

MAPFRE, S.A.

And MAPFRE Asistencia Compania Internacional de Seguros Y Reaseguros, S.A.

Update

Key Rating Drivers

Very Strong Company Profile: Fitch Ratings ranks MAPFRE, S.A.'s business profile as 'Most Favourable' compared with other Spanish insurance groups and scores its company profile at 'aa'. MAPFRE has very strong market positions in Spain, where it is a leader in the non-life segment, and in Latin America, particularly Brazil. MAPFRE's market share in Spain was 14% in non-life and 8.5% in life in 2021, and in Latin America 5.5%. This makes it the 10th-largest European and the leading Latin American insurer.

Insurer Is Well-Capitalised: Fitch considers MAPFRE to be well capitalised, based on a 'Strong' score from Fitch's Prism Factor-Based Capital Model (FBM) as of end-2021. The group's regulatory Solvency II (S2) ratio was very strong at 217% at end-3Q22 (end-2021: 206%), supported by Tier 3 issuance in April 2022.

Strong Financial Leverage: MAPFRE's financial leverage was stable at 23% at end-3Q22 (end-2021: 24%). We view MAPFRE's leverage as 'Strong', comparing well with similarly rated peers.

Profitability Is Strong: The company's overall profitability remained strong in 9M22 as reflected in the net result, excluding minorities, of EUR488 million equals a reported return on equity of 9.1% (2021: 9.0%).

Underwriting Weakens: MAPFRE's underwriting performance has deteriorated. Its reported combined ratio increased to 98.4% in 9M22 from 96.5% in 9M21, mainly due to inflationary pressures in motor and increases in mobility, in particular in Spain, the US and Brazil. MAPFRE responded with underwriting actions and tariff rises, but its target combined ratio of 94%-95% is unlikely to be achieved in 2022. We expect MAPFRE's combined ratio to remain above its target in 2023, although pricing actions taken in 2022 should start filtering through.

Sovereign Risk: Our view on MAPFRE's investment and asset risks reflects the group's substantial exposure to Spanish sovereign debt at 107% of total equity at end-3Q22 (end-2021: 125%). MAPFRE is also substantially exposed to the Spanish economy, with about 60% of its attributable result originating from Spain (A-/Stable). However, Fitch believes that MAPFRE's capital is resilient against potential stress on the Spanish sovereign debt exposure.

Ratings

MAPFRE, S.A.	
Long-Term IDR	A-
Senior Unsecured	BBB+
Subordinated	BBB-

MAPFRE Asistencia Compania Internacional de Seguros Y Reaseguros, S.A.

Insurer Financial Strength	A+
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Outlooks

Long-Term IDR	Stable
Insurer Financial Strength	Stable

Financial Data

MAPFRE, S.A. (consolidated)		
(EURm)	9M22	2021
Total assets ^a	56,013	57,770
Total equity	8,713	9,667
Gross written premium	18,645	22,155
Net income ^b	796	1,036

^a Excluding reinsurance assets

^b Before minority interests

Source: Fitch Ratings, MAPFRE, SA

Applicable Criteria

[Insurance Rating Criteria \(July 2022\)](#)

Related Research

[Spain \(June 2022\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Material improvement to the group's capital position, as measured by a Prism FBM score at the high end of 'Very Strong' range, and to financial performance, as measured by a net income return on shareholders' equity of 10% or more on a sustained basis.
- An upgrade of Spain's sovereign could lead to an upgrade of MAPFRE's rating.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Deterioration to the group's capital position, as measured by the Prism FBM score falling below 'Strong'.
- A downgrade of Spain's sovereign rating by two or more notches.

Latest Developments

- The operating environment in motor insurance remains challenging across MAPFRE's main geographies, driven by inflationary pressures and increased mobility. MAPFRE's combined ratio for the motor segment was 105.5% in 9M22 (100.8% in Iberia, 106.6% in the North America and 116.7% in Brazil). MAPFRE increased tariffs to counteract increases in claims costs but these actions take time to flow through to the results.
- MAPFRE reported strong growth in premiums of 10.6% driven by growth in MAPFRE RE, which benefitted from favourable pricing conditions, and MAPFRE Brazil.
- MAPFRE's S2 solvency capital requirement coverage ratio was supported by EUR500 million Tier 3 debt issuance that MAPFRE completed in April 2022, compensating for the decline in shareholders equity due to unrealised losses on its available for sale bond portfolio.

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