Fundación MAPFRE

THE LATIN AMERICAN INSURANCE MARKET IN 2021

MAPFRE Economics

The Latin American Insurance Market in 2021

Arturo Gordon (1883-1944)
Pescadores
Oil on canvas

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MAPFRE Economics

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MAPFRE Economics recognizes and appreciates the valuable collaboration of the regulatory and supervisory bodies of insurance markets in Latin America. Their participation and support have contributed significantly to the preparation of this report.

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Presentation

This study prepared by MAPFRE Economics seeks to provide information on Latin American insurance industries to offer individuals, companies and institutions a useful tool for understanding the different aspects that define the dynamics and performance of these markets, giving them more elements to facilitate the decision-making process. This objective is shared by Fundación MAPFRE and reflected in the publication of this new edition of the *Latin American Insurance Market* in 2021, which, in addition to presenting data on the performance of the region's markets and their evolution over the past decade, adds an analytical dimension that makes it possible to enhance knowledge of them.

The significant uncertainty surrounding the evolution of the Covid-19 pandemic meant that 2021 was also a very complex year. Despite economic activity slowing down in the second half of the year, global growth came in at 6.1% in 2021, to which broad fiscal stimulus and monetary packages contributed to counteract the effects generated by the measures implemented to combat the pandemic. Latin America has been one of the most affected regions in sociodemographic terms, which has undoubtedly exacerbated the region's structural problems. However, in 2021, its economy demonstrated greater vitality than expected, ending the year with 6.5% growth, although performance was unequal between countries.

Against this backdrop, the Latin American insurance market has benefited from the economic recovery, with real growth in premium volume across almost all countries. As a result, aggregated premiums came to 149.8 billion dollars in 2021, up 11.5% year-on-year, following a YoY drop of 11.9% the previous year. Despite this dynamic, the Insurance Protection Gap, which represents the difference between insurance coverage acquired and coverage that is economically necessary and beneficial to society, increased by 19.7% last year, to 249.8 billion dollars. This continues to demonstrate the need to raise social and institutional awareness about the suitability of increasing the level of insurance in the region, and with it, the benefits that insurance provides to citizens in overcoming economic difficulties throughout their lives.

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Introduction

This year, *The Latin American Insurance Market* report provides an analysis of the performance of the insurance industry as the region's economy started to recover from the impact of the Covid-19 pandemic and as inflationary pressure began to be felt amid an increase in demand for goods and services that could not be met by supply. This generated problems in global supply chains and caused tension in the price of raw materials and energy in an environment of high liquidity.

Against this backdrop that defined 2021, the report analyzes the performance of the Latin American insurance market from both a general perspective and from the perspective of each of its markets. Based on a review of the economic and demographic context, the report shows the major figures and trends of the insurance markets in the region, analyzing aspects such as premium growth, the major line items on the aggregated industry balance sheet, investments, technical provisions, and the industry's results and profitability. At the same, the report includes a review of the main structural trends, analyzing the evolution of the indicators for insurance penetration, density, and depth, and offering an update of the estimated Insurance Protection Gap and Market Evolution Index.

As in previous editions, the report sets out the 2021 ranking of insurance companies operating in each of Latin America's markets. Likewise, it moves forward with the analysis of industry concentration trends in each market, presenting a summary of the main regulatory adjustments seen over the past year, based on information provided by the regulatory and supervisory bodies in the region.

We hope that this new edition of *The Latin American Insurance Market* helps to expand the vision and understanding of the performance of the insurance industry in this region, thus contributing to the development of Latin America by enhancing the presence of this activity in the economy and society.

MAPFRE Economics

Executive summary

The global economy and the insurance industry

In 2021, the world economy recovered from the significant contraction seen the previous year thanks to the extensive fiscal and monetary stimulus packages implemented by the governments and central banks of the world's main economies to fight the effects caused by the measures implemented to combat the Covid-19 pandemic. World economic growth in 2021 stood at 6.1% (-3.1% in 2020), with the contribution of developed countries coming to 5.2% (-4.5% in 2020), with the US growth of 5.7% (-3.4% in 2020) worth particular mention, and emerging and developing countries contributing 6.8% (-2.0% in 2020). The 8.1% growth seen in China's economy (2.2% in 2020) and 8.7% growth in India (-6.6% in 2020) are also worthy of note.

However, the economic recovery and its speed led to an increase in demand for goods and services that could not be met on the supply side, generating a series of problems in supply chains and causing tension in the price of raw materials and energy in an environment of high liquidity, with a strong upturn in inflation that took root during the second half of 2021. A good portion of the abundant liquidity injected was channeled into the real economy, but this also led to a significant increase in economic operators' savings, which were passed on to asset valuations, especially risk assets, which performed well throughout the year.

In this context, some emerging economies with limited financial capacity started to withdraw fiscal and monetary stimuli as a result of the significant increase in inflation and deterioration in their public accounts and interest rates, which, in turn, drove inflation up. However, this was not the case in developed markets, as the signs seemed to suggest that the problem of inflation was transitory, and it would return to normal once international trade and companies recovered their full capacity. Ultimately, the expectations of central banks were not fulfilled, and the economic and geopolitical problems were worsened by the onset of war in Ukraine in February 2022, which resulted in a change of course by the central banks of the world's leading economies toward tightening their monetary policy. All these factors were reflected in the financial markets, which are experiencing significant downturns, both in terms of equity and fixed income assets.

Over the course of 2021, the global insurance industry benefited from the economic recovery, and insurance markets generally appeared more dynamic in terms of business volume, although they were less profitable on account of the increase in the loss ratio as countries came out of lockdown. Thus, global premium volume grew to 6.9 trillion dollars, representing nominal growth of 9.0% vs. 1.0% in 2020. Density (premium per capita) stood at 874 dollars (809 dollars in 2020) and penetration (premiums/GDP) at 7.0% of world GDP (7.4% in 2020). By major lines of business, global premiums in the Non-Life sector were up by 8.4% in 2021 (4.4% in 2020) supported by the economic recovery, while Life insurance premiums were up by 9.9% (-3.0% in 2020).

It is expected that the insurance industry's profitability may continue to be negatively impacted throughout 2022 by the effect of significantly higher inflation rates than initially expected, as well as by the difficulties that may arise from passing on increases in the cost of claims and other operating expenses to the price of insurance. This is in an economic context marked by the tightening of monetary policies in many of the world's major economies, which may slow growth and even increase the risk of entering a recession. Despite this, in the medium term, increases in interest rates may help to improve the financial profitability of insurance companies, and opportunities may arise for the development of Life insurance products linked to savings and life annuities.

The Economy and the Latin American Insurance Market

In 2021, the Latin America and Caribbean region saw economic growth of 6.5%, compared to the contraction of 6.9% seen in 2020. This region of the world was most affected by the economic impact of the pandemic and, following the growth seen last year, the level of activity remains slightly below pre-Covid levels and in line with the economic stagnation seen in recent years. The recovery seen in 2021 was also unequal between countries, supported primarily by some of the main economies, which clearly surpassed pre-pandemic levels, as was the case of Brazil, Colombia, Argentina and Chile, while others failed to replicate pre-Covid figures. Economic growth in 2021 was supported by the recovery in internal demand, mainly thanks to private consumption and, to a lesser extent, investment. In terms of the foreign sector, the strong performance of the US economy and the upturn in the price of raw materials (in particular, oil and other minerals) helped to increase the exports of producer countries, although it also resulted in an increase in imports of refined oil products, with the contribution of exports to regional GDP growth in 2021 being negative.

In the coming years, the panorama for the Latin America and Caribbean region appears complex, with a significant slowdown in economic growth expected, to approximately 2.7% in 2022, against a backdrop of tighter financing conditions, job markets that have failed to completely recover and high levels of informal employment and low rates of participation, in addition to deteriorated public accounts that make it difficult to implement fiscal policy measures to support economic growth. The slowdown and potential dip into recession of the US economy, the tighter monetary policy employed by the Federal Reserve and economic problems in China are expected to contribute to a bleaker economic outlook, given that the aforementioned two economies are the region's main trade partners, placing pressure on the depreciation of the region's currencies and making foreign financing harder to come by.

Insurance Market Performance in Latin America

In 2021, total premiums in Latin America amounted to 149.79 billion dollars, of which 57.5% came from Non-Life insurance and the remaining 42.5% from Life insurance. As a result, the aggregated premiums in the regional insurance industry grew by 11.5% (compared to the significant contraction of 11.9% the previous year), an impressive rate of growth, although without achieving the figures seen prior to the onset of the pandemic. The economic recovery and interest rate environment during the closing months of the year, which was more suited to Life insurance, were factors supporting this growth of the Latin American insurance market. It is also worth noting that in 2021, the economic impact on insurance turnover due to the depreciation of currencies against the dollar was moderate, and some markets, such as Mexico and Chile, benefited from an appreciation in the average exchange rate of their currencies.

Based on the individual analysis of growth in insurance activity in local currency for each of the markets analyzed in this report, it can be seen that growth in real terms (corrected for inflation) was widespread across the region, with contractions in real-term insurance premiums only seen in Ecuador and Venezuela. The remaining markets saw growth that was up year on year, with the exception of Argentina and Puerto Rico, where the rate of growth was lower. The highest rates of growth were seen in the insurance markets of Peru (21.4%), Colombia (12%), El Salvador (10.7%) and the Dominican Republic (10%).

The increase in risk aversion caused by the pandemic served as an additional stimulus in relation to demand for insurance, such as Health and Life Risk insurance, as well as those related to home protection and business. Life Savings insurance, in turn, also performed well, improving as central banks took the decision to change course towards tighter monetary policies to fight the upturn in prices, with successive interest rate hikes that gained pace in the final months of the year. The inflationary environment increases the appetite for this type of product as protection against the loss of buying power. This process of change in the course of monetary policy has gained speed in 2022 following the outbreak of war in Ukraine and the sanctions imposed on Russia after the invasion, which have subjected prices to further tension. As a result, it is expected that the boost to Life Savings insurance from this climate will be even greater than the boost seen in 2021, although the forecast economic slowdown could harm the savings capacity of economic agents, having the opposite effect.

As a result, in 2021, Life Insurance premiums in Latin America experienced significant growth of 11.2% in dollars, partially recovering from the marked contraction seen the previous year (-18.7%), while Non-Life insurance premiums experienced 11.7% growth (compared to a contraction of 6.1% in 2020). It is worth noting that the Life insurance sector only partially recovered from the significant contraction seen the previous year, which can mostly be explained by the performance of its two main markets in this line of business (Brazil and, to a lesser extent, Chile), which failed to replicate premium volumes seen pre-Covid. The other markets, with the exception of Venezuela, all surpassed pre-Covid levels. In the Life business, Life – individual and group insurance premiums accounted for 36.9% of total premiums in the region, with growth of 8.7% (-17.6% in 2020). Pension insurance, in turn, experienced significant growth of 30% (-26.5% in 2020) although its weight is relatively small in the region's Life business, accounting for 5.8% of total premiums in 2021.

In turn, growth in Non-Life insurance in Latin America surpassed premium volumes seen pre-Covid, although the recovery of some specific lines of business was not enough to achieve the volumes seen before the crisis, as was the case of the Automobile business, which accounts for 15.8% of total premiums in the region, which experienced growth of 8.7% (compared to a drop of 16.1% in 2020). It is worth noting that this line of business was already showing signs of the economic stagnation in which the Latin American economy found itself, once again offset by the Health business, which saw 11% growth in premiums in 2021 (9.2% in 2020).

In turn, in 2021, the aggregate net result of the insurance market in Latin America stood at 6.74 billion dollars, down by 29.2% on the equivalent aggregate result the previous year. This has undoubtedly been affected by the process of coming out of lockdown, which has seen a general increase in the loss ratio of the Automobile and Health lines of business, combined with substantially higher mortality rates in Latin America as a result of the pandemic. This region was particularly hard-hit in 2021, affecting the profitability of Life Risk insurance. Despite this downturn, it should be noted that all countries returned positive aggregate net results, as is typical of the region, with Argentina and Ecuador as the only exceptions. With the exception of Chile, Costa Rica and Uruguay, the remaining markets' profits in dollars decreased compared to the previous year.

From a structural perspective, the Latin American insurance markets with the highest levels of concentration were Uruguay, Costa Rica and Nicaragua, with a Herfindahl index above the threshold associated with a highly concentrated industry. In turn, Peru (which dipped below the concentration threshold in 2021), Venezuela, Honduras, Puerto Rico (which entered the moderate concentration band), Panama, Dominican Republic, El Salvador (which also entered this band) and Guatemala returned figures indicative of concentrated markets, although to a more moderate level. The remaining Latin American insurance markets reported indexes below the threshold associated with moderate levels of concentration.

Structural Trends in the Insurance Industry

The region's average penetration rate (premiums/GDP) was 3.0% in 2021, lower than the previous year by 0.1 percentage points (pp). This indicator dropped in the Non-Life segment (1.71% compared to 1.77% the previous year) and to a lesser extent in the Life segment (1.27% compared to 1.31% the previous year). From a medium-term perspective (2011–2021), there has been an increase in penetration of 0.5 pp (in GDP terms) in the region. This reflects the upward trend in terms of penetration in Latin America, which has been consistent in recent decades. The performance of Life insurance and, to a lesser extent, Non-Life insurance have contributed to this phenomenon. The significant shifts in regional GDP over the past two years, the strong performance of Health insurance and the downturn in Life insurance as a result of the pandemic have resulted in the gap to Life insurance in terms of penetration in the region narrowing. This is an unusual situation, so time will tell in the coming years if this is a shift in the trend or if things go back to how they were for both lines of business after the economic situation returns to normal. The cumulative increase in penetration in the Life insurance segment in 2011–2021 came to 28.0%, while the cumulative increase in Non-Life insurance was 17.1% over the same period. Puerto Rico continues to report the highest penetration index, reaching 16.5% in 2021, due to the important role played by insurance companies in its health system. After Puerto Rico, Chile (3.6%), Brazil (3.1%), and Colombia (3.0%) were the countries that reported the highest penetration indexes in 2021, above the regional average of 2.98%.

In terms of density (premiums per capita), the region's average indicator was 240 dollars, an increase of 10.7% compared to the previous year. The partial recovery of premiums in the insurance industry in 2021, following the significant decrease seen the previous year on account of the economic consequences of the pandemic and the improved performance of exchange rates against the dollar explain this improvement in the indicator year on year. However, it remains below pre-Covid levels as a result of the insufficient recovery of the Life insurance business. Thus, the majority of insurance spending per person remains focused on the Non-Life segment (137.9 dollars), which was up by 11% compared to the previous year, exceeding levels before the pandemic. Life insurance density amounted to 102.1 dollars, 10.4% above that of 2020 although still below pre-Covid levels.

Finally, the insurance depth rate (Life insurance premiums over total premiums) was 42.5% in 2021, 0.1 pp less than in 2020. The downturn in this indicator in 2021 can be traced to the only partial recovery of the Life segment in the region's major markets, in contrast to Non-Life insurance, which surpassed pre-Covid levels. Everything indicates that this circumstance, which particularly affected Life insurance, will correct itself, as the medium-term analysis (2011–2021) shows the indicator improving over the course of the last decade, with a cumulative increase of 2.2 pp in that period.

In 2021, the estimated IPG for the Latin American insurance market came in at 249.8 billion dollars, up by 19.7% (41 billion dollars) on the previous year's estimate. Life insurance has been the key segment shaping the structure of the IPG in the region over the last decade. The potential insurance market in Latin America in 2021 (measured as the sum of the actual insurance market and the insurance gap) was 399.6 billion dollars, meaning 2.7 times the current market in the region.

Over this period (2011–2021), the Latin American insurance market recorded an annual average premium growth (in dollars) of 0.2%, underpinned by average growth of 0.8% in the Life insurance segment and an average decline of 0.1% in the Non-Life segment. This dynamic has slowed down considerably compared to the 2010–2020 period, which saw growth of 0.9%, 1.6% and 0.3% respectively. Accordingly, if this same growth dynamic observed over the 2011–2021 period were to continue over the next decade, the market growth rate would fall short of covering the 2021 IPG by 10.1 percentage points. This is also true in the separate analysis of the Life insurance (short by 12.1 pp) and the Non-Life insurance (short by 8.2 pp) segments, as the situation worsened for both of them compared to 2020.

Furthermore, as is standard, this edition of the report includes a new estimate of the Market Development Index (MDI) for the Latin American insurance industry. The MDI, an indicator reflecting the performance and maturity of insurance markets, shows annual progress made over the past decade, with slight downturns in 2014, 2018 and 2021, coming in at similar levels to those seen five years ago, mainly on account of the decrease in depth. Despite these downturns, the performance of this indicator continued to improve between 2011 and 2021, demonstrating that the Latin American insurance market remains on a positive path of growth when analyzed in the medium term, the sudden movements of the economic crisis caused by the pandemic and subsequent recovery on the insurance industry aside. It will be necessary to analyze the effect that the general increase in interest rates in 2022 as a result of the tighter monetary policies of central banks may have on upcoming measures. These might potentially drive the Life Savings business as an instrument for protecting against the loss of purchasing power as a result of inflation, which could affect the industry's regional development indicator.

This report also provides a detailed analysis of each of the Latin American insurance markets. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2021 before analyzing the main figures and structural trends in their insurance markets.

Finally, in addition to the report on the Latin American insurance market for this year, MAPFRE Economics provides readers with an interactive online version *(Latin American Insurance Market: Interactive Data)*, which features part of the information contained in this report.

1. Economic and demographic context

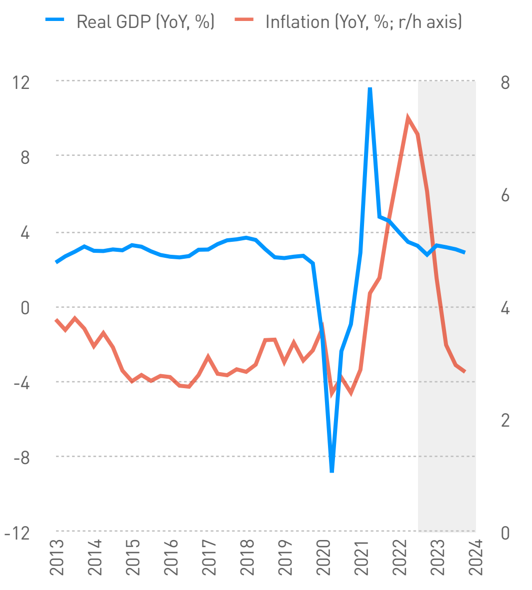
1.1 Economy

Overall environment

In 2021, the world economy recovered from the significant contraction seen the previous year thanks to the extensive fiscal and monetary stimulus packages implemented by the governments and central banks of the world's main economies to counteract the effects of the Covid-19 pandemic[1]. However, the economic recovery and its speed led to an increase in demand for goods and services that could not be met on the supply side, generating a series of problems in supply chains and causing tension in the price of raw materials and energy in an environment of high liquidity, with a strong upturn in inflation (see Chart 1.1-a). World economic growth in 2021 stood at 6.1% (-3.1% in 2020)[2], with both developed and emerging and developing economies contributing to this. The growth in advanced economies came in at 5.2% (-4.5% in 2020), mainly as a result of the economic recovery seen in the United States, standing at 5.7% (-3.4% in 2020), the Eurozone, at 5.4% (-6.3% in 2020) and the United Kingdom, at 7.4% (-9.3% in 2020). However, the economic recovery of some advanced economies was somewhat more tepid, as was the case in Germany, where growth in 2021 stood at 2.9% (-4.6% in 2020) and Japan, at 1.7% (-4.5% in 2020); these economies were particularly affected by problems in supply chains and the scarcity of semiconductors. In turn, emerging and developing economies as a whole saw aggregate growth in 2021 of 6.8% (compared to the contraction of 2.0% in 2020). Worth particular mention was the growth seen in China, of 8.1% (2.2% in 2020) and India, of 8.7% (-6.6% in 2020).

