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## A.M. Best Takes Various Rating Actions on Mapfre Companies

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OLDWICK, N.J. July 24 (BestWire) — A.M. Best Co. has downgraded the issuer credit rating (ICR) to “a” from “aa-” of Mapfre S.A. (formerly Corporacion Mapfre S.A., the holding company of the Mapfre group). A.M. Best has also downgraded to “a” from “aa-” the ratings on the EUR 275 million 6.02% senior unsecured debt due 2011 issued by Mapfre S.A.

Concurrently, A.M. Best has withdrawn the ratings on Mapfre Mutualidad de Seguros y Reaseguros (Mapfre) as assets and liabilities relating to the motor portfolio have been transferred to Mapfre Automoviles Riesgos Especiales (MARES), a newly formed subsidiary.

In addition, A.M. Best has downgraded the financial strength rating (FSR) to A (Excellent) from A+ (Superior) and assigned an ICR of “a” to Mapfre Asistencia Compania Internacional de Seguros y Reaseguros, S.A. (Par). A.M. Best also has downgraded the FSR to A- (Excellent) from A (Excellent) and assigned an ICR of “a-” to Mapfre Empresas Compania de Seguros y Reaseguros. All companies are domiciled in Spain.

All ratings have been removed from under review with negative implications and a stable outlook has been assigned.

The ratings of Mapfre S.A. reflect A.M. Best's re-evaluation of its notching between the operating companies and the holding company of the Mapfre group. Other factors include Mapfre's strong, albeit reducing, consolidated risk-adjusted capitalisation, excellent operating performance and leading business position in Spain and Latin America.

In A.M. Best's view, Mapfre's consolidated risk-adjusted capitalisation remains strong; however, the continued strong business growth and recent acquisitions, such as the joint venture with Cattolica, are likely to reduce Mapfre's capitalisation. In addition, the recently announced transactions will significantly increase the amount of goodwill in the balance sheet once they are concluded. Notwithstanding this, A.M. Best believes that the group's restructuring that was concluded in January 2007 has increased Mapfre's financial flexibility, which could alleviate some of A.M. Best's concerns.

A.M. Best expects overall operating performance to remain excellent in 2007, with consolidated after tax and minority interest profits slightly better than in 2006 to between EUR 620-650 million (USD 850-890 million), which would translate into a return on equity of 13%-14%. This will be driven mainly by the non-life segment, where underwriting performance is likely to remain strong despite a moderate deterioration in the combined ratio by one percentage point to approximately 93% as a result of pricing pressure, especially in its domestic market. In A.M. Best's opinion, Mapfre's motor portfolio in Spain remains highly profitable; however, profitability of the fast-growing operations in Latin America is lower than that in its domestic markets.

Mapfre is the leading general insurer in Spain, and through numerous subsidiaries, it is also a leading market participant in many Latin American countries. It benefits from a multi-channel distribution network and has a strong franchise in all territories where it

operates. In 2007, gross premiums written are likely to grow at similar levels as in the previous year (between 10%-12%) to approximately EUR 12 billion (USD 16.7 billion) as Mapfre continues its expansion both in Spain and in Latin America, particularly in the non-life segment, and also thanks to the recent acquisitions.

The downgrades of Mapfre Asistencia and Mapfre Empresas reflect A.M. Best's view that the risk-adjusted capitalisation is not supportive of the current stand-alone ratings. However, A.M. Best has factored into the ratings the implicit support from Mapfre.  
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