

Accidents and health insurance industry report

2022

1st Half

Mexico's accidents and health insurance industry report 1H22

Figures in this document are stated in millions of Mexican pesos, except where otherwise specified, and they may vary due to rounding or consolidation from the regulator. Growth rates are presented in nominal terms.

Executive summary

Mexican National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas - CNSF*) granted in August 2022 the definite favorable opinion to Qualitas Salud for the operation of Accidents and Health (A&H), in the subbranches of Personal Accidents, Medical Expenses and Health insurance, in all cases for individual and collective segments.

Historically, in the operation of A&H the subbranch with the highest contribution to total written premiums is Medical Expenses, which closed 2021 and 1H22 with a 93.0% and 92.7% contribution respectively. In second place, is the Personal Accidents subbranch with a 4.4% and 4.1% contribution, and lastly Health subbranch with 2.7% and 3.2% contribution.

It is a highly concentrated industry; top 5 companies hold 73.6% of market share; GNP has been the leader company in the last 15 years with a market share of ~20%.

Regarding the size of the industry, it is similar to the automobile insurance industry; with total written premiums of \$115 billion by the end 2021 compared to \$108 billion in the auto insurance industry; by the end of first half 2022 written premiums accounted \$67 billion vs \$58 billion in the auto insurance industry.

2020 was an atypical year given COVID-19 pandemic, driving growth in accidents and health premiums of 10.7%, which continued with the same pace during 2021, +12.5%, they prevailed growing during first half 2022, posting a 19.1% hike.

Compound Annual Growth Rate (CAGR) for the industry in the last 5 years has been 10.7%. Despite the performance of the industry, penetration is still low; according to the INEGI, ~92% of Mexican population does not have any type of private health insurance policy.

Usually, medical expenses policies are focused on the reimbursement of expenses coming from illnesses or accidents that the policy holder presented, once the amount of the agreed deductible is surpassed. Personal accidents policies are focused on covering accidental deaths, organic losses or total or partial disabilities. Likewise, the main objective of health policies is to prevent, preserve, restore, and rehabilitate the policyholder; meaning that they have a preventive approach, different from the two previously described.

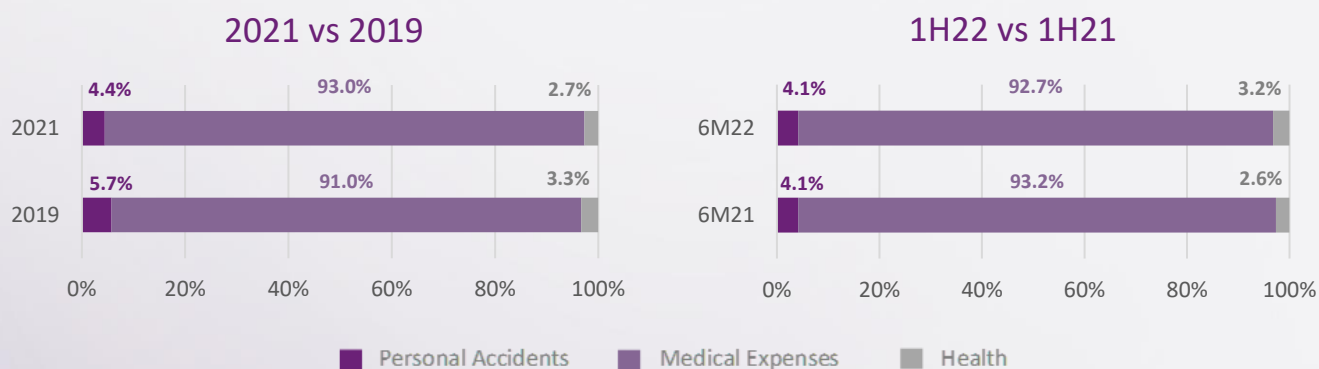
Regarding profitability indicators, accidents and health industry posted a combined ratio of 102.7% and 93.3% by the end of 2021 and 1H22, respectively. Operating margin of the industry was -4.1% and 4.9%, net margin was 0.1% and 6.3% for same periods respectively; those margins are below the auto insurance industry margins.

