



Fitch Downgrades Mapfre's IFS to 'BBB'; Outlook Negative

11 Jun 2012 10:55 AM (EDT) Fitch Ratings-London/Paris-11 June 2012: Fitch Ratings has downgraded Mapfre SA's (Mapfre) Issuer Default Rating (IDR) to 'BBB-' from 'BBB+' and its core operating subsidiaries' Insurer Financial Strength (IFS) rating to 'BBB' from 'A'. The Outlook for the ratings is Negative. A full list of rating actions is below.

The rating actions follow the downgrade of Spain's Long-term IDR to 'BBB' from 'A' (see "Fitch Downgrades Spain to 'BBB'; Outlook Negative", dated 7 June 2012 at www.fitchratings.com).

Fitch believes that Mapfre's ratings are closely linked to Spain's creditworthiness, primarily through its direct holdings of EUR9.2bn of Spanish sovereign bonds and the fact that Mapfre sources the majority of the group earnings from Spain (around 55% at end-Q112). This is despite Mapfre's ongoing positive and increasing earnings diversification in Latin America and the US.

Nonetheless, Fitch believes that Mapfre's credit fundamentals are relatively robust. Mapfre's capital position, as measured by Fitch, is robust (net premium written to equity equalling 1.8x at end-2011), fixed-charge coverage is high (20x), underwriting performance is strong (average 5Y combined ratio at 94.4%) and refinancing risk is moderate. This is partially offset by a Fitch-calculated 27% financial leverage ratio, and by the quality of capital being negatively affected by the amount of goodwill and commercial real estate on balance sheet.

As a result, Fitch views Mapfre's IFS ratings as capped by Spain's Long-term IDR of 'BBB' and Mapfre SA's Long-term IDR is one notch below the operating entities' IFS rating (it would be two notches according to standard notching).

Mapfre's ratings would likely be further downgraded if the Spanish sovereign rating was further downgraded.

The ratings could also be downgraded if the exposure to the Spanish insurance market or sovereign debt resulted in underwriting or investment losses beyond Fitch's current expectations. However, Fitch notes FY11 and Q112 results have shown little evidence of such deterioration.

Conversely, Mapfre's Outlook could be revised to Stable if the Outlook on the Spanish sovereign rating was revised to Stable.

The rating actions are as follows:

Mapfre Familiar
Mapfre Global Risks Cia De Seguros Y Reaseguos
Mapfre Vida SA De Seguros Y Reaseguos
IFS downgraded to 'BBB' from 'A'; Outlook Negative

Mapfre Re Compania De Reaseguos S.A
IFS downgraded to 'BBB' from 'A-'; Outlook Negative

Mapfre SA
Long-term IDR downgraded to 'BBB-' from 'BBB+'; Outlook Negative
EUR700m 5.91% subordinated debt due 2037 with step-up in 2017 downgraded to 'BB-' from 'BB+'

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Additional information is available at www.fitchratings.com. The ratings above were unsolicited and have been provided by Fitch as a service to investors.

The issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

Applicable criteria, 'Insurance Rating Methodology', dated 22 September 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
[Insurance Rating Methodology](#)

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