



## RATING ACTION COMMENTARY

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

Mon 11 Jul, 2022 - 9:12 AM ET

Fitch Ratings - Madrid - 11 Jul 2022: 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 rating affirmation reflects 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 'Most Favourable' compared with other Spanish insurance groups. This is driven by the group's very strong market positions in Spain, where it is a leader in the non-life segment, and 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 6.5% of non-life in 2020. This makes it the 11th-largest European and the fourth-largest Latin American insurer.

Fitch views MAPFRE as well-capitalised, based on a 'Strong' score under the agency's Prism Factor-Based Capital Model (FBM). The group's regulatory Solvency II (S2) ratio was very strong at 206% at end-2021 (end-2020: 193%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital. The Prism FBM score and the S2 ratio exclude MAPFRE's goodwill of EUR1.5 billion at end-2021 from available capital.

MAPFRE's financial leverage was stable at 24.2% at end-2021 (end-2020: 23.3%). We view MAPFRE's leverage as 'Strong', comparing well with similarly rated peers'.

MAPFRE's overall profitability remained strong in 2021 as reflected in a net result, excluding minorities, of EUR765 million, which equalled a return on equity of 9% (2020: 6.1%). MAPFRE's target combined ratio (excluding relevant non-recurring and natural catastrophe events) is on average 94%-95% for 2022-2024.

MAPFRE's underwriting performance remained resilient in 2021 and 1Q22, but deteriorated compared with prior relevant periods. MAPFRE's combined ratio increased in 2021 to 97.5% (2020: 94.8%) and 98% in 3M22, mainly due to increases in mobility that affected its motor line as well as inflationary pressures in motor and health lines, in particular in Brazil and Spain. MAPFRE responded with underwriting actions and tariff increases in the affected areas, but it may not be sufficient to achieve a combined ratio of 94%-95% in 2022.

MAPFRE's ratings take into account the group's significant exposure to Spanish sovereign debt at 125% of total equity at end-2021 (end-2020: 130%). 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 MAPFRE's capital is resilient against potential stress from 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 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'

--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](http://www.fitchratings.com/esg)

## RATING ACTIONS

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

senior unsecured

LT

BBB+

Affirmed

BBB+

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[VIEW ADDITIONAL RATING DETAILS](#)

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## APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 26 Nov 2021\) \(including rating assumption sensitivity\)](#)

## 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)

## ADDITIONAL DISCLOSURES

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## ENDORSEMENT STATUS

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

EU Issued, UK Enc  
EU Issued, UK Enc

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