

**Automobile
insurance**
industry report
2023

1st Quarter



Mexico' auto insurance industry report 1Q23

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.

According to the Mexican Association of Insurance Institutions (AMIS per its acronym in spanish), during 2023 first quarter the auto insurance industry in Mexico reported an increase in written premiums of 24.0%. Mexican GDP, during same first quarter increased 3.8%¹ compared to same period of last year. On the other hand, as of March 2023 annual general inflation rate stood at 6.9%².

Regarding industry's cost ratios, during the first quarter the industry registered a combined ratio of 98.6%, an increase of 5.2 pp compared to first quarter 2022. Such is explained by an increase of 7.5 pp in the industry loss ratio, related to new mobility trends and therefore, the continuous increase in claims' frequency, as well as related to the increase in loss costs given the inflationary environment and supply chain constraints.

In the chart below³ it has been disaggregated the bank-owned insurance companies, since some of them belong to a financial group, having a cross selling scheme with the bank's clients, thus resulting in a different cost structure.

Company	Written premium	Growth	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Qualitas	11,418	28.7%	245	772	747	69.2%	95.1%
Others	20,436	21.4%	(655)	815	(56)	71.4%	100.7%
Insurance companies	31,854	23.9%	(410)	1,587	691	70.5%	98.6%
Bank-owned companies	6,040	24.4%	(76)	(47)	(130)	75.5%	97.4%
Industry (35 companies*)	37,893	24.0%	(486)	1,540	560	71.3%	98.6%

Figures in million pesos

*34 Insurers and 1 reinsurance company

Note: The number of insurers may vary due to non-submission to the regulator

Qualitas Mexico (Q Mx)³

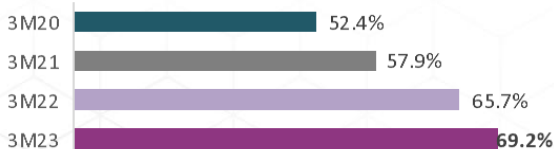
Written premiums



Market share



Loss ratio



Combined ratio



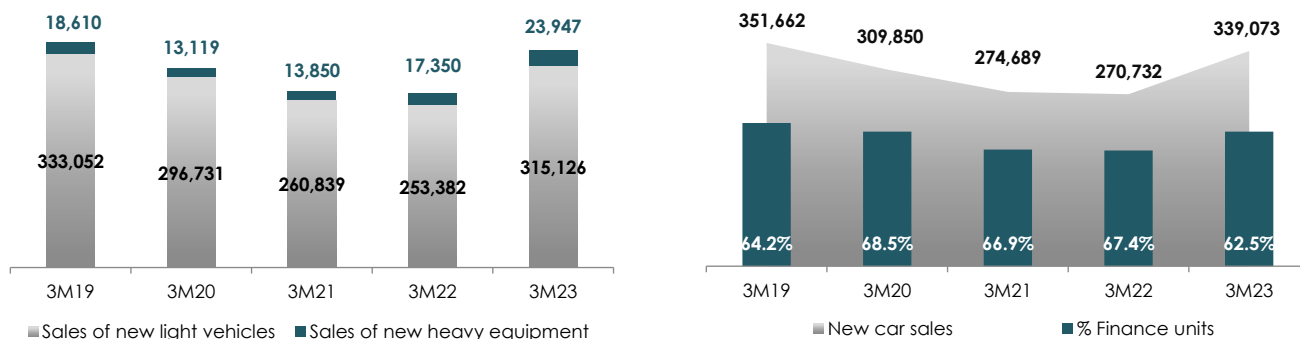
¹ Source: INEGI

² Source: BANXICO

³ Source: AMIS, written premiums in million pesos. Prior year figures may vary given updates from the regulator