Inflation caused by the reopening of the economy after lockdown measures were lifted, fostered by the support of governments and central banks in the world's main economies, took root during the second half of 2021. In this context, some emerging economies with limited financial capacity started to withdraw fiscal and monetary stimuli, in some cases quite quickly, as a result of the significant increase in inflation and deterioration seen in their public accounts and interest rates (which, in turn, drove inflation up). In developed markets, however, this was not the case. All signs seemed to indicate that this was a temporary phenomenon that would normalize as companies and international trade began to recover their full capacity. That was the message given throughout 2021 by the central banks of the

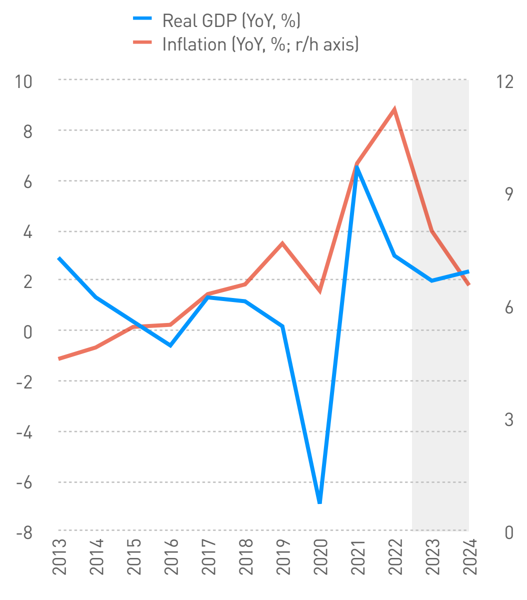
Chart 1.1-a
Global: Growth and Inflation
(Quarterly Data, Year-Over Year Variation)



Source: MAPFRE Economics (based on Haver data and own estimates) major developed economies, particularly the United States Federal Reserve and the European Central Bank (ECB), whose positions favored maintaining an accommodative monetary policy so as not to jeopardize employment and economic growth. A good portion of the abundant liquidity injected into the system was channeled into the real economy, but this also led to a significant increase in economic operators' savings, which were passed on to asset valuations, especially risk assets, which performed well throughout the year. Finally, the expectations of central banks failed to come to fruition, and the economic and geopolitical problems were exacerbated by the outbreak of war in Ukraine on February 24, 2022, causing a shift toward the tightening of central bank monetary policies in the world's major economies, in some cases more quickly (such as the United States Federal Reserve and the European Central Bank), with a few notable exceptions in cases like China or Japan. All these factors were reflected in the financial markets, which are experiencing significant downturns, both in terms of equity and fixed income assets.

For 2022 and 2023, the expectation is that global demand will slow down as a result of the tighter monetary policy employed by the main central banks and the resulting slowdown in the corresponding economies, against a backdrop of the energy crisis, in which the Russian invasion of Ukraine has subjected prices of energy, food and other raw materials—of which both countries were major producers—to additional tension. This is combined with the economic problems in China attributable to its real-estate market and the major restrictions placed on mobility in large cities by the country's government to fight the expansion of the Omicron strain of the SARS-CoV-2 virus, which wreaked havoc on supply chains that were recovering as part of the process of reopening the economy.

Chart 1.1-b
Latin America: Growth and Inflation



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

Latin American Economic Environment

According to the most recent estimates by the Economic Commission for Latin America and the Caribbean (ECLAC)[3], the Latin America and Caribbean region saw economic growth of 6.5% in 2021, compared to the significant slowdown of 6.9% seen in 2020 (the region hardest hit by the pandemic), meaning the figures now stand just below the pre-Covid figures (see Chart 1.1-b). Thus, the region barely managed to recover pre-Covid GDP levels in line with the economic stagnation seen in recent years. This recovery was also unequal between countries, supported largely by some of the main economies, which clearly surpassed pre-pandemic levels, as was the case of Brazil, Colombia, Argentina and Chile, while others failed to replicate pre-Covid figures.

This growth was supported by the recovery in internal demand, mainly thanks to private consumption and, to a lesser extent, investment. The reactivation of tourism and of service sectors, such as the transport, communication, commerce, hotel and restaurant sectors, as well as financial and business services, contributed in large part to this regional growth. The manufacturing and construction industry also contributed to economic growth, although to a lesser extent. In the case of investment, although growth rates were impressive in 2021, the figures seen during the year failed to match pre-Covid figures. In terms of the foreign sector, the strong performance of the US economy and the upturn in the price of raw materials—in particular, oil and other minerals—helped to increase exports from producer countries, although it also resulted in an increase in imports of refined oil products, with the contribution of net exports to regional GDP growth in 2021 being negative.

In terms of the monetary policy measures adopted the previous year to support the economy after the outbreak of the pandemic, the strong upturn in inflation seen in 2021 caused many central banks in the region to change course toward a more restrictive monetary policy. This was particularly the case in the second half of the year, when advanced economies still believed that this was a temporary phenomenon and continued to employ ultra-lax monetary policies. In this sense, the Latin America and Caribbean region got a head start, applying measures to counter inflation with some central banks even raising interest rates in the second half of 2021, whereas advanced economies failed to take measures until the first months of 2022 following the outbreak of war in Ukraine.

In terms of fiscal policy, 2021 was a year of moderation on account of the deterioration of the region's public accounts. The massive fiscal deficits generated the previous year attributable to the aid offered to households and the most vulnerable small companies, as well as the spending on shoring up health systems to overcome the effects of the pandemic, significantly weakened the fiscal capacity of most Latin American economies, which were forced to significantly reduce the size of aid packages and adopt measures to control public spending. All these measures, combined with the increase in tax income thanks to the economic recovery, have generally reduced tax deficits (-4.2% of GDP at year-end 2021 compared to -6.9% in 2020, according to ECLAC estimates), although the level of indebtedness of central governments in relation to GDP, while down, remain high (69.0% of GDP in 2021 compared to 71.3% in 2020).

In the coming years, the panorama for the Latin America and Caribbean region appears complex, with a significant slowdown in economic growth expected, to approximately 2.7% in 2022, against a backdrop of tighter financing conditions on account of restrictive monetary policies to control inflation, job markets that have failed to completely recover, and high levels of informal employment and low rates of participation. This is combined with deteriorated public accounts that make it difficult to implement fiscal policy measures to support economic growth. The slowdown and potential dip into recession in the US, the tighter monetary policy employed by the Federal Reserve and economic problems in China are expected to contribute to a bleaker economic outlook in the coming years, given that the aforementioned two economies are the region's main trade partners, placing pressure on the depreciation of the region's currencies and making foreign financing harder to come by.

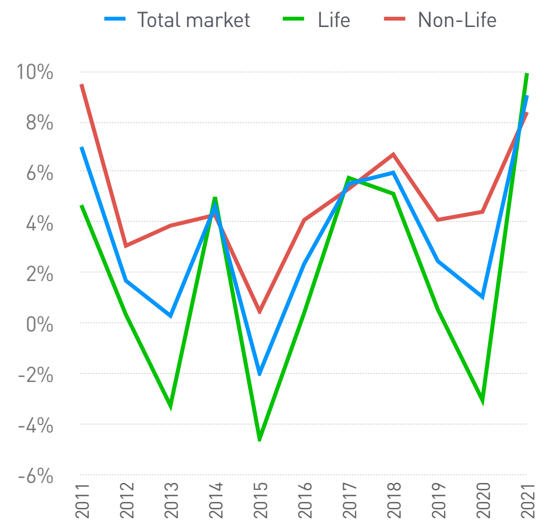
The slowdown in investment, in turn, will have an impact on the development of infrastructure projects that help to improve endemic problems in the Latin America and Caribbean region, such as low productivity and the limited development of an intra-regional market. The absence of a stable internal savings cushion[4] and the sub-optimal development of the educational system continue to affect the problem of low levels of employment and productivity, which in turn will continue to feed into problems in relation to poverty, inequality, social tension, insecurity and political uncertainty. Furthermore, inflation in the price of food and energy, aggravated by the war in Ukraine, have exacerbated the structural problems in the region, which had already suffered as a result of the pandemic.

Global Economic Environment and Insurance Demand

Over the course of 2021, the global insurance industry benefited from the economic recovery, and insurance markets generally appeared more dynamic and profitable, although to a lesser extent than the previous year on account of the increase in loss ratio as countries came out of lockdown. Thus, global premium volume grew to 6.9 trillion dollars, representing nominal growth of 9.0% versus 1.1% in 2020 (see Chart 1.1-c). When taking into consideration the population and size of the global economy, in 2021, global insurance density (premiums per capita) came to 874 dollars (809 dollars in 2020) and penetration (premiums/GDP) stood at 7% (7.4% in 2020)[5].

Both emerging and developed markets contributed to this strong performance (in terms of business volume) of global insurance markets. Thus, the US insurance market in 2021 experienced significant growth in three market segments: Life, Non-Life and Health. In the Non-Life business, in particular, the main driver was commercial lines, due mainly to the pressure exerted on the market due to the increase in the price of these policies, although the retail lines of Automobile and Home insurance also contributed to the growth. In turn, the Life Savings business has been the main driver of the Life segment, and Medicaid was the major driver of the Health segment. In Europe, practically all markets increased their premiums thanks to the strong upturn in the sale of

Chart 1.1-c
Global: Insurance Market Growth
(nominal growth rates in USD, % y/y)



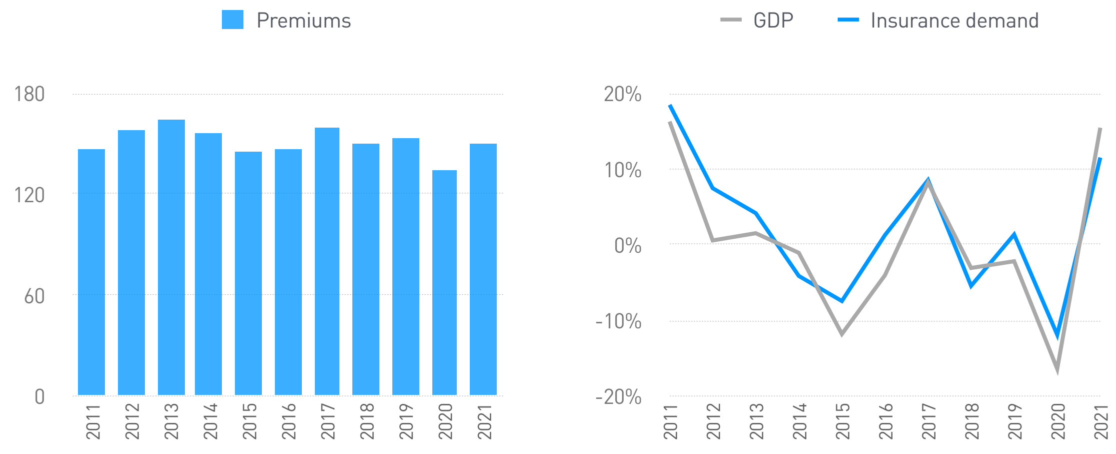
	Total	Life	Non-Life
2011	7.0 %	4.7 %	9.5 %
2012	1.7 %	0.3 %	3.1 %
2013	0.3 %	-33.0 %	3.9 %
2014	4.6%	5.0 %	4.3 %
2015	-2.0 %	-4.6 %	0.5 %
2016	2.4 %	0.4 %	4.1 %
2017	55.0 %	5.8 %	5.3 %
2018	6.0 %	5.1 %	6.7 %
2019	2.5 %	5.0%	4.1 %
2020	1.1 %	-3.0 %	4.4 %
2021	9.0 %	9.9 %	8.4 %

Source: MAPFRE Economics (based on Swiss RE data) unit-linked products in the Life business. The positive behavior of premiums in the emerging Asia-Pacific markets was due largely to the growth of China, and also other markets, such as India and the Philippines. Latin America, in turn, saw significant growth in premiums issued in 2021, corresponding to expansive movement in both the Life and the Non-Life lines.

By major lines of business, global premiums in the Non-Life segment grew by 8.4% in 2021 (4.4% in 2020), supported by the economic recovery, while premiums in the Life segment grew by 9.9% (-3% in 2020), managing to recover from the drastic fall in business seen the previous year as a result of the profound economic crisis, the switch toward positions of liquidity on account of the high level of uncertainty and lax monetary policies generally adopted to counter the economic effects of the pandemic. In 2021, most emerging markets (excluding China) started to tighten monetary policy to counteract the upturn in inflation, which helped the Life Savings insurance business, offering higher returns and increasing the appetite of homes and businesses for these products for protection against the loss of purchasing power caused by inflation. Although developed markets maintained a lax monetary policy, unit-linked Life investment products (where the policyholder assumes the risk of investment) were also bolstered by the strong performance of the financial markets, which experienced an increase in the value of the main asset categories, both in terms of equities and fixed income, on account of the impact of lower interest rates and widespread bond purchase schemes put in place by central banks. Furthermore, the higher risk aversion as a result of the pandemic benefited Life Risk insurance (and in the case of the Non-Life business, health insurance policies).

Profitability suffered in 2021 during the process of coming out of lockdown, which increased the loss ratio, which had fallen while the restrictions imposed by the pandemic remained in place. It is expected that the industry's profitability may continue to be negatively impacted throughout 2022 by the effect of significantly higher inflation rates than initially expected, as well as by the difficulties that may arise from passing on increases in the cost of claims and other operating expenses to the price of insur-

Chart 1.1-d
Latin America: Economic Growth and the Insurance Market
(premiums, billions of USD; annual nominal growth rates, % y/y)



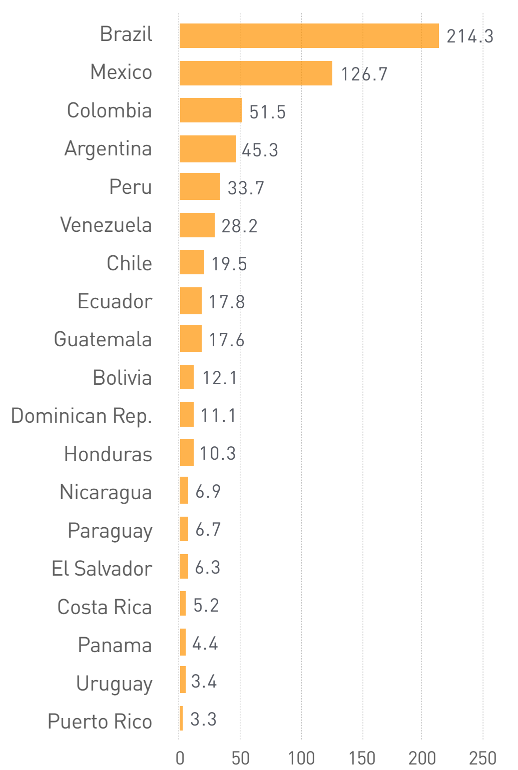
Source: MAPFRE Economics (based on regional supervisory body and IMF data) ance. This is taking place in an economic context marked by tightening monetary policies in many of the world's major economies, which may slow growth and even increase the risk of entering a recession. In the medium term, increases in interest rates will help to improve the financial profitability of the investment portfolios held by insurance companies and opportunities will arise to develop Life insurance products linked to savings and life annuities.

Economic Environment and Insurance Demand in Latin America

In 2021, the Latin American insurance market achieved a premium volume of 149.8 billion dollars, up on aggregate by 11.5% (-11.9% in 2020), recovering from the major downturn seen the previous year (as a result of the economic impact of the pandemic), although without recovering the volume of premiums seen before the crisis (see Chart 1.1-d).

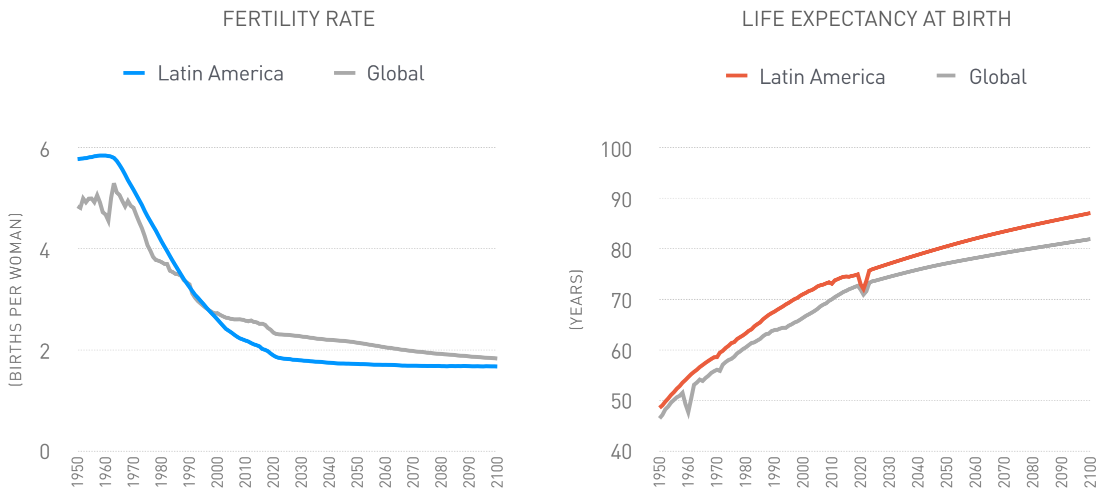
Unlike the previous year, the economic recovery in 2021 was favorable for the insurance industry, and the interest rate environment (which had been particularly adverse the previous year) improved in some of the major markets, mainly during the second half of the year, which contributed to its recovery. The increase in risk aversion caused by the pandemic also served as an additional stimulus to increase demand for insurance, particularly in the case of Health and Life Risk insurance, as well as those related to home protection and business. Life Savings insurance also performed well, improving as inflation increased and central banks took the decision to change course towards tighter monetary policies to counteract the upturn in prices, with successive interest rate hikes that gained pace in the final months of the year. These interest rate hikes offered higher returns on Life Savings products against a backdrop of high inflation that increased the appetite for this type of product for protection against the loss of purchasing power. This process has gained speed in 2022 following the outbreak of war in Ukraine and the sanctions imposed on Russia after the invasion, which have subjected prices to further tension. As a result, it is expected that the pressure placed on Life Savings insurance will be even greater than the pressure seen in 2021, although the economic slowdown forecast could harm the savings capacity of economic agents, having the opposite effect. Finally, it is also worth noting that in 2021, the economic impact on insurance turnover due to the depreciation of currencies against the dollar was moderate, and some markets, such as Mexico and Chile, benefited from an appreciation in the average exchange rate of their currencies during the year.

