

# FINANCING AND RISK TRANSFER STRATEGY GOVERNMENT OF MEXICO

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SECRETARY OF FINANCE AND PUBLIC CREDIT  
INSURANCE, PENSIONS AND SOCIAL SECURITY UNIT



**HACIENDA**

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO



2023  
AÑO DE  
*Francisco*  
**VILLA**

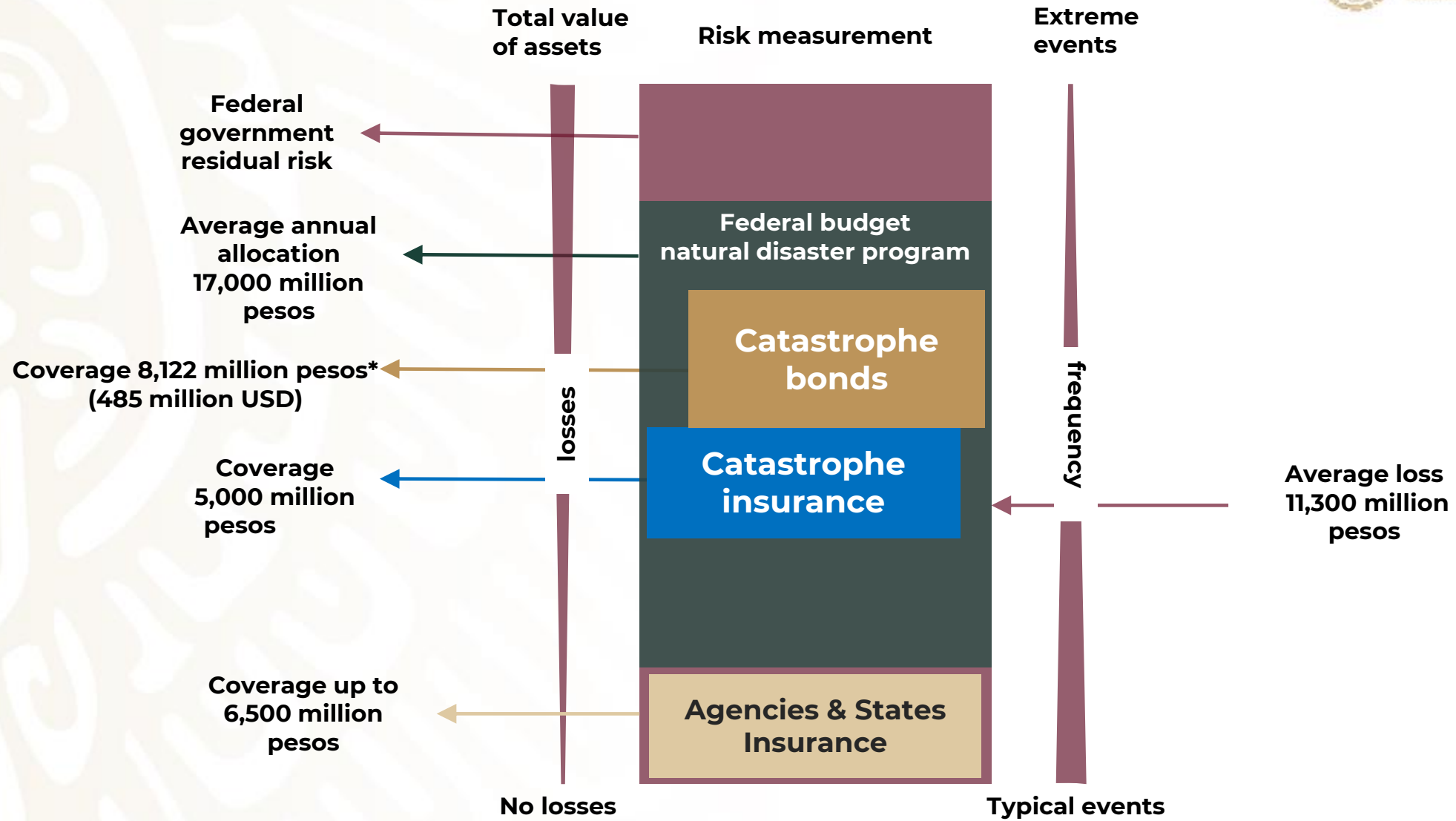
EL REVOLUCIONARIO DEL PUEBLO

# Historical evolution



- 1986 • Civil Protection National System (SINAPROC)
- 1996 • Federal Budget, branch XXIII: FONDEN
- 1999 • FONDEN Trust - CENAPRED
- 2000 • FOPREDEN Trust
- 2006 • 1º Catastrophe Bond Issuance
- 2007 • Risk Models Development
- 2011 • 1º FONDEN Catastrophe Insurance
- 2012 • Civil Protection General Law
- 2021 • Budgetary Program to Address Natural Disasters

# Financing and risk transfer structure



\* Tipo de cambio 31/08/23: 16.7477

# Catastrophe insurance 2023 - 2024

Catastrophe insurance protects Federal Public Infrastructure assets in a natural disaster event.

