Country Analysis Report 2012– México

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
MEXICO	From 2011 to 2012, the gross written premium has increased 55.8%, from USCy 385 to USCy 599 million for engineering insurance. Renewable insurance got a market share of 51% which is 304 million. Whereas non-renewable insurance had a share of 49% with a total of 295 million. Renewable insurance reported an increase of 25% and non-renewable reported an increase of 110%, both measured for the same period of last year. Despite the fall of the market rates, Non-renewable insurance has grown due to multiannual CAR policies for PEMEX, as well as construction of highways, several high rise buildings in Mexico City and some beach front developments. Once the property policies still permit the use of sub-limits for renewable insurance, the overall Premium decreases.	Losses decreased by 12% from 2011 to 2012, from USCy 152 million to USCy 133 million. Loss ratio was 22%, which means 17% from 2011 to 2012 Change of loss ratio for renewable and non-renewable insurances was 45% and -1% respectively. In 2012, the industry reported about 57% of total losses in only 32 events, being 76 million. From the 32 large losses: 1) 15 claims were reported as "faulty operation" representing 46.88% of the 32 large losses. They also became the most important cause of losses with a share of 28 million that represents the 21.69% of total market losses, as well as the 38.13% of the total of large losses (75 million) 2) Renewable Insurance reported 29 large losses being 72 million that represent 54% of total losses of this kind of insurance (135 million), as well as 96.36% of the 32 the large losses (75 million). 3) Non-renewable insurance reported 3 large losses at 2 million which represent a -122% of total losses of this kind of insurance (-2 million), as well as 3.64% of the 32 large losses (75 million). Claims shown for the reporting period considered an important release of reserves by an amount of approximately $23 million dollars by 16 insurance companies associated with no catastrophic natural events in 2012 have caused an improvement in the CAR loss ratio.	The market combined ratio is 42.2% in 2012 compared with 64.6% in 2011. In 2012 there has been a strong premium rise due to the renewal of multiannual policies of PEMEX, which increased the overall profitability. Furthermore CECR premium has increased during 2012 due to light rise of rates and migration of insured objects from Fire and CAR to CECR. The overall profitability had a very strong effect due to the non-occurrence of catastrophe losses during the last five years and the release of reserves.	The rates reduction remains a trend in the market in respect of CAR and EAR. For CECR there has been a premium and rates increase. **New Projects:** • The large infrastructure projects depend on federal government investment, which has recently changed, so there will be a strong effect on market premiums once the investment plan of the new government is released. • Private and local investment projects are awaited on generation and distribution of electric energy, railroads, Monterrey subway and airports extension. **Reinsurance** • 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 for large risks. **Public Private Partnership (PPP)** • 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