Chart 1.2-a
Latin America: Population, 2021
(millions)



Source: MAPFRE Economics (based on UN data)

Chart 1.2-b
Latin America: Fertility Rate and Life Expectancy at Birth, 1950–2100

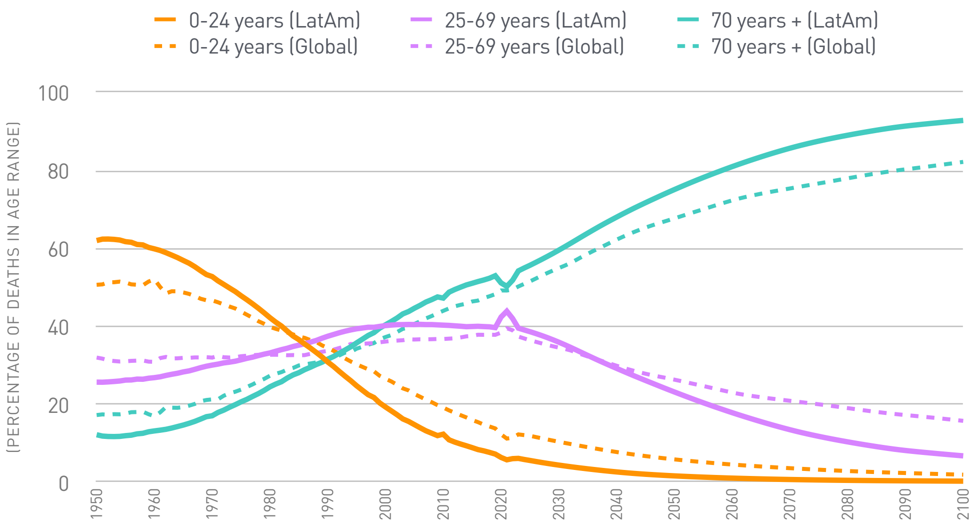


Source: MAPFRE Economics (updated based on UN data)

1.2 Demographics

According to the latest population data for Latin America released by the United Nations (UN) in 2022[6], the estimated population in 2021 of the 19 countries featured in this report totaled 624.2 million people. Brazil and Mexico account for a significant share of the total, with populations of 214.3 and 126.7 million inhabitants respectively. Colombia and Argentina both have populations of over 40 million inhabitants, with

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)

51.5 and 45.3 million respectively. These are followed by Peru and Venezuela, each with populations of around 33.7 and 28.2 million inhabitants respectively. The remaining countries have populations of below 20 million, namely Chile, Ecuador, and Guatemala, with populations ranging between 17 and 20 million inhabitants (see Chart 1.2-a).

With regard to the region's demographic parameters, in the updated projections produced by the UN for Latin America and the Caribbean, in 2022, the trend of declining fertility rates and of increasing population longevity remained (see Chart 1.2-b). As can be seen, the Covid-19 crisis has hit the Latin America and Caribbean region particularly hard[7]. According to UN estimates, the region lost 2.9 years of life expectancy at birth between 2019 and 2021, dropping from 75.1 in 2019 to 72.2 in 2021, the biggest drop seen anywhere on the planet[8]. However, according to its forecasts, in 2023 the region's life expectancy will surpass the 2019 life expectancy, before the outbreak of the pandemic, and will continue on its upward trend towards the end of the century, above the world average.

In line with this information, life expectancy at birth in the region rose from 48.6 years in 1950 to 72.2 years in 2021, representing an increase of 23.6 years over the period. 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 around 87 years of age by the end of the century. Projections of birth rates, however, have shown a sustained drastic decline, falling from an average of 5.8 births per woman in the 1950s to 1.7 by the end of this century. On the other hand, as regards mortality, as reflected in Chart 1.2-c, the pandemic has particularly affected the elderly, both globally and in Latin America. This impact on mortality as a result of the virus could have significantly altered the demographic trends being observed worldwide in recent decades: a general reduction in mortality (which only increases at progressively older 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, both also in the Latin America and Caribbean region. The process sees the strength of the workforce reduce while the proportion of the population reaching old age increases, progressively exerting more pressure on health and pension systems, in particular in countries where the weight of distribution components is higher.

There is still some uncertainty about the potential future consequences of the pandemic on these demographic trends, considering its indirect effects on health, especially in patients who require intensive care or people who didn't seek a diagnosis for other potential illnesses during lockdown or postponed treatment for a serious existing ailment. However, recent UN forecasts seem to suggest that (unless some unexpected additional event occurs), the pandemic has not had a big enough impact to change these structural dynamics in relation to demographic evolution with a transition toward older populations. To this end, as shown in the updated data presented in Chart 1.2-d, this combination of demographic factors foreshadows a progressive aging of the region's population 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 2021

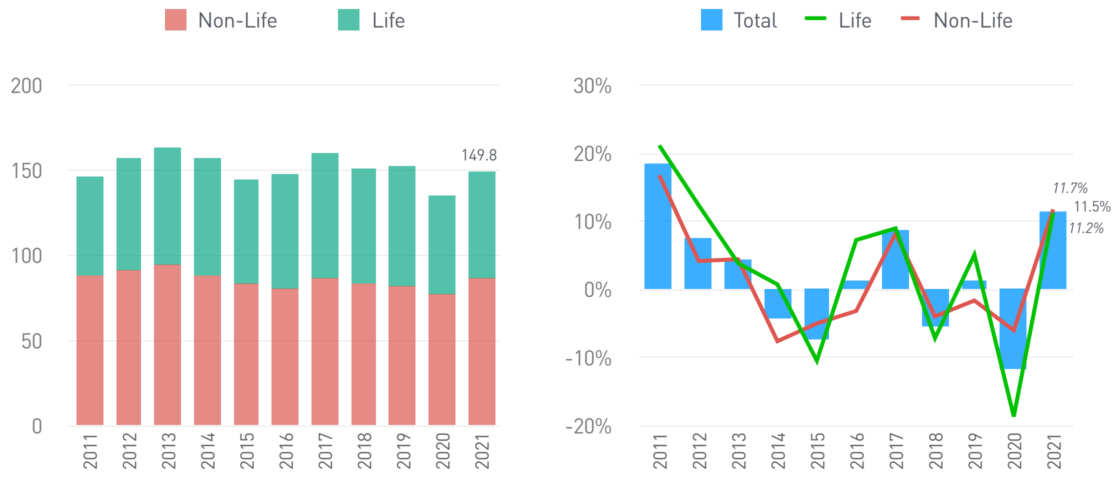
2.1 Insurance Market Performance

Growth

In 2021, total premiums in Latin America amounted to 149.79 billion dollars, of which 57.5% came from Non-Life insurance and the remaining 42.5% from Life insurance. Thus, the aggregated premiums in the regional insurance industry grew by 11.5% (compared to the significant contraction of 11.9% the previous year), an impressive rate of growth, although without achieving the figures seen prior to the onset of the Covid-19 pandemic. This growth of the Latin American insurance market has been affected by the economic recovery as well as an interest rate environment that is more suited to the sale of Life Savings and Income products, as a result in the change of course in monetary policy applied by the main central banks in the region, with increases in interest rates as part of the fight against inflation (see Chart 2.1-a).

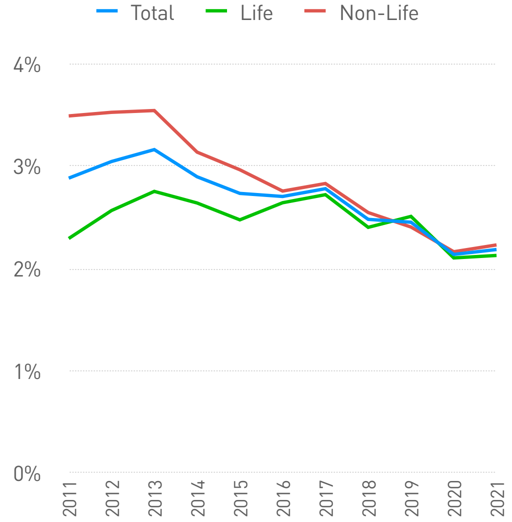
As a result of this performance, the share of the Latin American insurance market in the world total recovered slightly, by 0.05 percentage points (pp) between 2021 and 2020, standing at 2.2% mainly as a result of the recovery of the Non-Life business, the share of which increased by 0.07 pp, while the Life business recovered by just 0.02 pp (see Chart 2.1-b). From a long-term perspective, the Latin American share in the global insurance business was on an upward trend leading to an increase in its relevance. While that share was only 1.8% in 1980, by 2021 it had risen to 2.2%. However, since 2013, there has been a change in trend in both the Life and Non-Life business, in particularly 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)

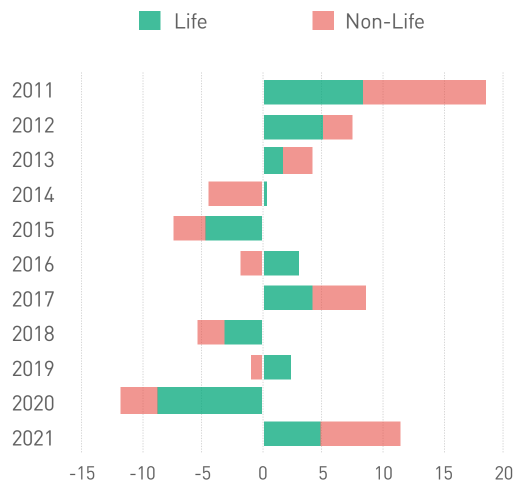
Chart 2.1-b
Latin America: Share of Global Insurance Premiums
(%)



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

As reflected in previous reports, 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 devaluation of various countries' currencies, which typically accompanies such cyclical events. Thus, against the backdrop of the positive performance of 2017, subsequently the Latin American insurance industry once again suffered the consequences of the impact of currency depreciation against the dollar caused by the process of monetary normalization carried out by the United States Federal Reserve in 2018, combined with the significant impact of the Covid-19 crisis 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, 2021 was the most stable year in relation to exchange rates in Latin America, with more moderate depreciation, with economies like Mexico and Chile even seeing appreciation in the average exchange rates of their currency to the dollar. This was, in large part, due to the tightening of the monetary policies implemented by many central banks in the region in 2021, getting a head start on the central banks of developed economies and in particular the US Federal Reserve, which only started to increase rates in 2022.

Chart 2.1-c
Latin America: Contribution to Insurance Market Growth
(percentage points, pp)



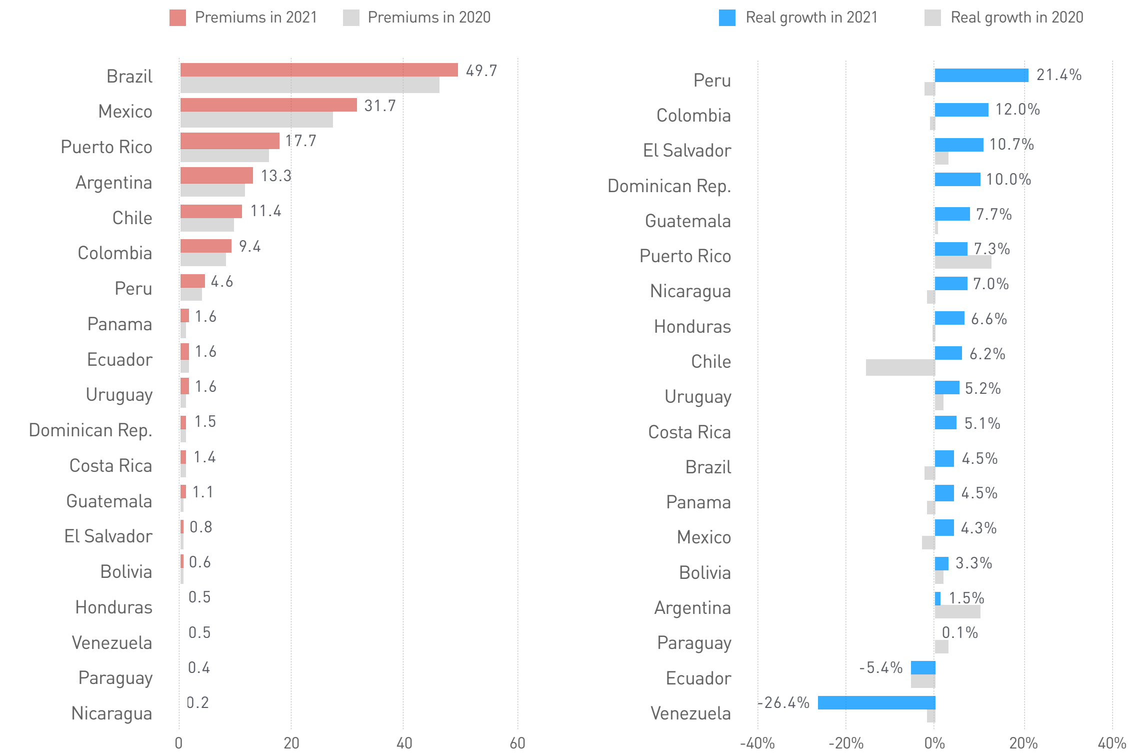
	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	18.4	8.3	10.1
2012	7.4	5.0	2.5
2013	4.1	1.6	2.5
2014	-4.2	0.3	-4.4
2015	-7.5	-4.7	-2.8
2016	1.2	3.1	-1.8
2017	8.5	4.0	4.5
2018	-5.5	-3.3	-2.2
2019	1.3	2.2	-0.9
2020	-11.9	-8.7	-3.3
2021	11.5	4.8	6.7

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

When analyzing the two major insurance business segments in the region, in 2021, it was seen that both the Life insurance and Non-Life insurance segments positively contributed to the recovery of business, with 4.8 pp in the case of the Life business (which contracted significantly in 2020 by 8.7 pp) and 6.7 pp in the Non-Life business (contracting by 3.3 pp in 2020). Analyzing the performance of the insurance market in the region as regards contribution to growth over the past ten years, as reflected in Chart 2.1-c, it can be seen that since 2014, it has continued to perform erratically in both segments, without there being any clear trend since then.

Based on the individual analysis of growth in insurance activity in local currency for each of the markets analyzed, it can be confirmed that growth in real terms (corrected for inflation) was widespread across the region, with contractions in real-term insurance premiums only seen in Ecuador and Venezuela. The remaining markets experienced higher growth than seen the previous year, with the exception of Argentina and Puerto Rico, which saw lower growth, although in the case of Argentina, the switch to inflation-adjusted accounting in the second half of 2020 means that the comparison is not completely representative (see Chart 2.1-d and Table 2.1-a).

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)

Table 2.1-a
Latin America: Annual Changes in Premium Volume, 2020-2021
(growth in local currency, %)

Country	Nominal Growth	Market Growth
Argentina	50.6	1.5
Bolivia	4.0	3.3
Brazil	13.2	4.5
Chile	11.0	6.2
Colombia	15.9	12.0
Costa Rica	6.9	5.1
Ecuador	-5.3	-5.4
El Salvador	14.5	10.7
Guatemala	12.3	7.7
Honduras	11.4	6.6
Mexico	10.2	4.3
Nicaragua	12.3	7.0
Panama	6.2	4.5
Paraguay	4.9	0.1
Peru	26.2	21.4
Puerto Rico	9.8	7.3
Dominican Republic	19.1	10.0
Uruguay	13.4	5.2
Venezuela	1,142.5	-26.4

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

Performance by Line of Business

In 2021, Life Insurance premiums in Latin America experienced significant growth of 11.2% in dollars, partially recovering from the significant contraction seen the previous year (-18.7%), while Non-Life insurance premiums experienced 11.7% growth (compared to a contraction of 6.1% in 2020). Unlike the previous year, the economic context in 2021 was favorable for the insurance industry, and the interest rate environment improved in some of the major markets, especially during the second half of the year, which contributed to its recovery. Furthermore, the higher aversion to risk as a result of the pandemic served as an additional stimulus for demand for Life Risk insurance and Health insurance. Life Savings insurance also performed well in the major markets, in particular during the second half of the year. Furthermore, in 2021, the impact of currency depreciation against the dollar was moderate and, as indicated above, some markets even benefited from an appreciation in the average exchange rate of their currencies during the year (see Table 2.1-b).

However, it is worth noting that the Life insurance sector only partially recovered from the significant contraction seen the previous year, mostly explained by the performance of its two main markets in this line of business (Brazil and, to a lesser extent, Chile), which failed to replicate premium volumes seen pre-Covid (see Table 2.1-c). The other markets all surpassed pre-Covid levels, with the exception of Venezuela. In the Life business, Life – individual and group insurance premiums accounted for 36.9% of total premiums in the region, with growth of 8.7% (-17.6% in 2020). Pension insurance, in turn, experienced significant growth of 30.0% (-26.5% in 2020) although its weight is relatively small in the region's Life business, accounting for 5.8% of total premiums in 2021.

In turn, aggregate growth in Non-Life insurance in Latin America surpassed premium volumes seen pre-Covid, although the recovery of some lines of business was not enough to achieve the volumes seen before the crisis, as was the case of the Automobile business, which accounts for 15.8% of total premiums in the region, which experienced growth of 8.7% (compared to a drop of 16.1%). It should be noted that this line of business was already suffering from the economic stagnation plaguing the Latin American economy prior to the Covid crisis. Nevertheless, this weakness in the growth of the Automobile line of business was once again offset by the Health business, with premium growth in 2021 of 11.0% (9.2% in 2020).

Results and profitability

Table 2.1-d presents the income statement structure of Latin American insurance markets in 2021. As can be seen, profitability indicators once again suffered downturns in

Table 2.1-b
Latin America: Premium Volume and Growth by Country, 2021
(premiums, millions of USD; growth in USD, % y/y)

Line	Non-Life		Life		Total	
	Premiums	Growth 2020–2021 (%)	Premiums	Growth 2020–2021 (%)	Premiums	Growth 2020–2021 (%)
Argentina	11,591.2	12.0 %	1,659.6	11.3 %	13,250.8	11.9 %
Bolivia	375.9	1.8 %	241.2	7.8 %	617.2	4.1 %
Brazil	17,937.7	9.8 %	31,731.1	7.2 %	49,668.7	8.1 %
Chile	5,921.4	19.0 %	5,519.4	12.3 %	11,440.8	15.6 %
Colombia	6,579.7	14.3 %	2,857.3	14.5 %	9,437.0	14.3 %
Costa Rica	1,210.4	-1.1 %	237.8	10.9 %	1,448.2	0.7 %
Ecuador	1,154.7	-9.7 %	451.3	8.0 %	1,606.0	-5.3 %
El Salvador	498.0	7.9 %	328.2	26.2 %	826.2	14.5 %
Guatemala	870.4	9.5 %	267.4	21.1 %	1,137.8	12.1 %
Honduras	347.7	12.6 %	187.5	16.8 %	535.3	14.0 %
Mexico	16,917.2	17.5 %	14,796.1	15.9 %	31,713.3	16.7 %
Nicaragua	178.8	10.8 %	41.4	7.2 %	220.2	10.1 %
Panama	1,201.0	7.3 %	410.1	3.0 %	1,611.2	6.2 %
Paraguay	362.4	4.0 %	69.5	9.1 %	431.9	4.8 %
Peru	2,355.8	3.9 %	2,201.6	26.4 %	4,557.4	13.7 %
Puerto Rico	15,920.0	8.7 %	1,730.9	20.6 %	17,651.0	9.8 %
Dominican Rep.	1,278.1	17.5 %	228.3	21.7 %	1,506.5	18.1 %
Uruguay	849.3	7.0 %	750.1	12.2 %	1,599.4	9.4 %
Venezuela	532.4	42.0 %	2.4	56.2 %	534.8	42.1 %
Total	**86,082.4**	**11.7 %**	**63,711.2**	**11.2 %**	**149,793.6**	**11.5 %**

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

Table 2.1-c
Latin America: Premium Volume by Insurance Line*, 2021
(premiums, millions of USD)

Lines of business	2020	2021	growth (%)	Share %
Life	**57,304**	**63,709**	**11.2 %**	**42.7**
Life — individual and group	50,622	55,021	8.7 %	36.9
Life — social security and/or pensions	6,682	8,688	30.0 %	5.8
Non-Life	**76,682**	**85,550**	**11.6 %**	**57.3**
Workplace accidents	4,529	4,801	6.0 %	3.2
Personal Accidents	3,422	3,757	9.8 %	2.5
Automobiles	21,688	23,583	8.7 %	15.8
Credit and/or surety	2,020	2,162	7.0 %	1.4
Fire and allied lines	8,390	9,506	13.3 %	6.4
Other damages	11,285	12,932	14.6 %	8.7
Third-Party Liability	2,574	3,151	22.5 %	2.1
Health	20,111	22,326	11.0 %	15.0
Transport	2,663	3,331	25.1 %	2.2
Total	**133,986**	**149,259**	**11.4 %**	**100.0**

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

*Note: This table does not take into account the Venezuelan insurance market because the breakdown by business lines is not available, and therefore the growth of the Life and Non-Life segments may show variations with respect to the aggregate growth data for the region indicated in the body of the report.

