Fundación MAPFRE

# THE LATIN AMERICAN INSURANCE MARKET IN 2022

MAPFRE Economics

# The Latin American Insurance Market in 2022

Al Sprague
*Montuna y batea* (1986)

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# MAPFRE Economics

**Manuel Aguilera Verduzco**
General Manager
avmanue@mapfre.com

**Ricardo González García**
Director of Analysis, Sectorial Research and Regulation
ggricar@mapfre.com

**Gonzalo de Cadenas Santiago**
Director of Macroeconomics and Financial Analysis
gcaden1@mapfre.com

**José Brito Correia**
jbrito@mapfre.com

**Begoña González García**
bgonza2@mapfre.com

**Isabel Carrasco Carrascal**
icarra@mapfre.com.mx

**Fernando Mateo Calle**
macafee@mapfre.com

**Rafael Izquierdo Carrasco**
rafaizq@mapfre.com

**Eduardo García Castro**
gcedua1@mapfre.com

**Johannes Ricardo Rojas Díaz**
jrroja1@mapfre.com

**Mariano Borda Reyna**
**Sofía Gil Sánchez**
**Fernando Rodríguez Sanz**
**Pablo Carmona Priego**
**Rodrigo Clemente Ribeiro Da Silva**
**Elena de Andrés Morala**

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# Presentation

Fundación MAPFRE is pleased to present the annual report *The Latin American Insurance Market,* this time for 2022, prepared by MAPFRE Economics. This study will allow you to follow the progress of the insurance industry in Latin America, with an individualized description of what happened in each of the countries in the region. Although the Latin American insurance markets maintain significant differences in relation to size, level of development, business composition and structural trends, the economic situation has had a similar effect on the sector's performance, as shown in the 2022 data, with an overall hike in premiums in accordance with the economic recovery. As a result, the Latin American insurance market registered a premium volume of 173.7 billion dollars, representing 15.9% growth.

One significant aspect this study considers is listing the principal regulations issued in each country related to insurance in 2022, as well as the most important projects being undertaken throughout 2023. In this regard, regional coincidences can be seen on topics of concern to regulators that are in line with global regulatory trends: transition to risk-based oversight, calculation of capital requirements, minimum corporate governance standards, accounting and investment regulations, updating of mortality tables, reporting requirements, prevention of money laundering and financing of terrorism, consumer protection, pension and health system reforms, financial inclusion in insurance, information security and cybersecurity, among the most relevant.

Fundación MAPFRE hopes the publication of this work will contribute more to the effort to convey the importance of insurance activity in empowering the forces aimed at increasing the well-being of our society. We hope this report is useful for anyone interested in knowing what changes have occurred in this industry over the last few years.

**Fundación MAPFRE**

# Introduction

*The Latin American Insurance Market in 2022* offers a review of the performance of the Latin American insurance industry in the context of a regional economy that, in 2022, while performing better than expected, began on a path of deceleration as a result of tightening financial conditions, restrictive monetary policies taken to combat the inflationary process, fiscal measures implemented to control deviations in public debt, the loss of buying power caused by inflation, and the slowdown of economic activity of its main commercial partners. Accordingly, in 2022, the Latin American insurance market achieved growth above the previous year's growth, exceeding pre-pandemic levels.

As in prior versions, the report reviews the main figures of insurance markets in the region, considering aspects such as premium growth, investment, technical provisions, technical performance, and results and profitability. It also analyzes the principal structural trends based on the indicators of penetration, density, and depth of insurance and presents an updated estimate of the Insurance Protection Gap for the region and its markets. And new in this edition, it provides readers with an interactive web version (Latin American Insurance Market: interactive data), that incorporates a substantial part of the information contained in this report and is intended to offer dynamic and up-to-date data on the Latin American insurance market.

We trust that this new edition of *The Latin American Insurance Market* will contribute to a better understand of the insurance industry in this region and, to that extent, help to elevate the presence of insurance activity in Latin American societies.

**MAPFRE Economics**

# Executive summary

## The global economy and the insurance industry

Global economic growth slowed in 2022, although it was above the expectations for it held at the beginning of the year, landing at 3.4% (6.3% in 2021). The main contribution to global economic growth came from emerging markets, which experienced 4.0% aggregate growth (6.9% in 2021), in line with the 4.0% economic growth in the Latin American region (7.0% in 2021). Among emerging markets, China's economy experienced a significant slowdown, with 3.0% growth in 2022 (versus 8.5% in 2021), still affected by lockdowns, while India had a greater contribution, growing 7.2% (9.1% in 2021). Meanwhile, growth in advanced economies was 2.7% (5.4% in 2021), with a greater contribution by the Eurozone of 3.5% (5.3% in 2021) and 4.1% in the United Kingdom (7.6% in 2021), and the United States to a lesser degree at 2.1% (5.9% in 2021).

However, in 2022, the estimated better economic performance was eclipsed by the strong rebound of inflation, which caused the main central banks worldwide (with the exception of China and Japan) to change direction toward more restrictive monetary policy, with accelerated interest rate hikes and the beginning of quantitative balance reduction programs. The accelerated interest rate hikes caused a strong adjustment of financial markets, which negatively affected both the valuation of sovereign and corporate bonds, as well as equities and other investment alternatives, with an unprecedented depth, which was amplified by the spike in risk premiums due to the geopolitical uncertainty resulting from the invasion of Ukraine. In Latin America, the main central banks anticipated this and had begun the process of monetary tightening the year before, with the understanding that the inflationary process was not a temporary phenomenon.

In 2022, the global insurance markets (as opposed to what happened in Latin America) lost momentum, with disparate performance between the two largest segments of the insurance business: with Non-Life insurance experiencing growth in premium revenues in local currency, influenced to a large degree by price increases, and the Life insurance segment with mostly negative performance in the advanced markets, with fewer revenues in savings products and, in particular, unit-linked products (influenced by the poor performance of the financial markets). In many markets, premium growth in the insurance industry was not able to combat the high inflation, putting pressure on insurance prices and eroding their profitability. Consequently, global premiums reached 6.78 trillion dollars, versus 6.76 dollars in 2021, which represents 0.3% nominal growth. As a result, global insurance density (premiums per capita) was 853 dollars (858 dollars in 2021) and penetration (premiums/GDP) was 6.8% (7.0% in 2021).

In terms of profitability, throughout 2022 the insurance industry was negatively affected by higher inflation rates than expected, as well as by the difficulties in passing on increases in the cost of claims and other operating expenses to the price of insurance in an economic context marked by economic slowdown as a result of tightening monetary policies in many of the world's major economies and the loss of household buying power due to inflation. In the medium term, however, interest rate hikes helped to improve the financial profitability of the investment portfolios of the insurance companies, and opportunities are arising to develop savings-linked and life annuity Life insurance products, as was recorded in the Latin America region in 2022.

## The economy and the Latin American insurance market

The Latin American economy experienced 4.0% economic growth in 2022, sustained by the recovery of domestic demand, mainly due to private consumption, which was slowing toward the end of the year. The reactivation of tourism and service-related sectors (transportation, communications, business, health, and financial services) drove this growth at the regional level. Jobs were more dynamic in the services sector, also recovering in other activity sectors such as agriculture, manufacturing, and construction.

Latin America was one of the regions with the best performance in the insurance industry worldwide in 2022, with significant growth in premiums issued, in both the Non-Life and the Life insurance segments, aided by better-than-expected economic growth and the fast response of the Latin American central banks to the spike in inflation, acting head with interest rate hikes before developed markets, which aided the recovery of the Life insurance segment regionally as opposed to what happened at the global level, which experienced a decline.

Unlike other regions, the rapid reaction of the Latin American central banks raising interest rates to fight the spike in inflation favored the Life savings insurance and life annuities, which showed strong performance. These interest rate hikes allowed higher yields to be offered in this type of products, acting as coverage against the loss of buying power and offering real positive profitability in some markets. It is also notable that monetary tightening helped improve the profitability of the insurance industry and generally resulted in favorable performance of exchange rates, which was passed on to the volume of the insurance business, benefiting from greater stability of their respective currencies and some of their large markets—particularly Brazil—benefited from an appreciation of the exchange rate against the dollar, which in turn had a positive effect on their profitability by helping to control inflation.

As a result of this performance, Latin America's share of the global insurance market continued on its path of recovery, landing at 2.6% of global premiums in 2022. However, the percentage remains low considering the size of the region's economy, which currently represents about 6% of global GDP and 8.3% of the word's population.

## Insurance market performance in Latin America

In 2022, total premiums in Latin America were 173.675 billion dollars, of which 57.7% came from Non-Life insurance and the remaining 42.3% from Life insurance. As a result, aggregate premiums for the insurance industry in the region grew 15.9%, compared to 11.5% registered in 2021. The growth of the insurance market in the region has been influenced by the better than expected performance of their respective economies, as well as a more appropriate interest rate environment for the marketing of life savings and annuity products due to the change in the monetary policy stance applied by the main central banks in the region, with interest rate hikes to combat inflation. The limited development of insurance has also aided in the good performance of insurance activity in the region, enhancing its potential, showing elastic growth given GDP variations greater than those of developed markets.

However, the strong spike in inflation in 2022 caused some markets, that had shown real positive growth previously, to show declines in their business volume as their nominal growth in local currency was corrected for the effect of inflation, showing declines in real growth, as in the cases of Mexico and Peru. Although both markets performed well in terms of profitability. For the rest, with the exception of Venezuela, which dropped deeper into the decline it had experienced the year before, an individualized analysis of insurance activity growth in local currency for each market analyzed confirms that the growth in real terms was virtually universal in the region. The greatest real growth was observed in the insurance markets of Colombia (21.4%), Ecuador (20.8%), Chile (17.4%), Bolivia (12.2%), and Brazil (6.7%).

In 2022, the important contribution by the Colombian market to the growth of the Life insurance segment at the regional level is notable, which combined with the good performance of the Brazilian market (the main market in the region) and other markets with significant weight such as Argentina and Chile. In general, many markets in the region experienced double-digit growth in dollars in this insurance segment. In the Life business, premiums for both individual and group Life insurance policies, which represent 35.8% of the total premiums in the region, experienced a growth rate of 13.1% (8.7% in 2021). Meanwhile, Social and Pension insurance again experienced significant growth of 29.2% (30.0% in 2021), with a still relatively low weight in the region's Life business, representing 6.5% of total premiums in 2022, although with an upward trend.

In the Non-Life insurance segment, virtually every market in the region saw growth, with the Colombian market showing the lowest growth in dollar terms, in contrast to the significant growth in Life insurance. At the aggregate level, the Non-Life insurance segment in the region outperformed the Life segment, with a notable resurgence of the Automobile line, which represents 17.1% of the total premiums in the region and grew by 25.6%(8.7% in 2021), allowing it to exceed pre-pandemic premium levels (-16.1% in 2020). The Health line, in turn, slowed, although it also performed well with 10.4% premium growth in 2022 (11.0% 2021). The growth of other lines of the Non-Life business, such as Workplace Accidents (24.1%) and Other liability (20.3%), was also noteworthy.

With regard to profitability, the aggregate net result of the Latin American insurance market stood at 9.909 billion dollars in 2022, experiencing 49.8% growth compared to the aggregate result of the previous year. However, despite this growth, the aggregate regional results were still below the levels reached in the years prior to the pandemic. In general, profitability indicators recovered from the significant decline experienced the year before due to the overall increase in the loss ratio in business lines like Automobile and Health after the process of reopening the economy, along with some excess mortality as a result of the pandemic, substantially greater in the Latin American region, which affected the profitability of Life risk insurance.

Many of the markets in the region had positive aggregate net results, highlighting the significant growth in the results of the two largest markets, Brazil and Mexico, as well as other markets with a significant share of business volume like Colombia and Peru. In the markets of Argentina, Chile, Costa Rica, Nicaragua, Panama, Paraguay, Puerto Rico and Uruguay, profits in dollars decreased versus the previous year. Among them, however, only Argentina presented a net negative result in 2022. In terms of return on equity (ROE), the insurance markets of Guatemala (25.9%), Brazil (21.9%), Mexico (21.5%), Chile (19.8%), Peru (17.1%), and Colombia (16.3%) presented the highest indices in 2022. In contrast, the insurance markets in Argentina (-10.4%), Bolivia (2.8%), Panama (3.7%), and Costa Rica (4.6%) had the lowest relative levels of this indicator.

In terms of structure, in 2022, Uruguay, Costa Rica, and Nicaragua were the Latin American insurance markets with the highest levels of concentration. Meanwhile, Peru, Venezuela, Honduras, Panama, the Dominican Republic, El Salvador, and Guatemala achieved index values equating to concentrated markets, albeit with a moderate level of concentration. The remaining Latin American markets reported indices below the threshold associated with moderate levels of concentration. Likewise the market share of the top five largest insurers (CR5) in each market, which confirms the existence of the concentration levels described based on the Herfindahl index. It should be noted that, from an economic standpoint, we can get an overview of competition levels in a market by measuring the concentration level of an industry. As such, the lower the concentration, the greater the current competitive incentive and, as a result, a factor that further drives market development.

In the coming years, the outlook for Latin America continues to be complex, in a context of tightening external and domestic financial conditions due to restrictive monetary policies to control inflation, a slowdown in employment growth (with high levels of informal employment and low rates of labor market participation), coupled with deteriorating public accounts that limit fiscal room to support economic growth. In addition, the slowdown and potential slide into recession in the United States and the problems in China's economy are contributing to the gloomy outlook for the coming years, as these are its two main trading partners.

## Structural trends in the insurance industry

The region's average penetration rate (premiums/GDP) was 3.01% in 2022, higher than the previous year by 0.05 percentage points (pp). This indicator improved in both the Non-Life Insurance segment (1.74% versus 1.70% the previous year) and, to a lesser degree, in the Life Insurance segment (1.27% versus 1.26% the previous year). From a medium-term perspective (2012-2022), a 0.4 pp increase (in terms of GDP) in the region has been observed.

Apart from the one-off event caused by the sharp contraction in GDP due to the pandemic, which led to an atypical increase in penetration, an upward trend in insurance penetration in the region has continued throughout the decade, to which the development of Life insurance and, to a lesser extent, Non-Life insurance have mainly contributed. Although the strong performance of Health insurance as a result of the pandemic has also been a factor in closing the gap over the decade as a whole with respect to Life insurance. The cumulative increase in penetration in the Life insurance segment in 2012-2022 came to 15.4%, while the cumulative increase in Non-Life insurance was 15.0% over the same period. Puerto Rico continues to report the highest penetration index of the region (16.4% of the GDP), due to the important role played by insurance companies in its health system, similar to that of the United States. After Puerto Rico, Chile (4.3%), Colombia (3.2%), and Brazil (3.1%) reported the highest penetration indices in 2022, above the regional average of 3.01%.

The region's density indicator (premiums per capita) was 276.4 dollars, a 15.2% increase compared to the previous year. The significant growth in premiums in the insurance industry in 2022 and the improved performance of exchange rates against the dollar explain this improvement in the level of density compared to the previous year, which already exceeded the pre-pandemic level. A large part of insurance spending per person in most of the region remains focused on the Non-Life segment (159.5 dollars), up 15.6% compared to the previous year. Meanwhile, life insurance density amounted to 116.9 dollars, 14.5% above that of 2021.

Finally, the insurance deepening index in the region (the ratio between Life insurance premiums and total premiums) was 42.3% in 2022, -0.2 pp below the value registered in 2021. The decline in this indicator in 2022 was due to the stronger performance of the Non-Life segment, which grew more than the Life segment. The Life segment which also performed well, despite showing lower growth than the Non-Life business. In the medium-term analysis (2012-2022) the indicator continues to show a slight improvement over the last decade, with a cumulative increase of 0.1 pp in that period.

The updated Insurance Protection Gap (IPG) estimate for the Latin American insurance market was 267.2 billion dollars in 2022, up by 5.8% (14.5 billion dollars) from the previous year's estimate. The structure of the IPG over the past decade does not show significant changes with respect to our previous report, confirming the predominance of Life insurance. As a result, 59.9% of the IPG corresponded to Life insurance (160 billion dollars), while Non-Life insurance accounted for 40.1% of the gap, equivalent to 107.2 billion. In t dollarshis way, the potential insurance market in Latin America in 2022 (measured as the sum of the actual insurance market and the insurance gap) was 440.9 billion dollars, or 2.5 times the current market in the region.

Over the 2012-2022 period, the region's insurance market recorded an average annual premium growth rate (measured in dollars) of 1.0%. If the same growth rate seen over the 2012–2022 period were to continue over the next ten years, the growth rate of the market as a whole would fall short of closing the 2022 IPG by -8.8 percentage points. A similar situation can be seen when analyzing the Life insurance segment (short -11.2 pp) and the Non-Life Insurance segment (short -6.5 pp), with some improvement, however, with respect to the 2021 figures in both segments.

Meanwhile, the estimated Market Development Index (an indicator that summarizes the development and maturity trend of insurance markets) continues to show sustained annual progress through the decade, although with declines in 2014, 2018, and 2021. Despite these declines, the development trend of the insurance sector in the region (measured as based on this indicator) continued to rise in the 2012-2022 period as a whole.

Finally, the report includes a prospective analysis of the growth of insurance demand in Latin America. In this sense, premium growth forecasts are presented by insurance segment (Life and Non-Life), and for the subregions of North America and South America. Overall, insurance demand is expected to grow, in nominal terms, around 9.3% on average over the 2023-2025 timeline. This yields a real growth balance (discounting inflation) which, on average, would approach 3.2%, although with visible variability as inflation slows in the medium and long-term.

This report also provides a detailed analysis for each of the Latin American insurance markets. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2022, before analyzing the main figures and structural trends in their insurance markets.

## Latin American insurance market: interactive data

Along with this year's version of the report *The Latin American Insurance Market*, MAPFRE Economics provides readers with the interactive web version (*Latin American Insurance Market: interactive data*) readers, which incorporates a substantial part of the data contained in this report. The intention is to offer dynamic and up-to-date information on the Latin American Insurance Market, through a web tool with automated tables, which allows the user to consult the information contained in the report. With this tool, you can also periodically view, with a database available at all times, data on the main variables that explain the performance of the Latin American insurance markets.

# 1. Economic and demographic context

## 1.1 Economy

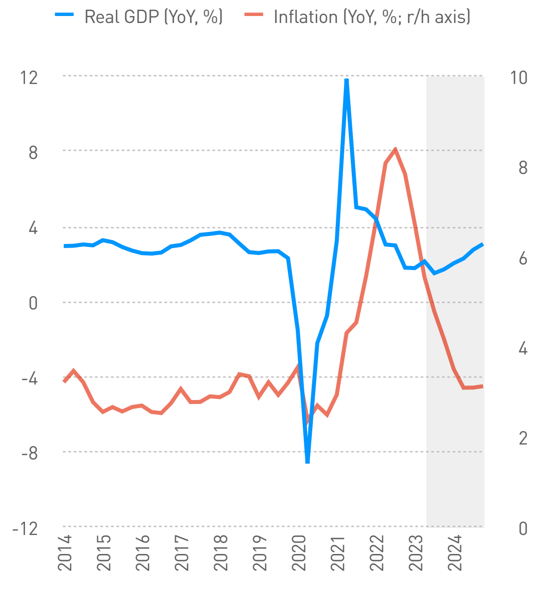
### Overall environment

Overall economic growth slowed in 2022, landing at 3.4%. This exceeded expectations from the beginning of the year, versus 6.3% growth in 2021, when the global economy was still recovering from the economic impact of the pandemic[1]. However, in 2022, the better-than-expected economic performance was overshadowed by the sharp spike in inflation as a result of the extraordinary monetary and fiscal aid measures implemented in the previous two years. This phenomenon was amplified by the supply bottlenecks following the economic reopening process (still with significant restrictions on mobility imposed by the Chinese government in response to the pandemic that continued to affect supply chains) and the start of the invasion of Ukraine, causing a sharp spike in energy and food prices[2] (see Chart 1.1-a).

This inflationary process caused the main central banks worldwide (with the exception of China and Japan) to change direction toward tightening monetary policy, with accelerated interest rate hikes and the beginning of quantitative balance reduction programs. The large economies of Latin America, particularly Brazil and Mexico, were pioneers in this monetary tightening (which had already begun the year before), ahead of the main central banks in developed markets, as well as in the withdrawal of aid packages due to the exhaustion of their fiscal capacity, which had a positive effect on the performance of their exchange rates and, subsequently, on their inflation data. The United States Federal Reserve made the first interest rate hike in March 2022 (for the first time since 2018) and began its quantitative easing program to reduce the size of its balance sheet in June. The European Central Bank (ECB), meanwhile, began to raise interest rates in July 2022 (for the first time since 2011). Although it delayed its quantitative easing program (smaller than the Federal Reserve's) until March 2023.

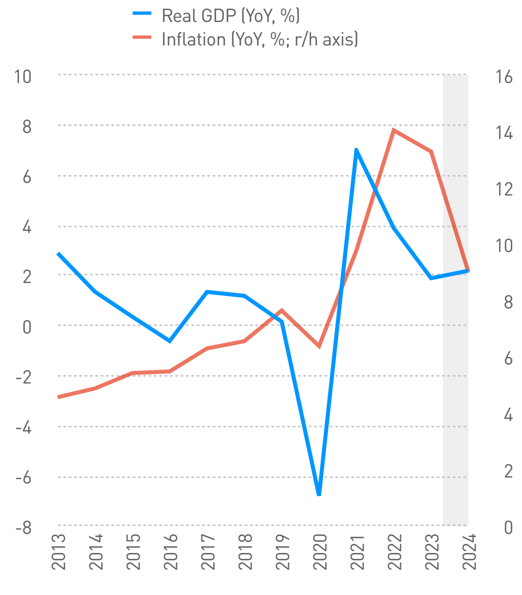
Despite the measures adopted to fight inflation, 2022 was a year when prices continued to rise sharply. This forced central banks to continue implementing new interest rate hikes and other packages of restrictive monetary policy measures to ensure the adequate transmission of monetary policy to the real economy, which began to have an effect late in the year, especially in the markets that took measures earlier. This trend has continued this year and is expected to continue along this path of moderation in the coming six-month periods, as shown in Chart 1.1-a. However, the accelerated interest rate hikes caused a substantial adjustment in financial

**Chart 1.1-a**
**Global: growth and inflation**
**(Quarterly Data, Year-Over-Year Variation)**




Source: MAPFRE Economics (based on Haver data and own estimates)

Chart 1.1-b
Latin America: growth and inflation




Source: MAPFRE Economics (based on FMI and IMF data)

markets that negatively affected both the valuation of sovereign and corporate bonds, as well as equities and other alternative investments, with unprecedented depth and timing. This was amplified by the spike in risk premiums resulting from the geopolitical uncertainty caused by the invasion of Ukraine.

The main contribution to global economic growth came from emerging markets, which experienced 4.0% aggregate growth (6.9% in 2021), in line with the 4.0% economic growth in the Latin American and Caribbean region (7.0% in 2021). Among emerging markets, China's economy experienced a significant slowdown, with 3.0% growth in 2022 (versus 8.5% in 2021), still affected by lockdowns, while India had a greater contribution, growing 7.2% (9.1% in 2021). Meanwhile, growth in advanced economies was 2.7% (5.4% in 2021), with a greater contribution by the Eurozone of 3.5% (5.3% in 2021) and 4.1% in the United Kingdom (7.6% in 2021), and the United States to a lesser degree at 2.1% (5.9% in 2021).

By 2023 and 2024, a slowdown in global demand is expected, driven by the tightening of monetary policy by the main central banks and the resulting slowdown in their respective economies. MAPFRE Economics estimates 2.6% and 2.3% growth in 2023 and 2024, respectively. This is compounded by problems in China's economy (stemming from its real estate market and the global slowdown in demand), which is performing worse than expected after the lifting of travel restrictions imposed in some of its major cities to combat the pandemic at the end of the year.

## Latin American economic environment

The Latin American region slowed in 2022, experiencing economic growth that was almost half of the growth recorded the previous year (4.0% in 2022 versus 7.0% in 2021; a period of atypical growth following the economic reopening process (see Chart 1.1-b). According to the Economic Commission for Latin America and the Caribbean (ECLAC)[3], the region's growth was supported by the recovery of domestic demand, mainly private consumption, which slowed towards the end of the year. The reactivation of tourism and service-related sectors (transportation, communications, business, health, and financial services) drove this growth at the regional level. Jobs, meanwhile, were more dynamic in the services sector but also continued to recover in other activity sectors such as agriculture, manufacturing, and construction.

As a result, in 2022 the economy of the Latin American region performed better than expected but started on a path of economic deceleration that is becoming more pronounced this year as a result of the tightening of both internal and external financial conditions due to the tightening of monetary policies adopted to combat the inflationary process, the fiscal measures taken to control deviations in the public debt (following the expansive fiscal policies prior to the pandemic), the loss of purchasing power due to inflation, and the slowdown in the economies of its main trading partners (particularly the United States).

Consequently, in 2023, there is an overall slowdown in all components of domestic demand, with investment showing the greatest setbacks for most countries in the region. Total consumption has also continued to decelerate, mainly as a result of the moderation in private consumption growth, which, nevertheless, continues to be the main driver of GDP. Furthermore, the slowdown is taking place in a context of losses in the purchasing power of actual wages, deterioration of confidence levels, and depletion of household resources built up during the pandemic, in addition to the result of the tightening monetary policy, resulting in higher prices and less access to credit. The foreign sector has also failed to contribute to GDP growth as a result of the drop in both exports and imports.

In terms of economic growth forecasts, MAPFRE Economics estimates that the region will grow by 1.2% in 2023 and 1.4% in 2024. ECLAC, in turn, has placed it at 1.7% for 2023, forecasting that the slowdown will continue in 2024 with an estimated 1.5% growth for the region, due to the tightening of financing conditions (domestic and foreign) and the loss of household purchasing power as a result of high inflation rates, a contractionary fiscal policy, and weaker foreign demand. Meanwhile, inflation continues to moderate and is expected to continue to do so until it reaches the target ranges of the region's main central banks by the end of 2024. Despite the downward trend in regional inflation, ECLAC estimates it is very likely that by the end of 2023 and during most of 2024 it will remain above the 4.3% average recorded in the five-year period of 2015-2019. In this environment, the central banks of its main economies have stopped tightening their monetary policy and some have even started to implement interest rate cuts. Although they are still at relatively high levels.

In the medium term, the region continues to face major structural challenges such as insecurity, inequality (which inflation has accentuated), and the low productivity of the economies, with a potential growth rate that is insufficient to reduce the gap between its per capita income and the per capita income of high-income countries. All these challenges are related to underdeveloped social security systems facing aging populations and highly informal labor markets, low female labor force participation, and underdeveloped education systems and infrastructure, fostering political instability and social unrest. However, the new trend towards the reconfiguration of global supply chains adds to the region's interest for international investors in the raw material extraction activities from which it can benefit, particularly some of its large economies.

In terms of fiscal policy, in 2022, the moderation began the previous year in the wake of the high fiscal deficits incurred during the worst periods of the pandemic, which impaired the fiscal capacity of Latin American economies, continued. The measures adopted, along with the increase in tax revenues due to economic growth, had generally reduced the fiscal deficits (-2.3% of GDP at the close of 2022 versus -3.8% in 2021), but the debt levels of the central governments with respect to GDP, although lower, remained high (63.3% of GDP in 2022 versus 67.0% in 2021)[4]. Total central government revenues in Latin America are expected to decline in 2023 as a result of slower economic activity and lower international prices for raw materials. In this sense, during the first five months of the year, tax revenue contracted in most of these countries.

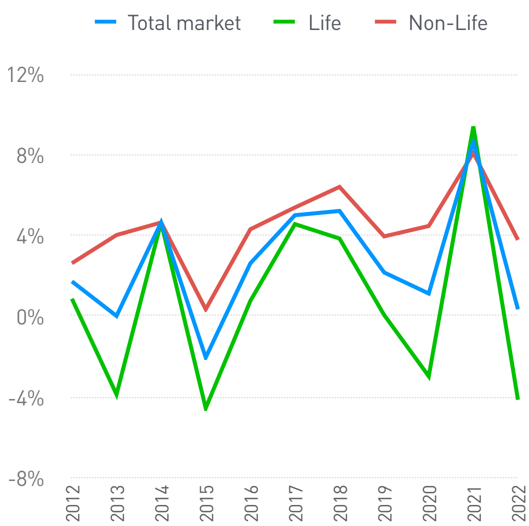
As a result, for 2023, the downward dynamic of activity in the region has led ECLAC to project GDP growth in which all subregions show weaker momentum compared to 2022: South America is expected to grow 1.2% (3.7% in 2022), the Central American and Mexico group by 3.0% (3.4% in 2022) and the Caribbean (not including Guyana) by 4.2% (6.3% in 2022). This poses a complex outlook for the region, in a context of tightening foreign and domestic financial conditions due to restrictive monetary policies to control inflation, a slowdown in employment growth (with high levels of informal employment and low rates of labor market participation), coupled with deteriorating public accounts that limit fiscal room to support economic growth. In addition, the slowdown and potential slide into recession in the United States and the problems in China's economy are contributing to the gloomy outlook for the coming years, as these are its two main trading partners.

Projections for 2024 forecast that the international context will remain somewhat unfavorable, with GDP growth and global trade below historical averages. Meanwhile, domestically, the reduced macroeconomic policy space, both fiscal and monetary, has continued. Consequently, there is concern about the job quality in this context of low growth, which will probably result in workers becoming more vulnerable, having lower levels of social protection and being employed in less productive sectors, leading to a decrease in average wages and increased levels of poverty and inequality in the region.

Finally, the low economic momentum expected for the immediate future may have a particular impact on investment, with a slowdown in the development of infrastructure projects to help improve the region's endemic structural problems, such as low productivity and the limited development of an intra-regional market, as well as the problems associated with natural disasters and climate change, such as the severe droughts that caused major problems for agriculture in 2022 and increased the price of energy, which was already under considerable pressure due to the international geopolitical context. In addition, the lack of a large pool of stable domestic savings[5] and the poor development of the education system still contribute to the problem of low productivity levels, which affect all sectors, including the service sector.

However, in 2022 direct foreign investment (DFI) in the region reached an all-time high of 215.7 billion dollars, according to ECLAC estimates, confirming the remarkable post-pandemic recovery. Meanwhile, direct investment by foreign residents more than doubled during the year, reaching 53.4 billion dollars. As a result, net direct investment in 2022 was 162.3 billion dollars, equivalent to 3.0% GDP, representing a significant increase

**Chart 1.1-c**
**Global: insurance market growth**
**(nominal growth rates in USD, % y/y)**




| | Total | Life | Non-Life |
|---|---|---|---|
| 2012 | 1.7% | 0.9% | 2.6% |
| 2013 | 0.0% | -3.9% | 4.0% |
| 2014 | 4.6% | 4.6% | 4.6% |
| 2015 | -2.0% | -4.5% | 0.4% |
| 2016 | 2.6% | 0.8% | 4.3% |
| 2017 | 5.0% | 4.6% | 5.4% |
| 2018 | 5.2% | 3.9% | 6.4% |
| 2019 | 2.2% | 0.1% | 4.0% |
| 2020 | 1.1% | -3.0% | 4.5% |
| 2021 | 8.7% | 9.4% | 8.1% |
| 2022 | 0.3% | -4.1% | 3.8% |

Source: MAPFRE Economics (based on Swiss RE data) compared to the 2.4% GDP registered on average during the 2019-2021 period. Most of this investment came from the United States and, in second place, the European Union. The reconfiguration of the global supply chain map favors DFI flows toward the region thanks to its proximity to the United States, especially for Mexico and Central America. However, Brazil became the greatest attraction, obtaining 41% of the total DFI in the region[6].

## Global economic environment and insurance demand

Insurance markets globally (unlike in Latin America) lost momentum in 2022, with disparate performance between the two major segments of the insurance business, with Non-Life insurance experiencing growth in premium income in local currency, largely influenced by an increase in both commercial and personal line prices, but also by an increase in volume, although many markets experienced a slowdown in growth. On the other hand, the Life insurance segment had largely negative performance in advanced markets, with lower revenues in savings products, mainly in unit-linked insurance, while developing and emerging markets registered more moderate increases than in previous years, with some notable exceptions, such as the Latin American region, which grew more than in the previous year. Global premiums reached 6.78 trillion dollars, versus 6.76 dollars in 2021, which represents 0.3% nominal growth (see Chart 1.1-c). As a result, global insurance density (premiums per capita) was 853 dollars (858 dollars in 2021) and penetration (premiums/GDP) was 6.8% (7.0% in 2021).

In many insurance markets, premium growth in the insurance industry was not able to combat the high inflation insurer, putting pressure in insurance prices and eroding its profitability. This was the case, for example, in three of the largest European markets, Germany, France and Italy, which also registered decreases in premium volume in the Life segment. However, some of the large markets, such as the United States, performed favorably in 2022, with increases in the Life, Non-Life and Health market segments. In that market, in the Non-Life segment, in particular, increases in average premium rates continue due to inflation and problems in the supply chain. In turn, the Life Savings business has been the main driver of the Life segment, and Medicare and Medicaid were the major drivers of the Health segment.

In the emerging markets of Asia-Pacific, the main driver came from India, while in advanced markets in the region, premiums decreased in most countries. Premium income of Chinese insurance companies reached 4.7 trillion yuan (about 700 billion U.S. dollars), up 4.6% year-on-year in local currency Meanwhile, Latin America was one of the regions with the best performance in the insurance industry worldwide in 2022, with significant growth in premiums issued, in both the Non-Life and the Life insurance segments, aided by the rapid response of the Latin American banks facing the spike in inflation, anticipating with interest rate hikes before the developed markets, which aided the recovery of the Life insurance business regionally, as opposed to what happened at the global level, in general, which experienced a decline.

In terms of profitability, throughout 2022 the insurance industry was negatively affected by higher inflation rates that expected, as well as by the difficulties passing on increases in the cost of claims and other operating expenses to the price of insurance in an economic context marked by economic slowdown as a result of tightening monetary policies in many of the world's major economies and the loss of household buying power due to inflation. However, the medium term, however, interest rate hikes helped to improve the financial profitability of the investment portfolios of the insurance companies, and opportunities are being created to develop savings-linked and life annuity Life insurance products, as was recorded in the Latin America region in 2022.

## Economic environment and insurance demand in Latin America

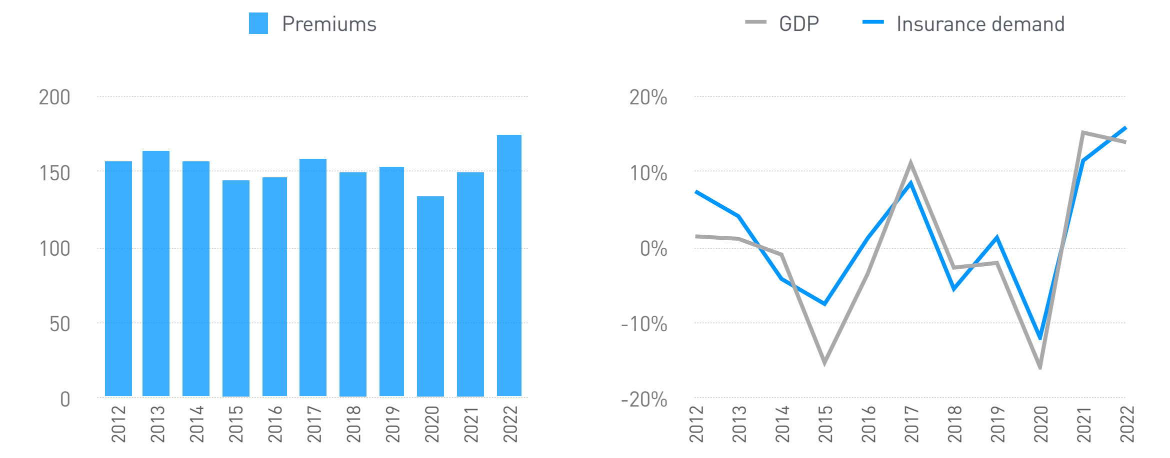
The Latin American Insurance Market reached a premium volume of 173.7 billion in 2022, an aggregate growth of 15.9% (11.5% in 2021), above the previous year's growth and exceeding pre-pandemic levels (see Chart 1.1-d). Despite the economic slowdown (partly due to the base effect of the previous year's atypical growth and the loss of purchasing power due to inflation), the main economies of the Latin American region performed better than initially expected, with a more appropriate interest rate environment for the development of the Life insurance segment that boosted the insurance industry, one of the regions worldwide with the greatest momentum, with growth higher than in the previous year and balanced in both business segments.

As stated above, unlike other regions globally, the rapid reaction of Latin America's main central banks raising interest rates to fight the sharp spike in inflation favored the Life savings and pension insurance, which demonstrated strong performance. These interest rate hikes also allowed higher yields to be offered in this type of products, acting as coverage against the loss of buying power and offering real positive profitability in some markets. It is also notable that monetary tightening helped improve the profitability of the insurance industry and generally resulted in favorable performance of exchange rates, which translated to the volume of the insurance business, benefiting from greater stability of their respective currencies and some of their large markets (particularly Brazil and Mexico)benefited from an appreciation of the exchange rate against the dollar, which in turn had a positive effect on their profitability by helping to partially control inflation.

## 1.2 Demographics

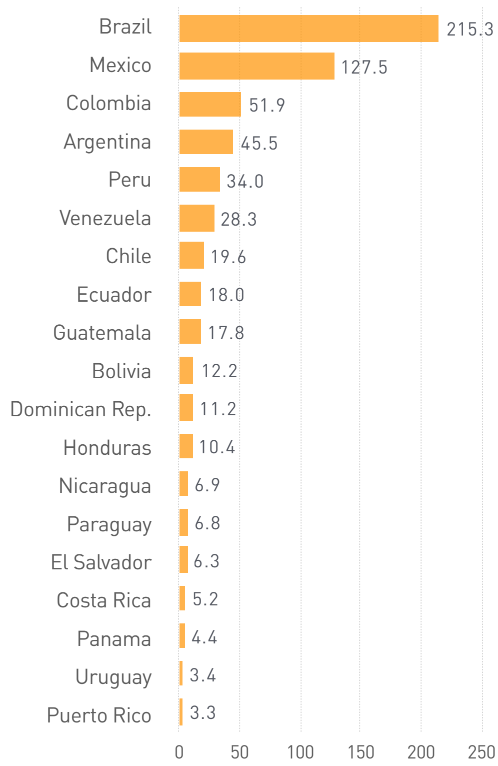
According to the latest population data released by the United Nations (UN) in 2022[7], the estimated population of the 19 Latin American countries featured in this report totaled 628.2 million people. Brazil and Mexico stand out, with populations of 215.3 and 127.5 million inhabitants, respectively. Colombia and Argentina both have populations of over 40 million inhabitants, with 51.9 and 45.5 million, respectively. These are fol-

**Chart 1.1-d**
**Latin America: economic growth and the insurance market**
**(premiums, billions of USD; annual nominal growth rates, % y/y)**




Source: MAPFRE Economics (based on regional supervisory body and IMF data) lowed by Peru and Venezuela, with populations of around 34.0 and 28.3 million inhabitants, respectively. The remaining countries of the region have populations of below 20 million, notably Chile, Ecuador and Guatemala, with populations ranging between 17 and 20 million inhabitants (see Chart 1.2-a).

Chart 1.2-a
Latin America: population, 2022
(millions)




Source: MAPFRE Economics (based on UN data)

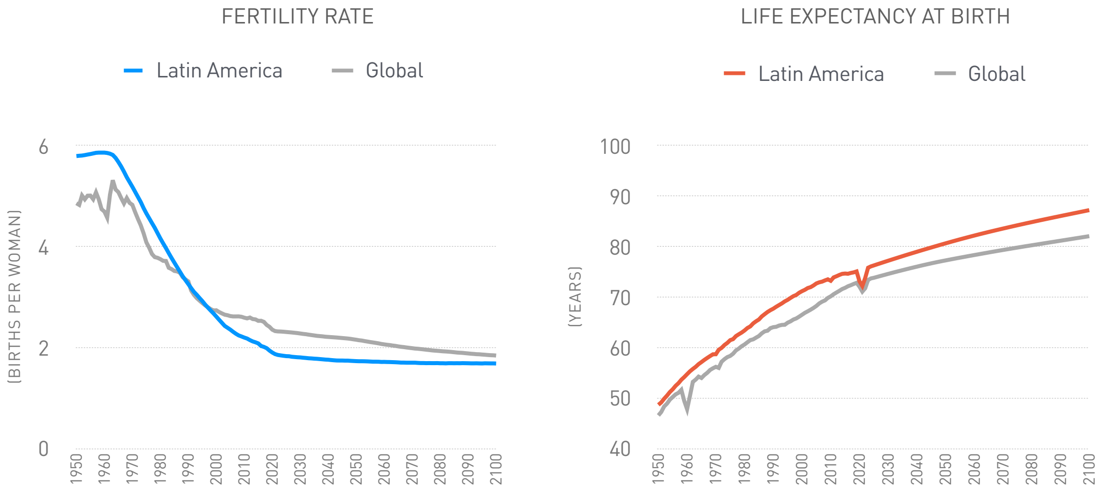
With regard to Latin America's demographic parameters, the updated projections produced by the UN for the region in 2022 continue to show a trend, on one hand, of declining fertility rates, and on the other, of increasing population longevity. As Chart 1.2-b shows, the Covid-19 pandemic hit the Latin American region hard[8]. According to the last United Nations estimates, the region lost 2.9 years of life expectancy at birth between 2019 and 2021, going from 75.1 years in 2019 to 72.2 years in 2021, the greatest loss in the world. However, according to its forecasts, in 2023, life expectancy in the region will exceed that of 2019, before the interruption of the pandemic, and will continue its growth trend until the end of the century, above the global average.

In line with forecasts provided in earlier versions of this report, between 1950 and 2022, life expectancy at birth in Latin America rose from 48.6 to 73.8 years, a gain of 25.2 years over that time. The projections confirm that, in the future, life expectancy in the region could grow at an approximate pace of two years per decade, to reach over 80.6 years of age by 2050 and exceed 87 years of age by the end of the century. In turn, birth rate projections have shown a sustained drastic decline, falling from numbers close to an average of 5.8 births per woman in the 1950s, stabilizing at 1.7 at the end of this century.

In terms of mortality, as illustrated in Chart 1.2-c, the pandemic affected older age cohorts with more intensity than the younger populations, both worldwide and in the Latin American region. This mortality trend resulting from the virus could have significantly altered the demographic trends being observed worldwide in recent decades: a general reduction in mortality rates (which only increase for ever more advanced ages) and the corresponding positive effect on life expectancy, combined with a drastic drop in the fertility rate. These factors have come to sustain a transitional dynamic toward more elderly populations, a process affecting all countries and regions of the world without exception, albeit more immediately and markedly so in developed countries, but also in the Latin America region. This process is reducing the labor force while increasing the proportion of people reaching old age, progressively increasing pressure on health and pension systems, especially those with a high weight of pay-as-you-go components.

Finally, it should be noted that some uncertainty remains about the possible future consequences of the pandemic on demographic trends, taking into account the indirect health effects, especially in patients who required

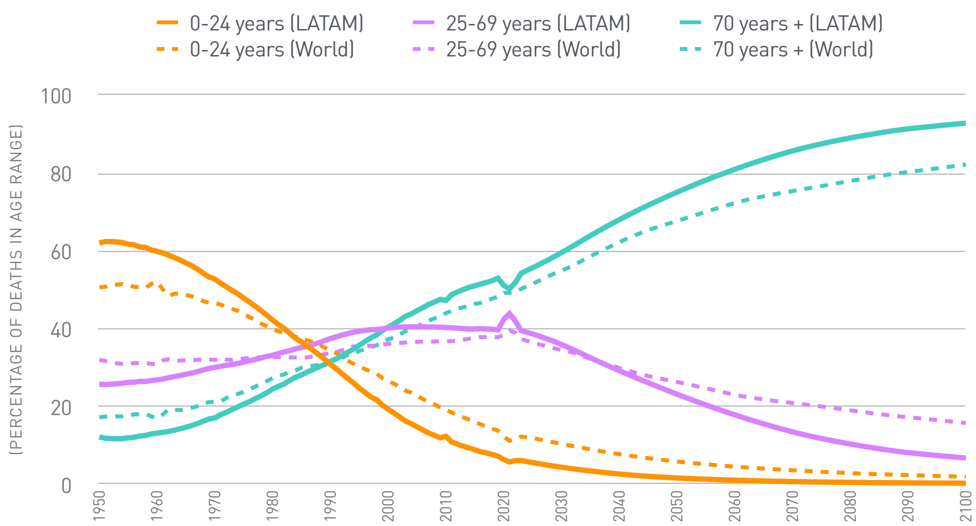
Chart 1.2-b
Latin America: fertility rate and life expectancy at birth, 1950–2100




Source: MAPFRE Economics (updated based on UN data)

intensive care or people who did not seek a diagnosis for another possible illness or deferred treatment for an existing serious condition during confinement. However, the latest United Nations forecasts seem to indicate that (in the absence of any additional unexpected events) this pandemic has not had sufficient impact to alter these structural dynamics of demographic development with a transition process towards older populations. As a result, as shown in the updated data presented in Chart 1.2-d, all these demographic factors foreshadow a progressive aging of the region's population

Chart 1.2-c
Latin America: percentage of deaths by age cohort, 1950–2100




Source: MAPFRE Economics (updated based on UN data)

Chart 1.2-d
Latin America: changes in the population pyramid, 1950–2100


Source: MAPFRE Economics (updated based on UN data) throughout this century, first giving rise to constrictive population pyramids (with a large share of the population at increasingly advanced ages), which are then set to converge into stationary pyramids toward the end of this century.

# 2. The Latin American Insurance Market in 2022

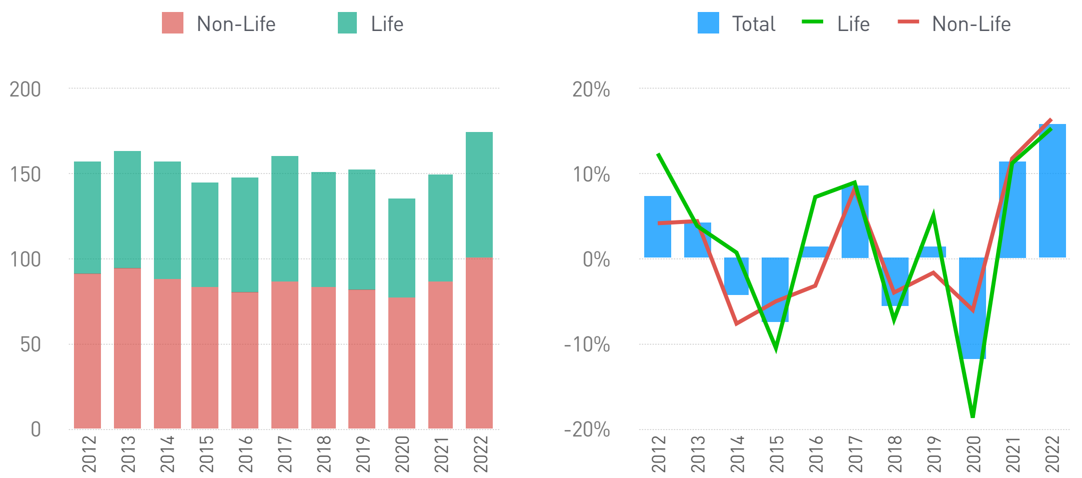
## 2.1 Insurance Market Performance

### Growth

In 2022, total premiums in Latin America were 173.675 billion dollars, of which 57.7% came from Non-Life insurance and the remaining 42.3% from Life insurance. As a result, aggregate premiums for the insurance industry in the region grew 15.9%, compared to 11.5% registered in 2021 (see Chart 2.1-a). The growth of the insurance market in the region has been influenced by the better than expected performance of their respective economies, as well as a more appropriate interest rate environment for the marketing of life savings and annuity products due to the change in the monetary policy stance applied by the main central banks in the region, with interest rate hikes to combat inflation. The limited development of insurance has also aided in the good performance of insurance activity in the region, enhancing its potential, showing elastic growth given GDP variations greater than those of developed markets.

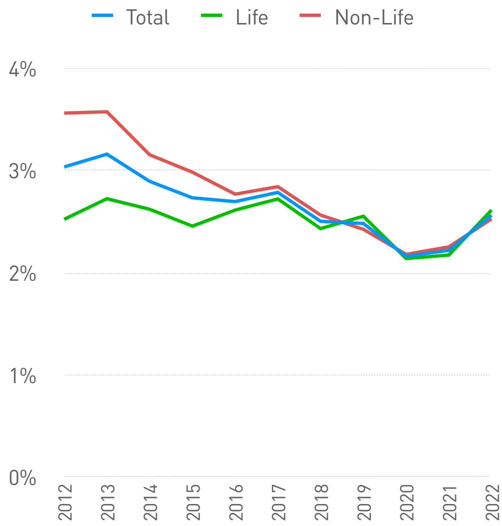
This strong performance of the Latin American insurance industry led the region's insurance market share in the world total to continue on the recovery path initiated in 2020, increasing by 0.4 percentage points (pp) between 2022 and 2021, to 2.6%, improving both the Non-Life business, whose share increased by 0.27 pp and, to a greater extent, the Life business, which recovered by 0.44 pp in the last year (see Chart 2.1-b). However, from a long-term perspective, Latin American participation in the global insurance business was on an upward trend leading to an increase in its relevance. While that participation was only 1.8% in 1980, by 2022 it had risen to 2.6%. However, since 2013 there has been a change in trends in both the Life and Non-Life business, which is more pronounced in the latter

**Chart 2.1-a**
**Latin America: growth developments in the insurance market**
**(premiums, billions of USD; annual nominal growth rates in USD, %)**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

**Chart 2.1-b**
**Latin America: share of global insurance premiums**
**(%)**

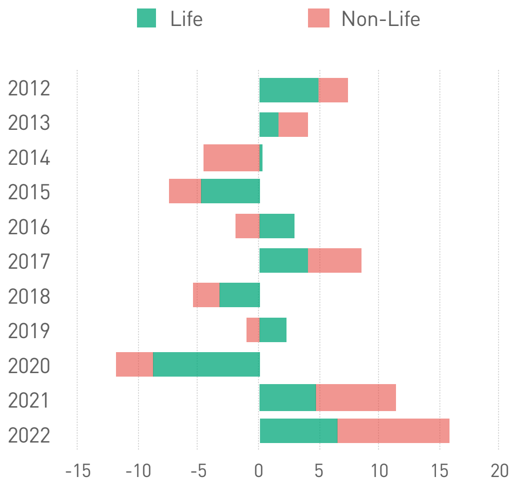



Source: MAPFRE Economics (based on data from supervisory bodies in the region and Swiss Re)

and seems to have reversed part of this progress, starting to recover again from 2021 onwards. In any case, the percentage remains low considering the size of the region's economy, which currently represents about 6% of global GDP.

This trend toward an increase in the Latin American insurance market's share in the global market has been interrupted during the periods of economic and financial crises that have affected the region, amplified by the effect of the depreciation of various countries' currencies, which typically accompanies such cyclical events. So, against the backdrop of the positive performance of 2017, in subsequent years the Latin American insurance industry once again experienced the consequences of the impact of currency depreciation against the dollar as a result of the process of monetary normalization carried out by the United States Federal Reserve in 2018, joining the strong impact of the Covid-19 pandemic in 2020, together with a series of structural weaknesses that have led to an amplification of the impact on some of the region's economies. However, in 2021 and 2022, their currencies have performed better, with greater stability, generally more moderate depreciation (except for a few specific cases) and even some economies, such as Brazil, Peru, the Dominican Republic, and Mexico, appreciating their average exchange rates for the year against the dollar. This was largely a consequence of the tightening of monetary policies implemented by most of the region's central banks in 2021.

**Chart 2.1-c**
**Latin America: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 7.4 | 5.0 | 2.5 |
| 2013 | 4.1 | 1.6 | 2.5 |
| 2014 | -4.2 | 0.3 | -4.4 |
| 2015 | -7.5 | -4.7 | -2.8 |
| 2016 | 1.2 | 3.1 | -1.8 |
| 2017 | 8.5 | 4.0 | 4.5 |
| 2018 | -5.5 | -3.3 | -2.2 |
| 2019 | 1.3 | 2.2 | -0.9 |
| 2020 | -11.9 | -8.7 | -3.3 |
| 2021 | 11.5 | 4.8 | 6.7 |
| 2022 | 15.9 | 6.5 | 9.4 |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

However, an analysis of the two major insurance business segments in the region shows that, in 2022, both the Life and Non-Life insurance segments made a positive and balanced contribution to the growth of the insurance industry, with the Non-Life segment contributing 9.4 pp more (6.7 pp in 2021) and the Life segment contributing 6.5 pp more (4.8 pp in 2021). As illustrated in Chart 2.1-c, when analyzing the performance of the region's insurance market in terms of contributions to growth over the last decade, it is clear that in the last two years the trend of erratic performance that began in 2014 has been broken, influenced by the improved performance of the business in local currency as well as the exchange rates in some of its main markets.

However, the spike in inflation in the region in 2022 caused some markets, which had registered real positive growth previously, to show declines as their nominal growth in local currency was corrected for the effect of inflation, resulting in declines in real growth,

**Table 2.1-a**
**Latin America: annual changes in premium volume, 2021-2022**
(growth in local currency, %)

| Country | Nominal growth | Real growth |
|---|---|---|
| Argentina | 82.2 | 5.6 |
| Bolivia | 14.2 | 12.2 |
| Brazil | 16.5 | 6.7 |
| Chile | 31.0 | 17.4 |
| Colombia | 33.8 | 21.4 |
| Costa Rica | 13.1 | 4.4 |
| Ecuador | 25,0 | 20.8 |
| El Salvador | 9.7 | 2.4 |
| Guatemala | 13.2 | 5.9 |
| Honduras | 11.1 | 1.8 |
| Mexico | 4.6 | -3.1 |
| Nicaragua | 10.6 | 0.1 |
| Panama | 5.6 | 2.7 |
| Paraguay | 12.3 | 2.3 |
| Peru | 5.9 | -1.8 |
| Puerto Rico | 8.4 | 3.9 |
| Dominican Republic | 12.0 | 2.9 |
| Uruguay | 16.0 | 6.4 |
| Venezuela | 190.1 | -3.6 |

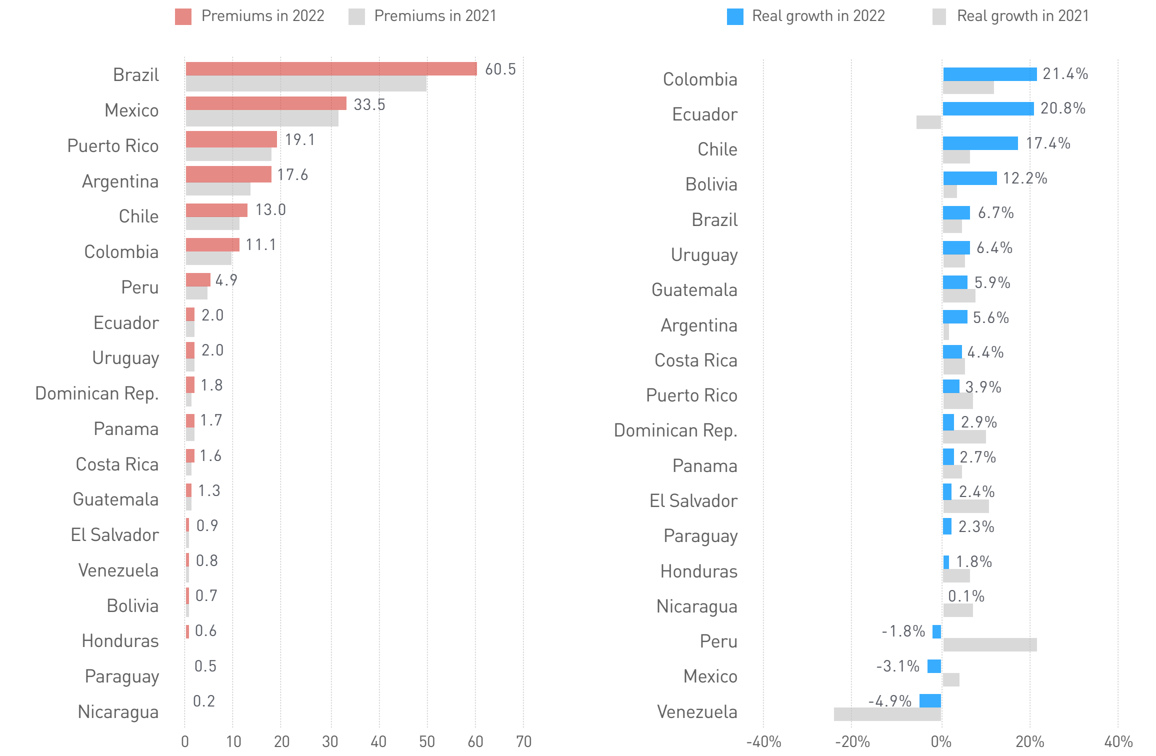
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

**Table 2.1-b**
**Latin America: premium volume and growth by country, 2022**
(premiums, millions of USD; growth in USD, % y/y)

| Country | Non-Life | | Life | | Total | |
|---|---|---|---|---|---|---|
| | Premiums | Growth 2021–2022 (%) | Premiums | Growth 2021–2022 (%) | Premiums | Growth 2021–2022 (%) |
| Argentina | 15,434.6 | 33.2 | 2,128.7 | 28.3 | 17,563.3 | 32.5 |
| Bolivia | 416.5 | 10.8 | 289.6 | 20.1 | 706.1 | 14.4 |
| Brazil | 23,308.7 | 29.9 | 37,206.3 | 17.3 | 60,515.0 | 21.8 |
| Chile | 6,354.6 | 7.3 | 6,691.6 | 21.2 | 13,046.2 | 14.0 |
| Colombia | 6,904.3 | 4.9 | 4,193.6 | 46.8 | 11,097.9 | 17.6 |
| Costa Rica | 1,280.7 | 5.8 | 291.6 | 22.6 | 1,572.4 | 8.6 |
| Ecuador | 1,407.0 | 21.8 | 600.2 | 33.0 | 2,007.2 | 25.0 |
| El Salvador | 552.8 | 11.0 | 353.9 | 7.8 | 906.7 | 9.7 |
| Guatemala | 970.0 | 11.4 | 315.6 | 18.0 | 1,285.6 | 13.0 |
| Honduras | 380.5 | 9.4 | 201.1 | 7.2 | 581.5 | 8.6 |
| Mexico | 18,378.7 | 8.6 | 15,078.2 | 1.9 | 33,456.9 | 5.5 |
| Nicaragua | 194.0 | 8.5 | 44.2 | 6.9 | 238.2 | 8.2 |
| Panama | 1,283.1 | 6.8 | 418.9 | 2.1 | 1,702.1 | 5.6 |
| Paraguay | 387.5 | 6.9 | 82.9 | 19.3 | 470.4 | 8.9 |
| Peru | 2,566.5 | 8.9 | 2,321.8 | 5.5 | 4,888.2 | 7.3 |
| Puerto Rico | 17,141.2 | 7.7 | 1,992.5 | 15.1 | 19,133.6 | 8.4 |
| Dominican Rep. | 1,469.4 | 15.0 | 283.4 | 24.1 | 1,752.8 | 16.3 |
| Uruguay | 1,008.0 | 18.7 | 956.6 | 27.5 | 1,964.7 | 22.8 |
| Venezuela | 780.8 | 42.3 | 5.3 | 86.1 | 786.1 | 42.6 |
| **Total** | **100,218.8** | **16.4** | **73,456.0** | **15.3** | **173,674.9** | **15.9** |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.1-d
Latin America: insurance market premiums and real growth
(billions of USD; real growth in local currency, %)




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

as in the cases of Mexico and Peru (see Chart 2.1-d and Tables 2.1-a and 2.1-b). For the rest, with the exception of Venezuela, an individualized analysis of insurance activity growth in local currency for each of the markets analyzed confirms that the growth in real terms was virtually universal in the region. Of these, only Ecuador went from negative real growth in the previous year to positive growth in 2022 (20.8%), with the second highest growth after Colombia (21.4%).

## Performance by line of business

Premiums in Latin America and the Caribbean in the Life insurance segment again showed significant growth, higher than the previous year, at 15.3% measured in dollars (11.2% in 2021), as did Non-Life insurance premiums, which grew by 16.4% (compared to 11.7% in 2021). In 2022, the economic backdrop for the insurance industry in both business segments remained favorable, and further interest rate hikes in response to the sharp upturn in inflation created an environment conducive to the development of the life savings and annuities segment. Meanwhile, the main driver of growth in Non-Life insurance was the Automobile line, which had suffered at the worst moments of the pandemic. Health insurance, in turn, had significant growth, but less than the previous year (see Table 2.1-c).

In 2022, the important contribution by the Colombian market to the growth of the Life insurance segment at the regional level is notable, which combined with the good performance of the Brazilian market (the main market in the region) and other markets with significant weight such as Argentina and Chile. In general, as detailed on the cited Table 2.1-b, many markets in the region experienced double-digit growth in dollars in

Table 2.1-c
Latin America: premium volume by insurance line, 2022
(premiums, millions of USD)

| Lines of business | 2021 | 2022 | growth (%) | Share % |
|---|---|---|---|---|
| **Life** | **63,711.7** | **73,456.0** | **15.3%** | **42.3** |
| Life — individual and group | 55,023.7 | 62,230.6 | 13.1% | 35.8 |
| Life — social security and/or | 8,688.0 | 11,225.4 | 29.2% | 6.5 |
| **Non-Life** | **86,098.6** | **100,218.8** | **16.4%** | **57.7** |
| Workplace accidents | 4,801.5 | 5,956.8 | 24.1% | 3.4 |
| Personal Accidents | 3,765.6 | 4,093.9 | 8.7% | 2.4 |
| Automobiles | 23,624.0 | 29,676.8 | 25.6% | 17.1 |
| Credit and/or surety | 2,171.0 | 2,575.5 | 18.6% | 1.5 |
| Fire and allied lines | 9,520.9 | 10,125.6 | 6.4% | 5.8 |
| Other Damage | 13,000.9 | 15,641.9 | 20.3% | 9.0 |
| Third-party liability | 3,161.9 | 3,404.9 | 7.7% | 2.0 |
| Health | 22,702.9 | 25,072.3 | 10.4% | 14.4 |
| Transport | 3,349.9 | 3,671.2 | 9.6% | 2.1 |
| **Total** | **149,810.3** | **173,674.9** | **15.9%** | **100.0** |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

this insurance segment. In the Life business, premiums for both individual and group Life insurance policies, which represent 35.8% of the total premiums in the region, experienced a growth rate of 13.1% (8.7% in 2021). Meanwhile, Social and Pension insurance again experienced significant growth of 29.2% (30.0% in 2021), with a still relatively low weight in the region's Life business, representing 6.5% of total premiums in 2022, although with an upward trend.

In the Non-Life insurance segment, virtually every market in the region saw growth, with the Colombian market showing the lowest growth in dollar terms, in contrast to the significant growth in Life insurance. At the aggregate level, the Non-Life insurance segment in the region outperformed the Life segment, with a notable resurgence of the Automobile line, which represents 17.1% of the total premiums in the region and grew by 25.6%(8.7% in 2021), allowing it to exceed pre-pandemic premium levels (-16.1% in 2020). The Health line, in turn, slowed, although it also performed well with 10.4% premium growth in 2022 (11.0% 2021). The growth of other lines of the Non-Life business, such as Workplace Accidents (24.1%) and Other liability (20.3%), was also noteworthy.

## Results and profitability

The structure of the income statement for Latin American insurance markets in 2022 is presented on Table 2.1-d. According to this data, profitability indicators recovered from the significant decline experienced the year before due to the overall increase in the loss ratio in business lines like Automobile or Health after the process of reopening the economy, along with some excess mortality as a result of the pandemic, which affected the profitability of Life risk insurance. As a result, in 2022, the aggregate net earnings of the Latin American insurance market stood at 9.909 billion dollars, representing growth of 49.8% compared to the equivalent aggregate earnings of the previous year. However, despite this growth, the aggregate regional results were still below the levels reached in the years prior to the Covid-19 pandemic.

It is evident from the data presented on Table 2.1-e that many of the markets in the region

**Table 2.1-d**
**Latin America: income statement by country, 2022**
**(millions of USD)**

| Country | Earned premiums | Loss ratio | Operating expenses | Technical result | Financial result | Other revenues and expenses | Net result |
|---|---|---|---|---|---|---|---|
| Argentina | 16,559.8 | -8,113.3 | -6,641.7 | 1,804.8 | -2,640.2 | 85.3 | -750.1 |
| Bolivia | 517.8 | -185.6 | -324.3 | 7.8 | -0.2 | 1.9 | 9.5 |
| Brazil | 24,050.0 | -10,808.7 | -11,576.0 | 1,665.3 | 3,519.6 | -756.3 | 4,428.6 |
| Chile | 11,121.9 | -10,089.7 | -2,804.5 | -1,772.2 | 3,019.2 | 172.7 | 1,419.8 |
| Colombia | 6,212.3 | -4,339.7 | -3,137.2 | -1,264.5 | 1,966.9 | -80.9 | 621.5 |
| Costa Rica | 1,154.0 | -605.3 | -555.9 | -7.2 | 114.8 | -16.7 | 91.0 |
| Ecuador | 1,231.7 | -535.1 | -354.2 | 342.4 | 45.4 | -322.2 | 65.7 |
| El Salvador | 558.3 | -321.8 | -230.3 | 6.2 | 12.6 | 34.6 | 53.4 |
| Guatemala | 829.6 | -476.3 | -255.1 | 98.2 | 61.7 | -2.7 | 157.1 |
| Honduras | 268.2 | -119.7 | -113.9 | 34.5 | 13.3 | -7.4 | 40.4 |
| Mexico | 23,730.8 | -18,302.5 | -7,496.0 | -2,067.7 | 2,861.2 | 2,050.8 | 2,844.3 |
| Nicaragua | 111.0 | -47.0 | -60.7 | 3.2 | 17.9 | -3.6 | 17.5 |
| Panama | 1,206.2 | -754.0 | -406.0 | 46.2 | 8.4 | - | 54.6 |
| Paraguay | 341.3 | -158.3 | -175.9 | 7.1 | 22.5 | 0.1 | 29.7 |
| Peru | 2,677.3 | -1,521.5 | -1,579.3 | -423.5 | 818.2 | -7.0 | 387.8 |
| Puerto Rico | - | - | - | - | - | - | 319.7 |
| Dominican Republic[1] | 820.5 | -482.6 | -318.0 | 19.8 | 65.0 | 33.1 | 117.9 |
| Uruguay | 1,748.2 | -1,214.4 | -604.1 | -70.4 | 157.8 | -3.7 | 83.7 |
| Venezuela | 321.4 | -126.1 | -174.7 | 20.6 | 11.1 | 3.6 | 35.2 |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)
1/ The data corresponds to the year 2021 (latest available).

presented positive aggregate net results, highlighting the significant growth in the results of the two largest markets, Brazil and Mexico, as well as other markets with a significant share of business volume like Colombia and Peru. In the markets of Argentina, Chile, Costa Rica, Nicaragua, Panama, Paraguay, Puerto Rico and Uruguay, profits in dollars decreased versus the previous year. Among them, however, only Argentina presented a net negative result in 2022.

Meanwhile, Table 2.1-f complements the analysis with data relating to return on equity (ROE) and return on assets (ROA) in the region's various insurance markets in 2022. In this sense, the insurance markets of Guatemala (25.9%), Brazil (21.9%), Mexico (21.5%), Chile (19.8%), Peru (17.1%) and Colombia (16.3%) presented the highest ROE indices. In contrast, the insurance markets in Argentina (-10.4%), Bolivia (2.8%), Panama (3.7%), and Costa Rica (4.6%) had the lowest relative levels of this indicator.

## Capitalization levels

Chart 2.1-e presents data related to the capitalization level (measured as shareholders' equity over total assets) of the insurance industries of each of the countries analyzed in this report. In this regard, as noted in previous versions of this report, the smaller insurance markets in the region tend to have higher capitalization ratios, while in markets with a higher degree of relative development,

Table 2.1-e
Latin America: net result by country, 2022
(millions of USD)

| Country | 2021 | 2022 | Growth 2021–2022 (%) |
|---|---|---|---|
| Argentina | -584.1 | -750.1 | -28.4 |
| Bolivia | 4.9 | 9.5 | 94.9 |
| Brazil | 2198.8 | 4428.6 | 101.4 |
| Chile | 1477.2 | 1419.8 | -3.9 |
| Colombia | 231.5 | 621.5 | 168.4 |
| Costa Rica | 256.5 | 91.0 | -64.5 |
| Ecuador | -5.0 | 65.7 | 1,401.4 |
| El Salvador | 19.0 | 53.4 | 181.4 |
| Guatemala | 118.4 | 157.1 | 32.6 |
| Honduras | 22.3 | 40.4 | 80.9 |
| Mexico | 1884.7 | 2844.3 | 50.9 |
| Nicaragua | 20.9 | 17.5 | -16.3 |
| Panama | 136.2 | 54.6 | -59.9 |
| Paraguay | 32.6 | 29.7 | -8.7 |
| Peru | 107.8 | 387.8 | 259.8 |
| Puerto Rico | 480.4 | 319.7 | -33.4 |
| Dominican Republic[1] | 117.9 | | |
| Uruguay | 185.9 | 83.7 | -55.0 |
| Venezuela | 27.8 | 35.2 | 26.8 |
| TOTAL | 6,615.7 | 9,909.4 | 49.8 |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

1/ The data corresponds to the year 2021 (latest available).

Table 2.1-f
Latin America: profitability by country, 2022
(in local currency)

| Country | Equity/ assets | ROE | ROA | Average inflation |
|---|---|---|---|---|
| Argentina | 30.0% | -10.4% | -3.1% | 72.4% |
| Bolivia | 26.8% | 2.8% | 0.8% | 1.7% |
| Brazil | 7.0% | 21.9% | 1.5% | 9.3% |
| Chile | 9.9% | 19.8% | 2.0% | 11.6% |
| Colombia | 14.8% | 16.3% | 2.5% | 10.2% |
| Costa Rica | 44.7% | 4.6% | 2.1% | 8.3% |
| Ecuador | 30.1% | 10.9% | 3.3% | 3.5% |
| El Salvador | 41.3% | 12.6% | 5.2% | 7.2% |
| Guatemala | 35.7% | 25.9% | 9.2% | 6.9% |
| Honduras | 35.4% | 14.4% | 4.9% | 9.1% |
| Mexico | 13.0% | 21.5% | 2.8% | 7.9% |
| Nicaragua | 42.8% | 9.4% | 4.1% | 10.4% |
| Panama | 39.7% | 3.7% | 1.5% | 2.9% |
| Paraguay | 40.6% | 10.6% | 4.3% | 9.8% |
| Peru | 12.4% | 17.1% | 2.1% | 7.9% |
| Puerto Rico | 27.9% | 8.9% | 2.6% | 4.3% |
| Dominican Republic[1] | 32.2% | 21.9% | 7.0% | 8.2% |
| Uruguay | 11.3% | 9.6% | 1.1% | 9.1% |
| Venezuela | 35.4% | 6.1% | 2.1% | 200.9% |

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

1/ The data corresponds to the year 2021 (latest available).

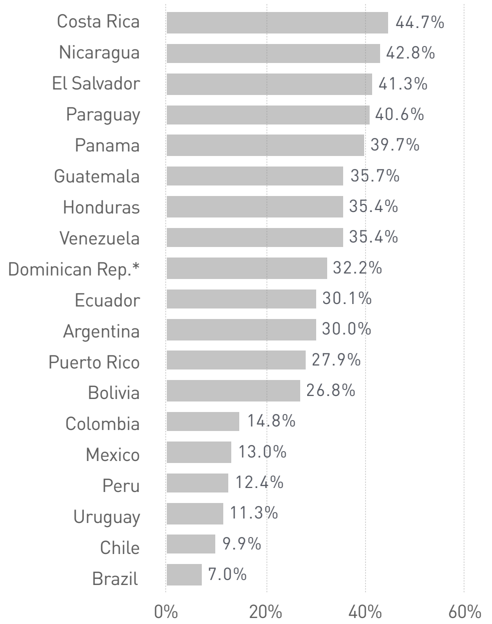
especially if measured in terms of depth (Brazil, Chile, Uruguay, Peru, and Mexico), the indicator is lower, more in line with the ratios of insurance markets in advanced economies. It should be noted that this trend is supported by the 2022 data, as shown in the above-mentioned Chart 2.1-e.

## Insurance industry concentration levels

From an economic standpoint, measuring the concentration level of an industry gives us an overview of a market's competition levels. As such, the lower the concentration, the greater the current competitive incentive and, as a result, a factor that further drives market development. As this is a structural aspect, the concentration levels of the Latin American insurance industry in 2022 did not change significantly with respect to the previous year.

As a result, in 2022, the Latin American insurance markets with the highest concentration levels were Uruguay, Costa Rica, and Ni-

**Chart 2.1-e**
**Latin America: capitalization level, 2022**
**(equity/assets, %)**



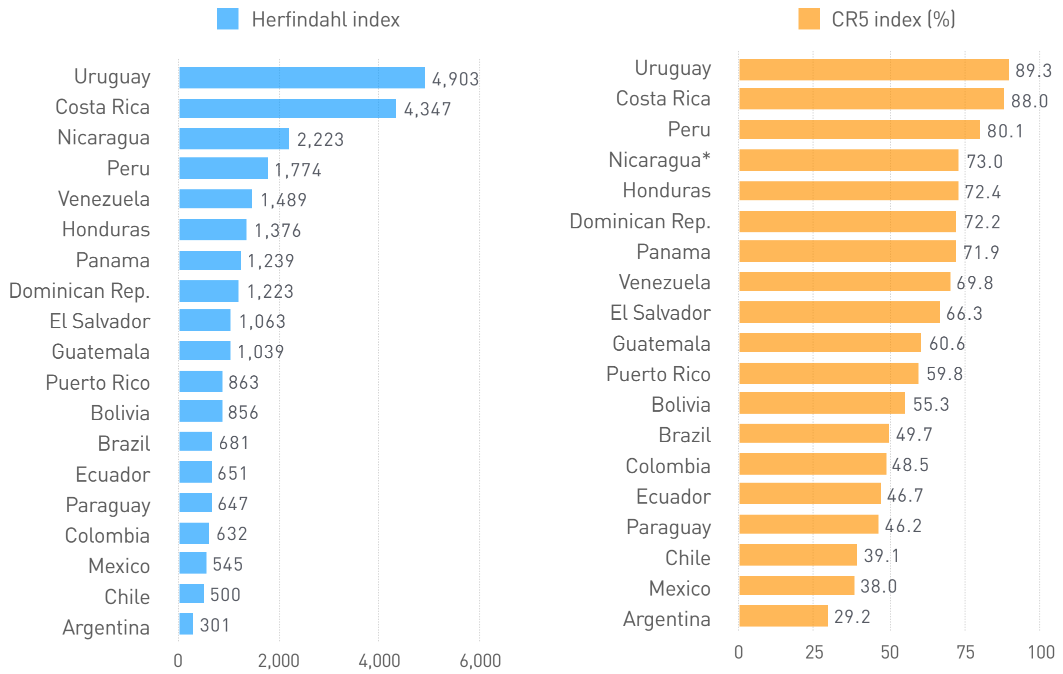

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

* The data corresponds to the year 2021 (latest available).

caragua with a Herfindahl index above the threshold associated with a highly concentrated industry (HHI>1800). Meanwhile, Peru, Venezuela, Honduras, Panama, the Dominican Republic, El Salvador, and Guatemala achieved index values equating to concentrated markets, albeit with a moderate level of concentration (1000<HHI<1800).

The other remaining Latin American markets reported indices below 1000 points, i.e. below the threshold associated with moderate levels of concentration. Likewise the market share of the top five largest insurers (CR5) in each market, which confirms the existence of the concentration levels described based on the Herfindahl index (see Chart 2.1-f).

**Chart 2.1-f**
**Latin America: Herfindahl and CR5 indexes, 2022**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

* Corresponds to the CR3 estimate, whereby a total of only five insurance companies operate in this market.

## 2.2 Structural trends

### Penetration, density and depth

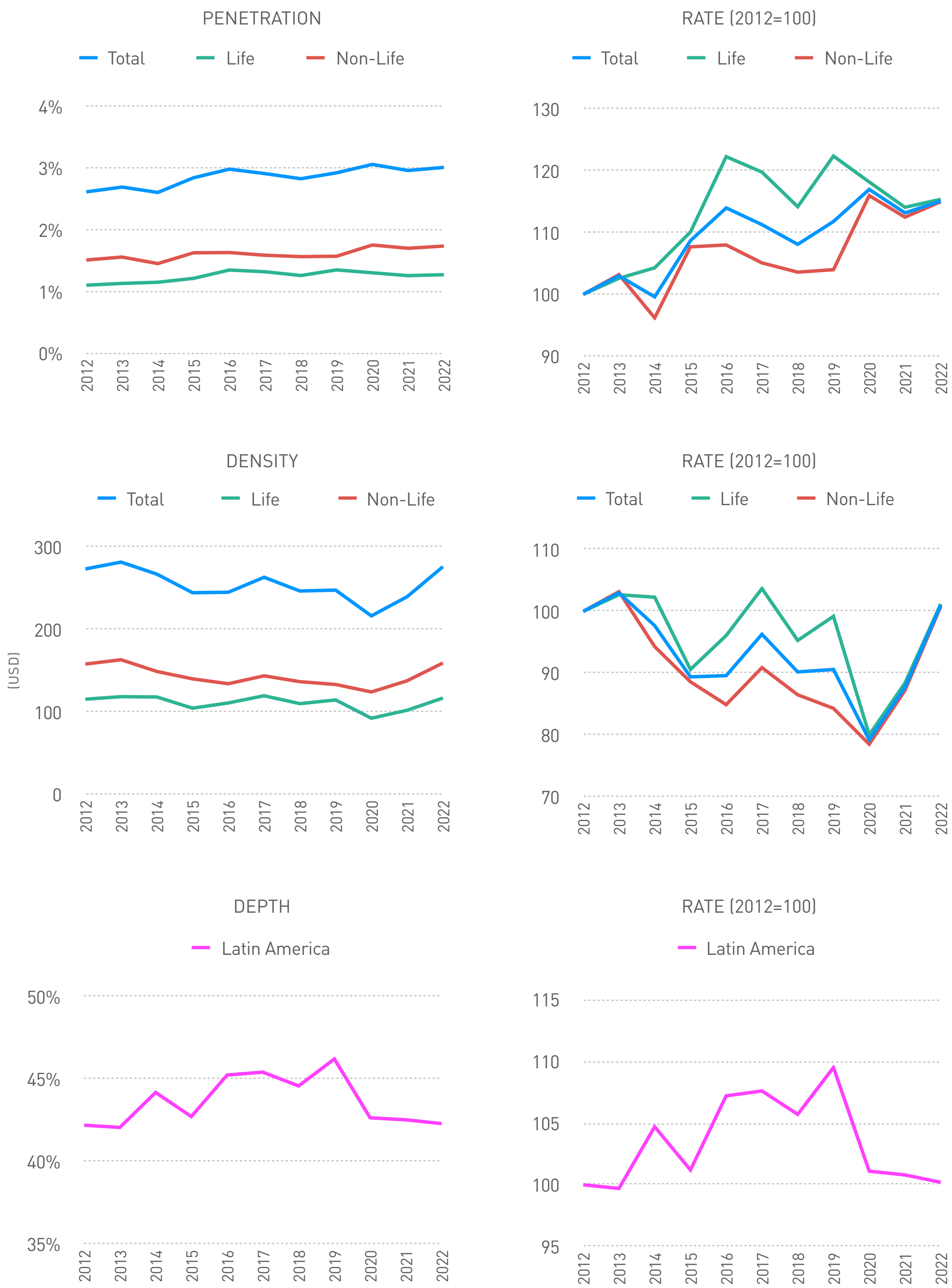
Chart 2.2-a shows the structural trends in the Latin American insurance industry analyzed as a whole over the 2012-2022 period[9]. In this sense, the region's average penetration rate (premiums/GDP) was 3.01% in 2022, 0.05 percentage points (pp) higher than the previous year. It is notable that this indicator improved in both the Non-Life Insurance segment (1.74% versus 1.70% the previous year) and, to a lesser degree, in the Life Insurance segment (1.27% versus 1.26% the previous year). As shown in Chart 2.2-b, Puerto Rico continues to report the highest penetration and density (premiums per capita) indices in the region, reaching 16.4% and 5,883 dollars in 2022, respectively. This is because the Puerto Rican premium volume includes Health insurance for the poorest populations, which is managed by the private insurance industry but covered by the government's budget. In addition to this, this is also the business segment with the best performance in the context of the health crisis caused by the pandemic. After Puerto Rico, Chile (4.3%), Colombia (3.2%), and Brazil (3.1%) reported the highest penetration indices in 2022, above the regional average (3.01%).

To supplement the analysis of penetration levels, Chart 2.2-c presents penetration level variation for the various markets in 2022 compared to the previous year and over the course of the 2012-2021 decade. This information shows that, in 2022, all insurance markets in the region improved the figures for this indicator compared to the previous year, with the only exceptions being Venezuela, Puerto Rico, Panama, Nicaragua, Mexico, and El Salvador. Meanwhile, the greatest advances in the 2012-2021 period were in the Puerto Rican, Uruguayan, and Colombian markets.

A pertinent aspect in the explanation of penetration levels in Latin America has to do with the application of explicit public policies that use the insurance mechanism as a factor in the achievement of major social objectives. As a result, in several of the region's countries, the application of this type of public policies linked to social security systems is noteworthy, as in the case of private insurance industry participation in the pension system by offering life annuities, coverage of the mandatory health care system, and medical care and compensation for work-related accidents and occupational illnesses. Chart 2.2-d presents a comparative analysis of the region's markets, adjusting the penetration levels to neutralize the effect those public policy decisions have on the penetration level of their respective markets. The most striking case is Puerto Rico, which follows a system similar to that of the United States for mandatory health coverage managed by private insurance companies. These mechanisms also have considerable influence on penetration levels in the Chilean and Uruguayan markets, due to the role of private insurance companies in their pension systems, which in both cases entail a 1.4 pp increase in penetration in 2022, as well as the cases of Colombia and Argentina, due to the coverage of work-related accidents through private insurance companies, among the most noteworthy.

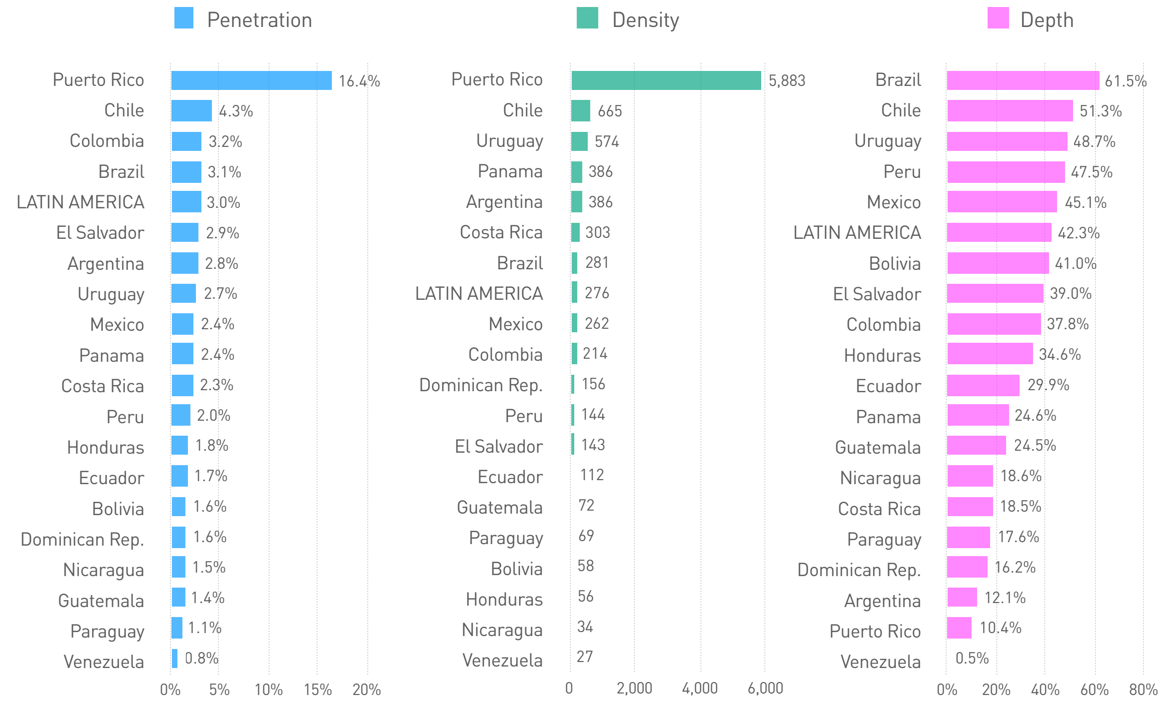
In summary, a medium-term analysis perspective (2012-2022) shows that there has been a 0.4 pp increase in penetration in the region (in terms of GDP), which represents a slight reduction versus the previous figure (0.5 pp), once the distortions caused by the abrupt movements in GDP during the worst phases of the pandemic have been overcome. The cumulative increase in penetration in the Life insurance segment in 2012-2022 came to 15.4%, while the cumulative increase in Non-Life insurance was 15.0% over the same period. In any case, apart from the one-off event caused by the sharp contraction in GDP due to the pandemic, which led to an atypical increase in penetration, an upward trend in insurance penetration in the Latin American region has continued throughout the decade, to which the development of Life insurance

**Chart 2.2-a**
**Latin America: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-b
Latin America: penetration, density and depth indexes, 2022
(premiums/GDP, %; premiums per capita, USD; Life premiums/total premiums, %)



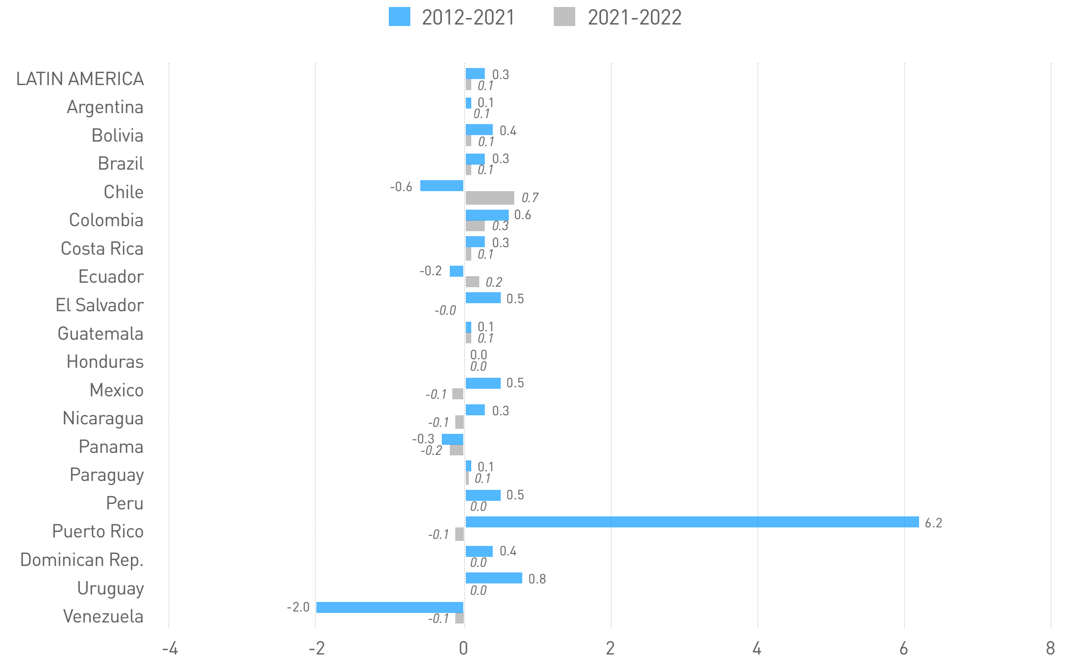

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

and, to a lesser extent, Non-Life insurance have mainly contributed, although the strong performance of Health insurance as a result of the pandemic has also been a factor in closing the gap over the decade as a whole with respect to Life insurance.

The density indicator (premiums per capita) were 276.4 dollars in 2022, a 15.2% increase over the level of the previous year (see the cited Chart 2.2-a). The significant growth in premiums in the insurance industry in 2022 and the improved performance of exchange rates against the dollar explain this improvement in the level of density compared to the previous year in many countries of the region, many exceeding pre-pandemic levels (see Chart 2.2-e). A large part of insurance spending per person in most of the region remains focused on the Non-Life segment (159.5 dollars), up 15.6% compared to the previous year. Meanwhile, life insurance density amounted to 116.9 dollars, 14.5% above that of 2021. However, between 2012 and 2022, density (measured in dollars) is slightly higher than a decade ago, increasing by 1.0% in that period, after overcoming a downward trend since 2013. The cumulative increase in the Life insurance market over the period amounted to 1.2% (rising from 115.5 dollars to 116.9 dollars), while cumulative growth in Non-Life insurance was 0.8% (from 158.2 dollars to 159.5 dollars). This new density measurement at the regional level shows an improvement over the analysis of the 2011-2021 decade in our previous report[10].

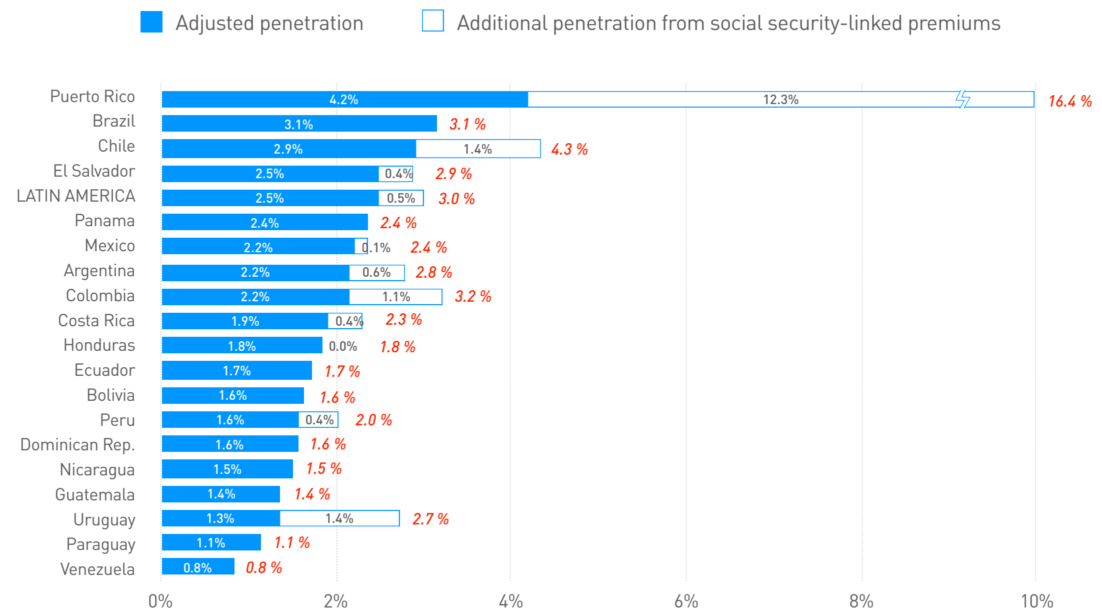
Finally, as shown in the cited Chart 2.2-a, the insurance deepening index in the region (the ratio between Life insurance premiums and total premiums) was 42.3% in 2022, -0.2 pp below the value registered in 2021. The decline in this indicator in 2022 was due to the stronger performance of the Non-Life segment, which grew more than the Life segment, which also performed well, despite

**Chart 2.2-c**
**Latin America: changes in penetration, 2012-2022**
**(percentage points)**



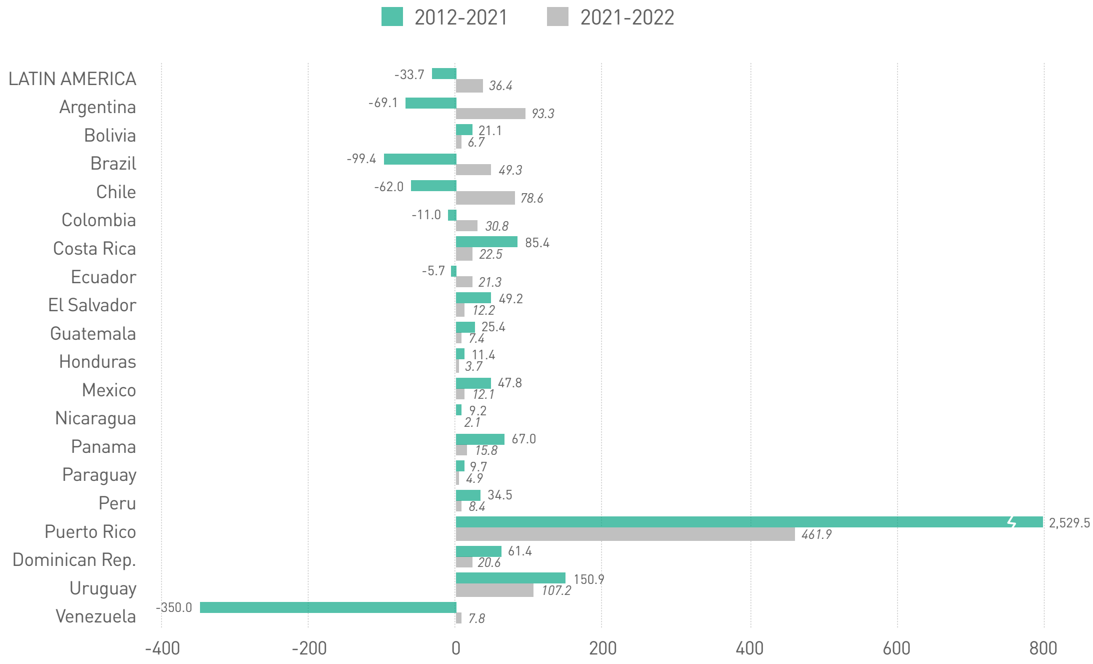

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

**Chart 2.2-d**
**Latin America: insurance penetration adjusted for the effect of social security-linked premiums, 2022**
**(premiums/GDP, %)**



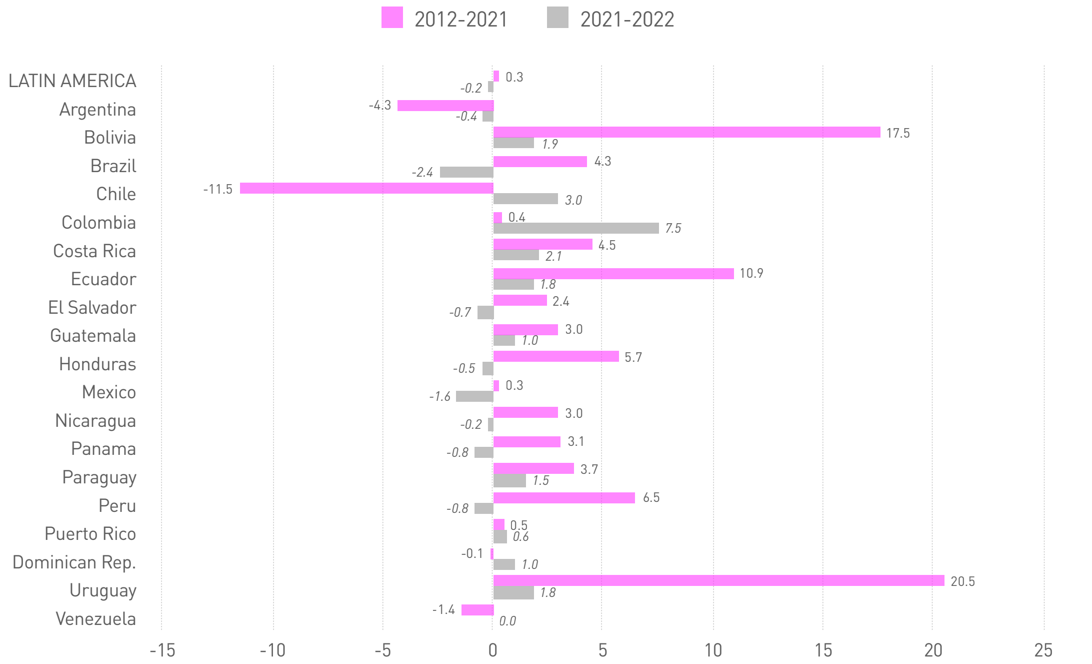

Source: MAPFRE Economics (based on data from supervisory bodies in the region and IMF)

**Chart 2.2-e**
**Latin America: changes in density, 2012–2022**
**(USD)**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

**Chart 2.2-f**
**Latin America: changes in depth, 2012–2022**
**(percentage points)**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

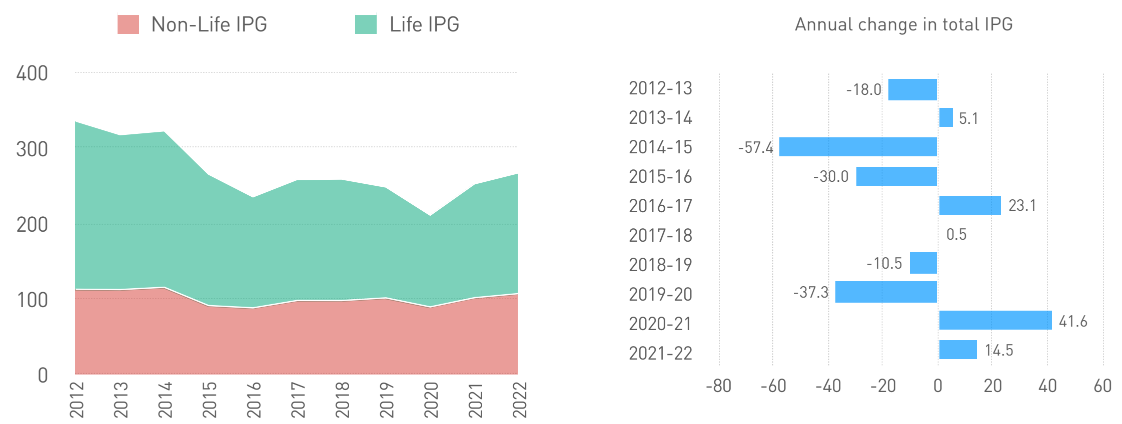
showing lower growth than the Non-Life. The analysis by country shows that, between 2021 and 2022, Argentina, Brazil, El Salvador, Honduras, Mexico, Nicaragua, Panama, and Peru showed reductions in the indicator (see Chart 2.2-f). In the medium-term analysis (2012-2022), meanwhile, the indicator for the region continues to show a slight improvement over the last decade, with a cumulative increase of 0.1 pp in that period.

## Insurance Protection Gap estimate

Chart 2.2-g presents the updated Insurance Protection Gap (IPG)[11] estimate for Latin America. The IPG represents the difference between the insurance coverage that is economically necessary and beneficial to society, and the amount of coverage actually acquired. Its determination helps to identify not only the gap in terms of societal under-insurance, but also the potential market for insurance, which is the market size that could be achieved were the gap eradicated. It is worth noting that, by its nature, the IPG is not a static concept, but rather on the contrary, this potential insurance coverage area is continually modified depending on both the growth of each country's economy and on the emergence of new risks to be covered that are inherent to economic and social development. Furthermore, the IPG is also strongly correlated with market growth: *quantitatively*, the gap is reduced as the penetration rate increases, and *qualitatively*, the gap also tends to decrease as markets become more sophisticated and mature. Hence, factors such as sustained economic growth, low inflation, higher personal disposable income, the general development of the financial system, an efficient regulatory framework, and the application of public policies aimed at increasing financial inclusion and education are factors that stimulate a decrease in the IPG in the medium-term.

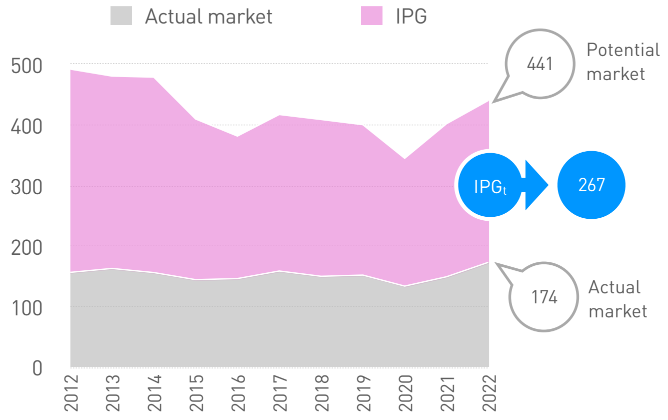
The IPG for the Latin American insurance market is estimated at 267.2 billion dollars for 2022, up 5.8% (14.5 billion dollars) from the 2021 estimate. As a structural measurement, the composition of the IPG does not show significant changes with respect to our previous report, confirming the predominance of Life insurance in its makeup. As a result, in 2022, 59.9% of the IPG corresponded to Life insurance (160 billion dollars), while Non-Life insurance accounted for 40.1% of the gap, equivalent to 107.2 billion dollars. It is worth noting that the abrupt contraction and subsequent recovery of GDP as a result of the lockdowns and subsequent

**Chart 2.2-g**
**Latin America: Insurance Protection Gap**
**(billions of USD)**




Source: MAPFRE Economics

**Chart 2.2-h**
**Latin America: Insurance Protection Gap and potential market**
**(billions of USD)**



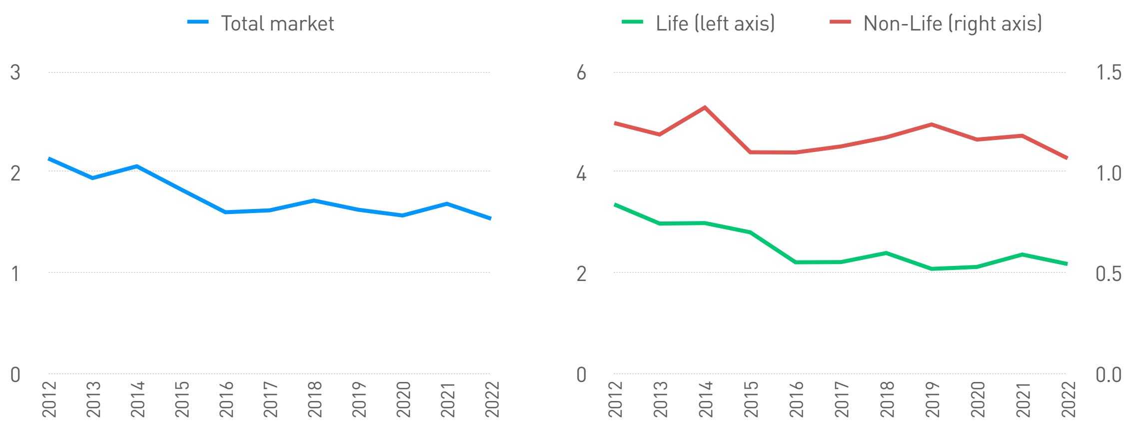

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 10.6% | -20.4% |
| 2022-2021 | 15.9% | 5.8% |

Source: MAPFRE Economics

economic reopening after the outbreak of the pandemic, which were not fully passed on to the insurance industry, had a major influence on the significant swings in insurance penetration that were passed on to the gap calculation (particularly in 2020). However, the situation has normalized in 2022, returning to pre-pandemic levels. In this way, the potential insurance market in Latin America in 2022 (measured as the sum of the actual insurance market and the insurance gap) was 440.9 billion dollars, or 2.5 times the current market in the region (see Chart 2.2-h).

Chart 2.2-i, meanwhile, shows the insurance gap in relative terms; that is, as a multiple of the currently existing market. According to this analysis, the region's insurance gap between 2012 and 2022 maintains a decreasing trend, both when analyzing the total market (which dropped from 2.1 to 1.5 times the actual market during that period) and when analyzing the Life segment (which dropped from 3.4 to 2.2 times the corresponding market).

**Chart 2.2-i**
**Latin America: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**

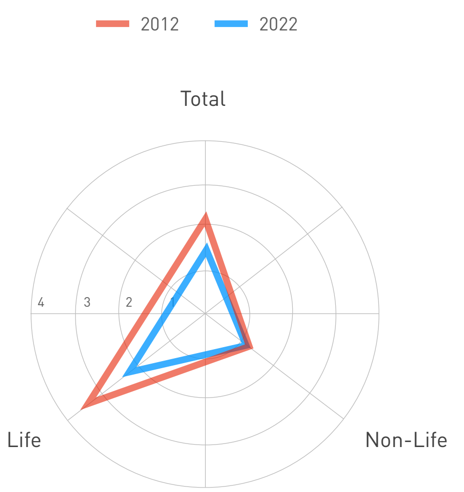



Source: MAPFRE Economics

Chart 2.2-j schematically summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Latin American insurance market between 2012 and 2022. In this sense, over that period of time, improvement in the total insurance gap in the region is evident, especially driven by the reduction of the IPG in the Life segment (the segment with the least relative development in the region, and therefore greatest relative growth), while the Non-Life insurance gap as a multiple of the real market presents a lesser reduction in the same period.

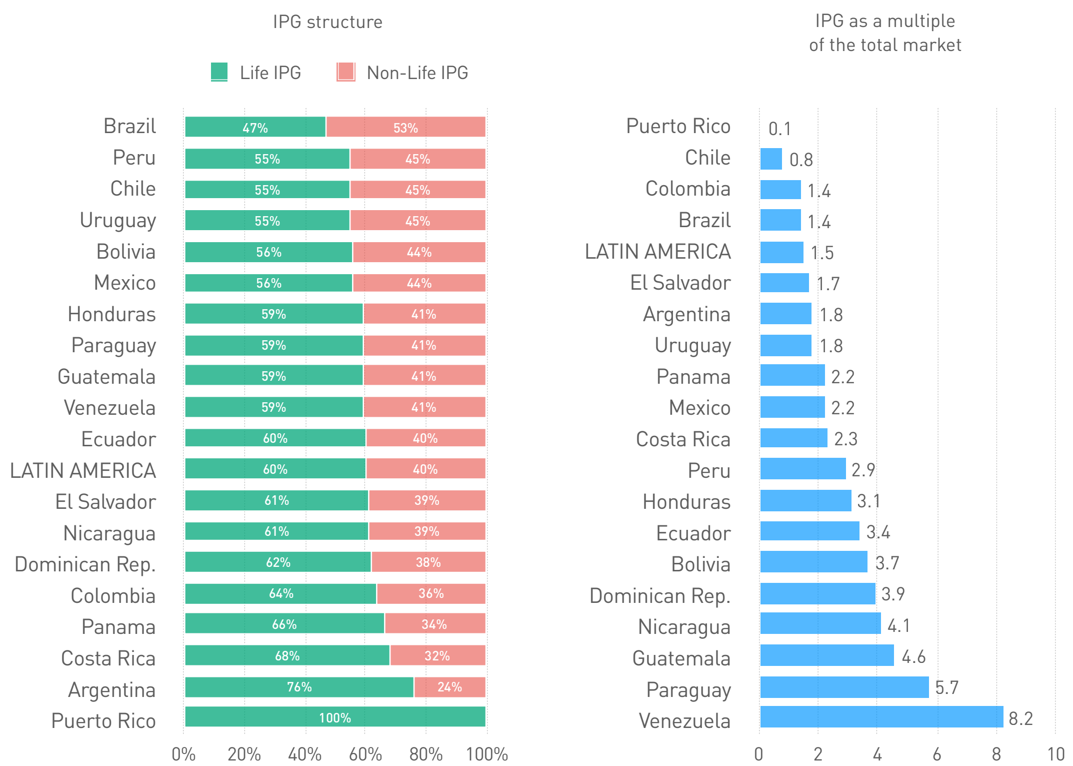
From an individual analysis perspective (which will be detailed in the next section of this report), Charts 2.2-k and 2.2-l show the structure of the insurance gap for each of the countries in the region, as well as the relative size of the insurance gap compared to the total current market and the different seg-

**Chart 2.2-j**
**Latin America: change in IPG as a multiple of the actual market**



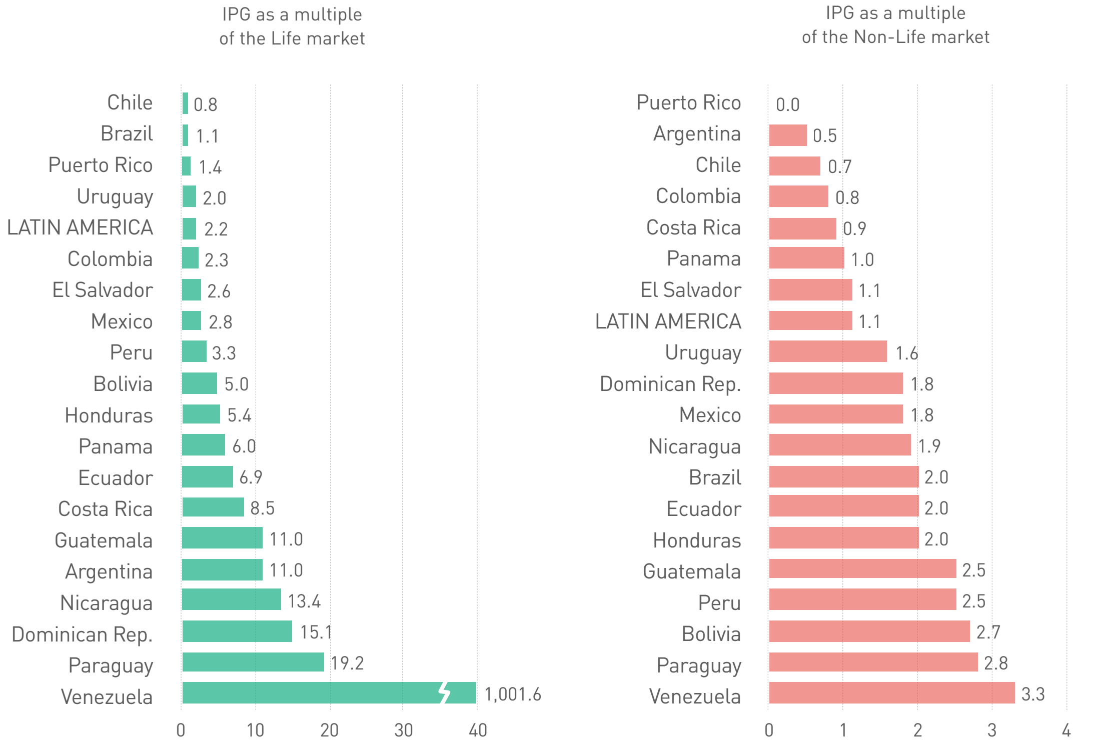

Source: MAPFRE Economics

**Chart 2.2-k**
**Latin America: structure and relative size of the Insurance Protection Gap, 2022**
**(structure, %; IPG as a proportion of total market, number of times)**




Source: MAPFRE Economics (based on data from supervisory bodies in the region)

**Chart 2.2-l**
**Latin America: structure and relative size of the Insurance Protection Gap in the Life and Non-Life segments, 2022**
**(structure, %; IPG as a proportion of the respective market, number of times)**



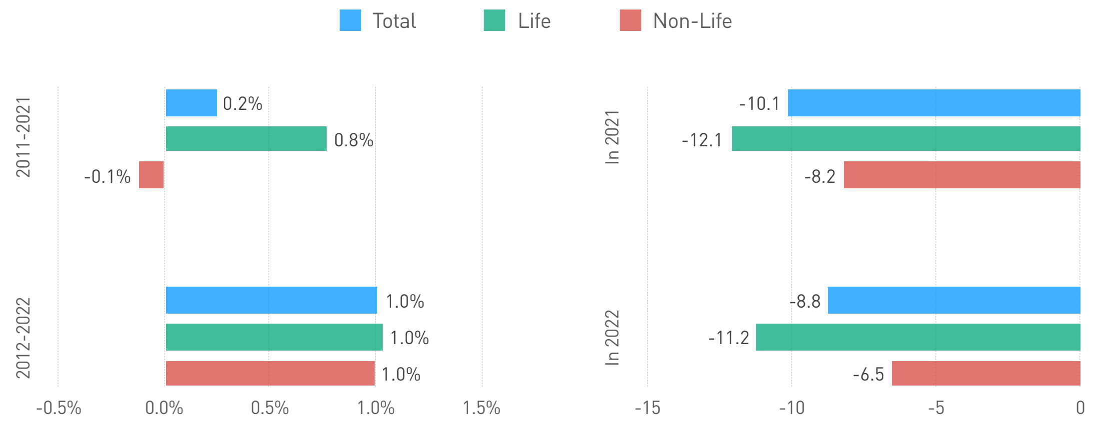

Source: MAPFRE Economics (based on data from supervisory bodies in the region)

ments (Life and Non-Life). As we have stated in previous reports, in addition to the dynamics of their structural trends, the development of insurance markets can also be associated with the level of balance in the existing IPG, which can suggest under-developed areas. As a result, the degree of progress in market development is linked to the ratio of the insurance gap to the current market.

Finally, Chart 2.2-m provides an update on the evaluation done on the Latin American insurance industry's capacity to close the insurance 2022 gap. To that end, we have conducted a comparative analysis of the growth rates observed over the 2012–2022 period in relation to the growth rates that would be required to close the IPG determined in 2022 over the next decade. This analysis shows that over that period, the region's insurance market registered an annual average premium growth (in US dollars) of 1.0%, made up of average growth of 1.0% in both the Life insurance segment the Non-Life segment. This growth dynamic has accelerated compared to the 2011–2021 period, which experienced growth of 0.2%, 0.8% and -0.1% respectively. As a result, if the same growth rate seen over the 2012–2022 period were to continue in the industry over the next decade, the growth rate of the market as a whole would fall short of closing the 2022 IPG by -8.8 percentage points. A similar situation presents when analyzing the Life insurance segment (short -11.2 pp) and the Non-Life Insurance segment (short -6.5 pp), with some improvement with respect to the 2021 figures in both segments.

Chart 2.2-n presents the results of this analysis considering each of the markets analyzed in this report in terms of each one's

Chart 2.2-m
Latin America: capacity to close the IPG
(annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

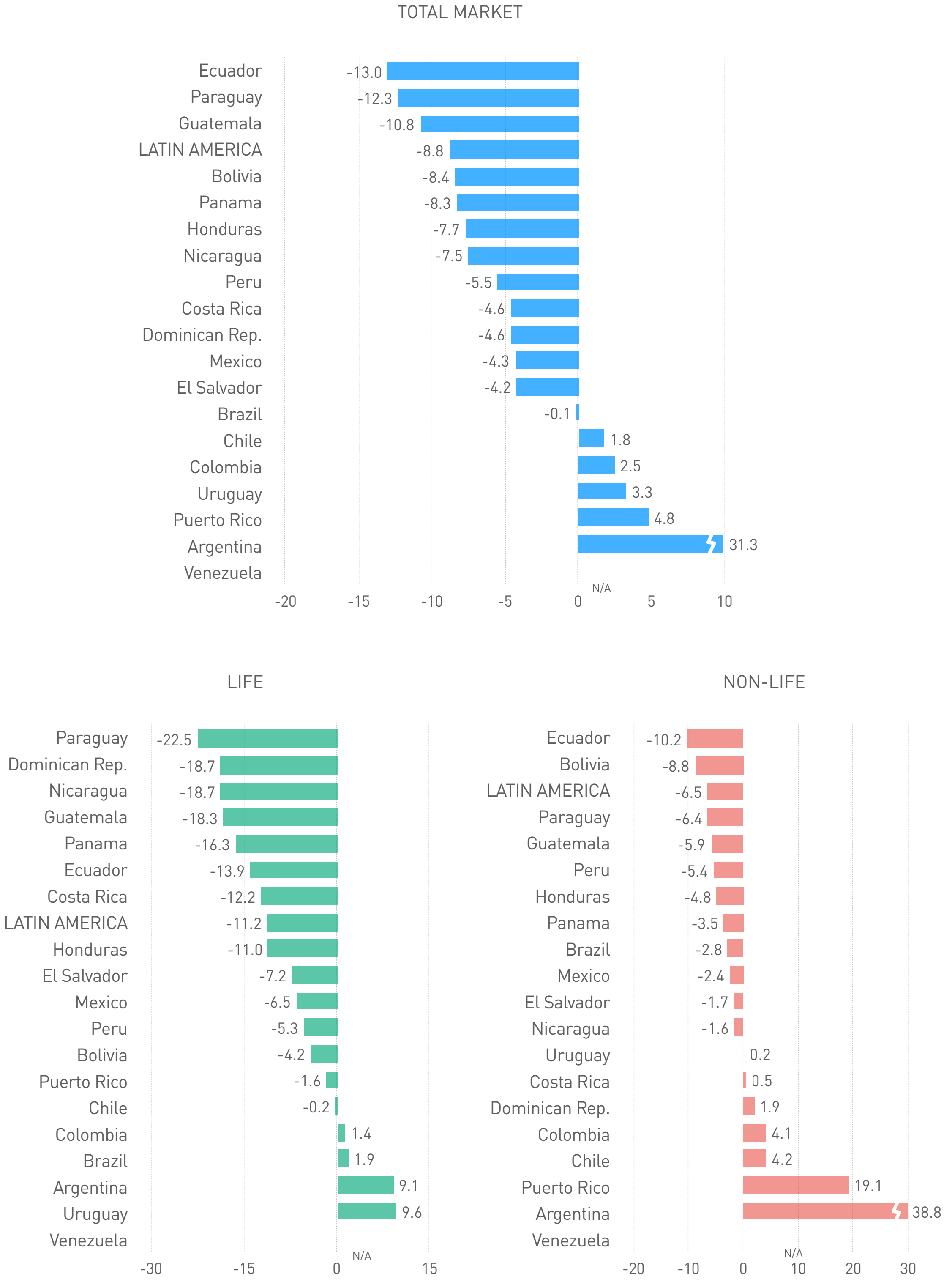
ability or inability to close the 2022 insurance gap in the next 10 years. As the chart shows, on the whole, with the exception of the insurance markets in Puerto Rico, Uruguay, Colombia, Chile and Argentina, the rest registered an average annual growth rate large enough to sustain itself over the course of the next decade and close the 2022 insurance gap. In the Life segment, the markets that would succeed in closing the IPG based on the dynamic observed over the last ten years would be Uruguay, Argentina, Brazil and Colombia, while in the Non-Life segment, the markets that show growth sufficient to close the gap are Argentina, Puerto Rico, Chile, Colombia, Dominican Republic, Costa Rica and Uruguay. It must be stated that in Argentina's case, the environment of hyperinflation of that economy introduces distortions to this analysis, therefore the capacity to close the insurance gap could be overestimated.

## Market development index

Meanwhile, Chart 2.2-o presents an updated Market Development Index (MDI) estimate for the insurance Industry in Latin America, which summarizes the trend in the evolution and maturity of the insurance markets. It is a composite index constructed from four individual indicators based on 2005: (i) the penetration index, (ii) the depth index, (iii) an evolution index of the IPG (inverse index of the IPG as a market multiple), and (iv) an evolution index of the Life insurance IPG (inverse index of the Life insurance IPG as a multiple of that market). This 2022 update demonstrates that, for the region as a whole, the MDI has shown a general trend toward improvement over the last decade, despite suffering a slight dip in 2014, 2018 and 2021. However, despite these setbacks, the development trend of the regional insurance industry continues to climb during the 2012-2022 period, demonstrating that the Latin American market maintains positive growth, when analyzed in the medium term, isolating the sudden movements, produced by the pandemic-related economic crisis and subsequent recovery, had on the insurance industry in the region.

Likewise, the dispersion analysis illustrated in Chart 2.2-p attempts to identify the development trend of the Latin American insurance market over the 2012-2022 period, based on the evolution of penetration indices (as an indicator of the quantitative growth of this activity) and of insurance depth (as a *proxy of* the level of maturity in market development, that is, its qualitative dimension). Two distinct periods can be distinguished in the last decade. Between 2012-2016 the Lat-

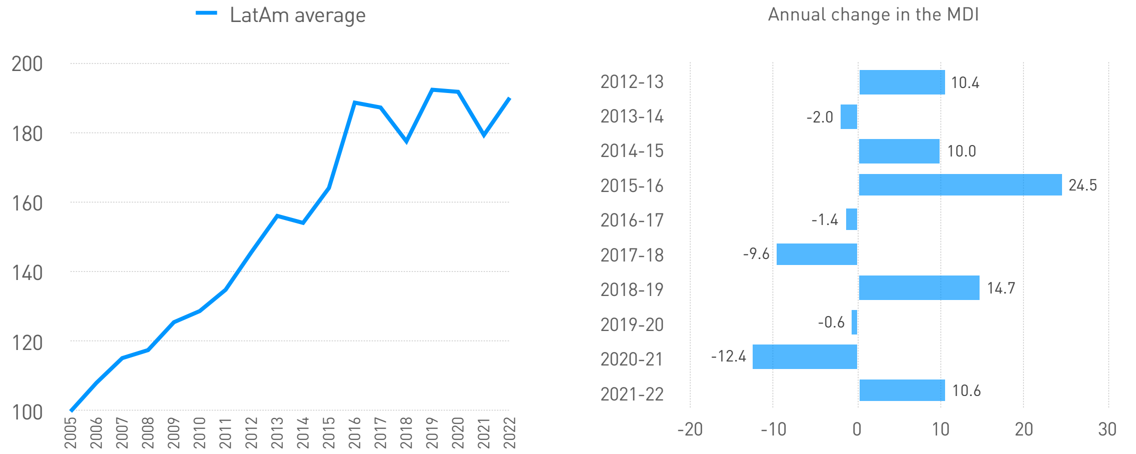
**Chart 2.2-n**
**Latin America: sufficiency (or insufficiency) to close the 2022 IPG in 10 years**
**(sufficiency or insufficiency, pp)**




Source: MAPFRE Economics

*N/A Not relevant for the comparative analysis, due to the effects of overestimation produced by the high inflation levels present in this economy.*

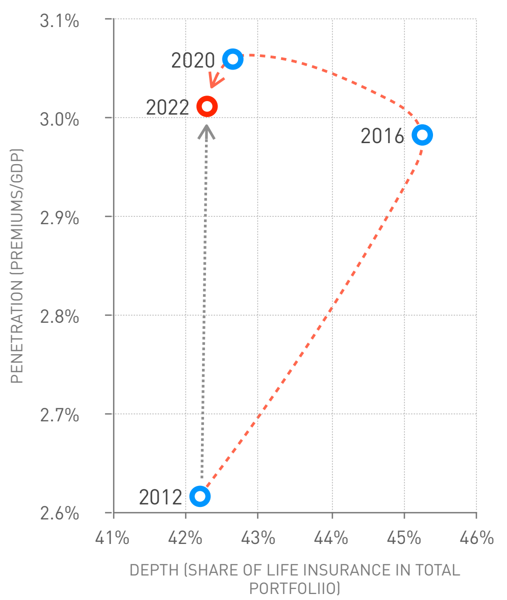
**Chart 2.2-o**
**Latin America: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

in American insurance industry, analyzed as a whole, showed balanced and consistently positive development, characterized, on one hand, by a sustained rise in penetration levels and, on the other, by an increase in depth levels. However, from 2016 onwards, and clearly in 2020-2022, the significant setback (driven in the latter sub-period by the impact of COVID-19 pandemic-induced crisis) in depth level is evident. This can be explained, prior to the pandemic, by the significant decline in the Life Insurance segment, especially affected by the ultra-accommodative monetary policy measures implemented by the central banks of the region's economies (with significant cuts to interest rates), greatly complicating business for Life savings and life annuity insurance as the guaranteed yield on the products sold had to be reduced substantially. This all occurred in spite of the relative increased penetration due to the resilience of demand for insurance even while the GDP shrank. However, in 2022, the Life segment recovered with significant growth, aided by the interest rate hikes implemented by central banks to combat the upturn in inflation, but the Non-Life business also recovered with even higher growth, so the level of depth this year returned to a reduced level.

**Chart 2.2-p**
**Latin America: medium-term changes in the insurance market, 2012–2022**
**(penetration vs. depth)**




Source: MAPFRE Economics

## Medium-term premium growth forecasts

*Predictable dynamics of the global insurance industry*

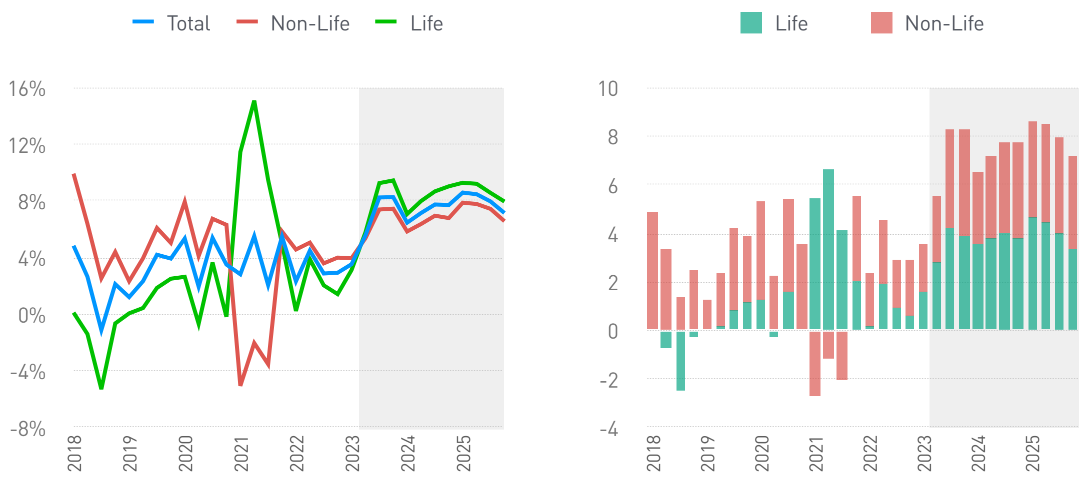
During the 2023-2025 period, the world is expected to register very moderate growth below its growth potential as a result of the tightening effect of global monetary policy, growth fatigue in China and moderation in the services sector[12]. As a result, actual growth in the cited period is expected to average 2.5%. This, together with persistent inflation, close to 5% on average, leads us to forecast average global nominal GDP growth of close to 7.5% over the forecast timeline.

In this context, global consumption and investment will consistently drive insurance production and demand. As a result, the global insurance market is expected to grow by around 7.3% on average between 2023 and 2025, a figure very close to the nominal growth of global demand (consumption and investment). As a result, the Life insurance segment is expected to grow by an average of 8% over the 2023-2025 period, while the Non-Life insurance segment is expected to grow by around 6.7%. Given their sizes and growth rates, the Non-Life segment is expected to contribute an average of 360 basis points (bps) to the 730 bps of overall growth, while the Life segment would contribute 370 bps. In other words, each of these segments would contribute approximately equally to the growth of global insurance business during the 2023-2025 period (see Chart 2.2-q).

*Growth perspective of the Latin American insurance industry*

Total premiums in the Latin American insurance market at the close of 2022 totaled 173.7 billion dollars. Of this, 73.5 billion dollars (42.3% of the total) corresponds to the Life insurance segment, while 100.2 billion dollars (57.7% of the total) corresponds to the Non-Life segment. As a result, total premiums generated in Latin American in 2022 were 2.56% of the global total premiums generated that year. Likewise, the weight of the Life and Non-Life segments as a proportion of the overall total of each segment was very similar in both cases (2.61% and 2.52%, respectively)[13].

Chart 2.2-q
Global: premium growth and contributions to growth by insurance line
(year-on-year growth, %, contribution to growth, percentage points)




Source: MAPFRE Economics

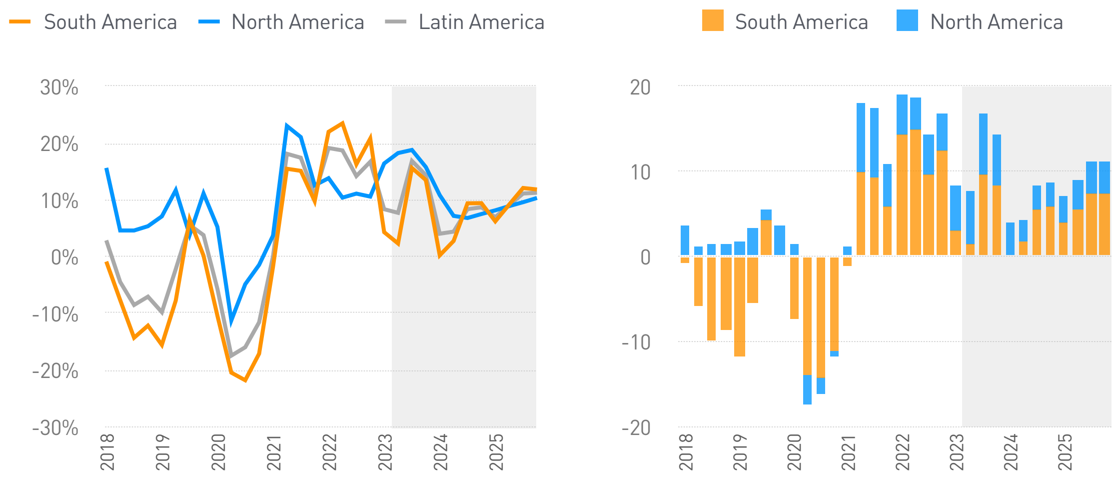
It should be noted that marked trends are observed in Latin American insurance activity. One of these is that the dynamic of the Life and Non-Life segments are very different, and another is that these differences are even more visible when compared between the north and south parts of the region. Economic forecasts for Latin America consider the region to have visibly slowed its growth in 2023 versus 2022[14]. As a result, less than 2% growth on average is expected over the forecast timeline, which, along with expectations of inflation close to 6% over the same timeline, entails nominal growth close to but less than 8% on that timeline[15]. Likewise, consumption (along with exports) would be the main driver of this growth.

In this context, insurance demand is expected to grow, in nominal terms, around 9.3% on average over the 2023-2025 timeline. This yields a real growth balance (discounting inflation) which, on average, would approach 3.2%, although with visible variability as inflation slows in the medium and long-term.

When analyzing the dynamics of the Life insurance segment, it is clear that, given the economic situation in the region, growth rates are expected to be about 13.1% on average over the 2023-2025 forecast timeline. In the Non-Life insurance segment, meanwhile, around 7.1% is expected. Since total premium growth is estimated at the aforementioned figure, and given the weight of each segment within the sector's total premiums, the Life segment is expected to contribute 560 bps to total growth, and the Non-Life segment is expected to contribute 360 bps (61% and 39%, respectively).

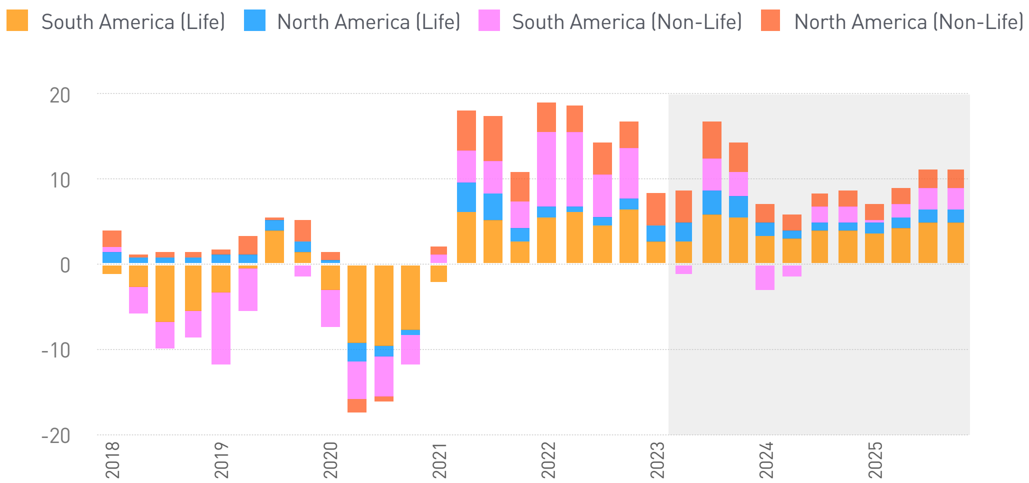
An analysis of the growth dynamics between the North American and South American subregions (see Chart 2.2-r) shows that the North American region, with total premiums growing by nearly 11.1%, will contribute one third of the growth in total premiums in Latin America on average over the forecast timeline. Meanwhile, the South American sub-region, growing at 8.4% year-on-year over the forecast timeline, will contribute two-thirds of Latin America's total premium growth. The contribution differential is due to its size relative to total premiums (more than 60% of the total).

Chart 2.2-r
Latin America: premium growth and contributions to growth by region
(year-on-year growth, %, contribution to growth, percentage points)




Source: MAPFRE Economics

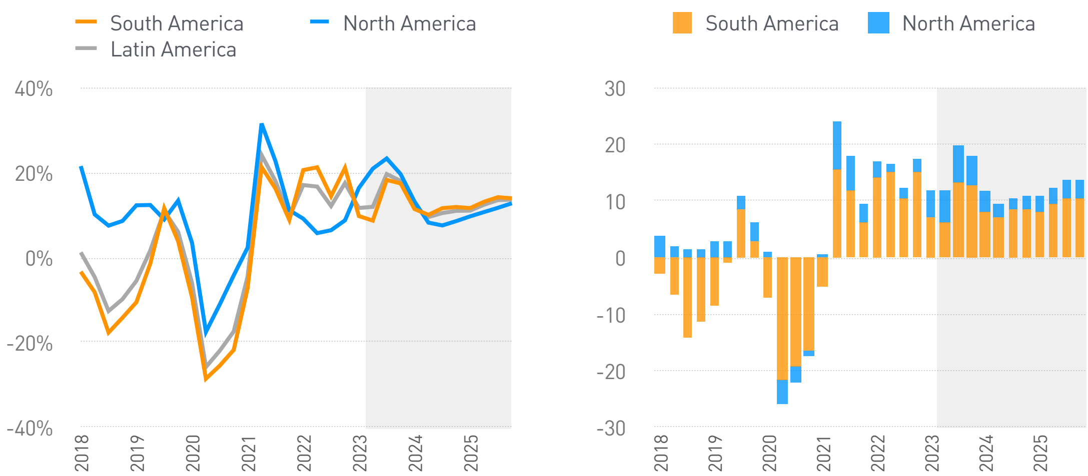
Chart 2.2-s
Latin America: premium growth and contributions to growth by region and insurance line
(year-on-year growth, %, contribution to growth, percentage points)




Source: MAPFRE Economics

However, viewed simultaneously by subregion and insurance segment (see Chart 2.2-s), the South American Life insurance segment (thanks to the preponderant role of the Brazilian insurance market) is the most significant factor in the region's growth forecasts, contributing 400 bps to the average total growth (9.3%) over the forecast timeline. This is followed by the growth of the North America Non-Life segment, which contributes 260 bps to the sector's total growth, almost equivalent to the rest (Non-Life-South America and Life-North America combined).

Chart 2.2-t
Latin America: Life premium growth and contributions to growth by region
(year-on-year growth, %, contribution to growth, percentage points)




Source: MAPFRE Economics

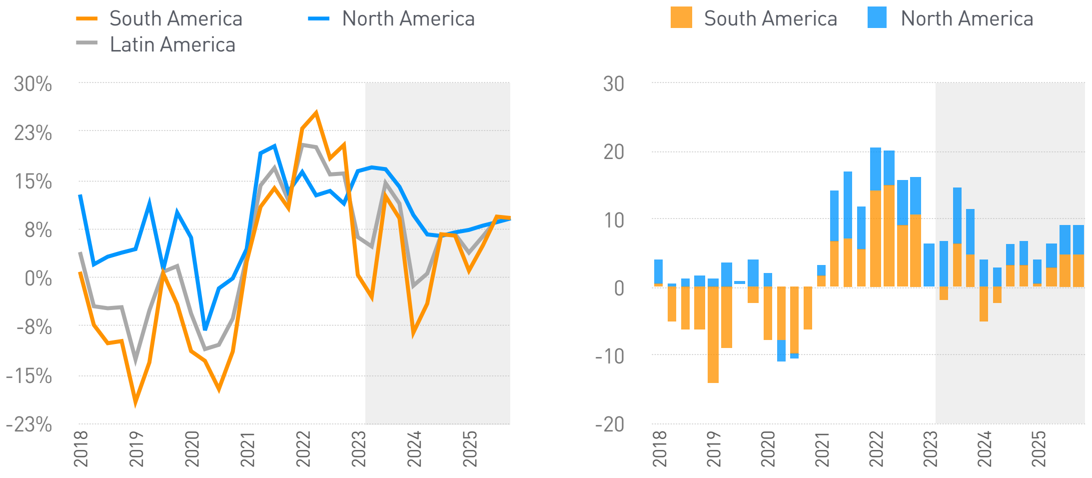
Looking more closely at the contribution of each segment and subregion, the individual dynamics and contributions shown in Charts 2.2-t and 2-2-u in this section can be analyzed. First, when analyzed by segment, in order of greater to lesser momentum in growth forecasts, projections are always higher in the North American subregion (13.4% Life, 10% Non-Life) than in the South American subregion (13% Life and 6% Non-Life). As South America's Life premium size is dominant, this segment's contribution to growth in this sub-region (explained by the role of Brazil's pension business) is the dominant one as explained above.

In summary, from a global perspective, the Latin American insurance industry is relatively small (2.6% of total global premiums). Nevertheless, its momentum in nominal terms is notable, although this is largely due to the nominal effect of prices, given the high inflation and modest real growth. Despite this, the region's premiums will grow by around 9.3% over the next few years, which is higher than global growth, and this growth will be largely explained by growth in the life insurance industry, specifically in the South American subregion, which will contribute almost two thirds of the region's growth, mainly due to the participation of the Brazilian insurance market. Although smaller, the momentum and contribution of this segment in the North American subregion is not negligible, making the Life segment the most promising of the two at this time. The Non-Life insurance segment presents greater differences in momentum; total expected growth in the region will be around 6%, but it will grow by 10% in the North American subregion, while it will grow by 4% in the South American subregion.

## Detailed Analytics of Latin American insurance markets

The next section of this report provides a detailed analysis for each of the Latin American insurance markets. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2022, before analyzing the main figures and trends in their insurance markets. The individual reports provide a perspective (when the information available so permits) for the 2012–2022 period on premium growth, the main items of the aggregate balance sheet at the sector level, technical performance, and

Chart 2.2-u
Latin America: Non-Life premium growth and contributions to growth by region
(year-on-year growth, %, contribution to growth, percentage points)




Source: MAPFRE Economics

the results and profitability of the insurance industry. They also includes a review of the main structural trends in each market, analyzing developments in insurance penetration, density, and depth. Likewise, in order to appropriately portray the dynamics underlying the main trends in each market, the country analysis uses local currency so as to avoid the distorting effects of exchange fluctuations. Finally, each of the individual reports includes an estimate of the insurance gap, in terms of both its size and structure.

## Latin American insurance market: interactive data

Finally, along with this year's version of the report *The Latin American Insurance Market*, MAPFRE Economics makes the interactive web version (*Latin American Insurance Market: interactive data*) available to readers, which incorporates a substantial part of the data contained in this report. The intention is to offer dynamic and up-to-date information on the Latin American Insurance Market, through a web tool with automated tables, which allows the user to consult the information contained in the report. With this tool, you can also periodically view, with a database available at all times, data on the main variables that explain the performance of the Latin American insurance markets.

# 3. The Latin American insurance markets: country analysis

## 3.1 North America, Central America, and the Caribbean

### 3.1.1 Mexico

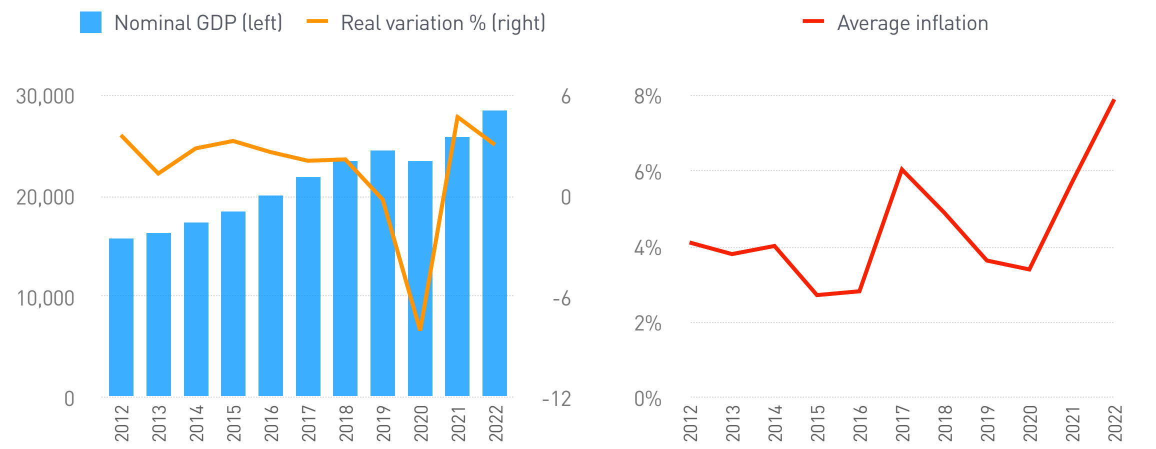
#### Macroeconomic environment

Economic growth in Mexico in 2022 reached 3.0% (4.9% in 2021) coming close to recovering the pre-pandemic GDP level (see Chart 3.1.1-a). This growth continued to be sustained by domestic demand, mainly private consumption, while the foreign sector experienced a slight decline due to a surge in imports and revaluation of the currency, in an environment in which oil prices and world economic growth were favorable for Mexican exports (especially to the United States), but with the burden of higher prices for refined products, of which the Mexican economy is a net importer. Meanwhile, the labor market performed well, with the average unemployment rate standing at 3.3% (compared to 4.1% in 2021), already below the pre-pandemic years.

The fiscal deficit increased slightly, estimated at -3.3% of GDP at the end of 2022 (3.0% in 2021), but the public debt ratio continued to improve, standing at 50.0% of GDP (compared to 52.2% in 2021), aided by economic growth and exchange rate stability (the average exchange rate in 2022 barely changed from 2021), which has an impact on the valuation of debts issued in dollars. The current account balance closed the year with a deficit of 1.3% of GDP (compared to 0.6% in 2021), due to the significant increase in imports of goods, as a result of the recovery of trade flows.

Average inflation in 2022 stood at 7.9%, causing the Bank of Mexico to continue tight monetary policy with eight consecutive interest rate hikes throughout the year (following five hikes in 2021), bringing rates to 10.5% at year-end. In 2023, the central bank continued to

Chart 3.1.1-a
Mexico: changes in economic growth and inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

raise rates twice, leaving them at 11.25%, where they have remained since June.

Despite the tightening of financing conditions, the Mexican economy performed better than initially expected. For 2023, MAPFRE Economics estimates a certain slowdown in its economy, with GDP growth around 2.5%, supported by exports to the United States and the recovery of domestic demand in a context of financial conditions tightened by restrictive monetary policy due to inflation levels still above the central bank's targets. This slowdown should continue in 2024, when MAPFRE Economics expects 2.1% growth. Meanwhile, the International Monetary Fund (IMF) places the growth forecast of economic activity in Mexico during 2023 at 2.6%, while in 2024 it is placed at 1.5%[16], while the European Commission for Latin America and the Caribbean (ECLAC) places the growth of the Mexican economy at 2.9% and 1.8%, respectively.

## Insurance market

### Growth

The Mexican insurance market achieved a premium volume of 672.649 billion pesos (33.457 billion dollars) in 2022, revealing nominal growth of 4.6% and actual growth of -3.1% (see Table 3.1.1 and Chart 3.1.1-b). In the last decade, the evolution of share of total premiums and by the Life and Non-Life segments with respect to the Latin American market has been favorable, although highlighting the strong contraction in the Life line over the 2015-2017 period, as well as what was observed in both this segment and the Non-Life in 2022. The medium-term view, however, shows the total proportion of Mexican premiums to all of Latin America moving from 14.9% in 2012 to 19.3% in 2022. Similarly, the share in the Life line has also grown from 16.4% in 2012 to 20.5% in 2022, and in the Non-Life line from 13.9% to 18.3% (see Chart 3.1.1-c).

Table 3.1.1
Mexico: premium volume[1] by line, 2022

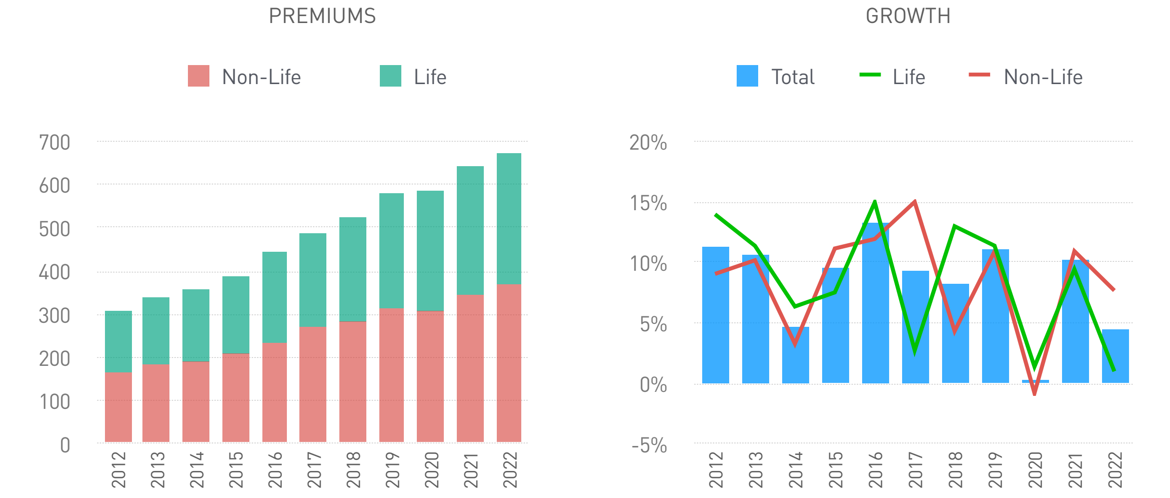
| Line | Millions of pesos | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **672,649.4** | **33,456.9** | **4.6** | **-3.1** |
| **Life** | **303,146.8** | **15,078.2** | **1.0** | **-6.4** |
| Individual Life | 184,254.3 | 9,164.6 | 2.4 | -5.1 |
| Group Life | 78,242.7 | 3,891.7 | 7.6 | -0.3 |
| Pensions | 40,649.8 | 2,021.9 | -14.3 | -20.5 |
| **Non-Life** | **369,502.5** | **18,378.7** | **7.7** | **-0.2** |
| Automobiles | 120,675.3 | 6,002.3 | 11.5 | 3.4 |
| Health[2] | 125,553.8 | 6,244.9 | 14.4 | 6.0 |
| Fires | 22,909.0 | 1,139.5 | -6.2 | -13.1 |
| Earthquake and other catastrophic risks | 26,933.2 | 1,339.6 | 1.3 | -6.1 |
| Miscellaneous | 30,115.8 | 1,497.9 | 9.1 | 1.1 |
| Transport | 15,774.5 | 784.6 | -18.3 | -24.3 |
| Third-party liability | 16,591.6 | 825.2 | -4.7 | -11.7 |
| Personal accidents[2] | 5,910.8 | 294.0 | 13.8 | 5.5 |
| Agricultural | 1,679.3 | 83.5 | 0.2 | -7.2 |
| Credit and Surety | 3,359.2 | 167.1 | 14.2 | 5.9 |

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

1/ Direct premium

2/ Accident and Illness linea

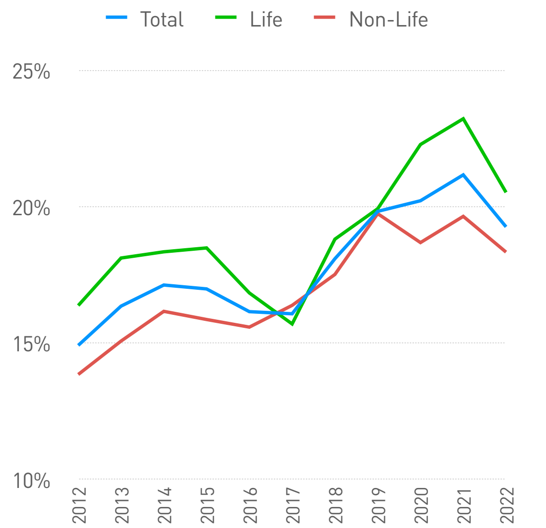
**Chart 3.1.1-b**
**Mexico: growth developments in the insurance market**
**(premiums, billions of pesos; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

The percentage of premiums corresponding to Life and Pension insurance accounts for 45% of the sector's total risk portfolio, 2 percentage points (pp) less than the previous year, and the remaining 55% corresponds to Non-Life insurance. Market growth in 2022 (4.6%) aided by a larger contribution from the Non-Life insurance segment at 4.1 percentage points, while Life insurance contributed 0.5 percentage points (see Chart 3.1.1-d).

**Chart 3.1.1-c**
**Mexico: share of insurance premiums in Latin America**
**(%)**

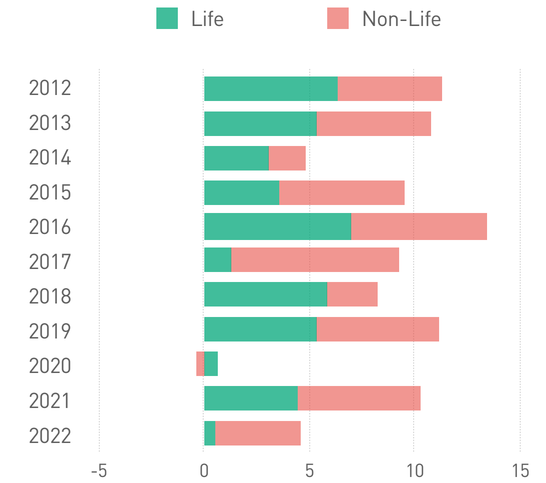



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission and supervisory bodies of the region)

An analysis of the main market segments shows that premiums on Life insurance grew 1.0% in nominal terms (-6.4% in real terms) to reach 303.147 billion pesos (15,078 billion dollars). It should be noted that individual Life insurance, which represents 60.8% of Life insurance, grew 2.4% in nominal terms and -5.1% in real terms, to 184.254 billion pesos (9.165 billion dollars). Meanwhile, Group Life insurance increased by 7.6% and -0.3% in nominal and real terms, respectively, while Pension insurance, in contrast, decreased by -14.3% in nominal terms, partly due to the base effect of atypical growth in the previous year when, following the process of economic reopening, the number of resolutions to start receiving a pension increased[17].

Non-Life insurance premiums, meanwhile, increased 7.7% in nominal terms and -0.2% in real terms to 369.503 billion pesos (18.379 billion dollars) in 2022. The Fire (-6.2%), Transport (-18.3%) and Third-Party Liability (-4.7%)

**Chart 3.1.1-d**
**Mexico: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 11.3 | 6.3 | 5.0 |
| 2013 | 10.7 | 5.3 | 5.5 |
| 2014 | 4.7 | 3.0 | 1.8 |
| 2015 | 9.4 | 3.6 | 5.9 |
| 2016 | 13.3 | 7.0 | 6.4 |
| 2017 | 9.2 | 1.3 | 7.9 |
| 2018 | 8.2 | 5.8 | 2.4 |
| 2019 | 11.1 | 5.3 | 5.9 |
| 2020 | 0.2 | 0.6 | -0.4 |
| 2021 | 10.2 | 4.4 | 5.8 |
| 2022 | 4.6 | 0.5 | 4.1 |

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

branches decreased in nominal terms, while the most representative Non-Life lines of business, such as the Health and Automobile lines, continued to grow at double-digit rates of 14.4% and 11.5%, respectively.

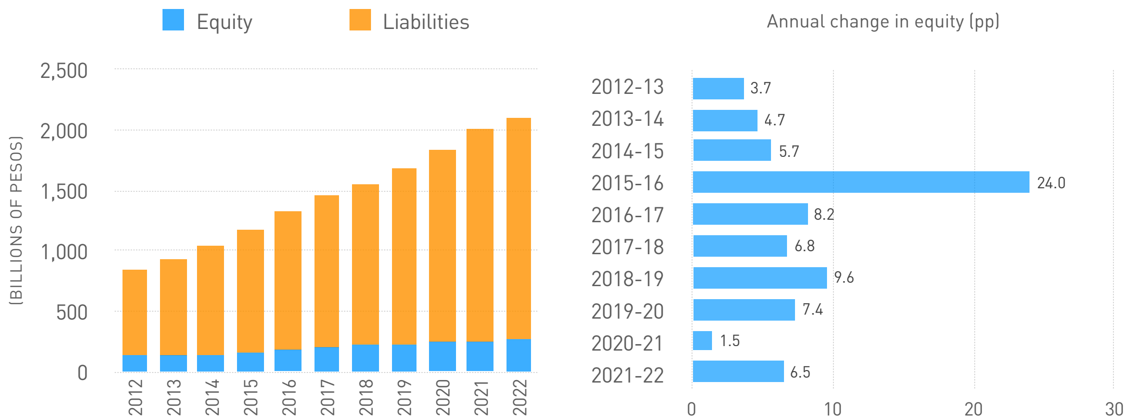
### Balance sheet and shareholders' equity

Chart 3.1.1-e presents developments in the overall balance sheet of the Mexican insurance market at sector level for the period 2012-2022. As shown, these data show that total assets for the insurance industry in Mexico amounted to 2.100 trillion pesos (107.695 billion dollars) in 2022, while equity stood at 273.9 billion pesos (14.044 billion dollars), 6.5 pp more than in 2021.

### Investments

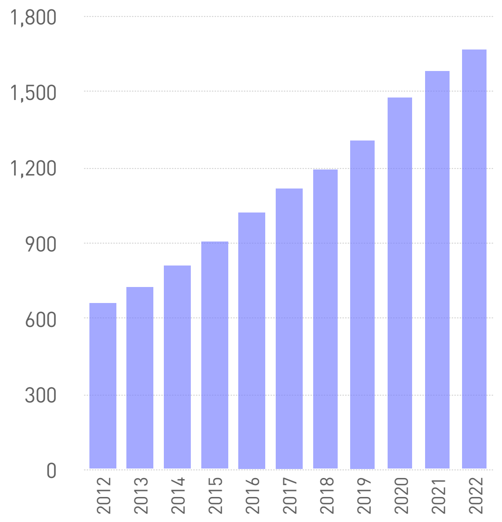
The evolution of total investments is shown in Chart 3.1.1-f, while Charts 3.1.1-g and 3.1.1-h

**Chart 3.1.1-e**
**Mexico: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-f
Mexico: insurance market investments
(billions of pesos)



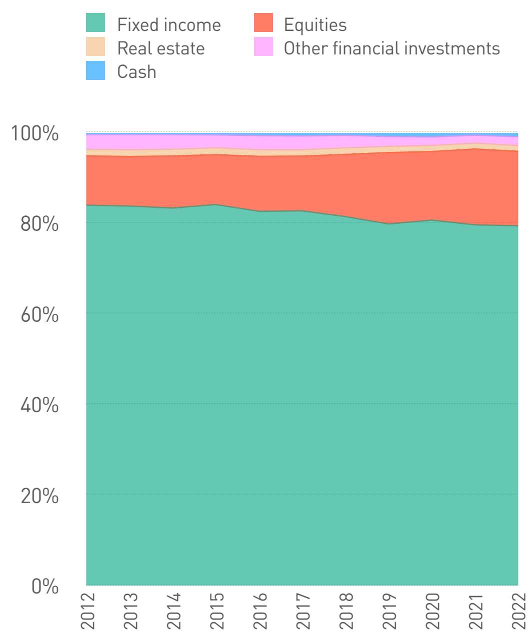

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

show the composition of the aggregate investment portfolio for the sector of the Mexican insurance market in 2022. This past year, total investments reached 1.6684 trillion pesos (85.56 billion dollars), with a highly concentrated distribution in fixed-income investments (79.5%), but which are losing weight (0.2 pp less than the previous year) in favor of other financial investment instruments, which account for 1.9% of the total (0.2 pp more than the previous year), while treasury investments have grown 0.4 pp (Chart 3.1.1-g). As stated in our previous reports, the process of implementing the new Solvency II-style prudential regulation in Mexico, has favored the matching of assets and liabilities and, therefore, the use of sovereign debt instruments.

## Technical provisions

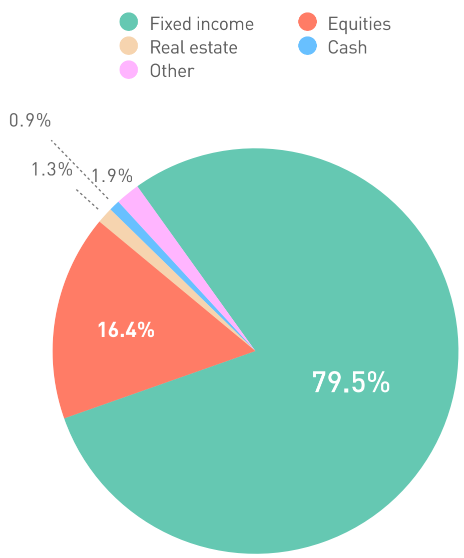
Chart 3.1.1-i shows the evolution of technical provisions in the Mexican insurance industry. As this information demonstrates, technical

Chart 3.1.1-g
Mexico: structure of investments
(%)



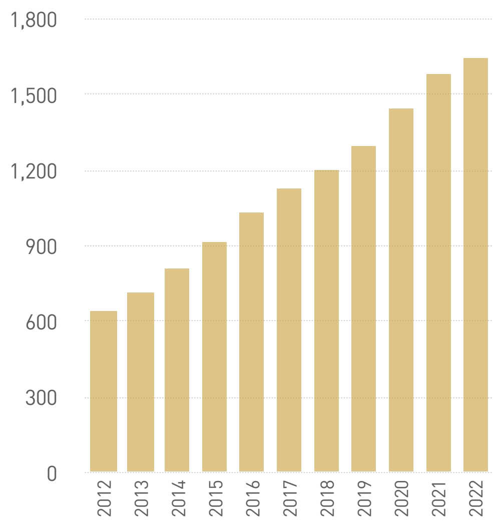

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-h
Mexico: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-i
Mexico: technical provisions of the insurance market
(billions of pesos)



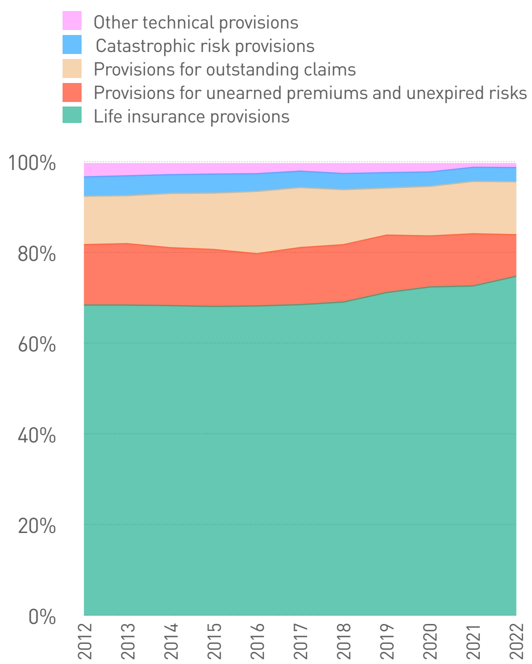

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

provisions in 2022 stood at 1.646 trillion pesos (84.420 billion dollars). Meanwhile, and as shown in Charts 3.1.1-j and 3.1.1-k, 75.0% of total technical provisions related to Life insurance, 9.1% to provision for unearned premiums and unexpired risks in Non-Life insurance, 11.7% to technical provision for outstanding benefits, 3.1% to catastrophe reserves and 1.1% to other technical provisions. It is important to note that the relative weight of Life insurance provisions increased over the 2012–2022 period from 68.6% in 2012 to 75.0% in 2022. Correspondingly, as of 2018, the share in the rest of the technical provisions dropped slightly.

### Technical performance

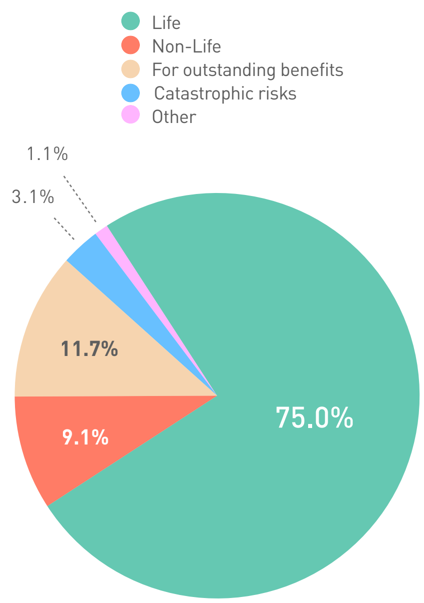
Chart 3.1.1-l shows developments in the Mexican insurance industry's technical performance over the 2012-2022 period. As a result, the total combined ratio (calculated relative to net earned premium) stood at 106.7% in 2022, showing an improvement of

Chart 3.1.1-j
Mexico: structure of technical provisions
(%)



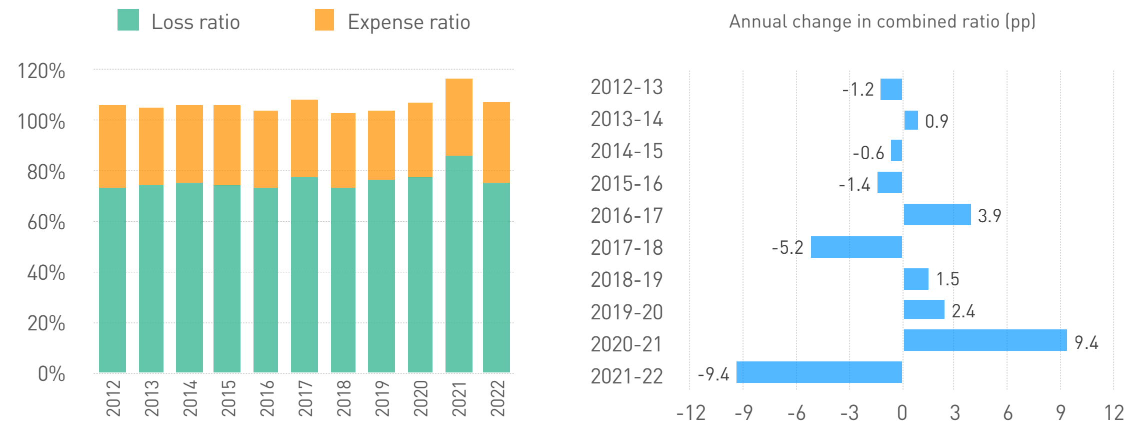

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-k
Mexico: structure of technical provisions, 2022
(%)




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

**Chart 3.1.1-l**
**Mexico: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**



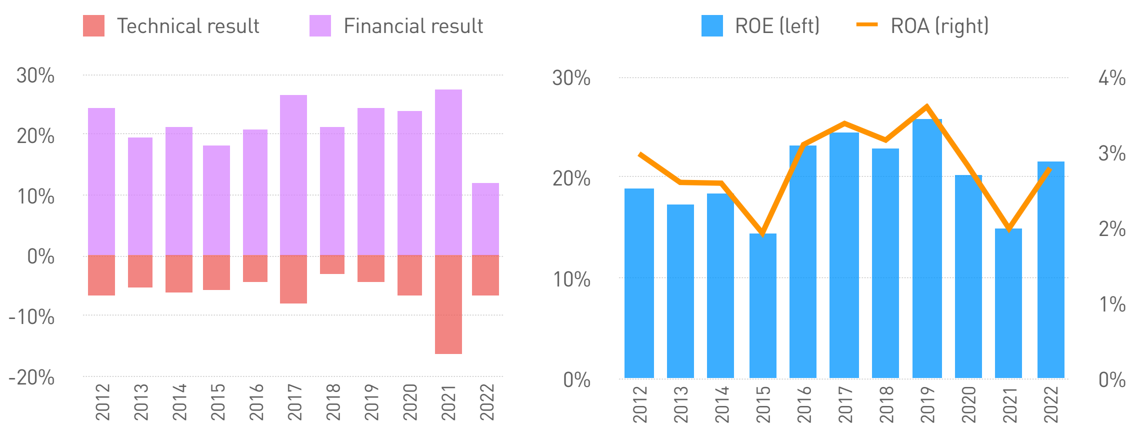

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

9.4 pp on the figure reported in 2021 (116.1%). The change in the 2022 indicator was mainly caused by the positive effect of the decrease in the loss ratio (-10.0 pp).