Industry overview

From total written premiums of accidents and health industry, medical expenses subbranch represented \$107 billion for 2021 and \$62 billion during 1H22, being the most representative of it (~93% of total industry), personal accidents subbranch was in second place with \$5 billion and \$3 billion respectively (~4% of total industry), and lastly health subbranch with \$3 billion and \$2 billion (~3% of total industry); those proportions have been similar with no significant changes in the past 5 years.

Insurance penetration of this industry has been historically low; in Mexico, only ~8% of population has a private medical insurance policy, either individual or collective. In the past 10 years, medical expenses insurance penetration has grown ~57%¹; reflecting the growth potential for the industry.

Subbranch share



Note: Given the atypical 2020 performance and COVID-19 pandemic that specific year it is left out of comparisons presented.

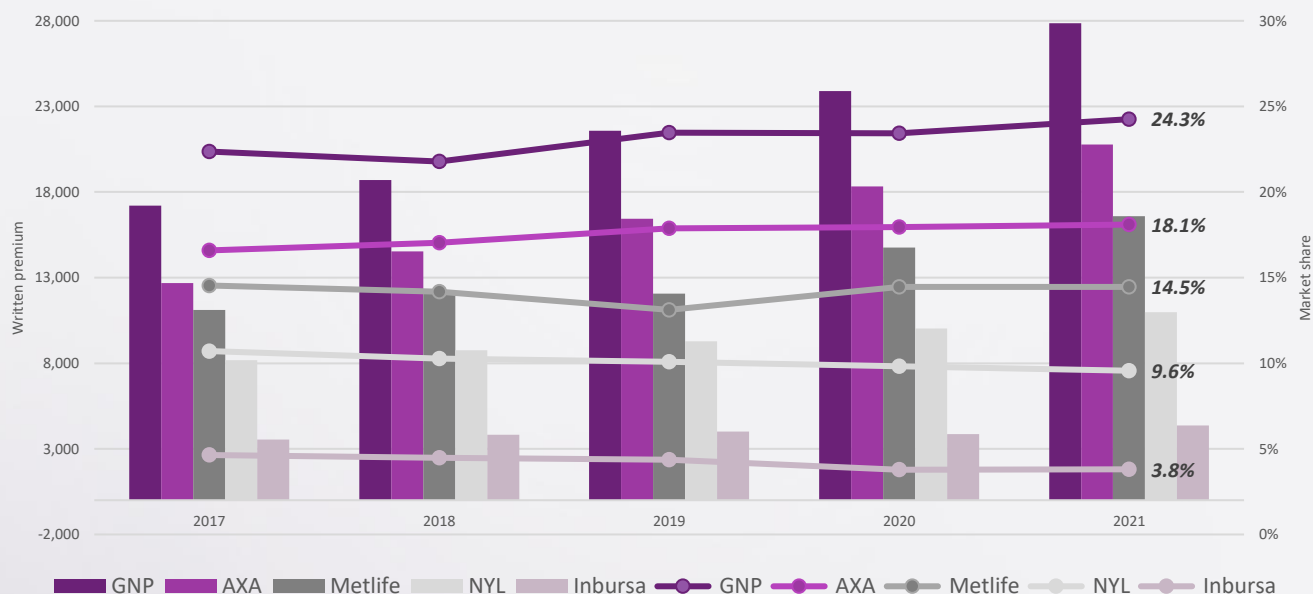
According to AMIS figures, agents and brokers represent the main sales distribution channel of the industry with 84% share. The rest of sales come from internal, banks and other channels, in which Qualitas currently has presence.

¹ Source: Sistema Estadístico del Sector Asegurador (SESA) from AMIS.