Table 2.1-d
Latin America: Income Statement by Country, 2021
(millions of USD)

Country	Earned premiums	Loss ratio	Operating expenses	Technical result	Financial result	Other revenues and expenses	Net result
Argentina	9,486.6	-4,564.7	-4,047.7	874.1	-574.5	-883.8	-584.1
Bolivia	446.8	-215.4	-256.3	-24.9	25.3	4.5	4.9
Brazil	19,365.2	-9,183.8	-9,720.3	461.2	2,029.7	-292.1	2,198.8
Chile	8,329.6	-7,753.5	-2,645.9	-2.069.9	3,598.7	-51.6	1,477.2
Colombia	6,473.0	-4,376.8	-3,050.5	-954.2	1,153.3	32.4	231.5
Costa Rica	1,120.0	-643.5	-447.5	29.1	269.5	-42.1	256.5
Ecuador	1,018.6	-543.2	-302.4	173.1	43.0	-221.1	-5.0
El Salvador	506.7	-317.4	-209.1	-19.8	12.2	26.6	19.0
Guatemala	715.3	-447.5	-216.1	51.6	58.5	8.4	118.4
Honduras	264.5	-138.5	-118.3	7.7	23.9	-9.3	22.3
Mexico	20,525.4	-17,587.8	-6,248.3	-3.310.6	5,605.7	-410.4	1,884.7
Nicaragua	107.9	-47.2	-56.6	4.1	17.1	-0.3	20.9
Panama	1,118.4	-692.2	-389.5	36.8	99.4	-	136.2
Paraguay	315.1	-149.6	-154.0	11.4	19.0	2.1	32.6
Peru	2,491.7	-1,755.1	-1,458.9	-722.3	844.7	-14.6	107.8
Puerto Rico	-	-	-	-	-	-	480.4
Dominican Republic	820.5	-482.6	-318.0	19.8	65.0	33.1	117.9
Uruguay	1,440.5	-1,000.0	-492.2	-51.7	245.2	-7.6	185.9
Venezuela[1]	139.2	-62.3	-88.6	-11.8	15.0	43.6	46.8

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

1/ The data corresponds to the year 2020 (latest available).

2021. This has undoubtedly been affected by the process of coming out of lockdown, which has seen a general increase in the loss ratio of the Automobile and Health lines of business, combined with substantially higher mortality rates in Latin America as a result of the pandemic. This region was particularly hard hit in 2021, affecting the profitability of Life Risk insurance. In 2021, the aggregate net result of the Latin American insurance market stood at 6.74 billion dollars, down by 29.2% compared to the aggregate result of the previous year[9].

Despite this downturn, it can be seen that all countries returned positive aggregate net results, as is typical of the region, with Argentina and Ecuador as the only exceptions, although many of them saw slowdowns compared to the previous year. With the exception of Chile, Costa Rica and Uruguay, in the remaining markets' profits in dollars decreased compared to the previous year (see Table 2.1-e).

To supplement the analysis, the information on return on equity (ROE) and return on assets (ROA) of the different insurance markets in the region in 2021 can be consulted in Table 2.1-f[10]. From this information, it can be seen that the insurance markets in Uruguay (23.6%), Dominican Republic (20.7%), Guatemala (20.6%), Chile (19.2%) and Mexico (14.9%) registered a higher ROE. The insurance markets in Argentina (-8.2%), Ecuador (-0.9%), Bolivia (1.4%), El Salvador (4.6%) and Peru (4.9%), by contrast, had the lowest relative levels of this indicator in 2021.

Capitalization levels

The aggregate capitalization level (measured as the ratio of shareholders' equity to total assets) of the insurance industries

Table 2.1-e
Latin America: Net Result by Country, 2021
(millions of USD)

Country	2020	2021	Growth 2020–2021 (%)
Argentina	534.4	-584.1	-209.3
Bolivia	31.2	4.9	-84.4
Brazil	3,489.0	2,198.8	-37.0
Chile	888.9	1,477.2	66.2
Colombia	406.9	231.5	-43.1
Costa Rica	201.9	256.5	27.0
Ecuador	5.7	-5.0	-188.3
El Salvador	24.5	19.0	-22.4
Guatemala	144.7	118.4	-18.1
Honduras	48.6	22.3	-54.0
Mexico	2,312.2	1,884.7	-18.5
Nicaragua	21.5	20.9	-2.6
Panama	187.6	136.2	-27.4
Paraguay	54.5	32.6	-40.2
Peru	309.8	107.8	-65.2
Puerto Rico	527.3	480.4	-8.9
Dominican Republic	155.6	117.9	-24.2
Uruguay	122.5	185.9	51.7
Venezuela	46.8	32.9	-29.8
TOTAL	9,513.6	6,738.8	-29.2

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

Table 2.1-f
Latin America: Profitability by Country, 2021
(in local currency)

Country	Equity/ assets	ROE	ROA	Average inflation
Argentina	28.6 %	-8.2 %	-2.4 %	48.4 %
Bolivia	28.1 %	1.4 %	0.4%	0.7 %
Brazil	7.1 %	12.0 %	0.9 %	8.3 %
Chile	9.9 %	19.2 %	1.9 %	4.5 %
Colombia	15.3 %	5.7 %	0.9 %	3.5 %
Costa Rica	47.0 %	12.3 %	5.8 %	1.7 %
Ecuador	30.4 %	-0.9 %	-0.3 %	0.1 %
El Salvador	41.2 %	4.6 %	1.9 %	3.5 %
Guatemala	35.0 %	20.6 %	7.2 %	4.3 %
Honduras	32.7 %	8.4 %	2.8 %	4.5 %
Mexico	12.8 %	14.9 %	1.9 %	5.7 %
Nicaragua	44.7 %	11.1 %	5.0 %	4.9 %
Panama	41.2 %	9.0 %	3.7 %	1.6 %
Paraguay	39.9 %	12.0 %	4.8 %	4.8 %
Peru	12.6 %	4.9 %	0.6 %	4.0 %
Puerto Rico	29.9 %	12.9 %	3.9 %	2.3 %
Dominican Republic	32.2 %	20.7 %	6.6 %	8.2 %
Uruguay	12.3 %	23.6 %	2.9 %	7.7 %
Venezuela[1]	33.1 %	5.7 %	1.9 %	2,355.1 %

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

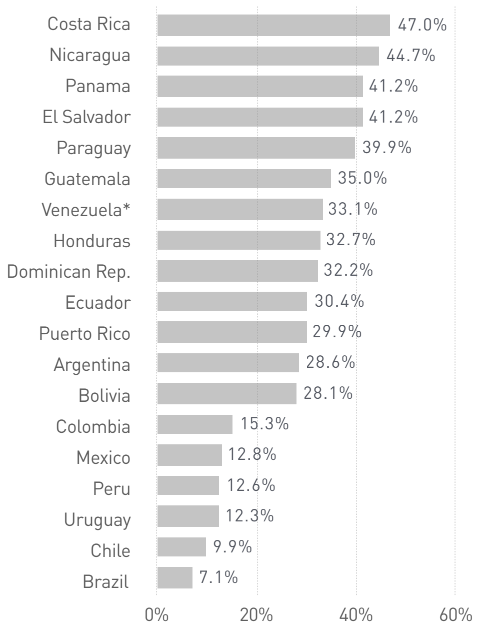
1/ Data for Venezuela is from 2020 (latest available data).

of each of the countries analyzed is reflected in Chart 2.1-e. As reflected in previous versions of this report, the smaller insurance markets in the region tend to return higher capitalization levels, while the indicator is lower in relatively more developed markets, in particular when measuring in terms of depth (Brazil, Chile, Peru or Mexico), more in line with the ratios recorded by the insurance markets of advanced economies. This trend is supported by the 2021 data, as shown in the above-mentioned chart.

Insurance Industry Concentration

As illustrated in Chart 2.1-f, in 2021, the Latin American insurance markets with the highest levels of concentration were Uruguay, Costa Rica and Nicaragua, with a Herfindahl index above the threshold associated with a highly concentrated industry (HHI>1,800). In turn, Peru (which dipped below the concentration threshold in 2021), Venezuela, Honduras, Puerto Rico (which entered the moderate concentration band),

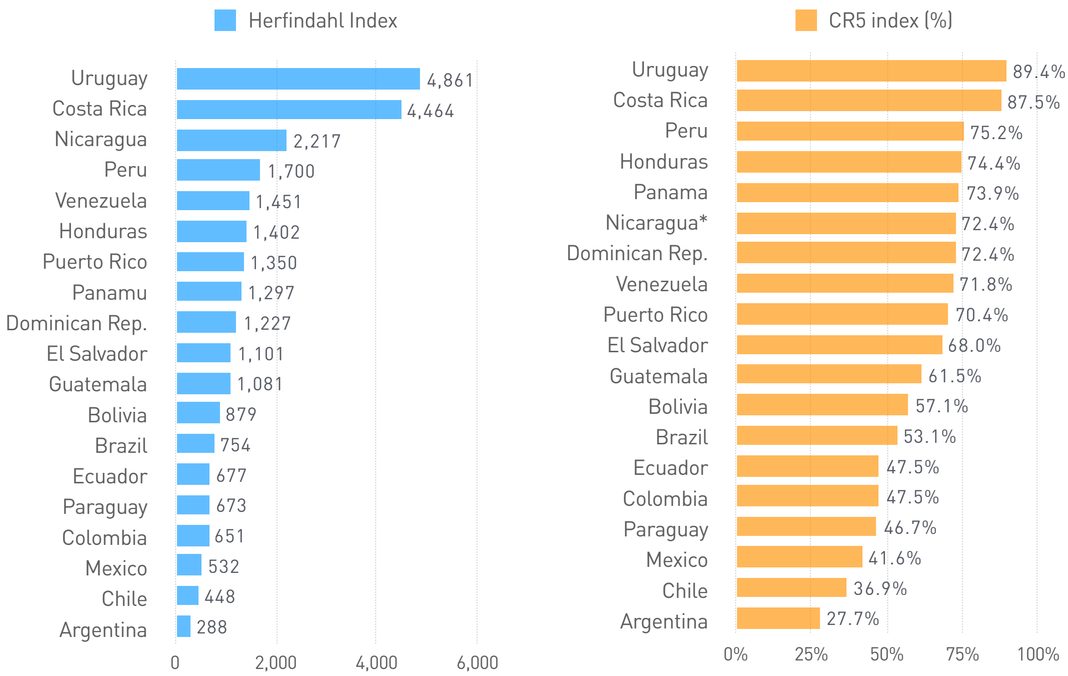
Chart 2.1-e
Latin America: Capitalization Level, 2021
(equity/assets, %)



Source: MAPFRE Economics (based on data from supervisory bodies in the region)
*Data for Venezuela is from 2020 (latest available data).

Panama, Dominican Republic, El Salvador (which also entered this band) and Guatemala returned figures indicative of concentrated markets, although to a more moderate level (1,000<HHI<1,800). The other remaining Latin American markets reported indexes below 1,000 points, i.e. below the threshold associated with moderate levels of concentration. A further measure of the insurance industry concentration degree is the market share of the top five largest insurers (CR5), which confirms the existence of the concentration levels described based on the Herfindahl index. It is worth noting 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 further stimulating factor for market development.

Chart 2.1-f
Latin America: Herfindahl and CR5 Indexes, 2021



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

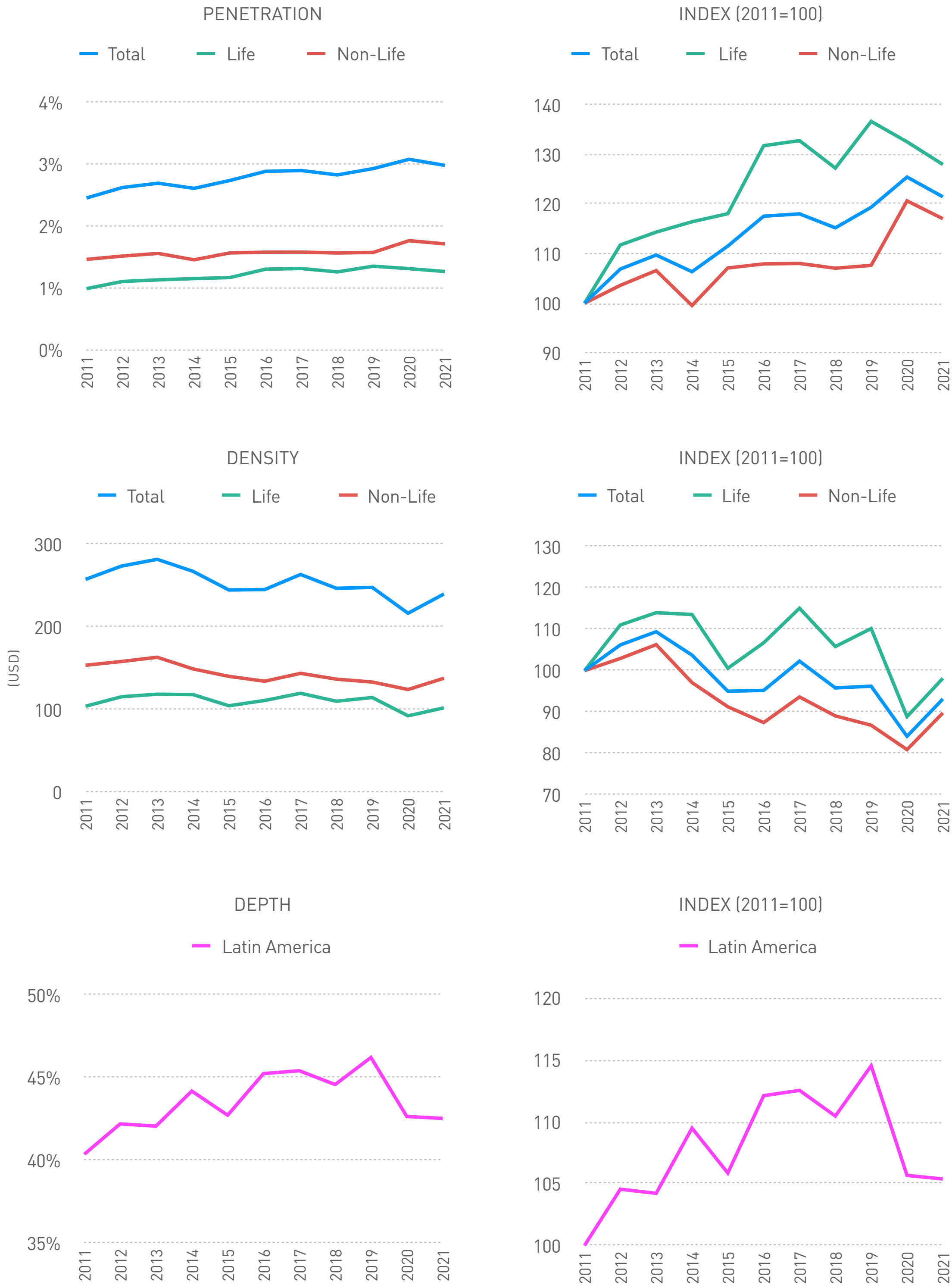
Chart 2.2-a[11] reflects the structural trends in the Latin American insurance industry analyzed as a whole over the 2011–2021 period. The region's average penetration rate (premiums/GDP) was 3.0% in 2021, lower than the previous year by 0.1 percentage points (pp). This indicator dropped in the Non-Life segment (1.71% compared to 1.77% the previous year) and to a lesser extent in the Life segment (1.27% compared to 1.31% the previous year). As shown in Chart 2.2-b, Puerto Rico continues to report the highest penetration and density (premiums per capita) indexes in the region, reaching 16.5% and 5,421 dollars respectively in 2021. 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, this is also the business segment with the best performance in the context of the health crisis caused by the COVID-19 pandemic. After Puerto Rico, Chile (3.6%), Brazil (3.1%), and Colombia (3.0%) were the countries that reported the highest penetration indexes in 2021, above the regional average of 2.98%.

Chart 2.2-c shows penetration level variation for the various markets in 2021 compared to the previous year and over the 2011–2020 period. This information indicates that in 2021 all insurance markets in the region saw a deterioration in the values of this indicator compared to the previous year, with the sole exception of Venezuela, Puerto Rico and Peru. The biggest gains in the 2011–2020 period were in Puerto Rico, Uruguay, Colombia and Brazil.

However, in the medium term (2011–2021), there has been a 0.5 pp increase in penetration in the region (in terms of GDP), which represents a significant decrease on the previous measurement (0.7 pp) following the strong recovery of GDP in 2021, having contracted suddenly in 2020 on account of the pandemic. The cumulative increase in penetration in the Life insurance segment in 2011–2021 came to 28.0%, while the cumulative increase in Non-Life insurance was 17.1% over the same period. In any case, this one-off event aside, over the last decade there has been an increase in the penetration of insurance in Latin America, which has been observed consistently over the past few decades, mainly on account of the performance of Life insurance and, to a lesser extent, Non-Life insurance. However, the significant changes in regional GDP over the past two years and the strong performance of Health insurance as a result of the pandemic have seen the gap to Life insurance in terms of penetration in the region decreasing over the course of the decade. This is an unusual situation, so time will tell in the coming years if this is a shift in the trend or if things go back to how they were for both lines of business after the economic situation returns to normal.