### Results and profitability

The net result for the 2022 period, consolidated for the whole of the Mexican insurance industry, was 57.185 billion pesos (2.844 billion dollars), 50% more than the previous fiscal year, due to the strong performance in loss ratio, which has resulted in a lower loss in the technical result, from -67,152 to -32,767 million pesos. During the 2012-2022 period, there was an increase in the loss ratio, from 73.3% in 2012 to 75.7% in 2022, with the worst data in 2021 (85.7 pp) due to the effect of a high number of delayed claims. The expense ratio, meanwhile, has raised the bar from 31%, which it had not reached since 2015, which was far from the 2019 figure, where it presented its best figure (28 pp). In

**Chart 3.1.1-m**
**Mexico: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

any case, the total combined ratio has always been above 100% in the period analyzed, since it is the ratio of the total market and is influenced by the particular effect of the loss ratio of the Life insurance segment. At the same time, the financial result (as a percentage of the net earned premium) stood at 11.8% in 2022, 15.5 pp below the level reached in the previous year (see Chart 3.1.1-m).

Regarding the profitability measurement of the Mexican insurance industry, the return on equity (ROE) stood at 21.5% in 2022, increasing 6.6 pp with respect to the level observed in 2021. In a similar vein, return on assets (ROA) reached 2.8% in 2022, a slight increase of 0.8 pp compared to the value recorded in 2021.

**Insurance penetration, density and depth**

Chart 3.1.1-n shows the main structural trends shaping the development of the insurance industry in Mexico over the 2012-2022 period. First, the penetration index (premiums/GDP) remained at 2.4% in 2022 (1.1% for the Life line and 1.3% for the Non-Life line). This indicator has generally been on an upward trend over the 2012–2022 period, in line with the general pattern seen across the wider Latin American region. However, the penetration of the Mexican market still remains below the absolute average level for Latin America, placed at 3.0%.

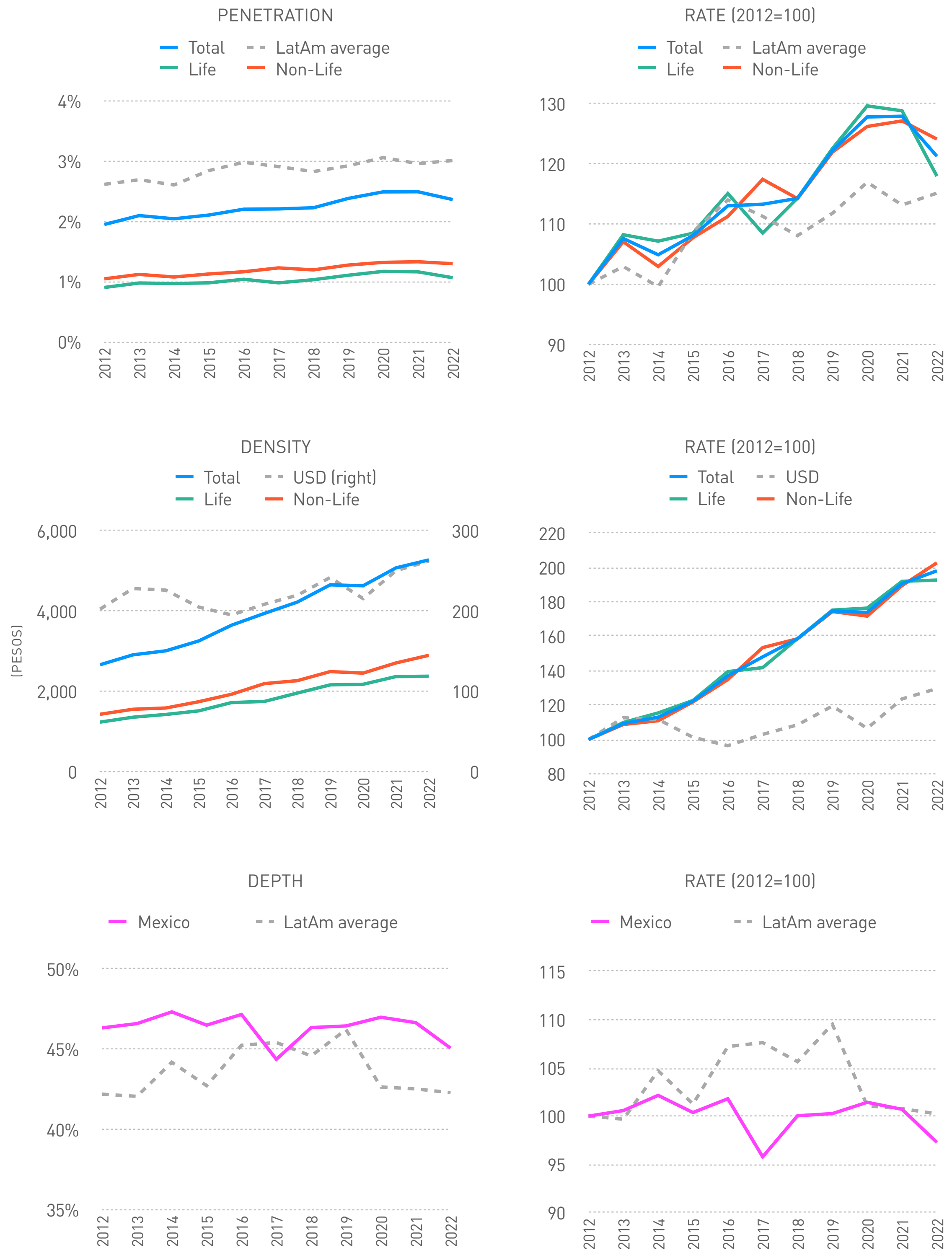
Insurance density levels (premiums per capita) reached 5,276 pesos (262 dollars) in 2022, 3.9% more than the value recorded in 2021 (5,077 pesos). As with penetration, density also shows a growing trend over the last decade, with accumulated growth in local currency of 98.1% over the period 2012–2022 The indicator of depth levels (measured as the ratio between Life insurance premiums and total premiums), dropped to 45%, 1 pp less than in 2012, and 2 pp less than 2021. Since 2012, the difference between the depth trend in the Mexican insurance market and the average levels of the Latin American insurance markets has gradually declined until, in 2017, Mexican depth fell below the Latin American average (44% vs 45%). However, in 2022, the Mexican indicator landed at 3.0 pp over the regional average.

**Insurance Protection Gap estimate**

Chart 3.1.1-o presents the estimate of the Insurance Protection Gap (IPG) for the Mexican insurance market over the 2012-2022 period. In 2022, the PIG stood at 1.504 trillion pesos (74.797 billion dollars), equivalent to 2.2 times the size of the actual insurance market at the close of the same year. The structure and performance of the IPG over the last decade shows the significant role Life insurance had in shaping the IPG. In 2022, 56% of the IPG corresponded to Life insurance, equivalent to 849 billion pesos. Conversely, Non-Life insurance accounted for 44% of the insurance gap, amounting to 654 billion pesos. As such, the potential insurance market in Mexico (measured as the sum of the actual market plus the IPG) was placed at 2.176 billion pesos (108.254 billion dollars), 3.2 times the size of the actual market, maintaining the gap with respect to the previous year (see Chart 3.1.1-p).

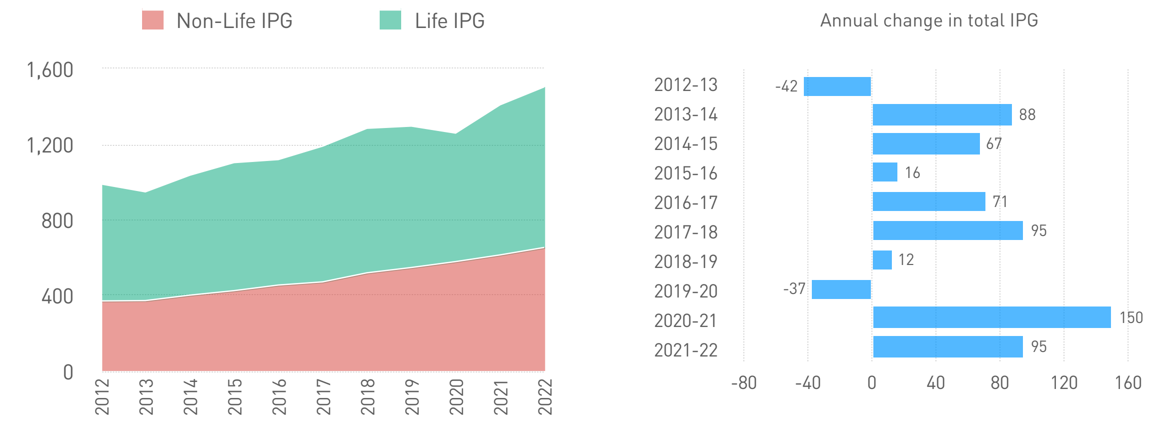
Chart 3.1.1-q shows an estimate of the IPG as a multiple of the actual market. This comparison allows a country's insurance gap trends to be determined. With regard to the Mexican insurance market, the IPG as a multiple has been on a downward trend over the last decade, both when analyzing the total market and the Life and Non-Life segments. As a result, while in 2012 the IPG was 3.2 times the size of the actual insurance market in Mexico, in 2022 this had been reduced to 2.2 times. The same holds true when analyzing the Life and Non-Life segments. In the case of the former, the multiple fell from 4.3 to 2.8, while for the latter it shrunk from 2.2 to 1.8 over this decade. Despite this, a slight reversal of this trend is observed in 2022, which specifically occurs in the Life insurance segment. To supplement this view schematically, Chart 3.1.1-r summarizes changes in the IPG

**Chart 3.1.1-n**
**Mexico: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

**Chart 3.1.1-o**
**Mexico: Insurance Protection Gap**
**(billions of pesos)**

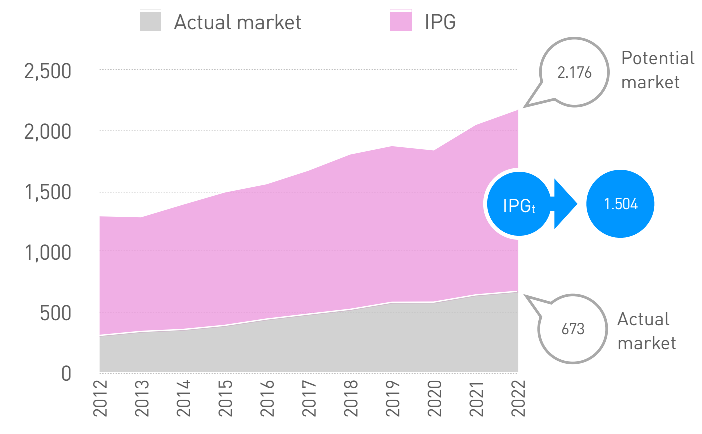



Source: MAPFRE Economics

as a multiple of the actual market for the Life and Non-Life segments and for the total Mexican insurance market over the last decade, comparing the situation in 2022 to that of 2012, assessing the improvement in the Non-Life business and, to a greater extent, in the Life business. This chart confirms the decreasing trend in the insurance gap over the last ten years.

Finally, as has been done in the most recent Latin American insurance market reports, we performed a comparative analysis on the growth rates observed in the Mexican market over the last 10 years and the growth rates that would be needed to close the 2022 IPG in the next decade. According to this analysis, as shown in Chart 3.1.1-s, between 2012 and 2022, the Mexican insurance market registered an average annual growth rate of 8.1%. This was underpinned by an average growth of 7.8% in the Life insurance segment and of 8.4% in the Non-Life insurance segment. Were the same growth rate to continue over the next ten years, the growth rate of the market as a

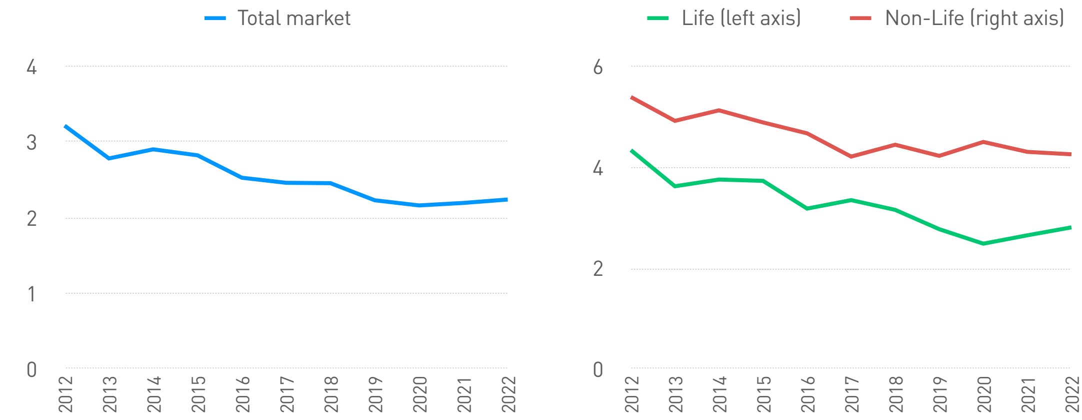
**Chart 3.1.1-p**
**Mexico: Insurance Protection Gap and potential market**
**(billions of pesos)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 118.2% | 51.9% |
| 2022-2021 | 4.6% | 6.7% |

Source: MAPFRE Economics

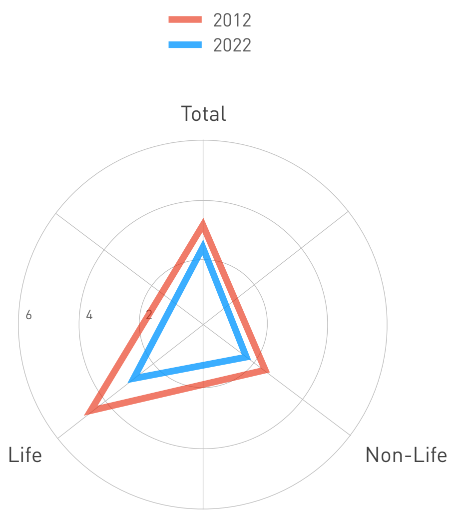
Chart 3.1.1-q
Mexico: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

whole would fall 4.3 pp short of the amount needed to close the IPG calculated for 2022. This means that the Mexican insurance market would need to see average growth of 12.5% over the next ten years in order to close the IPG calculated for 2022. The same thing occurs in an individual analysis of the Life and Non-Life segments. Life insurance would fall 6.5 pp short, while Non-Life insurance would fall just 2.4 pp short. As a result, to bridge these gaps, the Mexican insurance market would need to achieve annual average growth of 14.3% and 10.7% respectively over the next decade. It should be noted that, as illustrated in the aforementioned chart, this shortfall to close the insurance gap in Mexico widened in 2022 with respect to 2021, due to the weaker data in the Life segment (-6.5% in 2022, compared to -4.7% in 2021), while in Non-Life the shortfall has only worsened slightly (from -2.3 in 2021 to -2.4 in 2022).

Chart 3.1.1-r
Mexico: change in IPG
as a multiple of the actual market

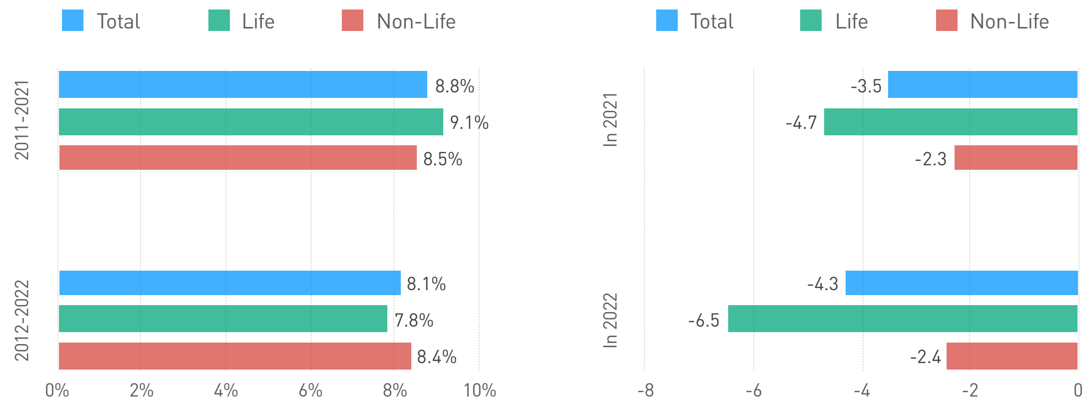



Source: MAPFRE Economics

### Market Development Index (MDI)

Chart 3.1.1-t provides an estimate of the Market Development Index (MDI) for the Mexican insurance industry. The purpose of the MDI is to summarize trends in the development and maturity of insurance markets and, in the case of the Mexican market, the indicator shows a positive trend over the past decade, with a value slightly lower than the regional average. It should be noted that, despite the unfavorable data of the last two years, the index has shown positive progress over the last decade.

Chart 3.1.1-s
Mexico: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

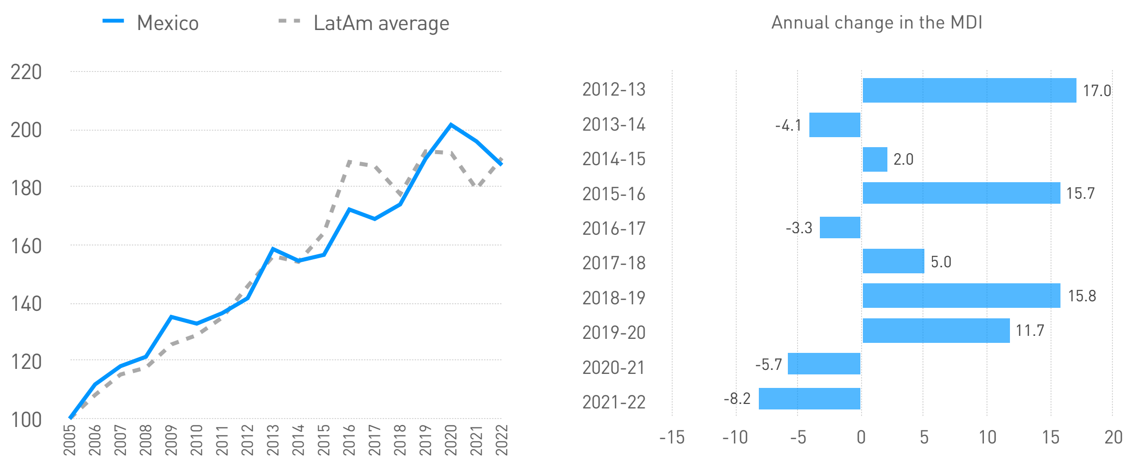
## Comparative analysis of structural coefficients

Chart 3.1.1-u summarizes the Mexican insurance market's situation in comparison with the average for Latin America, form the perspective of the different structural indicators analyzed (penetration, density, depth and MDI).

This analysis demonstrates that, while the depth and MDI of the Mexican insurance market are slightly higher than average levels for the region, both still fall short of the penetration levels.

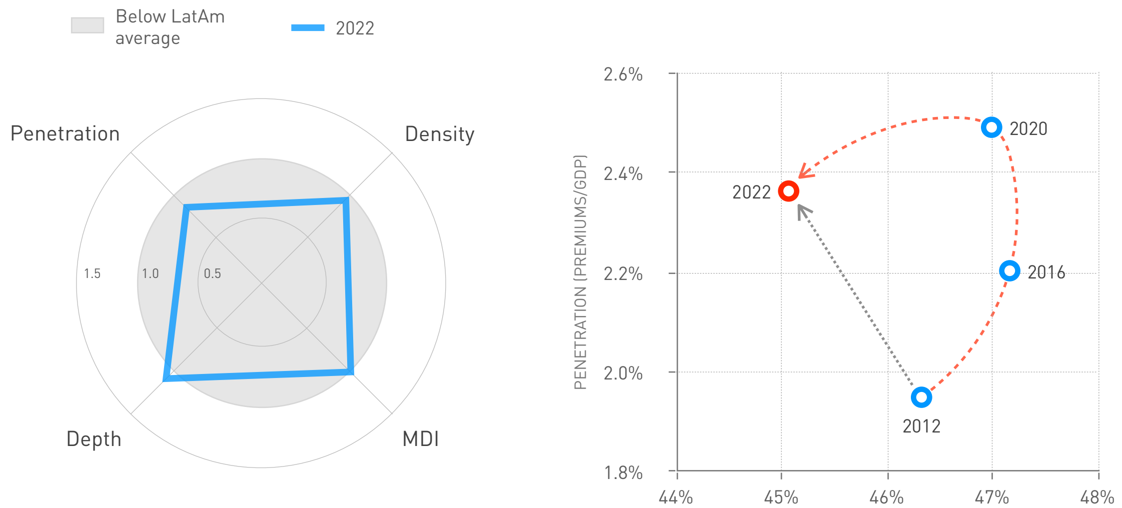
Meanwhile, the analysis of the development of the quantitative (penetration) and qualitative (depth) dimensions of the Mexican insurance market has shown a setback in the last two years in both dimensions.

Chart 3.1.1-t
Mexico: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics

Chart 3.1.1-u
Mexico: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics

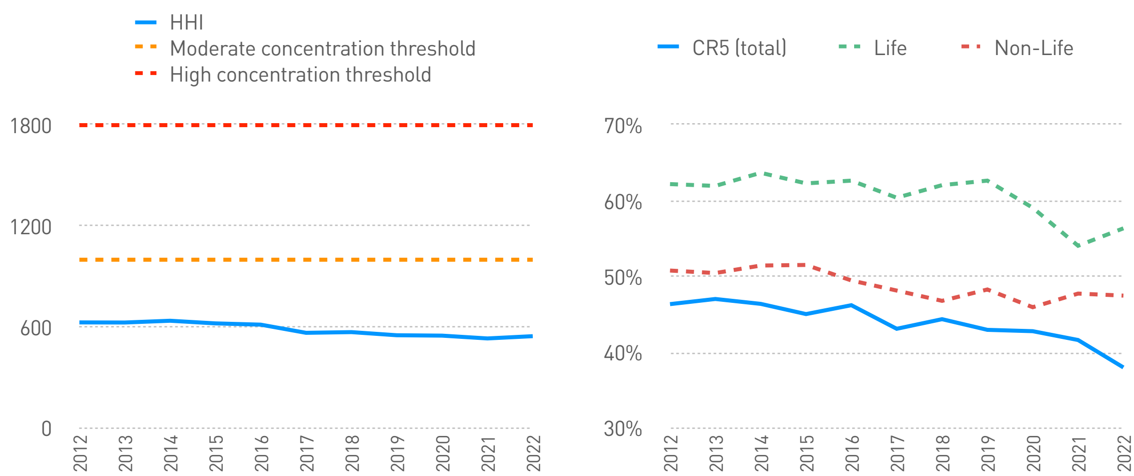
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

## Insurance market rankings

### Total ranking

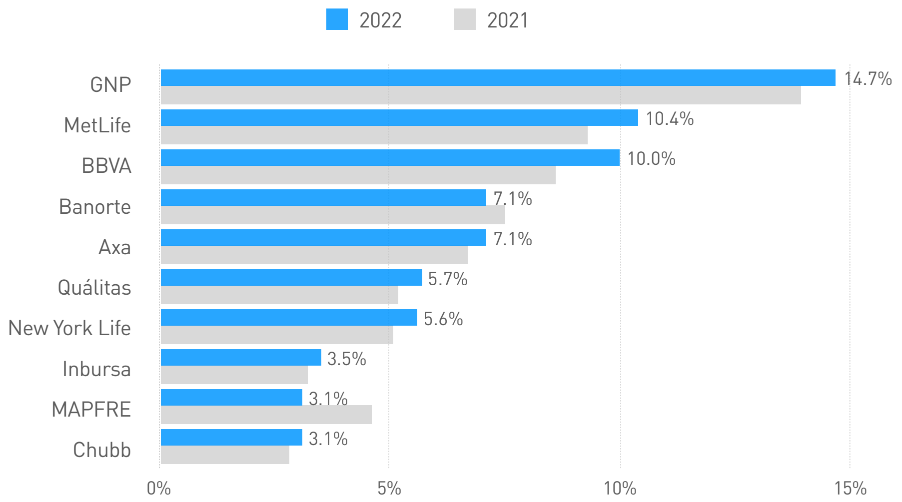
At year end 2022, the Mexican market was comprised of 110 institutions, 93 insurance institutions and 17 finance institutions. The top five insurance companies accounted for 38% of total premiums, down 3.6 pp from the previous year. In this regard, industry concentration has generally trended downward over the last ten years (albeit with a trend toward contraction in the Life insurance segment), as shown by the CR5 index. Over-

Chart 3.1.1-v
Mexico: insurance industry concentration
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

**Chart 3.1.1-w**
**Mexico: overall ranking**
**(market shares, %)**

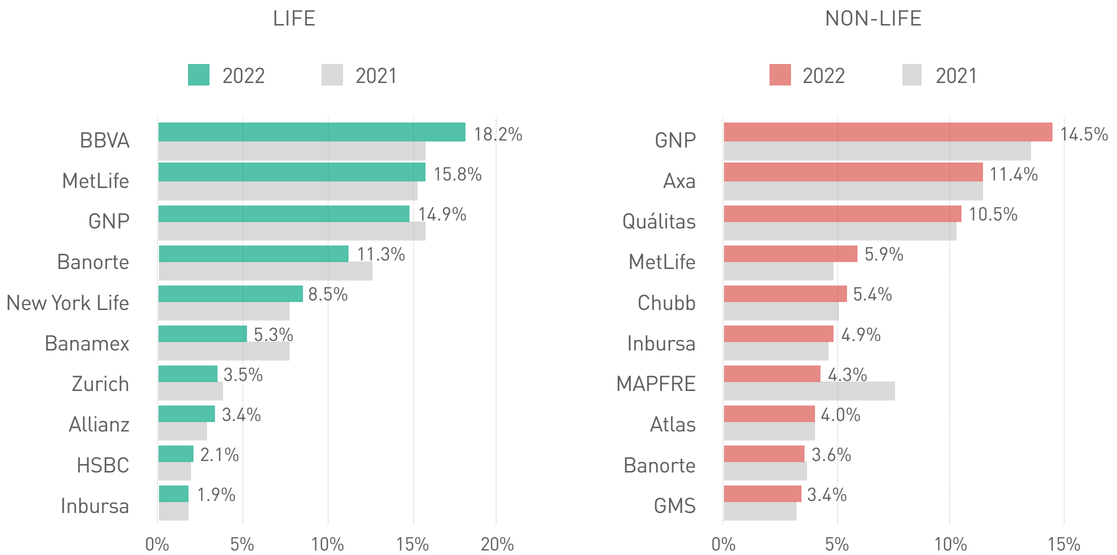



Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

all, concentration levels in the Mexican insurance industry, measured through the Herfindahl index, are below the thresholds associated with potential competition problems (see Chart 3.1.1-v).

In terms of the total ranking of insurance groups in the Mexican market, the seven main groups will repeat their position in 2022: Grupo Nacional Provincial (with a 14.7% market share) remains in first place, MetLife in second (10.4%) and BBVA in third (10.0%). It is worth noting that the insurance company Inbursa climbed three places, taking eighth place in 2022 (see Chart 3.1.1-w).

**Chart 3.1.1-x**
**Mexico: Life and Non-Life ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

### Life and Non-Life rankings

The Non-Life ranking was led by Grupo Nacional Provincial (GNP) with 14.5% of total premiums, followed by Axa (11.4%) and Quálitas (10.5%), with no changes from the previous year in the top rankings. In the rest of the ranking, MetLife improved, rising 2 places to 5.9% market share, and Inbursa ranked sixth with 4.9% market share (see Chart 3.1.1-x).

Meanwhile, in the life line, BBVA continues to lead the market with a share of 18.2%, followed by MetLife (15.8%) and GNP (14.9%), which exchange places. Of these, only GNP, Banorte (ranked fourth), Banamex and Zurich (sixth and seventh, respectively) have lost market share compared to the previous year. The appearance of Inbursa in this ranking is noteworthy, occupying tenth position with a market share of 1.9% (see Chart 3.1.1-x).

## Key regulatory aspects

Regarding the main regulatory issues, there were no amendments to the Insurance and Bonding Institutions Law (Ley de Instituciones de Seguros y de Fianzas, LISF) during 2022. However, 18 updates were published in the Unique Insurance and Finance Circular (CUSF) delving further into regulatory aspects at a more operational level to aid their application. Among the most significant, mortality tables for pension insurance institutions derived from the Social Security laws were updated based on recent life expectancy studies, in order to recognize this improvement in the projection.

In addition, the transitional periods for obtaining the permanent license were extended for those interested in renewing their licenses as agents and for those who obtained the provisional authorization. In addition, remote means were implemented instead of the face-to-face modality before the supervisory body (the National Insurance and Bonding Commission, CNSF), the computation of terms for the renewal of agent authorizations, previously suspended due to the health emergency, was resumed and authorizations were extended until December 15, 2023.

Meanwhile, the adjustments to the secondary regulation also included adjustments that specify the general formula for calculating the Capital Solvency Requirement, in particular the methodology for market risk of debt instruments, equities and operations with derivative financial products, and the underwriting risk for life operations and Accident and Sickness and Property & Casualty operations.

In addition to the above updates, during 2023, some relevant regulatory aspects are identified in the Mexican insurance industry aimed at improving the regulatory scope. In terms of pensions, the CNSF has participated in improving pensions and updating life expectancy, which has resulted in an average pension increase of 9.7%. Regarding insurance agents, the CNSF has sought to transform their role in order to strengthen their role as advisors; in this sense, the CNSF has revised the authorization process and has implemented an Independent Evaluation Quality Center, As a result improving the quality of advice to benefit policyholders. With regard to climate change, there is greater awareness of the physical, transitional and financial risks related to climate change. As a result, the aim is to adopt regulatory frameworks that consider underwriting and asset management, as well as the incorporation of scenarios in capitalization models.

Other relevant issues are, concerning inclusion, the incorporation of inclusion and equity issues in regulatory changes. In terms of systemic risk, an analysis of the risk of systemically important institutions has begun based on the country's environment. The emerging risk of cybersecurity is also beginning to gain momentum on two fronts: the risk of cyberattacks and the risk of providing coverage for such events. And finally, with regard to Insurtech, the use of technology in the sector is intensifying, which promotes the development of the various participants in the value chain.

## 3.1.2 Guatemala

### Macroeconomic environment

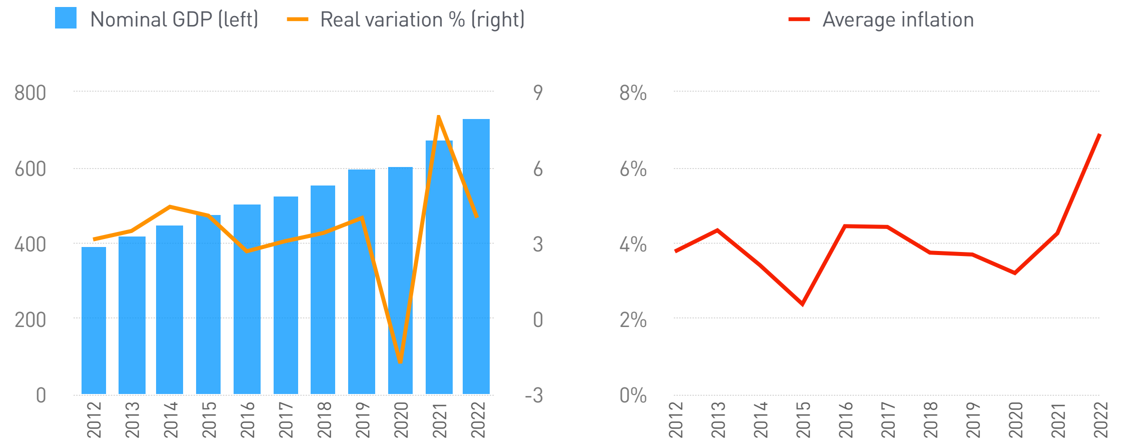
The Guatemalan economy slowed in 2022, experiencing real growth of 4.0% versus 8.0% in 2021, a year of atypical growth after the economic reopening process after the worst phases of the pandemic were overcome. Despite the economic slowdown, there was significant growth influenced (outside of the base effect of the strong growth the year before) by slow growth of the main trade partners, mainly the United States, as well as the effects of the war in Ukraine with the resulting upturn in international energy and food prices (see Chart 3.1.2-a). It should be noted that, in the case of Guatemala, family remittance flows continued to drive domestic demand.

Meanwhile, total public debt reached 27.4% of GDP (30.0% in 2021), returning to levels similar to the year before the pandemic began, while the central government fiscal deficit stood at 1.7% of GDP (1.2% in 2021), with a significant increase in both direct and indirect tax revenues (implementation of improvements in taxpayer service, measures to facilitate payments and electronic invoicing), but with an increase in public spending public infrastructure work maintenance and transfers to mitigate the effect of increased fuel and energy prices.

Meanwhile, the Bank of Guatemala changed its monetary policy stance in 2022 due to the upturn in inflation (6.9% on average for the year), implementing five interest rate hikes, from 1.75% in April to 3.75% in December, which also helped to stabilize the exchange rate of its currency against the dollar. The central bank continued in 2023 with four additional interest rate hikes to 5% in April, maintaining that level since then at the last meetings.

MAPFRE Economics forecasts the Guatemalan economy to grow 3.4% in 2023 and 3.2% in 2024. Meanwhile, ECLAC estimates that the Guatemalan GDP will grow 3.2% in 2023, and 3.1% in 2024, driven by domestic demand and expenditures aimed at rebuilding infrastructure affected by natural disasters. This body forecasts that the fiscal deficit will reach 2.3% of GDP, due to an increase in public spending in the first half of the year, which was marked by elections at the end of June, as well as reconstruction expenses. The current account balance would show a positive

Chart 3.1.2-a
Guatemala: changes in economic growth and inflation
(GDP in local currency, billions of quetzales; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

balance of 0.5% GDP in 2023, given lower growth of imports. The year would end with inflation around 4.5%, in an international context characterized by the reduction of international prices and the gradual reestablishment of pre-pandemic conditions in the global supply chains.

## Insurance market

### Growth

In 2022, insurance market premiums on the Guatemalan market reached 9.968 billion quetzals (1.286 billion dollars), an increase of 13.2% in nominal terms and 5.9% in real terms. The market is experiencing significant growth, although at a slower pace than registered in 2021 when it reached 7.7%. Premiums increased by 11.7% in the Non-Life segment, standing at 7.521 billion quetzals (970 million dollars). This segment accounts for 75.5% of the total market and the two most important lines of business (Health and Automobile) both grew in nominal terms with Health at 12.8% and Automobiles increasing 10.9%, which entails 5.5% growth in the Health business and 3.8% in Automobiles in real terms. Meanwhile, the Life insurance segment posted growth of 18.3% over the previous year, standing at 2.447 billion quetzals (316 million dollars), as shown in Table 3.1.2 and Chart 3.1.2-b.

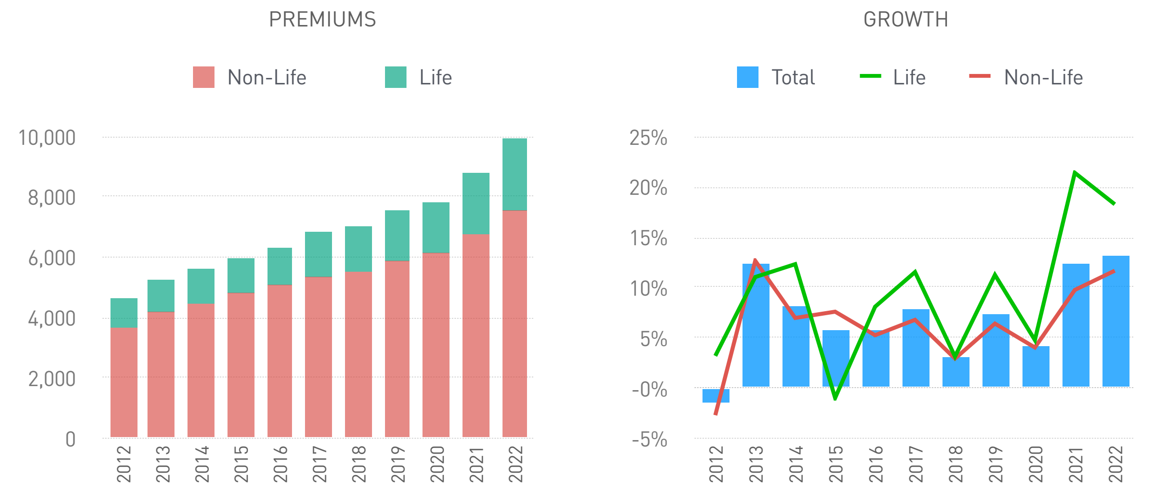
Meanwhile, in the last decade, the development of the share of the Guatemalan market's total premiums and premiums by Life and Non-Life segments with respect to the Latin American market has generally been favorable. The total proportion of Guatemalan premiums to all of Latin America has gone from 0.38% in 2012 to 0.74% in 2022. Similarly, the share in the Life line has also grown from 0.18% in 2012 to 0.43% in 2022, and in the Non-Life line from 0.52% to 0.97% (see Chart 3.1.2-c). However, there is a notable reduction in the last two years in the Non-Life insurance segment, which has gone from 1.03% in 2020 to the cited 0.97% in 2022.

Table 3.1.2
Guatemala: premium volume[1] by line, 2022

| Line | Millions of quetzales | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **9,967.6** | **1,285.6** | **13.2** | **5.9** |
| **Life** | **2,446.8** | **315.6** | **18.3** | **10.6** |
| Public Life | -0.1 | 0.0 | 261.1 | 237.9 |
| Individual Life | 309.0 | 39.9 | 30.5 | 22.1 |
| Group Life | 2,133.8 | 275.2 | 17.8 | 10.2 |
| Pensions | 4.2 | 0.5 | -79.6 | -80.9 |
| **Non-Life** | **7,520.8** | **970.0** | **11.7** | **4.5** |
| Health | 2,700.7 | 348.3 | 12.8 | 5.5 |
| Automobiles | 1,723.5 | 222.3 | 10.9 | 3.8 |
| Fire and allied lines | 582.6 | 75.1 | 7.3 | 0.4 |
| Earthquake | 612.4 | 79.0 | 4.9 | -1.9 |
| Other lines | 667.8 | 86.1 | 17.5 | 10.0 |
| Transport | 332.9 | 42.9 | 15.3 | 7.9 |
| Surety | 320.3 | 41.3 | 18.3 | 10.7 |
| Technical risks | 210.0 | 27.1 | 1.3 | -5.2 |
| Personal Accidents | 219.0 | 28.3 | 13.9 | 6.6 |
| Third-party liability | 151.5 | 19.5 | 13.8 | 6.5 |

Source: MAPFRE Economics (based on data from the Superintendency of Banks)
1/ Net direct premiums. Direct insurance.

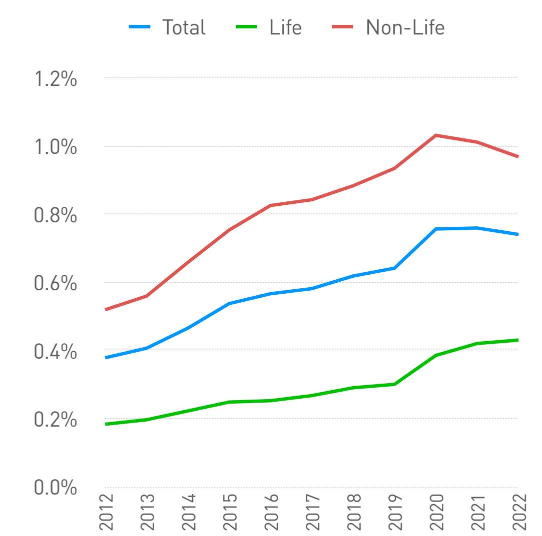
**Chart 3.1.2-b**
**Guatemala: growth developments in the insurance market**
**(premiums, millions of quetzales; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Of the nominal growth of 13.2% registered by the Guatemalan insurance market in 2022, 8.9 pp were contributed by the Non-Life insurance segment, while the Life segment contributed the remaining 4.3 pp (see Chart 3.1.2-d). This maintains the balanced growth trend of the previous year, with positive contributions from both insurance lines, and more accelerated in the last two years with respect to 2020.

**Chart 3.1.2-c**
**Guatemala: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks and supervisory bodies in the region)

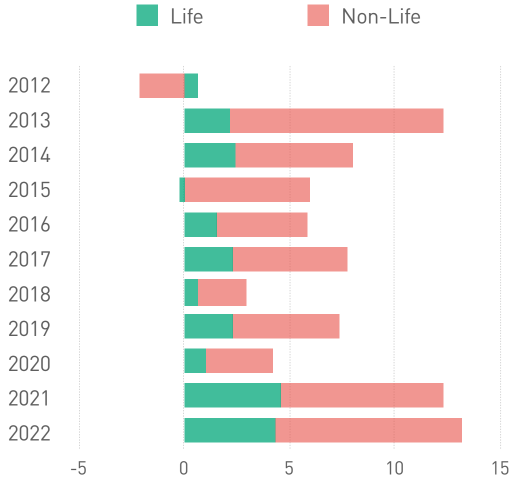
## Balance sheet and shareholders' equity

Chart 3.1.2-e shows developments in the overall balance sheet at sector level of the Guatemalan insurance industry over the 2012-2022 period. According to that information, the Guatemalan insurance industry had total assets of 13.857 billion quetzals (1.766 billion dollars) in 2022, while equity stood at 4.951 billion quetzals (631 million dollars), up 11.5% over the figure the previous year. Aggregate capitalization levels for the Guatemalan insurance industry (measured over total assets) are notable, averaging 35% over the last decade and always above 30%. At the end of 2022, the capitalization level represented 35.7% of the total assets, while it was 31.9% in 2012.

## Investments

Changes in investments over the 2012-2022 period, as well as the aggregate investment portfolio composition at the sector level throughout that period, are presented on Charts 3.1.2-f, 3.1.2-g and 3.1.2-h. In 2022,

**Chart 3.1.2-d**
**Guatemala: contribution to insurance market growth**
**(percentage points, pp)**

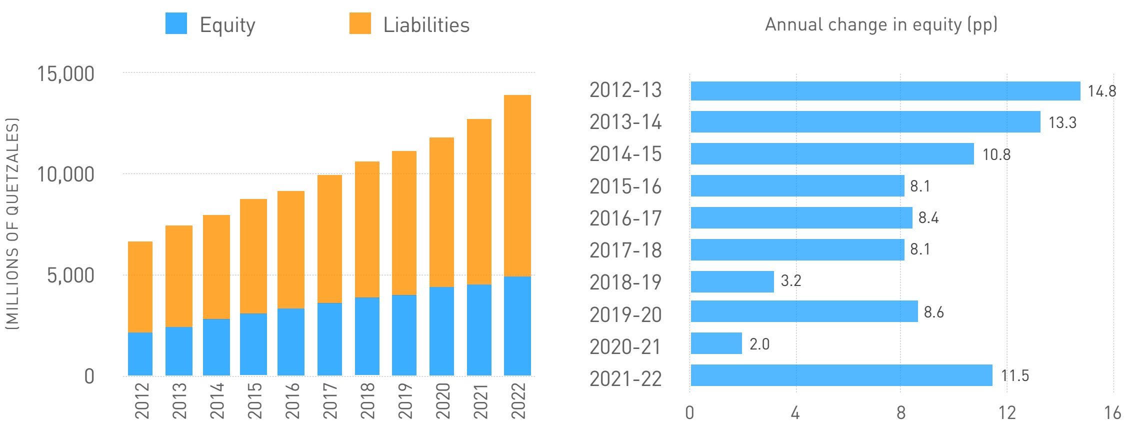



| | Annual growth (pp) | Contribution to growth (pp) Life | Non-Life |
|---|---|---|---|
| 2012 | -1.5 | 0.6 | -2.2 |
| 2013 | 12.3 | 2.3 | 10.1 |
| 2014 | 8.1 | 2.5 | 5.6 |
| 2015 | 5.8 | -0.2 | 6.0 |
| 2016 | 5.8 | 1.6 | 4.2 |
| 2017 | 7.7 | 2.3 | 5.4 |
| 2018 | 3.0 | 0.7 | 2.3 |
| 2019 | 7.4 | 2.3 | 5.1 |
| 2020 | 4.2 | 1.0 | 3.2 |
| 2021 | 12.3 | 4.6 | 7.6 |
| 2022 | 13.2 | 4.3 | 8.9 |

Source: MAPFRE Economics (based on data from the Superintendency of Banks)

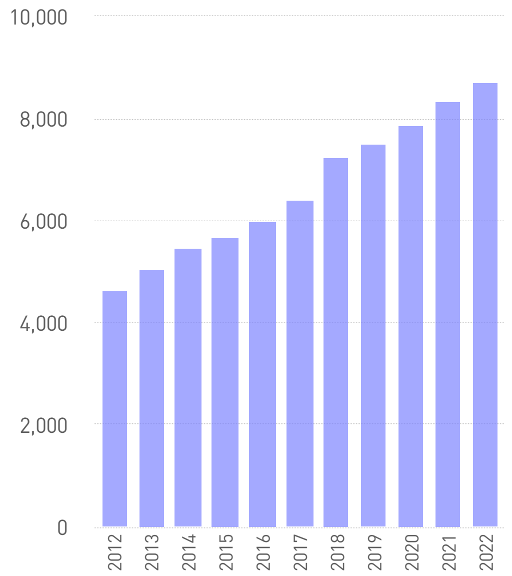
investments reached 8.681 billion quetzals (1.106 billion dollars), concentrated in equities investments (59.4%). Other financial investments (mainly bank deposits) also had a significant share, accounting for 28.5% of the portfolio. Debt instruments are therefore the most prevalent, with aggregate investment in equity playing only a minor role (1.9%). The analysis of portfolio performance over the last decade shows a gradual increase in the weight of fixed income investments in the 2012-2022 period, climbing from 55.0% in 2012 to 59.4% in 2022 (Charts 3.1.2-f and 3.1.2-g). Meanwhile, over the same period, the percentage of other financial investments (essentially bank deposits) increased from to 34.9% in 2012; this trend has since changed, gradually falling to reach 28.5% at the end of 2022.

**Chart 3.1.2-e**
**Guatemala: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-f
Guatemala: insurance market investments
(millions of quetzales)

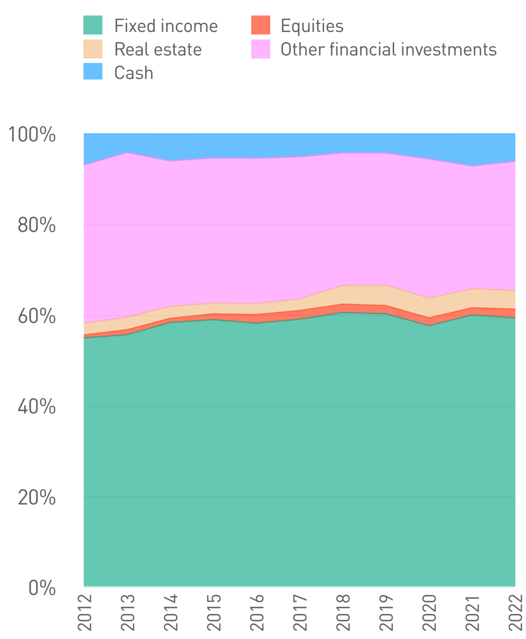



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

## Technical provisions

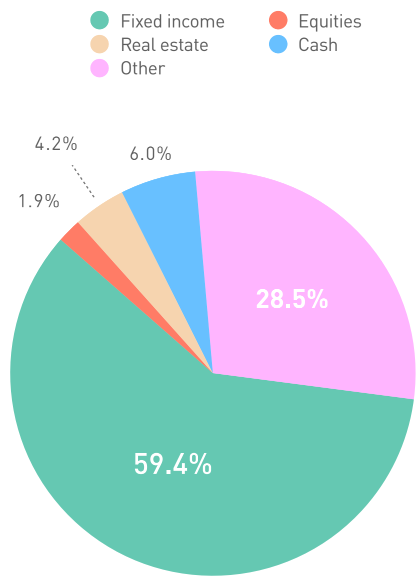
The development and relative composition of the Guatemalan insurance industry's technical provisions over the 2012-2022 period are shown in Charts 3.1.2-i, 3.1.2-j and 3.1.2-k. According to this data, in 2022, technical provisions amounted to 6.464 billion quetzals (824 million dollars). Of this total, 41.2% related to Life insurance technical provisions, 26.3% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 27.4% to provisions for outstanding claims, and the remaining 5.1% to provisions for catastrophic risks. Technical provisions saw sustained growth in absolute terms over the 2012-2022 period, both in Life and Non-Life insurance (interrupted only in 2017). However, if we consider the weight on the total technical provisions, we observe a general drop in 2016, both in Life and Non-Life, in favor of the provision for outstanding claims, decreasing the share in the Non-Life branch from 28.4% in 2012 to 26.3%, and in the Life

Chart 3.1.2-g
Guatemala: structure of investments
(%)



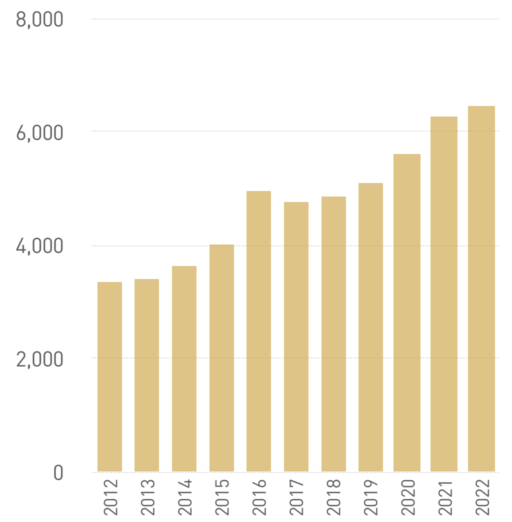

Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-h
Guatemala: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-i
Guatemala: technical provisions of the insurance market
(millions of quetzales)




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

branch from 41.6% to the aforementioned 41.2%.

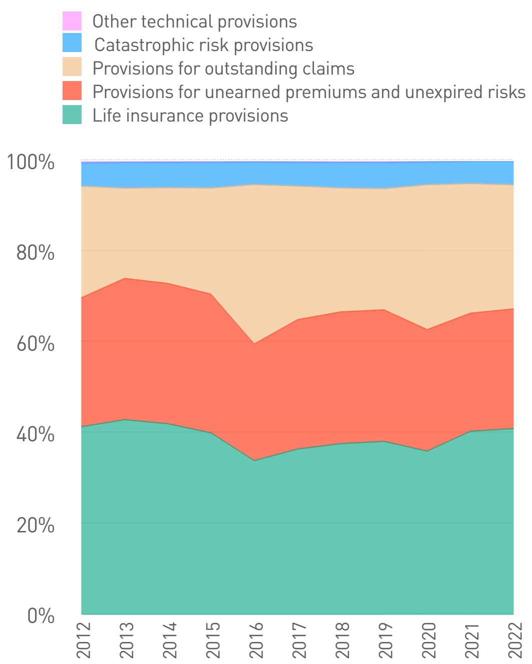
## Technical performance

The development of technical performance in the Guatemalan insurance industry over the 2012-2022 period is shown in Chart 3.1.2-l. According to these data, the combined ratio in 2022 stood at 88.2%, dropping 4.6 pp from the previous year. This is fundamentally due to the 5.2% decrease in the loss ratio with respect to the previous year.

## Results and profitability

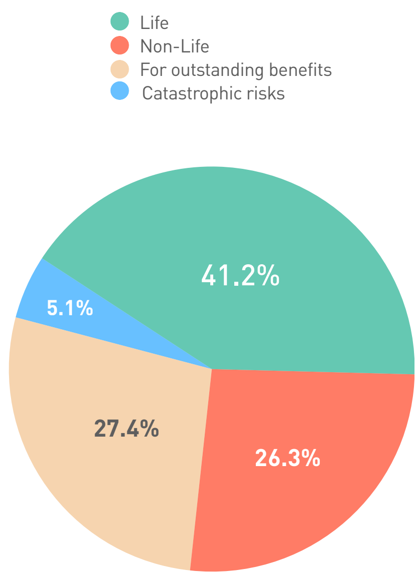
Meanwhile, in 2022, the net result of the Guatemalan insurance business was 1.218 million quetzals (157 million dollars), up 33% from the previous year, due to the 90.6% growth in the technical result ( as a result of the base effect of the previous year) and the 5.6% growth in the financial result with respect to the value observed in 2021 (see Chart 3.1.2-m). In terms of profitability levels,

Chart 3.1.2-j
Guatemala: structure of technical provisions
(%)



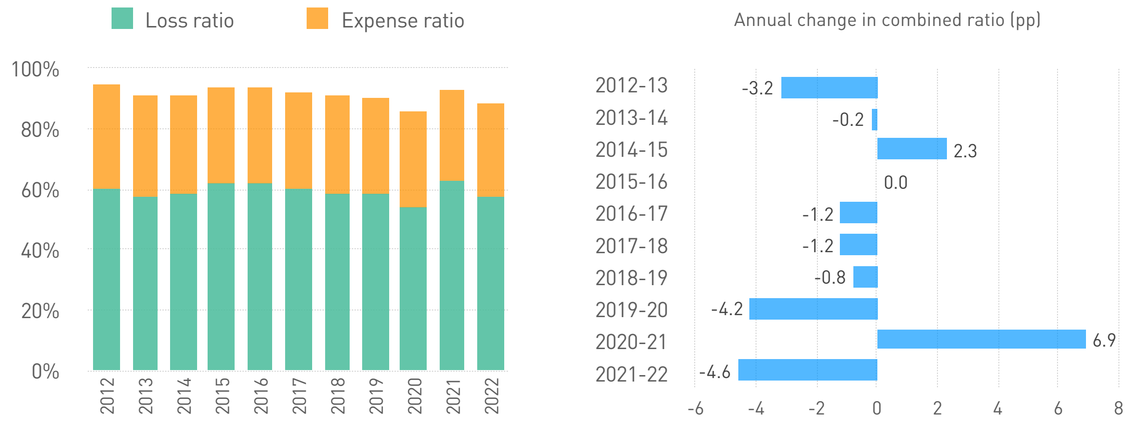

Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-k
Guatemala: structure of technical provisions, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-l
Guatemala: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



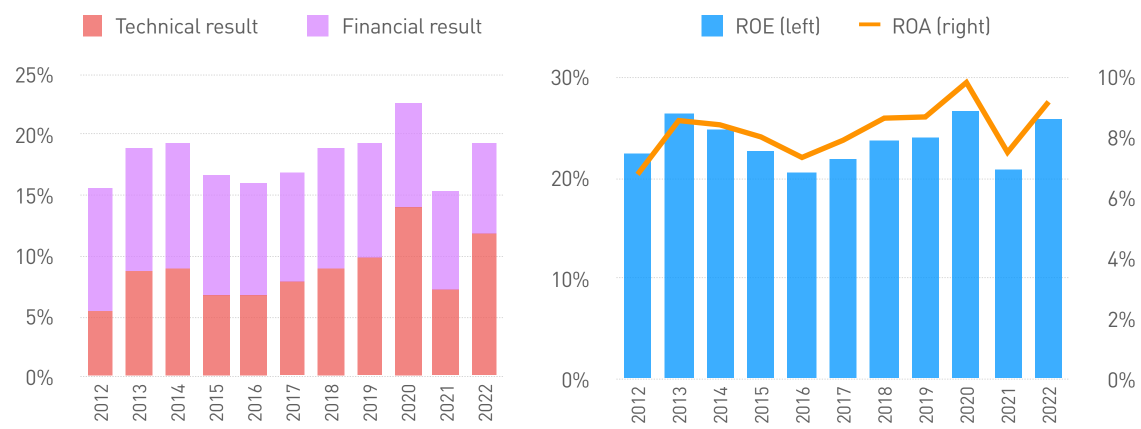

Source: MAPFRE Economics (based on data from the Superintendency of Banks)

return on equity (ROE) stood at 25.9%, up 5.1 pp from the figure recorded in the previous year. Something similar occurs when analyzing the return on assets (ROA), which gained 9.2%, 1.7 pp above the level of the previous year's indicator. In addition, the financial result over earned premium has shown a downward trend over the last ten years, from 10.1% in 2012 to 7.4% in 2022, while the technical result over earned premium reached 11.8% in 2022 from 5.5% in 2012.

### Insurance penetration, density and depth

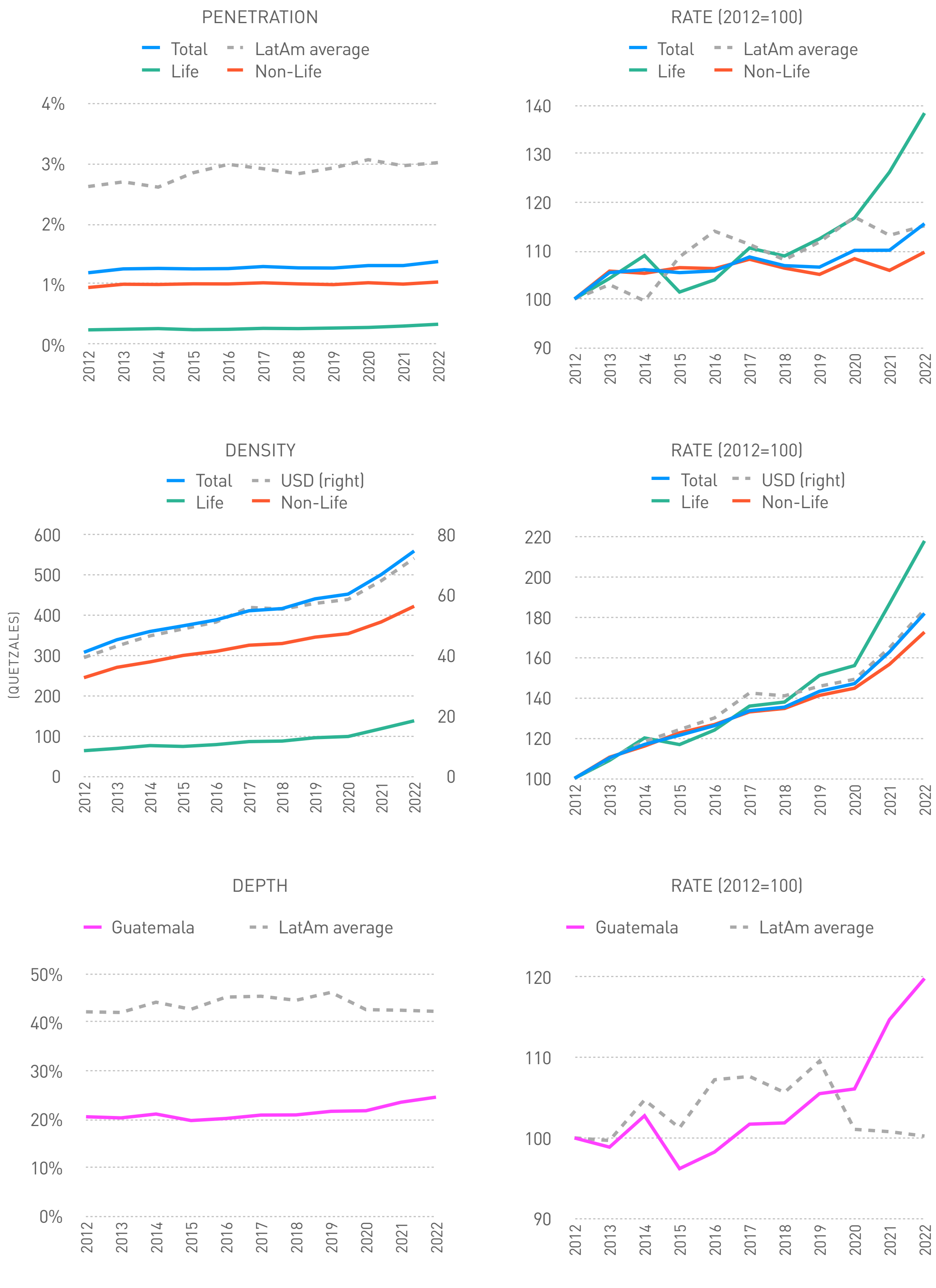
Chart 3.1.2-n presents the performance of the main structural growth indicators for the Guatemalan insurance industry, as well as the pattern observed over the 2012-2022. First, it should be noted that, despite the growth rate of the insurance industry, the penetration rate (premiums/GDP) in 2022 stood at 1.4%, with a remarkable upward trend in the Life insurance segment in the

Chart 3.1.2-m
Guatemala: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

**Chart 3.1.2-n**
**Guatemala: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, quetzales and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

last two years. It is important to note that during the 2012-2022 period, this indicator has shown remained stable at around 1.3%. As a result, its magnitude is well below the average for Latin American insurance markets, and it has gradually diverged over the last ten years relative to the rest of the countries in the region, where penetration stood at an average of 3.0%.

Meanwhile, insurance density (premiums per capita) amounted to 559 quetzals (72 dollars), 81.9% above the value observed in 2012 (307 quetzals). In contrast to penetration performance, the density index has increased over the last decade, meaning that while per capita purchases of insurance have grown at a sustained rate (a very significant increase given the relatively small base), the pace of growth has been insufficient to enable insurance to gain a greater weight among total economic activity in the country.

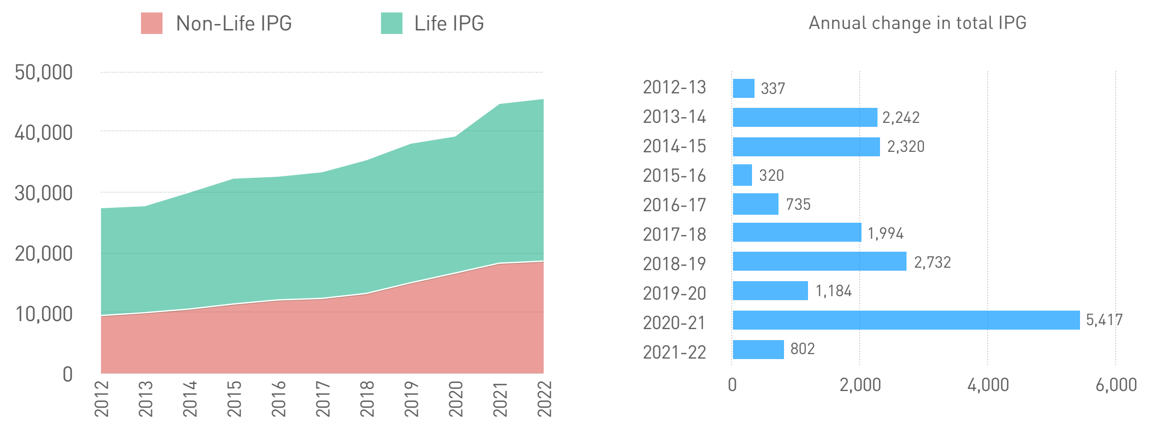
With regard to depth levels (ratio between Life insurance premiums and total premiums), this indicator stood at 24.5%, 1 pp above the 2021 figure and 4.1 pp above the figure reported in 2012. As with the penetration index, the Guatemalan insurance market's depth level is 17.7 pp lower than the Latin American average (42.3%).

**Insurance Protection Gap estimate**

Chart 3.1.2-o shows an estimate of the IPG for the Guatemalan insurance market between 2012 and 2022. The insurance gap stood at 45.522 billion quetzals (5.871 billion dollars). As in the majority of Latin American insurance markets, the structure and evolution of the IPG demonstrates the predominance of Life insurance. As a result, in 2022, 59.2% of the gap related to Life insurance (26.940 billion quetzals), while Non-Life insurance accounted for 40.8% of the IPG (18.582 billion quetzals). Based on this estimate, as shown on Chart 3.1.2-p, the potential insurance market in Guatemala in 2022 (measured as the sum of the actual market and the IPG) would be 55.489 billion quetzals (7.157 billion dollars).

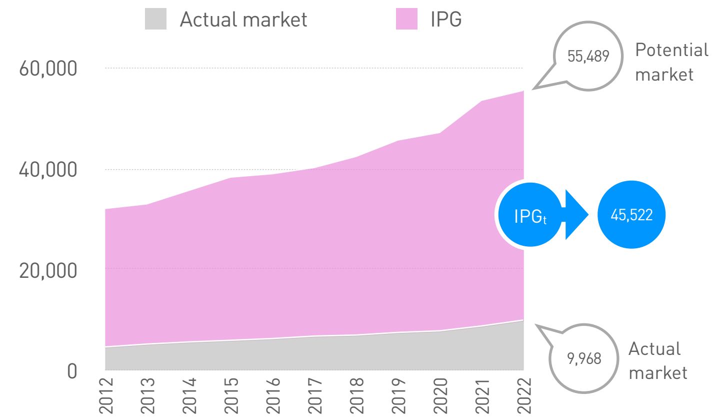
In an analysis in relative terms, Chart 3.1.2-q shows an estimate of the IPG as a multiple of the actual market in each year of the period under analysis. In this sense, the insurance gap (measured as a multiple) has been on a downward path over the 2012-2022 period, both in terms of the total market and the Life segment. As a result, while the IPG of the Guatemalan market was 5.9 times the size of the actual market in 2012, this had fallen to

Chart 3.1.2-o
Guatemala: Insurance Protection Gap
(millions of quetzales)




Source: MAPFRE Economics

**Chart 3.1.2-p**
**Guatemala: Insurance Protection Gap and potential market**
**(millions of quetzales)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 114.5% | 65.9% |
| 2022-2021 | 13.2% | 1.8% |

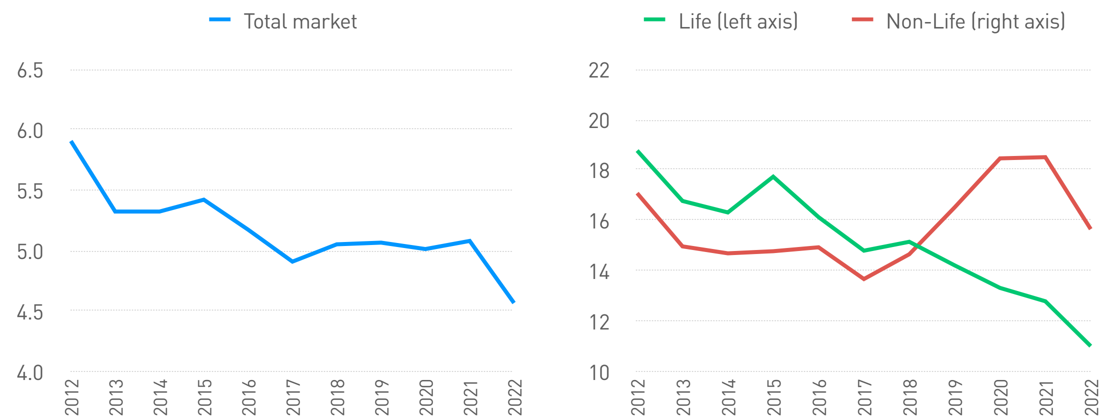
Source: MAPFRE Economics

4.6 times in 2022. A similar situation emerges in the Life segment, where the multiple fell from 18.8 to 11.0 times. The Non-Life insurance segment, however, saw relative stagnation; it was nearly the same (2.6 and 2.5 times, respectively) in 2012 and in 2022.

Chart 3.1.2-r schematically summarizes the change in the insurance gap as a multiple of the actual market for the Life and Non-Life segments and for the total Guatemalan insurance market over the last decade, comparing the situation in 2022 with that of 2012. According to this analysis, a slight improvement is observed in terms of the gap as a multiple of the actual market, albeit mainly in the Life insurance segment.

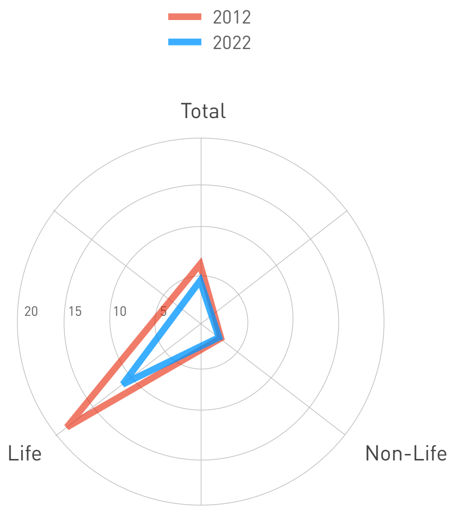
Finally, Chart 3.1.2-s provides an overview of the capacity of the Guatemalan insurance market to close the IPG. To this end, a comparative analysis has been carried out between the growth rates recorded in the market over the last ten years and the growth rates that would be needed to close the IPG

**Chart 3.1.2-q**
**Guatemala: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.1.2-r
Guatemala: the IPG
as a multiple of the actual market




Source: MAPFRE Economics

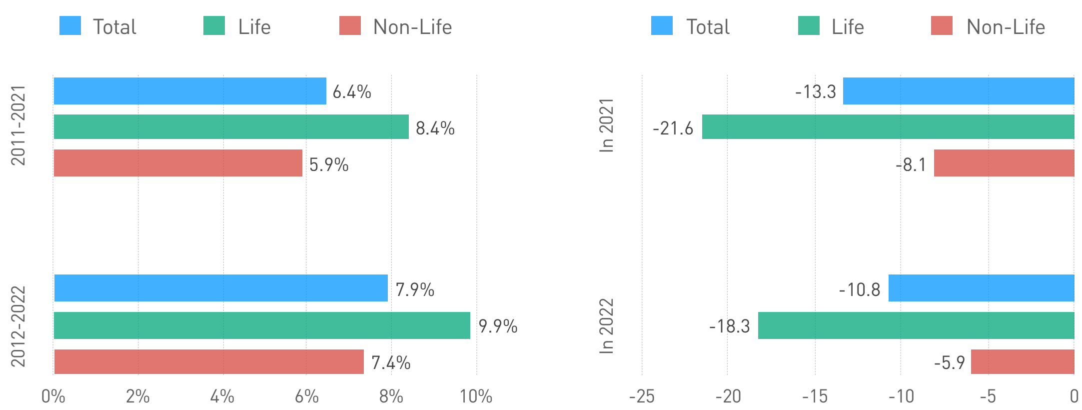
calculated in 2022 over the next decade. According to this analysis, the Guatemalan insurance market recorded an average annual growth rate of 7.9% over the 2012–2022 period. This was underpinned by an average growth of 9.9% in the Life insurance segment and of 7.4% in the Non-Life insurance segment. Were the same pattern to continue over the next ten years, the growth rate for the market as a whole would fall short of the rate needed to cover the gap determined in 2022 by 10.8 pp; that is, the insurance market would need an average growth rate of 18.7% over the next decade in order to close the IPG estimated in 2022.

A similar situation emerges when analyzing the Life and Non-Life segments. In the former case, the insufficiency would be 18.3 pp, while for the latter, it would be 5.9 pp. The Guatemalan insurance market would therefore need to achieve an annual average growth of 28.2% and 13.3% respectively over the next decade to bridge these insurance gaps. It should be noted that, with regard to the comparative analysis of this fiscal year compared to that conducted in 2021 for the Guatemalan insurance market, the insufficiency levels of the total market and of the Non-Life insurance segment have dropped slightly.

### Market Development Index (MDI)

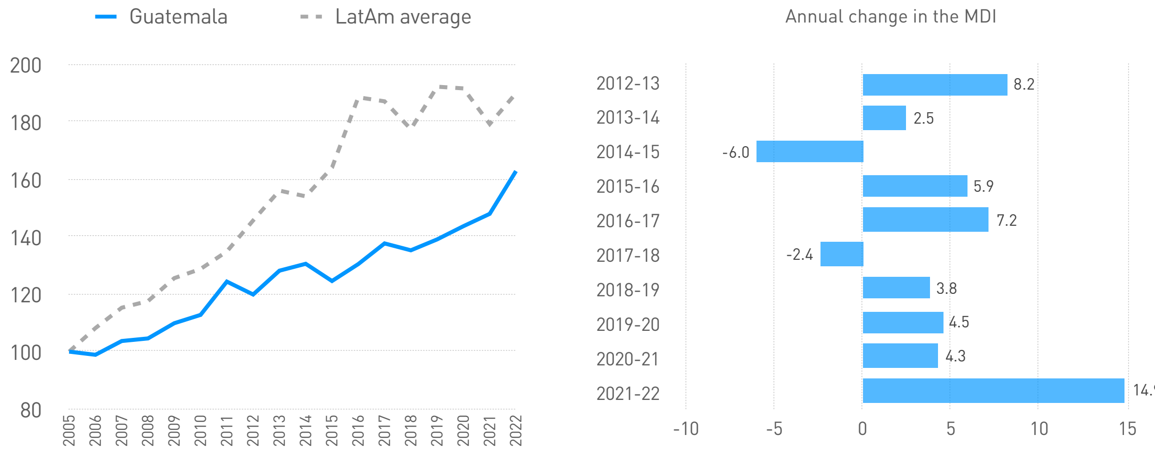
Chart 3.1.2-t provides an estimation of the Market Development Index (MDI) for the

Chart 3.1.2-s
Guatemala: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

Chart 3.1.2-t
Guatemala: Market Development Index (MDI)
(2005 index=100; annual change)



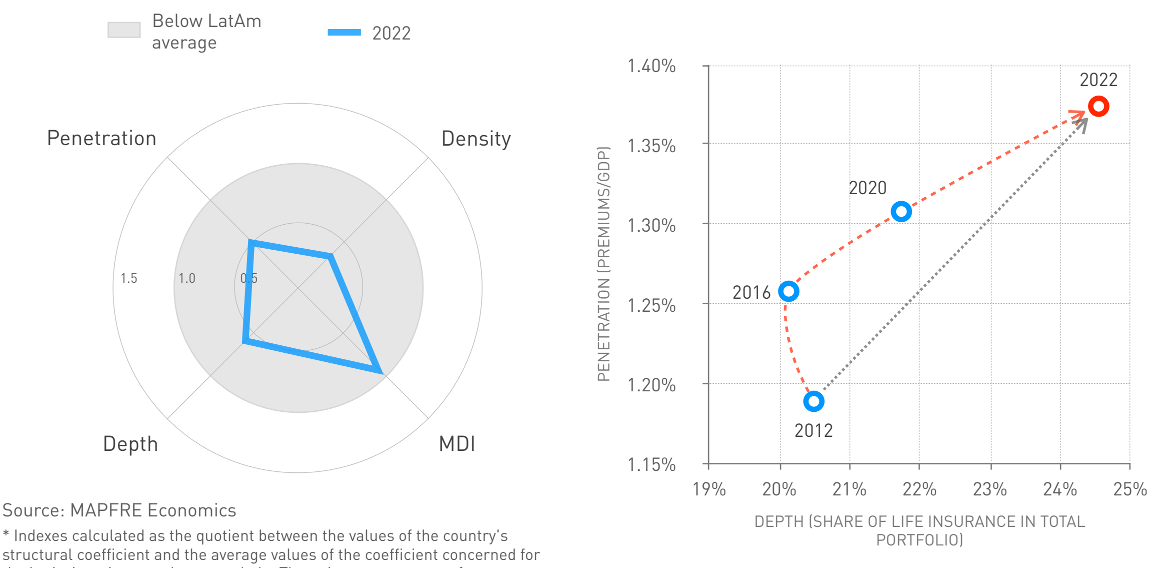

Source: MAPFRE Economics

Guatemalan insurance industry. Overall, this indicator shows a positive trend over the past decade, with annual decreases in 2012, 2015 and 2018. However, it should be noted that its current level stands below the Latin American market average and its growth trend stagnated in the 2011–2015 period, to improve considerably in the final stretch of the analysis period.

**Joint analysis of structural coefficients**

Lastly, Chart 3.1.2-u summarizes the Guatemalan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. This information shows that its situation is significantly below

Chart 3.1.2-u
Guatemala: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

the Latin American average for all indicators, especially in terms of density (276.4 dollars US in premiums per capita in Latin America vs. 72 dollars in Guatemala).

## Insurance market rankings

### Total ranking

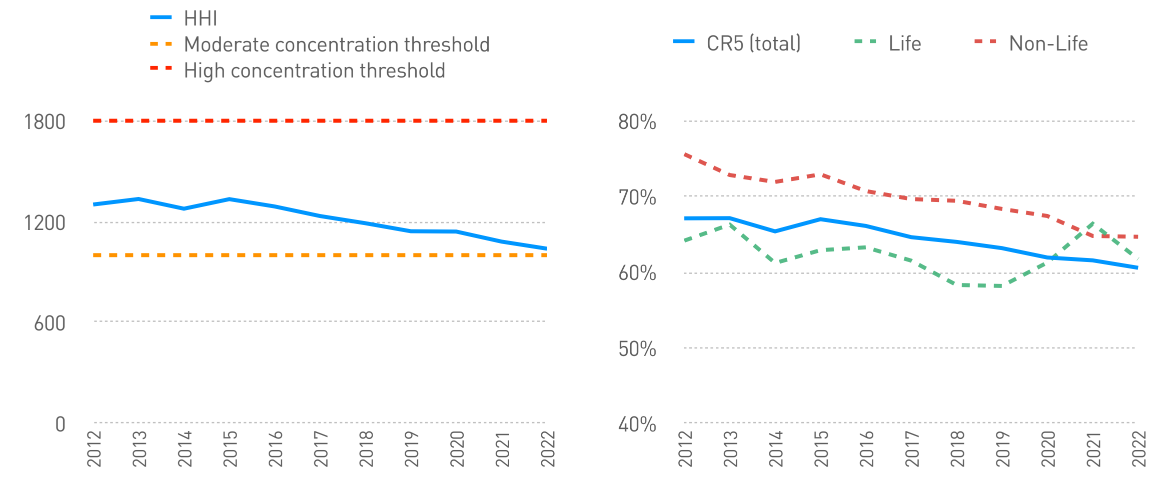
The Guatemalan insurance industry consisted of 28 insurance companies in 2022. The top five institutions accounted for 60.6% of the total premiums, 0.9 pp less than in 2021, highlighting the drop in concentration of the Life segment for the first time since 2020. There has therefore been a gradual decrease in the concentration levels of the Guatemalan insurance market over the last decade. This is confirmed when analyzing the Herfindahl index, which approaches the upper limit of the theoretical threshold in 2022, indicating the onset of moderate concentration levels (see Chart 3.1.2-v).

Chart 3.1.2-w illustrates that the two most important insurance groups in the Guatemalan market continue to be El Roble, with a 22.4% share of premiums (representing a -1.2 pp reduction compared to 2021), and G&T which, with a market share of 14.1%, also reduced its market share by -0.4 pp. Following at some distance behind were Seguros Universales, with a share of 8.8% (0.5 pp less than in 2021), MAPFRE, with 8.4%, and Aseguradora Rural, with 7.6%. Meanwhile, with respect to 2021, Nacional and Agromercantil (sixth and eighth, respectively) have swapped positions with Aseguradora General and Pan-American Life (seventh and ninth, in each case).

### Life and Non-Life rankings

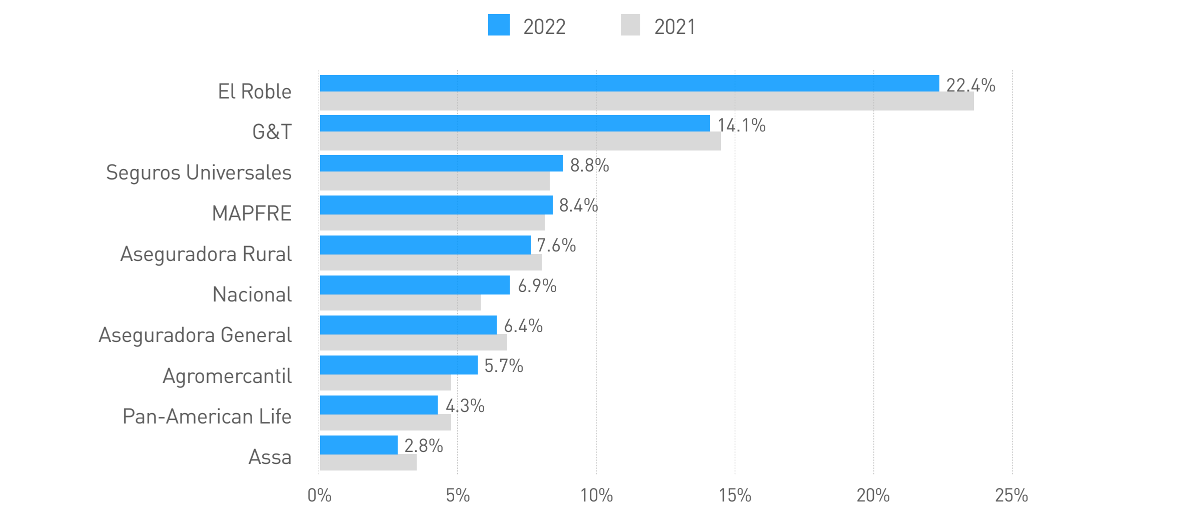
The Non-Life ranking is also led by El Roble, with a 24.6% share in 2022 (compared to 25.7% in 2021), followed by G&T, with 16.9%, and Seguros Universales, with 9.1% market share. MAPFRE and Nacional move up one place in the 2022 ranking, to fourth and fifth place, respectively, with a market share of 7.9% and 7.8% in each case, overtaking Aseguradora General, which loses 2 places (see Chart 3.1.2-x). Finally, in the Life ranking, there are no changes in the top six insurance groups in 2022, with Aseguradora Rural remaining in first place, with 18% market share (compared to 22.2% the previous year), El Roble in second place, with 15.8% of total premiums (reducing its share by -1 pp compared to the previous year), and MAPFRE consolidating its third place with 10.2% market share (up 0.9 pp compared to the previous year).

**Chart 3.1.2-v**
**Guatemala: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-w
Guatemala: overall ranking
(market shares, %)

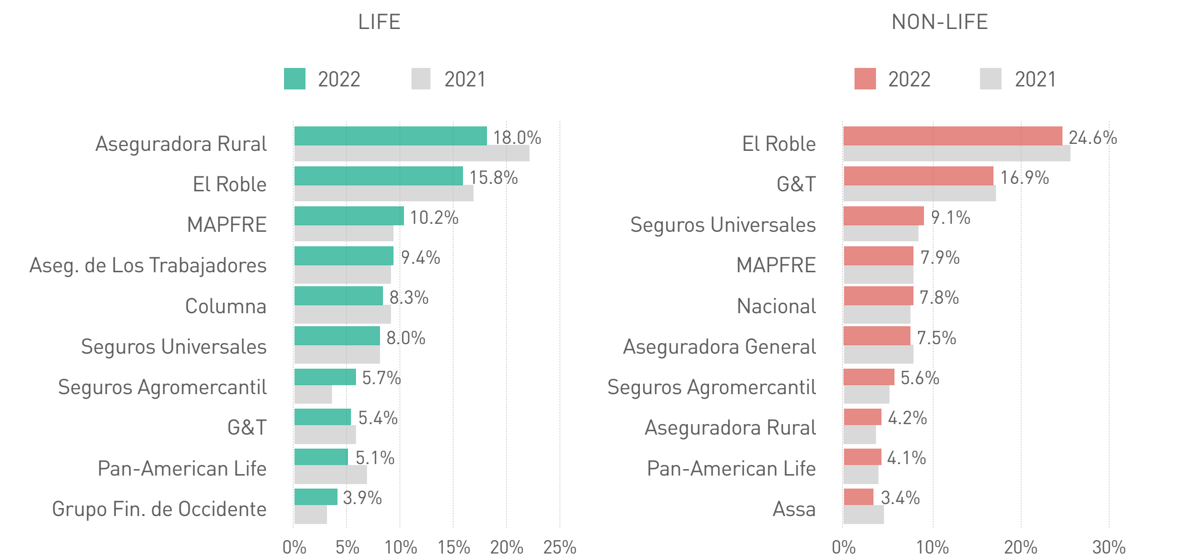



Source: MAPFRE Economics (based on data from the Superintendency of Banks)

## Key regulatory aspects

With regard to the main regulatory adjustments in Guatemala insurance market, the following are notable: First, Resolution 35-2022 of the Superintendent of Banks, of September 23, 2022, authorizing insurance companies to operate as insurance groups, risks of excess rain, drought and earthquake, in compliance with the regulation in force applicable to the placement of group insurance and its respective registration. And, second, Resolution 53-2023, dated January 13, 2023, relating to the revision and setting,

Chart 3.1.2-x
Guatemala: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banks)

for 2023, of the minimum amount of initial paid-in capital of domestic insurance or reinsurance companies to be incorporated, or of foreign insurance or reinsurance companies to be established in the national territory.

In addition, the Superintendency of Banks has continued to implement the Financial Reporting Standards for Insurance Companies (NIFA) bill, for which it established a pilot plan consisting of five phases. In 2022, the first phase, corresponding to the preparation of financial information for the transition from the current Manual of Accounting Instructions for Insurance Companies to AIFRS, was completed; the second phase, scheduled for completion in 2023, involves the preparation of a complete set of comparative financial statements, which will make it possible to verify the application of the criteria established in the bill and its financial impact on the insurance industry.

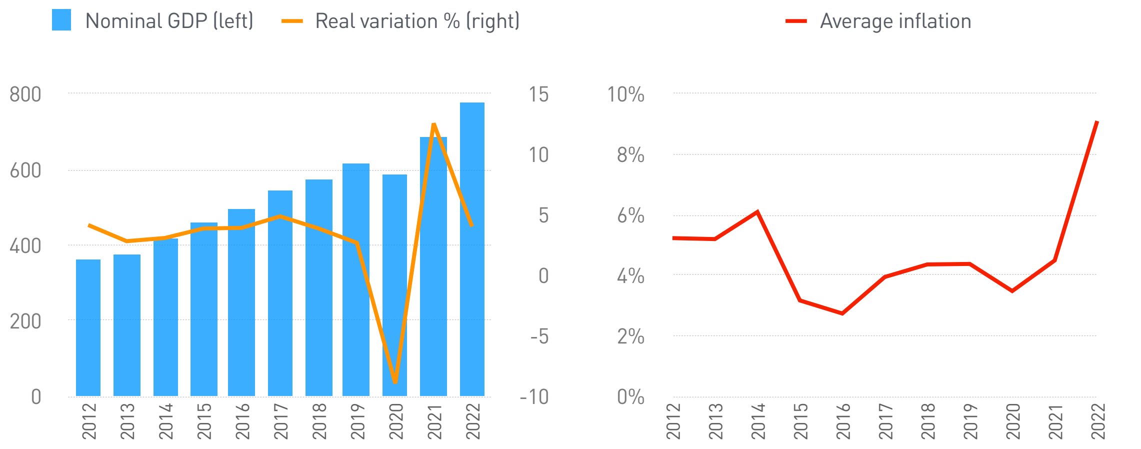
## 3.1.3 Honduras

### Macroeconomic environment

In 2022, the Honduran economy slowed, experiencing 4.0% actual growth, after the strong 12.5% growth registered the year before, after the economic reopening process once the worst moments of the pandemic had been overcome (see Chart 3.1.3-a). This slowdown was largely due to the base effect of the high growth the year before and a strong upturn of inflation (an average of 9.1% in 2022) due to the international context placing upward pressure on energy and food prices, but also the economic slowdown of the country's main trade partners, especially the United States. In any case, there was notable growth based on private consumption aided by the improved performance of the labor market and the positive effect of the flow of remittances to families from abroad.

Meanwhile, the Honduran government's fiscal deficit at the close of 2022 stood at 1.2% of GDP (5.0% in 2021), which represented a reduction of the deficit of previous years that increased sharply as a result of the aid implemented to fight the pandemic and natural disasters, which keeps the level of indebtedness high, with the total public debt standing at 48.0% of GDP (51.5% in 2021). With respect to the foreign sector, the annual current account balance reached a deficit of 1.9% of GDP (3.0% registered in 2021), with an increase in the value of imports due to the rebound in international prices that surpassed

Chart 3.1.3-a
Honduras: changes in economic growth and inflation
(GDP in local currency, billions of lempiras; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

exports and family remittances, as occurred to a lesser extent the previous year.

Meanwhile, the Central Bank of Honduras kept the monetary policy interest rate at 3.0% throughout 2022, despite the spike in inflation. In this sense, the central bank created an active monetary policy, gradually withdrawing excess liquidity through open market operations. Year-on-year inflation in December 2022 stood at 9.8% (over the goal range established by the central bank of between 3% and 5%), but it moderated in 2023, and in July 2023 stood at 5.15%.

For 2023, MAPFRE Economics forecasts 3.5% growth of the Honduran economy, and 2.8% for 2024, while ECLAC estimates 3.4% and 2.6% GDP growth for those years, as a result of the lower growth prospects of the main trade partners and decreased flow of remittances, with an upturn in the fiscal deficit due to the increase in public spending on infrastructure.

## Insurance market

### Growth

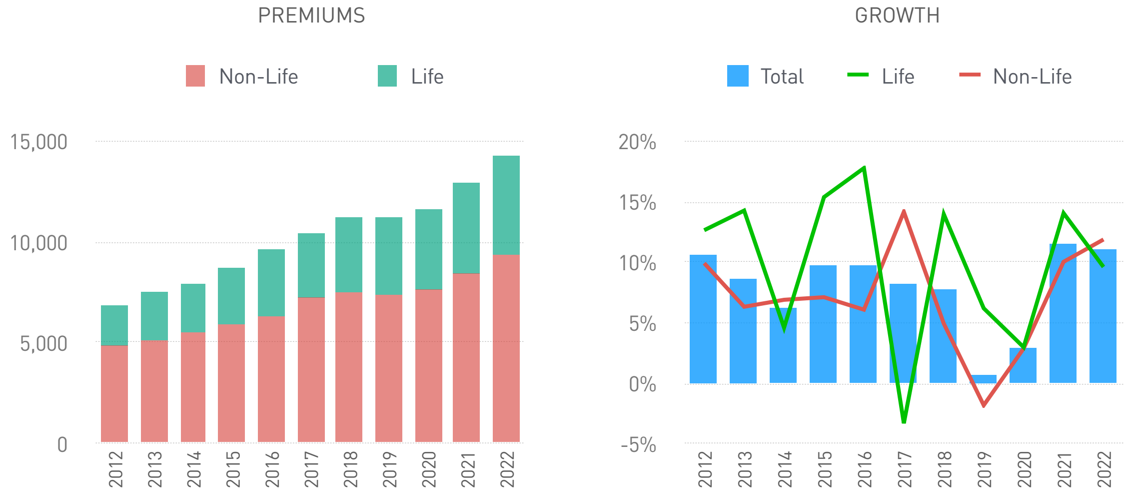
The premium volume of the Honduran insurance market amounted to 14.312 billion lempiras (582 million dollars) in 2022. This represents growth of 11.1% in nominal terms and 1.8% in real terms relative to the previous year (see Table 3.1.3 and Chart 3.1.3-b). Growth within the Honduran insurance industry was down slightly (0.3 pp) on the previous year, when premiums rose by 11.4% in nominal terms. Specifically, Life insurance premiums grew 9.6% in 2022 (compared to the significant growth of 14.0% registered in 2021), reaching 4.948 billion lempiras (201 million dollars). Meanwhile, Non-Life insurance premiums were up 11.9% (versus 10.0% in 2021), reaching 9.364 billion lempiras (380 million dollars). All the Non-Life insurance segment's modalities grew in nominal terms, except for the Surety line (-17.7%), although some declined in real terms, as was the case of Health (-6.8%) and Other lines (-6.3%).

Table 3.1.3
Honduras: premium volume[1] by line, 2022

| Line | Millions of lempiras | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **14,312.0** | **581.5** | **11.1** | **1.8** |
| **Life** | **4,948.0** | **201.1** | **9.6** | **0.5** |
| **Non-Life** | **9,364.1** | **380.5** | **11.9** | **2.5** |
| Fire and allied lines | 3,012.4 | 122.4 | 18.7 | 8.8 |
| Automobiles | 1,979.6 | 80.4 | 20.1 | 10.1 |
| Health | 2,482.1 | 100.9 | 1.7 | -6.8 |
| Other lines | 725.6 | 29.5 | 2.2 | -6.3 |
| Transport | 379.4 | 15.4 | 21.8 | 11.6 |
| Surety | 160.3 | 6.5 | -17.7 | -24.6 |
| Personal Accidents | 356.4 | 14.5 | 19.8 | 9.8 |
| Third-party liability | 248.7 | 10.1 | 11.5 | 2.2 |
| Occupational risks | 19.5 | 0.8 | 184.1 | 160.4 |

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)
1/ Premiums net of returns and cancellations

**Chart 3.1.3-b**
**Honduras: growth developments in the insurance market**
**(premiums, millions of lempiras; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Meanwhile, the Fire and Automobile lines grew by double digits in nominal terms, with 18.7% and 20.1%, respectively.

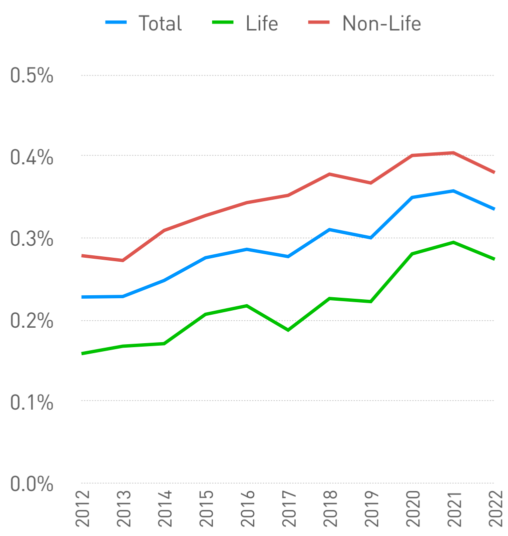
However, the share of total premiums and premiums by Life and Non-Life segments of the Honduran market with respect to the Latin American market has grown by 10 basis points (bps) over the last ten years. The Non-Life line has a greater share (0.38% in 2022) in Latin America as a whole than the Life line (0.27%). Overall, the total proportion of Guatemalan premiums to all of Latin America has gone from 0.23% in 2012 to 0.33% in 2022 (see Chart 3.1.3-c).

Accordingly, to summarize, Non-Life insurance contributed more positively to the 11.1% registered by the Honduran insurance market in 2022, with 7.7 pp, while the Life insurance segment contributed 3.4 pp (see Chart 3.1.3-d).

### Balance sheet and shareholders' equity

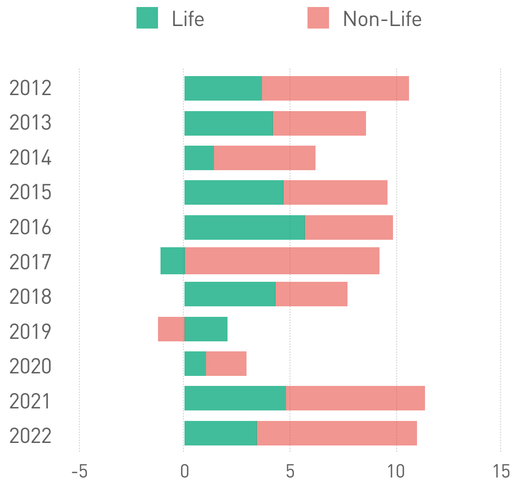
Chart 3.1.3-e shows developments in the aggregate balance sheet of the Honduran insurance industry over the 2012-2022 period. The sector's total assets amounted to 21.109 billion lempiras (855 million dollars), while equity stood at 7.473 billion lempiras (303 million dollars), showing an upward trend, interrupted only in 2013, 2018 and 2022. The

**Chart 3.1.3-c**
**Honduras: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission and supervisory bodies in the region)

**Chart 3.1.3-d**
**Honduras: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Non-Life |
|---|---|---|---|
| 2012 | 10.7 | 3.6 | 7.0 |
| 2013 | 8.6 | 4.2 | 4.5 |
| 2014 | 6.2 | 1.4 | 4.8 |
| 2015 | 9.6 | 4.7 | 4.9 |
| 2016 | 9.8 | 5.7 | 4.1 |
| 2017 | 8.1 | -1.1 | 9.3 |
| 2018 | 7.7 | 4.3 | 3.4 |
| 2019 | 0.8 | 2.0 | -1.2 |
| 2020 | 2.9 | 1.0 | 1.9 |
| 2021 | 11.4 | 4.8 | 6.6 |
| 2022 | 11.1 | 3.4 | 7.7 |

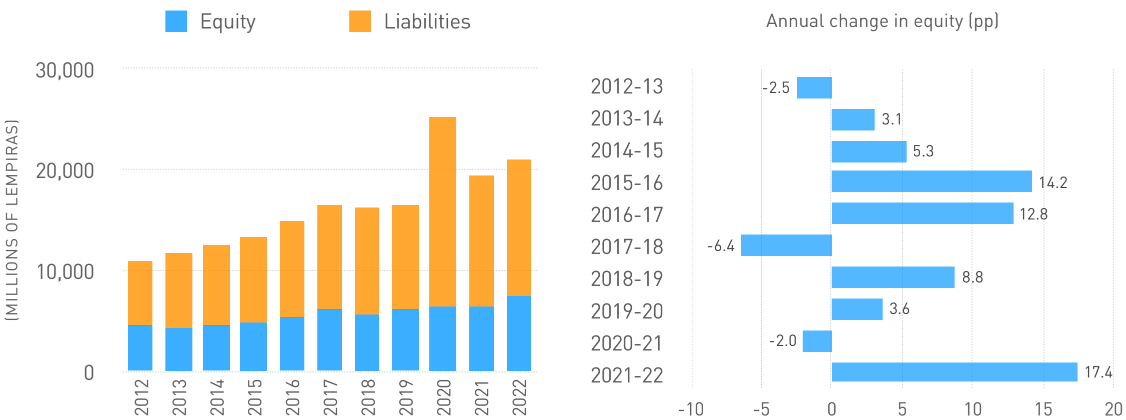
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

aggregate capitalization levels of the Honduran insurance industry (measured in relation to total assets) are significant, at around 39% on average in the 2012-2014 period. Since then, it has experienced stagnation at values close to 36% on average over the total assets, reaching 35.4% in 2022, growing 2.7 pp for the highest increase in equity over total assets (17.4% versus 8.3%).

## Investments

Chart 3.1.3-f shows developments in the Honduran insurance industry's investment over the 2012-2022 period, while Charts 3.1.3-g and 3.1.3-h show the composition of the aggregate sector-level investment portfolio over that period and also in 2022. In this last year, investment by insurance companies

**Chart 3.1.3-e**
**Honduras: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

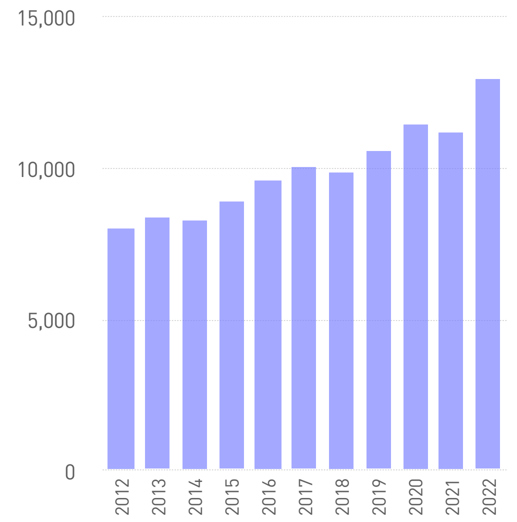
operating in the Honduran market came to 12.928 billion lempiras (524 million dollars), with 84.8% concentrated in debt and equity instruments, 8.6% in cash, 2.4% in real estate and the remaining 4.2% in other financial investment.

There is a general trend toward growth in the share of debt and equity investments (which seemed to have stagnated as of 2014), landing above the ten-year average (82.8%) in 2022. The decrease in cash investments over this period is also noteworthy, falling from 10% to 8.6% between 2012 and 2022.

### Technical provisions

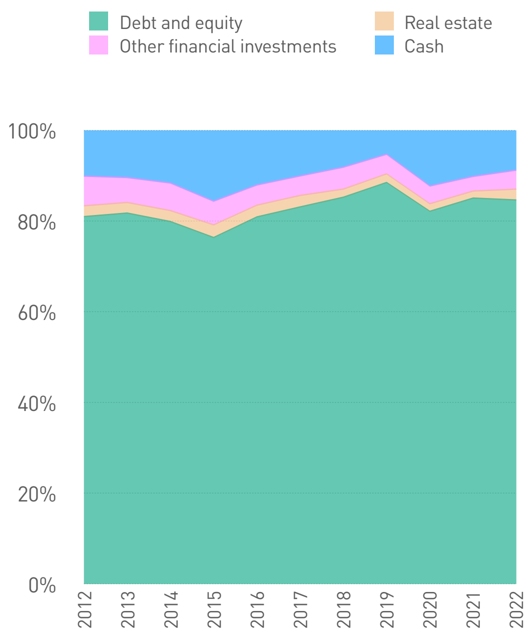
Chart 3.1.3-i shows the evolution of technical provisions in the Honduran insurance industry. Conducting a more detailed analysis of the composition of technical provisions at a sector level was not possible with the data available. However, throughout the period 2012-2022, there was sustained growth at the aggregate level, although this was distorted

Chart 3.1.3-f
Honduras: insurance market investments
(millions of lempiras)



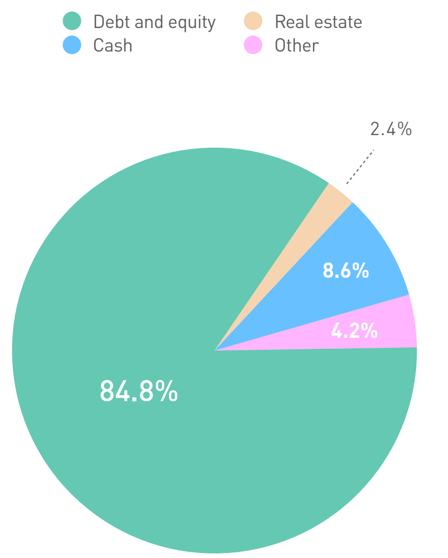

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-g
Honduras: structure of investments
(%)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-h
Honduras: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

in 2020, the year of the pandemic's outbreak, by an exceptional increase in their level.

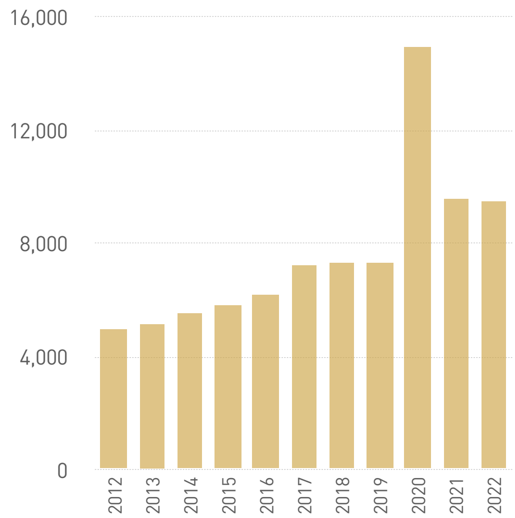
### Technical performance

Chart 3.1.3-j shows the technical performance of the Honduran insurance industry over the 2012-2022 period, based on an analysis of the market's combined ratio. According to this information, in 2022 the technical coefficient was 87.1%, 9.9 pp above the level reached in 2021 (97.1%). The expense ratio worsened to 42.5%, down 2.2 pp from the previous year. Meanwhile, the loss ratio also improved (44.6%) recovering values similar to 2020, after having reached its high of the last decade last year (52.4%), an improvement of 7.7 pp less than in 2022.

### Results and profitability

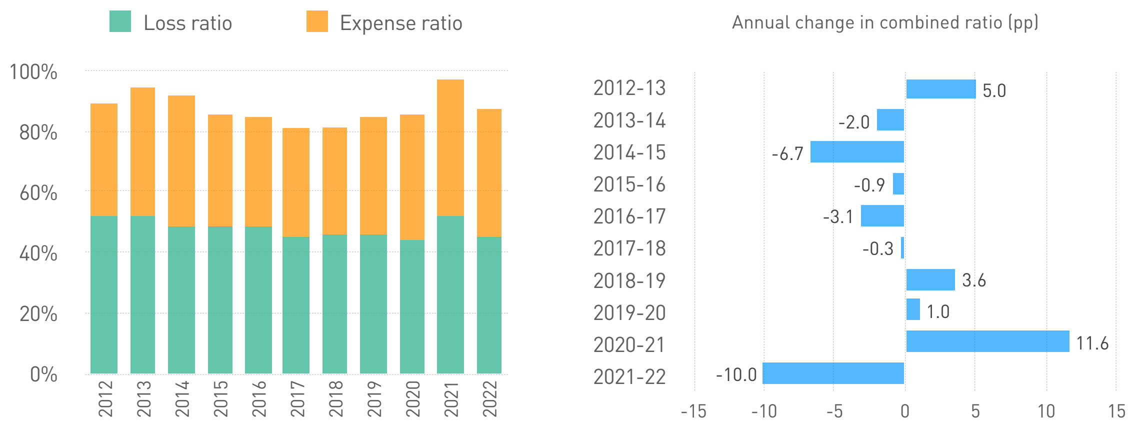
The Honduran insurance industry posted a net result of 994 million lempiras (40.4 million dollars) in 2022, up 85.0% on the previous year. It is important to note that the net result obtained in 2022 by the Honduran insurance industry was a product of the improvement in the sector's technical result, which returned to pre-2021 figures (850 million lempiras in 2022). This was 34.5 million dollars and a growth of 358%, due to the atypical result in 2021 (see Chart 3.1.3-k). However, the financial result deteriorated significantly, falling to 326.9 million lempiras (13.3 million dollars), while in 2021 the result was 576.3 million lempiras (23.9 million dollars).

Chart 3.1.3-i
Honduras: technical provisions of the insurance market
(millions of lempiras)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-j
Honduras: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

In terms of profitability, return on equity (ROE) was 14.4% in 2022, climbing 6.0 pp compared to 2021 mostly due to the improved results discussed above. A similar situation emerges in return on assets (ROA), which reached 4.9% in 2022, dropping 2.5 pp compared to the 2021.

**Insurance penetration, density and depth**

Chart 3.1.3-l illustrates the main structural trends shaping the development of the Honduran insurance market over the 2012-2022 period. First, the penetration index (premiums/GDP) stood at 1.8% in 2022, 0.1 pp below the level recorded in 2021, a cumulative two consecutive years of decline. It should be noted that the penetration index for the Honduran market has stagnated over the course of the last decade, clearly diverging from the average growth trend seen across the Latin American insurance market as a whole (the average index of which stood at 3.0%).

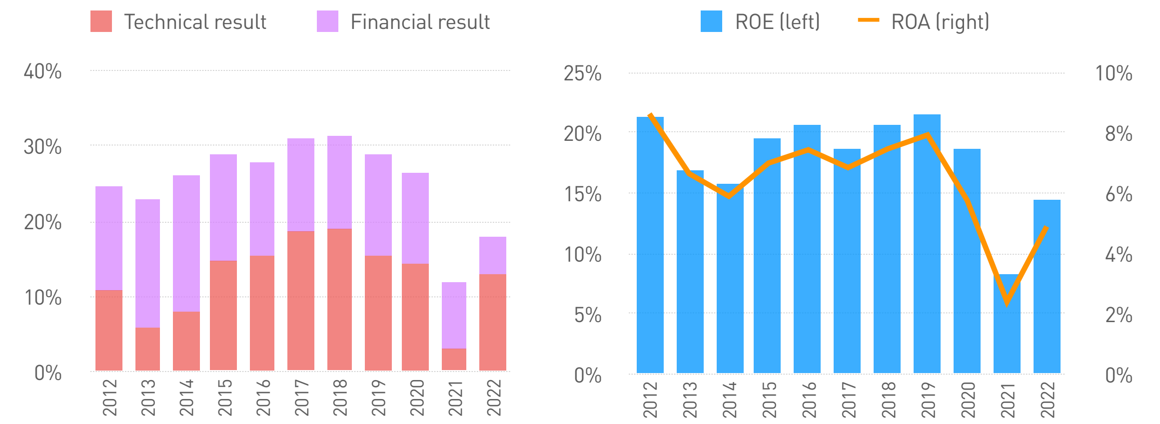
Insurance density in Honduras (premiums per capita) amounted to 1,372 lempiras, up 9.4% on 2021 (1,254 lempiras). Density has been on an upward trend, registering cumulative growth of 74.7% over the 2012-2022 period.

Meanwhile, the depth in the Honduran market in 2022 (measured as Life insurance premiums with respect to total premiums), remains at similar levels to those registered in the previous year, standing at 34.6%, that is, 5.2 pp above the value registered in 2012. Since 2017, the difference between the Honduran depth indicator and the Latin American depth indicator has reduced, though it still remains below the indicator's absolute values for the average of the region's countries (42.3%).

**Insurance Protection Gap estimate**

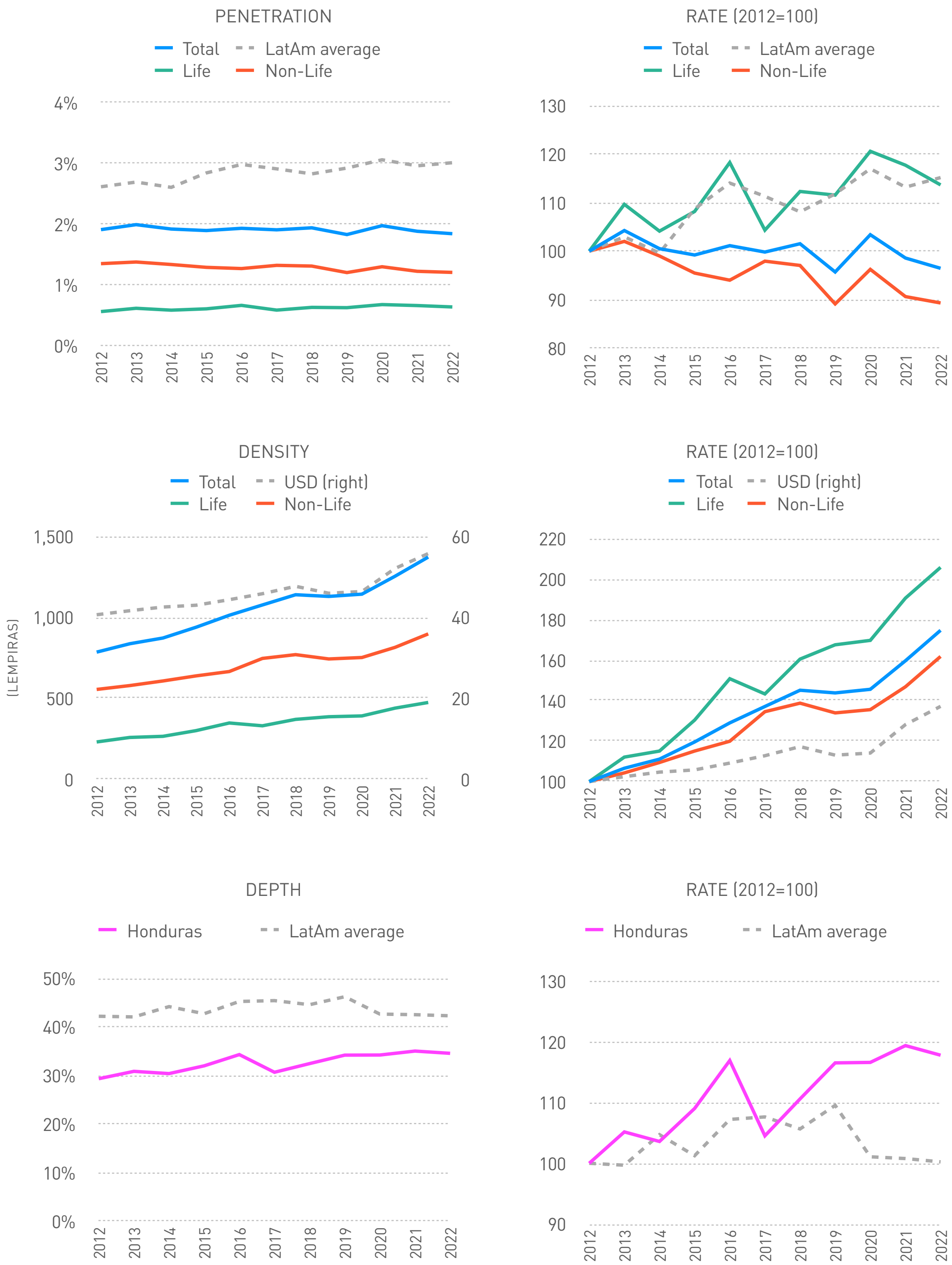
Chart 3.1.3-m provides an estimate of the IPG for the Honduran insurance market over the 2012-2022 period. The insurance gap stood at 45.071 billion pesos (1.831 billion dollars) in 2022, representing 3.1 times the size of the Honduran insurance market at the close of that year. The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment, as is the case in most Latin American insurance markets. As a result, Life insurance accounted for 58.8% of the IPG at the end of 2022 (26.501 billion lempiras), which represents, however, 8.8 pp below the share for this segment in 2012. The re-

**Chart 3.1.3-k**
**Honduras: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

**Chart 3.1.3-l**
**Honduras: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, lempiras and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

maining 41.2% of the gap is attributable to the Non-Life insurance segment (18.570 billion lempiras). As a result, the potential insurance market in Honduras at the close of 2022 (sum of the actual market plus the IPG) is therefore estimated at 59.383 billion lempiras (2.413 billion dollars), 4.1 times the size of the total insurance market in Honduras that year (see Chart 3.1.3-n).

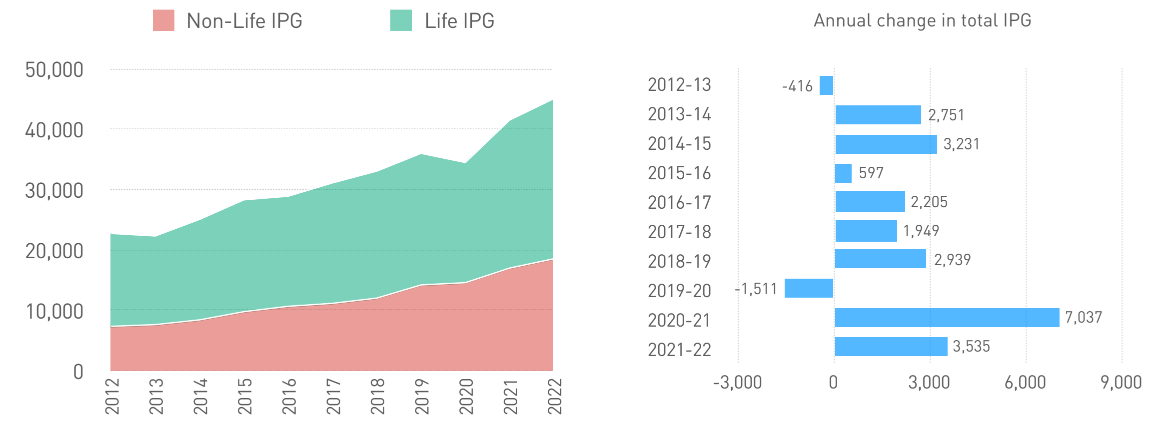
To supplement the analysis, Chart 3.1.3-o provides an estimate of the IPG as a multiple of the actual insurance market in Honduras. In this sense, the insurance gap as a multiple shows a slightly decreasing trend over the 2012-2022 period. In the Life insurance segment, there is a clearly downward trend (from 7.6 to 5.4 times) in the period analyzed. However, the same cannot be said for the Non-Life insurance segment, where the insurance gap has displayed a positive trend over the 2012-2022 period, climbing from 1.5 to 2.0 times over the period.

Chart 3.1.3-p schematically summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Honduran insurance market over the last ten years. In this respect, there is only an improvement in the Life business, not in the Non-Life segment, which even shrank in terms of the insurance gap as a multiple of the actual market.

Finally, Chart 3.1.3-q provides an overview of the capacity of the Honduran insurance market to close the insurance gap, by means of a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be needed to close the 2022 gap over the coming ten years. The analysis reveals that the Honduran insurance market posted an average growth rate of 7.6% over the 2012-2022 period; the product of an annual growth rate of 9.3% in the Life insurance segment and of 6.7% in the Non-Life segment. This shows that, were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Honduran insurance market would prove insufficient to achieve the objective indicated.

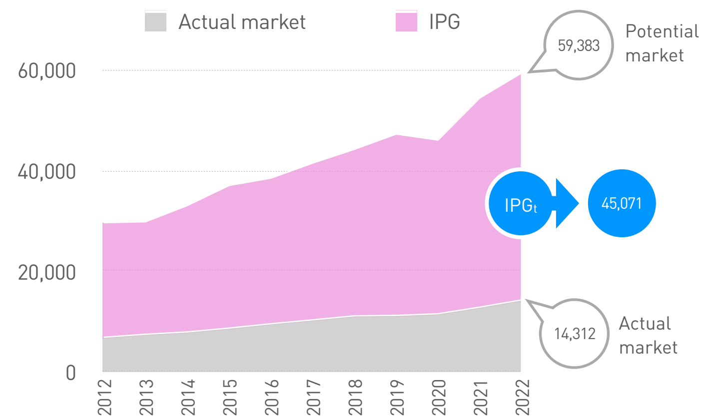
The growth rate observed over the past decade for the Life insurance segment would show a shortfall of 11.0 pp, while for the Non-Life insurance segment the shortfall would be 4.8 pp. It is important to note that, with respect to the previous year, only the Life insurance segment has deteriorated, with its shortfall increasing from 10.8 pp to 11.0 pp, while Non-Life insurance has im-

**Chart 3.1.3-m**
**Honduras: Insurance Protection Gap**
**(millions of lempiras)**




Source: MAPFRE Economics

Chart 3.1.3-n
Honduras: Insurance Protection Gap and potential market
(millions of lempiras)




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 107.3% | 98.1% |
| 2022-2021 | 11.1% | 8.5% |

Source: MAPFRE Economics

proved and the shortfall has been lower (from 5.2 pp to 4.8 pp), As a result transferring this behavior to the sector as a whole.

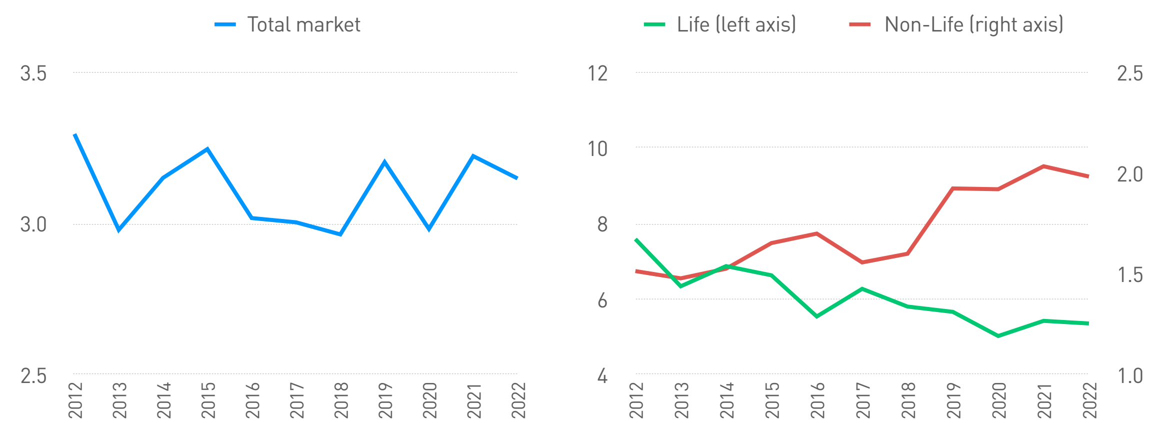
### Market Development Index (MDI)

Chart 3.1.3-r presents an estimation of the Market Development Index (MDI) for the Honduran insurance industry. According to this information, the MDI shows positive momentum over the period analyzed, with growth peaks in 2007, 2013, 2016 and 2020. However, as of 2016, this growth trend clearly separates from the figures recorded for the average of the Latin American insurance markets, registering one of the greatest deviations from the Latin American region average in recent years in 2022.

### Joint analysis of structural coefficients

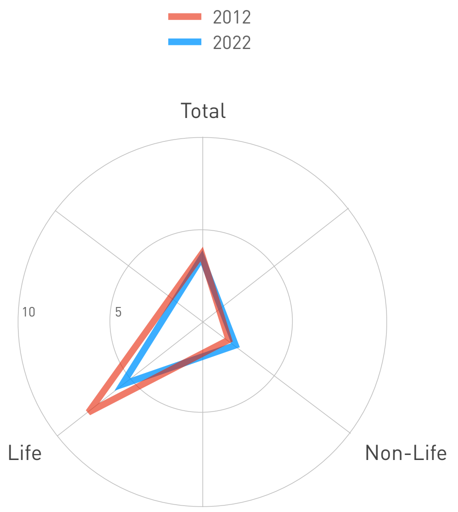
Chart 3.1.3-s summarizes the state of the Honduran insurance market in comparison with the average for Latin America, based on the four structural indicators analyzed in this

Chart 3.1.3-o
Honduras: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

Chart 3.1.3-p
Honduras: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

section. This data shows that the situation of the Honduran market is generally below the Latin American average, especially in reference to density.

Likewise, an analysis of the performance of the quantitative (penetration) and qualitative (depth) elements of insurance activity development in Honduras shows that, over the last ten years, there has been a tendency to sustain this by increasing insurance depth (developing the Life insurance segment), although with impairments in terms of insurance penetration in the economy.

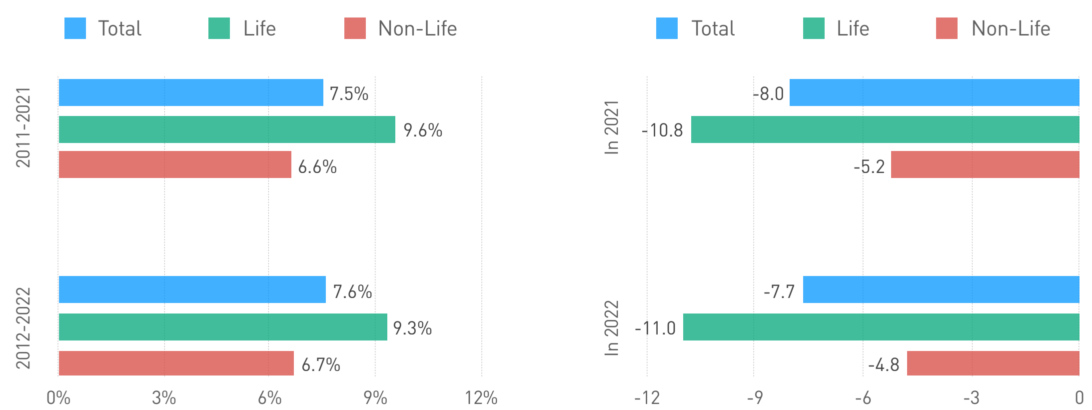
## Insurance market rankings

### Total ranking

During 2022, twelve insurance companies operated in the Honduran market, adding Seguros Continental to those that had already been present the year before. The market share of the top five insurers (CR5) represented 72.4% of total premiums, registering a 2.0 pp reduction in concentration versus 2021 (74.4%). Despite this, industry concentration levels have remained relatively stable in recent years, albeit at values that indicate relevant levels of concentration. In this sense, the Herfindahl index has remained above the threshold for moderate concentration over the last ten years, although with a moderately downward trend as of 2017 (see Chart 3.1.3-t).

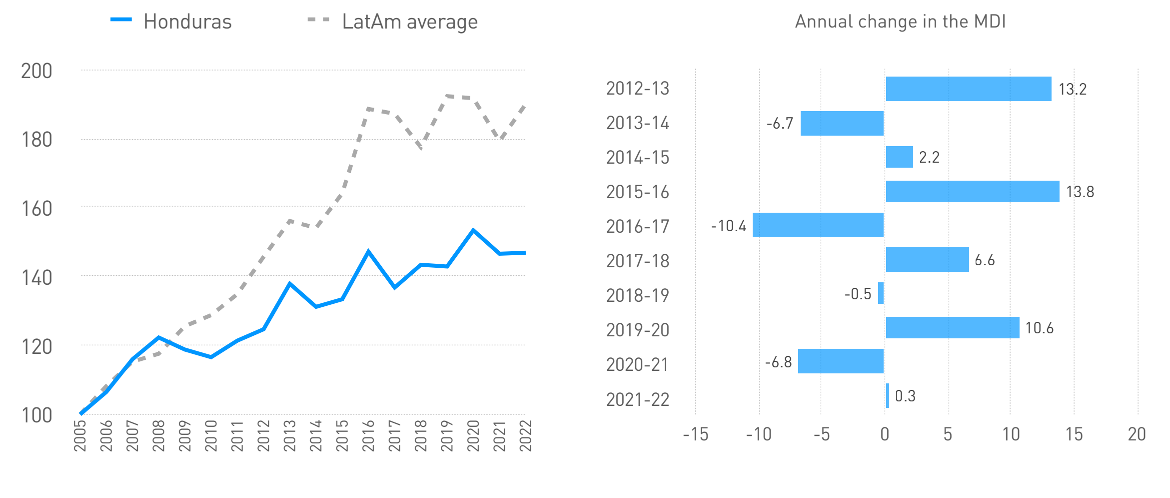
Chart 3.1.3-u ranks the insurance groups operating in the Honduran market in 2022,

Chart 3.1.3-q
Honduras: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

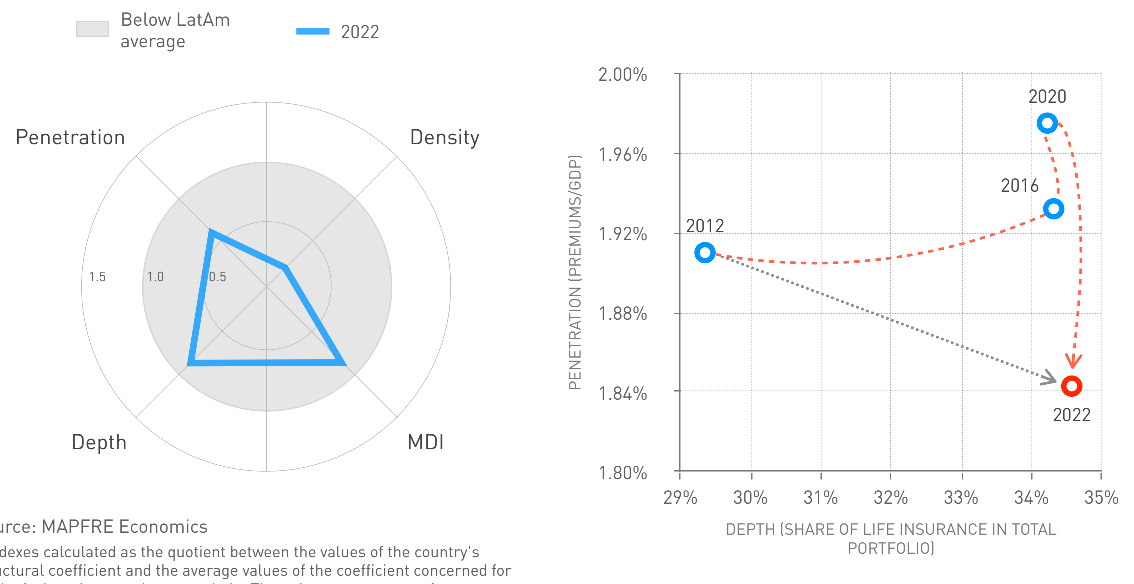
**Chart 3.1.3-r**
**Honduras: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

which continues to be led by Ficohsa Seguros with 24.1% of premiums, reducing its market share by 0.3 pp. It is followed by MAPFRE (17.9%) and Atlántida (14.9%), both with favorable development of 0.5 pp and down 0.1 pp of the market share, respectively. The remaining groups exchanged positions from the year before, except Seguros Continental, a new agent that appears in tenth place in 2022. Palic and Crefisa drop one place, with market shares of 7.1% and 6.3%, respectively, and are overtaken by Davivienda Seguros (8.4%) and Del Paid (6.3%), respectively.

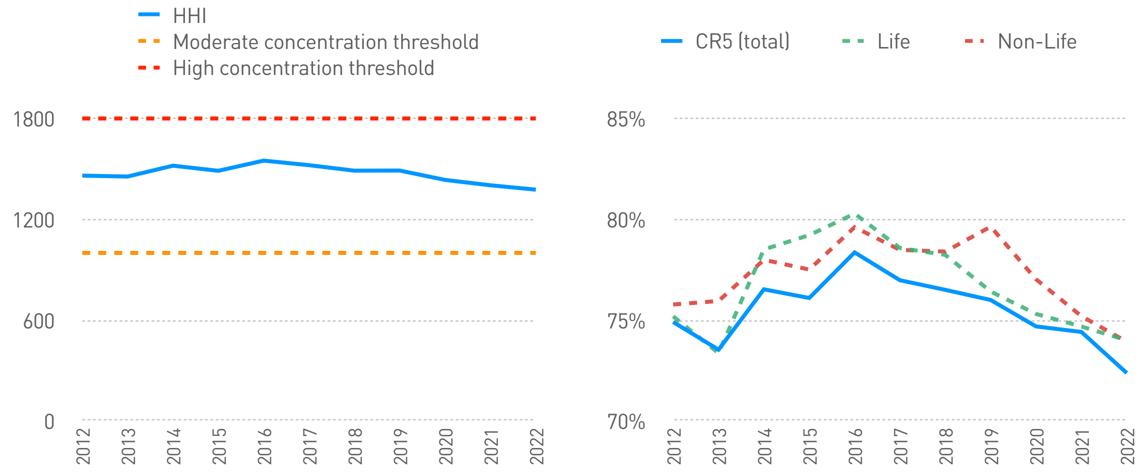
**Chart 3.1.3-s**
**Honduras: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.3-t
Honduras: insurance industry concentration
(Herfindahl index; CR5 index, %)

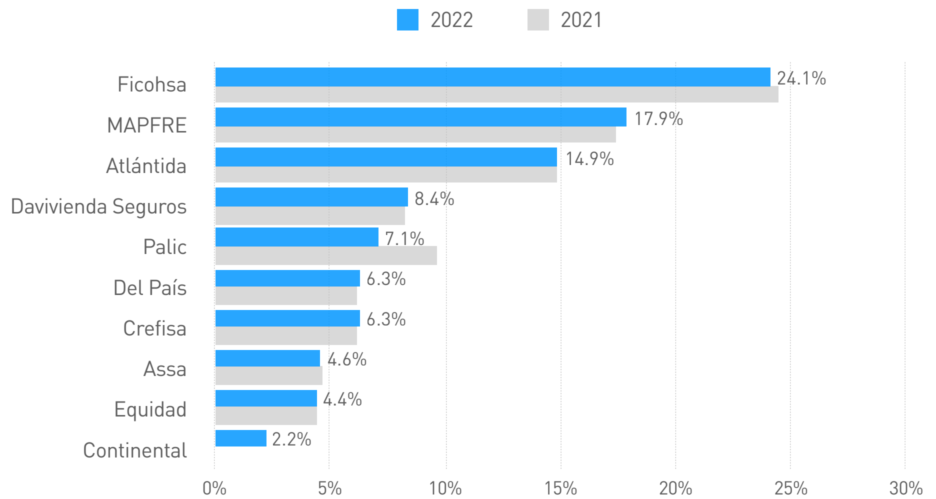



Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

## Life and Non-Life rankings

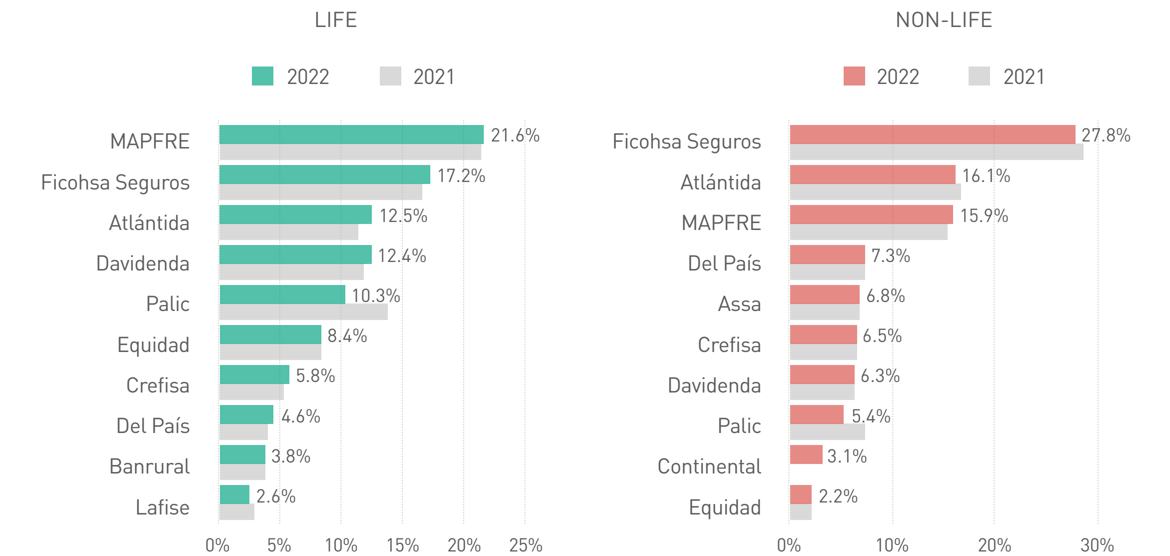
For the Non-Life ranking, like the previous year, Ficohsa Seguros again topped the table with a share of 27.8% of premiums. It is followed by Atlántida with 16.1% and by MAPFRE with 15.9% of the market share. Of the remaining insurance companies, Del Pais deserves special recognition, climbing one place with a 7.3% share in 2022, and Palic drops to eighth place, dropping 3 places from its ranking the previous year. Finally, in the Life ranking, MAPFRE held first place with 21.6% of total premiums, followed by Ficohsa Seguros with 17.2%. Atlántida, with 12.5% of premiums in this market segment, placed

Chart 3.1.3-u
Honduras: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Chart 3.1.3-v
Honduras: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

third, climbing 2 places and overtaking Davivienda (12.4%), while Palic (10.3%) dropped two places (see Chart 3.1.3-v).

## Key regulatory aspects

Regarding regulatory aspects in the Honduran insurance market, in 2022 the National Banking and Insurance Commission (the insurance market's supervisory body) adopted Resolution GRD No.638/03-10-2022 approving the reform of the "Corporate Governance Regulations for Supervised Institutions", which establishes, among its main aspects, the development and implementation of internal policies that promote good corporate governance in accordance with their size, nature, complexity and risk profile. Additionally, Resolution GRD No. 767/05-12-2022 approved the "Rules for the Strengthening Transparency, Financial Culture, Market Behavior and Financial User Service in Supervised Institutions", within the strategic axis framed around the promotion of free competition and equity in policyholder, insured and beneficiary participation and protection.

The concern for the development of information technologies, as well as aspects of information security and cybersecurity, has prompted the approval of GRD Resolution No. 793/16-12-2022 which amends the "Rules for the Management of Information Technology, Cybersecurity and Business Continuity", as well as GRD Resolution No.247/23-03-2023 "Minimum Guidelines for Supervised Institutions to prevent and mitigate the occurrence of Fraud and Cyber Fraud against Financial Users".

Finally, during 2023, the Commission has made progress in several regulatory bills, among which the following are noteworthy: (i) the Law of Insurance and Reinsurance Institutions, which dates back to 2001, for which the Draft Reform Bill is currently being prepared, seeking to bring it into line with best practices and international standards and strengthen the risk management of insurance institutions, and (ii) the "Complementary Rules for Strengthening Transparency, Financial Culture and Financial User Service of Insurance Institutions", whose purpose is to establish complementary provisions related to the transparency of information regarding the disclosure of information, financial inclusion and the efficiency and quality of service to policyholders, insured parties and beneficiaries.

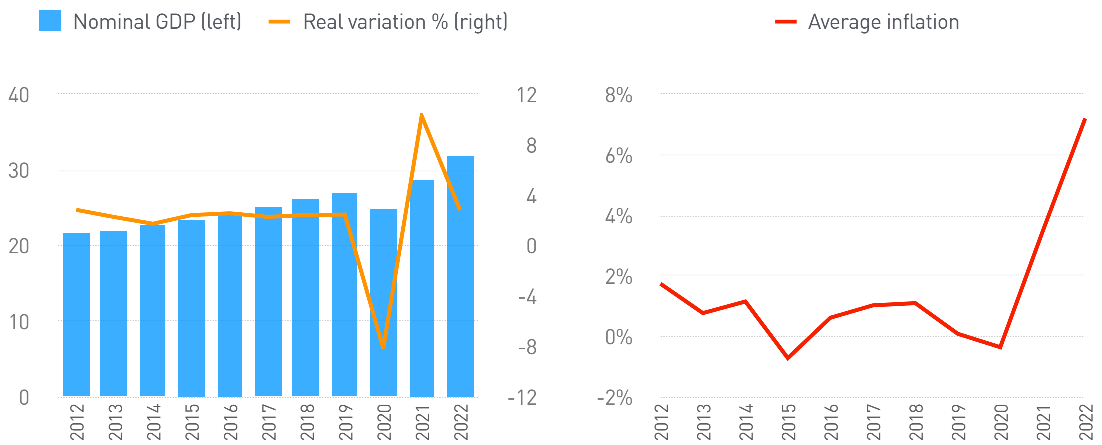
## 3.1.4 El Salvador

### Macroeconomic environment

In 2022, the Salvadoran economy slowed, presenting 2.8% growth after the strong 10.3% growth the year before, exceeding pre-pandemic GDP levels (see Chart 3.1.4-a). Similar to other economies in the region, in addition to the base effect of the high growth the year before, this slowdown of GDP in real terms was due to a significant upturn of inflation (an average of 7.2% in 2022) due to the international context placing upward pressure on energy and food prices, but also the economic slowdown of the country's main trade partners (especially the United States). In any case, this growth is in line with pre-pandemic growth levels, which were based on private consumption and credit, aided by improved performance of the foreign sector, with the positive effect of the flow of family remittances from abroad, and the recovery of tourism. In terms of the foreign sector, the current account of the payment balance showed a deficit of 6.6% (5.1% in 2021), due to the significant increase in trade and higher import prices as a result of inflation. Meanwhile, year-on-year inflation in December 2022 reached 7.3% (leaving the annual average inflation at 7.2%). However, in recent months it has been declining, falling to 3.3% in July 2023.

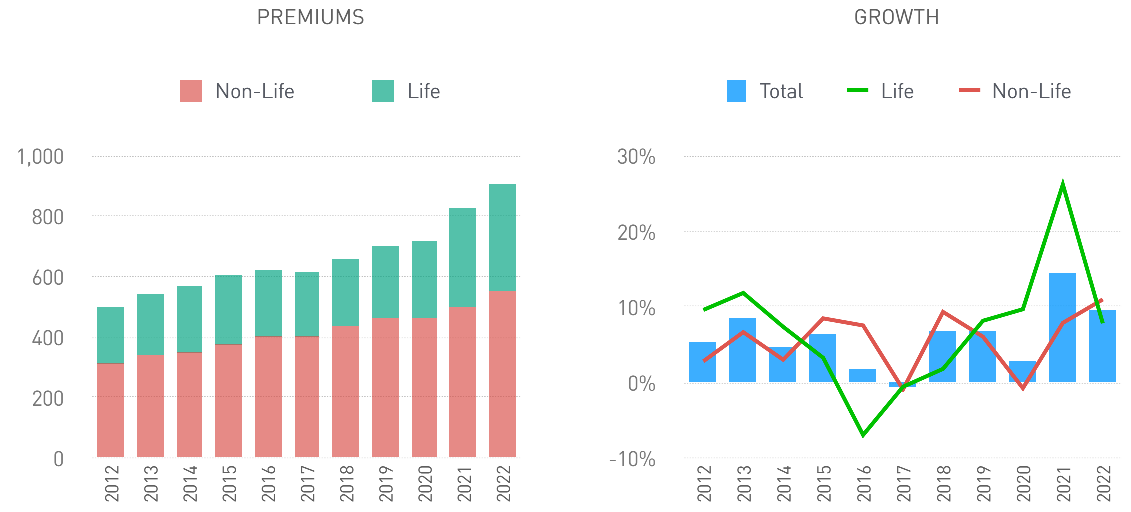
Meanwhile, according to data from the Central American Monetary Council, the fiscal deficit of the Salvadoran central government fell to 1.8% of GDP in 2022 (compared to 4.9% in 2021), influenced by an active policy of combating tax evasion and the search for tax collection efficiency. As a result, the annual public debt (domestic and foreign) decreased slightly to 78% of GDP (82.7% in 2021), but remains high. MAPFRE Economics has estimated El Salvador's GDP growth for 2023 at 2.1% and 1.9% for 2024. Meanwhile, ECLAC also forecasts that the Salvadoran economy will grow by 2.1% in 2023 and 1.8% in 2024, in a context of tight financial conditions and high international commodity prices.

Chart 3.1.4-a
El Salvador: changes in economic growth and inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

**Chart 3.1.4-b**
**El Salvador: growth developments in the insurance market**
**(premiums, millions of USD; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

## Insurance market

### Growth

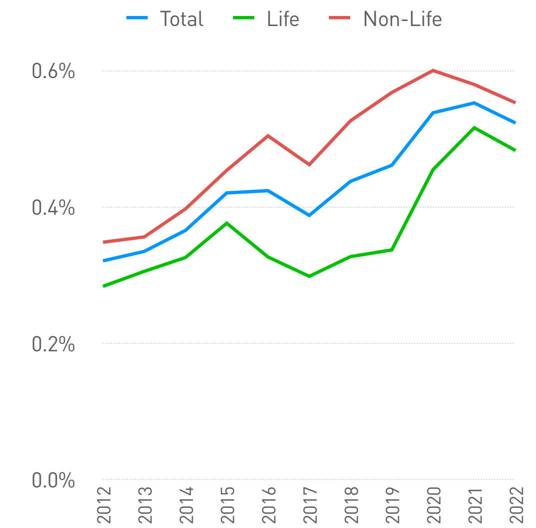
Table 3.1.4 and Chart 3.1.4-b show that in 2022, the premium volume of the Salvadoran insurance market grew 9.7% in nominal terms (2.4% in real terms), reaching 907 million dollars, higher figures than the year before in the Life line (7.8%) and the Non-Life line (11.0%). Life insurance premiums accounted for 39% of the total market, growing by 0.6% in real terms in 2022 to reach 354 million dollars. In turn, Non-Life premiums decreased by 3.5% to 553 million dollars. By modality, individual and group Life insurance policies, which are the most significant in that market, fell -2.7% in real terms,

**Table 3.1.4**
**El Salvador: premium volume[1] by line, 2022**

| Line | Millions of USD | Growth | |
|---|---|---|---|
| | | Nominal (%) | Real (%) |
| **Total** | **906.7** | **9.7** | **2.4** |
| **Life** | **353.9** | **7.8** | **0.6** |
| Individual and group | 232.0 | 4.3 | -2.7 |
| Social security and pensions | 121.9 | 15.3 | 7.6 |
| **Non-Life** | **552.8** | **11.0** | **3.5** |
| Accident and illness | 156.6 | 10.1 | 2.7 |
| Fire and allied lines | 142.1 | 12.3 | 4.8 |
| Automobiles | 119.5 | 12.8 | 5.3 |
| Other lines | 112.1 | 6.2 | -0.9 |
| Credit and/or surety | 22.5 | 26.7 | 18.2 |

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)
1/ Written premiums net of returns and cancellations

**Chart 3.1.4-c**
**El Salvador: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System and supervisory bodies in the region)

while social security and pension Life insurance policies grew 7.6%. Meanwhile, in the Non-Life segment, double-digit growth was registered in the Fire (12.3%), Accident (10.1%), Automobile (12.8%) and Credit (26.7%) lines, and only Other Lines grew below double digits (6.2%).

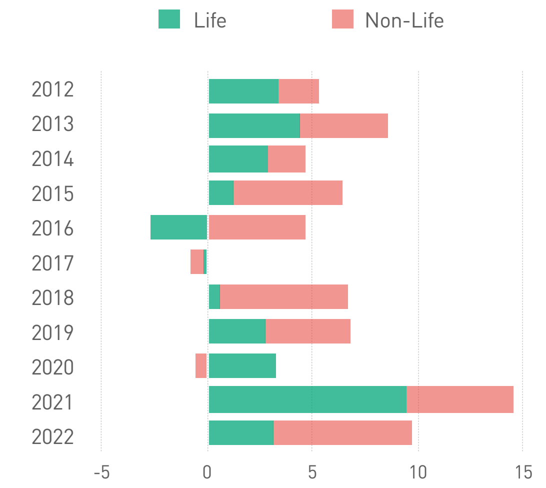
In the last decade the development of the share of total premiums and by Life and Non-Life segments relative to the Latin American market has been favorable for the Salvadoran market, and has only been interrupted by the contractions registered in 2017 and 2022. The total proportion of premiums in the El Salvador market to all of Latin America has gone from 0.3% in 2012 to 0.5% in 2022. Similarly, the share in the Life line has also grown from 0.3% in 2012 to 0.5% in 2022, and in the Non-Life line from 0.3% to 0.6% in that time; in other words, the share has increased 20 bps in all lines over the last ten years (See Chart 3.1.4-c).

Accordingly, the Salvadoran insurance market recorded growth of 9.7% in 2022, of which the Life insurance segment positively contributed 3.1 pp, explained by the Individual and Group line, as stated previously, while Non-Life insurance contributed with 6.6 pp (see Chart 3.1.4-d).

### Balance sheet and shareholders' equity

On the other hand, Chart 3.1.4-e shows the performance of the aggregate balance sheet of El Salvador's insurance industry over the 2012–2022 period. This data shows that the

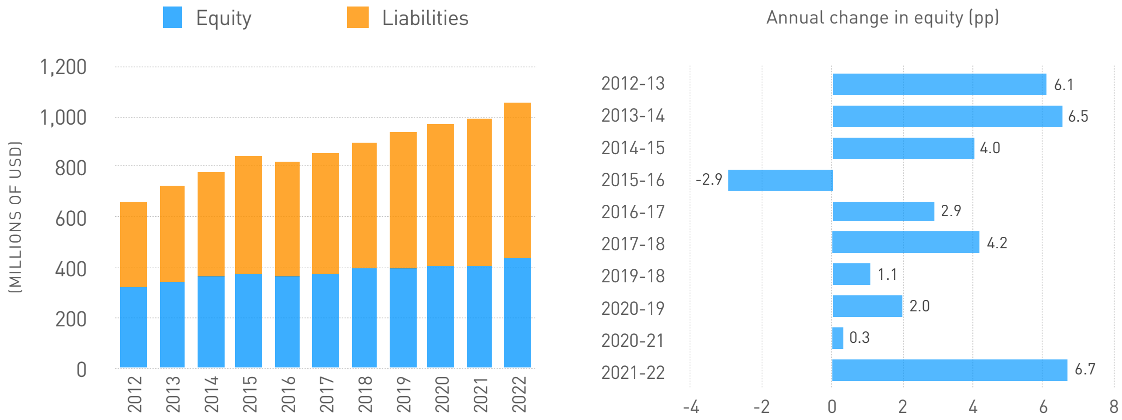
**Chart 3.1.4-d**
**El Salvador: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 5.2 | 3.4 | 1.8 |
| 2013 | 8.6 | 4.4 | 4.2 |
| 2014 | 4.7 | 2.8 | 1.9 |
| 2015 | 6.4 | 1.3 | 5.1 |
| 2016 | 2.0 | -2.6 | 4.7 |
| 2017 | -0.8 | -0.2 | -0.6 |
| 2018 | 6.7 | 0.6 | 6.1 |
| 2019 | 6.8 | 2.7 | 4.0 |
| 2020 | 2.8 | 3.3 | -0.5 |
| 2021 | 14.5 | 9.4 | 5.1 |
| 2022 | 9.7 | 3.1 | 6.6 |

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-e
El Salvador: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

industry's total assets in 2022 amounted to 1.057 billion dollars, up 6.3% from the previous year. An analysis of the aggregate balance sheet of the insurance industry in El Salvador highlights the capitalization levels measured on total assets. This indicator has remained above 41% in the 2012-2022 period, reaching a peak of 48.7% in 2012, and decreasing slightly thereafter to 41.3% of total assets in 2022.

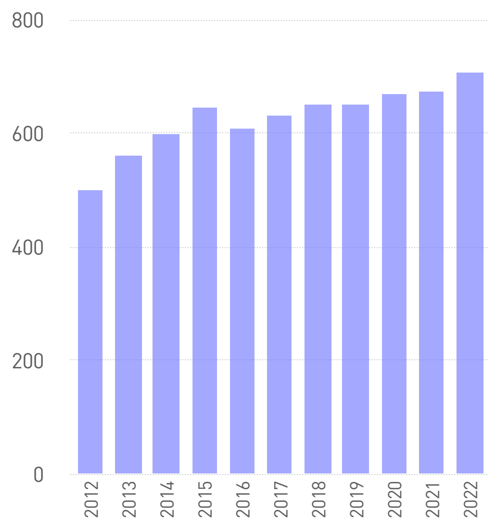
### Investments

Chart 3.1.4-f shows developments in total investments in the Salvadoran insurance industry, while Charts 3.1.4-g and 3.1.4-h provide a breakdown of the aggregate investment portfolio at sector level of market over the 2012-2022 period. This data shows that investments amounted to 707 million dollars in 2022 (5.3% higher than in 2021). Likewise, as shown in Charts 3.1.4-g and 3.1.4-h, 81.4% of investments in 2022 was concentrated in debt and equity instruments, 9.7% in cash, 3.5% in real estate and the remaining 5.4% in other financial investments. However, an analysis of the developments in the sectoral structure of investments over the last decade shows a very high share of debt and equities (84.0%) at the expense of assets held as cash (5.6%) in 2012.

### Technical provisions

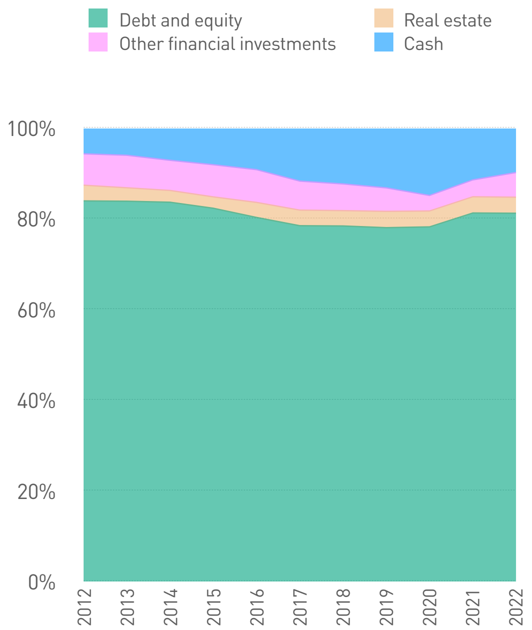
The development and structure of the Salvadoran insurance industry's technical provisions over the 2012-2022 period are shown in Charts 3.1.4-i, 3.1.4-j and 3.1.4-k. This data shows that technical provisions stood at 380

Chart 3.1.4-f
El Salvador: insurance market investments
(millions of USD)



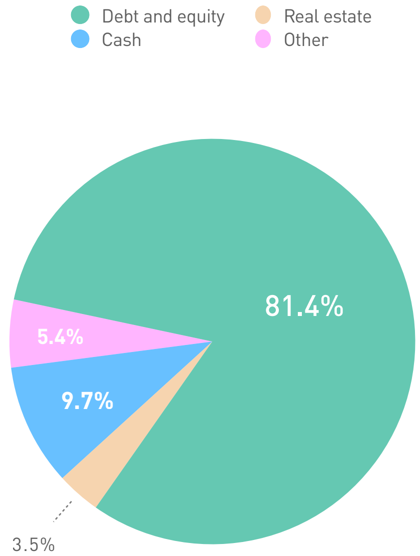

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-g
El Salvador: structure of investments
(%)




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-h
El Salvador: structure of investments, 2022
(%)



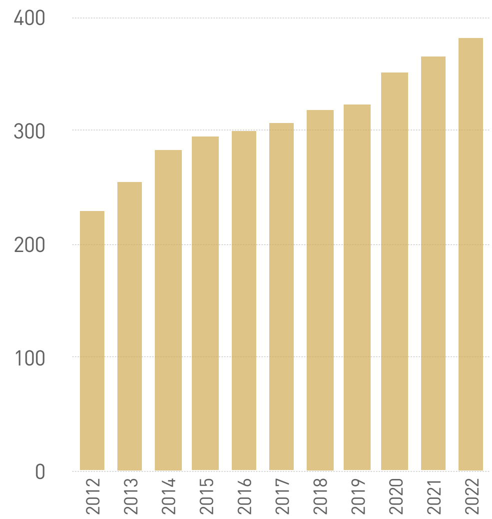

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

million dollars in 2022, 15 million more than the previous year, amounting to 4.1% growth. Of this total, 30.1% related to Life insurance technical provisions, 38.1% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 30.0% to provisions for outstanding claims, and the remaining 1.8% to provisions for catastrophic risks. Likewise, over the 2012–2022 period, there was a general sustained increase in the absolute values of all technical provisions, with the exception of Life provisions, which dropped slightly during the 2015-2016 period. Apart from this, no particularly significant changes in the composition of technical provisions were observed over the last ten years.

### Technical performance

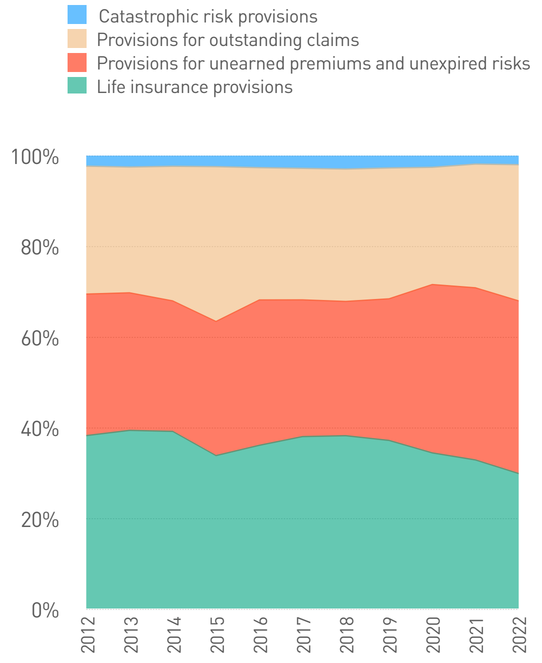
Chart 3.1.4-l shows the technical performance of the Salvadoran insurance industry over the 2012-2022 period, based on an analysis of the market's combined ratio. This development shows steady growth in this indic-

Chart 3.1.4-i
El Salvador: technical provisions of the insurance market
(millions of USD)



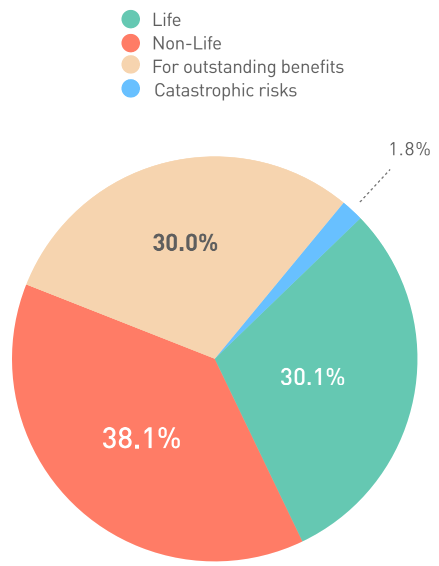

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

**Chart 3.1.4-j**
**El Salvador: structure of technical provisions**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

**Chart 3.1.4-k**
**El Salvador: structure of technical provisions, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

ator since 2012, with the combined ratio rising from 90% to 103.9% in 2021, the highest figure in this time span, registering an improvement in the ratio(down 5.03 pp) in 2022 for the first time since 2017, reducing it to 98.9%.

### Results and profitability

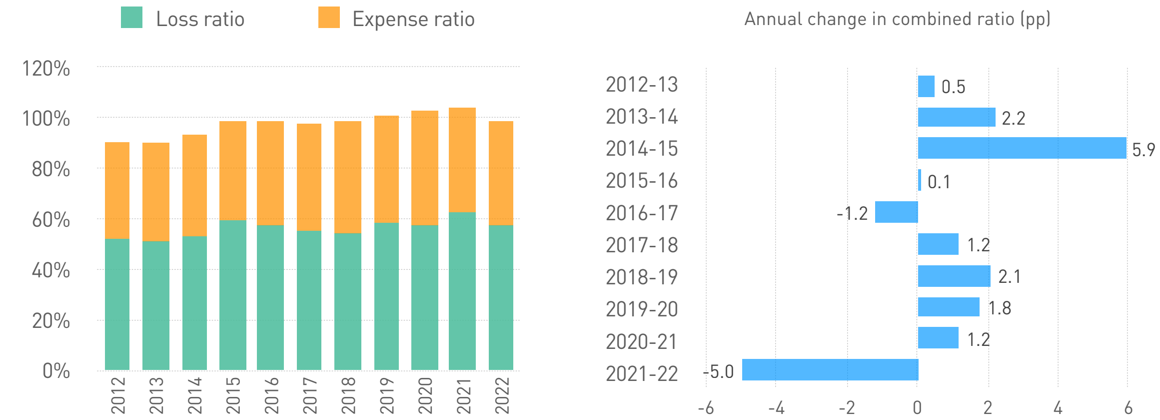
In terms of the aggregate results and profitability of the insurance market in El Salvador, the pre-tax result of the insurance business in 2022 was 53 million dollars (compared with 19 million dollars in 2021), supported by the positive technical result figures (6.2 million dollars). Chart 3.1.4-m shows that as of 2013, with the exception of 2017, there is a steady reduction in the technical result which has been impacting the profitability of the insurance industry, until 2022 when positive figures returned, both in the technical result and in the financial result, which grew 3.3% to 12.6 million dollars.

Meanwhile, the return on equity (ROE) of the Salvadoran market breaks the downward trend through 2021 and improves in 2022, going from 4.6% in 2021 to 12.6% in 2022, registering an improvement of 8.0 pp with respect to 2021, but it remains 2.0 pp below the 2012 value (14.6%). A similar situation arises when analyzing the return on assets (ROA); in 2022, the indicator reached 5.2%, 1.9 pp lower than in 2012 and 3.3 pp higher than in 2021.

### Insurance penetration, density and depth

Chart 3.1.4-n shows the main structural trends shaping the development of the insurance industry in El Salvador over the 2012-2022 period. First, the penetration index (premiums/GDP) remained at 2.9% in 2022 for the third consecutive year, 0.5 pps up on the level observed in 2012. The penetration rate in the Salvadoran insurance market, which had been showing a flat trend in previ-

**Chart 3.1.4-l**
**El Salvador: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**



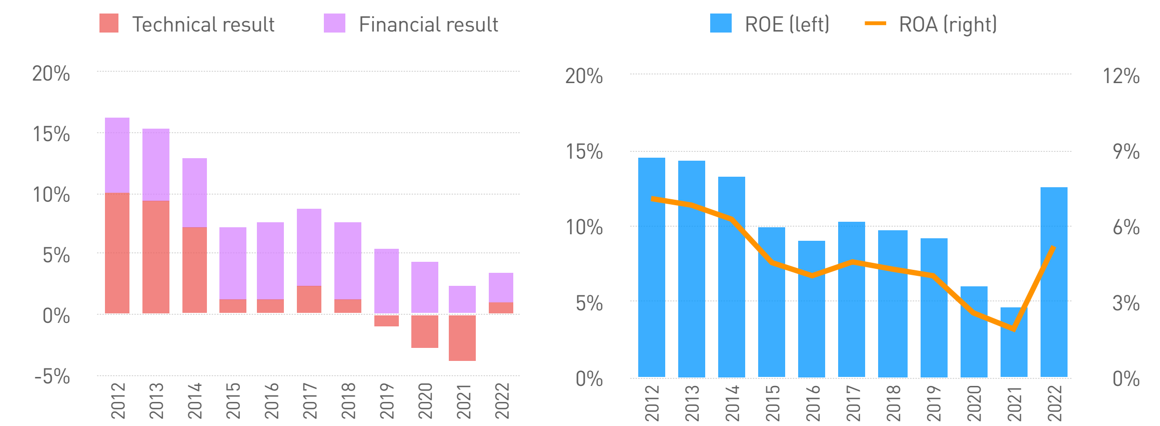

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

ous years at values close to 2.5%, has improved in the last three years, approaching the average for the Latin American market, which reached 3.0% in 2022.

Meanwhile, the density indicator (premiums per capita) stood at 143 dollars in 2022, up from the level reported the previous year (131 dollars). The density of the Salvadoran insurance market has been steadily increasing over the period, recording cumulative growth of 75.3% throughout the 2012–2022 period.

