FUNDACIÓN MAPFRE

The Latin American insurance market in 2011-2012

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Instituto de Ciencias del Seguro

THE LATIN AMERICAN INSURANCE MARKET 2011–2012

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SUMARIO

1. FOREWORD

FUNDACIÓN MAPFRE hereby presents its eleventh "Latin American Insurance Market" report, on this occasion containing information from 2011 and 2012.

The aim of the study is to give an overview of the current insurance market in the countries of Latin America. To do so, as in previous reports, a summary is given of the economic context in which the insurance activity of each country under study has been carried out. The insurance trend is also analysed on the basis of sector-specific insurance business information by business lines, claims ratio, results, number of companies and ranking of insurance groups.

As usual this study has been drawn up from information sources such as the publications of insurance supervisory authorities and insurance associations of each country. In the interests of inter-country comparison the normal Spanish breakdown into life and non life is applied here. For this reason health, burial and workers' compensation, classed as life insurance in some countries, have been classified here as non life.

Nominal and real variation rates are used throughout the report. Unless otherwise expressed nominal variation rates are given. Mean regional increments in the premium volumes are calculated as the weighted mean of nominal growth in local currency, the weighting being based on the weight of each insurance market in the total euro income of each region.

The descriptive ratios in this study (claims ratio, expense ratio and combined ratio) have been calculated from earned premiums net of reinsurance. Earned premiums correspond to the Spanish terms used in most of these countries, i.e., *"primas devengadas netas"* or *"primas ganadas netas"* (net accrued premiums or net earned premiums).

2. The Latin American insurance market. 2011-2012

2. THE LATIN AMERICAN INSURANCE MARKET 2011- 2012

2.1 MACROECONOMIC PICTURE[1]

The Latin American economy remained upbeat in 2011, albeit with a certain slowdown in its growth rate, ending the year with a 4.3% GDP increase against the 6.1% rise of the year before. The growth slowdown commenced during the second half of the year, caused mainly by the international financial markets' growing qualms about the eurozone debt crisis and, to a lesser degree, the lacklustre growth of the US economy. Lower growth prospects in the region slowed capital inflows, reversing the currency appreciation trend of the first half of the year.

The biggest GDP growths were recorded by Panama (10.6%), Argentina (8.9%), Ecuador (7.8%) and Peru (6.9%). The slowdown in Brazil's growth rate accounts for much of the reduction in regional growth as a whole.

For yet another year domestic demand was the economy's main driving force, on the strength of the positive performance of the labour markets, high credit availability and, in some countries, increased remittances, above all from the United States. In some countries there was also an appreciable increase in the investment in construction and capital goods.

As regards foreign trade, the first half of 2011 saw a high demand for the region's export goods, this tailing off during the second half of the year as the main purchasing economies contracted. Nonetheless exports did benefit from the increase in the prices of basic export goods, enhancing once more the terms of trade.

Inflation increased during the year, driven up by the rise in international food- and oil-prices, albeit more moderately in the second half. In 11 of the 19 countries making up the study the Consumer Price Index was higher than in the previous year. Venezuela and Argentina once more recorded the highest rates, 27.6% and 9.5%, respectively, although Argentina's inflation rate fell 1.4 percentage points on the previous year. Puerto Rico (1.8%) and Colombia (3.7%) reported the lowest rates.

Economic growth continued to slow down in the first half of 2012 though most countries remained upbeat and in the black. Private demand is still the main driving force of the economy; exports were affected by the price fall in most of the region's main export goods and flagging demand, especially from Europe and Asia. In this context ECLAC forecasts a 2012 GDP growth rate of 3.2%.

2.2 INSURANCE MARKET

In 2011 Latin America's[2] insurance market once more showed signs of strength, with mean nominal growth in local currency of 17.1% and a real growth rate of 9.6%, both up on 2010 (14.2% and 7.5%, respectively). Nonetheless the depreciation of local currencies against the euro in 2011 tended to check the growth in Latin American insurance premiums in euros, with premium revenue of 104,221 million euros, representing a rise of 14.1% (19.3% in 2010).

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[1] The economic comments of this report are based on the ECLAC publications "Economic Survey of Latin America and the Caribbean 20011-2012" and "Preliminary overview of the economies of Latin America and the Caribbean".

[2] According to Swiss Re figures published in its report on worldwide insurance, Latin America in 2011 held a 3.4% share of the world insurance market, a zero-point-four percentage point rise on 2010.

Nominal growth in local currency

% Variation in premium volume. 2011			
COUNTRY	NON-LIFE	LIFE	TOTAL
Argentina	35.0	34.2	34.9
Bolivia	16.0	18.4	16.5
Brazil	16.1	16.9	16.5
Chile	17.0	12.7	14.4
Colombia	14.8	15.0	14.8
Costa Rica	4.1	28.1	6.2
Ecuador	20.4	27.5	21.5
El Salvador	4.1	7.7	5.4
Guatemala	24.0	23.9	24.0
Honduras	6.0	19.5	9.6
Mexico	17.1	12.7	14.2
Nicaragua	11.2	13.8	11.6
Panama	19.3	0.6	14.6
Paraguay	22.2	42.1	24.1
Peru	12.4	7.1	10.1
Puerto Rico	5.3	12.3	5.9
Dominican Republic	7.4	13.0	8.2
Uruguay	20.4	22.7	21.0
Venezuela	26.4	4.0	25.9
Total	**18.1**	**15.9**	***17.1***

Figure 1. Variation in premium volume in 2011 in Latin America

Source: own statistics from the information published by each country's insurance oversight authority.

All the countries recorded nominal growth in local currency, most with two-figure rates. The highest were recorded by Argentina (34.9%), Venezuela (25.9%), Paraguay (24.1%) and Guatemala (24.0%). In real terms there were also appreciable rises and only Venezuela recorded a fall, of 1.4%. In general, South America and Mexico showed a higher premium growth rate than the markets of Central America and the Caribbean (Puerto Rico and Dominican Republic).

Puerto Rico (2117 €/inhabitant), Chile (423 €/inhabitant) and Brazil (310 €/inhabitant) are still the countries with the highest per capita expenditure, while the per capital premium in Nicaragua and Bolivia is lower than 20 euros. The per capita premium increased in practically all countries, whereby the region's mean insurance expenditure rose from 188 euros in 2010 to 213 euros in 2011.

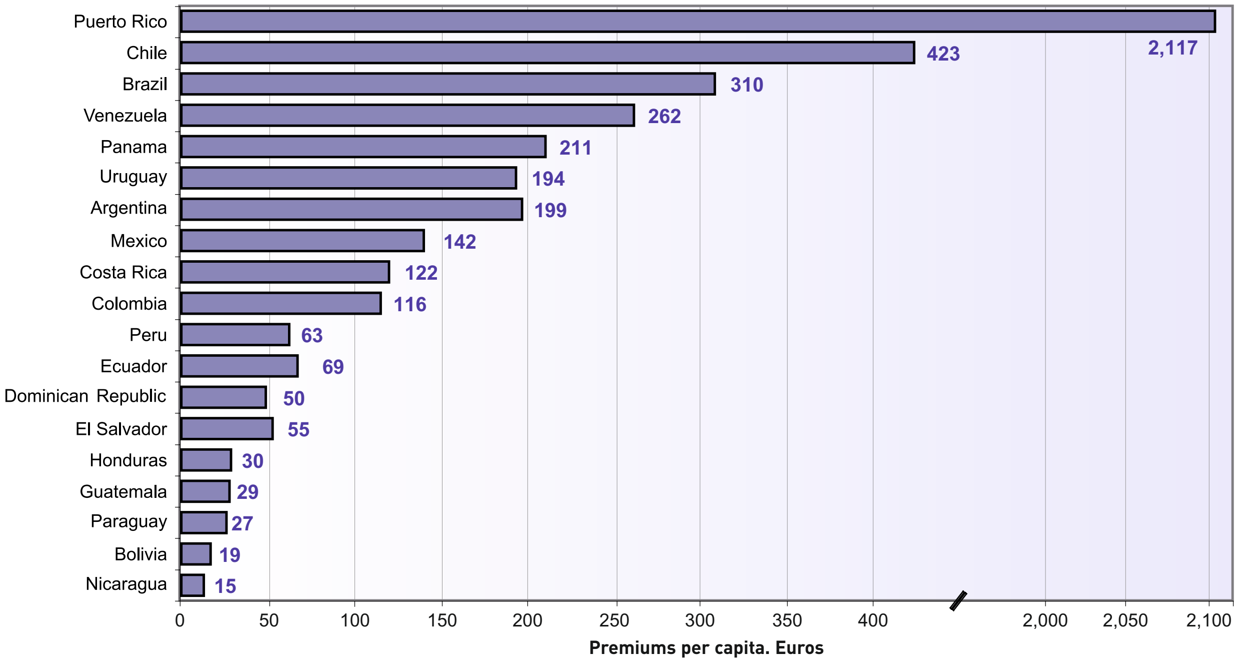


Figure 2. Latin America. Premium per capita 2011

Source: own statistics from the information published by each country's insurance oversight authority and by ECLAC.

Insurance penetration, the percentage ratio of premiums to GDP, was 3% in 2011 (2.9% in 2010). Puerto Rico and Chile still boast the highest ratios, 17.3% and 4.1%, respectively, followed by Brazil, Panama and Venezuela, with 3.4%.

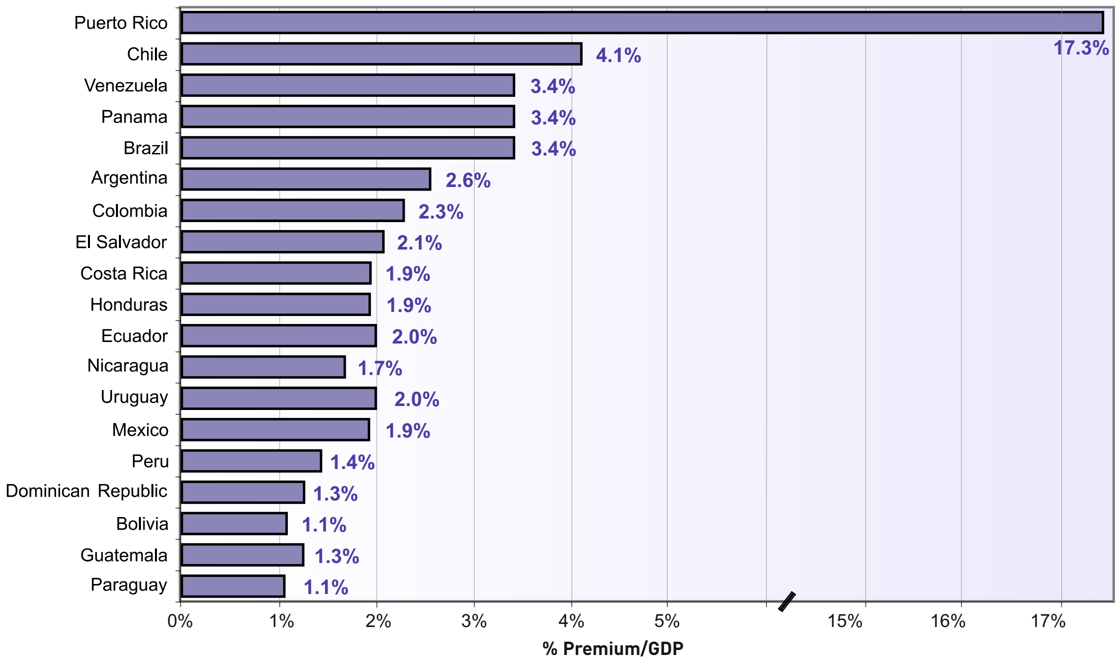


Figure 3. Latin America. Insurance penetration in 2011

Source: own statistics from the information published by each country's insurance oversight authority and by ECLAC.

The 104,221 million euro premium volume for 2011 breaks down into 40% of life insurance, 41,674 million euros, 13.9% up on the previous year (33.6% in 2010). Brazil accounts for 59% of the premiums, so the behaviour of this market is a telltale sign of the region's life insurance trend. Mexico and Chile are the two biggest markets after Brazil, with respective shares of 17% and 10%. If we add in the premiums of Colombia and Argentina, Latin America's five biggest life markets have a share of 94%.

The insurance product VGBL *(Vida Gerador de Beneficio Livre)*, a private Brazilian pension scheme with tax breaks, was again the main driving force behind growth, representing 45% of Latin America's life premiums with an 18.2% growth rate in 2011. Mexico recorded a more moderate growth rate of 6.3% due to the fall in group life insurance and pension insurance. Among the main markets the biggest rise occurred in Argentina, 29.7%, thanks to across-the-board growth in individual, group and retirement life policies.

Data in millions of euros. Nominal growth expressed in euros

Premium Volume. 2011						
COUNTRY	**NON-LIFE**	**%Δ**	**LIFE**	**%Δ**	**TOTAL**	**%Δ**
Brazil	20,368	*15.2*	24,578	*16.1*	44,947	*15.7*
Mexico	8,678	*12.4*	7,202	*6.3*	15,880	*9.6*
Argentina	6,846	*30.5*	1,322	*29.7*	8,168	*30.4*
Puerto Rico	7,265	*-0.7*	666	*5.9*	7,931	*-0.1*
Venezuela	7,591	*19.4*	152	*-1.8*	7,743	*18.9*
Chile	2,956	*20.7*	4,363	*16.3*	7,319	*18.0*
Colombia	3,836	*11.7*	1,611	*11.9*	5,447	*11.7*
Peru	1.073	*9.2*	803	*3.9*	1,876	*6.9*
Ecuador	791	*13.5*	165	*20.2*	956	*14.6*
Panama	586	*12.5*	167	*-5.1*	753	*8.1*
Uruguay	498	*18.6*	159	*20.9*	657	*19.1*
Costa Rica	511	*1.9*	61	*25.3*	572	*4.0*
Dominican Republic	430	*-2.5*	75	*2.6*	505	*-1.8*
Guatemala	349	*21.5*	85	*21.3*	434	*21.4*
El Salvador	219	*-1.8*	122	*1.5*	342	*-0.6*
Honduras	168	*0.1*	68	*12.9*	236	*3.5*
Bolivia	148	*9.3*	41	*11.7*	189	*9.8*
Paraguay	160	*31.4*	20	*52.8*	180	*33.4*
Nicaragua	75	*0.2*	13	*2.6*	88	*0.6*
Total	**62,547**	***14.2***	**41,674**	***13.9***	**104,221**	***14.1***

Figure 4. Latin America. Premium volume in 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority.

Non-life business still accounts for 60% of total premiums, posting a 14.2% 2011 growth rate (11.4% in 2010), slightly higher than life insurance. This favourable performance was due mainly to the region's healthy economic situation at the moment, with increases in jobs, sale of goods and cars, and also tariff hikes in the main markets. Brazil received a huge boost from the increase in infrastructure investment due to the upcoming world events there (2014 World Cup, 2016 Olympic Games) and the beginning of drilling into its subsalt oil reserves, among other major projects.

Brazil is still the biggest market, with a share of 33%, way ahead of second-placed Mexico with 14% of premiums. Next comes Venezuela, which, after losing market share in 2010 due to the devaluation of the bolívar, jumped back ahead of Puerto Rico in revenue terms. Each one has a 12% share. Argentina holds onto fifth place in this segment with 11% of premiums. These five markets between them add up to 81% of Latin America's non-life premiums.

Another notable feature besides the growth of Brazil's market (15.2%) was the non-life trend in Argentina, with a 30.5% rise. This growth was largely fuelled by work injury compensation insurance, the second biggest line after vehicle insurance; the former put in a fine performance in 2011 (50.3%) thanks to job stability and wage rises (employers' contributions represent a remuneration percentage). Agricultural insurance also perked up, with an increase of 40.9%.

Mexico recorded two-figure growth, 12.4%, heavily influenced by the June 2011 renewal of the property insurance policy of *Petróleos Mexicanos*, with a two-year term. The non-life lines in Puerto Rico, barring health insurance, are still sluggish, recording a slight increase of 2.4% in USD but translating into a 0.7% fall due to the dollar's depreciation against the euro. This is largely explained by the country's difficult economic juncture, aggravated by fierce competition. The increase in health insurance premiums was due to the *Medicare* products.

Premiums in millions of euros

Latin America insurance market 2010-2011
Premiums by branch

Branch	2010	2011	%Δ	% share
Life	**36,597**	**41,674**	***13.9***	**40.0**
Individual and group life	32,090	36,772	*14.6*	35.3
Private pension plans	4,506	4,902	*8.8*	4.7
Non-Life	**54,774**	**62,547**	***14.2***	**60.0**
Automobile	20,643	22,682	*9.9*	21.8
Health	11,796	12,851	*8.9*	12.3
Fire and allied lines	5,054	5,944	*17.6*	5.7
Other lines of businees	7,321	8,938	*22.1*	8.6
Transport	2,312	2,668	*15.4*	2.6
Third-party liability	1,417	1,599	*12.8*	1.5
Personal accident	2,813	3,448	*22.6*	3.3
Credit and/or Surety	1,122	1,361	*21.3*	1.3
Worker Compensation	2,297	3,057	*33.1*	2.9
Total	**91,371**	**104,221**	***14.1***	**100.0**

Figure 5. Latin America. Volume of premiums in 2011 per branch

Source: own statistics from the information published by each country's insurance oversight authority.

As for the behaviour of the respective business lines it was work-accident and personal-accident insurance that chalked up the biggest growth rates in 2011, 33.1% and 22.6%, respectively. The former rise was fuelled by significant increases in this business line in Argentina and Colombia, the main markets. The increase in personal accident insurance was driven by Brazil, a market cornering 49% of premiums and recording a 35.3% growth rate.

Another line that grew considerably in 2011 was fire and allied lines. In this case the main market is Mexico, which recorded a notable increase of 40.1% in this line.

The most important business transactions in 2011 were the following:

- In July 2011 Banco Santander signed an agreement with Zurich Financial Services Group whereby the latter acquired 51% of the holding company pooling the insurance subsidiaries in Latin America (Argentina, Brazil, Chile, Mexico and Uruguay). Under this agreement Zurich will take on management of the companies and the bank will distribute the insurance products in each one of the abovementioned markets through its network of offices for the next 25 years.

- Grupo de Inversiones Suramericana (Grupo Sura) took over ING's pensions and life insurance business in Latin America. The sale excludes the Dutch group's 36% stake in the Brazilian insurance company SulAmérica. In 2011 the Colombian group also took over the Dominican insurance company Proseguros and one of El Salvador's main insurance companies, Aseguradora Suiza Salvadoreña (Asesuisa).

- In April the German group Talanx announced the takeover of the Argentine and Uruguayan units of L'Union de Paris, and then in July the purchase of the Mexican company Metropolitana.
- To continue growing in Medicare Advantage, the health product that has put in the best performance over recent years in the Puerto Rican market, Triple-S announced in January the purchase of American Health's operations in Puerto Rico.
- The Brazilian company Marítima Seguros reached an agreement for selling 50% of its capital to Yasuda Seguros, belonging to the Japanese group Sompo.
- In October 2011 the Spanish group BBVA reached an agreement for the sale of its Argentine occupational-risks subsidiary, Consolidar ART, to the Argentine medical services group Galeno.
- In December 2011 ACE Group announced the purchase of the Ecuadorian company Río Guayas, the country's fourth biggest insurance company owned by Banco de Guayaquil.

Latin American insurance companies, moreover, posted net 2011 results of 8,476 million euros[3], 4.5% up on the previous year, with particularly important growth rates in Argentina (69%) and Peru (46.5%). In these countries the profit stemmed mainly from the financial result since the technical result was negative, with combined ratios of over 100%. Excellent results were also posted by lesser markets such as Paraguay (70.4%), Guatemala (56.9%) and Dominican Republic (52.9%). This result was favoured by the improvement in the combined ratio (lower than 90% in Paraguay) together with a good financial result.

The countries recording a negative growth rate (Bolivia, Chile, Colombia, Honduras and Uruguay) suffered mainly from the lower financial result since the technical result was more favourable. In the case of El Salvador, Nicaragua, Panama and Venezuela, the net result rose in local currency so the decline has to be put down to the depreciation of their various currencies against the euro.

Natural disasters, for their part, had no significant impact on results. The main events affecting the region in 2011 were floods but insured damage was negligible. In 2012 earthquake-related insured losses affected Costa Rica and Guatemala in September and November, respectively; they are expected to be minimal.

[3] Excluding Puerto Rico.

Net result (millions of €)			
Country	**2010**	**2011**	**%Δ**
Brazil	4,745	5,392	*13.6*
Mexico	904	991	*9.7*
Argentina	352	595	*69.0*
Venezuela	422	402	*-4.8*
Chile	692	259	*-62.5*
Colombia	481	239	*-50.4*
Peru	160	234	*46.5*
Costa Rica	61	78	*27.1*
Panama	54	48	*-11.5*
Ecuador	38	48	*25.4*
El Salvador	40	39	*-2.7*
Guatemala	24	37	*56.9*
Dominican Republic	23	35	*52.9*
Honduras	30	28	*-6.2*
Uruguay	51	17	*-66.9*
Paraguay	8	14	*70.4*
Bolivia	14	11	*-17.9*
Nicaragua	10	9	*-5.1*
Total	**8,108**	**8,476**	***4.5***

Figure 6. Latin America. Net result 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority.

The ongoing economic buoyancy of these countries is still driving the insurance activity, which recorded a mean nominal growth in local currency of 19.3% for the total market in the first half-year of 2012, with figures of 24.1% and 16.6% for life and non-life lines, respectively. The biggest push, therefore, came from life insurance, mainly from Brazil, which increased its production by 31.8%. Mexico, the second biggest market, also performed well, with a 13.9% rise in local currency.

Growth rates were very similar for premium volumes in euros, at 19.1% for the total market, with revenue of 60,054 million euros, 41% of this figure corresponding to life and 59% to non life. During this period the currencies of Chile, Colombia, Mexico and Peru appreciated strongly against the euro, while the European currency gained ground against the other Latin American currencies.

Data in millions of euros. Nominal growth expressed in euros

Premium volume. 1st half of 2012						
COUNTRY	**NON-LIFE**	**%Δ**	**LIFE**	**%Δ**	**TOTAL**	**%Δ**
Brazil	10,552	*6.2*	14,804	*24.9*	25,356	*16.4*
Mexico	5,011	*13.4*	4,007	*11.9*	9,018	*12.7*
Argentina	4,497	*38.7*	890	*25.8*	5,387	*36.4*
Venezuela	4,764	*44.8*	85	*19.9*	4,849	*44.3*
Chile	1,620	*19.4*	2,531	*16.5*	4,151	*17.6*
Puerto Rico	3,698	*2.1*	379	*18.4*	4,077	*3.5*
Colombia	2,346	*29.3*	965	*25.1*	3,310	*28.1*
Peru	603	*21.5*	459	*17.1*	1,062	*19.6*
Ecuador	472	*17.1*	103	*36.5*	574	*20.2*
Panama	323	*15.4*	93	*15.6*	416	*15.4*
Costa Rica	310	*26.6*	54	*41.1*	364	*28.6*
Uruguay	258	*23.5*	101	*42.0*	359	*28.2*
Dominican Republic	245	*18.7*	41	*19.5*	286	*18.8*
Guatemala	197	*0.5*	47	*6.5*	244	*1.6*
El Salvador	108	*12.4*	69	*22.7*	177	*16.2*
Honduras	99	*20.3*	39	*26.8*	138	*22.1*
Paraguay	104	*21.0*	14	*34.6*	118	*22.5*
Bolivia	92	*37.0*	25	*25.3*	117	*34.3*
Nicaragua	43	*18.1*	8	*40.8*	51	*21.1*
Total	**35,339**	***17.5***	**24,714**	***21.5***	**60,054**	***19.1***

Figure 7. Latin America. First half 2012 volume of premiums by country

Source: own statistics from the information published by each country's insurance oversight authority.

Work injury compensation insurance is still doing the briskest business, with local currency growth rates of 35.5% in Argentina and 19.7% in Colombia. Vehicle insurance, holding the biggest non life share[4], also fared very well throughout this period, with eye-catching rises in Argentina (31.3%) and Mexico (13.1%).

The most notable business transactions were the following:

- In March 2012 the Australian QBE Insurance Group announced an agreement for purchasing HSBC La Buenos Aires. The transaction includes a 10-year agreement for offering QBE's general insurance products to HSBC clients. HSBC Seguros will continue trading in life and retirement insurance in Argentina.
- On this same date HSBC announced the sale of its general insurance business in Mexico to the French group AXA. The transaction includes an exclusive 10-year distribution agreement under which HSBC will distribute these products through its network of branches.
- In July 2012 the British group RSA completed the takeover of the Argentine companies El Comercio and Aseguradora de Créditos y Garantías, previously owned by Newbridge Latin America, a private US capital fund. The company thereby ups its profile in Argentina and increases its commercial network in the country.
- Zurich sold to Grupo La Boliviana Ciacruz 51% of its shares in both La Boliviana Ciacruz and Zurich Boliviana Seguros Personales.
- In September 2012 the US group Liberty Mutual announced the expansion of its operations to Ecuador through the acquisition of two companies, Panamericana and Cervantes. The company is already trading in Argentina, Brazil, Chile, Colombia and Venezuela.
- In October 2012 MAPFRE and Galeno reached an agreement for transferring MAPFRE's Argentine occupational-risks and health activity to the Argentine company. The transaction also allows for commercial collaboration between both companies.
- In November 2012 Grupo Sura received authorisation from the Peruvian authorities for acquiring 63% of the local insurance company Invita, from Grupo Wiese.

Finally a brief outline is given of the main legislation changes in the two years under study:

- Decree *(decreto)* 2038/2012, published on 26 October 2012, passed the Occupational Accident and Professional Diseases Compensation Act *(Ley 26.773 de Régimen de ordenamiento de la reparación de los daños derivados de los accidentes de trabajo y enfermedades profesionales),* which amended Argentina's Occupational Risks act *(Ley de Riesgos del Trabajo).* The main change under the new legislation is that injured workers or their kin will have to opt exclusively between the compensation arrangements under this system or those they might be entitled to under another liability system. The different liability systems cannot be combined.
- As for Chile's insurance legislation, in 2011 the Insurance and Securities Supervisor *(Superintendencia de Valores y Seguros)* published a significant part of the risk-based supervision legislation, such as the General Law 309 on Corporate Governments *(Norma de Carácter General N° 309 sobre Gobiernos Corporativos)* and, at the end of the year, General Law 325 on Risk Management Systems *(NCG N°325 sobre Sistema de Gestión de Riesgos).*

[4] There are no broken-down figures for all lines in Ecuador, Puerto Rico and Venezuela.

Another attention-grabbing development in 2011 was modification of the Commercial Code *(Código de Comercio)* in terms of the Insurance Contract. This code regulates Chile's basic and fundamental insurance legislation and substantial amendments have been brought in to modernise the current legislation. The Bill has already been approved by the lower and upper houses *(Cámara de Diputados and Senado de la República)*, so the new law will soon be passed. Under the deadlines laid down in the Bill, the amendments are due to come into force during the first half of 2013.

- In October 2012 the president of Mexico, Felipe Calderón, presented an initiative in the Senate to create The Insurance and Finance Institutions Act *(Ley de Instituciones de Seguros y Fianzas)* to replace the General Mutual Insurance Societies and Institutions Act *(Ley General de Instituciones y Sociedades Mutualistas de Seguros)* and the Federal Finance Institutions Act *(Ley Federal de Instituciones de Fianzas).* The new legislation brings in a new regulatory framework, similar to the Solvency II scheme, to guarantee that insurers and guarantors have sufficient resources to cover their liabilities and risks and to meet their obligations. The Ley also moots reforms to the Insurance Contract Act *(Ley Sobre el Contrato de Seguro).*
- In March 2012 the plenum of Panama's National Assembly approved in third debate the insurance activities Bill *(Proyecto de ley 360).* The most notable reforms are the following: recognition of the Insurance and Reinsurance Supervisor *(Superintendencia de Seguros y Reaseguros)* as an autonomous state organisation, bringing it out from under the aegis of the Ministry of Trade and Industry *(Ministerio de Comercio e Industrias);* it lays down the requisites and guarantees for setting up insurance companies; it adopts the International Financial Reporting Standards (IFRS) as its accounting system and determines the requisites for marketing insurance policies through alternative outlets, etc.
- In November 2012 Peru passed its Insurance Contract Act *(Ley del Contrato de Seguro).* This new law seeks to set up a legal framework for the insurance contract, currently regulated by the 1902 Commercial Code *(Código de Comercio).* The law also takes in the current legislation of the Consumer Code *(Código de Consumo),* with the aim of developing clear protection of the insured. Among other provisions the law forbids the use of abusive practices and clauses by insurance companies and lays down conditions on contract renewal and validity while also regulating premium default conditions, etc.

3. Analysis by Regions and Countries

3. ANALYSIS BY REGIONS AND COUNTRIES

3.1 MEXICO

Macroeconomic Picture

In 2011 the international economic situation was less favourable to the Mexican economy, which ended the year with a real GDP growth of 3.9%, contrasting with the 5.6% figure of 2010. This slowdown in the growth rate was due mainly to slackening of external demand, especially from the US. Domestic demand showed an upward trend throughout the year but in Q4 some of its components began to suffer from the slowdown in external demand.

The slowdown was especially notable in the industrial sector and above all in the manufacturing sector. On the contrary the service sector continued to record an upward trend, showing signs of flagging only in the last quarter of the year. Farming output fell as a result of the February frosts and the persistent drought suffered by diverse regions in the last quarter.

The job market put in a marginally positive performance with a fall in the unemployment rate from 6.5% to 6.1%, the employment rate holding steady and the minimum wage rising slightly by about 0.3%.

The shrinkage in domestic demand helped to bring annual inflation down to 3.8% from the 4.4% figure of the previous year. This reduction was also affected by other factors, such as monetary policy, the absence of price pressure on labour costs and fiercer competition.

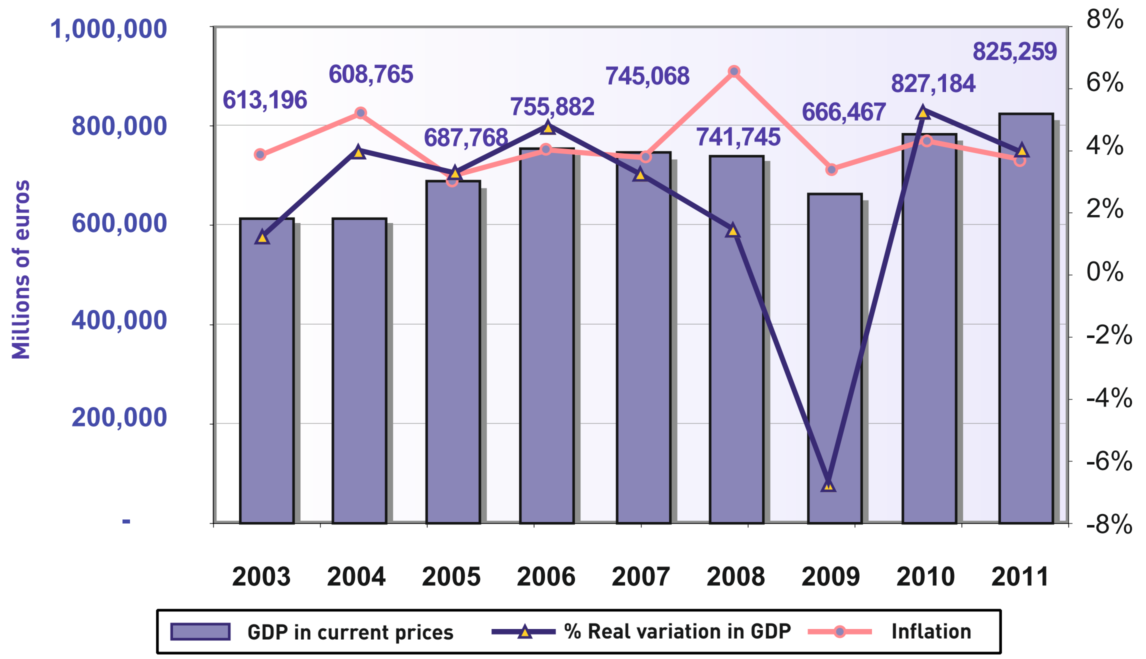


Figure 8. Mexico. GDP in 2011

Source: own statistics from the information published by ECLAC and the Bank of Mexico.

As regards the external sector, the price-driven increase in oil exports and the lower import growth rate offset the more lacklustre performance by non-oil exports and helped to keep the trade deficit and current account deficit at moderate levels.

The end-of-year exchange rate was fickle under the influence of capital tos and fros driven by Europe's sovereign debt crisis. The upshot was a moderate nominal depreciation against the dollar and an appreciation, likewise slight, against the euro.

Growth is expected to slow down in 2012 as external demand shrinks, with the rest of the indicators remaining largely unchanged.

Insurance Market

Mexico's insurance market posted a 2011 premium volume of 276,185 million pesos (15,88 million euros), representing a nominal growth rate of 14.2% and a real growth rate of 10%; this contrasts with a 0.5% fall in 2010. This bright performance of the Mexican insurance sector was largely fuelled by the June 2011 renewal of Petróleos Mexico's property insurance for a two-year term.

Life insurance premiums added up to 109,511 million pesos (6,297 million euros), a real growth rate of 8.5%. The various types of insurance making up this business line performed as follows: individual life insurance and *Vida Grupo-Colectivo* (group life insurance and group insurance covering occupational illnesses and injuries) posted real increases of 14% and 0.9%, respectively. *Vida Colectivo* (covering only occupational illnesses and injuries) fell by 21.5%, continuing the downward trend initiated in 2010 with the elimination of the tax breaks previously granted to savings-oriented insurance plans.