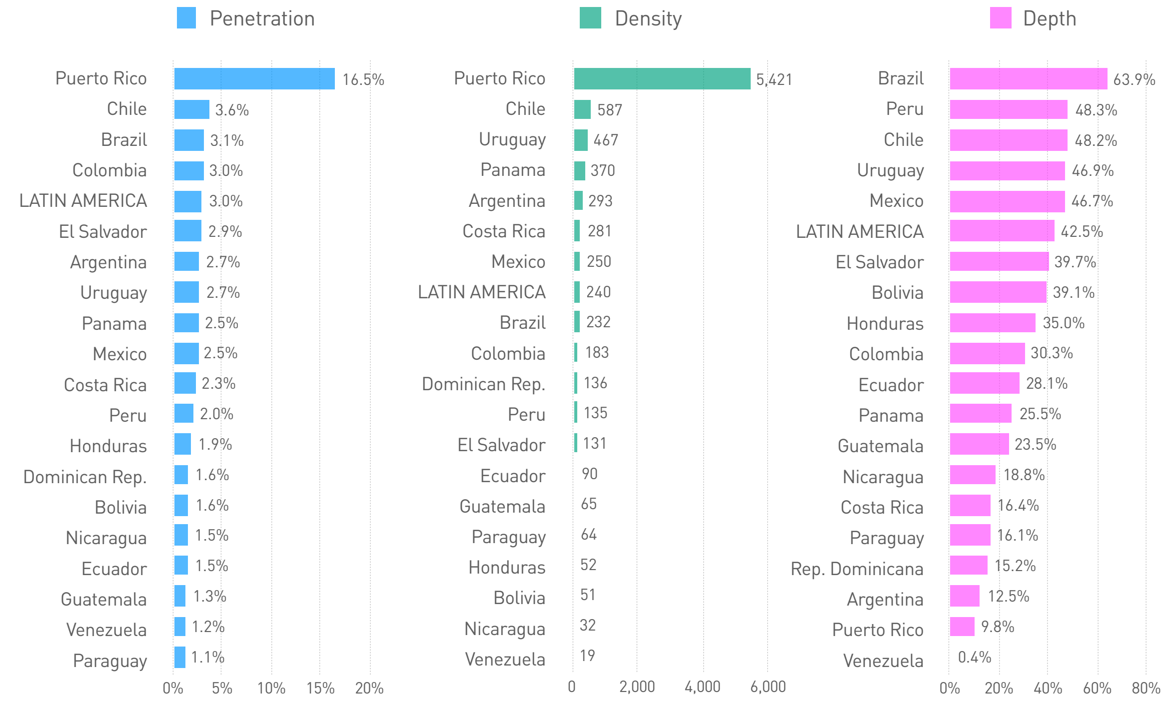
In terms of the density indicator for the region (premium per capita), this stood at 240 dollars, up by 10.7% on the level registered in the previous year (see Chart 2.2-a). The partial recovery of premiums in the insurance industry in 2021, following the significant decrease seen the previous year on account of the economic consequences of the pandemic and the improved performance of exchange rates against the dollar explain this improvement in density year on year. However, it remains below pre-Covid levels as a result of the insufficient recovery of the Life insurance business. The majority of insurance spending per person in most countries in the region remains focused on the Non-Life segment (137.9 dollars), which was up by 11% percent compared to the previous year, exceeding pre-Covid levels (see Chart 2.2-d). Life insurance density amounted to 102.1 dollars,

Chart 2.2-a
Latin America: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2011 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, 2021
(premiums/GDP, %; premiums per capita, USD; Life premiums/total premiums, %)



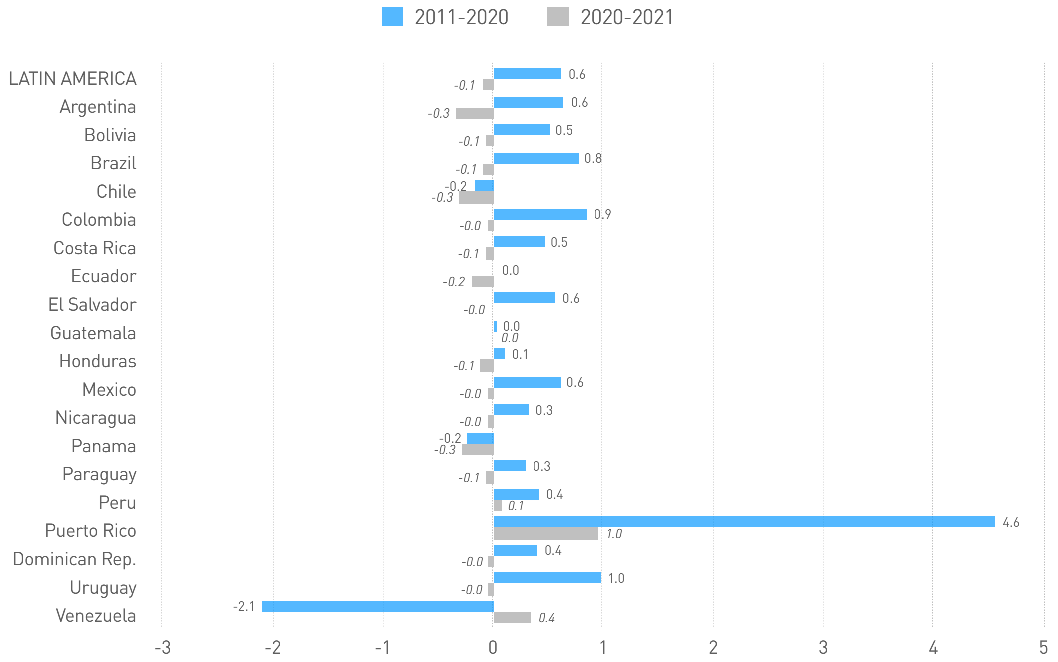
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

10.4% above that of 2020 although still below pre-Covid levels. Between 2011 and 2021, density (measured in dollars) showed a decreasing trend in the region, dropping by 6.9% over this period. This change in trend over the past decade took root in 2013. The cumulative decrease in the Life insurance market over the period amounted to 1.9% (down from 104.0 to 102.1 dollars), while the cumulative drop in Non-Life insurance was 10.3% (from 153.7 to 137.9 dollars). This latest density index shows reduced growth when compared to the 2010–2020 period.

One important aspect reflected on in previous versions of this report is that the individual density analysis in each of the markets considered in this report reflects a growth trend over the last few years when the measurement was taken in the local currency. This seems to confirm the idea that the situation of economic stagnation in Latin America and the Caribbean 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.

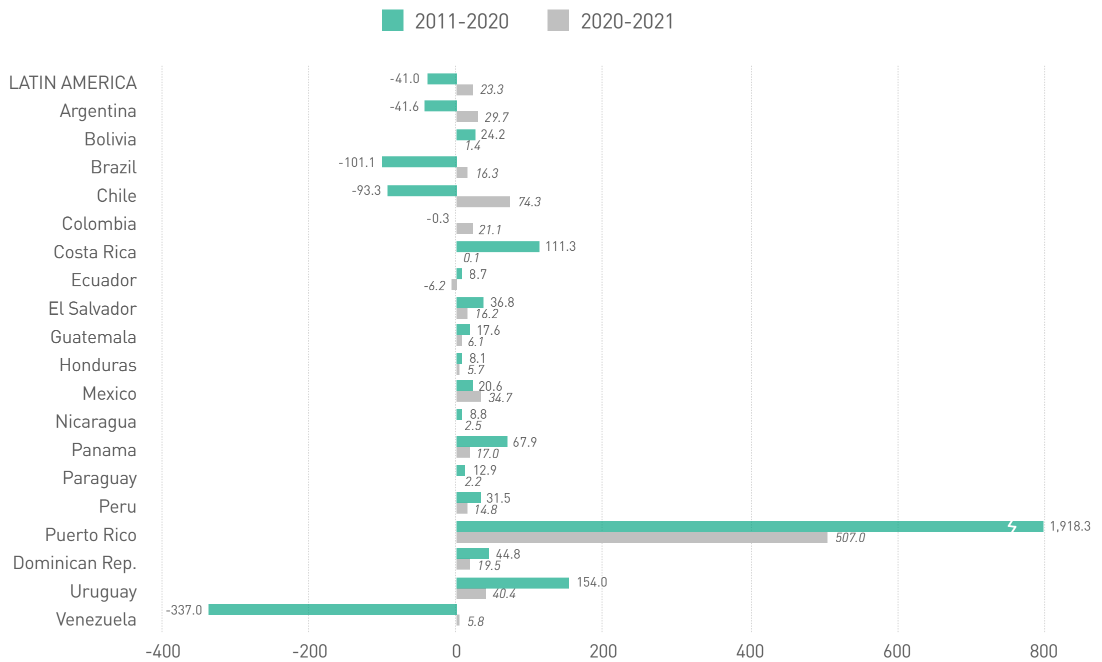
Finally, the insurance depth rate in the region (Life insurance premiums over total premiums) was 42.5% in 2021, 0.1 pp down on 2020 (see Chart 2.2-e). The downturn in this indicator in 2021 can be traced to the only partial recovery of the Life segment in the region's major markets, in contrast to Non-Life insurance, which surpassed pre-Covid levels. Everything indicates that this circumstance, which particularly affected Life insurance, will correct itself, and the medium-term analysis (2011–2021) shows the indicator improving over the course of the last decade, with a cumulative increase of 2.2 pp in that period.

Chart 2.2-c
Latin America: Changes in Penetration, 2011-2021
(percentage points)



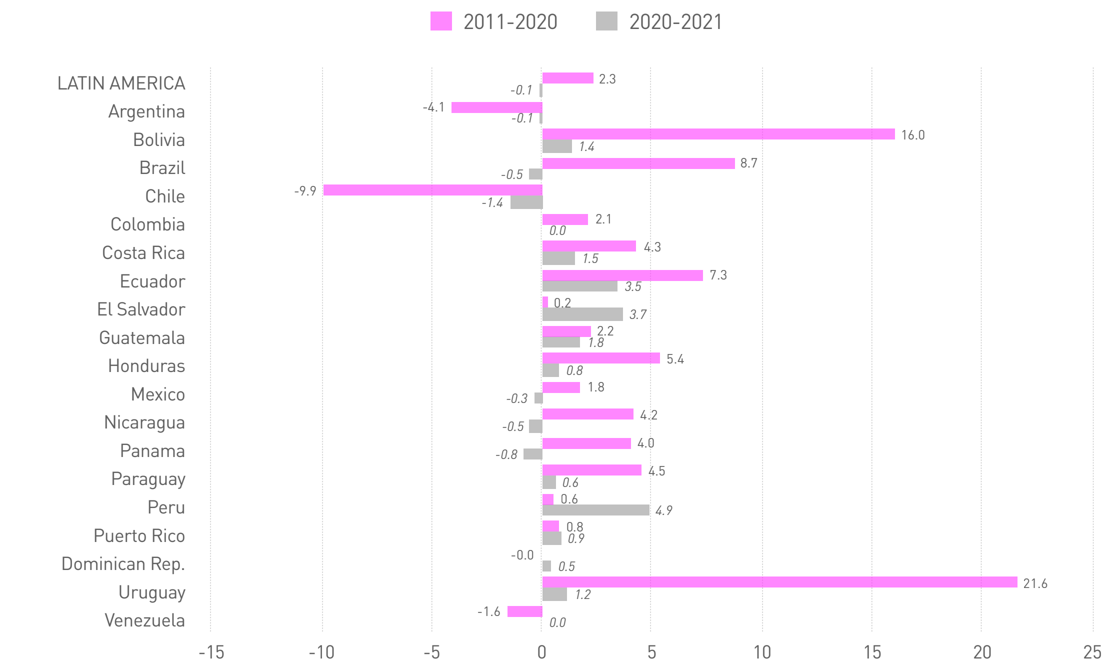
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Chart 2.2-d
Latin America: Changes in Density, 2011–2021
(USD)



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

Chart 2.2-e
Latin America: Changes in Depth, 2011–2021
(percentage points)



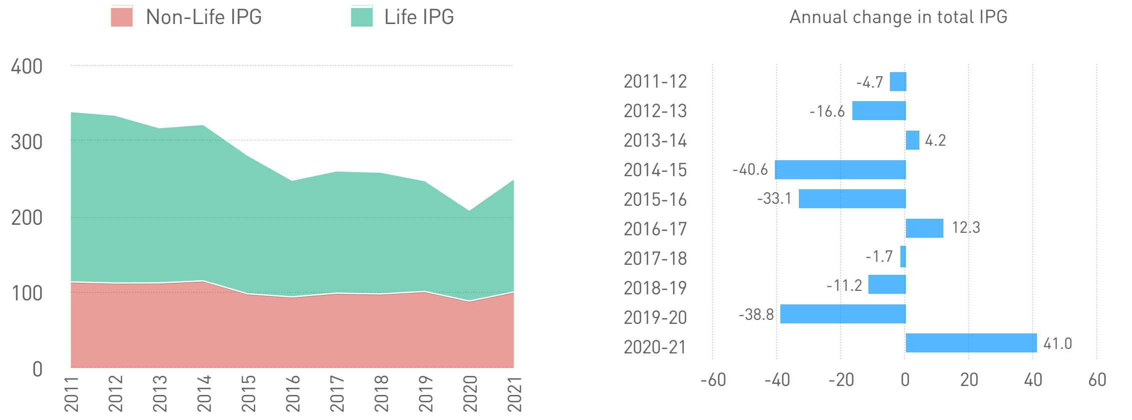
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

Insurance Protection Gap estimate

The new Insurance Protection Gap (IPG) estimate[12] for the Latin American region is reflected in Chart 2.2-f. It is worth remembering that the IPG represents the difference between the insurance coverage that is economically necessary and beneficial to society and the amount of coverage actually acquired. Estimating the IPG not only helps to determine 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. By its nature, the IPG is not a static concept involving an invariable amount over time. In contrast, 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. The IPG is also highly correlated with market growth: quantitatively, the gap becomes smaller as the penetration rate increases, and qualitatively it tends to get smaller as markets become more sophisticated and more mature. So, factors like sustained economic growth, inflationary control, an increase in disposable personal income, overall development of the financial system, an efficient regulatory framework, and the application of public policies aimed at boosting financial inclusion and education are factors that stimulate the reduction of the IPG in the medium term.

The IPG for the Latin American insurance market is estimated at 249.8 billion dollars for 2021, down by 19.7% (41 billion dollars) on the previous year's estimate. There were no major changes in the structure of the IPG over the last decade compared to our previous report, confirming that the bulk of the gap lies in Life insurance. As a result, in 2021, 59.8% of the IPG related to Life insurance (149.3 billion dollars), while Non-Life insurance accounted for 40.2% of

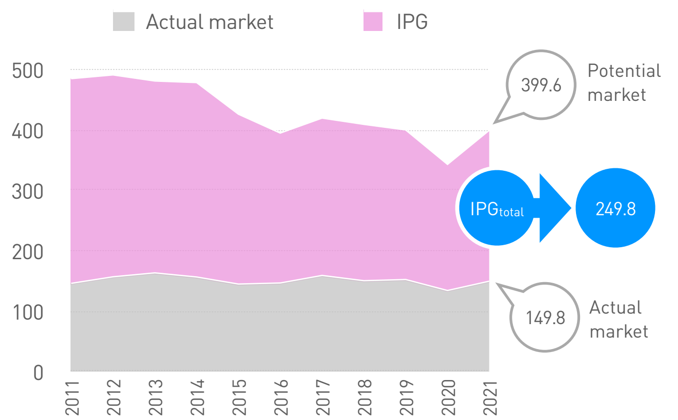
Chart 2.2-f
Latin America: Insurance Protection Gap
(billions of USD)



Source: MAPFRE Economics

the gap, equivalent to 100.4 billion dollars. It is important to bear in mind that, in 2021, the significant increase in the gap compared to the previous year can be attributed to the decrease in the IPG registered in 2020, on account of the statistical impact of increasing the penetration of insurance markets. The abrupt contraction and subsequent recovery of GDP as a result of the lockdowns and subsequent reopening of economies after the outbreak of the pandemic, which were not transferred in full to the insurance industry, had a significant impact on the large variations in the penetration of insurance, which were reflected in the calculation of the gap. When compared to 2019, the change in the gap is less significant, although the gap in Life insurance has also increased. However, there is still no clear break in the downward trend in the gap in relation to Life insurance. It will be necessary to wait for future measure-

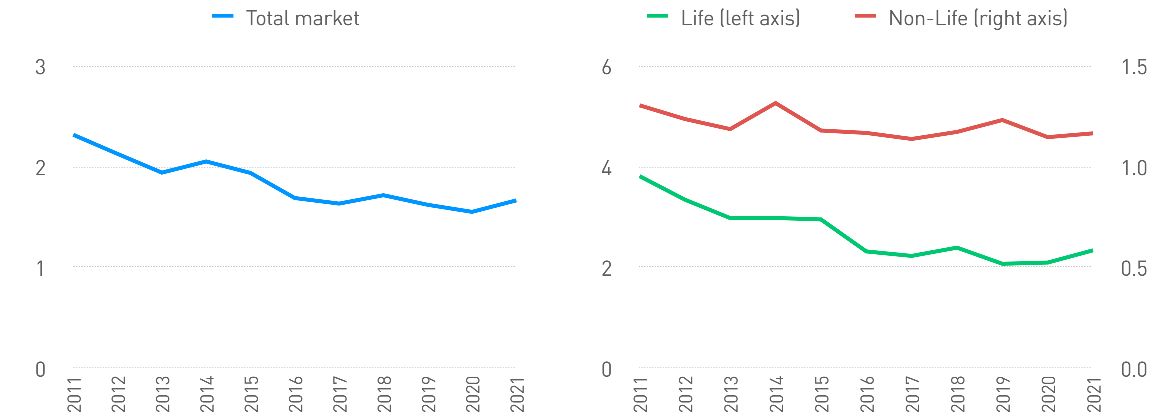
Chart 2.2-g
Latin America: Insurance Protection Gap and Potential Market
(billions of USD)



Change	Actual market	IPG
2021-2011	2.5%	-26.3%
2021-2020	11.5%	19.7%

Source: MAPFRE Economics

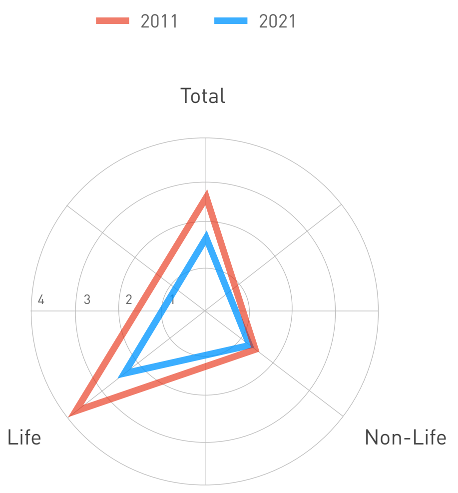
Chart 2.2-h
Latin America: IPG as a Multiple of the Actual Market
(number of times the size of the actual insurance market)



Source: MAPFRE Economics

ments to reach conclusions, bearing in mind the tighter monetary policies and upturn in inflation seen in 2022 may help to steer Life insurance in the region back onto a path of growth. The potential insurance market in Latin America in 2021 (measured as the sum of the actual insurance market and the insurance gap) was 399.6 billion dollars, meaning 2.7 times the current market in the region (see Chart 2.2-g).