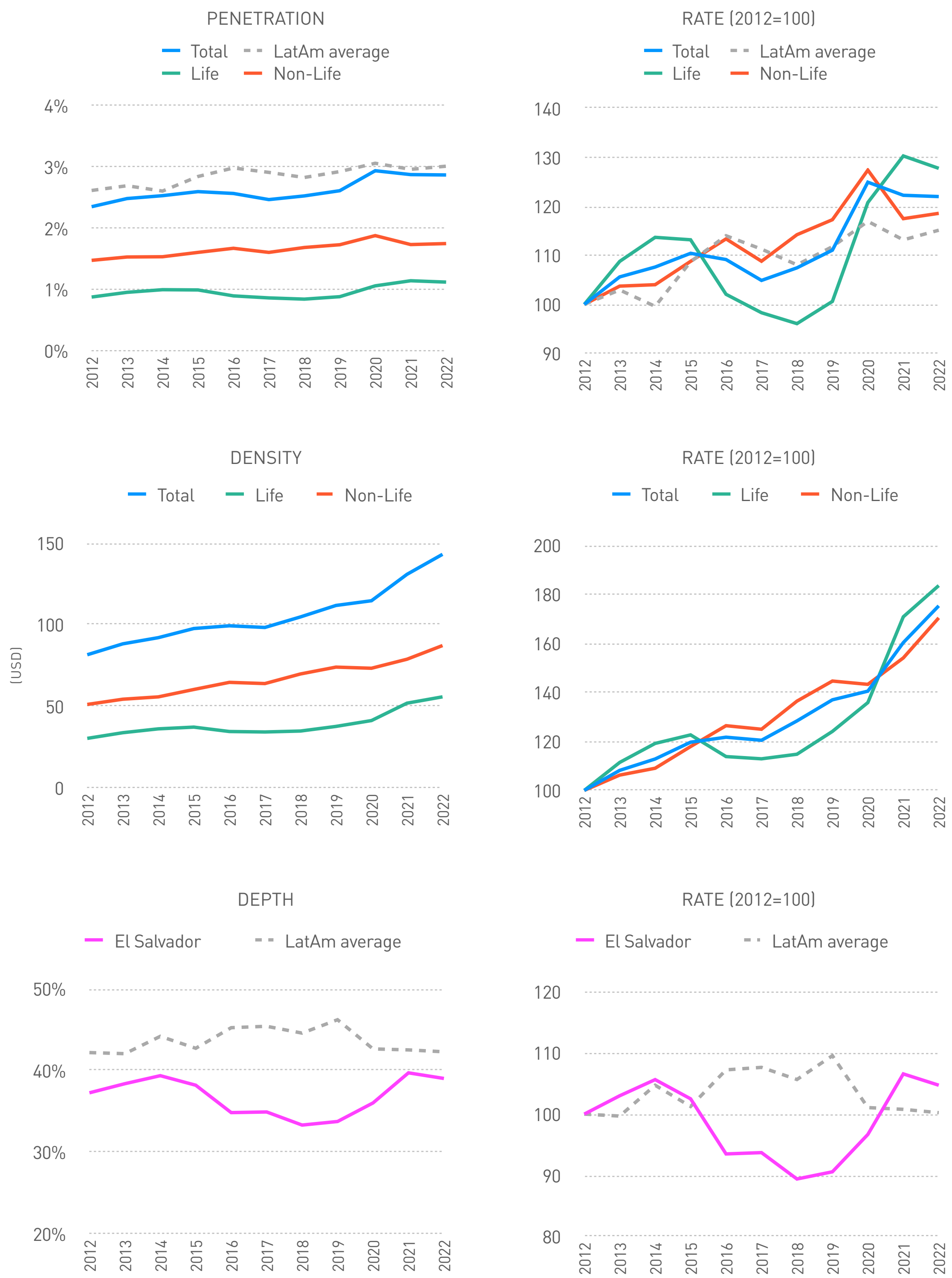
Finally, with regard to depth levels in the Salvadoran market (Life insurance premiums in relation to total premiums), the index in 2022 stood at 39%, 0.7 pp lower than in 2021 and 1.8 pp higher than in 2012, with a period from 2016-2020 in which the indicator remained stagnant around 35%. Likewise, the absolute values for the average indicator for the countries in the region (42.3% for 2022) has remained above the Salvadoran insurance market, although with a diverging trend as of 2019.

**Chart 3.1.4-m**
**El Salvador: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

**Chart 3.1.4-n**
**El Salvador: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

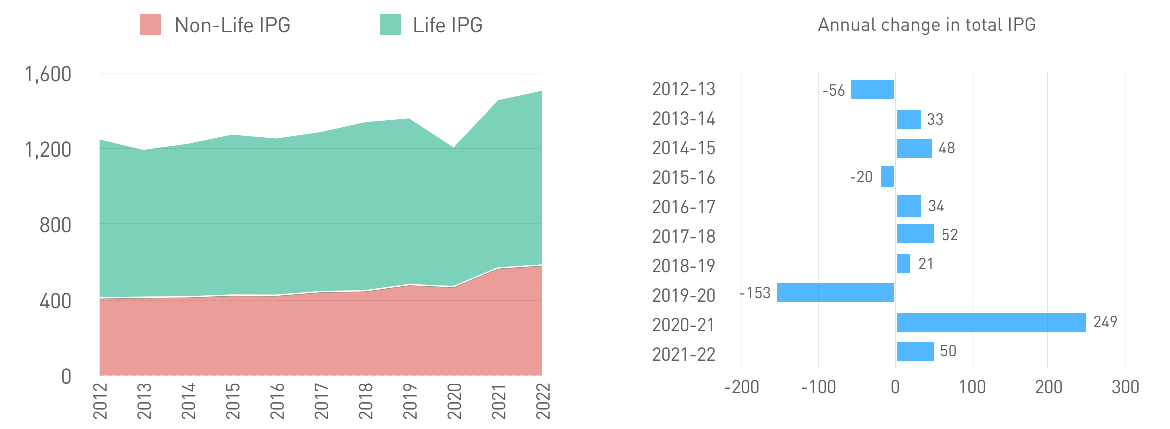
## Insurance Protection Gap estimate

Chart 3.1.4-o shows an estimate of the IPG for the Salvadoran insurance market between 2012 and 2022. In this sense, the insurance gap amounted to 1.510 billion dollars in 2022, 1.7 times the size of the actual insurance market at the close of that year. Meanwhile, the structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. Life insurance accounted for 61.3% of the insurance gap at the close of 2022 (926 million dollars), down 5.9 pp compared to 2012. On the other hand, the remaining 38.7% of the IPG is attributable to the contribution of the Non-Life segment (584 million dollars). The potential insurance market in El Salvador at the close of 2022 (the sum of the actual market plus the IPG) was estimated at 2.417 billion dollars, 2.7 times the size of the total Salvadoran insurance market that year (see Chart 3.1.4-p).

Furthermore, Chart 3.1.4-q shows an estimate of the insurance gap as a multiple of the actual insurance market in 2012–2022. The IPG for the Life insurance segment as a multiple of the market followed a sustained downward trend over the period under analysis (going from 4.5 to 2.6 times). In the case of the Non-Life segment, however, the medium-term trend for the Non-Life segment is stable, at levels close to 1.1 times in the analyzed period. Chart 3.1.4-r summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Salvadoran insurance market over the last decade, comparing the situation in 2022 with that of 2012. This schematic analysis shows that the situation is improving in both lines, with a relative reduction in the IPG during this period, but to a greater extent in the Life line.

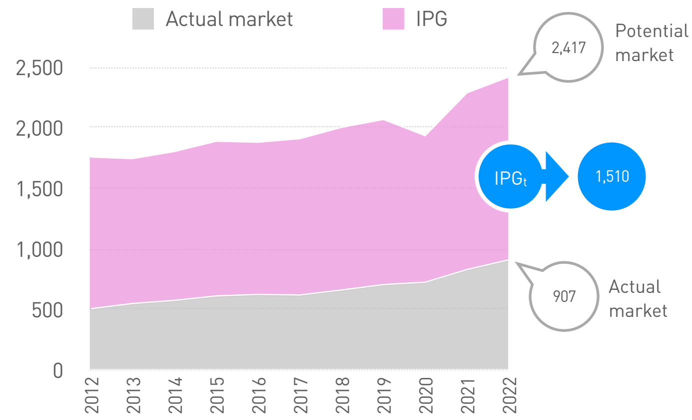
Finally, Chart 3.1.4-s provides an overview of the capacity of the Salvadoran insurance market to close the insurance gap, by means of a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be needed to close the 2022 gap over the coming ten years. The Salvadoran insurance market grew at an average annual rate of 6.1% between 2012 and 2022; the Life segment saw average annual growth of 6.6%, while the Non-Life segment reported annual growth of 5.8%. Should the same rate of growth seen over the last ten years continue over the next ten years, the growth rate of the Salvadoran insurance market would not be

**Chart 3.1.4-o**
**El Salvador: Insurance Protection Gap**
**(millions of USD)**




Source: MAPFRE Economics

Chart 3.1.4-p
El Salvador: Insurance Protection Gap and potential market
(millions of USD)




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 80.3% | 20.6% |
| 2022-2021 | 9.7% | 3.5% |

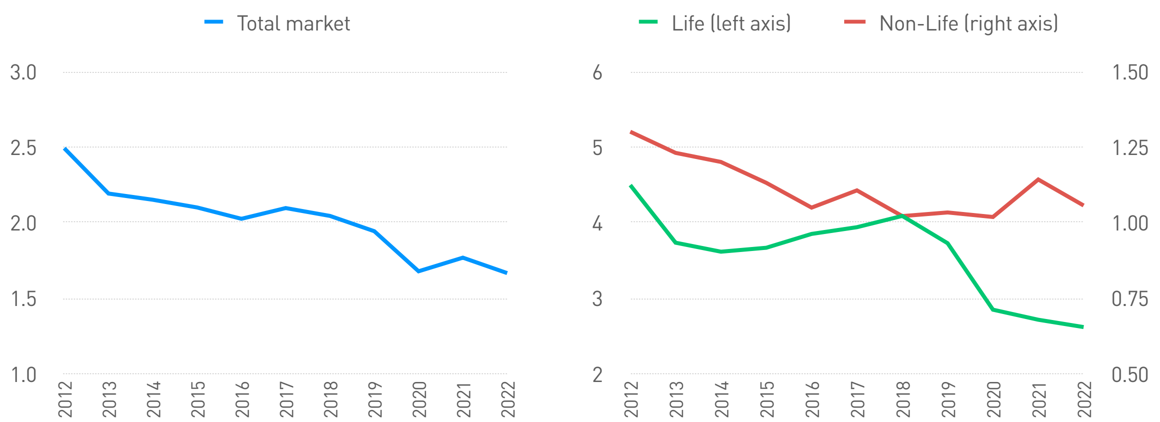
Source: MAPFRE Economics

enough to seal the insurance gap determined in 2022 for both the Life segment (short 7.2 pp) and the Non-Life segment (short 1.7 pp). It is also noteworthy that the shortfall decreased with respect to the previous year in both lines, 0.1 pp in the Life line and 1.2 pp in the Non-Life line of business.

### Market Development Index (MDI)

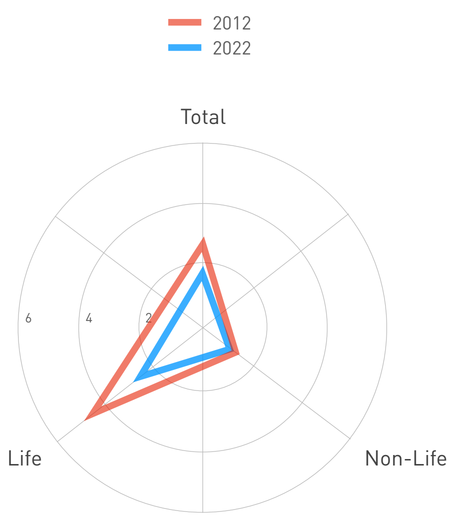
As discussed previously, the Market Development Index (MDI) is used as an indicator of general trends in the performance and maturity of the insurance market. The calculated result for the Salvadoran insurance industry is shown in Chart 3.1.4-t. In general, the indicator trend is positive and increasing throughout the period 2012-2022, although with a significant setback in the period 2015-2018, recovering thereafter. Nevertheless, the indicator still remains below the average performance of Latin American insurance markets in 2022. Despite this, it should be noted that, since 2020,

Chart 3.1.4-q
El Salvador: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

Chart 3.1.4-r
El Salvador: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

the difference with the Latin American market average has been narrowing, mainly due to the closing of the insurance gap in the Life insurance segment.

## Joint analysis of structural coefficients

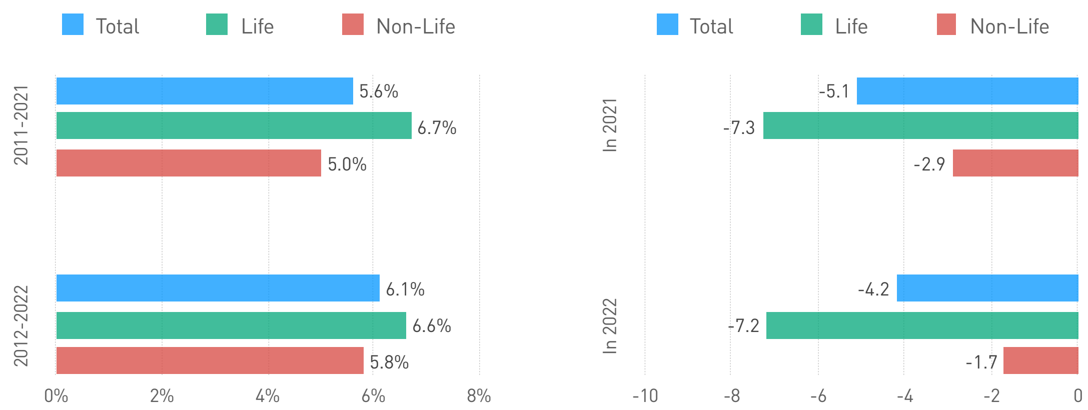
Chart 3.1.4-u schematically summarizes the state of the Salvadoran insurance market in comparison with the average for Latin America, based on the four structural indicators analyzed above. The current state of the insurance market in El Salvador is below the average for all indicators in Latin America, especially density (although this has improved over the last year). However, an analysis of the quantitative (penetration) and qualitative (depth) components of insurance activity development in El Salvador confirms an improvement over the last decade, with increases in both dimensions.

## Insurance market rankings

### Total ranking

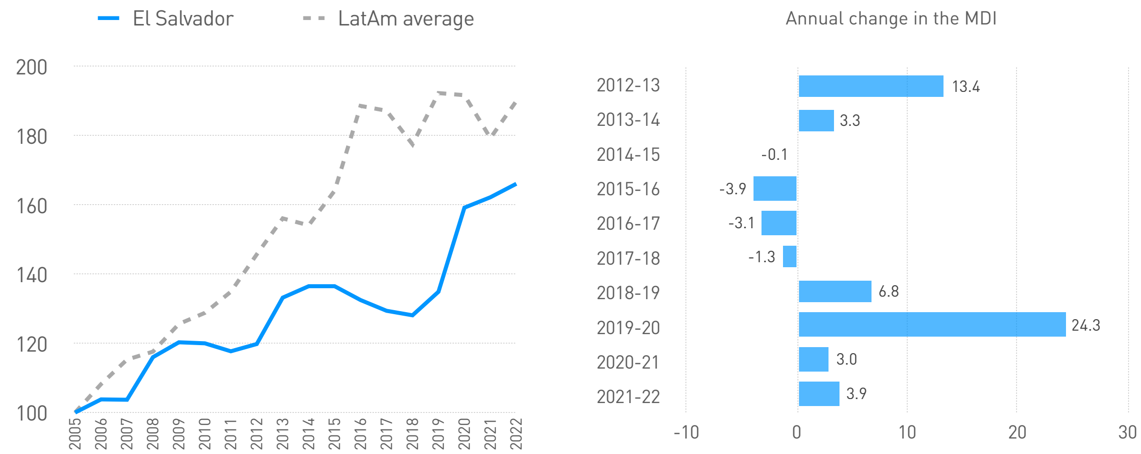
In 2022, 23 insurance companies operated on the Salvadoran market, the same as the previous year. The Herfindahl and CR5 indices show that concentration levels in this market are similar to those of a decade ago. While it declined in the 2013-2018 period, a new trend towards higher industry concentration levels can be observed from 2019 onwards, with Herfindahl above the moderate concentration

Chart 3.1.4-s
El Salvador: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.1.4-t**
**El Salvador: Market Development Index (MDI)**
**(2005 index=100; annual change)**

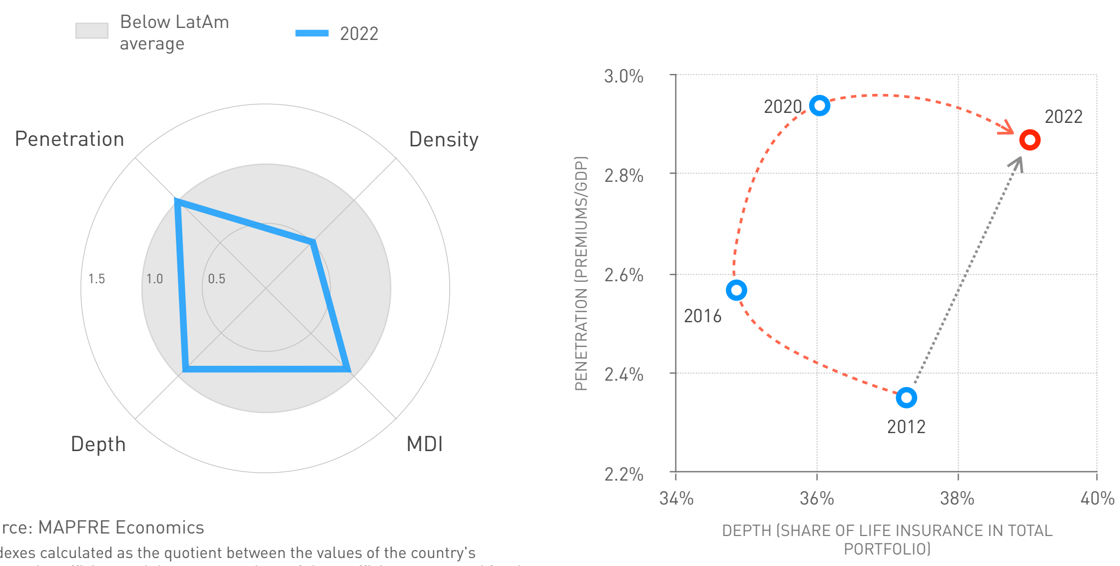



Source: MAPFRE Economics

threshold since 2021. In the same vein, in 2022, the market share of the top five insurers (CR5) accounted for 66.3% of total premiums, registering a reduction in concentration versus 2021 (68%), although with the same trend to higher levels from 2019 onwards (see Chart 3.1.4-v).

However, in the total ranking of insurance groups in 2022 (see Chart 3.1.4-w), the top six positions remain unchanged. SISA is in first place, with a market share of 27.0% (down -0.4 pp from the previous year). Seguros Sura comes in second place, with a market share of 16.1% (down -1.7 pp from 2021),

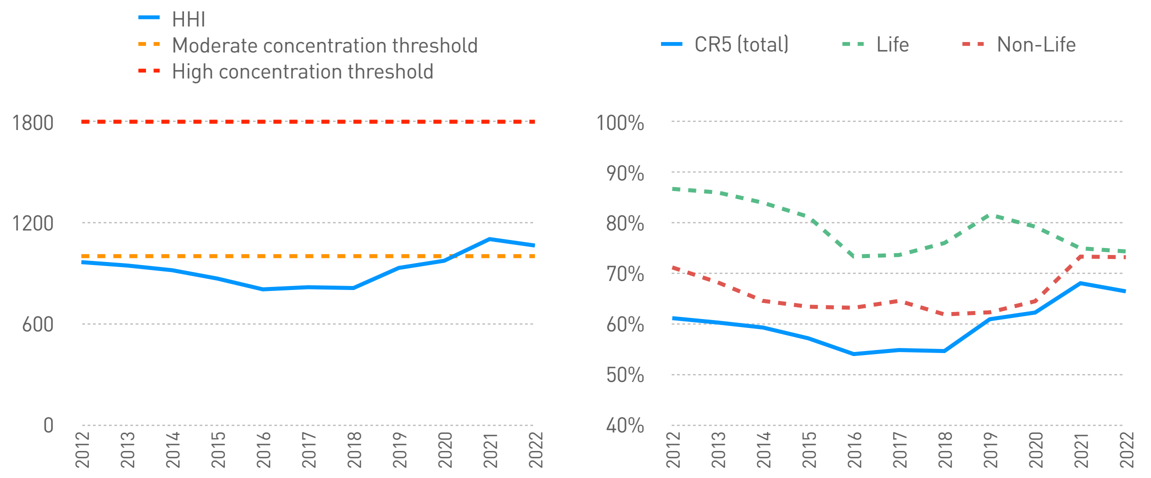
**Chart 3.1.4-u**
**El Salvador: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.4-v
El Salvador: insurance industry concentration
(Herfindahl index; CR5 index, %)



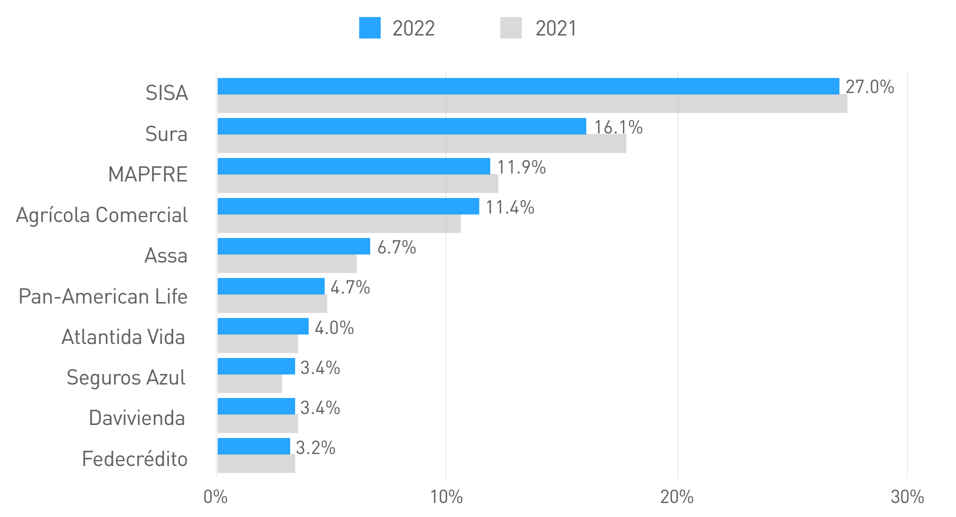

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

and MAPFRE remains in third, with a market share of 11.9% (down 0.3 pp from the previous year). In addition, the rise of Seguros Azul to eight place in the ranking is notable, climbing two places with a market of 3.4%. Atlántida Vida also rose one place in the ranking to seventh place, with a 4% market share.

### Life and Non-Life rankings

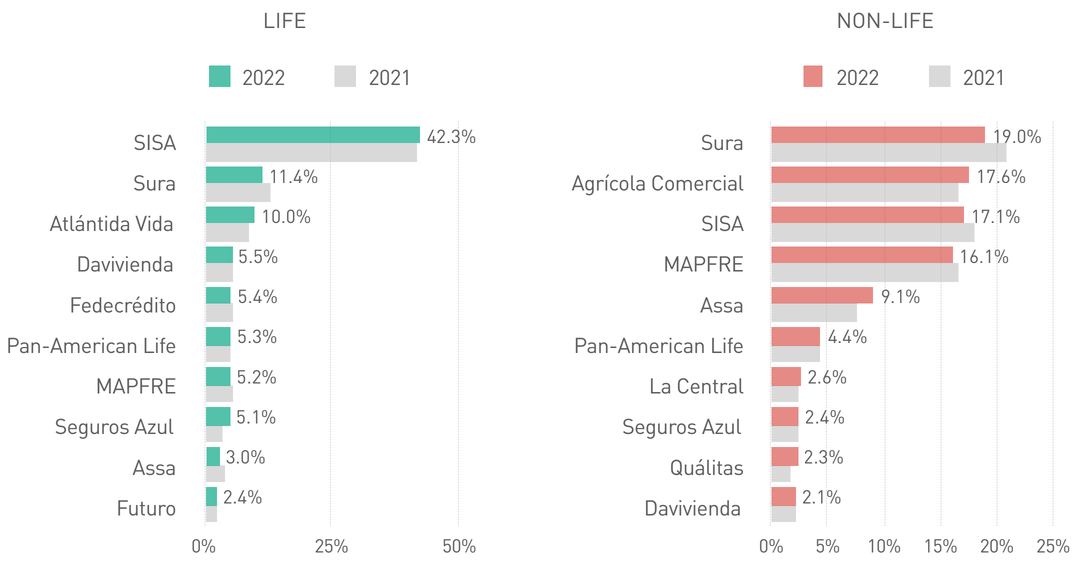
Analyzing the main market segments, the first three places in the ranking of Non-Life insurance groups are occupied by Seguros Sura (with a 19.0% share), maintaining its lead, followed by Aseguradora Agrícola Comercial (with 17.6%), which climbed two

Chart 3.1.4-w
El Salvador: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-x
El Salvador: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

places to second place, and SISA, which dropped one place, with a 17.1% market share. Meanwhile, MAPFRE (with a 16.1% share) moved from third to fourth place and, at the end of the ranking, Quálitas moved up three places and Davivienda remained in tenth place. With regard to the ranking of insurance groups in the Life segment, SISA tops the ranking with 42.3% of premiums. Meanwhile, Sura, with a market share of 11.4%, and Atlántida Vida, with a market share of 10.0%, maintain the second and third places, respectively. The remaining insurers swap positions, with Seguros Futuro remaining in last place in the ranking in 2022 (see Chart 3.1.4-x).

## Key regulatory aspects

In terms of the relevant regulatory aspects of 2022, it should be noted that the Standards Committee of the Central Reserve Bank of El Salvador approved several regulations during 2022. First, the Technical Regulations on Cybersecurity Measures on Digital Channels (approved on February 21, 2022), which regulate the cybersecurity measures that banks, savings and loan companies and cooperative banks must implement to collect, process, transmit and store the information of the financial products and services that these companies offer to their customers in digital channels. Second, the amendments to the Technical Rules for the Filing of Insurance Policies, the Rules for the Establishment of Technical Reserves by Insurance Companies, the Instructions for Establishing and Operating New Insurance Companies and the Instructions on the Transfer of Shares in Insurance Companies (approved on August 31, 2022), which improved the establishment of procedures, deadlines, communication channels, roles and responsibilities for the supervisor and the insurance companies. And finally, the Technical Rules for the Submission of Information by Insurance Companies for the Preparation of Insurance Activity Statistics (approved on March 17, 2023), which establish the conditions and requirements for the submission of periodic information that insurance companies must submit to the Superintendency of the Financial System on insurance industry activities.

Meanwhile, the Legislative Assembly approved three significant legal changes. First, the amendments to the Special Taxpayer Registration and Control Law, approved by Legislative Decree No. 203 of December 15, 2021, which allowed, among other aspects, the homologation of the Tax Identification Number with the Unique Identity Document Number. Second, there is the approval of a new Fire Department Law, through Legislative Decree No. 520 of October 4, 2022, which included the levying of a 5% tax on all insurance, excluding mortgage loan insurance. And finally, the approval of a new Comprehensive Pension System Law, through Legislative Decree No. 614 of December 20, 2022.

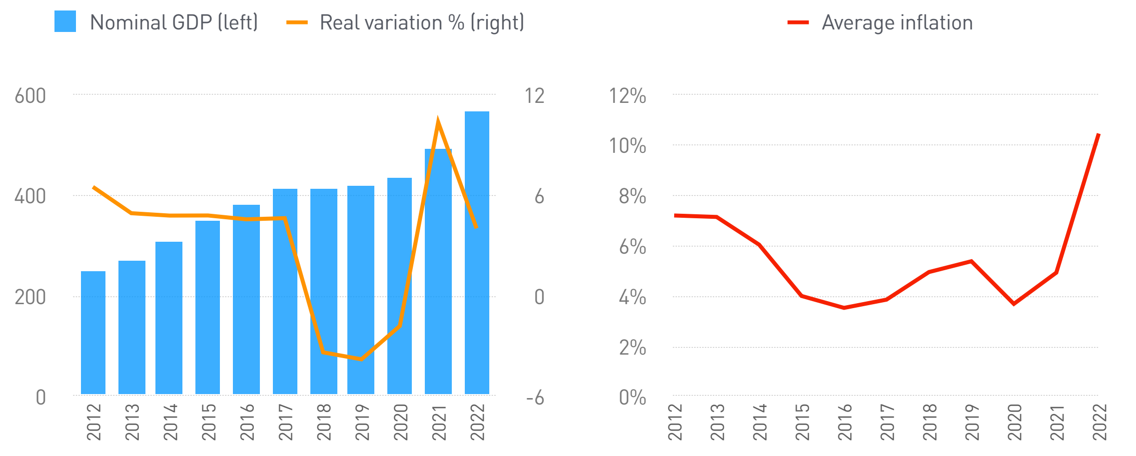
## 3.1.5 Nicaragua

### Macroeconomic environment

The Nicaraguan economy slowed in 2022, with real GDP growth of 4.0%, compared to 10.3% in 2021, a year of atypical growth after the post-Pandemic economic reopening process, which is largely due to the base effect in the comparison, but also to the sharp upturn in inflation in that country (10.4% average inflation in 2022) and in the rest of the world, with the resulting impairment of trade terms with the outside world due to the rise in energy and food prices (see Chart 3.1.5-a). In any case, the economic growth was significant, supported by improved employment, credit and remittances from abroad, which boosted private consumption, taking into account the setbacks experienced by its economy even in the years prior to the pandemic and the slowdown of its main trading partners, especially the United States.

On the other hand, the central government's fiscal balance improved in 2022 presenting a 1.3% surplus of GDP (compared to a deficit of 0.7% in 2021), following the implementation of the Tax Concertation Law and Social Security Law Regulation reforms to balance the public accounts by containing public spending and increasing income and consumption tax collection. Meanwhile, the annual public debt (domestic and foreign) to GDP ratio has decreased to 60.4% (compared to 65.2% in 2021), remaining at high levels after the sharp increase it experienced as a result of the aid provided during the pandemic period. Regarding the foreign sector, the current account balance closed 2021 with a deficit of 1.4% of GDP (3.1% in 2021), due to the significant growth in imports as a result of the economic reopening and the upturn in international prices. With respect to monetary policy, the Central Bank of Nicaragua applied a contractionary stance and, between January and November, increased the benchmark

Chart 3.1.5-a
Nicaragua: changes in economic growth and inflation
(GDP in local currency, billions of cordobas; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

monetary repo rate by 300 basis points (bps), from 3.50% to 6.50%, in line with international interest rate decisions and in response to accelerating inflation. Meanwhile, year-on-year inflation in December 2022 stood at 11.6% (average annual inflation of 10.4% in 2021).

MAPFRE Economics has estimated real growth of 2.6% for the Nicaraguan economy for 2023 and 2.2% for 2024. Meanwhile, ECLAC has forecast growth of 2.4% in 2023 and 2.1% in 2024, which implies a slowdown as a result of reduced momentum in the world economy, and in the United States in particular, a situation that will affect exports, as well as remittance flows and direct foreign investment.

## Insurance market

### Growth

Premium volume in the Nicaraguan insurance market amounted to 8.554 billion cordobas (238 million dollars) in 2021, reflecting nominal growth of 10.6% and real growth of 0.1% year over year (see Table 3.1.5 and Chart 3.1.5-b). Meanwhile, the Nicaraguan insurance market in 2022 improves over 2021 in all lines and modalities, surpassing levels in real terms in the Fire, Compulsory Insurance and Transport lines.

From the market segment standpoint, the Life business represented 18.6% of the total, up 9.3% (the same as the previous year), reaching 1.588 billion cordobas (44 million dollars). Meanwhile, Non-Life premiums grew 10.9%, which translates to 2.1 pp less than in 2021, placing it at 6.965 billion cordobas (194 million dollars). With regard to the three most important modalities: Fire showed strong performance (12.9%), as well as Automobile and Compulsory Insurance, which grew 9.0% and 15.9%, respectively. Next, the Transport line, not as important in absolute values, attained the highest growth of all lines, with 22.2% nominal and 10.7% real growth.

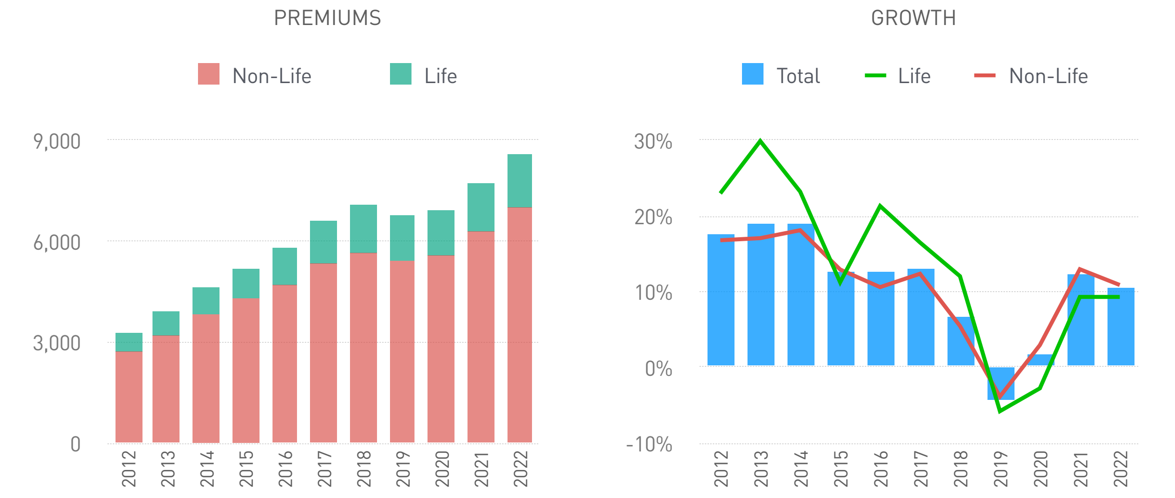
Meanwhile, the share of total premiums and by Life and Non-Life segment with respect to the whole Latin American market has grown 5 bps in the last ten years for total, 3 bps for the Life line and 7 bps for the Non-Life line. However, it should be noted that in the last two years, that share has been decreasing.

Table 3.1.5
Nicaragua: premium volume[1] by line, 2022

| Line | Millions of cordobas | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **8,553.7** | **238.2** | **10.6** | **0.1** |
| **Life** | **1,588.5** | **44.2** | **9.3** | **-1.0** |
| **Non-Life** | **6,965.2** | **194.0** | **10.9** | **0.4** |
| Automobiles | 1,406.1 | 39.2 | 9.0 | -1.4 |
| Fire and allied lines | 2,398.7 | 66.8 | 12.9 | 2.2 |
| Compulsory[2] | 1,195.3 | 33.3 | 15.9 | 5.0 |
| Other lines | 724.1 | 20.2 | 6.7 | -3.4 |
| Health | 527.3 | 14.7 | 8.6 | -1.7 |
| Personal Accidents | 179.3 | 5.0 | 2.2 | -7.5 |
| Credit and/or surety | 135.7 | 3.8 | 5.6 | -4.4 |
| Transport | 178.4 | 5.0 | 22.2 | 10.7 |
| Third-party liability | 220.4 | 6.1 | 0.5 | -9.1 |

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)
1/ Net written premiums
2/ Includes compulsory automobile insurance

Chart 3.1.5-b
Nicaragua: growth developments in the insurance market
(premiums, millions of cordobas; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

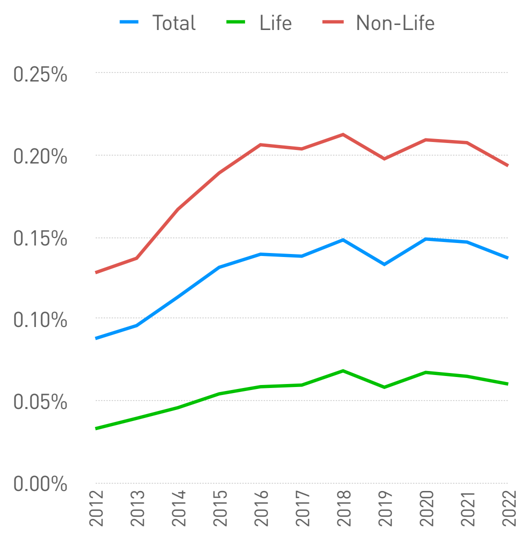
The Non-Life line has a greater share (0.2% in 2022) over Latin America as a whole than the Life line, which remains at 0.06%. Overall, the total proportion of Nicaraguan premiums to all of Latin America has gone from 0.09% in 2012 to 0.14% in 2022 (see Chart 3.1.5.-c).

This entailed 10.6% total growth registered for the Nicaraguan insurance market 2022, continuing the 12.3% growth of 2021. Within that growth, the Life segment contributed positively to total growth with 1.8 pp, so growth was due to fundamentally to the 8.9 pp contribution from Non-Life insurance (see Chart 3.1.5-d).

## Balance sheet and shareholders' equity

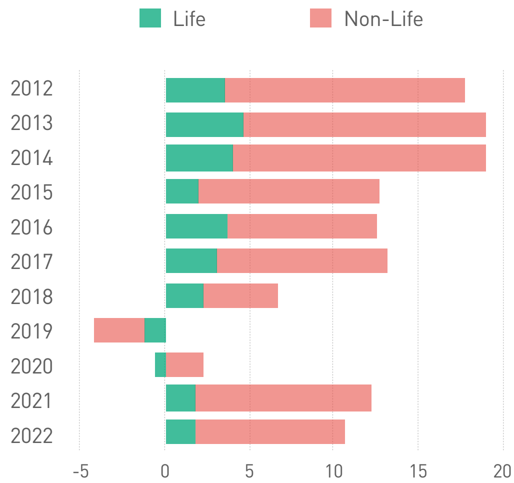
Chart 3.1.5-e presents changes in the Nicaraguan insurance industry's aggregate balance sheet over the 2012-2022 period. According to this information, total assets amounted to 15.918 billion cordobas (436 million dollars) in 2022, while equity reached 6.809 billion cordobas (3.0% more than in 2021). As a result, in 2012, the aggregate capitalization level of the Nicaraguan insurance industry, measured over total assets, was 29.4%, which gradually increased over the 2012-2022 period reaching 42.8% of total assets in late 2022.

Chart 3.1.5-c
Nicaragua: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions and supervisory bodies in the region)

**Chart 3.1.5-d**
**Nicaragua: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 17.7 | 3.5 | 14.3 |
| 2013 | 19.1 | 4.7 | 14.4 |
| 2014 | 19.0 | 4.0 | 15.0 |
| 2015 | 12.6 | 2.0 | 10.6 |
| 2016 | 12.5 | 3.8 | 8.7 |
| 2017 | 13.2 | 3.1 | 10.0 |
| 2018 | 6.8 | 2.4 | 4.4 |
| 2019 | -4.2 | -1.2 | -3.1 |
| 2020 | 1.8 | -0.6 | 2.4 |
| 2021 | 12.3 | 1.8 | 10.5 |
| 2022 | 10.6 | 1.8 | 8.9 |

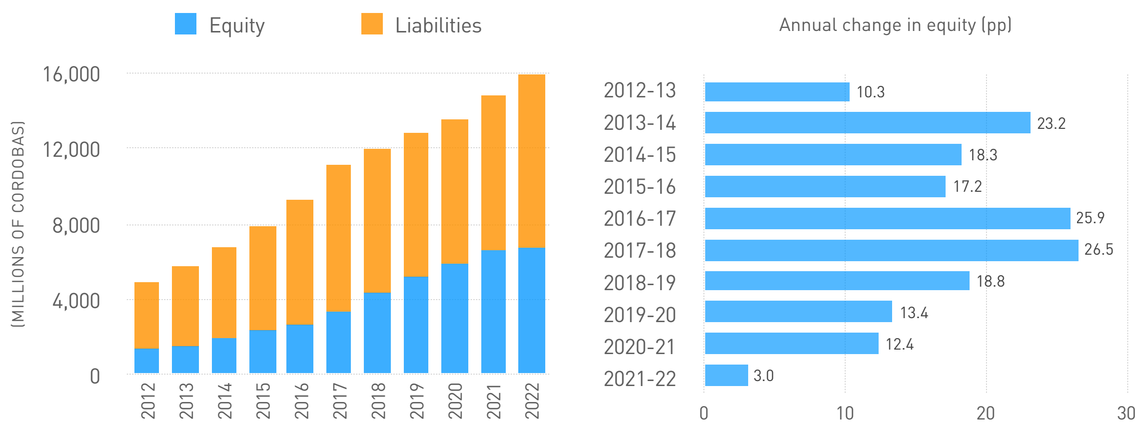
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

### Investments

Chart 3.1.5-f, in turn, shows the development of investments, while Charts 3.1.5-g and 3.1.5-h show the composition of the aggregate investment portfolio by sector over the course of the 2012-2022 period. According to these data, investment in 2022 totaled 11.648 billion cordobas (319 million dollars), with 87.0% concentrated in debt and equity instruments, 8.9% in cash and the remaining 4.1% in real estate investments.

The composition of insurance market investments in Nicaragua over the last decade generally shows certain stability, with the dominance of investments in debt and equity instruments.

**Chart 3.1.5-e**
**Nicaragua: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**



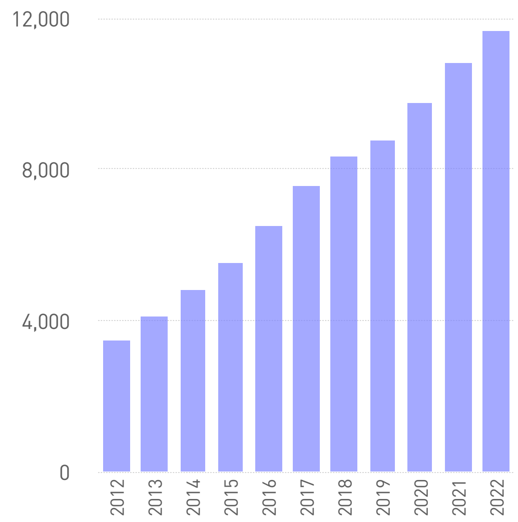

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

### Technical provisions

The performance and relative composition of the Nicaraguan insurance industry's technical provisions between 2012 and 2022 are shown on Charts 3.1.5-i, 3.1.5-j and 3.1.5-k. In this sense, in 2022, technical provisions amounted to 6.129 billion cordobas (168 million dollars). Of this total, 14.7% related to Life insurance technical provisions, 29.1% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 32.8% to provisions for outstanding claims, and the remaining 23.4% to provisions for catastrophic risks.

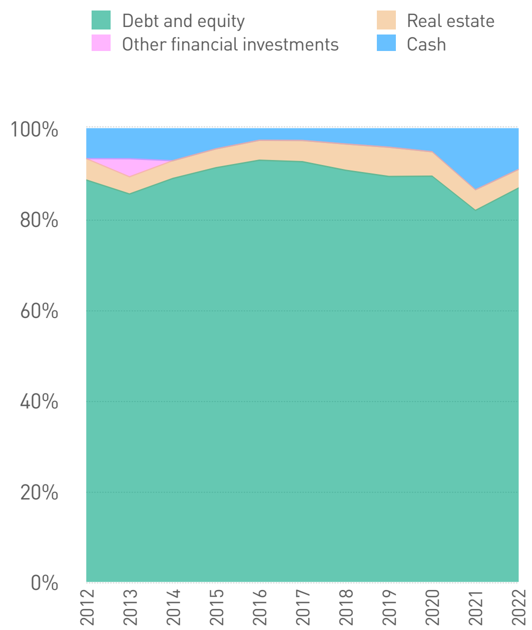
It is worth noting that over the 2012–2022 period, there was sustained growth in technical provisions in absolute terms, related to both Life and Non-Life insurance. This trend was interrupted in 2018- 2020 for both provisions, though their relative weights stayed fairly stable throughout the period. The significant percentage of catastrophic risk provi-

Chart 3.1.5-f
Nicaragua: insurance market investments
(millions of cordobas)



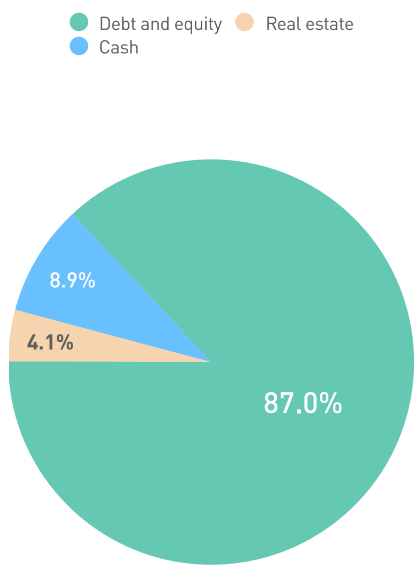

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-g
Nicaragua: structure of investments
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-h
Nicaragua: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

sions is notable, accounting for 23.4% of all provisions in 2022.

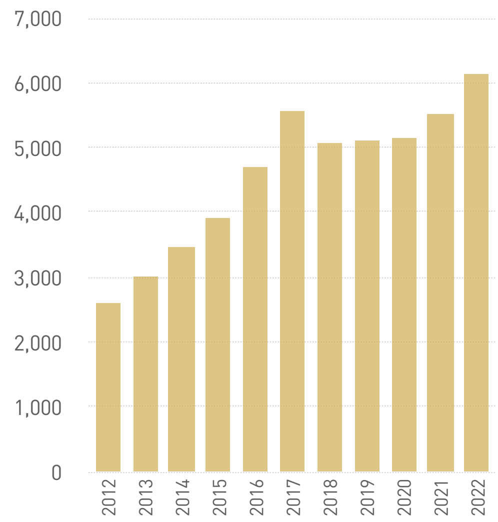
### Technical performance

With regard to the technical performance of the Nicaraguan insurance industry, Chart 3.1.5-l shows the development of the industry's total combined ratio between 2012 and 2022. In this regard, the combined ratio, which reflects the sector's technical performance, worsened by 0.9 pp in 2022 to 97.1%, similar to the figure observed in 2020, mainly due to the growth of the expense ratio by 2.3 pp, to 54.7%. The cost ratio fell by 1.4 percentage points to 42.4%

### Results and profitability

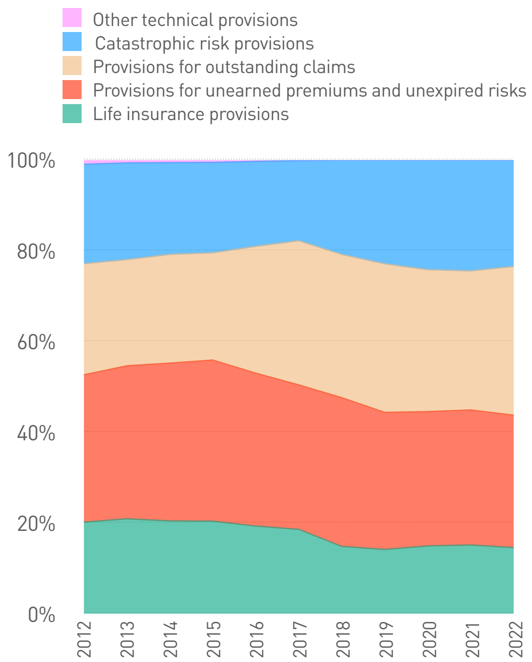
The net result from the Nicaraguan insurance business amounted to 628 million cordobas (17 million dollars) in 2022, down -14.4% from the previous year, due to worsening technical

**Chart 3.1.5-i**
**Nicaragua: technical provisions of the insurance market**
**(millions of cordobas)**



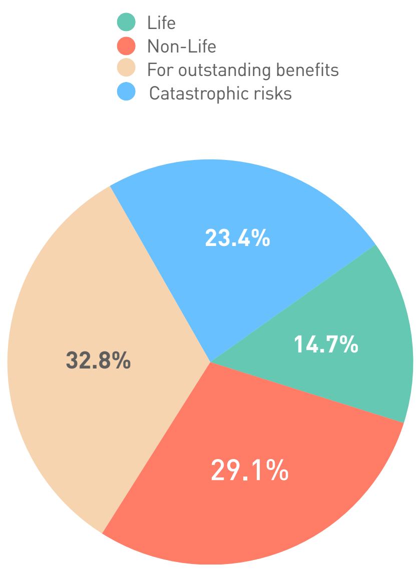

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

**Chart 3.1.5-j**
**Nicaragua: structure of technical provisions**
**(%)**



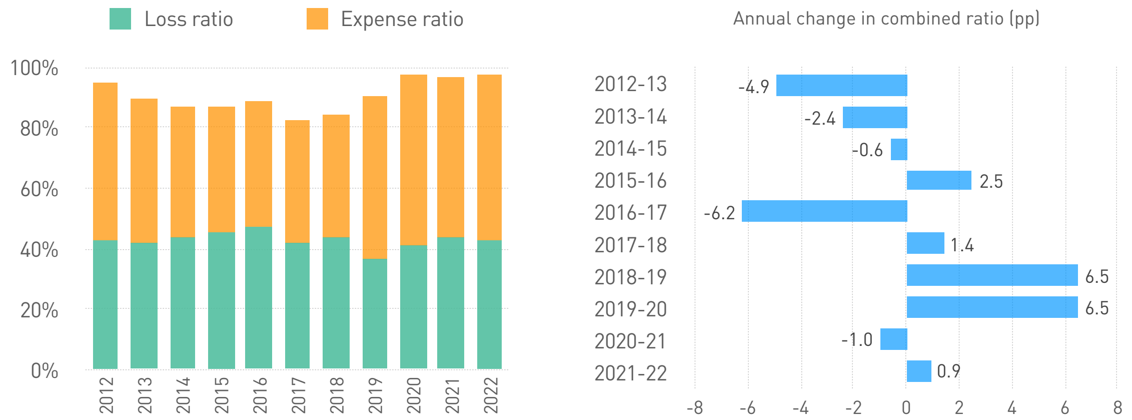

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

**Chart 3.1.5-k**
**Nicaragua: structure of technical provisions, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-l
Nicaragua: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



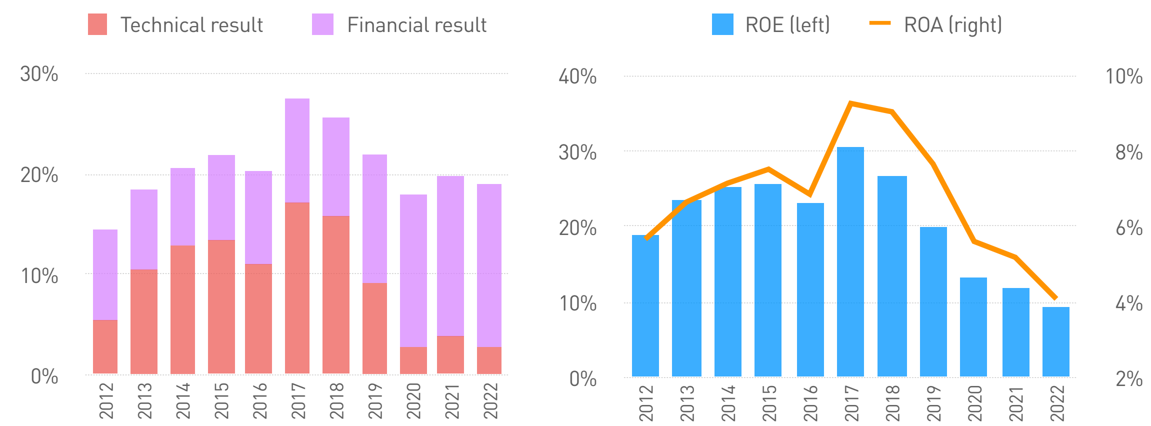

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

results. In terms of profitability, the sector's return on equity (ROE) stood at 9.4% in 2022, falling by 2.4 pp compared to 2021. Return on assets (ROA) performed similarly, reaching 4.1% in 2022, down 1.1 pp on the previous year (see Chart 3.1.5-m).

### Insurance penetration, density and depth

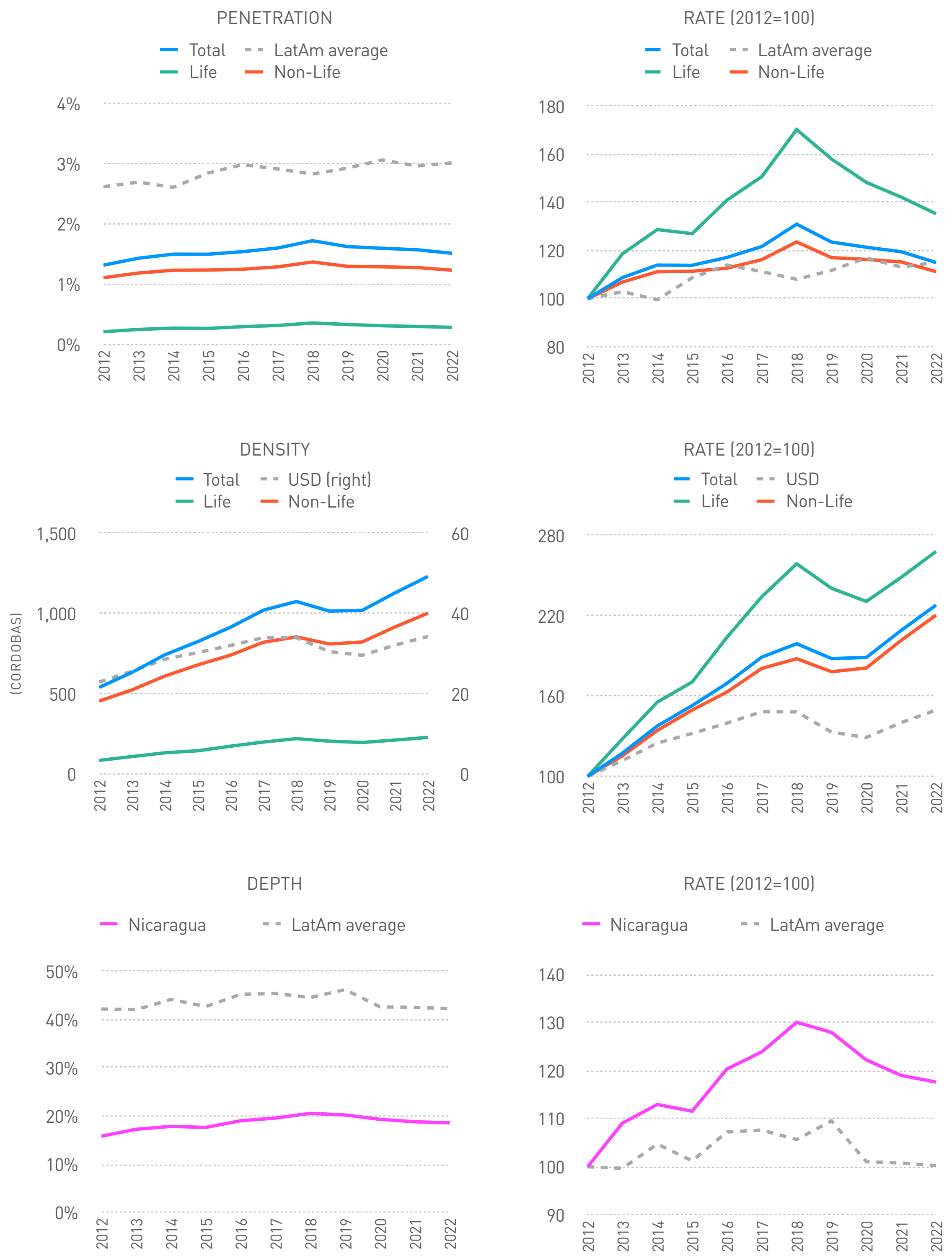
Chart 3.1.5-n shows the main structural trends shaping the development of the Nicaraguan insurance industry over the 2012–2022 period. The penetration index (premiums/GDP) in 2022 stood at 1.5%, 0.1 pp lower than in 2021, and 1.5 pp below the Latin American average. As these data show, the penetration rate in the Nicaraguan market grew steadily until 2018, but has since started to decline slightly to values below 1.6%, while the similar average trend for the Latin American insurance market as a whole since 2018 diverges slightly, approaching 3.0%.

Chart 3.1.5-m
Nicaragua: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

**Chart 3.1.5-n**
**Nicaragua: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, cordobas and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Insurance density in Nicaragua (premiums per capita) amounted to 1,231 cordobas (34 dollars), up 9.0% year over year (1,129 cordobas). As opposed to penetration, the density indicator (measured in local currency) has followed an upward path, except in the 2019-2020 period, with a cumulative increase of 128% over the 2012-2022 period. Finally, the depth (Life insurance premiums to total premiums) of the Nicaraguan insurance market in 2022 came to 18.6%, up 2.8 pp over the level reported in 2012 and, in general, in line with the overall trend across Latin American markets of -25 pp on average. As a result, in absolute levels, depth is still far below the regional average (42.3% in Latin America for 2022).

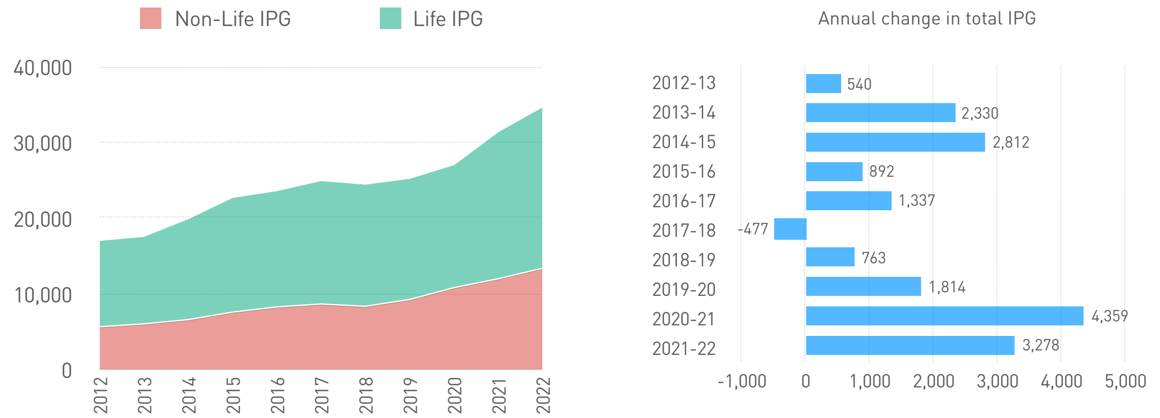
### Insurance Protection Gap estimate

Chart 3.1.5-o shows an estimate of the IPG for the Nicaraguan insurance market between 2012 and 2022. In this sense, the insurance gap stood at 34.746 billion cordobas (968 million dollars) in 2022, 4.1 times the size of the actual insurance market in Nicaragua at the end of that year. The structure and performance of the IPG over the period under analysis are largely attributable to the contribution of the Life insurance segment, similar to most Latin American markets. At the close of 2022, 61.4% of the insurance gap (61.8% in 2021) came from Life Insurance (21.343 billion cordobas), representing 5.4 pp less than the share observed in this segment in 2012; the remaining 38.6% of the gap is explained by the contribution of the Non-Life insurance segment (13.403 billion cordobas). The potential insurance market in Nicaragua at the close of 2022 (the sum of the actual market plus the IPG) was therefore estimated at 43.3 billion cordobas (1.206 billion dollars), 5.1 times the size of the total insurance market in that year (see Chart 3.1.5-p).

In addition, Chart 3.1.5-q shows an estimate of the insurance gap as a multiple of the actual insurance market in Nicaragua. According to this metric, the IPG as a multiple showed a general downward trend over the 2012–2022 period, both for the Life insurance segment (falling from 22.2 to 13.4 times) and the Non-Life insurance segment (falling from 2.1 to 1.9 times). However, it is noteworthy that the insurance gap, as a multiple of the market, shows an increasing trend as of 2019, both in the total measurement and in the Life and Non-Life insurance segments.

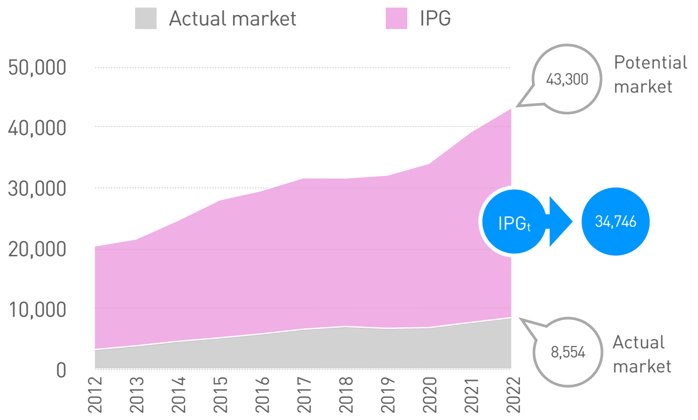
Chart 3.1.5-r summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total

**Chart 3.1.5-o**
**Nicaragua: Insurance Protection Gap**
**(millions of cordobas)**




Source: MAPFRE Economics

**Chart 3.1.5-p**
**Nicaragua: Insurance Protection Gap and potential market**
**(millions of cordobas)**



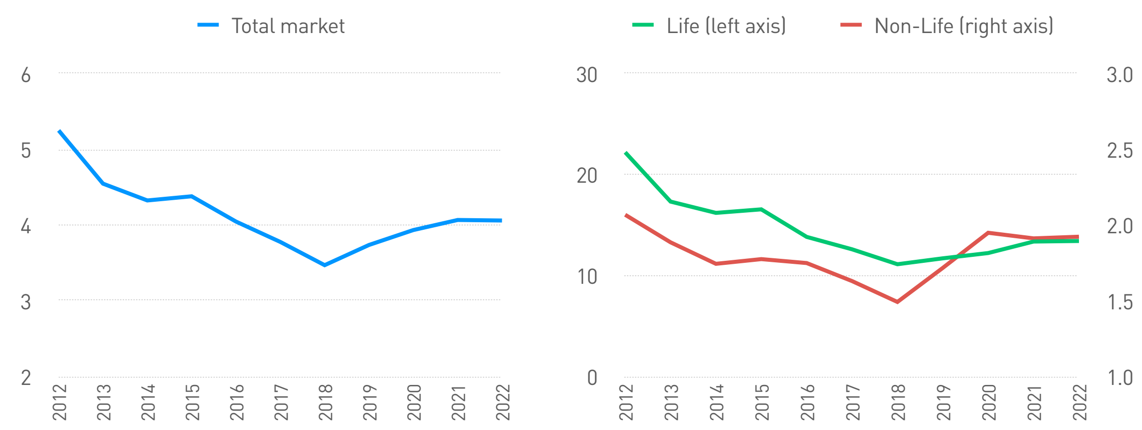

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 162.7% | 103.2% |
| 2022-2021 | 10.6% | 10.4% |

Source: MAPFRE Economics

Nicaraguan insurance market over the last decade, comparing the situation in 2022 with that of 2012. This schematic analysis shows that the market situation is improving fundamentally in the Life line, in terms of the insurance gap as a multiple of the real market, while the IPG in the Non-Life insurance segment remains practically unchanged.

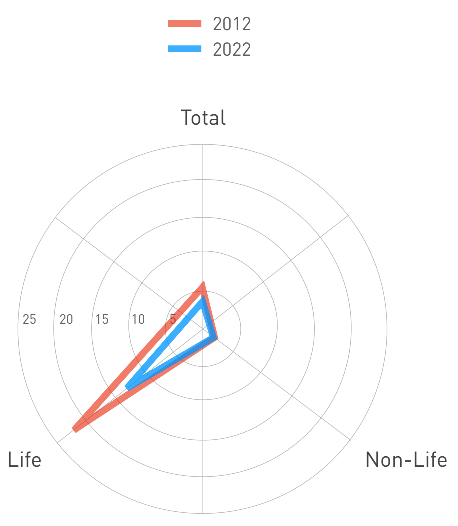
Finally, Chart 3.1.5-s provides an overview of the capacity of the Nicaraguan insurance market to close the insurance gap, based on a comparison between the growth rates observed over the last ten years and the growth rates that would be required in order to close the IPG for 2022 over the coming ten years. According to this analysis, the Nicaraguan insurance market grew at an average annual rate of 10.1%, underpinned by an average annual growth rate of 11.9% in the Life insurance segment and average annual growth rate of 9.8% in the Non-Life insurance segment. It follows that, if the same growth dynamics observed in the past decade are maintained over the next ten years, the growth rate of the Nicaraguan insurance

**Chart 3.1.5-q**
**Nicaragua: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.1.5-r
Nicaragua: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

market would fall short of the target by 7.5 pp for the total market; in the case of Life insurance, the observed rate would fall short by -18.7 pp, and by -1.6 pp for the Non-Life segment. It should be noted that, compared to the 2021 fiscal year, the impairment in the Nicaraguan insurance market's ability to cover the IPG is amplified.

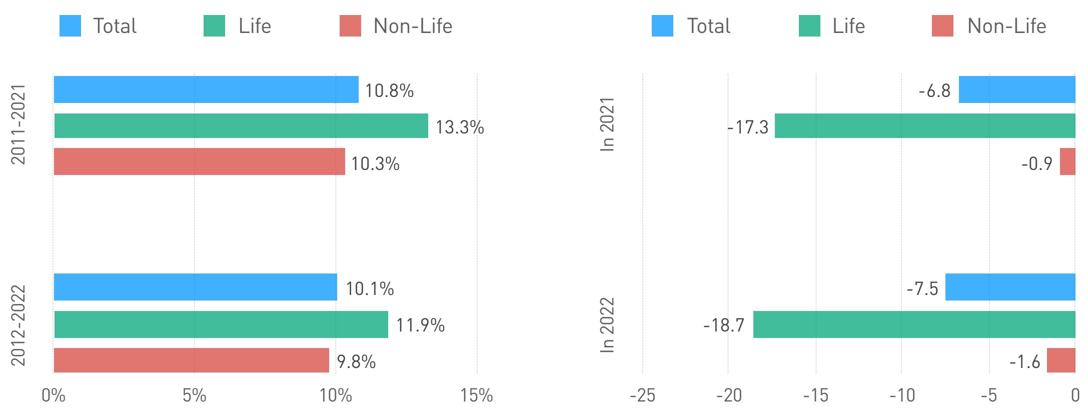
**Market Development Index (MDI)**

Chart 3.1.5-t presents an update of the Market Development Index (MDI) for the Nicaraguan insurance industry. The MDI, which is used as an indicator of general patterns shaping the performance and maturity of the insurance market, shows a positive trend over the 2012-2018 period in the case of the Nicaraguan insurance market. After 2019, however, that trend reversed, presenting a drop in its figures and diverging from the Latin American average. As this information shows, the trend generally follows that registered by the average of Latin American insurance markets, converging in 2018, and then showing a divergent trend until 2022, when it presents the greatest difference in this indicator between Nicaragua and the Latin American average.

**Joint analysis of structural coefficients**

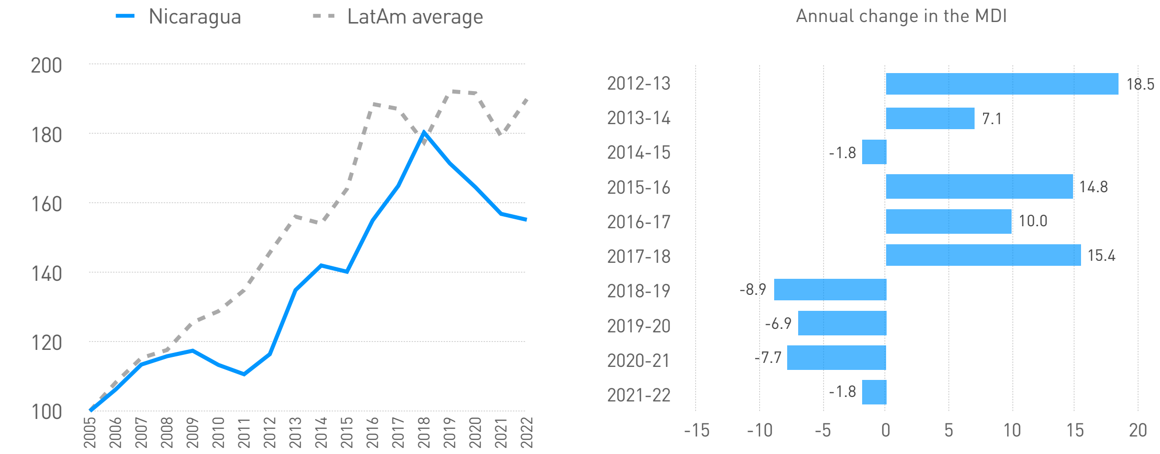
To summarize, Chart 3.1.5-u shows the Nicaraguan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators previously analyzed. As such, the Nicaraguan insurance market falls short

Chart 3.1.5-s
Nicaragua: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

Chart 3.1.5-t
Nicaragua: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics

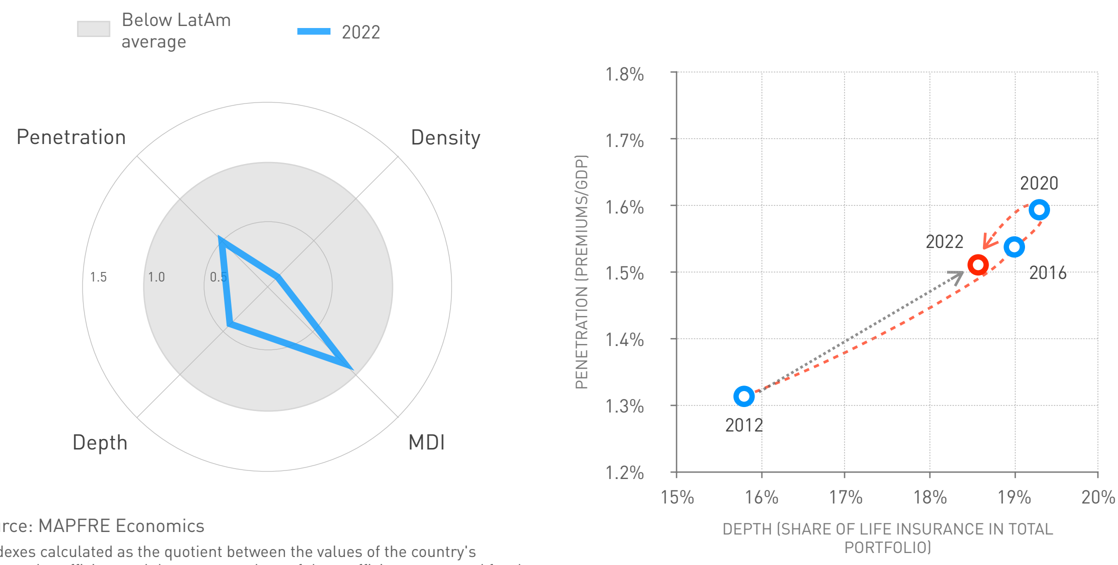
of the Latin American average, especially in terms of penetration, density and depth, although the market development index is closer to the region's average. Likewise, the analysis of the quantitative (penetration) and qualitative (depth) dynamic of market development also shows a retraction from its positive trend as of 2020.

## Insurance market rankings

### Total ranking

The Nicaraguan insurance industry maintained its structure in 2022 with only five insurers operating in the market. Despite this reduced number of participants, there has

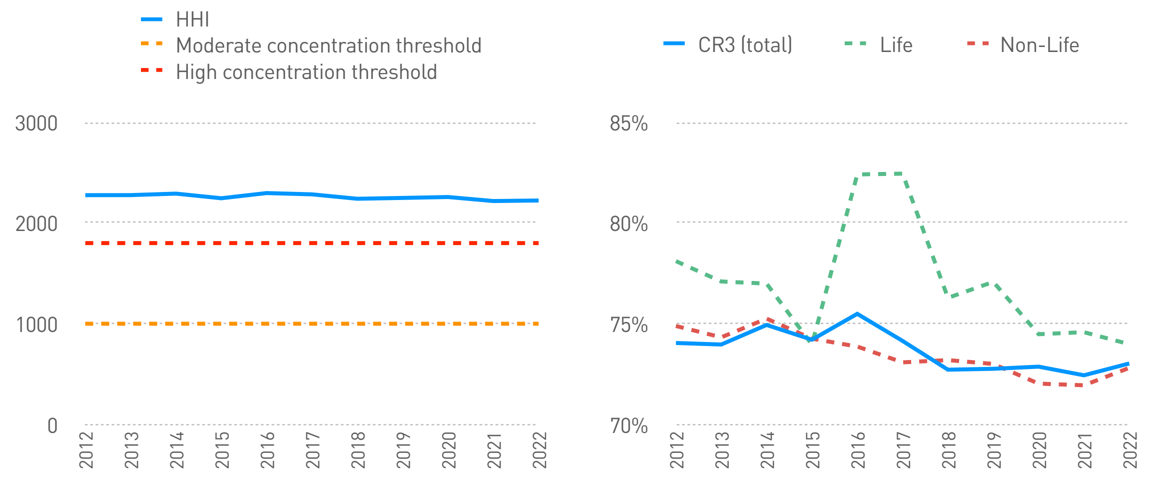
Chart 3.1.5-u
Nicaragua: comparative structural coefficient index* vs. average for Latin America (2022)
and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.5-v
Nicaragua: insurance industry concentration
(Herfindahl index; CR3 index, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

been a slight downward trend in market concentration levels over the last decade (see Chart 3.1.5-v). Throughout the period analyzed, the Herfindahl index has remained stable, above the theoretical threshold associated with high levels of concentration. The same occurs upon analysis of the CR3 (market participation of the top three companies) for the Nicaraguan market, whose industry concentration levels dropped slightly over the period analyzed, albeit while remaining significantly high.

In terms of the total ranking of the Nicaraguan insurance market in 2022, the company América tops the ranking with a market share of 26.7%. The following two positions in the ranking are occupied by Assa, with a share of 24.8%, and Lafise with 21.6%. Iniser and MAPFRE close out the rankings, with shares of 19.3% and 7.7% respectively (see Chart 3.1.5-w).

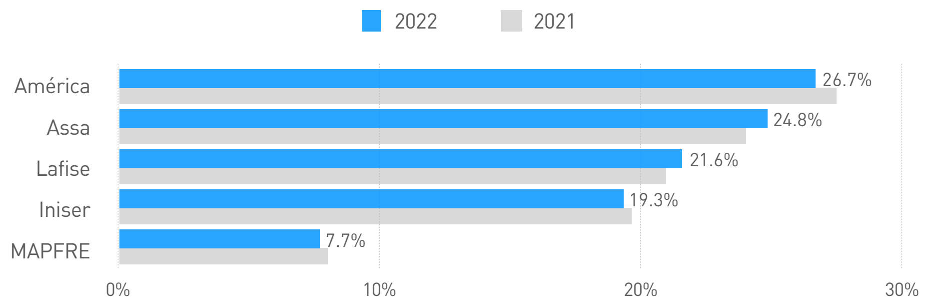
### Life and Non-Life rankings

Meanwhile, in the Non-Life ranking, América once again topped the Nicaraguan market in 2022 with a share of 27.9% of the market, while second and third places were held by Assa (23.7%) and Lafise (21.2%), which is the same as the aforementioned total market ranking (see Chart 3.1.5-x). Finally, the ranking of Life insurance companies is still headed by Assa, with 29.6% of the market, while Lafise, with a 22.9% market share (0.7 pp more than the previous year) overtakes America, which is in third place (21.4% market share, 3.6% less than the previous year). They are followed by Iniser (19.0%) and MAPFRE with 7.0% (the latter with 1.8 pp more than the previous year).

## Key regulatory aspects

With regard to the main regulatory aspects of the Nicaraguan insurance market in 2022, it should be noted that, in legal matters, no laws or reforms to laws related to this financial area were passed during that period. However, in regulatory matters, various regulatory adjustments were issued by the Superintendency of Banks and Other Financial Institutions, the company in charge of supervising the insurance activity in that country: (i) the Regulation on Purchase and Sale of Credit Assets (approved by Resolution CD-SIBOIF-1360-1-FEB14-2023 of February 14, 2023); (ii) the Regulation Updating Insurance Companies' Capital Stock (approved by Resolution CD-SIBOIF-1346-3-NOV22-2022 of

**Chart 3.1.5-w**
**Nicaragua: overall ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

November 22, 2022); (iii) Regulation for Processing Administrative Appeals (approved by Resolution CD-SIBOIF-1325-1-JUL26-2022 of July 26, 2022); (iv) Regulation on Pre-printed or Electronically Printed Signature on Documents Containing Financial Transactions or Services (approved by Resolution CD-SIBOIF-1317-1-JUN14-2022 of June 14, 2022); (v) the Amendment Regulation to Articles 4, 8 and 9 of the Regulation on Investment Limits for Insurance, Reinsurance and Bonding Companies (approved in Resolution CD-SIBOIF-1380-1-MAY29-2023 of May 29, 2023), and (vi) the Amendment Regulation of Article 5 of the Regulation for the Implementation of the Accounting Framework for Insurance, Reinsurance and Bonding Companies (approved in Resolution CD-SIBOIF-1346-4-NOV22-2022 of November 22, 2022).

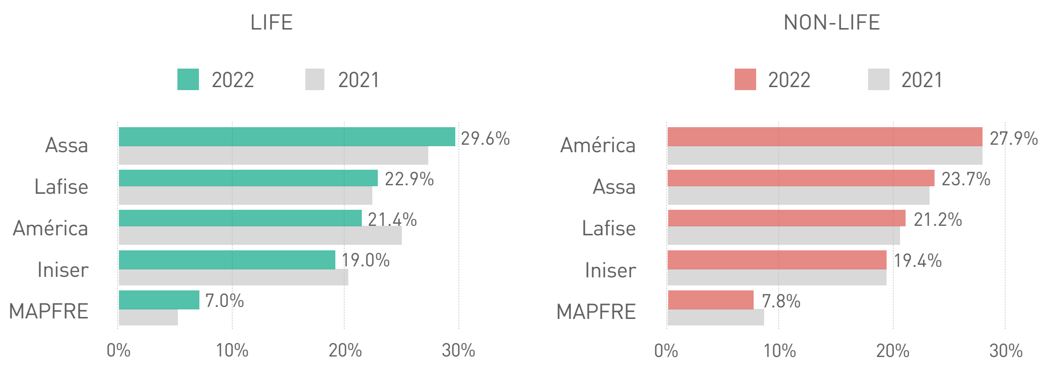
Meanwhile, it is worth mentioning that, during 2023, a draft regulation on the Regulatory Controller and a reform to the Regulation on Authorization and Operation of Insurance Brokers are in the process of being approved.

## 3.1.6. Costa Rica

### Macroeconomic environment

The Costa Rican economy slowed in 2022, experiencing real growth of 4.3% versus 7.6% in 2021, a year of atypical growth after

**Chart 3.1.5-x**
**Nicaragua: Life and Non-Life ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

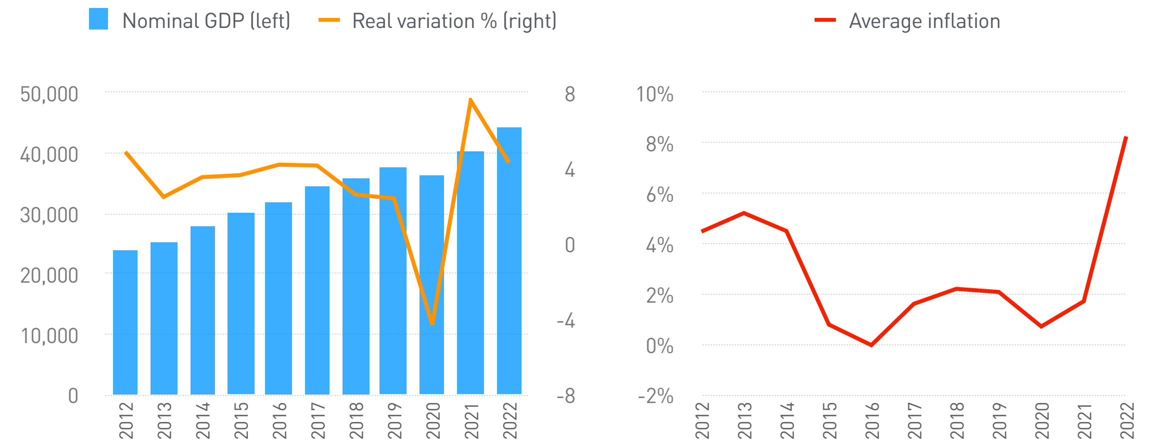
the economic reopening process after the worst phases of the pandemic were overcome (see Chart 3.1.6-a). In addition to the base effect of the previous year's high growth, this slowdown in GDP in real terms was due to the upturn in inflation (8.3% on average in 2022), in an international context that put upward pressure on energy and food prices. Regardless, this is significant economic growth, above pre-pandemic growth based on private consumption, aided by improved export performance and a recovery in tourism.

On the other hand, according to information from the Central American Monetary Council, Costa Rica's public debt ( domestic and foreign) reached 82.4% of GDP at the end of 2022 (78.6% in 2021), with an improved central government fiscal deficit, closing the year at 2.5%, compared to 5.0% the previous year, thanks to the measures the government has been implementing to strengthen public finances. In this respect, in November 2022, Costa Rica became the first country in the world to be authorized by the International Monetary Fund (IMF) for access to credit through the Resilience and Sustainability Facility.

With respect to monetary policy, the Central Bank of Costa Rica applied a contractionary stance to combat the upturn in inflation, which stood at 7.9% in December (leaving annual average inflation at 8.3%). This led the central bank to increase its benchmark rate seven times in 2022, to 9.0%, and to increase the reserve requirement. This had an effect on the average exchange rate against the dollar, which appreciated by 4.1%. In 2023, however, the outlook has changed radically and inflation has fallen sharply to negative values (-2.3% year-on-year in July), which has led to a change in the monetary policy stance, once again more accommodative, reducing the benchmark rate on four occasions to 6.5% at its July meeting.

Looking ahead to 2023, MAPFRE Economics' estimates for Costa Rica's GDP growth are 3.6% and 3.2% for 2024. Meanwhile, ECLAC forecasts that Costa Rica's economy will grow at a rate of 3.8% in 2023 and 3.4% in 2024. In 2023, exports of goods and services are expected to expand at a lower rate than in 2022, due to the lower momentum expected from its main trading partners. Domestic demand is also expected to show slower growth, as a result of the sharp increase in interest rates. According to Ministry of Finance estimates,

Chart 3.1.6-a
Costa Rica: changes in economic growth and inflation
(GDP in local currency, billions of colones; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

the central government deficit is expected to continue its downward trend, thanks to a further revenue increases and expenditure restraint within the framework of the fiscal rule. As a result, the primary balance would stand at 1.5% of GDP, which would further reduce the public debt ratio as a percentage of GDP.

## Insurance market

### Growth

Premium volume in the Costa Rican insurance market amounted to 1.018 trillion colons (1.572 billion dollars) in 2022, reflecting nominal growth of 13.1% and real growth of 4.4% year over year (see Table 3.1.6 and Chart 3.1.6-b). The Costa Rican insurance market grew an average of 8.9% over the last seven years, since the -9.4% decline registered in 2015, the year in which the premium-recording criteria implemented by the Instituto Nacional de Seguros (the insurance company with the highest market share) was modified in order to comply with the regulations in force[18]. Likewise, Life insurance premiums, which account for 18.5% of the total, increased by 27.7% in nominal terms in 2022 to 188.763 colons (292 million dollars), while Non-Life premiums grew by 10.2% to 828.993 billion colons (1.281 billion dollars). As this information shows, in 2022, there is overall growth in Non-Life insurance lines, except for Credit and Surety (-52.5%). As a result, premium issuance increased in the most representative line, Automobiles (4.0%), as well as in the second largest line, Accident and Health (2.2%), although they did not manage to beat inflation. The growth of the Workplace Accidents line is also noteworthy, with 16.7%, placing it as the third most significant line.

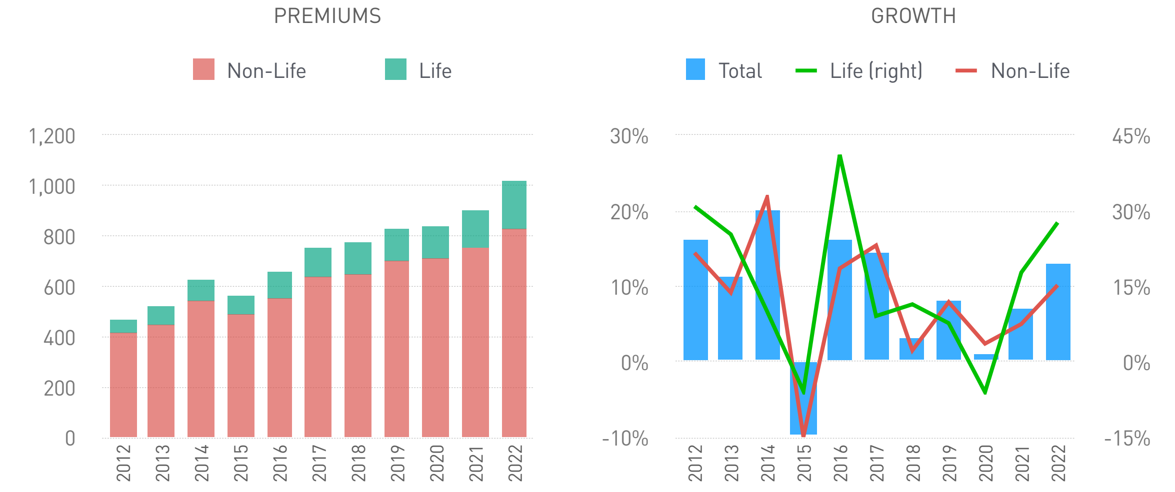
In the last decade, the development of the Costa Rican insurance market share of total premiums and by Life and Non-Life segments with respect to the Latin American market has been increasing, except for the drop in the Non-Life insurance segment registered in 2015 (due to the adjustments to the accounting criteria mentioned above) and again in the 2020-2022 period. Even so, the total proportion of Costa Rican premiums to the Latin American total has gone from 0.6% in 2012 to 0.9% in 2022. The share in the Life line, meanwhile, has grown steadily over the past decade, rising from 0.2% in 2012 to

Table 3.1.6
Costa Rica: premium volume[1] by line, 2022

| Line | Millions of colones | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **1,017,756.2** | **1,572.4** | **13.1** | **4.4** |
| **Life** | **188,763.5** | **291.6** | **27.7** | **17.9** |
| **Non-Life** | **828,992.8** | **1,280.7** | **10.2** | **1.8** |
| Automobiles | 239,958.9 | 370.7 | 4.0 | -3.9 |
| Fire and allied lines | 119,394.8 | 184.5 | 10.7 | 2.3 |
| A&H | 173,674.6 | 268.3 | 2.2 | -5.6 |
| Other lines | 84,812.4 | 131.0 | 49.5 | 38.1 |
| Transport | 14,497.8 | 22.4 | 14.0 | 5.3 |
| Third-party liability | 23,271.3 | 36.0 | 10.3 | 1.8 |
| Credit and surety | 3,897.7 | 6.0 | -52.5 | -56.1 |
| Agriculture and livestock | 286.1 | 0.4 | 34.6 | 24.3 |
| Workplace accidents | 169,199.2 | 261.4 | 16.7 | 7.8 |

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)
1/ Gross premium (direct insurance plus accepted reinsurance)

Chart 3.1.6-b
Costa Rica: growth developments in the insurance market
(premiums, billions of colones; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

reach 0.4% in 2022, while the share increase in the Non-Life line increased from 0.9% to 1.3% in that period (see Chart 3.1.6-c).

As a result, an analysis of the construction of growth of the Costa Rican insurance industry by lines shows that the its largest contribution comes from the Non-Life insurance segment. In 2022, this segment accounted for 8.5 pp of the industry's overall growth of 13.1 pp that year, whereas Life insurance contributed only 4.5 pp (see Chart 3.1.6-d).

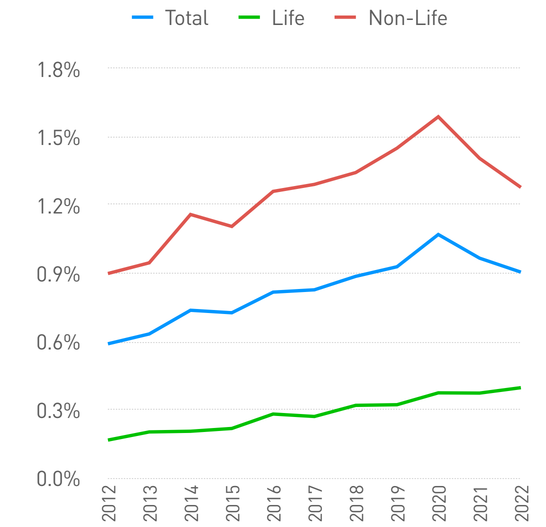
### Balance sheet and shareholders' equity

Chart 3.1.6-e shows the aggregate balance sheet of the Costa Rican insurance industry over the 2012-2022 period. This information shows that the total assets amounted to 2.794 trillion colons in 2022 (4.710 billion dollars), while equity stood at 1.248 trillion colons (2.105 billion dollars), a 3.9 pp increase over the previous year. Meanwhile, the Costa Rican insurance industry had aggregate capitalization levels (measured over total assets) of around 43% over the last decade, representing 44.7% of total assets in 2022.

### Investments

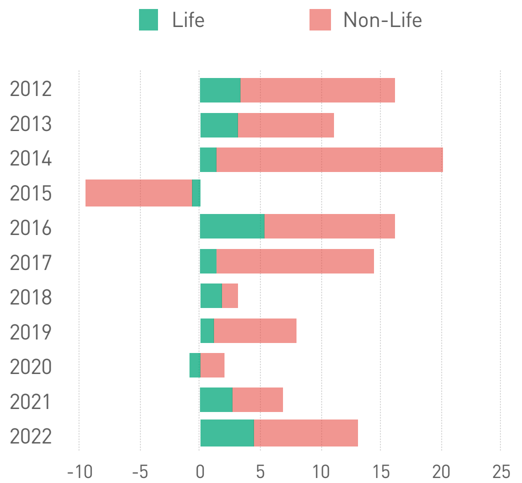
Chart 3.1.6-f shows developments in investment by the Costa Rican insurance industry, while Charts 3.1.6-g and 3.1.6-h present a breakdown of the aggregate investment port-

Chart 3.1.6-c
Costa Rica: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance and supervisory bodies of the region)

**Chart 3.1.6-d**
**Costa Rica: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 16.2 | 3.3 | 12.9 |
| 2013 | 11.1 | 3.0 | 8.1 |
| 2014 | 20.2 | 1.4 | 18.8 |
| 2015 | -9.4 | -0.7 | -8.7 |
| 2016 | 16.1 | 5.3 | 10.8 |
| 2017 | 14.5 | 1.4 | 13.0 |
| 2018 | 3.0 | 1.7 | 1.3 |
| 2019 | 7.9 | 1.2 | 6.7 |
| 2020 | 1.1 | -1.0 | 2.0 |
| 2021 | 6.9 | 2.7 | 4.3 |
| 2022 | 13.1 | 4.5 | 8.5 |

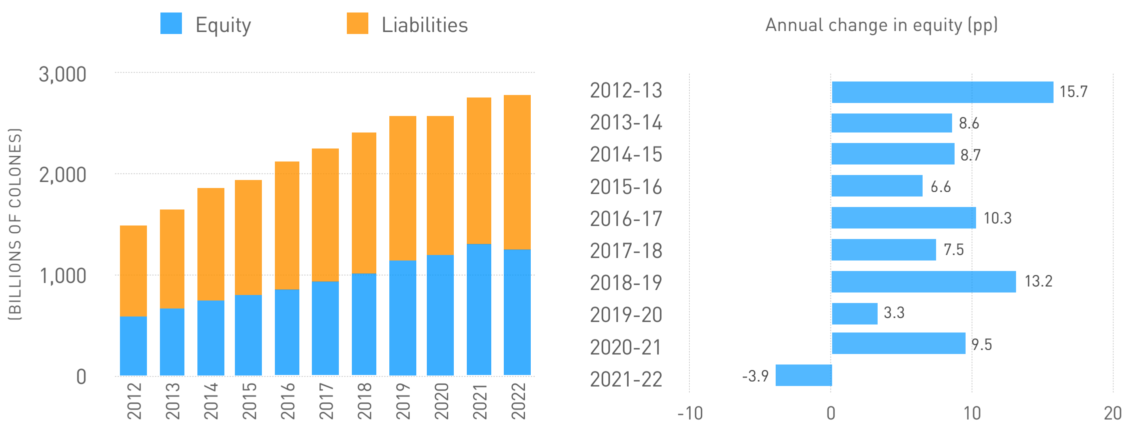
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

folio at sector level of the insurance industry over the 2012-2022 period. According to this data, in the last year of the period analyzed, Investment reached 2.025 trillion colons (3.414 billion dollars), with 85.4% concentrated in financial instruments, 5.3% in cash and 9.3% in real estate. On the other hand, over the 2012–2022 period, the structure of investments in the Costa Rican insurance industry shows no substantial changes, with investments in financial instruments dominating over investments in cash and real estate, with a slight increase in the share of real estate investments.

### Technical provisions

Chart 3.1.6-i shows the development over the 2012-2022 period of technical provisions in the Costa Rican insurance industry. Accord-

**Chart 3.1.6-e**
**Costa Rica: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**



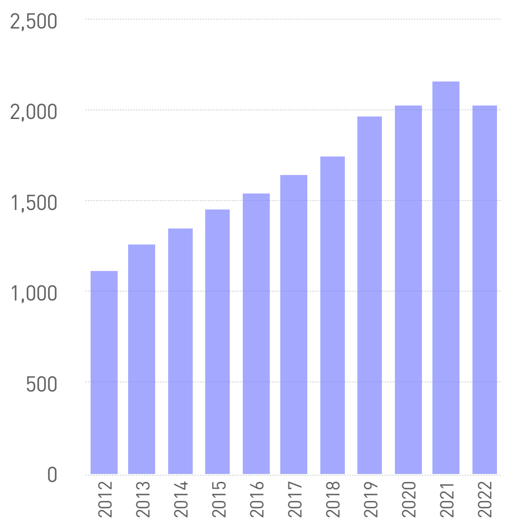

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

ing to this information, in 2022, technical provisions stood at 1.043 trillion colons (1.758 billion dollars), in contrast with the 671 billion colons (1.131 billion dollars) reached in 2012. It is important to note that technical provisions constituted by the Costa Rican insurance industry saw sustained growth in aggregate terms over the course of the 2012-2022 period, notably spiking in 2014.

## Technical performance

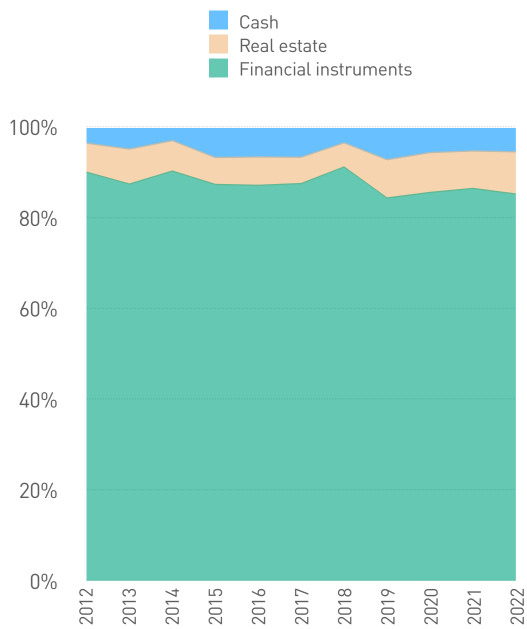
Chart 3.1.6-j shows the performance of the Costa Rican insurance industry over the 2012-2022 period, analyzed on the basis of the performance of the industry's combined ratio. This period notably included a surge in the loss ratio in 2014 and 2015 when it peaked (69.9 pp). The loss ratio rose by 5 pp in 2022 to 52.5%. The expense ratio, in turn, grew 8.2 pp to 48.2%, and the combined ratio broke the 100% barrier arriving at 100.6%, a

**Chart 3.1.6-f**
**Costa Rica: insurance market investments**
**(billions of colones)**



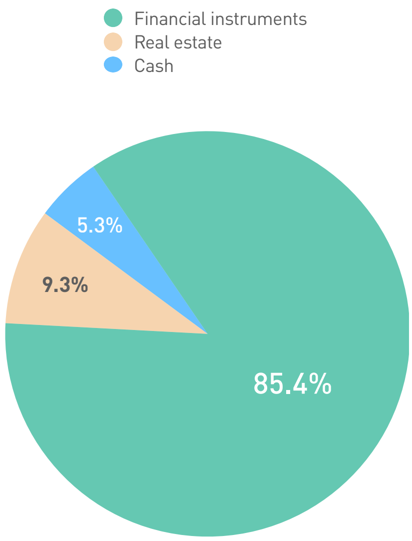

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

**Chart 3.1.6-g**
**Costa Rica: structure of investments**
**(%)**




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

**Chart 3.1.6-h**
**Costa Rica: structure of investments, 2022**
**(%)**



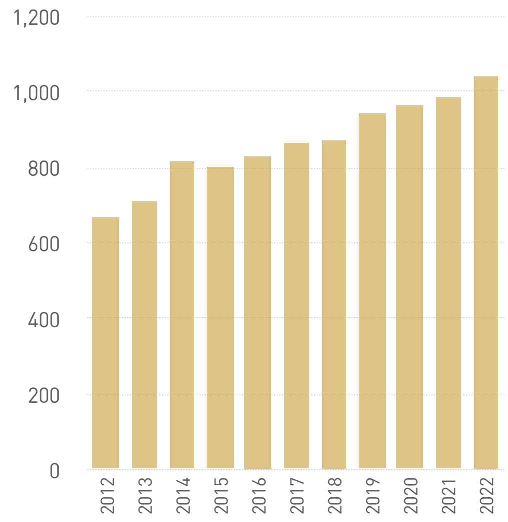

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

3.2 pp impairment with respect to the measurement of this technical parameter the previous year.

### Results and profitability

The Costa Rican insurance industry posted a net result of 58.871 billion colons (91 million dollars) in 2022, the lowest figure since 2016. Meanwhile, the financial result fell by more than 55% to 74.326 billion colons, representing barely 10% of premiums (24.1% the previous year), while the technical result showed a loss of 4.635 billion colons (compared to a profit of 18.087 billion colons the previous year). Profitability indicators show a certain stability throughout the 2012-2019 period, rising during the pandemic period (2020-2021) and falling again in 2022, even below pre-pandemic levels. Return on equity (ROE) stood at 4.6% in 2022, down 8.2 pp from 2021. Return on assets (ROA) performed similarly, reaching 2.1% in 2022, a 3.9 pp drop from the previous year (see Chart 3.1.6-k).

Chart 3.1.6-i
Costa Rica: technical provisions of the insurance market
(billions of colones)

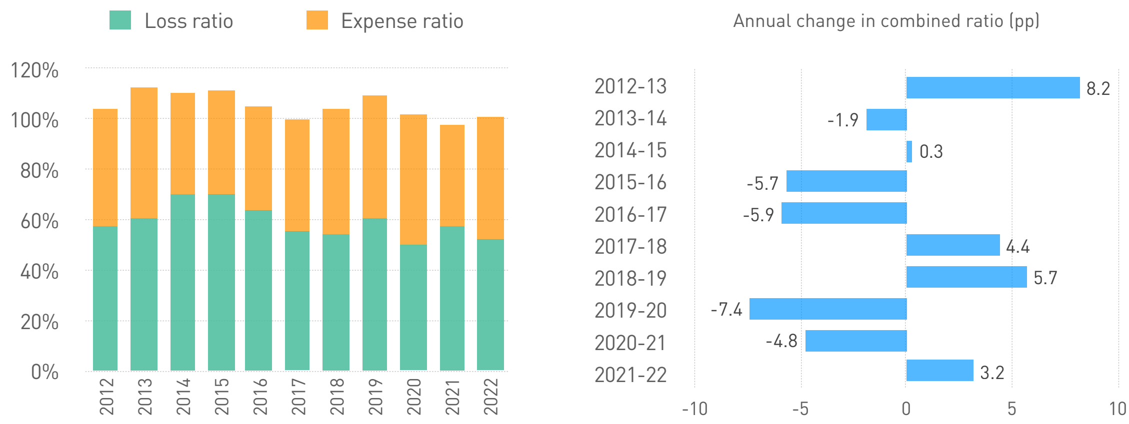



Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

### Insurance penetration, density and depth

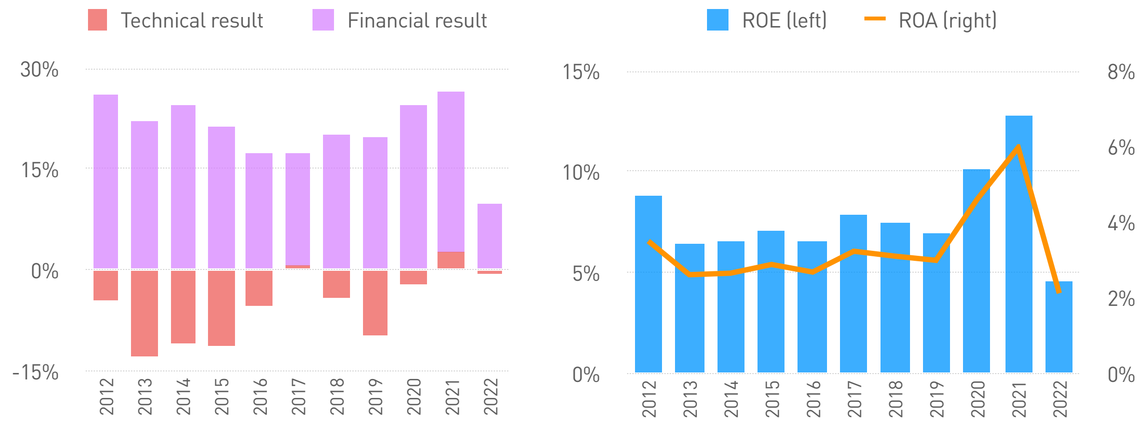
Chart 3.1.6-l shows the main structural trends shaping the development of the Costa Rican insurance industry over the 2012-2022 period. The penetration index (premiums/GDP) stood at 2.3% in 2022, up 1.0 pp above the previous year, showing a 0.3 pp increase over the course of the last decade. The penetration rate in the Costa Rican market has maintained a slightly upward trend (with

Chart 3.1.6-j
Costa Rica: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-k
Costa Rica: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

greater growth in the case of the Life segment than in the Non-Life segment), although below the absolute values of the average penetration rate in Latin America (3.0%).

In terms of insurance density in Costa Rica (premiums per capita), the indicator reached 196,447 colons (303 dollars), up 12.5% from 2021 (174,664 colons). Density in the Costa Rican market (measured in local currency) has generally shown a growing trend between 2012 and 2022, with the exception of 2015 when there was a -10.3% dip in the market's premium volume (which was essentially the result of changes to the accounting treatment of premiums, as mentioned previously in this section of the report).

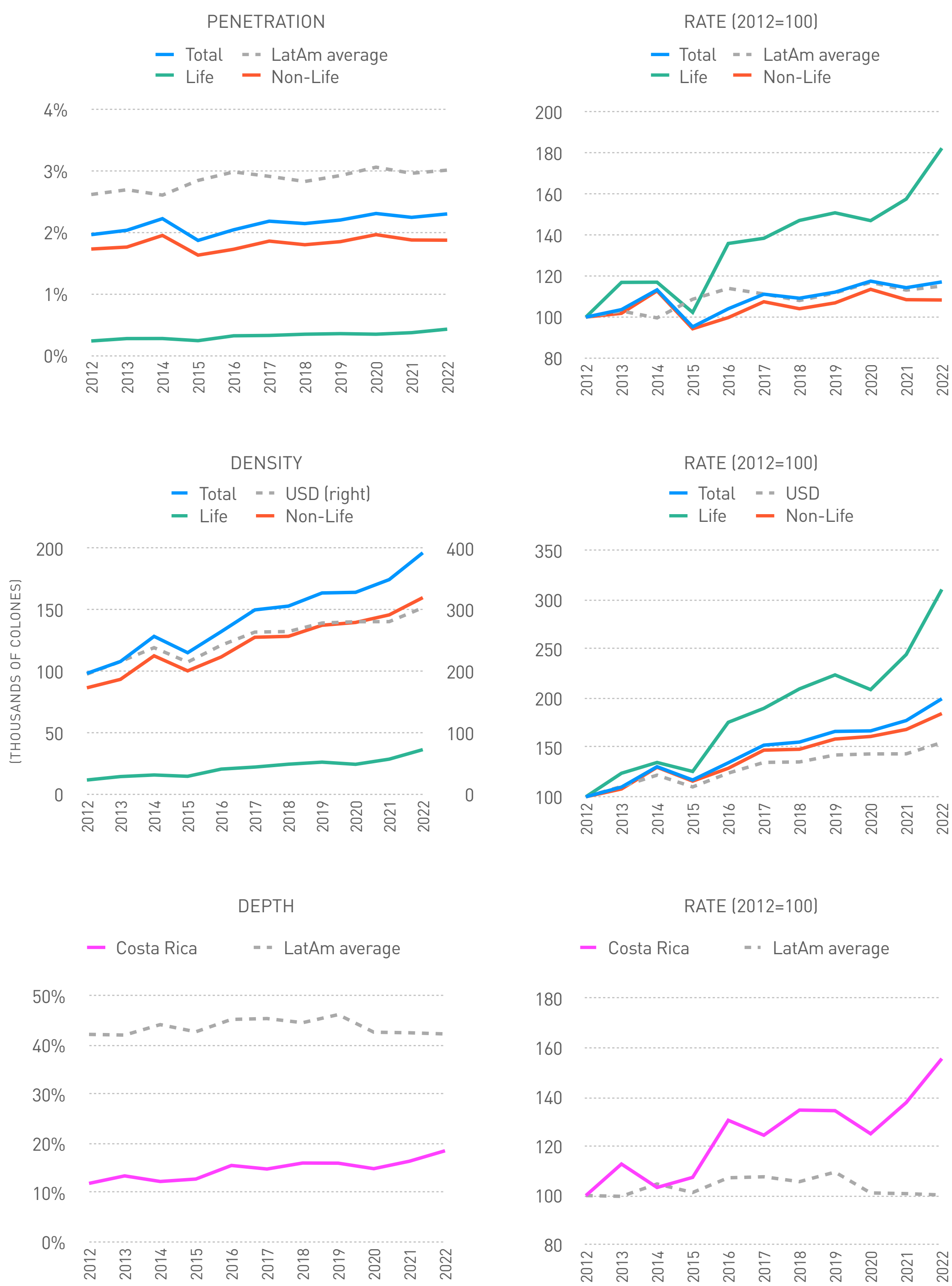
Finally, the depth rate in the Costa Rican insurance market (Life insurance premiums vs. total premiums) in 2022 stood at 18.5%, 6.6 pp above the value reached in 2012, with an upward trend over the analyzed period at a rate similar to the relative values of the indicator for the average of Latin American countries, albeit consistently below said average (42.3% in Latin America in 2022).

### Insurance Protection Gap estimate

Chart 3.1.6-m presents an estimation of the IPG for the Costa Rican insurance market between 2012 and 2022. The insurance gap in Costa Rica stood at 2.367 trillion colons in 2022 (3.656 billion dollars). The structure and performance of the IPG between 2012 and 2022 were shaped mainly by the Life insurance segment. At the end of 2022, Life insurance accounted for 67.8% of the IPG (1.604 trillion colons), which represents, however, 5.6 pp below the contribution of that segment in 2012. The remaining 32.2% of the IPG is attributable to the Non-Life insurance segment (763 billion colons). The potential insurance market in Costa Rica at the close of 2022 (estimated as the sum of the actual market plus the insurance gap) was therefore estimated at 3.384 trillion colons (5.229 billion dollars), 3.3 times the size of the total Costa Rican insurance market in 2022, compared to 3.5 times in 2021 (see Chart 3.1.6-n).

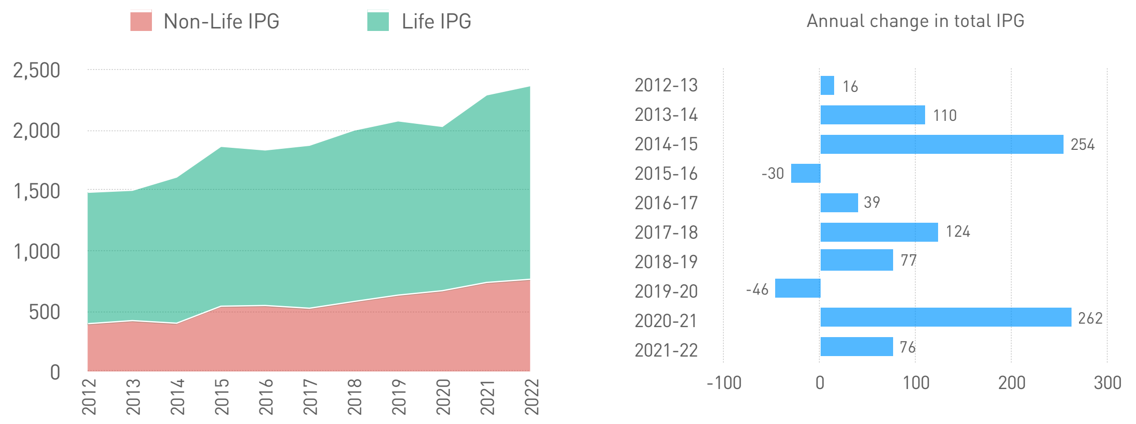
Chart 3.1.6-o shows the performance of the insurance gap measured as a multiple of the

**Chart 3.1.6-l**
**Costa Rica: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, colones and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

**Chart 3.1.6-m**
**Costa Rica: Insurance Protection Gap**
**(billions of colones)**



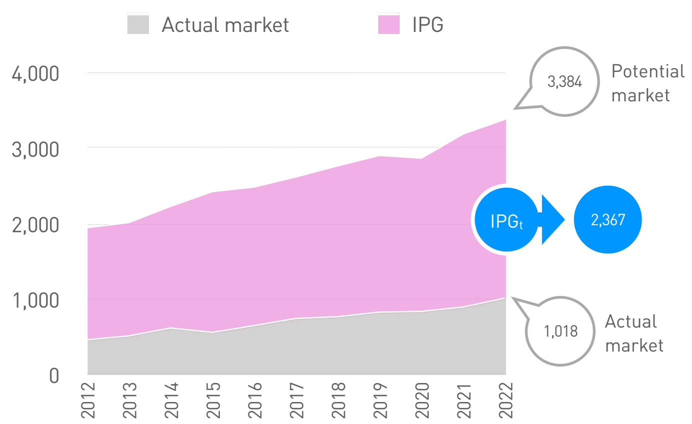

Source: MAPFRE Economics

actual insurance market. This indicator presents a stable trend for the Non-Life insurance segment (remaining at a multiple close to 1), while the IPG for the Life insurance segment presents a clear downward trend over the period under analysis (falling from 19.6 to 8.5 times the actual market).

Chart 3.1.6-p, meanwhile, summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life business segments and for the total Costa Rican insurance market over the last decade, comparing the situation in 2022 with that of 2012. In this regard, the schematic analysis confirms that the situation, in terms of the gap, is essentially improving in the Life insurance segment, while remaining practically unchanged in the Non-Life segment.

Finally, Chart 3.1.6-q shows an evaluation of the capacity of the Costa Rican insurance market to close the insurance gap. This is done by using a comparative analysis between the growth rates observed over the last ten years and the growth rates that

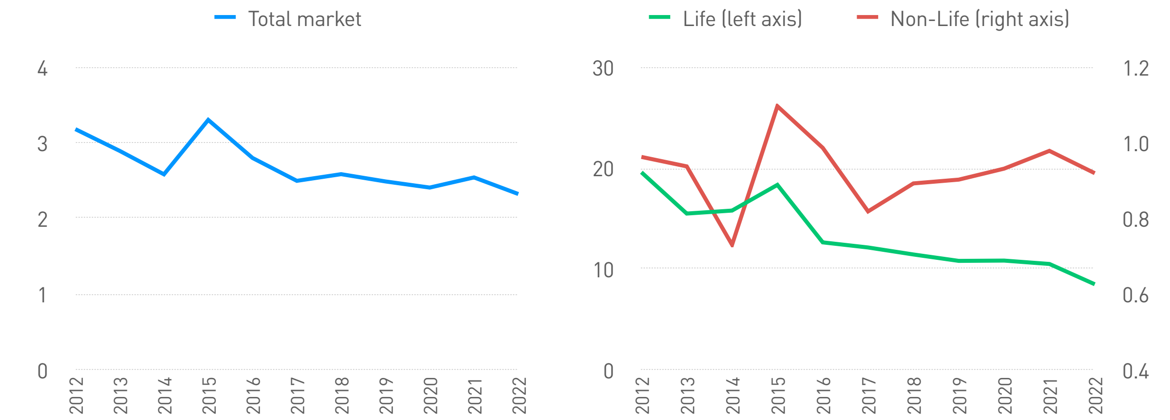
**Chart 3.1.6-n**
**Costa Rica: Insurance Protection Gap and potential market**
**(billions of colones)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 118.3% | 59.5% |
| 2022-2021 | 13.1% | 3.3% |

Source: MAPFRE Economics

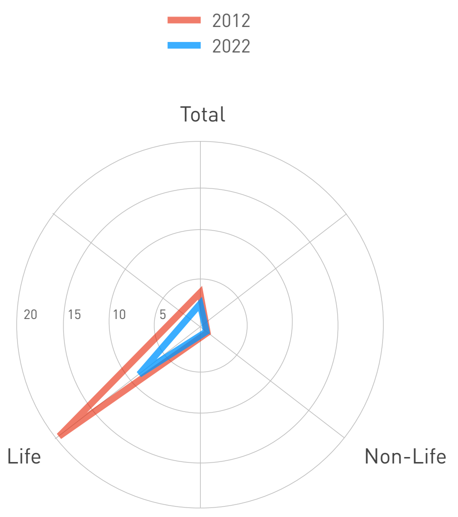
Chart 3.1.6-o
Costa Rica: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

would be required to close the gap determined in 2022 over the next decade. This analysis shows that the Costa Rican insurance market grew at an average annual rate of 8.1% over the period under analysis; the product of an annual growth rate of 13.0% in the Life insurance segment and an average annual growth rate of 7.3% in the Non-Life insurance segment. As a result, were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Costa Rican insurance market would be sufficient to bridge the insurance gap in the Non-Life insurance segment, but would have a -12.2 shortfall in the case of the Life insurance IPG. Compared to the 2021 fiscal year, it should be noted that the capacity of the Costa Rican insurance market to cover the IPG has improved.

Chart 3.1.6-p
Costa Rica: change in IPG
as a multiple of the actual market

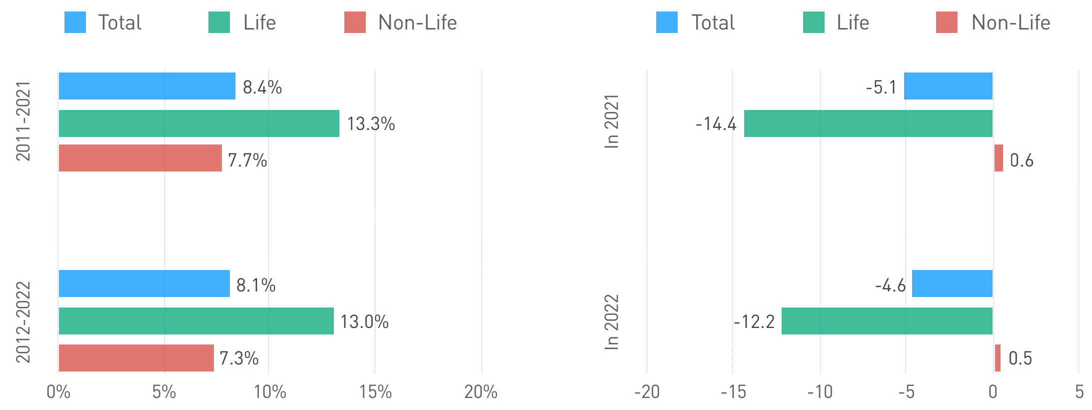



Source: MAPFRE Economics

## Market Development Index (MDI)

Chart 3.1.6-r provides an estimation of the Market Development Index (MDI) for the Costa Rican insurance industry. As indicated previously, the MDI is used in this report as an indicator of the general trends shaping the performance and maturity of insurance markets. In the case of the Costa Rican insurance industry, the MDI has shown a positive trend over the period under analysis. However, it is important to note that this trend could be overestimated considering the rapid growth of the Life insurance market, which started from a very small base in 2005. Chart 3.1.6-r therefore also shows an adjustment to eliminate this overestimation and present the underlying trend in this market's performance more accurately. After making this adjustment, it is clear that the Costa Rican insurance market has developed in line with the average level seen across the markets in the

Chart 3.1.6-q
Costa Rica: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



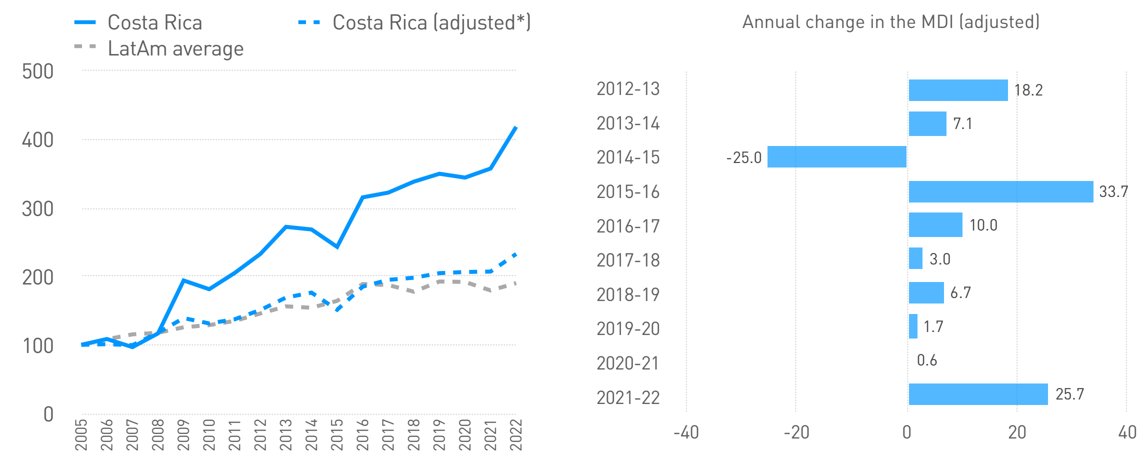

Source: MAPFRE Economics

region.

## Joint analysis of structural coefficients

To summarize, Chart 3.1.6-s shows the Costa Rican insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators previously analyzed. This data shows that the market still remains below the average for Latin America in terms of penetration and depth, but not in terms of density and the market development index, which are actually slightly above the regional average. As stated in previous reports, this comparison reveals the low level of development in the Life segment within the Costa Rican market with respect to the wider region, while also showing the growth potential of this segment of insurance activity in Costa Rica. Likewise, with regard to the analysis of

Chart 3.1.6-r
Costa Rica: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics
* Adjustment to eliminate overestimation in the speed to close the Life IPG

the quantitative (penetration) and qualitative (depth) dimensions of the development of Costa Rican insurance activity, it is confirmed that, over the past decade, development has been balanced, with increases in both dimensions of the analysis.

## Insurance market rankings

### Total ranking

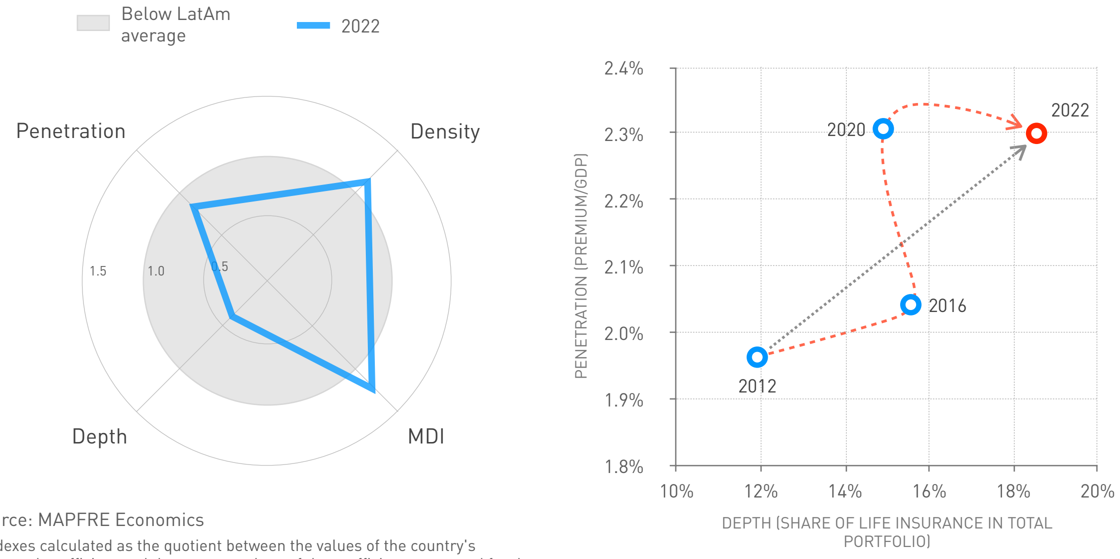
There were 13 insurance companies operating in the Costa Rican market in 2022, the same as the year before. As noted in previous editions of this report, the market is highly concentrated and only opened up to competition in 2008, with a single company (Instituto Nacional de Seguros, or INS) accounting for the majority of all premiums. Chart 3.1.6-t shows the Herfindahl and CR5 indexes for the Costa Rican insurance industry. As this information shows, levels of concentration are well above the theoretical threshold associated with a high degree of market concentration, although concentration levels are decreasing. In the medium-term, this could lead to greater levels of competition within the insurance market.

In terms of the total ranking in 2022, the top five insurance groups remain the same as they were in 2021, with MAPFRE (4.4% market share) moving up to fourth place at the expense of Adisa (3.4%). The ranking continues to be led by INS, with 64.6% market share, followed at a great distance by Assa (8.2%) and Pan-American Life (7.5%). The insurance company Sagicor drops the furthest in the ranking compared to 2021, falling from sixth place last year to tenth this year, while Seguros del Magisterio and Quálitas have overtaken it, moving up one place to sixth and seventh, respectively, and Best Meridian has risen two places to eighth (see Chart 3.1.6-u).

### Life and Non-Life rankings

The Non-Life group ranking, meanwhile, remains unchanged in its relative places for the top three insurance groups, with INS retaining its lead, with a market share of 68.1%.

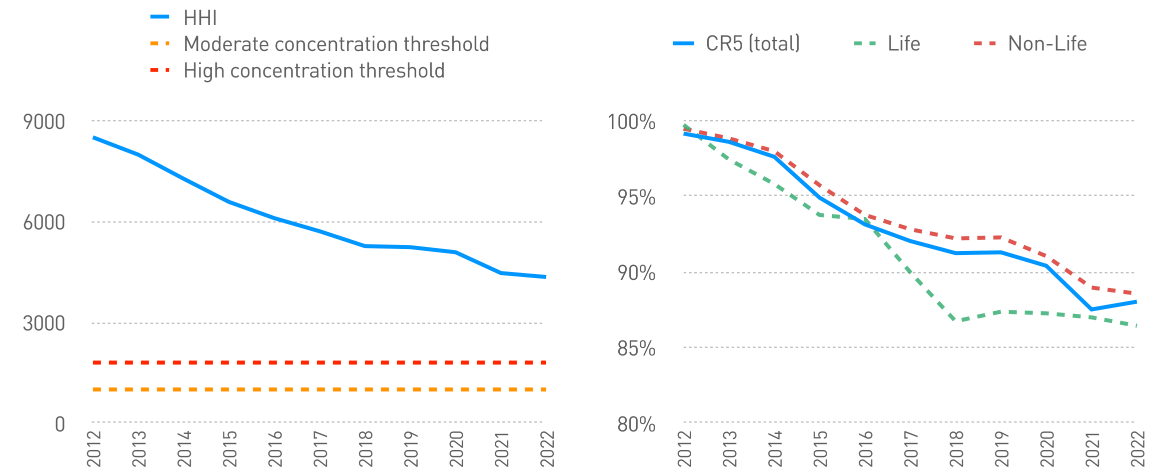
**Chart 3.1.6-s**
**Costa Rica: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

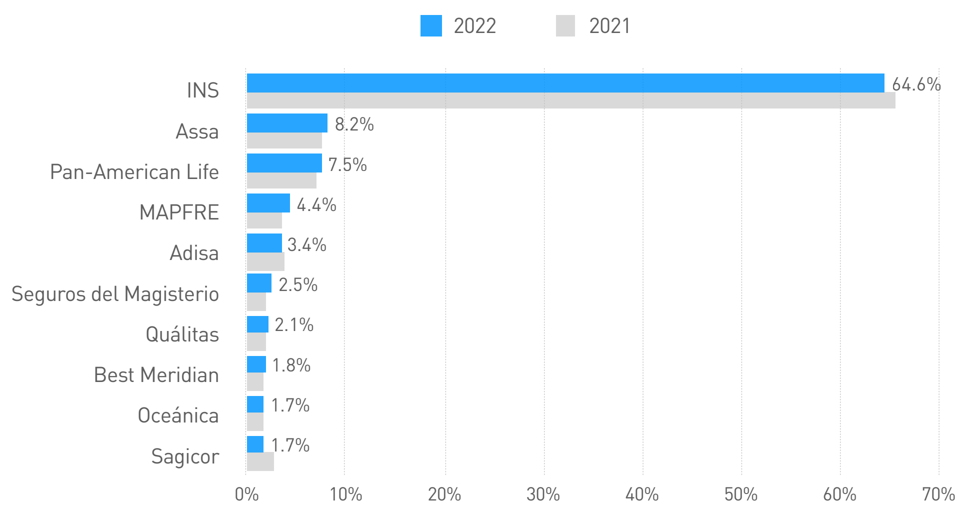
**Chart 3.1.6-t**
**Costa Rica: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

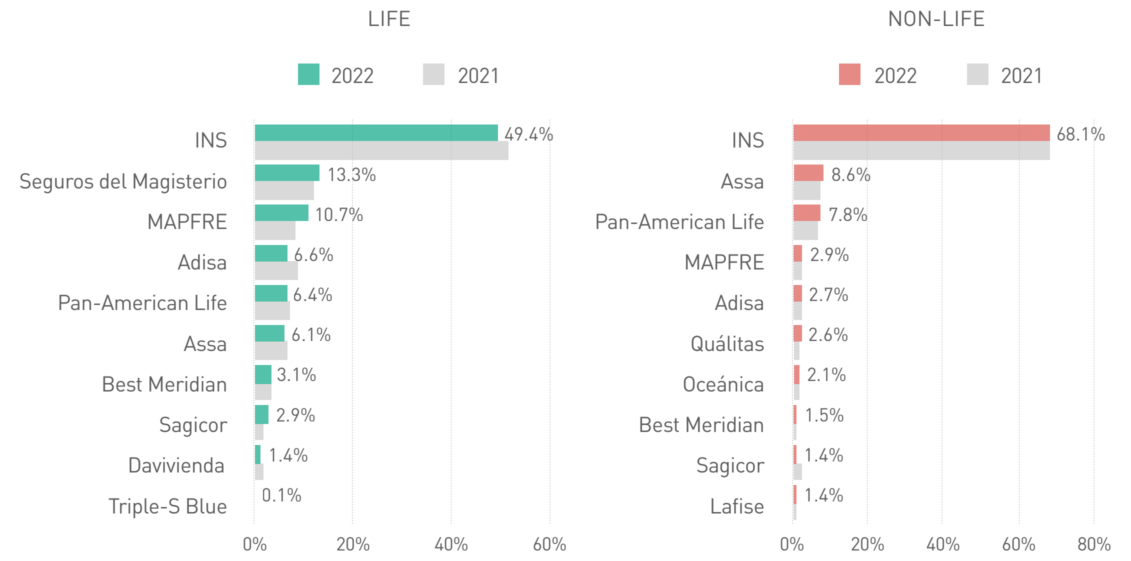
Assa (8.6%), Pan-American Life (7.8%), MAPFRE, rising two places (2.9%), and Adisa (2,7%) distantly followed. Finally, INS is also the leading life insurance company in the Costa Rican market, with a market share of 49.4%, followed by Seguros del Magisterio (13.3%), occupying the same places as the previous year. MAPFRE is third in this ranking (10.7%), with a market share gain of 2.7 pp, As a result overtaking Adisa which is in fourth place, with 6.6% market share (8.5% in 2021). There are no changes in the rest of the ranking, with the participants maintaining the same order as in the previous year, with the exception of Sagicor and Davivienda, which exchange eighth and ninth places, respectively (see Chart 3.1.6-v).

**Chart 3.1.6-u**
**Costa Rica: overall ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-v
Costa Rica: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

## Key regulatory aspects

In terms of regulatory adjustments in the Costa Rican insurance market, it can be noted that during 2022, efforts in the regulatory development process were significantly focused on participation in regulatory bills applicable to the entire financial sector, as well as on the issuance of specific guidelines for the insurance industry.

As a result, in terms of specific regulation for the insurance sector, in 2022, two regulatory developments stand out. First, the Unique Registry of Beneficiaries. Through article 12 of the minutes of session 1772-2022, held on November 28, 2022, the National Council for Supervision of the Financial System (CONASSIF) approved the amendment to the Regulation on the Unique Registry of Beneficiaries (RUB), in order to correct the omission regarding the procedure used to consult the registry, and to offer citizens several mechanisms for such consultation, including automated consultation when it is enabled. The amendment became effective on December 19, 2022, the date of its publication in the official gazette La Gaceta.

Secondly, it should be mentioned that in 2022, an amendment was issued to the decree concerning the financing of entities supervised by the superintendencies (Executive Decree 38292-H, Regulation to Regulate Participation of Controlled Entities in the Financing of the Superintendencies' Budget). In this regard, Law 9746 amended articles 174 and 175 of the Securities Market Regulatory Law (Law 7732), which define the scheme for financing the operation of the supervisory bodies of the financial system. One of the changes was the incorporation of the Superintendencia General de Seguros (SUGESE) into the financing scheme of the other supervisory bodies. As a result, through articles 6 and 7 of the minutes of sessions 1670-2021 and 1671-2021, held on June 28 and July 5, 2021, respectively, CONASSIF approved and sent to the Ministry of Finance, for approval and issuance, the draft amendment to the aforementioned decree to incorporate SUGESE. The Ministry of Finance, through Executive Decree No. 43628-H, issued on June 13, 2022 and published in Scope No. 178 of La Gaceta No. 158 of August 22, 2022, approved the respective amendment.

Meanwhile, SUGESE issued complementary resolutions to the approved regulatory developments, as well as other more operational resolutions. In this sense, the following stand out: (i) Resolution SGS-A-0088-2022, dated April 6, 2022, which amends Resolution SGS-A-029-2013 (*General Guidelines for the Application of the Regulation on the Solvency of Insurance and Reinsurance Companies*) to add a transitory provision extending the use of the technical interest rate curve published on April 13, 2021, for the period between April and September 2022; (ii) Agreement SGS-A-0089-2022, dated August 24, 2022, *Contribution of supervised companies to the budget of the Superintendency General of Insurance*, which defines accounting records to be considered for the purpose of calculating the contribution of supervised companies to SUGESE's budget, which must be made in accordance with the provisions of Executive Decree No. 38292-H, and the corresponding adjustments are made in Resolution SGS-DES-A-021-2013, related to the requirements for submission of information to the Superintendency; (iii) Resolution SGS-A-0090-2022, dated October 19, 2022, with which the methodology for calculating the interest rate curve established in Article 24 of Superintendent's Resolution SGS-DES-A-029-2013 (*General Guidelines for the Application of the Regulation on the Solvency of Insurance and Reinsurance Companies)* is partially modified; (iv) Resolution SGS-0091-2022, dated November 2, 2022, which establishes differentiated guidelines to be observed by insurance companies and insurance intermediaries to define and apply simplified or reinforced Due Diligence Measures (DDC), based on the risks of money laundering and financing of terrorism, and (v) Resolution SGS-A-0092-2022, dated December 23, 2022, whereby resolutions SGS-DES-A-021-2013 and SGS-DES-A-0057-2017 are amended to regulate the submission of information for the calculation of the capital adequacy of insurance intermediaries belonging to financial groups or conglomerates, according to the *Regulation on Capital Adequacy of Financial Groups and Conglomerates and Regulation on Consolidated Supervision*.

In addition, during the second half of 2023, approval is expected of the following regulations. First, those related to Group Insurance. The Regulation on Group Insurance is nearing a decade since its enactment in 2013, so, in light of the current conditions of the insurance market and the general increase in queries, complaints and allegations on group policies, it is deemed necessary to update the aforementioned regulatory body. As a result, during 2023, progress has been made in defining this reform with the aim of responding to the needs of insurance consumers by promoting transparency and fair treatment of policyholders in the process of migration or transfer of group policies, the regulatory approach to the extension processes in group life and medical expense policies, as well as premium adjustment in this situation, and the delivery of clear and timely information related to group policies to policyholders, among others. This reform has already been submitted to the due consultation processes and is in the final preparation phase for its approval and issuance.

Second, in the second half of 2023, CONASSIF is expected to approve the Regulation on Insurance Consumer Protection, which aims to promote the efficient operation of the insurance market by protecting the subjective rights and legitimate interests of policyholders and interested third parties, based on the development of a business conduct and corporate culture focused on fair, equitable and transparent treatment of insurance consumers. The proposal establishes elements to operationalize the legal provisions on insurance consumer protection, namely rules and principles of business conduct covering the business model, corporate culture and product governance across all phases of the insurance lifecycle, including providers.

Third, regarding the financing of the Superintendencies, they are currently in the process of approving a comprehensive reform of the executive decree that regulates the financing scheme, in accordance with the provisions of Articles 174 and 175 of the Securities Market Regulatory Law, Law 7732, as amended by Law 9746, and Transitory Provisions II and III of the latter law. Among other aspects, the reform seeks to make adjustments to the current process and methodology, with the aim of standardizing its application among superintendencies and basing parameters on the economic environment. In addition, a higher marginal contribution charge is included, when the risk profile of the supervised party requires a greater supervisory effort.

Fourth, in the area of information technology, the superintendencies are making a joint effort to carry out a comprehensive reform to update and expand the corresponding regulatory body, incorporating elements of cybersecurity and cyber-resilience. The reform seeks to establish the minimum requirements for the governance and organizational management of information technology, and the management framework for information security and cybersecurity, which companies and supervised companies of the Costa Rican financial system must comply with.

Fifth, regarding the accounting regulations on the implementation of IFRS 17 (insurance contracts), adjustments to the equity adequacy model for IFRS 17 are expected, in addition to those already approved, based on the impact analysis to be performed on the first fiscal years of the financial-accounting information of the companies under IFRS 17 (parallel). Likewise, adjustments are expected to be made regarding the identification of Systemic Entities in the Insurance Industry, through the reform of the regulations on systemic companies issued for the banking industry, in order to incorporate the insurance industry, considering the required adjustments to the methodology.

Finally, other planned changes include: the promulgation of guidelines on suitability for insurance brokers, credit estimates for insurers that have credit operations, modifications to the rules on the use of trade names of insurance market participants, as well as various guidelines to support reinsurance operations.

## 3.1.7 Panama

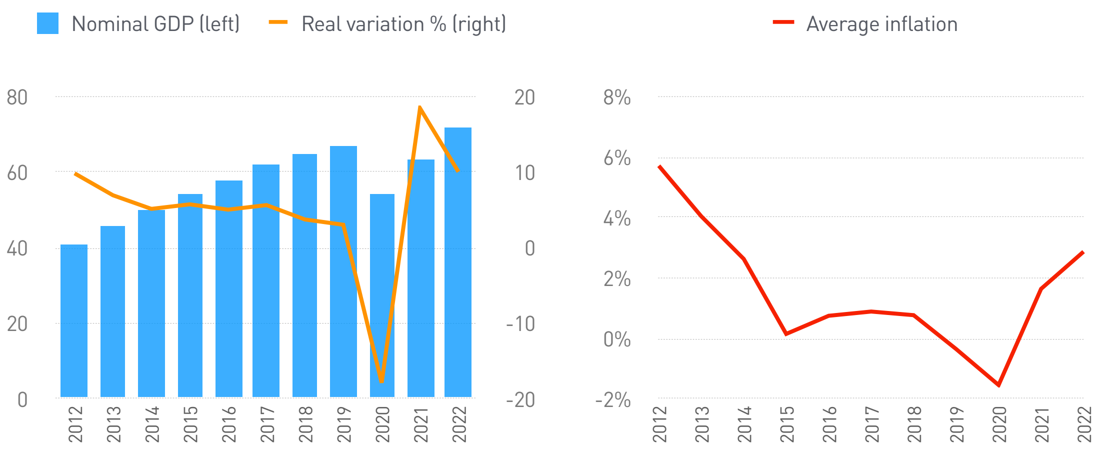
### Macroeconomic environment

The Panamanian economy surpassed its pre-pandemic GDP level in 2022, registering estimated growth in real terms of 10.0% (18.4% in 2021), one of the highest among Latin American economies, supported by a highly favorable foreign environment, greater momentum in domestic consumption, and the reactivation of investment with large infrastructure projects and new net inflows of private investment. Average inflation in 2022 picked up, but moderately over the year as a whole, standing at 2.9%, compared to 1.6% in 2021 (see Chart 3.1.7-a).

Meanwhile, Panama's public debt reached 63.8% of GDP at the close of Q3 2022 (63.66% in 2021) and the fiscal deficit for 2022 closed the first half of the year at 3.8%, compared to 4.1% in the same period of the previous year, highlighting the significant 21.6% increase in tax revenues, mainly due to higher collections of corporate income tax and the tax on the transfer of personal property and services, as a result of the payment of obligations generated during 2021 and 2022, in view of the significant economic recovery, and of contributions linked to the increase in imports.

MAPFRE Economics has forecast Panamanian GDP growth of around 5.0% for 2023, while ECLAC estimates 5.1% growth, which is a significant increase, but with a slowdown from the previous year that will continue into the beginning of the next year, in line with a complex global environment, including lower expected growth in the United States and China, important trading partners. However, some sectors are expected to be resilient and maintain their favorable performance. These include commerce, mining, construction and tourism, as well as transportation and communications. MAPFRE Economics estimates economic growth for 2024 at 4.0% and ECLAC at 4.2%.

Chart 3.1.7-a
Panama: changes in economic growth and inflation
(GDP in local currency, billions of balboas; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

## Insurance market

### Growth

In 2022, premium volume in the Panamanian insurance market reached 1.702 trillion balboas (exchange rate pegged to the dollar). As illustrated in Table 3.1.7 and Chart 3.1.7-b, nominal growth in 2022 was 5.6% (versus growth of 6.2% in the previous year) and in real terms 2.7% over the previous year. Non-Life insurance premiums, which account for 75.4% of the entire Panamanian insurance market performed more favorably than Life premiums and amounted to 1.283 billion balboas. Specifically, Non-Life premiums grew by 6.8% in nominal terms (3.9% in real terms), while Life insurance premiums (24.6% of the portfolio) grew by 2.1% to 418.9 million balboas. Only the Technical Risks and Other lines decreased in 2022, by -33.2% and -5.6%, respectively. The most significant line, Health, grew by 13.6% (10.5% in real terms), with 421.9 million premiums. Automobiles, the second largest Non-Life insurance modality, with 285.5 million premiums, grew by 2.7% in nominal terms in 2022 (-0.2% in real terms). Finally, growth of 8.5% nominal in the Surety line, 6.1% in the Fire and Allied Lines line, and 8.0% in the Liability line was noteworthy.

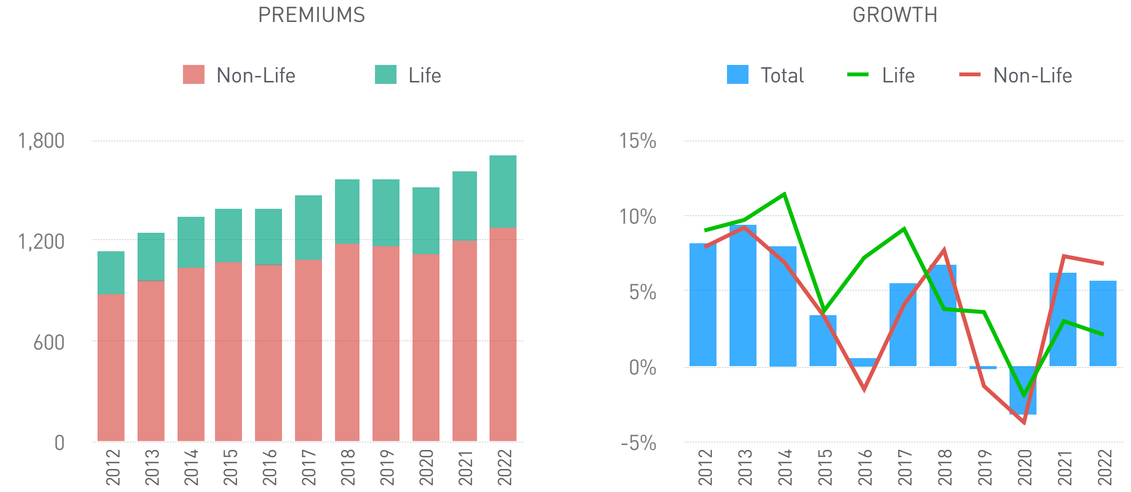
In general terms, the development of the share of total premiums and by Life and Non-Life segments of the Panamanian market in the Latin American insurance market as a whole has been positive over the past decade, except for 2017, 2019, 2021 and 2022, where the weight of both segments in their respective markets contracted. As a result, over the last decade, the proportion of total premiums in Panama over the total for Latin America has risen from 0.73% in 2012 to 0.98% in 2022. Likewise, the share in the Life insurance segment has also grown from 0.38% in 2012 to 0.57% in 2022, while in the Non-Life insurance segment the share has varied from 0.97% in 2012 to 1.28% in 2022 (see Chart 3.1.7-c).

With respect to contributions to growth, of the 5.6% registered by the Panamanian insurance market in 2022, only 0.5 pp were contributed by the Life insurance segment, while the Non-Life insurance segment had a contribution of 5.1 pp that year (see Chart 3.1.7-d).

### Balance sheet and shareholders' equity

The insurance industry's aggregate balance sheet over the 2012-2022 period is shown in Chart 3.1.7-e. The total assets amounted to

Chart 3.1.7-b
Panama: growth developments in the insurance market
(premiums, millions of balboas; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

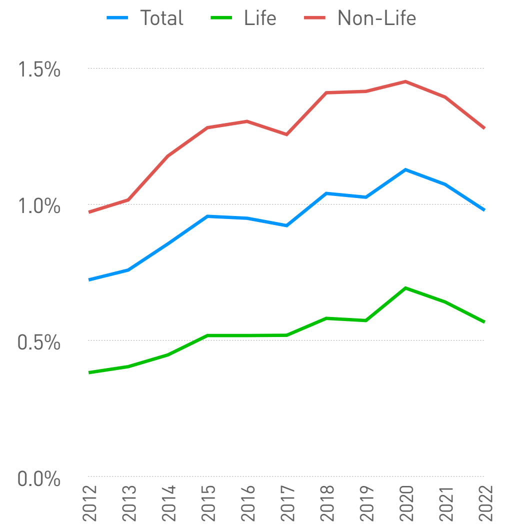
3.6624 billion balboas in 2022, 0.3% more than the previous year, while equity was 1.445 billion balboas (3.3 pp more than the previous year). The Panamanian insurance industry's aggregate capitalization levels (measured over total assets) dropped -0.1 pp over the last 10 years. Since 2012 (39.8%), this indicator has presented a trend that has stagnated at values close to 40% (39.7% in 2022), although with strong downward fluctu-

Table 3.1.7
Panama: premium volume[1] by line, 2022

| Line | Millions of balboas (= USD) | Growth | |
|---|---|---|---|
| | | Nominal (%) | Real (%) |
| **Total** | **1,702.1** | **5.6** | **2.7** |
| **Life** | **418.9** | **2.1** | **-0.7** |
| **Non-Life** | **1,283.1** | **6.8** | **3.9** |
| Automobiles | 285.5 | 2.7 | -0.2 |
| Health | 421.9 | 13.6 | 10.5 |
| Other lines | 110.2 | -5.6 | -8.3 |
| Surety | 115.4 | 8.5 | 5.5 |
| Fire and allied lines | 174.9 | 6.1 | 3.2 |
| Third-party liability | 46.5 | 8.0 | 5.0 |
| Transport | 70.3 | 24.3 | 20.8 |
| Technical risks | 24.6 | -33.2 | -35.1 |
| Personal Accidents | 25.8 | 26.5 | 23.0 |
| Multirisk | 8.0 | 19.0 | 15.7 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
1/ Underwritten premiums, direct insurance

**Chart 3.1.7-c**
**Panama: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance and supervisory bodies of the region)

ations in 2013 (37.9%) and 2018 (36.7%), years in which the capitalization over total assets suffers a sharp contraction, and upward in the years of 2014 (41.9%) and 2017 (41.5%).

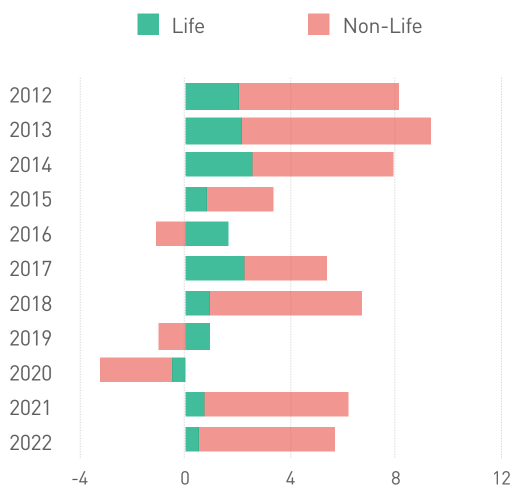
## Investments

The development of Panama's insurance industry investments over the past decade is illustrated in Chart 3.1.7-f (where the investment data for the last two years has been estimated with the information provided by SSRP article 217). As this information shows, total investments would have amounted to 2.432 billion balboas, 4.4% higher than the previous year. Meanwhile, Charts 3.1.7-g and 3.1.7-h show the development and structure of aggregate investments at the sector level for the 2012-2020 period, where the relative importance of fixed-income and equity investments, as well as treasury investments, stands out. It should be clarified that this section does not include information for the last two years, as the respective statistical information was not available at the closing date of this report.

## Technical provisions

For illustrative purposes (since this section does not include the information for the last two years, as the respective statistical information was not available at the closing date of this report), Charts 3.1.7-i, 3.1.7-j and 3.1.7.-k present information on the develop-

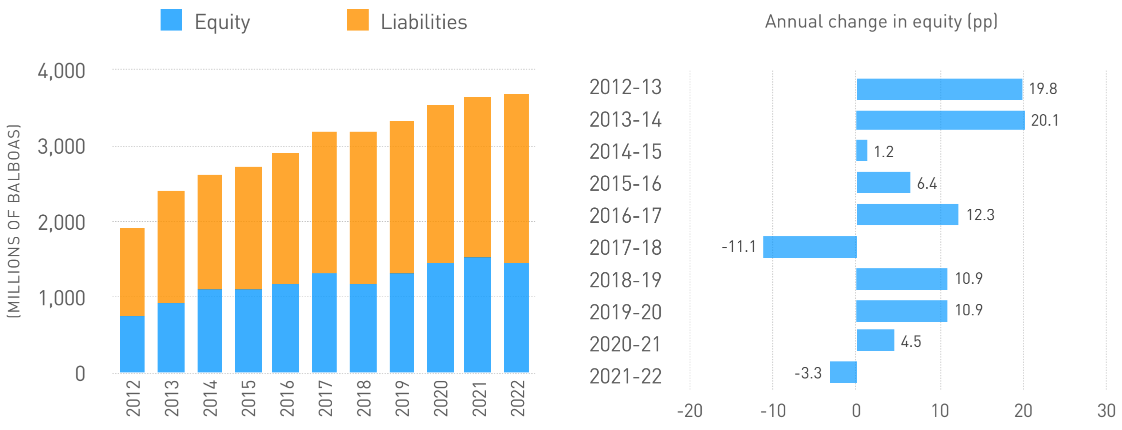
**Chart 3.1.7-d**
**Panama: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Non-Life |
|---|---|---|---|
| 2012 | 8.2 | 2.0 | 6.2 |
| 2013 | 9.3 | 2.2 | 7.1 |
| 2014 | 7.9 | 2.6 | 5.4 |
| 2015 | 3.4 | 0.9 | 2.5 |
| 2016 | 0.5 | 1.7 | -1.1 |
| 2017 | 5.4 | 2.3 | 3.1 |
| 2018 | 6.7 | 1.0 | 5.7 |
| 2019 | -0.1 | 0.9 | -1.0 |
| 2020 | -3.2 | -0.5 | -2.7 |
| 2021 | 6.2 | 0.8 | 5.4 |
| 2022 | 5.6 | 0.5 | 5.1 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-e
Panama: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

ment and structure of the technical provisions of the Panamanian sector over the 2012-2020 period. In this case, the share of technical provisions associated with Life insurance stands out, with 47.5% in 2020, while those related to the Non-Life insurance segment accounted for 29.8% of technical provisions that year.

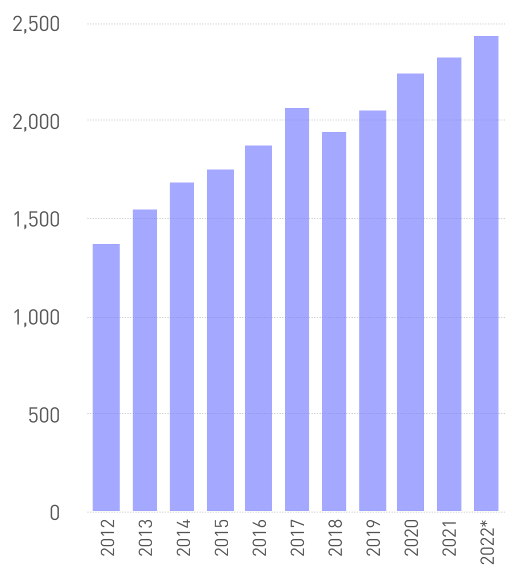
### Technical performance

The technical performance of the insurance sector in Panama, measured through the development of the sector's aggregate combined ratio, shows similar behavior compared to the previous year, as this indicator has improved by only 0.5 pp, dropping to 96.2%. As a result, in 2022, the indicator exceeds the values of the trend that occurred with the improvement in technical efficiency in the 2015-2020 period. The impairment of the loss ratio by 0.6 pp, from 61.9% to 62.5% in 2022, was offset by the improvement in the expense ratio by 1.2 pp, standing at 33.7% (34.8% in 2021), leading to the marginal improvement in the total market combined ratio discussed above (see Chart 3.1.7-l).

### Results and profitability

In 2022, the net result of the Panamanian insurance industry was 54.6 million balboas

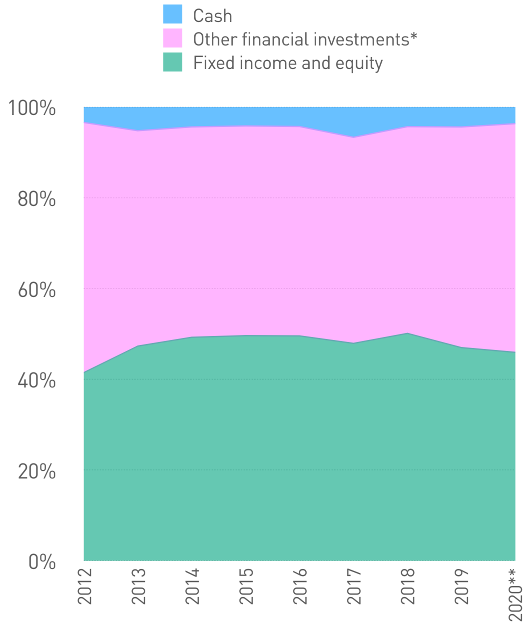
Chart 3.1.7-f
Panama: insurance market investments
(millions of balboas)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

* Estimated data with information on art.217 investments (which account for more than 90% of total investments).

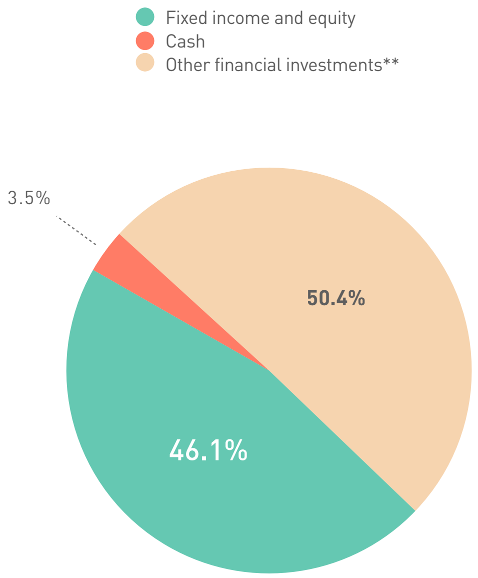
Chart 3.1.7-g
Panama: structure of investments
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Includes bank deposits
** Latest data available

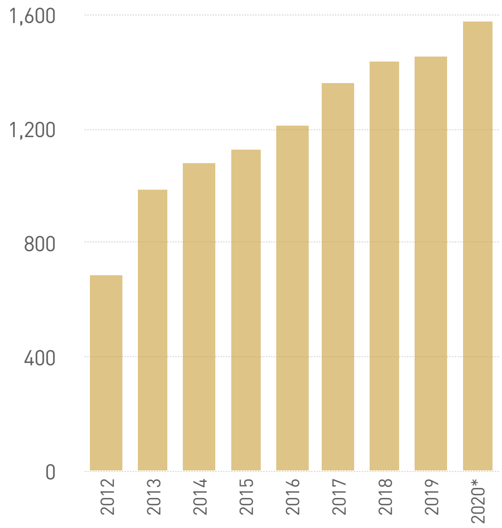
Chart 3.1.7-h
Panama: structure of investments, 2020*
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

*Latest data available **Includes bank deposits

Chart 3.1.7-i
Panama: technical provisions of the insurance market
(millions of balboas)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

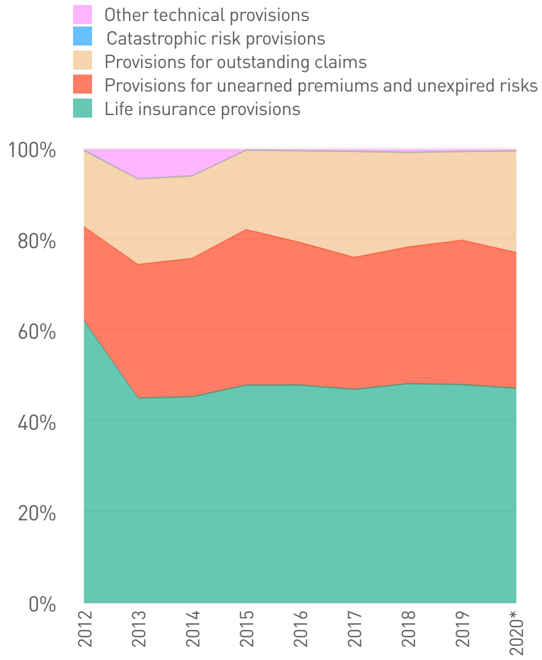
* Latest data available

(-59.9% compared to the previous year), with a significant contraction in the financial result, which stood at 8.4 million balboas (99.4 million in 2021). This represents a drop of -91.5% compared to the previous year, while the technical result stood at 46.2 million balboas, having grown by 25.5% compared to 2021, thanks to the improvement in the expense ratio. Meanwhile, profitability indicators show an upward trend from 2014 until 2019; thereafter, there is a downward trend in the sector's profitability. As a result, in the last three years, the return on equity (ROE) has declined and stood at 3.7% in 2022, contracting by -5.6 pp compared to 2021. The same is true for return on assets (ROA), which reached 1.5% in 2022, down -2.3 pp from the previous year (see Chart 3.1.7-m).

### Insurance penetration, density and depth

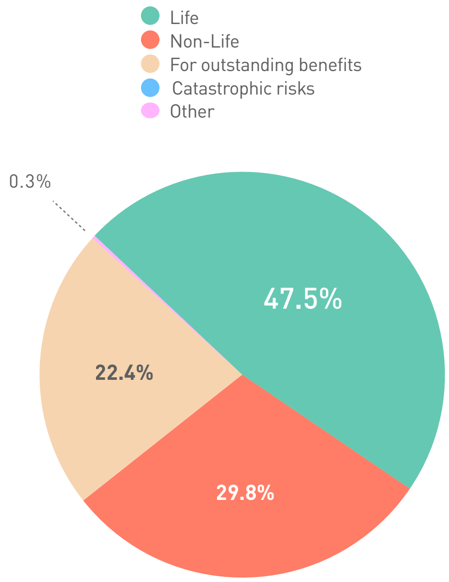
Chart 3.1.7-n shows the main structural trends in the development of the insurance

**Chart 3.1.7-j**
**Panama: structure of technical provisions**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
*Latest available data

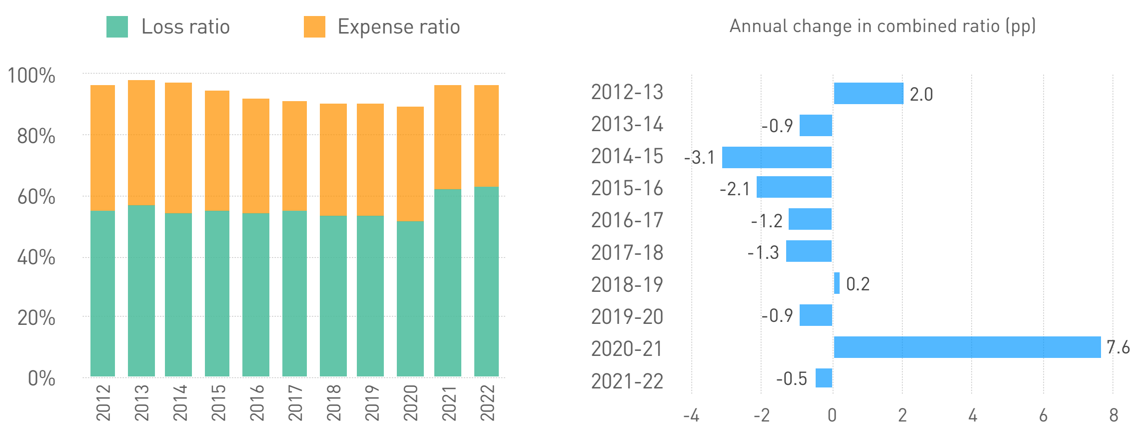
**Chart 3.1.7-k**
**Panama: structure of technical provisions, 2020**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
*Latest available data

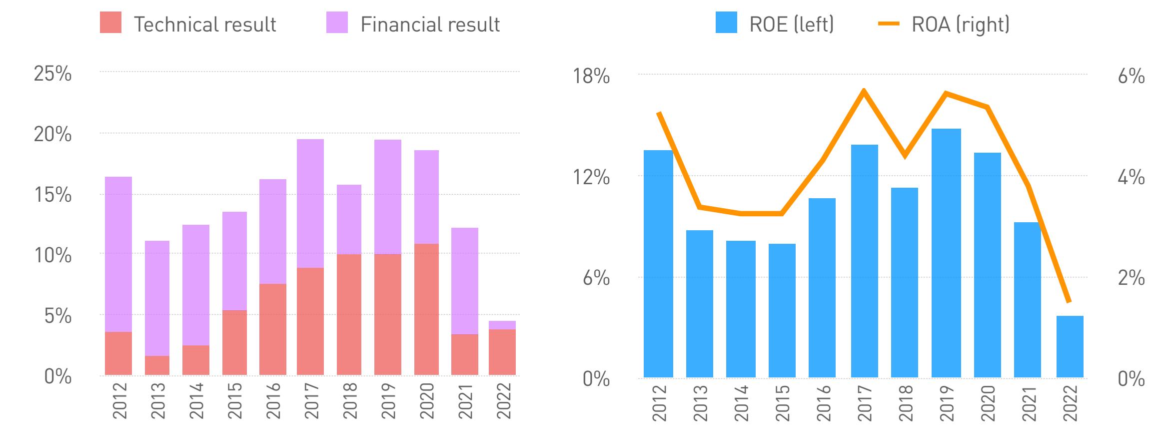
industry in Panama during the 2012-2022 period. In this regard, the penetration rate (premiums/GDP), in 2022, stood at 2.4%, 0.1 pp below the level it had reached in 2021 and 0.4 pp less than in 2012. As these figures show, the penetration rate of the Panamanian market has been on a downward trend since 2012 and diverging from the average of the Latin American insurance market since 2015. Although in 2020 it was close to aver-

**Chart 3.1.7-l**
**Panama: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-m
Panama: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

age values, in 2022 it again diverged from this trend and fell 0.6 pp below it.

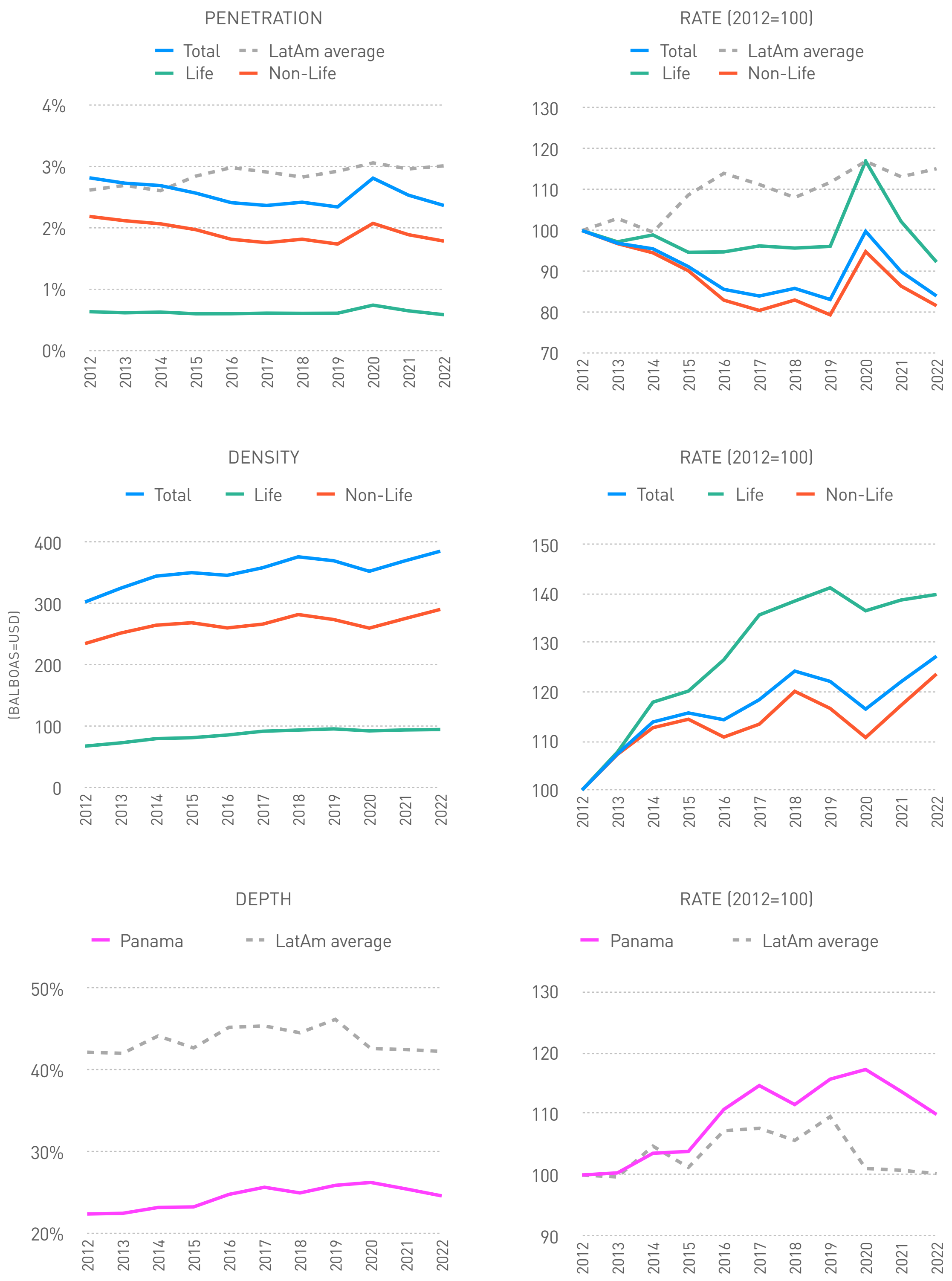
In terms of insurance density in Panama (premiums per capita), the indicator stood at 386 balboas, representing an accumulated growth of 27.3% with respect to 2012 and 4.3% with respect to the level reached the previous year (370 balboas). In contrast to the penetration rate, density shows an upward trend and is above the Latin American average of 276.4 dollars in 2022. Finally, with regard to the degree of insurance depth in the Panamanian market (measured as the ratio of Life insurance premiums to total premiums), in 2022 the index stood at 24.6%, a decrease of -0.8 pp with respect to the previous year, and -2.2 pp with respect to 2012. As a result, the trend in the degree of depth has been practically neutral in the last decade, standing at values 19 pp below those shown by the average for Latin American insurance markets as a whole.