Pension schemes deriving from social security laws shrank by 4.3% in real annual terms, contrasting sharply with the heady growth of 73.4% in real terms in 2010, greatly boosted by the incorporation that year of insurance policies from the Institute of Social Security and Social Services of State Workers *(Seguridad Social y Servicios Sociales de los trabajadores del Estado).*

Premium volume[1] 2011

Branch	Millions of pesos	Millions of euros	% Δ	% Δ *real*
Total	**276,185**	**15,880**	**14.2**	**10.0**
Life	**109,511**	**6,297**	**12.7**	**8.5**
Individual life	67,250	3,867	18.4	14.0
Collective life	16,368	941	-18.5	-21.5
Group life	25,893	1,489	27.7	23.0
Pensions	**15,749**	**906**	**-0.6**	**-4.3**
Non-Life	**150,925**	**8,678**	**17.1**	**12.8**
Automobile	55,993	3,219	11.4	7.3
Health[2]	37,419	2,152	11.2	7.1
Fire	13,776	792	90.9	83.9
Earthquake and other catastrophic risks	13,415	771	17.6	13.2
Property & Casualty	10,438	600	16.4	12.1
Transport	6,930	398	22.6	18.1
Third-party liability	5,770	332	14.8	10.6
Personal accident[2]	4,190	241	9.7	5.7
Crop insurance	1,716	99	-10.7	-14.0
Credit	1,277	73	33.8	28.9

Figure 9. Mexico. Premium volume in 2011 by branch

(1) Direct premiums.
(2) Accident and Illness branch.

Source: own statistics with data published by the Mexican Association of Insurance Institutions and the National Insurance and Finance Commission.

Non life business issued premiums worth a total of 150,925 million pesos (8,678 million euros), a nominal increase of 17.1% and real increase of 12.8% on 2010. The change of trend with respect to the previous year (a 4.7% fall in real terms) is tied in, as already pointed out, with the renewal of the insurance policy of Petróleos Mexicanos (PEMEX); in contrast to the 56.4% real fall in fire insurance in 2010, this same line recorded an 83.9% increase in 2011, also in real terms. Other lines faring well were transport, growing by 22.6%, and credit, with a 33.8% rise, both in nominal terms.

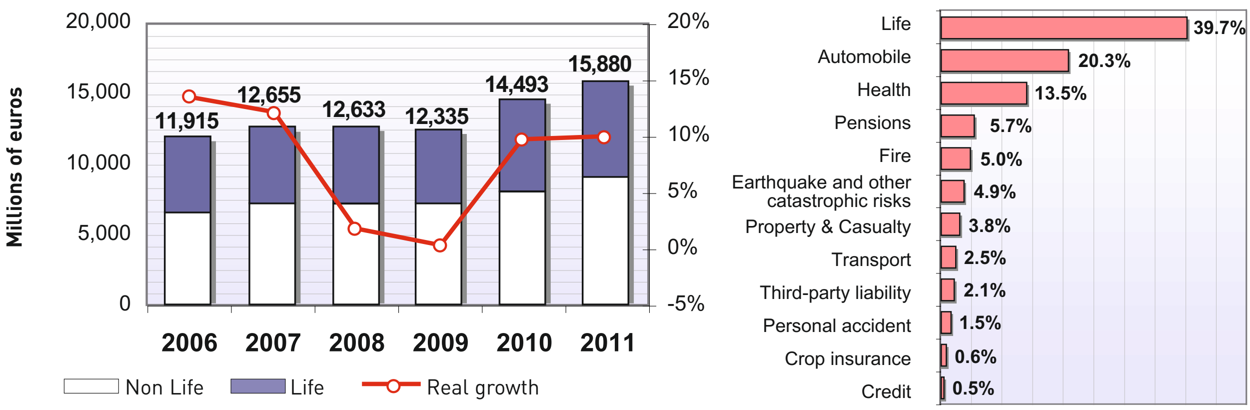


Figure 10. Mexico. Evolution of premiums and market share in 2010 by branch

As at 31 December 2011 the Mexican insurance sector was made up by 102 insurance companies; of these one was a national insurance institution, 2 were mutual insurance companies and the rest were private companies (99). Of these 15 were linked to some financial group, while 59 had mainly foreign capital (subsidiaries of foreign finance institutions).

In 2011 the country's 10 biggest insurance groups accounted for 73.9% of premiums, albeit with a dilution of concentration among the five biggest. The only variation in the ranking is the incorporation of Zurich group in ninth place, occupied in 2010 by MAPFRE, with inclusion of Seguros Santander premiums after the agreement reached with the Spanish bank.

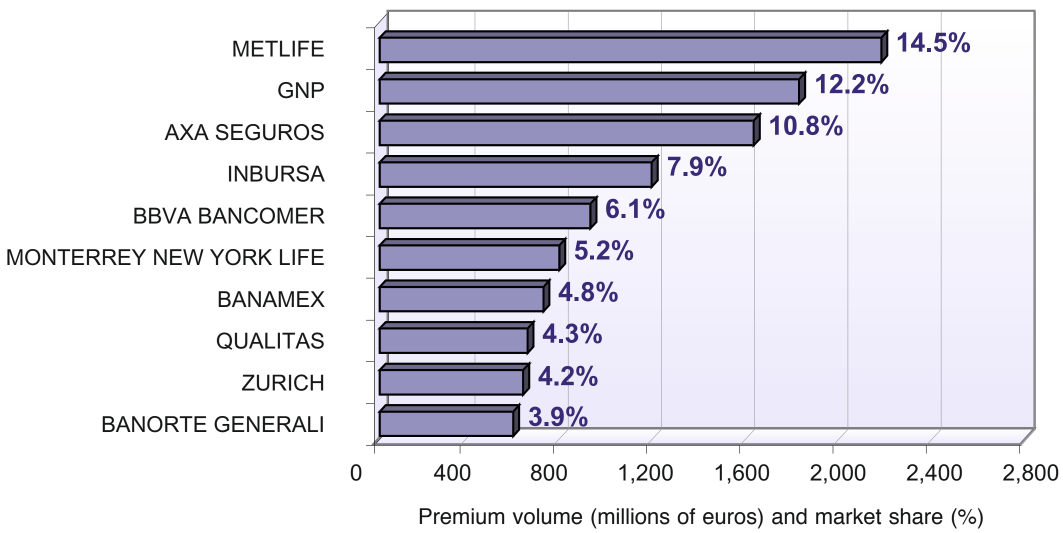


Figure 11. Mexico. 2011 Ranking. Total

Source: own statistics with data published by the National Insurance and Finance Commission.
Note: Does not include pensions.

In non-life business, AXA held onto top place with a market share of 15.4%, hardly varying on 2010. Zurich came into the ranking for the first time at number seven, for the above-mentioned reasons. MAPFRE held onto fifth place while Qualitas ceded third place to Inbursa. Banorte Generali considerably boosted its market share, rising from ninth to sixth. BBVA Bancomer, ranking tenth in 2010, fell out of the non-life top ten.

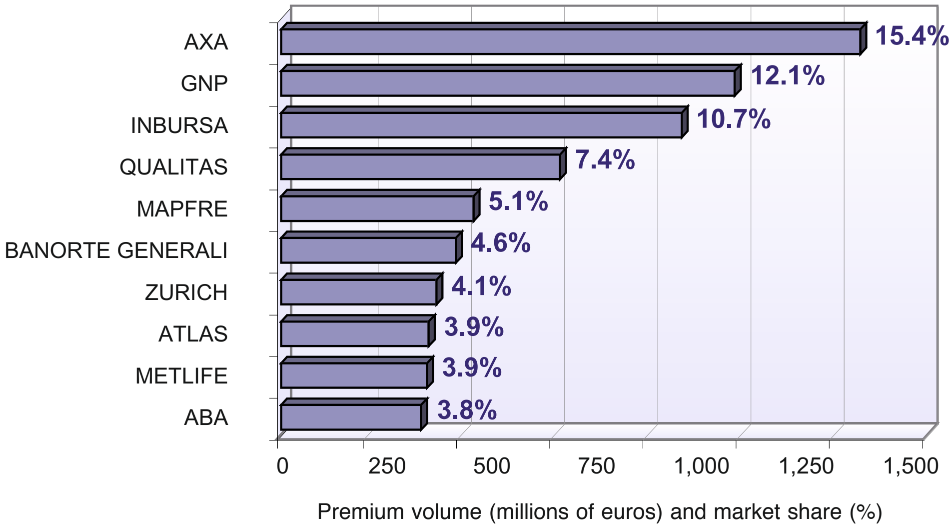


Figure 12. Mexico. 2011 Ranking. Non-Life

Source: own statistics with information from the National Insurance and Finance Commission.

In the life insurance business the top five companies hogged 69.2% of the market, one percentage point less than in 2010. The top ten were still headed by MetLife with a 29.2% share against the 33.9% of the previous year. GNP is still in second place, increasing its share by almost two percentage points. Banamex rose from fourth to third with a 0.9% increase in its market share. Zurich, unranked in 2010, came in at number seven after the agreement reached with Banco Santander for the takeover of its Mexico operations.

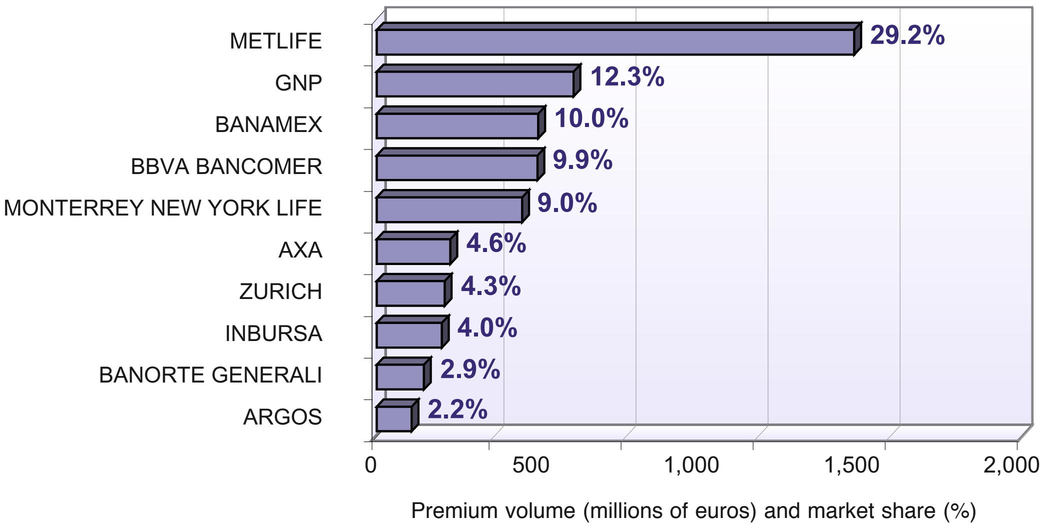


Figure 13. Mexico. 2011 Ranking. Life

Source: own statistics with information from the National Insurance and Finance Commission.

Note: Does not include Pensions.

New Legislation

In October 2012 the president of Mexico, Felipe Calderón, presented an initiative in the Senate to create The Insurance and Finance Institutions Act *(Ley de Instituciones de Seguros y Fianzas)* to replace the General Mutual Insurance Societies and Institutions Act *(Ley General de Instituciones y Sociedades Mutualistas de Seguros)* and the Federal Finance Institutions Act *(Ley Federal de Instituciones de Fianzas).* The new legislation brings in a new regulatory framework, similar to the Solvency II scheme, to guarantee that insurers and guarantors have sufficient resources to cover their liabilities and risks and to meet their obligations. The *Ley* also moots reforms to the Insurance Contract Act *(Ley Sobre el Contrato de Seguro).*

Results

The year's net result was 17,243 million pesos (991 million euros), representing a rate of 9.8% earnings on premiums. This represents a 14% rise on 2010, due to an improvement in the technical result following a fall in the claims ratio; the combined ratio therefore showed a 1.6% improvement. The financial result fell by 0.6% on premiums.

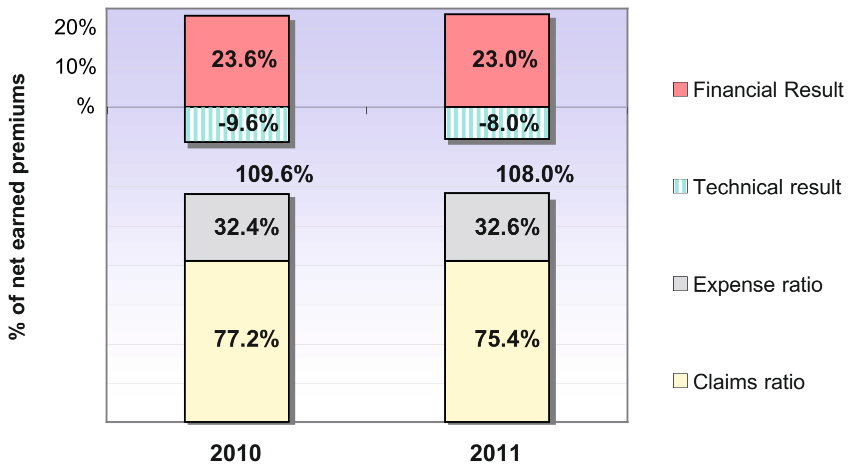


Figure 14. Mexico. Technical Account Result

Source: own statistics with information from the National Insurance and Finance Commission.

Preview of 2012

In the first half of 2012 Mexico's insurance sector clocked up a premium volume of 154,537 million pesos (9,018 million euros), with a nominal increase of 14.7%.

Life business lines garnered a revenue of 68,670 million pesos (4,007 million euros), with a nominal growth of 13.9%, higher than in 2011.

Non-life business kept up a nominal growth of 15.4% (13.8% in 2011), issuing premiums worth 85,867 million pesos (5,011 million euros). Vehicle insurance soared while fire insurance grew moderately after cancelling out the huge boost of PEMEX's policy.

In March 2012 HSBC announced the sale of its general insurance business to the French group AXA. The transaction includes an exclusive 10-year distribution agreement under which HSBC will distribute these products through its network of branches.

Premium volume[1]. First half of 2012			
Branch	**Millions of pesos**	**Millions of euros**	**% Δ**
Total	**154,537**	**9,018**	**14.7**
Life	**68,.670**	**4,007**	**13.9**
No Life	**85,867**	**5,011**	**15.4**
Automobile	30,724	1,793	15.1
Health	19,795	1,155	8.4
Fires	15,329	894	13.7
Transport	3,823	223	13.0
Personal Accident	2,179	127	8.7
Other lines of business	14,017	818	32.3

Figure 15. Mexico. Premium volume in 2012 by branch

(1) Direct premiums.
Source: Done by FUNDACIÓN MAPFRE with information published by the Mexican Association of Insurance Institutions and the National Insurance and Finance Commission.

3.2 CENTRAL AMERICA, PUERTO RICO AND THE DOMINICAN REPUBLIC

3.2.1 CENTRAL AMERICA

Macroeconomic Picture

In 2011 the Central American economy recorded a mean GDP growth rate of over 4%. For yet another year the region's growth was driven by domestic demand, stimulated by monetary and fiscal policies in most countries and partly offsetting the comparatively sluggish external sector. The fastest growing sectors were trade, construction and financial and business services.

The region as a whole benefited from the high prices of farming exports during the first half of 2011, although these gains petered out as prices fell towards the end of the year. Diverse measures or tax reforms were also brought in by various countries (El Salvador, Guatemala and Panama), which should increase the tax trawl in 2012 and 2013.

Food prices exerted inflationary pressure in all countries of Central America, where food spending looms large in household budgets. Inflation rates fluctuated widely in 2011, ranging from the 4.7% of Costa Rica to the 8% of Nicaragua.

ECLAC estimates that the 2012 GDP growth rate will vary from the 1.2% of El Salvador to the 10.5% of Panama.

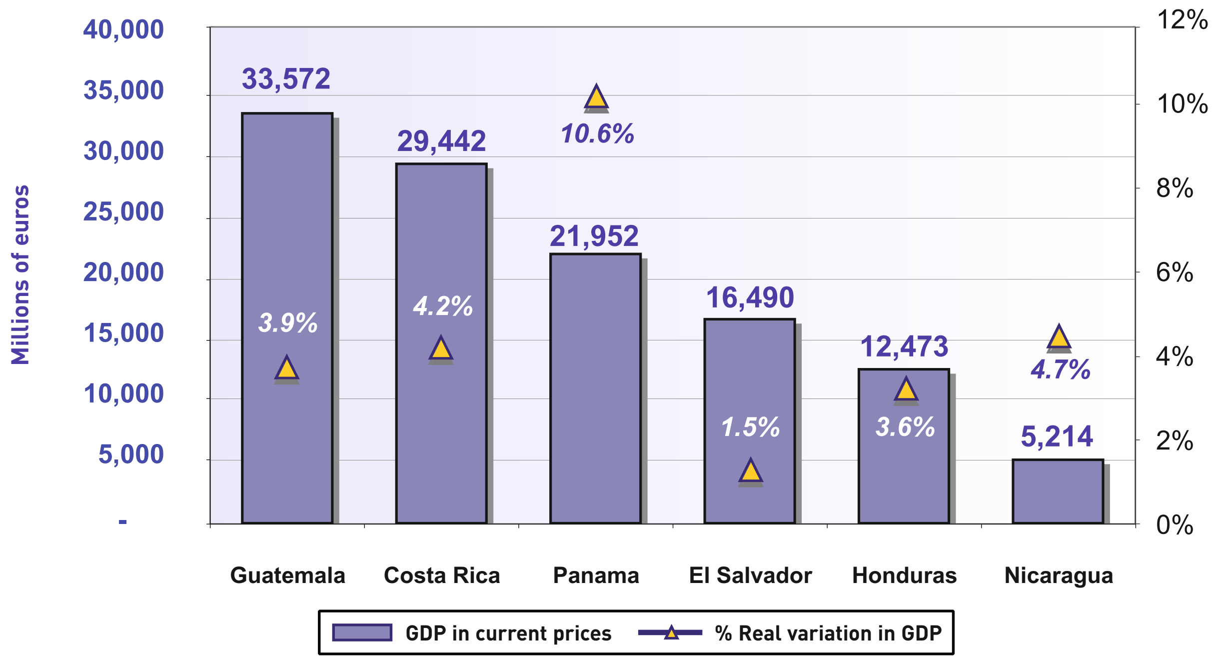


Figure 16. Central America. GDP 2011

Source: own statistics using information published by ECLAC.

Panama's economy grew by 10.6% (7.6% in 2010) driven mainly by domestic activity. On the supply side there were notable growths in the sectors of transport and communications (24%), construction (17.3%), mining and quarrying (16.5%), the wholesale and retail trade (11.4%) and brokerage (10.3%). The inflation rate, driven up by fuel and food price rises, ended 2011 at 6.3%. The unemployment rate stood at 5.4%, a two percentage point reduction. ECLAC forecasts a 2012 economic growth rate of 10.5%.

Costa Rica's economy grew by 4.2% (4.7% in 2010). This slight drop was due mainly to flagging external demand and the fall in farming output caused by bad weather. On the supply side there was notable growth in the sectors of communications, transport and construction. The year ended with a mean inflation rate of 4.7% and an employment rate of 7.1%. ECLAC forecasts a 2012 economic growth rate of 5%.

El Salvador's GDP growth was 1.5% (1.4% in 2010). This result stemmed mainly from a slight acceleration of foreign trade and a certain upturn in domestic demand. By sectors, construction activity picked up, partly offsetting the slowdown in the farming sector. Year-on-year inflation stood at 5.1%. ECLAC forecasts a 2012 economic growth rate of about 1.2%.

Nicaragua's GDP grew by 4.7% (4.5% in 2010) on the back of export growth, driven up by the price rise of the main exports rather than a significant increase in sales. The most buoyant sectors were mining, construction, electricity, gas and water and the manufacturing industry. Inflation ended the year at 8%. ECLAC forecasts a 2012 growth rate of 4%.

Guatemala posted a growth rate of 3.9% (2.9% in 2010), driven by a slight increase in exports and domestic demand. Most activity sectors posted growth, foremost among them being mining, trade and commercial and financial services. The tropical storm that hit the country in October dragged down GDP growth. The year finished with a mean inflation rate of 6.2% due to food and oil price rises. ECLAC forecasts a 2012 economic growth rate of 3.3%.

Lastly, Honduras grew by 3.6% (2.8% in 2010) thanks to recovering consumption figures and the increase in external demand after the rallying of its main markets: Mexico and the United States. There was across-the-board growth, with particularly good performances by banking and insurance, transport and communications. Inflation peaked at 5.6% due to the rise in food prices after the natural disasters that hit the area in 2011. ECLAC forecasts a 2012 economic growth rate of 3.5%.

Insurance Market

In 2011 the Central American insurance sector's production was worth 2,425 million euros, representing a real mean growth of 6.3% against the 1.9% figure of 2010. The main factors behind this growth were modernisation of insurance legislation throughout the region and the introduction of non-traditional insurance marketing channels, favoured by most of the legislation changes and the gradual opening up of markets to external competition.

Even though Central American economic activity perked up this year, the mean contribution of insurance to the economy (premiums/GDP) trod water at 2%, reflecting falling income levels and the lack of any insurance culture in the region. The mean per capita premium rose from 52 euros in 2010 to 57 euros in 2011. The differences from one country to another are vast, ranging from 15 euros in Nicaragua to 211 euros in Panama.

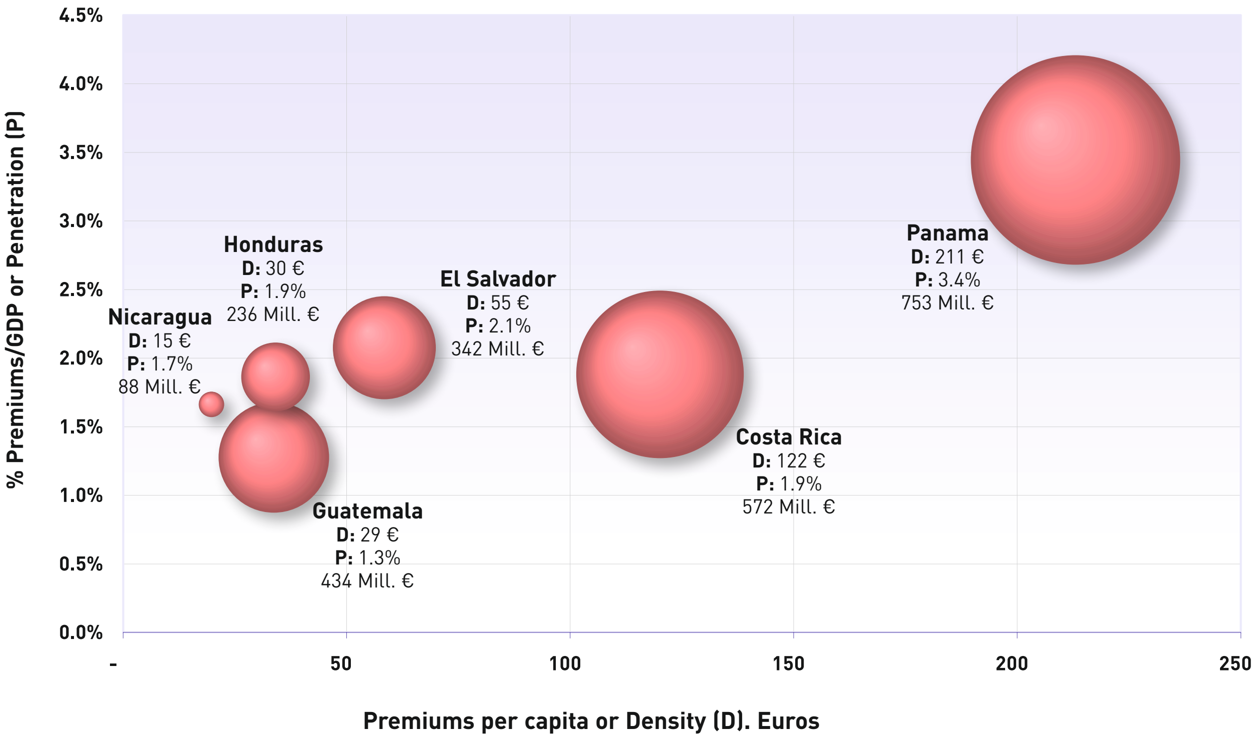


Figure 17. Central America. Penetration and Density in 2011

Source: own statistics from the information published by each country's insurance oversight authority and national statistics institute.

For yet another year all countries in the region posted real local-currency growth in their premium volumes, Guatemala to the fore with 16.8% and Panama with 7.8%. Honduras and Nicaragua both grew at a lower rate of about 3.5%. Lastly, Costa Rica and Panama chalked up only slight increases of 1.4% and 0.3%, respectively.

Life insurance recorded two-figure growth in Costa Rica, Guatemala, Nicaragua and Honduras, favoured by the introduction of new products and non-traditional marketing channels. Non life business also fared well, with increases in all countries, despite fierce price competition.

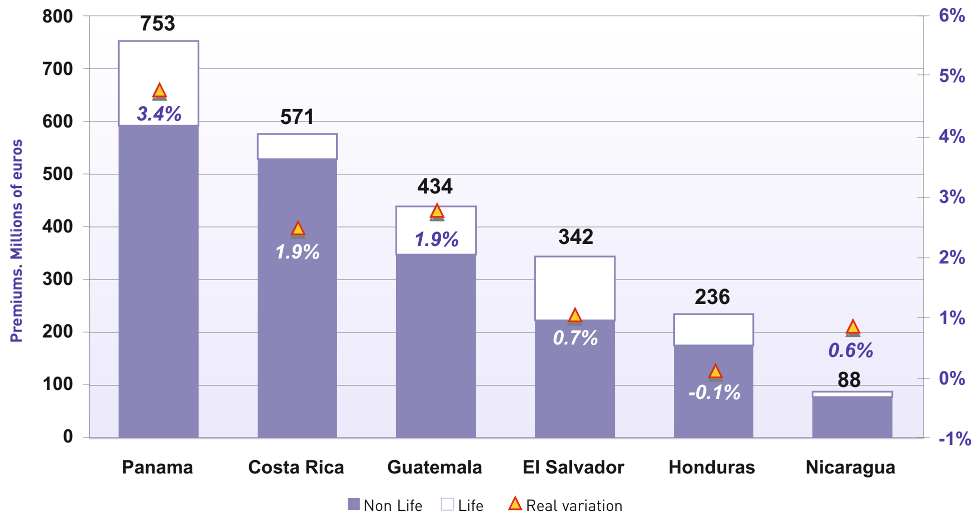


Figure 18. Central America. Volume of premiums in 2011

Source: own statistics from the information published by each country's insurance oversight authority and by ECLAC.

Results were patchy from country to country, some of them improving their claims ratio like Panama, Guatemala and Honduras, while others suffered a considerable rise, like Nicaragua and Costa Rica. The latter country is affected by the vehicle insurance line, weighing heavily in the sector, which has had to face fierce competition after opening up of the market to the private sector. Expenses increased appreciably in most countries, barring Honduras. The net result improved in Panama, Costa Rica and Guatemala, and maintained two figure growth in all countries, headed by Costa Rica's 20.6%.

% of earned premiums net of reinsurance

Ratio (%)	Panama		Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Claims ratio	53.1	52.1	62.9	71.1	49.6	50.5	64.4	59.2	52.3	51.6	42.0	50.0
Expense ratio	42.4	42.7	38.9	40.4	36.2	36.7	32.8	36.1	36.7	36.6	51.9	53.6
Combined ratio (%)	95.5	94.8	101.8	111.5	85.8	87.2	97.2	95.3	89.0	88.2	93.9	103.6
Financial result	9.7	9.5	24.1	26.5	4.7	5.2	9.1	9.9	12.4	10.6	12.3	11.2
Tech.-Fin. Result	14.2	14.7	22.3	15.0	18.9	18.0	11.9	14.6	23.4	22.4	18.4	7.6
Net result	10.6	11.2	16.8	20.6	20.7	19.9	10.1	14.2	22.7	20.2	18.5	18.4

Figure 19. Central America. Results 2010-2011

Source: FUNDACIÓN MAPFRE.

Panama's insurance market is still Central America's biggest, with a 2011 premium volume of 1,053 million balboas (753 million euros). Its nominal growth was 14.6% and its real rate 7.8%. Insurance penetration as a GDP percentage was 3.4%, the region's highest. Panama's insurance market was made up by 31 companies, three more than in 2010, three of which accounted for nearly 50% of total premiums issued. As regards new legislation, April 2012 saw the passing of the Insurance Act *(Ley nº 12 de seguros)*, which aims to reinforce the powers of the supervisory authority and ensure a more pre-emptive supervision in the interests of insureds. It also aims to bring insurance companies progressively into line with Solvency II requirements.

In keeping with the country's economic growth, all non-life lines posted two-figure growth, notably civil liability (36.3%), transport (31.6%), suretyship insurance (30.5%) and technical lines (23,0%), in keeping with the brisk activity within the trade and construction sector, in the latter case due to public and private investment in civil engineering works and non residential projects. For their part life lines grew by 0.6%.

The combined ratio improved by a little over half a point, up to 94.8%, due to the one-point fall in the claims ratio, standing at 52.1%. The financial result held steady at 9.5%, spawning a technical-financial result of 14.7%. The sector's net result was 11.2% (48 million euros).

Costa Rica's insurance market, the second biggest in the region, posted a nominal growth rate of 6.2% and a real growth rate of 1.4%. Premium volumes stood at 401,191 million colones (572 million euros).

One of the idiosyncratic features of Costa Rica's market is the existence of two obligatory insurance policies, occupational risks and vehicle insurance, which can be operated only by the National Insurance Institute *(Instituto Nacional de Seguros:* INS) on a monopoly basis. The project of opening up this market has run into a constitutional conflict, paralysing the whole process. In 2011 INS issued 62% of the sector's total premiums. The rest of the market is made up by ten companies, of which three are mixed, six of personal insurance and one of general insurance.

The sector continues to display fierce price competition, driving down profit margins. The combined ratio was 111.5%, the highest in the whole of Central America, due to the high claims ratio (71.1%). Despite this, the excellent financial result of 26.5% offset the net result of 20.6% (78 million euros).

On the legislation front new Bills were being prepared in 2011 to bring supervision arrangements more into line with a risk-based approach, improving information systems and the registration of companies and their financial statements. In June 2011 the Insurance Contract Act *(Ley Nº 8956 Reguladora del Contrato de Seguros)* was passed, revoking the previous law of 1922. The new *Ley* regulates the general aspects of the insurance contract, applicable to all insurance lines, except the obligatory insurance policies, which are still governed principally by their own special laws and otherwise by this new *Ley*. Its new features include, notably, updating of the concept of insurable interest and general premium aspects.

As at 31 December 2011 El Salvador's issued premiums were worth 478 million dollars (342 million euros), representing an increase of 5.4% in nominal terms and 0.3% in real terms. In life insurance there was a 5.4% increase in premiums issued while non-life premiums rose by 4.1% due to the growth registered in credit and suretyship (19.5%), accidents and illness (11.5%) and fire and/or allied lines (2.2%).

The combined ratio of 87.2% was the best in the whole region, despite being dragged down nearly a point and a half by the one point increase in the claims ratio and half point in expenses. The sector's net result was 19.9% (39 million euros).

Guatemala's insurance sector recorded a 2011 premium volume of 4,718 million quetzals (434 million euros), representing a 24% increase in nominal terms (16.8% in real terms). This appreciable increase is due to the coming into force of the new Insurance Activity Act *(Ley de la Actividad Aseguradora),* which brought in a change in the premium accounts-recording system in the lines of group life and health, from a monthly to annual basis. This means that the pending premiums of 2010 and annualised 2011 premiums are included in the same year, thereby generating an average premium production of 16 months instead of 12 months. As a result it is the life and health lines that have chalked up the biggest growth rates (24%). Fire, theft and allied lines show a growth of 16.7%, in keeping with the economic upturn of the country itself. On the contrary vehicle insurance reported only weak growth of 4.8% due to the rise in the country's used-vehicle stock as compared with newly bought vehicles; this translates into a fall in premiums due to a reduction in coverage.

Although vehicle claims are still high, the claims ratio improved by nearly five points, up to 59.2%, offsetting the increase in the expenses ratio and improving the combined ratio, previously at 95.3%, by almost two points. The net result of the sector as a whole was 14.2% (37 million euros).

In 2011 Hondura's market took in 6,237 million lempiras in premiums (236 million euros), representing nominal growth of 9.6% and real growth of 3.7%. The quickest growing lines were professional risks (69.7%), life (19.5%), transport (26.2%) and health (10.4%).

The net claims ratio fell by almost a point, to 51.6%, while the expense ratio held steady at 36.6%, improving the combined ratio to 88.2%, the lowest in Central America. The claims ratio is still high in health, accidents and especially life, due to the high murder rate in the region according to the Honduran Insurance Chamber *(Cámara Hondureña de Aseguradores).* The sector's net result was 20.2% (28 million euros).

Nicaragua, with the smallest market in the region, earned a total volume of 2,765 million córdobas (88 million euros), which represents a nominal growth of 11.6% and real rate of 3.4%. The quickest growing lines were vehicles (13.3%) and fire and allied lines (12.1%), accumulating between them 71.3% of the market share.

Net claims increased by five points up to 50%, largely due to the high claims ratio in the vehicle line. The expense ratio was the highest in the whole region, at 53.9%, due to the high administration costs of the state insurance corporation INISER, representing 43.3% of the sector as a whole. The net result was 18.4% (9 million euros).

As regards the overall ranking of insurance groups in 2011, this remained unchanged only in El Salvador. Nicaragua is where most changes occurred: INISER climbed two places to the top of the pile, pushing down América to second place. ASSA came straight into the ranking in third place and Lafise slipped back two places to fourth.

In Panama the changes occurred in fifth place, where Pan American came into the ranking this year, pushing Ancon out. In Guatemala Universales rose to third, pushing MAPFRE back to fifth. In Costa Rica the changes involved Pan American, which came into the ranking in third place, and Magisterio, which fell two places to fifth. Lastly, in Honduras, MAPFRE and HSBC switched places, the former moving up to third and the latter falling back to fourth.

The number of companies held steady in all countries barring Panama, where the number rose from 28 to 31.

Ranking	Costa Rica	El Salvador	Guatemala	Honduras	Panama	Nicaragua
1	INS	SISA	G&T	INTERAMERICANA	IS	INISER
2	ASSA	ASEGUISA	EL ROBLE	ATLÁNTIDA	ASSA	AMÉRICA
3	PAN AMERICAN	ACSA	GENERAL	MAPFRE	MAPFRE	ASSA
4	MAPFRE	MAPFRE	MAPFRE	HSBC	GENERALI	LAFISE
5	MAGISTERIO	CHARTIS	UNIVERSALES	PALIC	PAN AMERICAN	MAPFRE
Total	**11**	**20**	**17**	**12**	**31**	**5**

Figure 20. Central America. Ranking in 2011

Source: FUNDACIÓN MAPFRE.

