



RATING ACTION COMMENTARY

Fitch Affirms MAPFRE at IFS 'A+'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 29 Jul 2021: Fitch Ratings has affirmed Spanish insurer MAPFRE S.A.'s core operating subsidiaries' Insurer Financial Strength (IFS) Ratings at 'A+' (Strong) and MAPFRE's Issuer Default Rating (IDR) at 'A-'. The Outlooks are Stable. A full list of rating actions is below.

KEY RATING DRIVERS

The ratings reflect MAPFRE's very strong business profile, as well as capitalisation and leverage, and strong earnings. These factors are somewhat offset by MAPFRE's significant exposure to Spanish sovereign debt, which is used to match domestic life insurance liabilities in Spain.

Fitch ranks MAPFRE's business profile as 'Favourable' compared with other European-based insurance groups' and scores it at 'aa-'. MAPFRE has a very strong market position 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 7% in life in 2020, and in Latin America 7% of non-life in 2020. This makes it the 11th-largest European and the third-largest Latin American insurer.

Fitch views MAPFRE as well-capitalised, based on a 'Very Strong' score by the agency's Prism Factor-Based Model (FBM). The group's regulatory Solvency II (S2) ratio was very strong at 201% at end-1Q21 (end-2020: 193%, end-2019: 187%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital. MAPFRE's financial leverage

was stable at 24% at end-1H21 (end-2020: 23%). We view the group's leverage as 'Strong', comparing favourably with similarly rated peers'.

MAPFRE's underwriting performance remained resilient in 2020 and 1H21, despite losses from natural catastrophe events and the impact of the coronavirus pandemic. The group reported a combined ratio of 95.1% in 1H21 and 94.8% in 2020 (2019: 97.6%) and targets on average a combined ratio (excluding natural catastrophe events) of 96%-97% for 2019-2021. For 2021 the group expects to achieve a combined ratio of around 95% for 2021. Overall profitability also remained strong in 1H21 with a net result (excluding minorities) of EUR364 million equalling an annualised return on equity of 8.5% (1H20: 6.3%).

Fitch believes that MAPFRE's financial performance is susceptible to challenges stemming from the coronavirus crisis, such as higher claims activity, lower premiums growth and currency volatility, in particular in Latin America over the near term. However, Fitch expects the overall impact of coronavirus to be manageable for MAPFRE due to its strong capital position. Fitch also expects its technical profitability to remain strong.

MAPFRE's significant exposure to Spanish sovereign debt totalled 123% of total equity at end-1H21 (end-2020: 130%, end-2019: 180%). MAPFRE is also substantially exposed to the Spanish economy as about 60% of its attributable result originates from Spain (A-/Stable). However, Fitch believes that its capital is resilient against potential stress from its substantial exposure to Spanish sovereign debt.

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 of 'Very Strong', and to financial performance, as measured by a net income return on shareholders' equity of 10% or more on a sustained basis.

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'

--Downgrade of Spain's sovereign rating by two or more notches

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
MAPFRE	Ins	A+ Rating Outlook Stable	A+ Rating
Asistencia	Fin		Outlook
Compania	Str		Stable
Internacional de Seguros Y Reaseguros, S.A.			

ENTITY/DEBT	RATING			PRIOR
MAPFRE, S.A.	LT	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable
	IDR			
● subordinated	LT	BBB-	Affirmed	BBB-

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 15 Apr 2021\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Factor-Based Capital Model, v1.7.2 (1)

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MAPFRE, S.A.	EU Issued, UK Enc

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