### Insurance Protection Gap estimate

Chart 3.1.7-o shows an updated estimate of the IPG for the Paraguayan insurance market between 2012 and 2022. As a result, the insurance gap in 2022 stood at 3.801 billion balboas, 2.2 times the size of the actual insurance market in Panama that year. The structure and performance of the IPG between 2012 and 2022, for most Latin American insurance markets, a dominance of the Life insurance segment. At the close of 2022, 65.7% of the IPG (66.3% in 2021) related to Life insurance (2.495 billion balboas), meaning that the share of this segment fell by -12 pp compared to 2012 and by 0.7 pp compared to the previous year. The remaining 34.3% of the IPG is a product of the Non-Life insurance segment (1.305 billion balboas). The potential insurance market in Panama at the close of 2022 (the sum of the actual market plus the insurance protection gap determined for that year) was therefore estimated at 5.503 billion, 3.2 times the size of the total insurance market that year (see Chart 3.1.7-p).

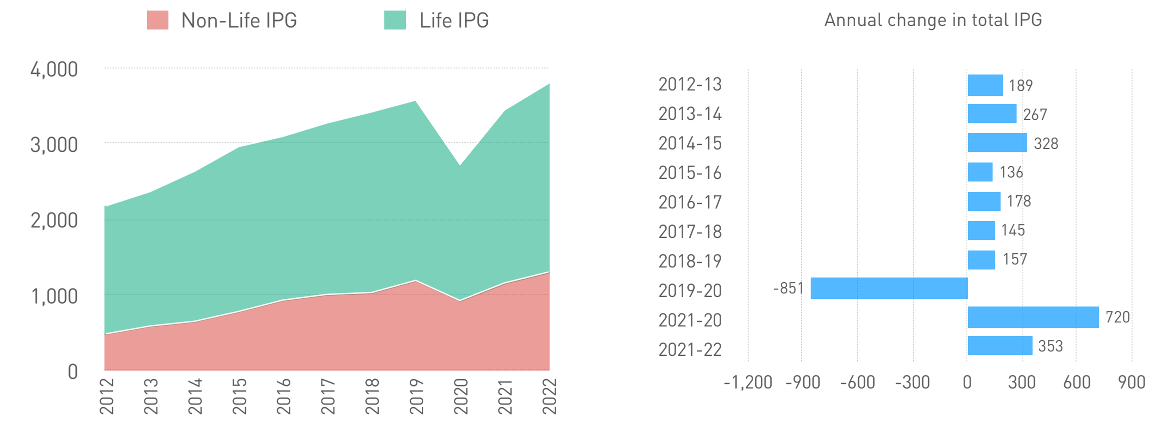
The estimate of the insurance gap as a multiple of the real market in Panama is shown in Chart 3.1.7-q. In this sense, as a reflection of the market performance described above, the IPG as a multiple of the market shows an uninterrupted growth trend (except in 2020) as a result of the IPG expansion behavior in the Non-Life insurance segment, since in the Life segment the indicator decreases from 6.6 in 2012 to 6.0 in 2022. It should be noted

**Chart 3.1.7-n**
**Panama: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, balboas; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

**Chart 3.1.7-o**
**Panama: Insurance Protection Gap**
**(millions of balboas)**



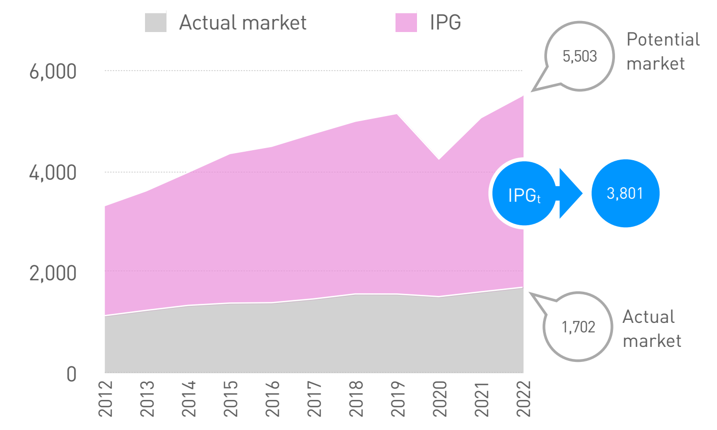

Source: MAPFRE Economics

that in the last year the indicator grew from 5.6 to 6.0 times in the Life insurance segment, increasing the IPG, while remaining at 1.0 times for the Non-Life line of business.

The development of the IPG as a multiple of the real market of the Life, Non-Life and total Panamanian insurance market segments over the last decade is summarized in Chart 3.1.7-r. As this chart shows, the IPG as a multiple of the actual market went up for the Non-Life line of business in the 2012-2022 period, diverging from the general trend observed in the Latin American market, which means a worsening of the situation in terms of the gap, while this multiple only decreased in the Life segment.

Finally, Chart 3.1.7-s shows the result of the fiscal year updating the assessment of the capacity of the Panamanian insurance market to close the insurance gap. This is based on a comparative analysis between the growth rates observed over the last ten

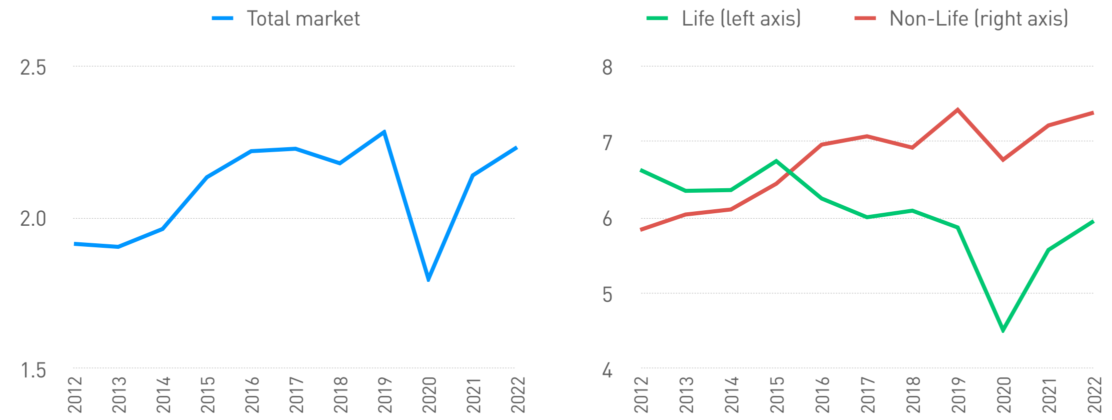
**Chart 3.1.7-p**
**Panama: Insurance Protection Gap and potential market**
**(millions of balboas)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 49.5% | 74.4% |
| 2022-2021 | 5.6% | 10.2% |

Source: MAPFRE Economics

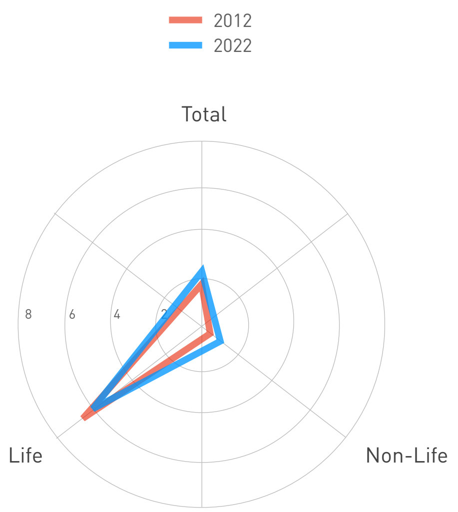
**Chart 3.1.7-q**
**Panama: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

years and the growth rates that would be required to close the insurance gap determined in 2022 over the next decade. As a result, the Panamanian insurance market grew at an average annual rate of 4.1% (4.3% in the previous period), comprising an annual rate of 5.1% in the Life insurance segment and an average annual rate of 3.8% in the case of Non-Life insurance. As

**Chart 3.1.7-r**
**Panama: change in IPG**
**as a multiple of the actual market**



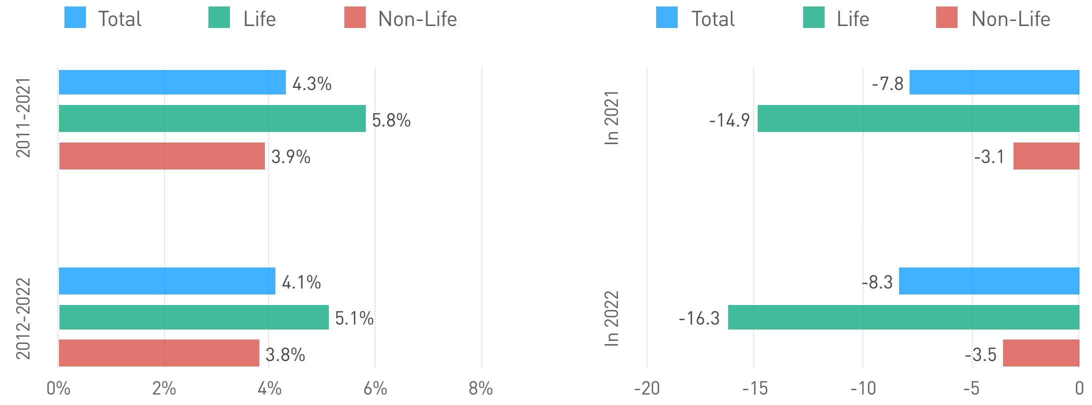

Source: MAPFRE Economics

a result, the analysis shows that, if the same growth dynamics observed in the past decade are maintained over the next ten years, the growth rate of the Panamanian insurance market would fall short of the target in the case of the Non-Life insurance segment by -3.5 pp, while in the case of the Life insurance segment the rate observed would fall short by -16.3 pp, which means a worsening of the shortfall with respect to the previous period 2011-2021 in both lines of business.

## Market Development Index (MDI)

Chart 3.1.7-t shows an update of the estimate of the Market Development Index (MDI) for the Panamanian insurance industry between 2005 and 2022. According to these data, in 2022, the indicator showed an impairment with respect to the previous period, returning to values similar to those of 2012. The MDI, which is used as a reference point for the general trend observed in the development and maturity of insurance markets, illustrates that, in the case of the Panamanian market, the trend follows that registered by the average of Latin American insurance markets only until 2008, after which it clearly diverges from the average performance of the region's insurance markets. In this regard, this trend has not only continued in the last

Chart 3.1.7-s
Panama: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



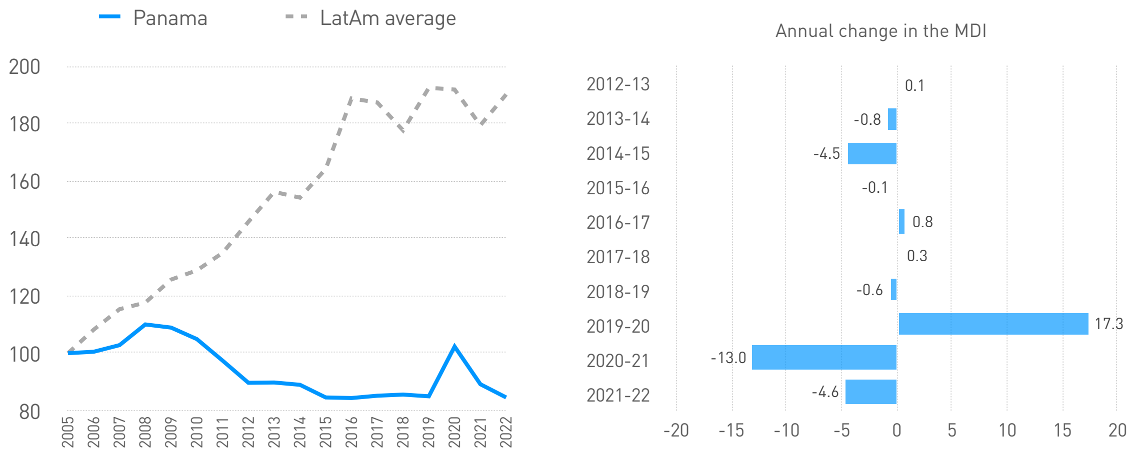

Source: MAPFRE Economics

year, but has widened the gap that existed in 2021 with respect to the average MDI in Latin America.

**Joint analysis of structural coefficients**

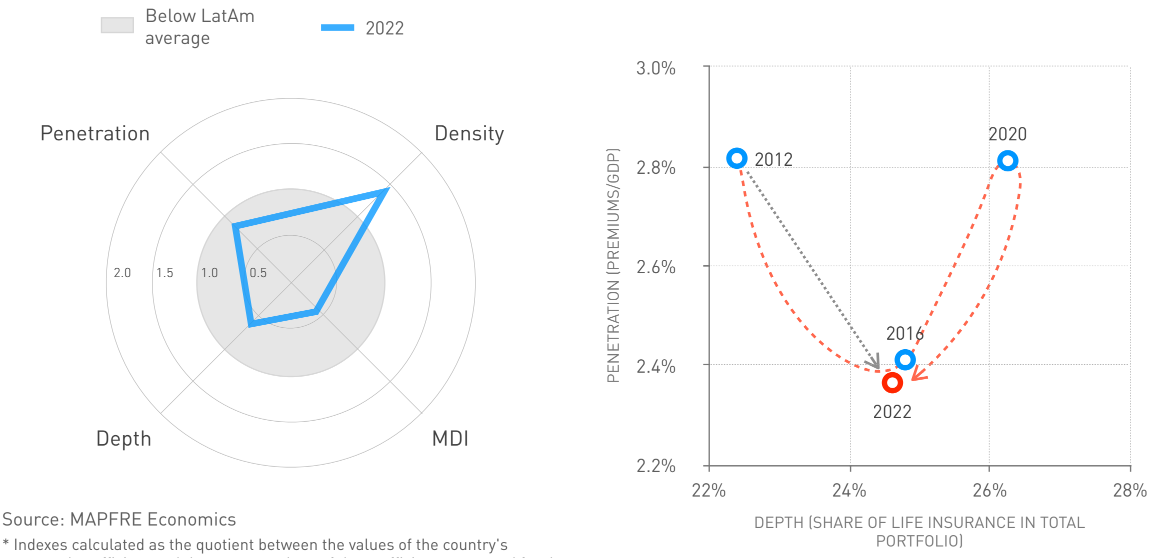
Lastly, Chart 3.1.7-u summarizes the Panamanian insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. In this respect, it is clear that the Panamanian market remains below the average level for all Latin American insurance markets in relation to three of the structural indicators analyzed, the density index being the only exception. In the same sense, the dispersion analysis showing the characteristics of the sector's development over the past decade confirms that its development has been unbalanced during this period. As a result, although slight progress has been registered over the last ten years in terms of increases in depth (qualitative dimension), penetration (quantitative dimension) has declined.

Chart 3.1.7-t
Panama: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics

**Chart 3.1.7-u**
**Panama: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

## Insurance market rankings

### Total ranking

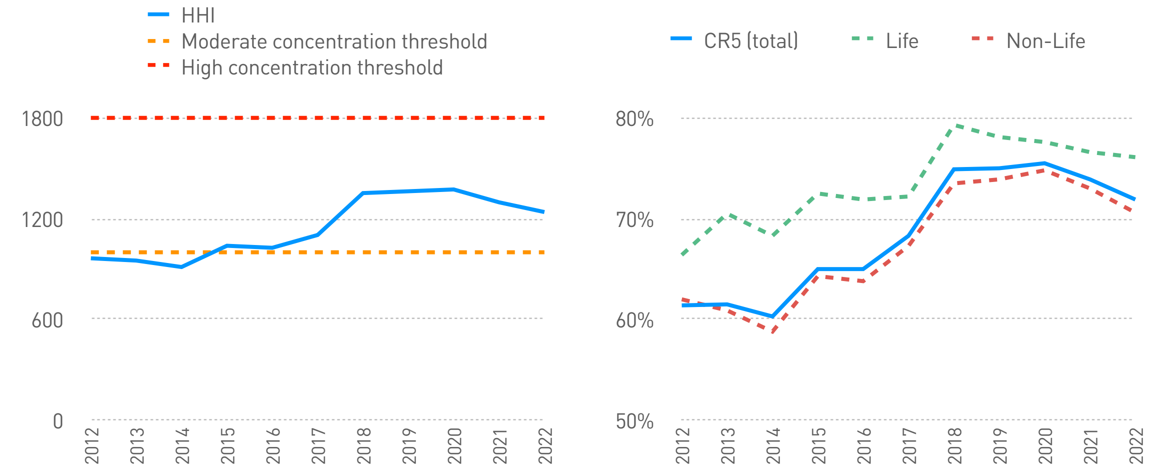
There were 23 insurance companies operating in the Panamanian market in 2022, the same as the year before. Although the Panamanian insurance industry was characterized by low concentration until 2014, the Herfindahl index shows an increase in the degree of market concentration from then through 2020, although since 2015 it has remained above the threshold for moderate concentration. Since then (2020), the industry has accumulated two consecutive years of declining concentration index. The CR5 index (market share of the five largest companies operating in the market), in turn, stood at 71.9%, (76.1% for the Life segment and 70.6% for the Non-Life segment) in 2022, confirming the concentration trends described above (see Chart 3.1.7-v).

In 2022, the total ranking of insurance groups in Panama is led by Assa, with a market share of 22.6% (23.5% in 2021). Meanwhile, MAPFRE dropped one place in this ranking, with a market share of 15.7%, and Internacional, which increased its share by 0.4 pp, reached second place with a market share of 16.7%. The other members of the ranking maintain their relative positions, with the exception of Mercantil, which appears in tenth place, with 2.5% market share, occupying the place left in the ranking by Aseguradora Global (see Chart 3.1.7-w).

### Life and Non-Life rankings

The ranking of the Non-Life insurance segment in Panama for 2022 remains unchanged from the previous year, with the exception of Mercantil and Worldwide Medical, which swap places (seventh and ninth, respectively). The top places are held by Assa, with a 22.0% share (-1.0 pp compared to 2021), MAPFRE, down 0.4 pp this year to a 17.4% share (17.8% in 2021), and Internacional de Seguros, with a 16.2% share. The ranking in this segment is closed out by General de Seguros, with a 2.2% market share (0.2 pp more than in the previous year). Meanwhile, the two leading insurance groups in the life insurance segment maintained their places with respect to the previous year: Assa, with a 24.6% share (-0.4 pp compared to 2021) and Internacional

Chart 3.1.7-v
Panama: insurance industry concentration
(Herfindahl index; CR5 index, %)



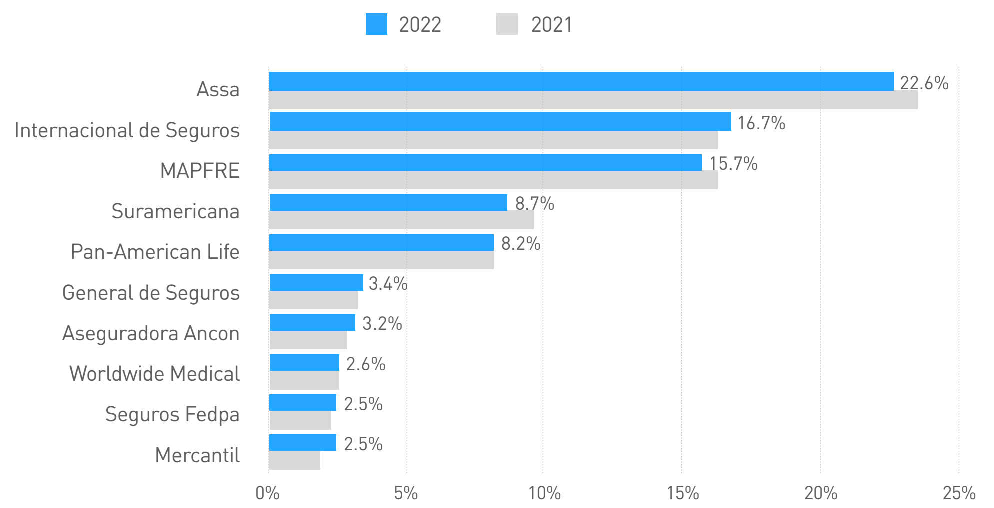

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

with 18.2% (16.9% in 2021). Seguros Suramericana and Pan American Life moved up one place, with 11.4% and 11.2% market share, respectively. MAPFRE, with a market share of 10.7%, is in fifth place, while the remaining companies maintain relative positions, with the exception of Multibank (ninth in the ranking) and Worldwide (tenth), which swapped places (see Chart 3.1.7-x).

## Key regulatory aspects

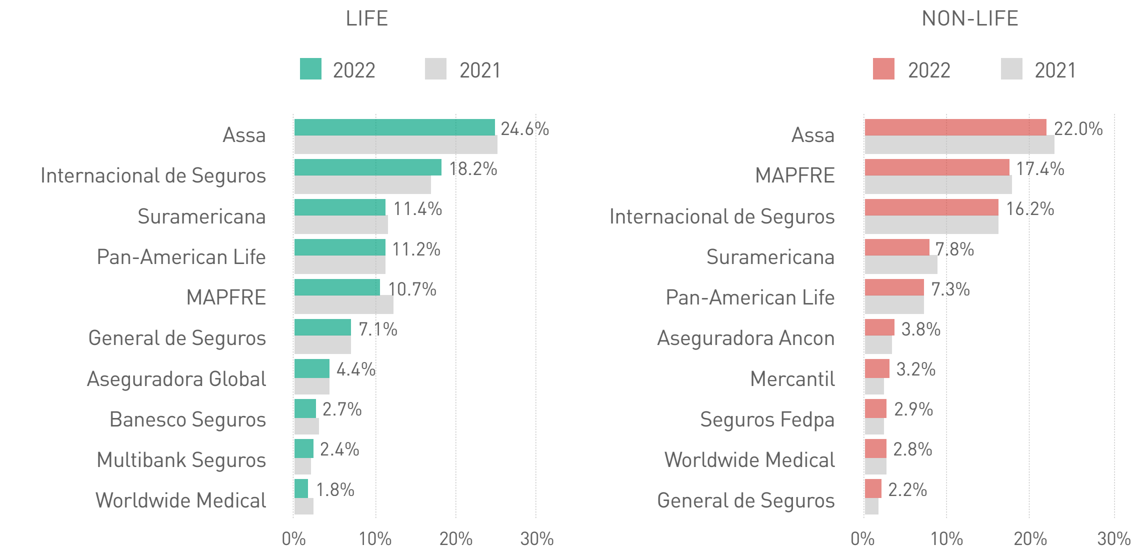
In terms of regulatory adjustments in the Panamanian insurance market in 2022, it is important to highlight the issuance of the following regulations by the Board of Directors of the Superintendency of Insurance and Reinsurance, the entity in charge of supervising the insurance activity in that country.

Chart 3.1.7-w
Panama: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-x
Panama: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

First, in May 2022, the process of amending Agreement No. 11 of 2013 began, resulting in Agreement No. 1 of June 2, 2022, through which the requirements for the authorization process for the creation of a commercialization channel were made more flexible. Likewise, Agreement No. 2 of June 23, 2022 has been issued, contemplating the electronic signature and the digitalized or scanned signature as an option for the processing of insurance documentation. Similarly, Agreement No. 3 of November 24, 2022 was issued, regulating the provisions for the prevention of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction.

Meanwhile, in order to raise sustainability standards in the insurance sector and following the roadmap, the Superintendency of Insurance and Reinsurance became a signatory of the Cooperation Agreement with the SUMARSE organization. Among the goals of this agreement is the creation of protocols that instruct companies to develop sustainable internal processes and the training and enhancement of their human resources. Finally, in December 2022, and after meetings held since March 2021, Panama was included as a signatory of the Memorandum of Understanding with the Association of Insurance Supervisors of Latin America (ASSAL), in order to strengthen and improve consolidated supervision processes and exchange information with counterpart supervisory bodies.

## 3.1.8 Dominican Republic

### Macroeconomic environment

The economy of the Dominican Republic slowed in 2022, showing growth of 4.9% in real terms, compared to 12.3% in 2021, although the latter was atypical growth following the process of economic reopening once the worst of the pandemic was over. As a result, if the base effect is taken into account, the Dominican economy can be said to have performed well, although it experienced a strong upturn in prices (8.8% average inflation in 2022), in line with what happened in the rest of the world. Economic growth was supported by both domestic consumption and investment and the recovery of the labor market, aided by the strong recovery of tourism-related activities (see Chart 3.1.8-a).

As for the current account, the increase in exports could not offset the rise in import prices due to the increase in international fuel and food prices, so that the current account deficit worsened, closing at 5.5% in 2022 (2.8% in 2021), according to information published by the Central American Monetary Council. In terms of the state of the public accounts, the central government fiscal deficit increased to 3.2% (2.9% in 2021). However, the strong upturn in nominal GDP helped to significantly reduce the debt-to-GDP ratio, closing 2022 at 58.6% (62.6% in 2021).

Meanwhile, the central bank continued to tighten its monetary policy in response to the strong upturn in inflation (7.8% in the month of December, leaving annual average inflation at 8.8%), implementing eight consecutive hikes and bringing the interest rates of the permanent expansion facility (1-day Repo) up to 8.5% in the month of December 2022. However, inflation data began to improve substantially in 2023, falling to 3.95% in July, which has allowed the central bank to begin cutting rates three times since April, bringing the interest rate down to 7.5% in August.

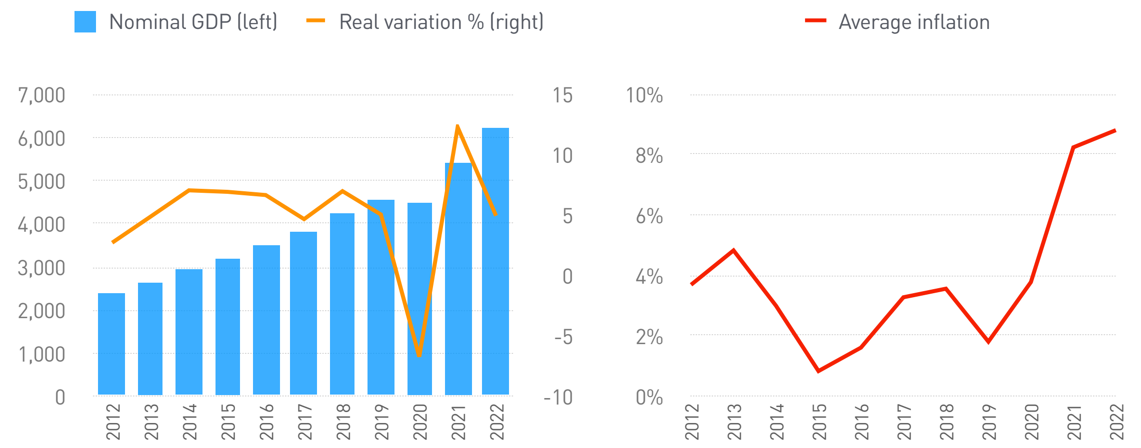
Regarding growth forecasts, MAPFRE Economics has predicted a 3.5% increase in Dominican GDP in 2023 and 3.0% in 2024, while ECLAC estimates that the Dominican economy will grow by 3.7% in that year and 3.0% in 2024, with a very positive outlook for the tourism sector, especially after the announcement of greater facilities for tourism from the United States and with the help of the monetary easing process following the fall in inflation.

## Insurance market

### Growth

In 2022, the premium volume of the Dominican insurance market was 96.313 billion pesos (1.753 billion dollars), representing a nominal increase of 12.0% and a real growth of 2.9% (see Table 3.1.8 and Chart 3.1.8-b). Premiums in the Life insurance segment grew by a nominal 19.4% to 15.573 billion pesos (283 million dollars). Individual life insurance increased by 43.3% to 498 million pesos. Meanwhile, group life insurance rose to 15,076, 18.8% more than the previous year. In this growth of the Dominican market, it is

Chart 3.1.8-a
Dominican Republic: changes in economic growth and inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

important to note that premiums in Non-Life lines (which account for 83.8% of the total) grew by 10.6% in nominal terms and 1.7% in real terms, to 80.74 billion pesos (1.469 billion dollars). The Health, Fire and Automobile lines continue to be the most important in the Non-Life segment. The Health line grew by 16.3% in nominal terms, reaching 24.768 billion pesos, while the Fire line, with premiums of 23.662 billion pesos (431 million dollars), grew by 2.2% in nominal terms (decreasing in real terms by -6.1%), and Automobile line grew in nominal and real terms by 11.4% and 2.4%, respectively, reaching 21.764 billion pesos in premiums. The remaining lines grew both nominally and in real terms, with Transportation (35.7%), Surety (16.3%) and Other lines (12.3%) standing out.

The share of total premiums and by Life and Non-Life segments of the Dominican market in the overall Latin American insurance market has generally been positive, except for 2013 when the weight of the Non-Life line and, therefore, the market as a whole experienced a slight contraction in its share. Over the last decade, the share of total premiums in the Dominican Republic over the total for Latin America has risen from 0.47% in 2012 to 1.01% in 2022. Similarly, the share in the Life line has also grown from 0.17% in 2012 to 0.39% in 2022, while in the Non-Life line from 0.69% to 1.47% (See Chart 3.1.8-c).

Meanwhile, the Non-Life insurance segment accounted for the bulk of the 12.0% growth recorded by the Dominican insurance market in 2022. First, the Non-Life insurance segment contributed 9.0 pp to growth, while the Life insurance segment contributed the remaining 2.9 pp (see Chart 3.1.8-d).

### Balance sheet and shareholders' equity

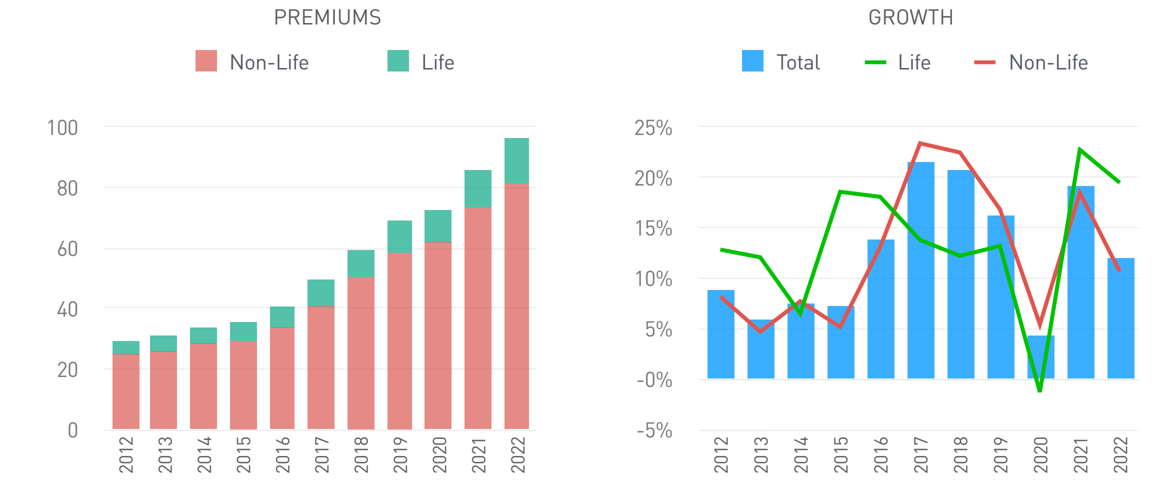
Chart 3.1.8-e, the aggregate balance sheet for the insurance industry in the Dominican Republic. According to this information, the industry's total assets in 2021 (most recent data available) amounted to 101.31 billion pesos (1.768 billion dollars). Meanwhile, the net equity in the sectoral aggregate for that year stood at 32.61 billion pesos (569 million dollars), with a positive variation of 12.6 pp with respect to the previous year, and it should be noted that, throughout the

Table 3.1.8
Dominican Republic: premium volume[1] by line, 2022

| Line | Millions of pesos | Millions of USD | Growth Nominal (%) | Growth Real (%) |
|---|---|---|---|---|
| **Total** | **96,313.2** | **1,752.8** | **12.0** | **2.9** |
| **Life** | **15,573.4** | **283.4** | **19.4** | **9.8** |
| Individual Life | 497.9 | 9.1 | 43.3 | 31.7 |
| Group Life | 15,075.6 | 274.4 | 18.8 | 9.2 |
| **Non-Life** | **80,739.8** | **1,469.4** | **10.6** | **1.7** |
| Fire and allied lines | 23,662.0 | 430.6 | 2.2 | -6.1 |
| Automobiles | 21,763.7 | 396.1 | 11.4 | 2.4 |
| Health | 24,767.6 | 450.7 | 16.3 | 6.9 |
| Other lines | 5,670.0 | 103.2 | 12.3 | 3.2 |
| Transport | 2,183.1 | 39.7 | 35.7 | 24.7 |
| Surety | 1,957.9 | 35.6 | 16.3 | 6.9 |
| Personal Accidents | 735.4 | 13.4 | 11.1 | 2.1 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
1/ Net premiums collected

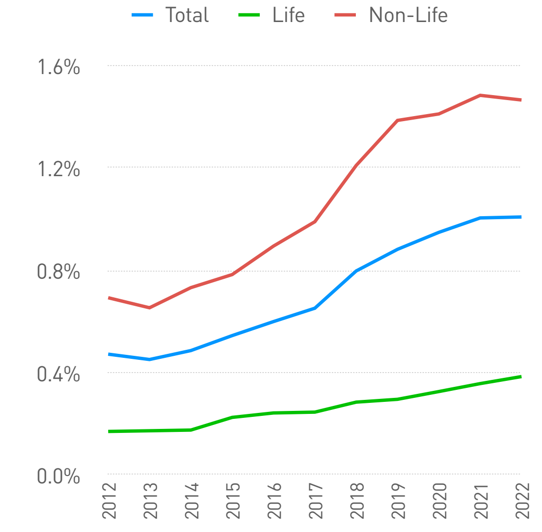
**Chart 3.1.8-b**
**Dominican Republic: growth developments in the insurance market**
**(premiums, billions of pesos; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

2011-2021 period, the Dominican insurance industry has consistently registered positive annual increases in the level of net equity. Meanwhile, the aggregate capitalization levels of the insurance industry (measured on total assets), will stand at values close to 30% during said period, reaching its lowest figure in 2017 (28.1%) and standing at 32.2% by the end of 2021.

**Chart 3.1.8-c**
**Dominican Republic: share of insurance premiums in Latin America**
**(%)**

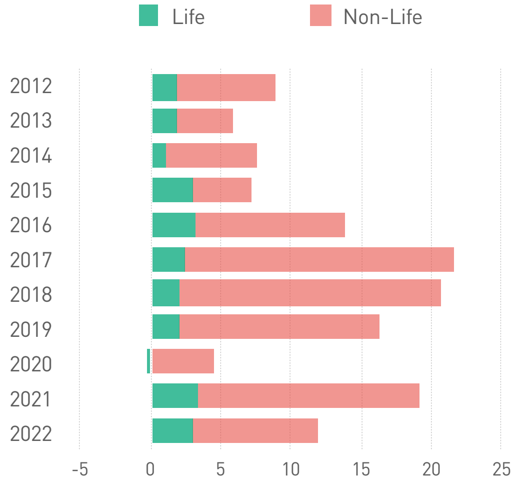



Source: MAPFRE Economics (based on data from the Superintendency of Insurance and supervisory bodies of the region)

### Investments

Chart 3.1.8-f shows the performance of the aggregate investment portfolio at sector level over the 2011-2021 period, while Charts 3.1.8-g and 3.1.8-h show changes in investment patterns over the same period. Investments amounted to 58.305 billion pesos (1.018 billion dollars) in 2021 (latest available data), concentrated mostly in debt and equity instruments (73.2%) and with a relatively smaller proportion in real estate (8.9%) and cash (6.2%). In the analysis of the performance of the aggregate investment portfolio, it is worth noting the change in the weight of real estate investments, which has steadily declined since 2011 (when it represented 15.8% of the portfolio) to reach 8.9% at the end of 2021, amounting to 5.209 billion pesos, compared to 5.543 billion pesos in 2020, down 6% from the previous year. In addition, other financial investments also increased 1.5 pp to 6.780 billion pesos, virtually tripling the 2011-2021 average.

**Chart 3.1.8-d**
**Dominican Republic: contribution to insurance market growth**
**(percentage points, pp)**



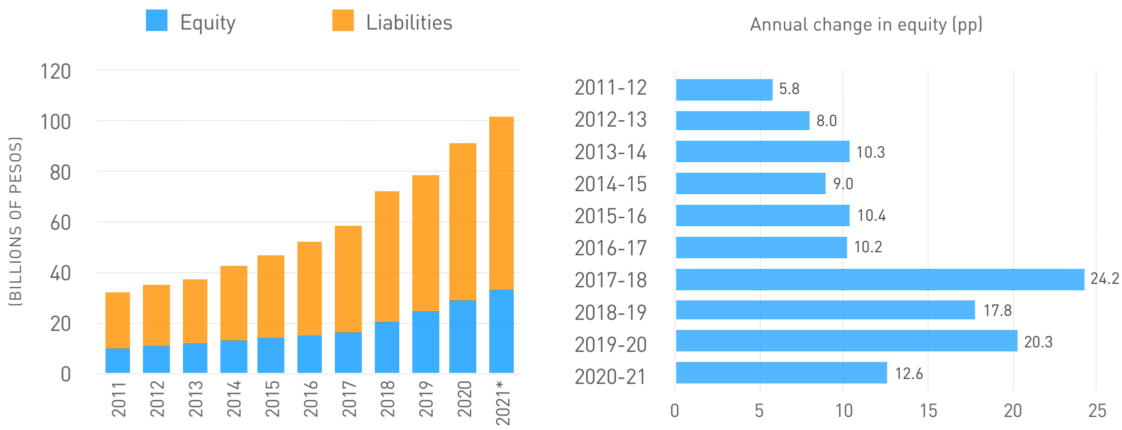

| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 8.8 | 1.9 | 7.0 |
| 2013 | 5.8 | 1.8 | 4.0 |
| 2014 | 7.5 | 1.0 | 6.4 |
| 2015 | 7.3 | 3.0 | 4.3 |
| 2016 | 13.9 | 3.2 | 10.7 |
| 2017 | 21.6 | 2.5 | 19.1 |
| 2018 | 20.7 | 2.1 | 18.6 |
| 2019 | 16.2 | 2.1 | 14.1 |
| 2020 | 4.3 | -0.2 | 4.6 |
| 2021 | 19.1 | 3.3 | 15.7 |
| 2022 | 12.0 | 2.9 | 9.0 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

## Technical provisions

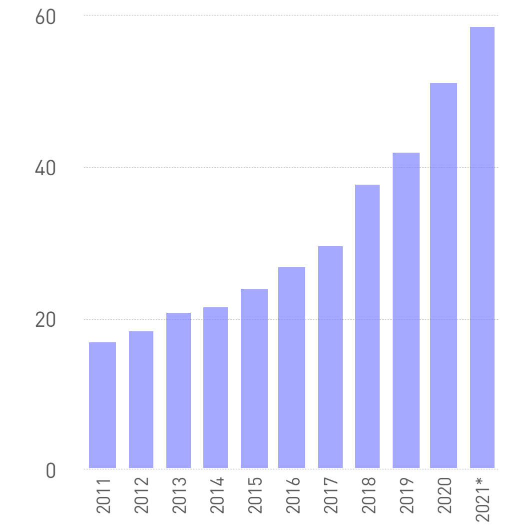
Chart 3.1.8-i presents changes in technical provisions within the Dominican insurance market Charts 3.1.8-j and 3.1.8-k show changes in the relative composition of those provisions over the 2011-2021 period. According to this data, in 2021 (latest data available), technical provisions amounted to 38.278 billion pesos (668 million dollars). Of this total, 11.1% related to mathematical provisions and unexpired risks in personal insurance, 23.5% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 54.9% to provisions for outstanding benefits, 2.04% to provisions for catastrophic risks, and the remaining 8.5% to other technical provisions. The decrease in the weight of these Life insurance provisions over the 2011-2021 period, from 12.0% of

**Chart 3.1.8-e**
**Dominican Republic: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-f**
**Dominican Republic: insurance market investments**
**(billions of pesos)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

total technical provisions in 2011 to 11.1% at the end of 2021, is noteworthy.

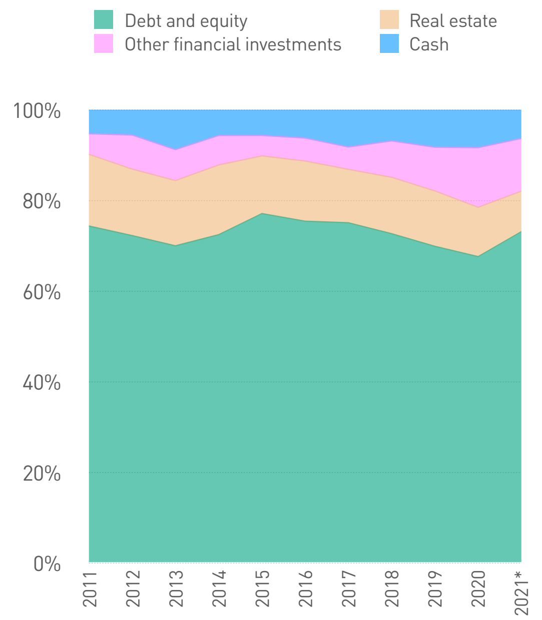
### Technical performance

Chart 3.1.8-l presents the technical performance of the Dominican insurance industry, based on the analysis of the development of the aggregate combined ratio over the 2011-2021 period. As this information shows, the technical indicator worsened by 6.0 pp in 2021 (latest data available), basically driven by a 6.9 pp increase in the loss ratio to 58.8%, while the expense ratio showed a slight improvement of 0.9% to 38.8%.

### Results and profitability

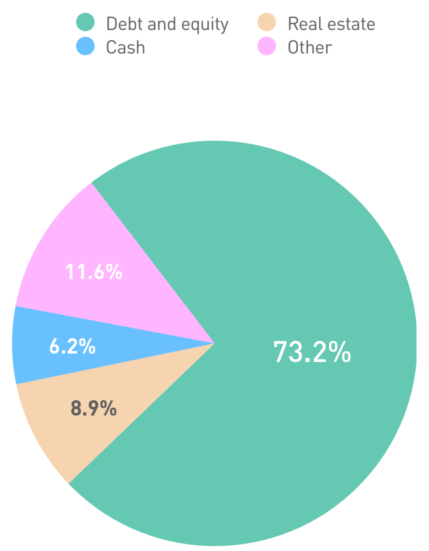
The 2021 result (latest data available) for the Dominican insurance industry as a whole was 6.735 billion pesos (118 million dollars), 23.6% less than the previous year. This figure was supported by a -6.0 pp technical result on earned premium lower than that registered the previous year. Meanwhile, the financial

**Chart 3.1.8-g**
**Dominican Republic: structure of investments**
**(%)**



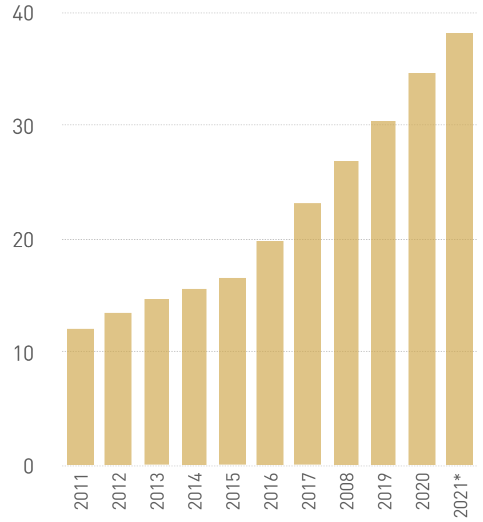

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-h**
**Dominican Republic: structure of investments, 2021***
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-i**
**Dominican Republic: technical provisions of the insurance market**
**(billions of pesos)**



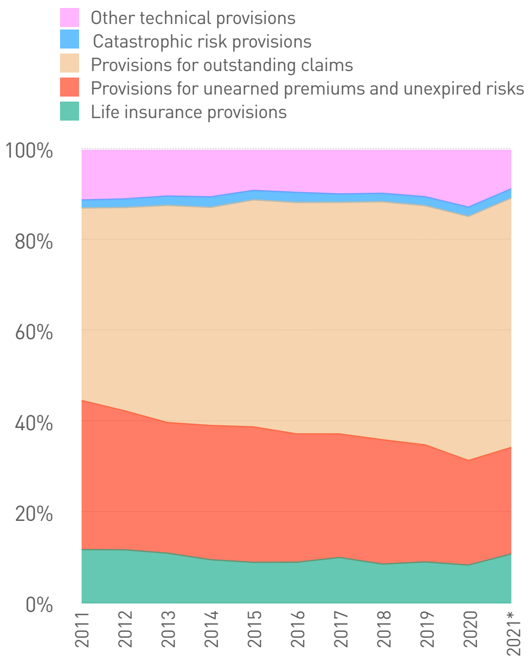

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

result grew in relation to earned premium by 1.2 pp in 2021. Meanwhile, as shown in Chart 3.1.8-m, return on equity (ROE) stood at 21.9% in 2021, a figure that decreased by 11.4 pp compared to the previous year. Likewise, the return on assets (ROA) reached 7.0% in 2021 (3.4 pp less than in 2020).

### Insurance penetration, density and depth

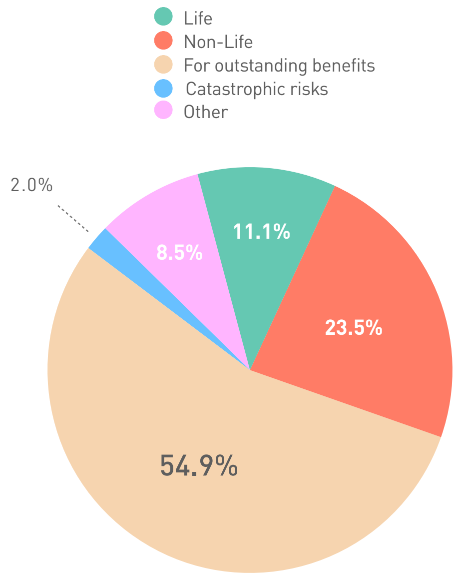
Chart 3.1.8-n illustrates the main structural trends shaping the development of the Dominican insurance industry over the 2012-2022 period. In this regard, the penetration index (premiums/GDP) declined from 2012 (1.2%) to 2015 (1.1%), at which point it began to grow in stages until reaching 1.6% in 2020 and, since then, it has remained steady from that figure until 2022, when there was a marginal reduction of -0.04 pp. It is clear that the penetration rate in the insurance market in the Dominican Republic has generally shown a slightly increasing trend throughout the period analyzed, although it has remained

**Chart 3.1.8-j**
**Dominican Republic: structure of technical provisions**
**(%)**



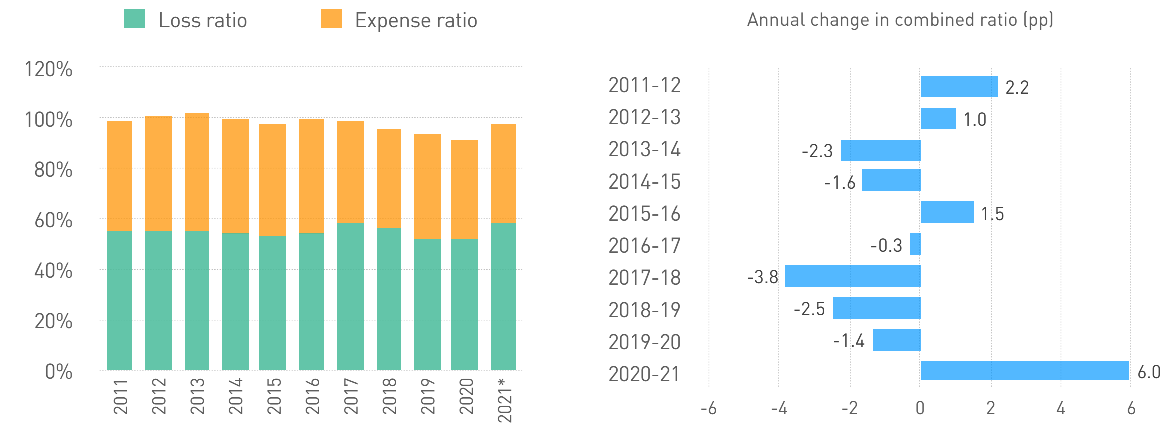

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-k**
**Dominican Republic: structure of technical provisions, 2021***
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-l**
**Dominican Republic: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**

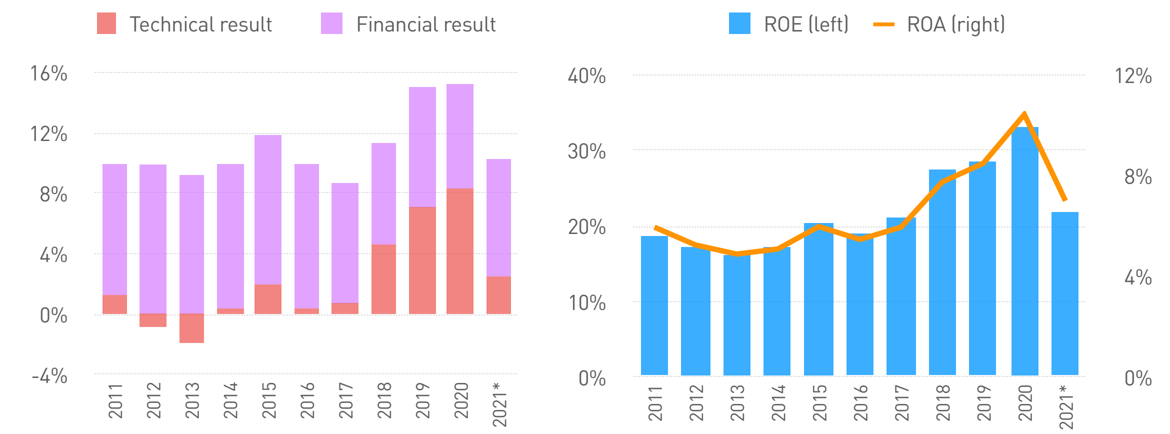



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

well below the average absolute values of the region's markets over the last ten years, which stood at 3.0% in 2022.

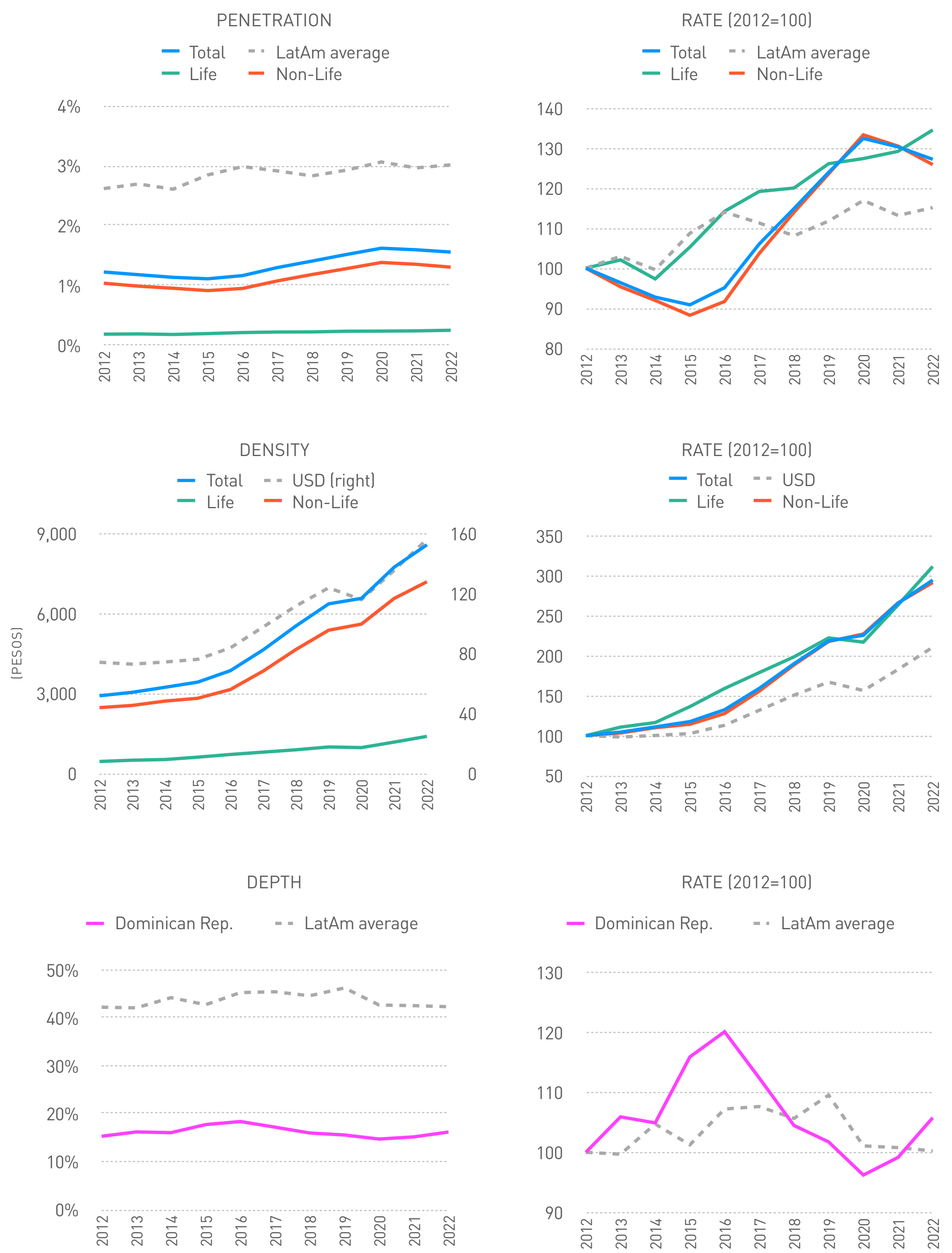
In terms of insurance density (premiums per capita), the indicator stood at 8,577 pesos (156 dollars), 10.9% above the level reached in 2021 (7,737 pesos), influenced by the inflationary effect of that year. Density (measured in local currency) followed an upward trend over the period under analysis in the Dominican market, registering cumulative growth of 194.6% between 2012 and 2022. Lastly, depth (Life insurance premiums to total premiums) came to 16.2% (15.2% in 2021), 1.0 pp more than the year before and 5.8% higher than the level reached in 2012. It should be noted that, although depth in the Dominican market grew practically in step with the market trends for Latin America as a whole, its absolute levels were 26.1 pp below the regional average in 2022.

**Chart 3.1.8-m**
**Dominican Republic: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
* Latest data available

**Chart 3.1.8-n**
**Dominican Republic: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

## Insurance Protection Gap estimate

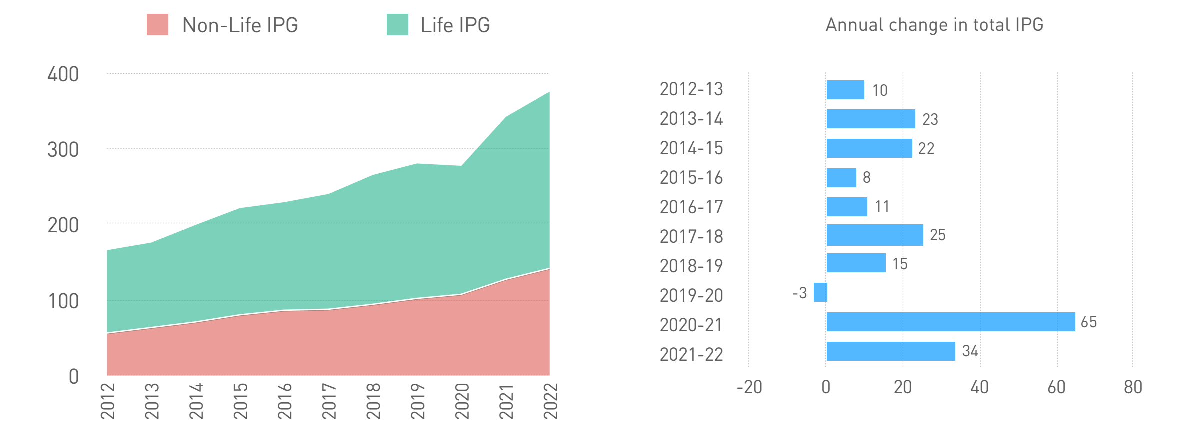
Chart 3.1.8-o provides an updated estimation of the IPG for the Dominican insurance market. According to these figures, the insurance gap in 2022 stood at 376.659 billion pesos (6.855 billion dollars), representing 3.9 times the Dominican insurance market at the end of that year. The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment. As a result, at year end 2022, 62.4% of the IPG corresponded to Life insurance (234.911 billion pesos), down 3.9 pp from the share seen in that segment in 2012 and 0.5 pp less than the previous year. The remaining 37.6% of the insurance gap can be explained by the contribution of the Non-Life insurance segment (141.748 billion pesos). Accordingly, the potential insurance market in the Dominican Republic at the close of 2022 (calculated as the sum of the actual market plus the IPG) was estimated at 472.972 billion pesos (8.607 billion dollars), 4.9 times the size of the total insurance market that year (see Chart 3.1.8-p).

Chart 3.1.8-q provides an estimate of the IPG as a multiple of market in the Dominican Republic over the 2012-2022 period. From this analysis perspective, the insurance gap shows an increasing trend until 2015, driven mainly by the Non-Life insurance segment, after which the trend reverses, as both insurance segments show a sustained decline over time. The IPG as a multiple of market went from 5.7 to 3.9 times between 2012 and 2022, dropping notably in the last six years. In the Life insurance segment, the indicator clearly decreased from 2012 to 2022, going from 24.7 to 15.1 times, while the decrease in Non-Life was not as pronounced (2.3 times to 1.8 in the last decade).

Chart 3.1.8-r schematically summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Dominican insurance market between 2012 and 2022. In this sense, it appears that both segments have reduced the gap as a multiple of the market, although the underwriting gap of the Life insurance segment continues to be notably larger than in the case of Non-Life.

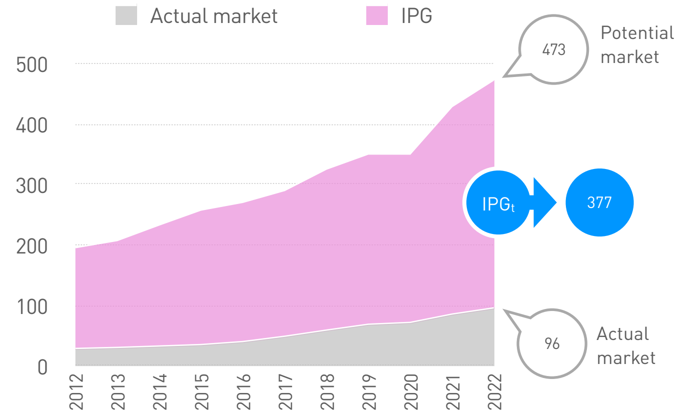
Finally, Chart 3.1.8-s provides an updated assessment of the capacity of the Dominican insurance market to close the insurance gap, based on a comparison between the growth rates observed over the last ten years and the growth rates that would be required in order to close the gap for 2022 over the coming ten years. Accordingly, the Dominican in-

Chart 3.1.8-o
Dominican Republic: Insurance Protection Gap
(billions of pesos)




Source: MAPFRE Economics

**Chart 3.1.8-p**
**Dominican Republic: Insurance Protection Gap and potential market**
**(billions of pesos)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 229.8% | 126.0% |
| 2022-2021 | 12.0% | 9.8% |

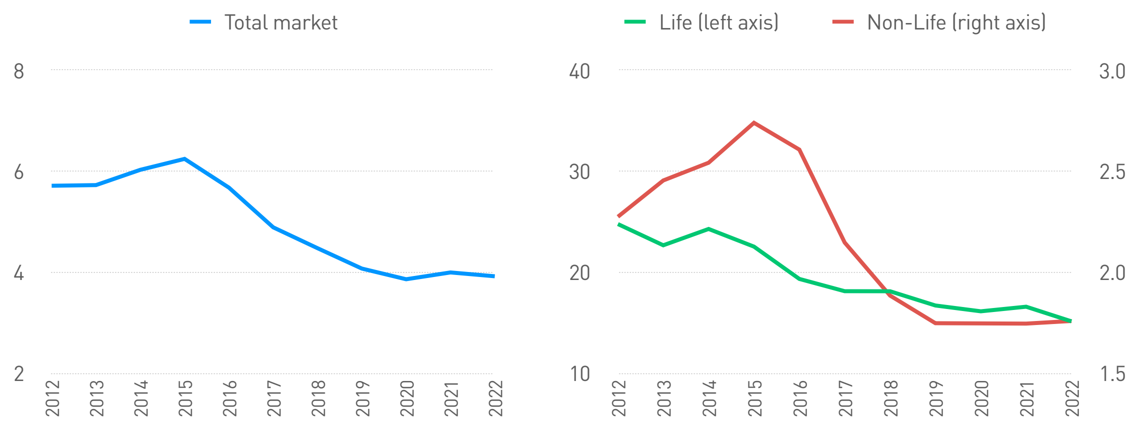
Source: MAPFRE Economics

surance market grew at an average annual rate of 12.7% between 2012 and 2022; this growth was comprised of an annual growth rate of 13.3% in the Life insurance segment and 12.6% in the Non-Life insurance segment. Were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Dominican insurance market would fall short of this objective only in the Life insurance segment (short -18.7 pp), but would prove sufficient for the Non-Life segment to close the gap over the next decade. It should be noted that, compared with the 2021 fiscal year, this shortfall was less in the Non-Life segment (1.8 pp) and higher in the Life segment (0.2 pp).

## Market Development Index (MDI)

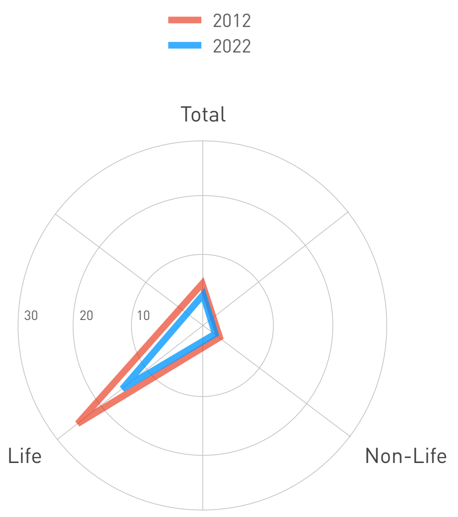
Chart 3.1.8-t presents an update of the estimate of the Market Development Index (MDI) for Dominican Republic insurance industry. According to these data, the MDI shows a generally positive trend over the 2005-2022 period, although clearly falling

**Chart 3.1.8-q**
**Dominican Republic: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.1.8-r
Dominican Republic: change in IPG
as a multiple of the actual market



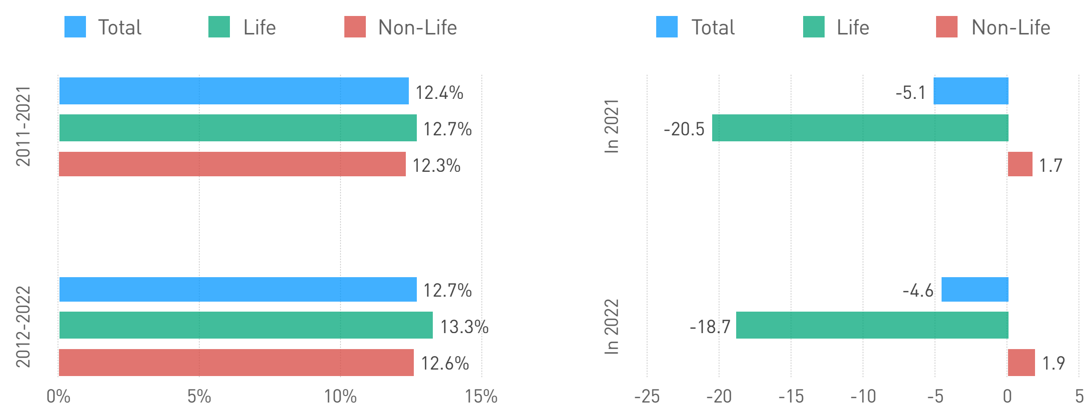

Source: MAPFRE Economics

short of converging with the average performance of insurance markets in the Latin American region, with a differential that has been increasing until 2016 (where it peaked) and has marginally narrowed since then.

## Joint analysis of structural coefficients

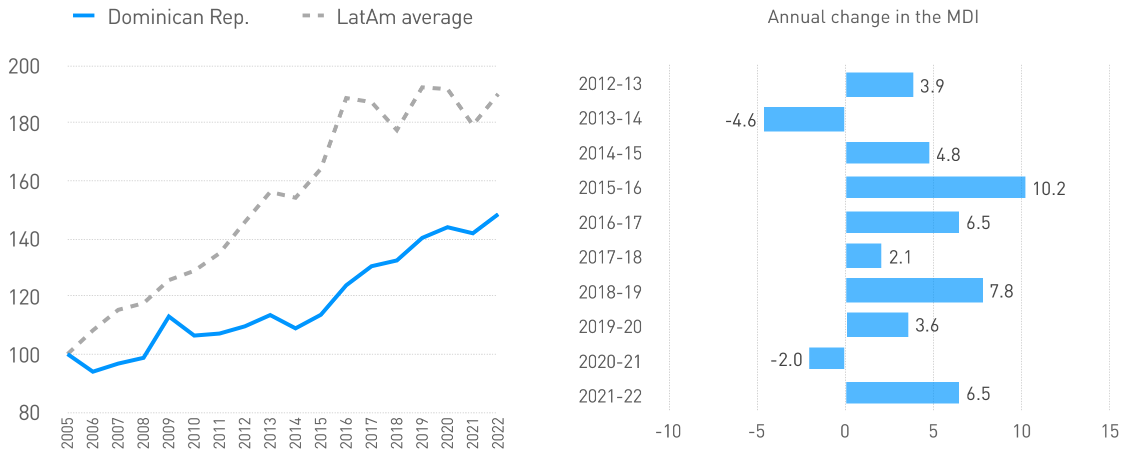
Finally, Chart 3.1.8-u schematically summarizes the situation of the insurance market in the Dominican Republic in comparison with the average for Latin America, from the perspective of the different structural components analyzed. As a result, it appears the country's indicators are below the average for Latin America, especially in terms of depth, penetration and density, although it is true that the latter is narrowing the gap with respect to the average trend. This situation indicates that it is still at a lower level of development compared to the region as a whole. Now, with regard to the dispersion analysis that seeks to show the development trends of the industry from both a quantitative (penetration) and qualitative (depth) perspective, in the decade aggregate, the development of the Dominican insurance market has been balanced, with improvements in both dimensions, despite showing certain setbacks, especially during the 2016-2020 period.

Chart 3.1.8-s
Dominican Republic: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.1.8-t**
**Dominican Republic: Market Development Index (MDI)**
**(2005 index=100; annual change)**



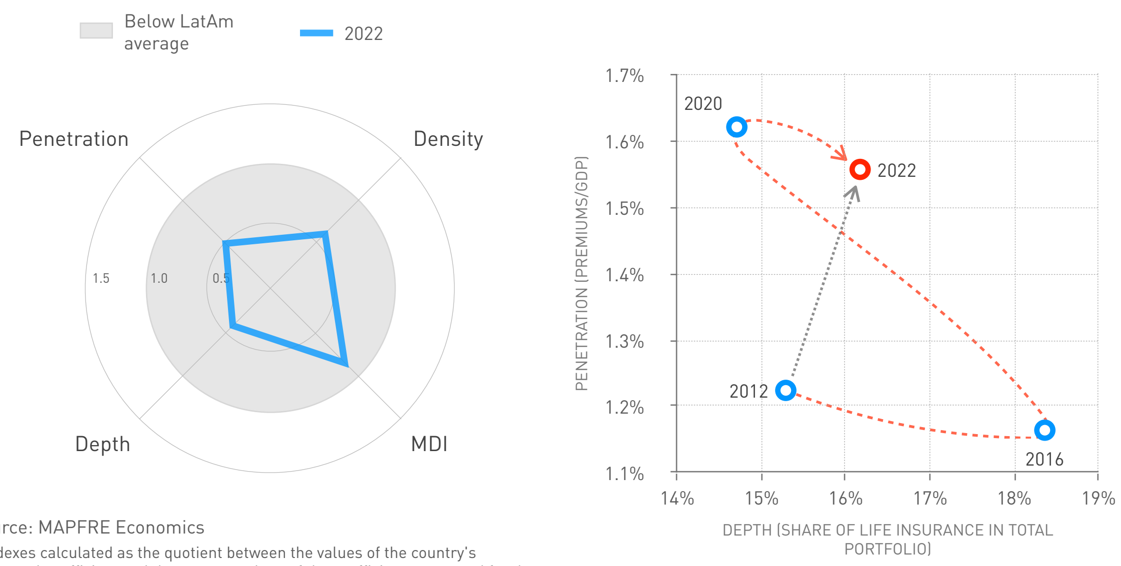

Source: MAPFRE Economics

## Insurance market rankings

### Total ranking

In 2022, 33 insurance companies and two reinsurance companies operated in the Dominican Republic's insurance market, the same as in the previous year. This is a market with high levels of concentration, although with a downward trend over the last ten years. The Herfindahl index (1,223 in 2022) increased over the last four years

**Chart 3.1.8-u**
**Dominican Republic: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

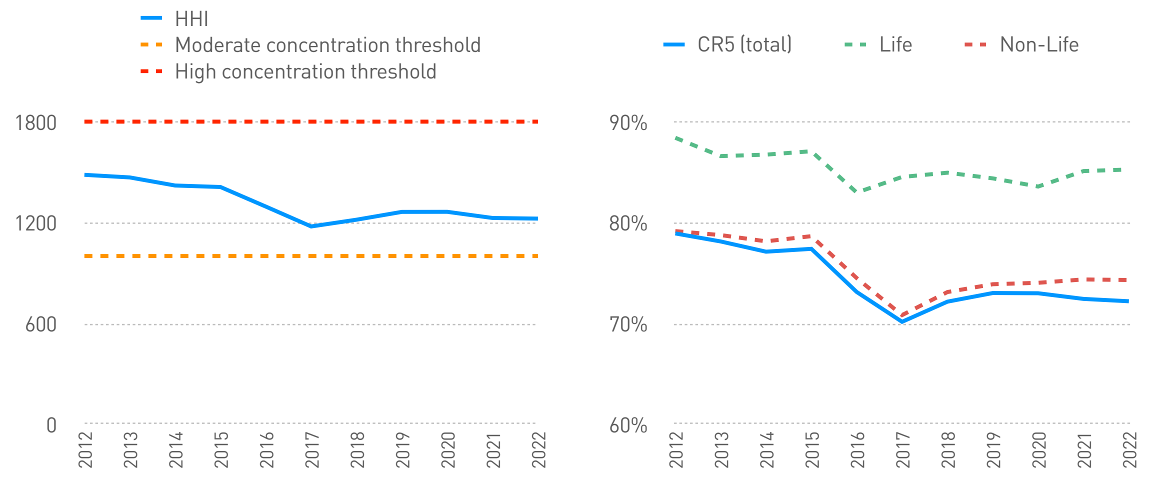
and remained above the threshold indicating moderate concentration. In the case of the CR5 index (the sum of the market share of the five largest companies in the market), the indicator has also decreased in 2022 (standing at 72.2%) and is below the values of the last three years (see Chart 3.1.8-v).

In terms of the overall ranking, in 2022, the ranking remained unchanged from the previous year. As a result, Seguros Universal is at the top of the table with 21.3% market share (21.7% in 2021) and 20.486 billion pesos of premiums. Humano Seguros is in second place, with a 16.2% market share, reaching 15.642 billion pesos in premiums. Seguros Reservas is in third place, with 14.729 billion pesos in premiums and 15.3% market share, which is 0.3 pp more than the previous year (see Chart 3.1.8-w). Lastly, MAPFRE closes the top of the ranking, with a market share also in double digits (11.1%). At the bottom of the ranking is Seguros Pepín, in tenth place, with 1.5% market share and 1.48 billion pesos in premiums.

### Life and Non-Life rankings

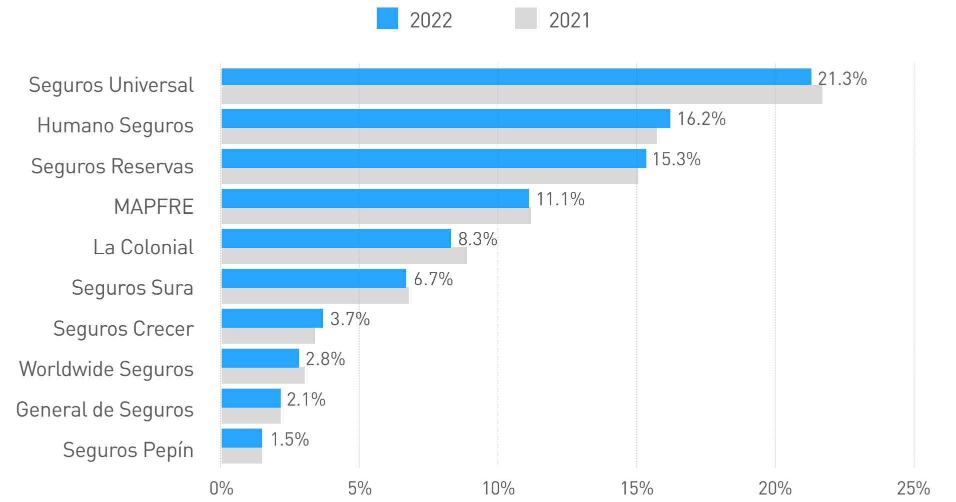
The ranking for the Non-Life insurance segment is very similar to that presented for the total market, partly due to the large relative weight of Non-Life insurance in the total market. As a result, the insurance companies that make up the ranking corresponding to the Non-Life segment, in 2022, are the same as in the previous year and do not present variations in their relative places (see Chart 3.1.8-x). Seguros Universal continues to lead the ranking, with a market share of 21.3% (-0.3 pp less than in 2021), followed by Humano Seguros, with a share of 18.9% (0.9 pp more than in the previous year) and Seguro Reservas, with a share of 14.5% (0.3 pp more than in 2021). Meanwhile, in the Life ranking Seguros Universal continues to lead, with 21.4% of market premiums (-0.8 pp less than in 2021), followed by Seguros Reservas, with a 19.4% share, and Seguros Crecer with a 19.3% market share. MAPFRE came in fourth place, with a 16.6% share (0.9 pp more than the previous year). The rest of the places remain unchanged from the previous year, except for the exchange of places between Seguros Sura and La Colonial (eighth and ninth, respectively).

**Chart 3.1.8-v**
**Dominican Republic: insurance industry concentration**
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-w
Dominican Republic: overall ranking
(market shares, %)

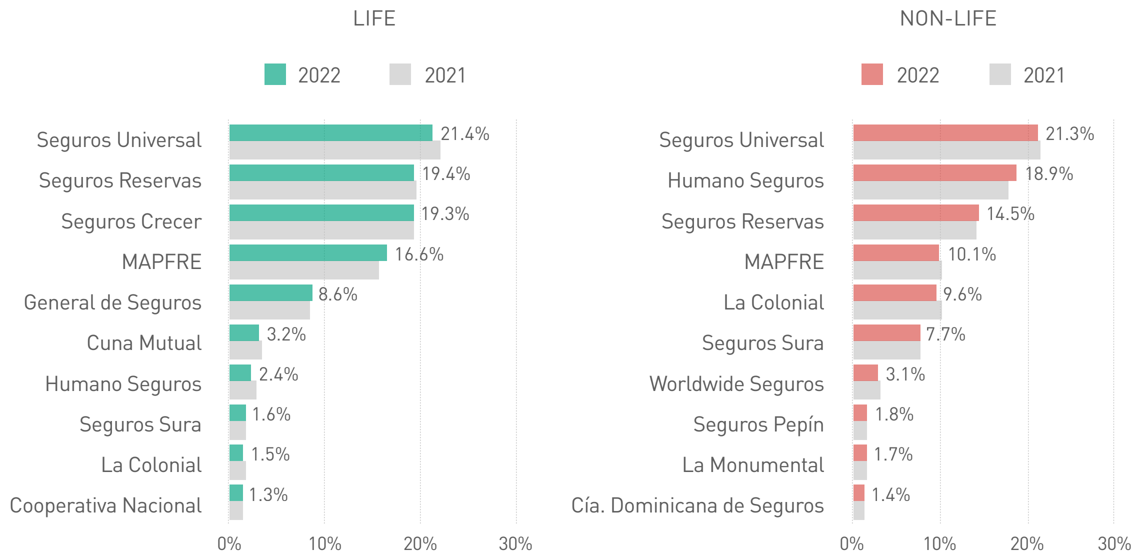



Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

## Key regulatory aspects

In terms of the most relevant regulatory aspects, the following provisions issued in 2022, both in terms of legislation and of prudential regulations by the Superintendency of Insurance and Reinsurance, must be noted: (i) Decree 226-22, which creates a Advisory Committee, on an honorary basis and under the coordination of the Legal Counsel of the Executive Branch, made up of institutions and jurists specialized in the insurance sector, whose purpose will be to review and draft a preliminary draft amendment to Law No.

Chart 3.1.8-x
Dominican Republic: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

146-02, on insurance and surety bonds of the Dominican Republic; (ii) Resolution 01-2023, on the rights and duties of users of the sector; and (iii) Circular 03, dated October 11, 2022, on the release of catastrophic reserves due to Hurricane Fiona.

### 3.1.9 Puerto Rico

#### Macroeconomic environment

In 2022, the Puerto Rican economy achieved its second year of expansion growing by 4.8%, in real terms, surpassing pre-pandemic GDP data and leaving behind the negative trend that had been accumulating for much of the last decade (see Chart 3.1.9-a). By component, the main pillars of growth were both investment in machinery and equipment and private consumption, which continued to expand in both durable and non-durable goods. However, the main contribution was centered on services, but not on public consumption, which continues on a more neutral and revenue-driven spending path once the Government of Puerto Rico Fiscal Plan 2021 (AAFF) is passed. In terms of foreign trade, manufacturing exports continued to advance positively, although to a lesser extent than imports, while the services balance remains in deficit. The result has been a balance that, although still positive, has decreased its contribution to the current account. The labor market remained positive, with the unemployment rate declining from 7.1 percent during Q2 FY2022 to 6.0 percent in the same period in FY2023.

In terms of inflation, the annual average rose to 6.0% in 2022, due to both the war between Ukraine and Russia and the still premature recovery of supply chains, causing broad-based increases in all components of the consumption basket, including transportation (10.0%) and food and beverages (6.0%). This figure leaves the Federal Reserve's inflation target out of range, in line with the dynamics observed in the United States, and forcing the agency to take a more restrictive stance.

Looking ahead to 2023, MAPFRE Economics has forecast modest Puerto Rican GDP growth of around 0.6%, with a slightly more optimistic 0.8% projected by the Puerto Rico Oversight and Financial Administration Board (JSAF). Both forecasts are based on a slowdown in consumption, the effects of accumulated monetary tightening and the deceleration of economic activity in trading partners, especially the United States.

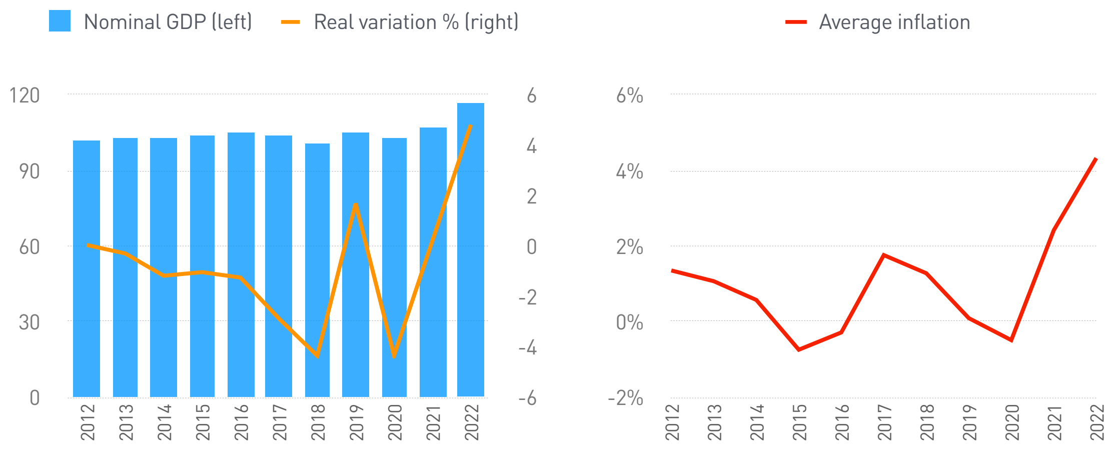
#### Insurance market

**Growth**

Puerto Rico's insurance market grew by 8.4% in nominal terms (3.9% real) to 19,134 million dollars in premiums in 2022, while nominal growth in 2021 was 9.8% (see Chart 3.1.9-b and Table 3.1.9). In 2022, Life insurance premiums (which represent 10.4% of the market) increased 15.1% in nominal terms, while they grew in real terms by 10.3%. Meanwhile, Non-Life premiums increased by 7.7% in nominal terms, which translates into 3.2% growth in real terms. Health accounted for 83.3% of the Non-Life insurance segment and grew by 7.9% in nominal terms (3.5% in real terms) in 2022. Other Non-Life lines have shown nominal increases in premium volume in 2022, notably transportation with 12.3%. In terms of real growth, all lines performed positively, except Liability, which decreased by -1.2%.

Meanwhile, the Puerto Rican insurance market (third in importance with respect to the Latin American market as a whole) shows very positive developments in the share of total premiums and by Life and Non-Life segments with respect to the Latin American market. Although in the 2012-2014 period (especially in the Non-Life line) it reduced its share with respect to the overall Latin American market, since 2015 it has shown a growing trend, which has reversed again as of 2021. Even so, the total proportion of Puerto Rican premiums to the Latin American total has gone from 6.7% in 2012 to 11% in 2022. Similarly, the share in the Life line has also grown from 1.5% in 2012 to reach 2.7% in

Chart 3.1.9-a
Puerto Rico: changes in economic growth and inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

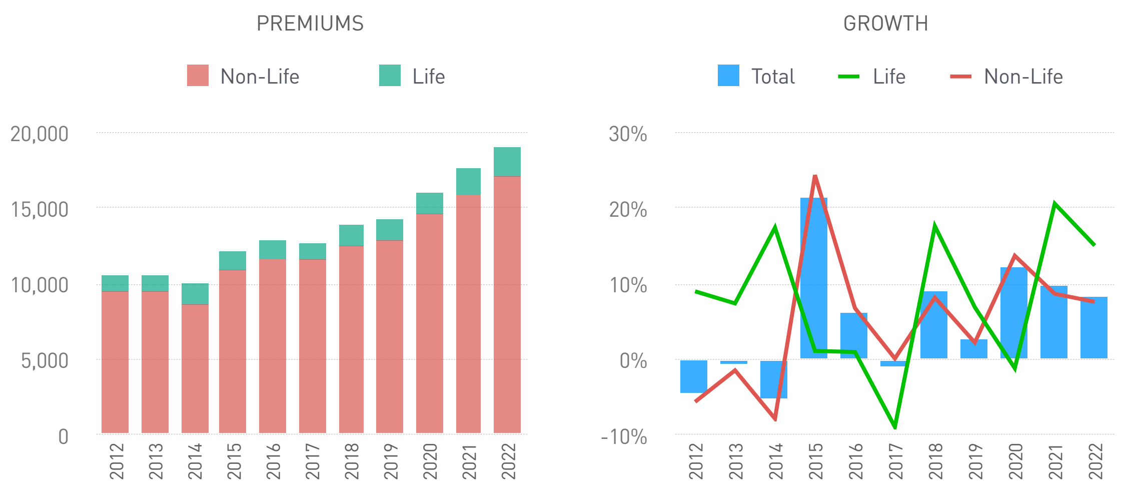
2022, while in the Non-Life line it has increased from 10.6% to 17.1%, representing 4.3 pp and 6.5 pp growth, respectively, over this period (see Chart 3.1.9-c).

Meanwhile, the 8.4% growth of the Puerto Rican insurance market registered in 2022 was due both to the contribution made by the Life insurance segment, which contributed 1.5 pp of that total, and to the more significant contribution made by the Non-Life insurance segment, which contributed 6.9 pp positively (see Chart 3.1.9-d).

### Balance sheet and shareholders' equity

Chart 3.1.9-e shows changes in the aggregate balance sheet of insurance companies operating in Puerto Rico over the 2012-2022 period. According to these data, the insurance industry's total assets amounted to

Chart 3.1.9-b
Puerto Rico: growth developments in the insurance market
(premiums, millions of USD; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Table 3.1.9
Puerto Rico: premium volume[1] by line, 2022

| Line2 | Millions of USD | Growth Nominal (%) | Growth Real (%) |
|---|---|---|---|
| **Total** | **19,133.6** | **8.4** | **3.9** |
| **Life** | **1,992.5** | **15.1** | **10.3** |
| **Non-Life** | **17,141.2** | **7.7** | **3.2** |
| Health | 14,280.0 | 7.9 | 3.5 |
| Automobiles | 953.3 | 6.1 | 1.8 |
| Third-party liability | 333.5 | 3.1 | -1.2 |
| Fire and allied lines | 316.9 | 7.5 | 3.1 |
| Transport | 148.0 | 12.3 | 7.6 |
| Other lines | 1,109.4 | 6.6 | 2.2 |

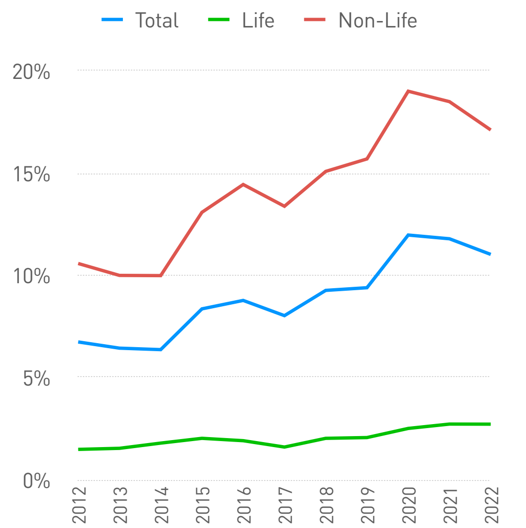
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners)

1/ Written premiums, direct insurance

12.514 billion dollars in 2022, while net worth stood at 3.494 billion dollars, 5.9 pp below the value registered the previous year.

Meanwhile, in terms of the aggregate capitalization levels of insurers operating in that country (measured on total assets), the indicator is above 30% until 2016, reaching its maximum value in 2012, with 35.3%, and stabilizing thereafter to stand at 27.9% in 2022.

Chart 3.1.9-c
Puerto Rico: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC, and supervisory bodies of the region)

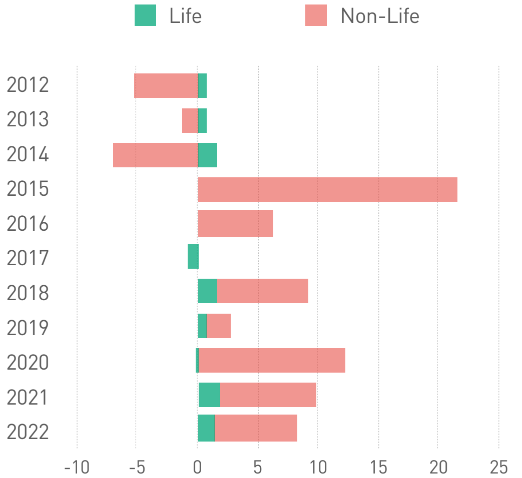
### Investment and technical provisions

Chart 3.1.9-f shows the performance of the aggregate investment portfolio at the sector level for insurance companies in Puerto Rico over the 2012-2022 period. In 2022, the total portfolio amounted to 9.51 billion dollars, 0.4% less than the previous year's figure. Meanwhile, Chart 3.1.9-g illustrates changes in technical provisions at sector level over the period under analysis. According to this information, in 2022, technical provisions reached 5.344 billion dollars, an increase of 6.7% compared to the figure for 2021 (5.007 billion dollars). It should be noted that is not possible on the basis of available data to provide a more detailed disaggregation of the composition of both investment and technical provisions.

### Results and profitability

The result for fiscal year 2022, measured on a consolidated basis for all insurance companies operating in Puerto Rico, was 320 million dollars, 33.4% less than the previous year. In this regard, in terms of market profitability parameters, return on equity (ROE) stood at 8.9% in 2022, down 5.0 pp from 2021. Similarly, the return on assets (ROA) reached

**Chart 3.1.9-d**
**Puerto Rico: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | -4.4 | 0.7 | -5.1 |
| 2013 | -0.6 | 0.7 | -1.3 |
| 2014 | -5.2 | 1.7 | -7.0 |
| 2015 | 21.5 | 0.1 | 21.4 |
| 2016 | 6.2 | 0.1 | 6.1 |
| 2017 | -0.7 | -0.9 | 0.2 |
| 2018 | 9.1 | 1.6 | 7.5 |
| 2019 | 2.7 | 0.7 | 2.1 |
| 2020 | 12.3 | -0.1 | 12.4 |
| 2021 | 9.8 | 1.8 | 8.0 |
| 2022 | 8.4 | 1.5 | 6.9 |

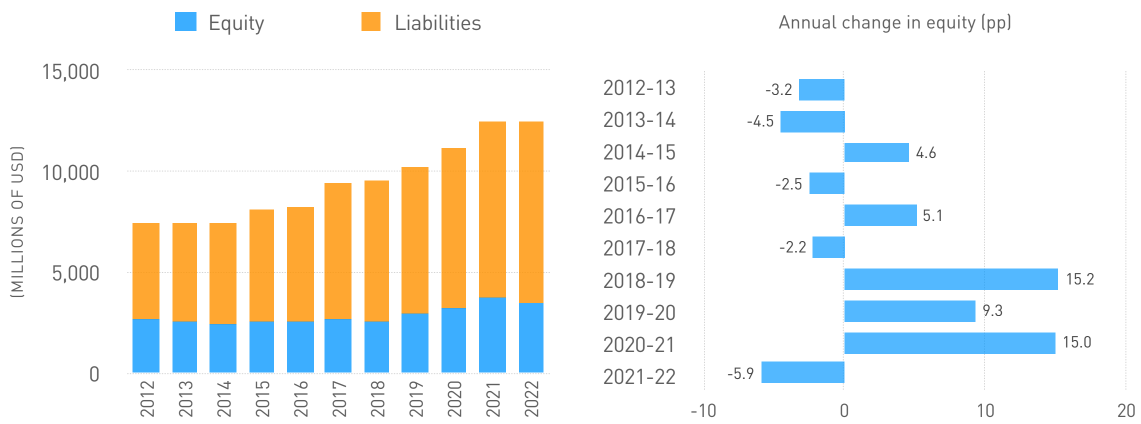
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

2.6% in 2022, which was 1.5 pp lower than in 2021 (see Chart 3.1.9-h).

### Insurance penetration, density and depth

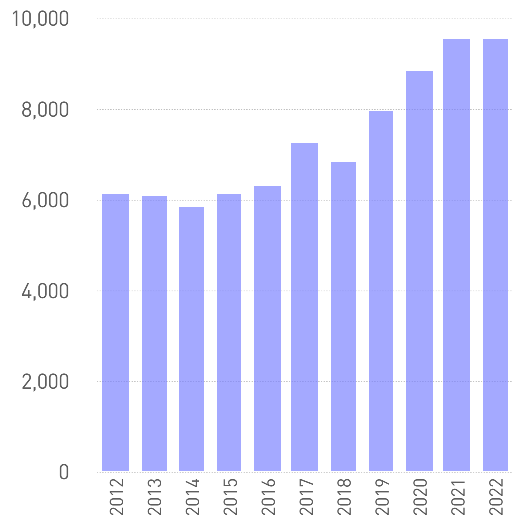
Chart 3.1.9-i shows the main structural trends shaping the development of the Puerto Rican insurance industry over the 2012–2022 period. The penetration rate (premiums/GDP) in 2022 stood at 16.4%, 1 tenth of a percentage point lower than in the previous year and 6 pp above the level reached in 2012. As stated in previous versions of this report, it is the highest indicator value to be found in all of Latin America and is largely because premium volumes in this segment include Health insurance for the poorest groups of society, which is managed by the insurance industry but covered by government budgets.

**Chart 3.1.9-e**
**Puerto Rico: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**



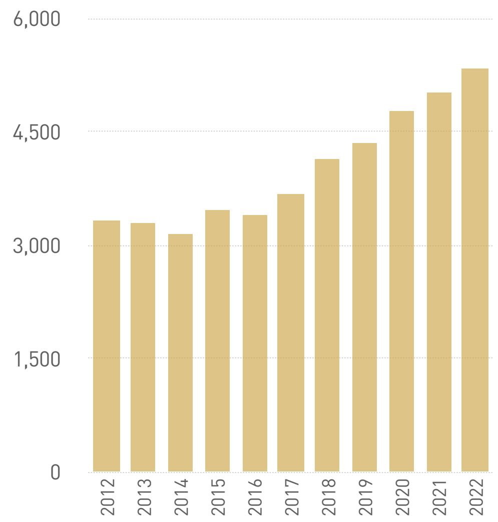

Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-f
Puerto Rico: insurance market investments
(millions of USD)




Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-g
Puerto Rico: technical provisions of the insurance market
(millions of USD)



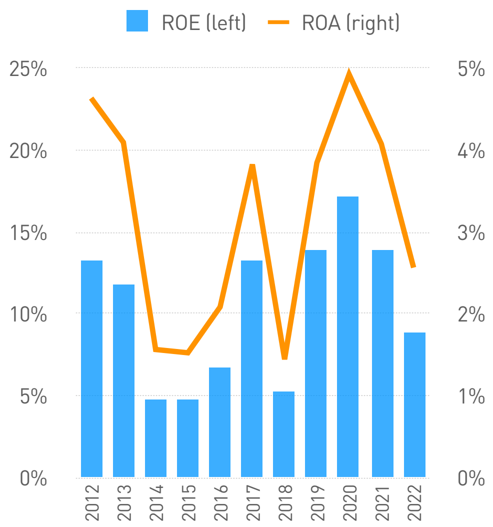

Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Meanwhile, insurance density in Puerto Rico (premiums per capita) came to 5,883 dollars (also the highest in the region), up by 8.5% from the previous year (5,421 dollars). As with penetration, density has continued to grow over the period under analysis, with cumulative growth of 103.5% over the 2012-2022 period, strongly influenced by the impact of the Health insurance line. Finally, the depth index of the Puerto Rican market (measured as the ratio between Life insurance premiums and total premiums) stood at 10.4%, 0.6 pp higher than in 2021 and 1.1 pp higher than in 2012. It should be noted that, in contrast to the penetration and density indicators, the depth growth of the Puerto Rican insurance market has been well below the trend for the wider Latin American market (-31.9 pp).

## Insurance Protection Gap estimate

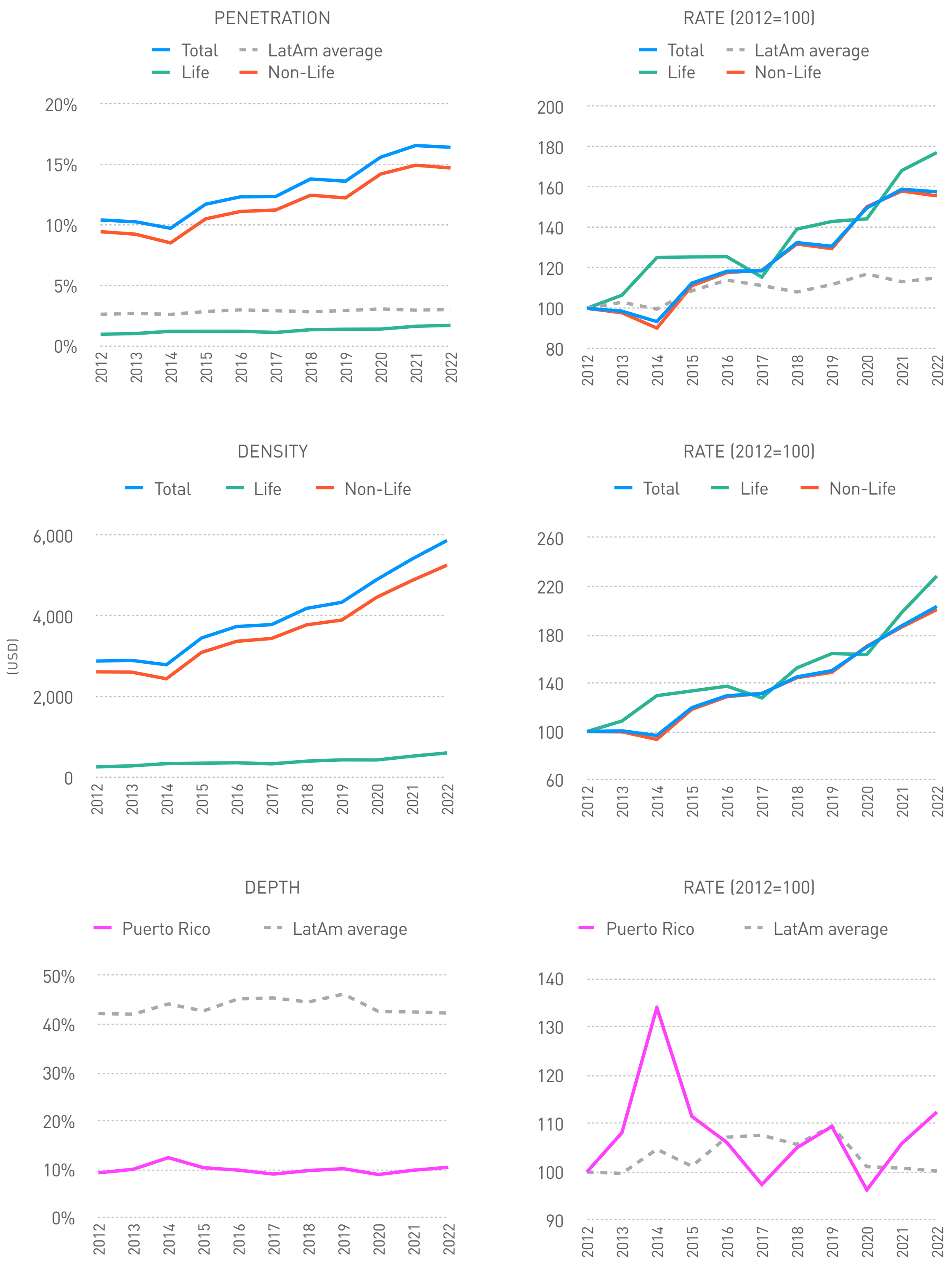
Chart 3.1.9-j presents an updated estimation of the IPG for Puerto Rico insurance market between 2012 and 2022. According to these data, the insurance gap amounted to 2.724 billion dollars in 2022, 0.1 times the size of the insurance market in Puerto Rico at the close of that year. In this case the

Chart 3.1.9-h
Puerto Rico: profitability
(%; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

**Chart 3.1.9-i**
**Puerto Rico: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office) structure and performance of the insurance gap over the period analyzed are largely attributable to the Life insurance segment, given the relative size of the Non-Life insurance segment, thanks to the importance of the Health insurance line. The potential insurance market in Puerto Rico at the close of 2022 (the sum of the actual market plus the IPG) was therefore estimated at 21.857 billion dollars, 1.1 times the size of the total insurance market that year (see Chart 3.1.9-k).

Additionally, Chart 3.1.9-l illustrates the estimated IPG as a multiple of the real insurance market in Puerto Rico. As this schematic analysis shows, the underwriting gap as a multiple of the market (concentrated in the Life insurance segment), shows a decreasing trend over 2012-2022, going from 0.4 to 0.1 times in that period.

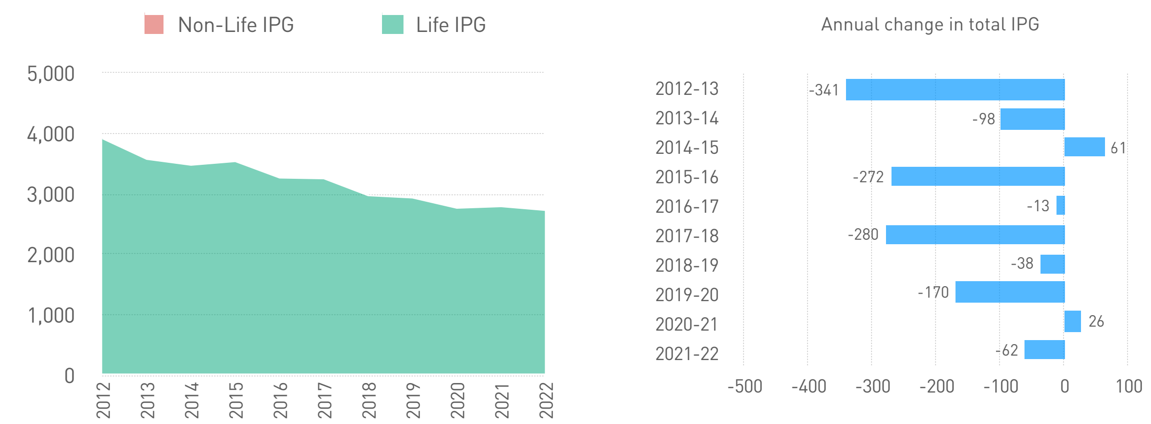
Finally, Chart 3.1.9-m complements this analysis by graphically summarizing the development of the IPG as a multiple of the real market of the Life, Non-Life and total Puerto Rican insurance market segments over the last decade, comparing the situation in 2022 versus 2012. In this sense, an improvement can be seen basically in terms of the gap in the Life segment, insofar as the gap in Non-Life insurance is practically nil.

To summarize this analysis, Chart 3.1.9-n shows the result of the assessment of the Puerto Rican insurance market's capacity to close the insurance gap, using a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the gap determined in 2022 over the following ten years. According to this exercise, in the past decade the insurance market in Puerto Rico grew at an average annual rate of 6.1%, which was composed of an annual growth rate of 7.4% in the Life insurance segment and 6.0% in the case of Non-Life insurance. As a result, if the growth dynamics observed in the past decade are maintained over the next ten years, the growth rate of the Puerto Rico insurance market would fall short by -1.6 pp for achieving the objective in the case of the Life insurance segment, which is where the IPG is concentrated in this insurance market; a shortfall that has decreased with respect to the measurement made in 2021 by 1.6 pp (when the shortfall was -3.3 pp).

### Market Development Index (MDI)

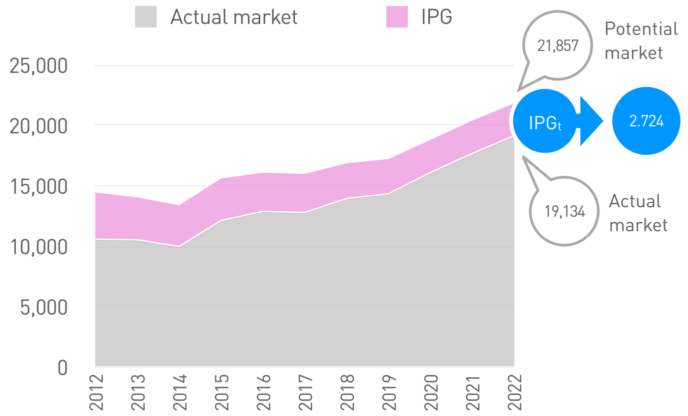
An updated estimate of the Market Development Index (MDI) for the insurance industry in Puerto Rico is shown in Chart 3.1.9-o. Ac-

**Chart 3.1.9-j**
**Puerto Rico: Insurance Protection Gap**
**(millions of USD)**




Source: MAPFRE Economics

**Chart 3.1.9-k**
**Puerto Rico: Insurance Protection Gap and potential market**
**(millions of USD)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 80.9% | -30.3% |
| 2022-2021 | 8.4% | -2.2% |

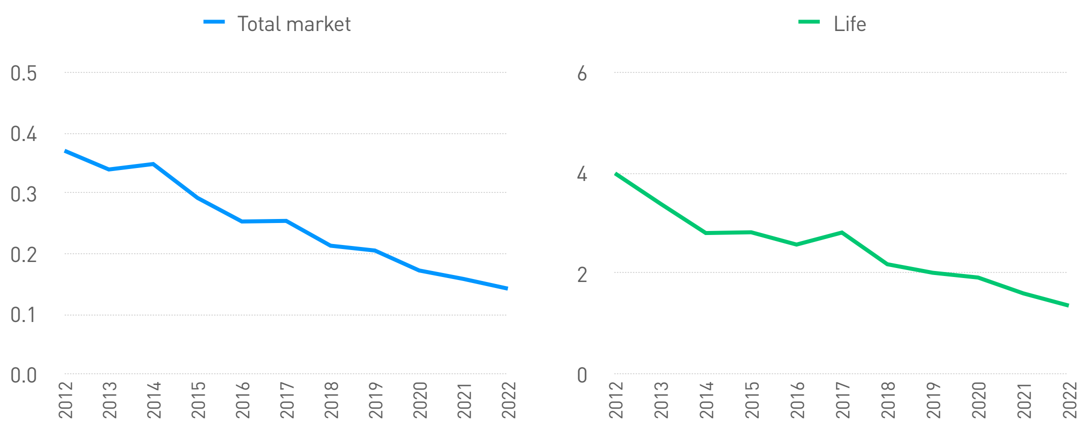
Source: MAPFRE Economics

cording to this information, the MDI shows a clear positive trend throughout the entire period analyzed. Moreover, the MDI for the Puerto Rico market diverges positively with respect to the average development of the Latin American insurance market as of 2019.

### Joint analysis of structural coefficients

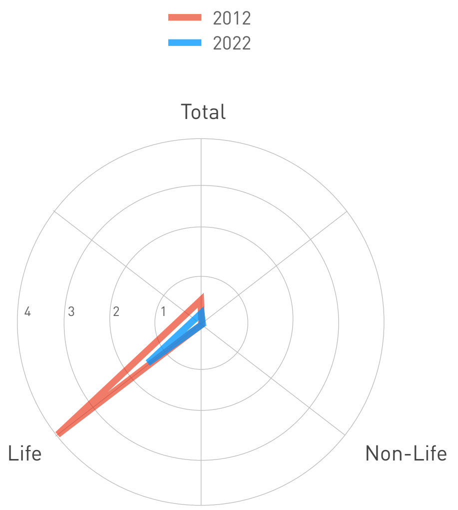
To complement this analysis, Chart 3.1.9-p presents a schematic summary of the situation of the Puerto Rican insurance market in comparison with the Latin American average, from the perspective of the different structural indicators analyzed. With the exception of depth (due to the insufficient relative development of the Life insurance segment within the Puerto Rican market), all the other indicators, especially penetration and density, are well above the average for Latin America. As mentioned above, this is because private health insurance is a highly developed concept in Puerto Rico. Similarly, the analysis of the development of the Puerto

**Chart 3.1.9-l**
**Puerto Rico: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.1.9-m
Puerto Rico: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

Rican insurance industry confirms, in general terms, a balanced trend over the past decade, with improvements in both the quantitative (penetration) and qualitative (depth) dimensions.

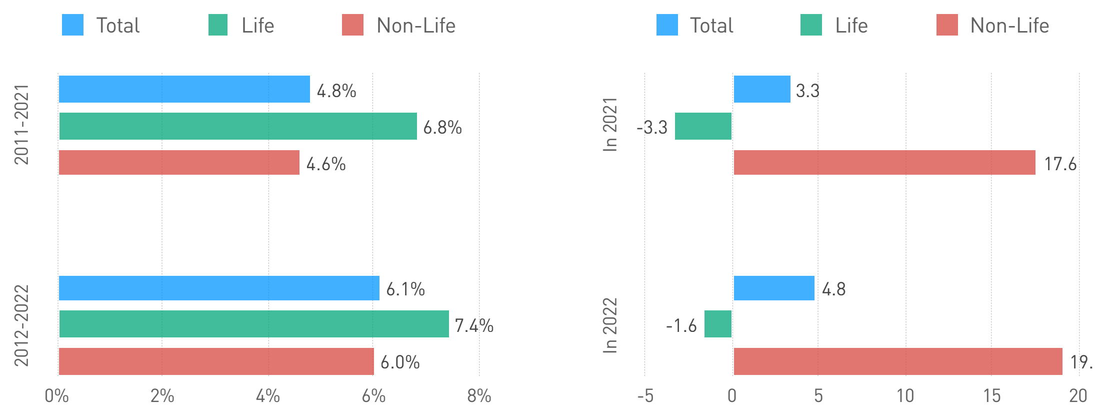
## Insurance market rankings

### Total ranking

The number of companies authorized to offer insurance services in Puerto Rico changed in 2022. At year-end, the Puerto Rican market had 106 Life and Disability insurers (down 4 from 2021), 209 Property and Casualty insurers (down 1 from 2021), 44 reinsurers (up 2 from 2021) and 13 Health service organizations. The analysis of the indices that measure market concentration (see Chart 3.1.9-q), shows levels below the theoretical threshold that indicates moderate concentration. Of particular note, however, is the increase in concentration that will be particularly noticeable in the Non-Life insurance segment as of 2019.

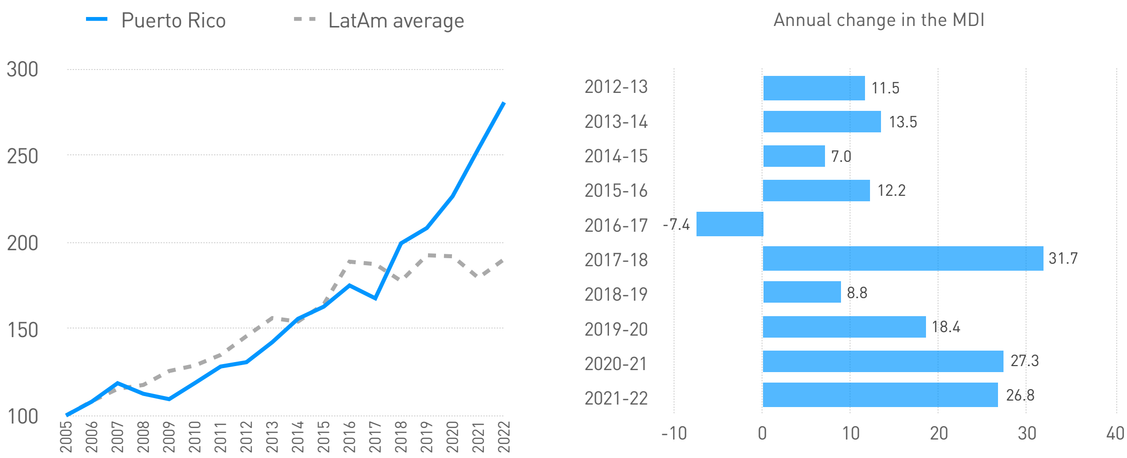
However, in terms of the overall ranking, the top three places are occupied by Elevance (formerly Innovacare), with a 23.8% share, GuideWell (following the acquisition of Triple-S), with a 22.0% share, and MCS, with a 15.1% market share. These are companies specialized in Health insurance, so their market shares are far behind those of other market participants (see Chart 3.1.9-r).

Chart 3.1.9-n
Puerto Rico: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

Chart 3.1.9-o
Puerto Rico: Market Development Index (MDI)
(2005 index=100; annual change)

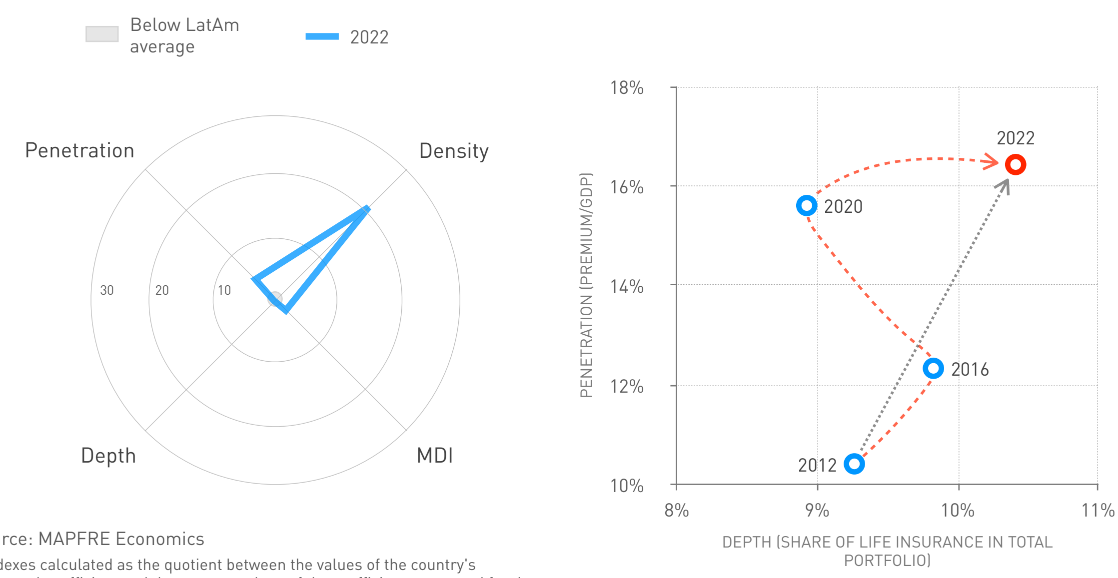



Source: MAPFRE Economics

## Life and Non-Life rankings

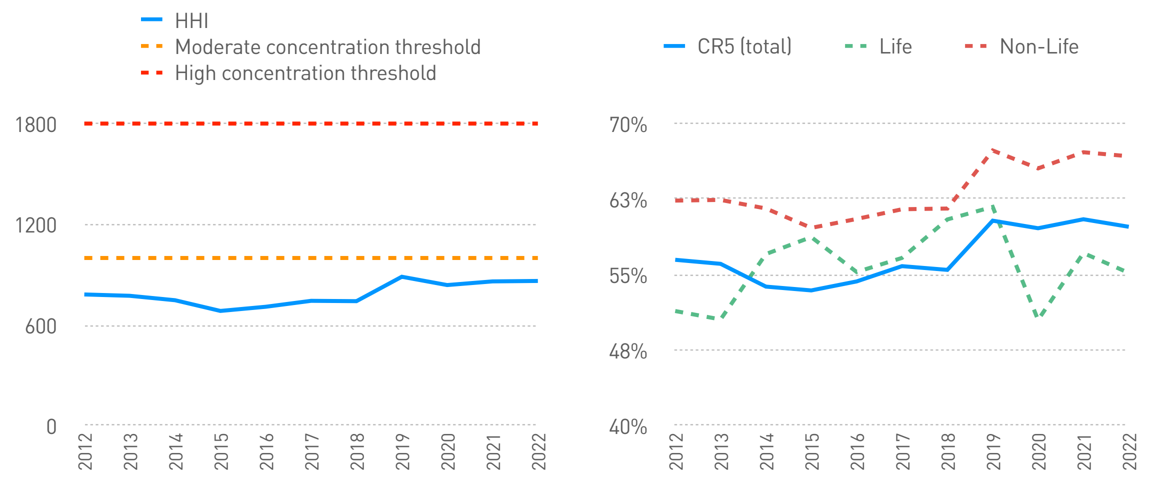
Given the relative importance of the Health insurance segment in the Puerto Rican market, the total and Non-Life rankings are very similar. As a result, first place for the second year in the Non-Life ranking is held by Elevance, with 26.5% of premiums; in second place is GuideWell, with a market share of 23.7%, and in third place is MCS, with 16.8% market share in this segment (see Chart 3.1.9-s). However, if the Non-Life ranking is

Chart 3.1.9-p
Puerto Rico: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.1.9-q
Puerto Rico: insurance industry concentration
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office)

analyzed without considering the Health line, i.e. taking into account the rest of the lines of insurance (see Chart 3.1.9-t), the ranking would be led by Universal, with 18.7%, followed by Cooperativa de Seguros (13.9%) and MAPFRE (13.2%). Meanwhile, in the Life insurance segment ranking, the top three places are occupied by Universal Life, with a 22.7% share of premiums, followed by Lincoln Financial (9.1%), which overtakes Trans-Oceanic Life with an 8.2% market share.

## Key regulatory aspects

With regard to the main regulatory aspects in 2022 in the Puerto Rico insurance market, it is worth mentioning the following that modified the prudential regulatory framework, as well as various regulatory provisions issued by the Office of the Insurance Commissioner of Puerto Rico.

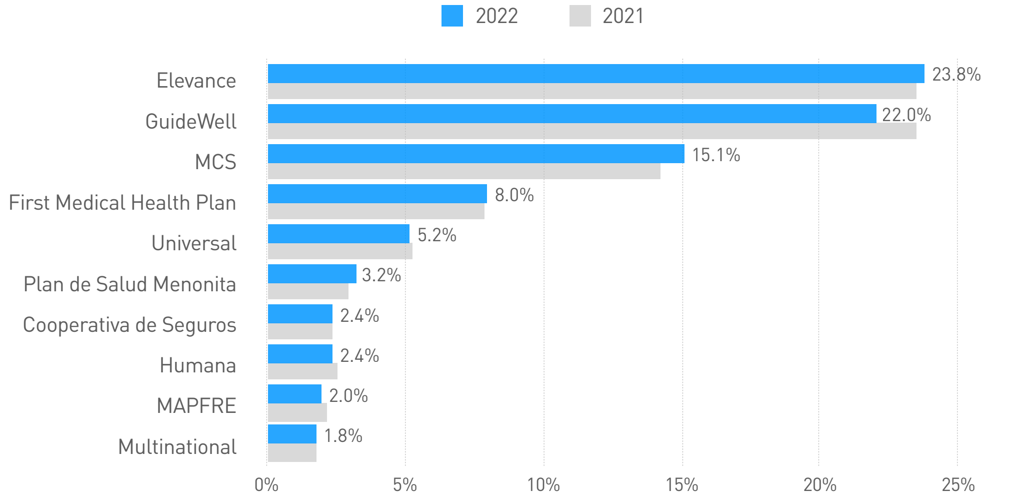
- Act No. 7-2022, to amend Section 7.022 of Act No. 77 of June 19, 1957 (known as the "Insurance Code of Puerto Rico"), in order to make a technical amendment to clarify that the special premium tax contained in said Section does not apply to cooperative insurers.

- Act No. 12-2022, to amend subsection (6) of Section 25.030 of Act No. 77 of June 19, 1957 (known as the "Insurance Code of Puerto Rico"), in order to clarify the mechanism to be used by the insurer to reflect the amount of the reserve required by Chapter 25 of said Act, and for other related purposes.

- Act No. 13-2022, to amend Sections 4, 11, and 13 of Act 97-2018 (known as the "Bill of Rights for Persons with Down Syndrome"), in order to clarify its scope; to establish a penalty applicable, at the discretion of the court, to any health insurance organization or insurer, contracted or in agreement to provide medical services in Puerto Rico, that violates the provisions of Section 11 of the cited Act; and for other related purposes.

- Act No. 37-2022, to amend Sections 46.030, 46.080, 46.090, 46.100, 46.120, and 46.121, to add a new Section 46.110, to

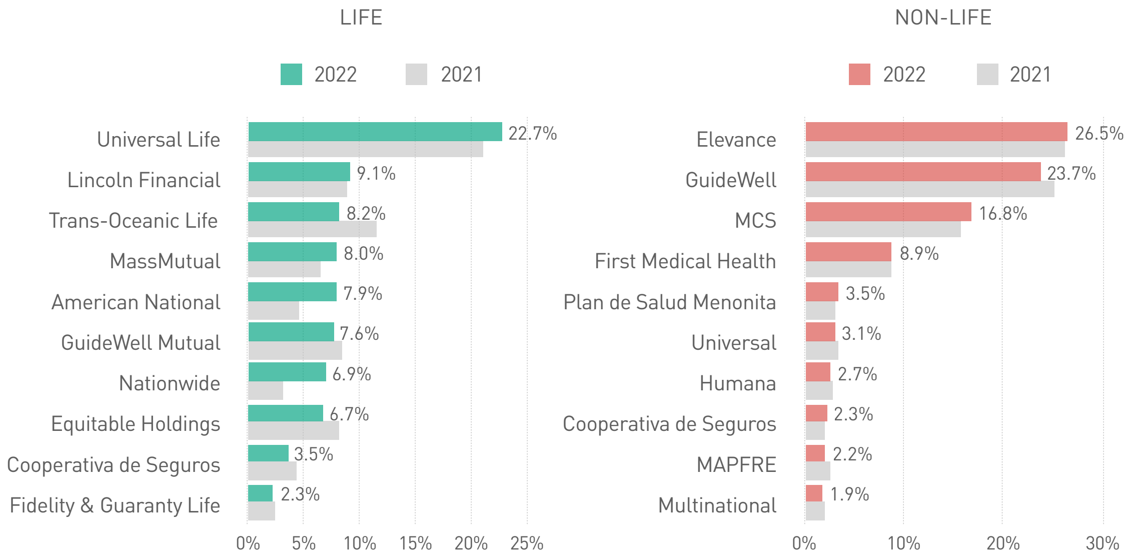
Chart 3.1.9-r
Puerto Rico: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

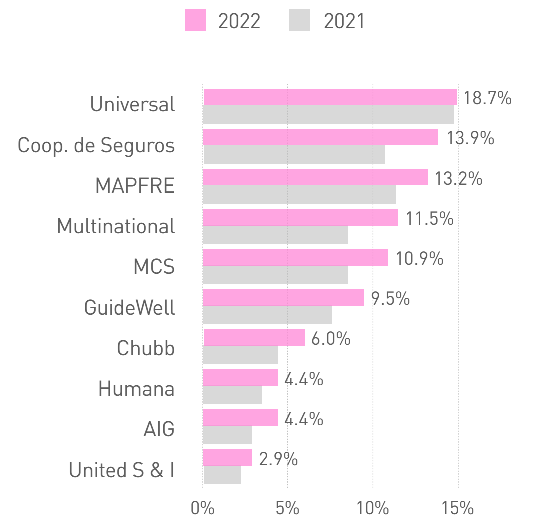
amend and renumber the current Section 46.110 as 46.130, and to renumber the current Section 46.130 as a new Section 46.140 of Act No. 77 of June 19, 1957 (known as the "Insurance Code of Puerto Rico"), in order to adopt the standards applicable to reinsurance operations in Reciprocal Jurisdictions consistent with the new standards applicable to reinsurance operations in Reciprocal Jurisdictions in line with the new criteria established in the Reinsurance Credit Bill of the National Association of Insurance Commissioners.

Chart 3.1.9-s
Puerto Rico: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

**Chart 3.1.9-t**
**Puerto Rico: Non-Life ranking (without Health)**
(market shares, %)




Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

- Act No. 70-2022, to amend Act No. 77 of June 19, 1957 (known as the "Insurance Code of Puerto Rico"), in order to create a new Chapter 32 on "Corporate Governance", the purpose of which is to establish the requirements on the Annual Corporate Governance Disclosure Report of insurers and domestic health service organizations; and for other related purposes.

The following are noteworthy in terms of Rules and Amendments:

- Rule No. 98 of the Regulations of the Insurance Code of Puerto Rico, "Credit for Reinsurance" (Rule No. 9394), whereby this new rule is adopted and Rule No. 98 in effect and its amendment is repealed, for the purpose of adopting in a single rule the rules to regulate the contracting of reinsurance by domestic assignor insurers, including the criteria and parameters applicable to the granting of credit for reinsurance in the form of asset or liability reduction, in accordance with the provisions of Chapter 46 of the Puerto Rico Insurance Code, as amended by Act No. 150 of July 22, 2018 Likewise, the standards applicable to reinsurance operations in Reciprocal Jurisdictions are adopted, in accordance with the new criteria established by the National Association of Insurance Commissioners in its model law (known as "*Credit for Reinsurance Model Law*") and its model regulation (known as "*Credit for Reinsurance Model Regulation*"), all in compliance with the federal law known as the "*Non-admitted and Reinsurance Reform Act of 2010*" (NRRA).

- Rule No. 104 "Annual Corporate Governance Disclosure Report" (Rule No. 9396) whose purpose is to require and establish the content and procedures for the filing of the Annual Corporate Governance Disclosure Report (CGAD), requested by the Commissioner from the companies to which it applies, as provided in said Regulation.

- Rule No. 48 of the Regulations of the Insurance Code of Puerto Rico, "Standards for Valuation of Reserves and Nonforfeiture Values for Life Insurance Policies" (Rule No. 9373), which adapts this new rule and repeals the current Rule 48, in order to update the minimum reserve valuation standards for life insurance policies, health and accident insurance policies, annuity contracts, pure endowment insurance contracts and deposit-type contracts, and the non-forfeiture value standards for life insurance policies, in accordance with the regulatory standards promulgated by the National Association of Insurance Commissioners, in its model regulation (known as "*Standard Valuation Law*" and "*Standard Nonforfeiture Law for Life Insurance*").

- Rule No. 14-A, "Audited Financial Statements" (Rule No. 9378), which adapts this Rule to the most recent version of Model Regulation No. 205 entitled "*Annual Finan-*

*cial Reporting Model Regulation*" of the National Association of Insurance Commissioners. The same requires: (i) an annual audit of the financial statements prepared by an independent certified public accountant, reporting the insurance company's financial condition and results of operations; (ii) the Communication of Internal Control Matters Observed in an Audit, and (iii) a General Report on Internal Controls over Audited Financial Statements, to be filed with the Office of the Commissioner of Insurance.

Finally, with regard to the Regulatory Charters, the following are noteworthy:

- CN-2022-326-D. Repeal of Regulatory Letter Number CN-2022-317-D on the Management of Drug Dispensing, Out-of-Network Providers, Preauthorizations, Referrals and Claims of Providers, Insureds and Subscribers (11/23/2022).
- CN-2022-327-D. Repeal of Regulatory Letter Number CN-2022-318-D on Grace Period for Payment of Premiums and Temporary Postponement of Cancellation of Policies for Non-Payment (11/23/2022).
- CN-2022-325-D Re: Department of Health OA #554 on Obligation of Health Service Organizations and Insurers Underwriting Medical Plans in Puerto Rico to Provide Influenza Treatment, Medication and Diagnostic Tests; Mandatory Immunization Coverage (11/18/2022).
- CN-2022-324-D. Implementation of *P.R. Insurance Data Collection Report for Hurricane Fiona;* amended by CN-2023-334-D (10/26/2022).
- CN-2022-323-D. National Association of Insurance Commissioners Uniform Market Information Collection System (Mcas) (10/20/2022).
- CN-2022-322-D. Provisional Process for the Extension of Mandatory Liability Insurance Coverage during the moratorium period established as a result of the State of Emergency due to Hurricane Fiona (9/28/2022).
- CN-2022-321-D Re: Method of Arranging for the Investigation, Adjustment and Priority Resolution of Critical Sector Claims as a Result of the Passage of Hurricane Fiona (9/27/2022).
- CN-2022-320-D. Repeal of Regulatory Letters Nos. CN-2020-267-D of March 16, 2020 and CN-2020-273-D of March 31, 2020, on Grace Period for Payment of Premiums and Temporary Postponement of Cancellation of Policies for Non-Payment (9/22/2022).
- CN-2022-319-D. Procedure for Granting Special Permit for Emergency Adjusters (9/21/2022).
- CN-2022-319-D-Appendix. Procedure for Special Permit as an Emergency Public and Independent Adjuster-Appendix (9/21/2022).
- CN-2022-317-D (Repealed). Access to Health Services on Medical Plans - Hurricane Fiona. Repealed: See CN-2022-326-D (9/20/2022).
- CN-2022-318-D (Repealed). Grace Period for Payment of Premiums, Temporary Postponement of Policy Cancellation for Non-Payment and Extension of Term of Insurance Contracts and Policies. Repealed: See CN-2022-327-D (9/20/2022).
- CN-2022-316-AF Appendix. Annual Climate Risk Disclosure Form (06/09/2022).
- CN-2022-316-AF. Annual Climate Risk Disclosure Form Submission Requirement (06/09/2022).
- CN-2022-315-AS (Repealed). Fees for Covid-19 Screening Tests. Repealed by CN-2023-335-D (05/10/2022).
- CN-2022-314-AS. Extension of the Transition Process Applicable to Certain Medical Plan Renewals (04/05/2022).

- CN-2022-313-AS. Form and Rate Filings Submissions to be Effective for Calendar Year 2023 (3/15/2022).
- CN-2022-312-AF. Supplement to Process Regarding Provisional Extension of Coverage for Mandatory Liability Insurance (2/16/2022).
- CN-2022-311-AF. Exemption from the visit of the Actuary to the Home Office Year 2022 (1/26/2022).
- CN-2022-310-D. Arbitrator's Report on the Valuation Processes (1/18/2022).
- CN-2022-310-D Annex. CN-2022-310-D Annex (1/18/2022).
- CN-2022-309-D. Catastrophic Insurance Loss Reserve (1/12/2022).
- CN-2021-308-D. Clarification of the Extension of the Interim Process for the SRO Cover Extension (1/10/2022).

## 3.2 South America

### 3.2.1 Colombia

#### Macroeconomic environment

The Colombian economy grew 7.3% in 2022 (+11.0% in 2021), which represented a significant increase, considering the base effect due to the previous year's high growth after the reopening of the economy, albeit in a context of soaring inflation (10.2% annual average). This economic growth was driven by domestic demand, including household consumption, private investment and the recovery of most activity sectors, particularly those related to tourism (see Chart 3.2.1-a).

Labor market indicators continued to improve (with a 10.9% unemployment rate in 2022, compared to 13.7% in 2021), but remained below pre-pandemic levels. However, inflation reached 13.1% at the end of 2022 due to the sharp rise in energy and food prices. This was a result of high domestic demand, the international context, crop losses from heavy rains, and the depreciation of the Colombian peso, among other factors, impacting the most disadvantaged classes, who also experienced adverse weather effects, and in particular the La Niña phenomenon. In the fiscal area, the central government deficit was further reduced to 5.3% of GDP in 2022 (7.1% in 2021). Meanwhile, central government debt relative to GDP also decreased to 58.5% in 2022 (60.1% in 2021). Although it remains high, which means that the government's fiscal capacity to respond to adverse situations is still limited.

In this context, the Central Bank of Colombia continued to tighten its monetary policy, increasing its policy interest rate eight consecutive times until reaching 12.0% (from 3% at the start of the year). In 2023, the central bank has continued to increase its policy rate, raising it three more times, up to 13.25% at its April meeting, and holding it at that level as of the date of this report, amid easing yet still high inflation (11.8% year-on-year in July).

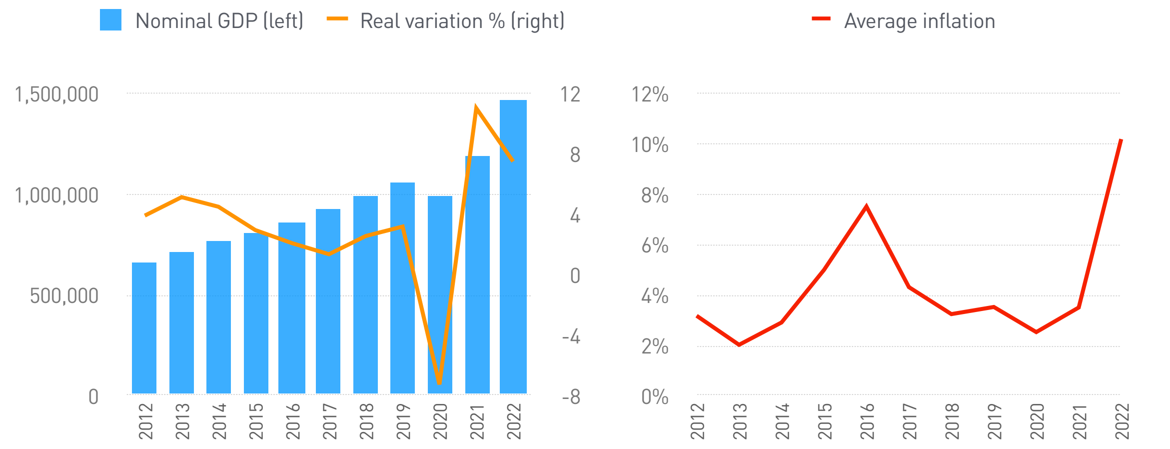
MAPFRE Economics anticipates a significant slowdown in Colombian GDP growth, to around 1.0%, in 2023 and 1.9% in 2024, while ECLAC has forecast 1.2% and 1.9%, respectively, due to tightening financing conditions and a loss of household purchasing power amid high inflation rates, a contractionary fiscal policy and weaker external demand.

#### Insurance market

**Growth**

In 2022, the Colombian insurance industry registered 47.292 trillion pesos (11.098 billion dollars) in premiums, representing a nominal increase of 33.8% and a real increase of 21.4%. This was a result of strong performance in both market segments, and particularly Life insurance, which saw a nominal increase of 67.0%, driven by pension insurance, up 135.4%, reaching premium volume of 10.492 trillion pesos (2.462 billion dollars).

Chart 3.2.1-a
Colombia: changes in economic growth and inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

This growth was influenced by the issuing by Asulado, a new insurance company that entered the market in December 2022, of 19,560 policies in the Life Annuities–Pensions Law 100 line of business, to assume the risks of AFP Protección pensioners (see Table 3.2.1 and Chart 3.2.1-b). Meanwhile, all Non-Life lines saw nominal increases in premium volume in 2022, especially Automobiles, with 30.4%, and Transportation, 28.8%. Workplace Accident insurance, the area with the highest premium volume, showed a significant increase of 20.3% (9.1% real), related to an increase in the number of workers enrolled in the system and rise in minimum wage.

Over the last decade, the Colombian market's share of total premiums and by Life and Non-Life segments with respect to the Latin American market has evolved favorably in general terms, especially in the Life segment, although it declined in 2015–2016 before recovering a growth trend. The proportion of total Colombian premiums in the Latin American total increased from 5.7% in 2012 to 6.4% in 2022, thanks to a larger share in the Life line of business, which rose from 4.0% in 2012 to 5.7% in 2022, while the country's Non-Life share remained stable at around 6.9%, falling 1 pp in 2022 (see Chart 3.2.1-c).

Due to a significant increase in pension insurance premiums, the Life segment made the greatest contribution to the Colombian insurance industry's growth in 2022, adding 20.3 pp to the industry's total growth in that year (33.8%). Meanwhile, the Non-Life segment contributed 13.5 pp to growth in 2022 (see Chart 3.2.1-d).

### Balance sheet and shareholders' equity

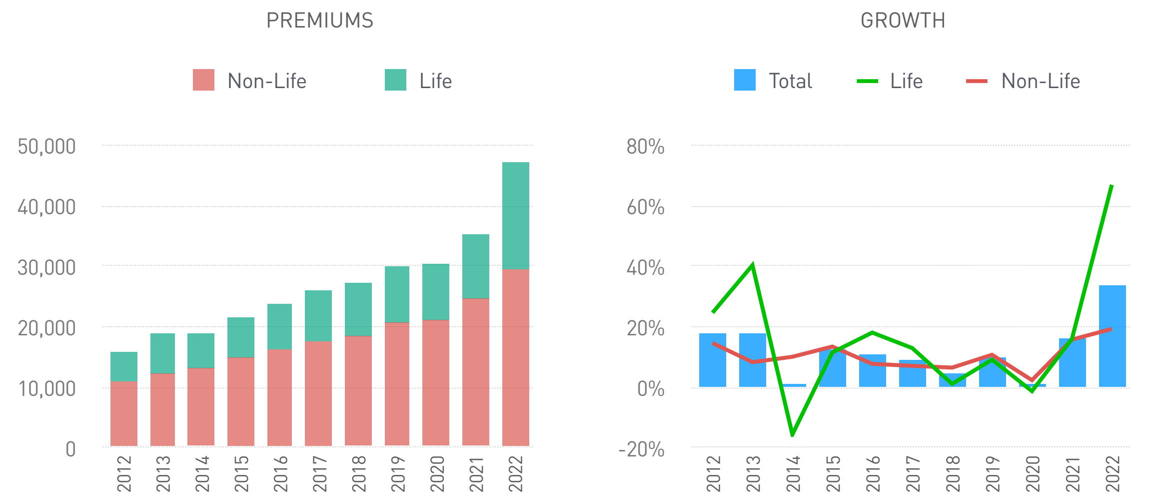
Chart 3.2.1-e shows the performance of the aggregate balance sheet at sector level for the Colombian insurance industry over the 2012–2022 period. Based on this information, the industry's total assets amounted to 117.203 trillion pesos (24.153 billion dollars). Similarly, the industry's aggregate equity stood at 17.357 trillion pesos (3.577 billion dollars) for the year, an increase of 14.4 pp compared to the previous year. Meanwhile, aggregate capitalization levels in the Colombian insurance industry (measured relative to

Table 3.2.1
Colombia: premium volume[1] by line, 2022

| Line | Millions of pesos | Millions of USD | Growth Nominal (%) | Growth Real (%) |
|---|---|---|---|---|
| **Total** | **47,292,202.7** | **11,097.9** | **33.8** | **21.4** |
| **Life** | **17,870,454.0** | **4,193.6** | **67.0** | **51.6** |
| Life — individual and group | 7,378,500.4 | 1,731.5 | 18.2 | 7.2 |
| Pension insurance | 10,491,953.6 | 2,462.1 | 135.4 | 113.6 |
| **Non-Life** | **29,421,748.7** | **6,904.3** | **19.4** | **8.4** |
| Automobiles | 5,032,957.5 | 1,181.1 | 30.4 | 18.3 |
| Other lines | 4,562,637.6 | 1,070.7 | 18.4 | 7.5 |
| SOAT[2] | 3,622,471.4 | 850.1 | 13.8 | 3.2 |
| Health | 2,822,828.6 | 662.4 | 15.8 | 5.1 |
| Earthquake | 1,259,033.7 | 295.5 | 8.9 | -1.1 |
| Fires | 1,357,207.0 | 318.5 | 12.6 | 2.2 |
| Third-party liability | 2,155,170.0 | 505.7 | 22.4 | 11.1 |
| Personal Accidents | 1,561,039.0 | 366.3 | 18.9 | 7.9 |
| Transport | 493,982.2 | 115.9 | 28.8 | 16.9 |
| Theft | 541,830.0 | 127.1 | 9.1 | -1.0 |
| Aviation | 257,772.0 | 60.5 | 18.2 | 7.2 |
| Credit | 181,770.4 | 42.7 | 28.1 | 16.2 |
| Workplace accidents | 5,573,049.2 | 1,307.8 | 20.3 | 9.1 |

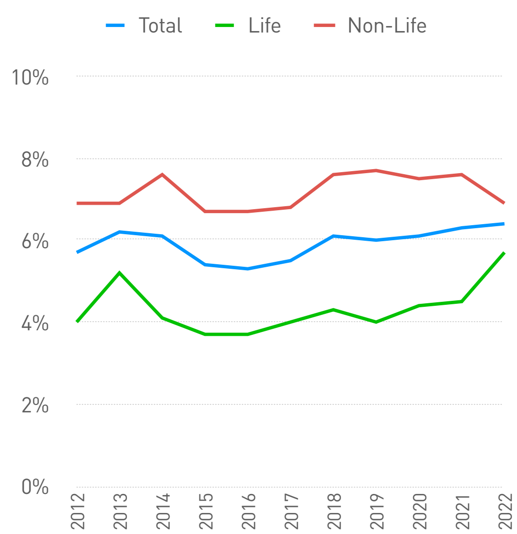
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)
1/ Written premiums
2/ Compulsory Traffic Accident Insurance

Chart 3.2.1-b
Colombia: growth developments in the insurance market
(premiums, billions of pesos; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-c**
**Colombia: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia and supervisory bodies of the region)

total assets) dropped again in 2022, representing 14.8% of assets at year end, compared to 15.3% in 2021. This is above the capitalization levels of other markets that have a higher degree of relative development in the region, such as Mexico, Chile or Brazil.

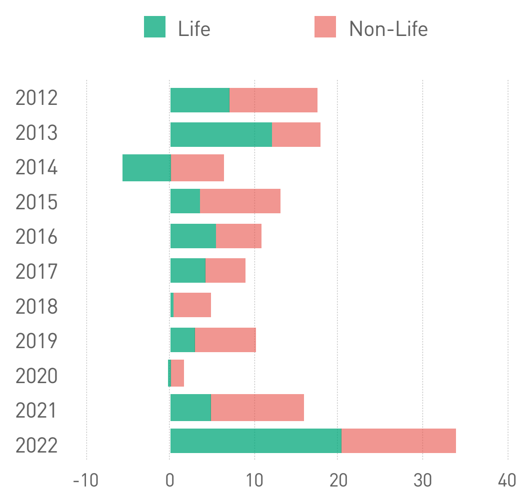
### Investments

Chart 3.2.1-f shows the evolution of investments in the Colombian insurance industry between 2012 and 2022, while Charts 3.2.1-g and 3.2.1-h show changes in the investment portfolio structure during said period, and specifically in 2022. As can be seen, investments of the Colombian insurance industry totaled 71.623666 trillion pesos (14.76 billion dollars) in 2022, including cash and real estate (investment properties), showing a slight decrease of 0.8% from the previous year. In terms of structure, investment was concentrated in fixed income (80.3%) and, to a lesser extent (14.7%), in equity instruments.

### Technical provisions

Regarding technical provisions in the Colombian insurance market, Chart 3.2.1-i shows changes at industry level over the 2012–2022 period, while Charts 3.2.1-j and 3.2.1-k highlight their relative composition over that period. In this regard, technical provisions amounted to 87.197 trillion pesos (17.969 billion dollars) in 2022. Of the total technical

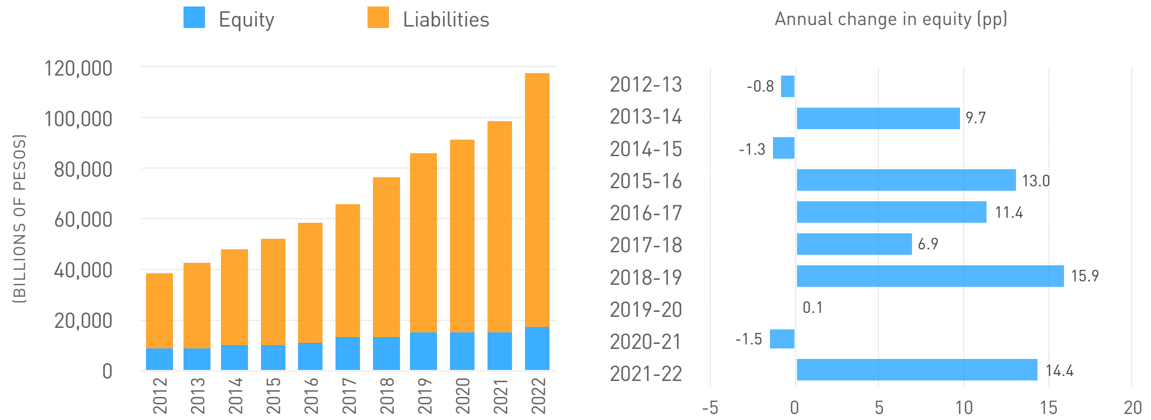
**Chart 3.2.1-d**
**Colombia: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 17.5 | 7.0 | 10.6 |
| 2013 | 18.0 | 12.1 | 5.9 |
| 2014 | 1.1 | -5.5 | 6.6 |
| 2015 | 13.0 | 3.5 | 9.5 |
| 2016 | 10.9 | 5.3 | 5.5 |
| 2017 | 9.0 | 4.1 | 4.9 |
| 2018 | 4.9 | 0.4 | 4.5 |
| 2019 | 10.3 | 2.9 | 7.4 |
| 2020 | 1.3 | -0.4 | 1.7 |
| 2021 | 15.9 | 4.9 | 11.1 |
| 2022 | 33.8 | 20.3 | 13.5 |

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-e
Colombia: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



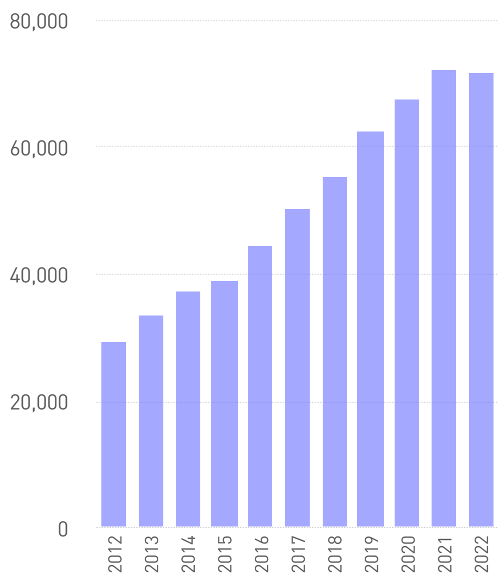

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

provisions, 56.6% related to Life insurance (5.7 pp more than the previous year), 12.0% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 26.3% to provisions for outstanding benefits, 2.1% to provisions for catastrophic risks and the remaining 3.0% to other technical provisions. Sustained absolute growth was observed in technical provisions for the Colombian insurance industry over the 2012–2022 period. Technical provisions for Life insurance almost tripled in volume to 49.335 trillion pesos (10.167 billion dollars), although their share of total provisions decreased from 58.4% in 2012 to 56.6% in 2022. Conversely, provisions for outstanding benefits increased their share most, from 23.6% in 2012 to 26.3% in 2022.

### Technical performance

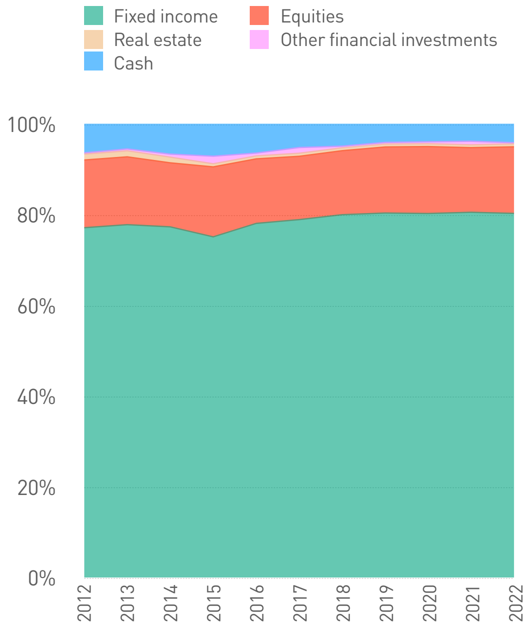
Chart 3.2.1-l shows the technical result of the Colombian insurance industry, based on an analysis of the total combined ratio. As this data reflects, in 2022, the country's insurance market showed a technical deterioration, with the combined ratio rising 5.6 pp from 2021, to 120.4%, due to a 2.2 pp increase in the loss ratio and a 3.4 pp increase in the expense ratio. The performance of Life insurance companies mainly contributed to this deterioration, since as shown in Chart 3.2.1-m, the combined ratio of companies operating in Property & Casualty insurance

Chart 3.2.1-f
Colombia: insurance market investments
(billions of pesos)



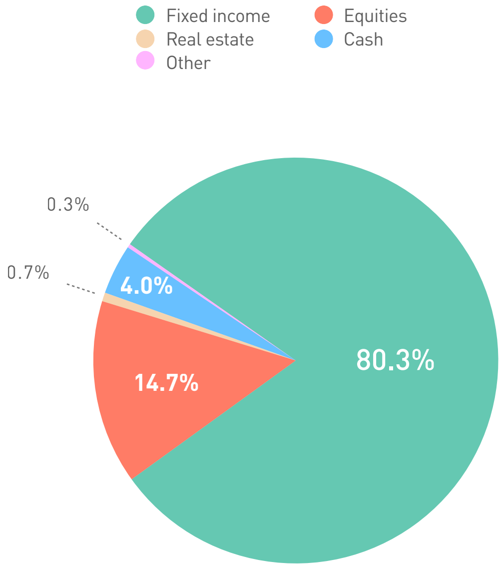

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-g**
**Colombia: structure of investments**
**(%)**




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-h**
**Colombia: structure of investments, 2022**
**(%)**



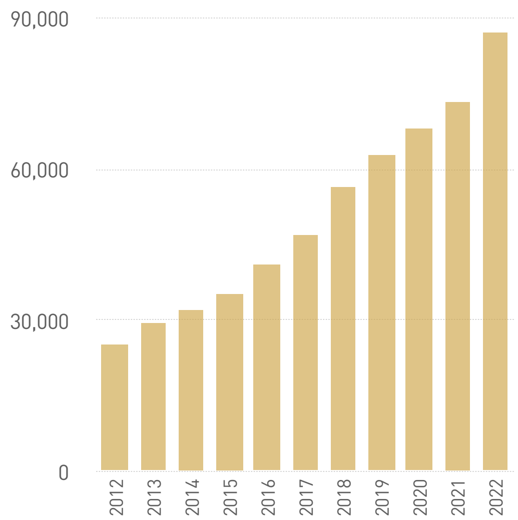

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

(Non-Life) improved slightly (-0.8 pp) from 2021, standing at 103.2%, as a result of lower expenses (-0.9 pp) and a slight rebound in the loss ratio (-0.1 pp), to 52.3%.

### Results and profitability

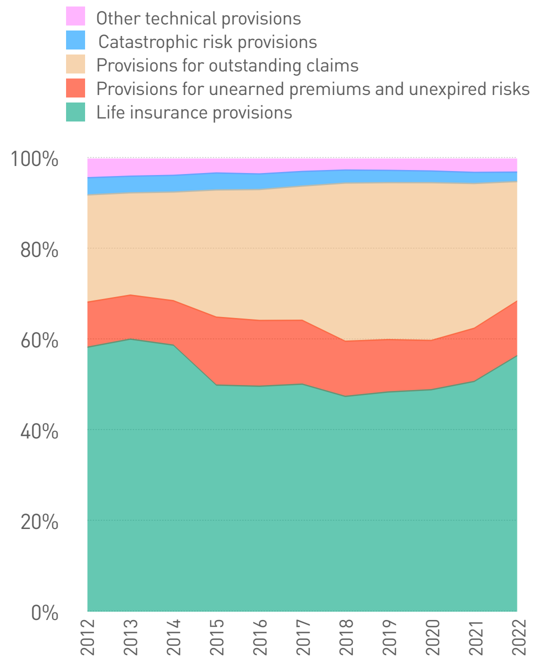
Despite the impairment of the technical result, the net result of the Colombian insurance business in 2022 showed significant growth of 205.4% year-on-year, up to 2.648 trillion pesos (621 million dollars). This was driven by a marked increase in yields, which amounted to 8.4 trillion pesos (1.967 billion dollars), a 94.0% increase from the previous year. Meanwhile, as shown in Chart 3.2.1-n, the industry's profitability in 2022 was much higher than in 2021. In this regard, return on equity (ROE) stood at 16.3%, compared to 5.7% the previous year; a similar situation emerges for return on assets (ROA), which reached 2.5% in 2022, representing an increase of 1.5 pp compared to the previous year.

**Chart 3.2.1-i**
**Colombia: technical provisions of the insurance market**
**(billions of pesos)**



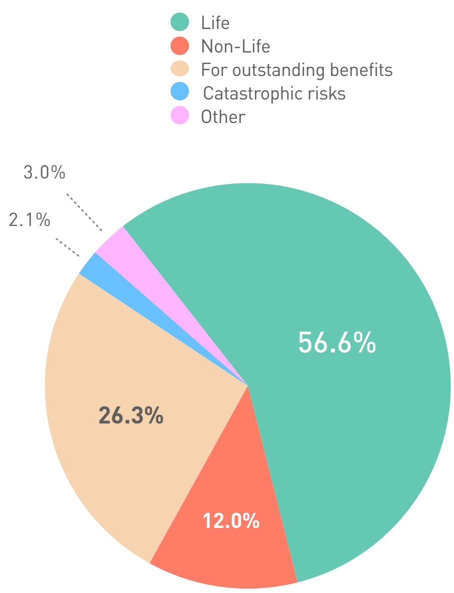

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-j**
**Colombia: structure of technical provisions**
**(%)**




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-k**
**Colombia: structure of technical provisions, 2022**
**(%)**

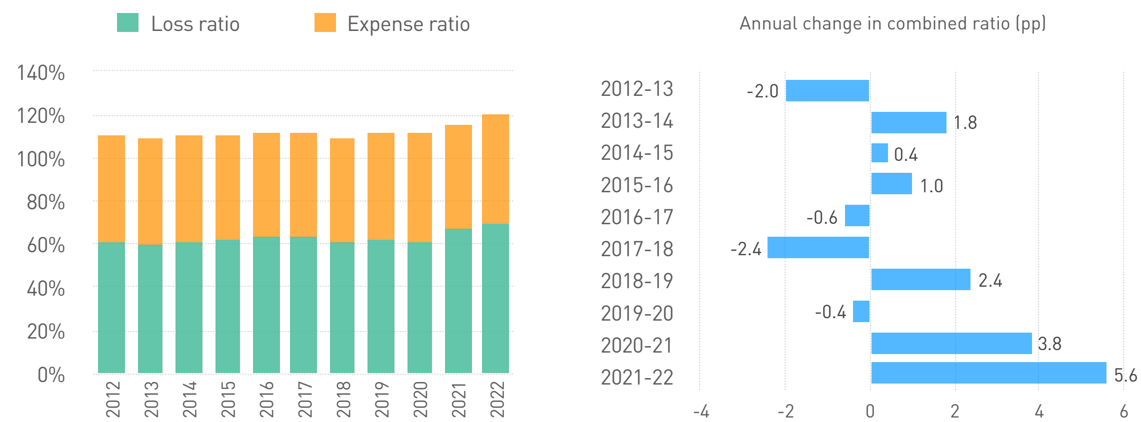



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

## Insurance penetration, density and depth

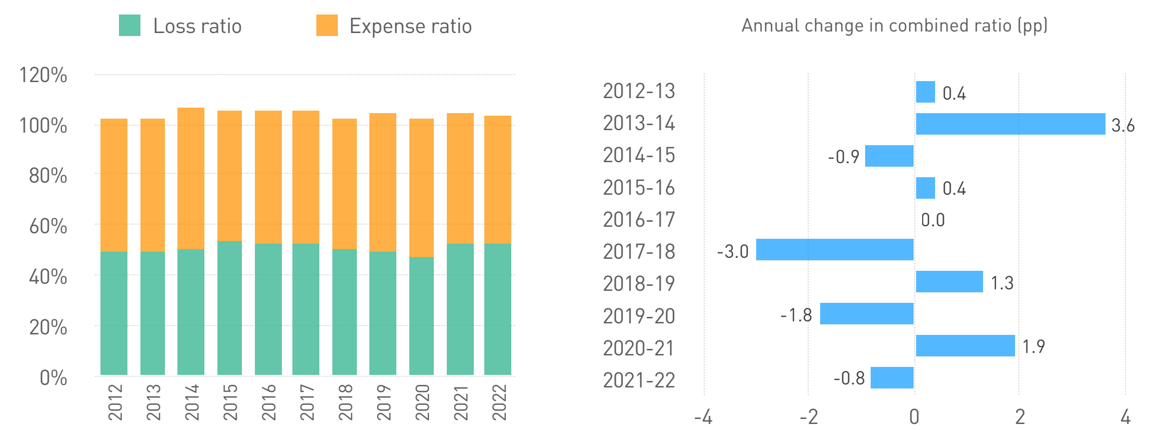
Chart 3.2.1-o shows the main structural trends shaping the development of the Colombian insurance industry over the 2012–2022 period. According to this information, the penetration rate (premiums/GDP) in 2022 stood at 3.2%, 0.2 pp higher than in 2021, mainly due to stronger growth in the Life in-

**Chart 3.2.1-l**
**Colombia: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-m
Colombia: changes in the technical performance of the Non-Life market
(total combined ratio, %; annual change in combined ratio, percentage points)

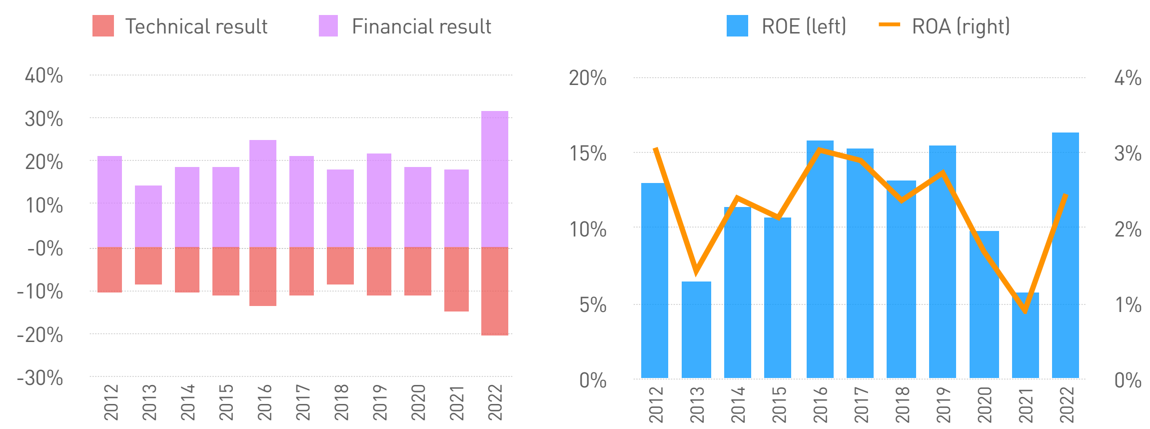



Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

surance segment, as described above. Generally, the penetration rate for the Colombian insurance market has been on an upward trend since 2012, in line with the average for the Latin American insurance market as a whole.

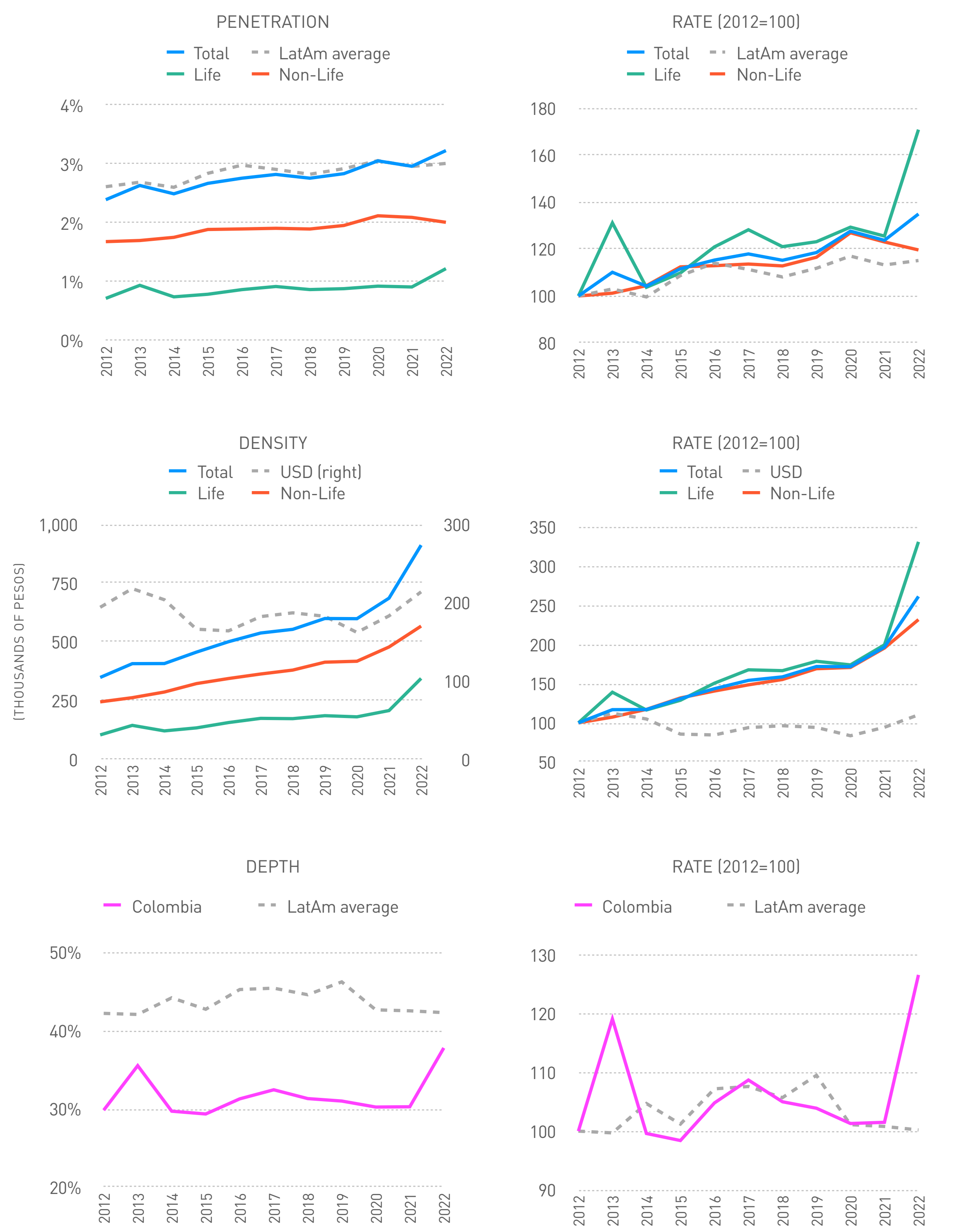
Meanwhile, the density indicator (premiums per capita) amounted to 911,674 pesos (214 dollars) in 2022, up by 32.9% in local currency compared to the previous year. As with the penetration rate, density in the Colombian market (measured in local currency) followed an upward trend over the 2012–2022 period. However, when measured in dollars, it showed a decline from 2013 through 2016 as a result of the depreciation of the Colombian peso against the US dollar. This situation reversed in 2017 but was repeated in 2019 and 2020, recovering again in 2021–

Chart 3.2.1-n
Colombia: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

**Chart 3.2.1-o**
**Colombia: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

2022. Lastly, the depth of the Colombian insurance market (Life insurance premiums in relation to total premiums) stood at 37.8% in 2022, compared to 30.3% in 2021 and 7.9 pp higher than its level in 2012. As mentioned above, when analyzing this data, we must consider the significant growth observed in the Life insurance segment in 2022.

### Insurance Protection Gap estimate

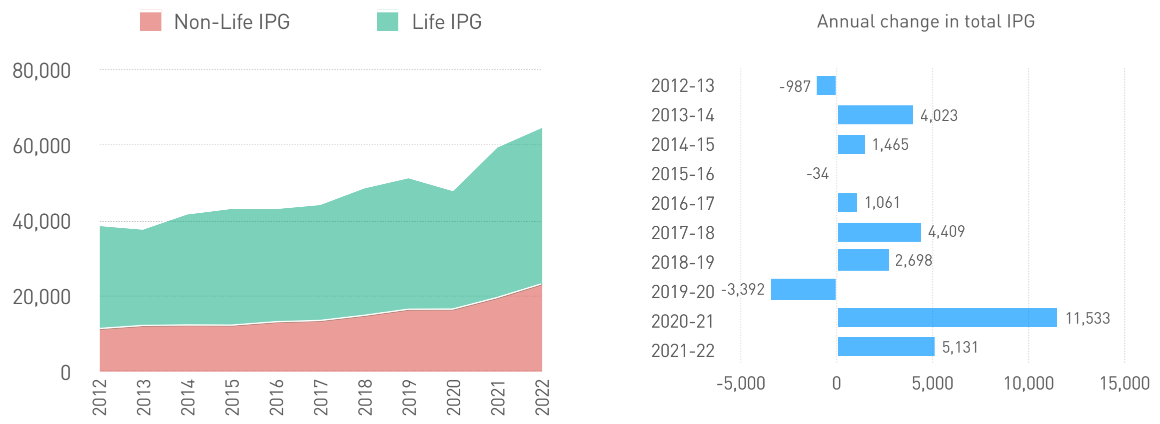
Chart 3.2.1-p shows an updated estimate of the insurance gap for the Colombian insurance market between 2012 and 2022. This shows that the IPG stood at 64.647 trillion pesos (15.170 billion dollars) in 2022, 1.4 times the size of the actual Colombian insurance market at the close of that year. Similar to most Latin American insurance markets, the structure and performance of the IPG over the period under analysis continue to reflect the prevalence of the contribution of Life insurance. As such, 64.0% of the IPG was attributable to Life insurance (41.412 trillion pesos) at the close of 2022, down by 6.5 pp compared to 2012. The remaining 36% of the insurance gap is attributable to the contribution of the Non-Life insurance segment (23.235 trillion pesos). As a result, the potential insurance market in Colombia at the close of 2022 (measured as the sum of the actual market plus the IPG) was estimated at 111.939 trillion pesos (26.268 billion dollars), 2.4 times the size of the total insurance market that year (see Chart 3.2.1-q).

