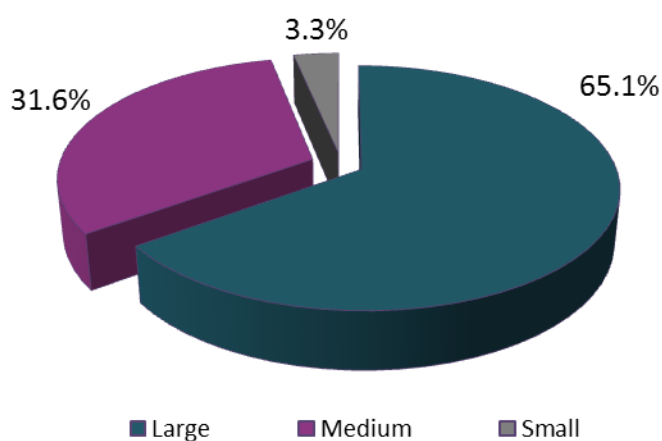
	Company	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
1	Quálitas	131	801	657	68.7%	96.0%
2	AXA Seguros	121	438	579	70.5%	101.4%
3	G.N.P.	79	96	71	64.4%	98.9%
4	Aba/Seguros	198	190	483	67.3%	95.9%
5	Mapfre Mexico	-31	96	55	65.1%	98.0%
	<b>LARGE</b>	<b>498</b>	<b>1,622</b>	<b>1,844</b>	<b>67.9%</b>	<b>98.1%</b>
6	Banorte	643	158	557	59.7%	77.2%
7	Inbursa	352	164	448	60.9%	91.1%
8	BBVA Bancomer	598	652	1,022	56.1%	72.5%
9	HDI Seguros	-43	69	71	62.8%	98.6%
10	Zurich Daños	-77	55	72	54.7%	98.8%
11	Atlas	10	65	60	74.3%	100.4%
12	ANA	-26	22	-4	64.3%	104.5%
13	General de Seguros	1	74	78	63.0%	94.7%
14	Afirme	5	32	30	63.3%	96.9%
15	Royal & Sunalliance	-132	23	-106	73.1%	135.5%
	<b>MEDIUM</b>	<b>1,332</b>	<b>1,314</b>	<b>2,228</b>	<b>61.4%</b>	<b>89.9%</b>
	<b>SMALL</b>	<b>21</b>	<b>29</b>	<b>122</b>	<b>62.4%</b>	<b>96.2%</b>
	<b>MARKET (34 Comp)</b>	<b>1,869</b>	<b>2,976</b>	<b>4,219</b>	<b>65.6%</b>	<b>95.3%</b>



## Market Share

The 5 large companies in the market account for 65.1% of the automobile insurance market. On the other hand, medium and small companies increased by 0.2 percentage points their market share compared to September 2013.

### Market Share Automobile Insurance



**Q** remains well-positioned in the major segments of the market; in every business line, the Company maintains one of the top 2 places in terms of market share.

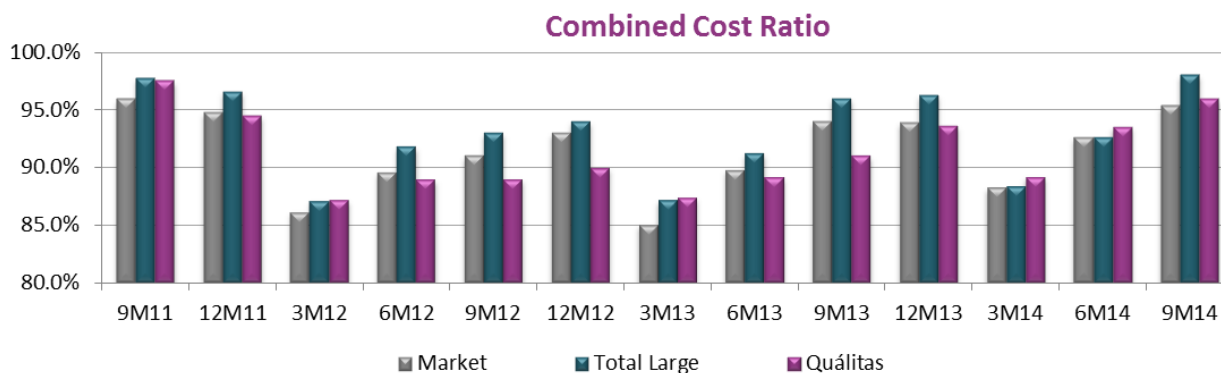
Breakdown of the Automobile Insurance Market			
	Premiums Written	Q's Participation	Q's Position
Cars	\$34,370	21.8%	1
Trucks	\$14,009	32.0%	1
Tourists	\$495	19.2%	2
Other	\$659	23.0%	2
<b>Total</b>	<b>\$49,533</b>	<b>24.7%</b>	<b>1</b>