Main competitors

It is highly concentrated industry, where Top 5 companies hold +70% of market share. Market share and growth of the Top 5 companies has been stable and constant during the last years.

Written premium & market share – top 5²



Medical expenses

This type of insurance policy is designed to pay a specific amount in case of an illness or accident, and if prior amount surpasses the agreed deductible. The insurance covers, up to the whole insured amount, hospitalization expenses, medical care, surgery, medicine, clinical analysis, and other professional services.

The policy is focused on the reimbursement of those expenses and does not cover cosmetic treatments or surgery.

One of the most common uses for this type of policies are hospital coverage, surgery, intensive therapies and in some cases, in-home appointments.

² Source: AMIS.

Personal accidents

Personal accidents insurance policies grant the payment of a specific amount in case of death, organic losses and in case of total or partial disability, as consequence of an accident.

Main coverages are:

- *Accidental death*: If as consequence of an accident, the policyholder dies; the insurance company must pay to the beneficiary or beneficiaries the agreed amount for this concept.
- *Organic losses*: If as consequence of an accident, the policyholder loses any of her/his limbs described in general conditions of the policy; the insurance company must pay the conveyed amount for this concept accordingly to the correspondent scale.
- *Reimbursement of medical expenses from accidents*: If as consequence of an accident, the policyholder needs a medical treatment or surgery, hospitalization, nursery services, ambulance, or medicines; the insurance company must reimburse those expenses, capped to the contracted amounts for each of the concepts.
- *Total or partial disabilities*: If as consequence of an accident, the policyholder suffers any disability that does not allow the performance of her/his daily activities; during the disability period the insurance company must pay the daily contracted amount. According to the disability features, the disability would be classified as total or partial and for each different conditions must be applied for the compensation payment.

Some exclusions are not covered by this type of policy such as:

- Extreme sports or of high danger.
- Self-generated injuries.
- Alcohol abuse or use of illegal drugs.
- War risks.

Health

The Insurance Institutions Specialized in Health (*Instituciones de Seguros Especializadas en Salud* - ISES) are the operators authorized by the Mexican regulator *Secretaría de Hacienda y Crédito Público* (SHCP), CNSF and the Health Ministry (SSA) to provide insurance services, the last two also as regulators. ISES have as purpose to provide services focused on prevent, preserve, restore, and rehabilitate the policyholders' health.

Main difference between individual and collective/group segments, is that the first one is focused on provide protection to the individual and/or family who pays for the specific policy while collective/group segment is focused on provide protection in case of specific risks related to main activities of employees from diverse corporate sectors, as well as to members of specific associations and legally established groups.

Profitability

For 2021, combined ratio of the industry was 102.7%, which compares to 96.3% ratio of 2020; by the end of 1H22, combined ratio of the industry was 93.3%.

The table below shows the loss ratio and combined ratio of Top 5 companies and the industry average of past years:

