

RATING ACTION COMMENTARY

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

Mon 10 Jun, 2024 - 11:02 AM ET

Fitch Ratings - Madrid - 10 Jun 2024: Fitch Ratings has affirmed Spanish insurer MAPFRE, S.A. 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 partly offset by MAPFRE's significant exposure to Spanish sovereign debt, which is used to match domestic life-insurance liabilities in Spain and exposure to investments in lower-rated countries.

KEY RATING DRIVERS

Very Strong Business Profile: Fitch ranks MAPFRE's 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, particularly Brazil. MAPFRE's market share in Spain was 14% in non-life and 7.5% in life in 2023. MAPFRE was the ninth-largest European and largest Latin American insurer in 2022.

Very Strong Capitalisation: Fitch views MAPFRE as well-capitalised, based on the group's regulatory Solvency II (S2) ratio of 199.6% at end-2023 (end-2022: 191.4%), which we assess as 'Very Strong'. Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital. MAPFRE also has a 'Very Strong' score under Fitch's Prism Global capital model at end-2023. The Prism score and the S2 ratio excluded MAPFRE's goodwill of EUR1.3 billion at end-2023 from available capital.

Moderate Leverage: MAPFRE's financial leverage ratio (FLR) was broadly stable at 19% at end-2023 (end-2022: 22%) on an IFRS17 basis, a level that is commensurate with its ratings. MAPFRE's leverage compares favourably with similarly rated peers'.

Strong, Resilient Profitability: MAPFRE's overall profitability remained strong in 2023, despite inflationary pressures and volatile financial markets. The group's 2023 net result, excluding minorities, of EUR677 million equals a return on equity of 8.3%. In 1Q24 MAPFRE reported further improved net income of EUR216 million (1Q23: EUR128 million) based on local GAAP with both underwriting and investment performance contributing to the improvement.

MAPFRE's 1Q24 technical results showed improved underwriting performance, particularly in motor insurance and reinsurance, despite being hit by inflation. The combined ratio at end-1Q24 improved to 95.8% (1Q23: 98.5%) as reported by MAPFRE. This was due to substantial performance improvement in North America and Latam. The absence of notable catastrophic events in 1Q24 also contributed to the lower combined ratio.

Moderate Investment Risk: Fitch assesses MAPFRE's investment risk as moderate - the ratio of risky assets to capital was 114% at end-2023, which is supportive of the ratings. Its investment portfolio is well-balanced and prudent, with more than 83% of total investments in fixed income and cash allocated to investment-grade instruments at end-2023. However, 24% of the fixed income portfolio was allocated to 'BBB' rated instruments and 16% were allocated to 'BB' or less, with Brazil (BB/Stable) government bonds being the largest allocation.

Our assessment of MAPFRE's asset risk also takes into account the group's substantial, albeit reduced, exposure to Spanish sovereign debt at 84% of total capital at end-2023.

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

--An upgrade is conditional on MAPFRE's S2 ratio remaining above 180%, FLR below 25% and asset risk remaining stable

Factors That Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade:

--Material deterioration to the group's S2 ratio to below 150%

--A significant increase in investment risk

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.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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+
subordinated	LT	BBB	Affirmed	BBB

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Ekaterina Ishchenko**

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APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

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

Prism Global (ex-U.S.) Model, v1.8.1 (1)

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MAPFRE, S.A.

EU Issued, UK Enc
EU Issued, UK Enc

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