3.2.2 PUERTO RICO

Macroeconomic Picture

In the fiscal year 2011 (July 2010 to June 2011), Puerto Rico's GNP suffered a constant-price fall of 1.5% on the previous year. Breaking the Gross Product down into its various components shows a 5% fall in government spending, fixed-capital formation of 9%, a 2.4% rise in imports and a 3.4% rise in goods and services. Within domestic demand there was a 1.5% increase in household spending.

Domestic fixed-capital formation centred mainly on the construction and capital-goods sectors, pride of place going to renewable energies and public works, together with the construction of institutional buildings.

Personal spending grew mainly in terms of vehicle and household-equipment purchases as well as food and energy.

The number of people in employment rose by 0.5% and the unemployment rate fell by 1.1% to 15.3% of the active population.

As for the exterior sector, imports rose by 11.3% while exports fell by 19%, with manufactured goods as their main component. The tourism sector grew not only in the number of hotel stays but also mean expenditure per visitor.

In the fiscal year 2011 the Consumer Price Index rose by 1.8% with respect to the same period of the previous year.

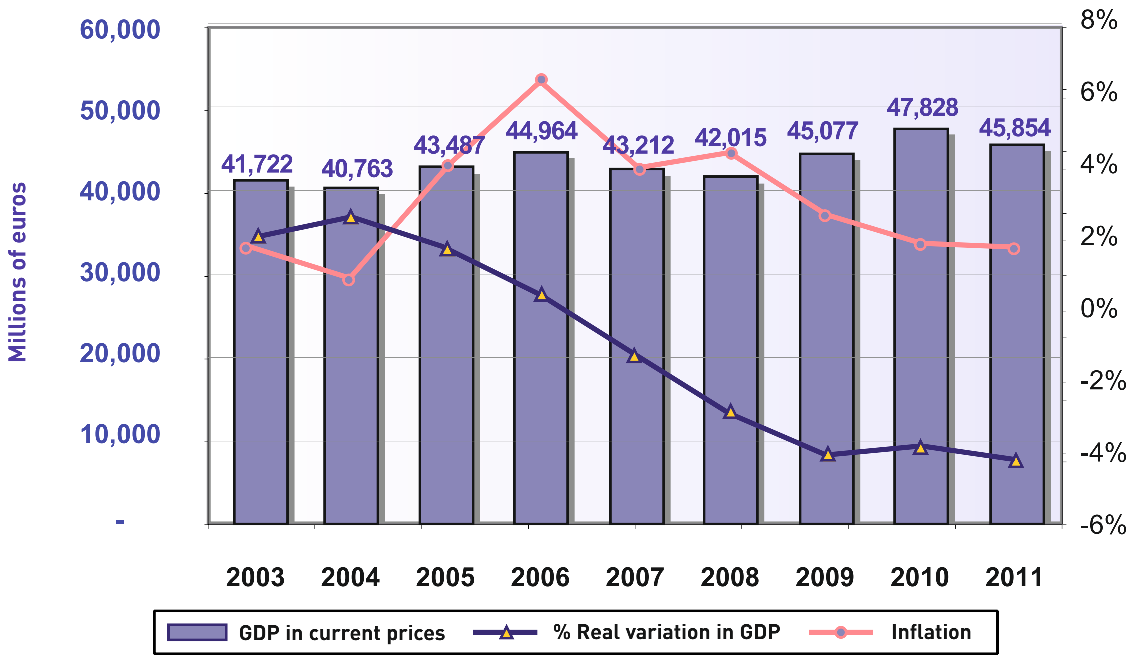


Figure 21. Puerto Rico. GDP 2011

Source: Puerto Rico Planning Board.

Insurance Market

Puerto Rico's insurance market took in premiums worth 11,088 million dollars (7,931 million euros), representing a real increase of 2.9%, much lower than the 5.7% figure of 2010. The reason for this slowdown was the country's tough economic juncture, aggravated by price competition. This has led to a fall in premium subscription in most of the miscellaneous lines (non life minus health).

Life business reversed the trend of the previous year with real growth of 9.1% as compared with a 3.1% drop in 2010. This growth was fuelled largely by a good performance of annuities. It should be borne in mind here, however, that life insurance represents only 8.3% of total annual premiums.

Premium volume[1] 2011				
Branch	**Millions of USD**	**Millions of euros**	**% Δ**	**% Δ *real***
Total	**11,.088**	**7,931**	**5.,9**	**2.9**
Life	**931**	**666**	**12.,3**	**9.1**
Non-Life	**10,157**	**7,265**	**5.3**	**2.4**
Health	8,342	5,967	6.9	3.9
Automobile	443	317	-4.2	-6.9
Fire and allied lines	326	233	-0.1	-2.9
Third-party liability	224	160	-4.2	-6.9
Transport	94	67	-9.9	-12.5
Accident and Illness	20	15	6.1	3.2
Other lines of business	708	507	2.1	-0.8

Figure 22. Puerto Rico. Premium volume in 2011 by branch

(1) Direct insurance premiums issued.
Source: own statistics using sector data bases.

Non-life lines took in premiums worth 10,157 million dollars (7,265 million euros), representing a nominal increase of 5.3% and real growth of 2.4%, due mainly to the good performance of the health line, with a total of 8,342 million dollars in premiums (5,967 million euros), representing 82% of non-life lines. Although the aggregate results of the health sector as a whole still show a certain stability, its revenue remains heavily dependent on the US presidential-election results since the bulk of health premiums correspond to federal programs.

The rest of the non-life lines continued the downward trend that set in back in 2007, since when the figure of 2,192 million dollars of premiums has fallen sharply to the 1,815 million dollars figure of 2011. As already pointed out, this slowdown can be put down to fierce price- and commission-competition and the current economic situation.

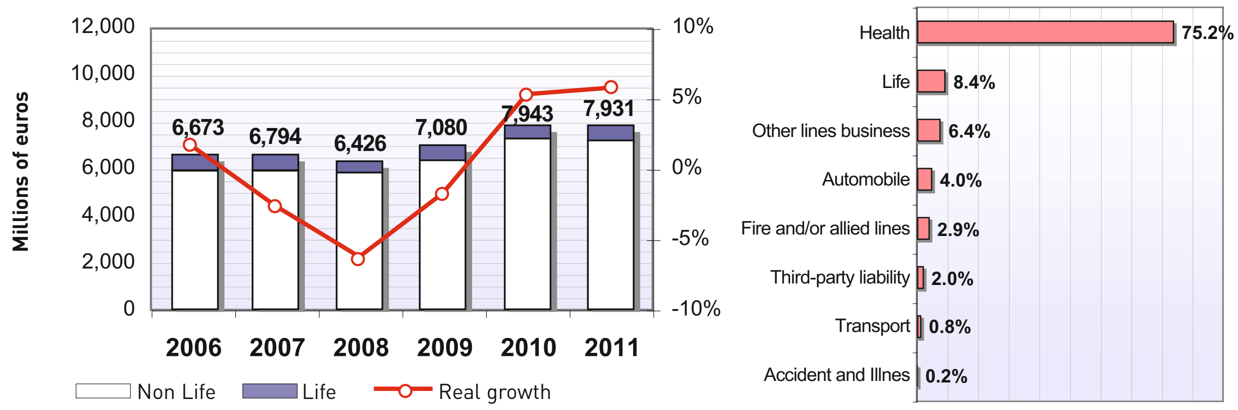


Figure 23. Puerto Rico. Evolution of premiums and market share in 2010 by branch

At the end of the economic year Puerto Rico's market was made up by 354 insurance companies and 395 reinsurers. The country's top ten insurance groups cornered 82.9% of the market, with no changes in the ranking makeup in 2011. Grupo MCS cemented its first place after being chosen by the government in 2010 as insurance provider for five of the country's regions under the *Mi Salud* program to help people who cannot afford medical insurance. In 2011 it accounted for 21.2% of premiums, way ahead of the second-placed Triple-S with a 15.6% market share.

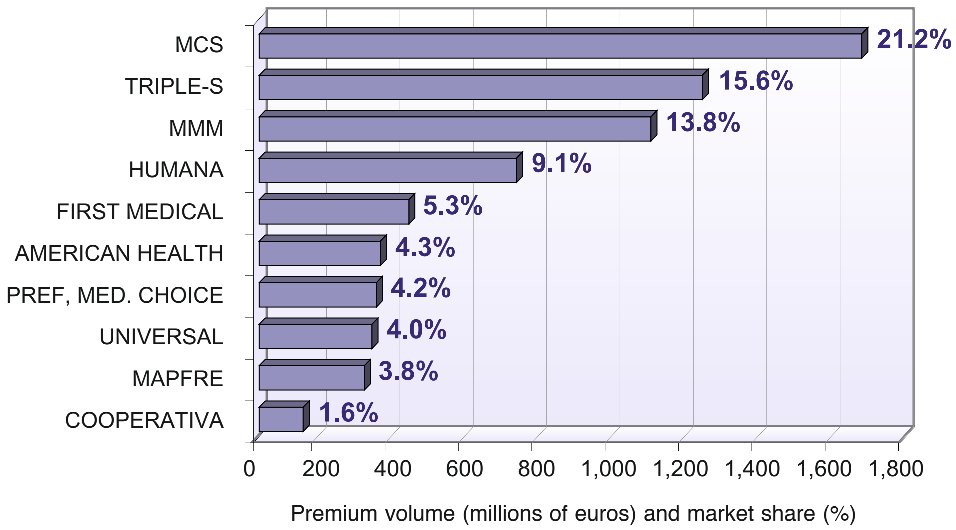


Figure 24. Puerto Rico. 2011 Ranking. Total

Source: own statistics using sector data bases.

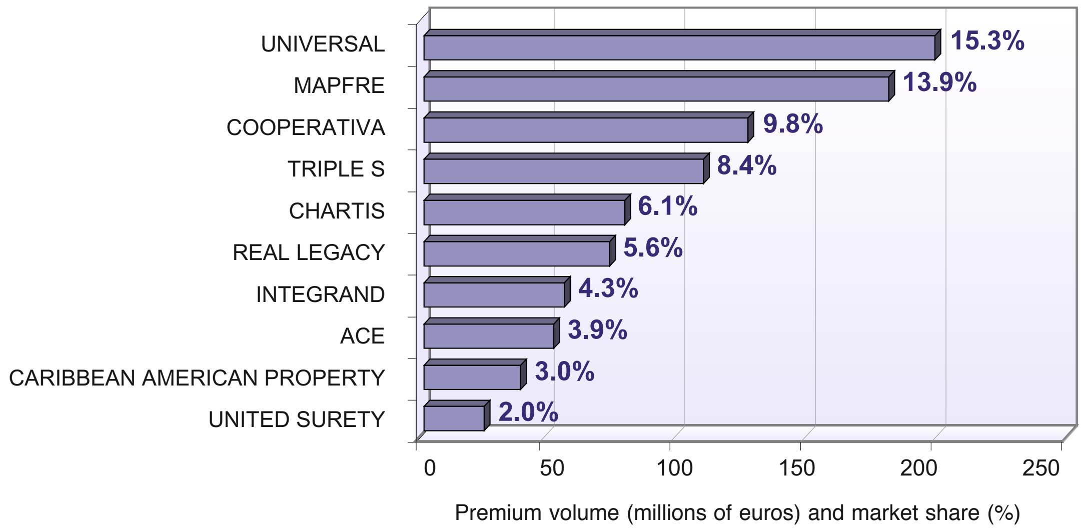


Figure 25. Puerto Rico. 2011 Ranking. Non-Life

Source: own statistics using sector data bases.

Universal still heads the ranking of the top ten non-life insurance groups (Miscellaneous), followed by MAPFRE and Cooperativa. The groups are the same as in 2010 with only the last two switching positions.

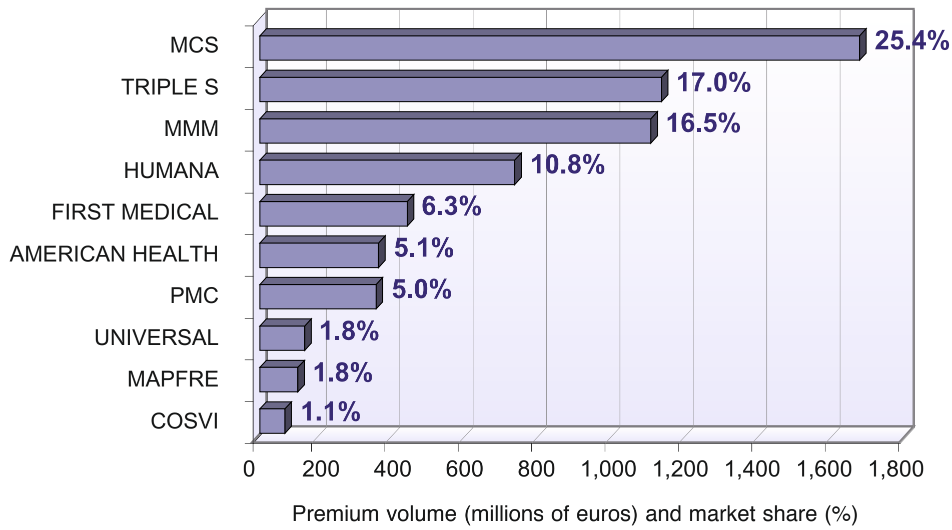


Figure 26. Puerto Rico. 2011 Ranking. Life and Health

Source: own statistics using sector data bases.

The makeup of the life and health ranking, still led by MCS, remained largely invariable with only small changes in position.

Preview of 2012

The first half of 2012 saw a 5.3% drop in sector premium issues in comparison with the same period of the previous year, due on this occasion to the health line, still heavily influenced by the uncertainty surrounding the outcome of the US presidential election. On the contrary, life insurance and the rest of non-life insurance (Miscellaneous) posted increases.

Premium volume[1]. 1st half of 2012

Branch	Millions of USD	Millions of euros	% Δ
Total	**5,307**	**4,077**	***-5.3***
Life	**493**	**379**	***8.3***
No Life	**4,814**	**3,698**	***-6.5***
Health	3,893	2,990	*-8.0*
Property & Casualty	921	707	*0.2*

Figure 27. Puerto Rico. Premium volume in 2012 by branch

(1) Direct insurance premiums issued.
Source: own statistics using sector data bases.

3.2.3 DOMINICAN REPUBLIC

Macroeconomic Picture

The Dominican Republic's 2011 performance was marked by a slowdown in the real GDP growth rate, falling from 7.8% to 4.5%. This was due largely to the reduction in the government's prior tax breaks.

Inflationary pressure was another of the features of the Dominican economy, with great volatility throughout the year, the end-of-year figure of 7.8% comparing to 6.3% the year before. The rise in international food and fuel prices account for this rise. Inflation control efforts took the form of a credit freeze, checking credit expansion in the private sector.

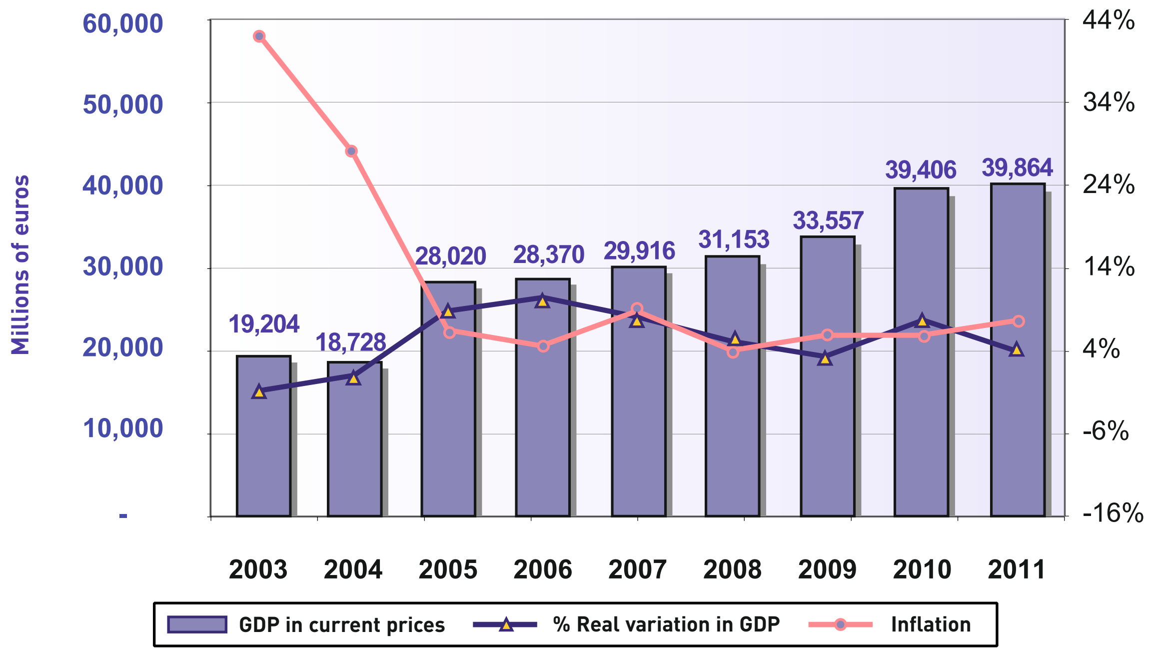


Figure 28. Dominican Republic. GDP 2011

Source: own statistics using information published by ECLAC and the Central Bank.

The credit freeze and a worsening job market put a break on household spending. There was also a reduction in gross fixed-capital formation. Imports therefore fell against exports, although the oil bill still tended to widen the trade deficit. The most heavily exporting sectors were once more manufacturing, mining and tourism. Money sent back from abroad by emigrants, the entry of tourists and direct foreign investment brought about an improvement in the current account deficit, falling from 8.6% of the GDP to 7.9%.

Job creation could not prevent a rise in the unemployment rate by about one point to 6.4%. Nominal salary growth ranged from 9% to 12% but did not affect public sector salaries, which suffered a fall in real terms.

ECLAC forecasts 3.8% growth for the Dominican Republic in 2012, under the influence of lacklustre external demand and an unfavourable economic climate worldwide.

Insurance Market

In 2011 the volume of premiums issued was 26,828 million pesos (505 million euros); this represents 8.2% nominal growth and 0.4% real growth, slightly up on the previous year (6.9% and 0.6%, respectively). Despite this rise the economy's insurance penetration still stands at 1.3%, one of the lowest in Latin America.

Life business grew by 13%, far higher than the 3.8% figure of the previous year. Group insurance consolidated its hold on the market, growing at a rate of 12.5% and hogging 98% of life production. Individual insurance also grew notably (61%), but its market share is meagre.

Premium volume[1] 2011

Branch	Millions of pesos	Millions of euros	% Δ	% Δ *real*
Total	**26,828**	**505**	**8.2**	**0.4**
Life	**3,962**	**75**	**13.0**	**4.9**
Individual life	61	1	61.0	49.4
Collective life	3,900	73	12.5	4.4
Non-Life	**22,867**	**430**	**7.4**	**-0.3**
Fire and allied lines	8,957	168	11.7	3.6
Automobile	8,401	158	4.5	-3.0
Health	1,739	33	20.7	12.0
Other lines of businees	1,701	32	-7.2	-13.9
Transport	1,129	21	7.0	-0.7
Surety	744	14	3.2	-4.3
Personal Accident	196	4	11.4	3.3

Figure 29. Dominican Republic. Premium volume in 2011 by branch

(1) Collected and waived premiums.
Source: own statistics using data published by the Supervisor.

Non-life lines maintained their growth from 2010, issuing 22,867 million pesos (430 million euros), a nominal growth rate of 7.4%, albeit translating into a slight fall of 0.3% in real terms. Once more it was the fire and allied lines and vehicles that weighed heaviest in the turnover (76% of non life), posting growth rates of 11.7% and 4.5%, respectively (5.1% and 3.4% in the previous year). Health once more recorded the biggest rise, 20.7%, and transport fell back from the 2010 growth figure of 26.4% to 7% in 2011.

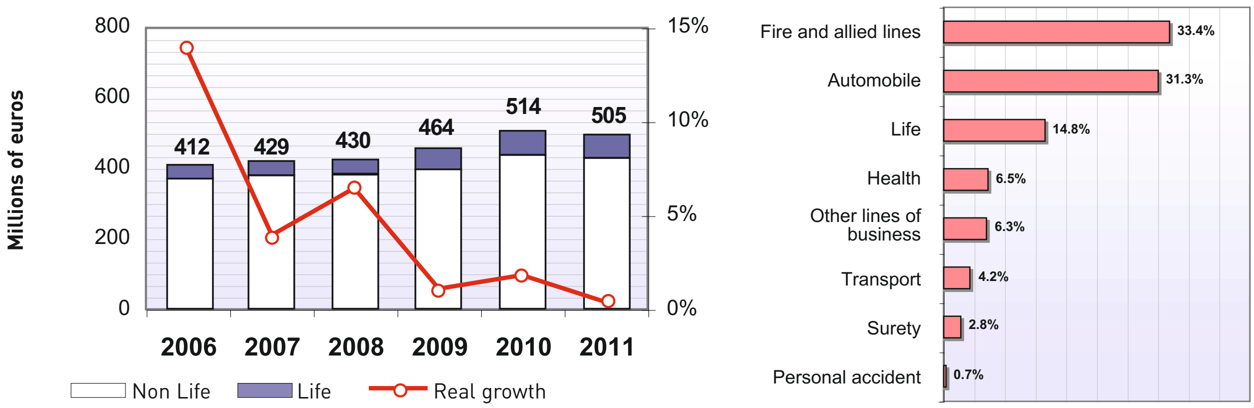


Figure 30. Dominican Republic. Evolution of premiums, market share in 2011 by branch

In 2011 the Dominican insurance sector comprised 35 insurance companies. The top ten cornered a market share of 92.7%, holding onto the same percentage as the previous year. There were no changes in the makeup of this ranking and hardly any alterations in the market share held by each company.

First place was still held by Seguros Universal, which increased its share by about one point to 26.5%. Banreservas and MAPFRE once more held second and third place, respectively. The other companies also retained their position in the 2010 ranking.

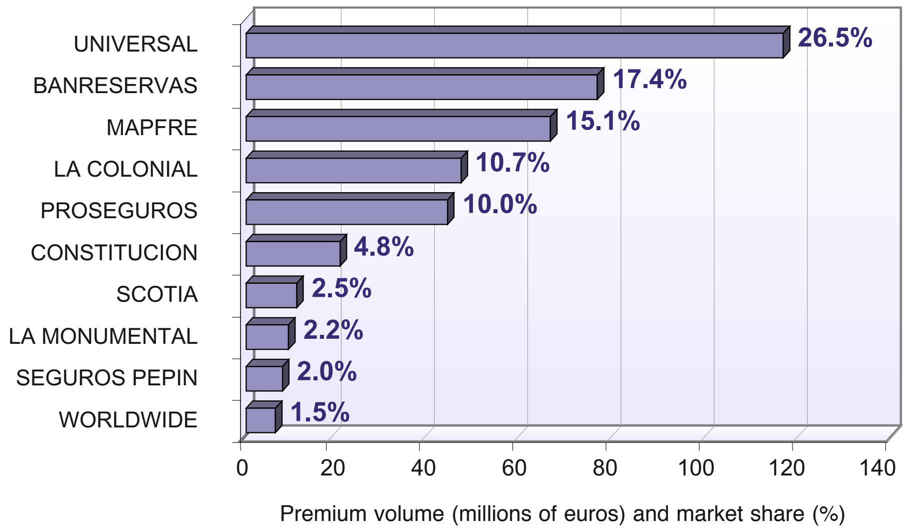


Figure 31. Dominican Republic. Ranking in 2011. Total

Source: own statistics using sector data bases.

Result

The net result grew in 2011 to 1,873 million pesos (35 million euros), representing 13.1% on premiums (8.4% in 2010). The combined ratio worsened by 1.5 points due to the 1.7 percentage point increase in the claims ratio. On the contrary the financial result put in a good showing, rising to 10.9% of the premiums, i.e., 1,556 million pesos (29 million euros).

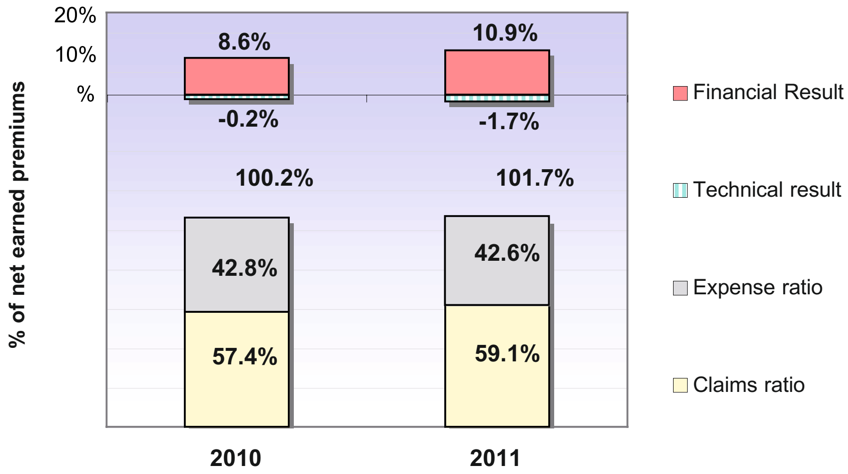


Figure 32. Dominican Republic. Technical Account Result

Preview of 2012

Premium issues for the six first months of 2012 added up to 14,527 million pesos (286 million euros), representing a nominal growth rate of 12.5% on the previous year.

Life business posted a 13.2% increase, continuing to ride the wave of group insurance. Non-life growth was 12.4%, with fire and allied lines (17.4%) and health (32.9%) to the fore.

Premium volume[1]. 1st half 2012

Branch	Millions of pesos	Millions of euros	% Δ
Total	**14,527**	**286**	**12.5**
Life	**2,089**	**41**	**13.2**
No Life	**12,438**	**245**	**12.4**
Automobile	4,346	85	3.5
Fire and/or allied lines	5,067	100	17.4
Transport	663	13	1.7
Personal Accident	93	2	12.0
Health	890	18	32.9
Other lines of business	1,379	27	20.2

Figure 33. Dominican Republic. Premium volume in 2012 by branch

(1) Collected and waived premiums.
Source: Own statistics using data published by the Insurance Supervisor.

3.3 SOUTH AMERICA

Macroeconomic Picture

The South American economy remained buoyant in 2011, although its GDP growth rate was pegged back slightly, ending the year at 4.5% as compared to 6.5% in 2010. The highest growth rates within the region were clocked up by Argentina (8.9%), Ecuador (7.8%) and Peru (6.9%). The slowdown in Brazil's economic growth, dropping from 7.5% in 2010 to 2.7% in 2011, largely accounts for the regional slowdown as a whole.

The growth slowdown kicked in as from the second half of the year, mainly due to the growing qualms of international financial markets, the stalling of growth in Europe and the United States and the slowdown in China – a major purchaser of raw materials and key investor in the region – with a consequent shrinkage of external demand; another dampening factor was the international prices of primary products. It was precisely during the first half of the year that the high international prices of raw materials hit the economic growth of the exporting countries of these goods.

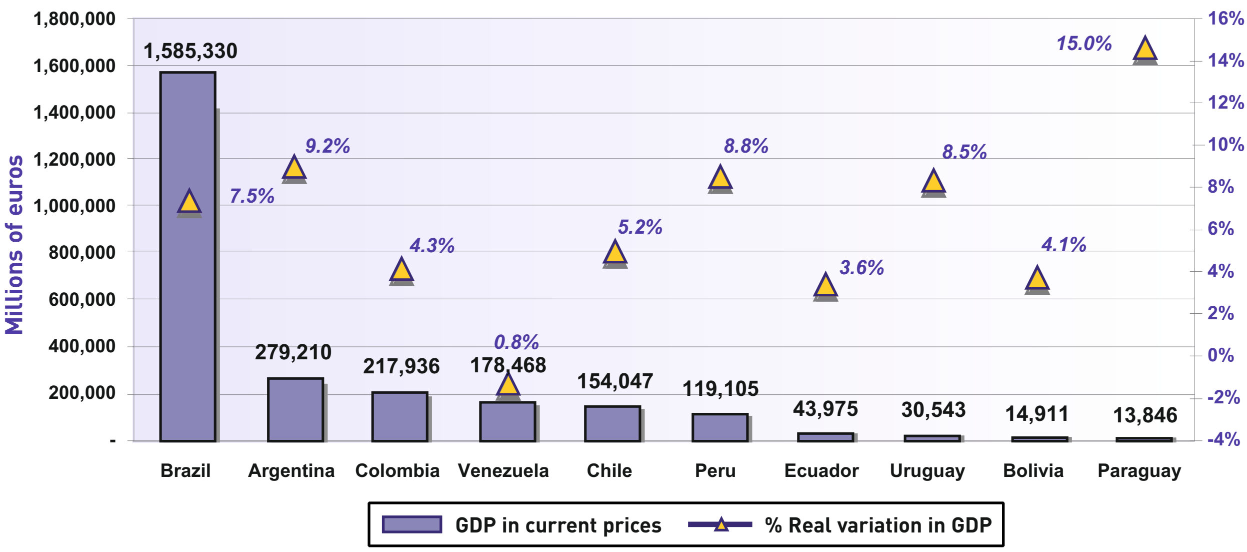


Figure 34. South America. GDP 2011

Source: own statistics from the information published by each country's insurance oversight authority and by ECLAC.

In nearly all countries of the region domestic demand comes across as the main driving force together with public investment in durable goods. The unemployment rate fell in general; wages and salaries rose in real terms in both the private and public sector, as did minimum guaranteed wages.

In 2011 the inflation rate fell in Bolivia and Paraguay, increasing in the rest of the countries. Venezuela still has the region's highest inflation rate, 27.6%, followed by Argentina with 9.5%. Conversely, Colombia posted the lowest price-rise level with 3.7%.

Insurance Market

South America's insurance markets continued to post significant growth in 2011, with mean nominal growth in local currency of 18.3% and real growth of 10.6% (17.7% and 9.7% respectively in 2010). All countries of the region showed two-figure nominal increases, with Argentina (34.9%), Venezuela (25.9%), Paraguay (24.1%), Ecuador (21.5%) and Uruguay (21%) to the fore.

The region's aggregate premium production stood at 77,482 million euros, 17% up on 2010. Life insurance built up revenue of 33,214 million euros, 16% up on 2010. The insurance markets of Brazil, Chile and Colombia, boasting 73.9% of total life insurance issues, were the main engines of this growth.

Non-life business obtained a revenue of 44,267 million euros and a 17.9% growth rate on 2010. Once again it was vehicles, health and work injury compensation that accounted for the lion's share of non-life premiums.

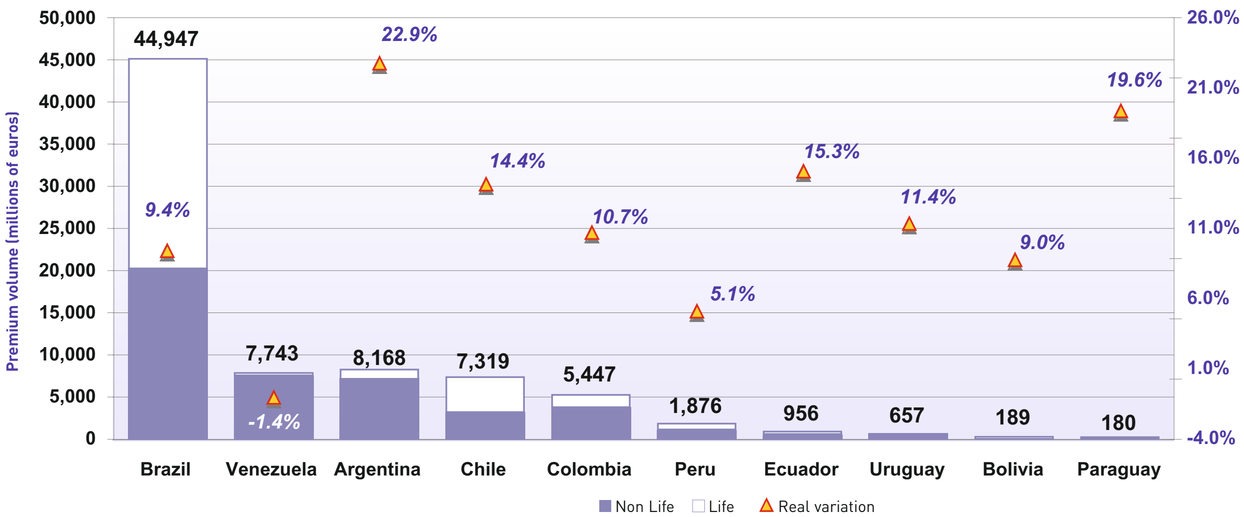


Figure 35. South America. Premium volume in 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority and by ECLAC.

By volume of premiums the main markets were Brazil, Argentina, Venezuela, Chile and Colombia. Chile ranks first as per capita insurance expenditure, at 423 euros, followed by Brazil (310 euros), Venezuela (262 euros), Uruguay (194 euros) and Colombia (116 euros). As for insurance's percentage of GDP (insurance penetration), in first place came Chile, with 4.1%, followed by Brazil and Venezuela with 3.4% and Argentina with 2.6%.

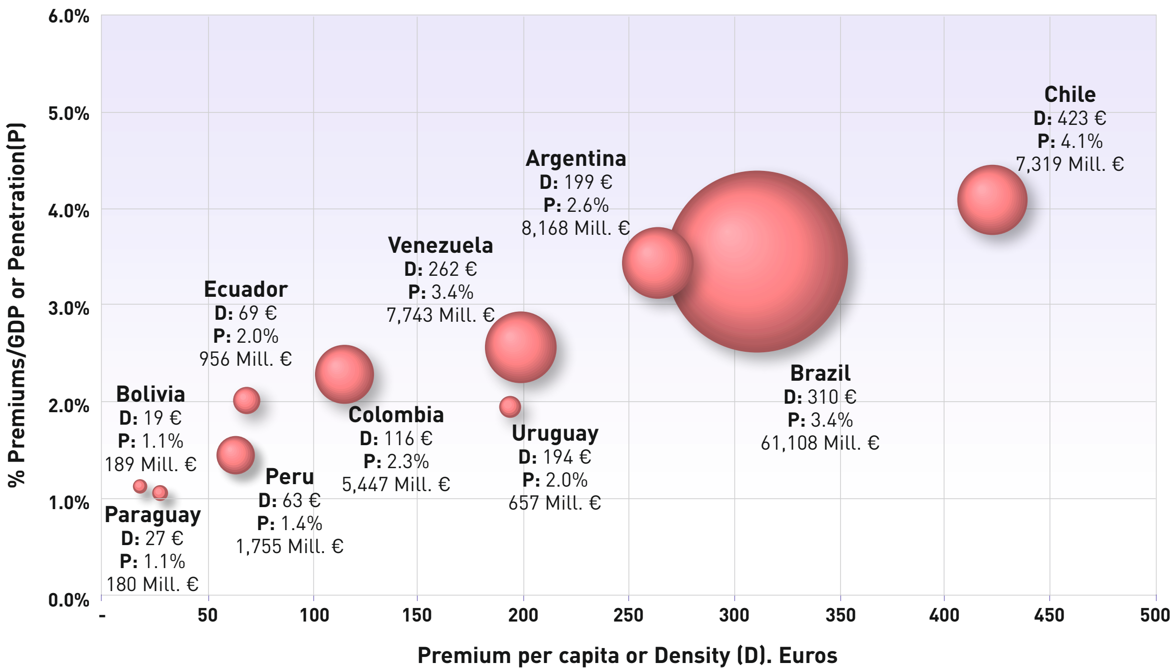


Figure 36. South America. Penetration and Density in 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority and central bank.