Chart 2.2-i
Latin America: Change in IPG as a Multiple of the Actual Market

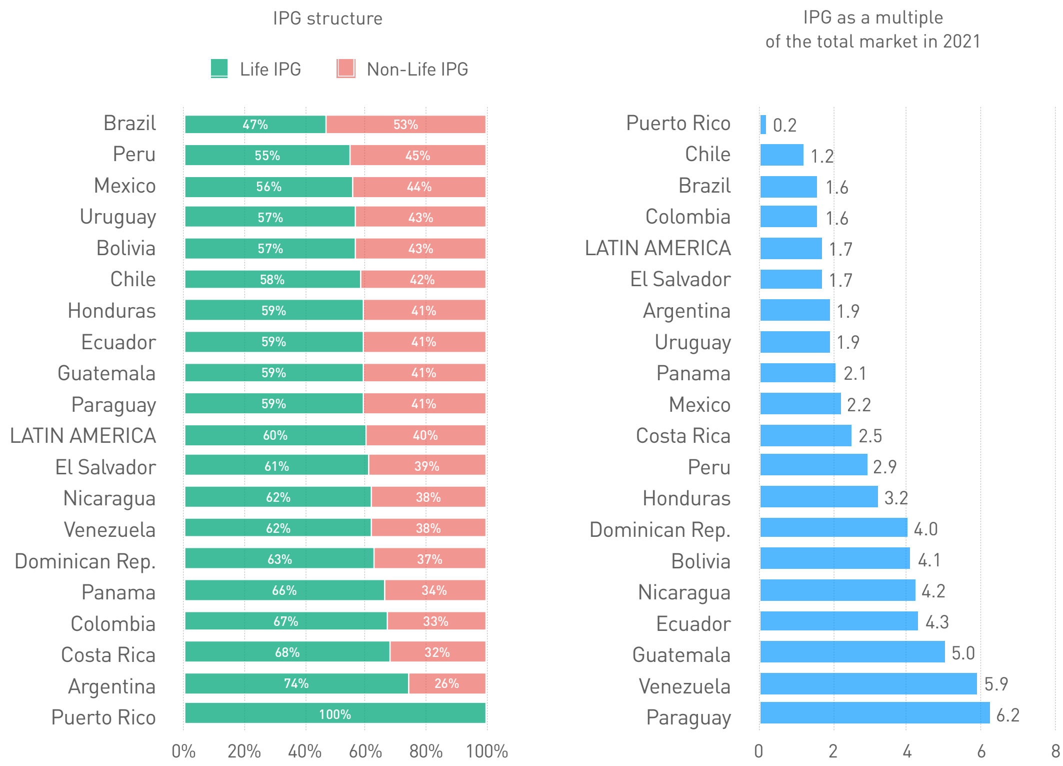


Source: MAPFRE Economics

To round off this analysis, Chart 2.2-h presents the insurance gap in relative terms, i.e., as a multiple of the actual market. The region's insurance gap between 2011 and 2021 shows a decreasing trend, both when analyzing the total market (which fell from 2.3 to 1.7 times the actual market) and when analyzing the Life segment (which fell from 3.8 to 2.3 times the corresponding market). In the case of the Non-Life insurance segment, there is no clear downward trend as shown (in particular between 2014 and 2017), and it only dropped from 1.3 to 1.2 times the corresponding market over the course of the decade, once again demonstrating the stagnation seen prior to the coronavirus crisis.

Chart 2.2-i shows the wider change 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 over the last decade, specifically comparing the situation in 2021 with the state of the market in 2011. Over the course of this period, the total insurance gap improved, especially driven by the reduction of the IPG in the Life segment (the least developed segment, relatively speaking, in the region), while the Non-Life insurance gap as a multiple of the actual market showed a certain stagnation during that period.

Chart 2.2-j
Latin America: Structure and Relative Size
of the Insurance Protection Gap, 2021
(structure, %; IPG as a proportion of total market, number of times)



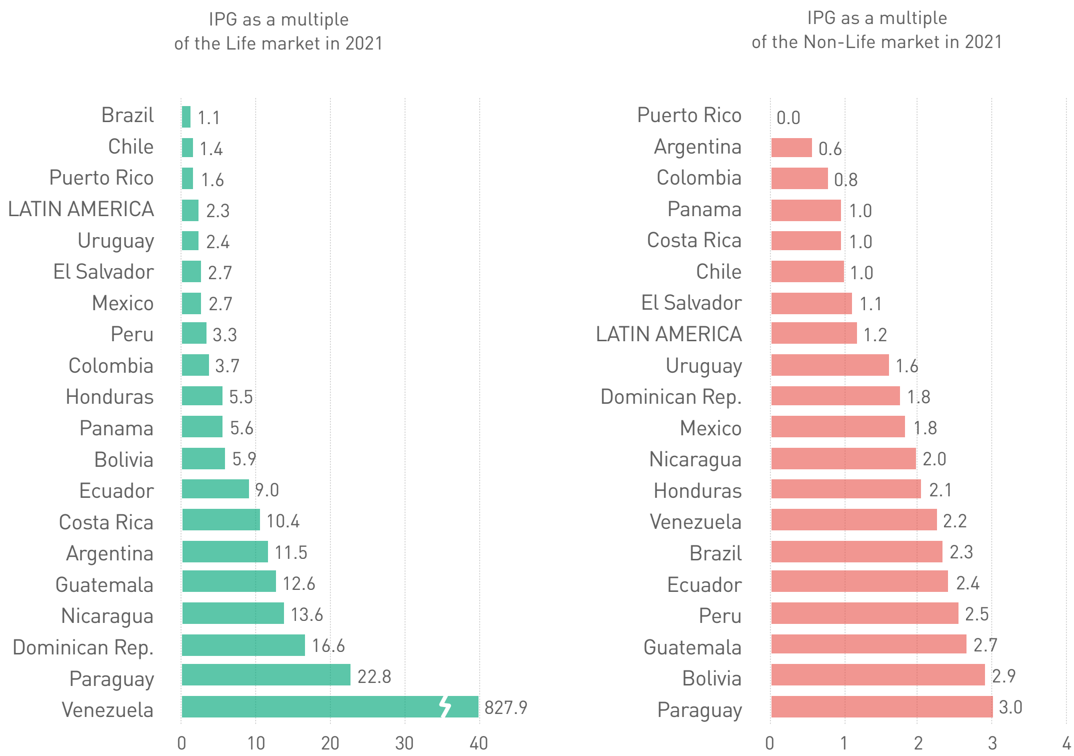
Source: MAPFRE Economics (based on data from supervisory bodies in the region)

To round off the analysis with an individual take on the insurance gap in Latin America, Charts 2.2-j and 2.2-k show the structure of the IPG 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 lines of insurance (Life and Non-Life). As indicated in previous reports, in addition to structural trends, the development of insurance markets is associated with the level of balance in the existing IPG, which can suggest under-developed areas. The degree of progress in market development is therefore linked to the ratio of the insurance gap to the current market.

Lastly, the updated assessment made regarding the capacity of the Latin American insurance industry to close the insurance gap in 2021 is summarized in Chart 2.2-l.

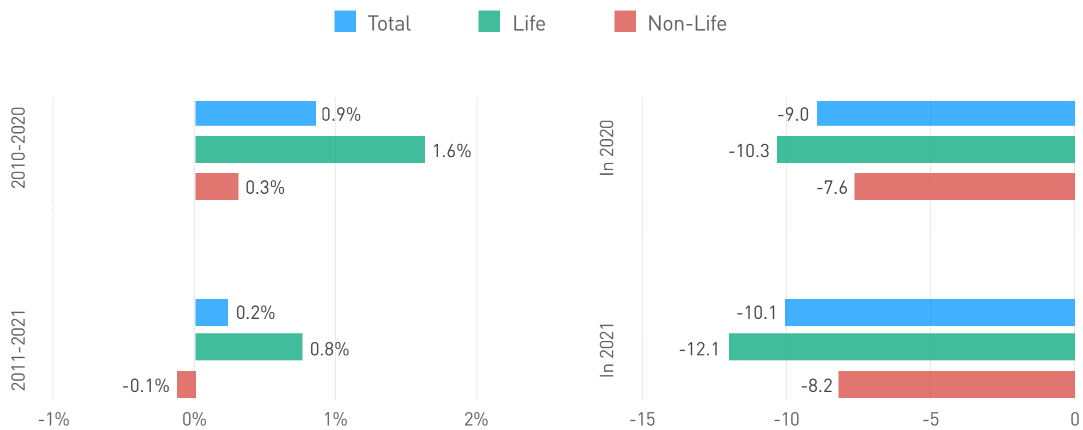
To this end, as in previous reports, we have conducted a comparative analysis of the growth rates observed over the 2011–2021 period in relation to the growth rates that would be required to close the IPG determined in 2021 over the next decade. As can be seen in this analysis, over this period the region's insurance market recorded an annual average premium growth (in dollars) of 0.2%, underpinned by average growth of 0.8% in the Life insurance segment and -0.1% in the Non-Life segment. This dynamic has slowed down considerably compared to the 2010–2020 period, which experienced growth of 0.9%, 1.6% and 0.3% respectively. Accordingly, if this same growth dynamic observed over the 2011–2021 period were to continue over the next decade, the market growth rate would fall short of covering the 2021 IPG by 10.1 percentage points. The case is similar when analyzing Life insur-

Chart 2.2-k
Latin America: Structure and Relative Size of the Insurance Protection Gap in the Life and Non-Life Segments, 2021
(structure, %; IPG as a proportion of the respective market, number of times)



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

Chart 2.2-l
Latin America: Capacity to Close the IPG
(annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

ance (with an insufficiency of 12.1 pp) and the Non-Life insurance (with an insufficiency of 8.2 pp) segments, as the situation worsened for both of them compared to 2020.

In addition, the result of this analysis considering each of the markets analyzed in this report, in relation to the sufficiency or insufficiency of each of them to close the insurance gap calculated in 2021 during the coming decade, is reflected in Chart 2.2-m. As can be seen, with the exception of the Puerto Rico and Uruguay insurance markets, on aggregate, the remaining markets have recorded an insufficient annual average growth rate to close the insurance gap calculated in 2021 should this growth be maintained over the coming decade. In the Life segment, the markets that would succeed in closing the IPG based on the dynamic seen over the past decade would only be Brazil and Uruguay, while in the Non-Life segment, the markets that show growth sufficient enough to close the gap are Puerto Rico, Colombia, the Dominican Republic, Chile, Uruguay and Costa Rica.

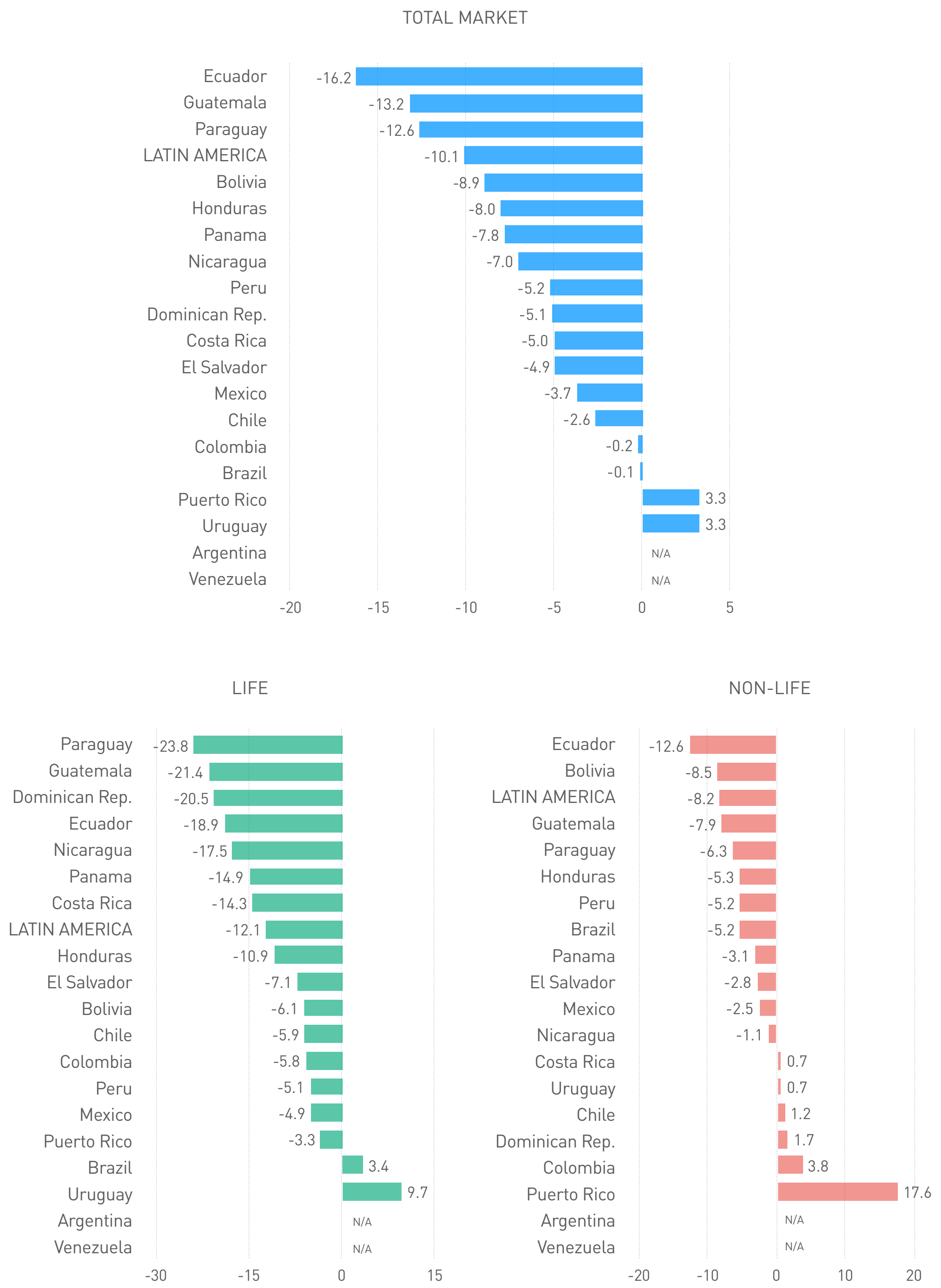
Market Development Index

Finally, Chart 2.2-n shows an estimate of the Market Development Index (MDI) for the Latin American insurance industry. This indicator is intended to summarize the trend in the performance and maturity of 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).

As can be seen, for the region as a whole, the MDI has shown a sustained improvement over the last decade, despite suffering dips in 2014, 2018 and 2021. However, despite these downturns, the insurance industry development trend in the region continued to improve between 2011 and 2021, demonstrating that the Latin American insurance market remains on a positive path of growth when analyzed in the medium term, the sudden movements of the economic crisis caused by the pandemic and subsequent recovery on the region's insurance industry aside.

A similar situation can be seen in the dispersion analysis reflected in Chart 2.2-o, which seeks to identify the development trend of the Latin American insurance market over the 2011–2021 period, based on the evolution of penetration indexes (as an indicator of the quantitative dimension of this activity) and of insurance depth indexes (as a proxy of the level of maturity in market development, i.e. the qualitative dimension of this activity). This analysis confirms that, analyzed as a whole, the Latin American insurance industry has had balanced, consistently positive development over the course of the 2011–2021 period, as that development has been characterized, on the one hand, by sustained high penetration levels and, on the other, by continuously increasing depth levels. However, in 2021, there was a significant downturn caused by the impact of the crisis caused by the Covid-19 pandemic on the depth level (rolling back the MDI by five years) on account of the significant drop in business experienced by Life insurance, in particular affected by the ultra-lax monetary policy measures implemented by the central banks of the region's economies (with significant interest rate cuts). This to a large extent hindered the Life Savings and life annuities insurance business, as it had to substantially reduce its guaranteed income on products sold; all of this despite the relative increase in penetration due to the resilience of insurance demand amid the drop in GDP. The effect of future measurements on the tightening of monetary policy following the sudden upturn in inflation are yet to be seen; they could

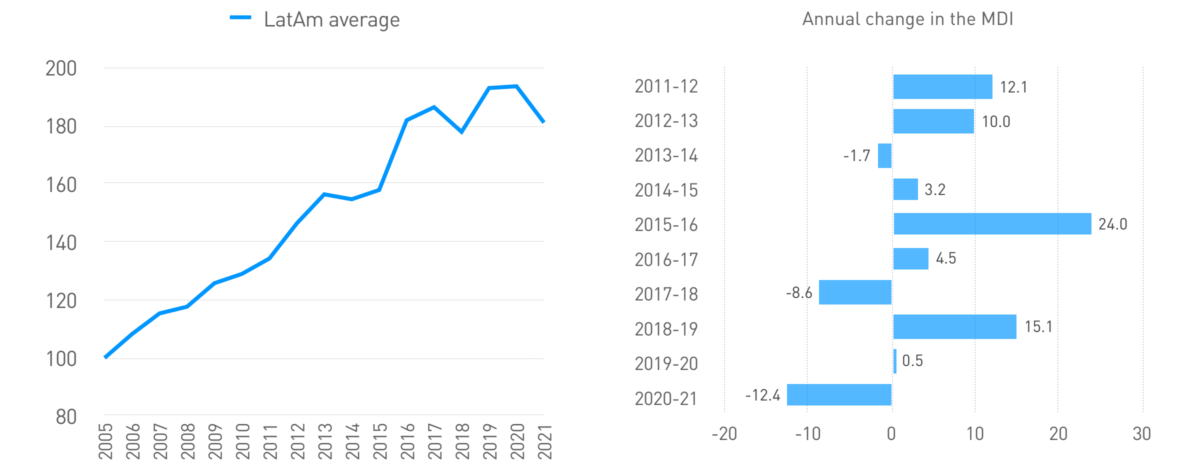
Chart 2.2-m
Latin America: Sufficiency (or Insufficiency) to Close the 2021 IPG in 10 Years
(sufficiency or insufficiency, pp)



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 these economies.

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



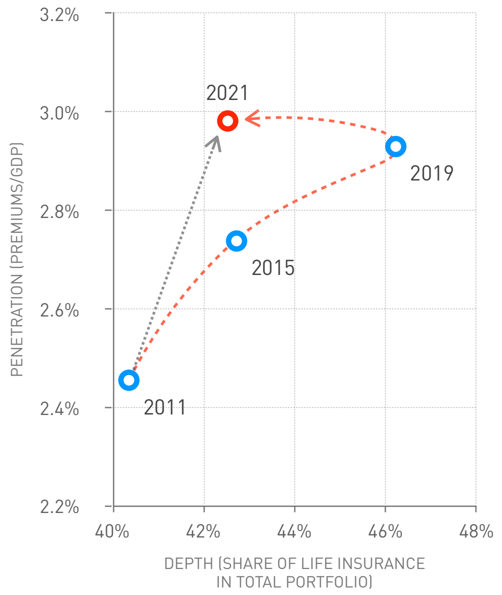
Source: MAPFRE Economics

potentially boost the Life business, although in a less favorable economic environment on account of the significant economic slowdown that this could lead to, the opposite could also be true.

Individual analysis of Latin American insurance markets

The next section of this report provides a detailed analysis of each of the Latin American insurance markets. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2021 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 2011–2021 period on premium growth, the main items of the aggregate balance sheet at the sector level, technical performance, and the results and profitability of the insurance industry. It also includes a review of the main structural trends in each market, analyzing developments in insurance penetration, density and depth. 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.