The damage adjustment process is traditionally done, and the first step is to evaluate the affected public assets by the Damage Evaluation Committee (Comité de Evaluación de Daños – CED).

The Government of Mexico placed the first coverage in 2011; in 2023, the thirteenth placement is in force with a coverage period from July 2023 to July 2024. Agroasemex has insured this program since 2011.

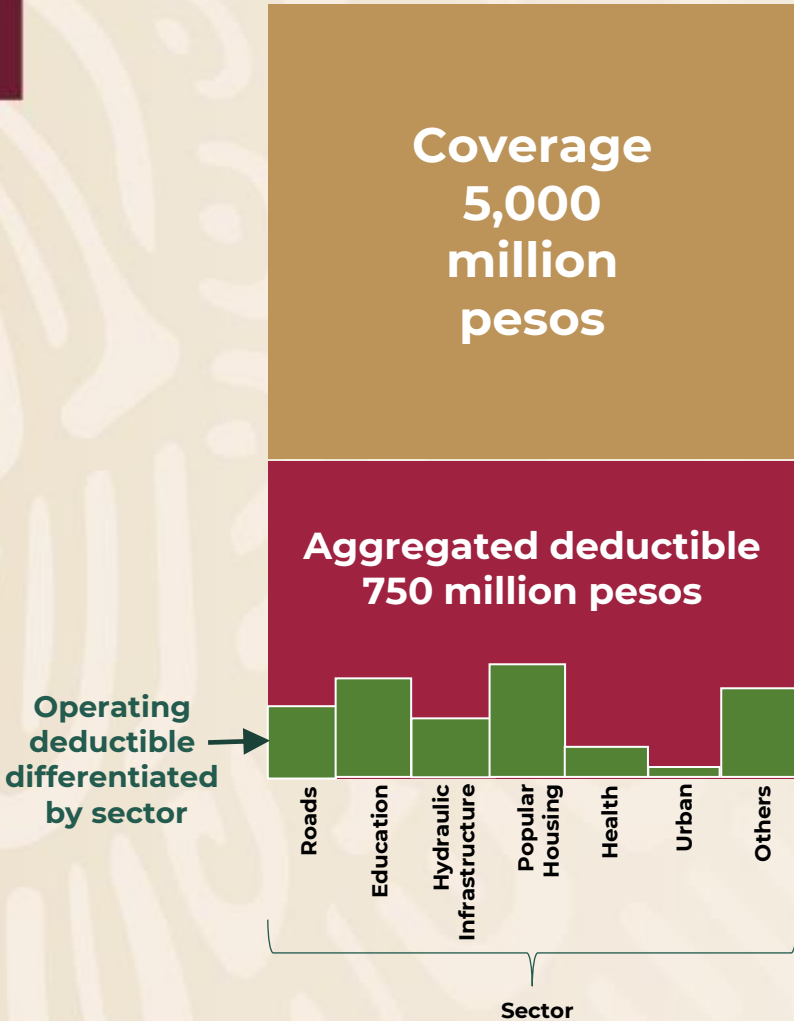
It considers an Operating Deductible differentiated by sector (million pesos):

Sectors	Roads	Education	Hydraulic	Popular Housing	Health	Urban	Others
Operating Deductibles	\$200	\$350	\$120	\$400	\$50	\$20	\$250