Vehicles' sales and financing

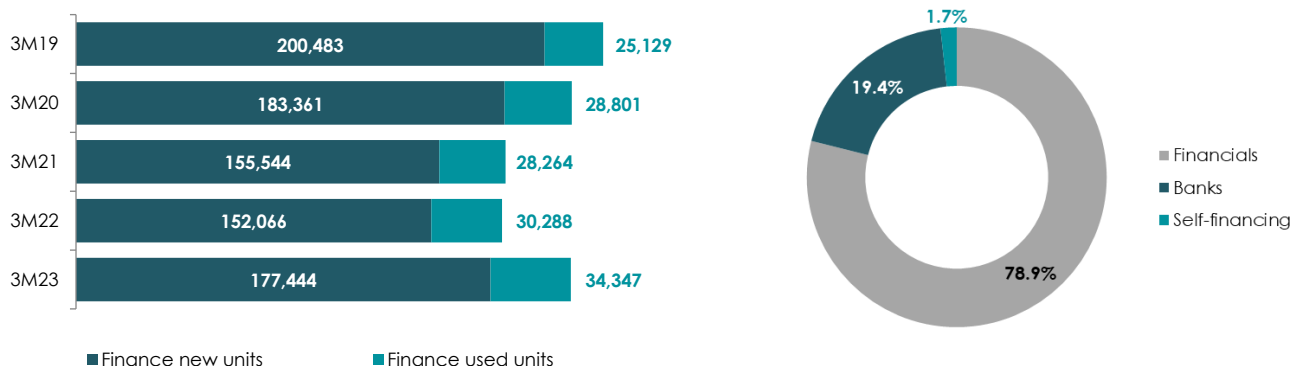
New vehicles' sales⁴



The sale of light units (automobiles and trucks) increased 24.4% during 1Q23 versus 1Q22, reaching a total of 315,126 units sold. Sales of heavy equipment (vehicles of more than 3.5 tons) increased 38.0% by the end of March versus same period 2022; with an overall increase of 25.2% in total new units sold during the first quarter of the year versus same period of last year.

Out of total new car sales by the end of March, the automobile loans for light vehicles (new and used) reached 62.5% of the total, 4.9 pp below same period of last year. Whilst financing of new vehicles increased 16.7%, secondhand vehicles' financing increased 13.4%, reaching once again a historical maximum in the number of financed units in the last 10 years, representing 16.2% of total financed units.

Financing by type of vehicle and market share by institutions⁴



During 2023 first quarter, main source of financing for vehicles purchase were financials (financial arms of the car dealerships) with a 78.9% share, which had an increase of 33 pb vs. 1Q22, followed by banks, which had a decrease of 7 bps versus same period of last year.

By the end of March 2023, Mexican interest reference rate stood at 11.25%⁵, compared to 6.5% by the end of March 2022.

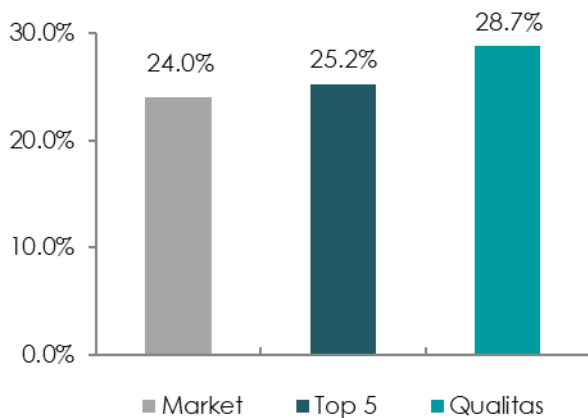
⁴ Source: AMDA, figures of prior years may vary given the association updates
⁵ Source: BANXICO