Meanwhile, the estimate of the insurance gap in the Colombian market as a multiple of the actual market showed a sustained downward trend in 2012–2022 (see Chart 3.2.1-r). Over this period, the total gap fell from 2.4 to 1.4 times the size of the actual market. This performance was largely determined by that observed in the Life insurance segment, whose multiple was reduced from 5.7 to 2.3 times the size of the market (with a slight rebound in 2014), while that corresponding to Non-Life insurance did so only from 1 to 0.8, with a stable trend between 2016 and 2022.

Chart 3.2.1-s shows the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total insurance market, comparing the situation in 2022 with the state of the market in 2012. In this analysis, we can see an improvement of the gap as a multiple of the actual market mainly in the Life segment, with less significant variation in the Non-Life segment.

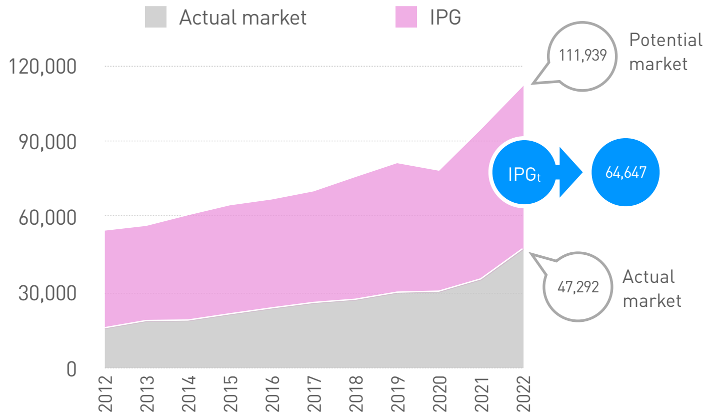
Lastly, to complete our insurance gap analysis, Chart 3.2.1-t provides an update on the

**Chart 3.2.1-p**
**Colombia: Insurance Protection Gap**
(billions of pesos)




Source: MAPFRE Economics

Chart 3.2.1-q
Colombia: Insurance Protection Gap and potential market
(billions of pesos)

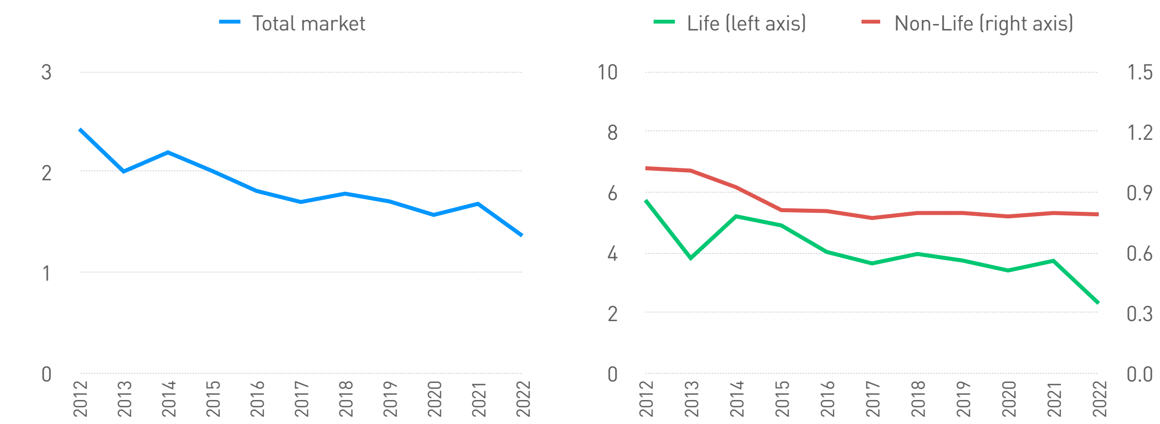



| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 296.2% | 166.9% |
| 2022-2021 | 33.8% | 8.6% |

Source: MAPFRE Economics

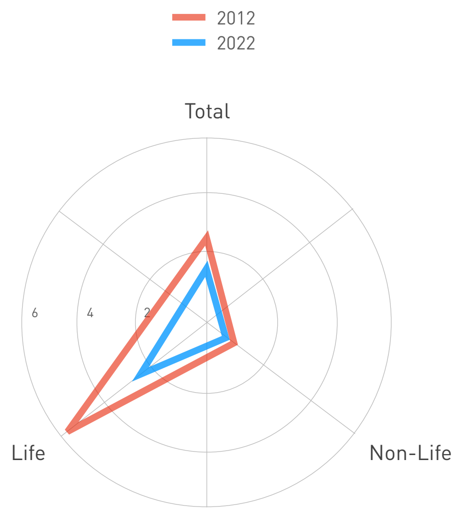
question of whether the Colombian insurance market will be able to close the insurance gap determined, based on a comparative analysis between the growth rates observed over the last decade and the growth rates that would be needed in order to close the 2022 gap over the coming 10 years. In this regard, the Colombian insurance market grew at an average annual rate of 11.5% during 2012–2022, underpinned by an average annual growth rate of 14.1% in the Life insurance segment and average annual growth rate of 10.1% in the Non-Life insurance segment. As a result, assuming that the same growth dynamics seen in the last decade continue over the next 10 years, and contrary to what was determined from the 2021 measurement, the growth rate of the Colombian insurance market would be sufficient to close the insurance gap identified in 2022 in both market segments.

Chart 3.2.1-r
Colombia: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

Chart 3.2.1-s
Colombia: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

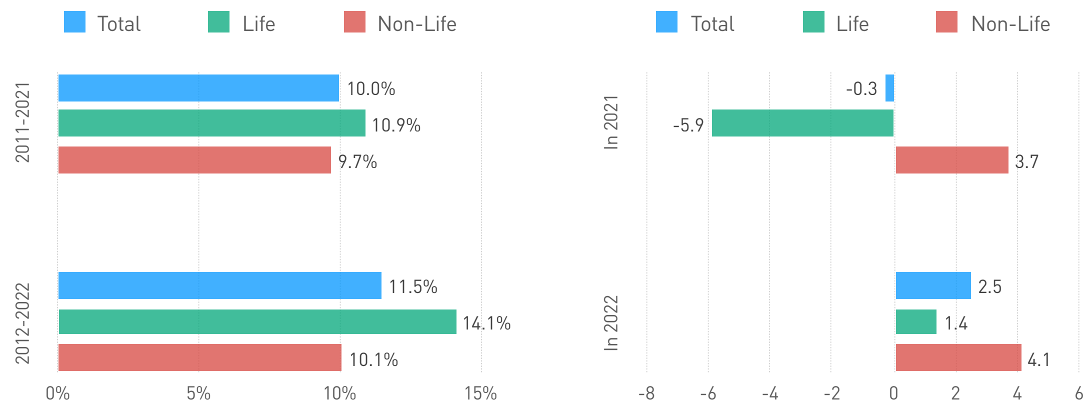
## Market Development Index (MDI)

Chart 3.2.1-u shows an updated estimate of the Market Development Index (MDI) for the Colombian insurance industry between 2005 and 2022. According to this information, the MDI for the Colombian market shows a positive general trend in the period analyzed, with a significant increase in 2022 (particularly driven by the excellent performance of the Life insurance segment), and therefore it far surpasses the average recorded for Latin American insurance markets.

## Comparative analysis of structural coefficients

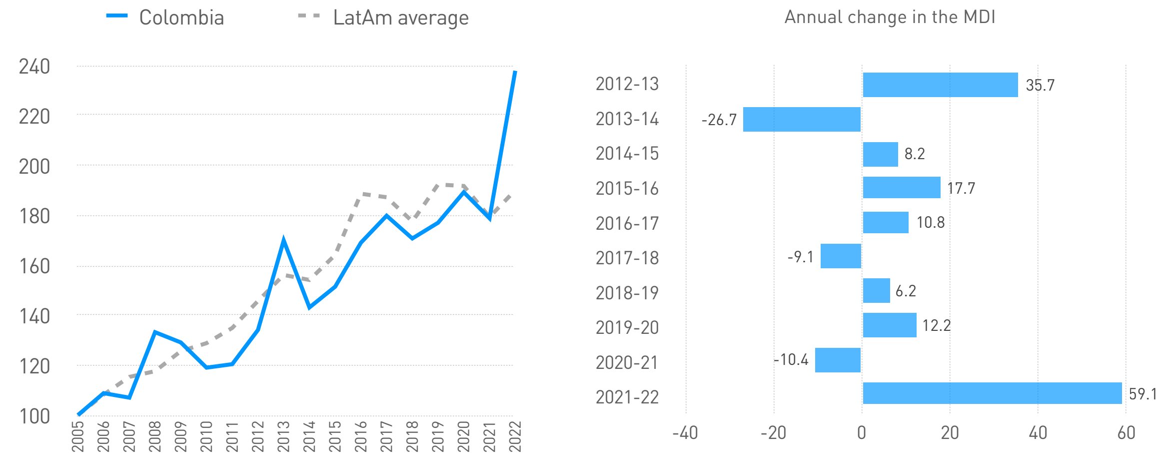
Using the four structural coefficients analyzed, Chart 3.2.1-v shows the situation of the Colombian insurance market in 2022, compared with the Latin American average. In this regard, although the situation of the Colombian market in terms of penetration and the Market Development Index (MDI) in 2022 was slightly above the regional average, depth levels and density levels remain below the average for Latin American insurance markets. Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2012–2022 period, the Colombian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect) and depth levels (qualitative aspect).

Chart 3.2.1-t
Colombia: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.2.1-u**
**Colombia: Market Development Index (MDI)**
**(2005 index=100; annual change)**



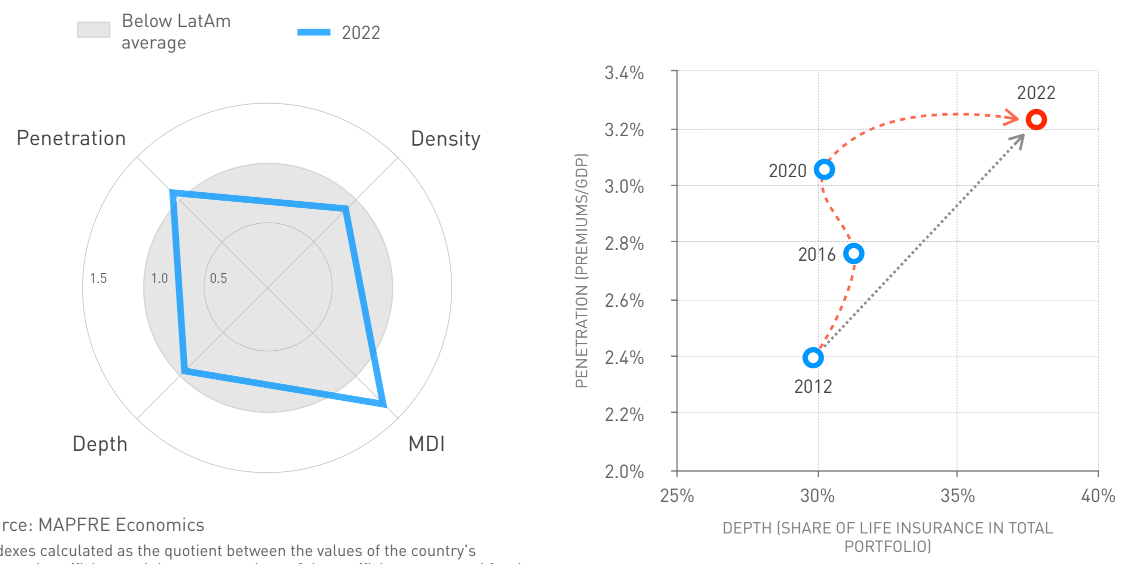

Source: MAPFRE Economics

## Insurance market rankings

### Total ranking

There were 25 general P&C insurance companies, 21 Life insurance companies and two insurance cooperatives operating in Colombia in 2022. In general, the Colombian insurance market shows low levels of concentration; this is confirmed by the Herfindahl and CR5 indexes. The Herfindahl Index fell slightly for the third consecutive year (to 632

**Chart 3.2.1-v**
**Colombia: comparative structural coefficient index* vs. average for Latin America (2022) and Medium-Term Changes in the Insurance Market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

points) and remains below the moderate concentration threshold. The concentration level of the top five insurance companies in the market (CR5), which account for 48.5% of premiums, increased 1.0 pp in 2022, with a higher concentration in the Life segment, with 80.4%, than in the Non-Life segment, with 44.2% (See Chart 3.2.1-w).

The groups did not change position in the 2022 overall insurance group ranking compared to 2021. The ranking was led by Grupo Sura, with 31.5% of total premiums. The group significantly increased its market share by incorporating the insurance company Asulado, placing it well ahead of the next company on the ranking, Alfa, with an 11.5% market share (see Chart 3.2.1-x).

### Life and Non-Life rankings

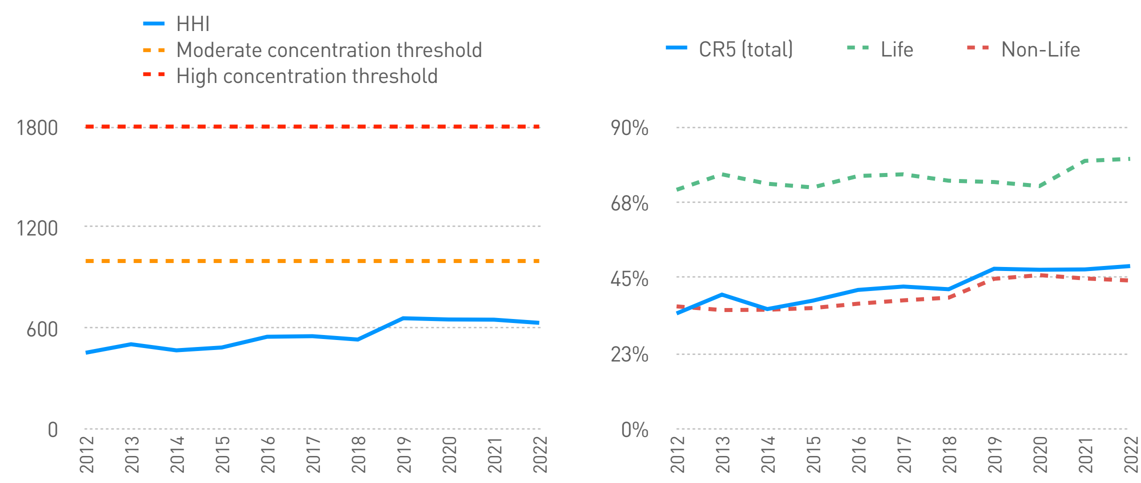
Regarding the Non-Life insurance segment, Grupo Sura continued to lead the ranking in 2022, with 26.8% of premiums and no changes in its market share compared to the previous year. It was followed by Positiva + Previsora in second place, with a 9.7% market share. Meanwhile, Bolívar moved up a spot, with an 8.8% market share (1.0 pp above that of 2021), overtaking Axa. Mundial fell by one position, being surpassed by MAPFRE, which ranked seventh with a 5.2% market share. Regarding the Life ranking, Alfa was ousted from first place, reducing its market share by 8.6 pp in 2022, to 27.7%, by Grupo Sura, which had a 39.2% market share after incorporating the insurance company Asulado, a 22.1 pp increase. For its part, Bolívar lost 4.4 pp from its market share, which stood at 11.1%. These three groups accounted for 78% of the Life insurance market share, well ahead of the others (see Chart 3.2.1-y).

## Key regulatory aspects

Regarding regulatory provisions in the Colombian insurance market, key aspects are highlighted as follows. In terms of laws and bills related to the insurance industry, the following provisions stand out:

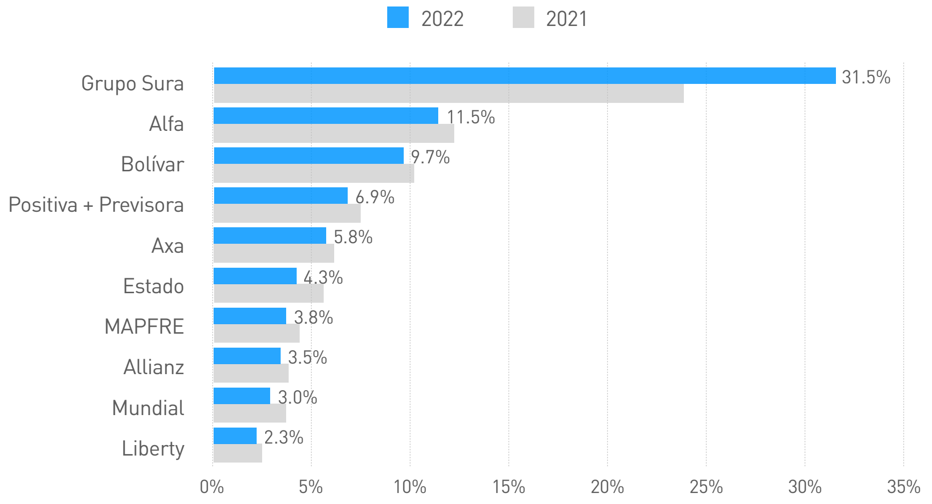
- New Electoral Code. In accordance with Article 176 of the bill, candidates from significant groups of citizens or coalitions would be required to take out candidacy

Chart 3.2.1-w
Colombia: concentration of the insurance industry
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

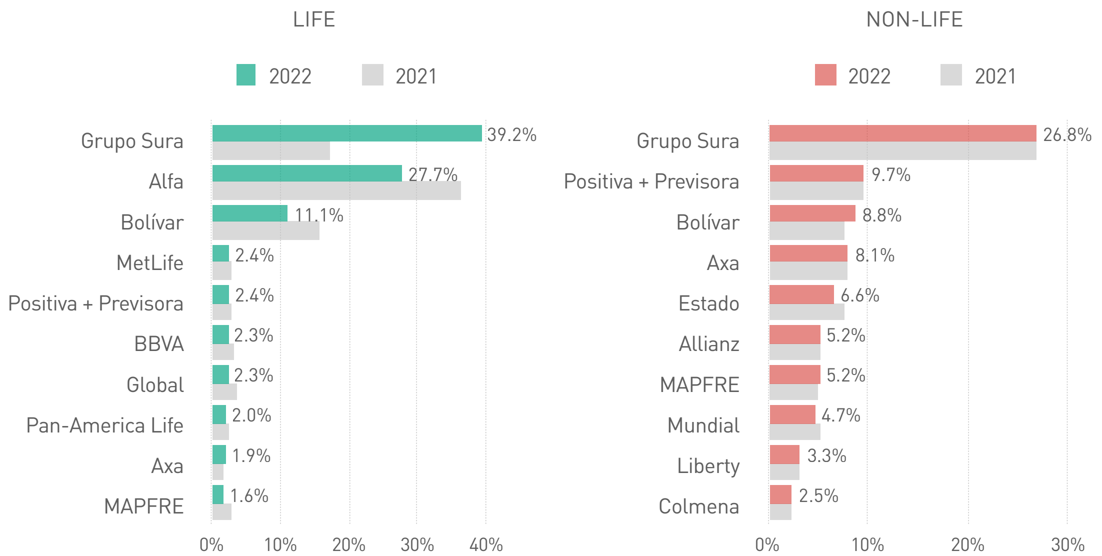
**Chart 3.2.1-x**
**Colombia: overall ranking**
(market shares, %)




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

insurance at the time of registration. The National Electoral Council would be responsible for determining the insured value of the insurance policy, depending on the election category (national, departmental or local), which could not be more than 200 times the current monthly minimum wage by law. Insurance companies could not establish the constitution of counter guarantees of any nature as a requirement for issuing these insurance policies. The new Electoral Code was ap-

**Chart 3.2.1-y**
**Colombia: Life and Non-Life ranking**
(market shares, %)




Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

proved on June 20, 2023, by the Congress of the Republic, and is currently under review before the Constitutional Court.

- National Development Plan 2022–2026. The national government added three articles on parametric insurance. Among other aspects, it notes that insurance companies may offer insurance under the modality of parametric or index-based insurance, in which payouts, due to the occurrence of an uncertain event, shall be made when one or more indexes defined in the insurance contract exceeds a certain threshold. The index or indexes must correlate to the insured risk, and the payout for its occurrence shall correspond to the predetermined amount in the policy.

- Labor Reform Bill. This initiative was first presented by the national government on March 16, 2023. However, due to a lack of quorum, it could not be voted on in the Seventh Commission of the Chamber of Representatives, and it was set aside in June 2023. However, on June 23, 2023, the President of the Republic announced that this labor reform bill would be presented to the Congress of the Republic again.

- Health Reform Bill. This initiative was presented by the national government on February 13, 2023. Currently, the bill is being debated in the Seventh Commission of the Chamber of Representatives.

- Pension Reform Bill. The bill was approved during the first debate in the Seventh Commission of the Chamber of Representatives. The process should continue with three more debates in the Congress of the Republic.

- Bill 153 of 2022. Pursuant to Article 25 of the bill, which establishes the regime for maritime and coastal public use assets and for maritime concessions for non-port uses, in addition to setting forth measures to mitigate coastal erosion, maritime concession holders must take out contractual performance insurance that protects the nation against damages arising from the non-performance of obligations established in the administrative act granting the concession, along with the payment of fines and any other sanctions imposed.

- Bill 182 of 2022. Pursuant to this bill, owners of lodgings and/or daycare centers for pets (dogs and cats) would be required to take out an insurance policy covering damages caused to the pet during the holding period.

- Bill 286 of 2022. In accordance with this bill, public ground transportation companies providing free-use automobiles for passengers and cargo would have to take out two insurance policies on three-wheeled motor vehicles: contractual third-party liability insurance and extra-contractual third-party liability insurance. These insurance policies would also be required for three-wheeled motor vehicles offering public transportation services on a private basis.

- Bill 205 of 2022. Pursuant to this bill, buildings subject to the timelinetal property regime would be able to take out insurance to cover damages that may be caused to occupants or visitors in common areas such as swimming pools, playgrounds or similar. Furthermore, when the condominium is the direct operator or administrator of private units for the provision of accommodation and lodging services, it would be required to have third-party liability insurance to cover guests and third parties.

Meanwhile, with regard to decrees and bills relating to the insurance industry issued by the national government, the following stand out:

- Decree 1297 of 2022. The Ministry of Finance and Public Credit modified Decree 2555 of 2010 relating to the regulation of open finance in Colombia. In particular, it stated that network-use contracts that insurance companies enter into with credit institutions to promote and manage their authorized operations will not have to be remunerated. Therefore, insurance companies may market, over their remote channels, third-party products or services not supervised by the Financial Superintendence, provided that: (i) said offer is connected with their authorized operations, that is, it promotes the use of an insurance company's products or services, and (ii) the obligations contained in Law 1328 of 2009 and 1480 of 2011 are fulfilled. In addition, a list of duties that digital correspondents must fulfill in the context of carrying out their activities with insurance companies is included.

- Decree 1459 of 2022. The Ministry of Finance and Public Credit modified some provisions of Decree 2555 of 2010 on the marketing of insurance through network-use and correspondent contracts. Insurance within authorized lines of business for insurance companies that meets the following requirements is considered suitable for marketing through the credit institution and correspondent network: (i) universality; (ii) simplicity; (iii) standardization, and (iv) mass marketing. Likewise, the text of network-use contracts to be entered into by insurance companies and credit institutions must be submitted to the Financial Superintendence 20 business days prior to their conclusion. Once this period has elapsed without the Financial Superintendence ruling on them, the companies may proceed to sign them.

- Decree 2497 of 2022. Regulates the one-time discount applicable to the Compulsory Traffic Accident Insurance (*Seguro Obligatorio de Accidentes de Tránsito*, SOAT) rates, adjusting its coverage amounts. It is defined that: (i) vehicles in the categories of mopeds, motorcycles of less than 100 cc, motorcycles of 100 cc and up to 200 cc, three-wheelers, tricycles and quadricycles, five-seat three-wheelers, business cars, taxis, urban minibuses, urban public service vehicles, buses, shuttle vans and intercity public service vehicles will be part of a risk differential rate category; (ii) the amount payable by SOAT policyholders in these categories will be equivalent to approximately 50% of the final current price in pesos as of December 19, 2022 (date when Decree 2497 of 2022 came into force); and (iii) these vehicle categories will have coverage for medical, surgical and hospital expenses up to 300 times the current minimum legal monthly salary (SMDLV) for claims in these categories borne by insurance companies; the remaining amount, until 800 times the SMDLV is exhausted, will be recognized by the Resource Administrator of the General Social Security Health System (ADRES).

- Decree 219 of 2023. The Ministry of Finance and Public Credit made several amendments to tax regulations, with specific points applicable to financial institutions, insurance and reinsurance companies, stock brokerage companies, agricultural brokerage companies, agricultural goods and products exchanges, and stock market infrastructure providers.

In terms of prudential regulations, the Regulatory Projection and Financial Regulation Studies Unit (URF) is moving forward with a consulting project for the adoption of IFRS 17 and Solvency II standards in the Colombian insurance industry. Insurance companies have participated in this bill, and two impact evaluation exercises have been carried out to date, in order to determine the transition period and calibrate relevant parameters based on the experiences of countries in the region and Europe. In this regard, a draft decree was recently published whereby Decree 2555 of 2010 was amended in relation to the technical reserve regime of insurance companies for convergence with IFRS 17.

Finally, regarding the External Circulars of the Financial Superintendence of Colombia (*Superintendencia Financiera de Colombia*, SFC), the following are noteworthy:

- External Circular 013 of 2022. The SFC incorporated into the Basic Legal Circular amendments on the designation and management of a financial consumer ombudsman at supervised companies, including insurance companies and insurance brokers, adding a series of criteria that supervised companies must meet when appointing an ombudsman.

- External Circular 014 of 2022. The SFC permanently adopted some transitional instructions issued during the health emergency due to the COVID-19 pandemic. In this regard, sub-numeral 1.9 was added to Chapter II, Title IV, Part II of the Basic Legal Circular, whereby insurance companies are required to establish policies and methodologies related to premium refunds to insurance policyholders for circumstances related to risk reduction. In addition, the wording of the abusive practice contained in section 6.2.30 of Chapter I, Title III, Part I of the Basic Legal Circular was amended to indicate that financial consumers must be informed of the possibility of obtaining a refund of the stipulated premium amount in the event of a reduction in risk due to: (i) a change in the value of insured property; (ii) the time elapsed in the term of the policy, or (iii) due to general circumstances of risk reduction that arise, in accordance with Article 1065 of the Commercial Code.

- External Circular 27 of 2022. The SFC issued instructions applicable to risk management in the compliance line and to insurance pricing and reinsurance contracts in all lines of business. In relation to the technical note required for the authorization of a line of business, in section 1.1.3., Chapter II, Title IV, Part II of the Basic Legal Circular, the following was included: (i) a provision whereby technical notes for insurance companies' products must be amended as the reinsurance contracts that support them are adjusted, and (ii) a list of minimum information that insurance companies must send to reinsurers and have available for the SFC as a requirement for defining the pure risk rate when established by the reinsurer.

- External Circular 028 of 2022. The SFC issued instructions related to the discount applicable to SOAT rates.

- Circular Letter 20 of 2022. The SFC announced the reference market rate (RMR) and vectors of the RMR and implicit inflation for calculating the mathematical reserve and asset deficiency reserve.

- Circular Letter 21 of 2022. The SFC updated the list of recognized foreign companies for the preparation of indexes.

- Circular Letter 82 of 2022. The SFC published the vectors of the RMR and implicit inflation for calculating the mathematical reserve and asset deficiency reserve.

- External Circular 1 of 2023. Whereby instructions are provided on the credit derivative contracts that may be entered into by supervised companies.

- External Circular 7 of 2023. Whereby the maximum rate and minimum term of SOAT for vehicles traveling through cross-border areas were regulated. Based on the above, amendments were made to sub-article 3.1.5. of Chapter II, Title IV, Part II of the Basic Legal Circular, establishing, among other aspects, that the minimum term of SOAT will be 15 days or whole months for vehicles traveling through cross-border areas.

## 3.2.2 Venezuela

### Macroeconomic environment

The Venezuelan economy grew an estimated 8.0% in 2022, compared with 0.5% in the previous year (see Chart 3.2.2-a). Despite this growth, the levers of consumption and investment continued to be determined both by the sustained default situation of government debt and by the Central Bank of Venezuela's framework for exchange rate matters. This has yet to counteract the country's inflationary inertia, and its implications continue to erode purchasing power and increase the propensity for informal dollarization. Regarding the foreign sector, despite both the support of high oil prices and relief in terms of sanctions (the United States granted Chevron a license to export crude oil), production dynamics continued to decline, while the expansion of installed capacity remains limited by imports. Regarding remittances as a source of income and exports of non-oil goods, although their contribution remained positive, according to data from the Venezuelan Export Association (AVEX), they were insufficient to alleviate accounts and put the public sector on a path of sustainable financing.

On the inflation side, the increase in prices slowed compared to the pace observed in previous years, with an average rate of 200% (234% according to central bank data). This was the result of lower growth of monetary aggregates (M2 grew 354% compared to 608% in 2021), relative fiscal relief produced by oil exports, informal dollarization, and a less marked depreciation of the bolivar (225%, according to data from the Exchange Table System).

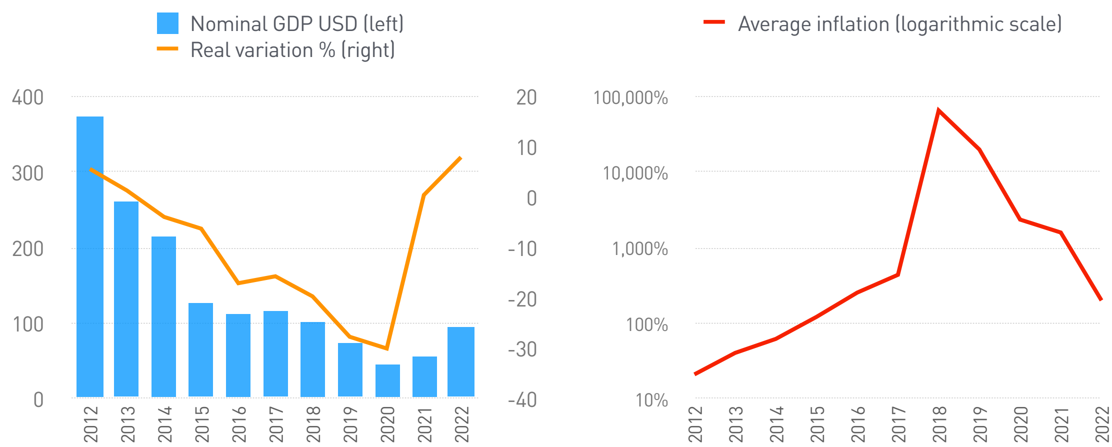
In this context, MAPFRE Economics has forecast a slowdown in Venezuelan GDP growth to around 2.8% in 2023 and 2.7% in 2024, while ECLAC anticipates growth of 3.2% in 2023 and 2.7% in 2024.

### Insurance market

#### Growth

In 2022, premiums in the Venezuelan insurance market saw a decline of 3.6% in real terms (nominal, 190.1%) compared to the previous year, standing at 5.182 billion digital bolivares (786.1 million dollars). The majority of premiums remained concentrated in the Non-Life segment, representing 99.3%, compared to premiums in the Life insurance

Chart 3.2.2-a
Venezuela: changes in economic growth and inflation
(GDP in USD, billions; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

segment, which accounted for 0.7% (see Table 3.2.2 and Chart 3.2.2-b).

Over the past decade, the share of total premiums and by Life and Non-Life segments of the Venezuelan insurance market with respect to the Latin American market has evolved unfavorably. As a result, the proportion of Venezuelan insurance premiums in the Latin American total dropped from 6.9% in 2012 to 0.5% in 2022. Similarly, the share in the Life line also decreased from 0.3% in 2012 to practically zero in 2022, while in the Non-Life line, it dwindled from 11.8% to just 0.8% in that period. However, a slightly upward trend was observed in the Venezuelan market share in the regional total as of 2021 (see Chart 3.2.2-c).

Finally, as Chart 3.2.2-d shows, and consistent with the data presented previously, nearly all insurance business growth in 2022 came from the Non-Life segment (188.7 pp of 190.1 pp). In this segment, the main contributors were the Health line, accounting for 68.6% of the segment's premiums, followed by Multirisk and Motors, with 9.7% and 6.9%, respectively.

## Balance sheet and shareholders' equity

Chart 3.2.2-e shows the aggregate balance sheet of the Venezuelan insurance industry over the 2012–2022 period. According to this data, the industry's total assets in 2022 stood at 17.6 billion digital bolivars, while equity reached 6.2 billion digital bolivars, a positive change of 358 pp compared to 2021. This was a quantitative effect determined by hyperinflation in the economy and the monetary reconversion undertaken in 2021.

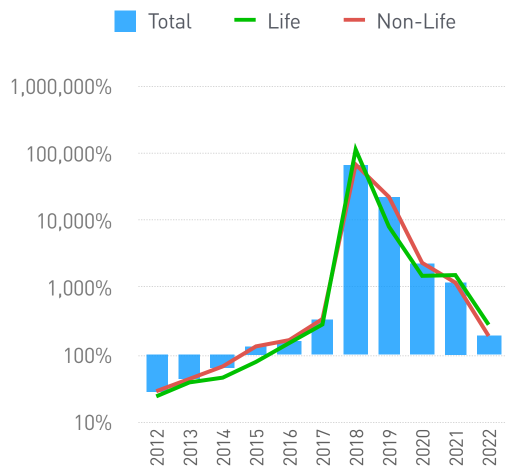
The Venezuelan insurance industry saw aggregate capitalization levels (measured over total assets) of around 36% between 2009

Table 3.2.2
Venezuela: premium volume[1] by line, 2022

| Line | Millions of digital bolivares | Millions of USD[2] | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **5,181.5** | **786.1** | **190.1** | **-3.6** |
| **Life** | **34.8** | **5.3** | **278.8** | **25.9** |
| Individual Life | 21.2 | 3.2 | 294.1 | 31.0 |
| Group Life | 13.6 | 2.1 | 257.1 | 18.7 |
| **Non-Life** | **5,146.7** | **780.8** | **189.6** | **-3.7** |
| Health | 3,532.9 | 536.0 | 189.6 | -3.8 |
| Automobiles | 353.4 | 53.6 | 169.1 | -10.6 |
| Multirisk | 497.4 | 75.5 | 209.4 | 2.8 |
| Transport | 152.3 | 23.1 | 146.0 | -18.3 |
| Credit and Surety | 100.2 | 15.2 | 239.8 | 12.9 |
| Accidents | 94.0 | 14.3 | 220.8 | 6.6 |
| Fires | 89.9 | 13.6 | 175.7 | -8.4 |
| Third Party Liability | 109.8 | 16.7 | 222.7 | 7.3 |
| Other lines | 103.8 | 15.8 | 145.4 | -18.4 |
| Burials | 70.2 | 10.6 | 268.4 | 22.4 |
| Earthquake | 30.3 | 4.6 | 106.8 | -31.3 |
| Pecuniary Losses | 12.5 | 1.9 | 754.5 | 184.0 |

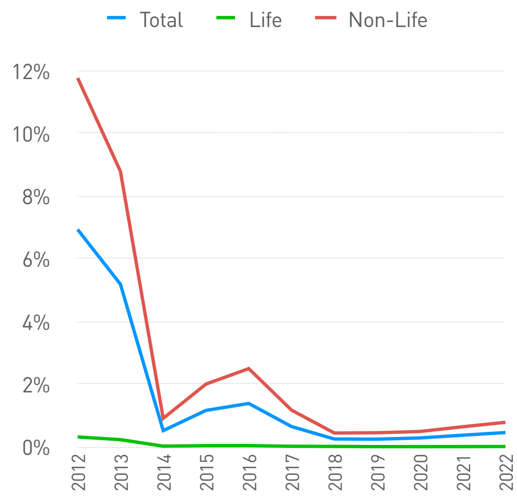
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
1/ Net premiums received from direct insurance.
2/ The VEF/USD exchange rate has been interpolated based on the latest DICOM auctions available.

Chart 3.2.2-b
Venezuela: growth developments in the insurance market
(annual nominal growth rates, %, logarithmic scale)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

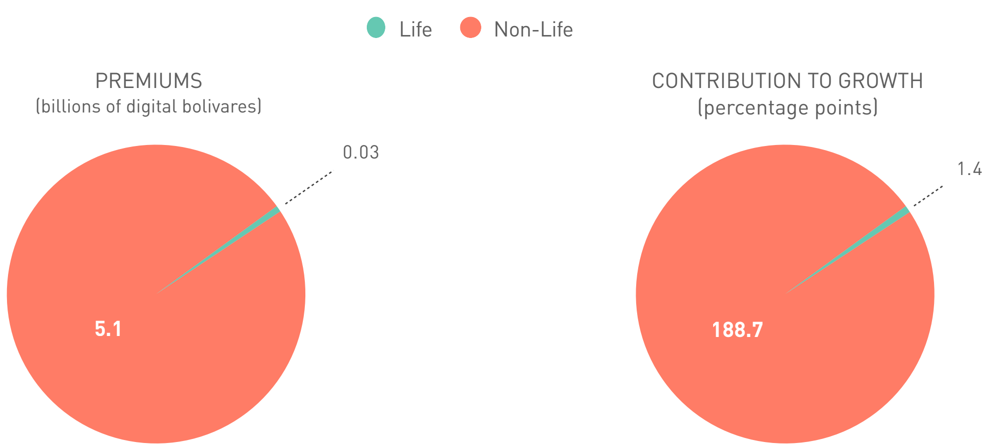
Chart 3.2.2-c
Venezuela: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity and supervisory bodies of the region)

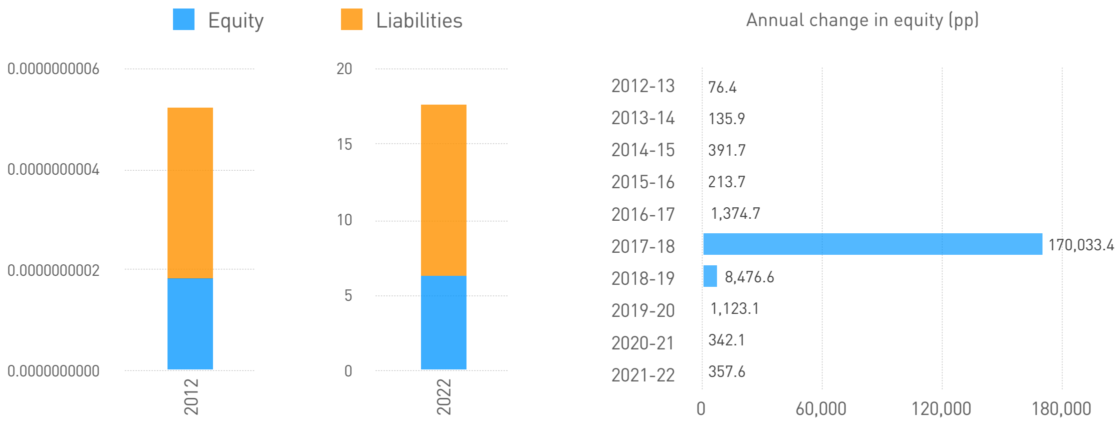
and 2013. After peaking in 2017, they returned to their average, reaching 35.4% of total assets in 2022. However, it is important to note that much of the shareholders' equity analyzed corresponds to unrealized gains in real estate investments and other financial instruments due to the hyperinflation that the Venezuelan economy is still experiencing.

Chart 3.2.2-d
Venezuela: insurance market and contributions to growth, 2022
(premiums, billions of digital bolivars; percentage points, pp)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-e
Venezuela: changes in the insurance industry's aggregate balance sheet
(billions of digital bolivars; change in equity, percentage points)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

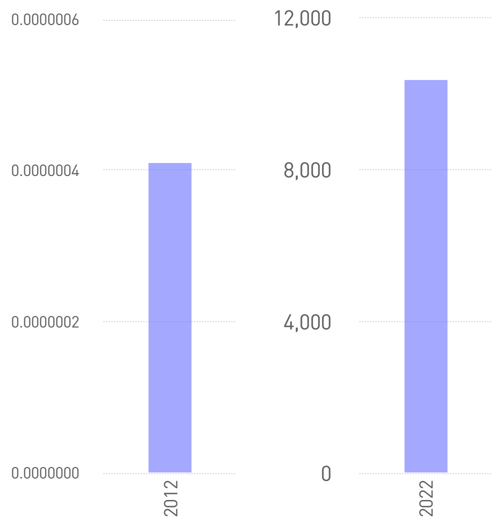
**Investments**

Chart 3.2.2-f shows the evolution of investments in the Venezuelan insurance market between 2012 and 2022. According to this data, the industry's investments in the past year reached 10.4 billion digital bolivars. It should be noted, however, that it has not been possible to carry out a more detailed analysis of the portfolio composition at the sector level for Venezuela's insurance industry due to a lack of available data.

**Technical provisions**

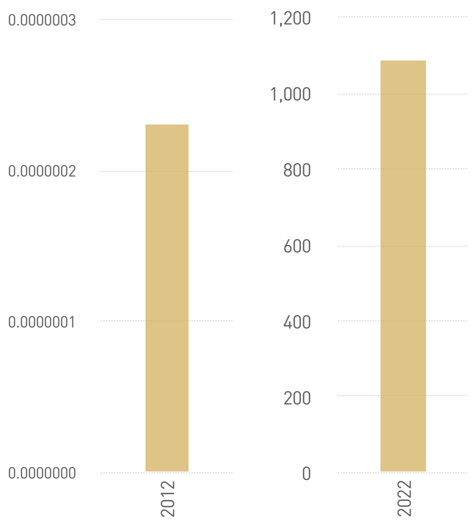
Meanwhile, Charts 3.2.2-g, 3.2.2-h and 3.2.2-i show the evolution and composition relative to technical provisions, net of reinsurance, of the Venezuelan insurance industry for the 2012–2022 period. In this regard, technical provisions stood at 1.1 billion digital bolivars in 2022. Of this total, 58.9% related to provisions for unearned premiums and unexpired risks in Non-Life insurance, 30.6% to provisions for outstanding benefits, 3.8% to provisions for catastrophic risks, and 6.4% to other technical provisions. Throughout the 2012–2022 period, the reduced relative weight of Life insurance provisions is notable, as this fell from representing 1.1% of total provisions in 2012 to 0.3% in 2022, being the line of insurance most affected by the hyperinflationary environment. Meanwhile, provisions for unearned premiums and unexpired risks in

Chart 3.2.2-f
Venezuela: insurance market investments
(millions of digital bolivares)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-g
Venezuela: technical provisions of the insurance market
(millions of digital bolivares)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Non-Life insurance represented 58.9% in 2022, compared with 52.7% in 2012.

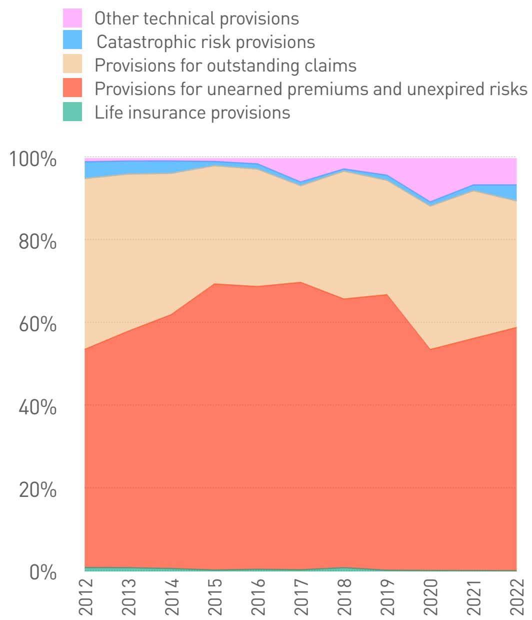
### Technical performance

The technical result of the Venezuelan insurance industry, based on the market's total combined ratio performance, was positive in 2022, with an indicator that stood at 93.6%, representing a 10.9 pp improvement compared to 2021 (see Chart 3.2.2-j). It should be noted that, despite a slight increase in expenses (1.7 pp), the decrease in the loss ratio was much greater (-12.6 pp).

### Results and profitability

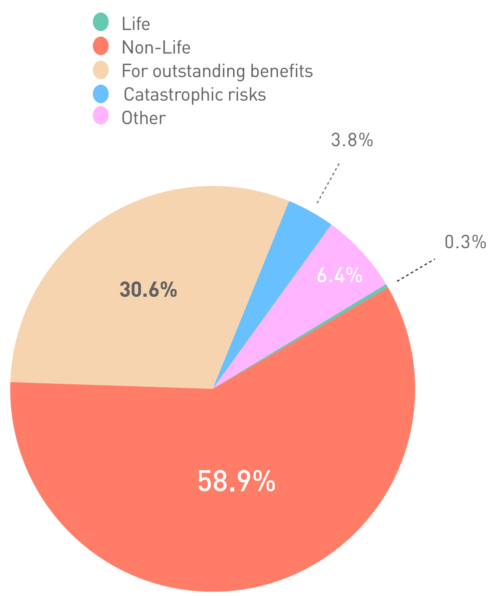
The Venezuelan insurance industry posted a consolidated result of 232 million digital bolivars (35.2 million US dollars) in 2022. As reflected in Chart 3.2.2-k, between 2018 and 2022, the profitability of the country's insurance industry followed a marked downward trend, placing the return on equity (ROE) at

Chart 3.2.2-h
Venezuela: structure of technical provisions
(%)



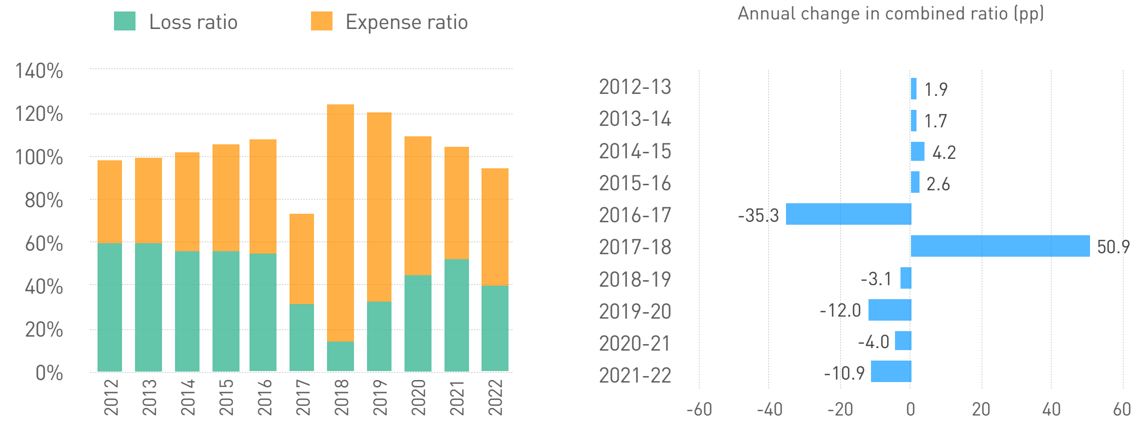

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-i
Venezuela: structure of technical provisions, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

**Chart 3.2.2-j**
**Venezuela: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**



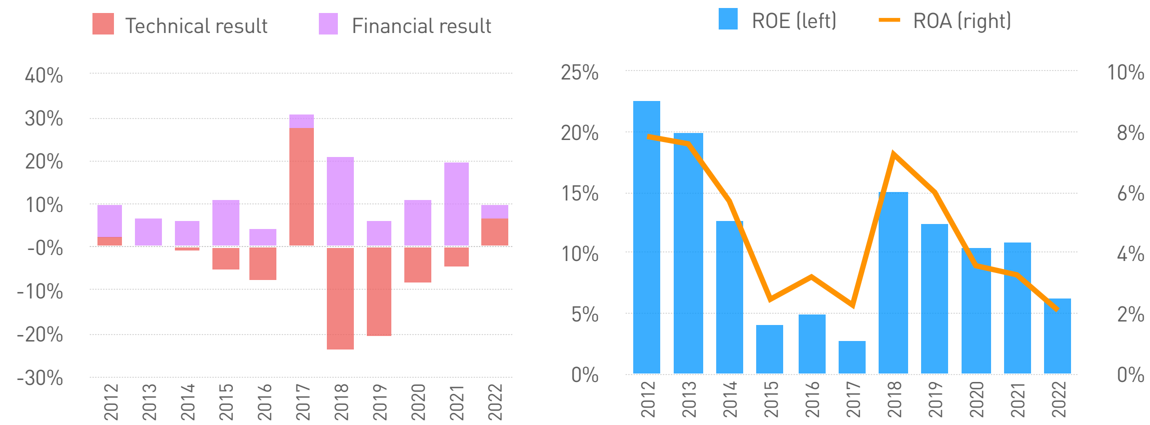

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

6.1% in 2022 (15.1% in 2018) and return on assets (ROA) at 2.1% in 2022 (7.3% in 2018).

**Insurance penetration, density and depth**

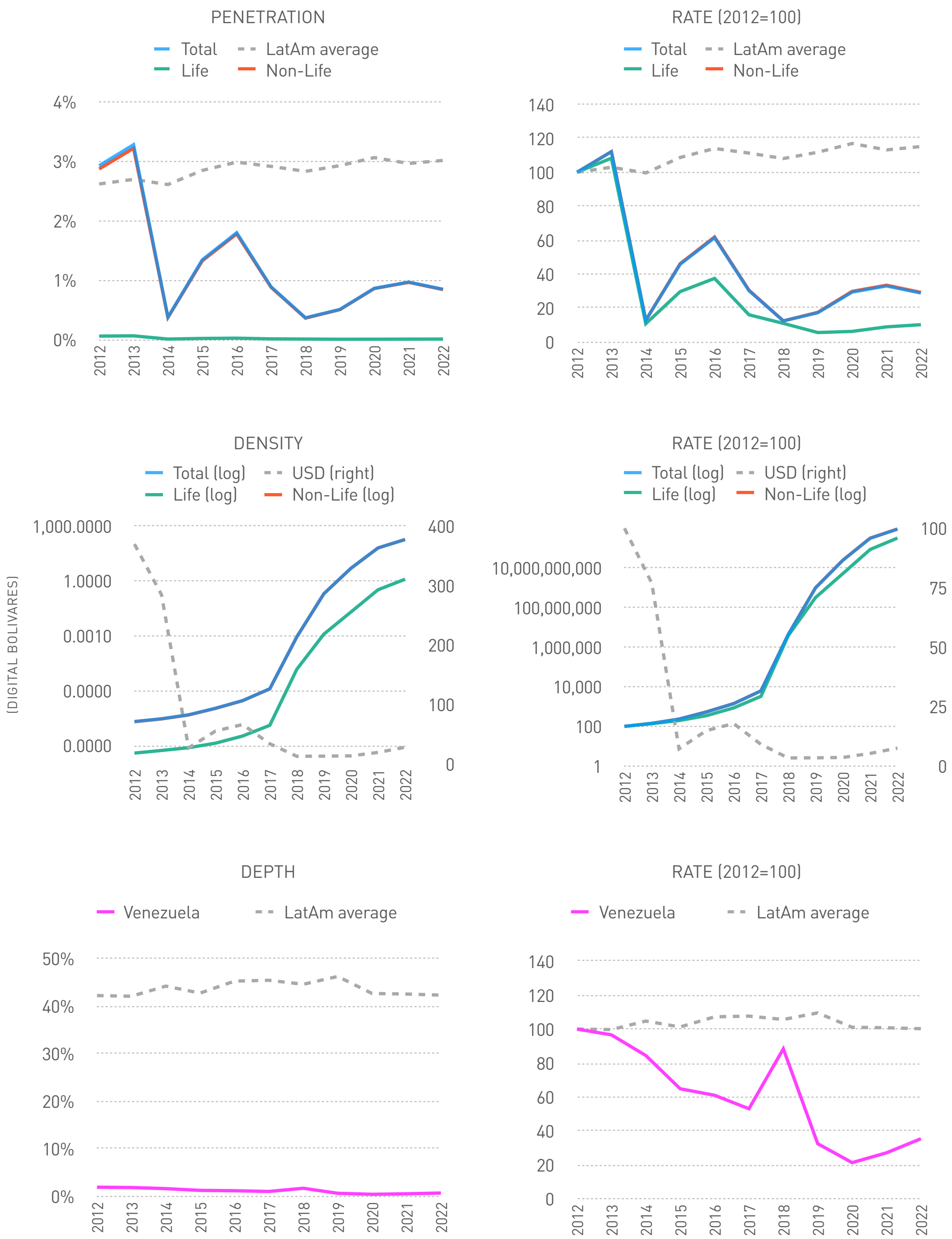
Chart 3.2.2-l shows the main structural trends shaping the development of the Venezuelan insurance industry over the 2012–2022 period. According to this information, the penetration rate (premiums/GDP) stood at 0.8% in 2022, 0.2 pp below the 2021 figure, and has remained much lower than the regional average for Latin America since 2014. Meanwhile, insurance density in Venezuela (premiums per capita) reached 183 sovereign bolivars (28 dollars), up 189.1% from 2021. This performance remains influenced by the inflationary trend in the eco-

**Chart 3.2.2-k**
**Venezuela: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

**Chart 3.2.2-l**
**Venezuela: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, digital bolivars and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

nomy. Accordingly, density has climbed steadily over the last decade in nominal terms, when measured in local currency, rising exponentially from 2013. However, when the index is calculated in dollars, density has been clearly declining, despite the slight upturn observed in 2022. Finally, with regard to depth (Life insurance premiums vs. total premiums), the indicator in 2022 stood at just 0.7%, 1.2 pp below the value observed in 2012. The trend in the depth of the Venezuelan insurance market clearly diverges from the average performance of the other insurance markets in the region, as the country's Life insurance segment has virtually disappeared.

### Insurance Protection Gap estimate

Chart 3.2.2-m shows an estimate of the insurance gap for the Venezuelan insurance market in 2022. According to this data, the insurance gap in 2022 stood at 41.7 billion digital bolivars, 8.1 times the size of the Venezuelan insurance market at the close of the year. The structure and performance of the IPG are largely a product of Life insurance. At the close of 2022, 59.4% of the IPG corresponded to this market segment, compared to 40.6% for Non-Life insurance. As such, the potential insurance market in Venezuela at the close of 2022 (estimated as the sum of the country's actual insurance market plus the estimated insurance protection gap) would stand at 46.9 billion bolivars, 9.1 times the size of the total insurance market that year.

Chart 3.2.2-n provides an estimation of the IPG as a multiple of the real insurance market in Venezuela. Said analysis shows that the insurance gap as a multiple of the market followed an upward trend from 2012 to 2018 and then fell again to 8.1 times the relative market in 2022.

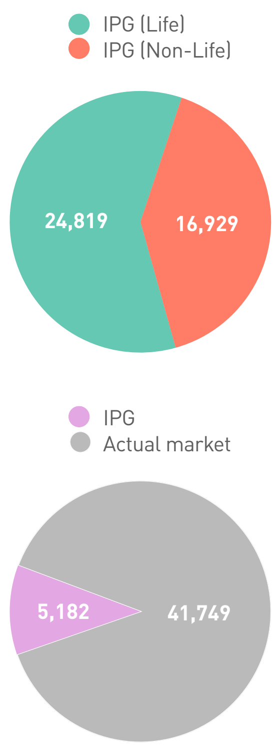
### Market Development Index (MDI)

The updated estimate of the Market Development Index (MDI) for the Venezuelan insurance industry is shown in Chart 3.2.2-o. As highlighted in previous versions of this report, this indicator followed a trend in line with the Latin American average only until 2014, from which point it shows a clear deterioration that continues until 2022.

### Comparative analysis of structural coefficients

Finally, Chart 3.2.2-p outlines the state of the Venezuelan insurance market when compared with the average for Latin America, measured in terms of the structural indicators analyzed. As can be seen, the deterioration of the Venezuelan insurance market has caused all of its structural dimensions to fall well below the average for the region.

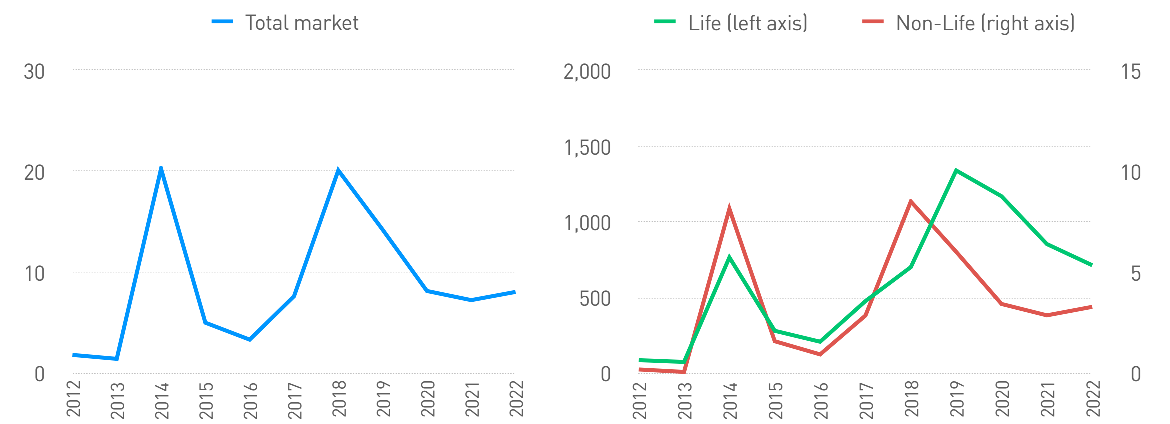
**Chart 3.2.2-m**
**Venezuela: Insurance Protection Gap* and potential market, 2022**
**(millions of digital bolivares)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

* IPG (estimate adjusted with penetration estimated in USD)

**Chart 3.2.2-n**
**Venezuela: IPG* as a multiple of the actual market**
(number of times the size of the actual insurance market)




Source: MAPFRE Economics
* IPG (estimate adjusted with penetration estimated in USD)

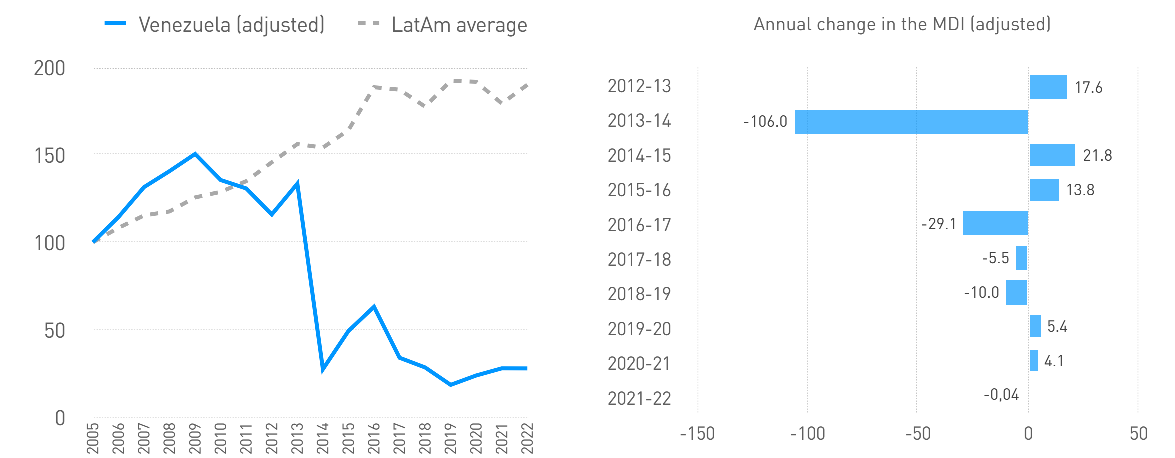
The above is confirmed by analyzing the market development process over the past decade, as shown in the scatter plot that reflects both the quantitative (penetration levels) and qualitative (depth levels) aspects of the Venezuelan market's development. A decline is recorded in both aspects during the 2012–2022 period.

## Insurance market rankings

### Total ranking

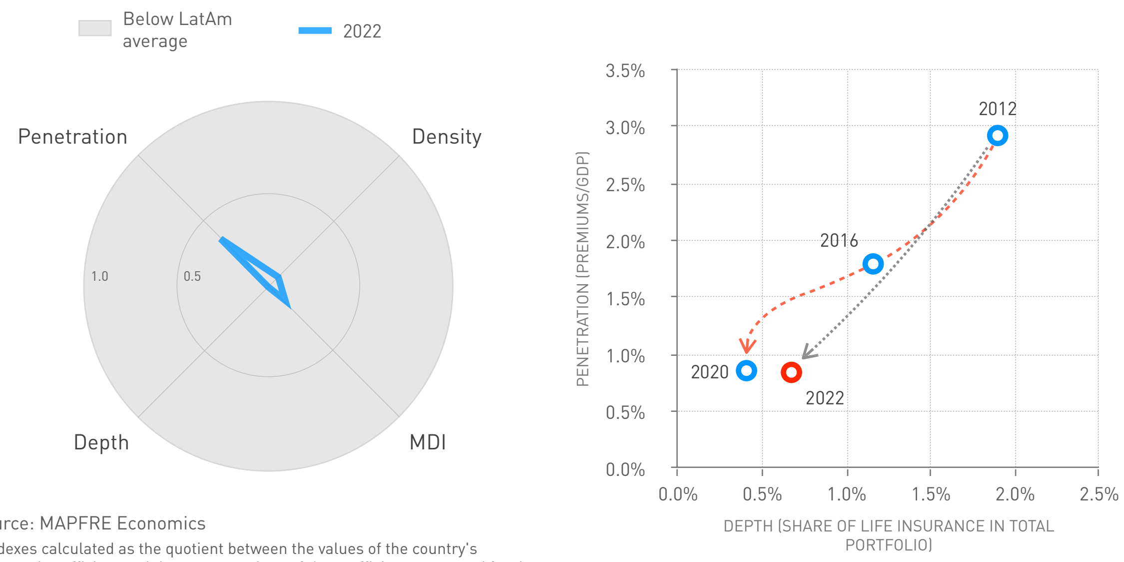
There were 43 insurance companies operating in Venezuela in 2022, six less than in the previous year. As a result, the Herfindahl Index increased to 1,489 points in 2022, exceeding the threshold for moderate market concentration, although it remained below

**Chart 3.2.2-o**
**Venezuela: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

**Chart 3.2.2-p**
**Venezuela: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**



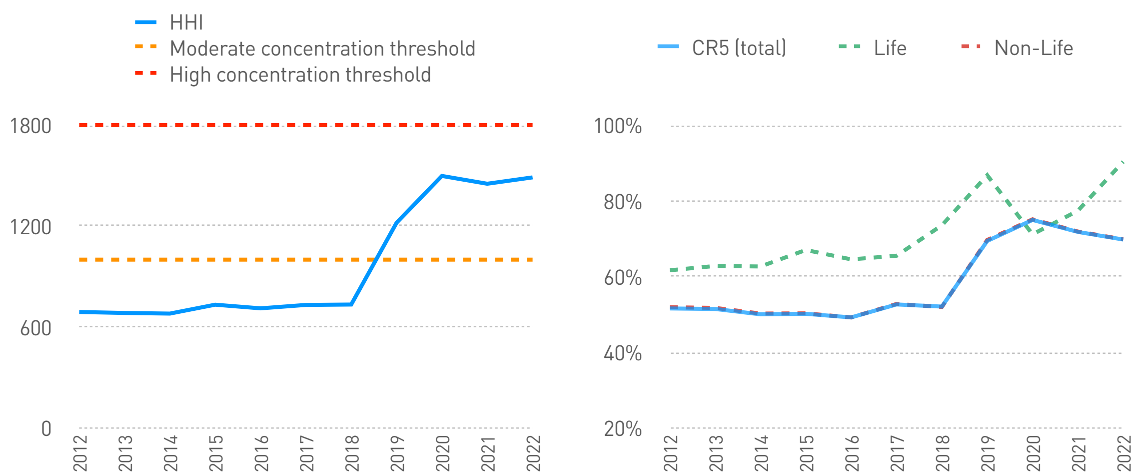

Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

the 1,800-point threshold, indicative of high concentration, analytical territory in which it has remained since 2019 (see Chart 3.2.2-q). In the same regard, the CR5 index stood at 69.8%, showing a high level of relative concentration in both Life and Non-Life insurance segments.

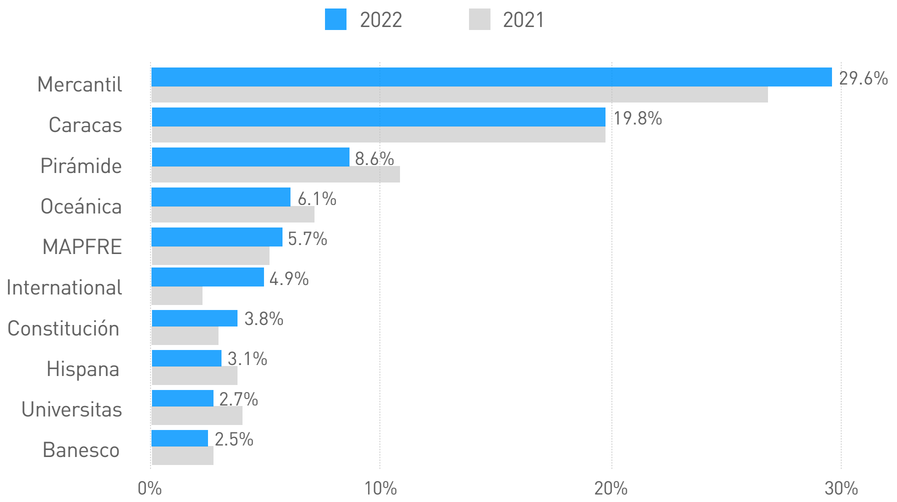
As shown in Chart 3.2.2-r, the ranking of insurance groups continued to be led by Mercantil and Caracas in 2022, with market shares of 29.6% and 19.8%, respectively. They were followed by Pirámide (8.6%), Oceánica de Seguros (6.1%), MAPFRE (5.7%) and Internacional de Seguros, which moved up from

**Chart 3.2.2-q**
**Venezuela: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

Chart 3.2.2-r
Venezuela: overall ranking
(market shares, %)



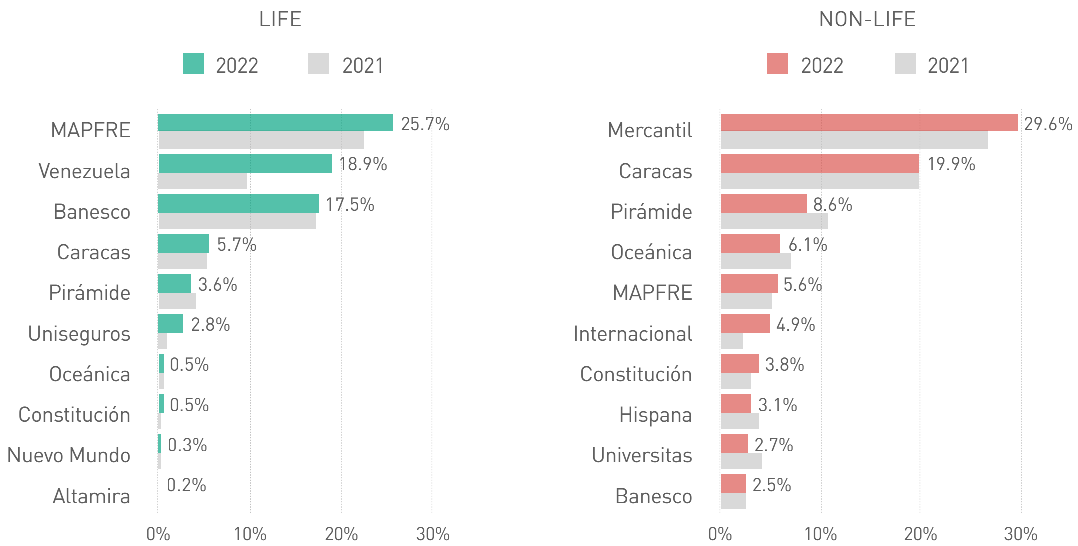

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

last place to sixth, with a 4.9% share (2.3% in 2021). The total ranking for 2022 was closed by Constitución (3.8%), Hispania de Seguros (3.1%), Universitas (2.7%) and Banesco (2.5%).

### Life and Non-Life rankings

Meanwhile, Mercantil remained in the lead of the Non-Life ranking in 2022, with a 29.6% market share, followed by Caracas (19.9%) and Pirámide (8.6%). The next places corresponded to Oceánica (with 6.1%) and MAPFRE

Chart 3.2.2-s
Venezuela: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
*The figures for the Life and Non-Life lines are based on estimates of the respective market.

(5.6%). As for the Life insurance ranking, MAPFRE took the lead with a 25.7% market share, followed by Venezuela (18.9%) and Banesco (17.5%) in second and third place, respectively (see Chart 3.2.2-s).

### Key regulatory aspects

With regard to the main regulatory adjustments in the Venezuelan insurance market in 2022, the following aspects stand out: i) Ruling SAA-OGI-02.06-0005-2023, on the constitution of the tender committee for the disposal and divestiture of public assets of the SUDEASEG (Superintendence of Insurance Activity), and (ii) Ruling SAA-OGI-02.06-0004-2023, on the constitution of the contracting commission.

## 3.2.3 Brazil

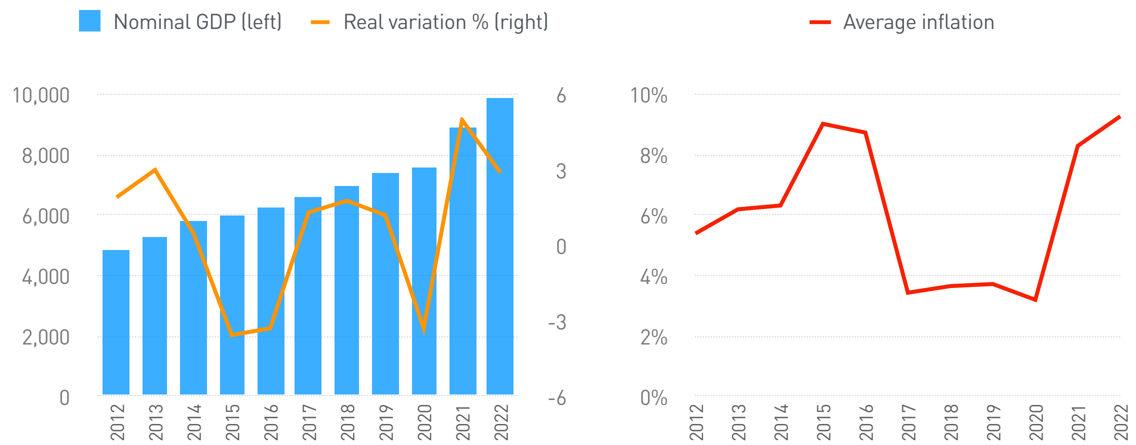
### Macroeconomic environment

The Brazilian economy slowed down in 2022, with real GDP growth of 3.0% (5.3% in 2021). This growth significantly exceeded the initial forecast, driven by a recovery in the labor market and great dynamism in private domestic consumption, along with a more favorable external environment than in the previous year (see Chart 3.2.3-a). However, inflation continued to climb in 2022, reaching an annual average of 9.3%. Meanwhile, the average unemployment rate fell to 9.3% (13.2% in 2021), an improvement from the pre-COVID-19 pandemic level.

The public accounts showed a fiscal deficit of 4.5% in 2022. This was the result of fiscal efforts in the previous year to reduce public spending, which decreased the fiscal deficit to 4.3% in 2021 (compared to 13.7% of GDP in 2020, derived from pandemic-related aid). Government debt was reduced by 5.4 pp of GDP, representing 72.9% (78.3% in 2021). This represents a significant improvement, but it remains high, being one of the main vulnerabilities of the Brazilian economy.

Regarding interest rates, the Bank of Brazil continued to tighten its monetary policy in 2022, announcing five consecutive increases in the reference rate (SELIC), up to 13.75%. This was a result of surging inflation, which averaged 9.3% in the year. However, the central bank's rapid reaction in 2021 (it was one of the first to shift to a restrictive policy, with seven rate hikes that year) began to bear fruit, and in December

Chart 3.2.3-a
Brazil: changes in economic growth and inflation
(GDP in local currency, billions of reais; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

2022, monthly inflation fell to 5.8% year-on-year. This, in turn, favored the Brazilian real, whose average exchange rate appreciated against the dollar by 4.3%. Amid this scenario, the Bank of Brazil held interest rates at 13.75% in 2023 until its August meeting, when it decided to slash them by 50 bps, to 13.25%.

Forecasts for 2023 point to a slowdown in the Brazilian economy as a result of tightening monetary policy and a global economic environment that is losing buoyancy. As a result, MAPFRE Economics forecasts real Brazilian GDP growth of 1.8% for 2023, a slowdown that should continue in 2024 with 1.4% growth, while the IMF estimates growth of 2.1% in 2023 and 1.2% in 2024. Meanwhile, ECLAC predicts that the Brazilian economy will grow 2.5% and 1.4% in 2023 and 2024, respectively.

## Insurance market

### Growth

The Brazilian insurance market's performance was once again quite positive in 2022, reaching a premium volume of 312.471 billion reais, which represents a nominal increase of 16.5% and an actual increase of 6.7%. The greatest boost came from Non-Life insurance, with 24.3% growth, double the 12.2% increase observed in the Life segment. In total, Life insurance premiums amounted to 192.116 billion reais (37.206 billion dollars), with an actual increase of 2.6%, one percentage point below that registered in 2021. The *Vida Gerador de Beneficio Libre* (VGBL) product, which accounts for 73.1% of Life premiums, saw an 11.3% increase in 2022, a rate similar to that of 2021 (11.9%). Savings products have been growing strongly since the new Pension Reform rules came into

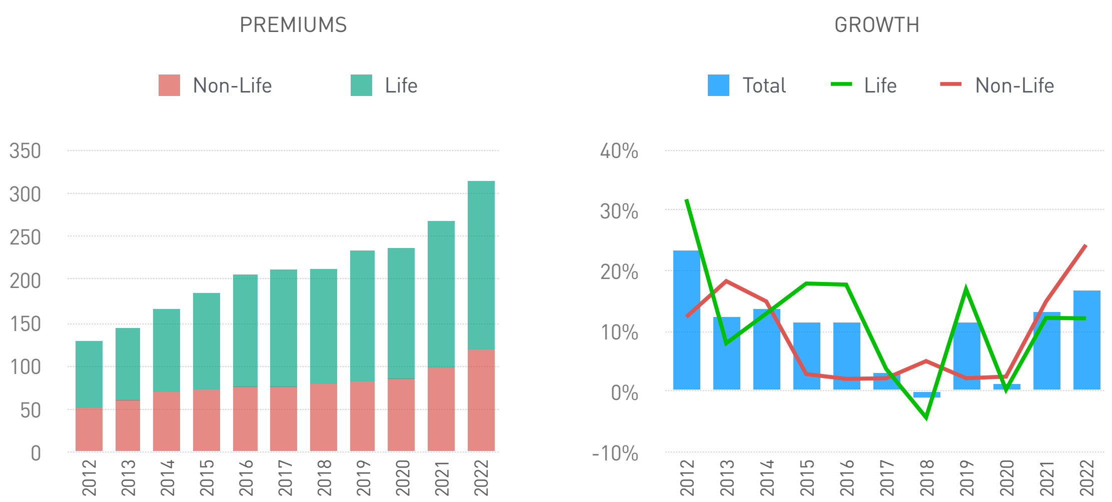
Table 3.2.3-a
Brazil: premium volume[1] by line, 2022

| Line | Millions of reals | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **312,470.9** | **60,515.0** | **16.5** | **6.7** |
| **Life** | **192,115.6** | **37,206.3** | **12.2** | **2.6** |
| Life — individual and group | 51,734.9 | 10,019.3 | 14.7 | 4.9 |
| VGBL[2] | 140,380.7 | 27,187.0 | 11.3 | 1.8 |
| **Non-Life** | **120,355.3** | **23,308.7** | **24.3** | **13.7** |
| Automobiles | 51,239.2 | 9,923.3 | 33.2 | 21.9 |
| Other lines | 22,549.6 | 4,367.1 | 21.2 | 10.9 |
| Accidents | 7,389.2 | 1,431.0 | 7.8 | -1.3 |
| Fire (Comprehensive Insurance) | 8,297.9 | 1,607.0 | 11.7 | 2.2 |
| Transport | 5,810.1 | 1,125.2 | 22.8 | 12.3 |
| Credit and surety | 6,704.6 | 1,298.4 | 18.8 | 8.7 |
| Agricultural | 10,318.3 | 1,998.3 | 36.8 | 25.1 |
| Third-party liability | 3,712.7 | 719.0 | 7.3 | -1.9 |
| Hull transport | 1,522.0 | 294.8 | 8.0 | -1.2 |
| Special risks[3] | 1,604.6 | 310.8 | -1.2 | -9.5 |
| Burials | 1,207.0 | 233.8 | 14.8 | 5.1 |

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

1/ Written Premium (on funding basis) + Insurance Premium
2/ Vida Gerador de Benefício Livre (cash-value life insurance)
3/ Oil, nuclear risks and satellites

**Chart 3.2.3-b**
**Brazil: growth developments in the insurance market**
**(premiums, billions of reais; annual nominal growth rates, %)**



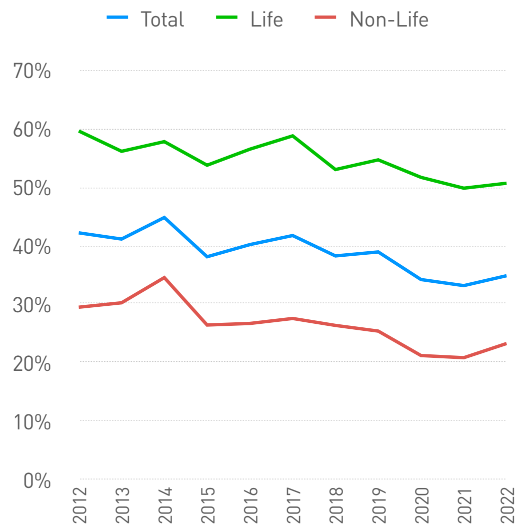

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

force in 2019, with the exception of the drop in 2020 due to the COVID-19 pandemic. Life products other than VGBL, which maintained positive performance in the first year of the pandemic, grew again in 2022, at a rate of 14.7% (see Table 3.2.3-a and Chart 3.2.3-b).

The Non-Life insurance segment reached premium volume of 120.355 billion reais (23.309 billion dollars), representing a nominal increase of 24.3% and an actual increase of 13.7%. Except for the Specialty Risks line, which saw a 1.2% decrease in premiums, all other lines showed nominal increases. Meanwhile, in real terms, decreases were observed in the Accident (-1.3% ), Third-Party Liability (-1.9%) and Hull (-1.2%) lines due to high inflation. Automobile insurance showed very positive performance in 2022, in terms of business volume, with a 33.2% increase in premium collection. Agricultural insurance also stood out. With 36.8% growth, it was one of the lines with the highest premium volume. Travel insurance benefited from the normalization of mobility after the pandemic, with 900 million reais in premiums in 2022, exceeding its 2019 revenue by more than 50%.

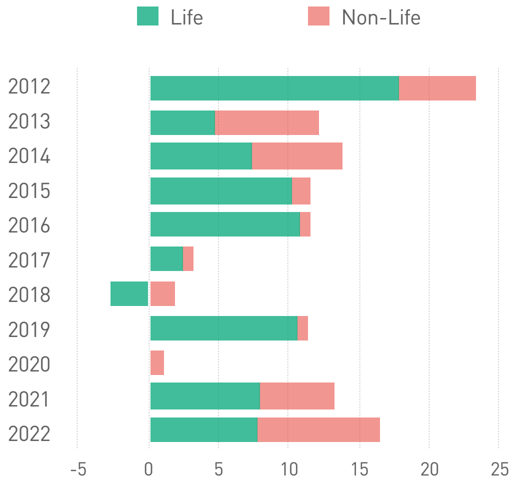
The share of total premiums, and by Life and Non-Life segments, of the Brazilian insur-

**Chart 3.2.3-c**
**Brazil: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance and supervisory bodies of the region)

**Chart 3.2.3-d**
**Brazil: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 23.2 | 17.7 | 5.5 |
| 2013 | 12.2 | 4.8 | 7.4 |
| 2014 | 13.8 | 7.4 | 6.4 |
| 2015 | 11.5 | 10.2 | 1.3 |
| 2016 | 11.6 | 10.7 | 0.9 |
| 2017 | 3.2 | 2.4 | 0.8 |
| 2018 | -0.9 | -2.7 | 1.8 |
| 2019 | 11.4 | 10.5 | 0.9 |
| 2020 | 1.1 | 0.2 | 0.9 |
| 2021 | 13.2 | 7.9 | 5.3 |
| 2022 | 16.5 | 7.8 | 8.8 |

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

ance market in the total Latin American market over the past decade, shown in Chart 3.2.3-c, followed a downward trend, falling from 42.2% in 2012 to 34.8% in 2022, although this proportion is the highest in the region by far. As a result, the Brazilian market's share in the Life line was reduced from 59.6% in 2012 to 50.7% in 2022, while in the Non-Life line, it dropped from 29.5% to 23.3% over the same period. However, a significant recovery was observed in 2002, when the shares of both segments increased by 0.8 and 2.4 pp, respectively.

Regarding contributions of different market segments to nominal growth in the Brazilian insurance industry in 2022, of the 16.5% recorded that year, the most important contribution came from the Non-Life segment, with 8.8 pp, while Life lines contributed 7.8 pp to said growth (see Chart 3.2.3-d).

As indicated in previous versions of this report, the insurance premium amount should be added to premiums from Private Pension, Health (under the control of the National Health Agency, ANS), and Capitalization insurance. Therefore, as summarized in Table 3.2.3-b, in pension products it is observed that until December 2022, contributions were 7.3% higher than the revenue registered in 2021, reaching 15.561 billion reais (3.014 billion dollars). The product known as *Plano Gerador de Benefício Livre* (PGBL) generated 9.1% higher revenue than in 2021, at 12.670 billion reais (2.454 billion dollars). Traditional social protection contributions did not differ from the 2021 total, due to the fact that products in this line of business were no longer marketed after the introduction of PGBL and VGBL products.

Health insurance companies received a premium volume of 57.67 billion reais (11.169 billion dollars), representing an 11.6% increase, while the Capitalization segment grossed 28.385 billion reais, a 16.8% increase compared to the previous year. Total revenue in 2022 for all market segments amounted to 414.088 billion reais (80.195 billion dollars), with a nominal increase of 15.5% compared to the previous year.

### Balance sheet and shareholders' equity

Changes in the size of the aggregate balance sheet for all insurance companies operating

Table 3.2.3-b
Brazil: private insurance premiums and contributions, 2022

| Line | Millions of reals | Millions of USD | Growth 2021-2022 (%) |
|---|---|---|---|
| Insurance | 312,470.9 | 60,515.0 | 16.5 |
| Private pension | 15,561.3 | 3,013.7 | 7.3 |
| Health Insurance | 57,670.3 | 11,168.8 | 11.6 |
| Capitalization | 28,385.4 | 5,497.3 | 16.8 |
| **Total** | **414,087.9** | **80,194.8** | **15.5** |

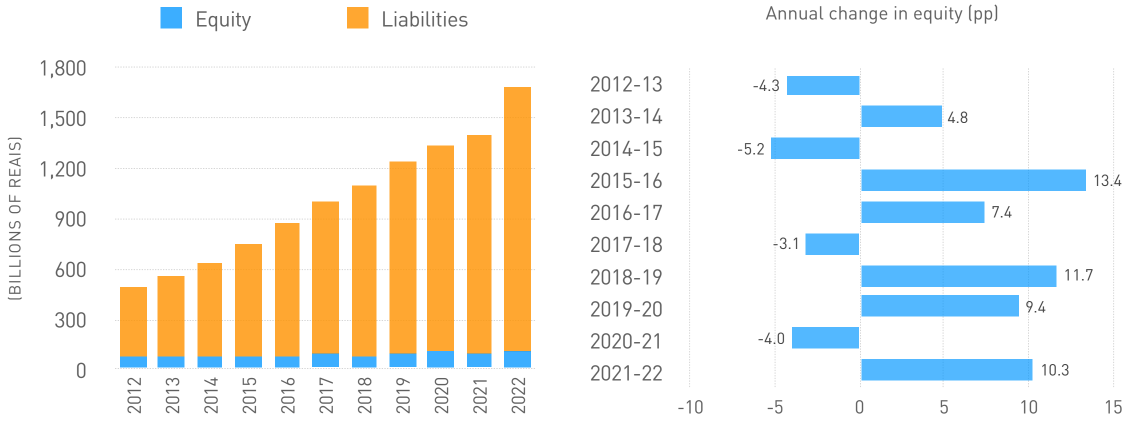
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance and the National Supplementary Health Agency, ANS)

in Brazil in 2012–2022 are shown in Chart 3.2.3-e. Accordingly, the industry's total assets stood at 1.571 trillion reais (297.536 billion dollars), while equity reached 109.4 billion reais (20.714 billion dollars), up 10.3% from 2021. Similarly, the aggregate capitalization levels (measured over total assets) in the Brazilian insurance industry followed a downward trend, moving from around 15.1% % in 2012 to 7.0% of total assets in 2022.

### Investments

Charts 3.2.3-f, 3.2.3-g, and 3.2.3-h show the performance and composition of the aggregate investment portfolio at sector level for the Brazilian insurance industry between 2012 and 2022. Investment in 2022 amounted to 1.409 trillion Brazilian reais (266.874 billion dollars), concentrated in mutual funds (86.7%) and, to a significantly lesser extent, debt instruments (9.3%), equities (3.6%), cash and cash equivalents (0.3%), and other financial investments (0.1%). When analyzing the Brazilian insurance industry's aggregate portfolio, the high percentage of investments managed through mutual funds is notable, as this increased both in absolute and relative values compared to other investments in the 2012–2022 period, from 80.2% to 86.7% over the course of the decade. Table 3.2.3-c shows changes in the investment structure considering the underlying assets managed through mutual funds, which are also basically concentrated in fixed income instruments, and which, in 2020 (the last year for which this

Chart 3.2.3-e
Brazil: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

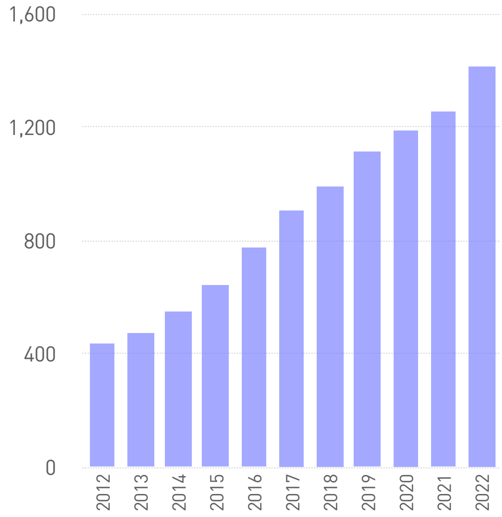
Table 3.2.3-c
Brazil: changes in the structure of investment by underlying asset
(composition, %)

| Year | Income fixed | Equities | Real estate | Other investments |
|---|---|---|---|---|
| 2010 | 86.9% | 11.6% | 0.5% | 1.0% |
| 2011 | 89.2% | 9.4% | 0.4% | 1.0% |
| 2012 | 89.4% | 9.4% | 0.4% | 0.9% |
| 2013 | 91.3% | 7.1% | 0.4% | 1.1% |
| 2014 | 93.3% | 5.5% | 0.4% | 0.9% |
| 2015 | 94.7% | 4.0% | 0.3% | 1.0% |
| 2016 | 95.1% | 4.3% | 0.2% | 0.4% |
| 2017 | 95.2% | 4.3% | 0.2% | 0.3% |
| 2018 | 95.4% | 4.1% | 0.2% | 0.3% |
| 2019 | 94.2% | 5.3% | 0.1% | 0.4% |
| 2020* | 92.8% | 6.5% | 0.2% | 0.5% |

Source: MAPFRE Economics (based on data from the Superintendency

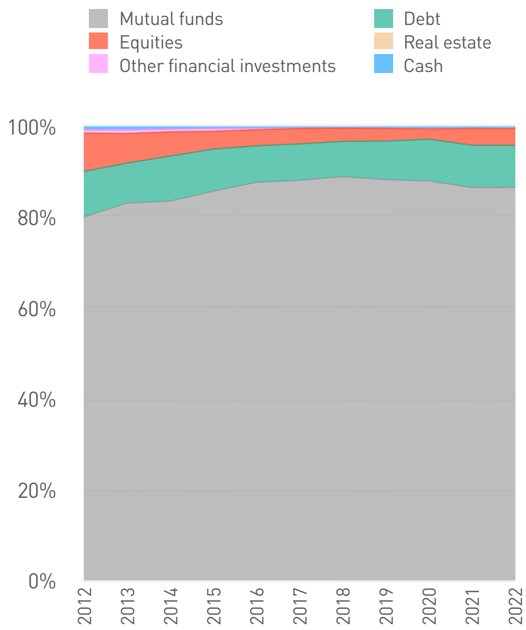
* Latest data available

Chart 3.2.3-f
Brazil: insurance market insurance market
(billions of reais)



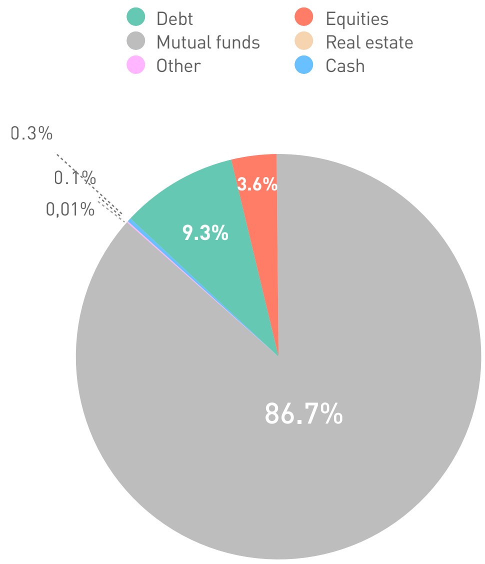

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-g
Brazil: structure of investments
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-h
Brazil: structure of investment, 2022
(%)



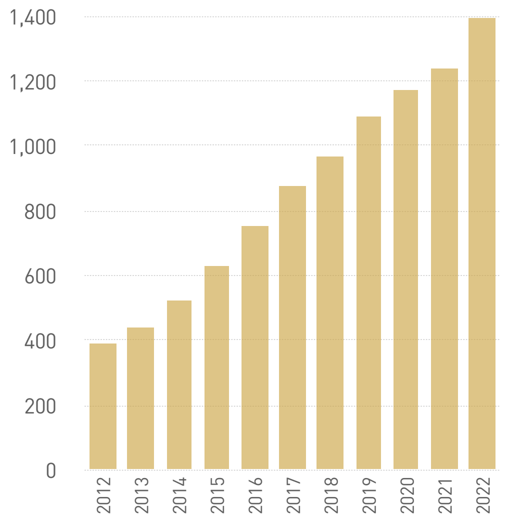

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

information is available) accounted for 92.8% of investments.

### Technical provisions

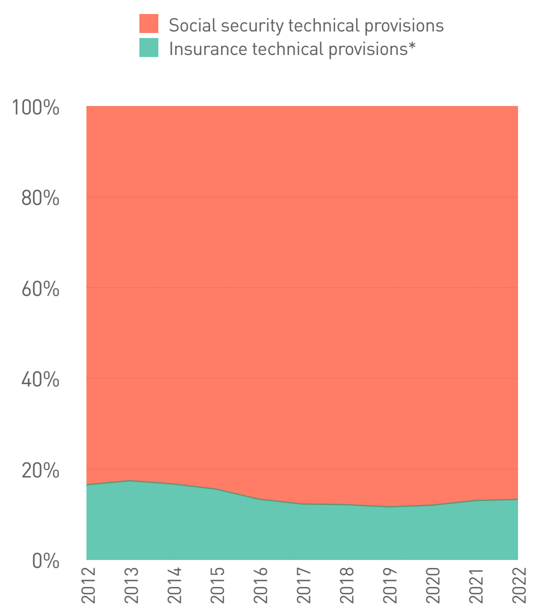
Charts 3.2.3-i, 3.2.3-j, and 3.2.3-k show the relative composition and performance of the Brazilian insurance industry's technical provisions over the 2012–2022 period. In 2022, technical provisions stood at 1.399 trillion Brazilian reais (264.879 billion dollars), with the Life business accounting for around 86.5% of total provisions, if the percentage calculation includes the pension business. Although VGBL insurance is included as an insurance product for regulatory and fiscal reasons, it is similar in nature to a pension product. Therefore, if provisions for this product are grouped with other pension products, these provisions can be seen to have increased over the 2012–2022 period, from 83.3% of the total in 2012 to 86.5% of the total in 2022.

**Chart 3.2.3-i**
**Brazil: technical provisions of the insurance market**
**(billions of reais)**



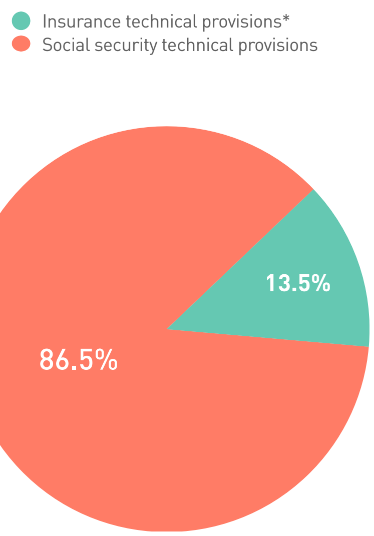

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

**Chart 3.2.3-j**
**Brazil: structure of technical provisions**
**(%)**



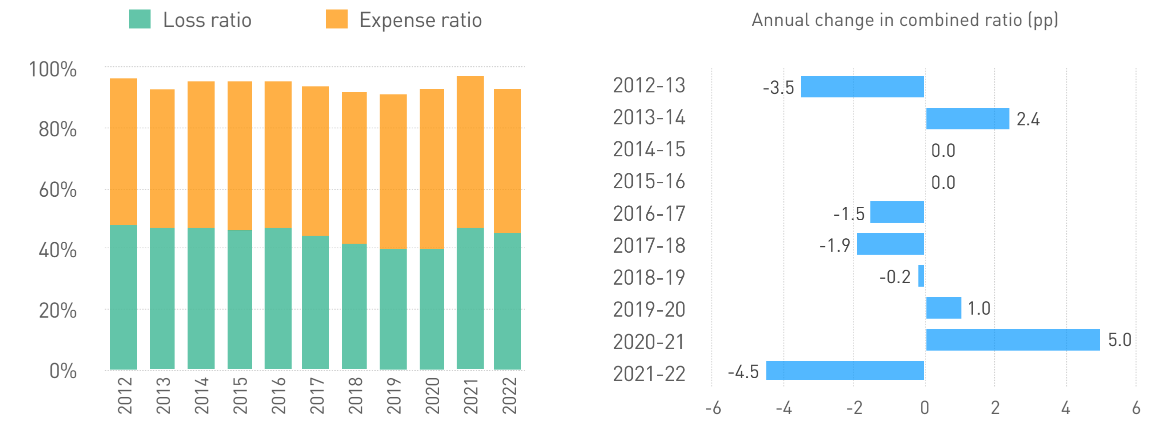

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
* Without VGBL

**Chart 3.2.3-k**
**Brazil: structure of technical provisions, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
* Without VGBL

**Chart 3.2.3-l**
**Brazil: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

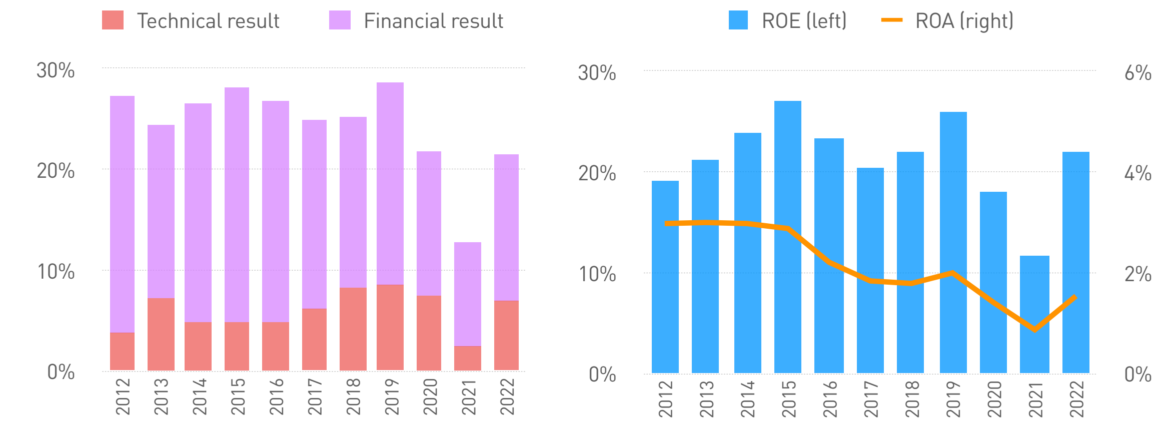
## Technical performance

Information regarding the aggregate combined ratio for all insurance lines of the Brazilian insurance market in 2012–2022 is shown in Chart 3.2.3-l. As reflected by this data, after the indicator's significant increase in 2021 as a result of the pandemic, the combined ratio decreased 4.5 pp in 2022, standing at 93.1%. This improvement in the industry's technical performance is explained by both a reduction in the loss ratio (-2.5 pp) and a drop in the expense ratio (-2.1 pp).

## Results and profitability

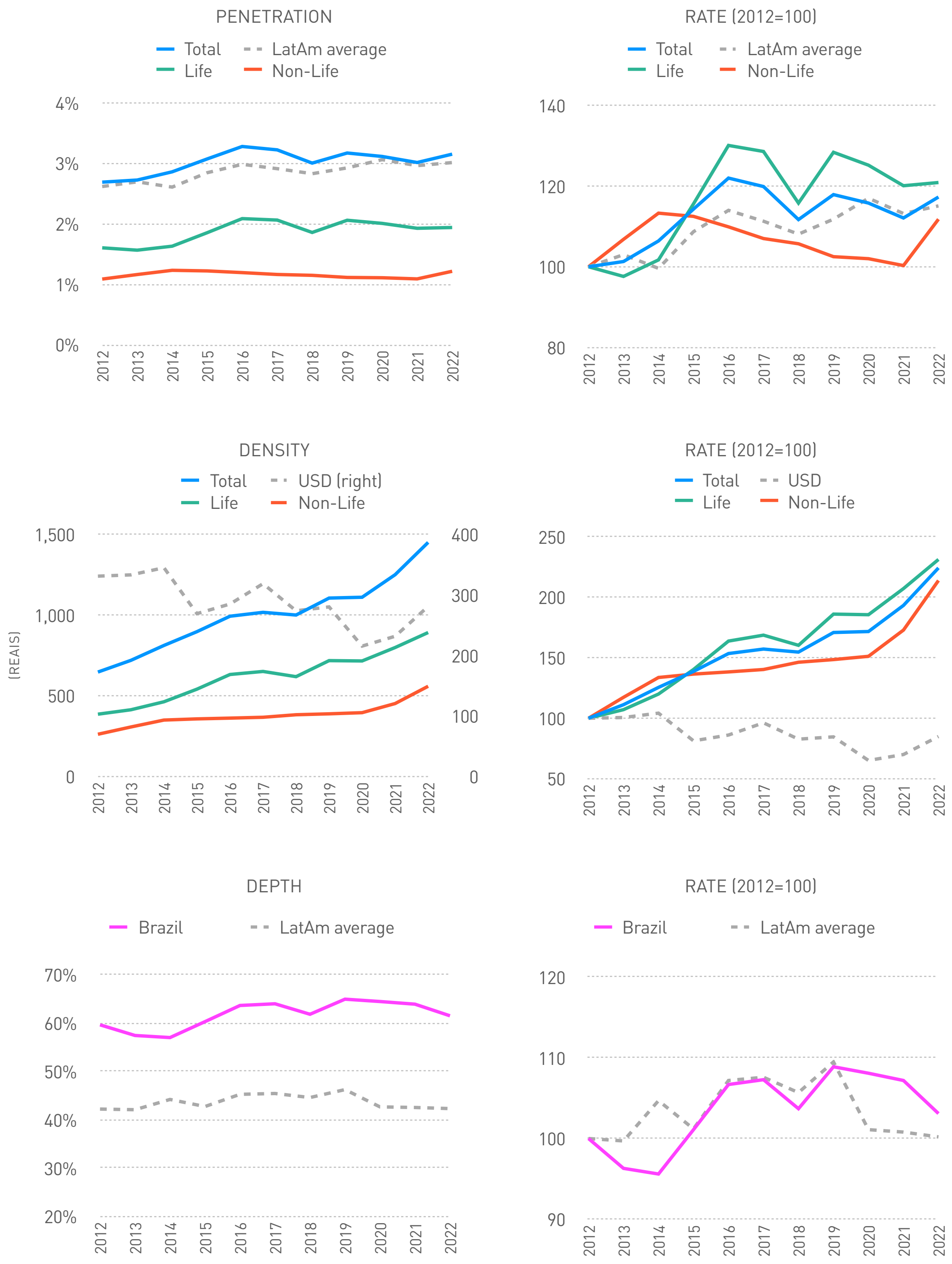
Contrary to what was observed in 2021, the Brazilian insurance market's strong technical performance in 2022, together with a 65.9% increase in the financial result, increased the net result for the industry by 92.7%, to 22.867

**Chart 3.2.3-m**
**Brazil: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

**Chart 3.2.3-n**
**Brazil: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, reais and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

billion reais (4.429 billion dollars). As a result, profitability indicators for Brazil's insurance industry in 2022, provided in Chart 3.2.3-m, also showed growth versus the previous year. Return on equity (ROE) stood at 21.9% compared to 11.7% in 2021, while return on assets (ROA) reached 1.5% in 2022, 0.7 pp higher than the previous year.

### Insurance penetration, density and depth

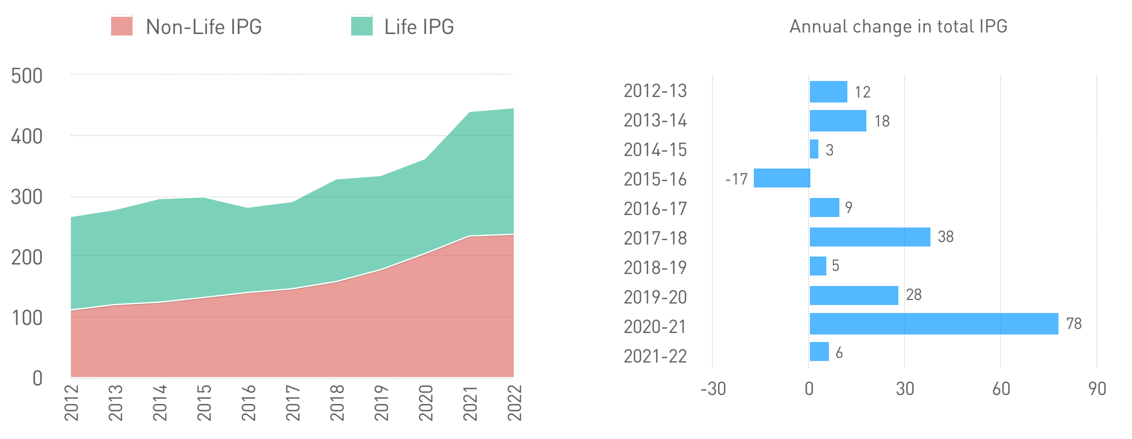
Chart 3.2.3-n shows the major structural trends in the development of the Brazilian insurance industry in the 2012–2022 period. According to this data, the penetration rate (premiums/GDP) in 2022 stood at 3.2%, 0.1 pp above that registered in 2021 and 0.5 pp above that of 2012. The penetration rate for the Brazilian market (considering only premiums from insurance activity) grew constantly between 2012 and 2016, in line with the average trend for the Latin American insurance market as a whole, but it fell in 2017, 2018 and 2021 and began to recover in 2022.

Insurance density (premiums per capita) stood at 1,451 reais (281 dollars), 16% more than the amount recorded in 2021 (1,251 reais) with better performance of the Non-Life lines of business. It should be noted that the average density measured in local currency followed an upward trend over the course of 2012–2022 with a single dip in 2018. However, when the indicator is measured in dollars, a drop is observed after 2014 due to the depreciation of the real, with some recovery in the last two years. Finally, due to the significant increase in Non-Life insurance in 2022, the depth level (measured relationship between Life insurance premiums and total premiums) decreased by 2.4 pp in 2022 and stood at 61.5%. As a result, the indicator was 1.9 pp above the value observed in 2012, and it exceeds the average values recorded in Latin America.

### Insurance Protection Gap estimate

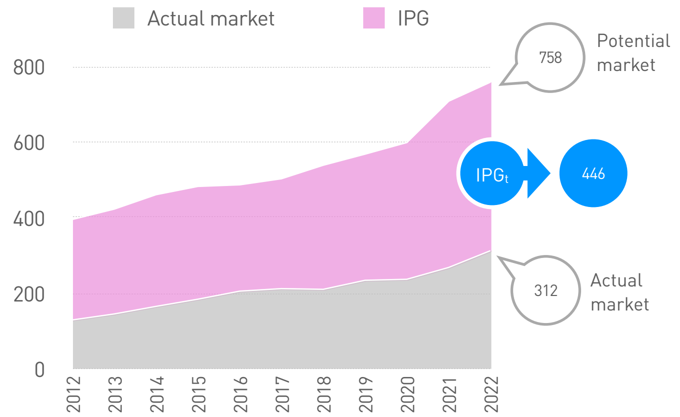
Chart 3.2.3-o provides an updated estimation of the insurance gap for the Brazilian insurance market over the last 10 years. The IPG came to 445.7 billion reals (86.3 billion dollars) in 2022, equivalent to 1.4 the size of the actual insurance market in Brazil at the end of that year. Regarding its structure in 2022, 47% of the IPG corresponded to Life insurance (209.4 billion reais), and the remaining 53% to the Non-Life insurance segment (236.3 billion reais). It should be noted that over the 2012–2022 period, the Life insurance share in the IPG decreased by

**Chart 3.2.3-o**
**Brazil: Insurance Protection Gap**
(billions of reais)




Source: MAPFRE Economics

Chart 3.2.3-p
Brazil: Insurance Protection Gap and potential market
(billions of reais)



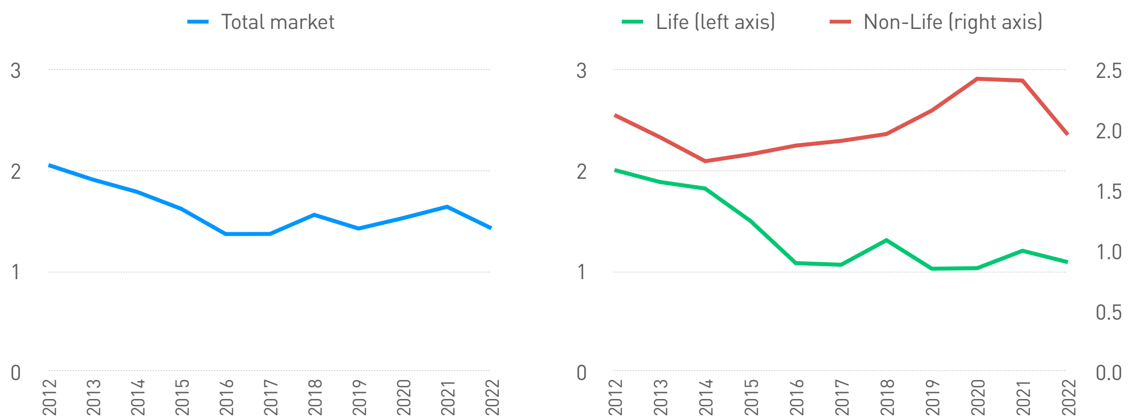

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 141.5% | 67.7% |
| 2022-2021 | 16.5% | 1.4% |

Source: MAPFRE Economics

11.2 pp. As a result, the potential insurance market in Brazil (sum of the real market plus the IPG) was estimated at 758.2 billion reais (146.8 billion dollars) in 2022; that is, 2.4 times the size of the total Brazilian insurance market in that year (see Chart 3.2.3-p).

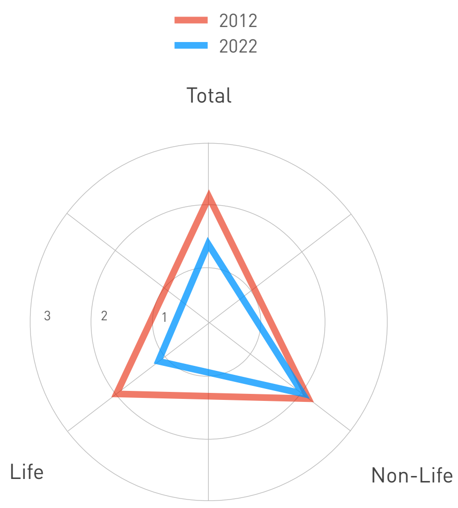
To complement this analysis, Chart 3.2.3-q shows the estimate of IPG as a multiple of the actual market. In general, this relationship follows a decreasing trend over the analyzed period, remaining downward in Life, although with a slight increase in 2018 and 2021, and steadily climbing in the Non-Life segment after 2014. This was reversed in 2022 thanks to a significant increase in business in this segment that year. From a medium-term perspective, considering the entire decade analyzed, the insurance gap fell from 2.1 to 1.4 times the size of the actual market between 2012 and 2022. The multiple for the

Chart 3.2.3-q
Brazil: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

Chart 3.2.3-r
Brazil: change in IPG as a multiple of the actual market



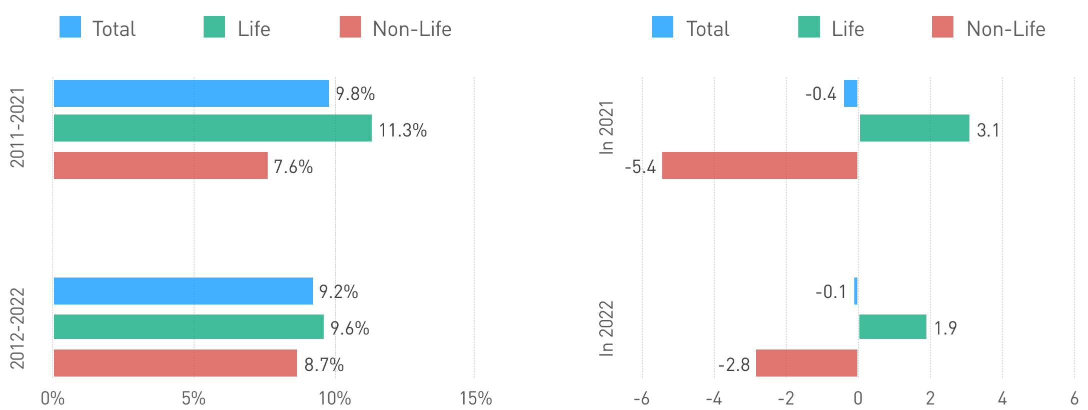

Source: MAPFRE Economics

Life market fell from 2.0 to 1.1, while that of the Non-Life market stood at 2.0 times in 2022, down from 2.1 times in 2012.

Finally, Chart 3.2.3-r summarizes the changes in the insurance gap as a multiple of the actual market for the Life and Non-Life segments and for the total Brazilian insurance market between 2012 and 2022. This chart shows that the Life business saw a substantial improvement in closing the gap over the past decade, while in the Non-Life segment, the IPG narrowed by only one tenth compared to 2012.

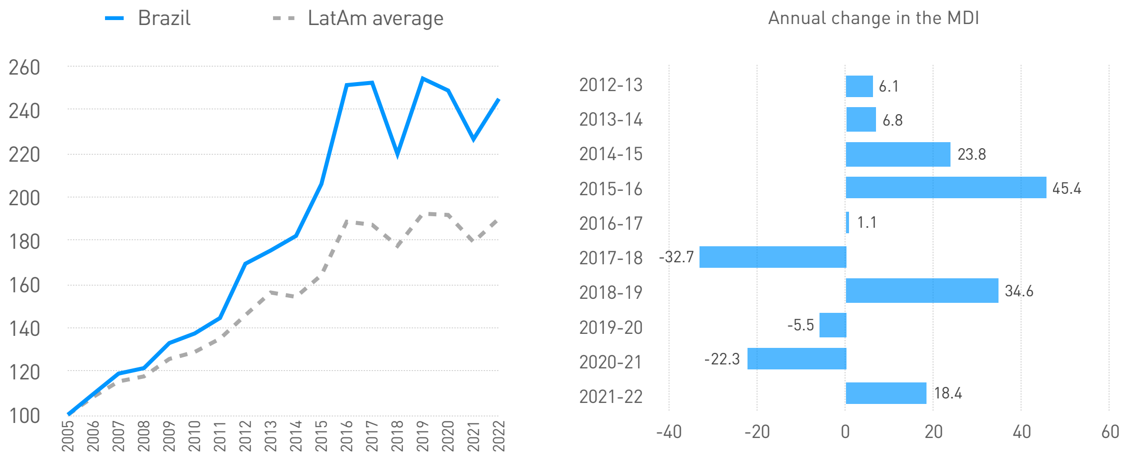
Meanwhile, Chart 3.2.3-s provides an updated overview of the capacity of the Brazilian insurance market to close the insurance gap determined in 2022, based on a comparative analysis of the growth rates observed over the last 10 years with respect to the growth rates that would be required to close this gap over the next 10 years. The Brazilian insurance market grew at an average annual rate of 9.2% during the period under analysis, with an annual rate of 9.6% in the Life insurance segment and an annual average of 8.7% for Non-Life insurance. Therefore, were the same growth rate seen over the past decade to continue for the next 10 years, the Brazilian insurance market's growth rate would be sufficient to close the insurance gap in the Life segment, but not the Non-Life segment, where it would fall 2.8 pp short. This insufficiency has decreased compared to the one noted in 2021 (5.4 pp).

Chart 3.2.3-s
Brazil: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

Chart 3.2.3-t
Brazil: Market Development Index (MDI)
(2005 index=100; annual change)

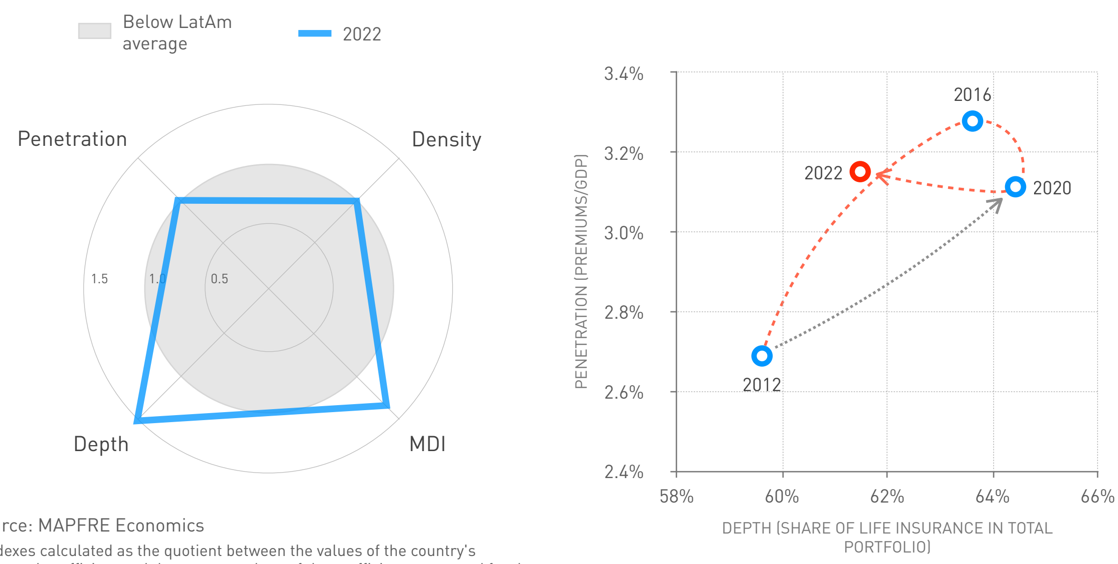



Source: MAPFRE Economics

## Market Development Index (MDI)

Chart 3.2.3-t shows the estimated Market Development Index (MDI) for the Brazilian insurance industry, compared to that corresponding to the average for the total Latin American insurance market. As indicated previously, the MDI is used in this report as an indicator of the trends shaping the performance and maturity of insurance markets. In Brazil, the indicator shows a general positive trend throughout the 2012–2022 period, declining significantly in 2018 and 2021 but recovering its dynamic in 2022. As a result,

Chart 3.2.3-u
Brazil: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

the indicator diverges positively from the average trend of Latin American insurance markets in that period.

### Comparative analysis of structural coefficients

Chart 3.2.3-u outlines the state of the Brazilian insurance market when compared with the average for Latin American insurance markets, measured in terms of the four structural indicators analyzed in this report. In this regard, the Brazilian market exceeds the regional average in all structural aspects, especially in terms of depth and MDI. That said, as confirmed by the dispersion analysis showing the market's development over the past decade, the Brazilian insurance industry evolved in a balanced way in the 2012–2022 period, with improvements in both penetration (quantitative aspect) and depth (qualitative aspect), despite the contraction observed between 2020 and 2022.

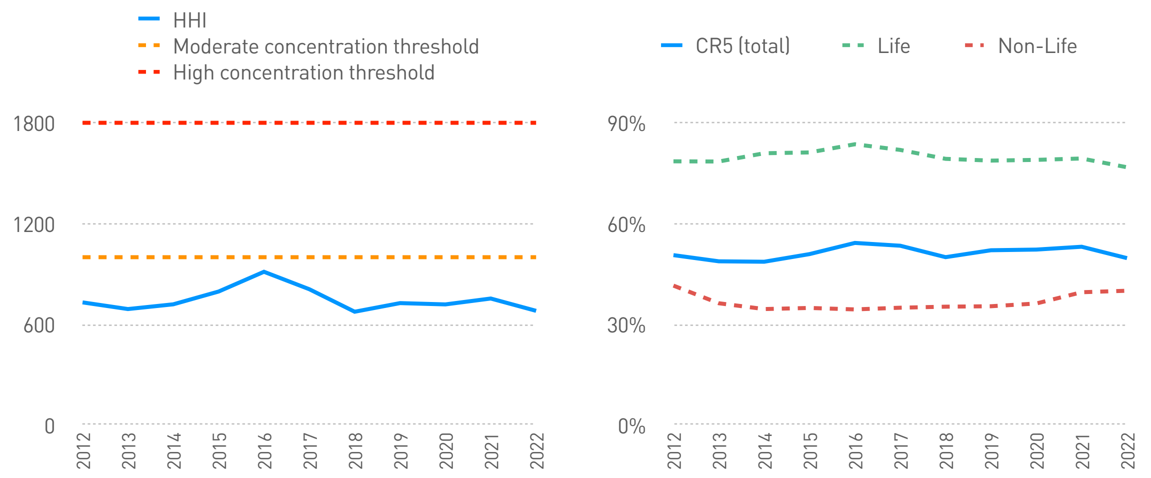
## Insurance market rankings

### Total ranking

In 2022, 126 insurance companies were operating in the Brazilian insurance industry, two more than in 2021. Based on the Herfindahl Index values, the level of concentration of the Brazilian insurance industry fluctuated by around 700 points over the analyzed period (2012–2022), but remained below the threshold for moderate concentration. Therefore, it can be said that it is a highly competitive market. As a result, in 2022, the Herfindahl Index stood at 680.8 points (754.1 in 2021), while the CR5 index also decreased in 2022, standing at 49.7%, after the increases observed between 2018 and 2021. As shown in Chart 3.2.3-v, the concentration is greater in the Life insurance segment (76.8%) than in the Non-Life insurance segment (40.0%).

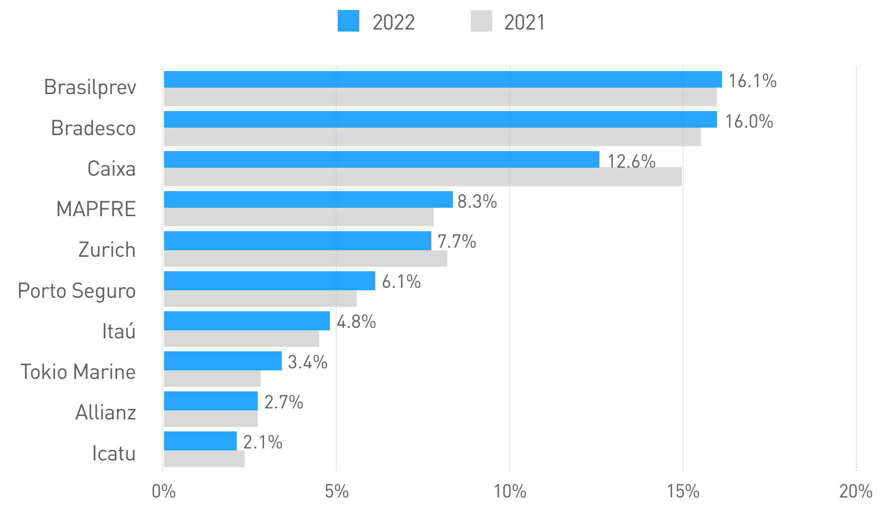
On the total ranking of groups in the Brazilian market in 2022, Brasilprev was the leader for yet another year, with a 16.1% market share, followed by Bradesco, which accounted for 16.0% of premiums. Caixa remained in third place, with a 12.6% market share, a 2.4 pp decrease compared to the previous year. MAPFRE rose by one place, ranking fourth after increasing its market share by 0.5 pp, while Zurich dropped to fifth place, with a 7.7% market share (8.2% in 2021). The other groups held the same positions they had in 2021 (see Chart 3.2.3-w).

**Chart 3.2.3-v**
**Brazil: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-w
Brazil: overall ranking
(market shares, %)

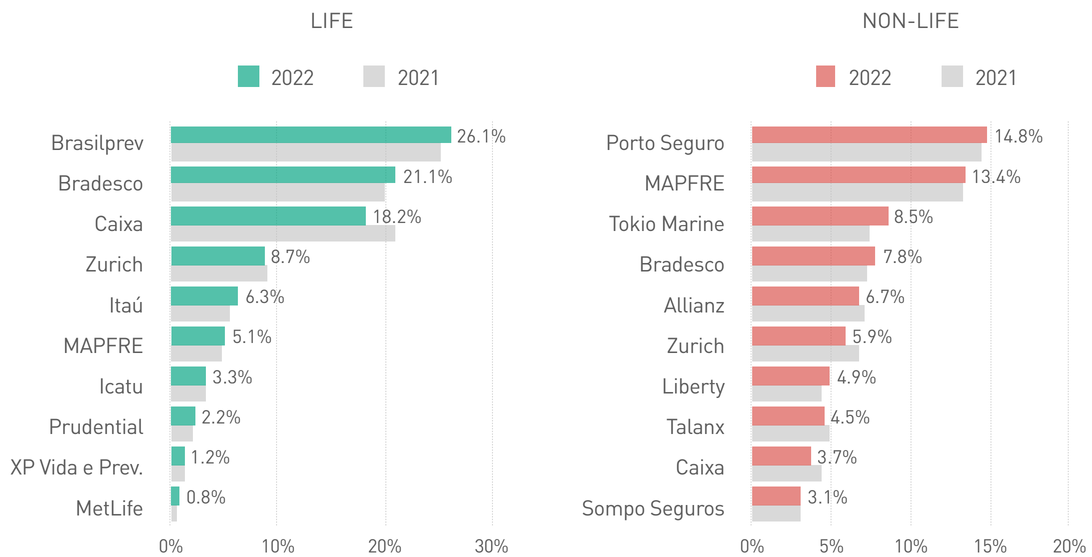



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

### Life and Non-Life rankings

Meanwhile, in the 2022 Non-Life group ranking, there were no changes in the groups composing the ranking, but there were differences in positions. Porto Seguro remained in the lead, with a 14.8% market share, 0.3 pp more than in 2021, followed by MAPFRE, whose market share increased by two tenths, up to 13.4%. There was a change in seventh

Chart 3.2.3-x
Brazil: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

place, with Liberty moving up from ninth place, which it occupied the previous year, causing Talanx and Caixa to drop one position each. Regarding the ranking for the Life insurance segment, Brasilprev, with a 26.1% market share, was still the leader, followed by Bradesco, which moved up one position, surpassing Caixa in third place. There was also a change in tenth place, with MetLife entering the ranking and Safra leaving it (see Chart 3.2.3-x).

## Key regulatory aspects

Regarding amendments to regulations on insurance activity in Brazil, the following aspects should be highlighted: First, from the point of view of the General Directorate of Prudential Regulations (*Coordenação-Geral de Regulação Prudencial*, CGREP), the publication of Joint Resolution CMN-BCB-CNSP No. 5, providing for interoperability in Open Finance, including Open Insurance, stands out.

Regarding the Resolutions of the National Private Insurance Council (*Conselho Nacional de Seguros Privados*, CNSP), the following should be highlighted:

- CNSP Resolution No. 437, dated 04/04/2022, which repeals CNSP Resolution No. 143, of December 27, 2005. This resolution established the obligation to register policies and endorsements issued and coinsurance accepted by insurance companies in specific and exclusive accounts for this purpose; however, with the implementation of the SRO (*Sistema de Registro de Operações*), it became obsolete.

- CNSP Resolution No. 444, dated 08/08/2022, which provides for preventive prudential measures aimed at preserving the stability and robustness of the National Private Insurance System, National Capitalization System and Complementary Pension Regime and ensuring the solvency, liquidity and regular operation of supervised companies.

- CNSP Resolution No. 448, dated 10/10/2022, which implements CPC 48 - Financial Instruments (IFRS 9) and addresses its effects in relation to the measurement of insurance, pension, reinsurance and capitalization liabilities.

- CNSP Resolution No. 453, dated 12/19/2022, which regulates the issuing of the IRN (Insurance Risk Note) through a Special-Purpose Insurance Company, in accordance with the provisions of Law No. 14,430, of August 3, 2022.

- CNSP Resolution No. 454, dated 12/19/2022, which changes the mandatory registration deadline for the SRO (*Sistema de Registro de Operações*) to December 31, 2023, and allows the Superintendence of Private Insurance (SUSEP) to suspend, where pertinent, the registration of new branches until interoperability is achieved between registration systems and the respective data services for all branches that are already under obligation.

- CNSP Resolution No. 455, dated 12/19/2022, which changes the date of entry into force of CNSP Resolution No. 437, of 2022, postponing the revocation date of CNSP Resolution No. 143, of 2005, to July 3, 2023, to avoid discontinuity in the public information services provided by SUSEP with respect to guarantee insurance.

- CNSP Resolution No. 457, dated 12/19/2022, which provides for the management and processing of compensation claims provided for in Article 3 of Law No. 6,194, of December 19, 1974, in relation to claims occurring between January 1, 2023, and December 31, 2023, and amends CNSP Resolution No. 399, of December 29, 2020.

Furthermore, among the Circulars issued by the Superintendence of Private Insurance (SUSEP), the following are noteworthy:

- SUSEP Circular No. 652, dated 11/02/2022, which defines the concept of pending.
- SUSEP Circular No. 653 of 02/24/2022, amending Appendix XII of SUSEP Circular No. 624, dated 3/22/2021.
- SUSEP Circular No. 655, dated 11/3/2022, setting out the conditions for the voluntary and mandatory registration of complementary open pension operations with risk coverage in registration systems approved and managed by SUSEP-accredited registration entities.
- SUSEP Circular No. 660, dated 05/04/2022, repealing SUSEP Circular No. 326, dated 05/29/2006, which regulated the registration of policies and endorsements issued directly by insurance companies in specific and exclusive accounts for such purpose. This regulation governed the registration of guarantee insurance policies, being responsible for the data used in the AESUSEP system.
- SUSEP Circular No. 661, dated 11/04/2022, amending SUSEP Circular No. 635, dated 07/20/2021.
- SUSEP Circular No. 663, dated 04/28/2022, amending Appendix XI of SUSEP Circular No. 624, dated 03/22/2021.
- SUSEP Circular No. 665, dated 05/20/2022, amending SUSEP Circular No. 655, dated 11/03/2022, and Appendix XIII of SUSEP Circular No. 624, dated 03/22/2021.
- SUSEP Circular No. 666, dated 06/27/2022, which establishes sustainability requirements that must be met by insurance companies, open complementary pension entities (EAPC), capitalization companies and local reinsurers.
- SUSEP Circular No. 669, dated 07/15/2022, amending SUSEP Circular No. 631, dated 06/28/2021, which establishes that the lead insurance company of the DPVAT Consortium shall submit a quarterly report to SUSEP detailing all expenditures using DPVAT Insurance resources by provider, project or activity, separating the expenses described and those not described in the budget forecast referred to in Article 2 of this Circular, up to 45 days after the end of each quarter.
- SUSEP Circular No. 673, dated 12/08/2022, which establishes conditions for registering operations with survivor coverage in complementary open pension plans and personal insurance in registration systems approved and managed by SUSEP-accredited registration entities.
- SUSEP Circular No. 674, dated 12/08/2022, amending SUSEP Circular No. 601, dated April 13, 2020, and its Appendix, SUSEP Circular No. 624, dated March 22, 2021, and its Appendix I, and SUSEP Circular No. 655, dated March 11, 2022, and its Appendix I.
- SUSEP Circular No. 675, dated 09/09/2022, which establishes conditions for the voluntary and mandatory registration of insurance operations of individuals with risk coverage structured in a coverage capital distribution financial model or capitalization financial model in registration systems approved and managed by SUSEP-accredited registration entities.
- SUSEP Circular No. 678, dated 10/10/2022, which implements CPC 48 - Financial Instruments (IFRS 9) and addresses its effects in relation to the measurement of insurance, pension, reinsurance and capitalization liabilities.
- SUSEP Circular No. 679, dated 10/10/2022, which establishes the conditions for the registration of capitalization operations in registration systems approved and managed by SUSEP-accredited registration entities.
- SUSEP Circular No. 680, dated 10/10/2022, amending SUSEP Circular No. 601, dated April 13, 2020, SUSEP Circular

No. 624, dated March 22, 2021, and its Appendix XII, SUSEP Circular No. 655, of March 11, 2022, Circular No. 673, of August 12, 2022, and Circular No. 675, of September 9, 2022.

- SUSEP Circular No. 684, dated 12/28/2022, which postpones the revocation date of SUSEP Circular No. 326, from 05/29/2006, to July 3, 2023, in order to ensure that there is no discontinuity of the services provided by SUSEP with respect to information to the public regarding guarantee insurance (AESUSEP system).

Meanwhile, in matters of reinsurance and major risks, the following provisions stand out:

- CNSP Resolution No. 435, of 2022, which establishes the rules and minimum elements to be included in contracts for Mandatory Insurance for Personal Injury Caused by Vessels or their Cargo – DPEM Insurance; and SUSEP Circular No. 658, of 2022, which establishes the rate conditions for DPEM insurance and contains only changes in form, without analyzing the substance of the provisions of the regulations previously in force.

- CNSP Resolution No. 440, of 2022, which establishes criteria on the updating and recalculation of amounts related to insurance, open pension plans and capitalization operations; in addition, it improves the technical aspects of the legislation by bringing together related topics in the body of the regulation and by reorganizing topics in the topography of the standard; among others, it introduces the following improvements, based on the guidelines established in the Economic Freedom Act (Law No. 13,874, of September 20, 2019): (i) correction of the lack of express mention of interest due on late payments when obligations are not fulfilled by their deadline, explaining that late fees shall only be imposed by express contractual provision; (ii) inclusion of the possibility of agreeing on the index for updates, no longer limiting the choice of the adjustment index to those established in the specific regulations, and As a result allowing contractual freedom based on simpler, more flexible and less prescriptive rules; (iii) clarification that, in insurance with covered risks linked to a main contract (for example, guarantee insurance), the index and frequency of updates shall be the same as those defined in such main contract or in specific legislation, avoiding the potential mismatch between risk value and insured value, and (iv) power to update amounts in insurance contracts issued in foreign currency, since this provision is not included in any current regulations, improving the systematization of the non-statutory guidelines framework. Complementary criteria on updating and recalculating amounts related to insurance, open pension plans and capitalization operations were addressed in SUSEP Circular No. 668, also from 2022, which included, among other improvements: (i) greater freedom for parties to define indexes, eliminating the exhaustive list, in accordance with the Economic Freedom Act (13874/2019); (ii) adjustment of the wording on the possibility of using the savings index to update provisions on capitalization amounts, in accordance with Law 8,117/2003; (iii) maintenance of the assumptions for updating refunded insurance premiums, even due to the rejection of the proposal, making the standard compatible with SUSEP Circular No. 642/2021; (iv) simplification of the rules on updating amounts related to personal insurance and open complementary pension operations, with the elimination of Appendix II of SUSEP Circular No. 255/04 and transfer of the recalculation rules to CNSP Resolution No. 440/2022; (v) simplification of vesting dates according to the date of occurrence of the event, in cases where updates are made due to non-compliance with payment deadlines for obligations by insurers, open complementary pension entities (EAPC) and capitalization companies, maintaining compliance with specific rules (personal insurance and open complementary pension) and special standards for agricultural insurance and reimbursement of expenses to the insured party or beneficiary; (vi) inclusion of a provision indicating that the interest rate on late payments and fines due from an insurance company or entity, for non-compliance with its obligations, shall not be lower than those owed by the insured party or participant in the same situation, and (vii) inclusion of a rule on the status of the updating of amounts, and moratorium on interest and penalties, for insurance issued in foreign currency, a matter not contemplated in the previous regulations.

- CNSP Resolution No. 442, of 2022, which provides for Mandatory Civil Liability Insurance for Air Operators or Carriers – RETA, adopted more flexible wording adapted to the reality of the market and sought alignment with Law No. 14,368/22, which modified Law No. 7,565/86 (Brazilian Aeronautical Code). In addition, the new regulations strengthen the cooperation mechanisms with ANAC – National Civil Aviation Agency.
- CNSP Resolution No. 451, DE 2022, which provides for the transfer and acceptance of reinsurance and retrocession operations and their intermediation, coinsurance operations, foreign currency operations and insurance contracts overseas, consolidates several disjointed regulations (25 CNSP resolutions and 2 SUSEP circulars). It also updates the provisions and makes them compatible with recent CNSP and SUSEP regulations, focusing on regulatory simplification, reducing bureaucracy, promoting innovation and stimulating the development of insurance and reinsurance markets. In addition to providing greater clarity in the application of the topic, the new text introduces an important change in the rule on the overall allocation limit, which is provided for in Article 16 of CNSP Resolution No. 168/07. A result of extensive discussion with the supervised market, the new rules aim to simplify regulations, reduce bureaucracy and promote the development of insurance and reinsurance markets. In this regard, the fixed allocation limit was replaced by principle parameters, with emphasis on the qualitative evaluation of the reinsurance and retrocession programs adopted by supervised companies.

Regarding operations in foreign currency, the rules for contracting reinsurance and retrocession were made more flexible, and this is now allowed in any situation, analogous to the taking out of insurance. Additionally, the new regulations fill a regulatory gap by establishing standards to determine the date for the conversion of amounts.

Also, operational procedures for offering preferred risk to local reinsurers and for demonstrating the insufficient capacity of local and foreign reinsurers, so that risks may be transferred to reinsurers not authorized to operate in the country; and for taking out insurance overseas, were established through SUSEP Circular No. 683, also published in 2022.

Meanwhile, with the publication of SUSEP Circular No. 662, of 2022, which provides for Guarantee Insurance, an attempt was made to eliminate the asymmetry of information between contracting parties, mitigating the possibility of erroneous interpretations. The new rules also encourage the development of this important line of business by allowing an increase in the range of coverage that can be offered. Among the main improvements introduced by the new regulations, the following stand out: (i) the greater security required in risk analysis, which also considers the specific legislation applicable to the main purpose; (ii) the possibility of insurers monitoring the execution of guaranteed obligations, mitigating the risk of claims and strengthening the guarantee; (iii) adhesion of the regulations to Law No. 14,133/21 (new Law on Tenders and Administrative Contracts); (iv) the possibility of including third parties as beneficiaries of the policy; (v) possibility of insurance not guaranteeing all the obligations of the main purpose, depending on the insured party's interest, and (vi) provision that, exceptionally, there may be a mismatch between the terms of the guarantee insurance and the guarantee obligation, in the insured party's interest and in compliance with specific legislation.

In addition, SUSEP Circular No. 670, of 2022, which establishes the minimum criteria that insurance companies must observe for Stop Loss insurance operations, as well as SUSEP Circular No. 671, of 2022, which establishes rules and criteria for preparing and marketing insurance plans in the Lease Guarantee line of business, contain only changes in form, without analyzing the substance of the provisions of the regulations previously in force.

Meanwhile, SUSEP Circular No. 682 of 2022 (effective as of 01/01/2024) simplifies the standards for the codification of insurance lines of business and coverage classification. The new regulations have a more limited scope than the previous ones (SUSEP Circular No. 535/16), and they exclude the provisions on the preparation and registration of casualty insurance and personal insurance, which are governed by specific regulations (SUSEP Circulars No. 621/21, No. 657/22 and No. 667/22).

Finally, a proposal was sent to the then-Ministry of Economy to revise Decree No. 5,121/2004, of June 29, 2004 (which regulates Law No. 10,823, of December 19, 2003), which provides for the economic subsidy for the Rural Insurance premium as well as other measures, in relation to the need for SUSEP to analyze and approve rural insurance products for participation in the Rural Insurance Premium Subsidy Program.

As for Regulations issued by the General Directorate for Regulation of Mass Insurance, Personal Insurance and Pensions (*Coordenação-Geral de Regulação de Seguros Massificados, Pessoas e Previdência*, CGSEP), the following should be noted:

- Home Insurance. CNSP Resolution No. 447, of October 10, 2022, which establishes home insurance (15414.605958/2022-11). CESH Home Insurance – SUSEP Circular No. 677, dated October 10, 2022, establishes the effective cost of home insurance – CESH (15414.606184/2022-45). The revision aims to simplify and give greater transparency to the regulatory framework of home insurance in market policies (SH/AM) with the objective of simultaneously providing adequate protection to consumers in this market and allowing its effective development. The main changes are as follows: (i) greater clarity regarding the list of properties eligible for financing under SH/AM, in accordance with the provisions of Articles 12, 16 and 17 of CMN Resolution No. 4,676, of July 31, 2018; (ii) exclusion of provisions that are addressed in specific regulations, in accordance with the guidelines in Article 8 of Decree No. 9,191, of November 1, 2017; (iii) greater clarity on the minimum insurance coverage that must be observed in the sphere of the Real Estate Financial System, according to the provisions of Article 5 of Law No. 9,514, of November 20, 1997; (iv) operational standards for completing the Personal Health Declaration, when necessary, in order to streamline the taking out of insurance, and (v) structuring of a specific chapter that deals with the replacement of insurance, in the interest of the insured party, by credit assignment or portfolio transfer, as well as the information and documents that must be transferred by insurance companies in these situations.
- Capitalization, allocable philanthropy. CNSP Resolution No. 446, of October 10, 2022. Amends CNSP Resolution No. 384, of June 9, 2020, which establishes the capitalization operation, modalities, preparation, operation and marketing of capitalization securities as well as other measures. (15414.602595/2020-08). SUSEP Circular 676 of October 10, 2022, amending SUSEP Circular No. 656, March 11, 2022 (Proc. 15414.648731/2021-89). The main objective of the regulatory

amendment is to address new provisions related to capitalization bond operations under the modality of allocable philanthropy, introduced with the amendment of Law No. 14,332, of 2022. The aforementioned law introduces a change in the logic of assigning the subscriber's redemption rights to charitable entities, compared to previous regulatory provisions. Pursuant to the regulations in force at the time, redemption rights were transferred by signing a specific document for this purpose, while under the new law, the right of non-transfer must be exercised by the subscriber until the date of the first redemption of the acquired security. Therefore, the amendment of the aforementioned regulations is in accordance with the legislative precept relating to procedures inherent to the sale of capitalization bonds under the modality of allocable philanthropy.

- Extended Warranty Insurance. CNSP Resolution No. 436, of April 4, 2022, establishes the general guidelines applicable to extended warranty insurance (15414.604579/2020-41). SUSEP Circular No. 659, dated April 4, 2022, which establishes the rules and criteria for extended warranty insurance when goods are purchased or during the provider's warranty period. (15414.606050/2020-62). Regulations to consolidate CNSP Resolution No. 296, of October 25, 2013, CNSP Resolution No. 306, of April 2, 2014, CNSP Resolution No. 309, of June 16, 2014, and CNSP Resolution No. 369, of December 13, 2018. In general, in the specific case of the consolidated regulations, the substance of their provisions was not analyzed, and only proposals for reforms were presented, with the sole objective of improving the technical aspects of the legislation, based on Article 9 of Decree No. 10,139, of 2019.

- Electronic Product Registration. SUSEP Circular No. 657, dated April 1, 2022, which provides for product registration with SUSEP (15414.621390/2017-18). This SUSEP Circular provides for product registration with SUSEP, due to the implementation of a new version of the Electronic Product Registration (REP) system, REP 2, in order to replace SUSEP Circular No. 438/2012, currently in force, and comply with the provisions of Decree No. 10,139, of 2019. Its main changes include a provision on exemptions from the registration of high-risk insurance products, provided for in CNSP Resolution No. 407/2021, exemption from the registration of actuarial technical notes for casualty insurance products, provided for in SUSEP Circular. No. 621/2021, as well as other exemptions that may be established in other regulations and in the SRP manual; it provides for the registration of microinsurance plans and insurance plans sold through contracts, as stipulated previously in SUSEP Circular No. 440/2012 and in CNSP Resolution No. 285/2013, respectively.

- Assistance Services. CNSP Resolution No. 443, of August 8, 2022, which establishes the general guidelines applicable to the offer, by insurance companies, of complementary insurance assistance services (15414.612518/2022-10). SUSEP Circular No. 672, of August 8, 2022, repeals SUSEP Circular No. 310, of December 19, 2005 and SUSEP Circular No. 318, of February 2, 2006 (15414.612565/2022-63). Changes aimed at consolidating standards. The CNSP Resolution consolidates into a single regulation the provisions contained in the following standards: CNSP Resolution No. 102, of January 6, 2004, SUSEP Circular No. 310, of December 19, 2005; and SUSEP Circular No. 318, dated February 2, 2006. The SUSEP Circular consolidates the following standards: SUSEP Circular No. 310, dated December 19, 2005; and SUSEP Circular No. 318, dated February 2, 2006.

- Personal Insurance with risk coverage. CNSP Resolution No. 439, of July 4, 2022, which establishes the general characteristics of personal insurance risk coverage (15414.613980/2021-53). SUSEP Circular

No. 667, of July 4, 2022, which establishes the complementary rules and criteria on personal insurance risk coverage (15414.636172/2021-64). The purpose of the regulatory change is to update specific regulations on personal insurance with risk coverage in order to make the regulatory approach less prescriptive and more principled, collaborating to simplify operations involving personal insurance products and eliminating restrictions that are no longer relevant. In summary, the most relevant changes are as follows: (i) introduction of regulatory changes and flexibility, maintaining more detailed rules only for specific coverages and situations, allowing insurers more freedom to structure and offer various coverages; (ii) exemption from prior registration for actuarial technical notes for personal insurance plans with risk coverage, limiting the obligation to insurance plans with coverage structured in a capitalization financial model and/or coverage capital distribution model (iii) repealing of provisions that limit, in general, the combination of coverage in different lines of business, so that the restrictions are addressed, where appropriate, in specific rules; (iv) simplification of treatment of the inclusion of dependent insured parties; (v) flexibility for the method of payment of compensation, which, in addition to cash payments and reimbursements, may be carried out exclusively through the provision of services; (vi) exclusion of the prohibition on the issuing of insurance in foreign currency, in line with the amendment introduced by CNSP Resolution No. 379, March 4, 2020. The prohibition is maintained only for insurance that provides for the constitution of mathematical provisions; (vii) revision of the definition of personal accidents, eliminating the list of events that are or are not classified as personal accidents; (viii) exclusion of the interest rate cap; (ix) removal of provisions on biometric tables and product prices; (x) regulation of passenger personal accident insurance; (xi) regulation of personal accident insurance for cases in which there is no prior knowledge of the identity of natural persons exposed to the insured risks during the stay period in specific spaces (highways, events, shows, fairs, exhibitions, etc.); (xii) acceptance of the exclusion of coverage of specific pre-existing diseases declared on the personal health declaration included in the proposal, in case of express agreement between the parties, and (xiii) treatment of specific cases of employee-employer type insurance, with some regulatory exemptions.

- Social Security Risk Coverage. SUSEP Circular No. 685, of December 29, 2022, which establishes complementary rules and criteria for risk coverage offered in open complementary social security plans (15414.601760/2022-68). CNSP Resolution No. 458, of December 28, 2022, which establishes the rules and operating criteria for risk coverage offered in open complementary pension plans. (15414.601761 / 2022-11). The objective of the regulatory review was to update specific regulations on open complementary pensions with risk coverage, consolidating them with other relevant regulations, considering that the changes in substance were limited, and the majority of changes pertained to form. The market regulated and supervised by SUSEP, in addition to providing workers with survivor coverage, seeks to protect them in the case of certain life events, offering plans with risk, death and/or disability coverage, with the aim of guaranteeing differentiated coverage to the contracting party. The most relevant changes in the Circular are as follows: (i) change in wording of the definition of the specially constituted investment fund, with reference to regulations on plans with survivor coverage containing stricter provisions in relation to such funds; (ii) the provision relating to methods of payment of premiums was deleted, removing restrictions on the allowed methods of payment and preventing impediments if new methods of payment arise; (iii) an article was included on the consequences of non-payment of contributions, in order to prevent the sale of plans without rules on grace periods for the payment of contributions, suspension of coverage in the event of non-payment, cancellation due to non-payment, etc., in order to ensure more transparent procedures for the participants; (iv) amendment of the provision on redemption payments to include other methods of payment that can be traced through the banking system. Amendment concerning the fifth working day, considering that five calendar days may end up representing a very tight deadline depending on the combination of weekends and holidays; (v) inclusion of a provision whereby the open complementary pension company/insurance company authorized to manage open complementary pension plans shall be responsible for all advertising related to its marketed products; (vi) inclusion of a provision on the need for regulations to include criteria for modifying rates, either by the reformulation of ages or another objective criterion, and in the case of using average rates; (vii) exclusion of the need to structure technical notes in the manner prescribed by the original standard, and (viii) restrictions on biometric tables are eliminated, considering that the limits from mortality tables for risk coverage have been removed. Regarding the Resolution, as in the Circular, most of the changes introduced are related to form, while substantive changes are limited.

- Portability of resources between EAPC and EFPC. Joint Resolution - SUSEP PREVIC n.1/2022, with provisions regarding the rules on portability of resources between benefit plans administered by Open Complementary Pension Companies and Closed Complementary Pension Companies (15414.617167/2022-33). The standard aims to address the need to review and consolidate legislative instruments inferior to decrees issued by federal government agencies, autonomous institutions and foundations, as recommended by Articles 1 and 5 of Decree No. 10,139/2019, without containing significant changes in relation to the original provisions.

Regarding licenses and penalties, the following resolutions stand out:

- CNSP Resolution No. 452, of 12/19/2022, which includes a regulatory provision on the possibility of applying the admonition penalty to insurance brokers and regulate procedures and penalities in the event of administrative sanctioning procedures against companies that register insurance, capitalization, pension plan and reinsurance operations provided for in the accession period.

- CNSP Resolution No. 450, of 10/18/2022, which includes the changes introduced in the Open Insurance System Regulations in the regulations governing the accreditation of companies that process customer service requests.

- CNSP Resolution No. 441, of 05/07/2022, which eliminates the restriction imposed on the composition of statutory bodies of supervised organizations and reinsurance brokers, which introduced a condition that turned out to be disproportionate to the risk entailed by the economic activity in question; guarantees legal certainty in relation to the SUSEP rules applicable to the regulated market; and adapts the regulations to the provisions of §2, art. 146, of Law No. 6,404, of 1976, amended by Law No. 14,195, of 2021, and the regulations issued by other financial market regulators.

Finally, SUSEP's regulatory priorities for 2023 include:

- Conclusion of the revision of the CNSP Resolution establishing general guidelines applicable to Third-Party Liability Insurance for Cargo Carriers. This proposal was the subject of Public Consultation No. 28/2022, which has already been closed.

- Conclusion of the revision of the SUSEP Circular establishing standards and criteria for Transportation Insurance operations. In compliance with the 2022 Regulatory Plan (SUSEP Resolution No. 11/2022), the standards for Transportation Insurance operations were also revised in 2022. The draft bill aims to modernize the current regulations in light of the latest regulatory guidelines. Particularly noteworthy is the exclusion of standard contractual conditions, which gave rise to a principles-based approach, allowing greater freedom for the development of contractual conditions. This measure should make it possible to develop products more suited to the needs of the insured party. This proposal was the subject of Public Consultation No. 19/2022, which has already been closed.

- Conclusion of the revision of the CNSP Resolution providing for Third-Party Liability Insurance for Road Passenger Carriers. The proposal has already been approved under SUSEP and will be deliberated by the CNSP in 2023.

- Completion of the Guarantee Insurance Manual. In this regard, studies are underway to prepare a Guarantee Insurance Manual for the purpose of educating consumers about the main elements of this insurance facility. This initiative aims to help reduce information asymmetries and As a result align the expectations of contracting parties, mitigating the risk of conflicts in the execution of contracts.

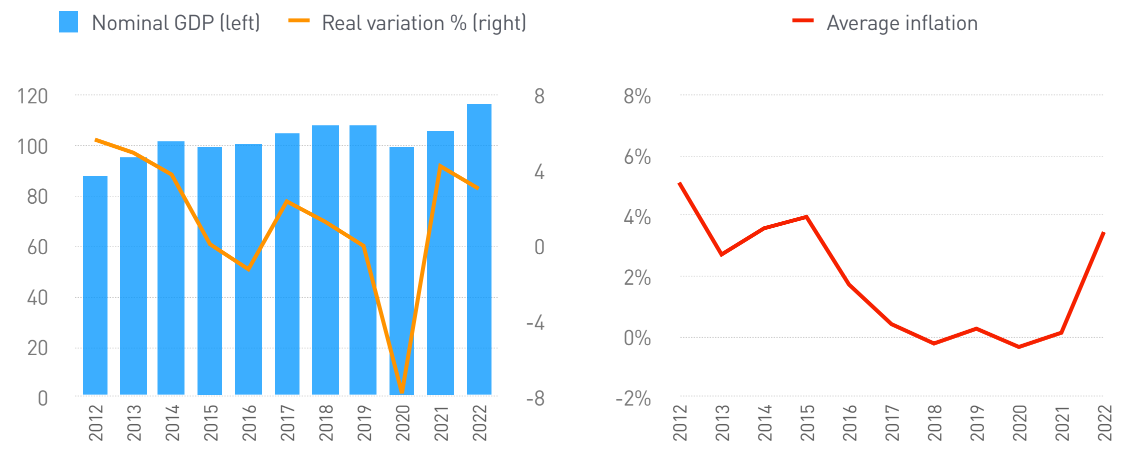
## 3.2.4 Ecuador

### Macroeconomic environment

The Ecuadorian economy grew by 3.0% in 2022 (+4.2% in the previous year) as a result of lower domestic demand due to the weakening of private consumption and government spending, as well as external demand factors. This followed a reduction in export volumes as a result of the asymmetric recovery of domestic supply and complex external conditions amid the conflict in Ukraine, with rising raw material and food prices (see Chart 3.2.4-a).

Unemployment fell in 2022 (4.0%, compared to 4.5% in 2021), although this indicator's positive trend was based on an increase in informal jobs, signaling a rise in precarious working conditions. In 2022, the trade bal-

Chart 3.2.4-a
Ecuador: changes in economic growth and inflation
(GDP in local currency, billions of USD; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

ance showed a surplus for which oil exports were a decisive factor (benefiting from the rise in the international price of crude oil), given that the non-oil trade balance showed a deficit. In general, exports of goods had strong dynamics, with a 28% increase driven mainly by shipments of oil and shrimp. However, this buoyancy contrasts with the fall in export volumes, implying the high exposure of Ecuadorian exports to international price volatility (almost 80% of exports come from primary goods).

The non-financial public sector registered a surplus in nominal terms in 2022, both in the overall result (1.5% of GDP) and in the primary result (3.6% of GDP), due to an increase in tax revenue and especially oil revenue, as well as a fiscal policy of reduced spending and significant cuts compared with 2021, when a fiscal deficit of 1.8% was recorded. The upward trend in oil revenue (31%) far exceeded that of tax revenue (14%), in which value added tax (VAT) collection was the highest, despite the new tax reform (Organic Law on Economic Development and Fiscal Sustainability) concerning income tax.

Ecuador's aggregate public debt represented around 55.4% of GDP at the end of 2022 (compared to 58.6% in 2021), reflecting continuity in the current administration's efforts to improve the public debt profile (expanded access to external private financing through trade credits negotiated with international financial institutions, successful refinancing of bilateral debt with China and approval of a line of credit by the Federal Reserve Bank of New York). For 2023, it is expected to show continuity in the management of public debt by negotiating a new agreement with the International Monetary Fund, in addition to greater access to internal debt following an increase in financing costs abroad. As for the external sector, a positive result was observed in the oil trade balance (3.1% of GDP), offsetting the non-oil deficit (2.1% of GDP), while the level of international reserves (around 6.5% of GDP) was significant. Meanwhile, the year-on-year inflation rate was around 3.7% at the end of 2022 (compared to 1.9% in 2021).

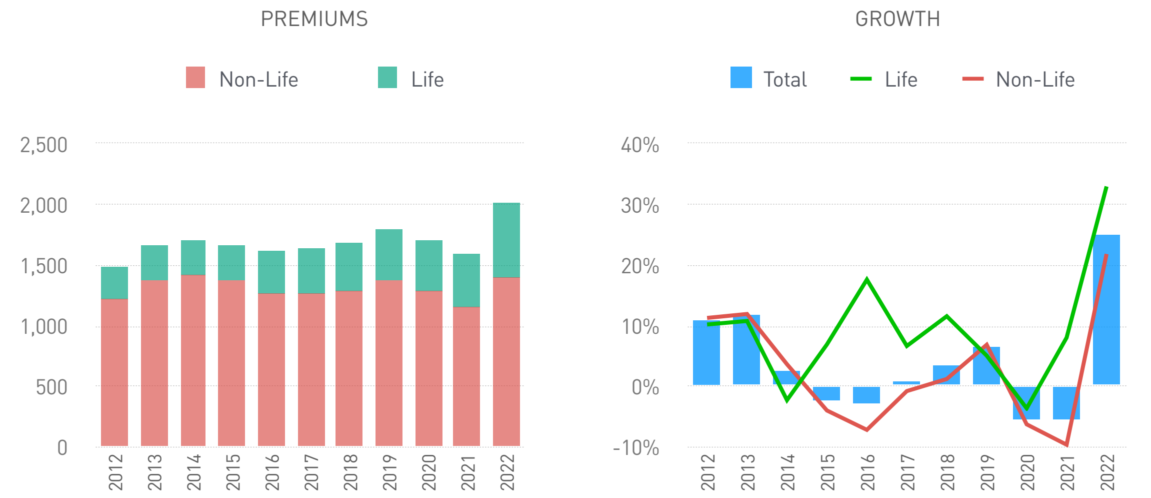
MAPFRE Economics has forecast growth of around 1.6% in Ecuador's GDP for 2023, while

**Table 3.2.4**
**Ecuador: premium volume[1] by line, 2022**

| Line | Millions of USD | Growth | |
|---|---|---|---|
| | | Nominal (%) | Real (%) |
| **Total** | **2,007.2** | **25.0** | **20.8** |
| **Life** | **600.2** | **33.0** | **28.5** |
| Individual Life | 22.9 | -1.6 | -4.9 |
| Group Life | 577.3 | 34.9 | 30.4 |
| **Non-Life** | **1,407.0** | **21.8** | **17.8** |
| Automobiles | 375.4 | 13.1 | 9.3 |
| Other lines | 264.7 | 26.3 | 22.1 |
| Fire, theft and allied lines | 255.7 | 25.9 | 21.6 |
| Transport | 142.8 | 33.6 | 29.2 |
| Personal Accidents | 83.5 | 15.8 | 11.9 |
| Surety and credit | 91.3 | 20.2 | 16.2 |
| Health | 116.6 | 28.9 | 24.6 |
| Third-party liability | 77.0 | 19.2 | 15.2 |

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)
1/ Net written premium

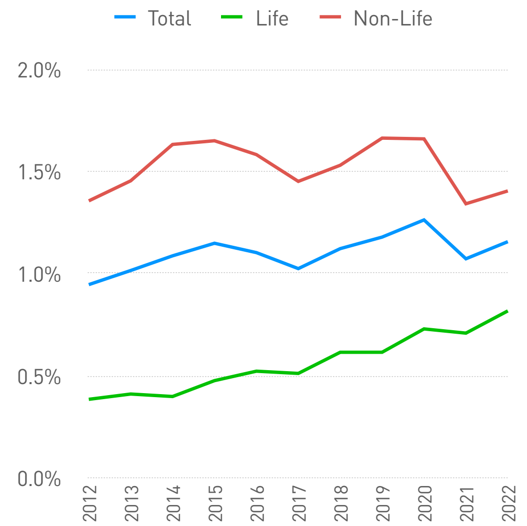
**Chart 3.2.4-b**
**Ecuador: growth developments in the insurance market**
**(premiums, millions of USD; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

ECLAC estimates a recovery with 2.3% growth, as a result of internal risks (weakening private consumption and investment, problems in key production sectors, including oil, job insecurity and political and social instability) and external risks (outcome of the conflict in Ukraine, lower overall and trade growth, tightening monetary policies, restrictions on external financing, inflationary pressures and a stronger dollar). Growth forecasts for 2024 would stand at 1.7% and 2.6%, respectively.

**Chart 3.2.4-c**
**Ecuador: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance and supervisory bodies in the region)

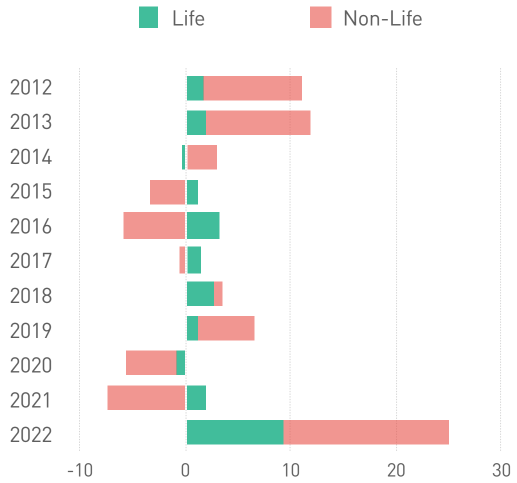
## Insurance market

### Growth

After two years of declines in premium issuing, the Ecuadorian insurance market performed strongly in 2022, with a nominal increase in premiums of 25.0% and a real increase of 20.8%, reaching 2.007 billion dollars (see Chart 3.2.4-b and Table 3.2.4). Group Life insurance accounted for a significant share of this growth, with 577 million dollars in premiums, a 34.9% increase from the previous year. The Non-Life segment also performed well, with nominal and real increases across all lines of business, including Transportation (33.6%) and Health (28.9%).

In 2022, Ecuadorian insurance market premiums represented 1.2% of the Latin American insurance market. This share has remained

**Chart 3.2.4-d**
**Ecuador: contribution to insurance market growth**
**(percentage points, pp)**



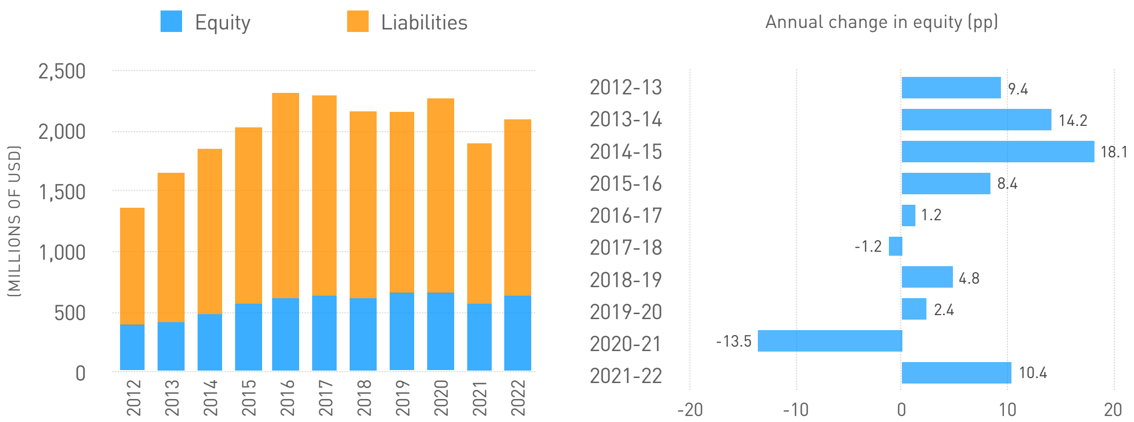

| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 11.1 | 1.8 | 9.3 |
| 2013 | 11.7 | 1.9 | 9.9 |
| 2014 | 2.6 | -0.4 | 3.0 |
| 2015 | -2.2 | 1.1 | -3.4 |
| 2016 | -2.8 | 3.1 | -5.9 |
| 2017 | 0.8 | 1.4 | -0.6 |
| 2018 | 3.6 | 2.6 | 0.9 |
| 2019 | 6.4 | 1.2 | 5.2 |
| 2020 | -5.6 | -0.9 | -4.8 |
| 2021 | -5.3 | 2.0 | -7.3 |
| 2022 | 25.0 | 9.3 | 15.7 |

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

more or less stable over the last decade, recovering from a fall in 2021 (1.1%). It should be noted that the Non-Life insurance segment has a higher share than the Life segment, at 1.4% and 0.8%, respectively (see Chart 3.2.4-c).

In the year analyzed, in line with the recovery of insurance activity in Ecuador, the Life and Non-Life insurance segments once again contributed positively to growth. Non-Life insurance made a higher contribution to the growth of business volume, at 15.7 pp, while Life insurance contributed 9.3 pp. As seen in Chart 3.2.4-d, over the past decade, the Non-Life business contributed negatively to the industry's growth in five fiscal years, while Life only did so on two occasions.