Chart 2.2-o
Latin America: Medium-Term Changes in the Insurance Market, 2011-2021
(penetration vs. depth)



Source: MAPFRE Economics

3. The Latin American insurance markets: country analysis

3.1 North America, Central America and the Caribbean

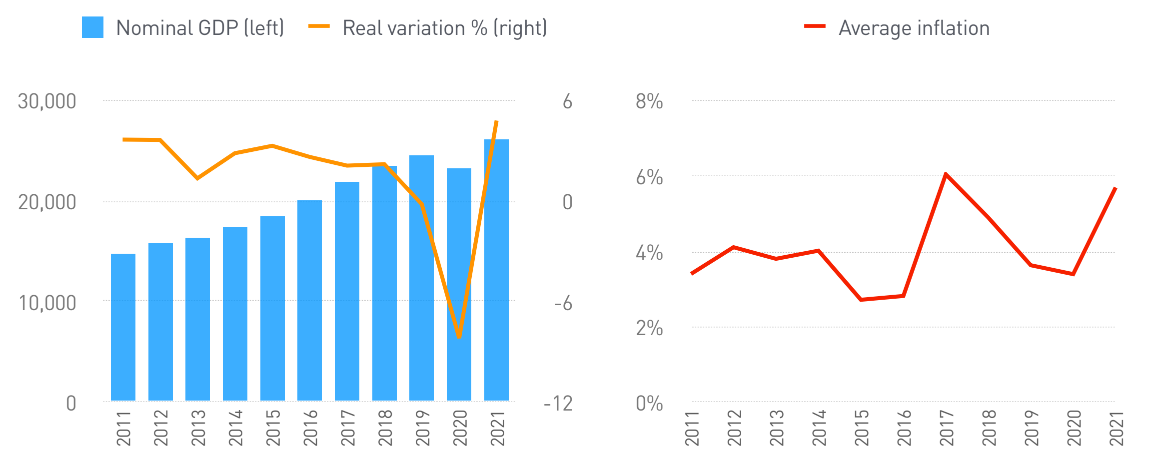
3.1.1 Mexico

Macroeconomic environment

In 2021, the Mexican economy experienced growth of 4.8%, which represented a partial recovery following the contraction of 8.2% seen in 2020 as a result of the Covid-19 pandemic (see Chart 3.1.1-a). Economic growth in Mexico was supported by in internal demand, mainly thanks to private consumption and, to a lesser extent, investment. However, the grown seen in 2021 failed to restore the levels seen prior to the coronavirus crisis, and the external sector contracted on account of the strong upturn in imports and despite the strong performance of exports (in particular toward the United States). The recovery of oil prices, Mexico being a producer nation, contributed to an improvement in exports, although the increase in the price of refined products resulted in a significant increase in imports, generating a negative balance. In turn, the job market partially improved, with an average unemployment rate of 3.7% (compared to 4.6% in 2020), still higher than the levels seen before the pandemic.

The tax deficit remained at around 3% of GDP at year-end 2021 (similar to 2020), supported by a significant increase in oil income, which offset the increase in public spending on welfare payments. Public debt stood at 51.5% of GDP (compared to 53.3% in 2020), thanks to the recovery of the Mexican economy and the strong performance of the Mexican peso (the appreciation in the average exchange rate in 2021 came to 5.6% compared to the previous year), which had an impact on the value of debt issued in dollars. The current account balance ended the year with a deficit of 0.4% of GDP (compared

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)

Table 3.1.1
Mexico: Premium Volume[1] by Line, 2021

Line	Millions of pesos	Millons of USD	Growth Nominal (%)	Real (%)
Total	**643,261.5**	**31,713.3**	**10.2**	**4.3**
Life	**300,119.5**	**14,796.1**	**9.4**	**3.5**
Individual Life	179,996.3	8,873.9	0.6	-4.8
Group Life	72,713.8	3,584.8	9.9	4.0
Pensions	47,409.4	2,337.3	62.5	53.7
Non-Life	**343,142.0**	**16,917.2**	**10.9**	**5.0**
Automobiles	108,196.5	5,334.2	2.1	-3.4
Health[2]	109,795.8	5,413.0	13.0	6.9
Fire	24,421.1	1,204.0	20.1	13.7
Earthquake and other catastrophic risks	26,583.7	1,310.6	12.4	6.3
Miscellaneous	27,615.8	1,361.5	8.8	2.9
Transport	19,303.7	951.7	45.1	37.3
Third-Party Liability	17,416.4	858.6	23.5	16.8
Personal Accidents	5,192.2	256.0	5.0	-0.7
Agricultural	1,676.5	82.7	-6.9	-11.9
Credit and Surety	2,940.4	145.0	10.6	4.6

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)
1/ Direct premium
2/ Accident and Illness line

to a surplus of 2.4% in 2020) on account of the significant increase in the import of goods as a result of the post-pandemic recovery in economic activity.

Average inflation in 2021 stood at 5.7%, following a growth trend over the course of the year and resulting in a change of orientation towards a restrictive monetary policy by the Bank of Mexico, which applied five interest rate hikes, increasing the official interest rate to 5.5% in December 2021 from 4.25% at the start of the year. This is in comparison to the very lax monetary policy in 2020, when the reference interest rate was cut seven times.

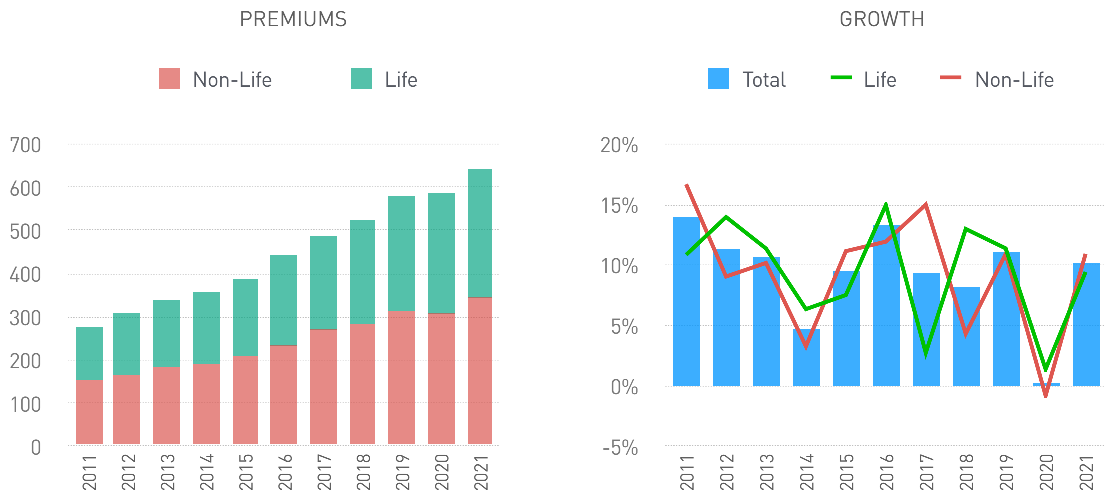
MAPFRE Economics estimates a slowdown in the Mexican economy for 2022, with GDP growth that could stand at around 1.8%, against a backdrop of the progressive tightening of monetary policy as a result of the upturn in inflation, aggravated by the additional pressure on energy and food prices as a result of the pressures generated by the conflict in Ukraine. In turn, The Economic Commission for Latin America and the Caribbean (ECLAC)[13] puts the forecast for economic activity growth in Mexico in 2022 at 1.9%, while the International Monetary Fund (IMF) places it at 2.4%[14].

Insurance market

Growth

The Mexican insurance market achieved a premium volume of 643.26 billion pesos (31.71 billion dollars) in 2021, revealing nominal growth of 10.2% and real growth of 4.3% (see Table 3.1.1 and Chart 3.1.1-b). In terms of the general structure of the insurance market in Mexico in 2021, the percentage of premiums corresponding to Life and Pension insurance remains unchanged at 47%, and the remaining 53% corresponds to Non-Life insurance. It is worth noting that over the past decade, the

Chart 3.1.1-b
Mexico: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)

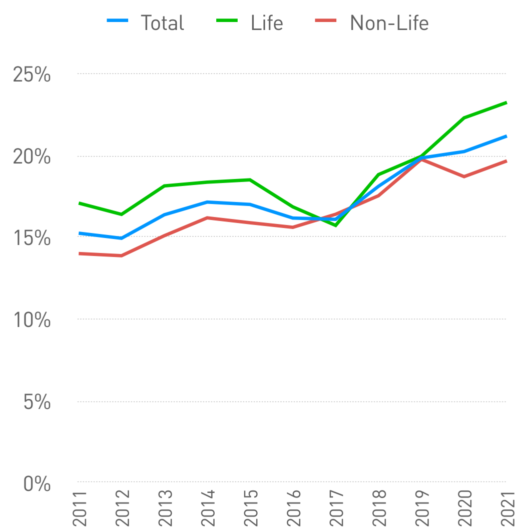


Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

share of the total premiums and by Life and Non-Life segments of the Mexican insurance market compared to the Latin American market has been favorable, increasing from 15.2% in 2011 to 21.2% in 2021, despite the significant contraction in the Life insurance business between 2015 and 2017. Specifically, the share of the Life insurance business also increased from 17.1% in 2011 to 23.2% in 2021, while the Non-Life insurance business grew from 14.0% to 19.7% during this period (Chart 3.1.1.-c).

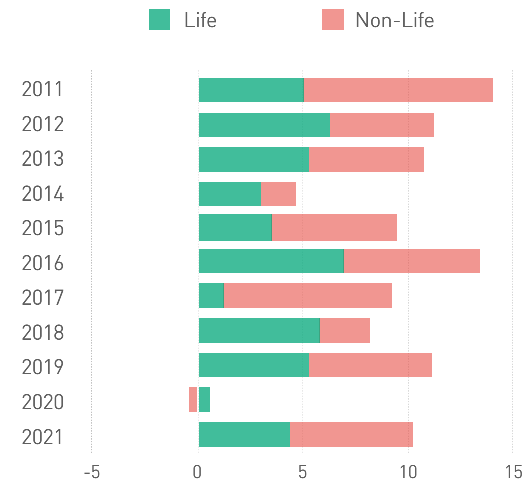
As regards the growth of the Mexican insurance market in 2021 (10.2%), this can be attributable to the greater participation of the Non-Life insurance market, which contributed 5.8 pp, while the Life insurance market contributed 4.4 pp, returning to the path of contributing to growth seen prior to the pandemic (see Chart 3.1.1-d). An analysis of the main market segments shows that premiums on Life insurance grew 9.4% in nominal terms (3.5% in real terms) to reach 300.12 billion pesos (14.8 billion dollars). It should be noted that individual Life insurance, which represents 59.9% of Life insurance, grew by 0.6% in nominal terms and -3.8% in real terms, to 180 billion pesos (8.87 billion dollars). Group Life insurance experienced growth of 9.9% and 4.0% in nominal and real terms, respectively, in contrast to individual Life insur-

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)

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
2011	14.0	5.0	8.9
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

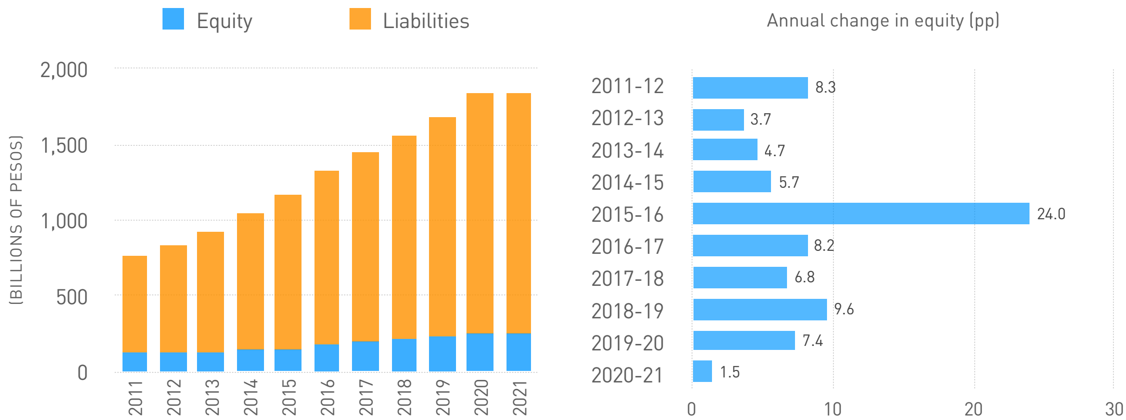
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

ance. Non-Life insurance premiums in 2021 grew by 10.9% in nominal terms and 5.0% in real terms to 343.14 billion pesos (16.92 billion dollars). With the exception of the agricultural insurance segment, which dropped by 6.9%, the other Non-Life lines of business experienced nominal growth; some, like Health, actually saw double-digit growth (13.0%). The Automobile line of business, the second most important Non-Life business in the market, saw 2.1% growth in nominal terms and fell 3.4% in real terms (see Table 3.1.1).

Balance sheet and shareholders' equity

Chart 3.1.1-e shows developments in the overall balance sheet of the Mexican insurance market at sector level between 2011 and 2021. As can be seen, the

Chart 3.1.1-e
Mexico: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



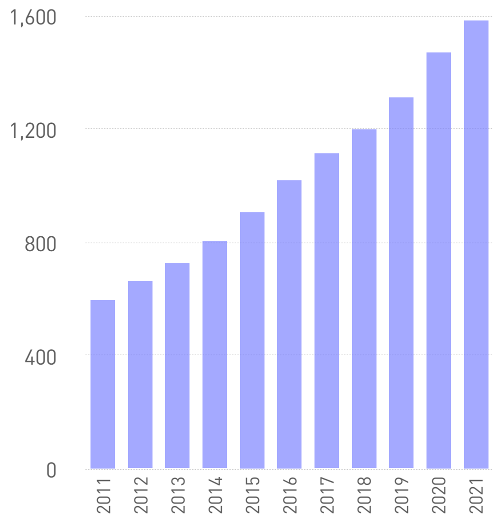
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Mexican insurance industry had total assets of 2.01 trillion pesos (97.68 billion dollars) in 2021, while equity stood at 257.2 billion pesos (12.53 billion dollars), up 1.5 percentage points on 2020.

Investments

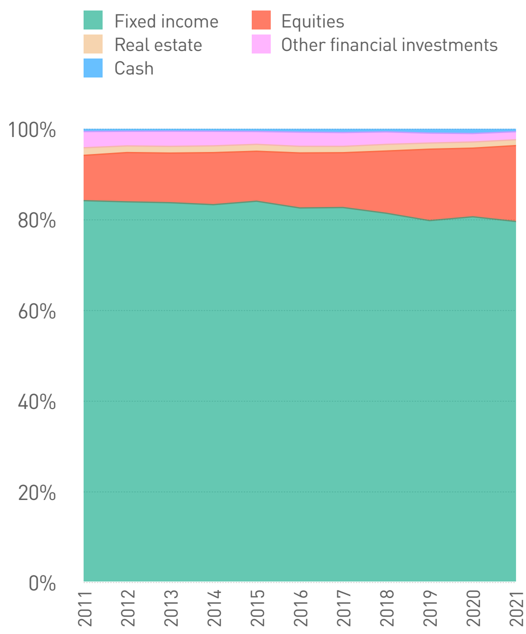
Chart 3.1.1-f shows the evolution of total investments, while Charts 3.1.1-g and 3.1.1-h illustrate the composition of the aggregate investment portfolio by sector for the Mexican insurance market over the 2011–2021 period. Total sector investments in the latter year reached 1.58 trillion pesos (77.17 billion dollars), with a distribution that was very concentrated in fixed income investments (79.7%), but weakly losing weight (1 pp less than the previous year) in favor of equity instruments, which account for 16.7% of investments, 1.6 pp higher than the previous year (Chart 3.1.1-g). In this regard, it should be noted that the implementation process of the new

Chart 3.1.1-f
Mexico: Insurance Market Investments
(billions of pesos)



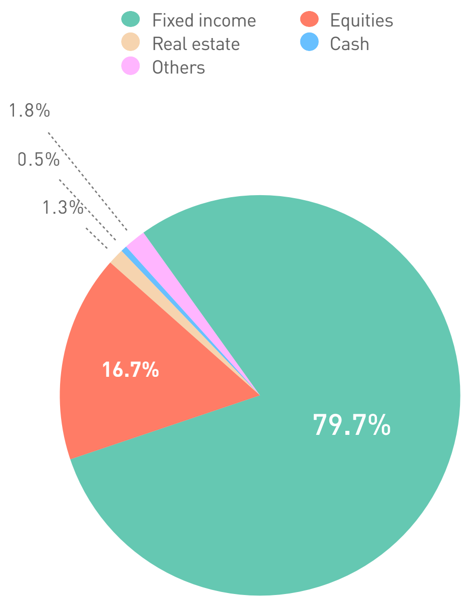
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

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, 2021
(%)



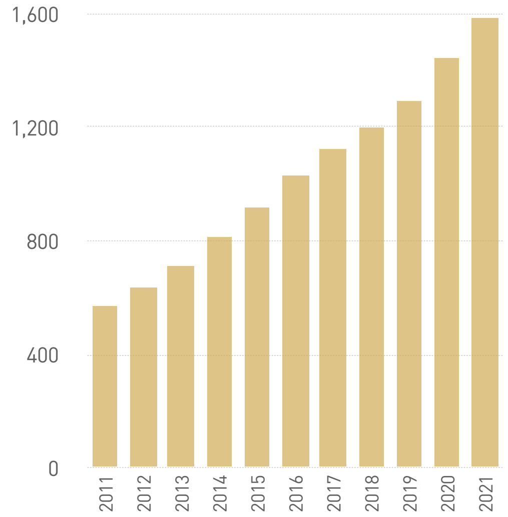
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Solvency II-style prudential regulation in Mexico favors the matching of assets and liabilities and, therefore, the use of sovereign debt instruments.