Automobile insurance industry

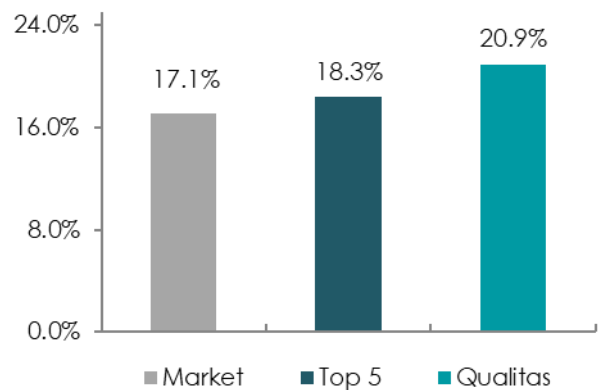
During 1Q23, total industry written premiums were \$37,893 million, an increase of 24.0% versus 1Q22. Growth from top 5 insurance companies was 25.2%; medium-sized companies grew 32.8%; while the rest of the insurers reported a decrease of 22.9%.

Net result for the industry reached \$560 million, a decrease of 71.4% which is explained by a negative operating result of -\$486 million, despite the ratios that have been reported present an improvement and a financial comprehensive income of \$1,540 million.

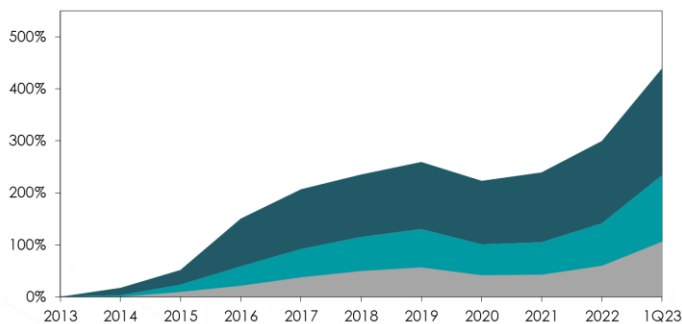
**Written premium growth
1Q23 vs 1Q22**



**Earned premium growth
1Q23 vs 1Q 22**



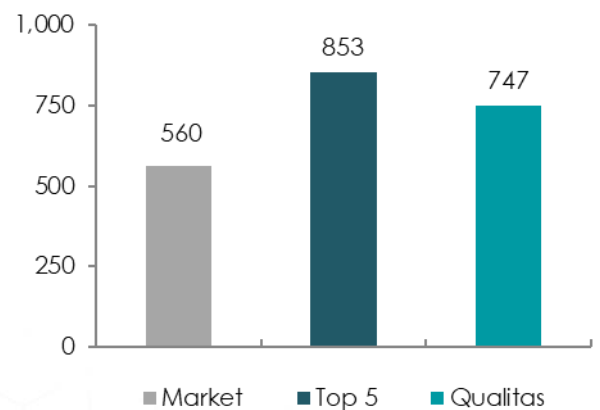
**Cumulative growth
Written premium (2013 base)**



CAGR (%)⁴

Q	11.6%
Market	9.2%
Market without Q	8.3%

Net result



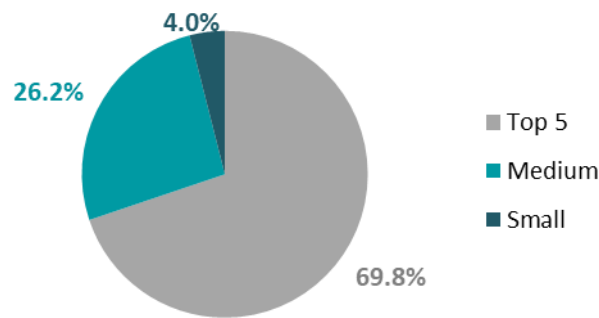
⁴ CAGR: Compound annual growth rate from past 10 years
 Figures in million (MXN)
 Source: AMS, figures from past years may vary given the association updates

