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A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON

FOR IMMEDIATE RELEASE

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A.M. Best Affirms Financial Strength Rating and Downgrades Issuer Credit Rating of MAPFRE RE, Compania de Reasegueros, S.A.

LONDON, 6 June 2012—A.M. Best Europe – Rating Services Limited has downgraded the issuer credit rating (ICR) to “a” from “a+” and affirmed the financial strength rating of A (Excellent) of **MAPFRE RE, Compania de Reasegueros, S.A.** (MAPFRE RE), a key subsidiary of **MAPFRE S.A.** (both domiciled in Spain), the ultimate holding company of the Mapfre Group. All ratings have been removed from under review with negative implications and assigned a negative outlook.

In December 2011, A.M. Best took a number of rating actions on a selection of European (re)insurers, including placing them under review with negative implications. The actions reflected the continued negative developments regarding the eurozone sovereign debt crisis. A.M. Best has closely monitored the situation since then and has re-examined these European (re)insurers.

The rating actions consider the higher country risk faced by MAPFRE RE and MAPFRE S.A. (the consolidated group), due to the deterioration in the sovereign creditworthiness of Spain. In particular, the downgrading of the ICR of MAPFRE RE is driven by the assessment of the consolidated group’s financial strength. MAPFRE S.A. maintains significant investments in the peripheral eurozone economies, with Spanish debt accounting for 53% of the consolidated group’s EUR 38 billion invested assets at year-end 2011, the majority of which is derived from investments in government and financial institutions. Although less exposed to the financial markets, MAPFRE RE is not immune from the troubles of Spain, with material exposure to Spanish

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sovereign and financial institutions debt. MAPFRE S.A. also maintains sizeable commercial property investments in Spain through its investment holdings. Spain remains the main profit center for the MAPFRE Group, with approximately 40% of consolidated gross written premiums and 60% of insurance results derived from its core market. Although the group enjoys a well spread geographically diversified portfolio, particularly in Latin America and the United States, the majority of its business is derived from countries with sovereign creditworthiness equal to or lower than that of Spain. A positive rating factor is MAPFRE RE and MAPFRE S.A.'s strong business profile, operating performance and risk-adjusted capitalisation, which to date has been unaffected by the deterioration of the eurozone economies.

A.M. Best's rating actions on MAPFRE RE and other European (re)insurers also reflect the outcome of stress tests A.M. Best has performed. The result of these stress tests suggested that these companies are still within the bounds of their respective ratings. However, the overall negative outlook on the sector reflects the continued volatility of the economic and political situation within the eurozone. Difficult economic conditions continue throughout the eurozone as GDP growth for the monetary union is expected to contract in 2012. The impact of austerity measures within the peripheral eurozone countries also remains a risk, due not only to the negative impact such measures appear to be having on economic growth, but also due to the political fallout. The Long Term Refinancing Operation implemented by the European Central Bank in December 2011 and February 2012 provided a temporary respite to the European banking sector. However, the solvency of European banks still remains a significant risk to the European insurance sector, which has substantial holdings of banks' senior and subordinated debt. In addition, the possibility of a significant worsening of the situation persists. For example, the prospect of a Greek exit from the eurozone represents a sizeable downside risk, as potential contagion to other peripheral eurozone countries could have a large impact on balance sheets of the European insurance sector. Without a viable policy response on the immediate horizon, these issues will continue to weigh heavily on

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MAPFRE RE and the sector, and it is likely that further rating actions could take place in the coming months as A.M. Best continues to monitor the situation.

Upward rating movement is unlikely at this point.

Negative rating actions could occur if there were a worsening of risk-adjusted capitalisation, either at a consolidated or stand alone level, tied to investment losses or a deterioration of the operating environment in Spain.

The methodology used in determining these ratings is Best’s Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best’s rating process and contains the different rating criteria employed in the rating process. Key criteria utilised include: “Understanding BCAR for Property/Casualty Insurers”; “Catastrophe Analysis in A.M. Best Ratings”; “Evaluating Country Risk”; “Risk Management and the Rating Process for Insurance Companies”; “Rating Members of Insurance Groups”; “Equity Credit for Hybrid Securities”. Best’s Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures:

[A.M. Best Europe - Rating Services Limited Supplementary Disclosure.](#)

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