

QC Day

Highlights

Quálitas Insurance Company, Inc.

The strategy for this acquisition was to purchase a company without operations and with licenses to operate, especially in the border states of California, Arizona and Texas. In this company there are no current contingencies or liabilities, since it stopped operating 3 years ago. Additionally, we have a 5-year agreement which exempts us from any demand that could arise from previous claims. The equity required by California Regulators to begin operations was of US\$15 million.

The market segment we will focus on is that of trucks crossing the border to deliver merchandise. We estimate that approximately 10% of the trucks we insure in the zone close to the border cover this route. These trucks travel short distances, on average 50 miles in the US territory, and normally return without a load the same day. Currently, we will only offer third party liability coverage.

To service claims, we will be working with a qualified office which has already helped us with automobiles to which we offer third party liability coverage. We consider that our experience in this matter is very solid and will support the business' profitability.

Effect of the Reform to the Federal Labor Law

Recent changes in the Federal Labor Law generated important adjustments in insured sums of the third party liability coverage, as severance payments on death increased. Thus, while previously the maximum contingency on death was at 3,000 days of minimum wage, today this contingency is at a minimum of 5,000 days. Our responsibility vis-à-vis this contingencies is limited by the amount of the insured sum.

The adjustments in pricing that we have undertaken have been sufficient to cover the increases in claims, and are revised quarterly. We do not yet have precise figures on these severance payments as they include payments, both under the previous legal guidelines and under the current Law.

Solvency II

Before, the equity requirement for an insurance company was calculated as a percentage, of approx. 16.5%, of premiums. This resulted in some companies being sub-capitalized and other, over-capitalized, and to cover only the underwriting risk, and no other additional risks.

The new legal guidelines dictate that each Institution will be capitalized according to a risk map that includes its own risks – underwriting, reserves, market, credit, operating and other technical and financial risks. This map should be incorporated to the Company's management and Corporate Governance models.

For Quálitas, the outlook is favorable due to a series of factors which help mitigate risks:

- Market leadership allows for important operating volumes
- Leadership in operating efficiency allows for lower costs
- Culture of detailed information analysis grants the possibility to continuously monitor business variables
- Prudent investment portfolio
- Abundant geographic dispersion, as well as dispersion of distribution channels and markets.

Technology to Improve Service

Q móvil – smart phone application which has various modules such as:

- Q Emergencies, which automatically locates the policyholder in a georeferenced map.
- Q Assistance, to receive Roadside Assistance.
- Q Information, to receive policy information.
- Encontract to locate the car, or report a theft.
- Search, grants emergency numbers, location of repair shops and glass shops.

Handheld devices for adjusters allow them to record the claims process and to allocate suppliers automatically, as well as to generate a digital file.

Our valuation portal was launched in 2009. Today, all automobile claims and 40% of truck claims are valued remotely.

Payments processes – all our systems are integrated so that the payment process is automated.

Through the SAP CRM we monitor all the interactions of our clients with the Company so that we keep a client history, grant a consistent answer and an efficient attention.

We also have a variety of portals:

- Agents' Portal, to enhance their portfolio management.
- Q 360 Portal which allows Offices to monitor their agents' portfolios.
- QBCenter for corporate businesses, agencies, leasing companies and financial institutions.
- On Line Operator which allows employees to quote and buy their policies in their Company's intranet.

We are also using a hybrid system to detect frauds, which consists of on line alerts, alerts from statistic models, data mining which searches for atypical behavior patterns and social network models.

We have strategic indicators, measured daily, to monitor the advances and deviations in all of our operations.

Claims Service

Highlights:

- Georeferenced maps – allow for a faster allocation of adjusters. As of March 2014, 46% of adjusters were allocated through this system.
- Virtual office for total losses – seeks to improve the efficiency and diminish the time of payment of total losses to policyholders. This office will also allow us to contain administrative costs and to sell salvages more rapidly.
- Administrative quality area- it is the area that contacts policyholders to grant them timely information on the repair process and to monitor the entry of vehicles to the repair shops.

Infrastructure

One of our main advantages is our service structure and claims service structure, which at year-end 2013 included:

- 262 service offices
- 3,144 employees
- More than 9,200 agents
- 71 claims coordinators
- 655 adjusters
- 301 lawyers
- 98 quality supervisors

We expect to open 30 Quálitas Development Offices, consolidating our presence first in the locations with greater number of vehicles in circulation.

We have a variety of distribution channels:

- Traditional segment
- Financial Institutions
- Quálitas Development Offices
- Direct attention through our service offices
- Telephone sales through our call center
- Project to develop agents which developed 256 new agents
- Non-bank banks
- Autocompara Santander Program
- Liverpool

The sales force considers us an excellent alternative for all its channels and we have the flexibility to develop custom made products for the different market segments.

We are successfully operating mandatory insurance in some states, such as Morelos and Baja California. The Authority is about to publish the insured sums for these policies, while the prices will be set by each insurance company.

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