Company	Written premiums	Growth 2022 vs 2021	Market share	Earned premiums	Market share
Qualitas	11,418	28.7%	30.1%	10,378	33.7%
G.N.P.	5,685	36.6%	15.0%	4,488	14.6%
Chubb Seguros Mexico	3,728	4.4%	9.8%	1,453	4.7%
AXA Seguros	3,165	16.5%	8.4%	2,629	8.5%
HDI Seguros	2,467	36.1%	6.5%	2,119	6.9%
Top 5	26,463	25.2%	69.8%	21,067	68.3%
BBVA Bancomer	2,027	36.0%	5.3%	1,552	5.0%
Banorte	1,682	27.9%	4.4%	1,454	4.7%
Inbursa	1,275	22.8%	3.4%	1,083	3.5%
Atlas	1,028	11.6%	2.7%	903	2.9%
Zurich Aseguradora Mexicana	834	NA	2.2%	709	2.3%
ANA	822	13.7%	2.2%	626	2.0%
Mapfre Mexico	812	9.4%	2.1%	736	2.4%
Afirme	606	(12.8%)	1.6%	587	1.9%
Seguros SURA	459	125.3%	1.2%	494	1.6%
General de Seguros	383	11.2%	1.0%	346	1.1%
Medium-size	9,926	32.8%	26.2%	8,490	27.5%
Others	1,504	(22.9%)	4.0%	1,280	4.2%
Total market (35 companies*)	37,893	24.0%	100.0%	30,837	100.0%

Company	Operating result	Financial income	Net result	Loss ratio	Combined ratio
Qualitas	245	772	747	69.2%	95.1%
G.N.P.	(43)	180	88	67.5%	94.0%
Chubb Seguros Mexico	(349)	21	(334)	96.2%	127.4%
AXA Seguros	50	205	200	68.7%	93.3%
HDI Seguros	(9)	216	151	68.2%	102.4%
Top 5	(106)	1,394	853	70.6%	97.6%
BBVA Bancomer	(177)	(294)	(528)	91.4%	107.2%
Banorte	88	111	241	68.2%	90.5%
Inbursa	70	52	107	66.9%	89.5%
Atlas	19	12	20	72.9%	95.0%
Mapfre México	(42)	36	(6)	64.4%	107.3%
ANA	(69)	28	(48)	72.0%	109.5%
Afirme	(65)	20	(34)	74.3%	105.6%
Zurich Daños	(147)	59	(61)	98.6%	124.1%
General de Seguros	(42)	16	(62)	72.9%	111.3%
El Potosí	(66)	49	(12)	81.7%	115.3%
Medium-size	(430)	88	(383)	76.2%	102.1%
Other	49	58	90	51.3%	92.0%
Total market (35 companies*)	(486)	1,540	560	71.3%	98.6%

Market share

Automobile insurance market share distribution



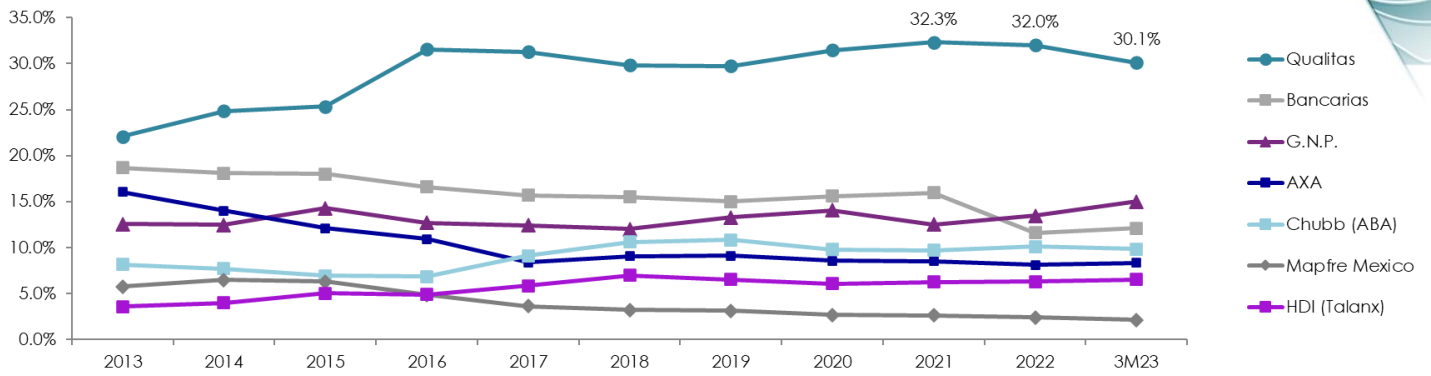
In line with recent years' trend, ~70% of the automobile insurance industry market share is comprised by the top five companies: Qualitas, G.N.P., Chubb, AXA and HDI. Qualitas continues as the leader company in the automobile insurance industry with 30.1% of market share. Medium size companies increased 170 bps its share during the quarter whilst the rest decreased more than 2 pp its corresponding share.