**Chart 3.2.4-e**
**Ecuador: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

### Balance sheet and shareholders' equity

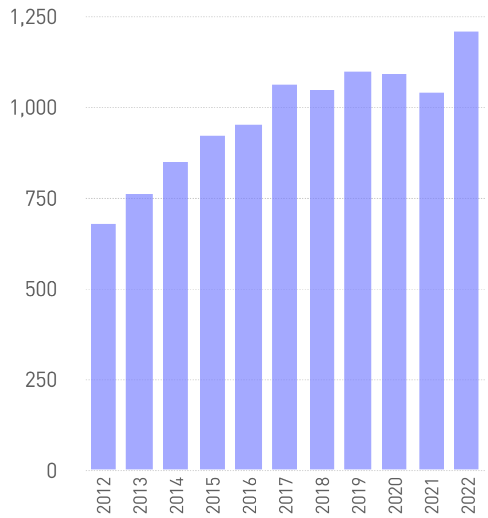
Chart 3.2.4-e shows the aggregate balance sheet of the Ecuadorian insurance industry. The industry's total assets in 2022 reached 2.098 billion dollars, an increase of 213 million dollars compared to the previous year. Equity stood at 632 million dollars, up 59.7 million dollars from the previous year.

Also noteworthy is the level of aggregate capitalization (measured over total assets) in the Ecuadorian insurance industry, which stood at 28.4% in 2012, fell to a low of 25.6% in 2013, and then recovered to 30.4% over total assets in 2021 and 30.1% in 2022.

### Investments

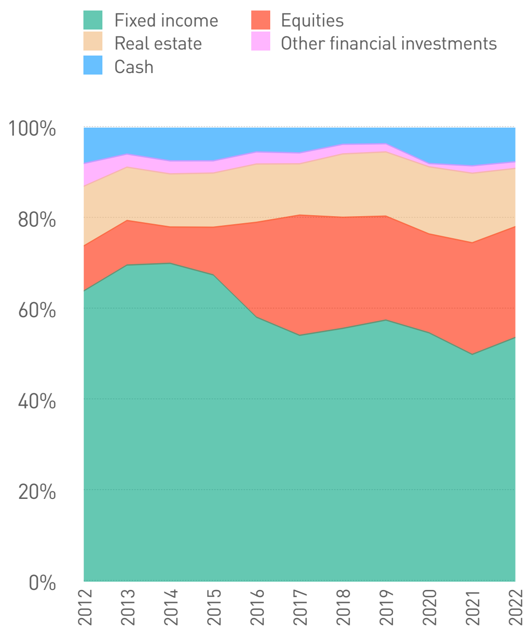
Chart 3.2.4-f shows the performance of the aggregate investment portfolio at the sector level in Ecuador between 2012 and 2022, while Charts 3.2.4-g and 3.2.4-h show

Chart 3.2.4-f
Ecuador: insurance market investments
(millions of USD)



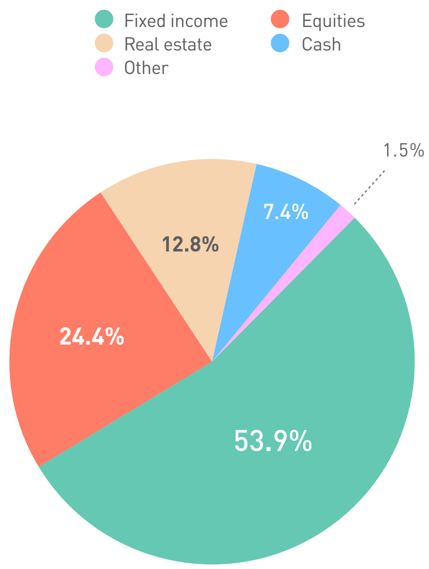

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-g
Ecuador: structure of investments
(%)



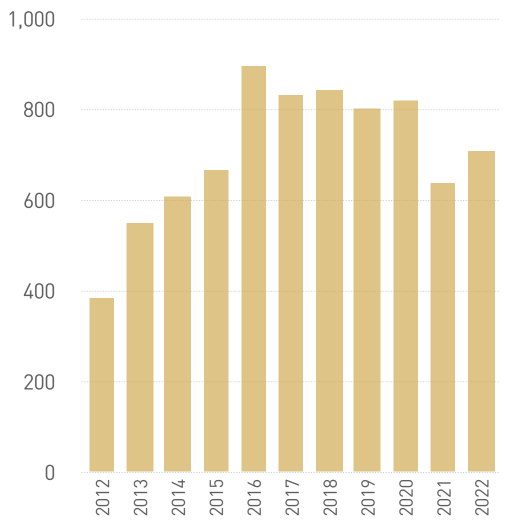

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-h
Ecuador: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-i
Ecuador: technical provisions of the insurance market
(millions of USD)



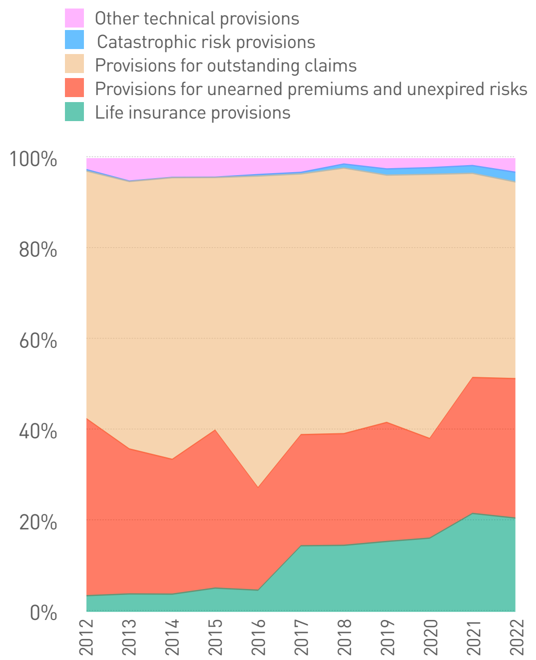

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

changes in the relative composition of the portfolio over this period. As reflected in this data, the sector's total investments amounted to 1.208 billion dollars in 2022, vs. 1.036 billion the previous year. In general, a downward trend is observed in investments in fixed-income instruments (53.9% in 2022 vs. 64.2% in 2012), while equity increased from 9.9% in 2012 to 24.4% in 2022.

## Technical provisions

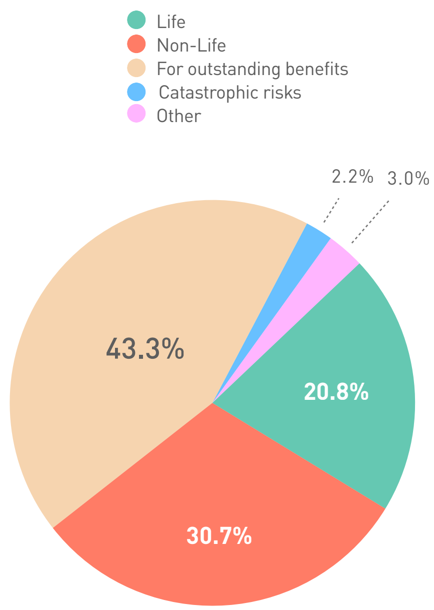
The performance and composition of technical provisions in the Ecuadorian insurance industry between 2012 and 2022 can be seen in Charts 3.2.4-i, 3.2.4-j and 3.2.4-k. In the latter year, technical provisions amounted to 705 million dollars (639 million dollars in 2021). Life insurance provisions continued to grow in 2022 (after increasing significantly in 2017), reaching 20.8% of the total, slightly below their 2021 share (21.8%). Meanwhile, 30.7% of technical provisions in the Ecuadorian insurance industry in 2022 re-

Chart 3.2.4-j
Ecuador: structure of technical provisions
(%)



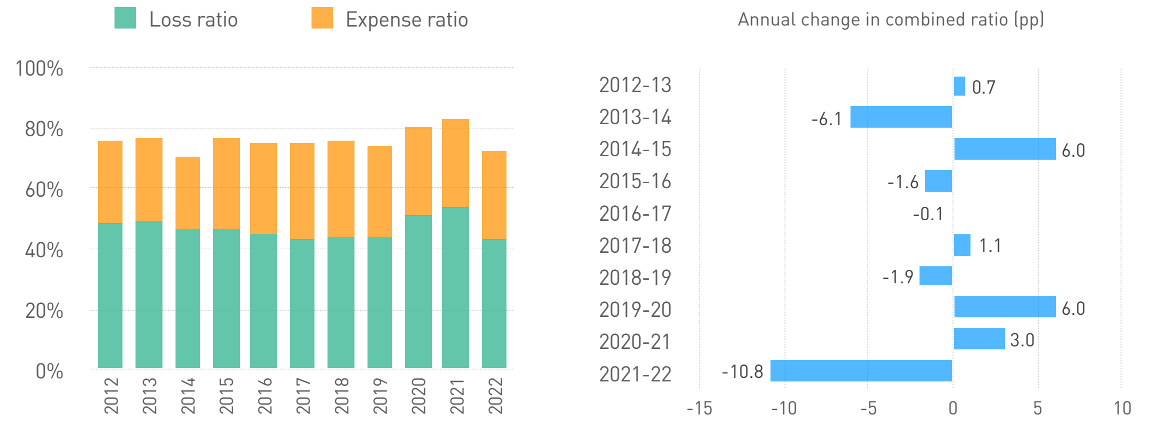

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-k
Ecuador: estructura de las provisiones técnicas, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-l
Ecuador: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



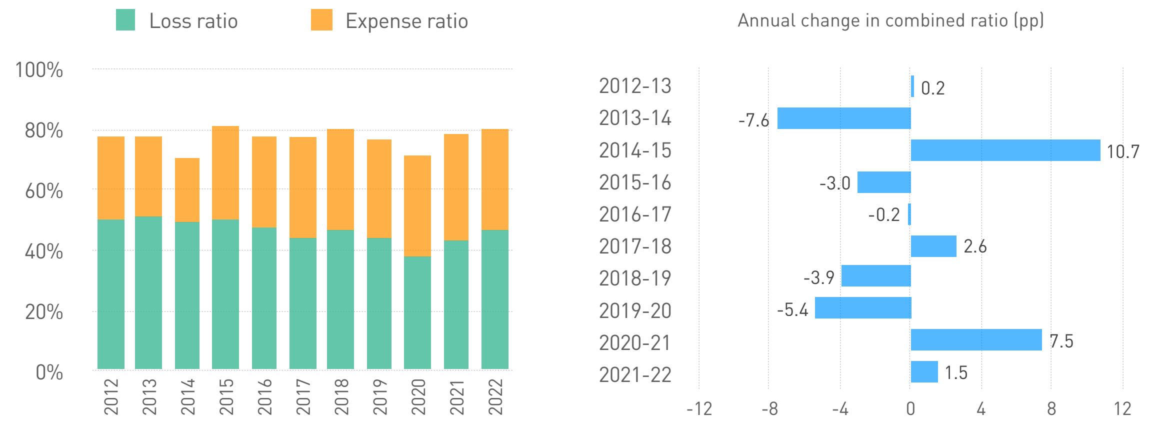

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

lated to provisions for unearned premiums and unexpired risks in Non-Life insurance, 43.3% to provisions for outstanding claims, 2.1% to provisions for catastrophic risks and the final 3.0% to other technical provisions[19].

### Technical performance

Chart 3.2.4-l shows the technical performance of the Ecuadorian insurance industry over the 2012–2022 period, based on an analysis of the industry's total combined ratio. In the latter year of the analyzed period, the combined ratio improved by 10.8 pp to reach 72.2%. Meanwhile, the loss ratio improved by 9.9 pp, and the expense ratio by 0.9 pp, to 43.4% and 28.8%, respectively. It is interesting to note that the total combined ratio of Ecuador's insurance market stood significantly below the parameter of 100% throughout the decade under analysis. The specific combined ratio for the Non-Life

Chart 3.2.4-m
Ecuador: changes in non-life market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

segment, shown in Chart 3.2.4-m, increased by 1.5 pp in 2022, to 79.9%. This worsening of the Non-Life combined ratio was explained by a 3.6 pp increase in the loss ratio and a 2.2 pp improvement in the expense ratio. However, like the total combined ratio, the Non-Life indicator has remained low, at around 80%, over the past decade. It should be noted, however, that the technical result indicated above does not include other revenue and non-operational expenses related, on the one hand, to other lines of business carried out by insurance companies in Ecuador and, on the other hand, to certain administration costs that are not counted as such in the country when calculating the expense ratio. This could explain the remarkably low combined ratio, both at the total level and the Non-Life insurance segment level.

### Results and profitability

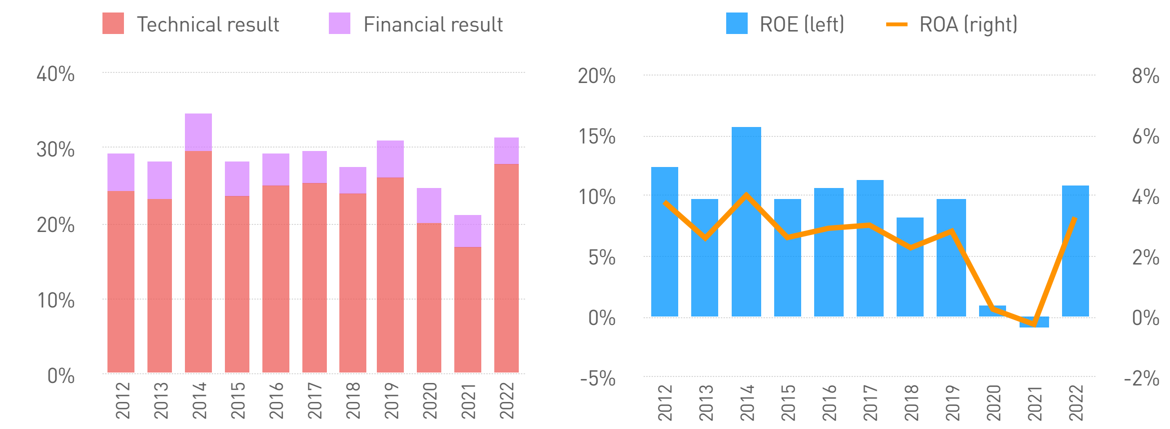
In 2022, the aggregate technical result of the insurance industry in Ecuador reached 342 million dollars, up 97.8% vs. the previous year. The financial result also increased (5.6%), standing at 45.4 million dollars. Therefore, and considering non-operational expenses not included in technical profitability, to which we referred in the previous section, the insurance industry's net result reached 65.7 million dollars, compared to losses of 5.0 million dollars the previous year. As a result, main profitability indicators were positive in 2022: return on equity (ROE) stood at 10.9% (recovering from a 0.8% decrease in 2021), while return on assets (ROE) was 3.3%, compared with -0.2% the previous year (see Chart 3.2.4-n).

### Insurance penetration, density and depth

Chart 3.2.4-o shows key structural trends shaping the development of the Ecuadorian insurance industry between 2012 and 2022. The penetration rate (premiums/GDP) was 1.7% in 2022 (0.5% in Life and 1.2% in Non-Life), showing a slight recovery of 0.2 pp from the previous year. In the Life insurance segment, the penetration rate was significantly below the Latin American average, while penetration in the Non-Life segment came closer to the average for the region.

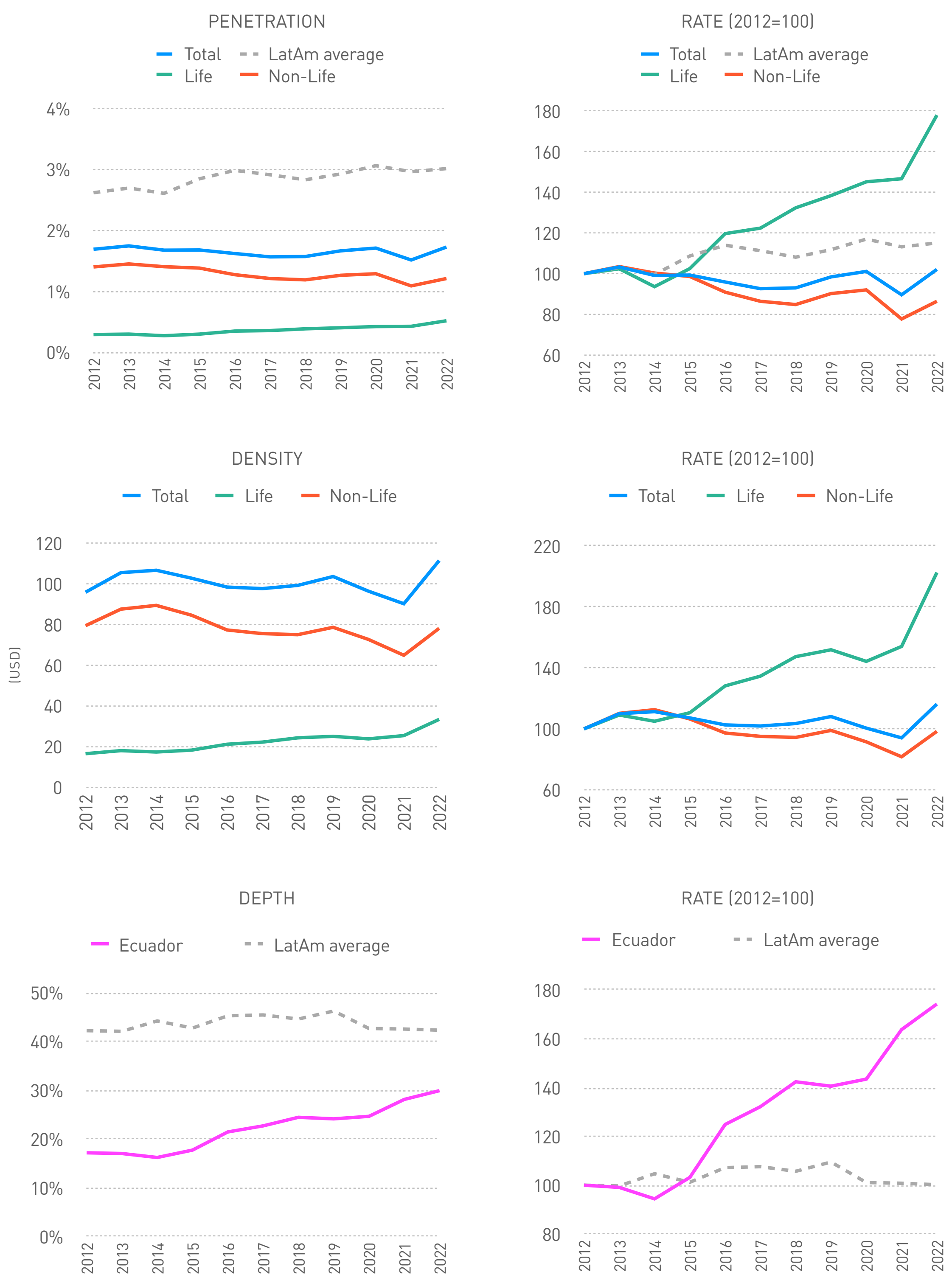
The density indicator (premiums per capita) stood at 111.5 dollars in 2022, an increase compared with 2021 (90.2 dollars) and its highest level in the past decade. Lastly, in terms of depth levels (Life insurance premiums in relation to total premiums), the indicator rose slowly over the last 10 years thanks

**Chart 3.2.4-n**
**Ecuador: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**



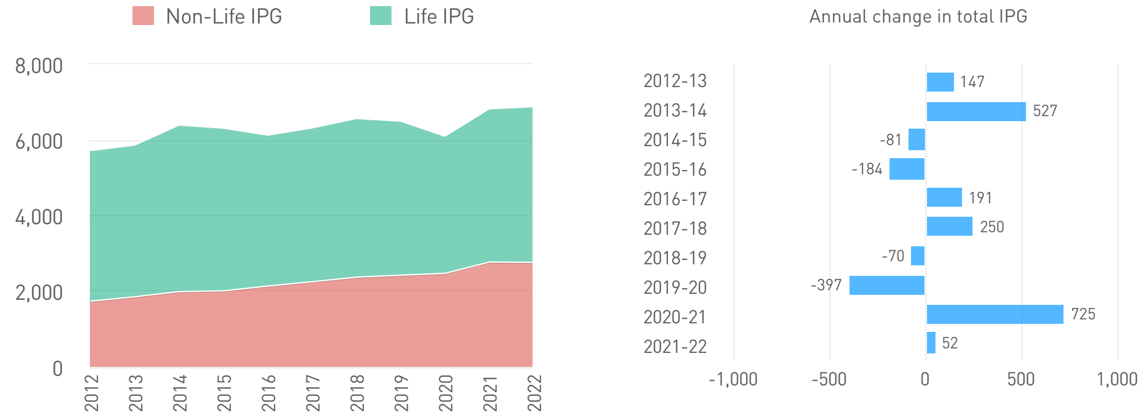

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

**Chart 3.2.4-o**
**Ecuador: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

**Chart 3.2.4-p**
**Ecuador: Insurance Protection Gap**
**(millions of USD)**



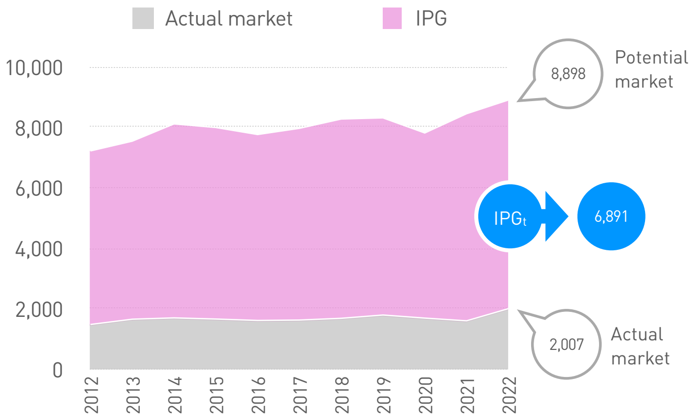

Source: MAPFRE Economics

to the positive performance of group Life insurance, but remained well below the average values for Latin America as a whole. In 2022, the index was at 29.9%, up 1.8 pp on 2021. From a medium-term perspective, depth in the Ecuadorian insurance market has increased by 12.7 pp since 2012.

### Insurance Protection Gap estimate

Chart 3.2.4-p provides an updated estimate of the insurance protection gap for the Ecuadorian insurance market between 2012 and 2022. According to this information, the 2022 IPG was 6.891 billion dollars. As is the case for most Latin American insurance markets, the structure and performance of the IPG over the 2012–2022 period are shaped mainly by the Life insurance segment. Indeed, 59.7% of the IPG was down to Life insurance (4.112 billion dollars) at the end of 2022, down 9.7 pp on the share of this segment in 2012. That means that the remaining 40.3% of the gap is a product of the Non-Life insurance segment (2.779 billion dollars). Accordingly, as seen in Chart 3.2.4-

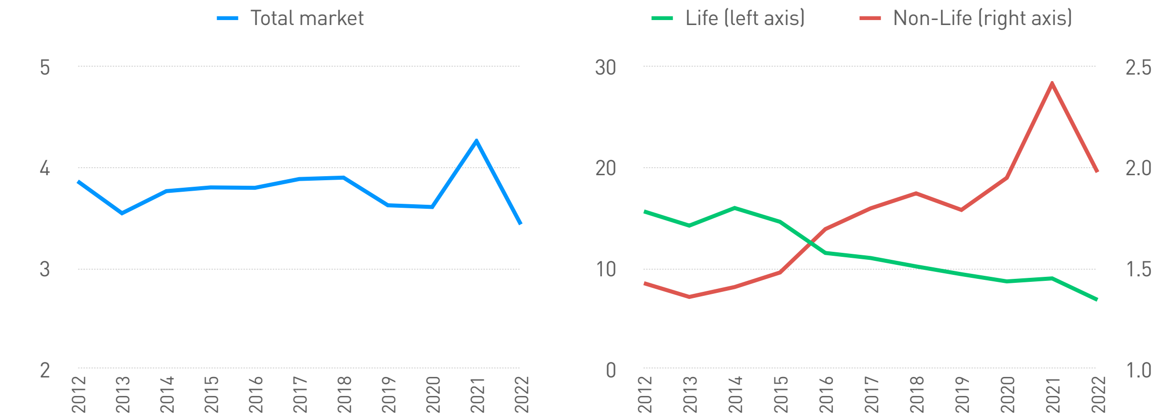
**Chart 3.2.4-q**
**Ecuador: Insurance Protection Gap and potential market**
**(millions of USD)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 35.2% | 20.2% |
| 2022-2021 | 25.0% | 0.8% |

Source: MAPFRE Economics

Chart 3.2.4-r
Ecuador: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)

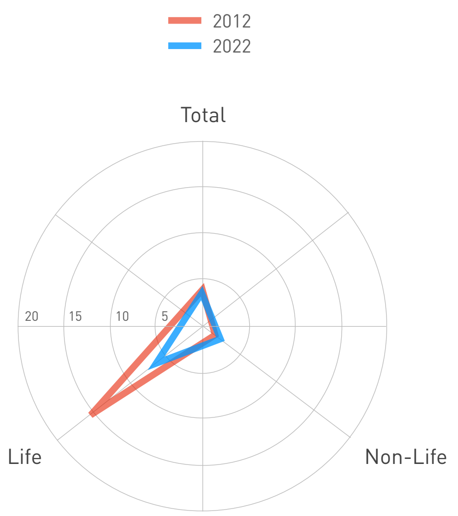



Source: MAPFRE Economics

q, the potential insurance market in Ecuador at the end of 2022 (measured as the sum of the actual market plus the IPG) was estimated at 8.898 billion dollars, some 4.4 times the size of the total insurance market in Ecuador that year.

Chart 3.2.4-r shows an estimate of the IPG as a multiple of the actual insurance market in Ecuador between 2012 and 2022. The IPG in the Life insurance segment trended downward in the analyzed period (from 15.6 to 6.9 times), whereas in Non-Life, it followed an upward trend from 2015 to 2021 before decreasing in 2022, when it stood at 2.0 times the size of the actual market in this segment. From a medium-term perspective, as illustrated in Chart 3.2.4-s, the insurance protection gap in Ecuador was mainly reduced in the Life insurance segment over the past decade, while this relative measurement barely changed in the Non-Life segment.

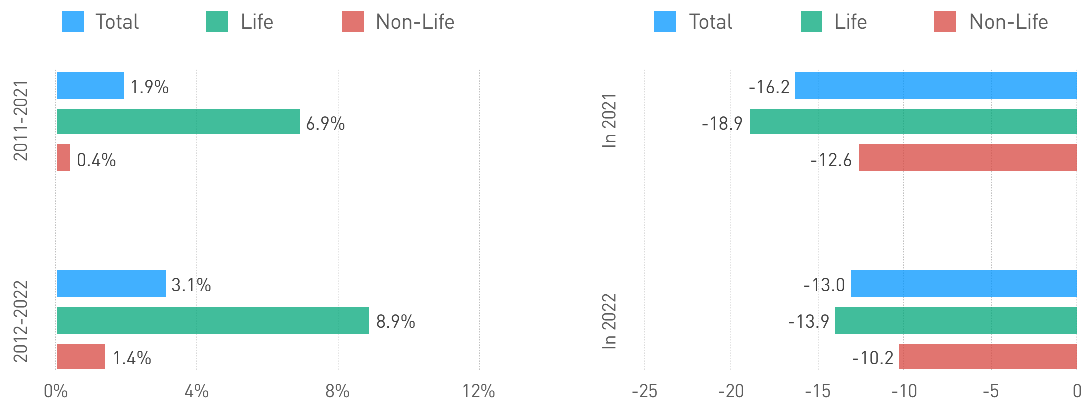
Chart 3.2.4-s
Ecuador: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

Finally, Chart 3.2.4-t shows an updated evaluation of the Ecuadorian insurance market's capacity to close the IPG determined in 2022, based on a comparative analysis between the growth rates observed over the last 10 years and the growth rates that would be required in order to close the IPG over the next decade. According to the data, the Ecuadorian insurance market grew at an average annual rate of 3.1%; the Life insurance segment grew at an average annual rate of 8.9% and the Non-Life segment grew at an average annual rate of 1.4%. Were the same average growth rate seen over the last decade to continue over the next 10 years, the growth rate of the Ecuadorian insurance market would

Chart 3.2.4-t
Ecuador: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

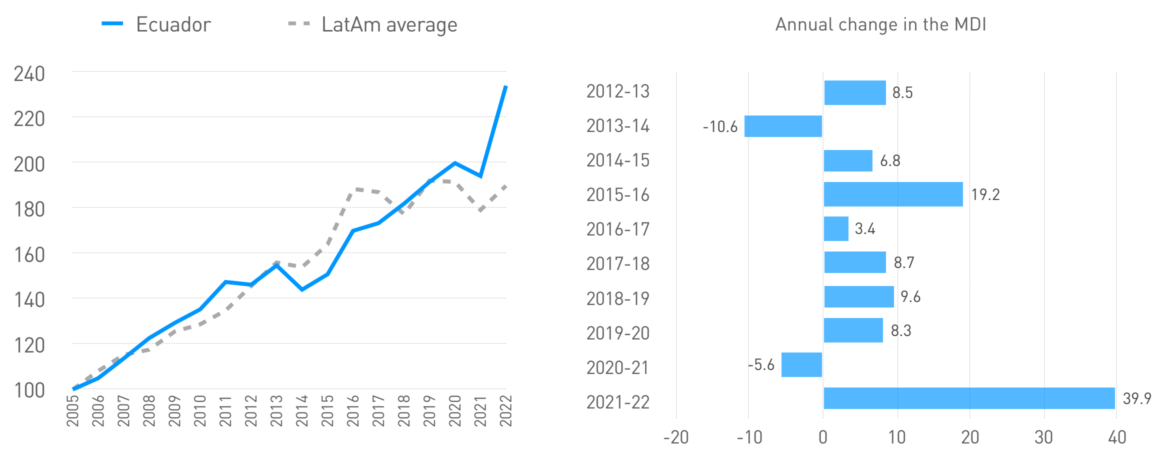
fall 13.0 pp short of closing the IPG determined in 2022 over that period. In terms of the Life segment, the growth rate would fall 13.9 pp short of closing the IPG, while in the Non-Life segment, it would fall 10.2 pp short. It should be noted that these values are lower than those recorded for the IPG measurement in 2021.

## Market Development Index (MDI)

The updated estimate of the Market Development Index (MDI) for the Ecuadorian insurance industry is shown in Chart 3.2.4-u. The data confirms that the market development indicator consistently followed the average for Latin American insurance markets in the 2005 to 2022 period, with significant gains from 2015 on and in 2022.

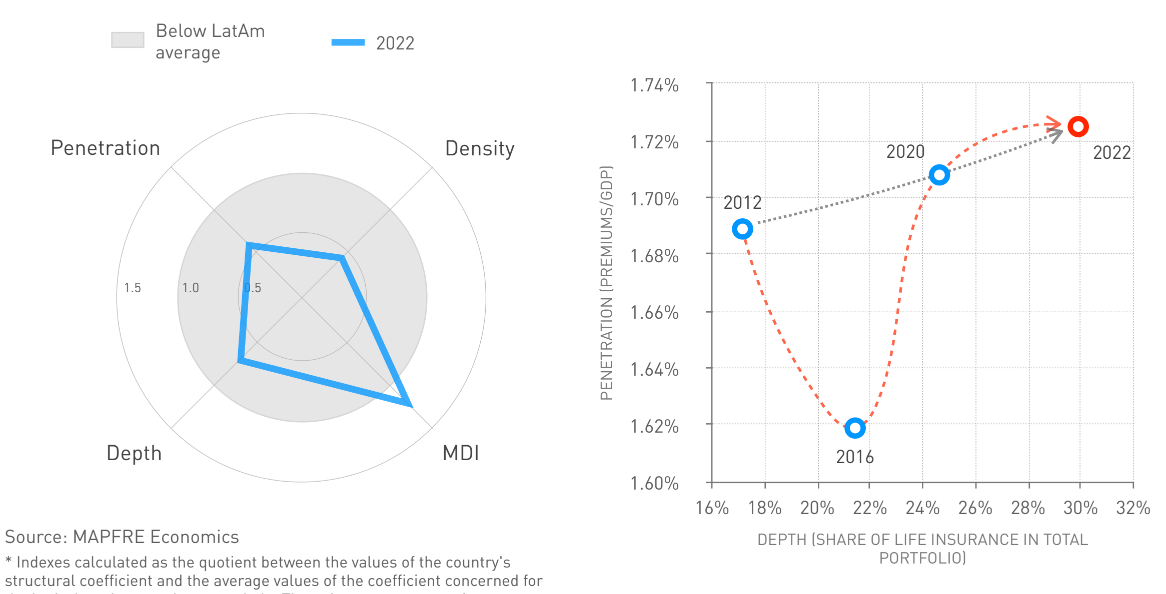
## Comparative analysis

Chart 3.2.4-u
Ecuador: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics

Chart 3.2.4-v
Ecuador: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

**of structural coefficients**

Meanwhile, Chart 3.2.4-v shows the Ecuadorian insurance market's situation in 2022 in comparison with the average for Latin America, measured in terms of the structural coefficients analyzed above. We observe that in all aspects except the change in MDI, the Ecuadorian insurance market remains below the regional average. Similarly, the dispersion analysis in the aforementioned chart, which shows the characteristics of insurance activity in the country, indicates that the industry's development between 2012 and 2022 was characterized by greater gains in depth (qualitative aspect) and penetration (quantitative aspect) levels, albeit with a decline between 2012 and 2016 that was corrected in subsequent years.

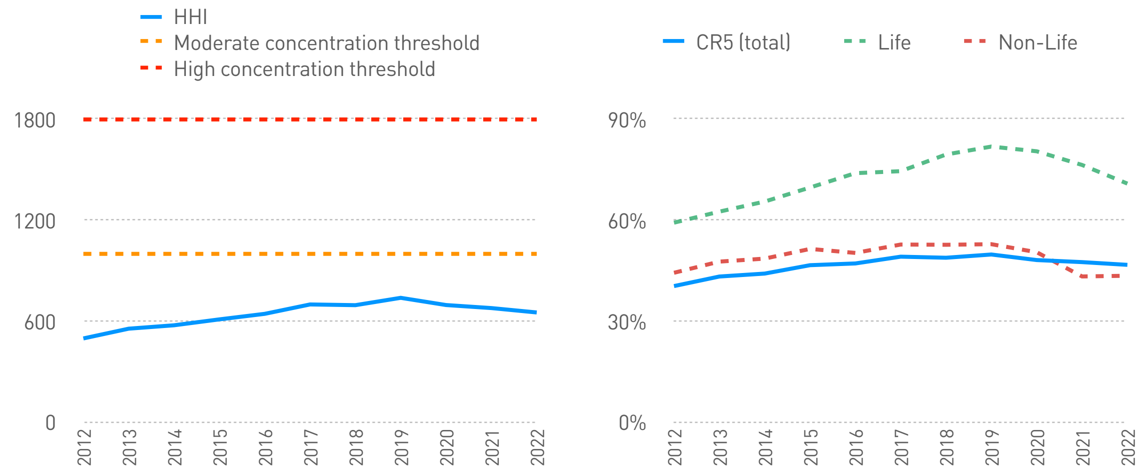
## Insurance market rankings

### Total ranking

Ecuador's insurance industry was made up of 28 insurance companies in 2022, two less than the previous year, since the voluntary liquidation of state-owned insurance company Seguros Sucre took place following Executive Decree No. 82, of June 15, 2021. Meanwhile, a merger between Equivida and Equinoccial took place in late 2021. Despite this, 46.7% of the industry's premiums were concentrated in the top five insurance institutions (CR5) in 2022, showing a decrease in concentration levels compared to 2021, which mainly affected the Life insurance segment. The Herfindahl Index for Ecuador's insurance industry also decreased in 2022, going from 677 to 651 points, below the threshold for moderate concentration. The upward trend in market concentration levels has therefore reversed since 2020, as seen in Chart 3.2.4-w.

In 2022, the overall ranking of insurance groups in the Ecuadorian market, shown in Chart 3.2.4-x, was once again led by the company Equinoccial, with an 11.4% market share (14.4% in 2021), followed by Pichincha (with a 10.8% market share), which overtook Chubb (9.5%) to place second. Acquisition of the company Sucre's business helped other insurance companies to move up, including Hispana and Aseguradora del Sur, who in-

**Chart 3.2.4-w**
**Ecuador: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**



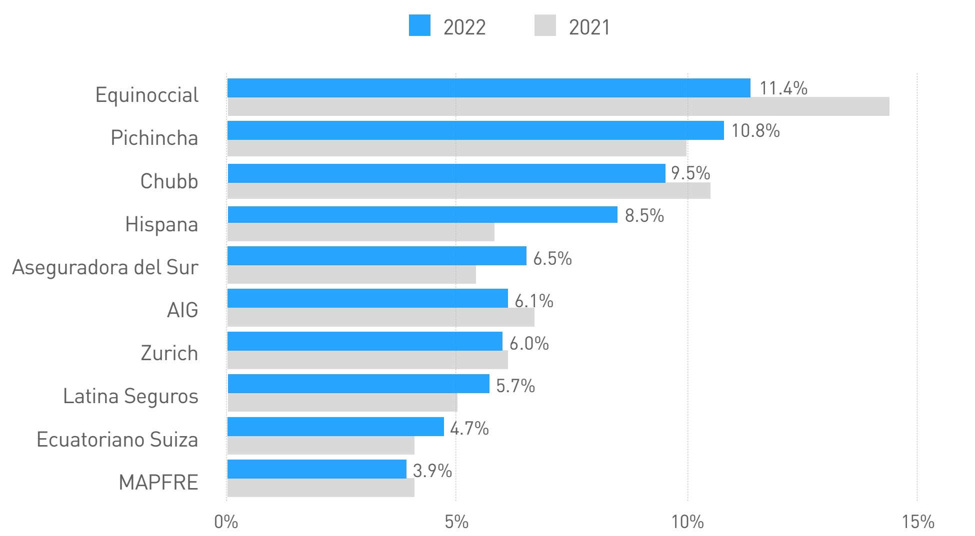

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

creased their market shares by 2.6 and 1.1 pp, respectively, to rank fourth and fifth. This shuffle caused the next companies on the ranking to move down, with the exception of Latina, which remained in eighth place, and Ecuatoriano Suiza, which moved up a spot.

### Life and Non-Life rankings

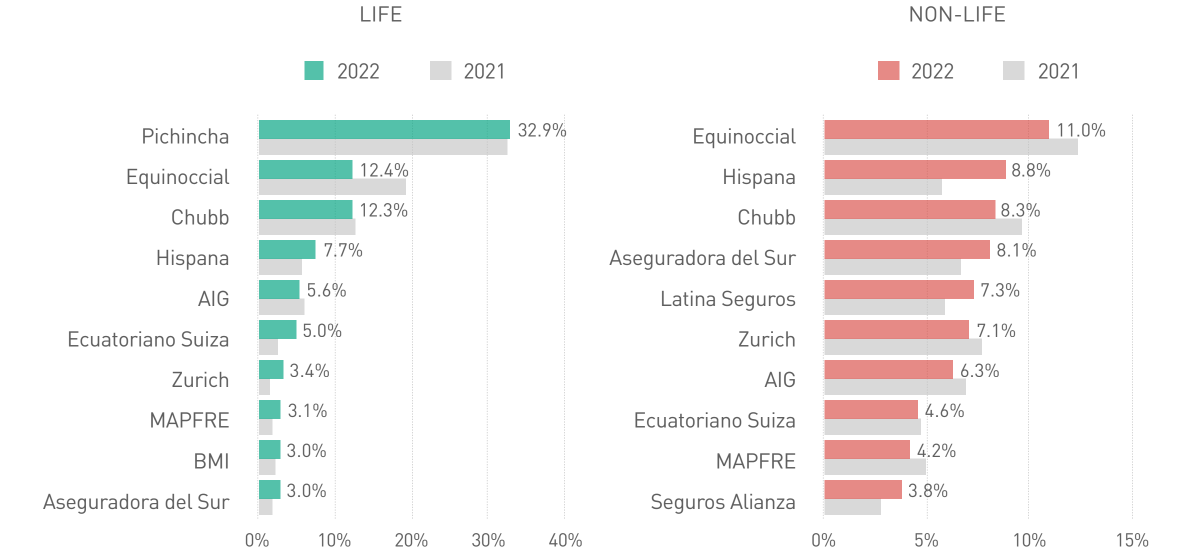
Meanwhile, the Non-Life segment ranking continued to be led by Equinoccial, with an 11.0% market share, while Hispana jumped from seventh to second place after adding 3.0 pp to its market share. Aseguradora del Sur and Latina

**Chart 3.2.4-x**
**Ecuador: overall ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-y
Ecuador: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

each moved up a position, ranking fourth and fifth. Other companies that improved their standing included Ecuatoriano Suiza and Seguros Alianza, while Chubb, Zurich, AIG and MAPFRE moved down in the ranking. Finally, the Life insurance segment continued to be led by Pichincha, which added 0.5 pp to its market share, at 32.9%. Equinoccial remained in second place, despite losing 7.1 pp of market share, while Chubb continued in third place. Hispania moved up one spot and relegated AIG to fifth place. The companies that followed improved their positions in 2022, and Zurich, MAPFRE, and Aseguradora del Sur entered the ranking in seventh, eighth and tenth places, respectively (see Chart 3.2.4-y).

## Key regulatory aspects

The main provisions and regulations associated with Ecuador's insurance industry to be published in 2022 and the first half of 2023 are as follows:

*Financial Policy and Regulation Board*

- Resolution JPRF-S-2023-069. Amends the Regulation on Segments and Maximum Percentages of Mandatory Investment, eliminating the restrictions on insurance companies' investments in mutual funds whose portfolios consist of more than 25% securities issued, endorsed or guaranteed by the financial system.

- Resolution JPRF-S-2022-058. Transitional provision that suspends the effects of the second paragraph of Article 3, point 2, Chapter VII "Regulation on Segments and Maximum Percentages of Mandatory Investment," which establishes that portfolios of these funds may not be more than 25% composed of securities issued, endorsed or guaranteed by the national financial system, until June 30, 2023.

- Resolution JPRF-S-2022-054. Setting the cumulative amount, coverage and contribution percentage for private insurance in 2022.

- Resolution JPRF-S-2022-050. Reform of the Regulation on Segments and Maximum Percentages of Mandatory Investment, bringing it into alignment with the insurance industry's development and growth and aimed at improving its implementation in accordance with international principles, considering best practices and in the interest of the stock market.

- Resolution JPRF-S-2022-043. Reform of the insurance payment regulations of the Private Insurance Fund, regarding group or collective life insurance policies.

- Resolution JPRF-S-2022-039. Reform of the Regulations for Insurance Companies and Reinsurance Companies on Prevention of Money Laundering, Financing of Terrorism and other crimes in reference to the substitute compliance officer, due diligence form, internal auditor report and extended deadline for delivery of the implementation schedule by obligated subjects.

- Resolution JPRF-S-2022-034. Standardization of provisions in the External Auditors chapter on the provision of services to the same audited company in the insurance industry.

- Resolution NO JPRF-S-2022-029. Amendment of the deadline for liquidators to submit the sole and definitive base for insured parties and beneficiaries to COSEDE for the payment of Private Insurance Fund coverage.

- Resolution NO JPRF-S-2022-025. Update of the money laundering prevention standard, with a risk-based approach, for the insurance industry.

- Resolution NO JPRF-S-2022-012. Approval of resolution that sets the contribution to the Private Insurance Fund at 0.18%.

*Superintendence of Companies, Securities and Insurance*

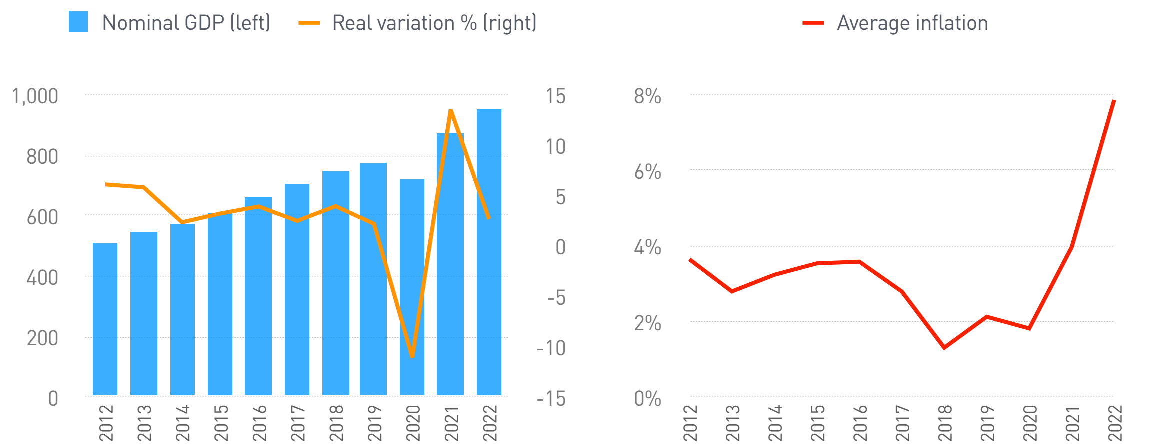
- Instructions for the planning, preparation, regulatory development and subsequent monitoring of the Regulations published by the Superintendence of Companies, Securities and Insurance, published in the Supplement to Official Record No. 65 on May 18, 2022 (2022/04/22). Resolution No. SCVS-INC-DNCDN- 2022-0001, published in Official Record No. 5, on February 17, 2022 (2022/01/26).

## 3.2.5 Peru

### Macroeconomic environment

The Peruvian economy grew 2.7% in 2022 after its marked expansion of 13.4% the previous year. The result was due to the dissipa-

**Chart 3.2.5-a**
**Peru: changes in economic growth and inflation**
**(GDP in local currency, billions of soles; real growth rate, %; annual inflation rate, %)**




Source: MAPFRE Economics (based on FMI data)

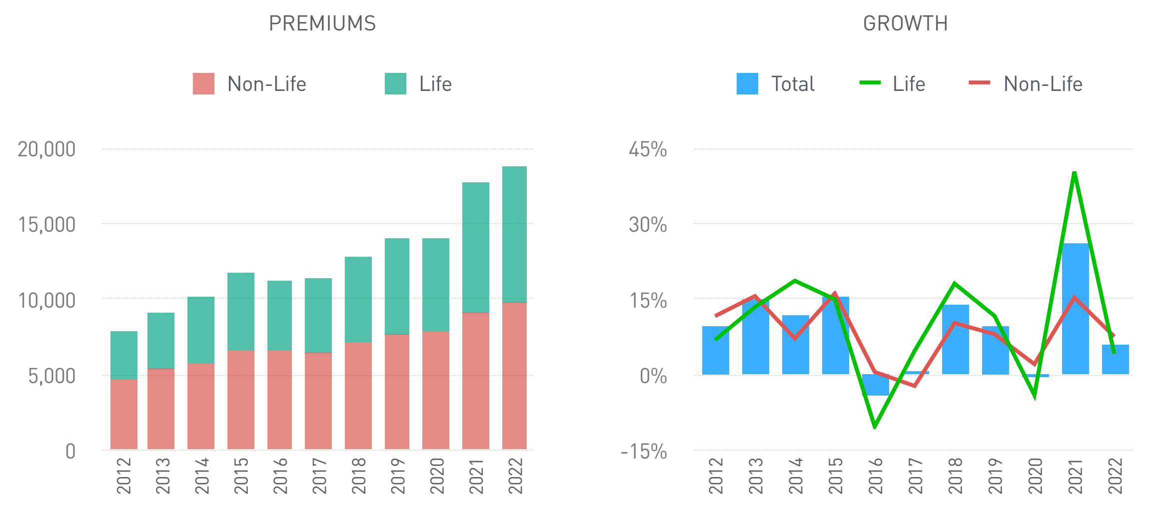
tion of the 2021 base effect, along with inflationary pressure that forced the Central Bank Reserve Bank of Peru to announce interest rate hikes and other anti-inflationary measures. Domestic demand showed lower growth (2.3%) due to high interest rates, and its main driver was stronger private consumption (3.6%) as a result of the improved labor market and use of savings. The unemployment rate stood at 4.4% in 2022 (compared to 5.9% in 2021), showing a clear recovery from the negative impacts of the pandemic (see Chart 3.2.5-a).

The fiscal deficit, in annual terms, decreased from 2.5% to 1.4% between 2021 and 2022. This situation was due to an improvement on the revenue side, as both tax and non-tax revenue increased (from 16.3% to 17.2%, and from 4.6% to 4.9% of GDP, respectively). The central government's public debt stood at 30.8% of GDP at year end (33.1% in 2021 and 32.9% in 2020), reversing the trend in the previous year. As for the external sector, the current account balance ended the year with a 4.3% deficit (4.1% in 2021), a result of high food and energy prices worldwide, a rise in imports, marked increase in maritime freight and reduction in the price of export metals. Meanwhile, the central bank's dollar sales to curb exchange-rate volatility caused net international reserves to decrease by 1.245 billion dollars as of December 2022, compared with 73.148 billion dollars at the close of 2021.

Higher prices of foods with high imported content, as well as fuel and its impact on other sectors, continued to increase inflation year-on-year, from 6.4% in December 2021 to 8.5% in December 2022. After maintaining a monetary policy with a historically low (0.25%) benchmark interest rate between March 2020 and July 2021, the central bank has consistently increased it, establishing a rate of 7.5% at the end of 2022. As of the date of this report, the central bank had raised its policy rate by only 25 bps, in January, to its current level of 7.75%.

MAPFRE Economics has forecast 1.5% growth in Peruvian GDP for 2023, while ECLAC expects the country's economy to grow by 1.3%. This slowdown in growth compared with 2022 reflects the negative effects of the drought observed in late 2022 as well as the impact of the El Niño weather phenomenon. In addition, internal demand will show lower growth due to the tightening of

**Chart 3.2.5-b**
**Peru: growth developments in the insurance market**
**(premiums, millions of soles; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

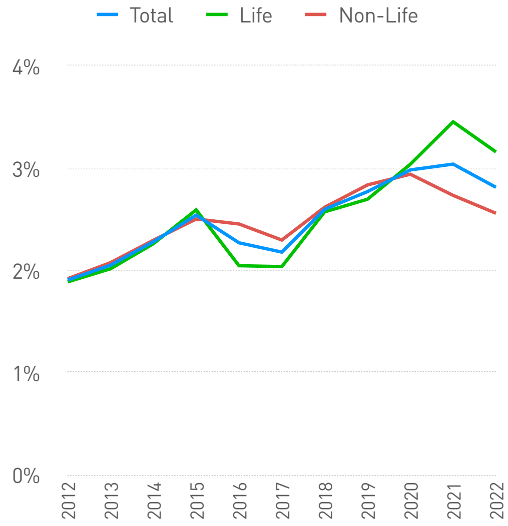
monetary policy. As a result, the growth forecast for 2024 would stand at 2.9% for MAPFRE Economics and at 2.5% from ECLAC's perspective.

## Insurance market

### Growth

After gaining momentum in 2021, the Peruvian insurance industry continued to grow in 2022, albeit less significantly. Premium volume reached 18.746 billion soles (4.888 billion dollars), representing a nominal increase of 5.9%, but an actual decrease of 1.8% (see Chart 3.2.5-b and Table 3.2.5). Performance was similar in the Life and Non-Life segments, with a nominal increase of 4.2% in Life insurance and of 7.6% in Non-Life insurance, but decreases in real terms (-3.4% and -0.3%, respectively). Life insurance revenue reached 8.904 billion soles, with significant growth in the Group Life line of business, which rose 22.7% (13.7% in real terms).

Chart 3.2.5-c
Peru: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators and supervisory bodies in the region)

Table 3.2.5
Peru: premium volume[1] by line, 2022

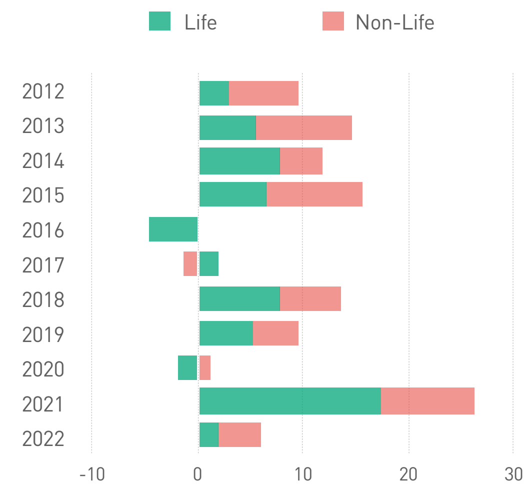
| Line | Millions of soles | Millions of USD | Growth Nominal (%) | Growth Real (%) |
|---|---|---|---|---|
| **Total** | **18,746.3** | **4,888.2** | **5.9** | **-1.8** |
| **Life** | **8,904.0** | **2,321.8** | **4.2** | **-3.4** |
| Individual Life | 2,557.0 | 666.8 | -8.7 | -15.4 |
| Group Life | 2,910.2 | 758.9 | 22.7 | 13.7 |
| Pensions | 3,436.7 | 896.2 | 1.9 | -5.6 |
| **Non-Life** | **9,842.3** | **2,566.5** | **7.6** | **-0.3** |
| Automobiles | 1,534.8 | 400.2 | 4.1 | -3.5 |
| Fire and allied lines | 2,205.7 | 575.2 | 10.1 | 2.0 |
| Other lines | 1,142.4 | 297.9 | 4.9 | -2.7 |
| Health | 1,571.7 | 409.8 | 5.6 | -2.2 |
| Personal accidents[2] | 836.5 | 218.1 | 7.7 | -0.2 |
| Transport | 282.9 | 73.8 | 9.0 | 1.1 |
| Third-party liability | 483.2 | 126.0 | 6.4 | -1.4 |
| Burials | 164.7 | 43.0 | 14.8 | 6.4 |
| Aviation | 137.9 | 36.0 | -7.9 | -14.6 |
| Multirisk | 199.0 | 51.9 | 15.9 | 7.4 |
| Sea - Hull | 103.6 | 27.0 | -4.9 | -11.9 |
| Credit and/or surety | 507.7 | 132.4 | 1.4 | -6.0 |
| Workplace accidents | 672.1 | 175.3 | 27.9 | 18.6 |

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

1/ Net insurance premiums

2/ Includes Seguro Obligatorio de Accidentes de Tránsito (SOAT — Compulsory Traffic Accident Insurance)

**Chart 3.2.5-d**
**Peru: contribution to insurance market growth**
**(percentage points, pp)**



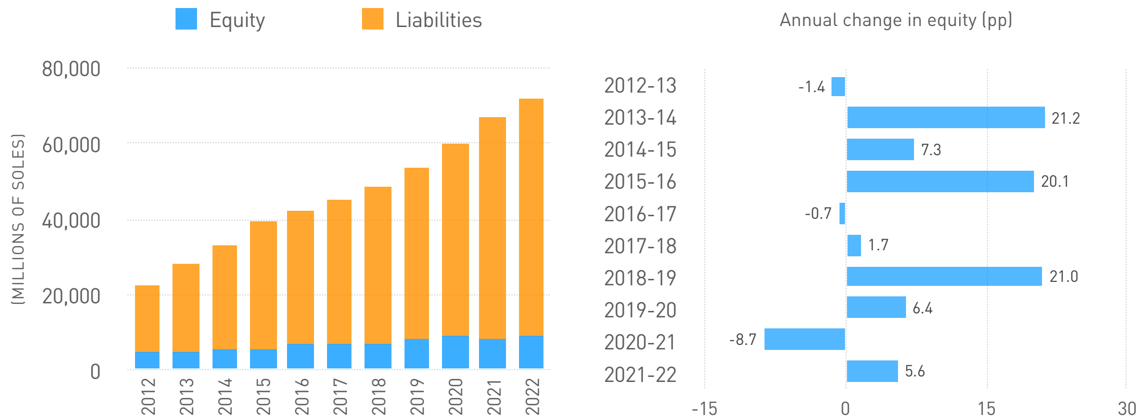

| | Annual growth (pp) | Contribution to growth (pp) Life | Contribution to growth (pp) Non-Life |
|---|---|---|---|
| 2012 | 9.6 | 3.0 | 6.7 |
| 2013 | 14.7 | 5.6 | 9.1 |
| 2014 | 12.0 | 7.7 | 4.2 |
| 2015 | 15.7 | 6.6 | 9.1 |
| 2016 | -4.2 | -4.5 | 0.3 |
| 2017 | 0.6 | 1.9 | -1.3 |
| 2018 | 13.6 | 7.7 | 5.9 |
| 2019 | 9.7 | 5.2 | 4.5 |
| 2020 | -0.7 | -1.8 | 1.2 |
| 2021 | 26.2 | 17.5 | 8.7 |
| 2022 | 5.9 | 2.0 | 3.9 |

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Meanwhile, Non-Life insurance lines recorded a nominal growth in premiums of 7.6% (-0.3% in real terms), reaching 9.842 billion soles (2.566 billion dollars). Fire and Allied Lines showed a marked increase of 10.1% in nominal terms and 2.0% in real terms, registering the highest premium volume in the Non-Life segment. Meanwhile, Workplace Accidents (27.9%) showed the highest growth in the segment, together with Multirisk (15.9%) and Burials (14.8%).

When comparing the Peruvian insurance industry's performance to that of the overall Latin American insurance market (see Chart 3.2.5-c) in the past decade, we observe, in

**Chart 3.2.5-e**
**Peru: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

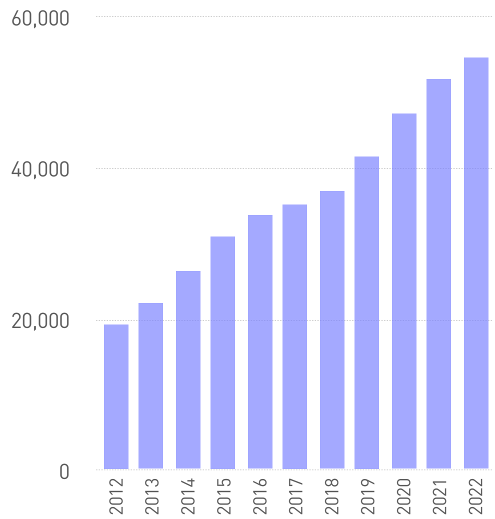
general terms, a steady increase in the share of Peruvian insurance premiums in the region, from 1.9% in 2012 to 2.8% in 2022. However, in 2022, this share decreased year-over-year, after standing at 3.0% in 2021. The segment showing the strongest growth over the decade was Life insurance, whose share increased from 1.9% to 3.2%, while that of Non-Life grew from 1.9% to 2.6%.

As illustrated in Chart 3.2.5-d, the Life insurance segment contributed 2.0 pp to the 5.9% nominal growth registered by the Peruvian insurance market in 2022, while the Non-Life insurance segment accounted for the remaining 3.9 pp.

### Balance sheet and shareholders' equity

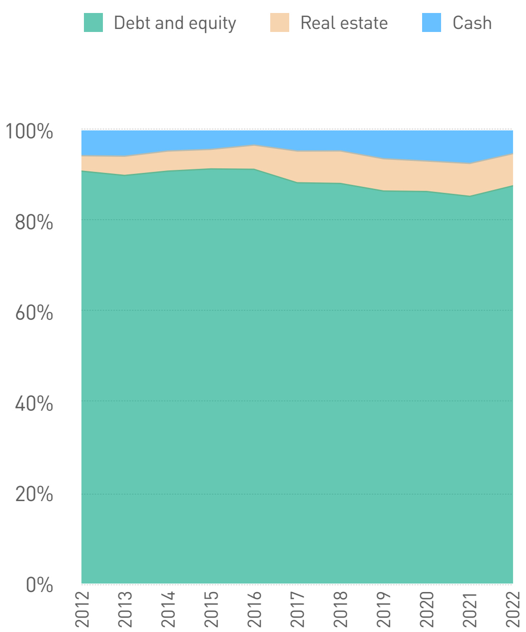
The performance of the aggregate balance sheet at sector level for the Peruvian insurance industry between 2012 and 2022 can be seen in Chart 3.2.5-e. Total insurance industry assets came to 71.887 billion soles (18.887 billion dollars) in 2022, while equity

**Chart 3.2.5-f**
**Peru: insurance market investments**
**(millions of soles)**



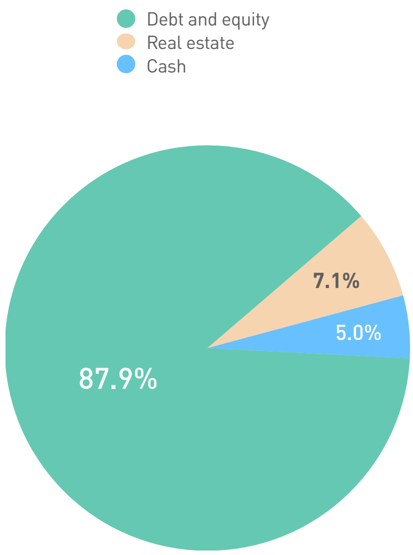

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

**Chart 3.2.5-g**
**Peru: structure of investments**
**(%)**



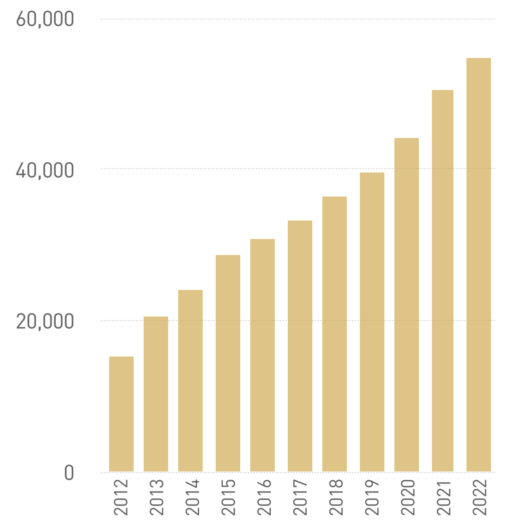

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

**Chart 3.2.5-h**
**Peru: structure of investments, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-i
Peru: technical provisions of the insurance market
(millions of soles)




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

rose to 8.935 billion soles (2.348 billion dollars), up 5.6% on the previous year. As such, aggregate capitalization levels in the Peruvian insurance industry (measured over total assets) have gradually declined from 20.8% in 2012 to 12.4% in 2022.

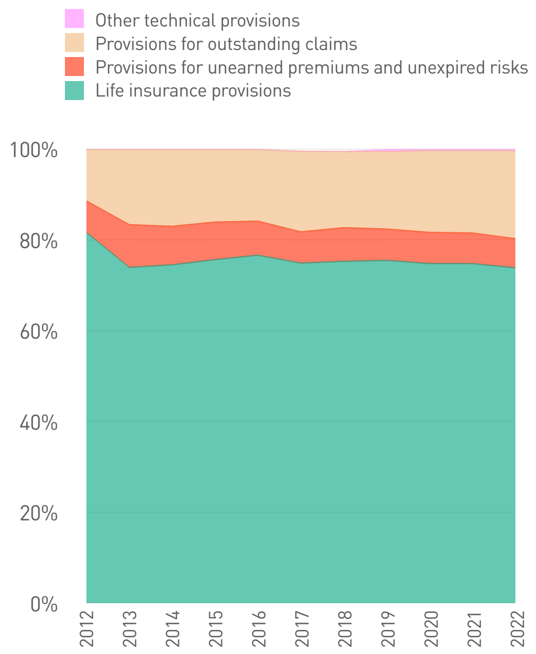
### Investments

Charts 3.2.5-f, 3.2.5-g, and 3.2.5-h show the performance of investments of the Peruvian insurance market between 2012 and 2022, as well as the composition of the industry's aggregate portfolio during the same period. As can be seen, in 2022, the industry's investments reached 54.692 billion soles (14.37 billion dollars). The composition of investment in 2022 was as follows: 87.9% concentrated in debt and equities, 7.1% in real estate investments and the remaining 5.0% in cash.

### Technical provisions

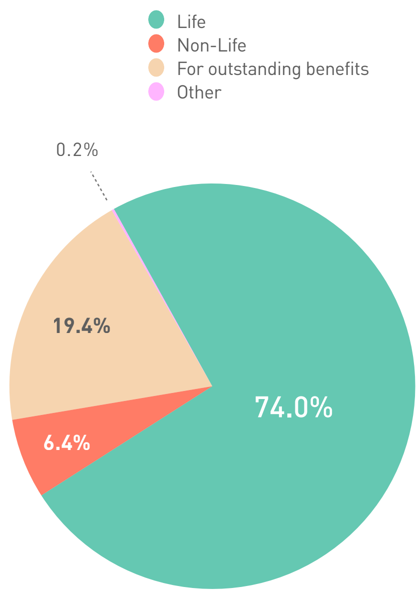
Charts 3.2.5-i, 3.2.5-j, and 3.2.5-k show the evolution and relative composition of tech-

Chart 3.2.5-j
Peru: structure of technical provisions
(%)



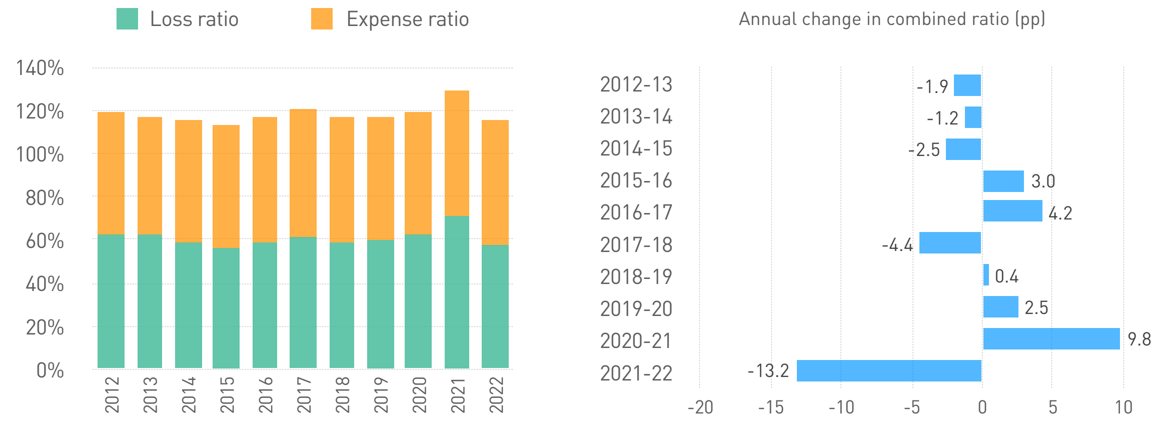

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-k
Peru: structure of technical provisions, 2022
(%)




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

**Chart 3.2.5-l**
**Peru: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**



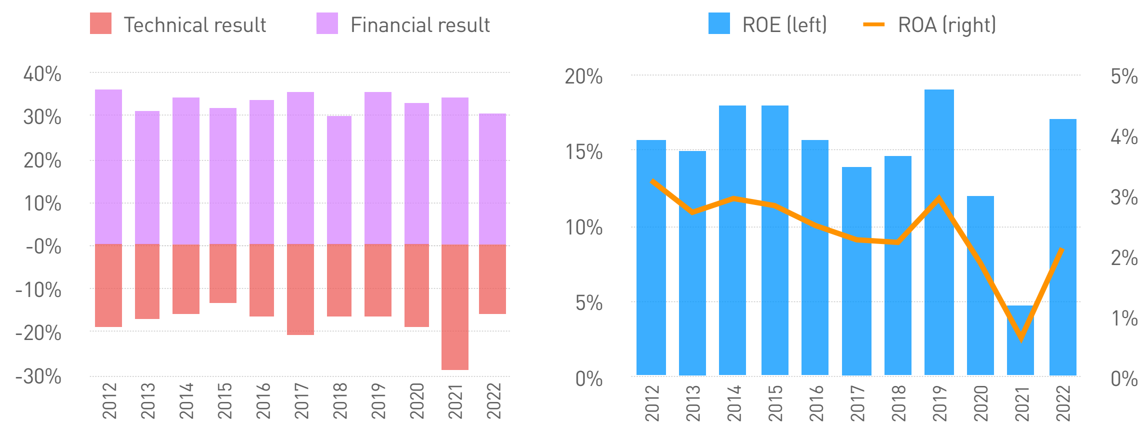

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

nical provisions over the 2012–2022 period. In this regard, technical provisions amounted to 54.843 billion soles (14.409 billion dollars) in 2022; 74.0% of the total corresponded to Life insurance, 19.4% to the provision for outstanding claims, and the remaining 6.4% to the provision for unearned premiums and unexpired Non-Life insurance risks. Over this period, the volume of technical provisions of the Peruvian insurance industry steadily increased in absolute terms for both Life and Non-Life insurance. As for the composition of aggregate provisions, the proportion of Life insurance fell slightly, from around 80% to values closer to 76%. At the end of 2022, they accounted for 74.0% of total provisions.

### Technical performance

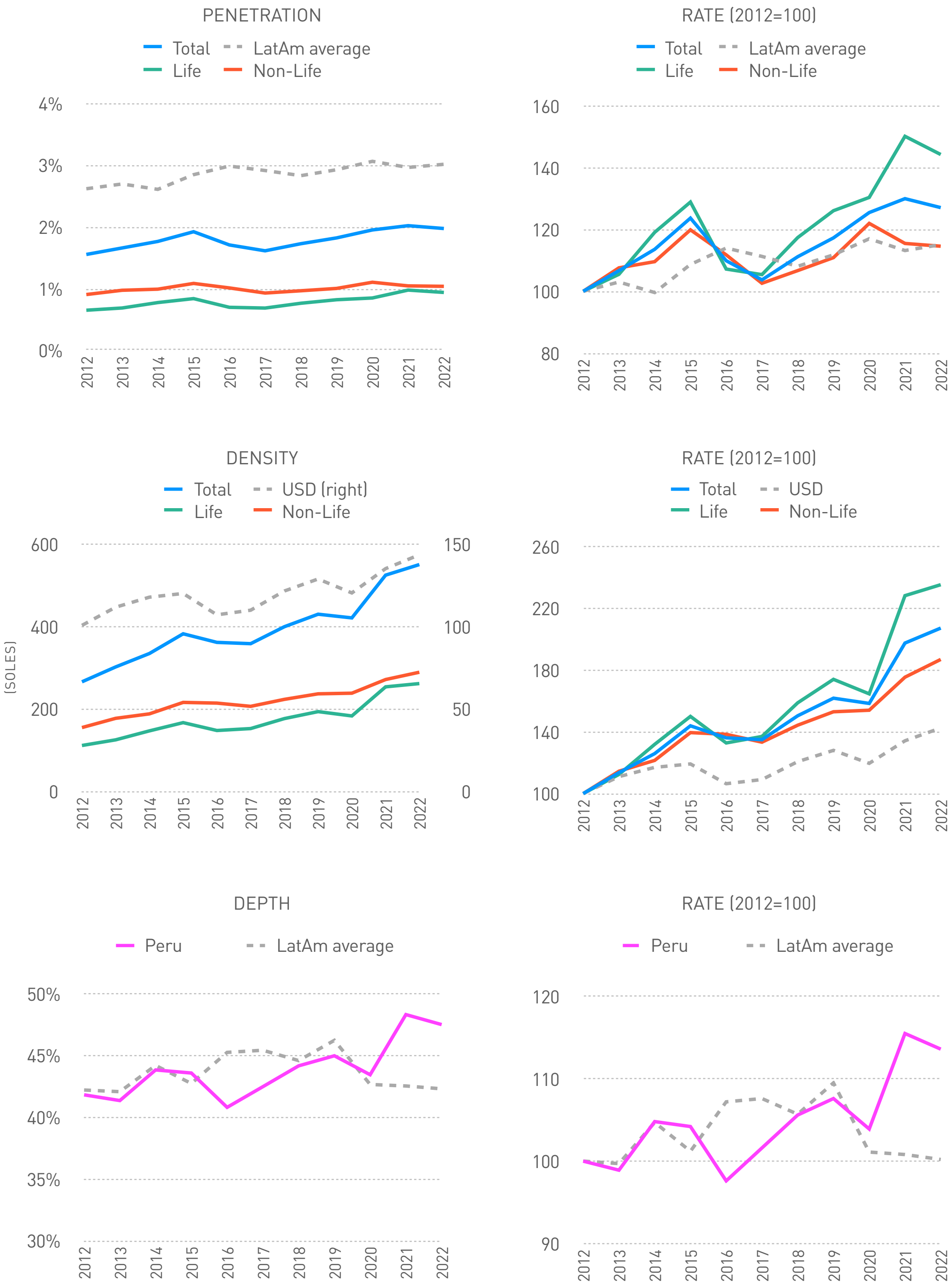
The technical performance of the Peruvian insurance industry between 2012 and 2022 can be seen in Chart 3.2.5-l. As the data shows, in 2022, there was a significant -13.2 pp improvement in the combined ratio, pla-

**Chart 3.2.5-m**
**Peru: changes in results and profitability**
**(technical and financial results over net earned premium, %; ROE, %; ROA, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

**Chart 3.2.5-n**
**Peru: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, soles and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

cing the indicator at 115.8%, due to a marked decrease in the loss ratio, which dropped from 70.4% in 2021 to 56.8% during the year, despite an 0.4 pp increase in the expense ratio.

**Results and profitability**

The net result for 2022 was 1.487 billion soles (387.8 million dollars), up 255.4% on the previous year. It should be noted that the technical result continued to show a negative contribution (-15.8%) but improved from the previous fiscal year. Therefore, the financial result was the main factor behind the improvement in results, despite a 4.3% decrease in 2022. As a result, in terms of profitability levels, return on equity (ROE) stood at 17.1% in 2022, up by 12.4 pp from the previous year. Return on assets (ROA) reached 2.1% in 2022, which was also 1.0 pp higher than in 2021 (see Chart 3.2.5-m).

**Insurance penetration, density and depth**

The main structural trends in the development of Peru's insurance industry from 2012 to 2022 are shown in Chart 3.2.5-n. In 2022, the penetration rate (premiums/GDP) in the Peruvian market stood at 2.0%, nearly identical to the indicator's level in 2021, maintaining a trend of gradual recovery that started in 2018, while penetration fell slightly (-0.04 pp) in the Life insurance segment. Looking at the past decade, the penetration rate in the Peruvian market grew steadily over the period under analysis, but remained below the average absolute values of the region's markets.

Meanwhile, insurance density in Peru (premiums per capita) came to 551 soles (144 dollars), up 4.9% on the level reached in 2021. It should be noted that this indicator continued to recover in 2022 after dropping in 2020. Finally, depth of insurance (Life insurance premiums to total premiums) came to 47.5% in 2022, up 5.7 percentage points on the level registered in 2012, but 0.8 percentage points lower than the previous year. The depth indicator for the Peruvian insurance market has continued to fluctuate around the average values of the regional markets over the past decade, surpassing it in the past three fiscal years.

**Insurance Protection Gap estimate**

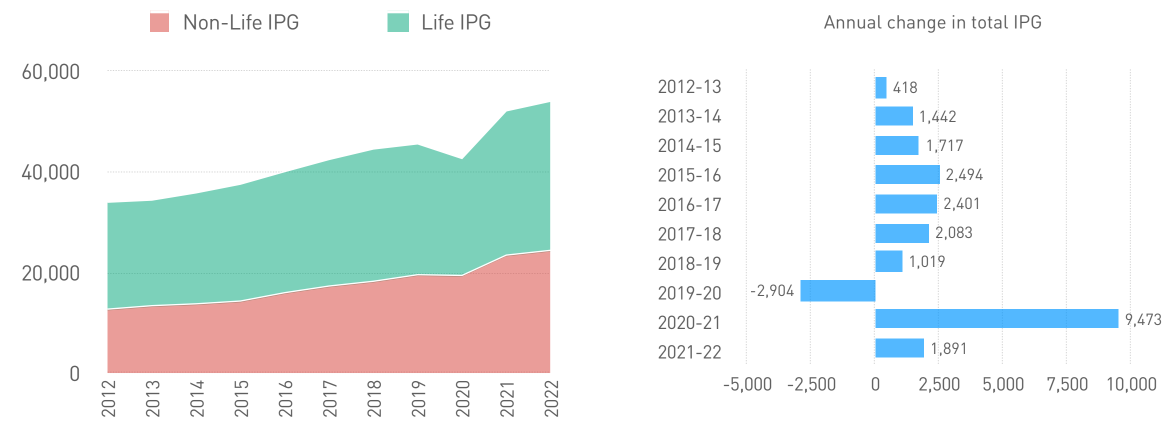
Chart 3.2.5-o provides an updated estimate of the insurance gap for the Peruvian insurance market between 2012 and 2022. It shows that the insurance gap amounted to 53.929 billion soles (14.062 billion dollars) in 2022, some three times the size of the actual insurance market in Peru at the end of that year. The structure and performance of the IPG over the period under analysis continued to be shaped mainly by the Life insurance segment, as opposed to Non-Life. At the close of 2022, 54.9% of the insurance gap was attributable to Life insurance (29.584 billion soles), down by 7.7 pp from 2012. Meanwhile, the remaining 45.1% of the IPG in 2022 was attributable to the Non-Life insurance segment (24.344 billion soles). The potential insurance market in Peru (the sum of the actual market plus the insurance gap) was estimated at 72.675 billion soles at the close of 2022, 3.9 times the total insurance market that year (see Chart 3.2.5-p).

Chart 3.2.5-q provides an estimation of the insurance gap as a multiple of the actual insurance market in Peru. In this regard, the insurance gap as a multiple followed a downward trend between 2012 and 2022, and this became especially clear from 2018 onward, after reversing for a few years. In the case of the Life insurance segment, the IPG as a multiple of the market fell from 6.4 to 3.3 over the past decade, while in the Non-Life insurance segment, it fell from 2.8 to 2.5 times.

To summarize this analysis, Chart 3.2.5-r shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Peruvian insurance market, comparing the situation in 2012 with that of 2022. During this period, the insurance gap clearly narrowed in relative terms, particularly in the Life insurance segment.

Chart 3.2.5-s provides a summary update on the evaluation done on the Peruvian insur-

Chart 3.2.5-o
Peru: Insurance Protection Gap
(millions of soles)



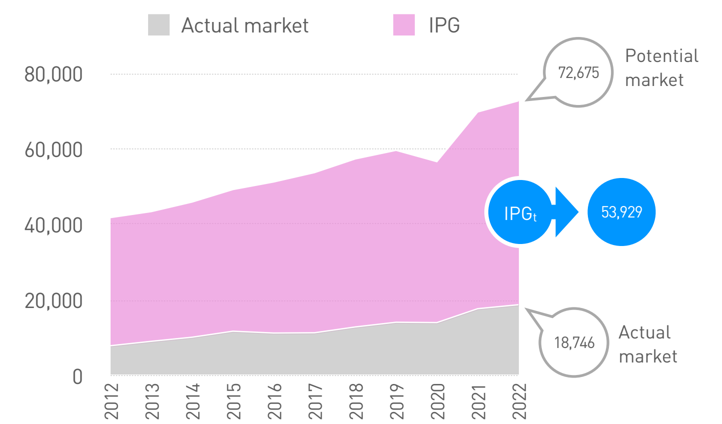

Source: MAPFRE Economics

ance market's capacity to close the insurance gap estimated in 2022, using a comparative analysis on the growth rates observed over the last 10 years and the growth rates that would be needed to close the gap estimated in 2022 over the next 10 years. The Peruvian insurance market recorded an average annual growth rate of 9.0% between 2012 and 2022, which consisted of an annual growth rate of 10.4% in the Life insurance segment and of 7.9% in the Non-Life insurance segment. As a result, were the same growth rate seen over the past decade to continue over the next 10 years, the growth rate of the Peruvian insurance market would fall 5.3 pp short of closing the insurance gap estimated for 2022 in the Life segment and 5.4 pp short in the Non-Life segment, showing a slight increase in insufficiency levels compared with the 2021 measurement.

### Market Development Index (MDI)

Chart 3.2.5-t shows an estimate of the Market Development Index (MDI) for the Peruvian insurance industry. According to this indicat-

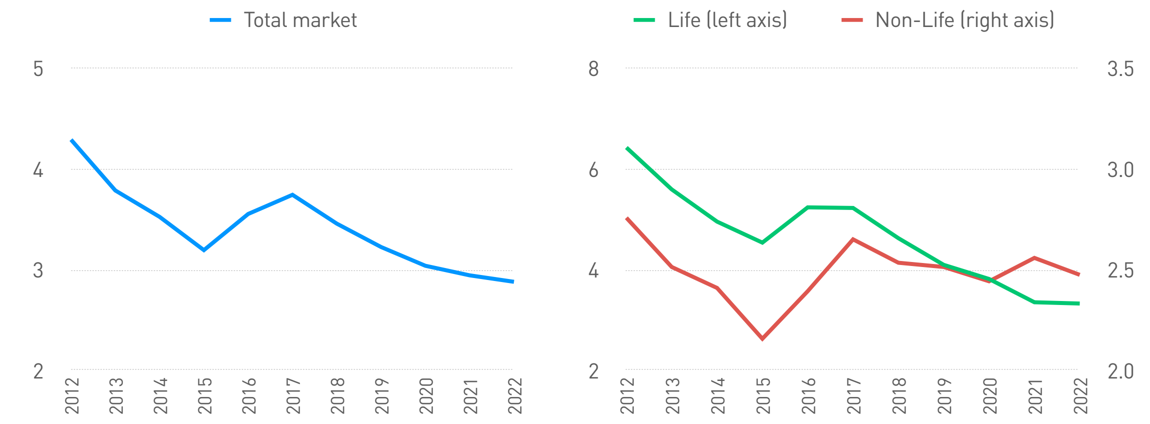
Chart 3.2.5-p
Peru: Insurance Protection Gap and potential market
(millions of soles)




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 137.1% | 59.1% |
| 2022-2021 | 5.9% | 3.6% |

Source: MAPFRE Economics

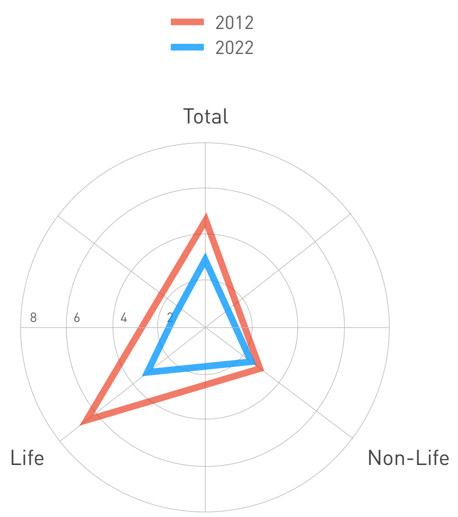
Chart 3.2.5-q
Peru: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

or, used to analyze the overall trend in development and maturity of the insurance market, the Peruvian market showed a positive trend throughout the 2005–2022 period, after shrinking in 2011–2012 and 2016–2017. However, the indicator began to increase once again in the last four years, recovering the average trend observed in Latin American insurance markets.

Chart 3.2.5-r
Peru: the IPG
as a multiple of the actual market




Source: MAPFRE Economics

### Comparative analysis of structural coefficients

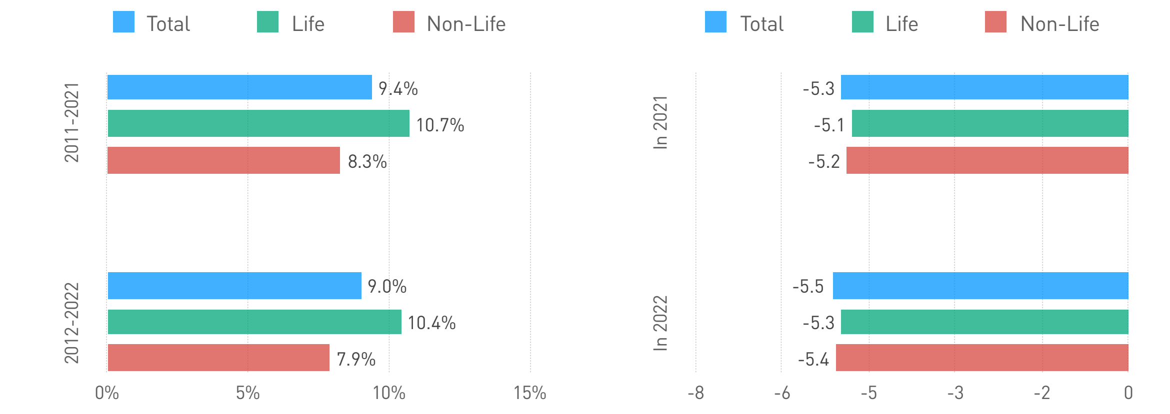
As shown in Chart 3.2.5-u, when comparing the Peruvian insurance market's situation with the Latin American market average, from the perspective of structural indicators analyzed in this report, all dimensions except for depth levels (Life insurance premiums to total market premiums) stood below the regional average. Meanwhile, the dispersion analysis, which aims to identify the development trend in the Peruvian insurance market over the past decade, shows that the industry's development was balanced in the 2012 to 2022 period, with increases in penetration (quantitative aspect of market development) and depth (qualitative aspect).

## Insurance market rankings

### Total ranking

The Peruvian insurance industry was made up of 17 companies in 2022, of which 8 operated in both the Life and general lines of business, while 6 were exclusively focused on general risks, and 3 exclusively on the Life line. As reflected by the Herfindahl In-

**Chart 3.2.5-s**
**Peru: capacity to close the IPG**
**(average annual growth rate, %; sufficiency or insufficiency, pp)**

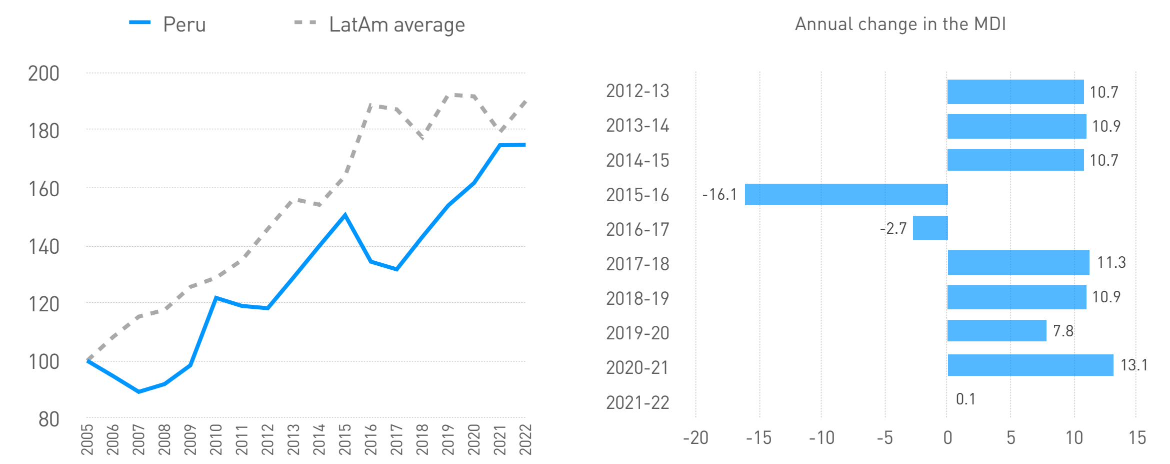



Source: MAPFRE Economics

dex, the Peruvian insurance market maintained a relatively high concentration over the past decade. This indicator trended downward until 2016 before surpassing 1,800 points between 2017 and 2020 and dropping again in the past two years. However, it remained within the range indicating moderate concentration. This situation is confirmed by analyzing the CR5 index (80.1% in 2022), which replicates this performance in both segments of the market, with Non-Life standing at 88.7% and Life standing at 80.9% (see Chart 3.2.5-v).

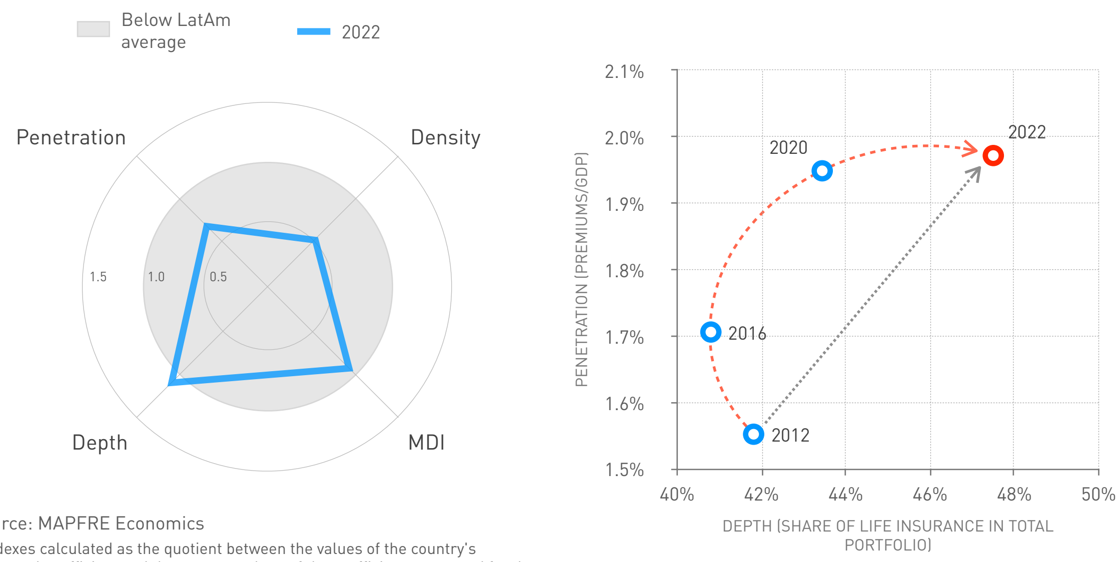
In terms of the overall market ranking, Rimac and Pacífico Seguros continued to hold the top two positions in 2022 with market shares of 29.6% and 23.7%, respectively. The remaining groups in the ranking were the same as in 2021, and MAPFRE and Cardif

**Chart 3.2.5-t**
**Peru: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

**Chart 3.2.5-u**
**Peru: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

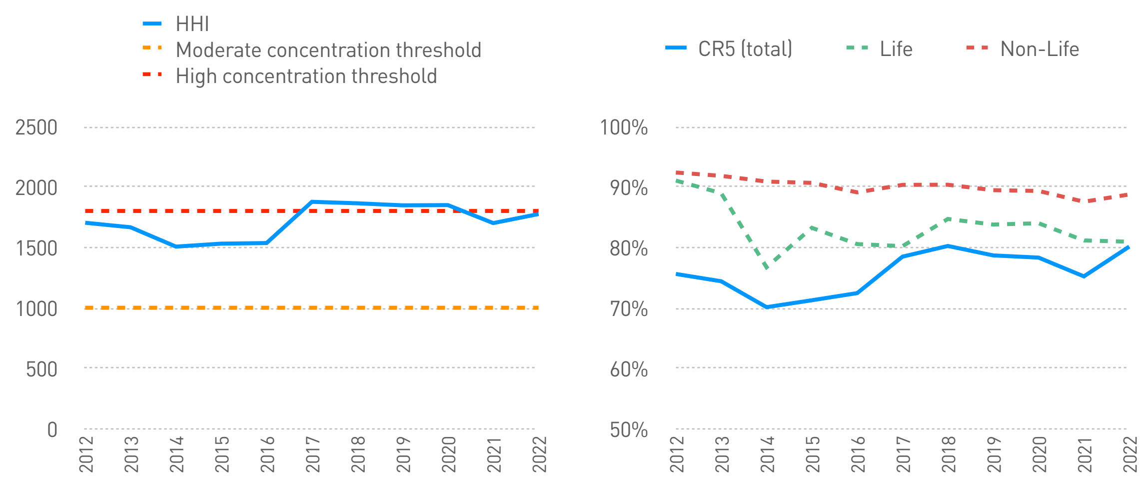
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

were the only companies that improved their positions, by one spot each, to third and sixth place respectively (see Chart 3.2.5-w).

## Life and Non-Life rankings

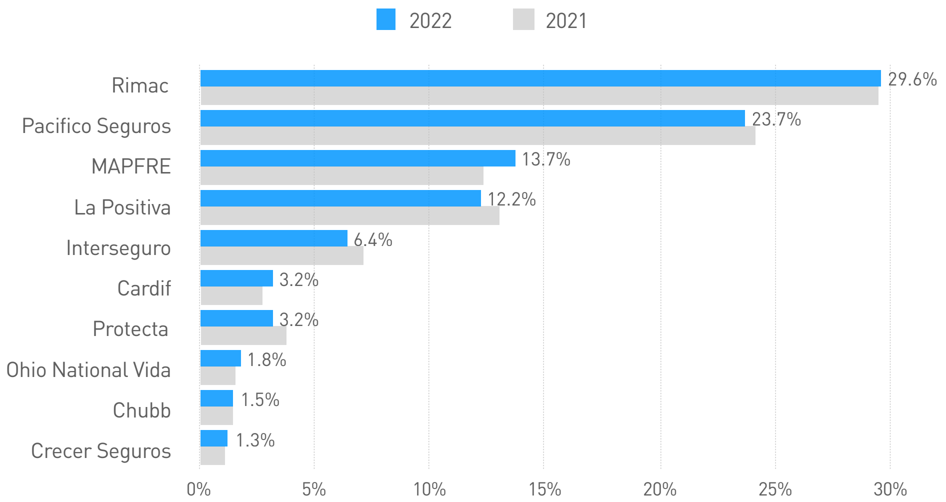
In the overall Non-Life group ranking for 2022, Rimac, Pacífico Seguros, MAPFRE and

**Chart 3.2.5-v**
**Peru: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

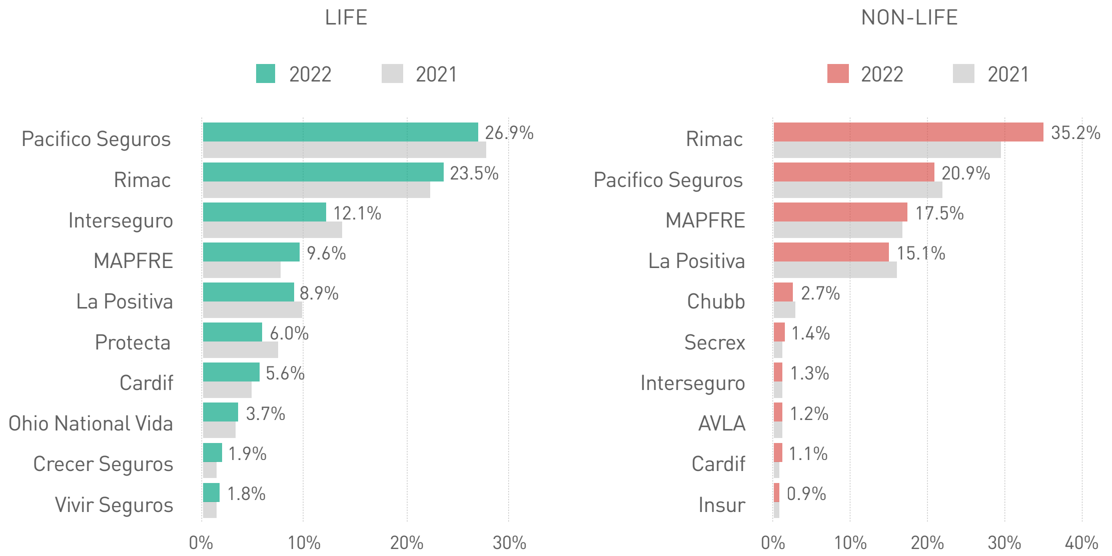
Chart 3.2.5-w
Peru: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

La Positiva remained in the first four positions, with market shares of 35.2%, 20.9%, 17.5% and 15.1% respectively, followed at a great distance by Chubb (2.7%). The remaining groups shuffled around in the ranking, with AVLA falling and Secrex and Interseguro rising, while Cardif and Insur switched spots. In terms of the Life ranking for 2022, Pacífico Seguros remained in first place with a market share of 26.9%%, followed by Rimac with 23.5% and Interseguro with 12.1%. MAPFRE moved up a spot to fourth place, with a 9.6% market share, causing La Positiva to move down to fifth place. The other groups stayed in the same place as the previous year (see Chart 3.2.5-x).

Chart 3.2.5-x
Peru: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

## Key regulatory aspects

Regarding the most relevant regulatory aspects of the Peruvian insurance market, below is a list of regulations published in 2022 and 2023 as part of the industry's updated guidelines framework.

- SBS Resolution No. 297-2022. *Amendment of the Regulations on Equity Requirements for Insurance and Reinsurance Companies*. The Regulations on Equity Requirements for Insurance and Reinsurance Companies, approved by SBS Resolution No. 1124-2006 and amending regulations, establish, among other aspects, the methodology for calculating the solvency margin requirement that insurance and reinsurance companies must fulfill. SBS Resolution No. 297-2022 amends the aforementioned Regulations for the purpose of updating the minimum retention ratio used in determining the solvency margin for pension insurance operations. It brings said estimate in line with the retention and risk levels managed by insurance companies, allowing a greater dispersion of insured risk. In this regard, the minimum retention percentage has been modified from 50% to 30%.

- SBS Resolution No. 418-2022. *Amendment of the Regulations on Insurance Company Investments*. The Superintendence of Banking, Insurance and Investments (*Superintendencia de Banca, Seguros y AFP*, SBS) considered it appropriate to amend the Regulations on Insurance Company Investments in order to clarify and expand the scope of the requirements on the alignment of interests for investments in local mutual funds, in accordance with international standards and best practices among investors (Participants) and fund managers (*Sociedad Administradora de Fondos de Inversión*, SAFI). The main provisions are as follows: (i) that the eligibility requirement for maintaining a cash investment commitment that ensures the alignment of interests of local mutual funds that invest in real estate, infrastructure, private equity and forestry investments, is also applicable to local mutual funds that invest in real estate and infrastructure which are located mainly, 80% or more, in Peruvian territory, and (ii) that the aforementioned requirement can be implemented not only by the fund manager (SAFI), but also through entities that form part of the SAFI's economic group, as well as directly by shareholders of the latter or by members of the fund's key personnel.

- SBS Resolution No. 1840-2022. *Amendment of the Market Conduct Management Regulations for the Insurance System and Regulations on the Registration of Policy Models and Minimum Requirements for Technical Notes*. Law No. 31143, which protects consumers of financial services from usury, amended several regulatory provisions linked to the approval of policy conditions, marketing of insurance products and rates. In addition, Article 3 of the aforementioned law modifies Article 9 of Law No. 26702, General Law on the Financial System and Insurance and Organic System of the SBS, in order to establish that rates and general and specific policy conditions are freely determined by companies in the insurance system and must be approved by the SBS, as well as made known to the public. Therefore, the regulations issued by the SBS must also be modified in order to align them with the new provisions in the aforementioned law, making it necessary to modify the procedure, deadlines and obligations applicable to the approval of conditions in insurance policy models, subject to prior review, applicable to all products that contain the minimum conditions under Law No. 29946, Insurance Contract Law. Regarding rates, the SBS established through the Market Conduct Management Regulations for the Insurance System, approved by SBS Resolution No. 4143-2019, the requirement to disseminate the rates of mass products, in order to inform users about the commercial premium amount, charges such as deductible costs, deductible, co-payment or coinsurance, where applicable, as well as interest, in case of fragmentation, among other elements that the rate scheme must contain. In this context, it was necessary to issue regulations in order to reconcile the current provisions with respect to Law No. 31143, regarding the regulation of rates and commissions, these being understood as the commercial premiums that insurance companies charge to users, in order to regulate the guidelines and minimum content of rate schemes, as well as their dissemination.

- SBS Resolution No. 2571-2022. *Amendment of the Regulations on Equity Requirements for Insurance and Reinsurance Companies*. Calculation of the solvency margin for Pension Insurance is updated based on run-off portfolio claims, so that said estimate is in line with the behavior of claims in the timeline evaluated for the calculation. In this regard, differentiated treatment for the SISCO IV portfolio is eliminated.

- SBS Resolution No. 3299-2022. *Regulations on Actuarial Aspects of Compulsory Life Insurance*. The guidelines framework applicable to Compulsory Life Insurance (mandatory insurance that an employer must take out from the beginning of a worker's employment relationship) has changed over time. In this regard, the Regulations establish the methodology for calculating technical reserves for Compulsory Life Insurance for current and former workers, considering the aforementioned regulatory changes over time. For active workers protected under this mandatory insurance, the Regulations state that insurance companies are obliged to establish the technical reserve for claims and reserve for unexpired risks. Meanwhile, the Regulations distinguish between three different regimes for former workers covered by this insurance, considering periods of time in which relevant regulatory changes occurred. For former workers under the first and third regimes, the Regulations state that insurance companies are obliged to establish the technical reserve for claims and mathematical reserve. For former workers under the second regime, the Regulations state that insurance companies are obliged to establish the technical reserve for claims and reserve for unexpired risks. Meanwhile, the Regulations indicate that the pricing model must include all future obligations derived from payment of the coverage specified in the conditions of Compulsory Life Insurance policies. Furthermore, the Regulations state that premiums collected must be sufficient to cover future claims and expenses, considering technical risks and other underlying risks, as well as the impact of guarantees and options included in insurance contracts. In view of the above, the pricing of Compulsory Life Insurance for workers, after Law No. 31149 came into effect, must consider obligations that may arise when a former worker decides to maintain this insurance coverage, so that premiums in the workers' active stage allow coverage of the obligations generated in the active stage as well as those generated in the passive stage, which corresponds to premium deficiency under Law. No. 31149. In this regard, pricing for workers must consider and cover, in addition to disbursements due to claims and expenses in the worker's active stage, a best estimate of the future cost or shortfall of premiums for former workers under the third regime that may be generated under Law No. 31149 (estimated cost or shortfall). This estimated future premium cost or shortfall is calculated as the difference between the expected present value of the future commercial premiums that former workers under the third regime should pay (actuarial balance premiums) and the expected present value of the future commercial premiums that they will actually pay (premiums established under Law No. 31149). This should be considered on the basis of long-term life insurance with periodic premium payments.

- Official Letter No. 51393-2022-SBS. *End of the exceptional measures granted within the framework of the Declaration of the National State of Emergency*. Through this Official Letter, insurance companies are informed that the measures decreed by Official Letter No. 11159-2020-SBS are no longer in effect. Companies that took advantage of the exceptional provision, which allowed the period for calculating provisions for premiums receivable to be extended to 180 days, had to recognize the corresponding provisions in their financial statements in December 2022.

- SBS Resolution No. 4034-2022. *Amendment of the Regulations on Classifying and Valuing Insurance Company Investments*. Standard that provides details on the evaluation of impairment applicable to debt instruments classified in the available for sale and held to maturity categories. It is established that when the total or partial decrease in the fair value of the debt instrument is a consequence of an increase in the risk-free interest rate, this decrease should not be considered for the evaluation of indicators of value impairment.

- SBS Resolution No. 4036-2022. *Regulations on the Management of Claims and Requests*. Standard that regulates the process of addressing claims and requests of users of companies in the financial, insurance and private pension systems, as well as of AFOCATs (Associations of Regional Funds Against Traffic Accidents) and Contribution and Benefit Funds. The Regulations repeal Circular G-184-2015 "User Assistance Circular" as of 01/01/2024. The new Regulations adapt procedures for handling complaints and requests to the current context of increased digitalization and use of information technologies, as well as recent regulatory amendments. The Regulations establish that the aforementioned companies must implement a claims and requests management system with policies, procedures, indicators and reporting schemes that ensure adequate management thereof, from receipt and registration to analysis and subsequent response to the user. In this regard, one of the most important measures is the reduction of the deadline for addressing complaints and requests to 15 business days, incorporating incentives so that companies can implement additional measures to benefit users. In addition, the reasons for complaints have been updated for the current digital ecosystem, also requiring companies to maintain databases with minimum and standardized information that allows user assistance to be properly monitored. As a result, reporting of complaint statistics to the SBS has gone from quarterly to monthly, in order to allow a more thorough and timely evaluation and monitoring of companies and the market. Additionally, companies are required to adjust the design and/or provision of products and services that have been identified from the complaints received. Finally, a proportional treatment system has been created for companies with low volume and low complexity operations, introducing more flexibility into some regulatory requirements, related mainly to service channels, organizational structure for management, internal reporting and the SBS.

- SBS Resolution No. 0053-2023. *Model Risk Management Regulations*. The Model Risk Management Regulations were published for the purpose of approving regulatory framework that establishes guidelines and minimum requirements to address the main elements for model risk management, such as development, validation, implementation, use, monitoring and contracting of providers. Their main aspects are as follows: (i) model risk is defined as the possibility of losses derived from weaknesses in the development, validation, implementation, use and monitoring of models, which may arise from inadequate specifications or methodologies, erroneous estimates, incorrect assumptions, calculation errors, inaccurate, inappropriate or incomplete data, inappropriate, improper or unforeseen use of the model, lack of understanding of the model's limitations and inadequate monitoring and/or controls, above all; (ii) minimum guidelines and requirements are established for each of the aforementioned model risk management elements; (iii) criteria related to corporate governance are established, such as the responsibilities of the Board of Directors in relation to model risk management or the creation of the model risk committee if necessary, among others, (iv) it is established that companies must submit Appendix A, "Inventory of Models," annually to the SBS, which must be submitted for the first time no later than four hundred and eighty (480) calendar days after the entry into force of the standard. It should be noted that the Regulations do not apply to actuarial models used for calculation of technical reserves and for management of technical risk, which are subject to the provisions of the Actuarial Management Regulations and Regulations on the Constitution of the Catastrophic Risk Reserve.

- Circular No. S-673-2023. *Circular establishing information requirements regarding Mandatory Life Insurance for current and former workers*. The standard was issued for the purpose of promoting better market conduct and transparency of information in the insurance system. Insurance companies are required to periodically report information for the development of the database of policies and certificates for this mandatory life insurance. The Circular includes appendixes for reporting information on the contracting parties (employers), insured parties (current and former workers), as well as on the claims and technical reserves associated with this type of insurance. The process of implementing centralized information for the insurance industry As a result continues; this will provide useful and timely information for the supervision of insurance companies. Additionally, better market conduct and transparency of information will be promoted for the benefit of insured parties and the general public. It should be noted that Compulsory Life Insurance, regulated by Legislative Decree No. 688 (Social Benefits Consolidation Law and its amending regulations), is mandatory insurance that every employer must take out to cover its workers in the event of natural or accidental death and total or permanent disability due to accidents.

- SBS Resolution No. 332-2023. *Regulations on credit, surety and bond insurance issued by insurance companies*. The Regulations aim to develop a guidelines framework for the accounting and prudential treatment of credit, surety and bond insurance, recognizing its particularities compared to other policies issued by insurance companies. In addition, the standards aim to establish technical and management guidelines to reinforce the regulation and supervision of credit, surety policy and bond insurance. The primary provisions are as follows: (i) differentiated treatments are established between those bonds guaranteeing credit obligations (GOC bonds) and those guaranteeing other types of obligations (GOO bonds); GOO bonds shall receive accounting and prudential treatment similar to that applicable to surety policies, while GOC bonds shall receive treatment similar to that of bonds issued by companies in the financial system (except in relation to executions); (ii) the definition of credit insurance is modified, and a specific methodology is established for calculating the unexpired risk reserve (URR) and the accounting treatment associated with this change; (iii) provisions are established for the management of credit, surety and bond insurance; likewise, differentiated procedures are established for issuing GOC and GOO bonds and for registering models and technical notes of GOO bonds, and (iv) amendments are made to the Regulations on the Unexpired Risk Reserve (URR) to incorporate a specific methodology for internal credit insurance and export credit insurance, and to the Asset Requirement Regulations to incorporate a specific methodology for surety insurance and GOO bonds based on claims. The Regulations entered into force on June 1, 2023, with the exception of provisions concerning the accounting treatment of counter-guarantees received in cash.

- SBS Resolution No. 552-2023. *Amendment of the Regulations on the Unexpired Risk Reserve*. Through SBS Resolution No. 6394-2016, the Regulations on the Unexpired Risk Reserve were approved, establishing, among other provisions, the methodology for calculating the premium deficiency reserve (PDR) and guidelines that insurance and/or reinsurance companies must follow. SBS Resolution No. 2239-2021, issued in the context of the pandemic in order to mitigate the impact of excess mortality on insurance companies, modified the PDR calculation methodology for the group or individual short-term life insurance risk pooling, so that the PDR is calculated considering the most favorable scenario from: (i) information from the last twenty-four (24) months, or (ii) information from the last forty-eight (48) months. Considering that the Declaration of the State of Emergency was repealed in the fourth quarter of 2022, and that excess mortality levels due to COVID-19 decreased dramatically from the beginning of the third quarter of 2021, it was appropriate to revoke the modification of PDR calculation methodology for group or individual short-term life insurance risk pooling.

- SBS Resolution No. 689-2023. *Approving the Regulations on opening, converting, moving or closing offices*. The new Regulations came into force on May 1, 2023, repealing the regulations approved by SBS Resolution No. 4797-2015 and amendments. The scope of the new Regulations extends to companies in the financial system and insurance companies. The standard requires companies to have approved policies and procedures for opening, converting, moving and closing offices that consider, among other aspects, economic feasibility profiles, criteria of action to inform the public, safety measures, etc. Companies must request prior authorization to open, convert, move or close their offices in the national territory. There are two types of authorizations: (i) *general authorization*, whereby companies will be able to open, convert, move or close offices in national territory without requiring specific authorization for each office move; companies with external classification of C- or lower risk can request this type of authorization during the two halves of the year prior to the date of submission of their application, and (ii) *specific authorization*, which companies must request to move offices when they lack general authorization, either because they do not comply with the risk classification requirement indicated in the above paragraph, or because the general authorization has not been requested, has been denied or is suspended.

Finally, with regard to draft legislation underway, the draft regulations on comprehensive asset and liability management for insurance companies stands out. Insurance companies need to have an asset and liability management system appropriate to the nature, scale, and complexity of the risks inherent to their business. Companies are also required to improve asset and liability management by establishing guidelines and minimum requirements for proper management.

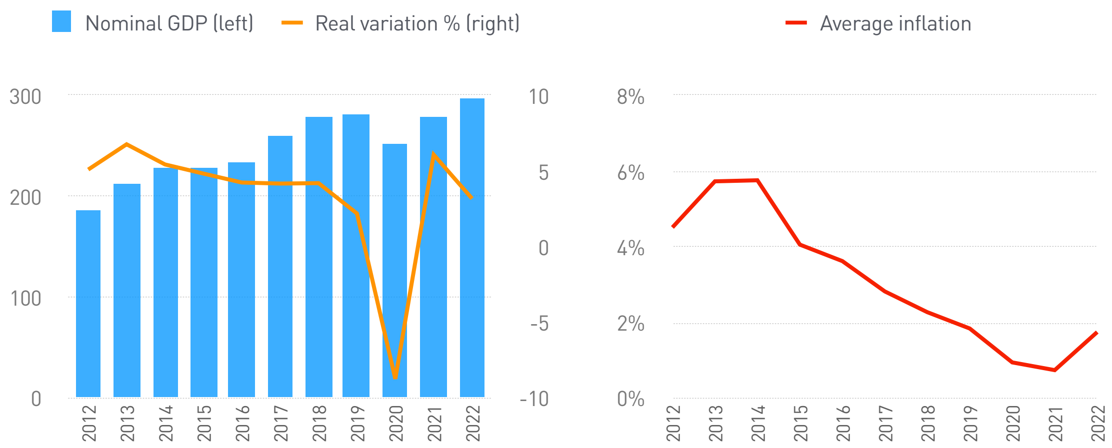
## 3.2.6 Bolivia

### Macroeconomic environment

The Bolivian economy grew 3.5% in real terms in 2022 (6.1% in 2021). As a result recovering its pre-pandemic levels, although its pace of growth over the past decade was below average (see Chart 3.2.6-a). Among other factors, it was influenced by both reduced external demand, in an environment of global deceleration, and a decrease in internal demand, both public and private. This took place in a context of political instability that was adverse for investment, combined with the depletion of gas reserves that impacted the delicate situation of public accounts.

On the consumption side, the greatest contribution came from the private sector, being

Chart 3.2.6-a
Bolivia: changes in economic growth and inflation
(GDP in local currency, billions of bolivianos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

concentrated in the services sector (restaurants and hotels, transportation and storage services, as well as domestic, communal, social and personal services), while the contribution from public administration was limited by the Financial Fiscal Program (FFP) to reduce the deficit, although it maintained its expansionary tone. The external sector continued to perform positively, although at a slower pace due to the less favorable raw materials cycle, lower gas production amid the depletion of reserves and greater import needs combined with export control policies. Consequently, and despite the broad fiscal imbalance, the deficit stood at 7.2% of GDP in 2022, which was within the 8.5% target established by the stability program, and lower than the 9.3% registered in 2021, driven mainly by public investment. Debt levels stood at 46% of GDP, according to data from Bolivia's Ministry of Economy and Public Finance (MEFP), while external debt was equivalent to 30% of GDP. However, the external position was more fragile due to latent funding needs, a growing debt service amid tighter financial conditions worldwide and an international reserves position that was incompatible with the exchange rate policy. This failed to be offset by measures such as the gold standard or increase in commissions because of the withdrawal of dollars from the central bank.

Along the same lines, inflation remained within the target range, averaging 1.75% in 2022 (closing at 3.1% year-on-year) due to the aforementioned exchange-rate stability policies, approval of subsidies for certain products (including fuel and fertilizer) throughout the year and establishment of certain price controls. In terms of monetary policy, and given that the central bank does not use interest rates as a monetary policy instrument, but relies on an exchange rate mechanism, which it kept stable, the expansionary dynamics continued. Non-conventional instruments were the main resource injection mechanisms (liquidity loans in national currency with guarantees from the CPVIS II, CPVIS III and CPRO Funds).

For 2023, ECLAC predicts 2.2% growth in Bolivia's economy (2.1% in 2024). Factors behind this more moderate growth include the gradual deterioration of foreign trade, production limitations (mainly in the hydrocarbon sector), and weaker investment led by a more restrained public sector, as well as unresolved political fragilities.

## Insurance market

### Growth

Premiums in the Bolivian insurance market amounted to 4.861 billion bolivianos (706 mil-

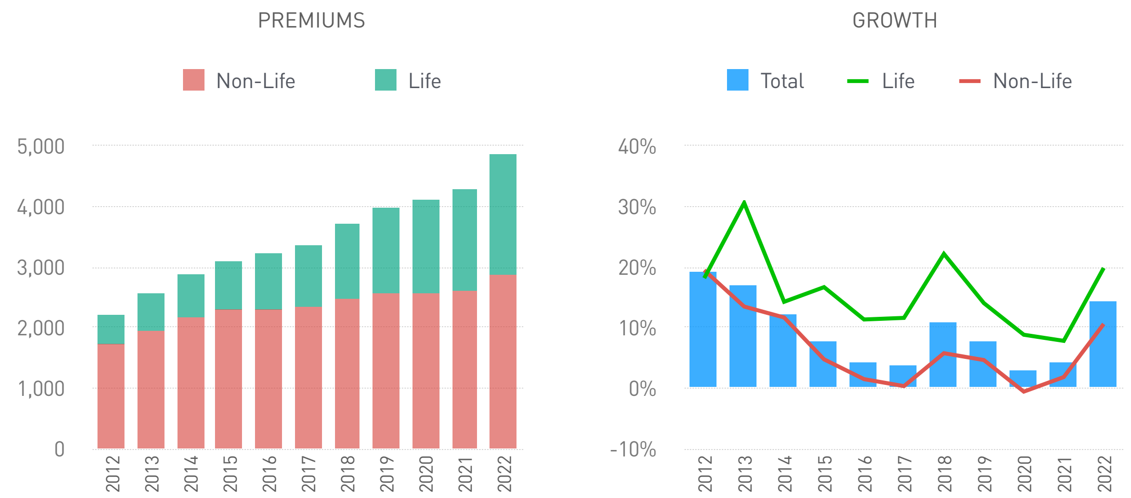
Table 3.2.6
Bolivia: premium volume[1] by line, 2022

| Line | Millions of bolivianos | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **4,861.4** | **706.1** | **14.2** | **12.2** |
| **Life** | **1,994.0** | **289.6** | **19.8** | **17.7** |
| Group Life | 152.9 | 22.2 | 9.0 | 7.1 |
| Individual Life | 1,820.8 | 264.5 | 21.0 | 18.9 |
| Life annuity | 20.3 | 2.9 | 6.5 | 4.7 |
| **Non-Life** | **2,867.4** | **416.5** | **10.5** | **8.6** |
| Automobiles | 766.6 | 111.3 | 17.0 | 15.0 |
| Other lines | 572.9 | 83.2 | 37.5 | 35.1 |
| Fires | 299.6 | 43.5 | -7.6 | -9.2 |
| Third-party liability | 130.8 | 19.0 | 7.2 | 5.4 |
| Transport | 230.7 | 33.5 | 5.7 | 3.9 |
| Technical risks | 119.6 | 17.4 | -7.5 | -9.1 |
| Surety | 117.4 | 17.1 | 10.9 | 9.0 |
| Health | 529.4 | 76.9 | 0.7 | -1.0 |
| Personal Accidents | 100.4 | 14.6 | 3.9 | 2.1 |

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
1/ Direct premiums

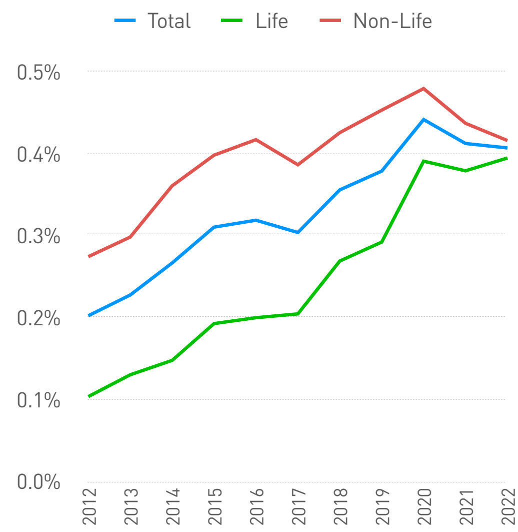
lion dollars) in 2022, meaning 14.2% growth in nominal terms and 12.2% in real terms compared to the previous year. This was mainly attributable to a boost from Life insurance, which accelerated compared to the previous year, growing 19.8% in nominal terms and 17.7% in real terms. Of these 2022 premiums, 59% related to Non-Life insur-

Chart 3.2.6-b
Bolivia: growth developments in the insurance market
(premiums, millions of bolivianos; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

**Chart 3.2.6-c**
**Bolivia: share of insurance premiums in Latin America**
**(%)**



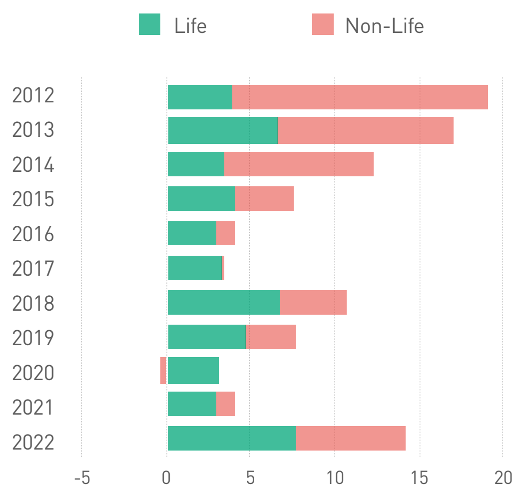

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority and supervisory bodies in the region)

ance, with the remaining 41% relating to Life insurance (see Table 3.2.6 and Chart 3.2.6-b).

Life insurance continued on its upward trend (which has remained uninterrupted for more than a decade), accounting for 41% of premiums (21.6% in 2012). Life insurance premiums increased to 1.994 billion bolivianos (290 million dollars) in 2022, which represents a nominal increase of 19.8% and a real increase of 17.7%. The greatest increase took place in the Individual Life category (21% nominal and 18.9% real), whose premium volume was the main driver of growth (91.3% of total Life), compared to group Life, which rose 9% in 2022 (7.1% in real terms), while Life Annuities saw a 6.5% increase (4.7% in real terms). Meanwhile, Non-Life insurance premiums (which made up 59% of premiums in 2022) saw nominal growth of 10.5%, or 8.6% in real terms, reaching 2.867 billion bolivianos (416 million dollars). Automobile was the most important modality, which includes Compulsory Traffic Accident Insurance (SOAT) and whose premiums rose 17% in nominal terms (15% in real terms) in 2022.

The Bolivian insurance industry's share of the total Latin American insurance market has gradually increased over the past decade, from 0.2% in 2012 to 0.4% in 2022. However, the increase has been more significant in the Life segment, whose share has increased from 0.1% to 0.4%, than in the Non-Life segment, where it has risen from 0.3% to 0.4% (see Chart 3.2.6-c).

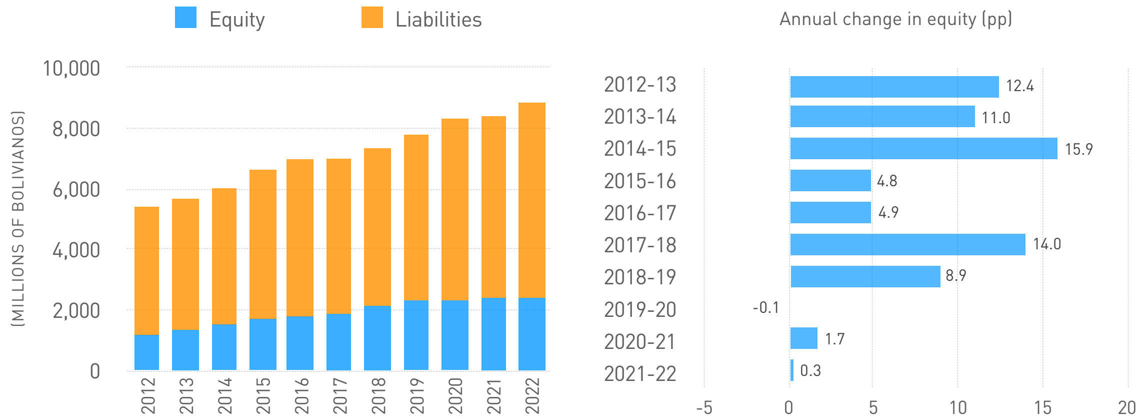
**Chart 3.2.6-d**
**Bolivia: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 19.1 | 3.9 | 15.2 |
| 2013 | 17.1 | 6.6 | 10.5 |
| 2014 | 12.2 | 3.4 | 8.8 |
| 2015 | 7.6 | 4.1 | 3.5 |
| 2016 | 4.0 | 3.0 | 1.1 |
| 2017 | 3.5 | 3.3 | 0.2 |
| 2018 | 10.7 | 6.8 | 4.0 |
| 2019 | 7.8 | 4.7 | 3.0 |
| 2020 | 2.7 | 3.1 | -0.4 |
| 2021 | 4.0 | 2.9 | 1.1 |
| 2022 | 14.2 | 7.7 | 6.4 |

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-e
Bolivia: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Accordingly, as shown in Chart 3.2.6-d, Life insurance contributed 7.7 pp to the 14.2% growth recorded by the Bolivian market in 2022, while the Non-Life insurance segment contributed 6.4 pp.

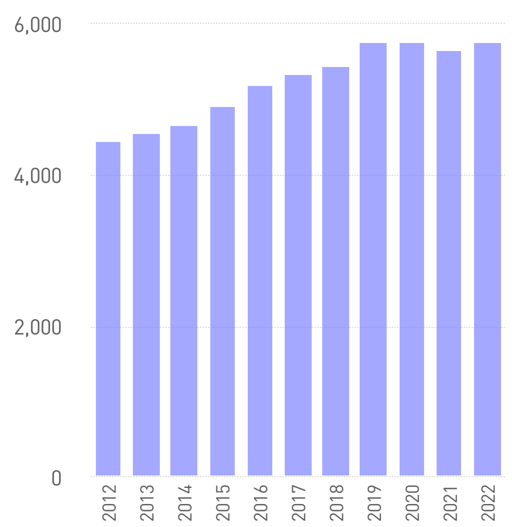
### Balance sheet and shareholders' equity

Chart 3.2.6-e shows the aggregate balance sheet for the Bolivian insurance industry. In this regard, in 2022, total industry assets amounted to 8.845 billion bolivianos (1.281 billion dollars), while equity was 2.374 billion bolivianos (344 million dollars) with a slightly positive variation of 0.26 pp compared to 2021. Moreover, the Bolivian insurance industry maintained aggregate capitalization levels (measured on total assets) of over 20% between 2012 and 2022, reaching 26.8% of total assets in 2022.

### Investments

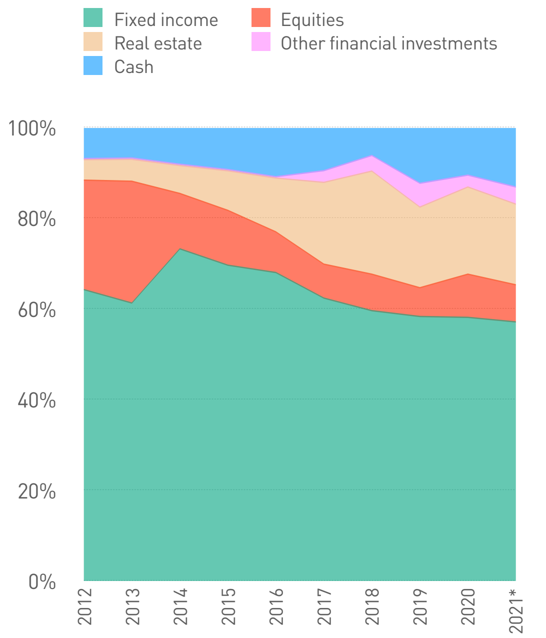
Chart 3.2.6-f shows the evolution of investments in the Bolivian insurance market between 2012 and 2022. As can be seen, total investment reached 5.735 billion bolivianos (830 million dollars) in 2022. Meanwhile, Charts 3.2.6-g and 3.2.6-h show changes in the structure of the investment portfolio at the sector level in the Bolivian insurance market between 2012 and 2021 (the last year for which disaggregated data is available). In 2021, the investment portfolio was concentrated in fixed income (57.2%), in equity instruments (8.2%), real estate (17.8%), and cash and other investments (13% and 3.8%, respectively). The structure of the portfolio has changed significantly over the aforemen-

Chart 3.2.6-f
Bolivia: insurance market investments
(millions of bolivianos)



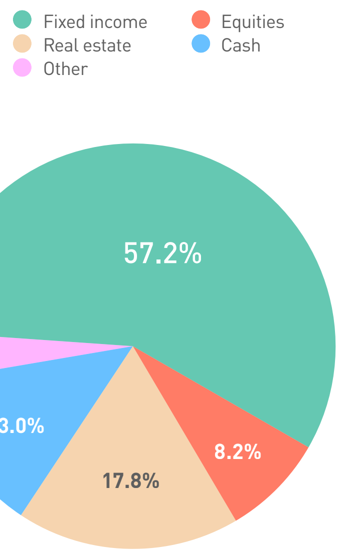

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

**Chart 3.2.6-g**
**Bolivia: structure of investments**
**(%)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
* Latest data available

**Chart 3.2.6-h**
**Bolivia: structure of investments, 2021***
**(%)**



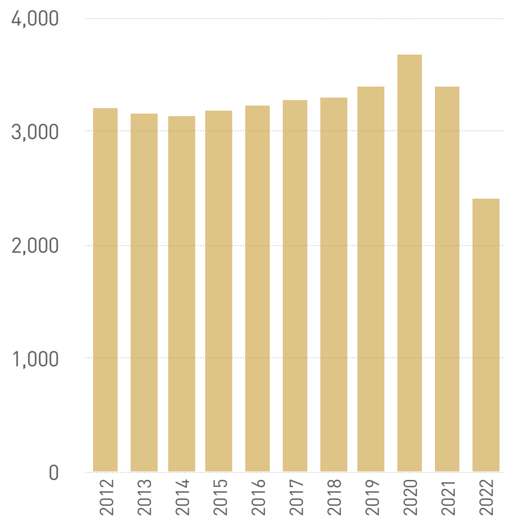

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
*Latest data available

tioned period, with the weight of investment in equities falling from above 24% in 2012 and 2013 to around 12% in 2014 and 2015 and to 8.2% by 2021. Meanwhile, the weight of real-estate assets has increased from 4.5% in 2012 to 17.8% in 2021.

### Technical provisions

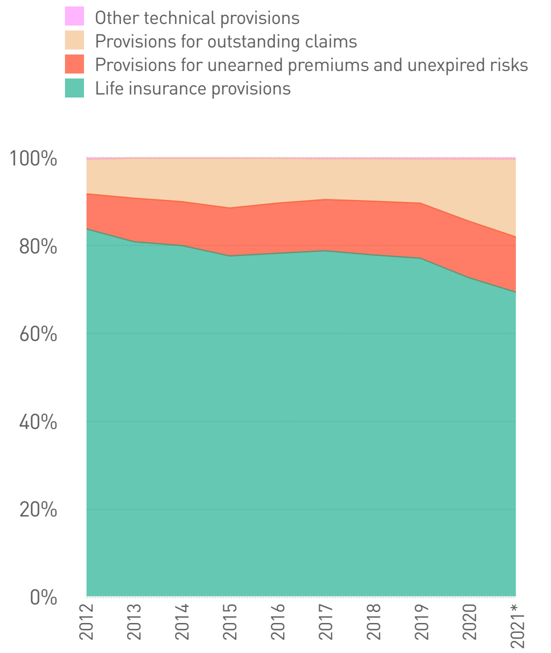
The performance and relative composition of technical provisions within the Bolivian insurance industry are shown in Charts 3.2.6-i, 3.2.6-j and 3.2.6-k. Technical provisions stood at 2.398 billion bolivianos (347 million dollars) in 2022, a significant decrease from previous values. According to the latest data available at the close of 2021, 69.4% of total technical provisions related to Life insurance, 12.6% to provisions for unearned premiums and unexpired risks in Non-Life insurance, and 17.8% to provisions for outstanding benefits. When analyzing the 2012–2021 period, we observe that the weight of provisions for Life insurance decreased steadily over the

**Chart 3.2.6-i**
**Bolivia: technical provisions of the Insurance market**
**(millions of bolivianos)**



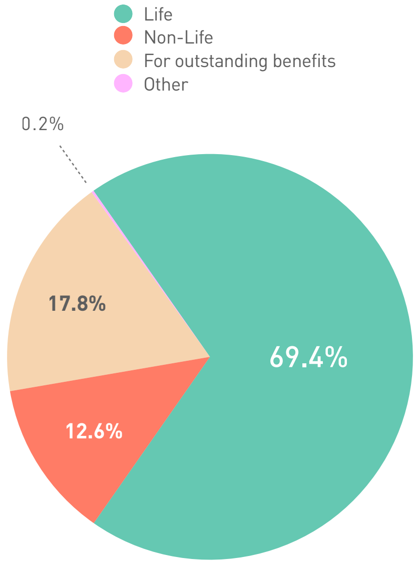

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

**Chart 3.2.6-j**
**Bolivia: structure of technical provisions**
**(%)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
* Latest data available

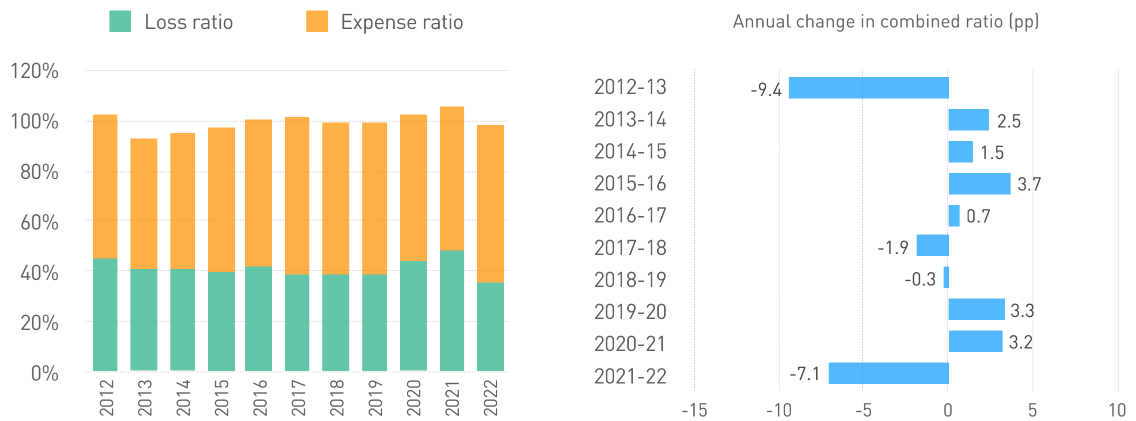
**Chart 3.2.6-k**
**Bolivia: structure of technical provisions, 2021***
**(%)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
*Latest data available

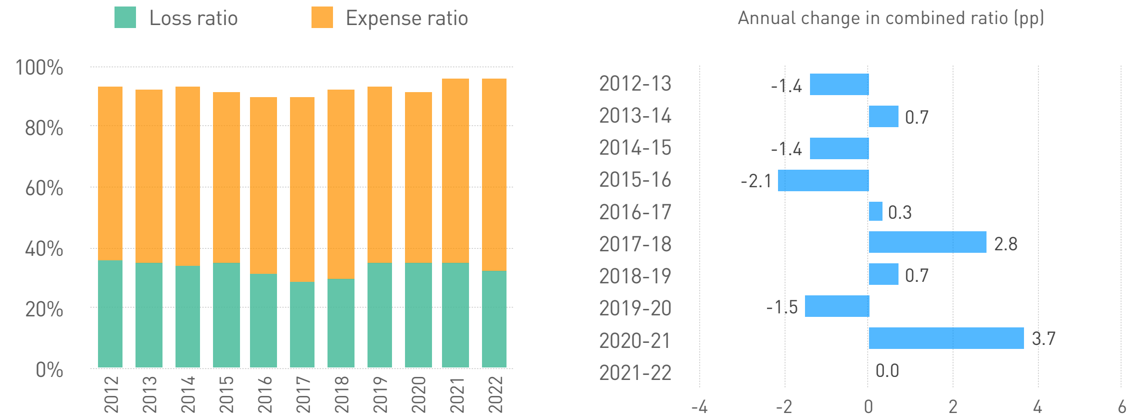
2012–2015 period, falling from 83.9% of total provisions in 2012 to 77.7% in 2015, at which point it increased slightly over the next two years, reaching 78.9% in 2017 to then fall back down to 69.5% in 2021. This also holds true for the absolute values, which fell from 2.688 billion bolivianos in 2012 to 2.471 billion bolivianos (358 million dollars) in 2015, be-

**Chart 3.2.6-l**
**Bolivia: changes in market technical performance**
**(total combined ratio, %; annual change in combined ratio, percentage points)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-m
Bolivia: changes in Non-Life market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



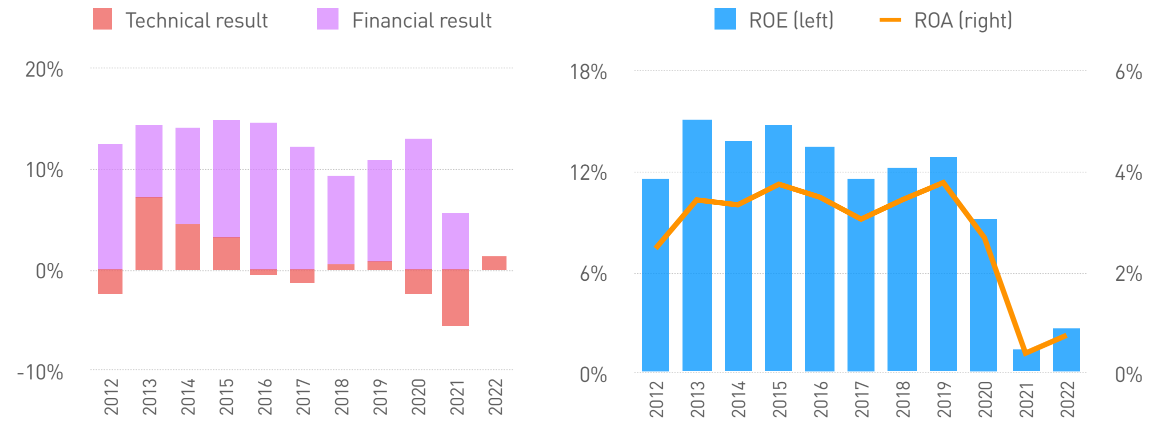

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

fore climbing to 2.351 billion bolivianos (387 million dollars) in 2021. During the same period (2012–2021), provisions for unearned premiums and unexpired risks in Non-Life insurance grew 66%, from 226 million bolivianos in 2011 to 426 million bolivianos (68 million dollars) in 2021. Meanwhile, the Non-Life service provision increased more moderately in 2021 (16%) after rising 51.9% the previous year.

## Technical performance

Chart 3.2.6-l shows the aggregate technical performance of the Bolivian insurance market based on its total combined ratio. In this regard, the total combined ratio improved by 7.1 pp in 2022, reaching 98.5%, despite a 5.3 pp increase in the expense ratio, and the loss ratio dropped in a more significant way (12.4 pp). Meanwhile, the combined ratio for Non-Life insurance companies in 2022 did not

Chart 3.2.6-n
Bolivia: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

change, standing at 95.4%. This performance was due to a decline of 2.9 pp in the expense ratio and an identical increase in the loss ratio, As a result changing the trend seen over the previous years whereby expenditure increased, while the loss ratio remained stable (see Chart 3.2.6-m).

**Results and profitability**

The Bolivian insurance industry's financial result in 2022 was a loss of 1.2 million bolivianos (0.2 million dollars), compared to a profit of 174.7 million the previous year. This financial result was offset by an improved technical result (53.6 million versus -171.9 in 2021), resulting in a 94.4% increase in the net result for the 2022 fiscal year, which amounted to 65.5 million bolivianos (9.5 million dollars). Meanwhile, profitability remained at its lowest level in the past decade in 2022. Specifically, return on equity (ROE) stood at 2.8% in 2022, up by 1.3 pp from 2021. Return on assets (ROA) also increased, reaching 0.8% in 2022, up by 0.4 pp from 2021 (see Chart 3.2.6-n).

**Insurance penetration, density and depth**

Chart 3.2.6-o shows the main structural trends shaping the development of the Bolivian insurance industry between 2012 and 2022. The penetration rate (premiums/GDP) was 1.6% in 2022, just 0.1 pp higher than in 2021, and 0.4 pp higher than that of 2012, though it was still far below the averages observed in the wider region. In the composition of this indicator, penetration in the Non-Life insurance segment in 2022 remained higher than that registered by the Life insurance segment.

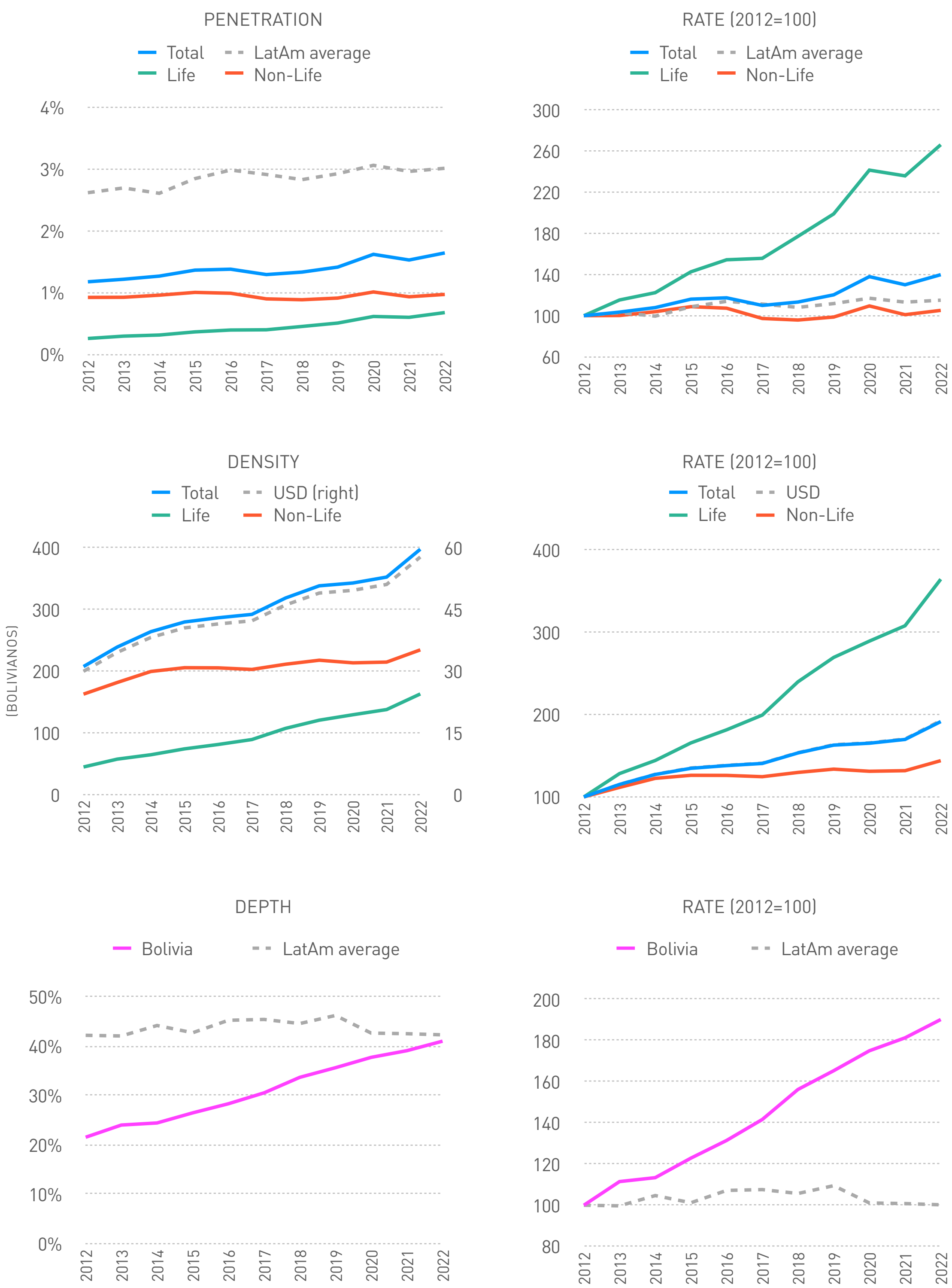
Meanwhile, the insurance density (premiums per capita) indicator reached 398 bolivianos (57.8 dollars) in 2022, following an upward trend observed over the decade under analysis, with a growth of nearly 100% since 2012, in which density stood at 208 bolivianos. In this case, density in the Life insurance segment was more dynamic (increasing 2.6 times between 2012 and 2022) than in Non-Life insurance over the past decade. Lastly, with regard to depth (Life insurance premiums in relation to total premiums), the indicator for 2022 stood at 41.0%, up 19.5 pp from 2012. In this case, depth has increased steadily in the Bolivian insurance market during the period under analysis and, although it is still slightly below the average values observed across Latin America, it has shown a converging trend in recent years with higher growth than the regional average.

**Insurance Protection Gap estimate**

Chart 3.2.6-p provides an updated estimation of the insurance gap for the Bolivian insurance market between 2012 and 2022. The IPG stood at 17.8 billion bolivianos (2.587 billion dollars) in 2022, 3.7 times the size of the country's actual insurance market at the close of that year. As in other Latin American insurance markets, the structure and performance of the insurance gap over the last decade are largely attributable to the Life insurance segment. In 2012, 64.8% of the IPG was related to Life insurance, which amounted to 8.539 billion bolivianos. By 2022, this had fallen to 56.2% (10.013 billion bolivianos). The potential insurance market in Bolivia (the sum of the actual market plus the insurance gap) was estimated at 22.673 billion bolivianos (3.293 billion dollars) in 2022, i.e., 4.7 times the total insurance market in the country that year (see Chart 3.2.6-q).

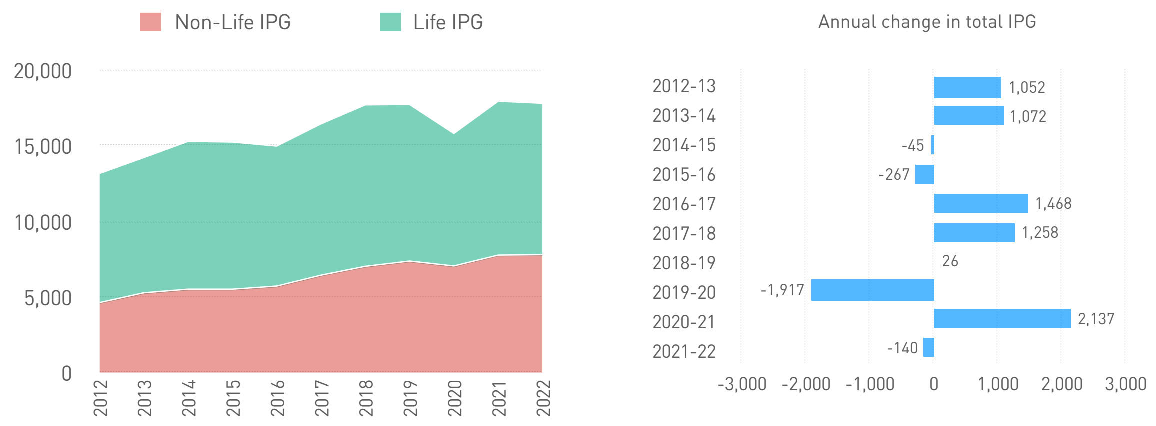
Chart 3.2.6-r shows an estimate of the IPG as a multiple of the actual market in each year of the period under analysis. As the data indicates, the insurance gap, measured as a multiple of the actual market, began to decline significantly from 2012, down to 3.7 times in 2022. However, when looking at the Non-Life insurance segment over the 2012–2022 period, an upward trend was observed from 2015 onward, although the indicator dropped in 2022, standing at 2.7 times. In contrast, in the Life insurance segment, the

**Chart 3.2.6-o**
**Bolivia: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, bolivianos and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

**Chart 3.2.6-p**
**Bolivia: Insurance Protection Gap**
**(millions of bolivianos)**

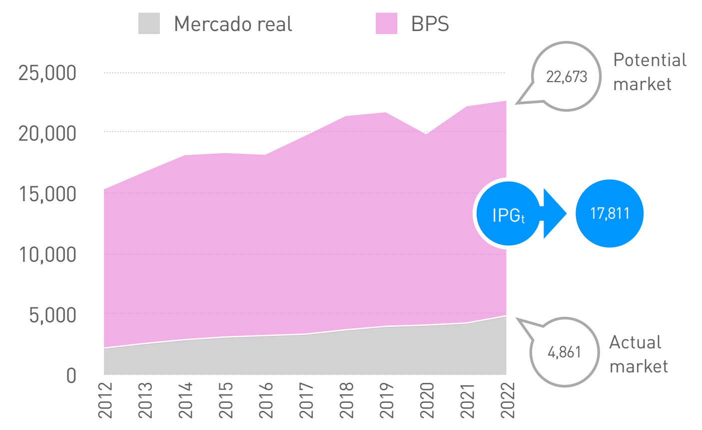



Source: MAPFRE Economics

IPG as a multiple of the actual market shows a declining trend between 2012 and 2022, falling from 18.1 to 5.0 times over that period. Additionally, Chart 3.2.6-s shows the changes in the insurance gap as a multiple of the actual market for the Life and Non-Life segments and for the total Bolivian insurance market, comparing 2012 and 2022. During this period, the reduction of the insurance gap was solely concentrated in the Life insurance segment, while Non-Life barely changed.

Finally, Chart 3.2.6-t outlines the assessment of the Bolivian insurance market's capacity to close the IPG determined in 2022, based on a comparative analysis between the growth rates observed over the last 10 years in the market and the growth rates that would be needed to close said insurance gap. As such, the Bolivian insurance market reported an average annual growth rate of 8.3% between 2012 and 2022, which consisted of an average rate of 15.5% in the Life segment and of 5.2% in the Non-Life

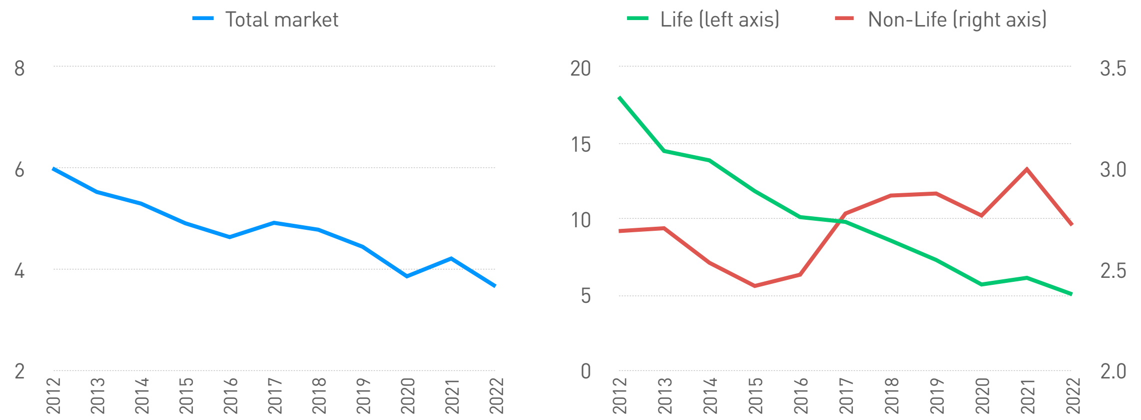
**Chart 3.2.6-q**
**Bolivia: Insurance Protection Gap and potential market**
**(millions of bolivianos)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 121.6% | 35.3% |
| 2022-2021 | 14.2% | -0.8% |

Source: MAPFRE Economics

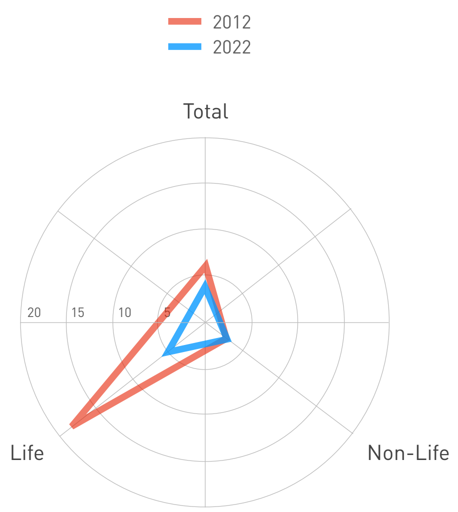
Chart 3.2.6-r
Bolivia: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

insurance segment. As a result, were this growth rate to continue over the next 10 years, the growth rate of the Bolivian market as a whole would prove insufficient by 8.4 pp to close the IPG determined in 2022. The same would be true for the IPG in the Life (insufficient by 4.2 pp) and Non-Life (by 8.8 pp) insurance segments. This means that in order to close the insurance gap estimated for 2022, the Bolivian insurance market would require annual growth rates substantially higher than those observed over the last decade: 16.6% for the total market, and 19.7% and 14.0% for the Life and Non-Life segments respectively.

Chart 3.2.6-s
Bolivia: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

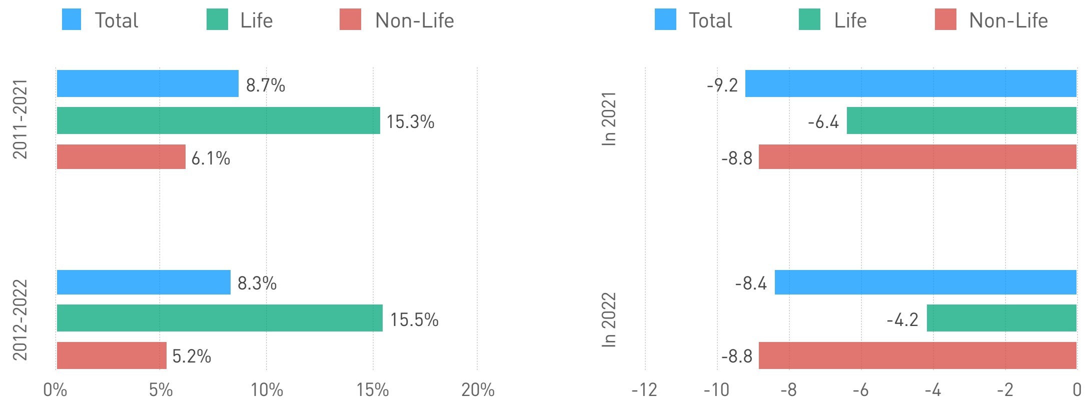
### Market Development Index (MDI)

Chart 3.2.6-u shows an update of the estimate of the Market Development Index (MDI) for the Bolivian insurance industry. This indicator (which is intended to provide an overview of the trends in the development and maturity of insurance markets) followed a positive trend in the period under analysis. The trend became more dynamic starting in 2013, and it was generally in line with that observed in the Latin American market as a whole, surpassing it from 2018 onward.

### Comparative analysis of structural coefficients

Chart 3.2.6-v outlines the state of the Bolivian insurance market when compared with the average for Latin America, measured in terms of the structural indicators analyzed previously. Density (premiums per capita) and penetration (total premiums/GDP) levels remain well below the regional average. How-

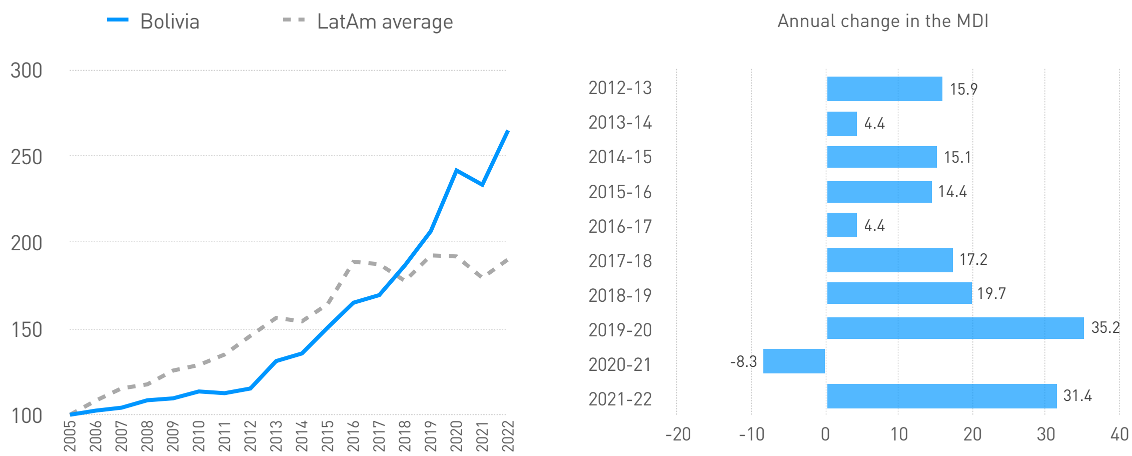
**Chart 3.2.6-t**
**Bolivia: capacity to close the IPG**
**(average annual growth rate, %; sufficiency or insufficiency, pp)**




Source: MAPFRE Economics

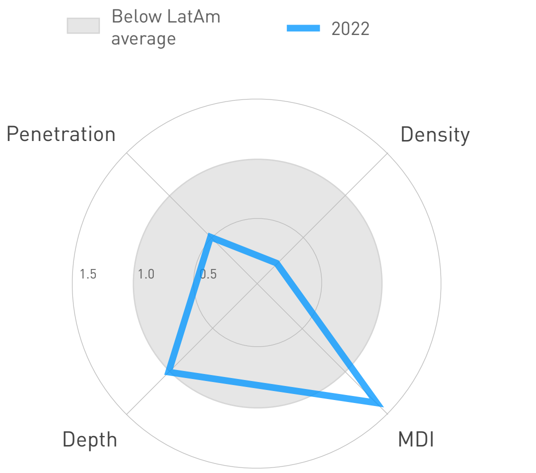
ever, the MDI exceeds the average level for Latin American markets, while depth has nearly converged with the region's average indicator due to sustained growth in the segment over the past few years. Similarly, the dispersion analysis shown in the afore-mentioned Chart 3.2.6-v confirms that, over the 2012–2022 period, the Bolivian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect) and depth levels (qualitative aspect).

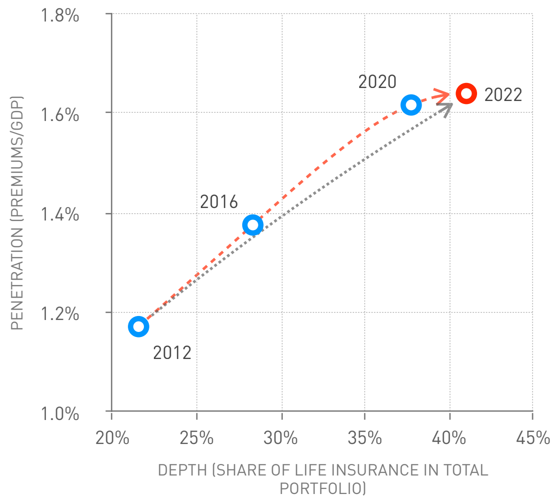
**Chart 3.2.6-u**
**Bolivia: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

**Chart 3.2.6-v**
**Bolivia: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

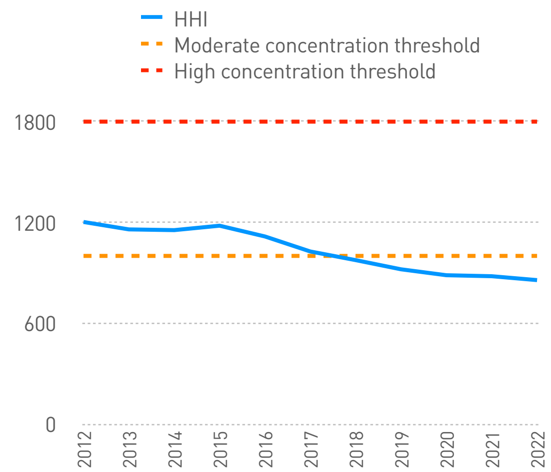
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

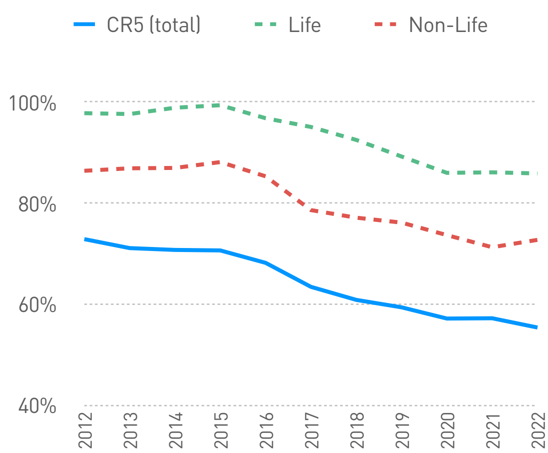
## Insurance market rankings

### Total ranking

There were 19 insurance companies operating in the Bolivian insurance market in 2022, the same number as in 2021. Eight of these companies operated exclusively in the People line, while the remaining nine operated in General P&C and Bond insurance. Concentration levels in the Bolivian insurance market have shown a declining trend

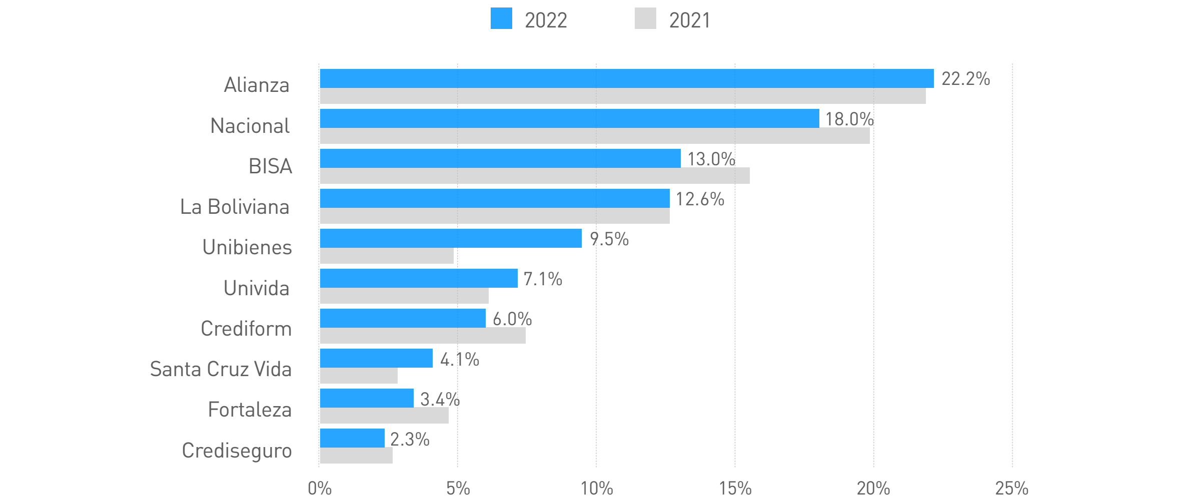
**Chart 3.2.6-w**
**Bolivia: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

**Chart 3.2.6-x**
**Bolivia: overall ranking**
**(market shares, %)**

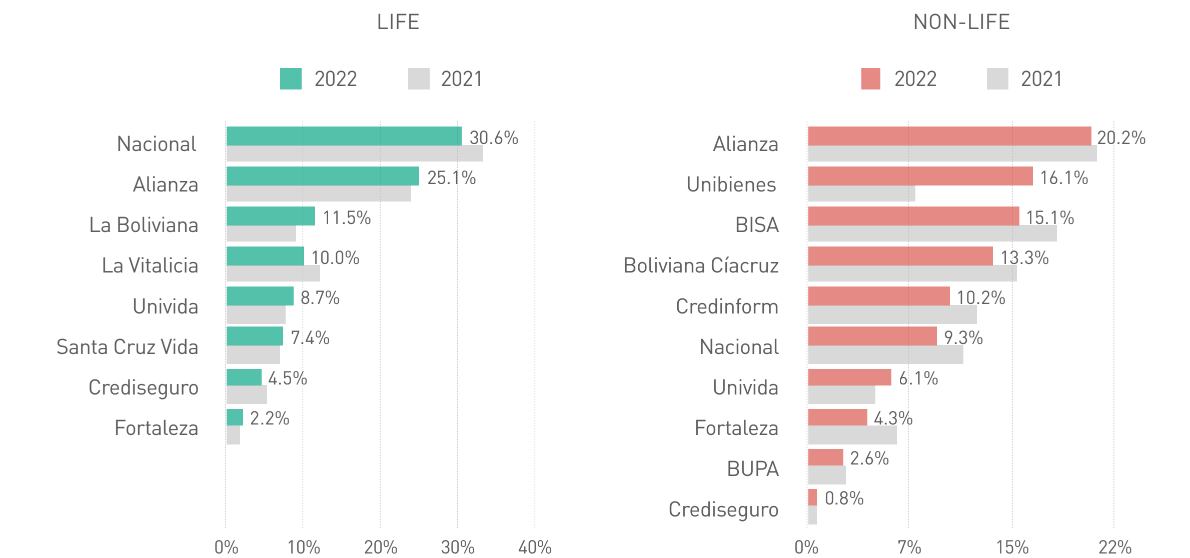



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

over the past decade, especially since 2016, as shown in Chart 3.2.6-w. In 2018, the Herfindahl Index crossed below the threshold indicating a moderate concentration level and stayed below this threshold until 2022. The top five insurance companies jointly accounted for 55.3% of total premiums (CR5), a decline of 1.8 pp from the previous year.

The overall 2022 ranking for the Bolivian insurance market was led yet another year by Alianza Seguros, with a market share of 22.2%. Following behind were Nacional Se-

**Chart 3.2.6-y**
**Bolivia: Life and Non-Life ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

guros with 18.0% and BISA Seguros with 13%. Fourth place was held by La Boliviana Ciacruz, with a market share of 12.6% in 2022 (see Chart 3.2.6-x).

**Life and Non-Life rankings**

Meanwhile, the ranking in the Non-Life segment in 2022 was also led by Alianza Seguros, with a market share of 20.2%, followed by Unibienes, with a market share of 16.1%, relegating BISA to third place, with a market share of 15.1%. The Life ranking for 2022 continued to be topped by Nacional Seguros with a premium market share of 30.6%, followed by Alianza Seguros with 25.1% and La Boliviana with 11.5%, which surpassed BISA (La Vitalicia + BISA) with 10.0% (see Chart 3.2.6-y).