Profitability indicators – A&H total Top 5

		GNP	AXA	Metlife	MNYL	Inbursa	Top 5	Industry
2018	Acquisition ratio	22.4%	20.3%	11.8%	20.3%	12.5%	18.8%	19.4%
	Operating ratio	5.5%	5.6%	5.7%	8.7%	6.4%	6.1%	7.1%
	Loss ratio	68.8%	71.6%	73.8%	67.4%	69.9%	70.4%	67.2%
	Combined ratio	96.9%	97.8%	91.7%	96.6%	88.8%	95.5%	94.2%
	Net Income	935	781	978	1,392	345	4,432	7,411
2019	Acquisition ratio	22.1%	20.2%	13.4%	20.3%	12.4%	19.1%	19.6%
	Operating ratio	4.8%	4.6%	7.8%	7.9%	7.0%	5.9%	6.9%
	Loss ratio	69.9%	78.7%	66.0%	68.1%	59.3%	70.5%	68.3%
	Combined ratio	96.8%	103.7%	87.9%	96.5%	78.6%	95.8%	95.5%
	Net Income	975	-199	928	2,078	723	4,505	6,782
2020	Acquisition ratio	23.4%	20.1%	12.9%	22.7%	13.6%	19.8%	20.2%
	Operating ratio	5.0%	2.6%	6.1%	7.2%	5.5%	4.9%	6.4%
	Loss ratio	66.6%	75.4%	74.1%	76.6%	67.9%	71.8%	69.1%
	Combined ratio	95.1%	98.2%	93.6%	106.8%	86.9%	96.8%	96.3%
	Net Income	1,218	636	922	1,333	514	4,623	7,159
2021	Acquisition ratio	22.4%	18.5%	13.3%	21.7%	13.0%	19.0%	19.9%
	Operating ratio	4.4%	2.8%	6.5%	6.4%	4.2%	4.7%	5.8%
	Loss ratio	76.2%	86.5%	91.2%	71.9%	70.3%	80.8%	69.1%
	Combined ratio	103.1%	107.9%	111.6%	100.4%	87.5%	104.7%	102.7%
	Net Income	-23	-919	-3,074	2,042	501	-1,473	130
1H22	Acquisition ratio	21.3%	17.0%	10.8%	25.2%	12.0%	18.6%	19.5%
	Operating ratio	6.2%	2.3%	3.0%	8.6%	2.8%	4.7%	5.7%
	Loss ratio	67.4%	75.0%	75.1%	67.1%	61.0%	71.0%	67.5%
	Combined ratio	95.1%	94.4%	89.2%	101.7%	75.8%	94.8%	93.3%
	Net Income	659	659	754	311	533	2,281	4,269

Note: For 1H22, Inbursa does not participate in Top 5 companies, and it is replaced by Atlas.

During 2021, financial income for the industry was \$4.491 billion, equivalent to a return on written premiums of 3.9%, same figure as the one obtained by the top 5 companies.

Regarding to the net result, from 2017 to 2020 accidents and health industry generated on average a net margin of 7.6% which compares to the auto insurance industry average net margin of 10.8%. Although for 2021, the industry only generated a 0.1% net margin, with a net income of \$130 million.

Operating result and margin – A&H total Top 5

	2017	2018	2019	2020	2021	1H22
G.N.P.	\$447	\$364	\$475	\$1,204	(\$1,141)	\$273
	2.6%	1.9%	2.2%	3.5%	(4.1%)	1.6%
AXA Seguros	(\$235)	\$255	(\$651)	\$471	(\$1,648)	\$310
	(1.9%)	1.8%	(4.0%)	0.9%	(7.9%)	2.5%
Metlife México	(\$172)	\$1,010	\$1,067	\$900	(\$1,809)	\$707
	(1.6%)	8.4%	8.8%	5.4%	(10.9%)	6.1%
Monterrey NYL	\$279	\$224	\$230	\$719	(\$128)	(\$165)
	3.4%	2.6%	2.5%	(6.6%)	(1.2%)	(2.7%)
Inbursa	\$218	\$391	\$825	\$212	\$496	\$612
	6.1%	10.2%	20.5%	14.7%	11.4%	23.7%
Top 5	\$537	\$2,245	\$1,945	\$3,505	(\$4,230)	\$1,012
	1.0%	3.9%	3.1%	2.4%	(5.3%)	2.0%
Industry	\$1,788	\$4,176	\$2,955	\$6,524	(\$4,249)	\$2,859
	2.3%	4.9%	3.2%	2.6%	(3.7%)	4.2%

Note: Percentages as written premiums proportion.