Qualitas maintains a solid position in the automobile insurance industry, standing within the first positions in terms of market share in each business.

Total Auto	Auto	Trucks	Tourists	Others
 Total Auto Written premium: \$8,868 Δ^* 28.7% Market share: 30.1% $\uparrow \Delta pb^*$ 111 Standing: 1°	 Auto Written premium: \$5,744 Δ^* 35.6% Market share: 25.3% \uparrow Standing: 1°	 Trucks Written premium: \$5,298 Δ^* 22.7% Market share: 41.3% $\downarrow \Delta pb^*$ (175) Standing: 1°	 Tourists Written premium: \$105 Δ^* 3.0% Market share: 20.2% $\downarrow \Delta pb^*$ (234) Standing: 2°	 Others Written premium: \$270 Δ^* 27.7% Market share: 15.0% $\uparrow \Delta pb^*$ 132 Standing: 3°

Top 5	Autos			
	Written premium growth	Market share	% LR	% CR
Qualitas	35.6%	25.3%	68.2%	94.7%
G.N.P.	37.3%	13.8%	69.1%	102.5%
Chubb	(0.2%)	10.7%	93.6%	133.0%
AXA	11.8%	9.2%	77.3%	103.6%
BBVA	29.7%	7.1%	102.1%	118.1%
Total	22.8%	100.0%	73.5%	103.2%

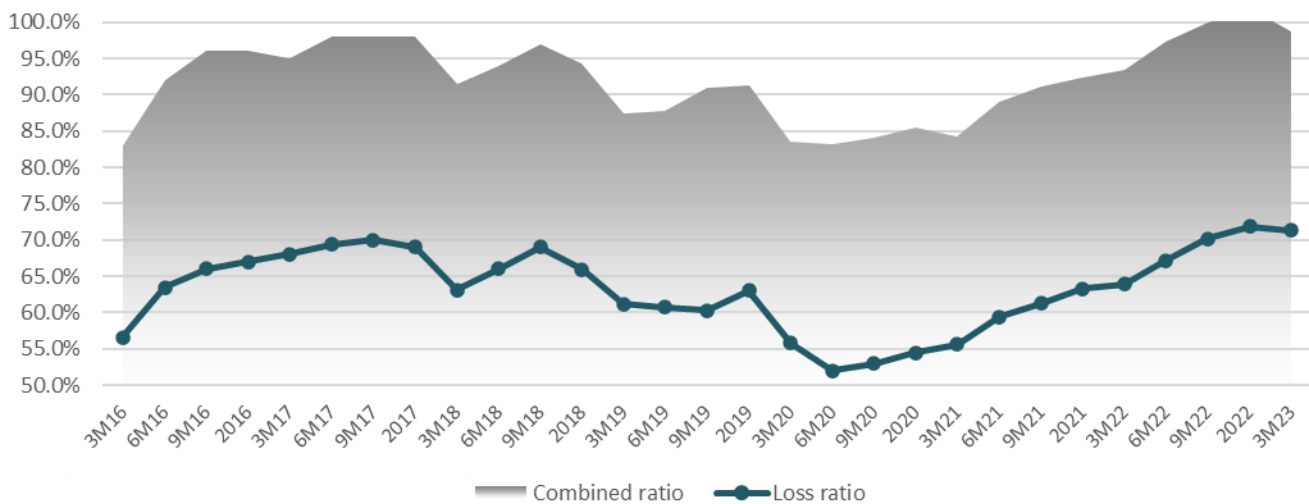
Top 5	Trucks			
	Written premium growth	Market share	% LR	% CR
Qualitas	22.7%	41.3%	71.4%	95.9%
G.N.P.	76.9%	11.8%	60.9%	84.1%
Chubb	7.3%	8.3%	103.0%	120.3%
AXA	27.0%	8.2%	53.1%	74.5%
HDI	25.3%	6.8%	66.6%	94.2%
Total	27.9%	100.0%	69.9%	93.1%



