

Country Analysis Report 2010

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
MEXICO	<p>From 2009 to 2010, the gross written premium has increased 7.69% from US\$ 333 to US\$ 359 million for engineering.</p> <p>Renewable insurances got a market share of 70% which is 248 million. Meanwhile, non renewable, insurance share 30%, for a total of 109 million.</p> <p>Renewable insurances reported an increase of 17.4% and non-renewable reported a decrease of 9.2%, both measured for the same period of last year.</p>	<p>Losses decreased 32.4% from 2009 to 2010, US\$ 202 million and US\$ 136 million respectively.</p> <p>Loss ratio decreased 38%</p> <p>Contribution to loss ratio, for renewable and non renewable insurances was 59% and 31% respectively.</p> <p>From the 136 million in estimated losses, renewable insurances got 75% of the share; whereas, non-renewable insurances reported a share of 25%, resulting in 102 million and 34 million, respectively.</p> <p>In 2010, the industry reported about 75% of total losses in only 36 events, whereby the sum amounts to 95 million.</p> <p>From the 36 large losses:</p> <p>1) 17 claims (47%) were reported as “faulty operation”, becoming the most important. This represents a sum of 42 million in 2010, which is 31% of the total market loss. This cause of loss represents 75% of the total market share.</p> <p>2) Renewable insurance reported 21 large losses by 57 million of a total of 102 million, which means almost 56%. This kind of insurance represents 80% of the total market share.</p> <p>3) Non-renewable insurance reported 15 large losses by 38 million of a total of 34 million, which means almost 112%. This kind of insurance represents 20% of the total market share.</p>	<p>We observe a profitability increase based on the loss ratio decrease.</p> <p>The market combined ratio is 61%.</p> <p>It was an unusually profitable year.</p>	<p>Coverage's / Rates</p> <p>The local market is still influenced by a reduction in rates. Terms and conditions have broadened their scope of coverage by including clauses like LEG/3 and DE/5.</p> <p>The ALOP coverage is being more demanded and more policies provide this coverage.</p> <p>The market has shown an increase in limits and sub limits and changes such as flat CAT deductibles.</p> <p>New Projects</p> <ul style="list-style-type: none"> • Household construction has a low increase but there is not enough demand. • Local contractors (i.e. ICA, IDEAL) have recovered their backlog with an important participation in domestic projects and in some cases with participation abroad. In the same way there has been tough competition from contractors of Spain. • We expect an increase in infrastructure investment during this year and the first half of 2012 after that we expect a standstill due to Presidential Elections <p>Public Private Partnership (PPP)</p> <ul style="list-style-type: none"> • Mexico needs an important investment in respect of power generation, oil and petrol facilities and infrastructure. • The Government is encouraging investment in green energy such as wind farms, solar plants and small hydro power plants. <p>N.B. All above reported refers to On Shore business</p>

Notes:

1) Renewable insurances

- **BE**-Boiler Explosion
- **EE**-Electronic Equipment
- **CPM**-Contractors Plant and Machinery
- **M**- Machinery Breakdown

2) Non Renewable insurances

- **CAR**- Contractors All Risks (Civil)
- **EAR**- Erection All Risks