For yet another year results were favoured by a generalised improvement in the claims ratio, bringing down combined ratios in most countries. Peru and Bolivia were the only countries where this ratio increased. The financial result plummeted in Chile (19%), Uruguay (12%) and Colombia (10%).

Concentration of the insurance sector in the region is patchy. It is high in some markets like Uruguay, Bolivia and Peru, all countries in which the top-ranking insurance group holds the lion's share of the market (it should be borne in mind here that in Uruguay, *Banco de Seguros del Estado* still holds a monopoly in work injury compensation). Concentration is lower in Argentina, Chile and Ecuador, where the top 10 groups account for over half of premium production.

Country	Number of companies	Market share of top 5 groups %	Market share of top 10 groups %	Leading group	Market share of leading group %
Peru	14	89.5	89.5	RIMAC	33.0
Uruguay	16	89.6	98.9	BANCO DE SEGUROS DEL ESTADO	65.0
Bolivia	10	86.0	100.0	ALIANZA	25.0
Brazil	116	62.3	81.9	BRADESCO SEGUROS	21.4
Colombia	42	53.2	76.1	SURAMERICANA	22.3
Paraguay	34	47.0	64.9	MAPFRE	21.3
Venezuela	49	47.4	70.4	CARACAS LIBERTY MUTUAL	13.7
Ecuador	43	39.6	59.8	COLONIAL	11.3
Argentina	180	35.2	55.3	SANCOR	9.3
Chile	57	38.5	59.8	ZURICH	11.0

Figure 37. South America. Market concentration in 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority and central bank.

Of the ten countries making up South America only four have a combined ratio under one hundred: Brazil, Ecuador, Paraguay and Venezuela, the same as in the previous year.

Earnings on premiums improved in Argentina, Ecuador, Paraguay and Peru, with falls in the other countries.

% earned premiums net of reinsurance

Ratio (%)	Argentina		Bolivia		Brazil		Chile		Colombia	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Claims ratio	62.9	60.3	45.4	48.8	50.2	46.3	88.3	83.7	59.7	59.4
Expense ratio	48.0	46.9	52.7	54.6	44.4	43.9	30.7	30.2	50.7	49.8
Combined ratio	110.8	107.2	98.1	103.4	94.6	90.2	119.0	113.9	110.4	109.2
Financial result	14.9	16.2	21.1	16.2	14.1	14.3	39.6	20.2	25.0	15.4
Tech-Fin. result	4.1	9.0	23.0	12.8	19.5	24.1	20.6	6.3	14.6	6.2
Net result	7.0	9.5	12.6	9.4	24.2	22.8	14.6	5.2	14.2	6.4

Ratio (%)	Ecuador		Paraguay		Peru		Uruguay		Venezuela	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Claims ratio	48.3	48.6	45.8	44.7	60.1	59.1	62.1	59.2	63.1	60.1
Expense ratio	28.5	25.6	48.1	45.0	51.6	54.7	43.8	42.0	34.9	37.1
Combined ratio	76.8	74.2	93.9	89.7	111.7	113.8	105.9	101.2	98.0	97.2
Financial result	4.4	4.2	3.1	0.6	32.9	37.9	22.5	9.5	4.8	5.5
Tech-Fin. result	27.6	30.0	9.1	10.9	21.2	24.1	16.5	8.3	6.8	8.3
Net result	12.2	13.4	7.7	9.3	17.7	23.0	10.8	2.9	8.7	6.8

Figure 38. South America. Results 2010-2011

Source: own statistics from the information published by each country's insurance oversight authority.

The net result obtained by South America's insurance companies stood at 7,211 million euros in 2011, a 3.1% increase on the previous year. Brazil's result represented 74% of the total.

The results shown in the following chart are explained throughout this report within the section dealing with each respective country.

Net result (millions of euros)			
Country	**2010**	**2011**	**Δ %**
Argentina	352	595	69.0
Bolivia	14	11	-17.9
Brazil	4,745	5,392	13.6
Chile	692	259	-62.5
Colombia	481	239	-50.4
Ecuador	38	48	25.4
Paraguay	8	14	70.4
Peru	160	234	46.5
Uruguay	50,8	17	-66.9
Venezuela	422	402	-4.8
Total	**6,962**	**7,211**	**3.6**

Figure 39. South America. Net result 2011 by country

Source: own statistics from the information published by each country's insurance oversight authority.

3.3.1 ARGENTINA

Macroeconomic Picture

Argentina's economy grew appreciably once more in 2011, ending the year with an 8.9% GDP increase (9.2% in 2010), driven by all components of aggregate demand.

Broken down by activity sectors, services performed better than goods-producing sectors; agriculture and mining were the only sectors reporting year-on-year falls. Within the manufacturing industry all activities barring oil refining posted positive growth, with a particularly good performance from the automobile industry.

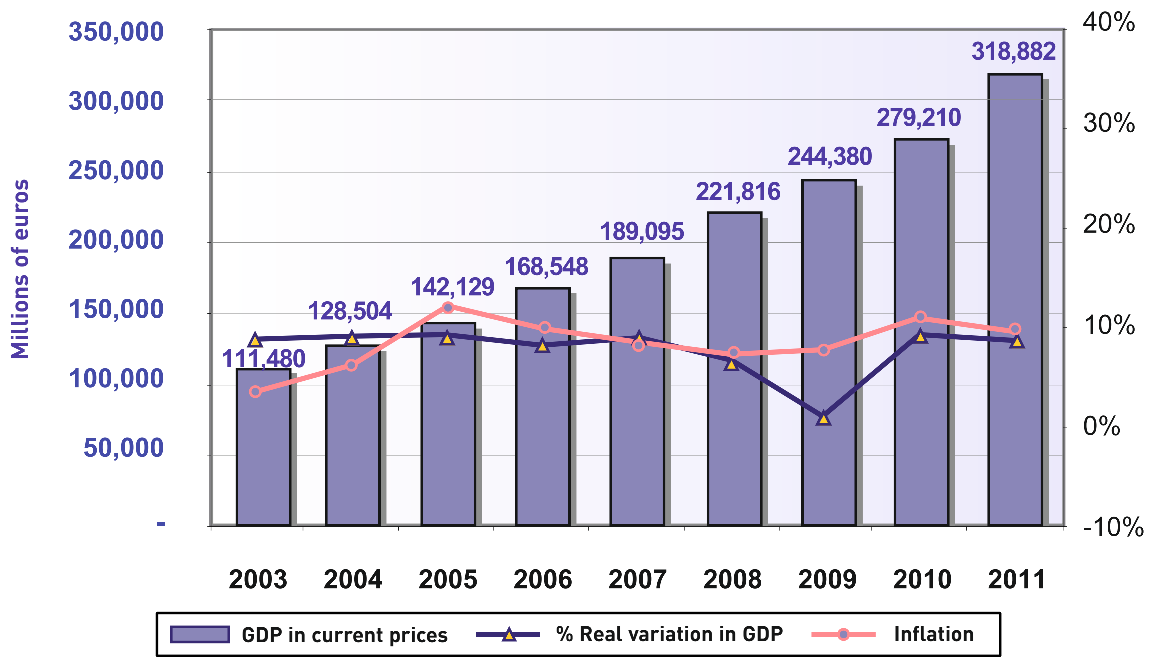


Figure 40. Argentina. GDP 2011

Source: own statistics from the information published by ECLAC and the central bank.

The inflation rate trod water at 9.5% due largely to the levelling out of soaring international food prices. The International Monetary Fund asked Argentina to adopt corrective measures to improve the quality of the official data of IPC-GBA (CPI of Greater Buenos Aires). The data drawn up by the provincial statistical offices and private analysts show an inflation rate considerably higher than government figures.

The unemployment rate fell, ending up the year at 7.2% in a context of increasing activity. The increase in the average wage, after sector-based negotiations, was 27.4%, higher than 2010's figure of 21.2%.

The current account of the balance of payments came out positive, albeit almost 2 billion dollars lower than 2010's figure due mainly to soaring imports, up by about 36% on the previous year. Exports also rose, by 25%; profits and dividends sent back by foreign companies to their parent companies helped to trim the current account balance.

In 2011 capital flows abroad increased to about 10 billion dollars. This prompted authorities to take measures to try to stem this flow in Q4 of 2011. This capital drain had a knock-on effect on the country's monetary policy.

Insurance Market

Argentina's insurance market obtained a real growth rate of 22.9%, much higher than last year's figure of 9%. The premium volume rose to 44,875 million pesos (8,168 million euros) from the 33,273 million of 2010. Non life led the way with a mean increase of 35.0%, with particularly eyecatching growth rates by vehicles and occupational risks.

Premium volume[1] 2011

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**44,875**	**8,168**	**34.9**	**22.9**
Life	**7,262**	**1,322**	**34.2**	**22.3**
Collective life	5,181	943	34.1	22.2
Individual life	1,191	217	38.6	26.3
Retirement	890	162	29.4	18.0
Group life	0	0	-100.0	-100.0
Non-Life	**37,612**	**6,846**	**35.0**	**23.1**
Automobile	15,811	2,878	30.0	18.5
Other lines of businees	2,157	393	31.1	19.5
Fire	1,727	314	15.6	5.4
Combined family	1,811	330	30.0	18.5
Crop insurance	1,144	208	40.9	28.5
Personal accident	1,077	196	38.5	26.3
Third-party liability	867	158	17.1	6.8
Transport	921	168	29.4	18.0
Credit and Surety	862	157	33.0	21.2
Health	83	15	51.2	37.9
Worker Compensation	11,153	2,030	50.3	37.0

Figure 41. Argentina. Premium volume in 2011 by branch

(1) Premiums and surcharges issued.
Source: own statistics from figures published by the National Insurance Supervisor and the Estrategas magazine.

The most notable development within the life line was the upturn of group life insurance, its 34.1% growth rate doubling the 16.1% figure of the previous year. Individual life kept up its growth rate of 38.6%.

As for non life, the biggest growth rates were recorded by lines already showing strong trends the previous year, like vehicles and work injury compensation, buoyed up by higher vehicle sales, job stability and the 27.4% rise in the average wage. These two lines alone account for 70% of non-life business. The appreciable growth rate chalked up by health, over 50.3%, should not blind us to the meagre absolute figures of this line, representing only 0.2% of the non-life market.

The per capital premium expenditure was 199 euros, higher than 2010's figure of 155 euros; insurance penetration rose four tenths to 2.6%.

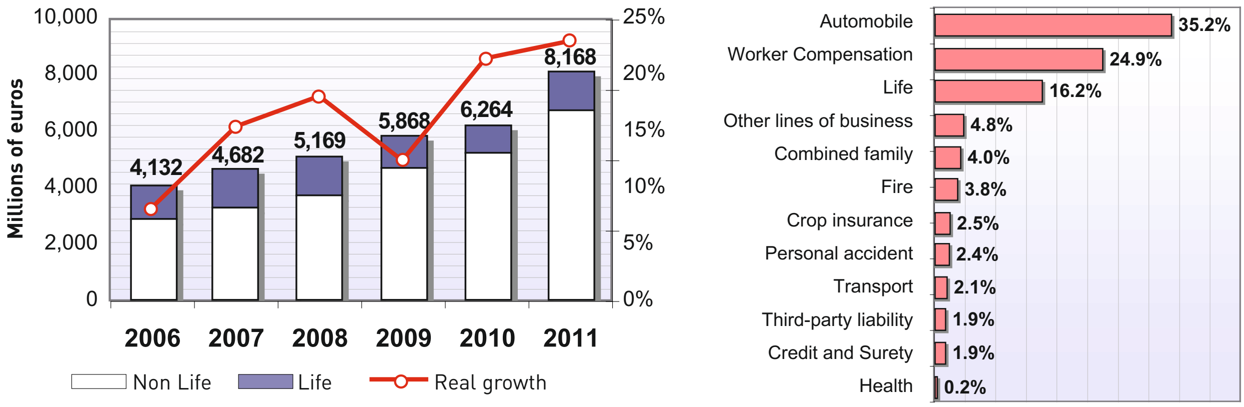


Figure 42. Argentina. Evolution of premiums and market share in 2011 by branch

As at 30 June 2011 a total of 180 insurance companies were authorised to operate in the market (181 in 2010). Of these, 21 traded only in retirement insurance, 37 in life and 16 in occupational risks. The remaining 106 operated in property damage or were mixed (covering both property and life insurance). As regards the brokers trading in the market, in 2011 a total of 23,132 individual brokers and 470 insurance brokerage companies had been registered in the country.

In 2011 there were no changes in the insurance groups making up Argentina's top four though some of them switched places. Sancor rose from second to first while Federación Patronal moved into third pushing MAPFRE down to fourth. There were no changes in the rest of the positions except for tenth place, where Consolidar (BBVA) came, in knocking La Meridional out of the top ten. The ten top-ranking groups accounted for 55% of total premium volumes for the year, a similar figure to last year.

The corporate movements occurring in 2012, detailed at the end of this chapter, suggest that significant changes in this ranking are likely for the next year.

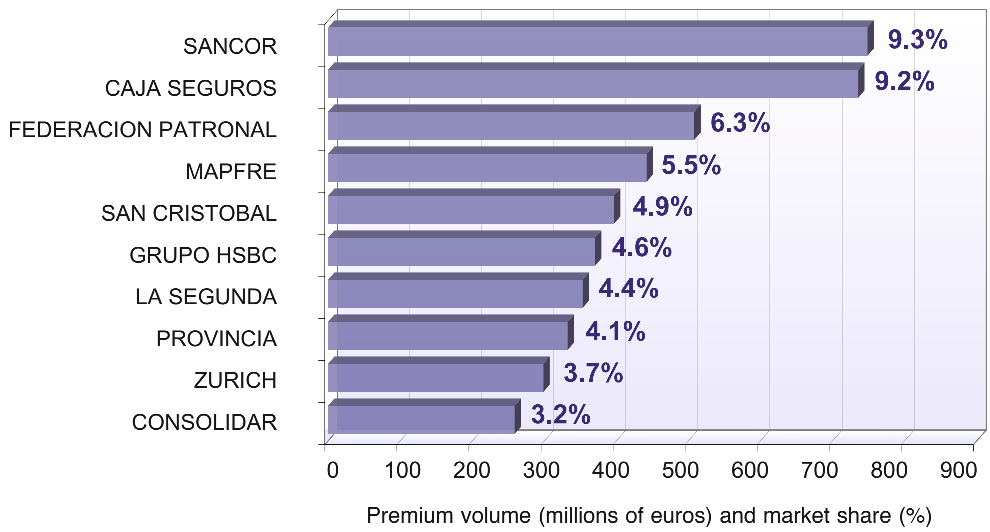


Figure 43. Argentina. Total Ranking in 2011

Source: own statistics from figures published by the National Insurance Supervisor and the Estrategas magazine.

Nota: does not include Retirement insurance.

In non life the changes occurred in the top positions of the ranking, where Sancor moved into first place and Caja Seguros dropped down to second, while MAPFRE gave up third place to Federación Patronal. Remaining positions were unchanged except for Zurich (Santander), which came into tenth place and knocked La Meridional out of the ranking. The concentration of Argentina's ten biggest non-life groups fell by half a percentage point to 59.4% of premiums.

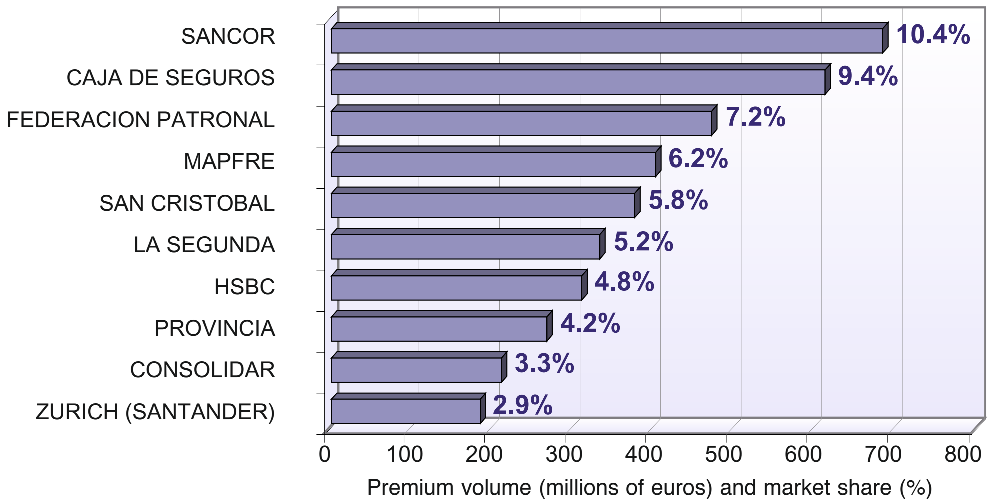


Figure 44. Argentina. Non-Life Ranking in 2011

Source: own statistics from figures published by the National Insurance Supervisor and the Estrategas magazine.

N.B.: this ranking has been compiled with the line of business divisions used in Argentina.

There were some changes in the ten biggest groups making up the life ranking. Three of the firms making the ranking in 2010, i.e., Santander Río, MAPFRE and Consolidar (BBVA), were replaced by the newly entering Galicia Seguros, Assurant and Nación Seguros. Of these Nación, belonging to the financial group led by Banco de la Nación Argentina, sits in fifth place with a 4.7% market share. The top four were unchanged, with few relative changes between them except for Zurich's rise in market share from 4.9% in 2010 to 7.4% in 2011 as a result of the agreements reached with Banco Santander for purchasing part of its portfolio. As for concentration, these ten companies cover 53% of annual issued premiums.

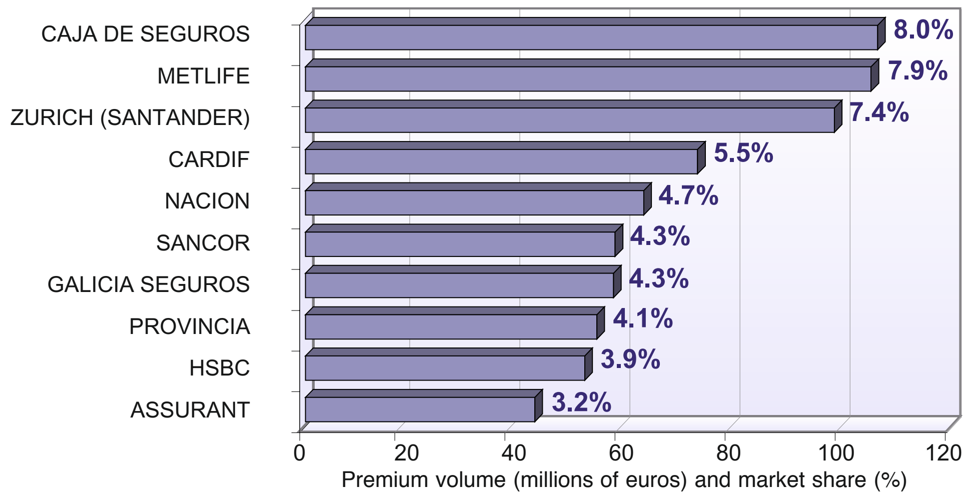


Figure 45. Argentina. Life Ranking in 2011

Source: own statistics from figures published by the National Insurance Supervisor and the Estrategas magazine.

N.B.: this ranking has been compiled with the line of business divisions used in Argentina.

Results

The net result for 2011 added up to 3,442 million pesos (646 million euros), a 83.8% increase on the previous year and 9.5% as earnings on premiums (7.9% in 2010).

The combined ratio showed an improvement on 2010, falling to 107.2% due mainly to a two-and-a-half point reduction in the claims ratio.

As a result of all the above the technical-financial result was 9% due to the excellent financial result, which produced a profit of 5,868 million pesos (1,068 million euros).

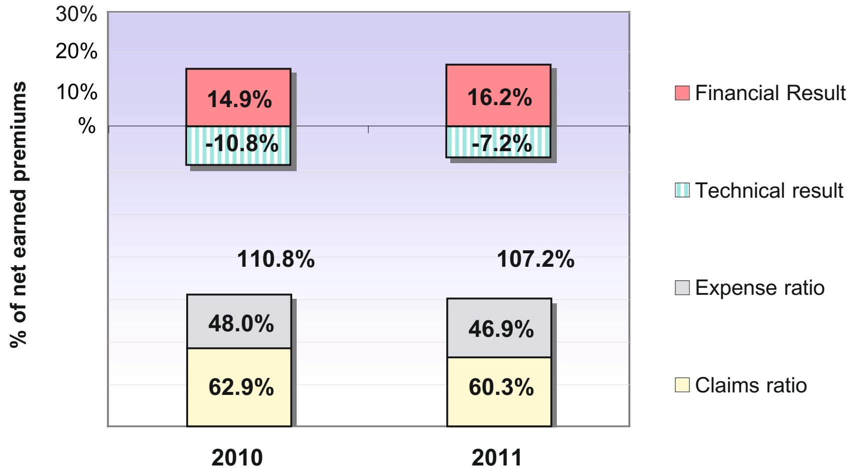


Figure 46. Argentina. Technical Account Result

Source: own statistics from figures published by the National Insurance Supervisor.

Preview of 2012

The figures of Argentina's insurance sector in the first half of 2012 suggest a consolidation of the expansive trend of Argentina's economy as a whole, with a nominal growth of 30% in premium volumes (34% in the first half of 2010), translating into a figure of 30,902 million pesos (5,387 million euros).

Life business's growth rate halved from 51.9% in 2010 to 25.1% in 2011.

Non-life growth trends held steady as a whole, falling in the lines of fire (from 34.3% to 4.7%) and work injury compensation (from 42.3% to 35.5%) and increasing in personal accidents (from 50% to 67.6%).

Premium volume[1]. 1st half 2012			
Branch	**Millions of pesos**	**Millions of euros**	**% Δ**
Total	**30,902**	**5,387**	**30.2**
Life	**5,106**	**890**	**25.1**
No Life	**25,796**	**4,497**	**31.3**
Automobile	10,976	1,914	30.6
Combined family	1,232	215	30.7
Fires	945	165	4.7
Transport	532	93	24.6
Personal Accident	816	142	38.7
Health	73	13	67.6
Other lines of business	3,014	526	32.4
Worker Compensation	8,208	1,431	35.5

Figure 47. Argentina. Premium volume in 2012 by branch

(1) Premiums and surcharges issued.

Source: own statistics from figures published by the National Insurance Supervisor and the Estrategas magazine.

New legislation

The Occupational Risks Act *(Ley 26773 de Riesgos del Trabajo)* was passed in October 2012, replacing the previous law of 1995. Its object is to reduce litigation in these cases, laying it down that the accident victim will have to choose between compensation from occupational risk insurers (ART in Spanish initials) or lodging a legal claim. Once the compensation amount or percentage disability has been defined the victims will then be able to choose between the compensation proposed by ART (including a 20% top-up) or lodging a civil claim. In the latter case ART would furnish the court with the corresponding sum.

Another important new feature is the 20% top-up to the monetary compensation provided for in the occupational risks system. This measure seeks to bring the compensation into line with that obtained from legal claims in terms of integral compensation of the injury.

Corporate movements

The most important business transactions in the period were the following:

- The British group Royal & Sun Alliance purchased 100% of the company El Comercio and of Aseguradora de Crédito y Garantías, both belonging to Bristol Group, owned by a US investment fund.
- In its turn HSBC La Buenos was sold to the Australian group QBE, already trading in the Argentine market since 1997 through HIH Insurance. This takeover brings QBE Insurance Group into Argentina's general insurance market.
- In October 2012 MAPFRE and Galeno reached an agreement for transferring to the Argentine company MAPFRE's occupational-risks and health activity in the country. The transaction also allows for commercial collaboration between both companies.
- Liberty Group sold Liberty ART to Swiss Medical Group (SMG) with the idea of specialising in individual clients and SMEs.

3.3.2 BOLIVIA (PLURINATIONAL STATE OF)

Macroeconomic Picture

Bolivia's 2011 GDP increased by 5.2%, 1.1 percentage points up on 2010. This growth was favoured by the buoyancy of domestic demand, especially the increase in gross fixed-capital formation and government spending.

On the supply side the main driving forces behind this growth were the sectors of oil and natural gas, which grew by 9.1% as a result of the rise in crude prices at the end of 2010 and start of 2011. There was also a significant growth in the sectors of construction, electricity and water.

During 2011 the government continued with its public investment program, benefiting mainly the sector of public companies with a view to improving their productive capacity and efficiency. Tax revenue also grew sharply, by about 30%, largely stemming from hydrocarbons.

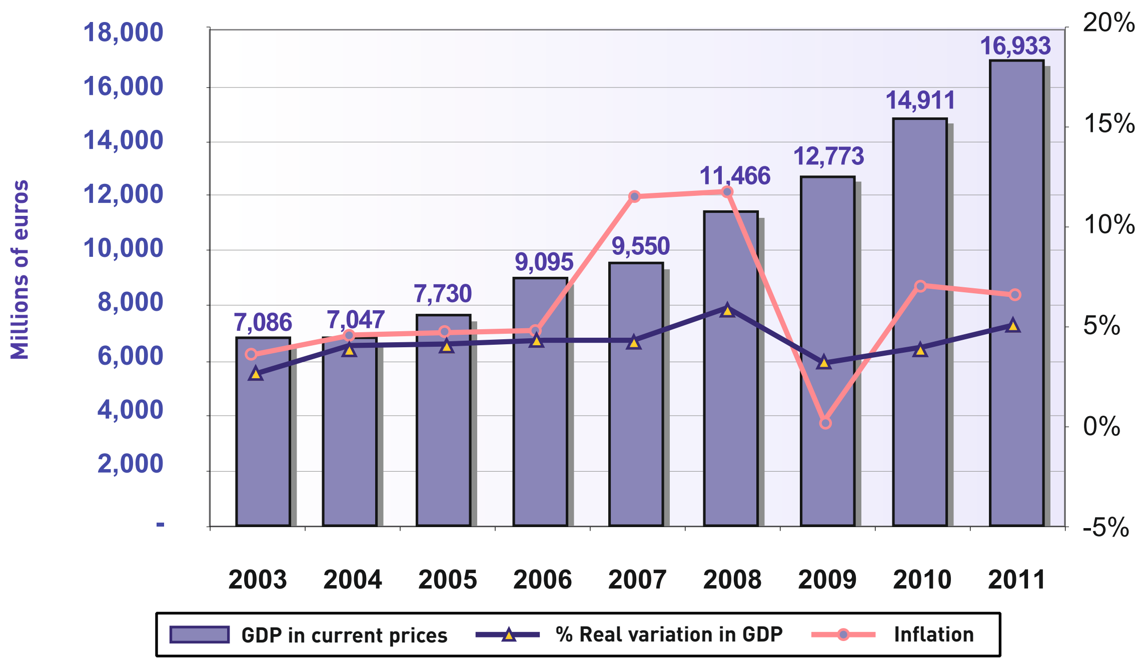


Figure 48. Bolivia. GDP 2011

Source: own statistics from figures published by ECLAC and the central bank.

Annual inflation stood at 6.9% (7.2% in 2010), showing great volatility throughout the year. The stabilisation or fall in the price of food and other staples at the end of the year embellished the final result, helped also by the central bank's efforts to control money supply.

The unemployment rate fell by half a percentage point to 5.5%, due mainly to the reduction in the female unemployment rate from 6.9% to 6.1%.

As for foreign trade, there was an increase in exports and imports of goods, generating a current account surplus of about 20% less than the previous year. Increases in the capital and financial accounts and the increased remittances by emigrants produced a significant rise of 25% in the central bank's international reserves. ECLAC forecasts a slight slowdown in the 2012 GDP to 5%.

Insurance Market

In 2011 the Bolivian insurance market took in premiums worth 265 million dollars (189 million euros), representing a nominal increase of 16.5% and a real increase of 9%. This represents an improvement on the 2010 performance, when the growth rates were 11.9% and 4.4%, respectively.

Life insurance, with issues worth 58 million dollars (41 million euros), chalked up nominal growth of 18.4%. All the various modalities of this line, barring pension insurance, showed two-figure growth, with particularly eyecatching performances by individual life (34.4%) and loan repayment insurance. These two lines alone accounted for 90% of the year's premium issues.

Non life took in 207 million dollars (148 million euros), 16% up on 2010, on the back of a good performance by fire and/or allied lines (doubling the percentage growth of the previous year), vehicles, health and transport. The automobile line, including the Compulsory Traffic Accident Insurance *(Seguro Obligatorio de Accidentes de Tránsito:* SOAT), still boasts the highest production, representing 27.1% of the total issue of non life premiums (26.8% in 2010).

Premium volume[1] 2011

Branch	Millions of USD	Millions of euros	% Δ	% Δ *real*
Total	**265**	**189**	**16.5**	**9.0**
Life	**58**	**41**	**18.4**	**10.8**
Individual life	22	16	34.4	25.7
Collective life	5	4	28.0	19.8
Mortgage repayment insurance	29	21	21.9	14.0
Pensions	1	1	-78.0	-79.4
Non-Life	**207**	**148**	**16.0**	**8.5**
Automobile	56	40	16.2	8.7
Fire and/or allied lines	43	31	18.4	10.8
Health	27	19	13.5	6.2
Transport	22	16	14.5	7.1
Technical risks	12	8	-1.3	-7.6
Surety	14	10	22.3	14.4
Other lines of businees	15	10	32.2	23.7
Third-party liability	10	7	10.7	3.6
Personal accident	8	6	20.4	12.6

Figure 49. Bolivia. Premium volume in 2011 by branch

(1) Direct Premiums.

Source: own statistics from figures published by the Pensions, Securities and Insurance Supervisor.

At the end of 2011 the insurance market comprised seven general insurance companies (one fewer than in 2010) and six personal insurance companies.

As regards the market ranking, the first three places were held by Alianza (25%), Grupo Bisa (22%) and Zurich (17%). In January 2012 Grupo Zurich sold to its Bolivian shareholders all the shares it held in La Boliviana Ciacruz and in Zurich Bolivariana Seguros Personales.

In 2011 insurance premium's GDP percentage stood at 1.1%, while per capital insurance expenditure rose to €19 (€17 in 2010).

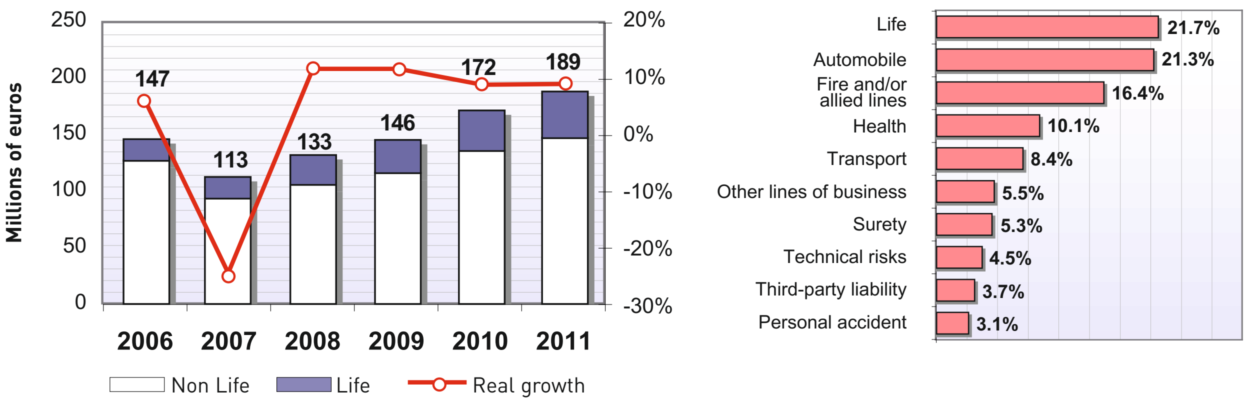


Figure 50 Bolivia. Evolution of premiums and market share in 2011 by branch

Results

2011's result was 113 million bolivarianos (11 million euros), representing a fall of 13.8% on the previous year and 9.4% of the result on issued premiums (15.9% in 2010).

The sector's technical-financial result was 12.8% against 23% for 2010. This poorer performance was due to an across-the-board deterioration of all result components: the combined ratio worsened seven points to 103.4% as a result of the simultaneous increase in the expense ratio (under the influence of a 33.4% increase in expenses of non life companies) and the claims ratio (the claims of life companies increasing by 24.8%). Lastly, the financial result also fell sharply by 5 points to 16.2%.

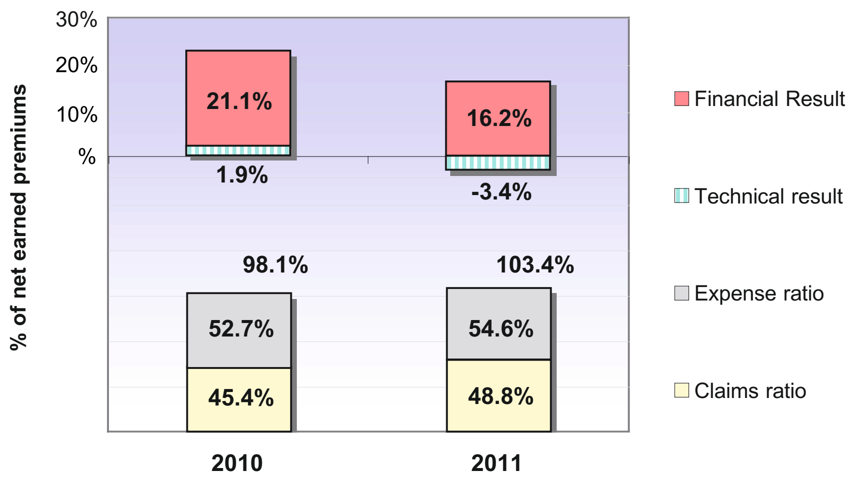


Figure 51. Bolivia. Technical Account Result

Source: own statistics from figures published by the Pensions, Securities and Insurance Supervisor.