Loss ratio of the industry

During 1Q23, operating performance of the auto insurance industry in Mexico and worldwide continued to be impacted by the increase in claims' frequency, which reflects the average number of claims which an insurance policy or a group of policies had during a period. It was also impacted by the high inflationary context which prevails in the industry. By the end of March, cumulative inflation in Mexico stood at 6.9%; and at the same time, inflation of spare parts production was 8.8%, vehicles repairs' inflation was 8.3%.

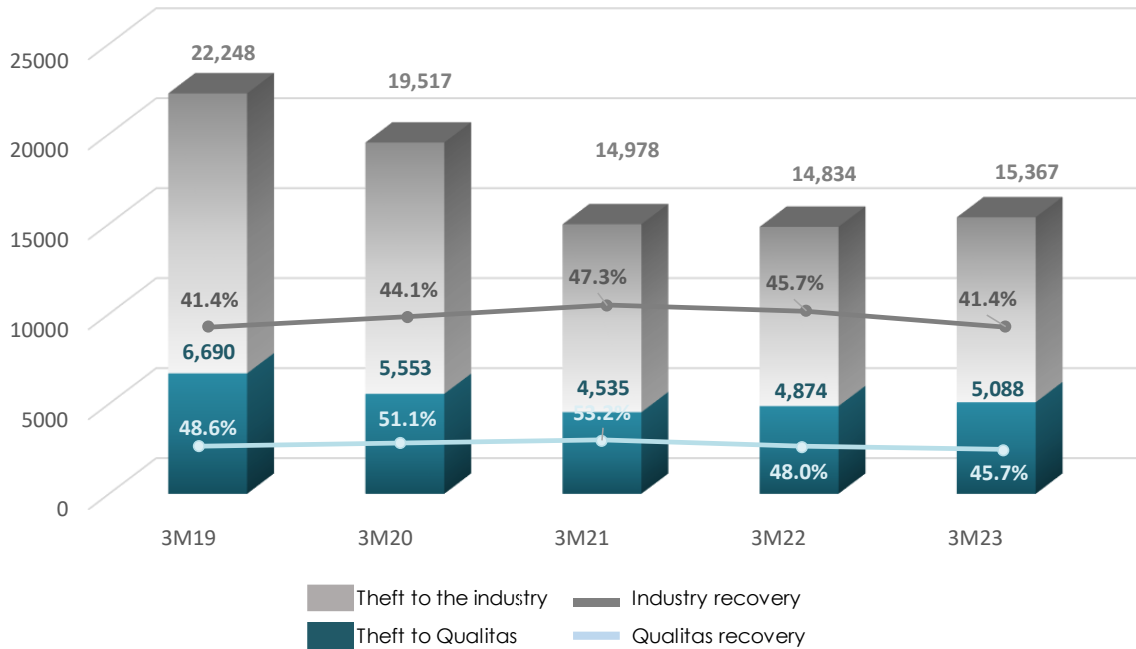
The auto insurance industry is a cyclical industry as shown below:



