



## RATING ACTION COMMENTARY

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

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Fitch Ratings - Madrid - 22 Jun 2023: 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.

The 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.

## KEY RATING DRIVERS

**Very Strong Business Profile:** Fitch ranks MAPFRE Group's (MAPFRE) business profile as most favourable compared with other Spanish insurance groups and scores its business profile 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, particular Brazil. MAPFRE's market share in Spain was 14% in non-life and 7% in life in 2022. MAPFRE was the 10th-largest European and largest Latin American insurer in 2021.

**Very Strong Capitalisation and Leverage:** Fitch considers MAPFRE well-capitalised, based on a 'Strong' scc from Fitch's Prism Factor-Based Capital Model (FBM). The group's regulatory Solvency II (S2) ratio was very strong at 201% at end-2022 (end-2021: 206%). 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 EUR1.4 billion at end-2022 from available capital.

MAPFRE's financial leverage was broadly stable at 26% at end-2022 (end-2021: 24%), a level commensurate with its ratings. We view MAPFRE's leverage as 'Strong', comparing well with similarly rated peers.

**Strong, Resilient Profitability:** MAPFRE's overall profitability remained strong in 2022 despite inflationary pressures and market volatility, as reflected in the net result, excluding minorities, of EUR642 million, which equals a return on equity of 8.2% (2021: 9.0%). MAPFRE's target combined ratio (excluding natural catastrophe events) is 96% on average for 2023-2024.

MAPFRE's underwriting performance remained resilient in 2022 and 3M23, but deteriorated compared with prior relevant periods. MAPFRE's combined ratio slightly increased in 2022 to 98.0% (2021: 97.5%) and 98

in 3M22, mainly due to inflationary pressures in the motor line in Iberia and North America, and due to the impact of the earthquake in Turkiye in 1Q23. MAPFRE is responding with underwriting actions and tariff increases in the affected areas.

**High Exposure to Sovereign Risk:** Our assessment of MAPFRE's asset risk takes into account the group's significant, albeit reducing, exposure to Spanish sovereign debt at 106.5% of total equity at end-2022 (end-2021: 124.6%). 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 in the group's financial performance, as measured by a net income return on shareholders' equity of 10% or more and a combined ratio of 96% or less on a sustained basis, providing that the Solvency II ratio remains above 180% and financial leverage below 25%

--An improvement in Fitch's assessment of asset risk, as measured by a risky assets ratio below 70% (2022: 83%) and a reduction in sovereign risk, as measured by, for example, a sovereign investments-to-capital ratio below 100% on a sustained basis

### **Factors That Could, Individually Or Collectively, Lead To Negative Rating Action/Downgrade**

--Deterioration in the group's capital position, as measured by the Prism FBM score falling below 'Strong'

## **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 'C'. 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.	LT IFS    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+

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**[Insurance Rating Criteria \(pub. 15 Jul 2022\) \(including rating assumption sensitivity\)](#)**APPLICABLE MODELS**

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

Prism Factor-Based Capital Model, v1.8.0 (1)

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

EU Issued, UK Endorse

MAPFRE, S.A.

EU Issued, UK Endorse

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