Preview of 2012

In the first half of 2012 the Bolivian insurance sector took in a total of 152 million dollars (117 million euros), a 22.9% increase on the same period of 2010. This growth was fuelled by non-life lines, which increased by 25.3% against 15% last year and chalked up two-figure rises in practically all lines. Life insurance posted a 14.6% increase, boosted by the sizeable increase in health insurance.

As regards work injury compensation insurance, application of the provisions of the 2010 Pensions Act *(Ley de Pensiones)* and the progressive assumption of these risks by the government led to the practical disappearance of premium revenue from this line.

Premium volume[1]. 1st half 2012			
Branch	**Millions of USD**	**Millions of euros**	**% Δ**
Total	**152**	**117**	**22.9**
Life	**32**	**25**	**14.6**
No Life	**119**	**92**	**25.3**
Automobile	41	31	21.0
Fires and/or allied lines	15	11	30.0
Health	15	11	49.6
Transport	10	8	10.2
Personal Accident	4	3	-0.7
Other lines of business	35	27	30.3
Worker Compensation	0	0	-66.2

Figure 52. Bolivia. Premium volume in 2012 by branch

(1) Direct Premums.

Source: own statistics from figures published by the Pensions, Securities and Insurance Supervisor.

3.3.3 BRAZIL

Macroeconomic Picture

In 2011 Brazil's economy slowed down, posting a growth rate of 2.7% as compared with 7.5% in 2010). This lower growth rate was largely the result of government policies to peg back domestic demand and stem its inflationary pressure. In 2011 a belt-tightening fiscal policy was brought in, with a higher revenue trawl for the federal government and a tighter control over expenditure.

On the demand side there was a lower growth in household and government spending together with a slowdown in investment. This stalling of demand was due to lower employment growth, a higher credit cost and growing international uncertainty about domestic economic activity.

On the supply side economic activity stalled almost across the board due to the fall in growth rates of various productive sectors: the farming sector due to the slump in livestock farming, mining due to fall in oil production and manufacturing due to the falling demand for consumer goods.

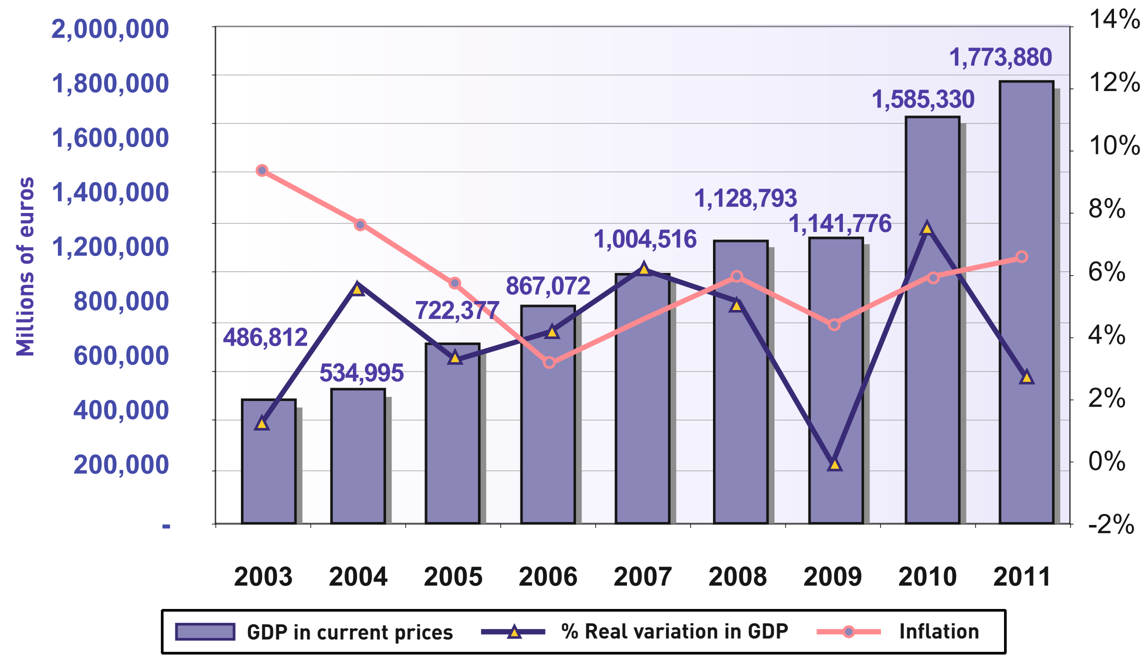


Figure 53. Brazil. GDP 2011

Source: own statistics from figures published by ECLAC and the central bank.

End-of-year inflation stood at 6.5%, the highest rate since 2004, despite the slowdown in inflation over the final months. The food and beverages sector, even though rising less than in 2010, was the biggest cause of this inflation increase; fuel also exerted higher pressure.

The exchange rate was fickle during 2011 because of the international economic picture, ranging from 1.5 reales per dollar in December 2010 to 1.81 in November 2011.

The end-of-year unemployment rate stood at 6.2%, a point less than the previous year. Real average wages grew by 3.4%.

At the end of 2011 the government announced a raft of fiscal and credit measures to stimulate domestic production against the dampening effect of international economic uncertainty. It reduced or eliminated indirect taxes, fiscally favoured foreign investment and reduced tax loads on personal credit transactions.

Foreign trade developed favourably with an increase in exports of about 30%, against an import increase of 25.5%, producing a higher trading surplus to partially offset the service deficit. In 2011 the trends of recent years continued, with growing imports of services and debits in the revenue balance and bigger capital inflows into Brazil.

Insurance Market

As compared with a growth rate of 17.3% last year, Brazil's Insurance Market grew by 16.5% in 2011, consolidating a 10-year growth trend.

Infrastructure investment, the increase in consumer spending and a change in attitude by insurance consumers, worried by the effects of longevity and interested in the benefits of life insurance, are the main reasons behind this consolidation of Brazil's insurance market.

The growth in life insurance stalled slightly, falling from 20% in 2010 to 16.9% in 2011, with a fall of almost three percentage points in the life insurance arrangement called VGBL *(Vida Gerador de Beneficios Libre)*, which, nonetheless, continues to show its potential as a long-term market driving force. Tax advantages and marketing through the banking channel are the main explanations for the buoyancy of this sector in competition with products like pensions or investment funds. Life business therefore represents 54.7% of the sector's issued premiums; second place in non life is held by vehicles, with 25.5% of total premiums.

Premium volume[1] 2011

Branch	Millions of reales	Millions of euros	% Δ	% Δ *real*
Total	**104,976**	**44,947**	**16.5**	**9.4**
Life	**57,404**	**24,578**	**16.9**	**9.8**
Individual and collective life	14,015	6,001	13.2	6.2
VGBL[2]	43,390	18,578	18.2	11.0
Non-Life	**47,571**	**20,368**	**16.1**	**9.0**
Automobile	24,731	10,589	7.8	1.2
Other lines of businees	8,386	3,590	30.8	22.9
Accident	3,980	1,704	36.3	28.0
Fire	3,231	1,383	11.4	4.6
Transport	2,403	1,029	22.0	14.6
Credit and Surety	1,512	647	14.2	7.2
Crop insurance	1,243	532	21.6	14.2
Third-party liability	925	396	23.4	15.8
Transport of hulls	590	252	3.1	-3.2
Special risks[3]	406	174	135.0	120.6
Burial Expenses	165	71	0.0	0.0

Figure 54. Brazil. Premium volume in 2011 by branch

(1) Direct Premiums.
(2) Vida Gerador de Beneficio Livre.
(3) Oil, nuclear risks and satellites.

Source: own statistics from figures published by the Supervisor of Private Insurance (SUSEP).

Non-life business's growth rate rose by two percentage points, with a patchy performance, some lines growing substantially and others falling back. The vehicle line, for example, grew by 7.8% against 14.3% in 2010, reflecting the fall in car sales due to the economic downturn. Other lines posted very high growth rates, like other property damage and accidents, boosted by the considerable increase in infrastructure investment under the growth acceleration programme *(Programa de Aceleración del Crecimiento:* PAC) and the upcoming sporting events (2016 Olympic Games and 2014 World Cup).

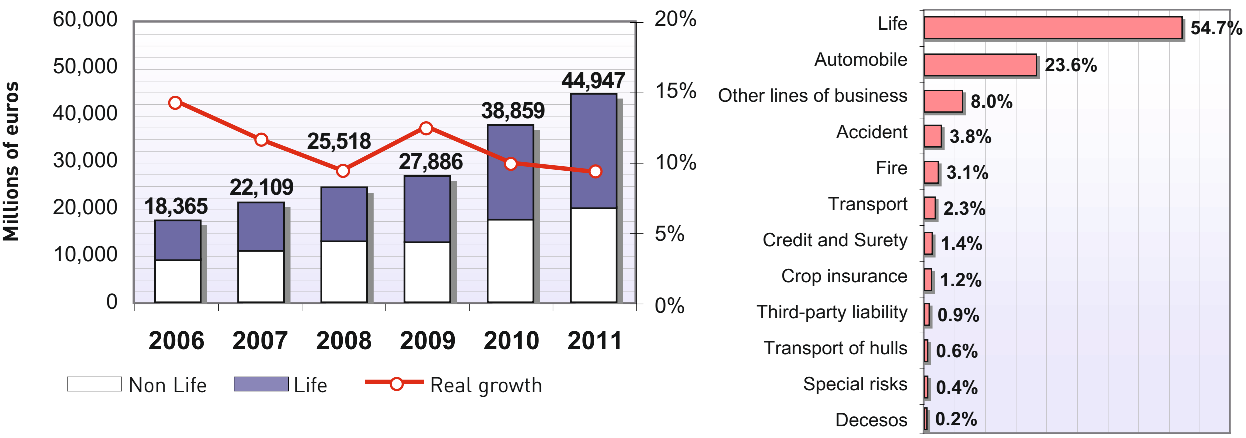


Figure 55. Brazil. Evolution of premiums and market share in 2011 by branch

Lastly, to complete this picture of the Brazilian market, information must now be added on health and pension insurance. Health insurance grew by 18.9% (104 billion reales or 44,947 million euros). Together with the segment of private pensions and capitalisation, the whole Brazilian private insurance sector kept up the same growth rate as in 2011, i.e., about 16%, with a revenue trawl of 142,721 million reales (61,108 million euros).

Premiums and contributions from private insurance in 2011

Branch	Millions of reales	Millions of euros	% Δ
Insurance	104,976	44,947	16.5
Health insurance	16,621	7,116	18.9
Capitalization	11,781	5,082	16.6
Private pension	9,344	4,031	9.2
Total	**142,721**	**61,108**	**16.3**

Figure 56. Brazil. Private insurance premiums in 2011

Sources: Supervisor of Private Insurance and the National Health Agency (ANS).

As at December 2012 the companies trading in the Brazilian market comprised 116 insurance companies, 26 private pension companies and 18 capitalisation companies.

In October 2011 the Private Insurance Supervisor called *Superintendencia de Seguros Privados* (SUSEP) formalised the setting up of the Special Consultative Commission of the market of insurance, capitalisation, reinsurance and open complementary pension pensions *(Comisión Consultiva Especial del mercado de Seguros, Capitalización, Reaseguros y Pensiones complementarias abiertas),* which has the remit of studying, analysing and debating the technical and specific questions of these markets and proposing measures to improve the regulation thereof.

The most important corporate transactions in 2011 were the following:

- In July 2011 Banco Santander signed an agreement with Zurich Financial Services Group whereby the latter acquired 51% of the holding company pooling the insurance subsidiaries in Latin America (Argentina, Brazil, Chile, Mexico and Uruguay). Under this agreement Zurich will take on management of the companies and the bank will distribute the insurance products in each one of the abovementioned markets through its network of offices for the next 25 years.
- The Brazilian company Marítima Seguros reached an agreement with Yasuda Seguros, belonging to the Japanese group Sompo, for selling 50% of its capital to the latter.

The ten top insurance groups or companies (excluding health) account for 81.9% of total issued premiums (80.8% in 2011). Their relative ranking did not change from the previous year. Bradesco still tops the total ranking of groups and companies, followed by Itaú/Unibanco and BB&MAPFRE (comprising two holding companies between MAPFRE and Banco de Brazil: BB&MAPFRE for life and agriculture insurance and MAPFRE&BB for vehicles and general insurance). The company Brasilprev, an investee of Banco do Brazil and the group Principal held on to fourth place thanks to the sustained growth of the VGBL product.

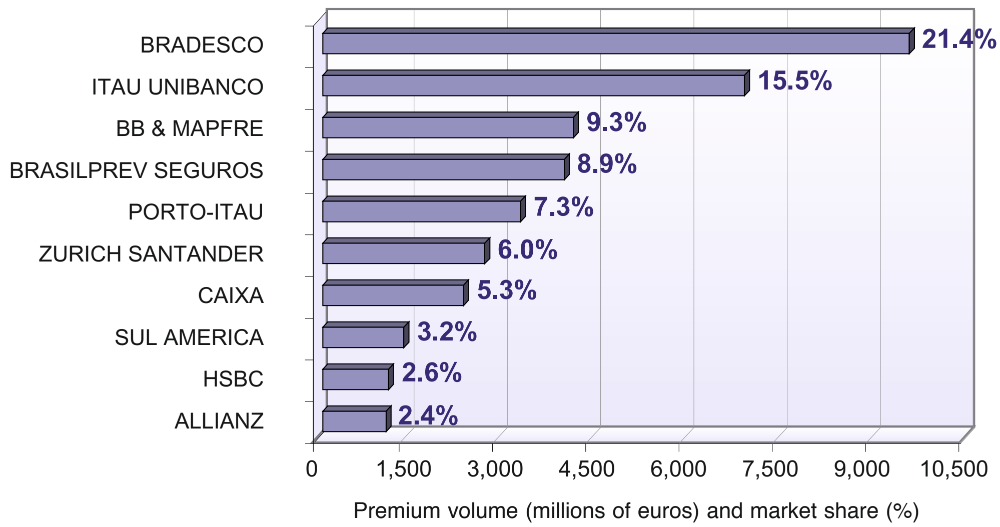


Figure 57. Brazil. Total Ranking in 2011

Source: SUSEP.

As for the non-life ranking, Porto-Itaú continues in first place. BB&MAPFRE cemented its second place with a market share of 14.7%, the same as in the previous year. There were some alterations in the last places of the ranking below Zurich Santander, which holds seventh place for the first time, fruit of an agreement with Banco Santander, pushing Liberty and HDI down one place.

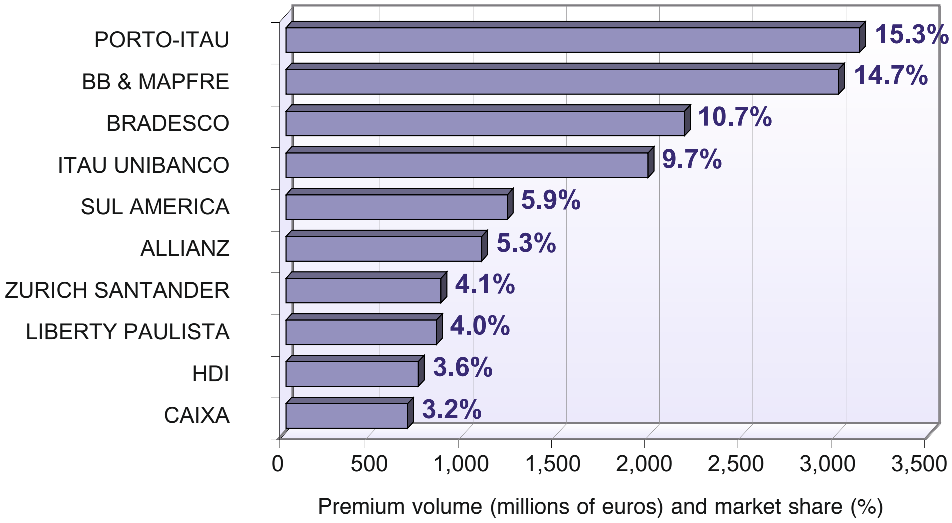


Figure 58. Brazil. Non-Life Ranking in 2011

Source: SUSEP.

In the life ranking there were no movements in the seven top positions, with particularly noteworthy growth by Bradesco (30.3% against 28.5% the previous year). Itaú-Unibanco also grew sharply (from 17.6% in 2010 to 20.2% in 2011). As a result these quickly growing top two now corner 51% of the premium increase.

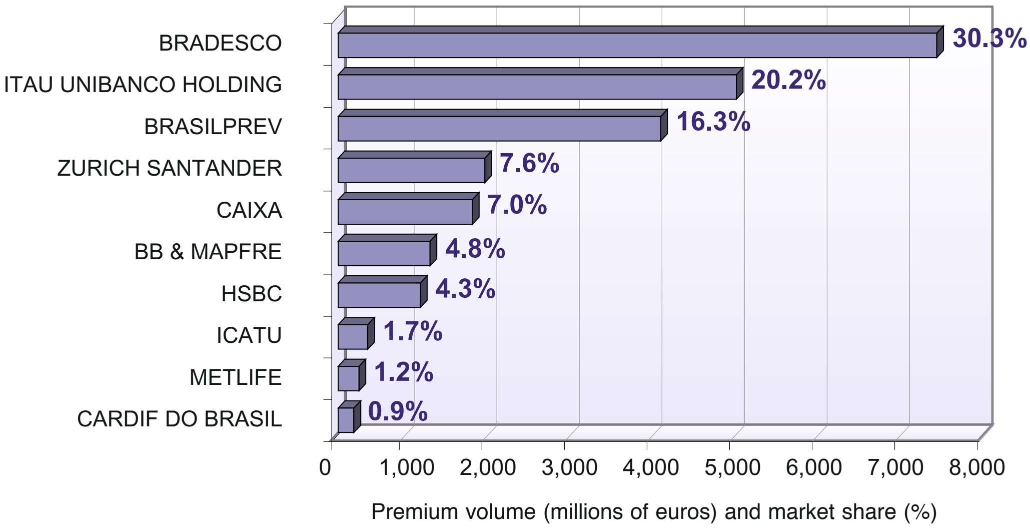


Figure 59. Brazil. Life Ranking in 2011

Source: SUSEP.

NB: includes VGBL. Does not include Personal Accident.

Results

The net result of insurance companies rose to 12,594 million reales (5,392 million euros), 15.4% up on the previous year. Earnings on premiums stood at 22.8%, similar to the 24.2% figure of 2010.

The combined ratio showed a substantial improvement due to the continuing downward trend of the claims ratio, falling this time by nearly four percentage points. Expenses fell by 0.5 points. The net result of all the above was a rise in the technical-financial result from 19.4% in 2010 to 24% in 2011.

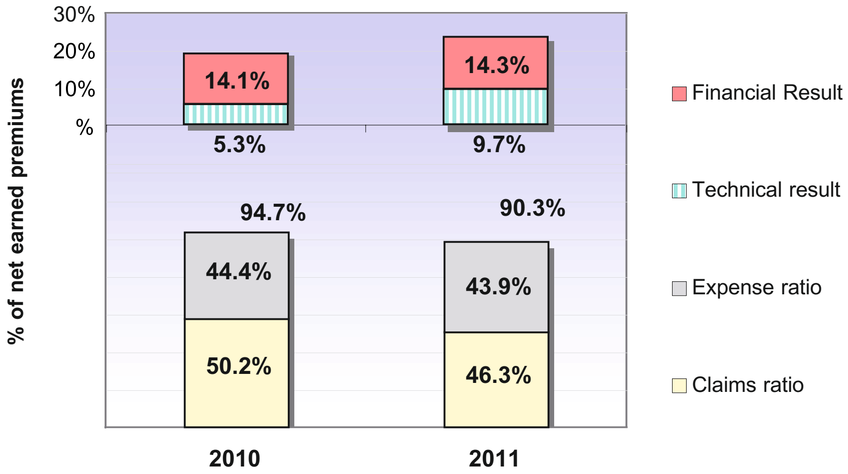


Figure 60. Brazil. Technical Account Result

Source: own statistics using information from SUSEP.

Preview of 2012

From January to June 2012 Brazil's insurance companies issued premiums worth 61,462 million reales (25,356 million euros), representing a 22.9% nominal increase on the same period of 2011. Life insurance as a whole grew by 31.8%, while non life posted a rise of 12.2%, much lower than the growth rate in the same period of the previous year, mainly due to the sharp fall in accidents (9.5% vs. 39.3%) and other lines (14.4% vs. 85%).

Premium volume[1]. 1st half 2012

Branch	Millions of reales	Millions of euros	% Δ
Total	**61,462**	**25,356**	**22.9**
Life	**35,885**	**14,804**	**31.8**
No Life	**25,577**	**10,552**	**12.2**
Automobile	13,493	5,566	11.6
Fire	1,739	717	12.1
Personal Accident	2,128	878	9.5
Transport	1,560	644	11.3
Other lines of business	6,657	2,746	14.4

Figure 61. Brazil. Premium volume in 2012 by branch

(1) Direct premiums.

Source: Own statistics using information published by SUSEP.

New Legislation

In June 2012 the *Superintendencia de Seguros Privados* (SUSEP) published new legislation on microinsurance, regulating the following features: terms and conditions for authorisation and operation of microinsurance providers, the functions of the microinsurance broker, retail networks and the registry for the setting up of microinsurance companies.

BLANCA

In this same month SUSEP also published a Circular on updating of the general civil liability insurance, extending coverage and abolishing the current provisions on prices. The new legislation includes diverse clauses on recently approved precepts, such as acceptance of proposals, contracting arrangements, renewal, deductibles, grace periods, etc. Some changes were also made in the insurance object, payment of premiums, limitation period, contract cancellation, claim settlement, loss of rights, excluded risks, proportional contribution or the concurrence of policies and jurisdiction.

3.3.4 CHILE

Macroeconomic Picture

Chile continued in upbeat mood in 2011 with a 6% GDP growth rate (6.1% in 2010[5]). In 2011 the effects of the February 2010 earthquake petered out, after driving domestic demand both in consumer goods and investment. Employment grew; real wages and salaries continued to rise and credit eligibility conditions returned to normal. Conversely, public spending grew slowly, increasing the demand for imported products. Fiscal policies were geared towards mid-term structural balance, and monetary policy continued to phase out monetary stimuli. The annual inflation rate stood at 4.4% (3% in 2010) driven up by the increase in food and fuel prices.

The briskest economic sectors were those bound up with domestic demand (trade, construction and services), while some exporting sectors like mining fell back due to labour conflicts and lower mining output.

In keeping with the country's dynamism, the job market also grew in sustained fashion, with concomitant labour scarcity and wage rises above the level of inflation. The employment rate stood at 7.2%; this figure can be considered low in the Chilean context.

As for foreign trade, the current account of the balance of payments posted a deficit of 1% of the GDP due to the downward copper price trend in the second half of the year and the impetus of domestic demand.

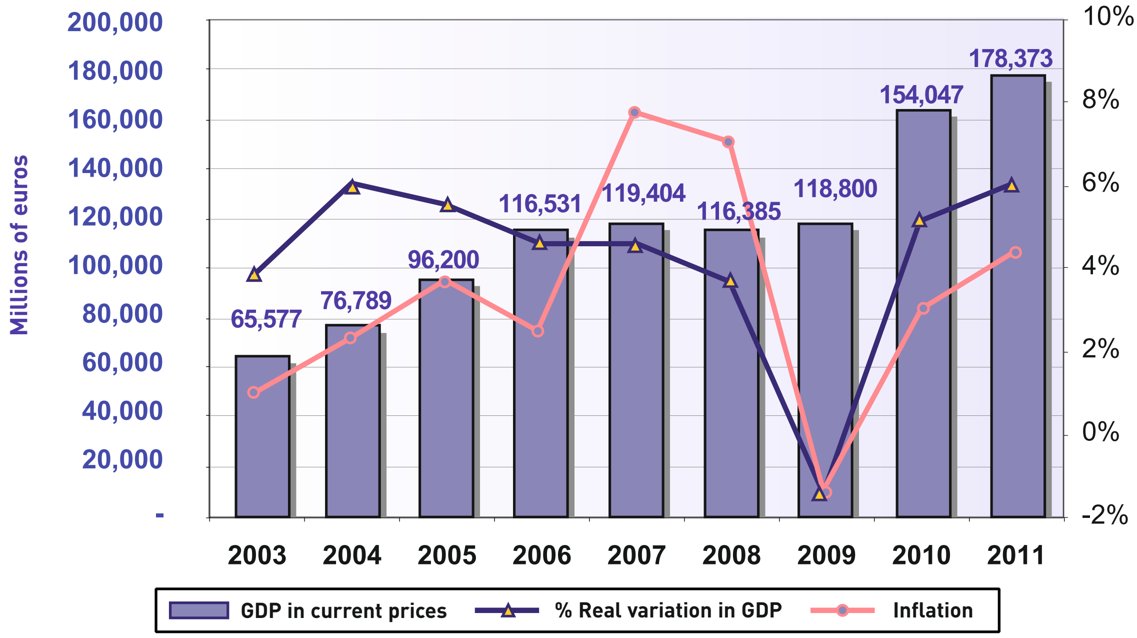


Figure 62. Chile. GDP 2011

Source: own statistics using information published by ECLAC and the central bank.

[5] After a revision of national accounts the previously published variation rate has been corrected upwards by nine tenths.

Insurance Market

Chile's insurance market earned a premium volume of 225 million *Unidades de Fomento*[6] (7,319 million euros), representing a 14.4% rise on 2010. The life segment grew less than non life, in contrast to the previous year when life outperformed non life by four percentage points.

Premium volume[1] 2011

Branch	Thousands of UF	Millions of euros	% Δ
Total	**225,506**	**7,319**	**14.4**
Life	**134,431**	**4,363**	**12.7**
Individual life	27,024	877	19.8
Collective life	29,252	949	8.3
Pension plans	78,155	2,537	12.2
Non-Life	**91,075**	**2,956**	**17.0**
Fire and allied lines	27,447	891	18.4
Automobiles	20,837	676	16.3
Other lines of businees	14,780	480	27.6
Health	9,624	312	15.5
Personal accident[2]	8,332	270	-0.9
Transport	4,110	133	16.7
Third-party liability	3,069	100	26.8
Credit and/or surety	2,370	77	16.9
Multi-peril	506	16	17.2

Figure 63. Chile. Premium volume in 2011 by branch

(1) Premiums issued.
(2) Includes Mandatory Personal Accident Insurance (SOAP).

Source: Own statistics from figures published by the Association of Chilean Insurers (AACH).

Life insurance reaped a revenue of 134 million UFs (4,363 million euros); life annuities, notably, showed a slower growth rate than in 2010 due to one-off circumstances but held onto their importance in relative terms, representing nearly 60% of life insurance policies taken out in 2011.

In non-life insurance some products moderated their growth rate of the previous year, for example vehicle insurance, as the stock of registered vehicles grew less quickly, while others posted a notable growth rate, such as civil liability, suretyship, multi-risk (with lower absolute importance) and other property damage.

Chile's per capita premium stands at €423, while insurance penetration, gauged as the insurance activity's proportion of total GDP, is 4.1%.

[6] The *Unidad de Fomento* (UF) is an inflation-adjusted account unit, so the variations calculated in this unit are deemed to be real.

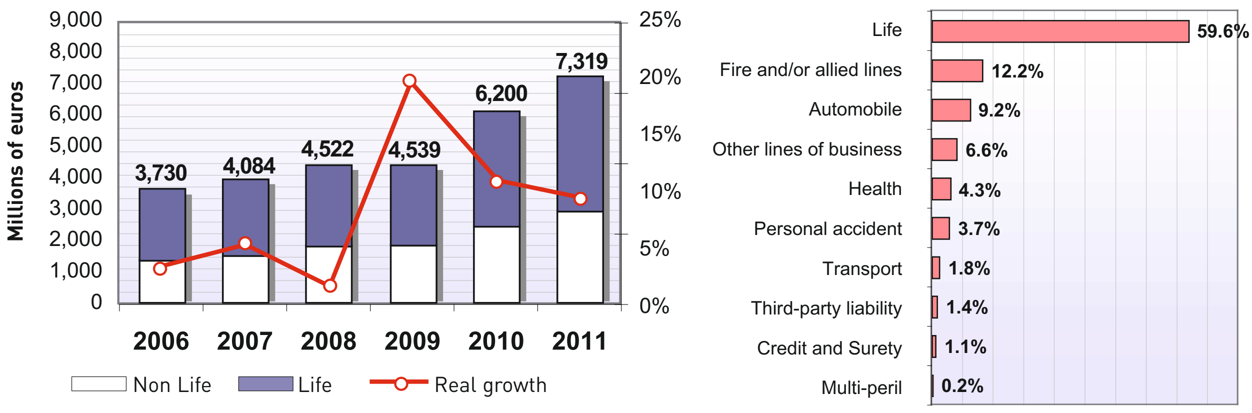


Figure 64. Chile. Evolution of premiums and market share in 2011 by branch

In 2011 there were a total of 57 insurance companies trading in the Chilean market (one more than in 2010), of which 30 operated in life lines and 27 in general insurance (non life). The number of insurance brokers, 2290, was higher than in the previous year.

Chile's top ten insurance groups accounted for a market share of 59.8% (58.8% in 2010). There was no changes in the members of this ranking in 2001 or their relative positions. At the head stands Zurich (including Chilena and Santander), which earned a 3.2% market share for reasons to be explained below, followed by Metlife with a 9.2% share. Consorcio, Penta and MAPFRE upped their shares while Cardif slipped back, albeit with negligible changes in all cases.

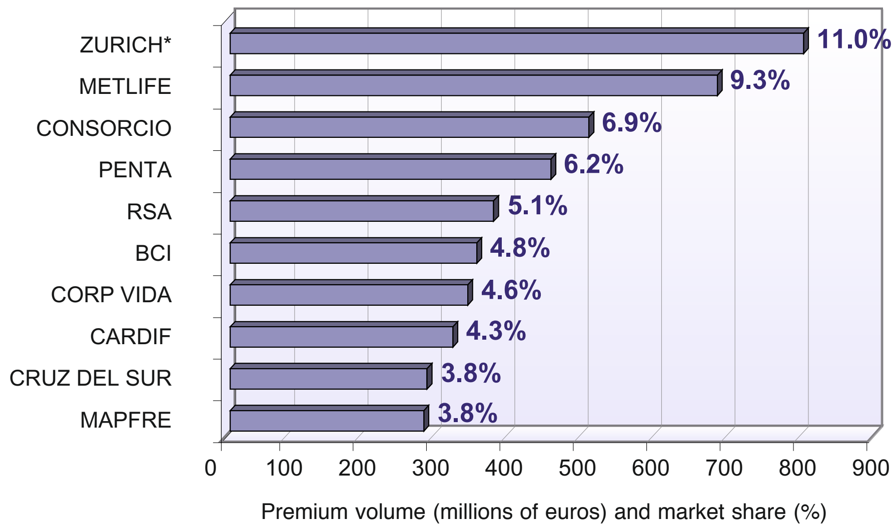


Figure 65. Chile. Total ranking 2011

* Include Chilena and Santander.
Source: Securities and Insurance Supervisor.

In general insurance there were few changes in the classification. RSA retained the leadership, with the same market share (14.7%), while second place, previously held by Penta, passed over to Zurich-Chilena, which had ranked seventh in 2010, raising its market share from 7.7% to 12.4%. MAPFRE increased its share minimally (10.6%) and Santander, previously ninth, dropped out of the ranking due to the signing in February 2011 of a Memorandum between Chilena group's parent company, i.e., Zurich, and Banco Santander, whereby the latter assigns 51% of its insurance business in Chile, among other countries.

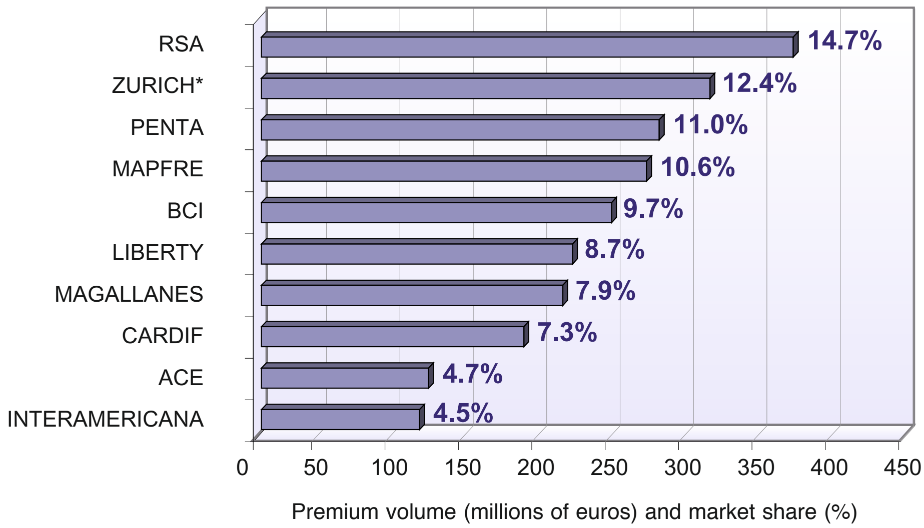


Figure 66. Chile. Non-Life Ranking in 2011

* Zurich incluye a Chilena y Santander.
Source: Securities and Insurance Supervisor.

The life ranking is still led by Metlife, which lost 2.1% of its market share (now 14.3%), while Zurich-Chilena moved up from fourth to second with an increased market share from 7.8% to 10.2%. Santander dropped out of fifth place for the abovementioned reasons and was replaced by SURA with a share of 5.5%.