Theft and recovery

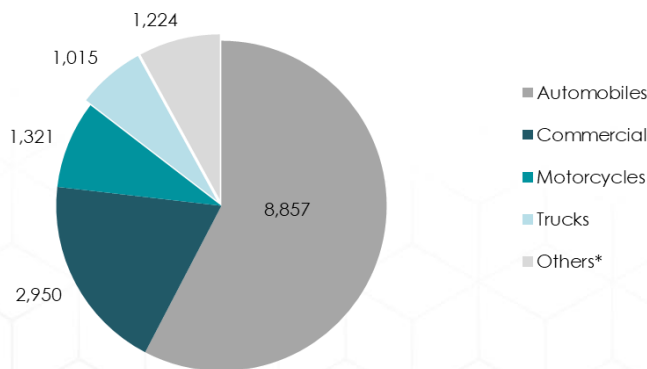
By the end of March, vehicle theft in Mexico posted a flattish trend. According to the Office for the Coordination of Insured Risks (OCRA per its acronym in Spanish) figures, theft of insured units in Mexico increased 3.6% for the whole industry compared to same period of last year, from which 41.4% units were recovered.

While we are beginning to see a turning point in the positive trend experienced during the last 3 years, theft in the industry is still ~30% below 2019 level. During the quarter, Qualitas recovered 45.7% of stolen units, which represents 6.4 p.p. more than the average for the rest of the industry.



From a total of 15,367 stolen units for the industry, 57.6% were light vehicles and trucks, followed by the 19.2% of commercial vehicles; and in third place, motorcycles with 8.6%.

Thefts by type of vehicle⁷

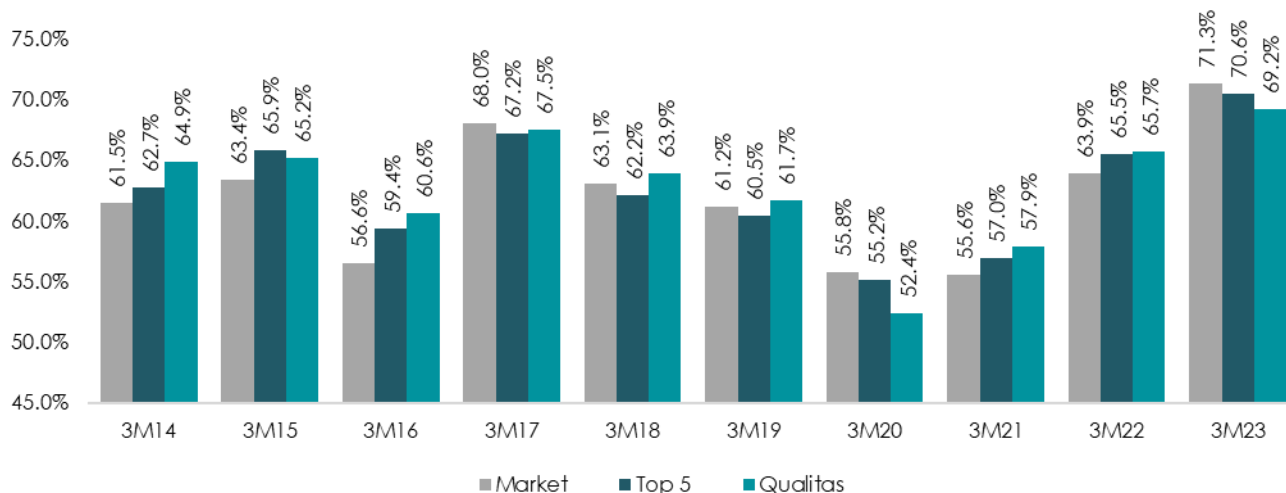


⁷ Source: OCRA, figures in number of cumulative units
*Others: semitrailers, heavy equipment, buses, collectives, etc

