

**Rating Action: Moody's upgrades Mapfre Global Risks and Mapfre Asistencia to Baa1, outlook changed to positive**

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Global Credit Research - 14 Mar 2014

**Upgrades follow rating action on Spain's government bond rating**

London, 14 March 2014 -- Moody's Investors Service has today upgraded Mapfre Global Risks SA's and Mapfre Asistencia SA's insurance financial strength ratings (IFSRs) to Baa1 from Baa2. All ratings carry a positive outlook.

Today's rating actions follows the improvement in the Spanish government's creditworthiness, as reflected in Moody's upgrade of Spain's government bond rating to Baa2 from Baa3 and the concurrent change of Spain's rating outlook to positive from stable on 21 February 2014. Moody's regards the Mapfre group's credit quality as being partially linked to that of the Spanish sovereign rating mainly because of the group's significant investment concentration to domestic investments (namely sovereign and banking). For full details, please refer to the sovereign press release ([https://www.moodys.com/research/Moodys-upgrades-Spains-government-bond-rating-to-Baa2-assigns-positive--PR\\_292078](https://www.moodys.com/research/Moodys-upgrades-Spains-government-bond-rating-to-Baa2-assigns-positive--PR_292078)).

Please see the end of this press release for a full list of affected ratings. The list comprises an integral part of the press release and identifies each affected issuer.

Mapfre Global Risks is the commercial insurance unit of Mapfre group, and provides global solutions to international corporate clients. Mapfre Global Risks owns 100% of Mapfre Empresas, which provides commercial insurance to mainly small and mid-sized enterprises in Spain, and 50% of SOLUNION (previously Mapfre Caución y Crédito), the joint venture with Euler Hermes to jointly develop credit insurance in Spain and in Latin America. Mapfre Asistencia is the subsidiary of the group that provides mainly assistance products, travel insurance and special risks in countries other than Spain.

**RATINGS RATIONALE**

**-- UPGRADE**

The upgrade of Mapfre Global Risks and Mapfre Asistencia to Baa1 follows the upgrade of Spain's sovereign rating to Baa2, positive outlook, given the group's meaningful direct exposure to domestic investments. Moody's continues to position both companies' IFSRs one notch above the Spanish sovereign rating, reflecting the group's significant geographical diversification and its strong standalone fundamentals, supported by substantial capital buffers and very strong earning power.

Moody's regards Mapfre's credit quality as partially linked to that of the Spanish sovereign and economy due to the group's meaningful investment concentration in its domestic market, notwithstanding the group's increasing geographic diversification and its strong credit fundamentals. Typically, Moody's considers an insurer's key credit fundamentals (particularly asset quality, capitalisation and financial flexibility) are correlated with -- and thus linked to -- the economic and market conditions in the countries in which it operates. For more details, please refer to Moody's February 2012 Rating Implementation Guidance "How Sovereign Credit Quality May Affect Other Ratings".

Mapfre has become an increasingly geographically diversified group, with non-Spanish premiums representing 71% of group total premiums as at year-end 2013 (end 2007: 39%), and its operating performance has been very strong despite the severe recession in its domestic market with net income at EUR1,190 million as at year-end 2013, up from EUR972 million as at year-end 2007. However, the group continues to have a significant investment concentration to Spanish government bonds and banking debt (the vast majority being senior secured and unsecured) representing around 29% and 12% of invested assets respectively, at year-end 2013 (115% and 47% of shareholders' equity). Whilst Moody's expects exposure to domestic investments to gradually reduce as a result of the group's international growth, the rating agency believes the group's investment exposure to Spanish assets will likely remain meaningful in relation to the group's capital in the short to medium-term.

The ratings of both Mapfre Global Risks and Mapfre Asistencia reflect the importance and integration of the

operations to the wider Mapfre group. In addition, Spain's sovereign rating constrains Mapfre Global Risks' standalone credit fundamentals because of the company's significant exposure to the country. Mapfre Asistencia is a global company with very limited overall exposure to Spain.

#### -- RATINGS ONE NOTCH ABOVE SPANISH SOVEREIGN

The one-notch positioning of the ratings on Mapfre Global Risks and Mapfre Asistencia above Spain's government bond rating continues to reflect Mapfre group's:

(1) Substantial geographic diversification with international businesses representing 71% of premiums and 64% of profits at year-end 2013. Mapfre is the largest non-life insurer in Latin America and third largest in Brazil. The group's second largest market is Brazil (21% of the group's premiums and a 33% contribution to the group's profit before tax and minorities at year-end 2013), followed by the US (7% of the group's premiums and profits before tax and minorities).

(2) Robust capitalisation (a Solvency I ratio of 246% at year-end 2013), which partially mitigates the group's investment concentration in domestic assets and provides significant buffers to withstand potential investment losses in a tail risk event.

(3) Strong and consistent track record of profitability, despite the challenging economic environment in its home market, with a five year return on capital of 10% and an excellent combined ratio in Spain throughout the crisis, with a combined ratio of 93.7% in 2013, up from 91.2% in 2012, mainly driven by severe weather event claims. Additionally the group's profits are robust and consistent because of its strong franchise and business profile that is oriented towards retail property & casualty with a significant proportion of recurring business, which are generally less confidence-sensitive and hence more resilient to deterioration in the economic environment.

(4) Consistently low financial leverage of 16% at end-2013 and good access to capital markets, as evidenced by the group's debt issuance in 2012 with strong demand from domestic and international investors despite sovereign pressures at the time.

#### OUTLOOK

The outlook is positive in line with that of Spain's sovereign rating, which reflects Moody's expectations that improvements in the economy and the government's fiscal position will continue over the forecast horizon.

#### WHAT COULD MOVE THE RATINGS UP/DOWN

The ratings have a positive outlook in line with that of Spain's sovereign rating. Mapfre Global Risks' and Mapfre Asistencia's ratings are partially constrained by Spain's sovereign rating due to the group's aforementioned significant exposure to the country. Consequently, an upgrade in Spain's sovereign rating will lead to upward rating pressure. A material reduction in the group's domestic investment exposure would reduce the credit linkages that exist with Spain and could thus add to upward rating pressure.

If the credit fundamentals of Spain declined meaningfully or the intrinsic credit quality of the companies deteriorated, for example due to large losses or deterioration in the investment portfolio that reduced solvency and financial flexibility, it could negatively affect the ratings.

#### LIST OF AFFECTED RATINGS

The following ratings were upgraded with a positive outlook:

Mapfre Global Risks SA -- upgraded to Baa1 insurance financial strength rating from Baa2

Mapfre Asistencia SA -- upgraded to Baa1 insurance financial strength rating from Baa2

In 2013, Mapfre Global Risks reported consolidated estimated premiums of EUR1,762 million and net income of EUR121 million. Mapfre Asistencia is the subsidiary of the group that provides mainly assistance products, travel insurance and special risks in countries other than Spain. As a distinct business unit, it reported revenues of EUR1,130 million and net income of EUR34 million in 2013.

#### PRINCIPAL METHODOLOGIES

The methodologies used in this rating were Global Life Insurers published in December 2013, and Global Property and Casualty Insurers published in December 2013. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a

copy of these methodologies.

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