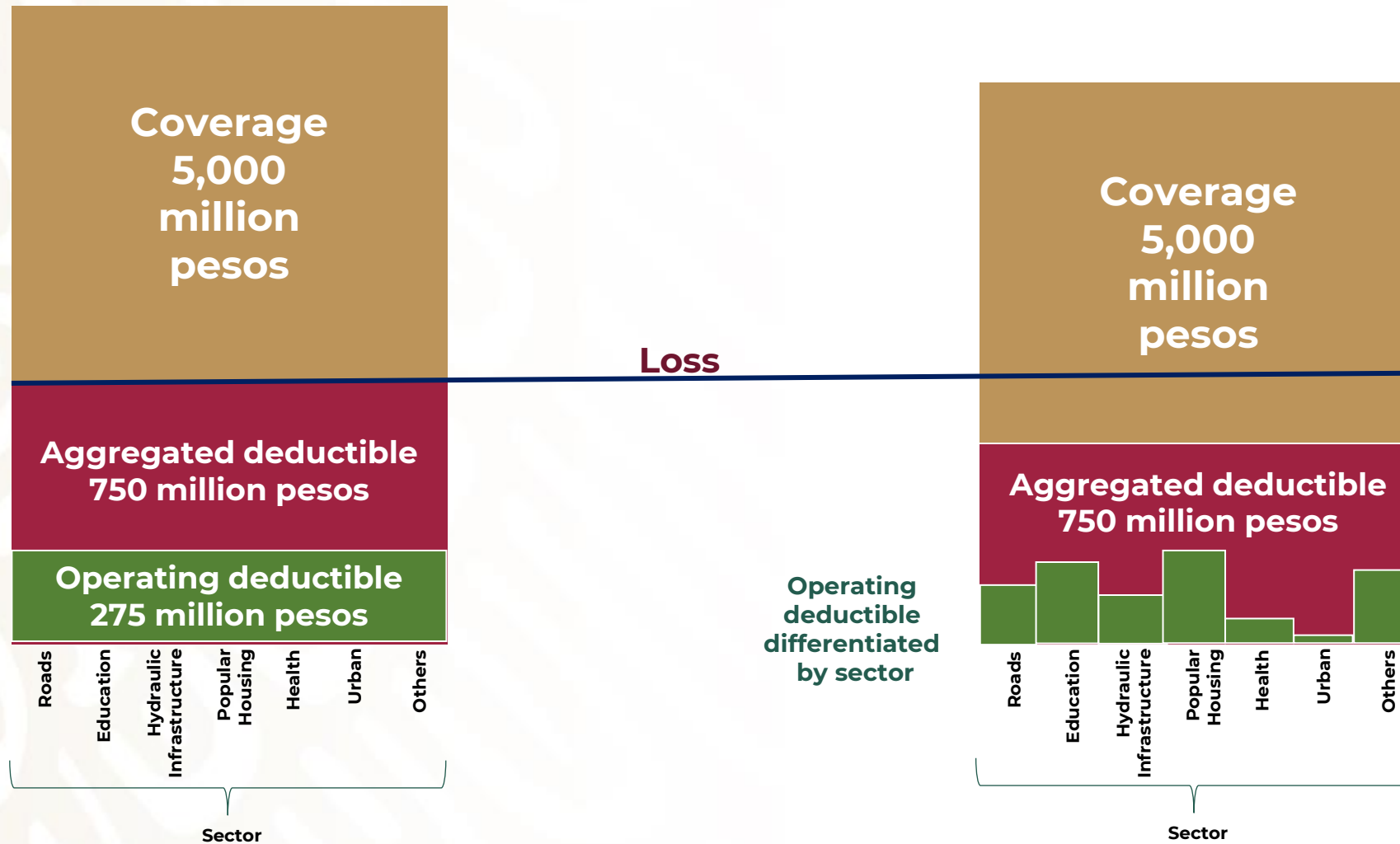
Amounts over the Operating Deductible erode the Aggregate Deductible until it overpasses 750 million pesos.

After both deductibles, there is a 5,000 million pesos insurance capacity.

In the past, the Federal Government received and used the resources according to its operational rules. Around 5,500 million pesos have been recovered from two events (2013 and 2017).

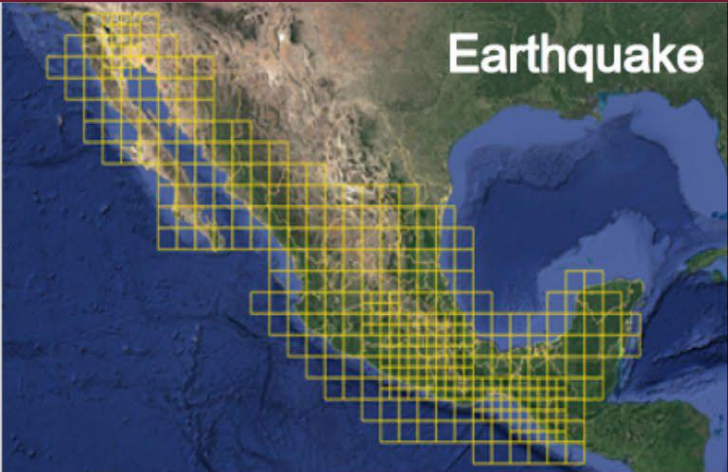



# Catastrophe insurance 22-23 vs 23-24





# CatBonds - Fonden-2020

Covered Area	 <b>Earthquake</b>	<b>Trigger</b>	Cat-in-a-Grid		Cat-in-a-Box	
	 <b>Hurricane</b>	<b>Peril(s)</b>	LR - EQ	HR - EQ	Atlantic HU	Pacific HU
		<b>Pay-out</b>	Piecewise Linear		Piecewise Linear	
		<b>Size (USD)</b>	175m	60m	125m	125m
		<b>Price (bps)</b>	350	900	1000	650
		<b>Expected Loss</b>	0.90%	3.68%	5.61%/5.79%	4.06%
		<b>Multiple</b>	1.72x	1.31x	1.61x	1.49x
		<b>Key Innovations</b>	<ul style="list-style-type: none"> <li>• The longest tenor of any sovereign CAT bond issued (4yrs)</li> <li>• More granular boxes and extended covered area for EQ</li> <li>• Gates definition and segmentation improvements for HU</li> <li>• Modeling improvements</li> </ul>			



**Thank you!**



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