

## RATING ACTION COMMENTARY

# Fitch Affirms Qualitas Mexico's, Qualitas Grupo and QIC Ratings

Wed 11 Dec, 2024 - 8:53 a.m. ET

Fitch Ratings - Monterrey - 11 Dec 2024: Fitch Ratings has affirmed the international Insurer Financial Strength (IFS) ratings for Qualitas Compania de Seguros, S.A. de C.V. (Qualitas México) and Qualitas Insurance Company's (QIC) at 'BBB' and Qualitas Mexico's national IFS rating at 'AAA(mex)'. Fitch has also affirmed the Local Currency Long-Term Issuer Default Rating (IDR) and National Long-Term rating for Qualitas Controladora SAB de CV (Qualitas Grupo) at 'BBB-' and 'AAA(mex)', respectively. The Rating Outlook for all ratings is Stable.

## KEY RATING DRIVERS

**Rating Derivation:** Per Fitch's criteria, in countries with Group Solvency regulatory environments and investment-grade sovereign IDRs, holding company IDRs are set at the same level as the subsidiary operating company IDRs. Thus, Qualitas Grupo IDR is equalized with the 'BBB-' implied IDR of Qualitas Mexico, its main operating subsidiary. This also reflects benefits at the group level due to capital management. Fitch considers Qualitas Insurance Company (QIC) as a core subsidiary to Qualitas Grupo. Although its small size, Fitch's recognizes QIC's role in the group's strategy by extending the auto insurance group's focused on crossborder trucking for commercial vehicles.

**Strong Company Profile:** The group's company profile is consistently strong. The assessment reflects the strength of Qualitas Mexico, which accounts for around 90% of the group's total liabilities. Fitch considers Qualitas Grupo's company profile 'most favorable' compared with international Latin American peers. The assessment is pressured by concentration in auto lines, which is partially offset by the group's operations abroad, and a diversification strategy that includes the recent authorization by the local regulator to operate health insurance in Mexico (country rated BBB-/Stable).

Qualitas Mexico's operating scale is 'favorable' considering premiums volume of USD2.3 billion and USD577 million of capital. Net premium written (NPW) and the group's capital are at the upper level of our methodological criteria for 'most favorable' with USD2.5 billion of retained premiums and USD1.2 billion of capital, as of 3Q24.

**Adequate Capitalization:** Qualitas Mexico's capital is weak relative to its insurance operations due to limited capital availability caused by dividend payments to its holding company. Nonetheless, Qualitas Grupo's capital is adequate and has the ability to support Qualitas Mexico's operations, recognizing the possibility of capital transfer if needed.

Qualitas Grupo's dividend payment policy remains unchanged. Qualitas Mexico paid MXN3.5 billion in dividends to the holding company during 2024, while Qualitas Grupo paid dividends of MXN3.2 billion to shareholders during 2024, equivalent to 85% of the 2023 net results. Qualitas Mexico solvency capital requirement coverage ratio (SCR) was 2.4x in 2Q24.

**Very Strong Financial Performance:** Qualitas Mexico's financial performance is supported by its operational efficiency, stable combined ratio, and leading franchise in the auto sector. As of 3Q24, Qualitas Mexico and Qualitas Controladora's combined ratio was 91.1% and 92.9%, respectively, influenced by accelerated premium growth due to rate increases and insured units.

**Sovereign Investment Concentration:** Qualitas Mexico's investment portfolio is concentrated in Mexican sovereign instruments. As of 3Q24, the sovereign investment to capital ratio for Qualitas Mexico was 279.5% consistent to 'bb' rating. At the group level, due to stronger capital improves to 166%.

**National Scale Ratings:** National scale rating of Qualitas Grupo and Qualitas Mexico reflect the credit worthiness and financial strength within the local universe of rated-entities.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

--Qualitas Mexico's IFS rating would be sensitive to a downgrade of Mexico's Sovereign Rating to below-investment-grade given the large investment concentrations;

--Qualitas Mexico's IFS rating could be downgraded driven by NPW/capital for Qualitas Grupo above 2.6x at YE 2024 and 2025;

--A downgrade in Qualitas Mexico's rating could lead a multi-notch downgrade for Qualitas Grupo's IDR rating;

--Qualitas Grupo's National Long-Term Rating may be negatively affected by a downgrade on Qualitas Mexico's international rating;

--A downgrade of QIC of one or even multiple notches would be driven by a change in Fitch's view of QIC's strategic importance relative to its parent reflected in an increase of domestic products of QIC's book as of YE 2024 and/or or by a reduction or elimination of Qualitas Grupo support of this subsidiary;

-- A downgrade in national scale ratings would be driven by a downgrade in the international scale ratings.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

--Given the company's current company profile, which Fitch scores 'bbb', and its high weight in the rating, the ratings would also be sensitive to an upgrade of Mexico's Sovereign Rating and Country Ceiling;

--An increase could be driven by NPW/capital for Qualitas Grupo below 2.3x at YE 2024 and 2025;

--An upgrade of QIC would be driven by an improvement of Qualitas Grupo's rating;

--An upgrade in the national scale rating is not possible since it is assigned in the highest category.

### **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

### **ESG CONSIDERATIONS**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more

information on Fitch's ESG Relevance Scores, visit  
<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		PRIOR ↕
Qualitas Controladora, S. A. B. de C. V.	LC LT IDR	BBB- Rating Outlook Stable	BBB- Rating Outlook Stable
	Affirmed		
	Natl LT	AAA(mex) Rating Outlook Stable	AAA(mex) Rating Outlook Stable
	Affirmed		
Qualitas Compania de Seguros, S.A. de C.V.	LT IFS	BBB Rating Outlook Stable	BBB Rating Outlook Stable
	Affirmed		
	Natl LT IFS		AAA(mex) Rating Outlook Stable
	AAA(mex) Rating Outlook Stable	Affirmed	
Qualitas Insurance Company	LT IFS	BBB Rating Outlook Stable	BBB Rating Outlook Stable
	Affirmed		

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

**Eugenia Martinez**

Director

Primary Rating Analyst

+52 81 4161 7055

eugenia.martinez@fitchratings.com

Fitch Mexico S.A. de C.V.

Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial,  
Monterrey 64920

**Victor Perez**

Associate Director

Secondary Rating Analyst

+52 55 5955 1620

victor.perez@fitchratings.com

**Jim Auden, CFA**

Managing Director

Committee Chairperson

+1 312 368 3146

jim.auden@fitchratings.com

**MEDIA CONTACTS**

**Elizabeth Fogerty**

New York

+1 212 908 0526

elizabeth.fogerty@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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**APPLICABLE CRITERIA**

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Metodología de Calificaciones en Escala Nacional \(pub. 22 Dec 2020\)](#)

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

[Metodología de Calificación de Seguros \(pub. 03 Apr 2024\)](#)

## APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 (1)

## ADDITIONAL DISCLOSURES

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Qualitas Compania de Seguros, S.A. de C.V.

EU Endorsed, UK Endorsed

Qualitas Controladora, S. A. B. de C. V.

EU Endorsed, UK Endorsed

Qualitas Insurance Company

EU Endorsed, UK Endorsed

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details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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