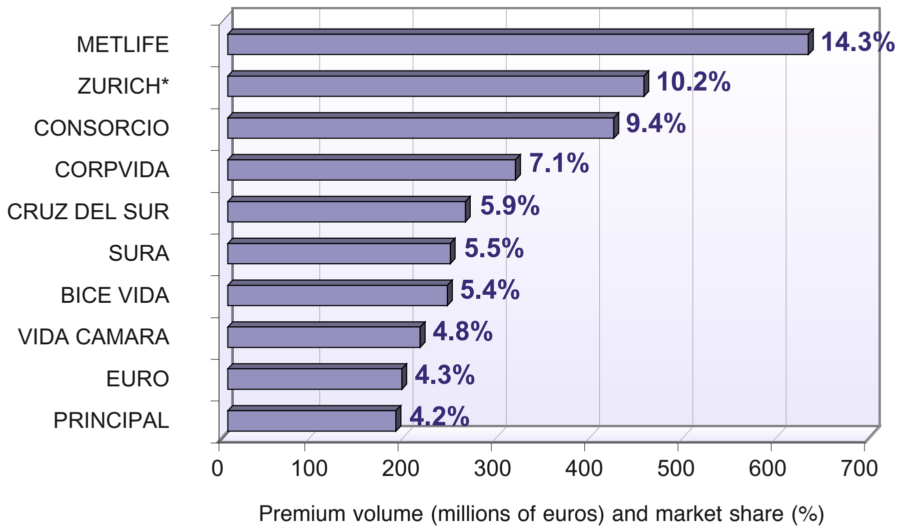


Figure 67. Chile. Life Ranking in 2011

* Zurich incluye a Chilena y Santander.
Source: Securities and Insurance Supervisor.

Results

The yearly result was 7.9 million UFs (259 million euros), representing a 62.5% fall. This result was due mainly to the sharp drop in the financial result (31 million UFs), from 39.6% of premiums to 20.2%, which had underpinned the better result last year. There was an improvement in the technical result, still negative in relation to premiums, due to an improving claims ratio, confirming an ongoing trend of improvement in this ratio.

Claim payments after the 2010 earthquake are still penalising insurer's technical accounts.

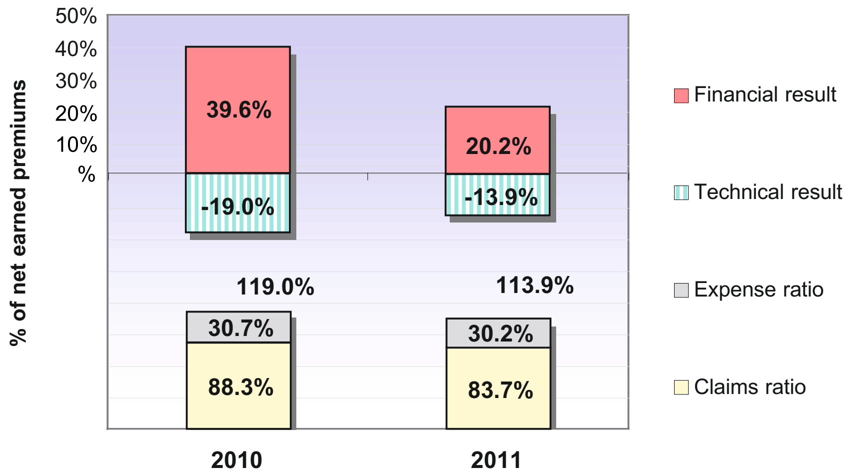


Figure 68. Chile. Technical Account Result

Source: own statistics with information from the Securities and Insurance Supervisor.

New Legislation

- On 28 September 2011 the risk-based insurance supervision Bill entered the legislative chamber of parliament. With the purpose of enforcing reinforcement of the corporate governments of insurance companies, the *Superintendencia* published in 2011 two *Normas de Carácter General* (general rules) under this risk-based legislation. These two NCGs deal with corporate governance and the risk management system.
- Another important and attention-grabbing issue throughout 2011 was amendment of the *Código de Comercio* (Commercial Code) as far as the insurance contract is concerned. This Code deals with the basic insurance regulation rules in Chile and substantial amendments have been brought in to modernise legislation. This bill has now been passed by both the lower and upper houses *(Cámara de Diputados and Senado de la República),* so it will soon be passed into law. According to the deadlines laid down in the bill, the amendments are scheduled to come into force in the first half of 2013.

Preview of 2012

Although the sector is still performing well, there has been a certain slowdown in the growth rate. By June 2012 Chile's insurance market had obtained direct premiums worth 118 million UFs (4,151 million euros), an 8.2% increase on the same period of the previous year (15.3% first half year 2011).

Life insurance chalked up a volume of 72 million UFs (2,531 million euros), translating into a nominal increase of 7.2%, well below the 13.6% increase of the equivalent period last year.

Non-life insurance showed growth of 9.8% (18.3% in 2011), with a lower increase in vehicles than in the previous period and a fall in other lines.

Premium Volume[1]. 1st half 2012			
Branch	**Thousands of UF**	**Millions of euros**	**% Δ**
Total	**118,226**	**4,151**	**8.2**
Life	**72,087**	**2,531**	**7.2**
Non-Life	**46,139**	**1,620**	**9.8**
Fires and/or allied lines	13,617	478	22.2
Automobile	10,874	382	10.7
Personal Accident[2]	4,506	158	0.8
Health	5,514	194	17.6
Transport	2,124	75	7.7
Other lines of business	9,505	334	-4.1

Figure 69. Chile. Premium volume in 2012 by branch

(1) Direct premiums.
(2) Includes Mandatory Personal Accident Insurances (SOAP).

Source: Own statistics using information published by the Association of Chilean Insurers (AACH).

3.3.5 COLOMBIA

Macroeconomic Picture

In 2011 Colombia's economy kept up the same brisk activity as in the previous year, closing with a growth rate of 5.9%, one of the highest in decades. Domestic demand was the driving force, rising both in terms of household spending and investment. Fixed-capital formation grew by 16.6%, with particularly noteworthy investment in machinery and equipment and also in building activity.

Household spending was favoured by the abundance of credit at affordable interest rates and also the growing confidence of consumers. The quickest-growing sectors were mining, trade, transport and communications. Economic prospects for 2012 are bright, with a forecast growth rate of between 4% and 6%.

Economic growth of the last two years has fostered far-reaching progress in the labour market, with all-time high job creation figures. Despite this, the informal employment sector still looms large and the country's unemployment rate (10.8%) remains one of Latin America's highest.

The expanding economy tended to fuel the inflation rate over the year, which ended up at 3.7%, higher than the 3.2% of the previous year but within the range laid down by the monetary authorities.

As for exchange rates, the peso continued to appreciate throughout the year. Direct foreign investment flows increased (about 50%), as did export-related flows (28%) and portfolio investments (10%).

Reopening of trade with Venezuela boosted exports although there was still a current account deficit of about 2.8% of GDP due to the increase in imports.

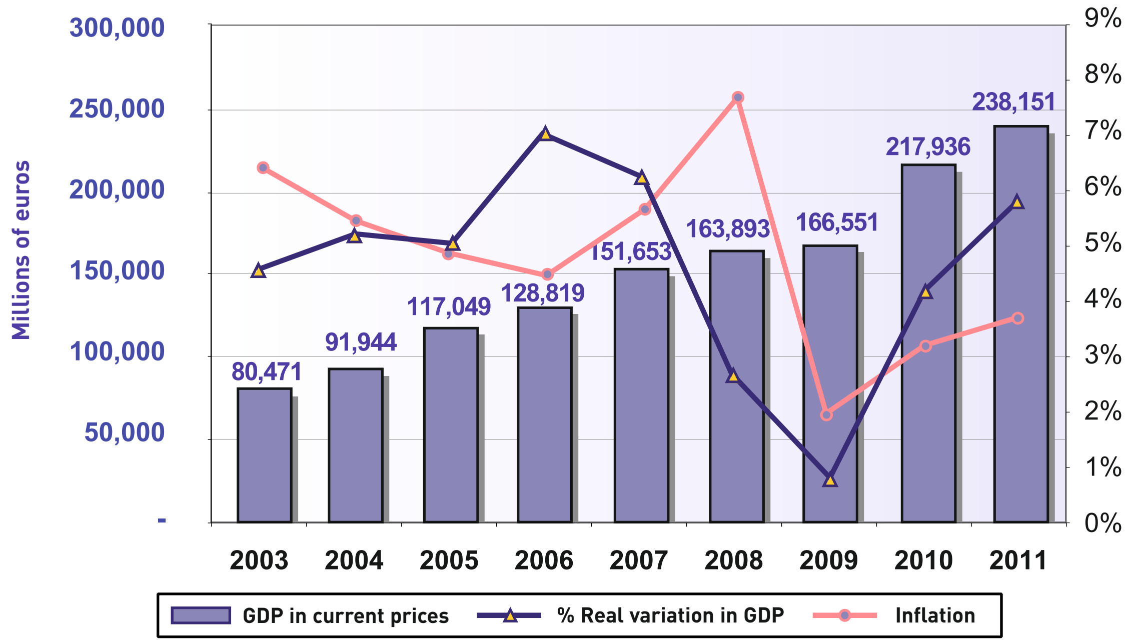


Figure 70. Colombia. GDP 2011

Source: own statistics using information published by ECLAC and the central bank.

Insurance Market

Colombia's insurance market recorded a premium volume of 14 trillion pesos (5,447 million euros), a 14.8% increase in nominal terms and 10.7% in real terms. In general the sector reflects the good economic performance, with a fall in employment and growing credit facilities and demand. Colombia's 2011 insurance penetration stood at 2.3% of GDP, still a long way from the mean figure of 8.7% for industrialised countries.

Life premiums added up to 4.2 trillion pesos (1,611 million euros), representing a 15% growth rate on 2010. Particularly noteworthy was the growth of group life (17.6%) and pension insurance (24.1%), driven by sustained growth of the economy and employment and the concomitant increase in demand for labour-related products. Life annuity insurance remained bogged down after the sharp downturn in 2010, due to the lack of attraction of these products in a climate of low interest rates.

Premium volume[1] 2011

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**14,081,907**	**5,447**	**14.8**	**10.7**
Life	**4,165,202**	**1,611**	**15.0**	**10.9**
Individual life	481,077	186	11.8	7.8
Collective life	2,002,621	775	17.6	13.3
Life annuities	696,762	269	0.3	-3.3
Private pensions[2]	984,742	381	24.1	19.7
Non-Life	**9,916,706**	**3,836**	**14.8**	**10.7**
Automobile	1,955,730	756	10.8	6.8
Other lines of businees	1,718,695	665	17.3	13.1
SOAT[3]	1,167,672	452	14.0	9.9
Health	813,093	314	15.5	11.4
Earthquake	528,768	205	10.8	6.8
Fire	525,779	203	9.4	5.5
Third-party liability	536,931	208	21.8	17.5
Personal Accident	463,874	179	15.8	11.6
Transport	253,101	98	11.3	7.3
Theft	126,506	49	35.3	30.4
Aviation	122,769	47	4.0	0.2
Worker Compensation	1,703,789	659	18.0	13.8

Figure 71. Colombia. Premium volume in 2011 by branch

(1) Premiums issued.
(2) Group Life Insurance contracted by Pension Fund Managers.
(3) Spanish acronym for Mandatory Traffic Accident Insurance.

Source: own statistics from figures published by the Banking Supervisor of Colombia.

Non-life premiums added up to 9.9 trillion pesos (3,836 million euros), an increase of nearly 15% (9.3% in 2010). All lines (except aviation) grew by 10% or more; particularly noteworthy, due to its sheer size, was the performance of occupational risks (work injury compensation), which soared by 18%, as against the 8.6% of the previous year, due to a notable increase in the number of companies registered under the system and the number of registered workers. Also noteworthy was the growth of civil liability (21.8%) heavily influenced by the growth of state procurement through public tenders.

Vehicle insurance and compulsory traffic accident insurance *(Seguro Obligatorio de Accidentes de Tránsito:* SOAT) confirmed their upward trend as new vehicle sales picked up by 27.8%. Last year's reduction in transport insurance turned into an 11.3% growth, the best figure of the last ten years, as foreign trade prospered, as did the automobile and oil sectors, boosting freight transport in the country.

Lastly, one idiosyncrasy of Colombia's insurance market merits special mention: i.e., the appreciable takeup of microinsurance in the country. According to figures of the Colombian Insurers' Federation *(Federación de Aseguradores Colombianos:* Fasecolda), microinsurance premiums in 2011 had a market share of 1.7% and a growth rate of 23.5%. Group life insurance and accidents have the biggest weight, accounting for 53% and 24% of issued premiums, respectively. There was a growth in the number of insureds and a fall in the mean premium, showing a great penetration of this type of insurance, marketed mainly through public service companies and the banking insurance (bancaseguros) channel.

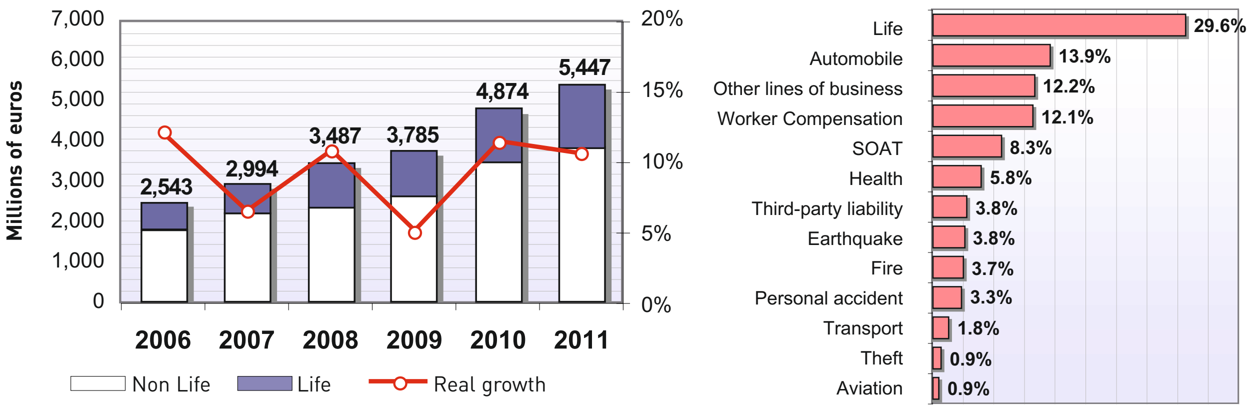


Figure 72. Colombia. Evolution of premiums and market share in 2011 by branch

At the end of 2011 Colombia's insurance sector was made up by 24 general insurance companies and 18 life insurance companies.

Special mention must be made of a very important operation in 2011. A Colombian business group, Grupo de Inversiones Suramericana (Grupo Sura) took over ING's pensions and life insurance business in Latin America. That same year Grupo Sura took over the Dominican insurance company Proseguros and one of El Salvador's main insurance companies, Aseguradora Suiza Salvadoreña (Asesuisa). In November 2012 Grupo Sura received the go-ahead from the Peruvian authorities for acquiring 63% of the local insurance company Invita, from Grupo Wiese.

The sector's high level of concentration remains striking; the ten biggest groups corner 76.1% of issued premiums, the same figure as in the previous year. The same groups as last year featured in the ranking with few changes in their relative positions. Suramericana consolidated its leadership with 22.3%, followed by Bolívar with an 8.8% share and MAPFRE with 8.4%. Midway up the ranking Colpatria rose from sixth to fourth, replacing Colseguros. Liberty slipped back from fifth to sixth, losing 0.5% of its market share.

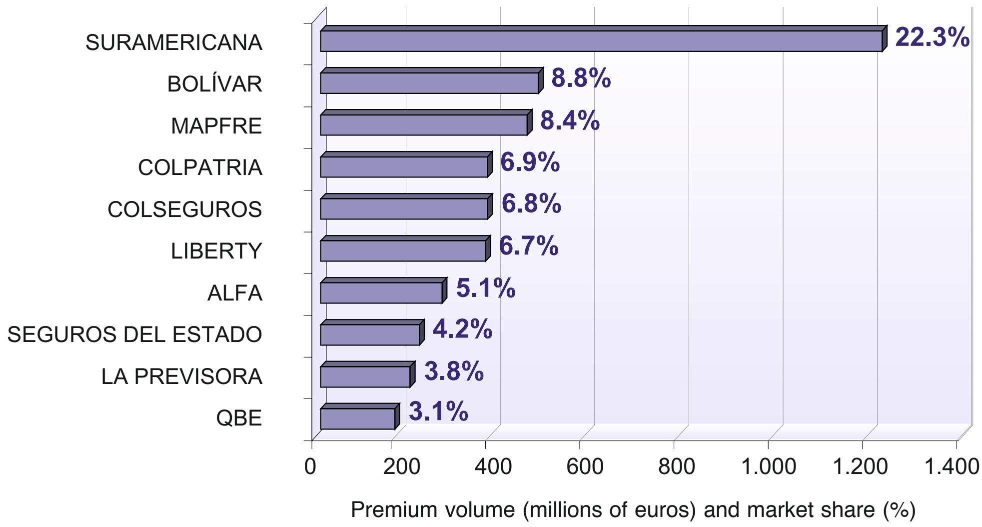


Figure 73. Colombia. Total Ranking in 2011

Source: own statistics from information published by the Financial Supervisor.

In general insurance there were no changes in the makeup of the ten top-ranking groups but there were certain movements of interest. MAPFRE rose from eighth to fifth while La Previsora and QBE both lost ground: La Previsora fell from fourth to sixth and QBE from sixth to eighth. The degree of concentration of these ten top groups is 77.8% of the market.

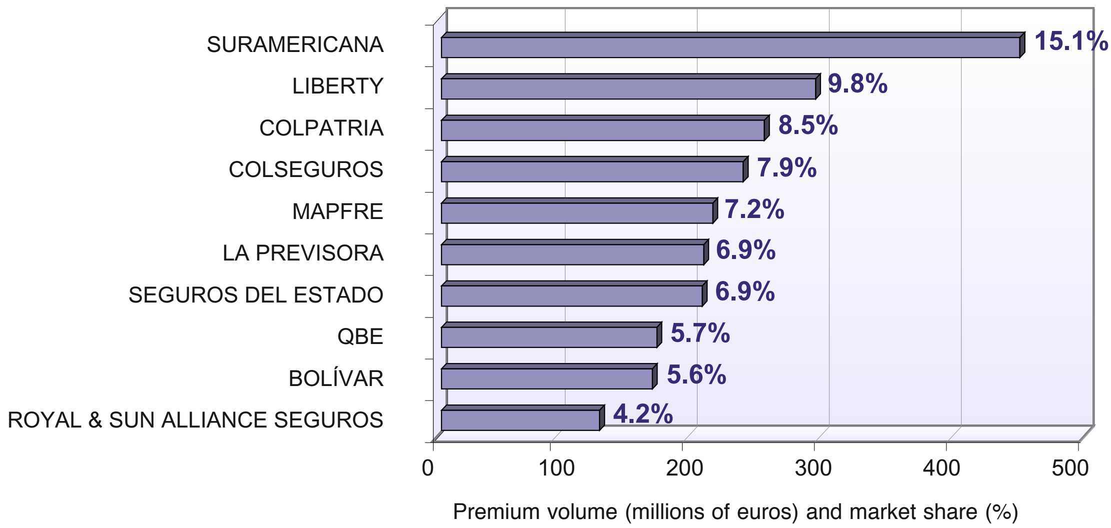


Figure 74. Colombia. Non-Life Ranking in 2011

Source: own statistics from information published by the Financial Supervisor.

N.B.: this ranking has been compiled with the line of business divisions used in the country.

In life (including the companies trading in work injury compensation) there was a greater market concentration in the ten top groups (91.5%). Particularly noteworthy was Suramericana's hefty share of 31.1%, taking in both life insurance and occupational risks. There were no changes in the relative position of these groups within the top ten, where participation percentages varied only a few tenths on last year's ranking.

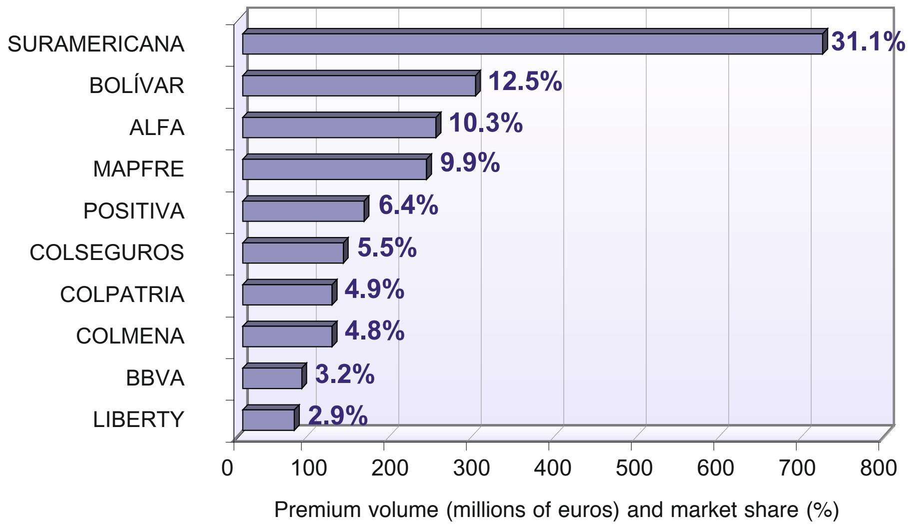


Figure 75. Colombia. Life Ranking in 2011

Source: own statistics from information published by the Financial Supervisor.

N.B.: this ranking has been compiled with the line of business divisions used in the country.

Results

The year's result was 0.6 trillion pesos (239 million euros), representing a percentage of 4.3% on premiums (14.2% in 2010). This deterioration was due to plummeting yield of the investment portfolio after sharp stockmarket falls, the financial result therefore dropping from 25% to 15.4% of issued premiums. It should be borne in mind here that there was an excellent financial result in 2010 as a result of legislative changes concerning the investment system for sector reserves. For its part the combined ratio continued its downward trend, with an improvement of over one percentage point on last year thanks to efficient cost management and a fall of the claims ratio.

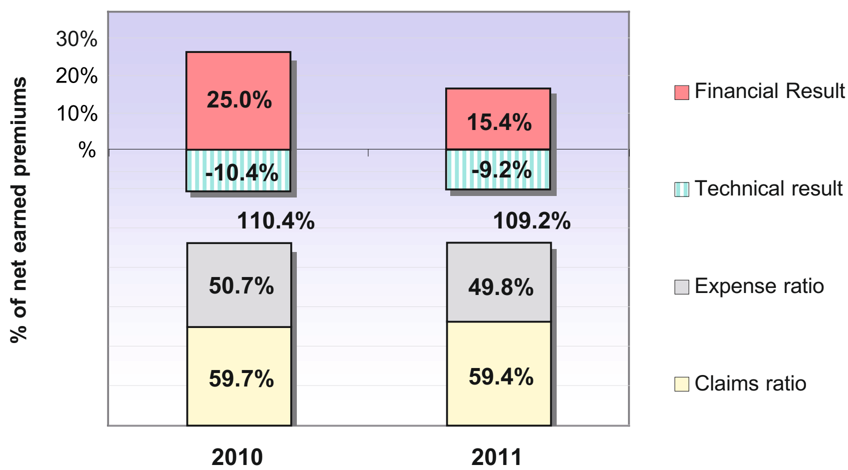


Figure 76. Colombia. Technical Account Result

Source: own statistics from information published by the Financial Supervisor.

Preview of 2012

In the first half of 2012 issued premiums totalled 7.7 trillion pesos (3,310 million euros), representing an increase of 14.6% on the same period last year.

Issued life insurance premiums were worth 2.2 trillion pesos (2,346 million euros), with a 11.9% rise, as against the 23% rise of the first half of 2011. Non-life lines issued premiums to the value of 5.5 trillion pesos (2,346 million euros), a growth of 15.7% to more or less match the 16.3% rise recorded in the same period of 2011. A particularly good performance was put in by fire and earthquake insurance, with revenue 27.1% higher than last year's figure. Only the health line showed a reduction of the growth rate (from 15.4% to 8.3%).

Premium volume[1]. 1st half 2012

Branch	Millions of pesos	Millions of euros	% Δ
Total	**7,699,891**	**3,310**	**14.6**
Life	**2,244,247**	**965**	**11.9**
No Life	**5,455,644**	**2,346**	**15.7**
Automobile	1,029,942	443	10.3
Fires and/or allied lines	629,997	271	27.1
Health	417,648	180	8.3
Transport	186,803	80	10.9
Personal Accident	893,176	384	14.4
Other lines of business	1,338,279	575	16.6
Worker Compensation	959,800	413	19.7

Figure 77. Colombia. Premium volume in 2012 by branch

(1) Premiums issued.
Source: own statistics using data published by the Banking Supervisor of Colombia.

3.3.6 ECUADOR

Macroeconomic Picture

Ecuador's economy picked up considerably from its 2010 GDP growth rate of 3.6% to post a sizeable 7.8% in 2011. GDP was driven by domestic demand fuelled by increased investment and solid household demand. Far-reaching government investment in infrastructure projects and housing was behind the increased investment figures. For its part demand was boosted by the rise in real wages, direct state subsidies to households and the notable credit increase.

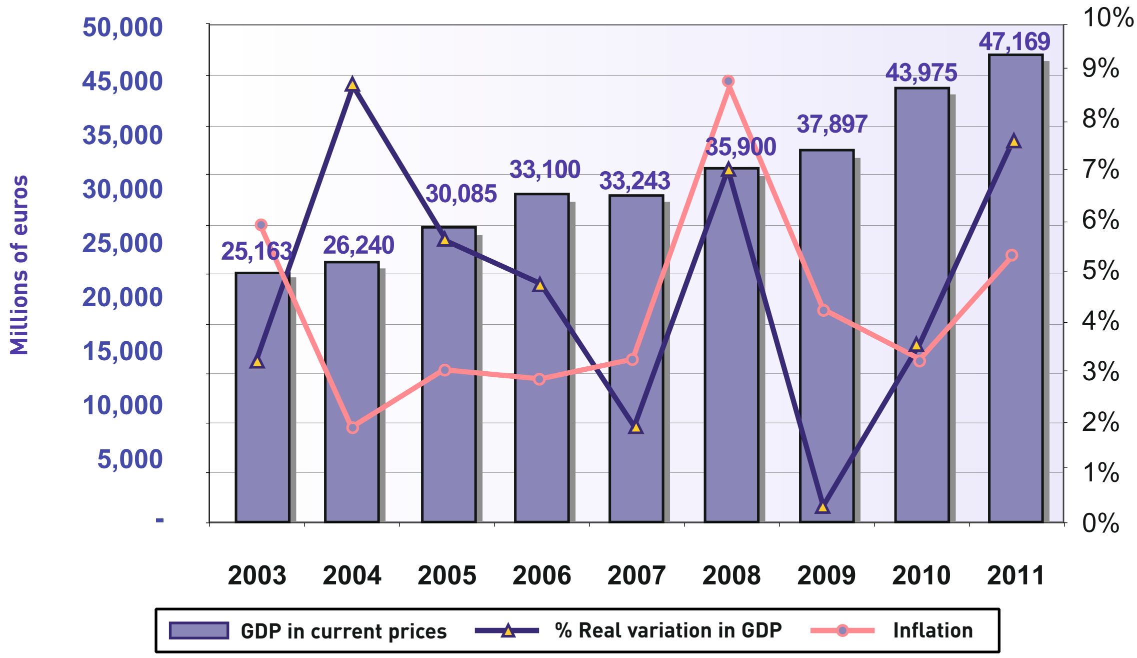


Figure 78. Ecuador. GDP 2011

Source: own statistics using data published by ECLAC and the central bank.

On the supply side the sectors recording the highest growth were oil refining, electricity and water and construction. The brisker economic activity helped to bring down the employment rate by one and a half percentage points to 6%, and the employment situation was further improved by a fall in underemployment from 51% in 2010 to 46% in 2011.

Inflation reached 5.4%, driven up by soaring food prices (8.2%). In November 2011 the Act for the Promotion of Andean Trade and Eradication of Drugs *(Ley de Promoción Comercial Andina y Erradicación de la Droga:* ATPDEA) was passed, guaranteeing preferential trade with the United States. This renewal will be effective only until mid 2013, whereupon the free trade agreement between Colombia and the United States has to be brought in.

As for foreign trade the current-account trade balance showed a deficit of 3% of GDP and direct foreign investment was still geared mainly towards mining and quarrying.

ECLAC forecasts a 2012 growth rate of 4.8%.

Insurance Market

Ecuador's insurance market took in premiums worth a total of 1,337 million dollars (956 million euros), representing a nominal growth of 21.5% and real growth of 15.3%.

Life lines earned 231 million dollars (165 million euros), with a nominal growth of 27.5%. This growth occurred in the same proportion in both individual and group life insurance though the former has only a marginal importance, accounting for a mere 10% of total premiums.

Premium volume[1] 2011

Branch	Millions of USD	Millions of euros	% Δ	% Δ *real*
Total	**1,337**	**956**	**21.5**	**15.3**
Life	**231**	**165**	**27.5**	**20.9**
Individual life	24	17	28.7	22.1
Collective life	208	148	27.3	20.8
Non-Life	**1,105**	**791**	**20.4**	**14.2**
Automobile	403	289	21.6	15.4
Other lines of businees	156	111	7.3	1.8
Fire, theft and allied lines	136	98	31.3	24.6
Transport	129	92	14.1	8.2
Personal accident	105	75	21.9	15.7
Credit and Surety	97	70	25.0	18.6
Health	40	29	28.5	21.9
Third-party liability	38	28	30.0	23.3

Figure 79. Ecuador. Premium volume in 2011 by branch

(1) Net premiums paid (received).

Source: own statistics from figures published by the Insurance and Banks Supervisor.

Non-life lines earned 1,105 million dollars (791 million euros), with a nominal growth of 20.4%, representing 83% of total premiums issued.

All non life lines, barring other property damage and transport, posted growth rates of over 20%, reflecting the healthy level of economic growth during the year.

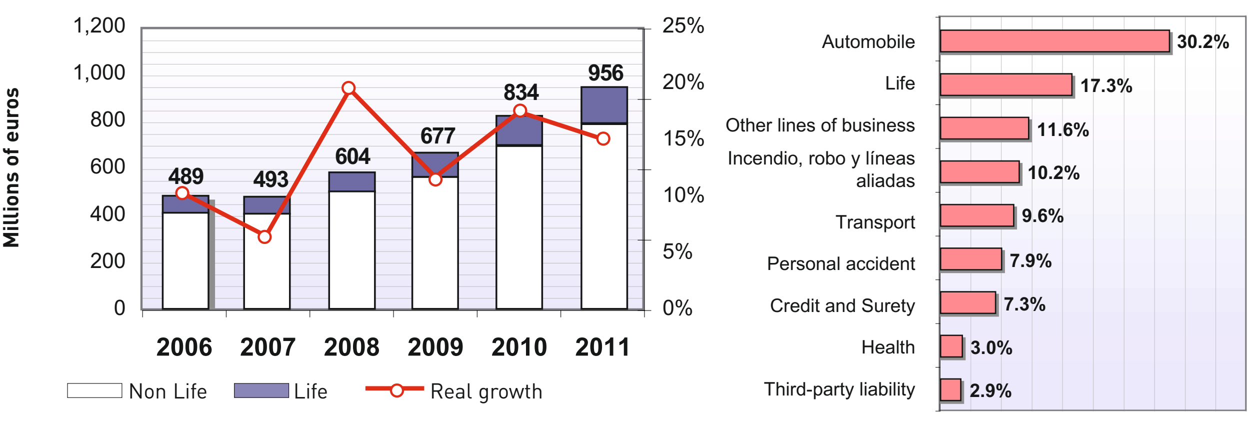


Figure 80. Ecuador. Evolution of premiums and market share in 2011 by branch

As at December 2011 43 insurance companies were trading in Ecuador, of which 11 were authorised to operate solely in general (non life) lines, 7 only in life lines and 26 trading in both life and non-life lines.

The ranking of the top ten insurers underwent a substantial change from 2010 to 2011 as a result of the merger of ACE seguros with Río Guayas. ACE Seguros thereby rose from fifth to second place in the ranking and built up a market share of 10.3% (5% in 2010). Likewise, Aseguradora del Sur, not ranked in the top ten in 2010 in terms of market share, reached sixth place in 2011 with a market share of 4.7%, due to the sharp growth in the volume of premiums issued in relation to the production of 2010.

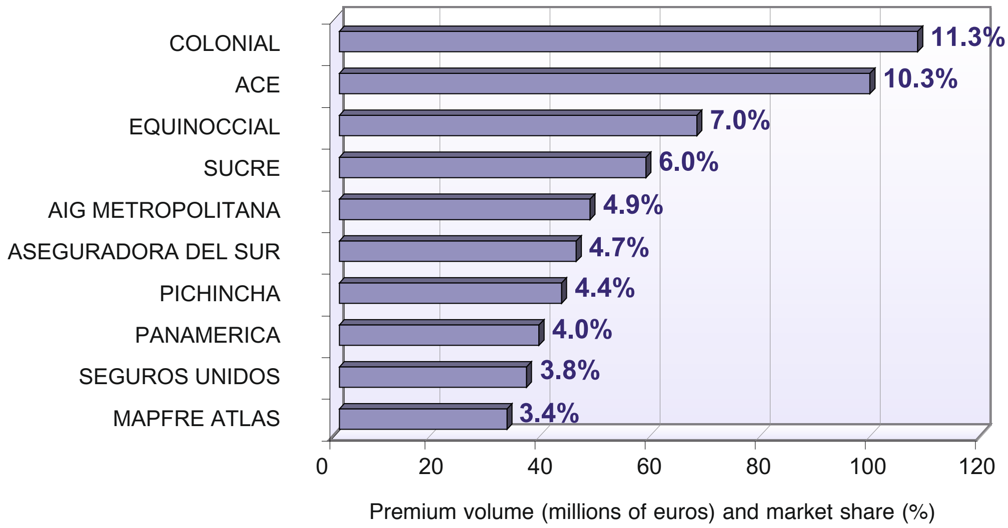


Figure 81. Ecuador. Total Ranking 2011

Source: own statistics from figures published by the Insurance and Banks Supervisor.

New Legislation

- In October 2011 the Market Power Control and Regulation Act *(Ley Orgánica de Regulación y Control del Poder del Mercado)* was passed also known as the Anti-Trust Act *(Ley Antimonopolio).* Its object is the correction, prohibition, regulation and penalisation in four basic matters: abuse by economic operators with market clout, agreements flouting free competition and restrictive practices, economic concentrations and unfair practices. Banks are therefore bound to break any links with securities companies, insurers, fund managers and trusts within a year.
- In 2012 Ecuador's Banking and Insurance Supervisor *(Superintendencia de Bancos y Seguros)* handed down various rules on corporate governance, transparency of information, asset laundering prevention, classification and valuation of investments and internal auditing.

