Country Analysis Report 2013– México

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
MEXICO **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**	From 2012 to 2013, the gross written premium has increased 5.5%, from USCy 599 to USCy 632 million for engineering insurance. Renewable insurance got a market share of 51% which is 320 million. Meanwhile, Non-Renew-able insurance share 49%, for a total of 308 million. Renewable insurance re-ported an increase of 5.4% and Non-Renewable also reported an increase of 5.4%, both measured for the same period of last year. The increase in written premium of 2012 to 2013 can be explained due to: • Investment and Re-newable insurance program of PEMEX and other contractors (new platforms and pipelines). • New highways that came into operation.	Losses increased 68% from USCy 133 million in 2012 to USCy 246 million in 2013. From the 246 million in estimated losses, renewable insurances got 58.3% of the share; whereas, non-renewable insur-ances reported a share of 41.7%, resulting in 143.2 million and 102.5 million, respectively. In 2013, the industry reported about 51% of total losses in only 25 events (larger than USCy one million), in total 115 million. From the 25 large losses: 1) 4 claims reported as “Storm” represent 16%, the most important cause of losses with a share of 41 million. 2) Renewable insurance had 13 large losses at 43 million that represent 32.8% of total losses of this kind of insurance (131 million), and represent the 37% of the 115 million. 3) Non-renewable insurance reported 12 large losses by 72 million which represent the 77.4% of total losses of this kind of insurance (93 million), and comparing against the 25 largest represent the 63% of the 115 million. The increase of 2012 to 2013 is due to claims caused by storms Manuel and Ingrid, which occurred simultaneously in the Pacific and Mexico´s Gulf Coasts during September 2013 mainly affecting to highways and Government infrastructure (SEP, CFE, CONAGUA, CAPUFE, etc.) of several states of Mexico, being Guerrero the most affected.	2013 loss ratio of 38.9% means 16.7% of increase from 2012 to 2013 Loss ratio for Renewable and Non-Renewable insurances was 44.7% and 33.2% respectively. The market combined ratio is 61.9% in 2013 compared with 42.2% in 2012. Furthermore CECR premium has increased during 2013 due to light rise of rates and migration of insured objects from Fire and CAR to CECR.	The rates reduction remains 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, railroad México Toluca, subway of Guadalajara, line 3 of Cutzamala aqueduct, Monterrey VI aqueduct, pipelines Ramones II (Tamaulipas, San Luis, Queretaro and Guanajuato). • The Engineering insurance premium grows at the same tempo as the infrastructure grows. On the other hand, estimate that between 1% and 1.2% of the investment will be the written insurance and bonds premium. **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.