

## FLASHNOTE

### **Q (BUY, T.P. MXN\$132.0): Chairman of the Board Passes Away; Conference Call Highlights**

QUÁLITAS announced that Mr. Joaquín Brockman Lozano, its founder, Executive President and Chairman of the Board of Directors, passed away. José Antonio Correa, current Vice Chairman of the Board and CEO of Qualitas Compañía de Seguros S.A. de C.V., will assume the position of Chairman of the Board and CEO of Quálitas Controladora S.A. de C.V. immediately and temporarily.

Conference call highlights:

- Shareholder structure. Mr. Joaquin Brockman's equity stake in the company (around 47%) is kept in a trust. The Brockman and Castillo families will continue to be involved in the administration of the business.
- Written premiums. The company believes that premium growth will be challenging in the short term, but expects premiums written to rise by medium to high single digits in the medium term with a higher market share. Its main objective at this moment is to renew existing policies. Claims ratio. QUÁLITAS estimates that its loss ratio could reach 64% at some point, but does not know when. It could be lower during the first half of this year due to the new closures. He expects the MXN\$250 million low claims bonus paid in 4Q20 to decrease during the following quarters.
- Investment Portfolio. QUÁLITAS expects to generate a return on investments of 100-150 bps above the benchmark interest rate. Although the risk profile of the portfolio is not changing, it does plan to increase exposure to equities in the short term.
- Long-term guide. The company maintained its ROE guidance of 20-25% in the long term.
- New products. He is working in the health insurance business in Mexico. It plans to issue the first policy this year, initially in Mexico City and the metropolitan area.
- Foreign subsidiaries. Expect written premiums to grow above 20% this year. There is enormous potential for growth due to its low market share. In the US it will continue to focus on the border market. Premiums written in such country could reach US\$200 million.
- Excess capital. The company could pay out a higher dividend in 2021 than it did last year. It could look for acquisitions in Colombia. It will also continue to buy back shares.

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