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Research Update:

Insurer Mapfre Ratings Raised To 'A' On Spain Upgrade; Outlook Stable

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Overview

- We raised our ratings on Spain to 'BBB' from 'BBB-' on May 23, 2014.
- Under our criteria, core operating entities of the Spain-based insurance group Mapfre can be rated up to three notches above Spain. This reflects our view of Mapfre's ability to withstand a hypothetical Spanish sovereign default, and its moderate-to-high sensitivity to country risk.
- We are therefore raising our ratings on Mapfre's core subsidiaries to 'A' from 'A-', in line with the group indicative credit profile. We are also raising our ratings on the group's holding company Mapfre S.A. to 'BBB+' from 'BBB'.
- The stable outlook reflects that on Spain and our expectation that Mapfre will maintain its strong business and financial risk profiles in the next two years, with no material increase in the proportion of Spanish assets on the group's balance sheet.

Rating Action

On May 30, 2014, Standard & Poor's Ratings Services raised its long-term counterparty credit and insurer financial strength ratings on Spain-based insurer Mapfre's core operating entities Mapfre Global Risks, Compañía Internacional de Seguros y Reaseguros S.A. and Mapfre Re Compañía de Reaseguros, S.A. to 'A' from 'A-'. At the same time, we raised the long-term counterparty credit rating on the holding company Mapfre S.A. to 'BBB+' from 'BBB'. The outlook on all entities is stable.

Rationale

These rating actions follow the upgrade of Spain on May 23, 2014 (see "Ratings On Spain Raised To 'BBB/A-2' On Improved Economic Prospects; Outlook Stable," published on RatingsDirect).

Mapfre's indicative group credit profile (GCP)--our view of the group's creditworthiness before considering liquidity and sovereign risk--is 'a', based on our view of its strong business and financial risk profiles. Our analysis of Mapfre's exposure to Spanish assets and its liability profile leads us to rate its core operating entities up to three notches above the foreign currency rating on Spain (see "Spain-Based Insurance Group Mapfre Upgraded To 'A-' Based On Criteria For Rating Above The Sovereign; Outlook Stable," published Feb. 20, 2014). Following the upgrade of Spain to 'BBB', we are raising the ratings on Mapfre's core operating entities to the level of

the indicative GCP.

Outlook

The stable outlook reflects that on Spain, as Mapfre's core operating entities are unlikely to be rated more than three notches above Spain. We also incorporate our expectation that Mapfre will retain its strong business and financial risk profiles over the next two years.

Upside scenario

We could raise the ratings on Mapfre's core entities following a similar action on Spain, accompanied by an improvement in the group's financial and business risk profiles. For example, this could happen if:

- The economic risk to which Mapfre is exposed were to decrease sustainably, improving its business risk profile;
- The group's average asset credit quality were to substantially improve; and
- Capital and earnings were to reach very strong levels.

Downside scenario

We could lower the rating on Mapfre's core entities if the financial risk profile were to weaken as result of weakening capital adequacy. We could also lower the rating if:

- We lowered the rating on Spain;
- We perceived that the group's sensitivity to country risk had increased, which could occur if we saw a material increase in Mapfre's Spanish and life business; or
- Exposure to Spanish assets increased such that Mapfre might not pass the sovereign default test.

Ratings Score Snapshot

Financial Strength Rating	A/Stable
Anchor	a
Business Risk Profile	Strong
IICRA	Moderate Risk
Competitive Position	Very Strong
Financial Risk Profile	Strong
Capital and Earnings	Moderately Strong
Risk Position	Intermediate Risk
Financial Flexibility	Strong
Modifiers	0
ERM and Management	0
Enterprise Risk Management	Adequate With Strong Risk Controls

Management and Governance	Satisfactory
Comparative Analysis	0
Liquidity	Exceptional
Sovereign Risk	0
Support	0
Group Support	0
Government Support	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related Criteria

- Principles Of Credit Ratings, Feb. 16, 2011
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Spain-Based Insurance Group Mapfre Upgraded To 'A-' Based On Criteria For Rating Above The Sovereign; Outlook Stable, Feb. 20, 2014
- Ratings On Spain Raised To 'BBB/A-2' On Improved Economic Prospects; Outlook Stable, May 23, 2014

Ratings List

Upgraded

	To	From
Mapfre Global Risks, Compania Internacional de Seguros y Reaseguros S.A.		
Mapfre Re, Compania de Reaseguros, S.A.		
Counterparty Credit Rating	A/Stable/--	A-/Stable/--
Financial Strength Rating	A/Stable/--	A-/Stable/--

Mapfre S.A.

Counterparty Credit Rating	BBB+/Stable/--	BBB/Stable/--
Senior Unsecured	BBB+	BBB
Subordinated	BBB-	BB+

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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at

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