Financial income and margin – A&H total Top 5

	2017	2018	2019	2020	2021	1H22
G.N.P.	\$583	\$923	\$939	\$885	\$1,072	\$676
	4.9%	3.4%	4.3%	3.7%	3.9%	4.0%
AXA Seguros	\$588	\$611	\$663	\$741	\$825	\$447
	4.2%	4.6%	4.0%	4.0%	4.0%	3.7%
Metlife México	\$307	\$264	\$266	\$329	(\$1,243)	\$174
	2.2%	2.8%	2.2%	2.2%	(7.5%)	1.5%
Monterrey NYL	\$1,740	\$1,516	\$1,945	\$2,184	\$2,345	\$637
	17.3%	21.3%	21.0%	21.8%	21.4%	10.6%
Inbursa	\$90	\$34	\$80	\$51	\$103	\$33
	0.9%	2.5%	2.0%	1.3%	2.4%	1.3%
Top 5	\$3,308	\$3,348	\$3,893	\$4,190	\$3,103	\$1,930
	5.8%	6.3%	6.1%	5.9%	3.9%	3.9%
Industry	\$4,736	\$4,524	\$5,395	\$5,745	\$4,491	\$2,207
	5.3%	6.2%	5.9%	5.6%	3.9%	3.3%

Note: Percentages as written premiums proportion.

Net result and margin – A&H total Top 5

	2017	2018	2019	2020	2021	1H22
G.N.P.	\$791	\$935	\$975	\$1,218	(\$23)	\$659
	4.6%	5.0%	4.5%	3.7%	(0.1%)	3.9%
AXA Seguros	\$338	\$781	(\$199)	\$636	(\$919)	\$659
	2.7%	5.4%	(1.2%)	4.0%	(4.4%)	5.4%
Metlife México	\$9	\$978	\$928	\$922	(\$3,074)	\$754
	0.1%	8.1%	7.7%	2.2%	(18.5%)	6.5%
Monterrey NYL	\$1,811	\$1,392	\$2,078	\$1,333	\$2,042	\$311
	22.1%	15.9%	22.4%	21.8%	18.6%	5.2%
Inbursa	\$257	\$345	\$723	\$514	\$501	\$533
	7.3%	9.0%	18.0%	1.3%	11.5%	20.7%
Top 5	\$3,206	\$4,432	\$4,505	\$4,623	(\$1,473)	\$2,281
	6.1%	7.7%	7.1%	6.5%	(1.8%)	4.6%
Industry	\$5,513	\$7,411	\$6,782	\$7,159	\$130	\$4,269
	7.2%	8.7%	7.4%	7.0%	0.1%	6.3%

Note: Percentages as written premiums proportion.

Appendix

Charts below were elaborated with AMIS information. Figures in thousands Mexican pesos.

Table 1. Total Accidents and Health Top 5 companies– Written premium & market share

Accidents and Health Total	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
GNP	17,205	22.5%	18,703	21.9%	21,583	23.5%	23,902	23.4%	27,850	24.3%	16,968	25.2%
AXA	12,685	16.6%	14,529	17.0%	16,443	17.9%	18,317	17.9%	20,780	18.1%	12,219	18.2%
Metlife	11,113	14.5%	12,094	14.2%	12,068	13.1%	14,754	14.5%	16,593	14.5%	11,564	17.2%
MNYL	8,185	10.7%	8,758	10.3%	9,274	10.1%	10,023	9.8%	10,982	9.6%	6,005	8.9%
Inbursa	3,544	4.6%	3,820	4.5%	4,015	4.4%	3,859	3.8%	4,359	3.8%	2,582	3.8%
Top 5	52,731	69.0%	57,903	67.9%	63,382	68.9%	70,854	69.4%	80,566	70.2%	49,541	73.6%
Industria	76,442	100.0%	85,284	100.0%	91,995	100.0%	102,068	100.0%	114,829	100.0%	67,296	100.0%

Table 2. Personal Accidents total Top 5 companies– Written Premium & market share