Costs ratios

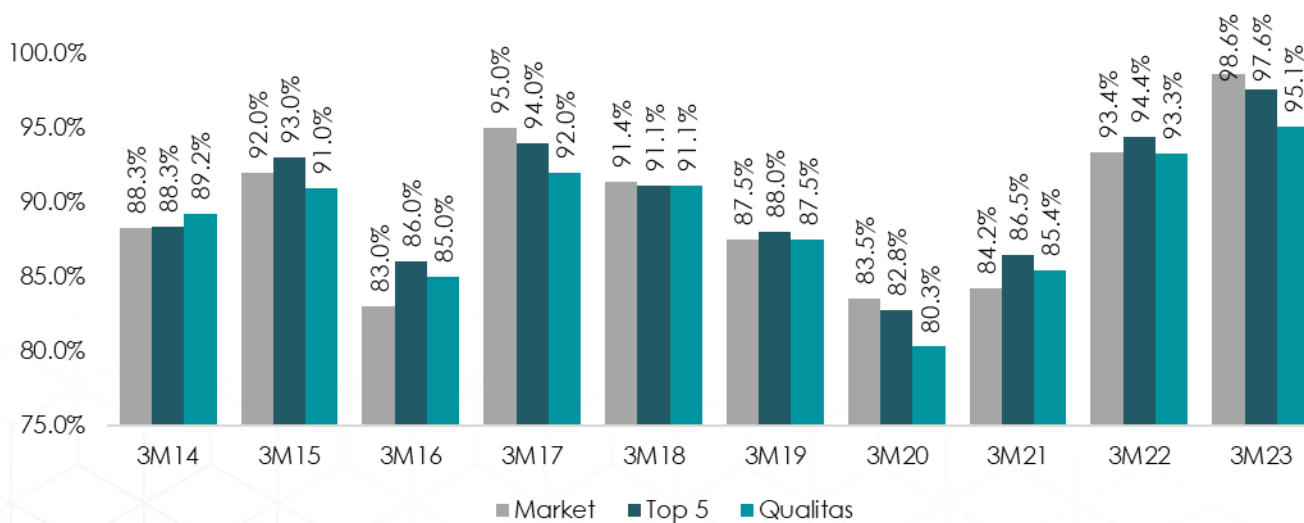
The industry posted a higher loss ratio compared to first quarter 2022, driven by the several items mentioned before, standing at 71.3% for the whole industry. Top five companies' ratio reported an increase of 5.1 pp versus same period of last year, standing at 70.6%; likewise, Qualitas posted an increase from 65.7% during same period of last year to 69.2%.

Loss ratio



The industry's combined ratio stood at 98.6%, which is 5.2 pp above figures of 1Q22. The five largest companies registered a ratio of 97.6%, whereas Qualitas posted an increase of the ratio from 93.3% to 95.1% by the end of March 2023; nevertheless, only Qualitas and AXA reported a positive operating result for the three first months of the year.

Combined ratio



Information sources

- AMIS. *Asociación Mexicana de Instituciones de Seguros, A.C.*; www.amis.com.mx (information consulted on March 2nd, 2023)
- AMDA. *Asociación Mexicana de Distribuidores de Automotores, A.C.*; www.amda.mx
- BANXICO. *Banco de Mexico*; www.banxico.org.mx
- INEGI. *Instituto Nacional de Estadística y Geografía*; www.inegi.org.mx
- OCRA. *Oficina Coordinadora de Riesgos Asegurados, S.C.*; www.ocra.com.mx/

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

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)

Investor Relations Contact

Santiago Monroy
smonroy@qualitas.com.mx
T: +52 (55) 1555-6056

Andrea González
angonzalez@qualitas.com.mx
T: +52 (55) 1555-6316

Raquel Leetoy
rleetoy@qualitas.com.mx
T: +52 (55) 1555-6313

qinversionistas.qualitas.com.mx



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