Results

The year's post-tax result was 66.6 million dollars (47.6 million euros), 32.4% up on 2010, representing 13.4% on premiums as against the figure of 12.2% the previous year.

This excellent result was engendered by across-the-board maintenance or improvement in all ratios. Expenses improved by just over two percentage points on the previous year, offsetting the slight increase in the claims ratio. As a result the technical-financial result was 25.8%.

A longer perspective taking in the period 2009 to 2011 seems to show that the claims-ratio reduction trend has now reached the end of its tether; after the 5 point reduction from 2009 to 2010 there has now been a 0.3 percentage point rise. Expenses, on the other hand, still seem to be on a downward trend (three percentage points in 2011).

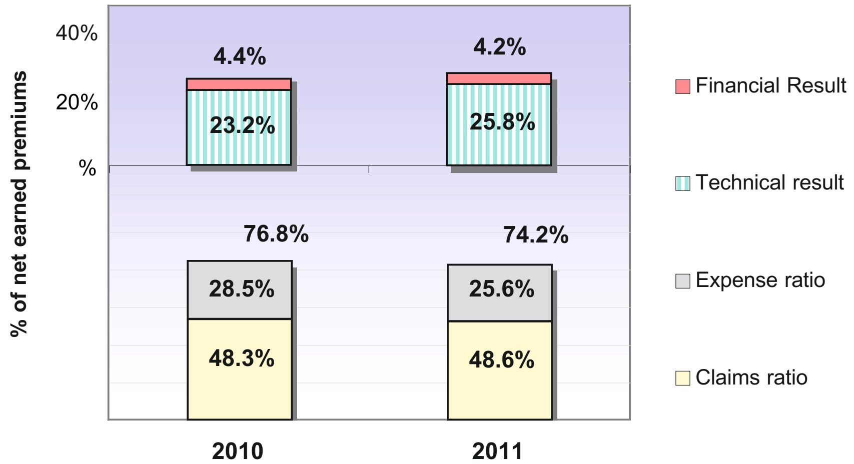


Figure 82. Ecuador. Technical Account Result

Source: own statistics from figures published by the Insurance and Banks Supervisor.

Preview of 2012

The figures for the first half of 2012 show a very different performance between life and non life. Life issued premiums worth 134 million dollars (103 million euros), representing a 24.9% rise on the same period last year. Non life, on the contrary, issued a total of 614 million dollars (472 million euros), a 7.2% increase on the same period last year.

Premium volume[1]. 1st half 2012			
Branch	**Millions of USD**	**Millions of euros**	**% Δ**
Total	**748**	**574**	**10,0**
Life	**134**	**103**	**24,9**
No Life	**614**	**472**	**7,2**

Figure 83. Ecuador. Premium volume in 2012 by branch

(1) Net premiums paid (received).

Source: own statistics from figures published by the Insurance and Banks Supervisor.

The above reflects the development of the market in this first half year, with a reduction in the volume of premiums in the first two months, in comparison to the previous year, growth then picking up in the following four months.

There was also an increase in the degree of concentration within the top five insurers, rising from a market share of 39.5% in December 2011 to 41.8% at the end of June 2012.

3.3.7 PARAGUAY

Macroeconomic Picture

During 2011 the brisk growth rate of previous years stalled notably. The GDP growth rate was 4.4% as against the 13.1% of 2010. The main reason was the sluggish livestock farming sector, affected by the fall in foreign demand (as a result of the outbreak of foot-and-mouth disease) and, above all, the worldwide economic downturn, hitting exports hard.

The downturn in economic activity was patchy. The crop-farming sector performed well on the back of a good 2010-2011 soy harvest while construction performed poorly, hit by a lack of cement.

On the expenditure side the two-figure growth in domestic demand exerted an upward pressure on prices, resulting in high inflation rates. After fickle ups and downs throughout the year inflation ended up at 4.9%.

The unemployment rate was 7%, similar to that of 2010. By decree the minimum legal wage of the private sector was increased by 10%.

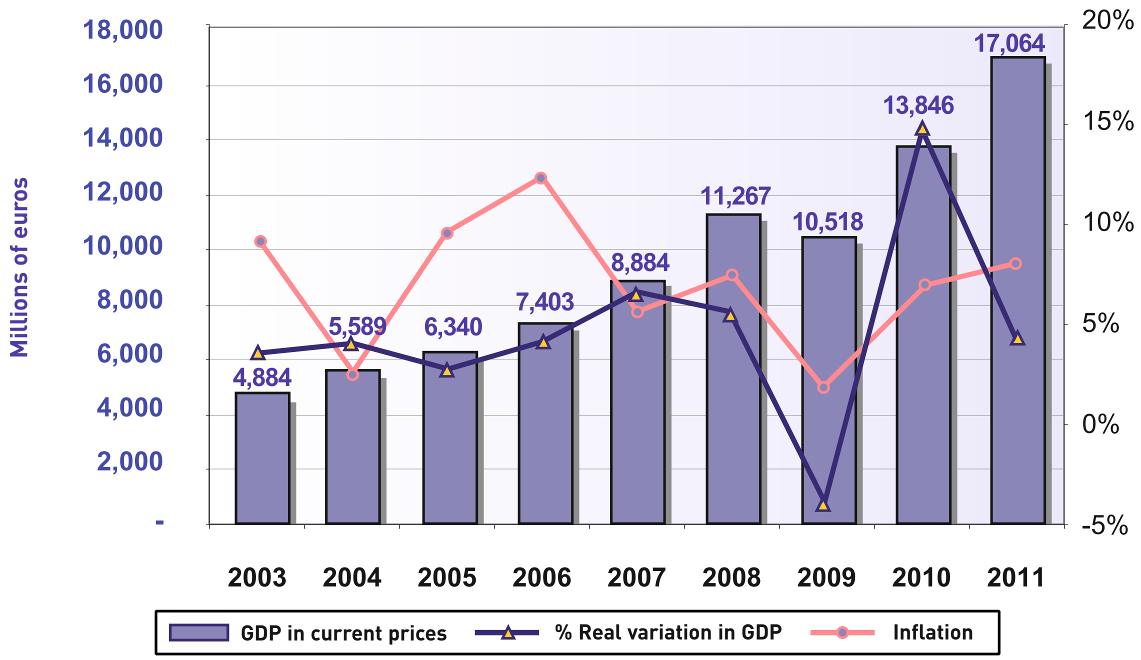


Figure 84. Paraguay. GDP 2011

Source: own statistics using information from ECLAC and the central bank.

As for foreign trade, exports plunged from 45% in 2010 to 24% in 2011 due to the falling foreign demand for beef and other meat, while imports rose by the same proportion, with particularly notable external purchases of fuel, lubricants and capital goods. The current-account trade deficit, however, was largely offset by the influx of capital from direct foreign investment.

ECLAC forecasts a 2012 GDP reduction of about 1.5% due to the sharp downturn of the crop-farming sector after the serious drought that hit the country at the end of 2011 and beginning of 2012.

Insurance Market

In the accounting year, running from 1 July 2010 to 30 June 2011, Paraguay's insurance market clocked up a total direct premium volume of 1.108996 trillion guaranis (180 million euros), representing a nominal growth rate of 24.1% and real growth rate of 19.6%.

Even though the life line represents only 11% of the total premiums issued, it posted 42.1% growth as against the 27.6% growth of the previous period. The high level of domestic demand consolidated the growth of loan repayment insurance due to the increase in the number of credits granted.

Premium volume[1] 2011				
Branch	**Millions of guaraníes**	**Millions of euros**	**% ∆**	**% ∆ *real***
Total	**1,108,996**	**180**	**24.1**	**19.6**
Life	**120,905**	**20**	**42.1**	**36.9**
Non-Life	**988,090**	**160**	**22.2**	**17.7**
Automobile	542,294	88	19.9	15.5
Other commercial property	141,454	23	50.3	44.8
Fire	91,748	15	16.2	12.0
Other lines of business	39,140	6	9.5	5.5
Transport	46,456	8	15.4	11.2
Theft	37,028	6	12.8	8.7
Surety	42,307	7	21.7	17.3
Third-party liability	30,089	5	15.3	11.1
Personal accident	17,575	3	30.0	25.2
Health	0	0	-100.0	-100.0

Figure 85. Paraguay. Premium volume in 2011 by branch

(1) Direct premiums net of cancellations, plus administrative surcharges.

Source: own statistics from information published by the Insurance Supervisor.

Non-life issues added up to 988,090 million guaranis (160 million euros), 22.2% up on the previous period. Vehicle insurance represented 54% of total non-life production, the growth rate rising to nearly 20% from 12.5% the previous year on the strength of increased car sales.

Practically all non-life lines posted two-figure growth. Particularly noteworthy was the 50.3% increase of the other property damage line, including farming insurance, which has risen sharply as the crop-farming sector itself has prospered.

As at December 2011 Paraguay's insurance market included 34 insurance companies, one more than in the previous period with the incorporation of AIC Seguros into the set of authorised companies. Of all these, only four companies are authorised to operate in both general insurance and life insurance.

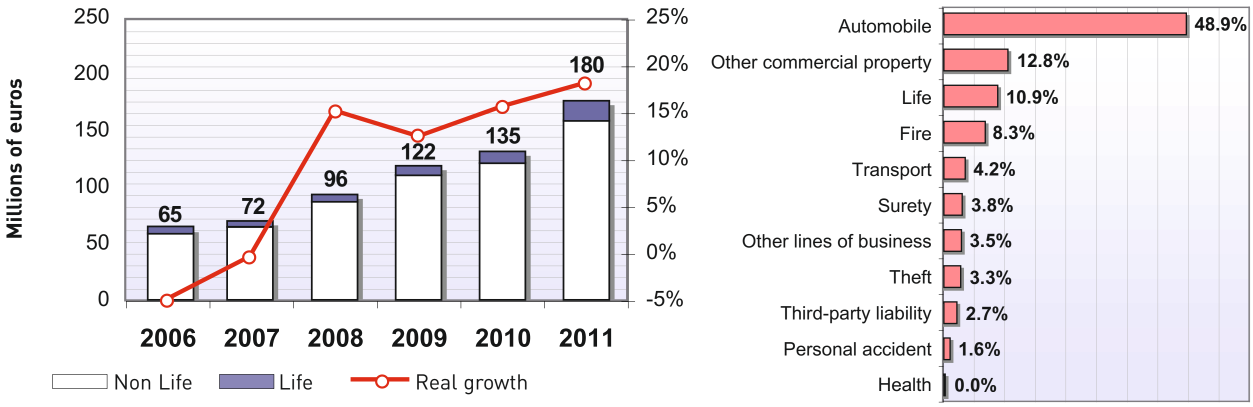


Figure 86. Paraguay. Evolution of premiums and market share in 2011 by branch

For yet another year the Spanish insurance company MAPFRE led the ranking of insurance groups with a market share of 21.3%. It was followed by La Consolidada with a 9.2% market share and Aseguradora del Este, which rose from fourth to third place with a share of 7% (6.1% in the previous period).

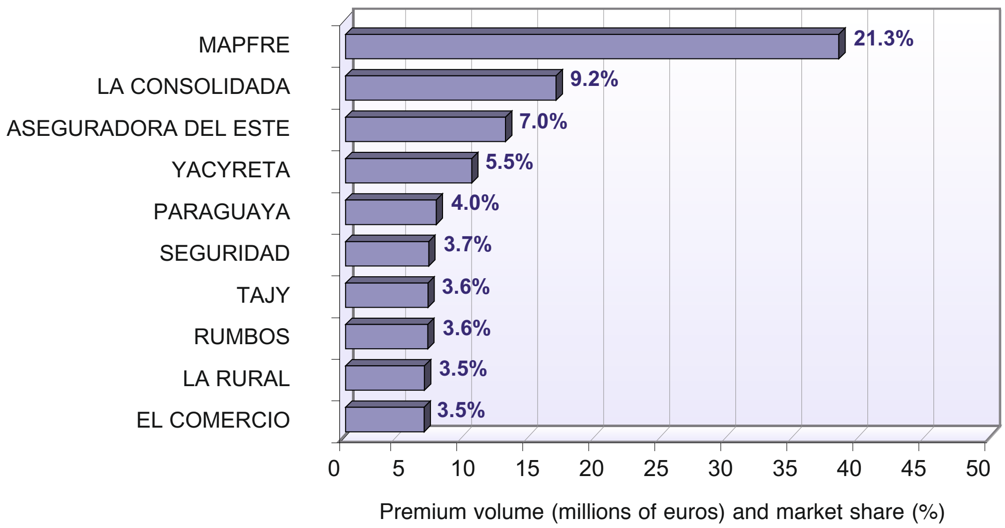


Figure 87. Paraguay. Total Ranking in 2011

Source: own statistics from information published by the Insurance Supervisor.

Results

Earnings on premiums were 80,059 million guaranis (14 million euros), 49.3% up on the previous year and representing 9.3% on issued premiums.

This improvement was due to the good technical result, increasing from 6.1% to 10.2% in 2011. Nonetheless financial results fell to 0.6% of premiums. The combined ratio was brought down yet further after improvement in both the claims ratio and expense ratio. For yet another year Paraguay boasts one of the best claims ratio in South America, at 45%.

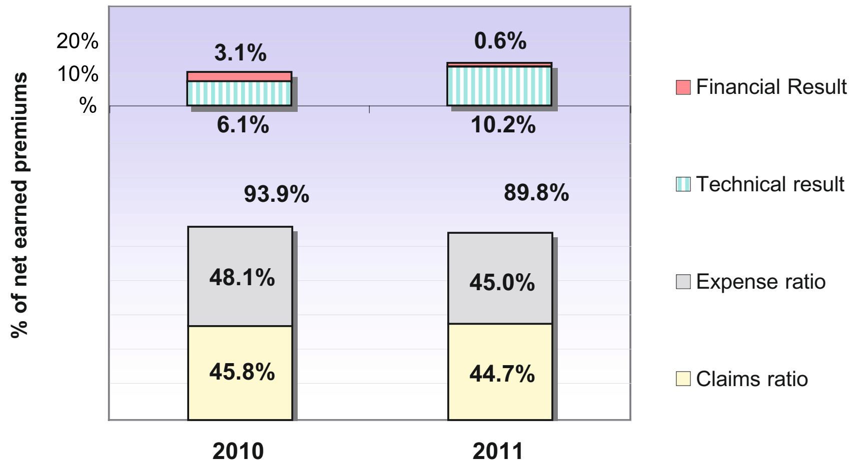


Figure 88. Paraguay. Technical Account Result

Source: own statistics.

Preview of 2012

In the first half of 2012 Paraguay's insurance sector gleaned premium income of 687,008 million guaranis (118 million euros), an 18.1% increase in nominal terms.

Insurance of vehicles and other lines (including farming insurance) posted healthy growth rates of 17% and 12%, respectively, showing the influence of the increase in vehicle sales and the higher demand for crop-farming insurance from companies of this sector.

Growth of nearly 30% in life insurance is a reflection of the ongoing credit-granting trend, still increasing due to the strong performance of private spending.

Premium volume[1]. 1st half 2012

Branch	Millions of guaraníes	Millions of euros	% Δ
Total	**687,008**	**118**	**18.1**
Life	**82,826**	**14**	**29.8**
No Life	**604,182**	**104**	**16.7**
Automobile	337,398	58	17.3
Fires	56,411	10	20.4
Transport	31,279	5	24.0
Personal Accident	11,653	2	31.9
Other lines of business	167,442	29	12.3

Figure 89. Paraguay. Premium volume in 2012 by branch

(1) Net premiums paid (received).

Source: own statistics from figures published by the Insurance and Banks Supervisor.

3.3.8 PERU

Macroeconomic Picture

In 2011 Peru's economy continued to grow at a healthy lick with a GDP rise of 6.9%, underpinned by buoyant demand, both domestic and external, and, in particular, by consumption and private investment. On the political front, in July 2011, Ollanta Humala Tasso became the new constitutional president of the Republic of Peru.

The positive GDP trend was caused by across-the-board activity growth, especially in the sectors of transport and communications, company services and trade.

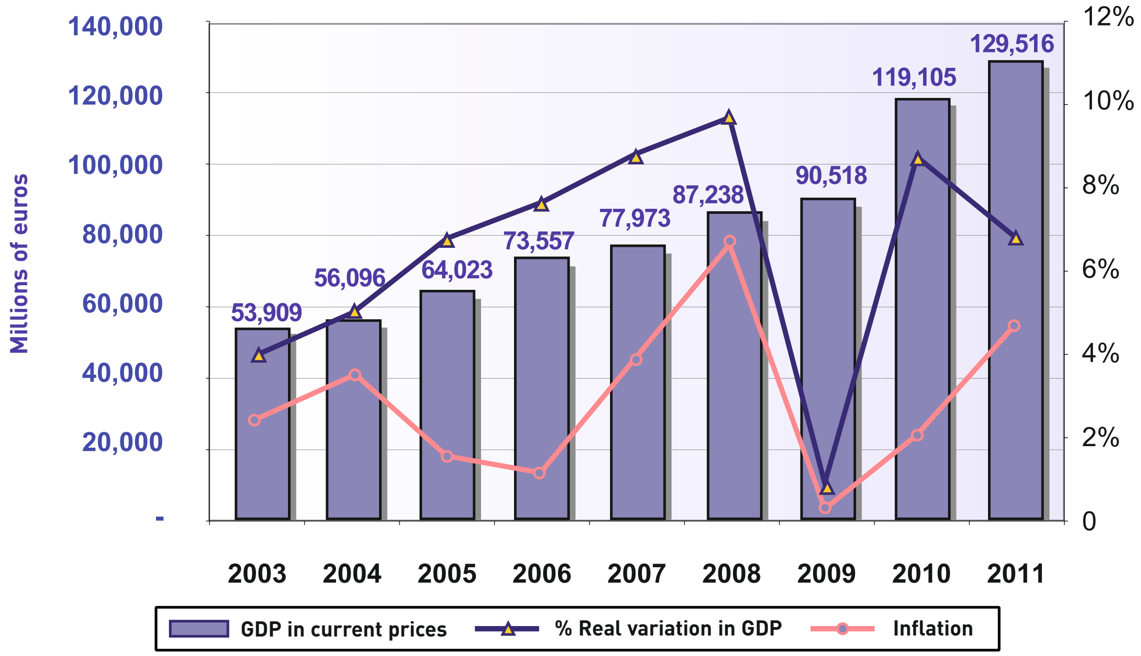


Figure 90. Peru. GDP 2011

Source: own statistics using information published by ECLAC and the central bank.

As for trading policy, in April 2011 Peru enhanced its foreign trade policies by signing the Free Trade Treaty with Korea and the European Union, due to come into force in 2012. The Mexico-Peru Trade Integration Agreement was also finally signed while negotiations are now underway for another free trade agreement with Japan.

The unemployment rate held pretty steady on the 2010 figure (8%), with a gender split, female employment increasing and male falling. Wage income increased by 11.5%.

The inflation rate exceeded government forecasts, standing at 4.7% (2.1% in 2010), so a stricter control of this indicator is expected in 2012.

ECLAC forecasts that economic activity will continue to grow in 2012, albeit more moderately, with a GDP growth rate of about 6.2%.

Insurance Market

In 2011 Peru's insurance sector earned premiums worth 7,212 million nuevos soles (1,876 million euros), a nominal increase of 10.1% and real increase of 5.1%.

Life lines issued premiums to the value of 3,088 million nuevos soles (803 million euros), with a nominal growth of 7.1%, way below the 60.4% of 2010. As against the exceptional 2010 growth recorded in insurance policies of the Private Pension System *(Sistema Privado de Pensiones:* SPP), 2011 growth in these products was only 1.3%. Breaking down SPP insurance into the various modalities shows a positive trend of pension insurance and invalidity and survival annuities, offsetting the fall in retirement annuities within the whole set of this system's insurance arrangements.

The quickest growing life lines were loan repayment insurance (due to the strong growth of credit) and long-term individual life.

Premium volume[1] 2011

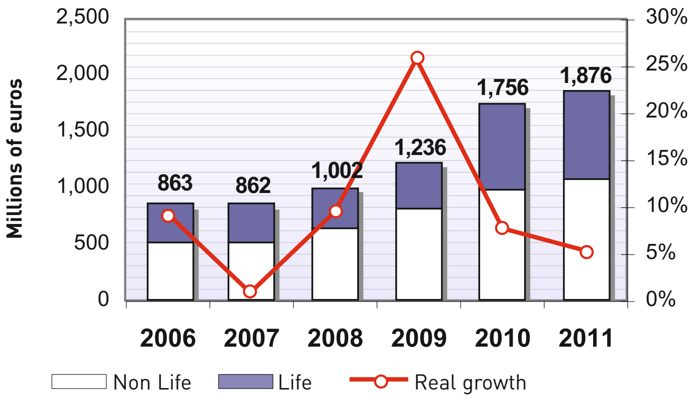
Branch	Millions of nuevos soles	Millions of euros	% Δ	% Δ *real*
Total	**7,212**	**1,876**	**10.1**	**5.1**
Life	**3,088**	**803**	**7.1**	**2.2**
Individual life	424	110	10.0	5.0
Collective life	665	173	26.7	21.0
Pensions	1,999	520	1.3	-3.3
Non-Life	**4,124**	**1,073**	**12.4**	**7.4**
Automobile	874	227	9.8	4.9
Fire and allied lines	797	207	12.0	7.0
Other lines of business	571	149	21.3	15.8
Health	487	127	9.6	4.7
Personal accident[2]	463	120	7.4	2.5
Transport	166	43	15.7	10.5
Third-party liability	144	37	9.3	4.4
Burial expenses	100	26	10.2	5.2
Aviation	94	24	38.5	32.2
Multi-peril	84	22	23.1	17.6
Maritime-Hulls	76	20	-3.7	-8.1
Credit and/or Surety	49	13	-0.5	-5.0
Worker Compensation	218	57	19.0	13.6

Figure 91. Peru. Premium volume in 2011 by branch

(1) Net premiums.
(2) Includes Mandatory Traffic Accident Insurance (SOAT).

Source: own statistics from information published by the Banking and Insurance Supervisor.

Non life net premiums (including work injury compensation) posted a nominal increase of 12.4%, adding up to 4,124 million nuevos soles (1,073 million euros). These insurance policies account for 57% of total premiums issued. Within the biggest lines eyecatching growth was chalked up by vehicles (9.8%) after increased vehicle sales, fire and/or allied lines (12%) and transport (15.7%) due to the increase in foreign trade.



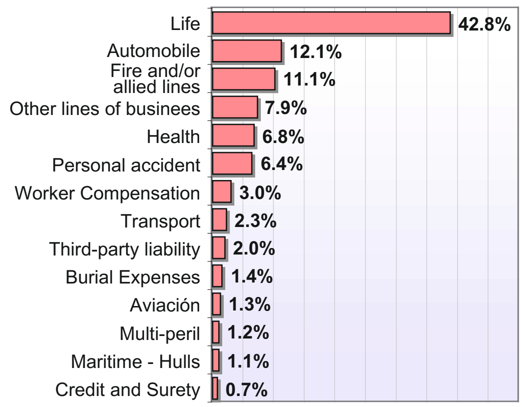


Figure 92. Peru. Evolution of premiums and market share in 2011 by branch

In December 2011 Peru's insurance sector was made up by 14 insurance companies, of which four were trading in both general (non-life) lines and life, five solely in general lines and five exclusively in life lines. It is a highly concentrated market where the top five companies account for a market share of 89.5%, the same figure as in 2010.

As regards the 2011 ranking of insurance companies there were no changes of name or relative position in the top five; once more it was Rimac and El Pacífico that occupied the first two positions with a market share of nearly 60%, leading both life and non-life insurance.

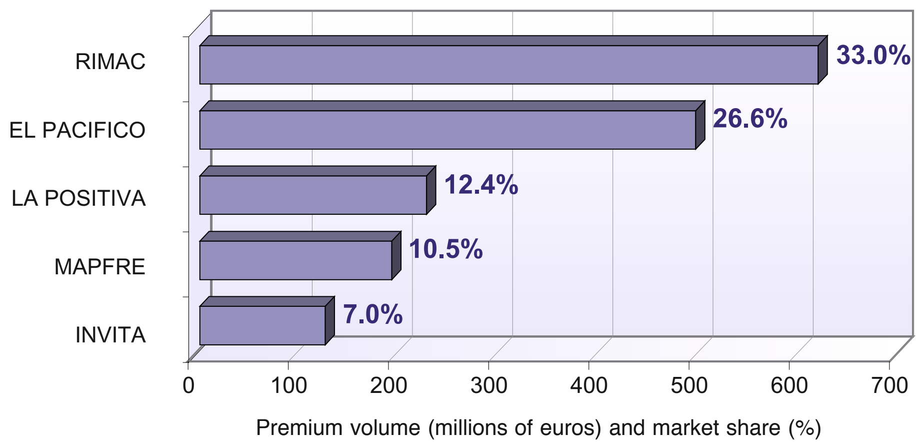


Figure 93. Peru. Total Ranking in 2011

Source: own statistics from information published by the Banking and Insurance Supervisor.

The ranking of general insurance companies remained practically the same as in 2010, with the exception of Ace, which rose to fifth position, ousting Cardif from the top five.

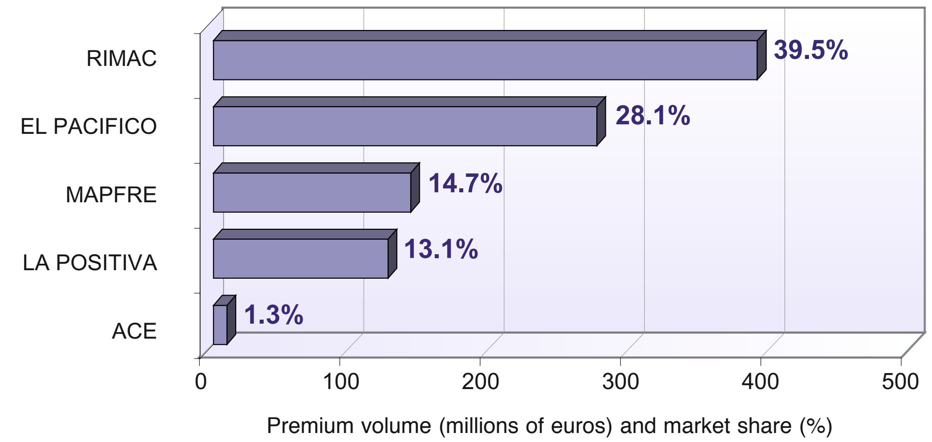


Figure 94. Peru. Non-Life Ranking in 2011

Source: own statistics from information published by the Banking and Insurance Supervisor.

Note: does not include Burial Expenses or Worker Compensation, which are included in Life branches.

As for the ranking of life companies, there were no changes in the top five companies or their relative positions. The market shares of Rimac and El Pacífico differed by only 0.8 percentage points in 2011, closing the two percentage point gap that had existed in 2010.

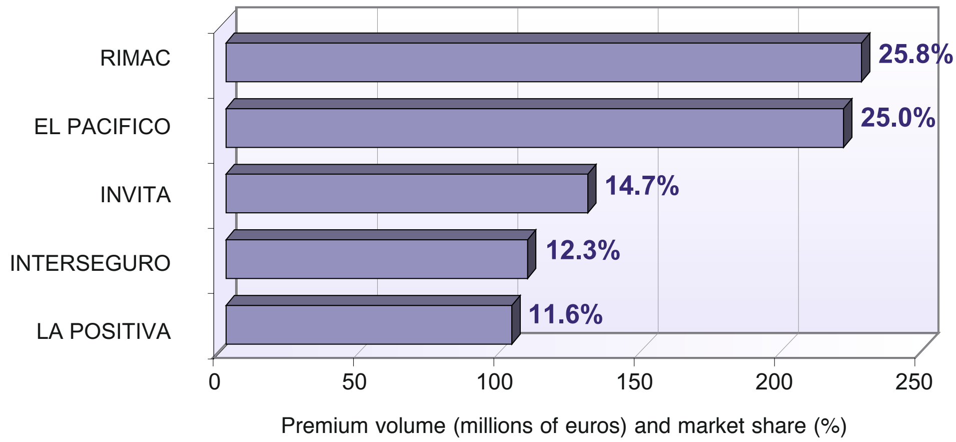


Figure 95. Peru. Life Ranking in 2011

Source: own statistics from information published by the Banking and Insurance Supervisor.

Note: includes Burial Expenses and Worker Compensation.

Results

The year's net result was 899 million nuevos soles (234 million euros), 50.9% up on 2010; this represents a rise of slightly over five points in earnings on premiums, at 23%. This development is down to the good performance of the financial result, which increased by 37.9% up to 1,481 million nuevos soles (1,107 million in 2010) and offset the sector's technical losses.

The combined ratio deteriorated by three points as a result of an increase in the expense ratio from 51.6% to 54.7%. On the contrary the claims ratio fell by one point due to the lower level of claims in the accident and life lines, in the latter case due to the fall in claims within complementary employment insurance.

An analysis of the investment result shows that all insurance companies improved on the December 2010 figure. Life insurance companies showed an increase of 12.7%, mixed companies an increase of 54.6% and general insurance companies a rise of 36.1%.

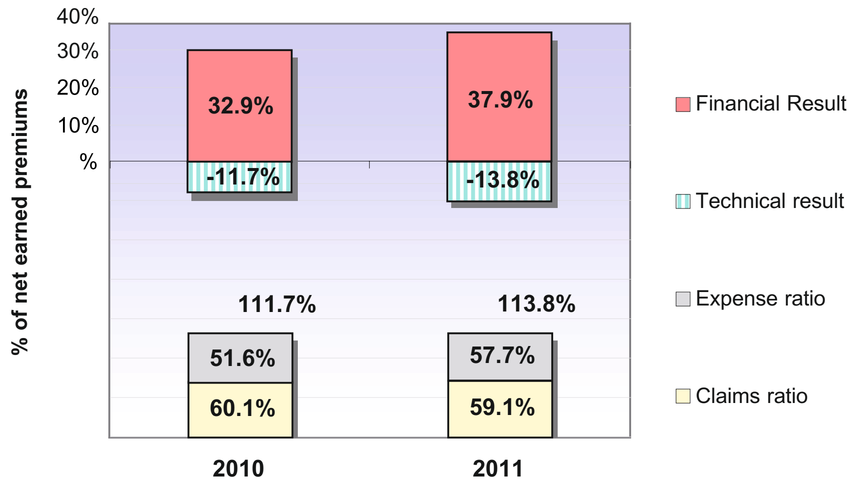


Figure 96. Peru. Technical Account Result

Source: own statistics from information published by the Banking and Insurance Supervisor.

Preview of 2012

Issued insurance premiums in the first half of 2012 added up to 3,693 million nuevos soles (1,062 million euros), 5.1% up on the same period last year.

Life insurance posted an increase of 2.9%, which, in contrast to the 48.5% increase of 2010, serves to confirm stabilisation of the growth of insurance within the private pension system.

Premium volume[1]. 1st half 2012

Branch	Millions of nuevos soles	Millions of euros	% Δ
Total	**3,693**	**1,062**	**5.1**
Life	**1,596**	**459**	**2.9**
No Life	**2,096**	**603**	**6.8**
Automobile	471	135	10.2
Fires and/or allied lines	370	106	1.7
Personal Accident[2]	244	70	6.4
Health	282	81	16.8
Transport	155	45	-4.9
Other lines of business	446	128	2.3
Worker Compensation	129	37	24.6

Figure 97. Peru. Premium volume in 2012 by branch

(1) Net insurance premiums.
(2) Includes Mandatory Traffic Accident Insurance (SOAT).

Source: own statistics from information published by the Banking and Insurance Supervisor.

Non-life insurance chalked up 6.8%, with a premium volume of 2,096 million nuevos soles (603 million euros). All lines barring transport grew, with particularly noteworthy performances by vehicles (10.2%) and health (16.8%).

In November 2012 Grupo Sura received the go-ahead from Peruvian authorities for acquiring 63% of the local insurer Invita from Grupo Wiese.

New Legislation

In November 2012 Peru passed its Insurance Contract Act *(Ley del Contrato de Seguro).* This new law seeks to set up a legal framework for the insurance contract, currently regulated by the 1902 Commercial Code *(Código de Comercio).* The law also takes in the current legislation of the Consumer Code *(Código de Consumo)*, with the aim of developing clear protection of the insured. Among other provisions the law forbids the use of abusive practices and clauses by insurance companies and lays down conditions on contract renewal and validity while also regulating premium default conditions, etc.

Peru's supervisory authority for banking, insurance and private pension fund managers *(Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones:* AFP) laid down new additional-capital requirements for financial institutions in view of the trade cycle, the systemic risk assigned to each company and its risk structure.

3.3.9 URUGUAY

Macroeconomic Picture

Uruguay's economy posted a 2011 GDP growth rate of 5.7% (8.9% in 2010), once more driven by private spending, private investment and exports.

The economy sectors generating most total delivered value were the services sector (6.1%), transport and communications (12.5%), while industry, the primary sector and construction all flagged somewhat with growth rates of about 3%.

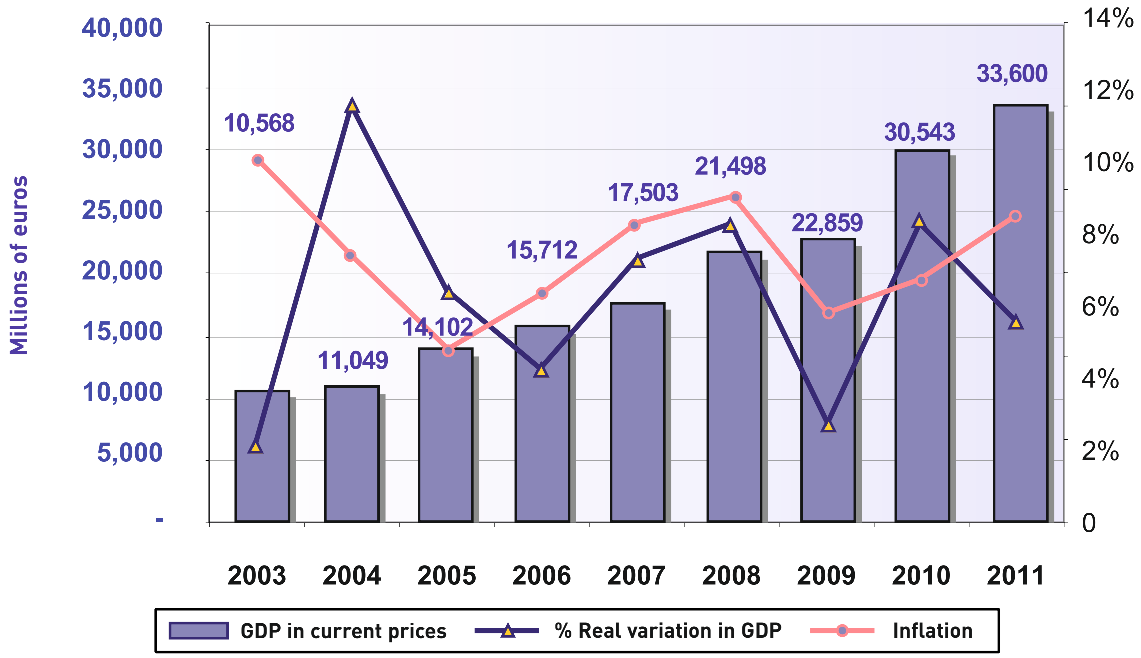


Figure 98. Uruguay. GDP 2011

Source: own statistics, from the information published by ECLAC and the Central Bank.

