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FOR IMMEDIATE RELEASE

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AM Best Revises Outlooks to Positive, Affirms Credit Ratings of Quálitas Compañía de Seguros S.A. de C.V.

MEXICO CITY, July 9, 2021—AM Best has revised the outlooks to positive from stable and affirmed the Financial Strength Rating of B+ (Good), the Long-Term Issuer Credit Rating of “bbb-” (Good) and the Mexico National Scale Rating of “aa-.MX” (Superior) of Quálitas Compañía de Seguros S.A. de C.V. (Quálitas) (Mexico City, Mexico).

These Credit Ratings (ratings) reflect Quálitas’ balance sheet strength, which AM Best assesses as adequate, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

The positive outlooks reflect Quálitas’ continued improvement of its risk-adjusted capitalization over the past four years. This improvement has been driven by positive bottom-line results coupled with a lower exposure to higher-risk assets.

Quálitas’ balance sheet strength is underpinned by its strengthened risk-adjusted capitalization, sustained premium sufficiency and profitability metrics, the company’s consistent leading position in Mexico’s 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.

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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 31.2% market share amid challenging competitive conditions. The company has taken advantage of its ability to make adjustments in pricing and fees, as well as market recognition in order to contain premium growth contractions during 2020, which differentiates Quálitas from the rest of its competitors in the auto insurance sector. While premium growth will remain challenged during 2021, the company expects recovery to be underpinned in its business capabilities, applied to the reactivating sectors of car sales and tourism, among others.

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 2020 net results during what is considered an exceptional year, driven by a historical low in claims; the COVID-19 pandemic limited business generation and also claims frequency. Quálitas' claim management and 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 in the near to medium term if Quálitas is able to maintain a stable trend of improved risk-adjusted capitalization, sustained in profitable results and a risk profile that continues to reflect a lower exposure to riskier assets. Negative rating actions could occur if Quálitas' operating performance deteriorates due to adverse market conditions or changes in underwriting.

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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)
- 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 11, 2021)
- Scoring and Assessing Innovation (Version March 5, 2020)

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: June 5, 2020
- Date Range of Financial Data Used: December 31, 2014-March 31, 2021

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.

AM Best does not validate or certify the information provided by the client in order to issue a credit rating.

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