

RatingsDirect®

Research Update:

Mapfre Insurance Group Core Entities Downgraded To 'BBB+' Following Downgrade Of Spain; On CreditWatch Negative

Primary Credit Analyst:

Marco Sindaco, London (44) 20-7176-7095; Marco_Sindaco@standardandpoors.com

Secondary Contact:

Peter McClean, London (44) 20-7176-7075; peter_mcclean@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

CreditWatch

Related Criteria And Research

Ratings List

Research Update:

Mapfre Insurance Group Core Entities Downgraded To 'BBB+' Following Downgrade Of Spain; On CreditWatch Negative

Overview

- On Oct. 10, 2012, we downgraded the Kingdom of Spain to 'BBB-/A-3' from 'BBB+/A-2'. The outlook on Spain remains negative.
- Our criteria allow up to a two-notch differential between the ratings on the core operating entities of Spain-based insurance group Mapfre, and the ratings on Spain. This reflects the group's business and asset diversification to Brazil, the U.S., and other countries rated 'BBB+' or higher.
- We are therefore lowering our long-term rating on Mapfre's core and strategically important operating entities to 'BBB+' from 'A-'. We are also lowering our long-term rating on the Mapfre group's holding company, Mapfre S.A., to 'BBB-' from 'BBB' and on the intermediate holding company Mapfre USA Corp. to 'BB+' from 'BBB-'.
- We are also placing the ratings on CreditWatch with negative implications, reflecting the possibility that we could lower the ratings by a further one notch following our review of Mapfre's exposure to country risk and the sensitivity of its profile to the deteriorating credit quality of Spain.

Rating Action

On Oct. 15, 2012, Standard & Poor's Ratings Services lowered to 'BBB+' from 'A-' the long-term counterparty credit and insurer financial strength ratings on the core operating entities of Spain-based Mapfre insurance group: Mapfre Global Risks, Compania Internacional de Seguros y Reaseguros S.A., and Mapfre Re Compañía de Reaseguros S.A.

At the same time, we lowered the long-term counterparty credit rating on the group's holding company, Mapfre S.A., to 'BBB-' from 'BBB'. We also lowered our long-term issue ratings on the subordinated debt of Mapfre S.A. to 'BB' from 'BB+'.

We regard Mapfre's U.S. operations--Commerce Insurance Co. and Citation Insurance Co. and their intermediate holding company, Mapfre USA Corp.--as "strategically important." We have lowered to 'BBB+' from 'A-' the long-term counterparty credit and insurer financial strength ratings on the first two of these entities, according to our group rating methodology. We have also lowered to 'BB+' from 'BBB-' the long-term counterparty credit rating on Mapfre USA Corp.

We also placed all these ratings on CreditWatch with negative implications.

Rationale

The rating actions on the various Mapfre Group entities follow our lowering of the long- and short-term ratings on the Kingdom of Spain (BBB-/Negative/A-3) on Oct. 10, 2012 (see "Spain Ratings Lowered To 'BBB-/A-3' On Mounting Economic And Political Risks; Outlook Negative," published on Ratings Direct on the Global Credit Portal). Under our criteria, our view of country risk generally constrains our ratings on an insurer. Following the sovereign rating action, country risk has, in our view, increased.

Our criteria allow up to a two-notch differential between the ratings on Mapfre's core operating entities and the ratings on Spain (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published June 14, 2011.) This reflects Mapfre's geographic diversification in countries rated higher than Spain, and the sensitivity of the insurance sector to country risk, which we regard as high.

The ratings on Mapfre's operating entities reflect our view of the group's strong operating performance; increasing geographic diversification, enhanced by leading positions in Spain and Latin America; and track record of good management. We consider these positive factors to be partially offset by the deteriorating credit quality of the investment portfolio, increasing country risk exposure, and weakening capital adequacy levels and quality.

CreditWatch

The negative CreditWatch placement reflects the possibility that we could lower the ratings by a further one notch following our review of Mapfre's exposure to country risk and the sensitivity of its profile to the deteriorating credit quality of Spain.

We could lower the ratings by a further notch if, in our view, the sensitivity to country risk from exposures to Spanish business, sovereign debt, related bank debt, and deposits--and the resulting potential impact on the business and financial risk profiles--does not justify a two-notch differential with the Spanish sovereign rating.

Conversely, we could affirm the ratings at 'BBB+' if, in our opinion, Mapfre's business and financial profiles demonstrate higher-than-anticipated resilience to the deteriorating Spanish environment, through material diversification of exposures.

We expect to complete our review of Mapfre's exposure and sensitivity to

country risk within the next week, after discussions with management.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal.

- Spain Ratings Lowered To 'BBB-/A-3' On Mounting Economic And Political Risks; Outlook Negative, Oct. 10, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Group Methodology, April 22, 2009
- Holding Company Analysis, June 11, 2009
- Interactive Ratings Methodology, April 22, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Counterparty Credit Ratings And The Credit Framework, April 14, 2004
- Criteria Update: Factoring Country Risk Into Insurer Financial Strength Ratings, Feb. 11, 2003

Ratings List

Downgraded

	To	From
Mapfre Global Risks, Compania Internacional de Seguros y Reaseguros S.A. Mapfre Re, Compania de Reaseguros, S.A. Commerce Insurance Co. Citation Insurance Co. (MA) Counterparty Credit Rating Financial Strength Rating	BBB+/Watch Neg/-- BBB+/Watch Neg/--	A-/Negative/-- A-/Negative/--
Mapfre S.A. Counterparty Credit Rating Subordinated	BBB-/Watch Neg/-- BB/Watch Neg	BBB/Negative/-- BB+
Mapfre U.S.A. Corp. Counterparty Credit Rating Senior Unsecured	BB+/Watch Neg/-- BB+/Watch Neg	BBB-/Negative/-- BBB-

Additional Contact:

Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect on

the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.