The inflation rate stood at 8.6% (6.9% in 2010) driven up by food price rises and remaining above the government target all year. The job market continued to expand and the unemployment rate improved by nearly one point to 6.2%. Wages increased by 3.7% in real terms.

High domestic demand sucked in imports above the level of exports, generating a deficit in the trade balance, though this deficit was partially financed by strong capital inflows to the private sector.

ECLAC forecasts a slowdown in the 2012 GDP growth rate to about 3.8%.

Insurance Market

In 2011 the Uruguayan insurance sector issued a premium volume worth 17,637 million pesos (657 million euros), representing a nominal growth of 21% and real growth of 11.4%.

Life lines are still performing really well, albeit with a slight reduction in their growth on the previous year, the nominal growth rate dropping from 27.7% in 2010 to 22.7% in 2011. Within the life lines the sharpest drop was recorded by pension life. The cumulative premium revenue at the end of 2011 by life lines was 4,261 million pesos (159 million euros).

Premium volume[1] 2011

Branch	Millions of pesos	Millions of euros	% Δ	% Δ *real*
Total	**17,637**	**657**	**21.0**	**11.4**
Life	**4,261**	**159**	**22.7**	**13.0**
Pensions	2,013	75	27.0	16.9
Non-pension	2,248	84	19.1	9.7
Non-Life	**13,377**	**498**	**20.4**	**10.9**
Automobile	5,517	205	16.6	7.4
Other lines of businees	1,276	48	21.3	11.7
Fire	711	26	26.9	16.9
Transport	631	23	25.3	15.4
Third-party liability	333	12	35.2	24.5
Theft	310	12	-4.1	-11.7
Surety and credit	215	8	25.8	15.8
Worker Compensation[2]	4,385	163	24.5	14.6

Figure 99. Uruguay. Premium volume in 2011 by branch

(1) Premiums issued net of cancellations.
(2) Banco de Seguros del Estado accounts for allWorkers' Compensation premiums.

Source: own statistics from figures published by the Insurance Supervisor.

Non-life lines earned premiums to the value of 13,377 million pesos (498 million euros), a nominal growth of 20.4% and real growth rate of 10.9%. Work injury compensation, as issued by the State Insurance Bank *(Banco de Seguros del Estado)* put in a standout performance, reflecting the healthy employment situation with a good hiring rate. This insurance line accounted for 32.7% of non-life business and grew by 24.5% as compared to 14% in 2010. The growth of vehicle insurance was also notable (16.6%), albeit somewhat lower than the previous year. Transport posted strong growth (25.3%, as against 11% in 2010), due to the sharp increase in foreign trade.

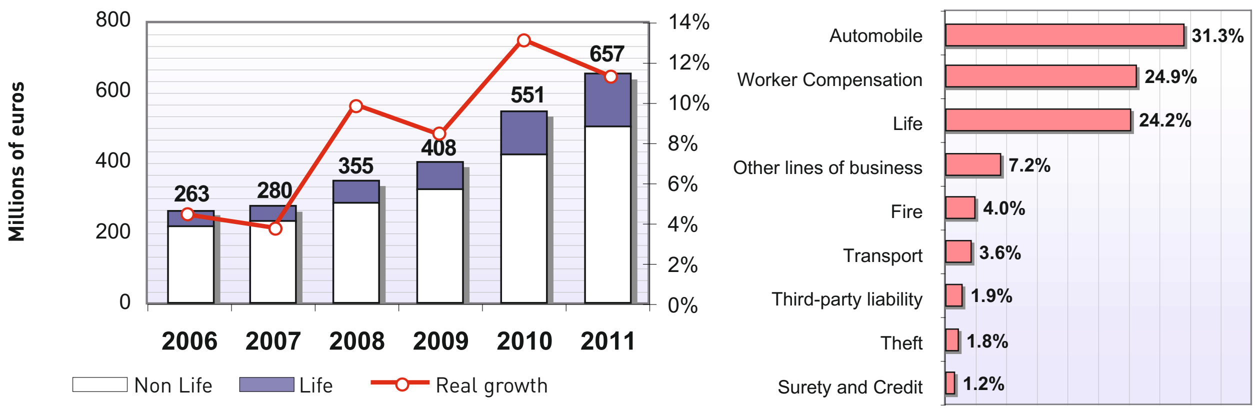


Figure 100. Uruguay. Evolution of premiums and market share in 2011 by branch

As at December 2011 there were 16 insurance companies trading in the Uruguayan market. The leader once more this year was the state-owned *Banco de Seguros del Estado*, with a market share of 65% (65.5% in 2010), followed by Grupo MAPFRE with a 7.9% share. *Banco de Seguros del Estado* leads the rankings of both life and non life, with market shares of 63.5% and 65.4%, respectively.

Results

The insurance sector's result was 451 million pesos (17 million euros), a 66.4% reduction on the previous year; its earnings on premiums was 2.9% against the 10.8% of 2010. This trend is largely the outcome of the financial result, which has fallen sharply (by 52%) from 2,801 million pesos in 2010 to 1,454 million pesos in 2011.

The combined ratio dropped to 101.3% due to a reduction in both the claims ratio (especially in the vehicles line) and the expense ratio, the technical result improving by five points to 101.3%.

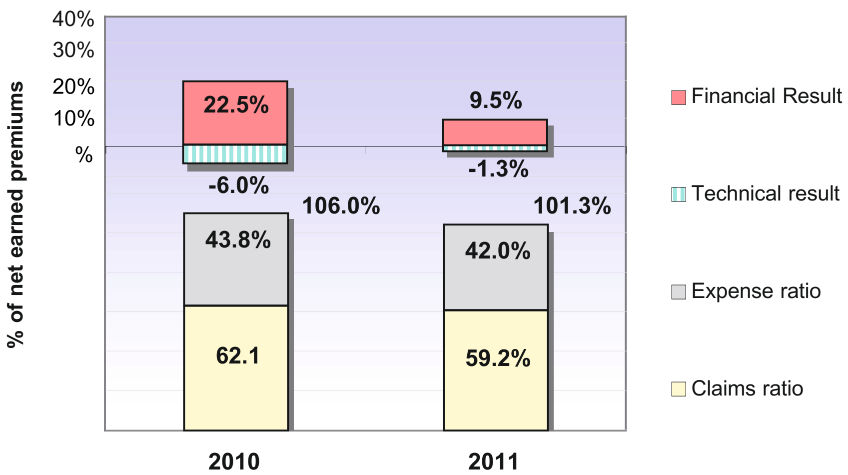


Figure 101. Uruguay. Technical Account Result

Source: own statistics from figures published by the Insurance Supervisor.

Preview of 2012

From January to June 2012 Uruguay's insurance companies earned 9,390 million pesos (359 million euros), a nominal increase of 23.7% on the same period last year.

Premium volume[1]. 1st half 2012

Branch	Millions of pesos	Millions of euros	% Δ
Total	**9,390**	**359**	**23.7**
Life	**2,647**	**101**	**37.0**
No Life	**6,742**	**258**	**19.2**
Automobile	2,891	110	15.6
Fires	329	13	11.6
Transport	313	12	18.6
Other lines of business	888	34	14.4
Worker Compensation[2]	2,322	89	27.5

Figure 102. Uruguay. Premium volume in 2012 by branch

(1) Premiums issued net of cancellations.
(2) Banco de Seguros del Estado accounts for all Workers Compensation premiums.

Source: own statistics from figures published by the Insurance Supervisor.

The life line grew by 37% with a premium volume of 2,647 million pesos (101 million euros). Pension life insurance was the quickest growing line of all at a rate of 91%.

The whole set of non-life lines issued premiums worth 6,742 million pesos (258 million euros), a 19.2% increase on the same period last year. All lines posted two-figure growth, with particularly notable performances by vehicles, recording 15.6% growth on the back of higher vehicle sales, and transport with 18.6% growth. All this serves to bear out the trend already shown in 2010 and 2011.

3.3.10 VENEZUELA (BOLIVARIAN REPUBLIC OF)

Macroeconomic Picture

The Bolivarian Republic of Venezuela's economy posted an annual GDP growth of 4.2% (-1.5% in 2010). This growth was fuelled largely by the increase in private and public spending, the brightest sectors being trade, services and manufacturing production.

Monetary policy has been expansive with notable increases of the money supply. This has pushed up the inflation rate to 27.6% with food prices the main stimulant.

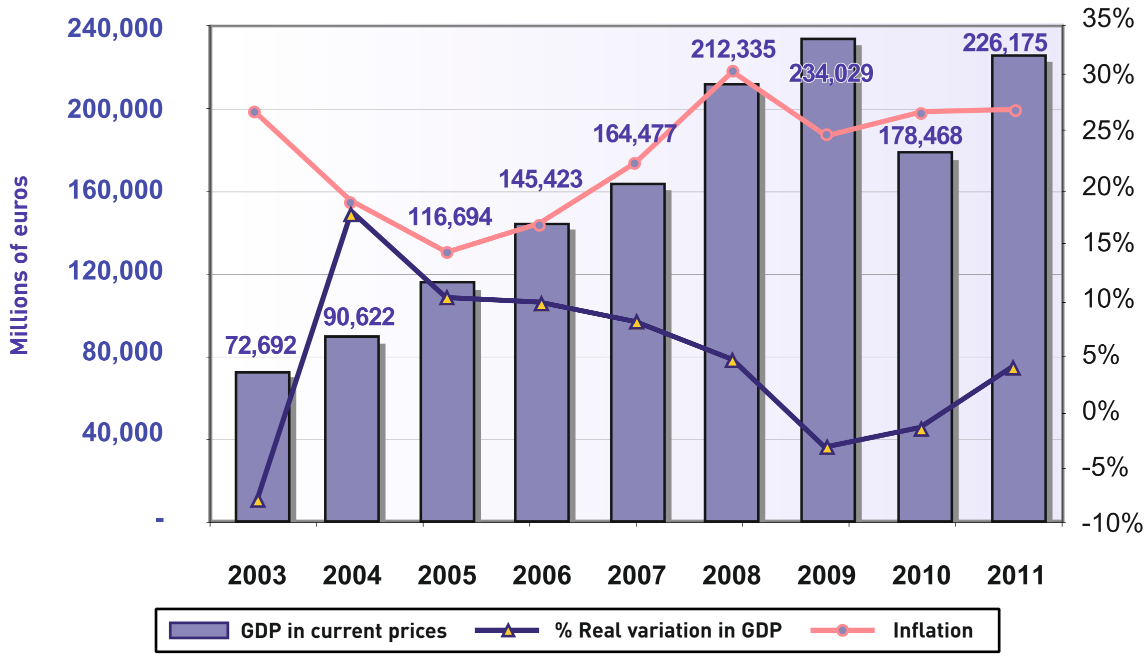


Figure 103. Venezuela. GDP 2011

Source: own statistics, from the information published by ECLAC and the Central Bank.

On 1 January 2011 the government set a standard exchange rate of 4.3 bolívares fuertes per dollar, doing away with the 2.6 bolívares fuertes por dollar rate for products like medicines, food, family remittances and government purchases, among others. Nevertheless, high inflation during the period caused the real effective exchange rate to appreciate against the average recorded between 1999 and 2009.

As regards the key job-market indicators, the end-of-year unemployment rate stood at 8.3% as compared with the 8.6% of the previous year. The mean wage growth was 36.5% with an unequal split between the private (27.2%) and public sectors (58.6%). The minimum wage also rose by 25%.

Foreign trade performed well on high crude prices, generating a current-account surplus in the balance of payments despite the imports sucked in by strong domestic demand. In figures exports increased by 45% in money terms and imports by 21.3%.

ECLAC forecasts 2012 GDP growth of about 5.3%, influenced mainly by consolidation of fiscal policies and open-handed monetary policies.

Insurance Market

The premium volume generated by Venezuela's insurance market at the end of 2011 amounted to 46,471 million bolívares fuertes (7,743 million euros), representing a nominal increase of 25.9% on 2010's figure. Once the inflation effect has been cancelled out, however, there is a real reduction of 1.4%, lower than last-year's 3.5% reduction in the same terms.

Premium volume[1] 2011				
Branch	**Millions of bolívares fuertes**	**Millions of euros**	**% Δ**	**% Δ *real***
Total	**46,471**	**7,743**	**25.9**	**-1.4**
Life	**913**	**152**	**4.0**	**-18.5**
Individual life	428	71	-0.2	-21.8
Collective life	486	81	8.0	-15.3
Non-Life	**45,558**	**7,591**	**26.4**	**-0.9**
Health	21,236	3,538	32.8	4.1
Automobile	16,353	2,725	20.3	-5.7
Multi-peril	1,780	297	-11.9	-30.9
Transport	935	156	32.4	3.8
Credit and Surety	1,022	170	50.9	18.3
Accident	919	153	39.1	9.0
Fire	942	157	44.3	13.1
Third-party liability	578	96	7.0	-16.1
Other lines of businees	714	119	46.6	14.9
Burial Expenses	703	117	59.2	24.8
Earthquake	297	50	28.4	0.6
Pecuniary Losses	78	13	52.3	19.4

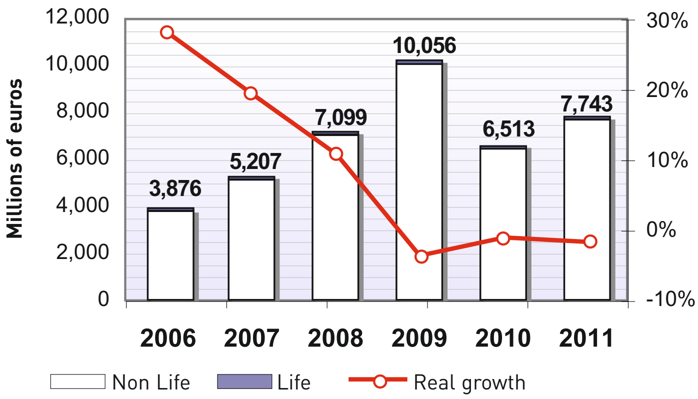
Figure 104. Venezuela. Premium volume in 2011 by branch

(1) Net premiums earned. Direct insurance.

Source: own statistics from figures published by the Insurance Supervisor.

Life insurance's relative weight fell (about 2% of total premiums); general insurance earned a total of 45,558 million bolívares fuertes (7,591 million euros), of which 82% correspond to the lines of health and vehicles. The state's increased policy takeup accounts for the great increase in health insurance premiums, adjusted in turn by the claims ratio of this group.

In 2011 insurance companies also implemented the provisions laid down in the Insurance Activity Act *(Ley de la Actividad Aseguradora)*, providing for a special contribution to the insurance supervisory authority (Superintendencia de la Actividad Aseguradora), amounting to between 1.5% and 2.5% of net premiums received.



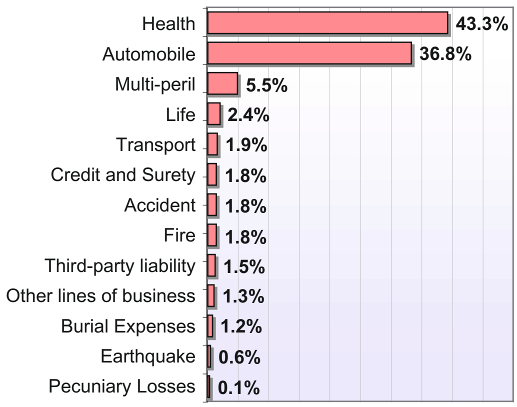


Figure 105. Venezuela. Evolution of premiums and market share in 2011 by branch

In 2011 Venezuela's insurance sector comprised 49 companies, of which 42 were authorised to trade in general lines and life, four solely in general, two in life and one in bereavement.

The market share held by the top ten companies amounted to 70.4% of total premiums issued, a half-point rise on 2010. For yet another year first place was held by Seguros Caracas with a 13.7% share, followed by Mercantil. Horizonte and MAPFRE switched places and Zurich, which ranked 10 last year, was replaced by Altamira.

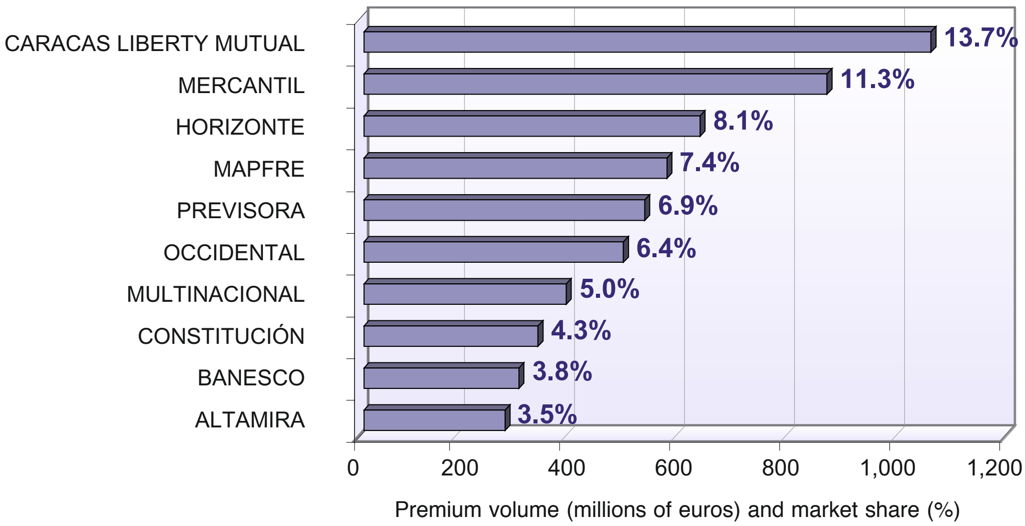


Figure 106. Venezuela. Total Ranking in 2011

Source: own statistics from figures published by the Insurance Supervisor.

The non-life ranking featured the same companies with nearly the same shares as overall insurance. Caracas Liberty Mutual ranked first, followed by Mercantil.

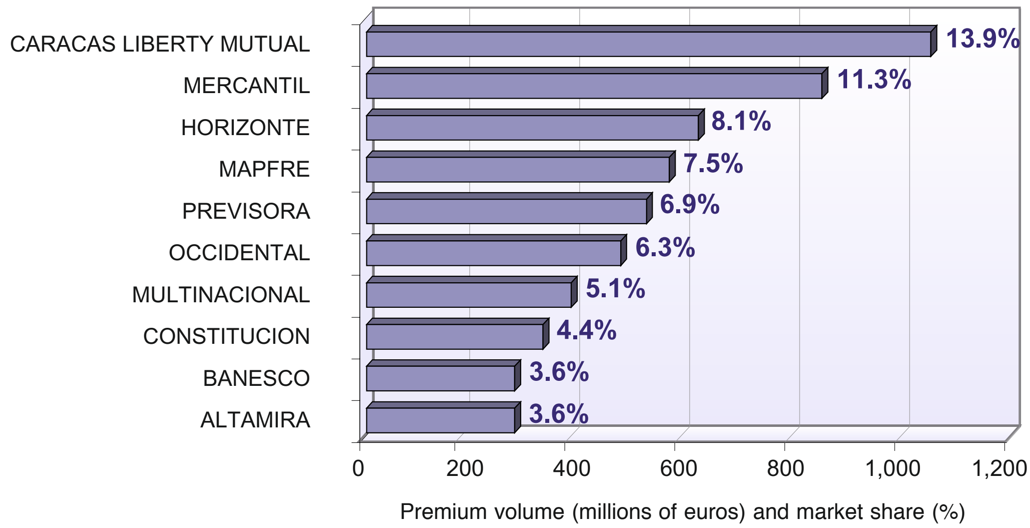


Figure 107. Venezuela. Non-Life Ranking in 2011

Source: own statistics from figures published by the Insurance Supervisor.

Life insurance, with relatively little importance in this country, was headed once more by Zurich with a 21.7% market share. Horizonte and Occidental rose one and two places, respectively, while MAPFRE, Multinacional and Constitución all dropped one place.

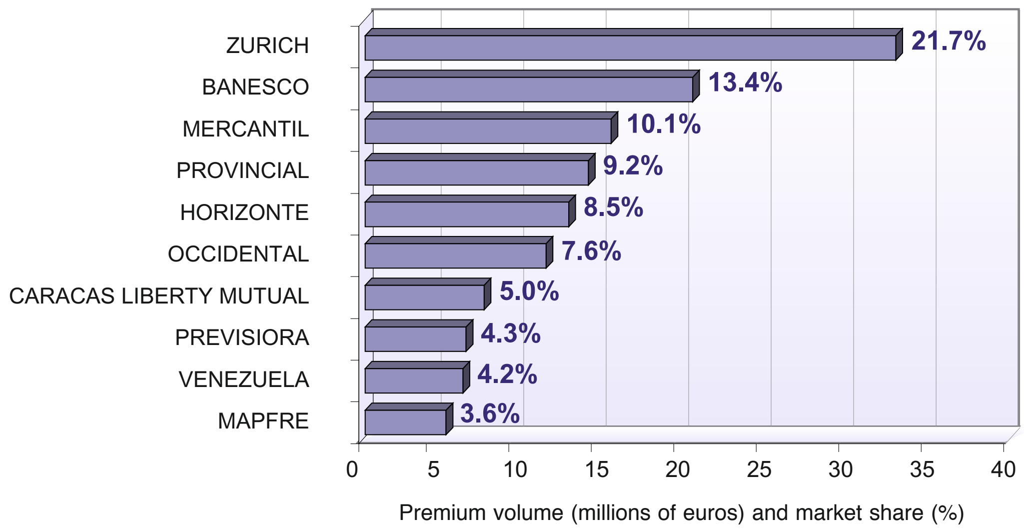


Figure 108. Venezuela. Life Ranking in 2011

Source: own statistics from figures published by the Insurance Supervisor.

In 2011 the merger between La Previsora and Bolivariana de Seguros, authorised back in March 2010, did not come off.

Results

The sector's result amounted to 2,409 million bolívares (401.4 million euros); earnings on premiums stood at 6.8%, a 0.7% reduction on the previous year. The technical-financial result was 8.3%, 1.5 percentage points up on 2010, due mainly to a better financial result. The combined ratio showed a significant rise in expenses, offset by a lower claims ratio, keeping it at more favourable levels than in 2010, with a drop of 1%.

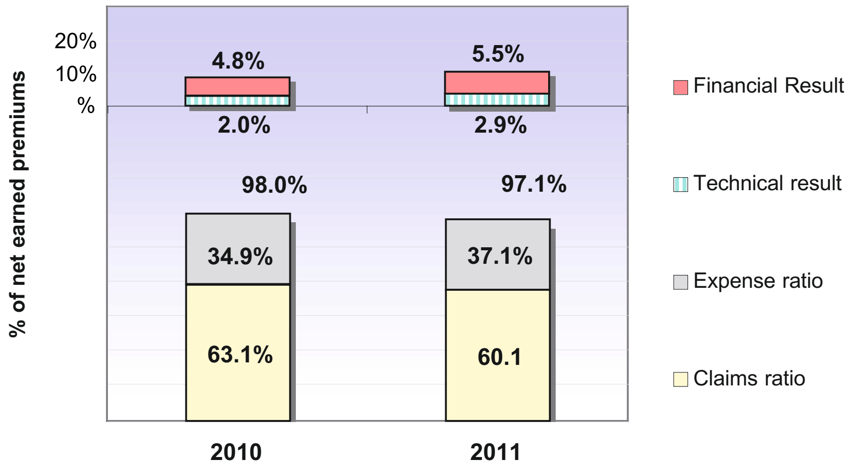


Figure 109. Venezuela. Technical Account Result

Source: own statistics from figures published by the Insurance Supervisor.

Preview of 2012

In the first half of 2012 premiums were worth 27,090 million bolívares fuertes (4,849 million euros), the top ten companies weighing in with 69.7%, i.e., 18,927 million bolívares (3,136 million euros). The concentration of this handful of companies remained unchanged on last year; the weight of health in total premiums also held steady at 46%.

Premium volume[1]. 1st half 2012			
Branch	**Millions of bolívares fuertes**	**Millions of euros**	**% Δ**
Total	**27,090**	**4,849**	**31.9**
Life	**476**	**85**	**9.6**
No Life	**26,614**	**4,764**	**32.4**

Figure 110. Venezuela. Premium volume in 2012 by branch

(1) Premiums issued net of cancellations.

Source: own statistics from figures published by the Insurance Supervisor.

STATISTICAL ANNEX

Volume of premiums per line of business 2011 (Millions of euros)

Branch	Argentina	Bolivia	Brazil [1]	Chile	Colombia
Life	**1,322**	**41**	**24,578**	**4,363**	**1,611**
Individual and group life	1,160	41	24,578	1,826	961
Private pension plans	162	1		2,537	650
Non - Life	**6,846**	**148**	**20,368**	**2,956**	**3,836**
Automobile	2,878	40	10,589	676	756
Health	15	19	–	312	314
Fire and allied lines	314	31	1,383	891	408
Other lines of businees	930	19	4,367	496	714
Transport	168	16	1,281	133	145
Third-party liability	158	7	396	100	208
Personal accident	196	6	1,704	270	631
Credit and/or Surety	157	10	647	77	–
Worker Compensation	2,.030	0	–	–	659
Total	**8,168**	**189**	**44,947**	**7,319**	**5,447**

Branch	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras
Life	**61**	**165**	**122**	**85**	**68**
Individual and group life	61	165	71	85	68
Private pension plans	–	–	51	–	–
Non - Life	**511**	**791**	**219**	**349**	**168**
Automobile	177	289	42	93	42
Health	38	29	51	99	38
Fire and allied lines	90	98	65	69	54
Other lines of businees	37	111	53	36	14
Transport	10	92	–	19	8
Third-party liability	9	28	–	7	4
Personal accident	–	75	–	10	4
Credit and/or Surety	2	70	9	16	3
Worker Compensation	147	–	–	–	1
Total	**572**	**956**	**342**	**434**	**236**

Branch	Mexico	Nicaragua	Panama	Paraguay	Peru
Life	**7,202**	**13**	**167**	**20**	**803**
Individual and group life	6,297	13	167	20	283
Private pension plans	906	–	–	–	520
Non - Life	**8,678**	**75**	**586**	**160**	**1,073**
Automobile	3,219	30	130	88	227
Health	2,152	6	113	0	127
Fire and allied lines	1,563	23	58	21	229
Other lines of businees	699	6	119	29	175
Transport	398	2	32	8	87
Third-party liability	332	2	37	5	37
Personal accident	241	3	13	3	120
Credit and/or Surety	73	2	82	7	13
Worker Compensation	–	–	–	–	57
Total	**15,880**	**88**	**753**	**180**	**1,876**

Branch	Puerto Rico	Dominican Republic	Uruguay	Venezuela	Total
Life	**666**	**75**	**159**	**152**	**41,674**
Individual and group life	666	75	84	152	36,772
Private pension plans	–	–	75	–	4,902
Non - Life	**7,265**	**430**	**498**	**7,591**	**62,547**
Automobile	317	158	205	2,725	22,682
Health	5,967	33	–	3,538	12,851
Fire and allied lines	233	168	38	207	5,944
Other lines of businees	507	32	48	546	8,938
Transport	67	21	23	156	2,668
Third-party liability	160	–	12	96	1,599
Personal accident	15	4	–	153	3,448
Credit and/or Surety	–	14	8	170	1,361
Worker Compensation	–	–	163	–	3,057
Total	**7,931**	**505**	**657**	**7,743**	**104,221**

Source: own statistics from figures published by regulatory agency of each country.
(1) Health insurance premiums in Brazil have not been included, as this sector is overseen by an agency other than the Private Insurance Directorate.

Volume of premiums per line of business 2011 (millions of USD)

Branch	Argentina	Bolivia	Brazil [1]	Chile	Colombia
Life	**1,763**	**58**	**34,483**	**6,082**	**2,083**
Individual and group life	1,547	57	34,483	2,546	1,242
Private pension plans	216	1	–	3,536	841
Non - Life	**9,132**	**207**	**28,576**	**4,121**	**4,958**
Automobile	3,839	56	14,856	943	978
Health	20	27		435	407
Fire and allied lines	419	43	1,941	1,242	527
Other lines of businees	1,241	26	6,127	692	923
Transport	224	22	1,797	186	188
Third-party liability	210	10	556	139	268
Personal accident	262	8	2,391	377	816
Credit and/or Surety	209	14	908	107	–
Worker Compensation	2,708	0	–	–	852
Total	**10,896**	**265**	**63,059**	**10,203**	**7,041**

Branch	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras
Life	**85**	**231**	**171**	**121**	**97**
Individual and group life	85	231	99	121	97
Private pension plans	–	–	72	–	–
Non - Life	**718**	**1,105**	**307**	**496**	**239**
Automobile	249	403	59	132	61
Health	54	40	71	140	54
Fire and allied lines	126	136	91	98	76
Other lines of businees	52	156	74	51	21
Transport	14	129	–	27	11
Third-party liability	13	38	–	10	5
Personal accident	–	105	–	14	6
Credit and/or Surety	3	97	12	23	4
Worker Compensation	207	–	–	–	1
Total	**803**	**1,337**	**478**	**617**	**336**

Branch	Mexico	Nicaragua	Panama	Paraguay	Peru
Life	**10,134**	**19**	**238**	**24**	**1,135**
Individual and group life	8,859	19	238	24	400
Private pension plans	1,274	–	–	–	735
Non - Life	**12,210**	**106**	**833**	**198**	**1,515**
Automobile	4,530	43	184	108	321
Health	3,027	8	161	0	179
Fire and allied lines	2,200	32	83	26	324
Other lines of businees	983	9	170	36	247
Transport	561	3	46	9	123
Third-party liability	467	3	53	6	53
Personal accident	339	4	19	4	170
Credit and/or Surety	103	4	117	8	18
Worker Compensation	–	–	–	–	80
Total	**22,343**	**125**	**1,071**	**222**	**2,650**

Branch	Puerto Rico	Dominican Republic	Uruguay	Venezuela	Total
Life	**931**	**105**	**227**	**212**	**58,199**
Individual and group life	931	105	120	212	51,417
Private pension plans	–	–	107	–	6,782
Non - Life	**10,157**	**608**	**712**	**10,592**	**86,791**
Automobile	443	223	293	3,802	31,523
Health	8,342	46	–	4,937	17,950
Fire and allied lines	326	238	54	288	8,273
Other lines of businees	708	45	68	761	12,390
Transport	94	30	34	217	3,715
Third-party liability	224	–	18	134	2,209
Personal accident	20	5	–	214	4,752
Credit and/or Surety	–	20	11	238	1,898
Worker Compensation	–	–	233	–	4,081
Total	**11,088**	**714**	**938**	**10,805**	**144,990**

Source: own statistics from figures published by regulatory agency of each country.
(1) Health insurance premiums in Brazil have not been included, as this sector is overseen by an agency other than the Private Insurance Directorate.

Population

COUNTRY	2010	2011
	Population (millions)	
Argentina	40.7	41.1
Bolivia	10.0	10.2
Brazil	195.5	197.1
Chile	17.1	17.3
Colombia	46.3	46.9
Costa Rica	4.6	4.7
Ecuador	13.8	13.9
El Salvador	6.2	6.2
Guatemala	14.4	14.7
Honduras	7.6	7.8
Mexico	110.7	111.7
Nicaragua	5.8	5.9
Panama	3.5	3.6
Paraguay	6.5	6.6
Peru	29.5	29.8
Puerto Rico	3.7	3.7
Dominican Republic	9.9	10.0
Uruguay	3.4	3.4
Venezuela	29.0	29.5
TOTAL	**558.3**	**564.3**

Exchange rates used

Annual average exchange rate. Local currency/euro

COUNTRY	Local currency	2010	2011
Argentina	Peso	5.167	5.785
Bolivia	Bolivano	9.247	9.811
Brazil	Real	2.318	2.336
Chile	UF	0.032	0.031
Colombia	Peso	2,515.750	2,585.449
Costa Rica	Colón	686.931	701.924
Ecuador	USD	1.318	1.398
El Salvador	USD	1.318	1.398
Guatemala	Quetzal	10.876	10.876
Honduras	Lempira	24.968	26.430
Mexico	Peso	16.690	17.392
Nicaragua	Córdoba	28.284	31.388
Panama	Balboa	1.318	1.397
Paraguay	Guaraní	6,269.330	5,872.738
Peru	Nuevo Sol	3.732	3.844
Puerto Rico	USD	1.318	1.398
Dominican Republic	Peso	48.264	53.163
Uruguay	Peso	26.445	26.851
Venezuela	Bolívar	5,669.226	6,001.947

Annual average exchange rate. Local currency /USD

COUNTRY	Local currency	2010	2011
Argentina	Peso	3.920	0.268
Bolivia	USD	1	1
Brazil	Real	1.766	0.504
Chile	UF	0.024	37.686
Colombia	Peso	2000	0.0005
Costa Rica	Colón	526.316	0.002
Ecuador	USD	1	1
El Salvador	USD	1	1
Guatemala	Quetzal	8.203	0.121
Honduras	Lempira	19.231	0.052
Mexico	Peso	12.642	0.074
Nicaragua	Córdoba	21.739	0.049
Panama	Balboa	1.020	0.982
Paraguay	Guaraní	5000	0.0002
Peru	Nuevo Sol	2.866	0.328
Puerto Rico	USD	1	1
Dominican Republic	Peso	37.037	0.028
Uruguay	Peso	20.408	0.044
Venezuela	Bolívar	4.143	0.465

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