### Key regulatory aspects

In terms of adjustments to regulations governing the operation of the Bolivian insurance industry, the most relevant regulations issued in 2022 and so far in 2023 are detailed below:

- RA731 (5/25/2023). Clarification and complementation of Administrative Resolution APS/DJ/DS No. 450/2023 of April 24, 2023.
- RA450 (4/24/2023). Amendment of the Mortgage Protection Insurance Regulations.
- RA385 (4/14/2023). Approval of the Information Receipt and Validation System (SRVI).
- RA288 (3/23/2023). The Request for Clarification of Administrative Resolution APS/DJ/UNE/No. 184/2023, of March 6, 2023, is not accepted. Seguros Illimani, S.A.
- RA200 (3/9/2023). Amendment of the Regulations on Insurance and Reinsurance Brokers.
- RA184 (3/6/2023). Regulations on Insurance and/or Reinsurance Companies.
- RA182 (3/3/2023). Amends the Regulations on Assistance for Insurance Market Operators.
- RA1535 (11/07/2022). Repeals Administrative Resolution IS No. 072, of February 6, 2003.
- RA1493 (10/27/2022). Enables Seguros y Reaseguros Personales Univida, S.A. for the administration and marketing of Compulsory Traffic Accident Insurance – SOAT Management 2023.
- RA1331 (9/26/2022). Approves an authorization system for the administration and marketing of Compulsory Traffic Accident Insurance – SOAT Management 2023.
- RA1271 (9/9/2022). Approves the Regulations on the Registration of Agricultural Adjusters.
- RA1132 (8/15/2022). Approves the Inclusive Insurance Regulations.
- RA1130 (8/12/2022). Provides exceptional measures for the insurance market.
- RA1070 (7/25/2022). Amends the Regulations for the Use of Electronic and Digital Media.
- RA992 (7/11/2022). Approves the Regulations for the Use of Electronic and Digital Media.
- RA737 (5/30/2022). Amends Administrative Resolution IS No. 391, dated May 3, 2002.
- RA123 (2/2/2022). Deadline extension, Interseguro, S.A., Corredores y Asesores.
- RA119 (2/2/2022). Amends and includes Administrative Resolution 696/2013, and renders Administrative Resolution 221/2021 void.

## 3.2.7 Chile

### Macroeconomic environment

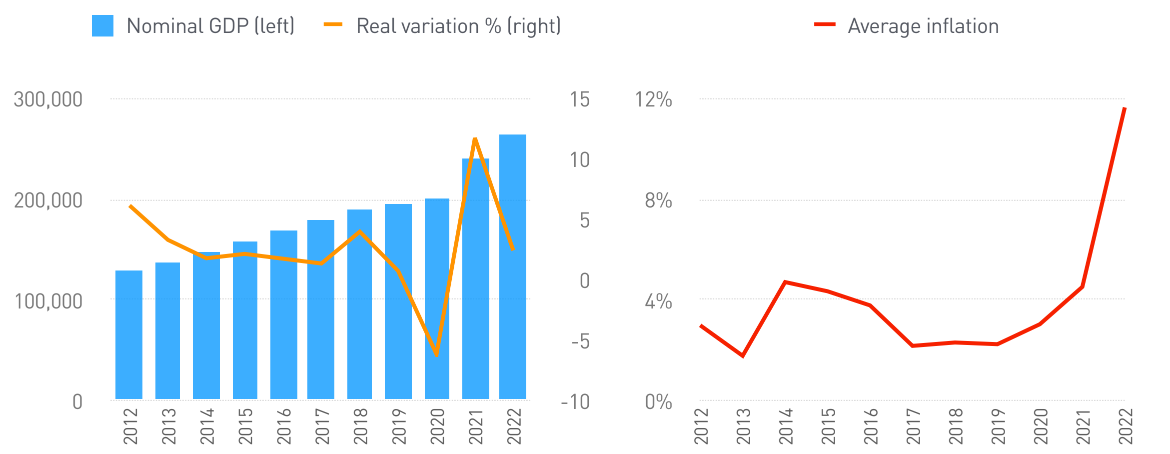
In 2022, the Chilean economy grew by 2.4%, at a slower pace compared to the previous year (11.7% in 2021), especially in the second half. However, the year started with continued momentum from 2021, underpinned by the strong performance of consumption, mainly concentrated in the services sector, and the still favorable prices of raw materials that boosted exports. However, the second half of the year was weighed down by the effects of contractionary fiscal and monetary policies, whose impact was transferred more abruptly to the mining, industry and transportation sectors, and to a lesser extent, consumption (see Chart 3.2.7-a).

On the internal demand side, the main contributor to Chile's economic growth was private consumption, with services replacing goods, especially durable goods, and rebalancing pre-pandemic patterns. Although consumption was higher than anticipated in the annual calculation, it should be noted that its decline was more pronounced towards the end of the year, when it was sustained only by the services sector. Regarding the external sector, exports maintained their contribution due to high prices of copper and lithium, among other raw materials, while imports remained low despite high energy prices. This resulted in a surplus in the balance of trade of goods, allowing the current account to stay on the path of correcting its deficit (6.6% of GDP).

As for the public sector, the shift towards fiscal consolidation throughout 2022 led to a 1.1% surplus in the annual calculation (compared to the 7.7% deficit registered in 2021), a result of growing tax revenues (6.3%) and a marked reduction in spending (-23.1%). This represents the first surplus in the fiscal balance since 2012, mainly due to the end of programs and contracts aimed at mitigating the effects of the COVID-19 pandemic. However, gross debt stood at 38% of GDP (2.0 pp above the previous year), given the higher interest rate environment.

On the inflation side, 2022 saw a variation of 12.8% (annual average of 11.6%), while core inflation, excluding volatile elements, stood at 10.8%, accelerating compared to the previous year to a level far above the central bank's target (3.0%). Despite the reduced bottlenecks, continued normalization of supply chains and lower price pressures on energy-related raw materials, which slowed growth in the fourth quarter, price pressures in the services sector have been significant. This confirms that the economy has been

**Chart 3.2.7-a**
**Chile: changes in economic growth and inflation**
**(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)**




Source: MAPFRE Economics (based on FMI data)

unable to reduce the impacts of excess spending accumulated since the pandemic, as shown by the protracted adjustment of consumption figures. As a result, monetary policy continued its tightening cycle, which began in 2021, with further interest rate hikes, up to 11.25% at year end, while exchange rate intervention programs (activated from July 2022 onward) were implemented to ensure the proper functioning of the exchange market and prevent changes in the nominal exchange rate from impacting prices.

With regard to forecasts, MAPFRE Economics predicts that Chilean GDP will decline by around 0.4% in 2023 and regain dynamism in 2024 (1.9%), while ECLAC predicts a slightly smaller contraction (-0.3%) before the economy returns to positive territory in 2024 (1.8%). Main factors include the anticipated weakness of external demand, gradual impact of stricter financial conditions on domestic consumption, and a still-difficult outlook in terms of inflation, as well as international uncertainty, which remains complex and could hamper investment.

## Insurance market

### Growth

The Chilean insurance industry had strong performance in 2022, with a nominal increase in premiums of 31.0% and a real increase of 17.4%, reaching 11.401 trillion pesos (13.046 billion dollars). Life insurance provided the biggest boost, with a nominal growth of 39.3% and a real growth of 24.8%. However, a very positive contribution was also made by the Non-Life lines, which registered an increase of 23.3% (see Table 3.2.7 and Chart 3.2.7-b). Total Life insurance sales amounted to 5.848 trillion pesos (6.692 billion dollars), with a marked increase of 58.7% in pension insurance, which accounts for 71.2% of insurance premiums in the segment, and especially life annuities (107.4%). Non-Life insurance saw premium revenue of 5.553 trillion pesos (6.355 billion dollars), which represents a nominal increase of 23.3% and a real increase of 10.5%. This performance was driven by growth in Automobiles (24.9%) and Fire and Allied Lines (24.0%), the lines of business with the highest market shares, although the most significant increases were

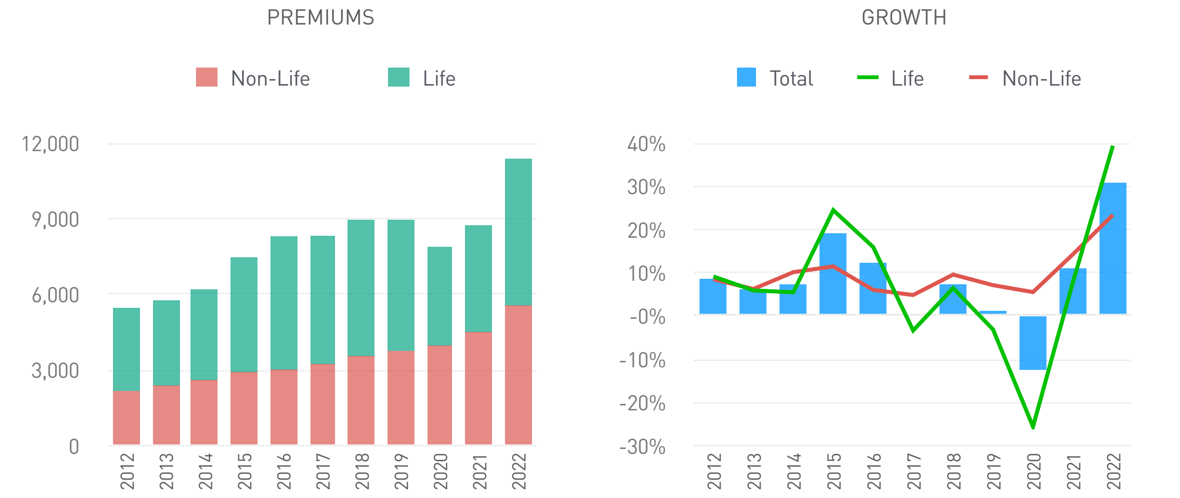
Table 3.2.7
Chile: premium volume[1] by line, 2022

| Line | Millions of pesos | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **11,401,203.3** | **13,046.2** | **31.0** | **17.4** |
| **Life** | **5,847,848.2** | **6,691.6** | **39.3** | **24.8** |
| Individual Life | 795,787.8 | 910.6 | -9.7 | -19.1 |
| Group Life | 890,809.2 | 1,019.3 | 28.3 | 14.9 |
| Pension insurance | 4,161,251.2 | 4,761.6 | 58.7 | 42.1 |
| **Non-Life** | **5,553,355.1** | **6,354.6** | **23.3** | **10.5** |
| Fire and allied lines | 1,791,033.0 | 2,049.4 | 24.0 | 11.1 |
| Automobiles | 1,229,285.6 | 1,406.6 | 24.9 | 11.9 |
| Other lines | 674,662.8 | 772.0 | 18.3 | 5.9 |
| Health | 828,885.5 | 948.5 | 25.3 | 12.3 |
| Personal accidents[2] | 329,791.8 | 377.4 | 10.1 | -1.4 |
| Transport | 243,422.9 | 278.5 | 31.3 | 17.6 |
| Third-party liability | 241,050.6 | 275.8 | 34.0 | 20.0 |
| Credit and/or surety | 215,223.0 | 246.3 | 20.6 | 8.0 |

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

1/ Direct premiums
2/ Includes Seguro Obligatorio de Accidentes Personales (SOAP — Compulsory Personal Accident Insurance)

**Chart 3.2.7-b**
**Chile: growth developments in the insurance market**
**(premiums, billions of pesos; annual nominal growth rates, %)**



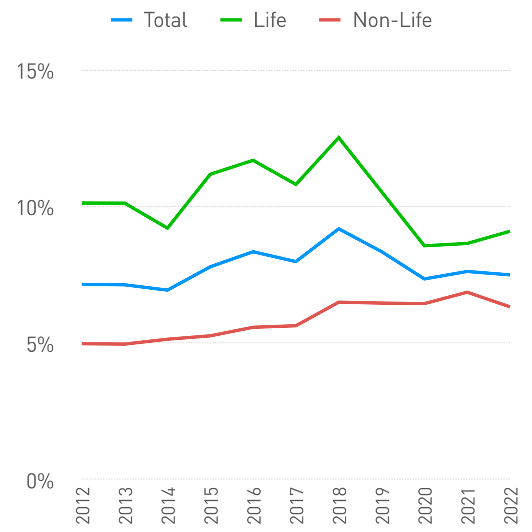

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

observed in Third-Party Liability (34%), Transportation (31.3%) and Health (25.3%).

As stated in previous reports, the Chilean insurance market is one of the most developed in Latin America, and it accounted for 7.5% of the region's premiums in 2022. Considering the period between 2012 and 2022, its highest market share was recorded in 2018, when the country accounted for 9.2% of premiums in Latin America, and it then experienced some decreases over the next few years. In the Life business, Chile's market share decreased from 10.1% in 2012 to 9.1% in 2022 after reaching its highest point in 2018, with 12.5% of premiums. Meanwhile, its Non-Life market share followed an upward trend, going from 5.0% in 2012 to 6.3% in 2022 (see Chart 3.2.7-c). It should be noted that while the Life segment increased its share of regional premiums (+0.4 pp), the representation of the Non-Life segment declined (-0.5 pp).

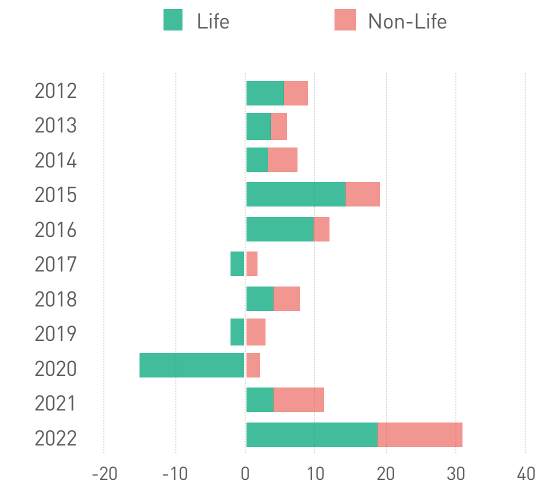
Finally, regarding contributions to growth, the Life insurance segment contributed 19.0 pp to the growth of the Chilean insurance industry in 2022, while Non-Life insurance added 12.1 pp, As a result explaining the sector's total growth of 31.0% registered in the year (see Chart 3.2.7-d).

**Chart 3.2.7-c**
**Chile: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Insurers' Association of Chile and supervisory bodies of the region)

**Chart 3.2.7-d**
**Chile: contribution to insurance market growth**
**(percentage points, pp)**



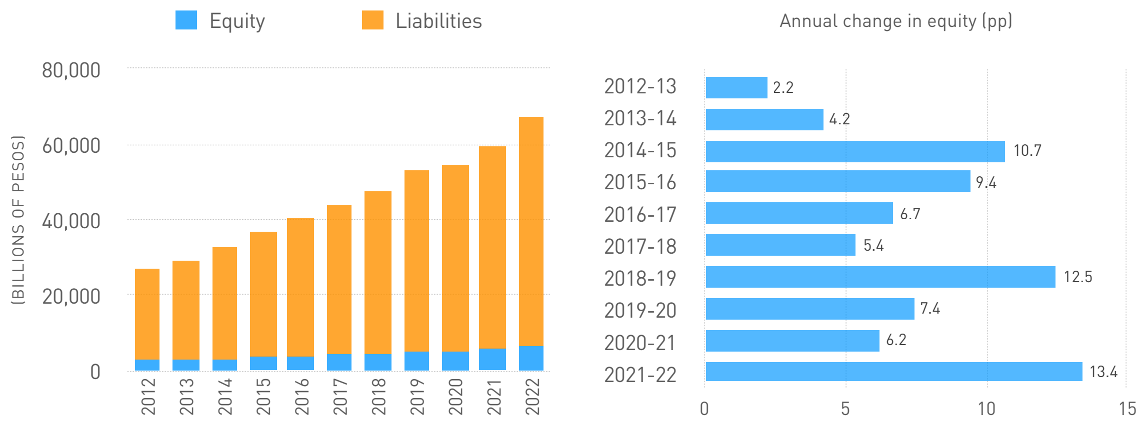

| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 8.8 | 5.4 | 3.4 |
| 2013 | 6.0 | 3.5 | 2.5 |
| 2014 | 7.3 | 3.2 | 4.1 |
| 2015 | 19.0 | 14.3 | 4.7 |
| 2016 | 12.1 | 9.7 | 2.3 |
| 2017 | -0.4 | -2.2 | 1.8 |
| 2018 | 7.6 | 3.9 | 3.7 |
| 2019 | 0.8 | -1.9 | 2.8 |
| 2020 | -12.7 | -15.0 | 2.3 |
| 2021 | 11.0 | 3.9 | 7.2 |
| 2022 | 31.0 | 19.0 | 12.1 |

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

## Balance sheet and shareholders' equity

Chart 3.2.7-e summarizes the aggregate balance sheet at sector level for the Chilean insurance industry between 2012 and 2022. As can be seen, total assets in the industry amounted to 67.202 trillion pesos (78.956 billion dollars) at the end of 2022, while equity came to 6.644 trillion pesos (7.806 billion dollars), up 13.4% on the value reported in 2021. It should be noted that the capitalization level for the Chilean insurance market saw sustained increases in absolute terms over the course of the period under analysis, although in relative terms, the capitalization ratio (capital over total assets) fell from 11.7% in 2012 to 9.9% in 2022.

**Chart 3.2.7-e**
**Chile: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**

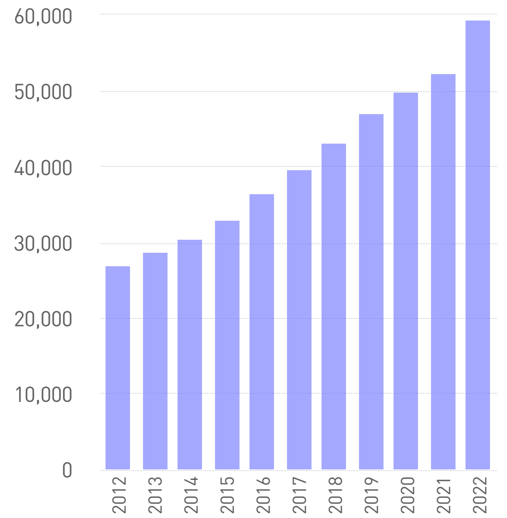



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

## Investments

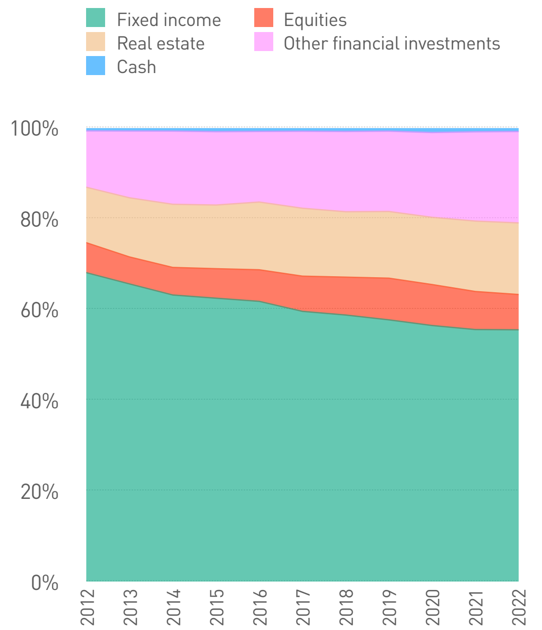
Charts 3.2.7-f, 3.2.7-g and 3.2.7-h show the performance and composition of the aggregate investment portfolio at sector level for the Chilean insurance industry between 2012 and 2022. According to the data, the industry's total investments reached 59.388 trillion pesos (69.776 billion dollars), with 55.6% allocated to fixed income, while equity instruments accounted for a significantly smaller portion with 7.8%. Investments in fixed income instruments lost relative weight in total investments of the Chilean insurance industry over the period analyzed, dropping from 68.2% in 2012 to 55.6% in 2022. By contrast, the weight of real estate investment and other types of financial investments grew during the period, climbing in each case from 12.2% and 12.4% of the portfolio in 2012 to 15.8% and 20.1% respectively in 2022.

**Chart 3.2.7-f**
**Chile: insurance market investments**
**(billions of pesos)**



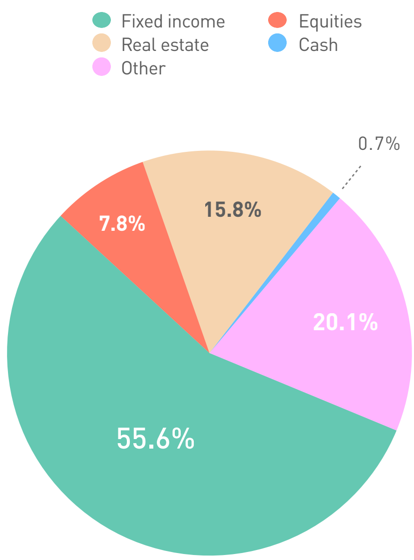

Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

**Chart 3.2.7-g**
**Chile: structure of investments**
**(%)**




Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

**Chart 3.2.7-h**
**Chile: structure of investments, 2022**
**(%)**

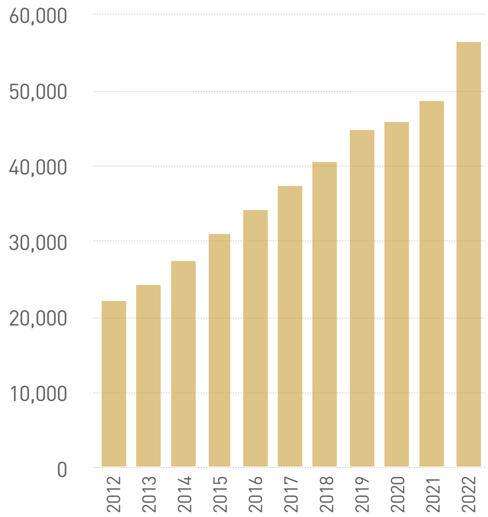



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

### Technical provisions

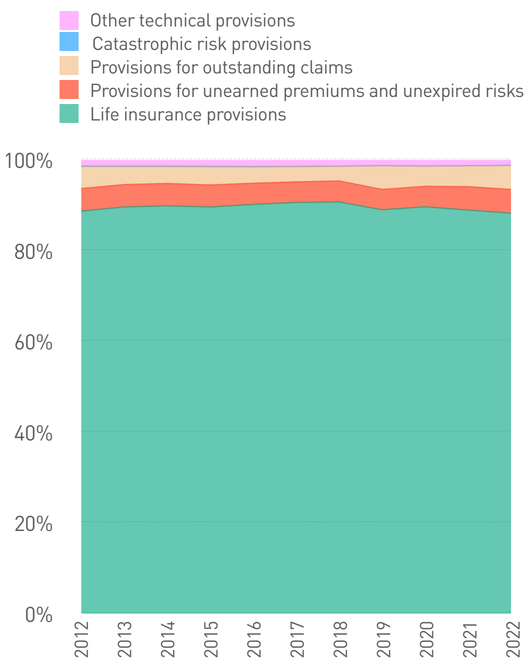
Charts 3.2.7-i, 3.2.7-j and 3.2.7-k show the relative composition and performance of the Chilean insurance industry's technical provisions over the 2012–2022 period. As these data show, technical provisions amounted to 56.315 trillion pesos (66.165 billion dollars) in 2022; 88.4% of the total corresponded to provisions linked to Life insurance; 5.2% to the provision for unearned premiums and outstanding risks for Non-Life insurance, 5.3% to the provision for outstanding claims, 0.03% to the provision for catastrophic risks, and the remaining 1.1% to other technical provisions. Throughout the analyzed period, a fairly stable structure is observed, with a significant weight corresponding to technical provisions linked to Life insurance and particularly Life annuities associated with the country's pension system.

**Chart 3.2.7-i**
**Chile: technical provisions of the insurance market**
**(billions of pesos)**



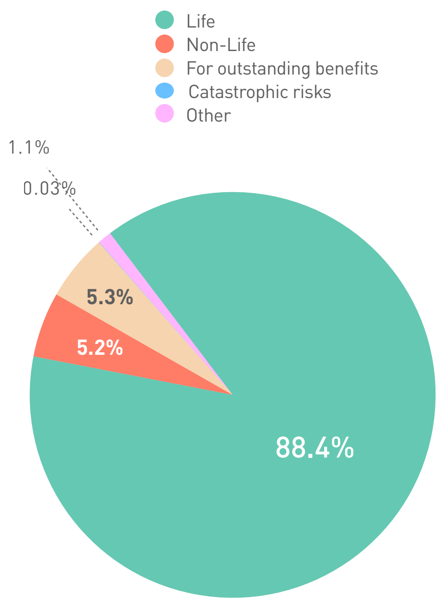

Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

**Chart 3.2.7-j**
**Chile: structure of technical provisions**
**(%)**



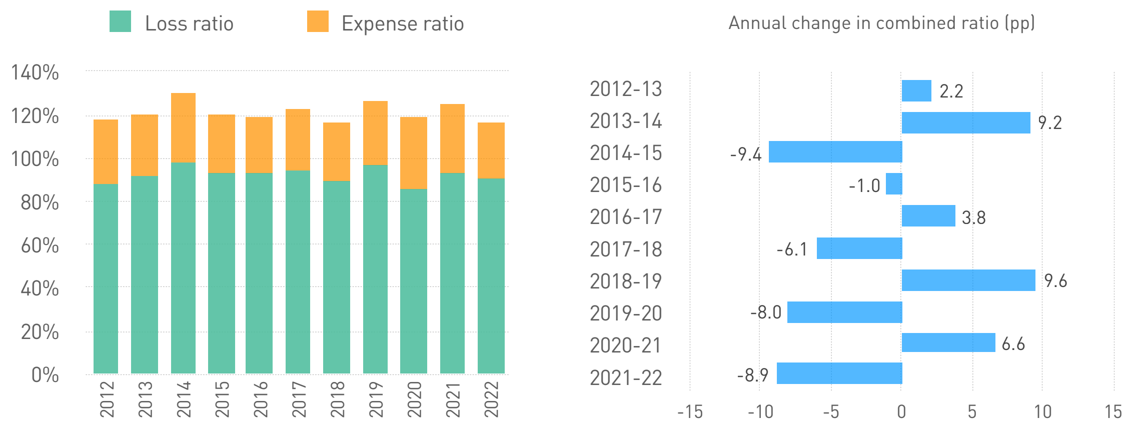

Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

**Chart 3.2.7-k**
**Chile: structure of technical provisions, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-l
Chile: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

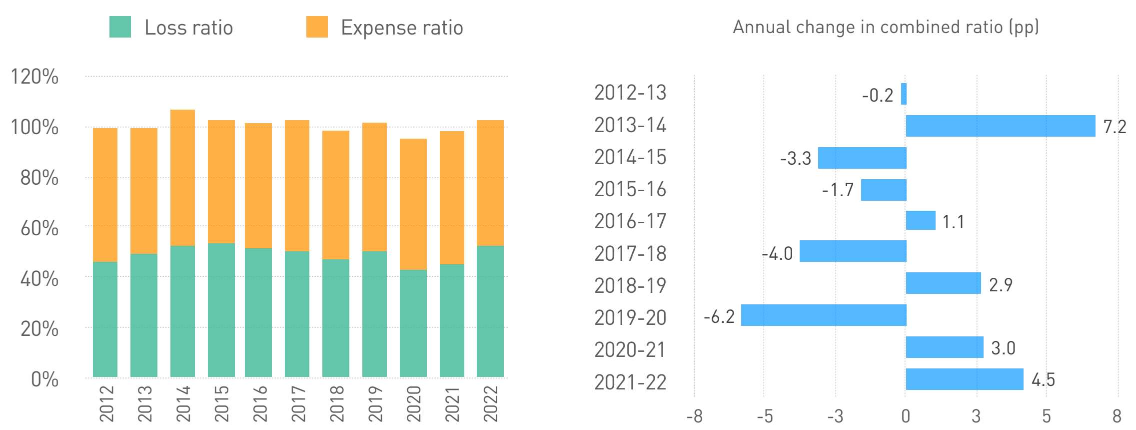
## Technical performance

The technical result of the Chilean insurance industry in 2022 experienced an 8.9 pp improvement in the combined ratio of the total business, although it remained in negative territory, with a total combined ratio of 115.9%. This relative improvement was a consequence of significant decreases of 6.5 pp in the expense ratio and 2.4 pp in the loss ratio (see Chart 3.2.7-l). As for the Non-Life insurance segment, the combined ratio deteriorated by 4.5 pp, with a 6.7 pp increase in the loss ratio, As a result increasing the combined ratio of companies operating in this segment, which exceeded 100% after two years below this level, standing at 102.2% (see Chart 3.2.7-m).

## Results and profitability

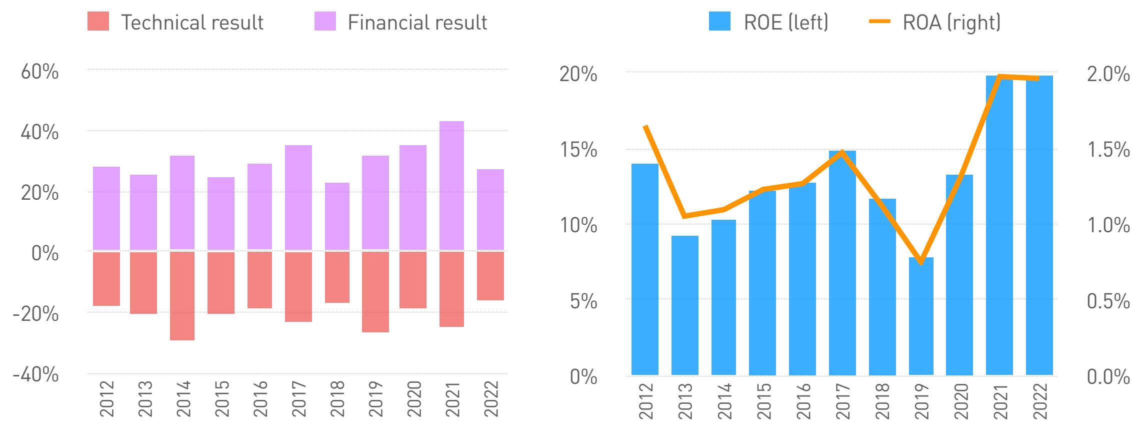
Despite the aforementioned impairment of the technical result of the Chilean insurance industry, the sector's net result was 10.5% higher than in 2021, reaching 1.241 trillion

Chart 3.2.7-m
Chile: changes in Non-Life market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

Chart 3.2.7-n
Chile: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

pesos (1.42 billion dollars), thanks to better investment results for the period, which were favored by the stronger performance of equity markets. As seen in Chart 3.2.7-n, a positive net result was achieved by the Chilean insurance industry over nearly the entire period under analysis, a product of financial results that were able to offset the negative technical results. As a result, return on equity (ROE) stood at 19.8% in 2022, similar to the previous year (19.7%). Likewise, return on assets (ROA) once again stood at 2.0% in 2022.

### Insurance penetration, density and depth

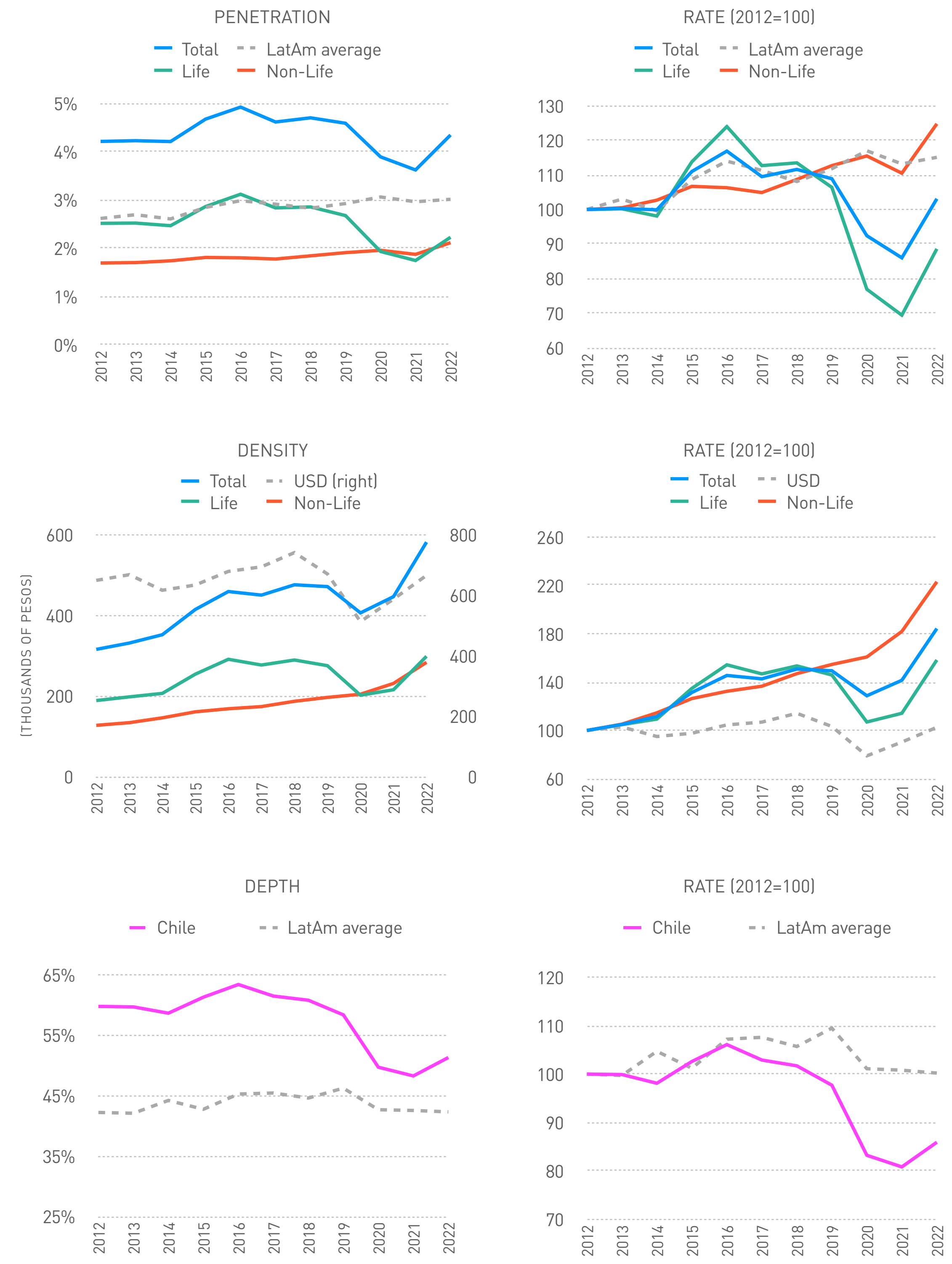
Chart 3.2.7-o shows the main structural trends that shaped the Chilean insurance industry over the past decade. Chile's penetration rate (premiums/GDP) remains the second highest in Latin America and surpasses the regional average, reaching 4.3% in 2022, up from 3.6% the previous year. As seen in the aforementioned chart, the penetration ratio in the Chilean market followed an upward trend from 2012 to 2016. The trend reversed from 2017 onward due to the loss of dynamism in the Life insurance segment, and more specifically, life annuities, before returning to a growth path in 2022.

Meanwhile, the density ratio (premiums per capita) continued to rise, a trend that started in 2021, reaching 581,583 pesos (665 dollars) in 2022, a 30.3% year-on-year increase. Density in the Chilean insurance market (measured in local currency) showed an upward trend over the 2012–2018 period, with dips in 2017, 2019 and 2020, before growing again in 2021 and 2022. It should be noted that the Chilean market's high density level has been largely determined by the participation of the private insurance industry in the pension system through the provision of life annuities, which have recovered their dynamism in the past two years. Finally, depth (Life insurance premiums over total premiums) registered a 3.0 pp increase in 2022, standing at 51.3%, which is higher than average for the insurance markets in Latin America.

### Insurance Protection Gap estimate

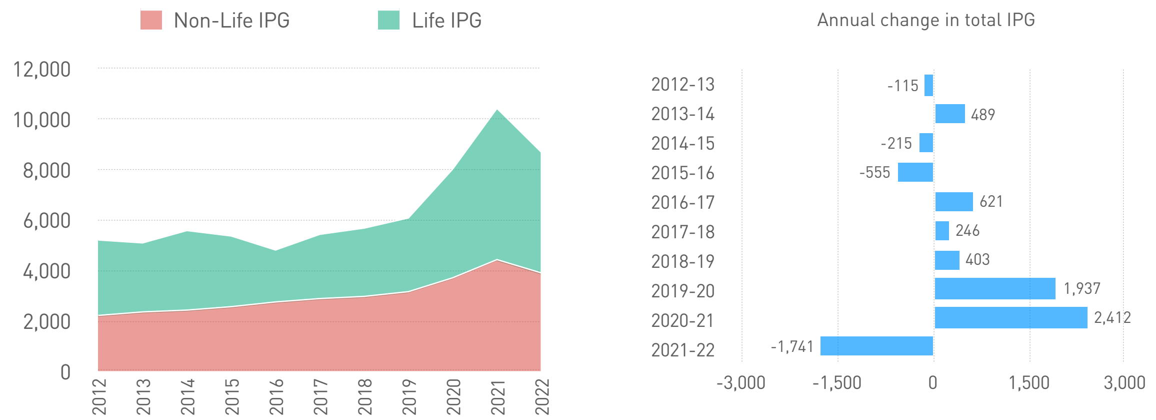
Chart 3.2.7-p shows an updated estimation of the insurance gap for the Chilean insurance market between 2012 and 2022. The insurance gap stood at 8.679 trillion pesos (9.931 billion dollars) in 2022, an amount that represents 0.8 times the real insurance market in Chile at the end of that year. Based on the

**Chart 3.2.7-o**
**Chile: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the Commission for the Financial Market and the Chilean Insurance Association)

**Chart 3.2.7-p**
**Chile: Insurance Protection Gap**
**(billions of pesos)**

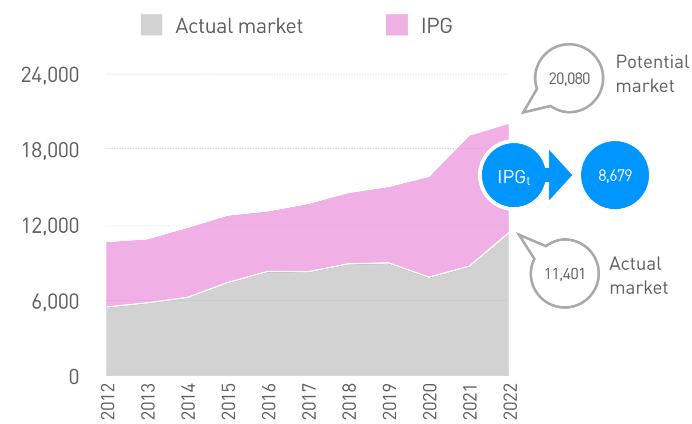



Source: MAPFRE Economics

aforementioned chart, the structure and performance of the IPG in the period analyzed shows a more balanced contribution of Life and Non-Life insurance than in other markets across the region, and the insurance gap narrowed in both lines of business in the past year. As a result, at the close of 2022, 55.2% of the IPG related to Life insurance (4.786 trillion pesos), while the Non-Life insurance segment accounted for the remaining 44.8% of the gap (3.892 trillion pesos). As such, the potential insurance market in Chile at the close of 2022 (measured as the sum of the actual market plus the IPG) was estimated at 20.080 trillion pesos (22.977 billion dollars), 1.8 times the size of the total Chilean insurance market that year (see Chart 3.2.7-q).

Chart 3.2.7-r provides an estimation of the IPG as a multiple of the existing insurance market. In relative terms, the IPG followed a growth trend between 2018 and 2021, which reversed in 2022. Therefore, between 2012 and 2022, the total insurance gap as a multiple of the actual market narrowed from 0.9

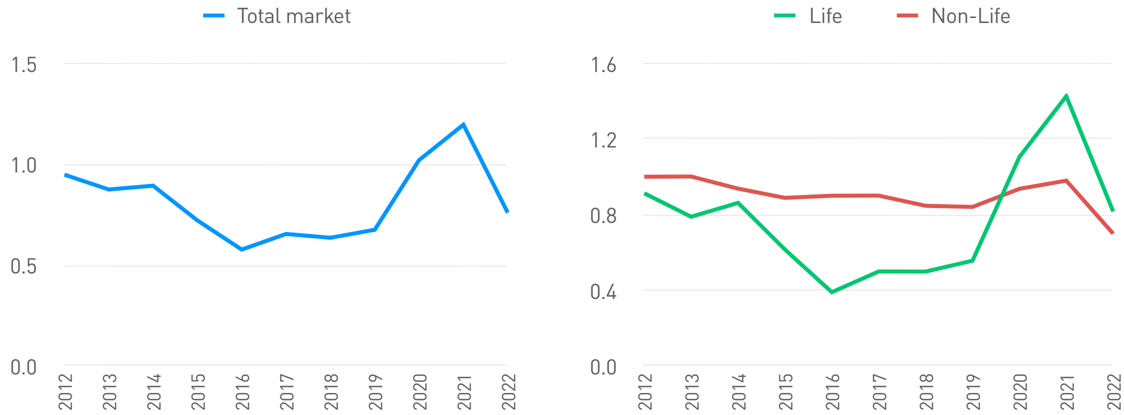
**Chart 3.2.7-q**
**Chile: Insurance Protection Gap and potential market**
**(billions of pesos)**




| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 108.4% | 67.0% |
| 2022-2021 | 31.0% | -16.7% |

Source: MAPFRE Economics

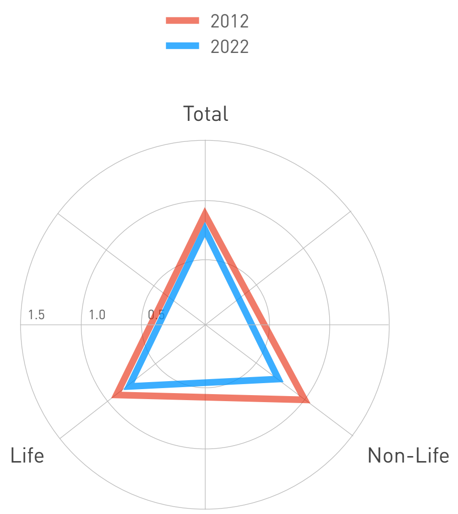
Chart 3.2.7-r
Chile: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

to 0.8 times, reflecting a stable cumulative trend. Meanwhile the multiple for the Life market decreased between 2012 and 2016, falling from 0.9 to 0.4 times, and increased in subsequent years until representing 1.4 times the size of the actual market in 2021 and dropping again in 2022 to 0.8 times. In the Non-Life segment, the indicator followed a declining trend until 2019, going from 1 time in 2012 to 0.8 times in 2019. It then increased slightly over the next two years before decreasing in 2022, when it represented 0.7 times the size of the actual market.

Chart 3.2.7-s
Chile: change in IPG
as a multiple of the actual market

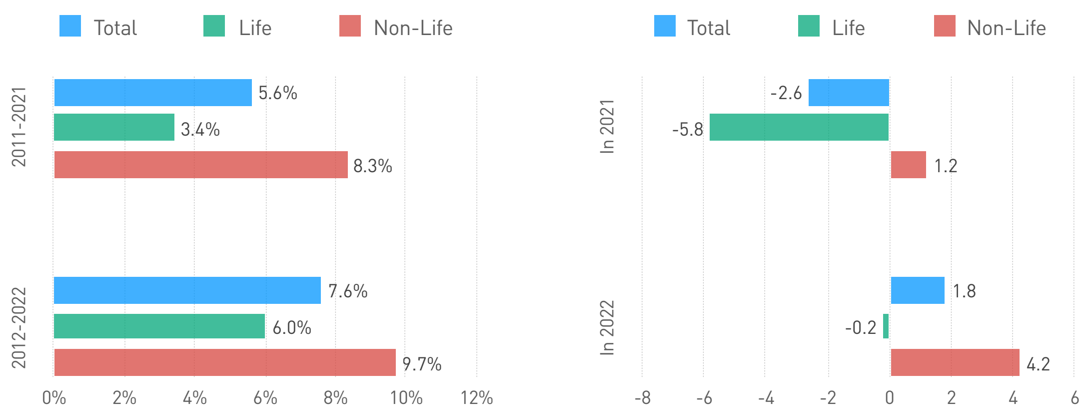



Source: MAPFRE Economics

Chart 3.2.7-s summarizes the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Chilean insurance market, comparing the situation in 2022 with that of 2012. This analysis confirms that in the Life segment, the level is almost the same in 2022 as it was in 2012, while the IPG has decreased more significantly, in relative terms, in the Non-Life market.

Lastly, to complement the analysis, Chart 3.2.7-t summarizes the Chilean insurance market's capacity to close the insurance gap determined in 2022, based on a comparative analysis of the growth rates observed over the last 10 years compared to the growth rates that would be required to close the 2022 IPG over the next decade. This confirms that the country's insurance market grew at an average annual growth rate of 7.6% between 2012 and 2022, while the Life and Non-Life segments grew at a rate of 6.0% and 9.7% respectively. Given the relative development of the Chilean insurance market,

Chart 3.2.7-t
Chile: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



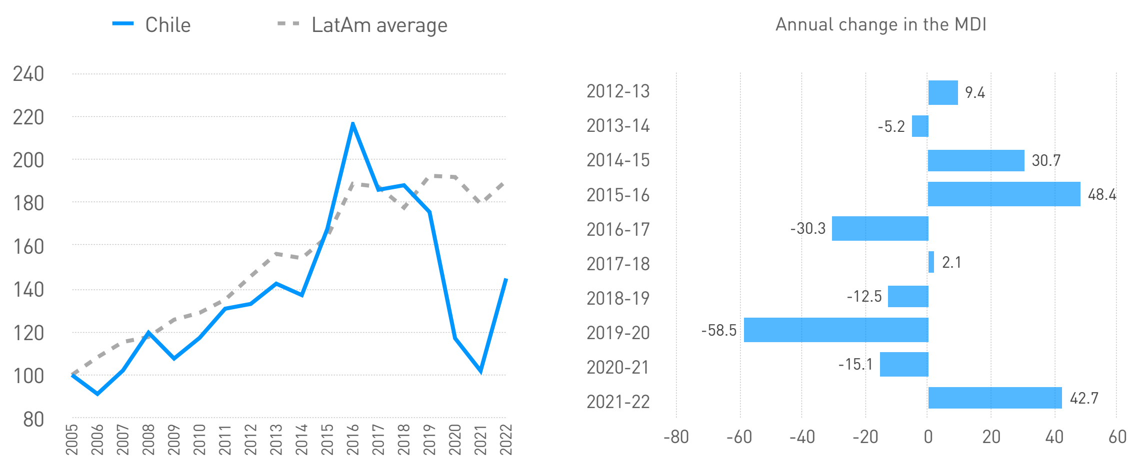

Source: MAPFRE Economics

the analysis shows that, were the same growth rate to continue over the next 10 years, it would prove sufficient to close the insurance gap for the Non-Life segment. However, for the Life insurance segment, the growth rate over the past decade would be insufficient to close the IPG in the next 10 years. However, this insufficiency was reduced from the previous year, from 5.8 pp to only 0.2 pp.

### Market Development Index (MDI)

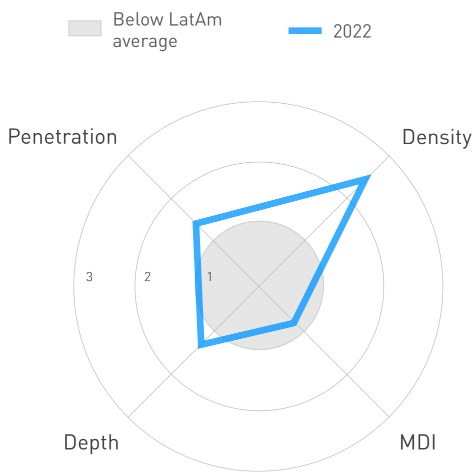
An updated estimation of the Market Development Index (MDI) for the Chilean insurance industry is shown in Chart 3.2.7-u. The MDI, an indicator used to measure the overall trend in the development and maturity of the insurance market, showed a clearly positive trend until 2016, when it began to fall. It did so abruptly in 2020, largely impacted by the

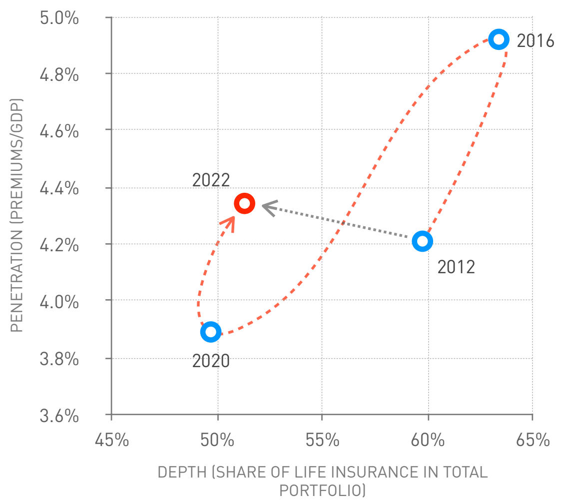
Chart 3.2.7-u
Chile: Market Development Index (MDI)
(2005 index=100; annual change)




Source: MAPFRE Economics

**Chart 3.2.7-v**
**Chile: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

downturn experienced in the Life insurance segment that year as a result of the economic situation caused by the pandemic, the low interest rate environment, and the particular situation of the life annuity segment. However, as mentioned previously, this trend reversed in 2022 thanks to growth in both market segments and especially that of Life insurance.

### Comparative analysis of structural coefficients

Chart 3.2.7-v shows the situation of the Chilean insurance market compared to the Latin American average in terms of the four structural coefficients analyzed previously. This analysis confirms that the situation of the Chilean market remains above the Latin American average for all coefficients except the MDI, whose deterioration in the past three years has placed it below the average of the region's insurance markets. The dispersion analysis, which identifies trends in the insurance industry's development between 2012 and 2022, confirms that the Chilean market has improved from a quantitative standpoint (penetration levels), albeit with cumulative losses from the qualitative perspective (depth levels). This trend was especially clear from 2017 onward, when growth in the Life insurance segment slowed down.

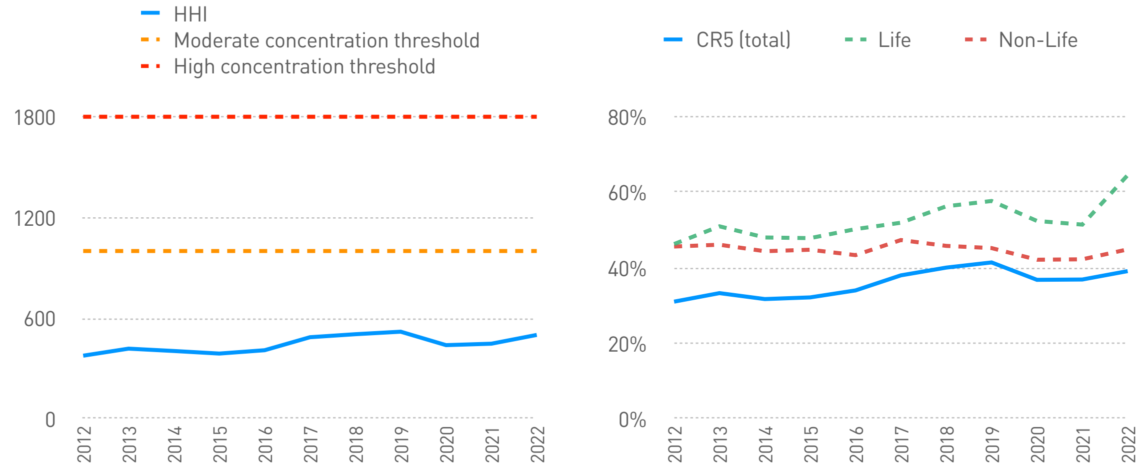
## Insurance market rankings

### Total ranking

There were 34 General P&C insurance companies and 33 Life insurance companies operating in the Chilean insurance market in 2022. Chart 3.2.7-w shows the concentration indicators for the Chilean insurance industry over the decade under analysis. The Herfindahl Index indicates a low level of concentration in the industry, falling below the theoretical threshold indicating moderate concentration, with a slightly increasing trend over the past decade. Meanwhile, the CR5 (the market share of the top five insurance companies) confirms the slightly increasing trend over said period, but at relatively low levels.

In relation to the overall ranking of insurance groups in 2022, MetLife overtook Consorcio

Chart 3.2.7-w
Chile: insurance industry concentration
(Herfindahl index; CR5 index, %)



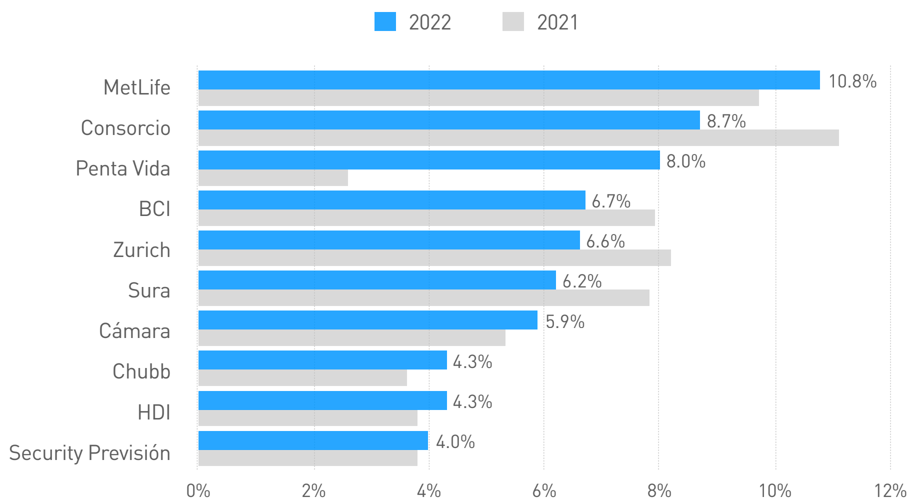

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

and placed first with a market share of 10.8%. Penta Vida rose significantly, gaining over 5 pp of market share and jumping from sixteenth to third place thanks to higher sales of pension insurance. BCI remained in fourth place, and all the other groups dropped in the ranking except for Chubb, which moved up two places (see Chart 3.2.7-x).

## Life and Non-Life rankings

With regard to the Non-Life insurance segment in 2022, BCI was the leader for yet another year, with a 12.0% market share, followed by Sura, which accounted for 10.5% of premiums. HDI once again moved up and placed third, after increasing its market

Chart 3.2.7-x
Chile: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

share by 1.4 pp, displacing Zurich to fourth place. It was followed by Chubb and MAPFRE. Finally, Consorcio moved into tenth place, displacing BNP, which left the ranking. Meanwhile, in the Life ranking, MetLife moved up a spot and took the lead with a 16.8% market share. Penta Vida's significant increase in premiums stands out (+304%), positioning it as the second Life insurer, with a market share of 15.5%, compared to seventh place in 2021. The rest of the ranking also saw several changes: Consorcio dropped two positions, Cámara, Security Previsión and Ohio fell one position each, and Zurich ranked eighth, four positions lower than the previous year. In contrast, 4 Life Seguros and BICE moved up a position, while BNP Paribas Cardif rose three places (see Chart 3.2.7-y).

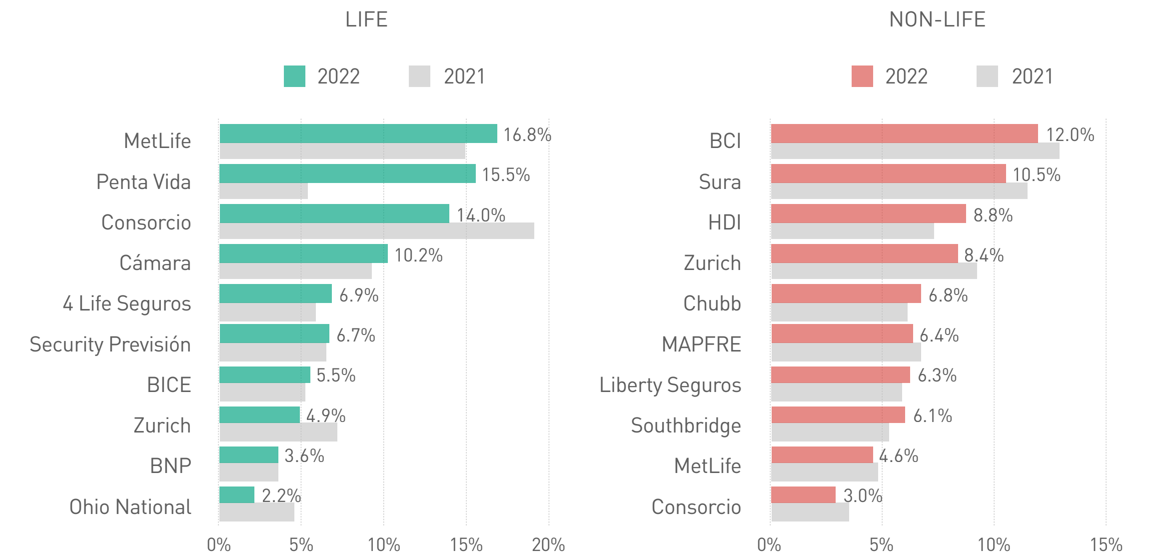
## Key regulatory aspects

The Financial Market Commission (*Comisión para el Mercado Financiero*, CMF), which is the body responsible for regulating and supervising the Chilean insurance market, is currently migrating toward best international practices when it comes to the regulation of the insurance industry. A number of new regulations have been issued in recent years in this regard.

It should be noted that the CMF's regulation and supervision structure for the financial market is supported by two pillars: (i) the prudential pillar (safeguards the solvency and adequate risk management of supervised financial institutions), and (ii) the market conduct pillar (ensures the transparency and integrity of the securities market and protection of financial clients). This structure aims to strengthen the Commission's supervision and regulation efforts, and therefore, its capabilities to ensure the solvency of financial intermediaries, market conduct and protection of financial clients while promoting development of the financial market. Additionally, it seeks to strengthen the Commission's capacity for analysis and provision of information to the public.

In the insurance area, although the draft bill establishing a Risk-Based Oversight (RBO) model for the insurance industry in Chile has yet to advance in Congress, the CMF has continued working on developing and implementing Pillar 1 (regulatory) and Pillar 2

Chart 3.2.7-y
Chile: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

(oversight) of the new RBO model. This is how constant progress has been made both in developing a Risk-Based Capital (RBC) method and in applying a Risk Matrix. This has resulted in the fulfillment of one of the objectives of the new supervision model: encouraging insurers to develop and strengthen their risk management processes.

It should be noted that the CMF has published six methodological documents on Risk-Based Capital (RBC) (the sixth version was published for comments in October 2021), and eight industry impact studies (QIS) have already been carried out. This, in combination with the Risk Matrix audits that have been completed to date by insurers, has allowed the CMF to gain further experience in implementing the model while fine-tuning its methodologies and the scope of its work.

2022 was a year marked by post-pandemic global impacts and the war in Ukraine. Global growth contracted sharply, and inflation levels soared. Due to this situation, the CMF is constantly analyzing and revising its Insurance Regulation Plan, making all necessary adjustments. Meanwhile, in January 2023, the new Fintech Law was published to promote financial competition and inclusion through innovation and technology in the provision of financial services. The main aspects of this law are as follows: (i) a regulatory framework is established for technology-based services that lacked their own legal framework; (ii) the services contemplated by the law are crowdfunding platforms, alternative transaction systems, credit and investment advice, custody of financial instruments, order routing and financial instrument intermediation; (iii) creation of an open banking system, with the objective of promoting competition, innovation and inclusion in the financial system; (iv) the use of cryptoassets as a means of payment is recognized, extending the Central Bank of Chile's power to consider cryptoassets as means of payment; (v) different laws that govern traditional financial institutions are amended to achieve regulatory symmetry in the provision of similar financial services, and certain entry barriers for FinTech companies are reduced; and (vi) in the field of insurance, the creation of parametric insurance is allowed; that is, in case of the occurrence of a risk or adverse event, as stipulated in the contract, indemnification is paid without the insured party being required to justify the existence or amount of the damages, and even in the event that damages do not occur.

Meanwhile, there are three draft bills that have the support of the Ministry of Finance. The first refers to the issue of consolidated debt. Its objective is to create a consolidated debt registry for the purpose of facilitating access and reducing the cost of credit, providing more security to savers and helping to reduce the risk of household over-indebtedness. The project was approved by the Chamber of Deputies and is currently under discussion in the Senate. The second concerns the financial system's resilience and infrastructure. This draft bill strengthens the financial system's resilience and infrastructure, including strengthening the local risk market. The project was approved by the Chamber of Deputies and is currently under discussion in the Senate. And the third is related to Risk-Based Oversight. This draft bill modifies DFL No. 251 (Insurance Law), incorporating a risk-based capital requirement within a risk-based oversight model for the insurance industry. With respect to the latter draft bill, in addition to its importance to the Ministry of Finance, the CMF has permanently highlighted, in all relevant instances, the importance of having an Insurance Law that conforms to international standards.

Finally, a reform of the current pension system is being developed, whose fundamental principles will focus on providing universal coverage, sufficiency, financial solvency, exclusivity and solidarity, participation, transparency, predictability and understanding for enrollees. All these elements could impact how the business of life annuities, sold by Life insurance companies, is currently conducted.

The following is a list of the main regulations published in 2022:

- General Standard No. 481, issued 7/25/2022. Addressed to all insurance and reinsurance companies. Amends General Standard No. 323, which provides instructions on determining risk assets, net assets and obligation to invest. The purpose of the regulation is to temporarily increase the financial leverage limit from 1 to 1.3 times, allowing companies to manage the greater exchange rate volatility experienced by financial markets and avoid liquidating assets to comply with said indicator.

- General Standard No. 479, issued on 06/06/2022. Addressed to Life and General Insurance Companies. Amends General Standard No. 470, which regulates the insurance consultation system of Article 12 of the D.F.L. No. 251 of 1931. Repeals General Standard No. 342. The purpose of the regulation is to postpone the entry into force of NCG No. 470.

- General Standard No. 478, issued 5/30/2022. Addressed to Life and General Insurance Companies. Amends General Standard No. 470, which regulates the insurance consultation system of Article 12 of the D.F.L. No. 251 of 1931. Repeals General Standard No. 342. The purpose of the regulation is to adjust the first paragraph of the standard, eliminating the reference to insurance brokers, since Article 12 of DFL No. 251 is addressed exclusively to insurance companies. The second paragraph of Title II is also eliminated. Said paragraph establishes consent to share information from insurance contracts in General Standard No. 470, and in its Technical Appendix, which establishes that the insured party or contracting party must expressly indicate whether they grant authorization to the selected companies to make them offers on risks other than those contemplated in the contract whose information is shared.

Regarding the standards published so far in 2023, the following can be highlighted:

- General Standard No. 497, issued 06/02/2023. Addressed to all insurance and reinsurance companies. Amends General Standard No. 152, which establishes standards on assets representing technical reserves and risk assets. The purpose of the regulatory amendment is to authorize commodity exchanges to hold endorsable mortgage loans, and the requirement for local risk rating agencies to rate foreign securities registered in the CMF registry is eliminated.

- General Standard No. 496, issued 03/01/2023. Addressed to all Life insurance and reinsurance companies. Amends General Standard No. 318, which provides instructions on the application of IFRS standards in the constitution of technical reserves for life annuity and disability and survivor insurance, of D.L. No. 3,500 of 1980. The purpose of the regulations is to modify General Standard No. 318, incorporating the necessary references to the new TM-2020 forecast tables, issued on 02/24/2023.

- Circular No. 2332, issued on 03/01/2023. Addressed to all Life insurance and reinsurance companies. Provides the necessary instructions for the implementation of the TM-2020 mortality tables, according to the different groups of existing policies, so that the insurance market constitutes technical reserves in accordance with them.

- General Standard No. 495, issued on 02/24/2023. Establishes Mortality Tables CB-H-2020 (MEN), MI-H-2020 (MEN), RV-M-2020 (WOMEN), B-M-2020 (WOMEN), AND MI-M-2020 (WOMEN). The objective of the regulation is to update the pension mortality tables used to calculate scheduled retirement, the additional contributions for disability and survivor pensions, and the technical reserves that must be constituted by insurance companies offering life annuities and that participate in disability and survivor pensions, based on changes recorded in the pensioner population since its last update.

- General Standard No. 491, issued 01/13/2023. Amends General Standard No. 471, which governs registration in the registry of insurance sales agents and in the registry of Life Annuity sales agents.

Meanwhile, Law No. 21,521 (Fintech Law), of January 2023, repealed Article 57 bis, which regulated the registration of life annuity sales agents in the special registry maintained by the CMF. The issued regulation establishes that all sales agents must be registered in the Registry of Insurance Sales Agents, regardless of the type of insurance they sell. In this regard, the regulation provides that insurance companies must submit a single list of sales agents to the CMF for registration in the aforementioned registry.

Finally, during 2023, the following draft standards have been proposed for market consultation:

- New non-pension-related mortality tables, through the amendment of General Standard No. 306. The main objective of the regulatory proposal is to replace the M-95 tables, in force for 22 years and established for the calculation of mathematical reserves for non-pension insurance, under General Standard No. 306, with the tables proposed by the Association of Insurers of Chile (*Asociación de Aseguradores de Chile*, AACH) and recalibrated by the Commission. This is with the aim of more faithfully reflecting the experience of the population in terms of mortality, As a result enhancing competitiveness and market development.

- Amendment of General Standard No. 325, which provides instructions on the risk management system of insurers and evaluation of the solvency of companies by the Commission. The risk of Money Laundering, financing of terrorism and proliferation of weapons of mass destruction is incorporated as part of the legal risk, within the CMF's commitment to the Financial Analysis Unit. Meanwhile, the regulations are adapted to the Commission's New Prudential Oversight Policy, eliminating group risk as an individual risk to be evaluated and the qualitative evaluation of assets within the evaluation of the quality of risk management (aggregate net risk), incorporating it into the evaluation of asset strength.

- Amendment of Circular No. 1835, which provides instructions regarding the format and content of information on investments and the market risk evaluation system for the investment portfolio. Adjustments to various sections of the circular to improve the submission of investment information by insurance companies.

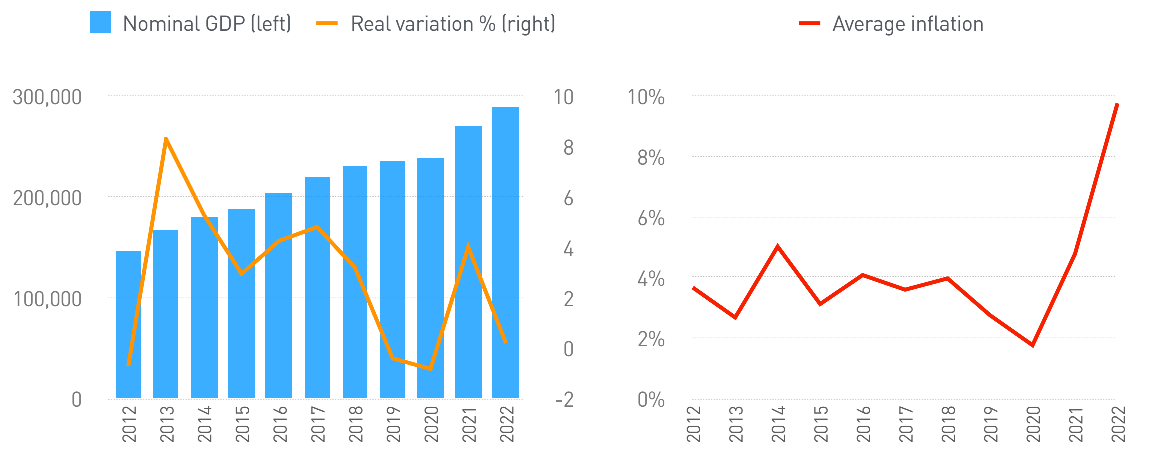
## 3.2.8 Paraguay

### Macroeconomic environment

Paraguay's economy slowed down in 2022, with GDP growing 0.2% (vs. +4.0% the previous year), as a result of the decline in agriculture caused by the droughts from late 2021 onward, as well as the negative impact of the conflict in Ukraine (see Chart 3.2.8-a). Although weather conditions improved in the second quarter of 2022, reactivating the agricultural sector and export of electrical energy, the stagnation of GDP compared to the previous year could not be avoided. Unemployment affected 6.7% of the country's workforce in 2022 (7.5% in 2021).

Regarding the fiscal balance, fiscal consolidation efforts resulted in a reduction in the fiscal deficit from 3.6% of GDP in 2021 to 3.0% in 2022. Throughout 2022, this deficit was financed mainly by placing debt on the international market. As a result, the public debt of the central government reached 32.3% of GDP (30.1% in 2021), 97.5% of which corresponded to external debt. In this regard, exchange rate volatility presented a challenge for debt sustainability.

Chart 3.2.8-a
Paraguay: changes in economic growth and inflation
(GDP in local currency, billions of guaranies; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on FMI data)

Meanwhile, the Central Bank of Paraguay maintained its contractionary monetary policy due to high inflation, increasing its monetary policy rate until September 2022 and fixing it at 8.5%. Since then, as inflation has been contained, the central bank has decided to hold the rate stable. Year-on-year inflation in December 2022 stood at 8.1% (9.8% annual average), and the slowdown was observed between April and November, when year-on-year inflation reached 11.8% and 8.3%, respectively. Likewise, the real interest rate slowed its annual depreciation rate from over 10% in May to 5.1% in late 2022. Inflation has continued to abate in 2023, standing at 2.9% year-on-year in August. This led the central bank to implement a 25-bps reduction at its August meeting, placing the interest rate at 8.25%.

Regarding forecasts for 2023, MAPFRE Economics has predicted Paraguayan GDP growth of around 4.2%, in line with the ECLAC estimates, based on recovery in the agricultural sector. However, its outlook is skewed to the downside due to the possibility of a new drought, delayed effects of monetary adjustment in 2022, and the anticipated reduction in the public deficit. For 2024, both organizations have forecast growth of 4.0%.

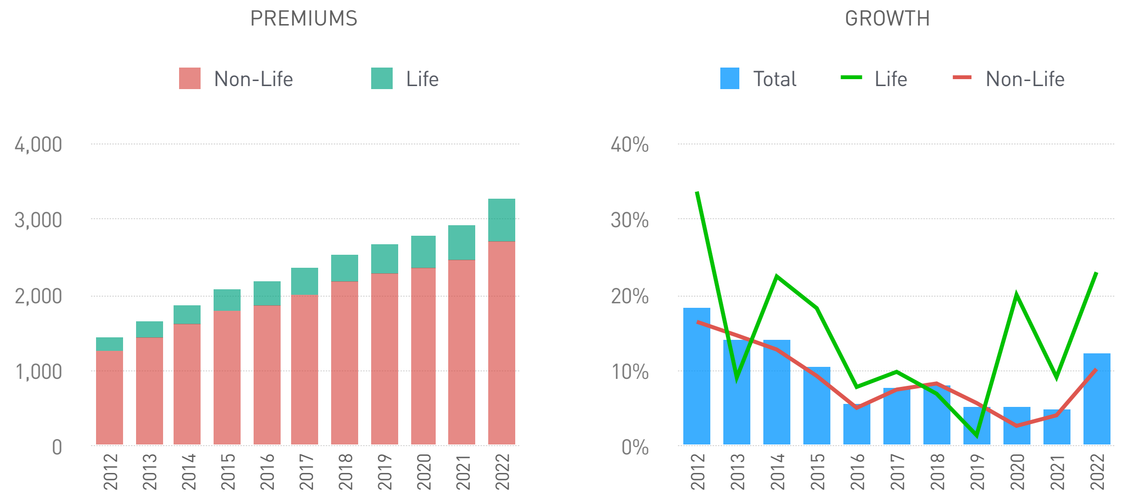
## Insurance market

### Growth

Paraguayan insurance market premiums (annualized at December 2022) reached 3.286154 trillion guaranies (470 million dollars) in 2022, with nominal growth of 12.3% and real growth of 2.3% (see Chart 3.2.8-b and Table 3.2.8). Life insurance premiums, which account for 17.6% of the total market, experienced strong growth, rising 23% in nominal terms (12.1% in real terms) to 579.272 billion guaranies (83 million dollars), while Non-Life insurance premiums, which represent the remaining 82.4%, grew by 10.2% in nominal terms (0.4% in real terms) to 2.706882 trillion guaranies (388 million dollars). All insurance modalities grew in nominal terms, with the exception of Theft (-3.0%) and Other Lines (-0.3%). Meanwhile, the lines of business experiencing the most significant growth were Third-Party Liability (19.7%) and Multirisk (19.6%), with marked growth from the previous year, when they had negative growth in nominal terms (-2.7% and -5.3% respectively).

The Paraguayan insurance industry's share of the Latin American insurance market is small, representing 0.3% of premiums. This

Chart 3.2.8-b
Paraguay: growth developments in the insurance market
(premiums, billions of guaranies; annual nominal growth rates, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

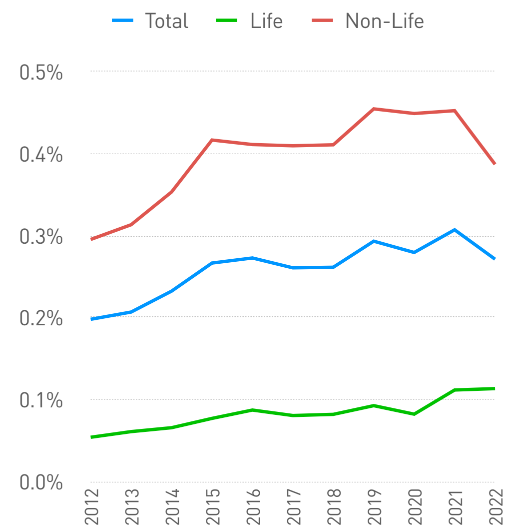
market share has remained stable since 2015, when it increased slightly from the 0.2% recorded in previous years (see Chart 3.2.8-c). The Life segment maintained a stable market share of around 0.1% between 2012 and 2022. Non-Life showed a growth trend between 2012 and 2019, reaching its highest point in 2019 with a 0.5% market share, which fell by 0.1 pp in 2020 before recovering again in 2021. It finished 2022 with a 0.4% market share, a 0.1 pp decrease.

Table 3.2.8
Paraguay: premium volume[1] by line, 2022

| Line | Millions of guaranis | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **3,286,153.9** | **470.4** | **12.3** | **2.3** |
| **Life** | **579,271.9** | **82.9** | **23.0** | **12.1** |
| **Non-Life** | **2,706,882.0** | **387.5** | **10.2** | **0.4** |
| Automobiles | 1,393,871.5 | 199.5 | 10.8 | 0.9 |
| Other lines | 214,697.2 | 30.7 | -0.3 | -9.2 |
| Fires | 238,312.7 | 34.1 | 7.8 | -1.8 |
| Miscellaneous risks | 289,346.0 | 41.4 | 19.6 | 8.9 |
| Transport | 160,851.0 | 23.0 | 8.2 | -1.4 |
| Theft | 61,243.3 | 8.8 | -3.0 | -11.6 |
| Surety | 126,239.1 | 18.1 | 7.5 | -2.1 |
| Third-party liability | 111,151.6 | 15.9 | 19.7 | 9.1 |
| Personal Accidents | 111,169.6 | 15.9 | 14.0 | 3.8 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)
1/ Direct premiums net of cancellations plus administrative surcharges

**Chart 3.2.8-c**
**Paraguay: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay and supervisory bodies of the region)

The Non-Life insurance segment made a stronger contribution of 8.6 pp to the 12.3% nominal growth recorded by the Paraguayan insurance industry in 2022, while the Life insurance segment only contributed 3.7 pp (see Chart 3.2.8-d).

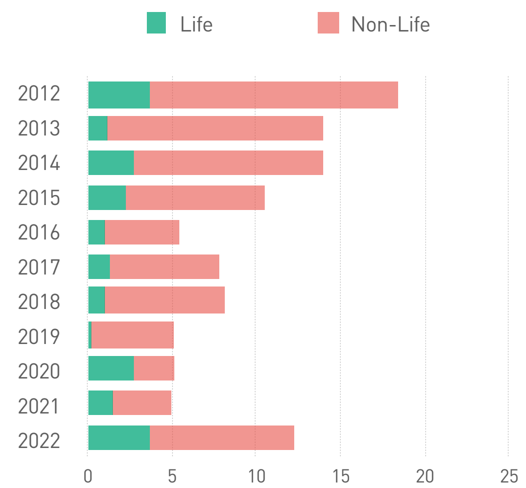
## Balance sheet and shareholders' equity

Chart 3.2.8-e shows changes in the aggregate balance sheet of the Paraguayan insurance industry over the past decade. According to this data, the sector's total assets amounted to 5.516 trillion guaranies (703 million dollars) in 2022, while equity came to 2.095 trillion guaranies (285 million dollars), 14.3% above the level observed in 2021. It should be noted that aggregate capitalization levels in the Paraguayan insurance industry remained high throughout the period. In 2012, equity stood at 34.2% of total assets, a figure that has risen gradually to reach 40.6% in 2022.

## Investment and technical provisions

Charts 3.2.8-f and 3.2.8-g show changes in investments and technical provisions for the Paraguayan insurance industry between 2012 and 2022. This shows that investments totaled 2.315 trillion guaranies (315 million dollars) in 2022, up 18.9% from the figure reported in 2021. Meanwhile, technical provisions in 2022 amounted to 2.129 trillion guaranies (290 million dollars), up 13.2% from the previous year. It should be noted, however, that in the case of both investment and technical provisions, it has not been pos-

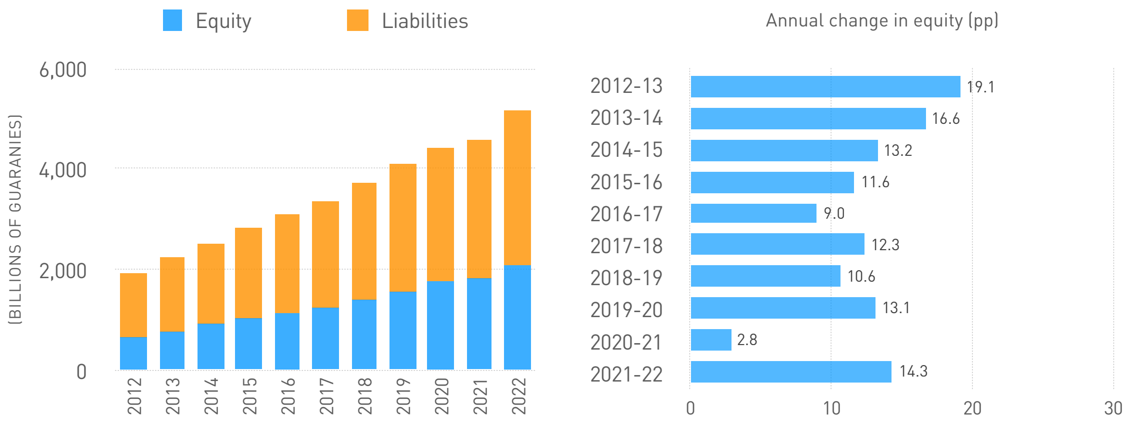
**Chart 3.2.8-d**
**Paraguay: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 18.3 | 3.7 | 14.7 |
| 2013 | 14.0 | 1.1 | 12.8 |
| 2014 | 13.9 | 2.7 | 11.3 |
| 2015 | 10.4 | 2.3 | 8.1 |
| 2016 | 5.5 | 1.1 | 4.4 |
| 2017 | 7.8 | 1.4 | 6.4 |
| 2018 | 8.1 | 1.0 | 7.1 |
| 2019 | 5.1 | 0.2 | 4.9 |
| 2020 | 5.0 | 2.7 | 2.3 |
| 2021 | 4.9 | 1.4 | 3.5 |
| 2022 | 12.3 | 3.7 | 8.6 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

**Chart 3.2.8-e**
**Paraguay: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**



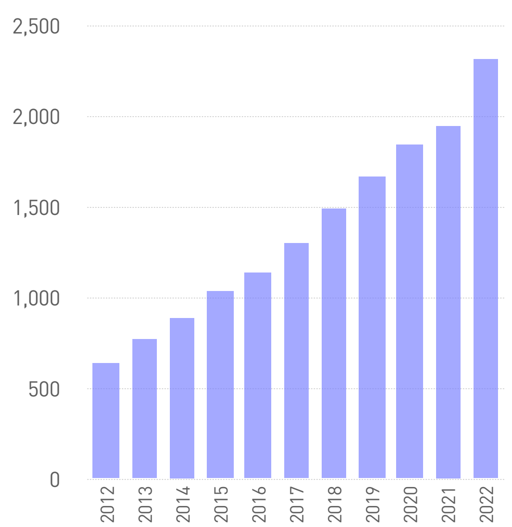

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

sible to carry out a more detailed analysis of their composition with the data available.

## Technical performance

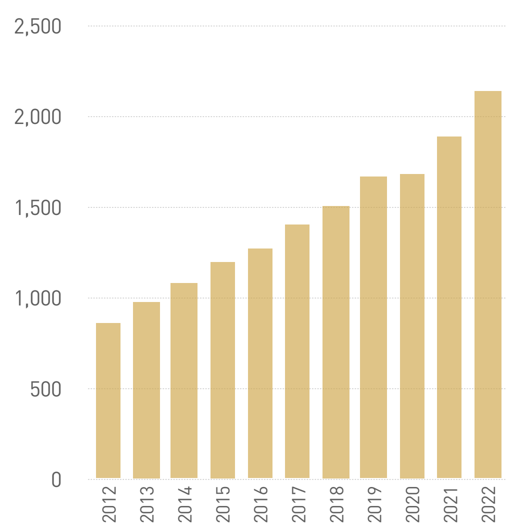
As shown in Chart 3.2.8-h, the technical result of the Paraguayan insurance industry (with data annualized as of December 2022) declined slightly compared to the previous year, but remained positive. The total combined ratio recorded in 2022 was 97.9% (vs. 96.1% in 2021), worsening by 1.8 pp, the result of an increase in the expense ratio (3.3 pp) that was partially offset by an im-

**Chart 3.2.8-f**
**Paraguay: insurance market investments**
**(billions of guaranies)**



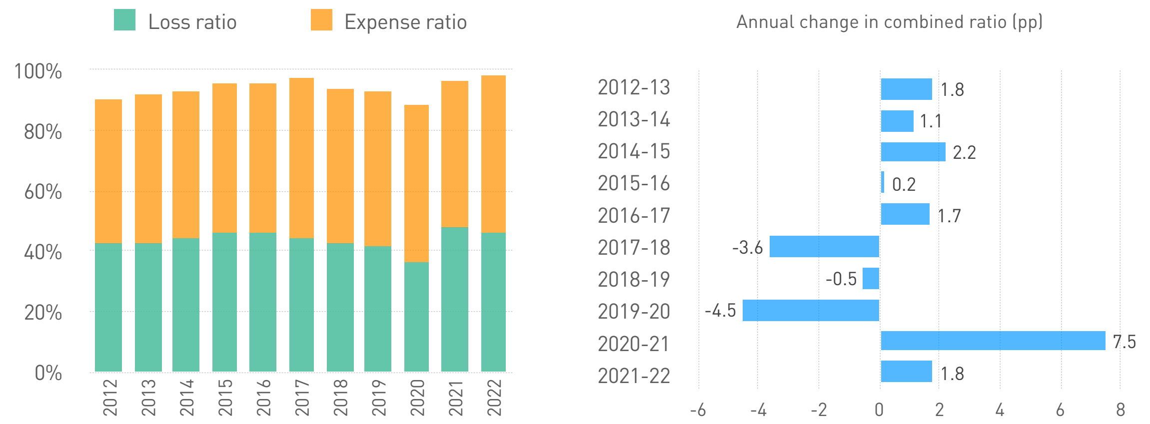

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

**Chart 3.2.8-g**
**Paraguay: technical provisions of the insurance market**
**(billions of guaranies)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-h
Paraguay: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



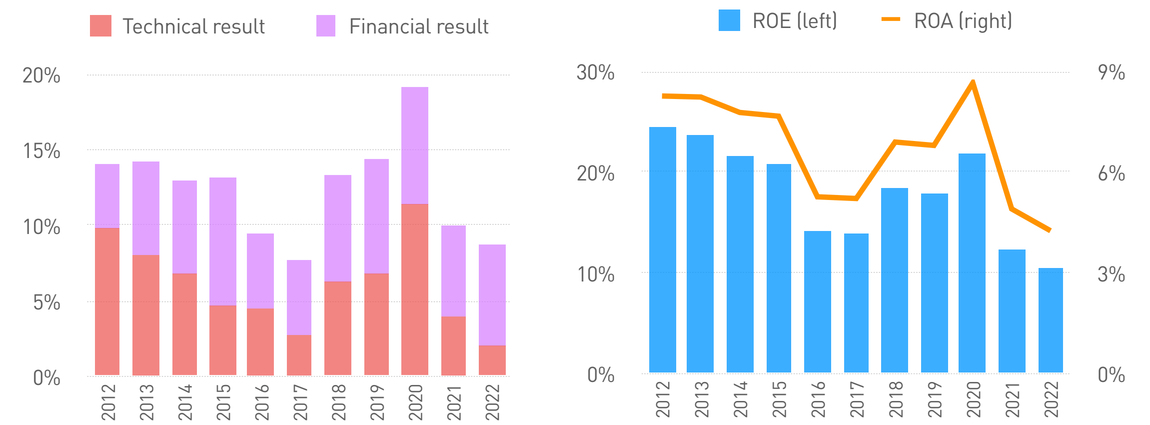

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

provement in the loss ratio (-1.4 pp). Therefore, the upward trend in the combined ratio that began in 2021, after the declines from 2018 to 2020, continued in 2022.

## Results and profitability

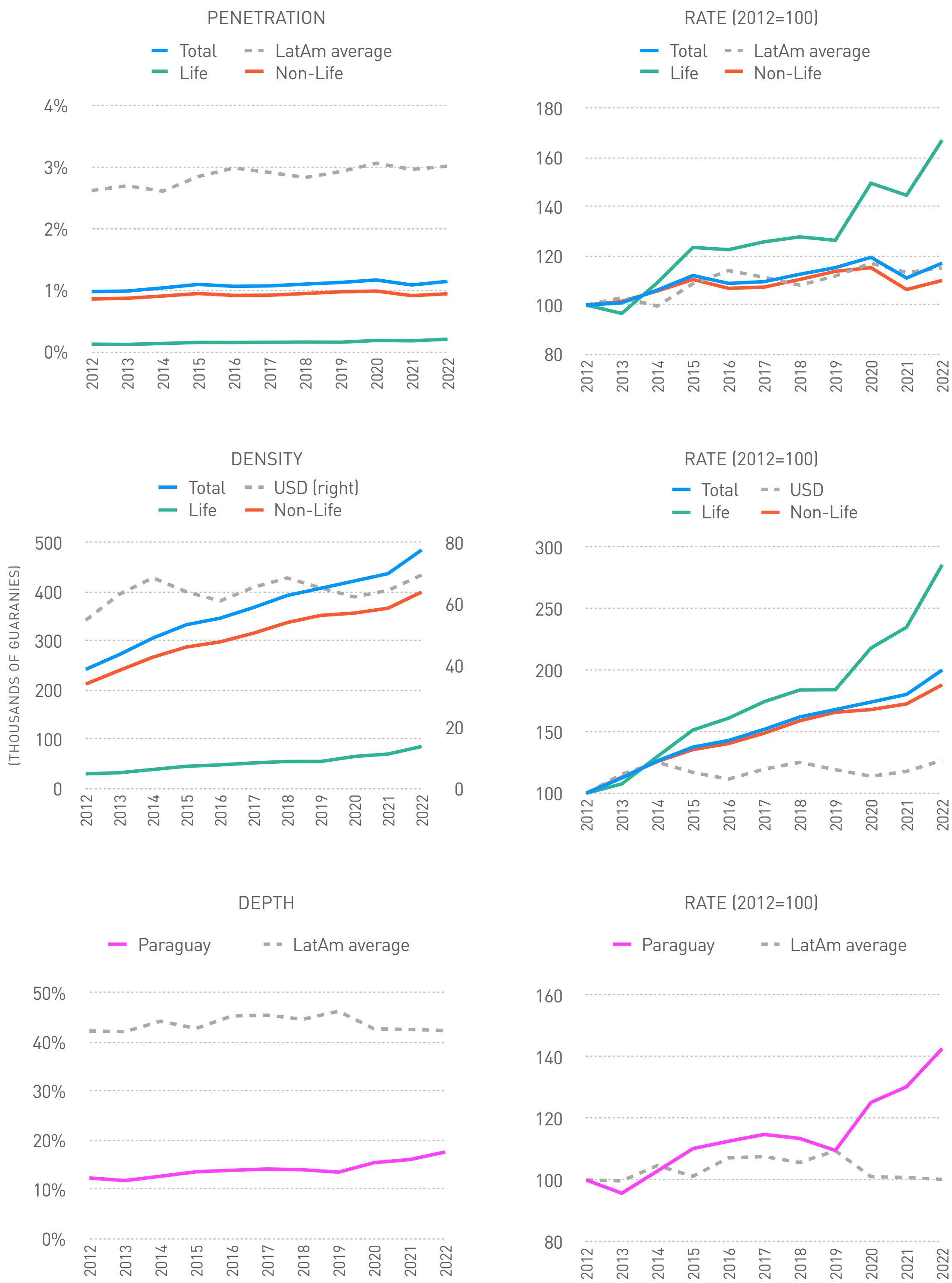
The net result from the Paraguayan insurance business in December 2022 was 207.720 billion guaranies (29.7 million dollars), a 5.9% decrease from the previous year, due to stronger financial results being offset by a decline in the technical result. Turning to profitability, the industry achieved return on equity (ROE) of 10.6% in 2022, down 1.6 percentage points on 2021. In a similar vein, return on assets (ROA) amounted to 4.3% in 2022, decreasing 0.6 pp from the value reported the previous year (see Chart 3.2.8-i).

Chart 3.2.8-i
Paraguay: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

**Chart 3.2.8-j**
**Paraguay: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, guaranies and USD; Life premiums/total premiums, %, 2012 index=100)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

### Insurance penetration, density and depth

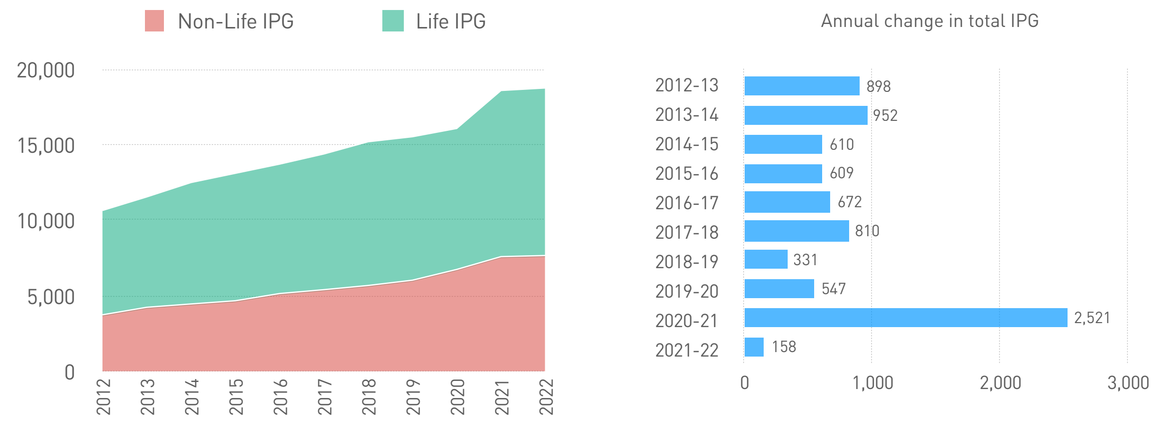
The main structural trends shaping the development of the Paraguayan insurance industry between 2012 and 2022 can be seen in Chart 3.2.8-j. First, the penetration rate (premiums/GDP) stood at 1.1% in 2022, meaning that this figure has remained virtually unchanged since 2015, except for a 0.1 pp increase in 2020. As can be seen, the penetration rate for the Paraguayan market grew steadily between 2012 and 2015, to then stabilize after that year, lagging behind the average absolute values of the other insurance markets in the region throughout the decade.

Insurance density in Paraguay (premiums per capita) came to 484,630 guaranies (69 dollars), up 11% on the level reached in 2021. There was a growing trend in density (measured in local currency) over the period under analysis, registering cumulative growth of 100.1% between 2012 and 2022. Lastly, insurance depth in the Paraguayan market (Life insurance premiums vs. total premiums) came to 17.6%, up 5.3 pp from 2012 and 1.5 pp more than in 2021. It is worth noting, however, that depth in the Paraguayan insurance market was far below the average for Latin American insurance markets, which speaks to the still emerging level of development of Life insurance in that market.

### Insurance Protection Gap estimate

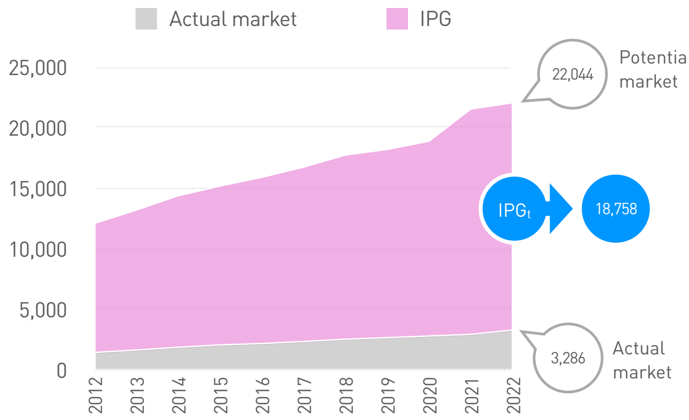
Chart 3.2.8-k provides an estimation of the IPG for the Paraguayan insurance market between 2012 and 2022. As observed, the insurance gap amounted to 18.758 trillion guaranies (2.685 billion dollars) in 2022, some 5.7 times the size of the actual insurance market in Paraguay at the end of that year, with an increase in both Non-Life and Life insurance. The structure and performance of the insurance gap over the period under analysis are largely attributable to the Life insurance segment, as is the case in most Latin American insurance markets. At the close of 2022, 59.1% of the IPG was related to Life insurance (11.095 trillion guaranies), 5.8 pp less than the share recorded for this segment in 2012. The remaining 40.9% of the insurance gap was related to the Non-Life insurance segment (7.663 trillion guaranies). As such, the potential insurance market in Paraguay at the close of 2022 (the sum of the actual insurance market plus the IPG) was estimated at 22.044 trillion guaranies, 6.7 times the size of the total insurance market that year (see Chart 3.2.8-l).

Chart 3.2.8-k
Paraguay: Insurance Protection Gap
(billions of guaranies)




Source: MAPFRE Economics

**Chart 3.2.8-l**
**Paraguay: Insurance Protection Gap and potential market**
**(billions of guaranies)**



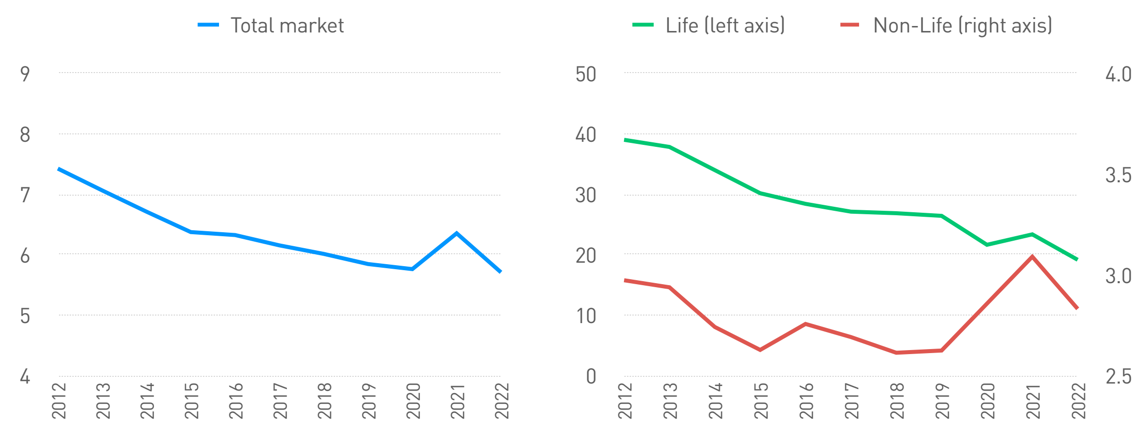

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 129.1% | 76.1% |
| 2022-2021 | 12.3% | 0.8% |

Source: MAPFRE Economics

Charts 3.2.8-m and 3.2.8-n show an estimation of the insurance gap as a multiple of the actual insurance market in Paraguay. According to this data, the IPG as a multiple of the market showed a downward trend between 2012 and 2022, especially for the Life insurance segment (falling from 39.0 to 19.2 times), and to a much lesser extent for the Non-Life insurance segment (from 3.0 to 2.8 times). However, it should be noted that this downward trend became more moderate from 2017 onwards, with an increase in 2021 that was reversed in 2022.

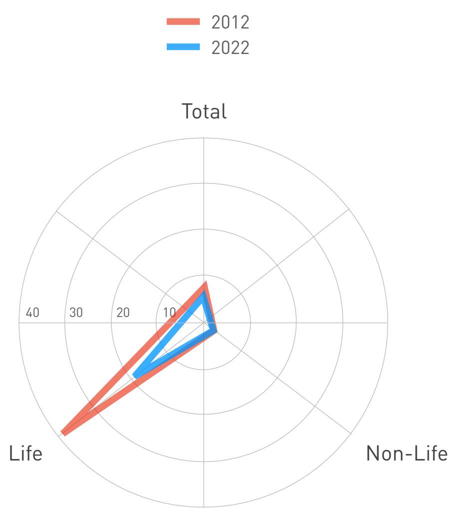
Lastly, Chart 3.2.8-o provides an update to the assessment made in terms of the Paraguayan insurance market's capacity to bridge the insurance gap estimated in 2022, using a comparative analysis between the growth rates observed over the last 10 years and the growth rates needed to close the IPG over the next decade. This analysis shows that the Paraguayan insurance market grew at an average annual rate of 8.6%, underpinned by an annual growth rate of 12.6% in the Life insurance segment and 8.0% in the Non-Life insurance segment. Were the growth rate seen

**Chart 3.2.8-m**
**Paraguay: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.2.8-n
Paraguay: change in IPG as a multiple of the actual market




Source: MAPFRE Economics

over the last decade to continue over the next 10 years, the growth rate of the Paraguayan insurance market would be insufficient to close the 2022 insurance gap. It would fall 6.4 pp short of closing the gap in the Non-Life insurance segment, and 22.5 pp short in the Life insurance segment.

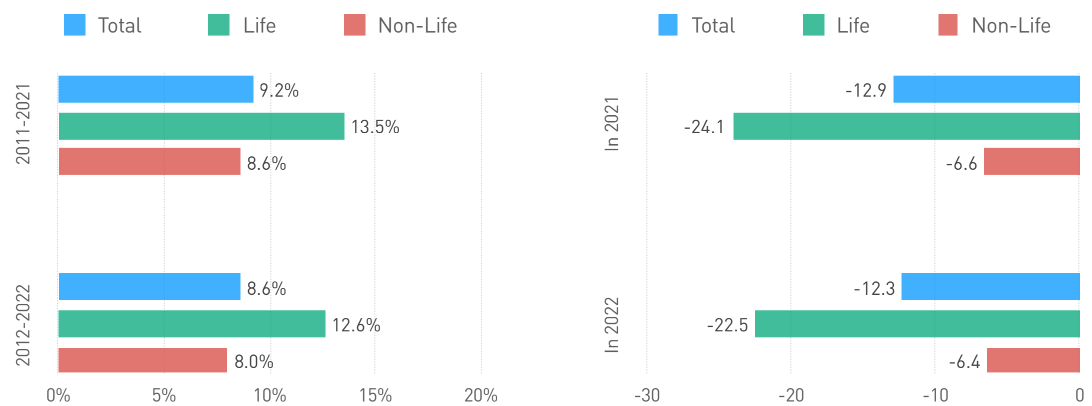
## Market Development Index (MDI)

Chart 3.2.8-p provides an updated estimation of the Market Development Index (MDI) for the Paraguayan insurance industry between 2005 and 2022. As indicated previously in this report, the MDI is used as an indicator to track the maturity of the analyzed markets. In the Paraguayan market, the indicator showed a positive trend overall, with the exception of a decrease observed in 2021, and surpassed the average trend for Latin American insurance markets.

## Comparative analysis of of structural coefficients

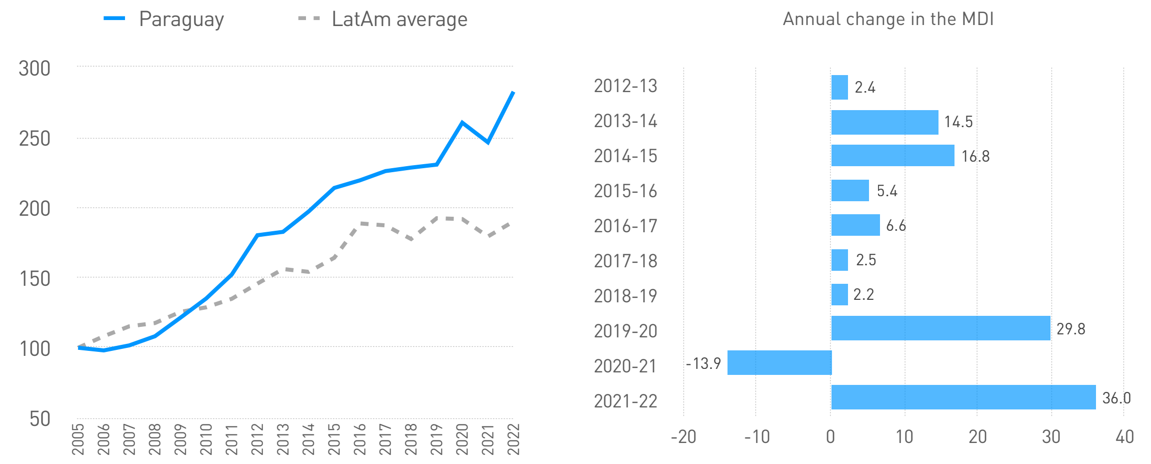
Chart 3.2.8-q outlines the state of the Paraguayan insurance market when compared with the average for Latin America, measured in terms of the four structural indicators analyzed in this report: penetration, density, depth and MDI. In this sense, as can be seen, the Paraguayan insurance market falls well below the regional average for these indicators, with the exception of the MDI, which exceeded the regional market average in 2022. Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2012-2022 period, the Paraguayan insurance industry showed relat-

Chart 3.2.8-o
Paraguay: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.2.8-p**
**Paraguay: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

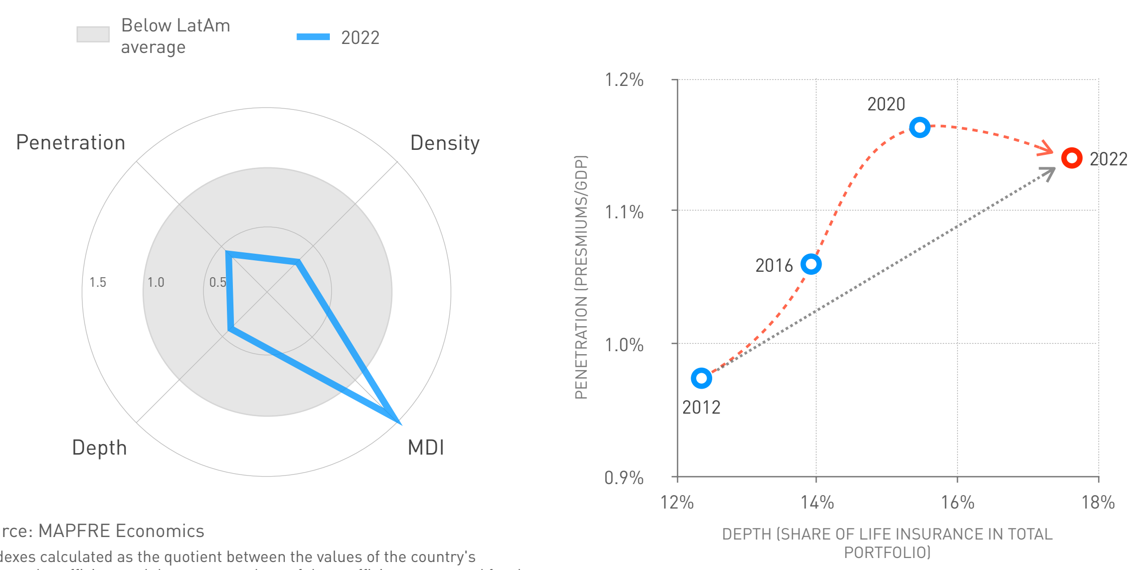
ively balanced development, with slight gains both in terms of penetration and depth, except for a clear drop in the insurance depth indicator in 2019, which was corrected in 2020. Meanwhile, the penetration rate remained unchanged from 2015 onward, with a slight increase in 2020.

## Insurance market rankings

### Total ranking

There were 35 insurance companies operating in the Paraguayan market in 2022; 21 authorized to offer property insurance and 14

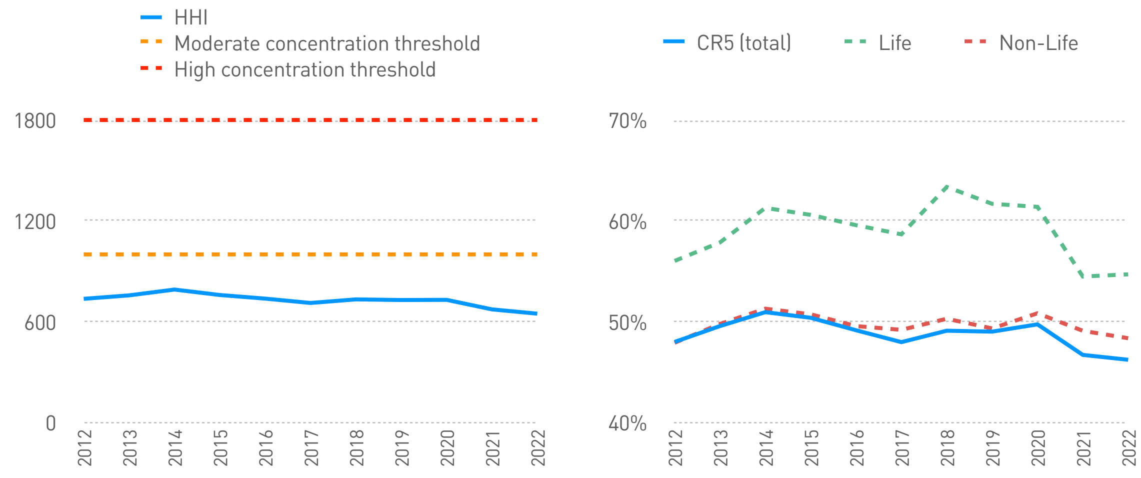
**Chart 3.2.8-q**
**Paraguay: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

Chart 3.2.8-r
Paraguay: insurance industry concentration
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

operating in Life and Property & Casualty insurance. As can be seen in Chart 3.2.8-r, the industry is not highly concentrated. The Herfindahl Index declined again in 2022, reaching 647 points compared to 673 in 2021, still below the moderate concentration threshold. In terms of the CR5 index, the top five companies accounted for 46.2% of total premiums in 2022, representing a 0.5 pp decrease vs. 2021, with a 0.7 pp decrease in Non-Life and a 0.2 pp increase in Life.

For 2022, the total ranking of insurance groups in the Paraguayan market was once again led by MAPFRE, with a market share of 15.6%, followed some way behind by Aseguradora del Este (10.9%) and La Consolidada (7.7%). Aseguradora Yacyreta dropped two places, to sixth, which allowed Aseguradora Tajy and Patria to climb to fourth and fifth places, respectively. Fénix entered the ranking in ninth place, displacing Alianza Garantía to tenth place and causing Aseguradora Paraguaya to leave the ranking (see Chart 3.2.8-s).

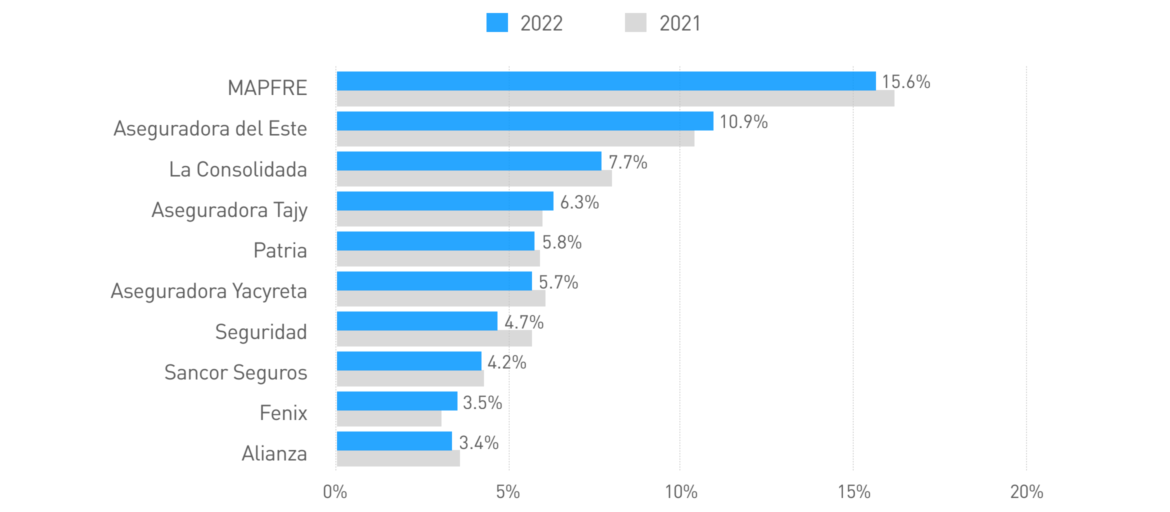
### Life and Non-Life rankings

The 2022 Non-Life ranking continued to be led by MAPFRE, with 18.1% of premiums, and there was only one change compared to 2021: Aseguradora Tajy rose by one place, ranking fourth, while Yacyreta dropped to fifth place. The Life ranking for 2022 also saw movements. Aseguradora del Este remained in the lead with an 18.6% market share, while Itaú rose significantly for yet another year, improving from sixth to second place after acquiring 100% of the shares of Providencia Seguros in March 2021. Also, the insurance company Panal joined the ranking in ninth place (see Chart 3.2.8-t).

### Key regulatory aspects

As the Insurance Superintendence of Paraguay is currently engaged in the transition from compliance-based supervision (Solvency I) to risk-based supervision (Solvency II), certain regulatory activities during 2022 focused on corporate governance regulation. In this regard, at the beginning of 2022, the Board of Directors of the Central Bank of Paraguay issued the "Regulations Establishing Minimum Standards for Good Corporate Governance," to be applied from January 1, 2023, by all companies in the financial system. These regulations also established that the standard

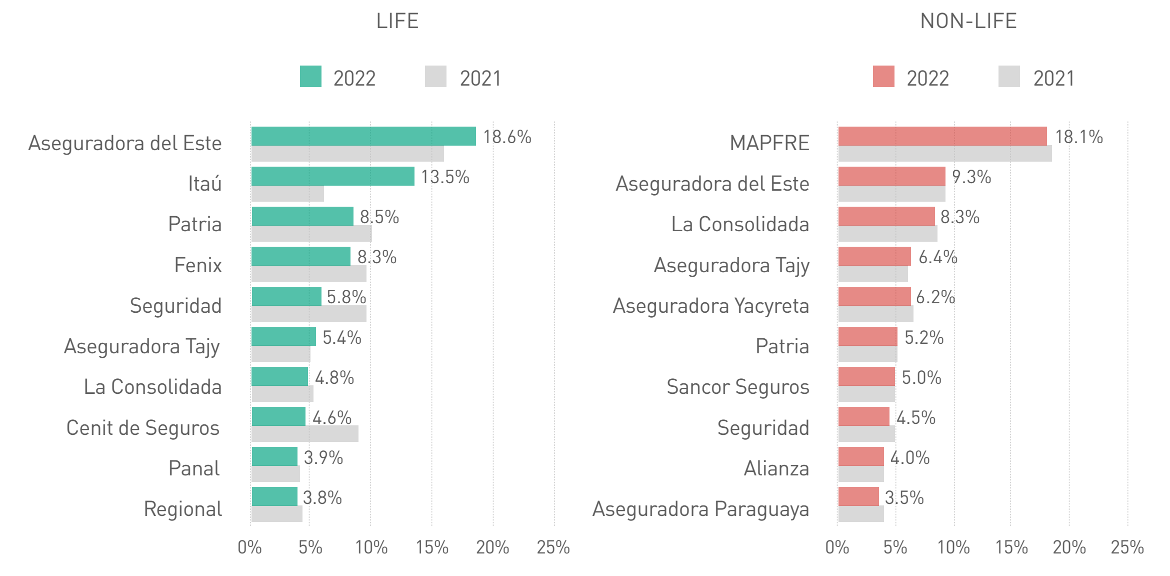
**Chart 3.2.8-s**
**Paraguay: overall ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

would be implemented in accordance with the schedules and application guidelines issued by the Insurance Superintendence and the Banking Superintendence for supervised companies. As a result, in compliance with the aforementioned regulations, the Insurance Superintendence of Paraguay issued the guidelines and application schedule for the "Regulations Establishing Minimum Standards for Good Corporate Governance" for insurance companies operating in the Paraguayan market.

**Chart 3.2.8-t**
**Paraguay: Life and Non-Life ranking**
**(market shares, %)**




Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Meanwhile, in the area of financial inclusion, a regulatory framework for microinsurance was issued, in order to establish basic guidelines on the matter while allowing said insurance modality to be developed more effectively.

In summary, the main regulations issued by the Insurance Superintendence and Central Bank of Paraguay are detailed as follows:

- RES.SS.SG No. 305/20222 of 12/9/2022, which establishes the guidelines and application schedule for the "Regulations Establishing Minimum Standards for Good Corporate Governance" for companies supervised by the Insurance Superintendence. Issued based on RES. No. 016. ACT. No. 04, for the purpose of guaranteeing proper and prudent administration and control of insurance companies that entails adequate recognition and protection of insurance users.
- RES.SS.SG.N°254/2022 de 14/10/2022. Microinsurance Regulatory Framework. Considering that microinsurance constitutes an important aspect of the insurance market, so that it becomes more inclusive of lower-income segments of the population, As a result reducing their vulnerability. Furthermore, microinsurance is closely linked not only to financial inclusion, but also to the control exercised by the Insurance Superintendence in matters of market conduct and to financial education, making it necessary to establish basic guidelines in these matters, in order to allow said insurance modality to be developed more effectively.
- RES. No. 016. ACT. No. 04 of 01/20/2022. Regulation Establishing Minimum Standards for Good Corporate Governance. The international insurance supervisory standard related to Corporate Governance issued by the International Association of Insurance Supervisors, IAIS (PS No. 7), recommends that the supervising body establish specific rules in this matter, in order to guarantee proper and prudent administration and control of insurance companies.

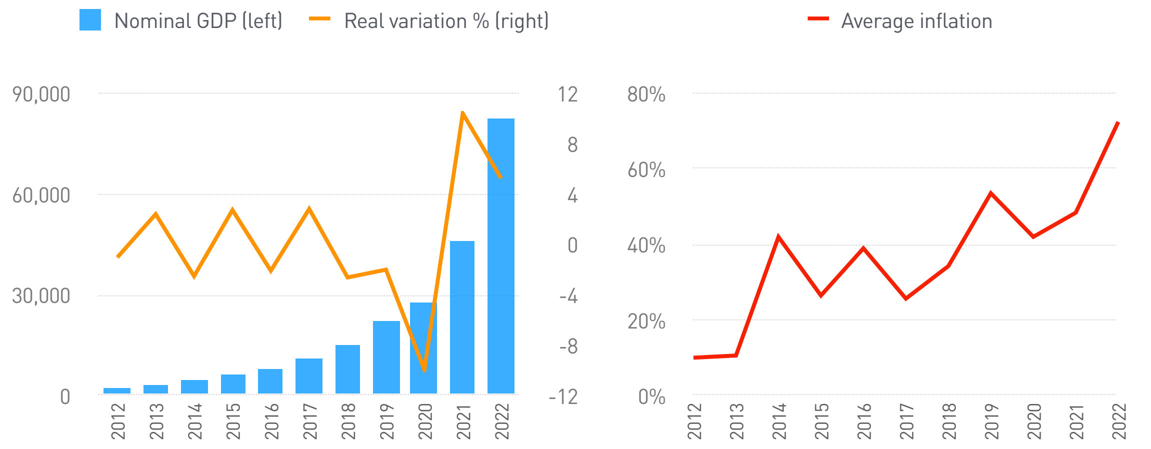
## 3.2.9 Argentina

### Macroeconomic environment

In 2022, Argentina's economy experienced real GDP growth of 5.2% (10.4% in 2021), representing an economic slowdown. This result can be largely attributed to the base effect due to the previous year's atypically high growth, which came after the worst of the pandemic was over. Therefore, it represented significant growth, driven by investment, consumption and exports, which caused unemployment to fall to a historically low level, standing at 6.3% in the fourth quarter of 2022. This was all despite the contractionary bias of monetary and fiscal policy implemented during the year. However, several imbalances that conditioned growth in recent years continued to be observed: a current account deficit of 0.7% of GDP, a primary fiscal deficit of 2.4% of GDP, central government debt of 86% of GDP and an acceleration of inflation to 95% year-on-year in December (see Chart 3.2.9-a).

Meanwhile, the monetary policy of the Central Bank of the Argentine Republic had a contractionary bias in 2022 (unlike in 2021), and it raised the reference interest rate to 75% in annual nominal terms at year end, exceeding year-on-year inflation as of December (95%). Average inflation for 2022 stood at 72.4% (48.4% in 2021), while the exchange rate experienced average depreciation of 37.4% against the dollar. As a result, this policy was implemented in a context of exchange rate pressures that were reflected in increases in parallel exchange rates, whose gap with the official exchange rate exceeded 100%. Interest rates on loans and deposits in the private sector accompanied the monetary policy rate: the interest rate on personal loans for consumer lending rose from 53% to 81% (nominal annual rate), while that on fixed-term deposits of wholesale clients (placements greater than 20 million pesos) of private banks increased from 34% to 66% (nominal annual rate) in the same period. The monetary authority established a floor on the yield on fixed-term deposits from retail

Chart 3.2.9-a
Argentina: changes in economic growth and inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on IMF and OEF data)

clients for individuals (placements of less than 10 million pesos), with the aim of encouraging savings in local currency in a context of pressure on parallel exchange rates. It also launched investment instruments linked to the official exchange rate for the agricultural sector, with the aim of providing incentives for exports of these products.

For 2023, MAPFRE Economics has predicted a 1.8% decrease in Argentina's GDP, while ECLAC estimates a 3.0% decline amid a deceleration in global demand and a contractionary tendency in fiscal and monetary policy that will slow internal demand. As for growth forecasts for 2024, MAPFRE Economics expects a slight recovery of 0.2%, while ECLAC anticipates that the economy will shrink by an additional 1.6%.

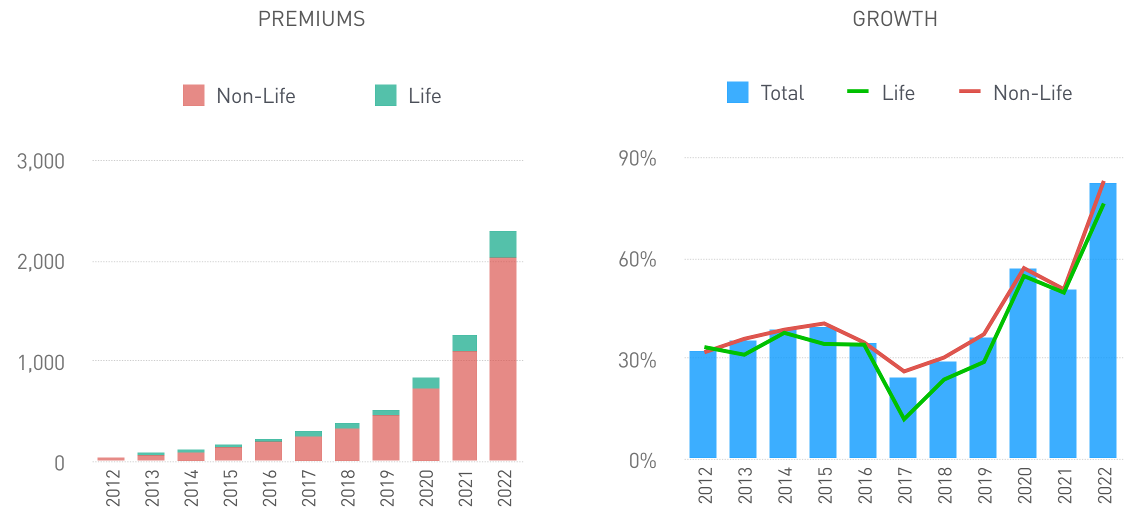
## Insurance market

### Growth

Premium volume in the Argentine insurance market (annualized as of December 2022) reached 2.296 trillion pesos (17.563 billion dollars) in 2022, which represents a nominal increase of 82.2% and a real increase of 5.6% vs. the previous year, with greater growth in Non-Life lines compared to the Life insurance segment (see Chart 3.2.9-b and Table 3.2.9). Life insurance premiums, which account for 12.1% of the total market, grew by 76.3% in nominal terms (2.2% in real terms) to reach 278.243 billion pesos (2.129 billion dollars). All modalities had nominal increases, and only individual Life insurance showed decreases in real terms (-6.1%). Non-Life insurance premiums, which account for 87.9% of the market, grew 83.0% in nominal terms (6.1% in real terms) to reach 2.0175 trillion pesos (15.435 billion dollars). All lines of business registered positive growth in nominal terms; in real terms, the Fire (-9.7%), Agricultural (-3.9%) and Third-Party Liability (-0.3%) lines decreased. Meanwhile, the lines with the greatest growth were Automobile (90.0%), Health (83.4%) and Workplace Accident (82.8%) insurance.

Argentina's share in the Latin American insurance market rose to 10.1% in 2022, with a greater contribution from Non-Life (15.4%) than Life (2.9%) lines. The market share of the Argentine insurance industry followed a growth trend until 2015, when it reached its highest point, accounting for 13.4% of total

**Chart 3.2.9-b**
**Argentina: growth developments in the insurance market**
**(premiums, billions of pesos; annual nominal growth rates, %)**



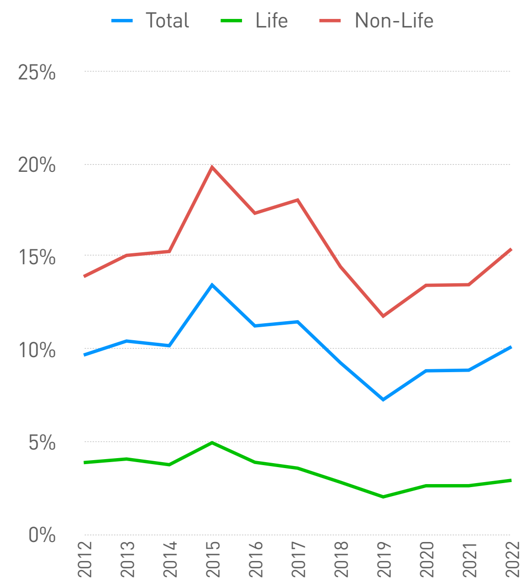

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

**Table 3.2.9**
**Argentina: premium volume[1] by line, 2022**

| Line | Millions of pesos | Millions of USD | Growth | |
|---|---|---|---|---|
| | | | Nominal (%) | Real (%) |
| **Total** | **2,295,704.2** | **17,563.3** | **82.2** | **5.6** |
| **Life** | **278,243.5** | **2,128.7** | **76.3** | **2.2** |
| Group Life | 174,051.2 | 1,331.6 | 81.7 | 5.4 |
| Individual Life | 73,182.7 | 559.9 | 61.8 | -6.1 |
| Retirement | 31,009.6 | 237.2 | 84.2 | 6.8 |
| **Non-Life** | **2,017,460.7** | **15,434.6** | **83.0** | **6.1** |
| Automobiles | 933,750.1 | 7,143.6 | 90.0 | 10.2 |
| Other lines | 117,379.6 | 898.0 | 86.0 | 7.9 |
| Fires | 108,342.4 | 828.9 | 55.6 | -9.7 |
| Combined family | 116,941.8 | 894.7 | 77.9 | 3.1 |
| Agricultural insurance | 59,472.4 | 455.0 | 65.7 | -3.9 |
| Personal Accidents | 44,677.8 | 341.8 | 79.4 | 4.1 |
| Third-party liability | 44,943.5 | 343.8 | 71.9 | -0.3 |
| Transport | 36,324.4 | 277.9 | 73.3 | 0.5 |
| Credit and surety | 36,440.3 | 278.8 | 76.4 | 2.3 |
| Health | 4,674.8 | 35.8 | 83.4 | 6.4 |
| Workplace accidents | 514,513.6 | 3,936.3 | 82.8 | 6.0 |

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
1/ Premiums and surcharges issued

**Chart 3.2.9-c**
**Argentina: share of insurance premiums in Latin America**
**(%)**




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance and supervisory bodies of the region)

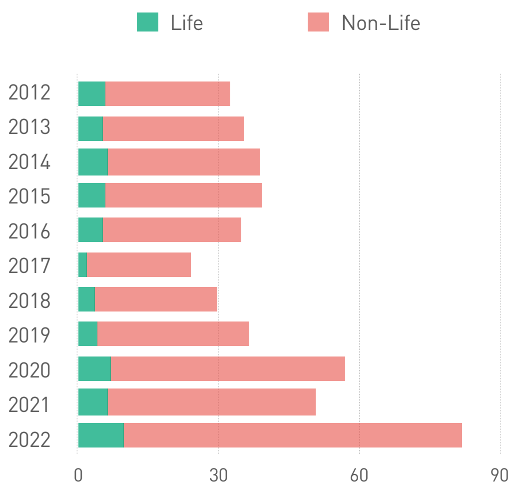
premiums and 19.8% of Non-Life premiums. From that point on, the country's market share maintained a downward trend that reversed in 2019, and it has since climbed to a slightly higher level than a decade ago (see Chart 3.2.9-c).

Therefore, of the 82.2% nominal growth in the Argentine insurance market in 2022, Non-Life made the largest contribution with 72.6 pp, while only 9.6 pp was attributable to the Life insurance segment. As Chart 3.2.9-d shows, this situation has occurred throughout the last decade, i.e., the Life insurance segment has had a relatively smaller impact on the general market dynamic in Argentina; this has been mainly determined by the effect of inflationary pressures in the country's economy.

### Balance sheet and shareholders' equity

The change in the aggregate balance sheet of the Argentine insurance industry between 2012 and 2022 is shown in Chart 3.2.9-e. In this regard, we observe that assets reached 4.049 trillion pesos (22.856 billion dollars) at the end of 2022, up 71.6% from the previous year, while equity stood at 1.214 trillion pesos (6.851 billion dollars), 79.7% above the year-earlier level. Aggregate capitalization levels within the Argentine insurance industry (measured over total assets) stood at around 20% between 2012 and 2019, the highest value being in 2022 with 30.0% over total as-

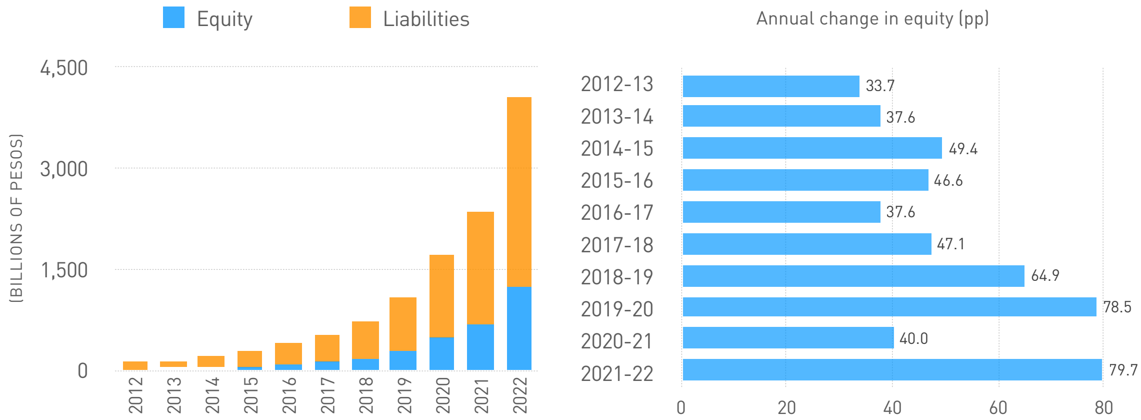
**Chart 3.2.9-d**
**Argentina: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) Life | Non-Life |
|---|---|---|---|
| 2012 | 32.3 | 5.6 | 26.7 |
| 2013 | 35.2 | 5.3 | 30.0 |
| 2014 | 38.6 | 6.2 | 32.4 |
| 2015 | 39.6 | 5.6 | 34.0 |
| 2016 | 34.8 | 5.4 | 29.5 |
| 2017 | 24.1 | 1.9 | 22.2 |
| 2018 | 29.5 | 3.4 | 26.2 |
| 2019 | 36.3 | 3.9 | 32.4 |
| 2020 | 56.8 | 7.0 | 49.8 |
| 2021 | 50.6 | 6.3 | 44.4 |
| 2022 | 82.2 | 9.6 | 72.6 |

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-e
Argentina: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



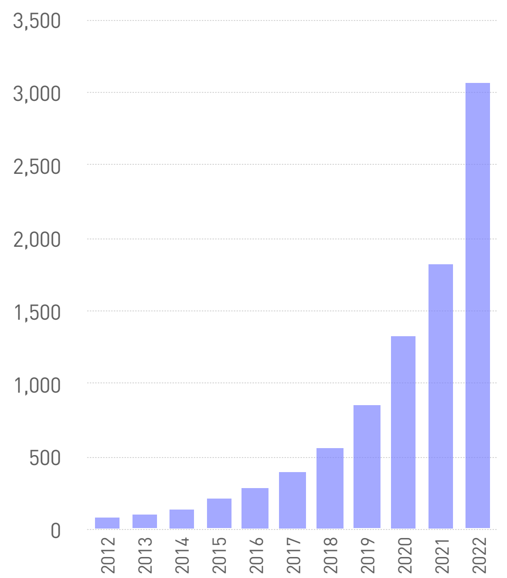

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

sets. It should be noted that in previous editions of this report, warnings were given about the extraordinary increase in the aggregate equity of the Argentine insurance industry as a result of the complementary provisions dictated by the National Insurance Superintendence, whereby the balance sheets of the insurance and reinsurance companies reflected, at the fiscal year-end in June 2020, the restatement of different items in standard currency (adjusted for inflation). In this regard, this distortion no longer occurred in 2022, as balance sheet items were expressed according to the same criteria.

### Investments

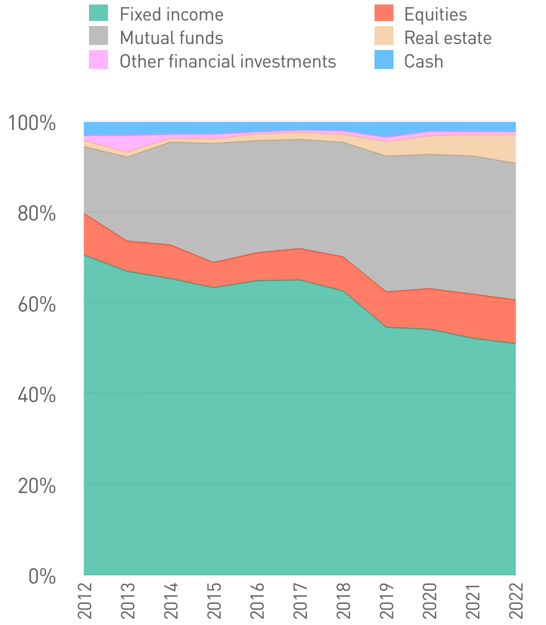
Charts 3.2.9-f, 3.2.9-g and 3.2.9-h show the performance, structure and composition of the Argentine insurance industry's aggregate investment portfolio at sector level between 2012 and 2022. In 2022, investment reached 3.06 trillion pesos (17.271 billion dollars), most of which was concentrated in fixed income (51.3%), mutual funds (30.1%) and, to a much lesser extent (9.6%), in equities. Particularly noteworthy in the aggregate investment portfolio analysis is the gradual increase in amounts managed through mutual funds, which increased in relative values throughout the period analyzed, growing from 14.7% of total investments in 2012 to 30.1% by the end of 2022.

Chart 3.2.9-f
Argentina: insurance market investments
(billions of pesos)



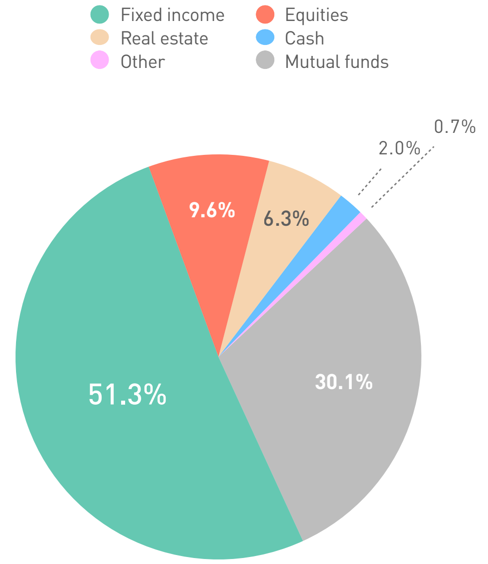

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-g
Argentina: structure of investments
(%)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-h
Argentina: structure of investments, 2022
(%)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

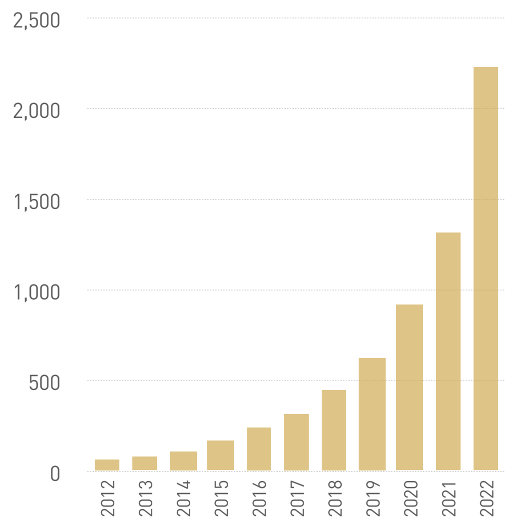
## Technical provisions

Charts 3.2.9-i, 3.2.9-j, and 3.2.9-k show the evolution and relative composition of the Argentine insurance industry's technical provisions over the 2012–2022 period. Technical provisions amounted to 2.233 trillion pesos (12.605 billion dollars) in 2022. Of this total, 33.1% related to Life insurance, 12.3% to provisions for unearned premiums and unexpired risks in Non-Life insurance and 54.6% to provisions for outstanding benefits. The weight of Life insurance provisions throughout the analyzed period was gradually reduced, from 38.4% of total provisions in 2012 to 33.1% in 2022; these figures confirm that this insurance segment has lost relative weight within the structure of the Argentine market, as noted in previous versions of this report.

## Technical performance

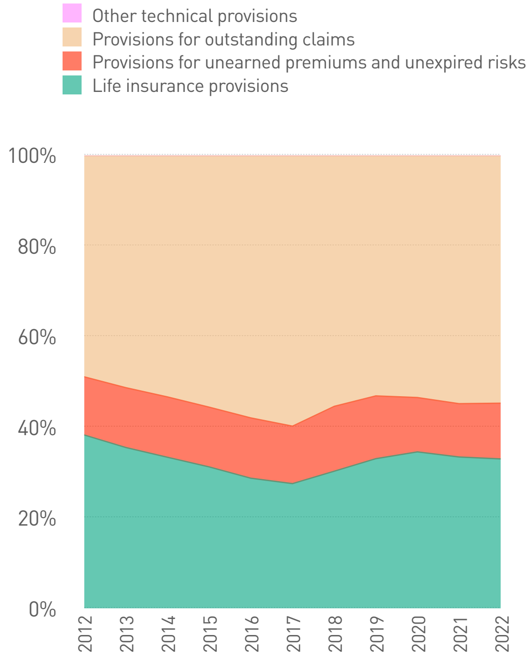
The Argentine insurance industry's technical performance, measured through the total

Chart 3.2.9-i
Argentina: technical provisions of the insurance market
(billions of pesos)



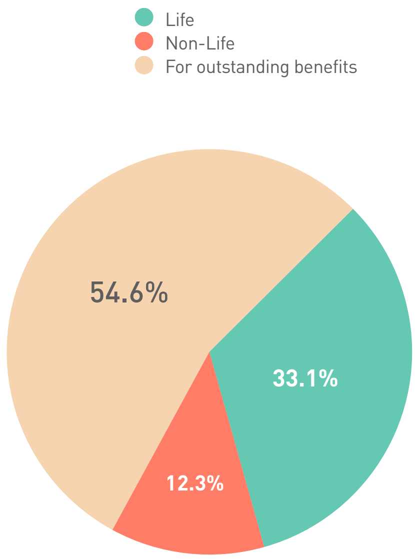

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-j
Argentina: structure of technical provisions
(%)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-k
Argentina: structure of technical provisions, 2022
(%)



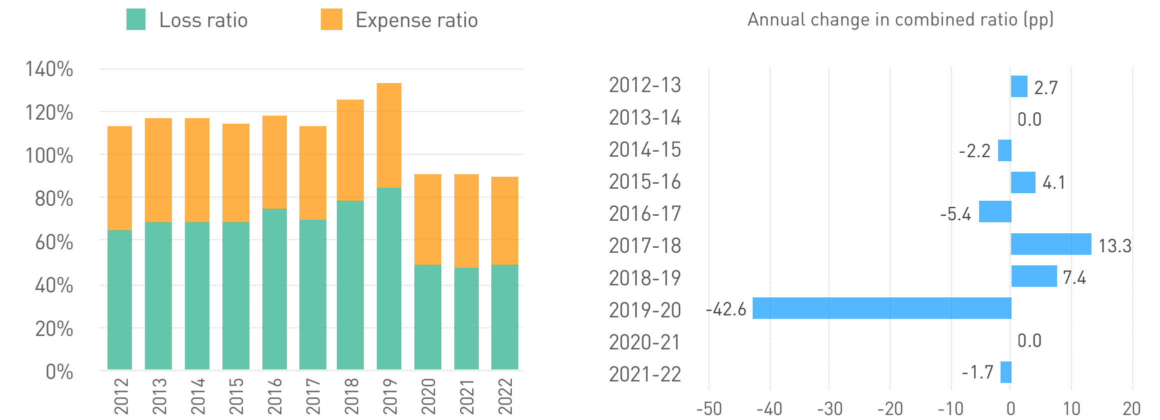

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

combined ratio, once again showed positive behavior in 2022, standing at 89.1%, which is 1.7 pp less than in 2021. This was a result of an improvement in the expense ratio of 2.6 pp, while the claims ratio worsened by 0.9 pp. As seen in Chart 3.2.9-l, for the third consecutive year, the technical result of Argentina's insurance business was positive, with a total combined ratio below the 100% parameter. As stated in our 2020 report, this can be explained by the restatement of various items in insurance companies' financial statements in standard currency (adjusted for inflation). When this adjustment is made, various items must be restated in accordance with the Consumer Price Index from their date of origin, so that premium adjustments are higher than cost adjustments, as the production cycle is reversed in the insurance industry, and revenue (premiums) is generated prior to costs (claims and expenses), with the obligation to establish the necessary technical reserves to meet the commitments undertaken. As a result, depending on the adjustment, an increase in items under accrued premiums can be higher than accrued claims and adjusted expenses, thereby boosting the technical result. The changes introduced by National Superintendence of Insurance in the calculation of technical reserves for insufficient premiums (Resolution 147/2020) also had an impact. This calculation must be done with values expressed in standard currency, which led to a lower amount in the reserve or the need to create one.

## Results and profitability

In 2022, Argentina's insurance industry closed the year with negative results. The net result from the insurance business (with annualized data as of December 2022) was -98.047 billion pesos (-750 million dollars), the product of a positive technical result but a negative financial result. As a result, profitability was negative in 2022. Return on equity (ROE) stood at -10.4%, down by 0.8 pp from 2021. Meanwhile, return on assets (ROA)

Chart 3.2.9-l
Argentina: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

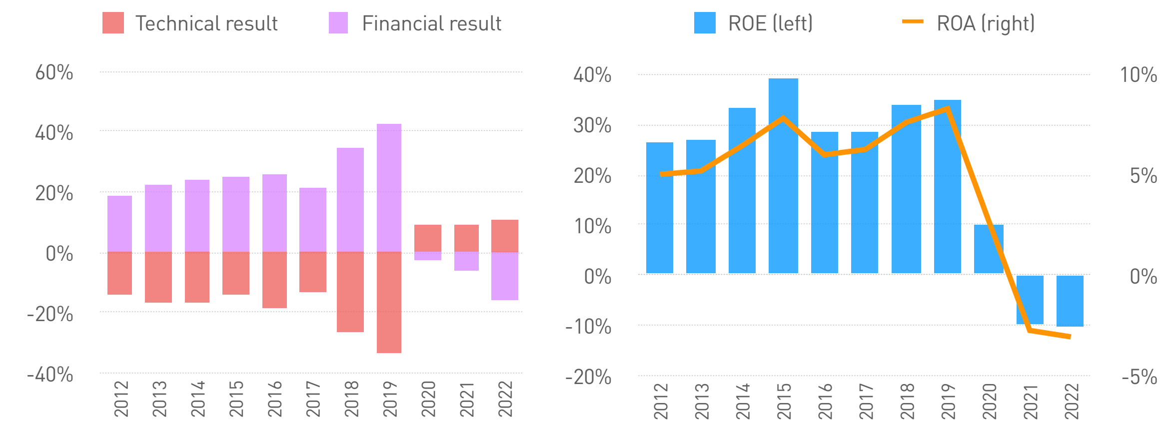
reached -3.1%, also a decrease of 0.3 percentage points from the value reported in 2021 (see Chart 3.2.9-m).

### Insurance penetration, density and depth

Chart 3.2.9-n shows the major structural trends in the Argentine insurance industry in the 2012–2022 period. According to this data, the penetration rate (premiums/GDP) was 2.8% in 2022, 0.1 pp above the result from 2021. The indicator saw a period of expansion until 2015, but it clearly followed a downward trend from 2016 onward before resuming growth in 2020 and 2022. However, it should be noted that the penetration indicator declined in the specific case of the Life insurance segment, strongly influenced by the inflationary climate in the Argentine economy.

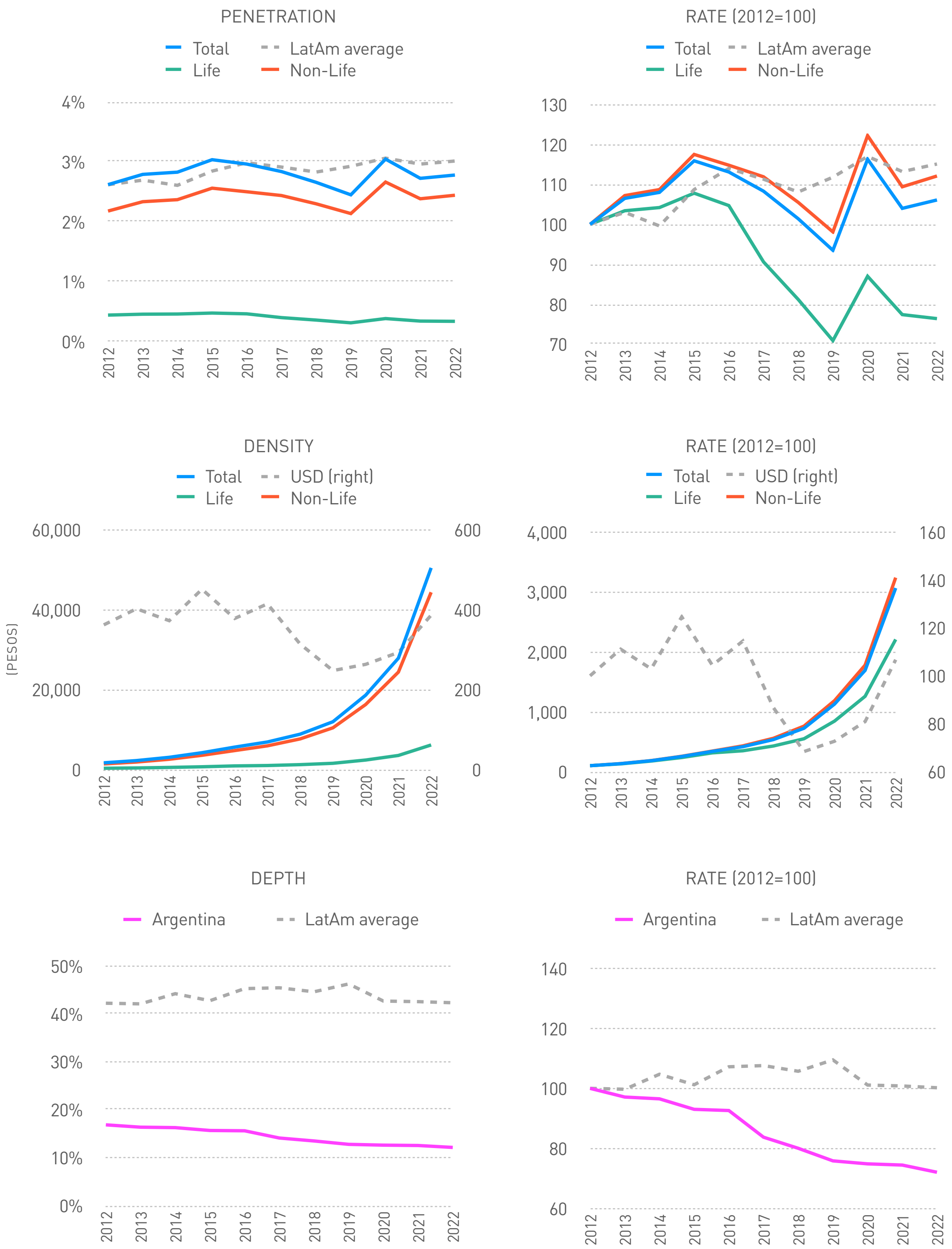
Insurance density (premiums per capita) reached 50,444 pesos (386 dollars), 81.2% higher than the value observed in 2021.

Chart 3.2.9-m
Argentina: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

**Chart 3.2.9-n**
**Argentina: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

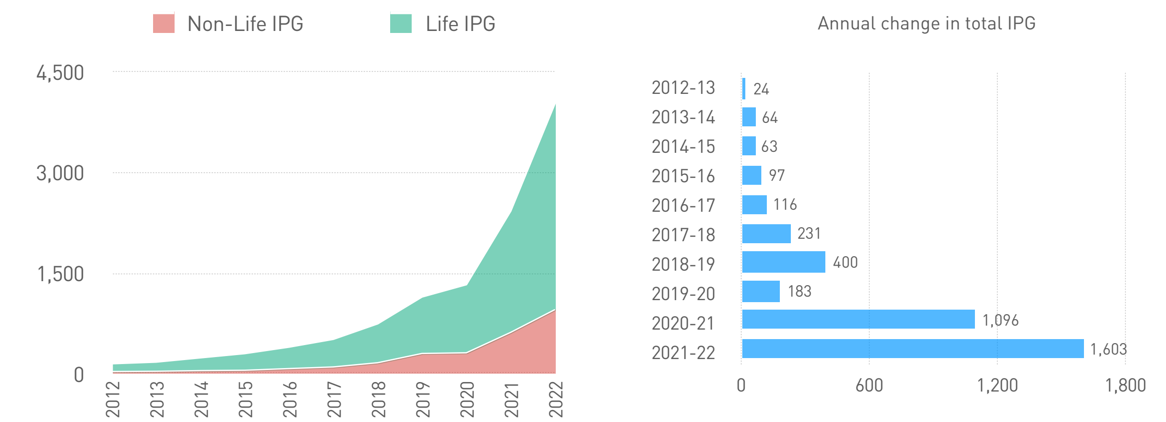
Density therefore followed an upward trend over the course of the last decade, although its measurement in local currency was influenced by the hyperinflationary context of the Argentine market. As a result, when measured in dollars, density shows more stable performance, with a decline in 2018 and recovery from 2020 onward. Lastly, with regard to depth levels (Life insurance premiums in relation to total premiums), the indicator for 2022 stood at 12.1%, 4.7 pp below the value observed in 2012. The Argentine insurance market's depth trend diverges substantially from the average trend observed in the Latin American region, showing once again the structural weakening of the Life segment within Argentina's insurance market.

### Insurance Protection Gap estimate

Chart 3.2.9-o provides an updated estimation of the IPG for the Argentine insurance market between 2012 and 2022. As shown, the insurance gap in 2022 stood at 4.024 trillion pesos (30.789 billion dollars), 1.8 times the size of the actual insurance market at the end of the year. The structure and evolution of the IPG from 2012 to 2022 was largely determined by Life insurance, despite the fact that its share decreased from 78.3% in 2012 to the current 76.3% (3.069 trillion pesos). In contrast, Non-Life insurance increased its share in the IPG from 21.7% to 23.7% in that period. Therefore, as shown in Chart 3.2.9-p, the potential insurance market in Argentina in 2022 (the sum of the actual market and the insurance gap determined in that year) stood at 6.320 trillion pesos; that is, 2.8 times the size of the actual market in the country in that year.

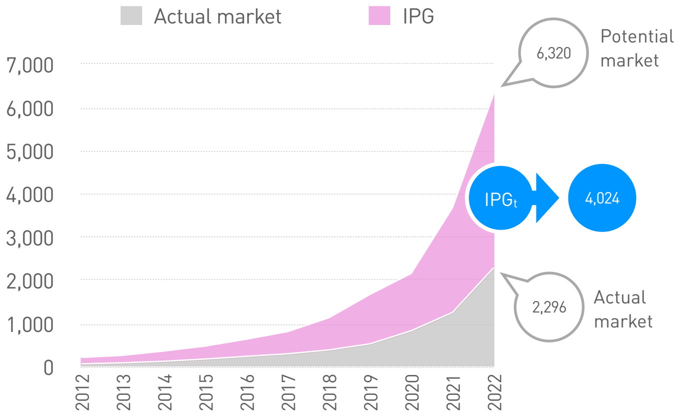
Given the hyperinflation experienced by the Argentine economy in recent years, absolute values in the IPG estimate can be somewhat misleading. As such, a good indicator of the trend in the performance of the insurance gap in this country is the estimate of the IPG as a multiple of the actual market. Based on this analysis, the IPG as a multiple showed a downward trend between 2012 and 2016, when it fell from 2.1 to 1.6 times the size of the actual market. However, a trend reversal took place from 2017 onward, when the IPG began to grow, standing at 2.1 times the size of the market in 2019. It then narrowed and expanded alternatively in subsequent years, reaching 1.8 times the size of the market in 2022 (see Chart 3.2.9-q).

**Chart 3.2.9-o**
**Argentina: Insurance Protection Gap**
**(billions of pesos)**




Source: MAPFRE Economics

Chart 3.2.9-p
Argentina: Insurance Protection Gap and potential market
(billions of pesos)



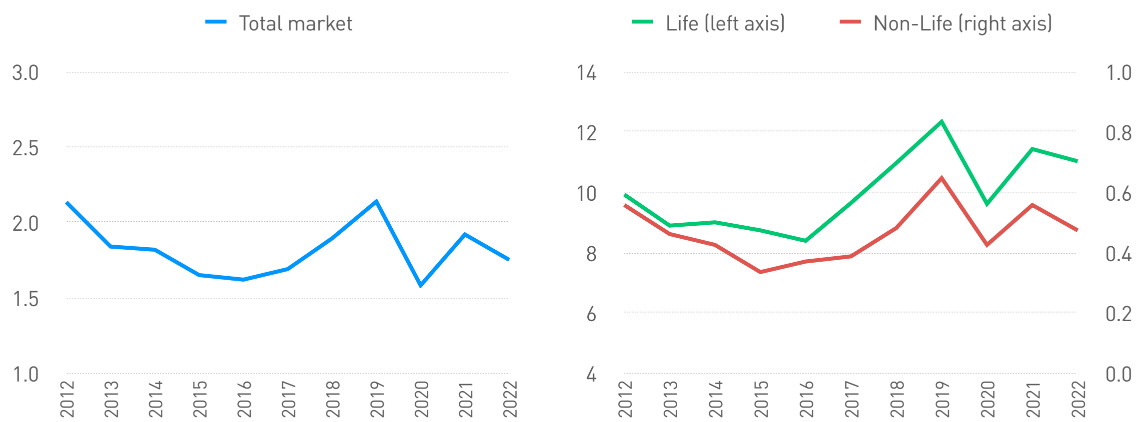

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 32.2% | 26.3% |
| 2022-2021 | 82.2% | 66.2% |

Source: MAPFRE Economics

A similar situation was observed in the Life and Non-Life segments. In the Life segment, the IPG decreased from 9.9 to 8.4 times the size of the market between 2012 and 2016. It then grew to 12.3 times in 2019, fell again in 2020 to 9.6 times, increased again in 2021 to 11.4 times, and decreased in 2022 to 11.0 times the size of the market. In the case of the Non-Life insurance segment, the trend reversal was observed even earlier. Between 2012 and 2015, the IPG decreased from 0.6 to 0.3 times the size of the actual market, but it grew again from 2016 onward, standing at 0.6 times in 2019. Then it decreased once again in 2020 to 0.4 times, before growing in 2021 to 0.6 times and falling in 2022 to 0.5 times. As a result, looking at the past decade from a mid-term perspective, the insurance gap in the Argentine market gradually narrowed, and it grew again in 2021 due to the Life business before dropping in 2022. As a result, the IPG barely changed over the past decade (see Chart 3.2.9-r).

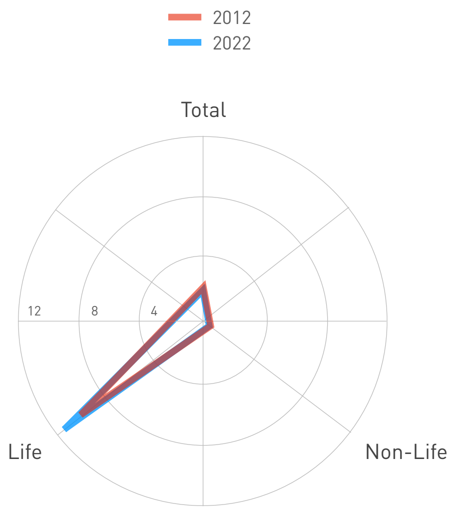
Lastly, Chart 3.2.9-s provides an updated assessment of the Argentine insurance mar-

Chart 3.2.9-q
Argentina: IPG as a multiple of the actual market
(number of times the size of the actual insurance market)




Source: MAPFRE Economics

Chart 3.2.9-r
Argentina: change in IPG
as a multiple of the actual market



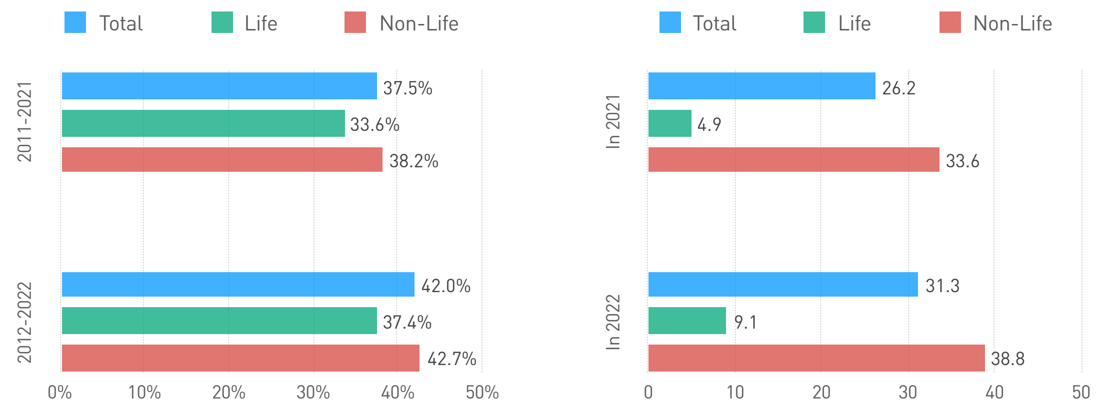

Source: MAPFRE Economics

ket's capacity to close the IPG, based on a comparative analysis between the growth rates observed over the last 10 years in this market and the growth rates that would be required to close the IPG determined in 2022 over the next decade. According to this analysis, the Argentine insurance market recorded an average annual growth rate of 42.0% between 2012 and 2022. This was underpinned by an average growth of 37.4% in the Life insurance segment and 42.7% in the Non-Life segment. As a result, were this growth rate to continue over the next 10 years, the growth rate of the market as a whole should prove sufficient to close the IPG determined in 2022 as far as both Non-Life and Life insurance are concerned. However, as indicated in previous versions of this report, high inflation rates in the Argentine economy distort this analysis, causing the sufficiency rates determined through this measurement to be overestimated.

### Market Development Index (MDI)

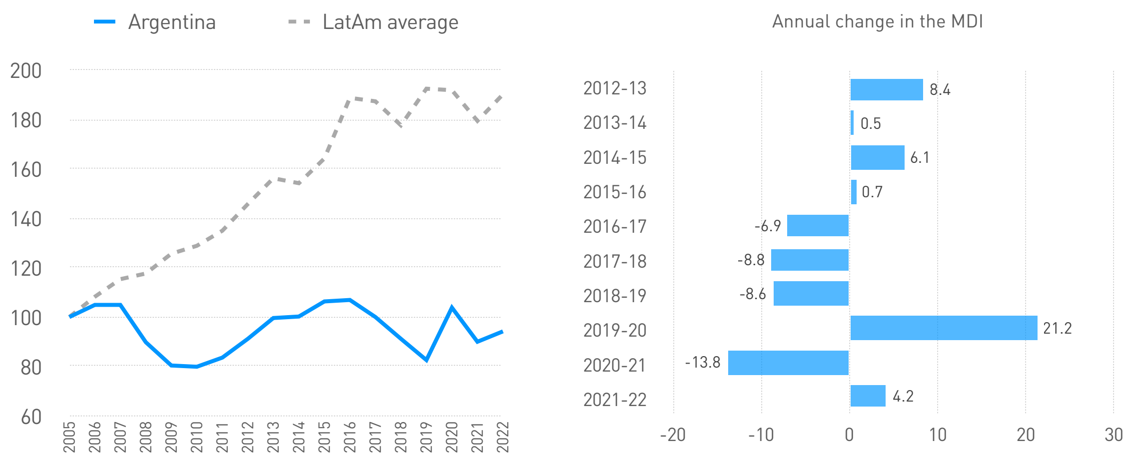
Chart 3.2.9-t shows an updated estimate of the Market Development Index (MDI) for the Argentine insurance industry. This indicator is intended to summarize the trend in the performance and maturity of insurance markets. In terms of the Argentine market, the indicator showed two moments when the trend diverged substantially from the Latin American average trend. The first was between 2008 and 2010, and the second was from 2017 until 2019, reversing temporarily in 2020 as a result of accounting effects and the macroeconomic impact of the pandemic. In any case, as shown in this graphical analysis, the indicator significantly diverges from the average for markets across the region.

Chart 3.2.9-s
Argentina: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.2.9-t**
**Argentina: Market Development Index (MDI)**
**(2005 index=100; annual change)**



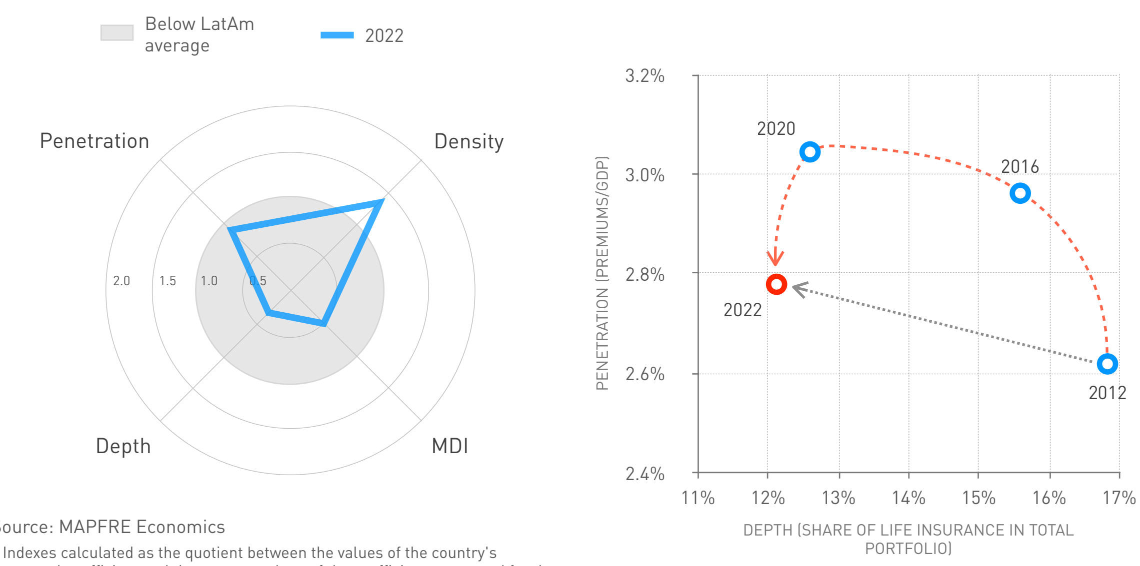

Source: MAPFRE Economics

## Comparative analysis of structural coefficients

Chart 3.2.9-u shows the Argentine insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed: penetration, density, depth and MDI. In this regard, both depth and the MDI are well below average for the region. However, Argentina aligns with the regional averages in terms of penetration and density.

Meanwhile, according to the dispersion analysis shown in the aforementioned chart, the

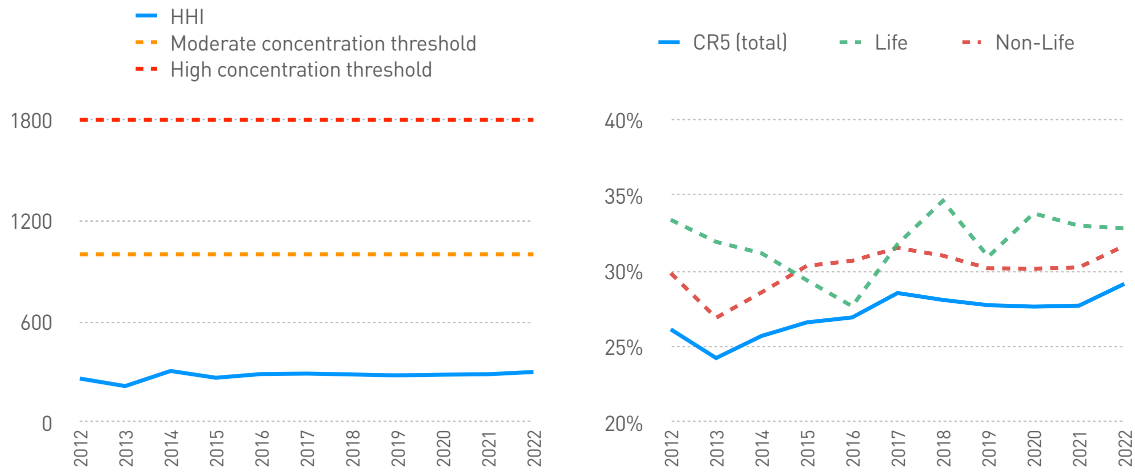
**Chart 3.2.9-u**
**Argentina: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

**Chart 3.2.9-v**
**Argentina: insurance industry concentration**
**(Herfindahl index; CR5 index, %)**




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Argentine insurance industry experienced imbalanced development at an aggregate level between 2012 and 2022. Despite certain improvements in the quantitative aspect of development (penetration levels), strongly influenced by the hyperinflationary context, a decline was registered in the qualitative aspect (depth levels).