Personal Accidents Total	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Chubb	525	16.3%	825	24.0%	880	25.7%	1,061	31.2%	1,107	32.9%	660	23.8%
Citibanamex	1,113	34.6%	1,053	30.6%	990	28.9%	862	25.4%	752	22.3%	391	14.1%
Zurich Sant	673	20.9%	687	20.0%	704	20.5%	684	20.2%	683	20.3%	361	13.0%
BBVA	481	15.0%	494	14.4%	507	14.8%	522	15.4%	552	16.4%	283	10.2%
Banorte	422	13.1%	384	11.2%	347	10.1%	265	7.8%	270	8.0%	135	4.8%

Table 3. Individual Personal accidents Top 5 companies – Written premium and market share

Individual Personal accidents	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Chubb	371	16.6%	509	21.4%	624	24.8%	863	32.4%	685	27.3%	369	21.9%
Zurich Sant	643	28.8%	644	27.1%	651	25.8%	644	24.1%	640	25.6%	317	18.9%
BBVA Seguros	475	21.3%	488	20.5%	495	19.6%	507	19.0%	540	21.5%	272	16.1%
Citibanamex	425	19.0%	447	18.8%	492	19.5%	436	16.4%	426	17.0%	265	15.7%
Banorte	321	14.4%	291	12.3%	258	10.2%	216	8.1%	214	8.6%	106	6.3%

Table 4. Group Personal accidents Top 5 companies – Written premium & market share

Group Personal accidents	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Chubb	153	11.3%	317	23.6%	256	22.1%	198	21.1%	423	37.2%	291	26.7%
Citibanamex	688	50.9%	606	45.2%	498	43.0%	426	45.3%	326	28.7%	126	11.6%
AIG Seguros	319	23.6%	188	14.0%	138	11.9%	119	12.7%	138	12.1%	119	10.9%
GNP	104	7.7%	129	9.6%	135	11.7%	108	11.5%	127	11.2%	90	8.3%
Seguros SURA	87	6.4%	102	7.6%	130	11.2%	89	9.5%	123	10.8%	61	5.6%

Table 5. Total Medical expenses Top 5 companies– Written premium & market share

Total Medical expenses	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
GNP	17,098	32.8%	18,572	32.4%	21,445	34.1%	23,793	33.8%	27,719	34.6%	16,905	27.1%
AXA Seguros	12,377	23.7%	14,186	24.8%	16,169	25.7%	18,100	25.7%	20,556	25.7%	12,088	19.4%
Metlife México	11,099	21.3%	12,083	21.1%	12,062	19.2%	14,749	20.9%	16,589	20.7%	11,561	18.5%
Monterrey NYL	8,118	15.6%	8,688	15.2%	9,205	14.6%	9,957	14.1%	10,931	13.6%	5,976	9.6%
Inbursa	3,488	6.7%	3,762	6.6%	3,964	6.3%	3,826	5.4%	4,310	5.4%	2,571	4.1%

Table 6. Individual Medical expenses Top 5 companies – Written premium & market share

Individual Medical expenses	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
GNP	10,173	38.1%	11,243	37.5%	12,776	37.1%	14,925	38.0%	17,110	38.6%	9,149	29.1%
AXA Seguros	7,438	27.9%	8,475	28.2%	9,790	28.5%	11,139	28.4%	12,687	28.6%	6,977	22.8%
Monterrey NYL	4,749	17.8%	5,234	17.4%	5,810	16.9%	6,746	17.2%	7,566	17.1%	4,187	15.7%
Metlife México	2,432	9.1%	2,704	9.0%	3,241	9.4%	3,529	9.0%	3,872	8.7%	2,112	6.9%
BUPA México	1,883	7.1%	2,364	7.9%	2,789	8.1%	2,939	7.5%	3,111	7.0%	1,475	4.8%