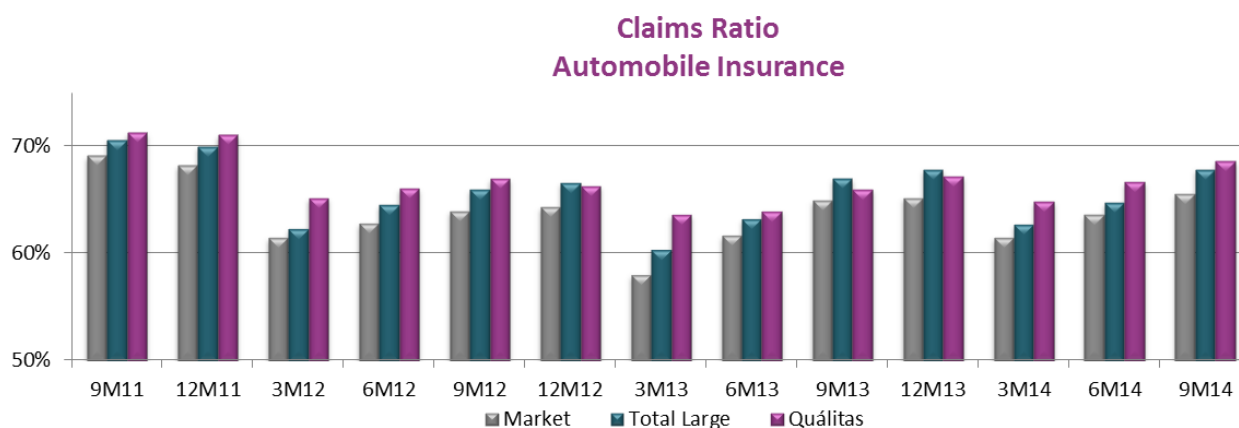
## Costs

The combined cost ratio for the market reached 95.3%, figure higher than the 93.4% of last year. The five large companies registered a 98.1% ratio, while the figure for Q stood at 96.0%.

The combined cost ratio for the market, without the figure for the Insurance Companies from Financial Groups, reached 99.0%.



The industry recorded a high claims ratio when compared to the previous quarters. If the ratios as of September 2014 are compared to last year's figures, there is also an important increase. Accordingly, the market ratio increased from 64.7% to 65.6%, that of the five large companies from 66.8% to 67.9%, and, Q's ratio increased from 65.5% to 68.7%.





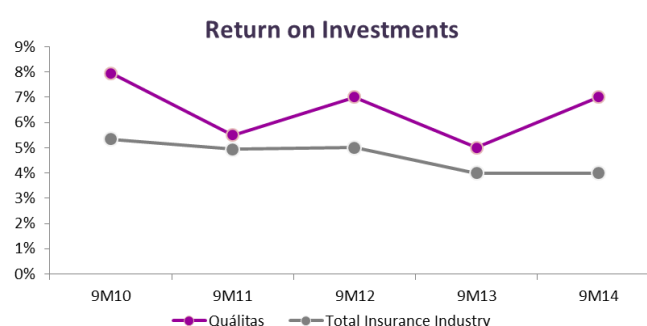
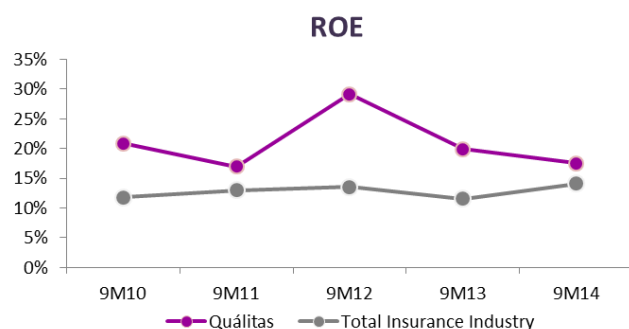
## Insurance Industry Profitability

The following table shows the profitability comparables for the insurance industry, which, in aggregate, stand at 14.1% for nine months of the year.

It is important to note that the ROE calculation is not available by industry segment, since the information available is from consolidated figures. The ROE is calculated with the profit from all segments for the 9 month period.

During this period, **Q** registered a 17.5% ROE.

	Company	Total Premiums 9M14	Return on investments 9M14	ROE 9M14	ROE 9M13
1	Metlife Mexico	38,300	5%	16.6%	17.9%
2	G.N.P.	27,854	4%	5.4%	5.5%
3	AXA Seguros	20,691	5%	7.2%	7.8%
4	Banamex	16,602	4%	20.6%	19.6%
5	BBVA Bancomer	16,483	3%	29.6%	31.9%
6	Inbursa	14,413	5%	9.1%	9.2%
7	Monterrey New York Life	13,121	4%	8.3%	10.0%
8	Banorte	12,516	4%	27.6%	35.7%
9	<b>Quálitas</b>	<b>12,237</b>	<b>7%</b>	<b>17.5%</b>	<b>16.9%</b>
10	Mapfre Mexico	10,118	4%	6.4%	7.6%
11	Atlas	5,500	5%	5.6%	6.1%
12	Allianz Mexico	5,412	5%	17.7%	20.0%
13	Zurich Santander	4,996	5%	37.8%	34.6%
14	Aba/Seguros	4,562	4%	21.4%	19.4%
15	Zurich Daños	4,136	3%	-1.5%	-1.9%
	<b>SMALL</b>	<b>31,819</b>	<b>4%</b>	<b>7.6%</b>	<b>7.6%</b>
	<b>MARKET (71 Comp)</b>	<b>238,762</b>	<b>4%</b>	<b>14.1%</b>	<b>14.8%</b>



ROE=Net Result/ Stockholders' Equity. It is an effective rate which corresponds to a period of 9 months, as published by AMIS.

Quálitas investments are marked-to-market, while other Insurance Companies may value their investments with different accounting principles.





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## 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) AMIA. Asociación Mexicana de la Industria Automotriz, A.C., (Mexican Association of the Automobile Industry); [www.amia.com.mx](http://www.amia.com.mx)
- 3) 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)
- 4) AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C. (Mexican Association of Automotive Suppliers); [www.amda.mx](http://www.amda.mx)
- 5) 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)

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