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## A.M. Best Revises Rating Outlook to Negative for MAPFRE RE, Compañia de Reaseguros, S.A.

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OLDWICK, N.J. May 28 (BestWire) — A.M. Best Co. has revised the outlook to negative from stable and affirmed the financial strength rating of A+ (Superior) and issuer credit rating (ICR) of “aa-” of MAPFRE RE, Compañia de Reaseguros, S.A. (MAPFRE RE) (Spain).

The ratings reflect MAPFRE RE’s integral role within MAPFRE S.A. (Spain) (the group), its strong, although weakening, risk-adjusted capitalisation and robust underwriting results. An offsetting factor is MAPFRE RE’s high organic growth rate in respect of third party business derived from outside the group. The negative outlook reflects weakening in MAPFRE S.A.’s consolidated risk-adjusted capitalisation.

In A.M. Best’s view, MAPFRE RE has strong risk-adjusted capitalisation, albeit weakening in 2008, following the payment of a EUR 48 million (USD 64 million) dividend at the end of the year. Prospectively, A.M. Best expects MAPFRE RE to continue to benefit from support from MAPFRE S.A., enabling MAPFRE RE to maintain its risk-adjusted capitalisation and finance further growth. Although the potential for support from MAPFRE S.A. remains strong, the group’s consolidated risk-adjusted capitalisation has eroded following the acquisition of Commerce Group Inc in 2008. A.M. Best anticipates a further decline in 2009 as the economic environment is likely to impact the unrealised gains on property and could also adversely affect the life value of in force. The group’s financial leverage also increased following the acquisition of Commerce, although the group recently reduced its financial debt by EUR 628 million and is committed to reduce it further this year.

In accordance with A.M. Best’s expectations, underwriting performance remained robust in 2008, although deteriorating somewhat due to further pressure on prices and higher frequency of claims, leading to a deterioration in the combined ratio to 93.8% (compared to 89.7% in 2007).

A.M. Best believes that MAPFRE RE benefits from the group’s strong brand in Spain and Latin America (55% of MAPFRE RE’s gross premiums written in 2008). Business written from Europe outside of Spain (30% of gross premiums written) has been expanding rapidly following the opening of a new branch in Munich in early 2007 and the trend among primary insurers to diversify sources of reinsurance support. In A.M. Best’s view, MAPFRE RE is an integral part of MAPFRE S.A. as it acts as an internal reinsurer for the group, although a majority of its business (65%) is from third-party sources. In line with A.M. Best’s expectations, MAPFRE RE’s gross premiums written grew in 2008 to EUR 1.78 billion (USD 2.37 billion) from EUR 1.6 billion (USD 2.13 billion) in 2007, reflecting the company’s expansion outside its traditional markets in Spain and Latin America. In addition, MAPFRE RE started accepting internal reinsurance from Genel Sigorta and Commerce—companies recently acquired by MAPFRE.

For Best’s Credit Ratings, an overview of the rating process and rating methodologies, please visit <http://www.ambest.com/ratings>.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at <http://www.ambest.com/ratings/methodology>.

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