Table 7. Group Medical Expenses Top 5 companies– Written premium & market share

Group Medical expenses	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Metlife México	8,666	33.7%	9,379	33.0%	8,821	30.0%	11,220	34.3%	12,716	33.8%	9,449	29.7%
GNP	6,926	26.9%	7,329	25.8%	8,669	29.4%	8,868	27.1%	10,609	28.2%	7,756	24.4%
AXA Seguros	4,939	19.2%	5,711	20.1%	6,379	21.7%	6,961	21.3%	7,869	20.9%	5,111	16.1%
Monterrey NYL	3,369	13.1%	3,455	12.1%	3,395	11.5%	3,211	9.8%	3,365	8.9%	1,789	5.6%
Atlas	1,813	7.1%	2,582	9.1%	2,184	7.4%	2,485	7.6%	3,055	8.1%	2,027	6.4%

Table 8. Total Health Top 5 companies – Written premium & market share

Health Total	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Plan Seguro	1,009	51.7%	1,210	57.5%	1,411	50.8%	1,439	48.6%	1,652	59.7%	1,053	49.2%
AXA Salud	109	5.6%	91	4.3%	528	19.0%	474	16.0%	164	5.9%	515	24.1%
General de Salud	308	15.8%	306	14.6%	360	13.0%	462	15.6%	508	18.3%	313	14.6%
SIS NOVA	185	9.5%	215	10.2%	243	8.8%	349	11.8%	222	8.0%	32	1.5%
MediAccess	339	17.4%	282	13.4%	235	8.4%	237	8.0%	222	8.0%	78	3.7%

Table 9. Individual Health Top 5 companies – Written premium & market share

Individual Health	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
Plan Seguro	915	76.0%	1,104	80.4%	1,312	86.3%	1,358	85.6%	1,575	86.3%	1,015	87.9%
MediAccess	147	12.2%	126	9.2%	117	7.7%	126	7.9%	124	6.8%	55	4.7%
General de S.	66	5.4%	72	5.2%	73	4.8%	87	5.5%	90	5.0%	52	4.5%
AXA Salud	76	6.3%	70	5.1%	18	1.2%	12	0.8%	24	1.3%	21	1.8%
SIS NOVA	1	0.1%	0	0.0%	0	0.0%	4	0.2%	12	0.6%	1	0.1%

Table 10. Group Health Top 5 Salud companies – Written premium & market share

Group Health	2017		2018		2019		2020		2021		1H22	
	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%	Written premium	%
AXA Salud	33	4.5%	21	2.9%	510	39.9%	461	32.2%	140	13.9%	494	50.0%
General de Salud	243	33.0%	234	32.6%	287	22.5%	375	26.2%	417	41.2%	261	26.5%
SIS NOVA	184	25.0%	215	29.9%	243	19.0%	346	24.2%	211	20.8%	31	3.1%
Dentegra	84	11.4%	94	13.0%	120	9.4%	138	9.7%	145	14.4%	64	6.5%
MediAccess	192	26.1%	155	21.6%	118	9.2%	111	7.8%	99	9.7%	24	2.4%

Information sources

- AMIS. *Asociación Mexicana de Instituciones de Seguros, A.C.*; www.amis.com.mx (information from August 12th 2022)
- INEGI. *Instituto Nacional de Estadística y Geografía*; www.inegi.org.mx

If you wish to refer to another source, you may visit the Mexican Insurance Companies' Regulator (National Insurance and Bonding Commission) web page: www.cnsf.gob.mx

This document may include forward-looking statements that involve risks and uncertainties. Information may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainty. Actual results may differ materially from what is discussed here today, and the company cautions you not to place undue reliance on these forward-looking statements. Qualitas undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

About Qualitas

Qualitas Controladora (Q) the company with the largest market share in the auto insurance industry in Mexico and has presence in the United States, Peru, Costa Rica and El Salvador. Its unique business model, based on excellence service and a strict cost control policy, has allowed it to offer a first quality service under the largest coverage network in the country. Qualitas is listed on the Mexican Stock Exchange under the symbol "Q" (Bloomberg: Q *: MM

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