Country Analysis Report 2011– México

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
MEXICO	From 2010 to 2011, the gross written premium has increased 7.13%, from US$ 359 to US$ 385 million for engineering insurance. Renewable insurance got a market share of 64% which is 244 million. Meanwhile, Non Renewable, insurance share 36%, for a total of 141 million. Renewable insurance reported a decrease of 1.7% and non renewable reported increase of 27.7%, both measured for the same period of last year. Despite the fall of the market rates, Non Renewable insurance has been able to grow thanks to projects of Government initiative such as the "Baluarte" bridge in the Durango-Mazatlán Highway, conservation and expansion of road infrastructure and the construction of 7 CEFERESOS throughout Mexico, as well as construction of highways and several high rise buildings in Mexico City.	Losses increase 46% from 2010 to 2011, US$ 136 million and US$ 152 million respectively. Loss ratio was 39%, which means 1% of increase from 2010 to 2011 Contribution to loss ratio, for renewable and non renewable insurances was 61% and 2% respectively. From the 152 million in estimated losses, renewable insurances got 98.1% of the share; whereas, non renewable insurances reported a share of 1.9%, resulting in 148.7 million and 2.9 million, respectively. In 2011, the industry reported about 68% of total losses in only 35 events, whereby sum 103 million. From the 35 large losses: 1) 24 claims reported as "faulty operation" represent, 69% of the 35 large losses, become the most important cause of losses with a participation of 67 million which represent the 44% of total market losses, as well as the 65% of 35 claims of the large losses (102 million) 2) Renewable Insurance reported 28 large losses by 84 million which represent the 56% of total losses of this kind of insurance (148 million), as well as 81.5% of the 35 the large losses (102 million). 3) Non Renewable insurance reported 7 large losses by 19 million which represent the 847% of total losses of this kind of insurance (2 million), as well as 18.5% of the 35 large losses (102 million). Claims shown for the reporting period considered an important release of reserves by an amount of approximately $24 million dollars by 11 insurance companies associated with catastrophic natural events in 2010 (Karl Tropical Storm, Hurricane Alex, Mexicali earthquake) and previous years (2007 to 2009) reason for an improvement in the CAR loss ratio.	We observe a profitability increase, despite the rate decrease and the commission increase. Maybe due to the reserves release and the Non Renewable business run/off such as period extensions and increase of values. The market combined ratio is 64.5%. It was, like 2010, again an unusual profitable year.	Coverage's / Rates 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. The ALOP coverage is more demanded and more policies have this coverage. The market has shown an increase in limits and sub limits and changes such as flat CAT deductibles. New Projects • Presence of international Contractors in large Non Renewable projects, such as "La Parota" HPP, "La Ventosa" WPP. • Initiatives for Biomass and Thermosolar development. Reinsurance • Increasingly complex and greater sum Insured projects by which local capacities are not sufficient to retain the risks. • The opening of the international market has caused global Companies to venture in the Mexican Market, increasing their local capacities, hence requiring less Reinsurance. • Increasing use of Coinsurance amongst Companies to avoid the high cost of Reinsurance. • Stronger presence of new International Reinsurers in the local market, such as Swiss Re, Catlin, Nationale Suisse. Public Private Partnership (PPP) • Mexico needs an important investment iro power generation, oil and petrol facilities and infrastructure. • The Government is encouraging private investment in green energies such as wind farms, solar plants and small hydro power plants. Expecting 30% out of the total power generation to come from green energies in 2015.

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