## Insurance market rankings

### Total ranking

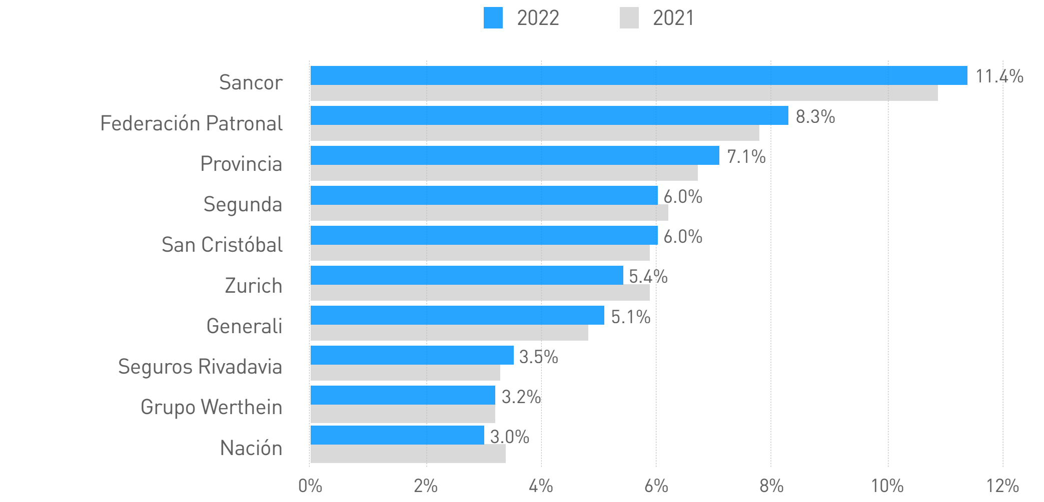
A total of 193 insurance companies were authorized to operate in the Argentine market at the end of 2022. Among them, 121 operated in Property & Casualty and Mixed insurance, five in Public Passenger Transport, 14 exclusively in Occupational Risks, 36 exclusively in Life insurance and 17 in Retirement insurance. This significant number of market participants means that the Herfindahl and CR5 indexes generally show a low degree of concentration in the insurance industry. However, they indicated a slightly upward trend in the concentration of the top five groups between 2014 and 2017, which was stronger in Life lines than in Non-Life (see Chart 3.2.9-v).

The ranking of the largest insurance groups in Argentina in 2022 continued to be led by Sancor (11.4%) and Federación Employers (8.3%). The only changes in the positioning of the groups on the ranking involved Rivadavia and Werthein, which rose by one place to eighth and ninth places, respectively, causing Nación to drop to tenth (see Chart 3.2.9-w).

### Life and Non-Life rankings

Given the importance of the Non-Life segment in the Argentine insurance market, the companies featured in the 2022 Non-Life ranking were practically the same as those that appeared in the overall ranking. As a result, Sancor led the ranking with 12.2% of premiums on the market, followed by Federación Patronal (9.2%). The first change in the ranking for this segment of the market occurred in fourth place, which was occupied by San Cristóbal group after moving up one position and pushing Segunda down to fifth place. The Galeno group moved into tenth place, held in 2021 by Nación, which left the ranking. Meanwhile, Zurich group topped the Life ranking with a 14.1% market share (14.9% in 2021), followed by Life Seguros, a company resulting from the purchase by Orí-

Chart 3.2.9-w
Argentina: overall ranking
(market shares, %)



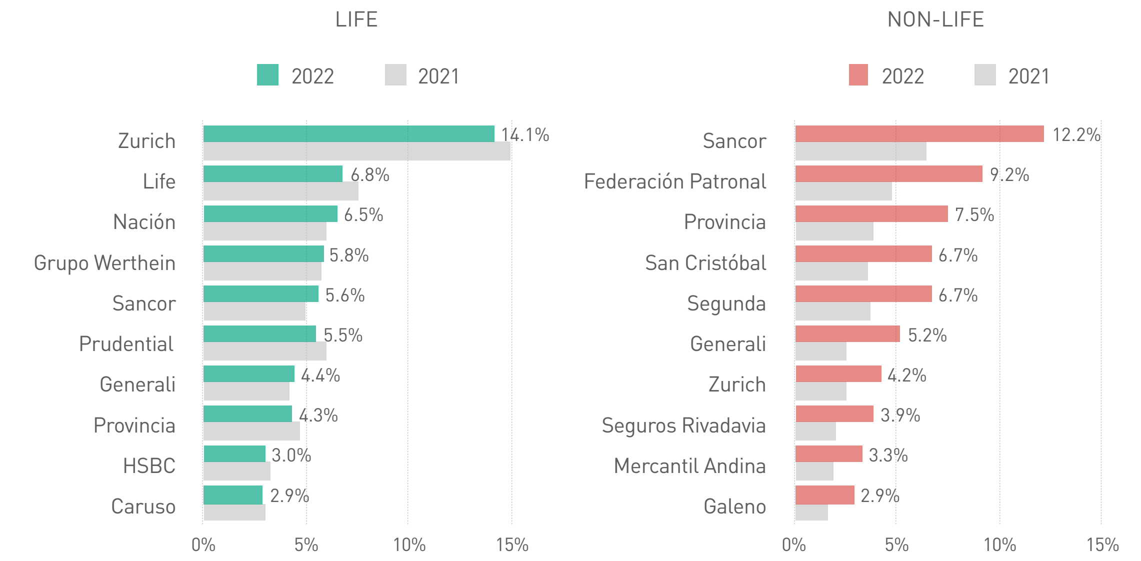

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

genes of the MetLife portfolio in 2021, with a 6.8% market share. Also noteworthy was the Prudential's decline from third to sixth place, which caused Nación, Grupo Werthein and Sancor to move up a spot. Finally, in seventh place in the ranking, Generali switched positions with Provincia, while HSBC and Caruso remained in ninth and tenth places, respectively (see Chart 3.2.9-x).

## Key regulatory aspects

In relation to the main regulatory adjustments in the Argentine insurance market

Chart 3.2.9-x
Argentina: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

between 2022 and 2023, the following stand out:

- RESOL-2022-8-APN-SSN#MEC. In order to expedite and optimize the analysis of applications for authorization of personal insurance plans, general, non-mandatory contractual conditions were published for Group Life Insurance and Annual Renewable Individual Life Insurance, which can be used by all insurance companies previously authorized to operate in said line of business. To prepare these conditions, the clauses used in the market were brought together and presented in a logical, congruent manner, meeting the current needs of insured parties. Although the conditions were dictated in general terms, each company must request authorization for coverage exclusions and situations to be considered as risk-aggravating factors, determined according to its own underwriting policy. The possibility of defining the risks covered in certain health and disability clauses has also been left open, and they are to be submitted for analysis and authorization.

- RESOL-2022-334-APN-SSN#MEC. General, non-mandatory contractual conditions were issued for Recreation or Pleasure Boat Insurance that can be used by all insurance companies authorized to operate in this line of business.

- RESOL-2022-454-APN-SSN#MEC. Considering that the Technical Reserve for Premium Deficiency (TRPD) is the main tool currently available to mitigate and penalize the impacts of operating with insufficient premiums, and that distortions have been observed in its calculation, Item 33.2 of the General Regulations on Insurance Activity (GRIA) was amended in order to standardize the calculation criteria, clarify the regulations and streamline the control and analysis of rate sufficiency.

- RESOL-2022-542-APN-SSN#MEC. Due to the increase in the loss ratio related to the theft of automobile wheels, the chambers and representative associations worked together to develop three new alternatives to be offered in the market, included as Additional Clauses under Theft Coverage in the "Appendix of item 23.6, subsection a.1)" of the GRIA. The established rule also seeks to avoid fraudulent behavior that has been observed.

- RESOL-2022-626-APN-SSN#MEC. Item 33.4.4 "Reserve for Future Lawsuits" was added to the GRIA for the purpose of mitigating the future impacts of litigation arising during the initial years of operation for companies that begin operating in the Occupational Risks line of business. In addition to other requirements under item 33.4, this reserve must be established at the close of each fiscal year or period, during the five years following the start of operations, since it has been observed in the market that litigation portfolios reach maturity after said period.

- RESOL-2022-739-APN-SSN#MEC. In October of each year, the Technical and Regulatory Division of the National Insurance Superintendence (*Superintendencia de Seguros de la Nación*, SNN) analyzes the sufficiency of the limits of Third-Party Liability Insurance for Motor and/or Towed Vehicles and for Motor Vehicles intended for Public Passenger Transport. Based on this analysis, the need arose to update the insured sums and deductibles of the coverage in question, using the rate of the Argentine Federation of Professional Councils of Economic Sciences (*Federación Argentina de Consejos Profesionales de Ciencias Económicas*, FACPCE), defined by the Resolution of the Governing Board of the Federation of Professional Councils of Economic Sciences No. 539/2018 on the date of entry into force of the new insured sums.

- IF-2022-83792444-APN-SSN#MEC. Considering the impact of the COVID-19 pandemic, with regard to calculating the reserve for Incurred But Not Reported (IBNR) Claims, a circular was issued that established the possibility of treating claims due to COVID-19 deaths as exceptional claims, in accordance with the guidelines of subsection b) of Item 33.3.6.1 of the GRIA, all without prejudice to the minimum percentage established by the regulations not being reached. In this framework, it was determined that the provision is applicable solely for the purpose of determining development factors for the burial line of business and group life and life debtor balance sub-lines of business, based on financial statements with closing dates until 06/30/2022 (inclusive), with all claims with dates of occurrence between March 19, 2020 (the date of publication of Decree No. 297) and the closing date of such financial statements being classified as exceptional claims due to COVID-19 deaths.

Furthermore, regarding the 2023–2024 period, the following adjustments to insurance regulations in Argentina stand out:

- RESOL-2023-24-APN-SSN#MEC. Given the abuses detected in insurance linked to secured or personal loans, both in relation to the contractual conditions entered into and amount of premiums sold, together with the vulnerability of the insured parties' freedom to enter into contracts, regulations were issued to achieve a balance between the rights and obligations of contractual parties. The Resolution stipulates the freedom to take out insurance and minimum number of alternative insurance companies to be offered by creditors. Furthermore, it establishes that premiums for insurance providing extended coverage to secured loans and/or capitalization and savings plans must be identical to the premiums that the selected company would receive for operations with individuals involving the same terms, conditions and covered risks. Finally, emphasis is placed on the role of insurance producers and advisors as "intermediaries." Consequently, any relationship between the latter and the creditor that could generate any type of conflict of interest would result in disqualification for the act of intermediation.
- RESOL-2023-51-APN-SSN#MEC. Allows the marketing of loss of income clauses in group life insurance, contemplating different alternatives, with the aim of simplifying the management of authorizations of general and/or specific plans, also offering a new and useful marketing tool to insurance companies. It must be kept in mind that this clause may only be offered as additional coverage in group life insurance for open groups, that is, all those in which the insured party and policyholder have a different relationship from that of employee-employer. These clauses were issued on a general and mandatory basis for all companies that intend to market them in the aforementioned life insurance policies.

Finally, with regard to the main draft bills in 2023, it is worth noting that the SNN's Technical and Regulatory Department is working on various bills related to the issuing of general conditions applicable to pet, bicycle, theft, fire and surety insurance. Furthermore, it plans to make certain amendments to the GRIA to adapt it for so-called on-demand insurance operations.

Meanwhile, a public registry will be created that contains data on personal insurance contracts (RENASEG). Insurance taken out in one's own name can be consulted by accessing the Registry through the "My Argentina" application. Individuals who require information on insurance taken out by a deceased family member or next of kin may access the Registry through the consultation module hosted on the SSN website.

Meanwhile, the SNN will analyze the insured sums of Third-Party Liability Insurance for Motor and/or Towed Vehicles and for Motor Vehicles intended for Public Passenger Transportation. Similarly, Medical Professional Liability Insurance is under analysis in order to implement periodic adjustments in the limits and insured sums that allow their continuous updating.

Finally, in view of the ongoing and significant increase in general price levels, and since this problem affects the matrices of claims paid and consequently the IBNR reserve calculation provided in Item 33.3.6 of the GRIA, the regulations in force must be adapted so that the estimate of IBNR liability is based on reasonable assumptions and appropriate actuarial methods that enable insurance companies to estimate the future costs of claims.

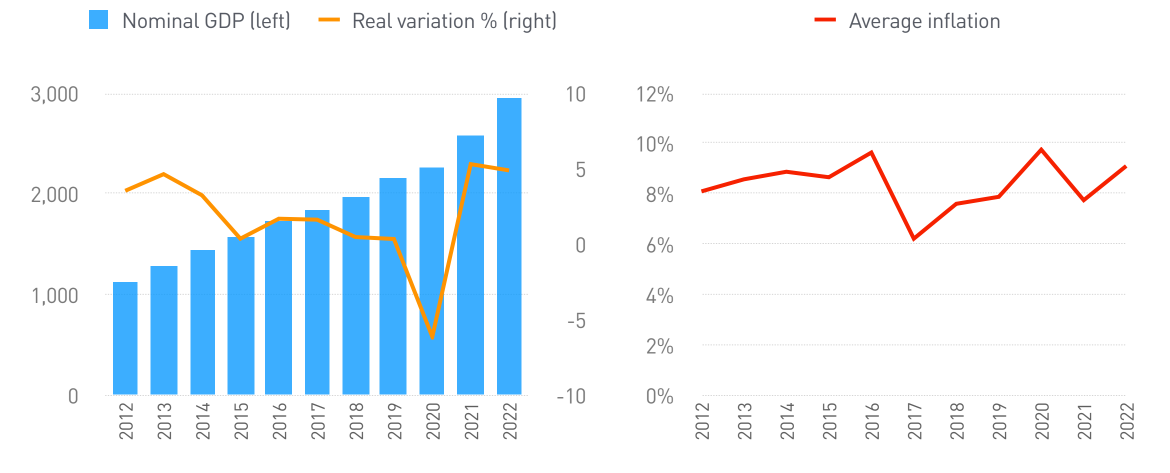
## 3.2.10 Uruguay

### Macroeconomic environment

The Uruguayan economy experienced real growth of 4.9% in 2022 (compared to an increase of 5.3% in 2021), driven mainly by household consumption, investment, and to a lesser extent, the external sector. It did so by overcoming the adverse economic impact of the drought caused by the El Niño phenomenon in the second half of the year, which led to two negative quarters of production, that is, a technical recession (see Chart 3.2.10-a). In the first half, the Uruguayan economy continued to benefit from a certain degree of buoyancy in consumption, mainly private, although it also had the support of the public sector, thanks to construction of the country's second pulp mill (UPM) and other infrastructure expenses, such as the Central Railway. This was not the case in the second half of the year, when only the private component of the annual calculation maintained an expansive tone. By sectors, recovery was observed across all areas of the economy, and growth was especially strong in trade, accommodation and supply of food and beverages, as well as in transportation and storage. The only negative contributions came from agriculture, fishing, mining and the public sector, which could not sustain the positive pace of the first few months of 2022 in a context of lower tax revenue.

The government's fiscal balance improved as of December 2022, but it continued to show a deficit, representing -3.0% of GDP (-3.7% in 2021) and following a more sustainable path than in previous years. One aspect that stood out was the decrease by 0.6% of GDP under the Non-Personal Expenses item, due to reduced needs after the end of the pandemic. The current account weakened until December, accumulating a deficit of around 3.2% of GDP, mainly due to the poor performance of trade of goods, caused by both declining exports and rising imports and not offset by the surplus in the services sector.

Chart 3.2.10-a
Uruguay: changes in economic growth and inflation
(GDP in local currency, billions of pesos; real growth rate, %; annual inflation rate, %)




Source: MAPFRE Economics (based on IMF and OEF data)

Year-on-year inflation stood at 8.3% as of December 2022 (average inflation of 9.1%), with monthly deflation reaching -0.3% at year end and consolidating the reversal of price increases after peaking in July (9.6% YoY). For its part, core inflation rose to 7.2% YoY. Tradable goods were the largest contributor at the beginning of the year, but they continued the trend of 2021 and declined throughout the year until reaching 5.8% YoY, to the detriment of non-tradable goods (9.1% YoY in December). Meanwhile, the moderation was influenced in part by negative exchange rate behavior and a shift towards monetary tightening, with the central bank setting interest rates at 11.5% at its final meeting of the year, and the slowdown in the labor market. The unemployment rate worsened, rising to 7.9% after reaching its lowest level since the end of the pandemic (7.0% in December 2021).

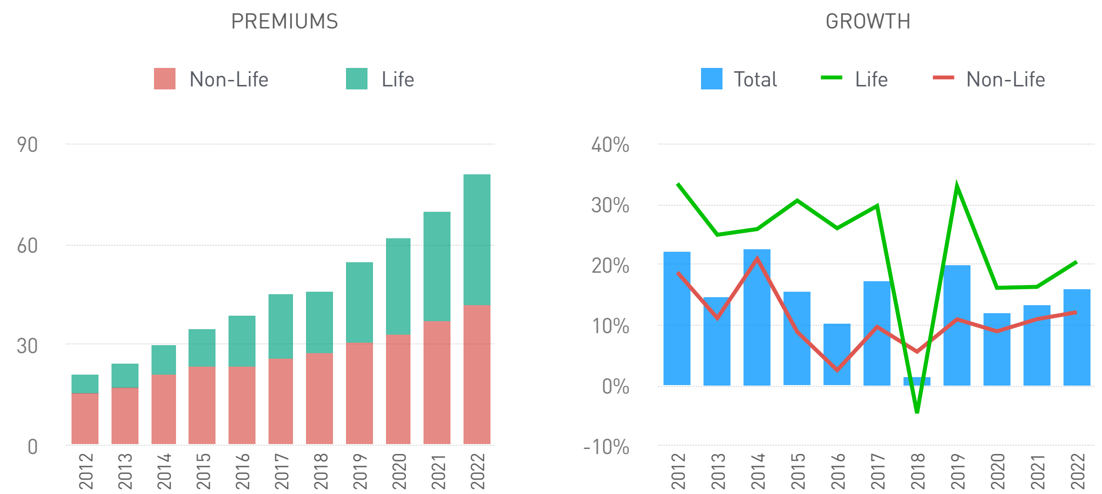
Regarding growth forecasts for 2023, MAPFRE Economics has predicted that the Uruguayan economy will slow down with growth of 1.0%, in line with ECLAC estimates. Consumption and investment are expected to continue to be the main drivers of economic activity, albeit with less buoyancy, while a decline is predicted in the public sector (in line with the trend at the end of 2022) and in the external sector, given the delicate international environment and potential prolongation of the effects of the drought. The growth forecasts of MAPFRE Economics and ECLAC for 2024 stand at 2.7% and 2.6%, respectively.

## Insurance market

### Growth

The Uruguayan insurance market once again performed positively in 2022, with a premium volume of 80.858 billion pesos (1.965 billion dollars), representing nominal growth of 16.0% and real growth of 6.4% (see Chart 3.2.10-b and Table 3.2.10). Life insurance was the main driver of this (20.5% nominal and 10.4% real growth), and more specifically pension insurance, which reached 29.676 billion pesos (721 million dollars) of revenue and represented 36.7% of total premiums. It registered a nominal increase of 22.6% and a real increase of 12.4%, with the State Insurance Bank accounting for almost all of this business segment. Meanwhile, premiums for the Non-Life line totaled 41.486 billion pesos (1.008 billion dollars), up 12.1% in nominal terms and 2.8% in real terms compared to the previous year. The Automobile line of business was the area with the highest premium volume, accounting for 41.0% of total Non-Life premiums. In addition, the

**Chart 3.2.10-b**
**Uruguay: growth developments in the insurance market**
**(premiums, billions of pesos; annual nominal growth rates, %)**




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Table 3.2.10
Uruguay: premium volume[1] by line, 2022

| Line | Millions of pesos | Millions of USD | Growth Nominal (%) | Growth Real (%) |
|---|---|---|---|---|
| **Total** | **80,857.9** | **1,964.7** | **16.0** | **6.4** |
| **Life** | **39,371.5** | **956.6** | **20.5** | **10.4** |
| Pension | 29,675.9 | 721.1 | 22.6 | 12.4 |
| Non-Pension | 9,695.6 | 235.6 | 14.3 | 4.8 |
| **Non-Life** | **41,486.4** | **1,008.0** | **12.1** | **2.8** |
| Automobiles | 16,988.7 | 412.8 | 16.0 | 6.3 |
| Other lines | 6,069.4 | 147.5 | 58.4 | 45.2 |
| Fires | 1,160.1 | 28.2 | -66.5 | -69.3 |
| Transport | 1,263.8 | 30.7 | -6.5 | -14.3 |
| Third-party liability | 1,188.4 | 28.9 | 15.2 | 5.6 |
| Theft | 1,966.9 | 47.8 | 86.3 | 70.8 |
| Surety and credit | 1,522.2 | 37.0 | 15.1 | 5.5 |
| Workplace accidents[2] | 11,326.8 | 275.2 | 10.0 | 0.8 |

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)
1/ Written premiums net of cancellations
2/ The volume of Workplace accident premiums corresponds to Banco de Seguros del Estado.

Theft line of business registered the largest increase of all Life and Non-Life lines, growing 86.3%. In contrast, Fire and Transport had negative performance.

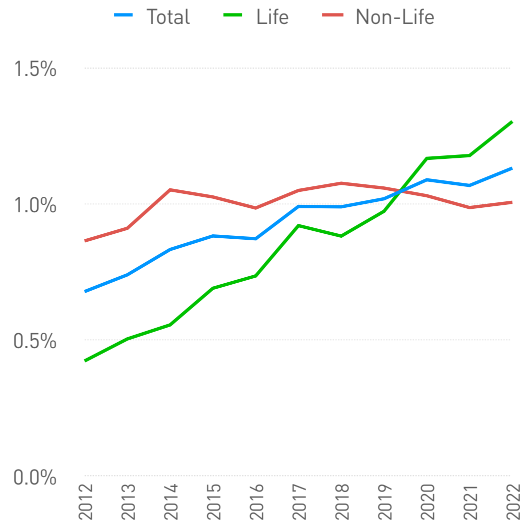
As shown in Chart 3.2.10-c, the Uruguayan insurance industry accounts for 1.1% of premiums in the overall Latin American insurance market, with a greater share in Life (1.3%) than in Non-Life (1.0%). Between 2012 and 2022, its share in the regional market increased gradually, from 0.7% in 2012 to the current 1.1%. Performance was similar in both the Life segment, whose share increased from 0.4% to 1.3%, and the Non-Life segment, which grew from 0.9% in 2012 to 1.0% in 2022.

Regarding the growth of the insurance market, as illustrated in Chart 3.2.10-d, the nominal increase of 16.0% in 2022 is based on a positive contribution of 9.6 pp from the Life segment and 6.4 pp from the Non-Life segment. As seen in the aforementioned chart, the Life insurance segment is the one that has contributed the most to the insurance industry's growth in the last four years.

## Balance sheet and shareholders' equity

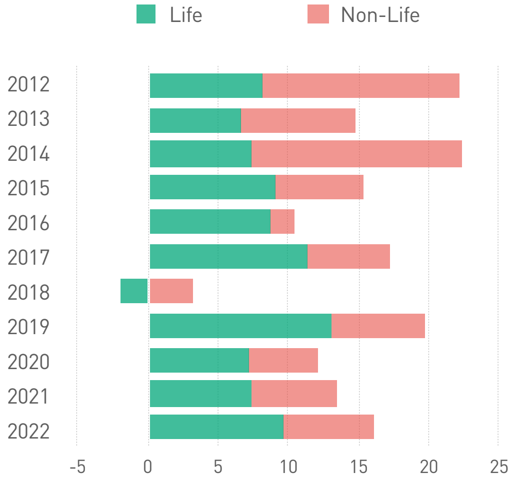
Chart 3.2.10-e shows changes in the aggregate balance sheet of the Uruguayan insur-

Chart 3.2.10-c
Uruguay: share of insurance premiums in Latin America
(%)




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay and supervisory bodies of the region)

**Chart 3.2.10-d**
**Uruguay: contribution to insurance market growth**
**(percentage points, pp)**




| | Annual growth (pp) | Contribution to growth (pp) | |
|---|---|---|---|
| | | Life | Non-Life |
| 2012 | 22.3 | 8.1 | 14.2 |
| 2013 | 14.8 | 6.6 | 8.2 |
| 2014 | 22.4 | 7.4 | 14.9 |
| 2015 | 15.3 | 9.0 | 6.2 |
| 2016 | 10.4 | 8.7 | 1.7 |
| 2017 | 17.3 | 11.3 | 6.0 |
| 2018 | 1.3 | -1.9 | 3.2 |
| 2019 | 19.7 | 13.1 | 6.6 |
| 2020 | 12.1 | 7.1 | 5.0 |
| 2021 | 13.4 | 7.5 | 5.9 |
| 2022 | 16.0 | 9.6 | 6.4 |

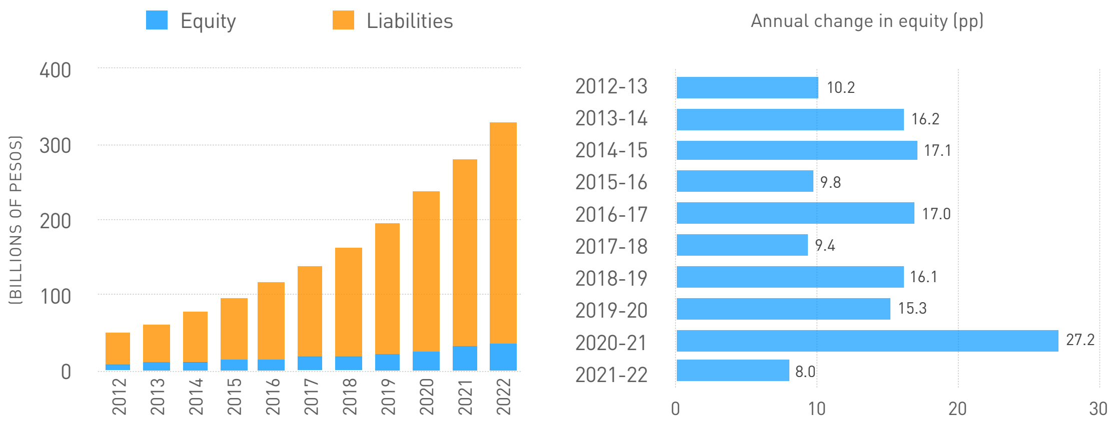
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

ance industry between 2012 and 2022. In this regard, the industry's total assets reached 328.304 billion pesos (8.226 billion dollars) in 2022, a 17.6% increase from its level in 2021, with equity of 37.093 billion pesos (929 million dollars). Regarding the change in the Uruguayan insurance industry's aggregate capitalization levels (measured over total assets), they decreased gradually from 18.8% in 2012 to 11.4% in 2020, and then increased slightly in 2021 (12.3%) before falling again to 11.3% in 2022.

### Investments

Charts 3.2.10-f, 3.2.10-g, and 3.2.10-h show investment performance and the composition of the investment portfolio for the Uruguayan insurance industry over the 2012–2022 period. In this regard, industry investments

**Chart 3.2.10-e**
**Uruguay: changes in the insurance industry's aggregate balance sheet**
**(amounts in local currency; change in equity, percentage points)**



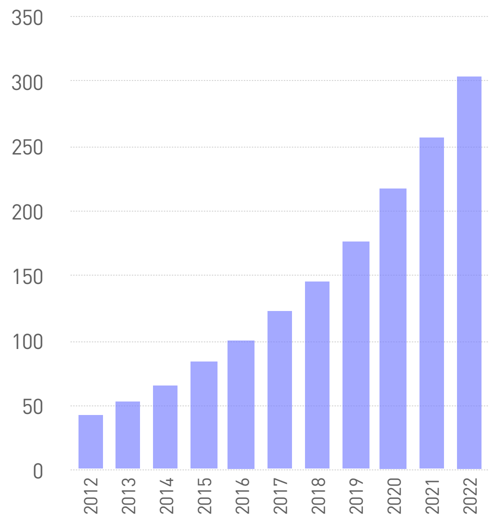

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

totaled 303.358 billion pesos (7.601 billion dollars), with 90.1% of investments concentrated in fixed income and equity instruments, 0.3% in real estate investments, 0.01% in cash and cash equivalents, and the remaining 9.6% in other financial investments (mainly bank deposits). It is also worth noting the change in the relative weight of real estate investments in the aggregate portfolio, as this fell from 1.6% of the portfolio in 2012 to just 0.3% in 2022.

**Technical provisions**

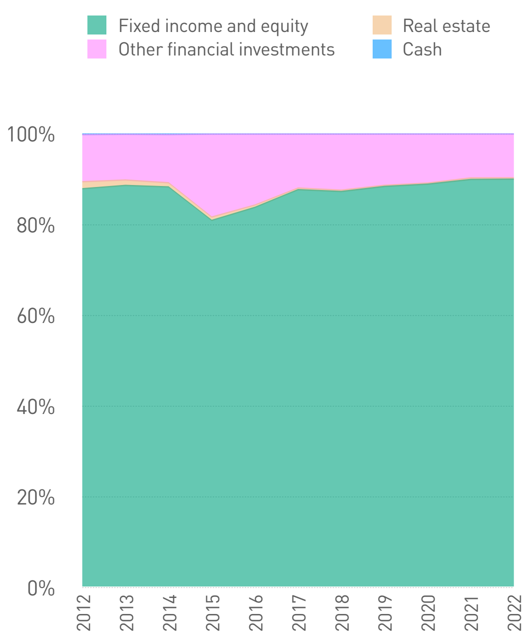
Charts 3.2.10-i, 3.2.10-j, and 3.2.10-k show the structure and changes to technical provisions in the Uruguayan insurance industry between 2012 and 2022. In 2022, technical provisions stood at 275.218 billion pesos (6.896 billion dollars). Technical provisions for Life insurance accounted for 75.3% of the total, while provisions for unearned premiums and unexpired risks in Non-Life insurance accounted for 4.7% and provisions for

**Chart 3.2.10-f**
**Uruguay: insurance market investments**
**(billions of pesos)**



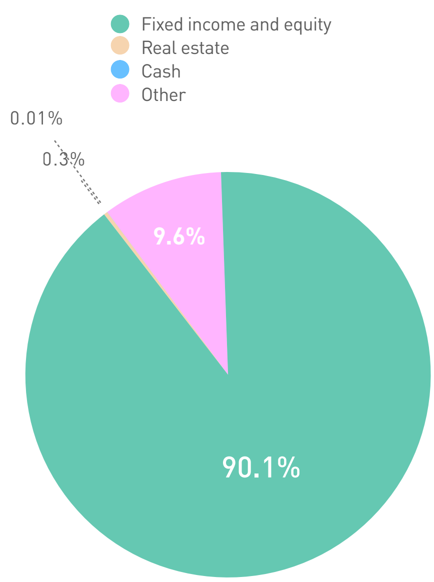

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

**Chart 3.2.10-g**
**Uruguay: structure of investments**
**(%)**




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

**Chart 3.2.10-h**
**Uruguay: structure of investments, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

outstanding losses for the remaining 20.0%. The relative weight of the Life insurance technical provision grew steadily over the aforementioned period, from 53.0% of total provisions in 2012 to 75.3% in 2022.

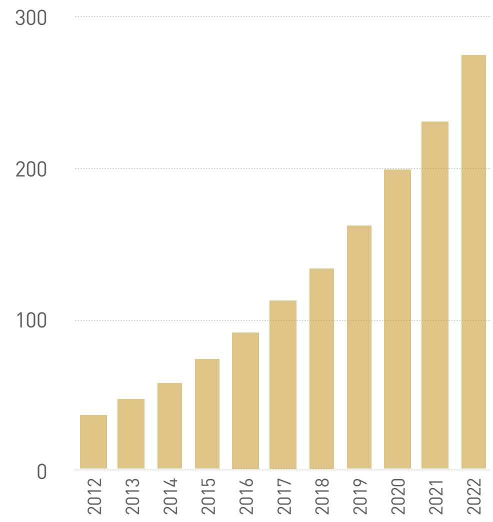
### Technical performance

Chart 3.2.10-l shows the technical performance of the Uruguayan insurance market over the past decade. According to this information, the combined ratio, after an improvement of 5.7 pp in 2021, showed a slight impairment of 0.4 pp in 2022, reaching 104.0%, with slight increases in both the loss ratio and the expense ratio (0.1 pp and 0.4 pp respectively).

### Results and profitability

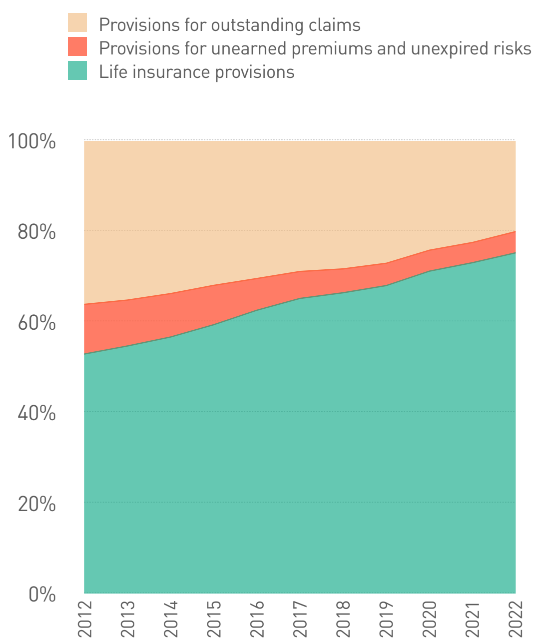
The Uruguayan insurance industry posted a net result of 3.446 billion pesos (84 million dollars) for the 2022 fiscal year, a significant increase of 57.5% compared to the previous year. This was due both to the previously

**Chart 3.2.10-i**
**Uruguay: technical provisions of the insurance market**
**(billions of pesos)**



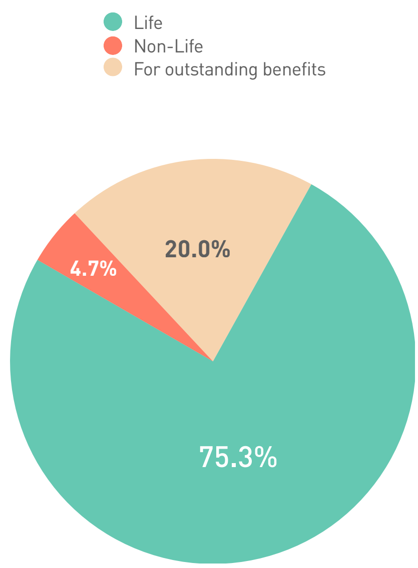

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

**Chart 3.2.10-j**
**Uruguay: structure of technical provisions**
**(%)**



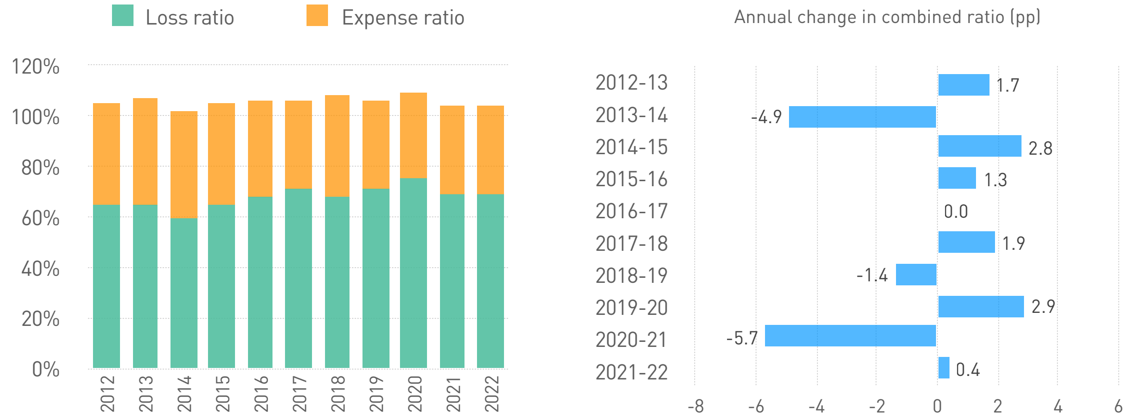

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

**Chart 3.2.10-k**
**Uruguay: structure of technical provisions, 2022**
**(%)**




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-l
Uruguay: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



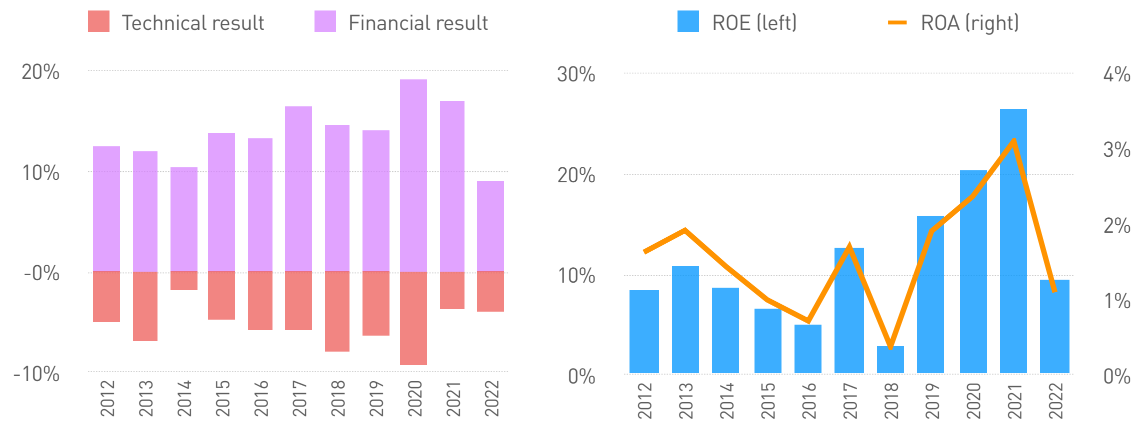

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

mentioned impairment of the technical result and to a lower financial result (-39.2%). Meanwhile, from the perspective of profitability parameters, return on equity (ROE) in Uruguay's insurance market stood at 9.6% in 2022, a decrease of 16.8 pp from the previous year. A similar situation can be seen with return on assets (ROA), which reached 1.1% in 2022, down by 2.0 pp compared to 2021 (see Chart 3.2.10-m).

### Insurance penetration, density and depth

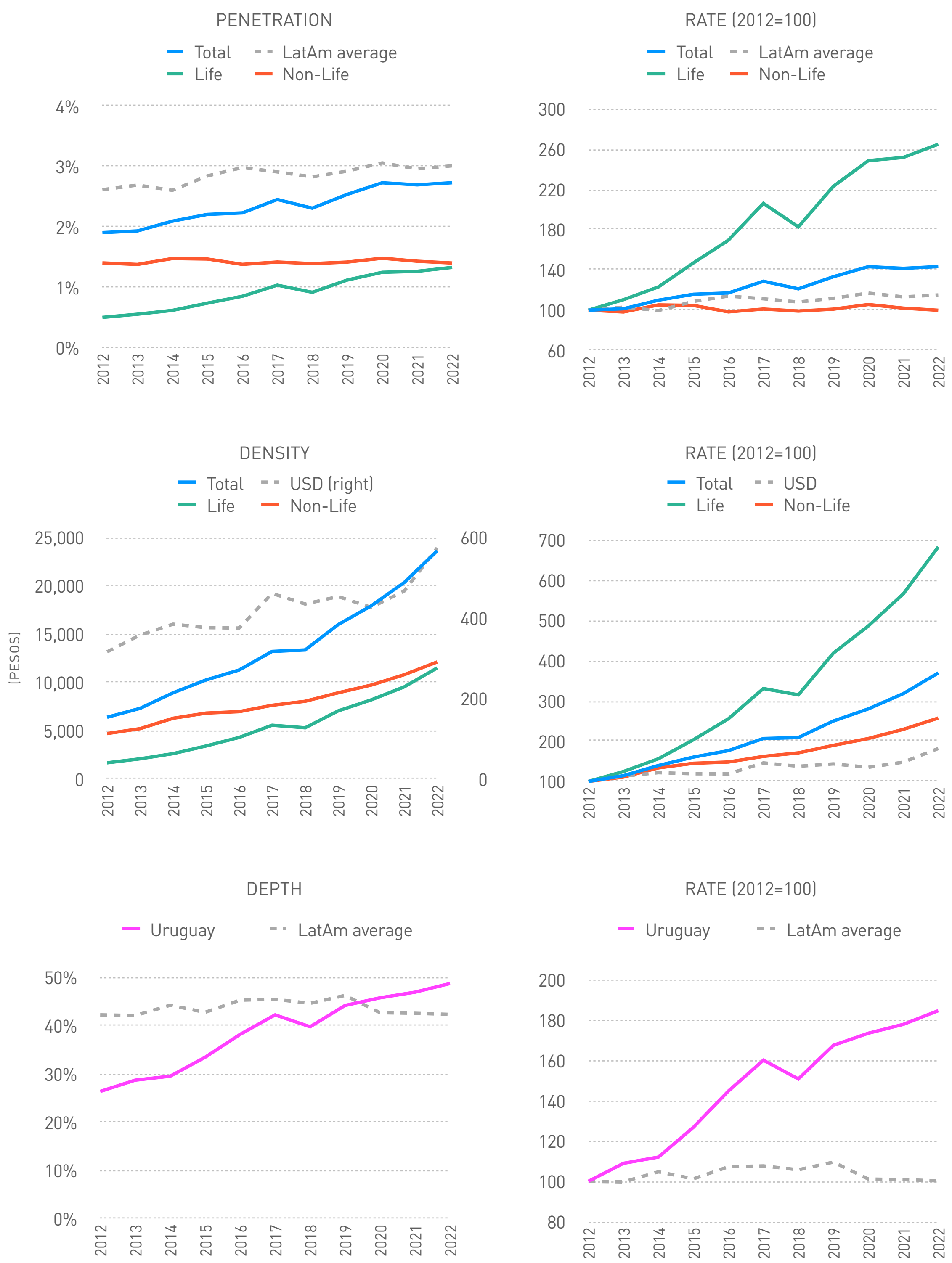
Chart 3.2.10-n shows the main structural trends shaping the development of the Uruguayan insurance industry between 2012 and 2022. First, the penetration rate (premiums/GDP) came to 2.7% in 2022, similar to its level in the previous two years and 0.8 pp higher than in 2012. It should be noted that,

Chart 3.2.10-m
Uruguay: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

**Chart 3.2.10-n**
**Uruguay: changes in penetration, density and depth**
**(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2012 index=100)**




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

from a medium-term perspective, the penetration rate in the Uruguayan market has shown a clear upward trend during the past decade, practically converging with the average absolute values of the region's other markets.

Insurance density in Uruguay (premiums per capita) amounted to 23,623 pesos (574 dollars), up 16.2% on the level reached in 2021. Density (measured in local currency) followed an upward trend over the course of the period under analysis, both in the Life segment and in the Non-Life segment, with a cumulative increase of 269.3% over the 2012--2022 period. Lastly, after a slight contraction in 2018, insurance depth in the Uruguayan market (Life insurance premiums in relation to total premiums) began to increase again to reach 48.7% in 2022, 22.3 pp higher than in 2012, managing to surpass the average for Latin American insurance markets.

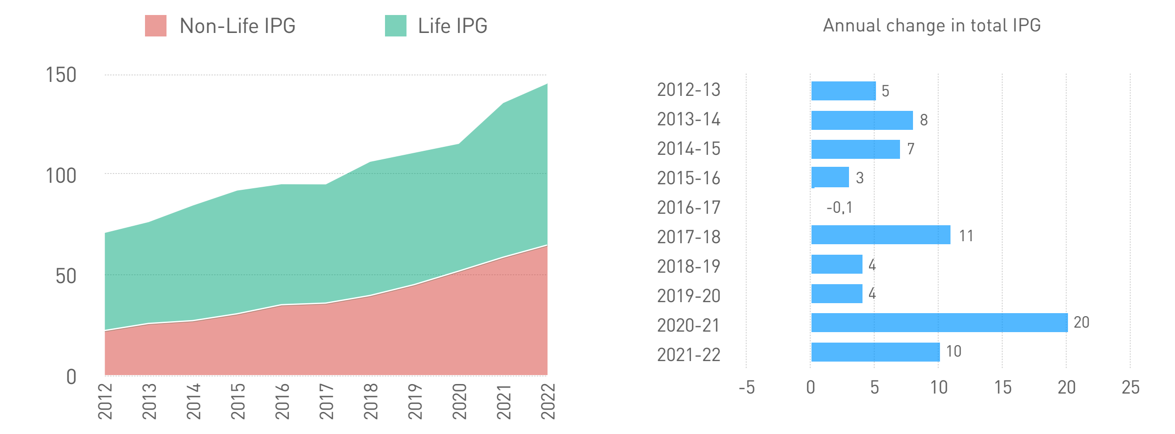
### Estimation of the Insurance Protection Gap

Chart 3.2.10-o provides an updated estimation of the Insurance Protection Gap for the Uruguayan insurance market between 2012 and 2022. These data indicate that the IPG stood at 145.444 billion pesos (3.534 billion dollars) in 2022, 1.8 times the size of the Uruguayan insurance market at the end of that year. The structure and performance of the IPG over the period under analysis continued to be mainly shaped by the Life insurance segment. At the close of 2022, Life insurance accounted for 55.3% of the IPG (80.477 billion pesos), 13.1 pp below the share for this segment 10 years earlier. The remaining 44.7% of the 2022 insurance gap is attributable to the Non-Life insurance segment (64.967 billion pesos). As such, the potential insurance market in Uruguay at the close of 2022 (the sum of the actual market plus the IPG) was estimated at 226.302 billion pesos (5.499 billion dollars), 2.8 times the size of the total insurance market that year (see Chart 3.2.10-p).

Chart 3.2.10-q shows the estimation of the insurance gap in the Uruguayan market as a multiple of the real insurance market, which decreased between 2012 and 2022 in the Life insurance segment from 8.6 to 2.0 times. However, it should be noted that in the Non-Life insurance segment, the downward trend reversed from 2015 onward, meaning that the insurance gap as a multiple of this market rose from 1.3 times in 2014 to 1.6 times in 2022.

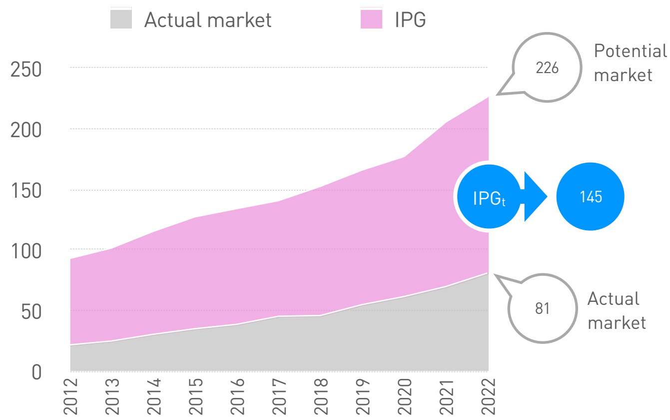
Finally, Chart 3.2.10-r summarizes the performance of the IPG as a multiple of the actu-

**Chart 3.2.10-o**
**Uruguay: Insurance Protection Gap**
**(billions of pesos)**




Source: MAPFRE Economics

**Chart 3.2.10-p**
**Uruguay: Insurance Protection Gap and potential market**
**(billions of pesos)**



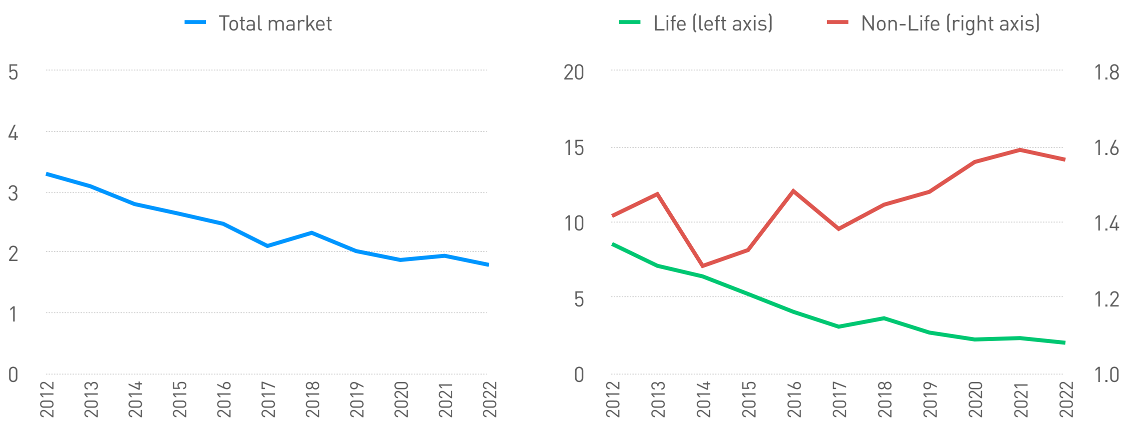

| Change | Actual market | IPG |
|---|---|---|
| 2022-2012 | 375.0% | 204.1% |
| 2022-2021 | 16.0% | 7.1% |

Source: MAPFRE Economics

al market in the Life and Non-Life insurance segments and in the Uruguayan insurance market as a whole, by comparing the situation in 2022 with that of 2012. This information shows that the situation of the Uruguayan insurance market improved substantially in the Life line, while the Non-Life segment improved marginally in terms of the gap as a multiple of the actual market, as previously mentioned.

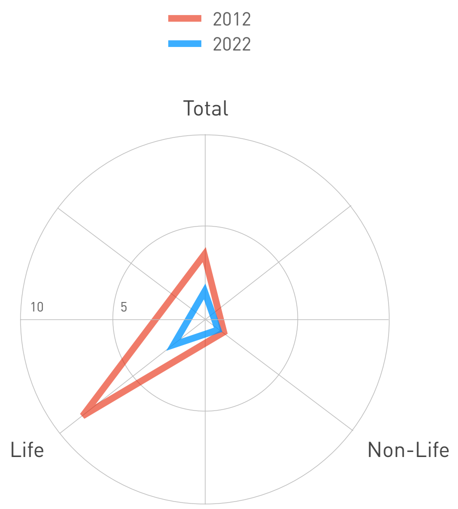
Finally, Chart 3.2.10-s provides an updated overview of the Uruguayan insurance market's capacity to close the IPG determined in 2022, based on a comparative analysis between the growth rates observed over the past 10 years and the growth rates that would be required to close the gap over the next decade. Accordingly, the Uruguayan insurance market grew at an average annual rate of 14.1% over the period analyzed; this growth was comprised of an annual growth rate of 21.4% in the Life insurance segment and 10.1% in the Non-Life insurance segment. As a result, were the same growth rate seen over the last decade to continue over

**Chart 3.2.10-q**
**Uruguay: IPG as a multiple of the actual market**
**(number of times the size of the actual insurance market)**




Source: MAPFRE Economics

Chart 3.2.10-r
Uruguay: change in IPG
as a multiple of the actual market




Source: MAPFRE Economics

the next 10 years, the growth rate of the Uruguayan insurance market would continue to prove sufficient to close the insurance gap estimated for 2022 over this period in both insurance segments.

## Market Development Index (MDI)

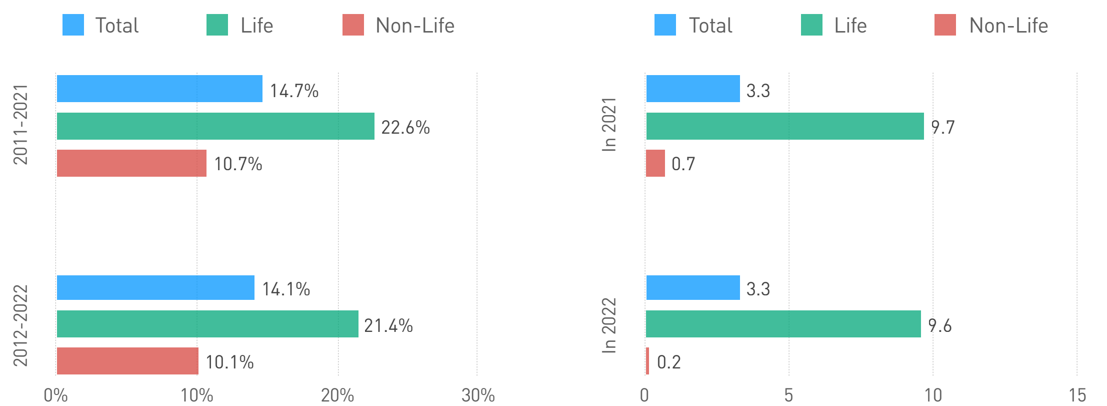
Chart 3.2.10-t provides an updated estimation of the Market Development Index (MDI) for the Uruguayan insurance industry between 2005 and 2022. In this case, the MDI showed a clearly positive trend throughout the period under analysis, and from 2022 onwards far surpassed the average performance of Latin American insurance markets.

As shown, the indicator fell in 2018, reflecting the overall performance in the Uruguayan market. It recovered in 2019 and 2020, and although it dipped slightly in 2021, it has since proven more dynamic than the regional average.

## Comparative analysis of structural coefficients

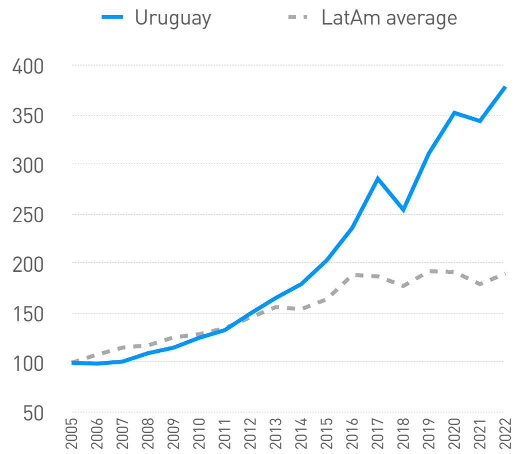
Chart 3.2.10-u shows the situation of the Uruguayan insurance market in 2022 compared to the Latin American average in terms of the four structural coefficients analyzed previously. Except for the penetration indicator, which is still below the regional average, the Uruguayan market surpasses the regional averages, especially in terms of density, but also depth and the MDI estimation. The dispersion analysis shown in the aforemen-

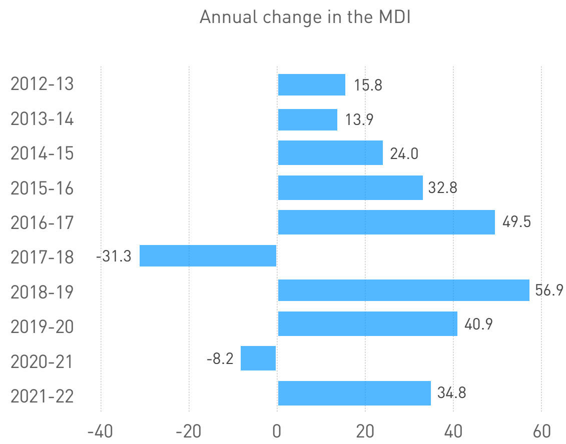
Chart 3.2.10-s
Uruguay: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)




Source: MAPFRE Economics

**Chart 3.2.10-t**
**Uruguay: Market Development Index (MDI)**
**(2005 index=100; annual change)**




Source: MAPFRE Economics

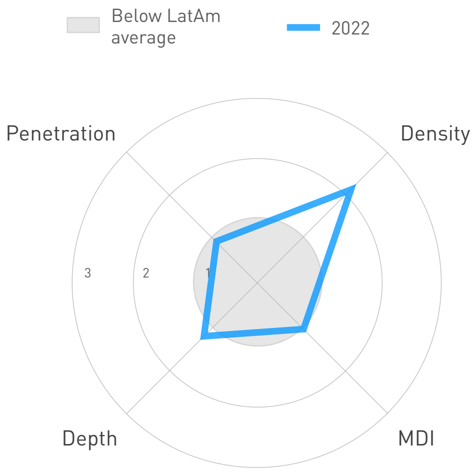
tioned chart confirms that, between 2012 and 2022, the Uruguayan insurance industry showed balanced development characterized by sustained improvements in both insurance penetration levels (quantitative aspect of market development) and depth levels (qualitative aspect).

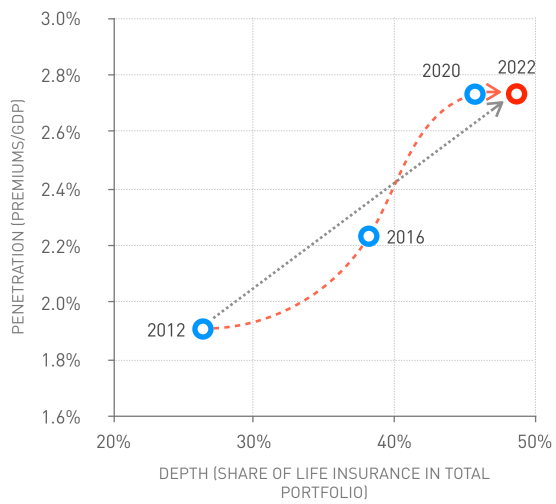
## Insurance market rankings

### Total ranking

There were 16 insurance companies operating in Uruguay in 2022: 15 private companies and one state-owned company (Banco de Se-

**Chart 3.2.10-u**
**Uruguay: comparative structural coefficient index* vs. average for Latin America (2022) and medium-term changes in the insurance market (2012–2022)**




Source: MAPFRE Economics

* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

guros del Estado, or BSE), which monopolizes the Occupational Accidents line. As indicated in previous reports, this has created a highly concentrated insurance market, with high Herfindahl and CR5 index values maintained over the years. It should be noted, however, that, as shown in Chart 3.2.10-v, while the trend toward higher concentration prevailed in the Life insurance segment, the Non-Life market showed a downward trend from 2018 onwards.

BSE led the total ranking of the Uruguayan insurance market in 2022 with a 69.1% market share (0.3 pp more than 2021), with 22.6% growth in pension Life insurance. It was followed by MAPFRE with a 6.7% market share and Sura with 6.0%, without changes in the positions occupied by the groups in 2021 (see Chart 3.2.10-w).

**Life and Non-Life rankings**

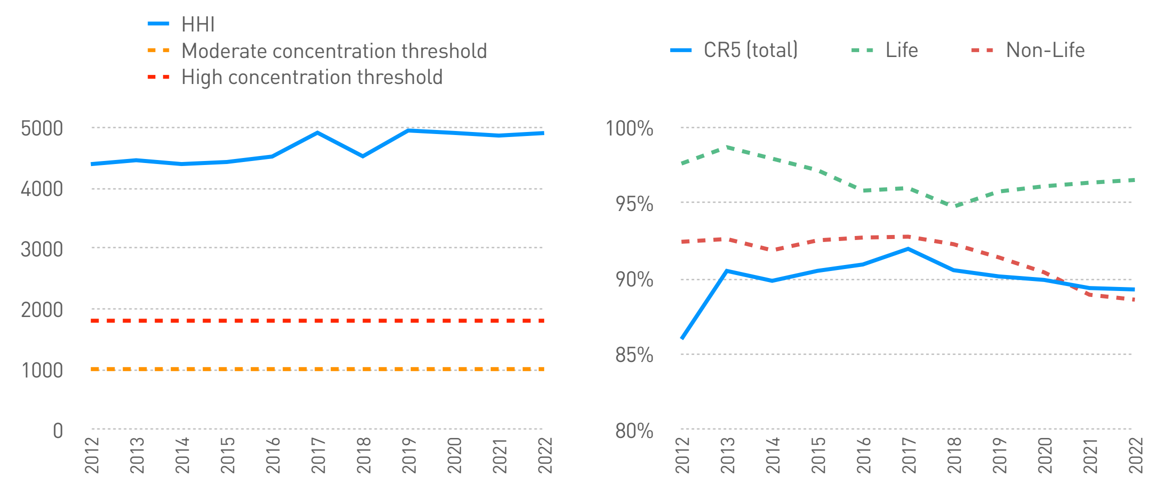
With regard to the Non-Life insurance ranking for 2022, all groups maintained the same positions as in 2021. BSE had a 58.7% market share (-0.4 pp year-on-year), followed by Sura (10.2%) and MAPFRE (8.4%). BSE also led the Life ranking, with an increase in its market share following the significant rise in the sale of pension insurance, reaching 80.0% of premiums. MAPFRE remained in second place with a 4.8% market share. MetLife and Zurich switched positions, occupying third and fourth place with 4.6% and 4.5% market shares, respectively, while the other groups held the same positions as the previous year (see Chart 3.2.10-x).

## Key regulatory aspects

With regard to the main regulations related to the insurance market published by the Superintendence of Financial Services (*Superintendencia de Servicios Financieros*, SSF) of the Central Bank of Uruguay in 2022 and to date, the following stand out.

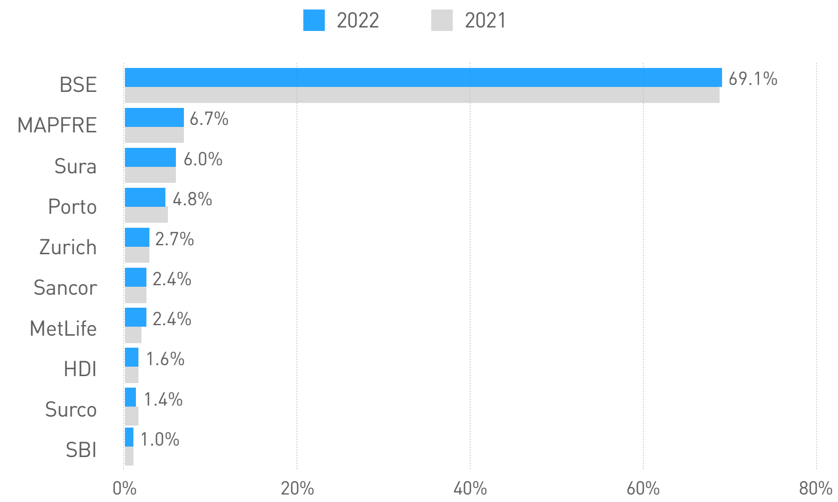
Within the framework of revised regulations on data storage and outsourcing applicable to all supervised companies, Circular No. 2422 was issued, incorporating an alternative to the requirement to physically file a copy of saved data in Uruguay when institutions outsource data processing to third parties overseas, or when, despite being located in the country, these third parties

Chart 3.2.10-v
Uruguay: insurance industry concentration
(Herfindahl index; CR5 index, %)




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

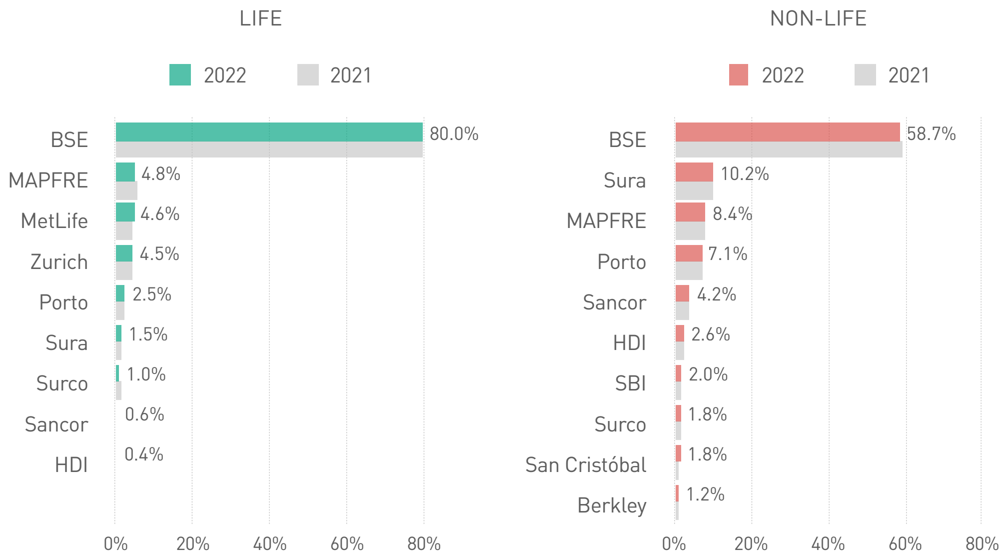
Chart 3.2.10-w
Uruguay: overall ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

provide the service fully or partially from an overseas location. Institutions may choose to implement and make available a physical space located in the country with the necessary technological infrastructure to allow full, continuous and permanent access to and control of all data processed outside the country, as well as the necessary safeguards and passwords for access and eventual decryption. Institutions must report said in-country access point, in accordance with the instructions established by Communication No. 2023-070.

Chart 3.2.10-x
Uruguay: Life and Non-Life ranking
(market shares, %)




Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

In addition, through Communication No. 2022-254, other provisions regarding outsourcing were adjusted for all regulated markets. Specifically, minimum clauses were incorporated into contracts, referring to the provider's obligations, and it was established that the SSF could exempt certain services provided by third parties located outside the country from requiring express authorization for their procurement.

On another note, the SSF issued the document *Guidelines on Best Practices for the Protection of Financial Services Consumers* (Communication No. 2022-216), which standardizes a set of best practices expected of institutions in terms of fair treatment, transparent information and conflict resolution with consumers, among other aspects contributing to trust in the financial system. It is a document to which institutions may adhere on a voluntary basis.

Meanwhile, Circular No. 2429 eliminated the requirement to submit copies to the SSF of documents in which insurance companies transcribe resolutions of the SSF and of the Central Bank of Uruguay referring to specific instructions received and fines paid by the institution itself.

Finally, Circular No. 2433 and Communication No. 2023-102 impose new requirements on the information to be submitted in relation to new policies and technical notes. On the one hand, a form is provided for submission by electronic means, and on the other, the company's legal advisor is required to submit a report stating that the policy's content complies in all of its terms and conditions with current regulations on the matter, and that it follows the guidelines contained in the instructions provided by the Communication. These instructions were prepared by the legal services of the Central Bank of Uruguay to ensure that insurance contracts contain all the necessary clauses and do not impose abusive conditions for policyholders and insured parties.

Meanwhile, in relation to draft bills in progress, the SSF continues to work on a bill to promote alignment with international best practices and standards regarding risk capital requirements for insurance companies. Within the framework of this initiative, a multidisciplinary working group was formed that is developing different initiatives in pursuit of the stated objective, in accordance with the roadmap indicated for this purpose. Based on an analysis of the different Solvency II documents and comparative regulations on the matter, it defined the risks that would be covered and information that would have to be collected for the purpose of carrying out studies in order to obtain the model's parameters.

Finally, during this period, with a view to making progress on the determination of the capital requirement for insurance risk, Communication Nos. 2022-170 and 2023-057 were issued, which require information to be submitted on the forms used to estimate the Reserve for Incurred But Not Reported Claims based on the "triangle method."

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1/ See: MAPFRE Economics (2023), *2023 Economic and Industry Outlook: Third-Quarter Perspectives*, Madrid, Fundación MAPFRE.

2/ See: https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023?CID=sm-com-homepage-WEOET2023004

3/ See: ECLAC, *Estudio Económico de América Latina y el Caribe 2023*.

4/ See: ECLAC, *Estudio Económico de América Latina y el Caribe 2023, op.cit*

5/ See: See: MAPFRE Economics (2023), *Global Savings and Insurance Industry Investments*, Fundación MAPFRE.

6/ See: United Nations Conference on Trade and Development (UNCTAD) (https://unctad.org/es)

7/ See: United Nations, *World Population Prospects 2022*.

8/ See: MAPFRE Economics (2022), *COVID-19: A Preliminary Analysis of Demographic and Insurance Industry Impacts*, Madrid, Fundación MAPFRE.

9/ The penetration, density and depth data, as well as the measurement of the Insurance Protection Gap (IPG) and the Market Development Index (MDI) for 2021 and prior years may show differences with those presented in the previous year's report (MAPFRE Economics [2022], *The Latin American Insurance Market in 2021*, Madrid, Fundación MAPFRE), by virtue of updates to insurance premium figures in Latin American markets reported by supervisory agencies, adjustments in the gross domestic product data published by the corresponding entities in each country, and adjustments to insurance market penetration parameters used in the IPG estimation as a result of updates to insurance premium and gross domestic product figures.

10/ One important detail, as indicated in previous versions of this report, is that in the individual density analysis in each of the markets considered, there was a growth trend over the last few years when the measurement was taken in the local currency. This confirms the idea that the situation of economic stagnation in Latin America seen since the end of the 2003–2013 period is holding the region back compared to the rest of the world, reaffirming the importance of the above-mentioned structural reforms to stabilize exchange rates and the region's economies generally.

11/ From a methodological standpoint, the IPG can be estimated in two ways. The first is an *ex-post* approach based on losses observed. In this case, the IPG will be calculated as the difference between the economic losses recorded during a specific period and the portion of those losses that were covered by insurance compensation. The second is an *ex-ante* approach based on an analysis of optimal protection levels, which are estimated based on a comparison between the level of coverage that is socially and economically adequate to cover the risks and the actual level of protection. The second approach was selected for this fiscal year's report, which involved determining the spread between the optimal and real covered amounts, contemplated as the differential between penetration indexes of each Latin American insurance market with respect to an average of advanced markets (United States, Canada, Japan and 27 countries of the European Union).

12/ See: MAPFRE Economics (2023), *2023 Economic and Industry Outlook: Third-Quarter Perspectives*, *op.cit.*

13/ Based on data from Swiss Re.

14/ See: MAPFRE Economics (2023), *2023 Economic and Industry Outlook: Third-Quarter Perspectives*, *op.cit.*

15/ Venezuela and Argentina are excluded from the inflation calculation; otherwise, average inflation would exceed 10%

16/ See: https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023?CID=sm-com-homepage-WEOET2023004

17/ See: https://www.gob.mx/cms/uploads/attachment/file/706634/Panorama_Anal_tico_del_Sector_4T_2021.pdf

18/ It should be noted that the modifications made to the accounting record in Costa Rica in 2015 make it more difficult, to some extent, to compare statistical data for that year with data for previous years, both in terms of revenue per premium and in terms of the balance sheet and income statements.

19/ As indicated in previous reports, it is important to note that the change in the composition of technical provisions of the Ecuadorian insurance industry in 2012 was mainly due to the accounting effect of Resolution No. SBS-2012-0068 of February 7, 2012, which modified the treatment of provisions for outstanding benefits which, until 2011, were considered net of ceded reinsurance. These provisions are now presented in their gross amount, while including under assets the amount receivable by the party corresponding to the reinsurer. The other major change was between 2015 and 2016, due to a relative increase in the provision for outstanding benefits as a result of the earthquake that struck the country in April 2016.

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## Table A.1. Mexico: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 308,257 | 142,811 | 165,446 | 11.3% | 6.9% | 834,069 | 663,036 | 703,352 | 635,864 | 130,718 | 106.4 | -12,289 | 46,402 | 18.9% | 3.0% |
| 2013 | 341,351 | 159,058 | 182,293 | 10.7% | 6.7% | 927,429 | 726,451 | 791,825 | 714,968 | 135,604 | 105.2 | -11,465 | 43,024 | 17.2% | 2.6% |
| 2014 | 357,465 | 169,178 | 188,287 | 4.7% | 0.7% | 1,038,144 | 806,795 | 896,113 | 812,993 | 142,031 | 106.1 | -14,431 | 50,546 | 18.3% | 2.6% |
| 2015 | 391,210 | 181,918 | 209,293 | 9.4% | 6.5% | 1,164,846 | 906,063 | 1,014,786 | 920,402 | 150,060 | 105.5 | -14,606 | 47,648 | 14.5% | 1.9% |
| 2016 | 443,429 | 209,146 | 234,283 | 13.3% | 10.2% | 1,333,539 | 1,022,961 | 1,147,457 | 1,027,596 | 186,082 | 104.1 | -12,612 | 63,719 | 23.0% | 3.1% |
| 2017 | 484,322 | 214,897 | 269,425 | 9.2% | 3.0% | 1,456,244 | 1,111,609 | 1,254,968 | 1,122,988 | 201,276 | 108.0 | -25,958 | 86,262 | 24.4% | 3.4% |
| 2018 | 523,902 | 242,817 | 281,085 | 8.2% | 3.1% | 1,550,682 | 1,195,650 | 1,335,629 | 1,196,364 | 215,053 | 102.8 | -10,558 | 79,043 | 22.8% | 3.2% |
| 2019 | 582,245 | 270,456 | 311,789 | 11.1% | 7.2% | 1,687,453 | 1,310,484 | 1,451,681 | 1,296,873 | 235,772 | 104.3 | -17,516 | 99,083 | 25.8% | 3.6% |
| 2020 | 583,563 | 274,240 | 309,322 | 0.2% | -3.1% | 1,833,953 | 1,474,737 | 1,580,653 | 1,439,725 | 253,299 | 106.7 | -27,092 | 95,773 | 20.3% | 2.8% |
| 2021 | 643,261 | 300,119 | 343,142 | 10.2% | 4.3% | 2,005,332 | 1,584,176 | 1,748,162 | 1,587,087 | 257,170 | 116.1 | -67,152 | 113,704 | 15.0% | 2.0% |
| 2022 | 672,649 | 303,147 | 369,503 | 4.6% | -3.1% | 2,100,042 | 1,668,415 | 1,826,188 | 1,646,173 | 273,855 | 106.7 | -32,767 | 57,525 | 21.5% | 2.8% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.9% | 0.9% | 1.0% | 2,663 | 1,234 | 1,429 | 46.3% | 990,012 | 618,800 | 371,212 | 3.2 | 4.3 | 2.2 |
| 2013 | 2.1% | 1.0% | 1.1% | 2,910 | 1,356 | 1,554 | 46.6% | 948,498 | 575,338 | 373,159 | 2.8 | 3.6 | 2.0 |
| 2014 | 2.0% | 1.0% | 1.1% | 3,010 | 1,425 | 1,585 | 47.3% | 1,036,250 | 634,446 | 401,804 | 2.9 | 3.8 | 2.1 |
| 2015 | 2.1% | 1.0% | 1.1% | 3,256 | 1,514 | 1,742 | 46.5% | 1,103,223 | 677,524 | 425,699 | 2.8 | 3.7 | 2.0 |
| 2016 | 2.2% | 1.0% | 1.2% | 3,649 | 1,721 | 1,928 | 47.2% | 1,119,224 | 663,825 | 455,399 | 2.5 | 3.2 | 1.9 |
| 2017 | 2.2% | 1.0% | 1.2% | 3,943 | 1,749 | 2,193 | 44.4% | 1,190,209 | 718,089 | 472,120 | 2.5 | 3.3 | 1.8 |
| 2018 | 2.2% | 1.0% | 1.2% | 4,225 | 1,958 | 2,267 | 46.3% | 1,284,760 | 764,673 | 520,087 | 2.5 | 3.1 | 1.9 |
| 2019 | 2.4% | 1.1% | 1.3% | 4,655 | 2,162 | 2,493 | 46.5% | 1,296,344 | 748,177 | 548,168 | 2.2 | 2.8 | 1.8 |
| 2020 | 2.5% | 1.2% | 1.3% | 4,632 | 2,177 | 2,455 | 47.0% | 1,259,269 | 679,820 | 579,449 | 2.2 | 2.5 | 1.9 |
| 2021 | 2.5% | 1.2% | 1.3% | 5,077 | 2,369 | 2,708 | 46.7% | 1,409,200 | 793,949 | 614,633 | 2.2 | 2.6 | 1.8 |
| 2022 | 2.4% | 1.1% | 1.3% | 5,276 | 2,378 | 2,898 | 45.1% | 1,503,790 | 849,487 | 654,303 | 2.2 | 2.8 | 1.8 |

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.2. Guatemala: main insurance market figures and indicators
(millions of quetzales)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 4,646 | 952 | 3,694 | -1.5% | -5.1% | 6,671 | 4,591 | 4,543 | 3,340 | 2,128 | 94.5 | 170 | 310 | 22.3% | 6.8% |
| 2013 | 5,219 | 1,057 | 4,162 | 12.3% | 7.6% | 7,359 | 5,041 | 4,916 | 3,398 | 2,443 | 91.2 | 293 | 343 | 26.3% | 8.6% |
| 2014 | 5,639 | 1,187 | 4,452 | 8.1% | 4.5% | 7,889 | 5,463 | 5,121 | 3,648 | 2,768 | 91.0 | 318 | 363 | 24.6% | 8.4% |
| 2015 | 5,966 | 1,176 | 4,790 | 5.8% | 3.3% | 8,686 | 5,640 | 5,619 | 3,993 | 3,067 | 93.3 | 256 | 378 | 22.8% | 8.0% |
| 2016 | 6,313 | 1,271 | 5,042 | 5.8% | 1.3% | 9,132 | 5,951 | 5,817 | 4,964 | 3,314 | 93.3 | 284 | 389 | 20.5% | 7.3% |
| 2017 | 6,802 | 1,418 | 5,384 | 7.7% | 3.2% | 9,973 | 6,382 | 6,380 | 4,775 | 3,593 | 92.1 | 357 | 407 | 21.9% | 7.9% |
| 2018 | 7,005 | 1,462 | 5,542 | 3.0% | -0.7% | 10,637 | 7,213 | 6,754 | 4,864 | 3,883 | 90.9 | 416 | 450 | 23.8% | 8.6% |
| 2019 | 7,525 | 1,627 | 5,898 | 7.4% | 3.6% | 11,048 | 7,489 | 7,042 | 5,082 | 4,006 | 90.1 | 486 | 459 | 23.9% | 8.7% |
| 2020 | 7,841 | 1,704 | 6,136 | 4.2% | 1.0% | 11,719 | 7,868 | 7,367 | 5,611 | 4,352 | 85.8 | 723 | 428 | 26.7% | 9.8% |
| 2021 | 8,804 | 2,069 | 6,735 | 12.3% | 7.7% | 12,696 | 8,310 | 8,256 | 6,281 | 4,440 | 92.8 | 399 | 453 | 20.9% | 7.5% |
| 2022 | 9,968 | 2,447 | 7,521 | 13.2% | 5.9% | 13,857 | 8,681 | 8,905 | 6,464 | 4,951 | 88.2 | 761 | 478 | 25.9% | 9.2% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, quetzales) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.2% | 0.2% | 0.9% | 307 | 63 | 244 | 20.5% | 27,440 | 17,871 | 9,569 | 5.9 | 18.8 | 2.6 |
| 2013 | 1.3% | 0.3% | 1.0% | 338 | 69 | 270 | 20.3% | 27,777 | 17,729 | 10,047 | 5.3 | 16.8 | 2.4 |
| 2014 | 1.3% | 0.3% | 1.0% | 359 | 76 | 283 | 21.1% | 30,018 | 19,373 | 10,645 | 5.3 | 16.3 | 2.4 |
| 2015 | 1.3% | 0.2% | 1.0% | 373 | 73 | 299 | 19.7% | 32,338 | 20,852 | 11,486 | 5.4 | 17.7 | 2.4 |
| 2016 | 1.3% | 0.3% | 1.0% | 388 | 78 | 309 | 20.1% | 32,658 | 20,500 | 12,158 | 5.2 | 16.1 | 2.4 |
| 2017 | 1.3% | 0.3% | 1.0% | 410 | 86 | 325 | 20.8% | 33,394 | 20,978 | 12,416 | 4.9 | 14.8 | 2.3 |
| 2018 | 1.3% | 0.3% | 1.0% | 416 | 87 | 329 | 20.9% | 35,387 | 22,152 | 13,236 | 5.1 | 15.1 | 2.4 |
| 2019 | 1.3% | 0.3% | 1.0% | 440 | 95 | 345 | 21.6% | 38,119 | 23,123 | 14,996 | 5.1 | 14.2 | 2.5 |
| 2020 | 1.3% | 0.3% | 1.0% | 452 | 98 | 353 | 21.7% | 39,303 | 22,703 | 16,601 | 5.0 | 13.3 | 2.7 |
| 2021 | 1.3% | 0.3% | 1.0% | 500 | 117 | 382 | 23.5% | 44,720 | 26,462 | 18,242 | 5.1 | 12.8 | 2.7 |
| 2022 | 1.4% | 0.3% | 1.0% | 559 | 137 | 421 | 24.5% | 45,522 | 26,940 | 18,582 | 4.6 | 11.0 | 2.5 |

Source: MAPFRE Economics (based on data from the Superintendency of Banks)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.3. Honduras: main insurance market figures and indicators (millions of lempiras)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 6,903 | 2,026 | 4,877 | 10.7% | 5.2% | 10,974 | 8,057 | 6,461 | 4,939 | 4,513 | 89.1 | 440 | 548 | 21.3% | 8.6% |
| 2013 | 7,499 | 2,315 | 5,184 | 8.6% | 3.3% | 11,622 | 8,371 | 7,220 | 5,107 | 4,402 | 94.0 | 255 | 713 | 16.8% | 6.6% |
| 2014 | 7,961 | 2,421 | 5,541 | 6.2% | 0.1% | 12,477 | 8,328 | 7,937 | 5,533 | 4,540 | 92.0 | 337 | 756 | 15.9% | 5.9% |
| 2015 | 8,726 | 2,792 | 5,934 | 9.6% | 6.2% | 13,401 | 8,877 | 8,622 | 5,765 | 4,779 | 85.3 | 665 | 639 | 19.4% | 7.0% |
| 2016 | 9,581 | 3,288 | 6,294 | 9.8% | 6.9% | 14,910 | 9,648 | 9,454 | 6,165 | 5,456 | 84.5 | 755 | 591 | 20.6% | 7.4% |
| 2017 | 10,362 | 3,179 | 7,184 | 8.1% | 4.1% | 16,561 | 10,057 | 10,406 | 7,189 | 6,155 | 81.3 | 893 | 580 | 18.6% | 6.9% |
| 2018 | 11,158 | 3,622 | 7,536 | 7.7% | 3.2% | 16,361 | 9,838 | 10,602 | 7,302 | 5,759 | 81.0 | 887 | 578 | 20.7% | 7.5% |
| 2019 | 11,244 | 3,845 | 7,398 | 0.8% | -3.4% | 16,420 | 10,572 | 10,152 | 7,326 | 6,267 | 84.6 | 839 | 721 | 21.6% | 7.9% |
| 2020 | 11,569 | 3,959 | 7,610 | 2.9% | -0.6% | 25,158 | 11,423 | 18,663 | 14,907 | 6,495 | 85.5 | 804 | 658 | 18.8% | 5.8% |
| 2021 | 12,886 | 4,515 | 8,371 | 11.4% | 6.6% | 19,493 | 11,172 | 13,127 | 9,605 | 6,366 | 97.1 | 185 | 576 | 8.4% | 2.4% |
| 2022 | 14,312 | 4,948 | 9,364 | 11.1% | 1.8% | 21,109 | 12,928 | 13,636 | 9,483 | 7,473 | 87.1 | 850 | 327 | 14.4% | 4.9% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, lempiras) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.9% | 0.6% | 1.3% | 785 | 230 | 555 | 29.3% | 22,755 | 15,373 | 7,383 | 3.3 | 7.6 | 1.5 |
| 2013 | 2.0% | 0.6% | 1.4% | 837 | 258 | 579 | 30.9% | 22,339 | 14,674 | 7,665 | 3.0 | 6.3 | 1.5 |
| 2014 | 1.9% | 0.6% | 1.3% | 872 | 265 | 607 | 30.4% | 25,090 | 16,637 | 8,453 | 3.2 | 6.9 | 1.5 |
| 2015 | 1.9% | 0.6% | 1.3% | 939 | 300 | 638 | 32.0% | 28,321 | 18,513 | 9,808 | 3.2 | 6.6 | 1.7 |
| 2016 | 1.9% | 0.7% | 1.3% | 1,013 | 348 | 665 | 34.3% | 28,918 | 18,220 | 10,698 | 3.0 | 5.5 | 1.7 |
| 2017 | 1.9% | 0.6% | 1.3% | 1,076 | 330 | 746 | 30.7% | 31,123 | 19,935 | 11,188 | 3.0 | 6.3 | 1.6 |
| 2018 | 1.9% | 0.6% | 1.3% | 1,139 | 370 | 770 | 32.5% | 33,072 | 21,016 | 12,056 | 3.0 | 5.8 | 1.6 |
| 2019 | 1.8% | 0.6% | 1.2% | 1,129 | 386 | 743 | 34.2% | 36,011 | 21,778 | 14,233 | 3.2 | 5.7 | 1.9 |
| 2020 | 2.0% | 0.7% | 1.3% | 1,143 | 391 | 752 | 34.2% | 34,500 | 19,891 | 14,609 | 3.0 | 5.0 | 1.9 |
| 2021 | 1.9% | 0.7% | 1.2% | 1,254 | 439 | 814 | 35.0% | 41,536 | 24,495 | 17,025 | 3.2 | 5.4 | 2.0 |
| 2022 | 1.8% | 0.6% | 1.2% | 1,372 | 474 | 898 | 34.6% | 45,071 | 26,501 | 18,570 | 3.1 | 5.4 | 2.0 |

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.4. El Salvador: main insurance market figures and indicators
(millions of USD)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 503 | 187 | 315 | 5.2% | 3.5% | 663 | 497 | 340 | 228 | 323 | 90.0 | 30 | 19 | 14.6% | 7.1% |
| 2013 | 546 | 210 | 336 | 8.6% | 7.8% | 724 | 561 | 381 | 254 | 343 | 90.6 | 31 | 19 | 14.3% | 6.8% |
| 2014 | 572 | 225 | 347 | 4.7% | 3.5% | 775 | 600 | 410 | 282 | 365 | 92.8 | 25 | 20 | 13.3% | 6.3% |
| 2015 | 609 | 233 | 376 | 6.4% | 7.2% | 841 | 645 | 461 | 295 | 380 | 98.7 | 5 | 22 | 9.9% | 4.6% |
| 2016 | 621 | 216 | 405 | 2.0% | 1.4% | 817 | 607 | 448 | 299 | 369 | 98.8 | 5 | 25 | 9.0% | 4.0% |
| 2017 | 616 | 215 | 401 | -0.8% | -1.8% | 855 | 632 | 476 | 307 | 380 | 97.6 | 9 | 24 | 10.3% | 4.6% |
| 2018 | 658 | 219 | 438 | 6.7% | 5.6% | 891 | 648 | 496 | 317 | 396 | 98.8 | 5 | 27 | 9.7% | 4.3% |
| 2019 | 702 | 237 | 465 | 6.8% | 6.7% | 932 | 650 | 532 | 323 | 400 | 100.9 | -4 | 24 | 9.3% | 4.0% |
| 2020 | 722 | 260 | 462 | 2.8% | 3.2% | 971 | 667 | 563 | 352 | 408 | 102.7 | -11 | 18 | 6.1% | 2.6% |
| 2021 | 826 | 328 | 498 | 14.5% | 10.7% | 994 | 671 | 585 | 365 | 409 | 103.9 | -20 | 12 | 4.6% | 1.9% |
| 2022 | 907 | 354 | 553 | 9.7% | 2.4% | 1,057 | 707 | 620 | 380 | 437 | 98.9 | 6 | 13 | 12.6% | 5.2% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, USD) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.4% | 0.9% | 1.5% | 82 | 30 | 51 | 37.3% | 1,252 | 842 | 410 | 2.5 | 4.5 | 1.3 |
| 2013 | 2.5% | 1.0% | 1.5% | 88 | 34 | 54 | 38.4% | 1,196 | 783 | 414 | 2.2 | 3.7 | 1.2 |
| 2014 | 2.5% | 1.0% | 1.5% | 92 | 36 | 56 | 39.4% | 1,229 | 813 | 416 | 2.1 | 3.6 | 1.2 |
| 2015 | 2.6% | 1.0% | 1.6% | 98 | 37 | 60 | 38.2% | 1,277 | 852 | 425 | 2.1 | 3.7 | 1.1 |
| 2016 | 2.6% | 0.9% | 1.7% | 99 | 35 | 65 | 34.9% | 1,257 | 833 | 424 | 2.0 | 3.8 | 1.0 |
| 2017 | 2.5% | 0.9% | 1.6% | 98 | 34 | 64 | 34.9% | 1,291 | 847 | 444 | 2.1 | 3.9 | 1.1 |
| 2018 | 2.5% | 0.8% | 1.7% | 105 | 35 | 70 | 33.3% | 1,343 | 895 | 448 | 2.0 | 4.1 | 1.0 |
| 2019 | 2.6% | 0.9% | 1.7% | 112 | 38 | 74 | 33.8% | 1,364 | 883 | 481 | 1.9 | 3.7 | 1.0 |
| 2020 | 2.9% | 1.1% | 1.9% | 115 | 41 | 73 | 36.0% | 1,210 | 740 | 470 | 1.7 | 2.8 | 1.0 |
| 2021 | 2.9% | 1.1% | 1.7% | 131 | 52 | 79 | 39.7% | 1,460 | 890 | 569 | 1.8 | 2.7 | 1.1 |
| 2022 | 2.9% | 1.1% | 1.7% | 143 | 56 | 87 | 39.0% | 1,510 | 926 | 584 | 1.7 | 2.6 | 1.1 |

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.5. Nicaragua: main insurance market figures and indicators
(millions of cordobas)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 3,255 | 514 | 2,741 | 17.7% | 9.8% | 4,944 | 3,486 | 3,490 | 2,598 | 1,453 | 94.4 | 103 | 166 | 19.1% | 5.7% |
| 2013 | 3,878 | 668 | 3,210 | 19.1% | 11.2% | 5,793 | 4,096 | 4,190 | 2,997 | 1,603 | 89.6 | 236 | 178 | 23.4% | 6.6% |
| 2014 | 4,615 | 823 | 3,792 | 19.0% | 12.2% | 6,795 | 4,788 | 4,820 | 3,450 | 1,975 | 87.2 | 350 | 213 | 25.1% | 7.1% |
| 2015 | 5,198 | 916 | 4,282 | 12.6% | 8.3% | 7,857 | 5,533 | 5,521 | 3,916 | 2,336 | 86.6 | 431 | 269 | 25.6% | 7.5% |
| 2016 | 5,848 | 1,111 | 4,737 | 12.5% | 8.7% | 9,268 | 6,493 | 6,529 | 4,709 | 2,738 | 89.1 | 403 | 347 | 23.1% | 6.9% |
| 2017 | 6,618 | 1,295 | 5,324 | 13.2% | 9.0% | 11,132 | 7,597 | 7,684 | 5,571 | 3,448 | 82.8 | 718 | 431 | 30.5% | 9.3% |
| 2018 | 7,066 | 1,451 | 5,615 | 6.8% | 1.7% | 12,012 | 8,356 | 7,648 | 5,080 | 4,364 | 84.3 | 753 | 466 | 26.8% | 9.0% |
| 2019 | 6,766 | 1,367 | 5,399 | -4.2% | -9.1% | 12,853 | 8,755 | 7,667 | 5,127 | 5,185 | 90.7 | 397 | 541 | 20.0% | 7.7% |
| 2020 | 6,888 | 1,329 | 5,559 | 1.8% | -1.8% | 13,512 | 9,781 | 7,631 | 5,165 | 5,881 | 97.2 | 109 | 581 | 13.4% | 5.6% |
| 2021 | 7,734 | 1,453 | 6,281 | 12.3% | 7.0% | 14,788 | 10,826 | 8,180 | 5,534 | 6,608 | 96.2 | 144 | 601 | 11.8% | 5.2% |
| 2022 | 8,554 | 1,588 | 6,965 | 10.6% | 0.1% | 15,918 | 11,648 | 9,109 | 6,129 | 6,809 | 97.1 | 115 | 643 | 9.4% | 4.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, cordobas) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.3% | 0.2% | 1.1% | 540 | 85 | 455 | 15.8% | 17,099 | 11,427 | 5,672 | 5.3 | 22.2 | 2.1 |
| 2013 | 1.4% | 0.2% | 1.2% | 634 | 109 | 525 | 17.2% | 17,639 | 11,583 | 6,056 | 4.5 | 17.3 | 1.9 |
| 2014 | 1.5% | 0.3% | 1.2% | 743 | 133 | 611 | 17.8% | 19,969 | 13,352 | 6,617 | 4.3 | 16.2 | 1.7 |
| 2015 | 1.5% | 0.3% | 1.2% | 825 | 145 | 680 | 17.6% | 22,781 | 15,175 | 7,606 | 4.4 | 16.6 | 1.8 |
| 2016 | 1.5% | 0.3% | 1.2% | 915 | 174 | 741 | 19.0% | 23,672 | 15,380 | 8,292 | 4.0 | 13.8 | 1.8 |
| 2017 | 1.6% | 0.3% | 1.3% | 1,021 | 200 | 821 | 19.6% | 25,009 | 16,327 | 8,682 | 3.8 | 12.6 | 1.6 |
| 2018 | 1.7% | 0.4% | 1.4% | 1,075 | 221 | 854 | 20.5% | 24,533 | 16,151 | 8,382 | 3.5 | 11.1 | 1.5 |
| 2019 | 1.6% | 0.3% | 1.3% | 1,015 | 205 | 810 | 20.2% | 25,296 | 16,018 | 9,278 | 3.7 | 11.7 | 1.7 |
| 2020 | 1.6% | 0.3% | 1.3% | 1,020 | 197 | 823 | 19.3% | 27,110 | 16,272 | 10,838 | 3.9 | 12.2 | 1.9 |
| 2021 | 1.6% | 0.3% | 1.3% | 1,129 | 212 | 917 | 18.8% | 31,469 | 19,444 | 12,013 | 4.1 | 13.4 | 1.9 |
| 2022 | 1.5% | 0.3% | 1.2% | 1,231 | 229 | 1,002 | 18.6% | 34,746 | 21,343 | 13,403 | 4.1 | 13.4 | 1.9 |

Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.6. Costa Rica: main insurance market figures and indicators
(millions of colones)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 466,156 | 55,542 | 410,614 | 16.2% | 11.2% | 1,484,494 | 1,121,715 | 897,830 | 670,748 | 586,664 | 104.4 | -14,203 | 83,428 | 8.8% | 3.5% |
| 2013 | 517,980 | 69,625 | 448,355 | 11.1% | 5.6% | 1,634,857 | 1,259,540 | 956,010 | 709,259 | 678,847 | 112.7 | -45,863 | 80,619 | 6.4% | 2.6% |
| 2014 | 622,592 | 76,621 | 545,972 | 20.2% | 15.0% | 1,851,783 | 1,350,464 | 1,114,450 | 818,676 | 737,333 | 110.8 | -44,132 | 100,903 | 6.5% | 2.6% |
| 2015 | 564,060 | 72,182 | 491,878 | -9.4% | -10.1% | 1,946,158 | 1,451,305 | 1,144,461 | 801,335 | 801,698 | 111.1 | -50,555 | 97,502 | 7.1% | 2.9% |
| 2016 | 654,715 | 101,881 | 552,835 | 16.1% | 16.1% | 2,128,211 | 1,542,933 | 1,273,229 | 827,324 | 854,982 | 105.4 | -27,856 | 90,305 | 6.6% | 2.7% |
| 2017 | 749,330 | 111,184 | 638,146 | 14.5% | 12.6% | 2,263,997 | 1,646,678 | 1,320,973 | 863,940 | 943,024 | 99.5 | 2,815 | 97,525 | 7.9% | 3.2% |
| 2018 | 771,902 | 123,926 | 647,976 | 3.0% | 0.8% | 2,402,493 | 1,754,528 | 1,389,075 | 875,442 | 1,013,417 | 103.9 | -23,743 | 121,554 | 7.4% | 3.1% |
| 2019 | 832,846 | 133,476 | 699,370 | 7.9% | 5.7% | 2,558,216 | 1,970,450 | 1,410,744 | 941,175 | 1,147,473 | 109.6 | -56,535 | 116,042 | 6.9% | 3.0% |
| 2020 | 841,870 | 125,503 | 716,367 | 1.1% | 0.4% | 2,578,152 | 2,032,209 | 1,392,377 | 964,422 | 1,185,774 | 102.2 | -14,426 | 159,278 | 10.1% | 4.6% |
| 2021 | 900,209 | 147,816 | 752,393 | 6.9% | 5.1% | 2,761,554 | 2,156,993 | 1,462,749 | 983,194 | 1,298,805 | 97.4 | 18,087 | 167,535 | 12.8% | 6.0% |
| 2022 | 1,017,756 | 188,763 | 828,993 | 13.1% | 4.4% | 2,794,171 | 2,025,260 | 1,545,632 | 1,043,095 | 1,248,538 | 100.6 | -4,635 | 74,326 | 4.6% | 2.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, colones) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.0% | 0.2% | 1.7% | 98,416 | 11,726 | 86,690 | 11.9% | 1,483,401 | 1,088,137 | 395,263 | 3.2 | 19.6 | 1.0 |
| 2013 | 2.0% | 0.3% | 1.8% | 108,103 | 14,531 | 93,572 | 13.4% | 1,499,774 | 1,079,216 | 420,559 | 2.9 | 15.5 | 0.9 |
| 2014 | 2.2% | 0.3% | 1.9% | 128,521 | 15,817 | 112,704 | 12.3% | 1,609,460 | 1,210,392 | 399,067 | 2.6 | 15.8 | 0.7 |
| 2015 | 1.9% | 0.2% | 1.6% | 115,226 | 14,745 | 100,481 | 12.8% | 1,863,769 | 1,324,052 | 539,718 | 3.3 | 18.3 | 1.1 |
| 2016 | 2.0% | 0.3% | 1.7% | 132,394 | 20,602 | 111,792 | 15.6% | 1,833,869 | 1,288,359 | 545,510 | 2.8 | 12.6 | 1.0 |
| 2017 | 2.2% | 0.3% | 1.9% | 150,051 | 22,264 | 127,787 | 14.8% | 1,872,584 | 1,349,648 | 522,936 | 2.5 | 12.1 | 0.8 |
| 2018 | 2.1% | 0.3% | 1.8% | 153,133 | 24,585 | 128,548 | 16.1% | 1,997,074 | 1,418,493 | 578,581 | 2.6 | 11.4 | 0.9 |
| 2019 | 2.2% | 0.4% | 1.8% | 163,800 | 26,251 | 137,549 | 16.0% | 2,074,453 | 1,442,958 | 631,496 | 2.5 | 10.8 | 0.9 |
| 2020 | 2.3% | 0.3% | 2.0% | 164,328 | 24,497 | 139,831 | 14.9% | 2,028,532 | 1,360,545 | 667,987 | 2.4 | 10.8 | 0.9 |
| 2021 | 2.2% | 0.4% | 1.9% | 174,664 | 28,680 | 145,984 | 16.4% | 2,290,451 | 1,552,972 | 736,519 | 2.5 | 10.5 | 1.0 |
| 2022 | 2.3% | 0.4% | 1.9% | 196,447 | 36,435 | 160,012 | 18.5% | 2,366,682 | 1,603,622 | 763,060 | 2.3 | 8.5 | 0.9 |

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.7. Panama: main insurance market figures and indicators
(millions of balboas)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 1,139 | 255 | 884 | 8.2% | 2.3% | 1,899 | 1,374 | 1,143 | 689 | 756 | 96.5 | 21 | 79 | 13.5% | 5.3% |
| 2013 | 1,244 | 280 | 965 | 9.3% | 5.1% | 2,389 | 1,549 | 1,483 | 982 | 906 | 98.5 | 11 | 68 | 8.7% | 3.4% |
| 2014 | 1,343 | 312 | 1,032 | 7.9% | 5.2% | 2,602 | 1,679 | 1,513 | 1,080 | 1,089 | 97.6 | 18 | 75 | 8.1% | 3.3% |
| 2015 | 1,389 | 323 | 1,066 | 3.4% | 3.3% | 2,729 | 1,747 | 1,627 | 1,129 | 1,102 | 94.6 | 44 | 64 | 7.9% | 3.3% |
| 2016 | 1,396 | 346 | 1,050 | 0.5% | -0.2% | 2,888 | 1,869 | 1,715 | 1,209 | 1,173 | 92.5 | 66 | 75 | 10.6% | 4.3% |
| 2017 | 1,471 | 378 | 1,093 | 5.4% | 4.5% | 3,172 | 2,068 | 1,855 | 1,356 | 1,317 | 91.2 | 84 | 102 | 13.8% | 5.7% |
| 2018 | 1,570 | 392 | 1,178 | 6.7% | 5.9% | 3,195 | 1,939 | 2,024 | 1,435 | 1,171 | 89.9 | 99 | 55 | 11.3% | 4.4% |
| 2019 | 1,568 | 406 | 1,162 | -0.1% | 0.2% | 3,316 | 2,051 | 2,016 | 1,456 | 1,299 | 90.1 | 102 | 97 | 14.8% | 5.6% |
| 2020 | 1,517 | 398 | 1,119 | -3.2% | -1.7% | 3,523 | 2,239 | 2,088 | 1,574 | 1,441 | 89.2 | 110 | 77 | 13.4% | 5.4% |
| 2021 | 1,611 | 410 | 1,201 | 6.2% | 4.5% | 3,651 | 2,330 | 2,145 | N/A | 1,505 | 96.7 | 37 | 99 | 9.2% | 3.8% |
| 2022 | 1,702 | 419 | 1,283 | 5.6% | 2.7% | 3,662 | 2,432 | 2,207 | N/A | 1,455 | 96.2 | 46 | 8 | 3.7% | 1.5% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, balboas) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.8% | 0.6% | 2.2% | 303 | 68 | 235 | 22.4% | 2,180 | 1,692 | 488 | 1.9 | 6.6 | 0.6 |
| 2013 | 2.7% | 0.6% | 2.1% | 326 | 73 | 252 | 22.5% | 2,369 | 1,778 | 591 | 1.9 | 6.4 | 0.6 |
| 2014 | 2.7% | 0.6% | 2.1% | 345 | 80 | 265 | 23.2% | 2,636 | 1,983 | 653 | 2.0 | 6.4 | 0.6 |
| 2015 | 2.6% | 0.6% | 2.0% | 351 | 82 | 269 | 23.3% | 2,964 | 2,180 | 784 | 2.1 | 6.7 | 0.7 |
| 2016 | 2.4% | 0.6% | 1.8% | 347 | 86 | 261 | 24.8% | 3,099 | 2,165 | 934 | 2.2 | 6.3 | 0.9 |
| 2017 | 2.4% | 0.6% | 1.8% | 359 | 92 | 267 | 25.7% | 3,278 | 2,268 | 1,009 | 2.2 | 6.0 | 0.9 |
| 2018 | 2.4% | 0.6% | 1.8% | 377 | 94 | 283 | 25.0% | 3,422 | 2,389 | 1,034 | 2.2 | 6.1 | 0.9 |
| 2019 | 2.3% | 0.6% | 1.7% | 370 | 96 | 275 | 25.9% | 3,580 | 2,385 | 1,195 | 2.3 | 5.9 | 1.0 |
| 2020 | 2.8% | 0.7% | 2.1% | 353 | 93 | 261 | 26.3% | 2,728 | 1,800 | 929 | 1.8 | 4.5 | 0.8 |
| 2021 | 2.5% | 0.6% | 1.9% | 370 | 94 | 276 | 25.5% | 3,448 | 2,287 | 1,160 | 2.1 | 5.6 | 1.0 |
| 2022 | 2.4% | 0.6% | 1.8% | 386 | 95 | 291 | 24.6% | 3,801 | 2,495 | 1,306 | 2.2 | 6.0 | 1.0 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.8. Dominican Republic: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 29,201 | 4,464 | 24,737 | 8.8% | 5.0% | 34,550 | 18,243 | 24,130 | 13,570 | 10,421 | 100.9 | -137 | 1,441 | 17.1% | 5.2% |
| 2013 | 30,893 | 5,002 | 25,891 | 5.8% | 0.9% | 37,514 | 20,800 | 26,261 | 14,639 | 11,253 | 102.0 | -296 | 1,404 | 16.2% | 4.9% |
| 2014 | 33,207 | 5,326 | 27,881 | 7.5% | 4.4% | 42,397 | 21,532 | 29,980 | 15,533 | 12,417 | 99.7 | 54 | 1,626 | 17.2% | 5.1% |
| 2015 | 35,628 | 6,314 | 29,315 | 7.3% | 6.4% | 46,790 | 23,991 | 33,261 | 16,652 | 13,529 | 98.1 | 358 | 1,846 | 20.5% | 6.0% |
| 2016 | 40,589 | 7,453 | 33,136 | 13.9% | 12.1% | 52,191 | 26,620 | 37,257 | 19,747 | 14,935 | 99.6 | 92 | 2,074 | 19.0% | 5.5% |
| 2017 | 49,354 | 8,480 | 40,875 | 21.6% | 17.7% | 58,605 | 29,683 | 42,151 | 23,215 | 16,454 | 99.3 | 202 | 2,236 | 21.0% | 6.0% |
| 2018 | 59,562 | 9,513 | 50,048 | 20.7% | 16.5% | 71,962 | 37,800 | 51,527 | 26,827 | 20,436 | 95.5 | 1,622 | 2,424 | 27.4% | 7.7% |
| 2019 | 69,230 | 10,766 | 58,464 | 16.2% | 14.2% | 77,946 | 41,899 | 53,867 | 30,362 | 24,079 | 93.0 | 2,200 | 2,484 | 28.6% | 8.5% |
| 2020 | 72,241 | 10,625 | 61,616 | 4.3% | 0.5% | 91,143 | 50,915 | 62,188 | 34,693 | 28,957 | 91.6 | 3,584 | 2,878 | 33.2% | 10.4% |
| 2021 | 86,021 | 13,039 | 72,982 | 19.1% | 10.0% | 101,310 | 58,305 | 68,700 | 38,278 | 32,610 | 97.6 | 1,132 | 3,712 | 21.9% | 7.0% |
| 2022 | 96,313 | 15,573 | 80,740 | 12.0% | 2.9% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.2% | 0.2% | 1.0% | 2,911 | 445 | 2,466 | 15.3% | 166,636 | 110,420 | 56,215 | 5.7 | 24.7 | 2.3 |
| 2013 | 1.2% | 0.2% | 1.0% | 3,042 | 492 | 2,549 | 16.2% | 176,705 | 113,197 | 63,508 | 5.7 | 22.6 | 2.5 |
| 2014 | 1.1% | 0.2% | 1.0% | 3,230 | 518 | 2,712 | 16.0% | 200,004 | 129,145 | 70,859 | 6.0 | 24.2 | 2.5 |
| 2015 | 1.1% | 0.2% | 0.9% | 3,424 | 607 | 2,817 | 17.7% | 222,320 | 142,031 | 80,289 | 6.2 | 22.5 | 2.7 |
| 2016 | 1.2% | 0.2% | 1.0% | 3,855 | 708 | 3,148 | 18.4% | 230,136 | 143,786 | 86,350 | 5.7 | 19.3 | 2.6 |
| 2017 | 1.3% | 0.2% | 1.1% | 4,635 | 796 | 3,839 | 17.2% | 240,954 | 153,269 | 87,685 | 4.9 | 18.1 | 2.1 |
| 2018 | 1.4% | 0.2% | 1.2% | 5,533 | 884 | 4,649 | 16.0% | 266,110 | 171,897 | 94,213 | 4.5 | 18.1 | 1.9 |
| 2019 | 1.5% | 0.2% | 1.3% | 6,362 | 989 | 5,373 | 15.6% | 281,365 | 179,338 | 102,027 | 4.1 | 16.7 | 1.7 |
| 2020 | 1.6% | 0.2% | 1.4% | 6,568 | 966 | 5,602 | 14.7% | 278,282 | 170,846 | 107,436 | 3.9 | 16.1 | 1.7 |
| 2021 | 1.6% | 0.2% | 1.4% | 7,737 | 1,173 | 6,564 | 15.2% | 342,926 | 215,612 | 127,185 | 4.0 | 16.5 | 1.7 |
| 2022 | 1.6% | 0.3% | 1.3% | 8,577 | 1,387 | 7,190 | 16.2% | 376,659 | 234,911 | 141,748 | 3.9 | 15.1 | 1.8 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.9. Puerto Rico: main insurance market figures and indicators
(millions of USD)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 10,577 | 980 | 9,597 | -4.4% | -5.6% | 7,477 | 6,136 | 4,835 | 3,321 | 2,643 | N/A | N/A | N/A | 13.3% | 4.6% |
| 2013 | 10,518 | 1,053 | 9,465 | -0.6% | -1.6% | 7,463 | 6,091 | 4,906 | 3,278 | 2,557 | N/A | N/A | N/A | 11.8% | 4.1% |
| 2014 | 9,967 | 1,237 | 8,730 | -5.2% | -5.8% | 7,437 | 5,841 | 4,994 | 3,127 | 2,443 | N/A | N/A | N/A | 4.7% | 1.6% |
| 2015 | 12,113 | 1,252 | 10,861 | 21.5% | 22.5% | 8,106 | 6,122 | 5,549 | 3,452 | 2,557 | N/A | N/A | N/A | 4.7% | 1.5% |
| 2016 | 12,869 | 1,265 | 11,605 | 6.2% | 6.6% | 8,241 | 6,294 | 5,749 | 3,400 | 2,492 | N/A | N/A | N/A | 6.8% | 2.1% |
| 2017 | 12,778 | 1,153 | 11,625 | -0.7% | -2.4% | 9,439 | 7,249 | 6,819 | 3,680 | 2,620 | N/A | N/A | N/A | 13.2% | 3.8% |
| 2018 | 13,939 | 1,356 | 12,583 | 9.1% | 7.7% | 9,607 | 6,819 | 7,045 | 4,140 | 2,562 | N/A | N/A | N/A | 5.3% | 1.4% |
| 2019 | 14,322 | 1,451 | 12,871 | 2.7% | 2.7% | 10,227 | 7,933 | 7,275 | 4,338 | 2,952 | N/A | N/A | N/A | 13.8% | 3.8% |
| 2020 | 16,077 | 1,435 | 14,642 | 12.3% | 12.8% | 11,187 | 8,846 | 7,961 | 4,750 | 3,226 | N/A | N/A | N/A | 17.1% | 4.9% |
| 2021 | 17,651 | 1,731 | 15,920 | 9.8% | 7.2% | 12,436 | 9,551 | 8,725 | 5,007 | 3,711 | N/A | N/A | N/A | 13.9% | 4.1% |
| 2022 | 19,134 | 1,992 | 17,141 | 8.4% | 3.9% | 12,514 | 9,510 | 9,020 | 5,344 | 3,494 | N/A | N/A | N/A | 8.9% | 2.6% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, USD) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 10.4% | 1.0% | 9.4% | 2,892 | 268 | 2,624 | 9.3% | 3,910 | 3,910 | - | 0.4 | 4.0 | - |
| 2013 | 10.3% | 1.0% | 9.2% | 2,909 | 291 | 2,618 | 10.0% | 3,569 | 3,569 | - | 0.3 | 3.4 | - |
| 2014 | 9.7% | 1.2% | 8.5% | 2,800 | 347 | 2,452 | 12.4% | 3,472 | 3,472 | - | 0.3 | 2.8 | - |
| 2015 | 11.7% | 1.2% | 10.5% | 3,463 | 358 | 3,106 | 10.3% | 3,532 | 3,532 | - | 0.3 | 2.8 | - |
| 2016 | 12.3% | 1.2% | 11.1% | 3,749 | 368 | 3,381 | 9.8% | 3,260 | 3,260 | - | 0.3 | 2.6 | - |
| 2017 | 12.4% | 1.1% | 11.2% | 3,796 | 342 | 3,453 | 9.0% | 3,247 | 3,247 | - | 0.3 | 2.8 | - |
| 2018 | 13.8% | 1.3% | 12.5% | 4,199 | 409 | 3,791 | 9.7% | 2,967 | 2,967 | - | 0.2 | 2.2 | - |
| 2019 | 13.6% | 1.4% | 12.2% | 4,349 | 441 | 3,909 | 10.1% | 2,930 | 2,930 | - | 0.2 | 2.0 | - |
| 2020 | 15.6% | 1.4% | 14.2% | 4,914 | 439 | 4,475 | 8.9% | 2,760 | 2,760 | - | 0.2 | 1.9 | - |
| 2021 | 16.6% | 1.6% | 14.9% | 5,421 | 532 | 4,889 | 9.8% | 2,786 | 2,786 | - | 0.2 | 1.6 | - |
| 2022 | 16.4% | 1.7% | 14.7% | 5,883 | 613 | 5,270 | 10.4% | 2,724 | 2,724 | - | 0.1 | 1.4 | - |

Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.10. Colombia: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 15,964,766 | 4,764,043 | 11,200,722 | 17.5% | 13.9% | 38,485,408 | 29,378,048 | 29,305,428 | 25,324,006 | 9,179,981 | 110.6 | -1,216,912 | 2,405,145 | 12.9% | 3.1% |
| 2013 | 18,833,416 | 6,690,847 | 12,142,569 | 18.0% | 15.6% | 42,857,016 | 33,375,423 | 33,746,620 | 29,208,392 | 9,110,396 | 108.6 | -1,129,101 | 1,822,198 | 6.4% | 1.4% |
| 2014 | 19,036,166 | 5,656,006 | 13,380,160 | 1.1% | -1.8% | 47,590,990 | 37,157,033 | 37,599,677 | 32,297,179 | 9,991,312 | 110.4 | -1,523,216 | 2,747,916 | 11.4% | 2.4% |
| 2015 | 21,508,936 | 6,313,957 | 15,194,979 | 13.0% | 7.6% | 51,585,889 | 38,983,976 | 41,720,926 | 35,211,300 | 9,864,962 | 110.8 | -1,718,318 | 2,928,678 | 10.7% | 2.1% |
| 2016 | 23,849,424 | 7,461,856 | 16,387,568 | 10.9% | 3.1% | 58,252,927 | 44,323,525 | 47,104,482 | 41,262,658 | 11,148,445 | 111.8 | -2,251,876 | 4,095,605 | 15.9% | 3.0% |
| 2017 | 26,003,162 | 8,436,839 | 17,566,323 | 9.0% | 4.5% | 66,222,514 | 50,288,473 | 53,805,647 | 47,177,339 | 12,416,867 | 111.3 | -2,104,869 | 3,926,468 | 15.3% | 2.9% |
| 2018 | 27,268,333 | 8,540,789 | 18,727,544 | 4.9% | 1.6% | 76,735,130 | 55,415,603 | 63,464,833 | 56,464,952 | 13,270,296 | 108.9 | -1,763,815 | 3,511,196 | 13.2% | 2.4% |
| 2019 | 30,087,537 | 9,329,143 | 20,758,394 | 10.3% | 6.6% | 86,054,031 | 62,472,309 | 70,667,652 | 62,744,057 | 15,386,379 | 111.3 | -2,431,053 | 4,659,640 | 15.5% | 2.7% |
| 2020 | 30,489,756 | 9,220,345 | 21,269,412 | 1.3% | -1.2% | 91,494,288 | 67,407,641 | 76,093,288 | 68,165,878 | 15,401,001 | 110.9 | -2,405,413 | 4,120,245 | 9.8% | 1.7% |
| 2021 | 35,343,993 | 10,701,224 | 24,642,769 | 15.9% | 12.0% | 98,886,644 | 72,174,030 | 83,718,761 | 73,255,637 | 15,167,883 | 114.7 | -3,573,731 | 4,319,491 | 5.7% | 0.9% |
| 2022 | 47,292,203 | 17,870,454 | 29,421,749 | 33.8% | 21.4% | 117,202,908 | 71,623,666 | 99,845,561 | 87,196,867 | 17,357,347 | 120.4 | -5,388,704 | 8,381,864 | 16.3% | 2.5% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.4% | 0.7% | 1.7% | 348,710 | 104,058 | 244,651 | 29.8% | 38,739,916 | 27,327,667 | 11,412,246 | 2.4 | 5.7 | 1.0 |
| 2013 | 2.6% | 0.9% | 1.7% | 407,315 | 144,705 | 262,611 | 35.5% | 37,753,277 | 25,527,691 | 12,225,588 | 2.0 | 3.8 | 1.0 |
| 2014 | 2.5% | 0.7% | 1.8% | 407,819 | 121,171 | 286,648 | 29.7% | 41,776,629 | 29,408,980 | 12,367,651 | 2.2 | 5.2 | 0.9 |
| 2015 | 2.7% | 0.8% | 1.9% | 456,474 | 133,998 | 322,476 | 29.4% | 43,241,752 | 30,923,861 | 12,317,887 | 2.0 | 4.9 | 0.8 |
| 2016 | 2.8% | 0.9% | 1.9% | 500,765 | 156,676 | 344,089 | 31.3% | 43,207,439 | 29,999,238 | 13,208,202 | 1.8 | 4.0 | 0.8 |
| 2017 | 2.8% | 0.9% | 1.9% | 537,792 | 174,489 | 363,303 | 32.4% | 44,268,807 | 30,716,069 | 13,552,737 | 1.7 | 3.6 | 0.8 |
| 2018 | 2.8% | 0.9% | 1.9% | 553,369 | 173,322 | 380,047 | 31.3% | 48,677,548 | 33,763,783 | 14,913,768 | 1.8 | 4.0 | 0.8 |
| 2019 | 2.8% | 0.9% | 2.0% | 599,504 | 185,886 | 413,618 | 31.0% | 51,375,846 | 34,842,982 | 16,532,864 | 1.7 | 3.7 | 0.8 |
| 2020 | 3.1% | 0.9% | 2.1% | 598,652 | 181,037 | 417,615 | 30.2% | 47,984,036 | 31,406,647 | 16,577,388 | 1.6 | 3.4 | 0.8 |
| 2021 | 3.0% | 0.9% | 2.1% | 686,070 | 207,724 | 478,347 | 30.3% | 59,516,635 | 39,864,423 | 19,623,661 | 1.7 | 3.7 | 0.8 |
| 2022 | 3.2% | 1.2% | 2.0% | 911,674 | 344,497 | 567,177 | 37.8% | 64,647,172 | 41,412,218 | 23,234,955 | 1.4 | 2.3 | 0.8 |

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.11. Venezuela: main insurance market figures and indicators
(millions of digital bolivares)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 0.00000060 | 0.00000001 | 0.00000059 | 28.4% | 6.1% | 0.00000052 | 0.00000041 | 0.00000034 | 0.00000023 | 0.00000018 | 97.5 | 0.000000011 | 0.000000031 | 22.5% | 7.8% |
| 2013 | 0.00000086 | 0.00000002 | 0.00000084 | 43.4% | 2.0% | 0.00000080 | 0.00000065 | 0.00000048 | 0.00000033 | 0.00000032 | 99.4 | 0.000000004 | 0.000000038 | 20.0% | 7.6% |
| 2014 | 0.00000142 | 0.00000002 | 0.00000140 | 66.3% | 2.6% | 0.00000157 | 0.00000131 | 0.00000082 | 0.00000057 | 0.00000076 | 101.1 | -0.000000010 | 0.000000055 | 12.6% | 5.7% |
| 2015 | 0.00000330 | 0.00000004 | 0.00000326 | 131.7% | 4.5% | 0.00000584 | 0.00000478 | 0.00000212 | 0.00000133 | 0.00000372 | 105.3 | -0.000000103 | 0.000000210 | 4.1% | 2.5% |
| 2016 | 0.00000872 | 0.00000010 | 0.00000861 | 164.1% | -25.6% | 0.00001797 | 0.00001461 | 0.00000630 | 0.00000304 | 0.00001167 | 107.9 | -0.000000396 | 0.000000216 | 5.0% | 3.2% |
| 2017 | 0.00003820 | 0.00000038 | 0.00003782 | 338.3% | -18.5% | 0.00020118 | 0.00018403 | 0.00002911 | 0.00001416 | 0.00017207 | 72.6 | 0.000008187 | 0.000000936 | 2.7% | 2.3% |
| 2018 | 0.02605424 | 0.00043641 | 0.02561783 | 68,102.8% | 4.2% | 0.6097 | 0.4538 | 0.3170 | 0.0107 | 0.2928 | 123.5 | -0.0032 | 0.0028 | 15.1% | 7.3% |
| 2019 | 5.766 | 0.036 | 5.731 | 22,032.1% | 10.6% | 52.150 | 38.676 | 27.042 | 1.524 | 25.108 | 120.4 | -0.4669 | 0.1418 | 12.5% | 6.0% |
| 2020 | 139.403 | 0.564 | 138.839 | 2,317.5% | -1.5% | 919.082 | 628.382 | 611.982 | 44.410 | 307.100 | 108.4 | -4.4 | 5.5 | 10.4% | 3.6% |
| 2021 | 1,786.096 | 9.184 | 1,776.912 | 1,181.2% | -24.1% | 4,585.2 | 2,530.6 | 3,227.7 | 354.0 | 1,357.6 | 104.5 | -28.2 | 121.5 | 10.8% | 3.3% |
| 2022 | 5,181.499 | 34.786 | 5,146.713 | 190.1% | -3.6% | 17,570.8 | 10,354.7 | 11,358.8 | 1,086.2 | 6,212.0 | 93.6 | 135.7 | 73.1 | 6.1% | 2.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, digital bolivares) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.9% | 0.1% | 2.9% | 0.0000000203 | 0.0000000004 | 0.0000000199 | 1.9% | 0.00000108 | 0.00000097 | 0.00000011 | 1.8 | 85.9 | 0.2 |
| 2013 | 3.3% | 0.1% | 3.2% | 0.0000000287 | 0.0000000005 | 0.0000000282 | 1.8% | 0.00000121 | 0.00000116 | 0.00000005 | 1.4 | 74.2 | 0.1 |
| 2014 | 0.4% | 0.0% | 0.4% | 0.0000000472 | 0.0000000008 | 0.0000000464 | 1.6% | 0.00002887 | 0.00001744 | 0.00001142 | 20.3 | 765.3 | 8.2 |
| 2015 | 1.3% | 0.0% | 1.3% | 0.0000001081 | 0.0000000013 | 0.0000001068 | 1.2% | 0.00001652 | 0.00001136 | 0.00000516 | 5.0 | 280.0 | 1.6 |
| 2016 | 1.8% | 0.0% | 1.8% | 0.0000002835 | 0.0000000033 | 0.0000002802 | 1.2% | 0.00002896 | 0.00002095 | 0.00000801 | 3.3 | 207.8 | 0.9 |
| 2017 | 0.9% | 0.0% | 0.9% | 0.0000012499 | 0.0000000126 | 0.0000012373 | 1.0% | 0.00029128 | 0.00018319 | 0.00010809 | 7.6 | 476.6 | 2.9 |
| 2018 | 0.4% | 0.0% | 0.4% | 0.0008735514 | 0.0000146320 | 0.0008589194 | 1.7% | 0.52414002 | 0.30604147 | 0.21809857 | 20.1 | 701.3 | 8.5 |
| 2019 | 0.5% | 0.0% | 0.5% | 0.1990339434 | 0.0012258711 | 0.1978080723 | 0.6% | 82.08818996 | 47.60210423 | 34.48608573 | 14.2 | 1,340.3 | 6.0 |
| 2020 | 0.9% | 0.0% | 0.9% | 4.893 | 0.020 | 4.873 | 0.4% | 1,136.190 | 659.829 | 476.361 | 8.2 | 1,169.8 | 3.4 |
| 2021 | 1.0% | 0.0% | 1.0% | 63.337 | 0.326 | 63.011 | 0.5% | 12,936.996 | 7,838.989 | 5,093.575 | 7.2 | 853.5 | 2.9 |
| 2022 | 0.8% | 0.0% | 0.8% | 183.081 | 1.229 | 181.852 | 0.7% | 41,748.717 | 24,819.280 | 16,929.437 | 8.1 | 713.5 | 3.3 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.12. Brazil: main insurance market figures and indicators
(millions of reais)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 129,401 | 77,147 | 52,255 | 23.2% | 16.9% | 499,599 | 433,224 | 424,253 | 391,713 | 75,346 | 96.3 | 2,210 | 14,177 | 19.2% | 3.0% |
| 2013 | 145,184 | 83,357 | 61,828 | 12.2% | 5.6% | 547,428 | 470,528 | 475,329 | 443,146 | 72,098 | 92.8 | 4,985 | 11,888 | 21.3% | 3.0% |
| 2014 | 165,235 | 94,153 | 71,082 | 13.8% | 7.0% | 637,696 | 549,907 | 562,118 | 520,982 | 75,579 | 95.2 | 3,630 | 16,682 | 23.9% | 3.0% |
| 2015 | 184,201 | 111,024 | 73,177 | 11.5% | 2.2% | 740,603 | 643,058 | 668,983 | 626,924 | 71,620 | 95.2 | 3,941 | 19,422 | 26.9% | 2.9% |
| 2016 | 205,480 | 130,722 | 74,757 | 11.6% | 2.6% | 873,463 | 776,339 | 792,216 | 755,915 | 81,247 | 95.3 | 4,074 | 18,932 | 23.3% | 2.2% |
| 2017 | 212,155 | 135,709 | 76,446 | 3.2% | -0.2% | 1,004,977 | 901,751 | 917,710 | 876,797 | 87,248 | 93.7 | 5,574 | 16,611 | 20.5% | 1.8% |
| 2018 | 210,319 | 129,975 | 80,344 | -0.9% | -4.4% | 1,095,005 | 985,310 | 1,010,482 | 965,974 | 84,523 | 91.8 | 7,744 | 15,989 | 21.9% | 1.8% |
| 2019 | 234,218 | 152,049 | 82,169 | 11.4% | 7.4% | 1,233,605 | 1,113,310 | 1,139,153 | 1,087,039 | 94,453 | 91.6 | 8,111 | 19,488 | 26.0% | 2.0% |
| 2020 | 236,860 | 152,617 | 84,243 | 1.1% | -2.0% | 1,326,740 | 1,187,390 | 1,223,484 | 1,169,093 | 103,331 | 92.6 | 7,365 | 14,343 | 18.2% | 1.4% |
| 2021 | 268,104 | 171,279 | 96,825 | 13.2% | 4.5% | 1,389,086 | 1,249,482 | 1,289,928 | 1,236,121 | 99,158 | 97.6 | 2,490 | 10,956 | 11.7% | 0.9% |
| 2022 | 312,471 | 192,116 | 120,355 | 16.5% | 6.7% | 1,571,110 | 1,409,200 | 1,571,110 | 1,398,666 | 109,378 | 93.1 | 8,599 | 18,174 | 21.9% | 1.5% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, reais) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.7% | 1.6% | 1.1% | 647 | 386 | 261 | 59.6% | 265,778 | 154,680 | 111,099 | 2.1 | 2.0 | 2.1 |
| 2013 | 2.7% | 1.6% | 1.2% | 720 | 413 | 306 | 57.4% | 277,308 | 157,196 | 120,112 | 1.9 | 1.9 | 1.9 |
| 2014 | 2.9% | 1.6% | 1.2% | 812 | 463 | 349 | 57.0% | 295,419 | 171,463 | 123,956 | 1.8 | 1.8 | 1.7 |
| 2015 | 3.1% | 1.9% | 1.2% | 898 | 541 | 357 | 60.3% | 298,259 | 166,437 | 131,822 | 1.6 | 1.5 | 1.8 |
| 2016 | 3.3% | 2.1% | 1.2% | 993 | 632 | 361 | 63.6% | 281,219 | 141,170 | 140,049 | 1.4 | 1.1 | 1.9 |
| 2017 | 3.2% | 2.1% | 1.2% | 1,018 | 651 | 367 | 64.0% | 290,603 | 144,409 | 146,194 | 1.4 | 1.1 | 1.9 |
| 2018 | 3.0% | 1.9% | 1.1% | 1,001 | 618 | 382 | 61.8% | 328,192 | 169,995 | 158,197 | 1.6 | 1.3 | 2.0 |
| 2019 | 3.2% | 2.1% | 1.1% | 1,106 | 718 | 388 | 64.9% | 333,617 | 155,850 | 177,767 | 1.4 | 1.0 | 2.2 |
| 2020 | 3.1% | 2.0% | 1.1% | 1,111 | 716 | 395 | 64.4% | 361,646 | 157,237 | 204,408 | 1.5 | 1.0 | 2.4 |
| 2021 | 3.0% | 1.9% | 1.1% | 1,251 | 799 | 452 | 63.9% | 439,719 | 206,027 | 233,479 | 1.6 | 1.2 | 2.4 |
| 2022 | 3.2% | 1.9% | 1.2% | 1,451 | 892 | 559 | 61.5% | 445,733 | 209,426 | 236,307 | 1.4 | 1.1 | 2.0 |

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.13. Ecuador: main insurance market figures and indicators
(millions of USD)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 1,485 | 255 | 1,230 | 11.1% | 5.7% | 1,356 | 674 | 970 | 384 | 385 | 75.8 | 147 | 31 | 12.5% | 3.8% |
| 2013 | 1,659 | 282 | 1,377 | 11.7% | 8.8% | 1,645 | 761 | 1,223 | 546 | 422 | 76.6 | 164 | 33 | 9.7% | 2.6% |
| 2014 | 1,703 | 276 | 1,427 | 2.6% | -0.9% | 1,853 | 847 | 1,372 | 607 | 482 | 70.5 | 214 | 37 | 15.6% | 4.0% |
| 2015 | 1,665 | 295 | 1,370 | -2.2% | -6.0% | 2,017 | 919 | 1,448 | 663 | 569 | 76.5 | 208 | 41 | 9.7% | 2.6% |
| 2016 | 1,618 | 347 | 1,271 | -2.8% | -4.5% | 2,320 | 952 | 1,704 | 895 | 617 | 74.9 | 250 | 40 | 10.7% | 2.9% |
| 2017 | 1,631 | 370 | 1,261 | 0.8% | 0.4% | 2,297 | 1,059 | 1,673 | 831 | 624 | 74.8 | 254 | 44 | 11.3% | 3.0% |
| 2018 | 1,689 | 413 | 1,276 | 3.6% | 3.8% | 2,158 | 1,043 | 1,541 | 840 | 617 | 75.9 | 265 | 39 | 8.2% | 2.3% |
| 2019 | 1,797 | 434 | 1,364 | 6.4% | 6.1% | 2,156 | 1,093 | 1,509 | 799 | 647 | 74.0 | 290 | 56 | 9.7% | 2.8% |
| 2020 | 1,696 | 418 | 1,278 | -5.6% | -5.3% | 2,275 | 1,090 | 1,613 | 819 | 662 | 80.0 | 207 | 48 | 0.9% | 0.3% |
| 2021 | 1,606 | 451 | 1,155 | -5.3% | -5.4% | 1,885 | 1,036 | 1,313 | 639 | 572 | 83.0 | 173 | 43 | -0.8% | -0.2% |
| 2022 | 2,007 | 600 | 1,407 | 25.0% | 20.8% | 2,098 | 1,208 | 1,466 | 705 | 632 | 72.2 | 342 | 45 | 10.9% | 3.3% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, USD) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.7% | 0.3% | 1.4% | 96 | 16 | 79 | 17.2% | 5,732 | 3,979 | 1,753 | 3.9 | 15.6 | 1.4 |
| 2013 | 1.7% | 0.3% | 1.4% | 106 | 18 | 88 | 17.0% | 5,879 | 4,010 | 1,869 | 3.5 | 14.2 | 1.4 |
| 2014 | 1.7% | 0.3% | 1.4% | 107 | 17 | 89 | 16.2% | 6,406 | 4,400 | 2,006 | 3.8 | 16.0 | 1.4 |
| 2015 | 1.7% | 0.3% | 1.4% | 103 | 18 | 85 | 17.7% | 6,325 | 4,300 | 2,025 | 3.8 | 14.6 | 1.5 |
| 2016 | 1.6% | 0.3% | 1.3% | 98 | 21 | 77 | 21.4% | 6,140 | 3,987 | 2,153 | 3.8 | 11.5 | 1.7 |
| 2017 | 1.6% | 0.4% | 1.2% | 98 | 22 | 76 | 22.7% | 6,331 | 4,066 | 2,265 | 3.9 | 11.0 | 1.8 |
| 2018 | 1.6% | 0.4% | 1.2% | 99 | 24 | 75 | 24.4% | 6,581 | 4,194 | 2,387 | 3.9 | 10.2 | 1.9 |
| 2019 | 1.7% | 0.4% | 1.3% | 104 | 25 | 79 | 24.1% | 6,510 | 4,071 | 2,439 | 3.6 | 9.4 | 1.8 |
| 2020 | 1.7% | 0.4% | 1.3% | 96 | 24 | 73 | 24.6% | 6,114 | 3,625 | 2,488 | 3.6 | 8.7 | 1.9 |
| 2021 | 1.5% | 0.4% | 1.1% | 90 | 25 | 65 | 28.1% | 6,839 | 4,050 | 2,786 | 4.3 | 9.0 | 2.4 |
| 2022 | 1.7% | 0.5% | 1.2% | 112 | 33 | 78 | 29.9% | 6,891 | 4,112 | 2,779 | 3.4 | 6.9 | 2.0 |

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.14. Peru: main insurance market figures and indicators
(millions of soles)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 7,906 | 3,306 | 4,600 | 9.6% | 5.8% | 22,261 | 19,397 | 17,634 | 15,275 | 4,627 | 119.0 | -809 | 1,545 | 15.7% | 3.3% |
| 2013 | 9,069 | 3,750 | 5,320 | 14.7% | 11.6% | 28,172 | 22,282 | 23,607 | 20,482 | 4,564 | 117.1 | -867 | 1,591 | 15.0% | 2.7% |
| 2014 | 10,154 | 4,450 | 5,704 | 12.0% | 8.4% | 33,303 | 26,271 | 27,770 | 24,073 | 5,534 | 115.9 | -861 | 1,840 | 18.0% | 3.0% |
| 2015 | 11,744 | 5,118 | 6,626 | 15.7% | 11.7% | 39,373 | 31,116 | 33,437 | 28,771 | 5,936 | 113.4 | -843 | 2,001 | 18.0% | 2.8% |
| 2016 | 11,256 | 4,592 | 6,664 | -4.2% | -7.5% | 42,187 | 33,725 | 35,056 | 30,676 | 7,131 | 116.4 | -1,082 | 2,214 | 15.7% | 2.5% |
| 2017 | 11,327 | 4,811 | 6,517 | 0.6% | -2.1% | 45,169 | 35,146 | 38,084 | 33,247 | 7,084 | 120.6 | -1,291 | 2,200 | 14.0% | 2.3% |
| 2018 | 12,869 | 5,682 | 7,186 | 13.6% | 12.1% | 48,867 | 36,955 | 41,665 | 36,300 | 7,202 | 116.3 | -1,276 | 2,338 | 14.7% | 2.2% |
| 2019 | 14,114 | 6,347 | 7,766 | 9.7% | 7.4% | 53,682 | 41,536 | 44,968 | 39,735 | 8,714 | 116.7 | -1,395 | 2,981 | 19.1% | 3.0% |
| 2020 | 14,021 | 6,091 | 7,931 | -0.7% | -2.4% | 60,100 | 47,165 | 50,828 | 44,308 | 9,272 | 119.2 | -1,644 | 2,829 | 12.0% | 1.9% |
| 2021 | 17,695 | 8,548 | 9,147 | 26.2% | 21.4% | 67,150 | 51,650 | 58,688 | 50,642 | 8,462 | 129.0 | -2,805 | 3,280 | 4.7% | 0.7% |
| 2022 | 18,746 | 8,904 | 9,842 | 5.9% | -1.8% | 71,887 | 54,692 | 62,952 | 54,843 | 8,935 | 115.8 | -1,624 | 3,138 | 17.1% | 2.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, soles) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.6% | 0.6% | 0.9% | 266 | 111 | 155 | 41.8% | 33,895 | 21,216 | 12,679 | 4.3 | 6.4 | 2.8 |
| 2013 | 1.7% | 0.7% | 1.0% | 302 | 125 | 177 | 41.3% | 34,313 | 20,950 | 13,362 | 3.8 | 5.6 | 2.5 |
| 2014 | 1.8% | 0.8% | 1.0% | 335 | 147 | 188 | 43.8% | 35,754 | 22,021 | 13,733 | 3.5 | 4.9 | 2.4 |
| 2015 | 1.9% | 0.8% | 1.1% | 382 | 167 | 216 | 43.6% | 37,471 | 23,186 | 14,285 | 3.2 | 4.5 | 2.2 |
| 2016 | 1.7% | 0.7% | 1.0% | 362 | 148 | 214 | 40.8% | 39,965 | 24,023 | 15,943 | 3.6 | 5.2 | 2.4 |
| 2017 | 1.6% | 0.7% | 0.9% | 358 | 152 | 206 | 42.5% | 42,366 | 25,105 | 17,261 | 3.7 | 5.2 | 2.6 |
| 2018 | 1.7% | 0.8% | 1.0% | 400 | 176 | 223 | 44.2% | 44,449 | 26,246 | 18,203 | 3.5 | 4.6 | 2.5 |
| 2019 | 1.8% | 0.8% | 1.0% | 430 | 193 | 237 | 45.0% | 45,468 | 25,960 | 19,508 | 3.2 | 4.1 | 2.5 |
| 2020 | 1.9% | 0.8% | 1.1% | 421 | 183 | 238 | 43.4% | 42,565 | 23,205 | 19,360 | 3.0 | 3.8 | 2.4 |
| 2021 | 2.0% | 1.0% | 1.0% | 525 | 254 | 271 | 48.3% | 52,038 | 28,623 | 23,394 | 2.9 | 3.3 | 2.6 |
| 2022 | 2.0% | 0.9% | 1.0% | 551 | 261 | 289 | 47.5% | 53,929 | 29,584 | 24,344 | 2.9 | 3.3 | 2.5 |

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.15. Bolivia: main insurance market figures and indicators
(millions of bolivianos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 2,194 | 473 | 1,721 | 19.1% | 14.0% | 5,346 | 4,445 | 4,167 | 3,206 | 1,179 | 102.3 | -33 | 180 | 11.6% | 2.5% |
| 2013 | 2,569 | 617 | 1,952 | 17.1% | 10.8% | 5,624 | 4,543 | 4,294 | 3,165 | 1,326 | 92.9 | 130 | 133 | 15.1% | 3.4% |
| 2014 | 2,883 | 705 | 2,178 | 12.2% | 6.1% | 5,957 | 4,635 | 4,485 | 3,121 | 1,472 | 95.4 | 87 | 179 | 13.8% | 3.3% |
| 2015 | 3,103 | 822 | 2,281 | 7.6% | 3.4% | 6,600 | 4,895 | 4,893 | 3,179 | 1,707 | 96.8 | 64 | 237 | 14.8% | 3.8% |
| 2016 | 3,228 | 915 | 2,313 | 4.0% | 0.4% | 6,953 | 5,183 | 5,164 | 3,214 | 1,789 | 100.5 | -11 | 290 | 13.5% | 3.5% |
| 2017 | 3,340 | 1,020 | 2,320 | 3.5% | 0.6% | 6,978 | 5,302 | 5,101 | 3,280 | 1,877 | 101.3 | -28 | 265 | 11.6% | 3.1% |
| 2018 | 3,698 | 1,246 | 2,452 | 10.7% | 8.3% | 7,347 | 5,431 | 5,207 | 3,304 | 2,141 | 99.4 | 15 | 224 | 12.3% | 3.4% |
| 2019 | 3,985 | 1,420 | 2,565 | 7.8% | 5.8% | 7,737 | 5,725 | 5,406 | 3,387 | 2,330 | 99.1 | 25 | 280 | 12.8% | 3.8% |
| 2020 | 4,093 | 1,545 | 2,549 | 2.7% | 1.8% | 8,279 | 5,750 | 5,950 | 3,667 | 2,329 | 102.4 | -69 | 378 | 9.2% | 2.7% |
| 2021 | 4,258 | 1,665 | 2,594 | 4.0% | 3.3% | 8,423 | 5,617 | 6,055 | 3,385 | 2,368 | 105.6 | -172 | 175 | 1.4% | 0.4% |
| 2022 | 4,861 | 1,994 | 2,867 | 14.2% | 12.2% | 8,845 | 5,735 | 6,471 | 2,398 | 2,374 | 98.5 | 54 | -1 | 2.8% | 0.8% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, bolivianos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.2% | 0.3% | 0.9% | 208 | 45 | 163 | 21.6% | 13,167 | 8,539 | 4,629 | 6.0 | 18.1 | 2.7 |
| 2013 | 1.2% | 0.3% | 0.9% | 239 | 57 | 182 | 24.0% | 14,219 | 8,941 | 5,278 | 5.5 | 14.5 | 2.7 |
| 2014 | 1.3% | 0.3% | 1.0% | 264 | 65 | 200 | 24.4% | 15,292 | 9,775 | 5,517 | 5.3 | 13.9 | 2.5 |
| 2015 | 1.4% | 0.4% | 1.0% | 280 | 74 | 206 | 26.5% | 15,246 | 9,730 | 5,516 | 4.9 | 11.8 | 2.4 |
| 2016 | 1.4% | 0.4% | 1.0% | 287 | 81 | 205 | 28.3% | 14,979 | 9,257 | 5,722 | 4.6 | 10.1 | 2.5 |
| 2017 | 1.3% | 0.4% | 0.9% | 292 | 89 | 203 | 30.5% | 16,447 | 10,004 | 6,443 | 4.9 | 9.8 | 2.8 |
| 2018 | 1.3% | 0.4% | 0.9% | 319 | 107 | 211 | 33.7% | 17,705 | 10,677 | 7,029 | 4.8 | 8.6 | 2.9 |
| 2019 | 1.4% | 0.5% | 0.9% | 338 | 121 | 218 | 35.6% | 17,731 | 10,355 | 7,376 | 4.4 | 7.3 | 2.9 |
| 2020 | 1.6% | 0.6% | 1.0% | 343 | 129 | 214 | 37.7% | 15,814 | 8,762 | 7,052 | 3.9 | 5.7 | 2.8 |
| 2021 | 1.5% | 0.6% | 0.9% | 353 | 138 | 215 | 39.1% | 17,951 | 10,174 | 7,770 | 4.2 | 6.1 | 3.0 |
| 2022 | 1.6% | 0.7% | 1.0% | 398 | 163 | 235 | 41.0% | 17,811 | 10,013 | 7,798 | 3.7 | 5.0 | 2.7 |

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.16. Chile: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 5,471,147 | 3,268,621 | 2,202,526 | 8.8% | 5.7% | 26,865,447 | 26,737,945 | 23,715,846 | 22,259,531 | 3,149,601 | 118.0 | -771,039 | 1,225,596 | 13.9% | 1.7% |
| 2013 | 5,799,279 | 3,460,278 | 2,339,001 | 6.0% | 4.1% | 28,975,286 | 28,463,050 | 25,756,831 | 24,171,607 | 3,218,455 | 120.2 | -926,618 | 1,190,212 | 9.2% | 1.1% |
| 2014 | 6,223,280 | 3,648,398 | 2,574,881 | 7.3% | 2.5% | 32,735,709 | 30,259,750 | 29,381,835 | 27,347,299 | 3,353,874 | 129.4 | -1,380,138 | 1,495,595 | 10.3% | 1.1% |
| 2015 | 7,408,342 | 4,539,451 | 2,868,891 | 19.0% | 14.1% | 37,046,460 | 32,821,107 | 33,332,714 | 30,994,962 | 3,713,746 | 120.0 | -1,149,424 | 1,399,500 | 12.1% | 1.2% |
| 2016 | 8,301,283 | 5,260,639 | 3,040,644 | 12.1% | 8.0% | 40,686,590 | 36,493,884 | 36,625,202 | 34,358,555 | 4,061,388 | 119.0 | -1,240,876 | 1,870,502 | 12.7% | 1.3% |
| 2017 | 8,268,352 | 5,081,617 | 3,186,734 | -0.4% | -2.5% | 43,853,552 | 39,657,529 | 39,521,405 | 37,292,101 | 4,332,147 | 122.8 | -1,450,732 | 2,247,955 | 14.8% | 1.5% |
| 2018 | 8,897,609 | 5,407,209 | 3,490,400 | 7.6% | 5.2% | 47,798,519 | 42,967,393 | 43,233,678 | 40,491,470 | 4,564,841 | 116.7 | -1,232,450 | 1,662,286 | 11.6% | 1.1% |
| 2019 | 8,973,076 | 5,235,631 | 3,737,445 | 0.8% | -1.4% | 53,157,557 | 46,909,890 | 48,021,269 | 44,812,087 | 5,136,288 | 126.3 | -1,885,111 | 2,250,439 | 7.8% | 0.8% |
| 2020 | 7,835,530 | 3,893,325 | 3,942,205 | -12.7% | -15.3% | 54,530,120 | 49,724,054 | 49,012,111 | 45,863,439 | 5,518,009 | 118.3 | -1,085,453 | 2,082,160 | 13.2% | 1.3% |
| 2021 | 8,700,176 | 4,197,236 | 4,502,940 | 11.0% | 6.2% | 59,213,864 | 52,087,401 | 53,354,025 | 48,526,711 | 5,859,839 | 124.8 | -1,574,054 | 2,736,606 | 19.7% | 2.0% |
| 2022 | 11,401,203 | 5,847,848 | 5,553,355 | 31.0% | 17.4% | 67,201,757 | 59,388,413 | 60,557,971 | 56,314,873 | 6,643,787 | 115.9 | -1,548,731 | 2,638,527 | 19.8% | 2.0% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 4.2% | 2.5% | 1.7% | 315,490 | 188,483 | 127,007 | 59.7% | 5,196,637 | 2,989,481 | 2,207,156 | 0.9 | 0.9 | 1.0 |
| 2013 | 4.2% | 2.5% | 1.7% | 331,200 | 197,618 | 133,581 | 59.7% | 5,081,479 | 2,734,856 | 2,346,624 | 0.9 | 0.8 | 1.0 |
| 2014 | 4.2% | 2.5% | 1.7% | 351,854 | 206,274 | 145,580 | 58.6% | 5,570,266 | 3,151,824 | 2,418,442 | 0.9 | 0.9 | 0.9 |
| 2015 | 4.7% | 2.9% | 1.8% | 414,566 | 254,025 | 160,541 | 61.3% | 5,355,492 | 2,800,970 | 2,554,521 | 0.7 | 0.6 | 0.9 |
| 2016 | 4.9% | 3.1% | 1.8% | 459,043 | 290,902 | 168,141 | 63.4% | 4,800,206 | 2,058,464 | 2,741,742 | 0.6 | 0.4 | 0.9 |
| 2017 | 4.6% | 2.8% | 1.8% | 450,136 | 276,647 | 173,488 | 61.5% | 5,421,174 | 2,545,674 | 2,875,501 | 0.7 | 0.5 | 0.9 |
| 2018 | 4.7% | 2.9% | 1.8% | 475,771 | 289,133 | 186,638 | 60.8% | 5,667,009 | 2,705,804 | 2,961,205 | 0.6 | 0.5 | 0.8 |
| 2019 | 4.6% | 2.7% | 1.9% | 471,288 | 274,988 | 196,300 | 58.3% | 6,069,958 | 2,921,197 | 3,148,761 | 0.7 | 0.6 | 0.8 |
| 2020 | 3.9% | 1.9% | 2.0% | 405,979 | 201,723 | 204,256 | 49.7% | 8,007,132 | 4,308,645 | 3,698,487 | 1.0 | 1.1 | 0.9 |
| 2021 | 3.6% | 1.7% | 1.9% | 446,319 | 215,318 | 231,001 | 48.2% | 10,419,442 | 5,994,514 | 4,419,173 | 1.2 | 1.4 | 1.0 |
| 2022 | 4.3% | 2.2% | 2.1% | 581,583 | 298,303 | 283,280 | 51.3% | 8,678,774 | 4,786,432 | 3,892,342 | 0.8 | 0.8 | 0.7 |

Source: MAPFRE Economics (based on data from the Chilean Insurance Association and the Commission for the Financial Market)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.17. Paraguay: main insurance market figures and indicators
(millions of guaranies)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 1,434,355 | 177,160 | 1,257,195 | 18.3% | 14.1% | 1,944,590 | 641,682 | 1,279,459 | 860,589 | 665,132 | 90.3 | 109,222 | 48,618 | 24.4% | 8.3% |
| 2013 | 1,634,685 | 193,270 | 1,441,415 | 14.0% | 11.0% | 2,266,305 | 763,105 | 1,474,367 | 978,520 | 791,938 | 92.0 | 103,509 | 80,826 | 23.8% | 8.2% |
| 2014 | 1,862,298 | 236,639 | 1,625,659 | 13.9% | 8.5% | 2,502,884 | 884,133 | 1,579,631 | 1,071,207 | 923,253 | 93.1 | 100,904 | 89,640 | 21.6% | 7.8% |
| 2015 | 2,056,627 | 279,820 | 1,776,807 | 10.4% | 7.1% | 2,856,288 | 1,038,009 | 1,811,512 | 1,201,741 | 1,044,776 | 95.4 | 75,641 | 140,355 | 20.9% | 7.7% |
| 2016 | 2,168,768 | 301,748 | 1,867,020 | 5.5% | 1.3% | 3,078,466 | 1,130,586 | 1,912,605 | 1,269,155 | 1,165,861 | 95.6 | 74,631 | 84,295 | 14.2% | 5.3% |
| 2017 | 2,338,258 | 331,425 | 2,006,833 | 7.8% | 4.1% | 3,386,526 | 1,290,608 | 2,116,130 | 1,394,368 | 1,270,395 | 97.3 | 49,135 | 91,367 | 13.8% | 5.2% |
| 2018 | 2,527,763 | 354,421 | 2,173,343 | 8.1% | 4.0% | 3,756,992 | 1,487,066 | 2,330,833 | 1,506,866 | 1,426,159 | 93.7 | 121,197 | 135,213 | 18.3% | 6.9% |
| 2019 | 2,657,159 | 359,584 | 2,297,575 | 5.1% | 2.3% | 4,120,265 | 1,665,168 | 2,542,861 | 1,661,780 | 1,577,403 | 93.1 | 135,864 | 148,626 | 17.8% | 6.8% |
| 2020 | 2,791,067 | 431,545 | 2,359,522 | 5.0% | 3.2% | 4,401,562 | 1,835,239 | 2,617,467 | 1,673,925 | 1,784,096 | 88.6 | 231,092 | 156,331 | 22.0% | 8.7% |
| 2021 | 2,927,024 | 470,969 | 2,456,055 | 4.9% | 0.1% | 4,599,553 | 1,947,796 | 2,766,110 | 1,879,679 | 1,833,443 | 96.1 | 83,698 | 128,959 | 12.2% | 4.9% |
| 2022 | 3,286,154 | 579,272 | 2,706,882 | 12.3% | 2.3% | 5,156,244 | 2,315,274 | 3,061,201 | 2,128,570 | 2,095,043 | 97.9 | 49,401 | 157,490 | 10.6% | 4.3% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, guaranies) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.0% | 0.1% | 0.9% | 242,154 | 29,909 | 212,245 | 12.4% | 10,649,426 | 6,911,615 | 3,737,810 | 7.4 | 39.0 | 3.0 |
| 2013 | 1.0% | 0.1% | 0.9% | 272,191 | 32,181 | 240,010 | 11.8% | 11,547,410 | 7,312,166 | 4,235,244 | 7.1 | 37.8 | 2.9 |
| 2014 | 1.0% | 0.1% | 0.9% | 305,760 | 38,852 | 266,907 | 12.7% | 12,499,801 | 8,044,624 | 4,455,177 | 6.7 | 34.0 | 2.7 |
| 2015 | 1.1% | 0.1% | 0.9% | 332,898 | 45,293 | 287,605 | 13.6% | 13,109,488 | 8,442,142 | 4,667,345 | 6.4 | 30.2 | 2.6 |
| 2016 | 1.1% | 0.1% | 0.9% | 346,083 | 48,152 | 297,931 | 13.9% | 13,718,348 | 8,573,537 | 5,144,811 | 6.3 | 28.4 | 2.8 |
| 2017 | 1.1% | 0.2% | 0.9% | 367,916 | 52,148 | 315,768 | 14.2% | 14,390,301 | 8,989,102 | 5,401,199 | 6.2 | 27.1 | 2.7 |
| 2018 | 1.1% | 0.2% | 0.9% | 392,307 | 55,006 | 337,301 | 14.0% | 15,200,009 | 9,520,583 | 5,679,427 | 6.0 | 26.9 | 2.6 |
| 2019 | 1.1% | 0.2% | 1.0% | 406,914 | 55,066 | 351,848 | 13.5% | 15,531,179 | 9,502,731 | 6,028,449 | 5.8 | 26.4 | 2.6 |
| 2020 | 1.2% | 0.2% | 1.0% | 421,694 | 65,201 | 356,494 | 15.5% | 16,078,559 | 9,337,528 | 6,741,031 | 5.8 | 21.6 | 2.9 |
| 2021 | 1.1% | 0.2% | 0.9% | 436,622 | 70,254 | 366,368 | 16.1% | 18,599,726 | 11,003,908 | 7,589,339 | 6.4 | 23.4 | 3.1 |
| 2022 | 1.1% | 0.2% | 0.9% | 484,630 | 85,429 | 399,201 | 17.6% | 18,757,657 | 11,095,047 | 7,662,610 | 5.7 | 19.2 | 2.8 |

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.18. Argentina: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 69,062 | 11,625 | 57,437 | 32.3% | 20.2% | 105,071 | 78,310 | 84,977 | 69,572 | 20,094 | 113.5 | -7,662 | 10,685 | 26.2% | 5.0% |
| 2013 | 93,389 | 15,262 | 78,127 | 35.2% | 22.2% | 139,358 | 103,916 | 112,499 | 92,121 | 26,858 | 116.2 | -12,274 | 16,772 | 27.0% | 5.2% |
| 2014 | 129,421 | 21,032 | 108,389 | 38.6% | -2.4% | 188,896 | 142,120 | 151,932 | 123,804 | 36,964 | 116.2 | -16,835 | 24,876 | 33.1% | 6.4% |
| 2015 | 180,672 | 28,285 | 152,387 | 39.6% | 10.4% | 271,656 | 208,840 | 216,415 | 175,855 | 55,241 | 114.0 | -20,591 | 37,335 | 39.0% | 7.8% |
| 2016 | 243,602 | 37,979 | 205,622 | 34.8% | -3.0% | 379,860 | 292,721 | 298,885 | 245,173 | 80,975 | 118.1 | -35,988 | 52,057 | 28.6% | 6.0% |
| 2017 | 302,312 | 42,577 | 259,734 | 24.1% | -1.3% | 502,009 | 390,929 | 390,617 | 321,404 | 111,392 | 112.6 | -44,365 | 75,805 | 28.6% | 6.2% |
| 2018 | 391,594 | 52,749 | 338,845 | 29.5% | -3.5% | 728,417 | 562,540 | 564,612 | 458,667 | 163,805 | 126.0 | -102,864 | 138,220 | 34.0% | 7.6% |
| 2019 | 533,673 | 68,113 | 465,559 | 36.3% | -11.2% | 1,086,274 | 845,321 | 816,182 | 638,970 | 270,092 | 133.4 | -177,023 | 227,173 | 34.6% | 8.3% |
| 2020 | 836,533 | 105,376 | 731,157 | 56.8% | 10.4% | 1,695,609 | 1,335,880 | 1,213,381 | 930,767 | 482,228 | 90.8 | 94,263 | -25,316 | 10.0% | 2.7% |
| 2021 | 1,260,182 | 157,830 | 1,102,351 | 50.6% | 1.5% | 2,359,964 | 1,814,494 | 1,684,740 | 1,327,036 | 675,224 | 90.8 | 83,130 | -54,634 | -9.6% | -2.7% |
| 2022 | 2,295,704 | 278,243 | 2,017,461 | 82.2% | 5.6% | 4,048,580 | 3,059,208 | 2,835,084 | 2,232,729 | 1,213,497 | 89.1 | 235,909 | -345,108 | -10.4% | -3.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 2.6% | 0.4% | 2.2% | 1,646 | 277 | 1,369 | 16.8% | 147,450 | 115,388 | 32,062 | 2.1 | 9.9 | 0.6 |
| 2013 | 2.8% | 0.5% | 2.3% | 2,203 | 360 | 1,843 | 16.3% | 171,940 | 135,807 | 36,133 | 1.8 | 8.9 | 0.5 |
| 2014 | 2.8% | 0.5% | 2.4% | 3,022 | 491 | 2,531 | 16.3% | 235,589 | 189,435 | 46,154 | 1.8 | 9.0 | 0.4 |
| 2015 | 3.0% | 0.5% | 2.6% | 4,177 | 654 | 3,523 | 15.7% | 298,467 | 247,266 | 51,202 | 1.7 | 8.7 | 0.3 |
| 2016 | 3.0% | 0.5% | 2.5% | 5,578 | 870 | 4,709 | 15.6% | 395,164 | 318,865 | 76,299 | 1.6 | 8.4 | 0.4 |
| 2017 | 2.8% | 0.4% | 2.4% | 6,862 | 966 | 5,896 | 14.1% | 511,527 | 410,863 | 100,664 | 1.7 | 9.6 | 0.4 |
| 2018 | 2.7% | 0.4% | 2.3% | 8,817 | 1,188 | 7,629 | 13.5% | 742,055 | 578,734 | 163,321 | 1.9 | 11.0 | 0.5 |
| 2019 | 2.4% | 0.3% | 2.1% | 11,927 | 1,522 | 10,405 | 12.8% | 1,141,772 | 840,368 | 301,404 | 2.1 | 12.3 | 0.6 |
| 2020 | 3.0% | 0.4% | 2.7% | 18,575 | 2,340 | 16,235 | 12.6% | 1,324,920 | 1,013,639 | 311,281 | 1.6 | 9.6 | 0.4 |
| 2021 | 2.7% | 0.3% | 2.4% | 27,833 | 3,486 | 24,347 | 12.5% | 2,421,185 | 1,804,529 | 615,547 | 1.9 | 11.4 | 0.6 |
| 2022 | 2.8% | 0.3% | 2.4% | 50,444 | 6,114 | 44,330 | 12.1% | 4,024,391 | 3,068,855 | 955,536 | 1.8 | 11.0 | 0.5 |

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

## Table A.19. Uruguay: main insurance market figures and indicators
(millions of pesos)

| Year | Premiums | | | Premium growth | | Assets | Investments | Liabilities | Technical provisions | Equity | Combined ratio[1] | Technical result | Financial result | ROE[2] | ROA[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Nominal | Real | | | | | | | | | | |
| 2012 | 21,564 | 5,684 | 15,880 | 22.3% | 13.1% | 50,863 | 42,461 | 41,286 | 36,799 | 9,576 | 105.1 | -963 | 2,343 | 8.4% | 1.6% |
| 2013 | 24,749 | 7,100 | 17,648 | 14.8% | 5.7% | 62,405 | 52,154 | 51,851 | 46,470 | 10,554 | 106.8 | -1,470 | 2,595 | 10.8% | 1.9% |
| 2014 | 30,285 | 8,937 | 21,347 | 22.4% | 12.4% | 77,793 | 65,068 | 65,535 | 58,548 | 12,259 | 101.9 | -487 | 2,699 | 8.8% | 1.4% |
| 2015 | 34,910 | 11,672 | 23,238 | 15.3% | 6.1% | 96,715 | 83,041 | 82,363 | 74,257 | 14,352 | 104.6 | -1,432 | 4,249 | 6.5% | 1.0% |
| 2016 | 38,531 | 14,707 | 23,824 | 10.4% | 0.7% | 115,866 | 99,900 | 100,114 | 90,779 | 15,752 | 105.9 | -2,073 | 4,641 | 5.1% | 0.7% |
| 2017 | 45,207 | 19,075 | 26,132 | 17.3% | 10.5% | 140,142 | 123,081 | 121,707 | 113,058 | 18,435 | 105.9 | -2,426 | 6,782 | 12.7% | 1.7% |
| 2018 | 45,787 | 18,196 | 27,591 | 1.3% | -5.9% | 162,306 | 144,805 | 142,141 | 133,506 | 20,165 | 107.8 | -3,269 | 6,108 | 3.0% | 0.4% |
| 2019 | 54,800 | 24,192 | 30,608 | 19.7% | 10.9% | 196,767 | 177,349 | 173,346 | 162,776 | 23,421 | 106.4 | -3,156 | 6,898 | 15.8% | 1.9% |
| 2020 | 61,448 | 28,099 | 33,349 | 12.1% | 2.2% | 236,945 | 216,500 | 209,942 | 198,164 | 27,003 | 109.3 | -5,097 | 10,512 | 20.4% | 2.4% |
| 2021 | 69,684 | 32,680 | 37,004 | 13.4% | 5.2% | 279,211 | 256,865 | 244,853 | 231,507 | 34,359 | 103.6 | -2,251 | 10,681 | 26.4% | 3.1% |
| 2022 | 80,858 | 39,372 | 41,486 | 16.0% | 6.4% | 328,304 | 303,358 | 291,210 | 275,218 | 37,093 | 104.0 | -2,897 | 6,496 | 9.6% | 1.1% |

| Year | Penetration (premiums/GDP) | | | Density (premiums per capita, pesos) | | | Depth index[4] | Insurance Protection Gap | | | IPG as a multiple of the actual market | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Life | Non-Life | Total | Life | Non-Life | | Total | Life | Non-Life | Total | Life | Non-Life |
| 2012 | 1.9% | 0.5% | 1.4% | 6,397 | 1,686 | 4,711 | 26.4% | 71,274 | 48,778 | 22,496 | 3.3 | 8.6 | 1.4 |
| 2013 | 1.9% | 0.6% | 1.4% | 7,320 | 2,100 | 5,220 | 28.7% | 76,688 | 50,654 | 26,034 | 3.1 | 7.1 | 1.5 |
| 2014 | 2.1% | 0.6% | 1.5% | 8,929 | 2,635 | 6,294 | 29.5% | 84,930 | 57,496 | 27,434 | 2.8 | 6.4 | 1.3 |
| 2015 | 2.2% | 0.7% | 1.5% | 10,259 | 3,430 | 6,829 | 33.4% | 92,351 | 61,516 | 30,836 | 2.6 | 5.3 | 1.3 |
| 2016 | 2.2% | 0.9% | 1.4% | 11,287 | 4,308 | 6,979 | 38.2% | 95,492 | 60,165 | 35,327 | 2.5 | 4.1 | 1.5 |
| 2017 | 2.5% | 1.0% | 1.4% | 13,210 | 5,574 | 7,636 | 42.2% | 95,418 | 59,276 | 36,142 | 2.1 | 3.1 | 1.4 |
| 2018 | 2.3% | 0.9% | 1.4% | 13,360 | 5,310 | 8,051 | 39.7% | 106,617 | 66,699 | 39,919 | 2.3 | 3.7 | 1.4 |
| 2019 | 2.5% | 1.1% | 1.4% | 15,984 | 7,056 | 8,928 | 44.1% | 111,092 | 65,761 | 45,332 | 2.0 | 2.7 | 1.5 |
| 2020 | 2.7% | 1.2% | 1.5% | 17,920 | 8,194 | 9,725 | 45.7% | 115,539 | 63,530 | 52,009 | 1.9 | 2.3 | 1.6 |
| 2021 | 2.7% | 1.3% | 1.4% | 20,338 | 9,538 | 10,800 | 46.9% | 135,817 | 76,863 | 58,892 | 1.9 | 2.4 | 1.6 |
| 2022 | 2.7% | 1.3% | 1.4% | 23,623 | 11,503 | 12,121 | 48.7% | 145,444 | 80,477 | 64,967 | 1.8 | 2.0 | 1.6 |

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

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Paseo de Recoletos, 23
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