Technical provisions

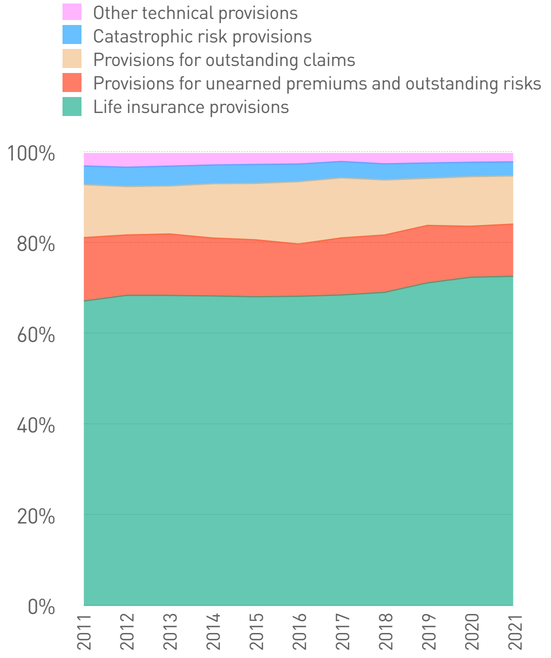
The change in the technical provisions of the Mexican insurance sector is reflected in Chart 3.1.1-i. As can be seen, total technical provisions amounted to 1.59 trillion pesos (77.31 billion dollars) in 2021. As shown in Charts 3.1.1-i and 3.1.1-j, 72.8% of total technical provisions related to Life insurance, 11.5% to provisions for unearned premiums and outstanding risks in Non-Life insurance, 10.6% to technical provision for outstanding claims, 3.1% to catastrophe reserves and 2% to other technical provisions. It is important to note that the relative weight of Life insurance provisions increased over the 2011–2021 period from 67.4% in 2011 to 72.8% in 2021, which reflects the progress made by this

Chart 3.1.1-i
Mexico: Technical Provisions of the Insurance Market
(billions of pesos)



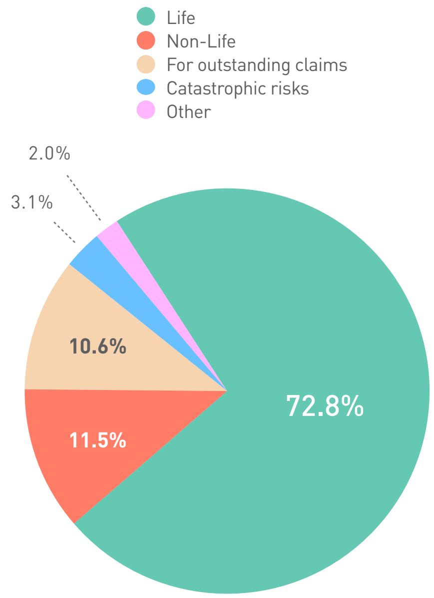
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-j
Mexico: Structure of Technical Provisions
(%)



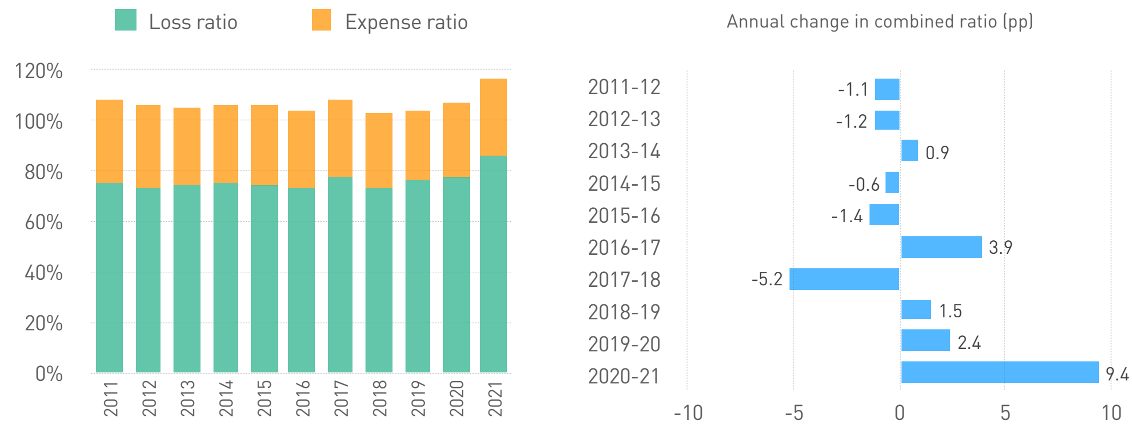
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Chart 3.1.1-k
Mexico: Structure of Technical Provisions, 2021
(%)



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)



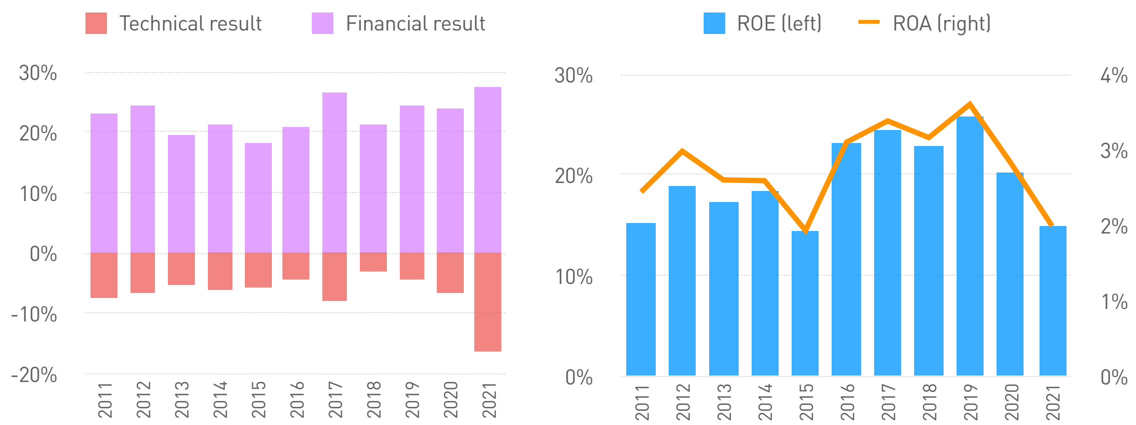
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

line of insurance within the structure of the insurance industry in Mexico.

Technical performance

The development of technical performance in the Mexican insurance industry over the 2011–2021 period is shown in Chart 3.1.1-l. Based on this information, in 2021, the total combined ratio of the Mexican market (calculated in relation to the net earned premium) stood at 116.13%, worsening by 9.4 pp compared to the figure recorded in 2020 (106.73%), a year in which the technical performance was unusually favored by the impact of the Covid-19 crisis. Specifically, the change in the 2021 indicator was caused by the effect of the increase in the loss ratio (+8.8 pp).

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)

Results and profitability

On a consolidated basis for the Mexican insurance industry as a whole, the net result for 2021 was 38.2 billion pesos (1.89 billion dollars), down by 23.0% year on year, on account of the poor performance of the technical result, with 67.2 billion pesos due to the increase in the loss ratio, a practically worldwide phenomenon caused by the reversal of the lockdown measures implemented in 2020 to control the pandemic (see Chart 3.1.1-m). As can be seen in the aforementioned information (Chart 3.1.1-l), the downward trend in the loss ratio was reversed in 2017, and since 2019 has grown, peaking in 2021 (85.7 pp). The expense ratio, in turn, has remained below 31% since 2015, although far from the peak of 2019 (28.0 pp). In any case, the combined ratio for the market has consistently stood at above 100% during the period, which has been offset by the positive financial result, which in 2021 stood at 27.31% (as a percentage of the net earned premium).

With regard to profitability, return on equity (ROE) stood at 15% in 2021, down by 5.3 pp from the level recorded in 2020. In a similar vein, return on assets (ROA) reached 2% in 2021, dropping slightly by 0.8 pp compared to the value recorded the previous year.

Insurance penetration, density and depth

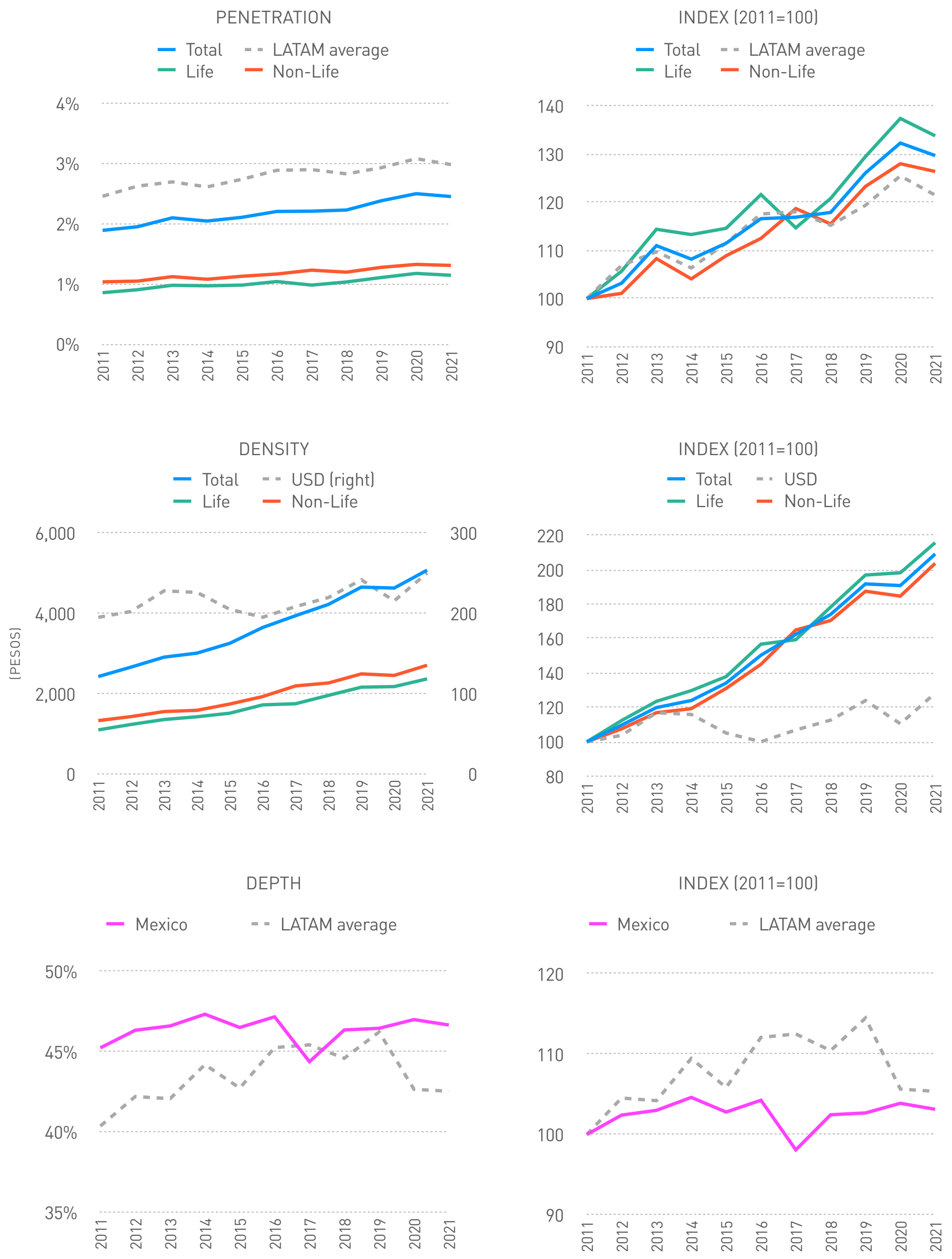
Chart 3.1.1-n shows the main structural trends shaping the development of the Mexican insurance industry over the 2011–2021 period. First, the penetration index (premiums/GDP) in 2021 dropped slightly to 2.45% (1.14% for the Life insurance business and 1.31% for the Non-Life insurance business). This indicator has generally been on an upward trend over the 2011–2021 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 (3.0%).

Insurance density levels (premiums per capita) reached 5,077 pesos (250 dollars) in 2021, 9.6% higher than the value recorded in 2020 (4,632 pesos). As with penetration, density also shows a growing trend over the last decade, with accumulated growth in local currency of 109.2% over the period analyzed (2011–2021). In terms of depth (measured as Life insurance premiums over total premiums for the purposes of this report), the indicator stood at 47.0%, up 2 pp from 2011. It is worth noting that since 2011, 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 Mexican depth fell below the Latin American average in 2017 (44% vs. 45%). This trend was reversed starting 2020, and in 2021, the Mexican indicator stood at 4.0 pp higher than the average for the region.

Insurance Protection Gap estimate

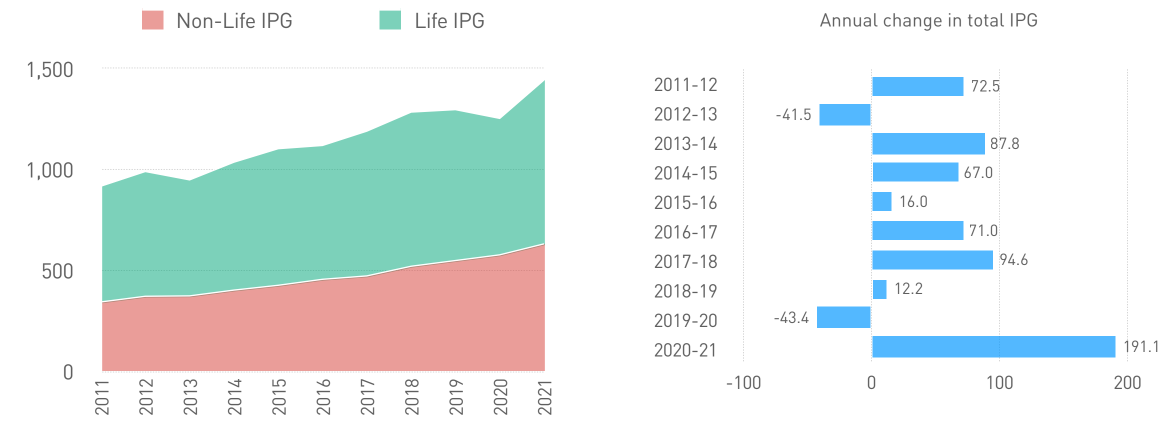
Chart 3.1.1-o shows an estimate of the Insurance Protection Gap (IPG) for the Mexican insurance market between 2011 and 2021. This data shows that the IPG stood at 1.45 trillion pesos (71.22 billion dollars) in 2021, equivalent to 2.2 times the size of the actual insurance market at the close of the 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 2021, 56% of the IPG related to Life insurance, equivalent to the sum of 813 billion pesos, while Non-Life insurance accounted for 44% of the gap in the Mexican market, equivalent to 631 billion pesos. Accordingly, the potential insurance market in Mexico (the sum of the actual market plus the IPG) amounted to 2.09 trillion pesos (102.94 billion dollars), i.e. 3.2 times the current size of the Mexican

Chart 3.1.1-n
Mexico: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2011 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)



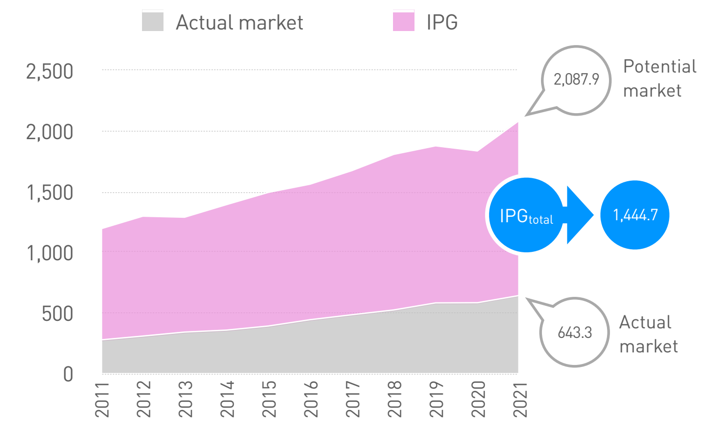
Source: MAPFRE Economics

market, increasing the gap as it stood at 3.1 one year earlier (see Chart 3.1.1-p).

Chart 3.1.1-q shows an estimate of the IPG as a multiple of the actual market in each year; this comparison provides an insight into how the gap has changed over time. With regard to the Mexican market, the IPG as a multiple has been on a clear downward trend over the last decade, both when analyzing the total market and the Life and Non-Life segments. Thus, while in 2011 the IPG was 3.3 times the size of the actual insurance market in Mexico, in 2021 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 4.6 to 2.7, while for the latter it shrunk from 2.3 to 1.8 over this decade.

Furthermore, Chart 3.1.1-r summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total insurance market in Mexico over the last decade,

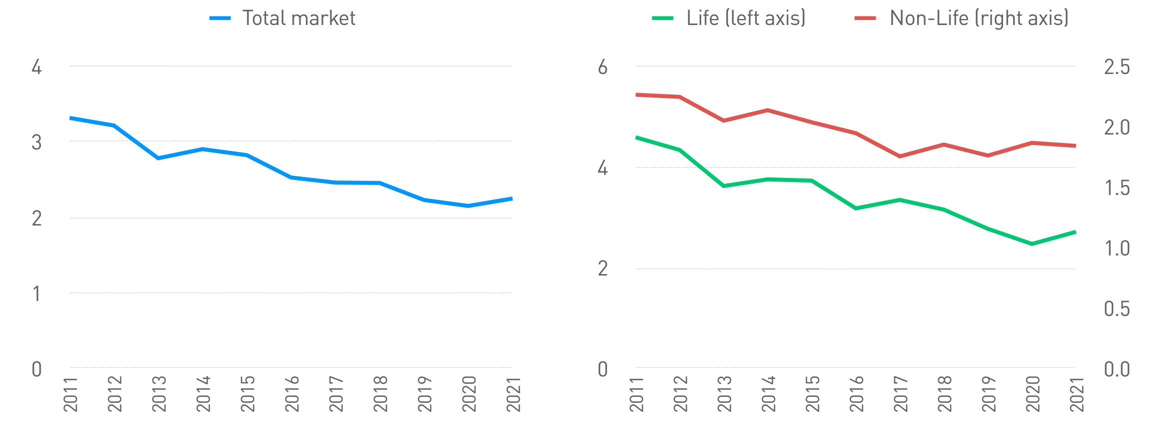
Chart 3.1.1-p
Mexico: Insurance Protection Gap and Potential Market
(billions of pesos)



Change	Actual market	IPG
2021-2011	132.2 %	57.5 %
2021-2020	10.2 %	15.2 %

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)

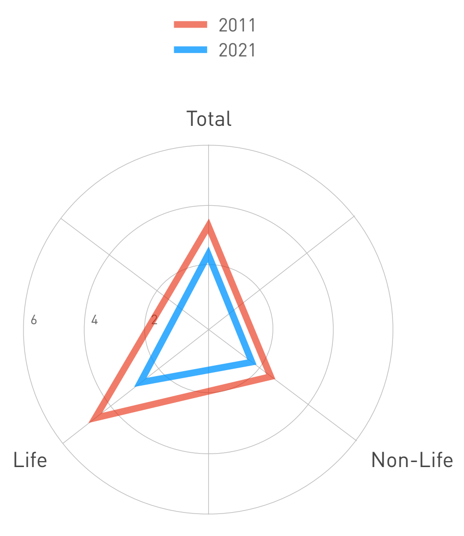


Source: MAPFRE Economics

comparing the situation in 2021 with that of 2011. This information clearly reflects the improvement seen in the Non-Life business and, to a larger extent, the Life business.

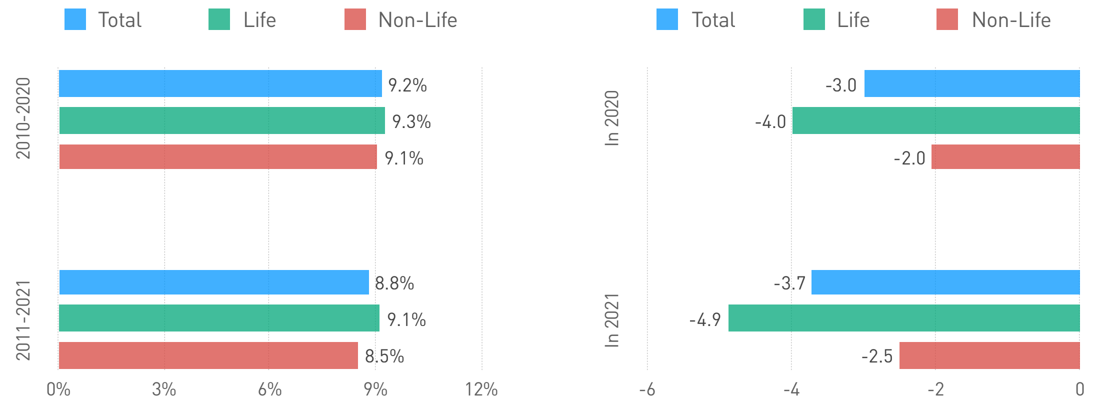
Lastly, similar to the most recent versions of the Latin American market report, a comparative analysis has been conducted between the growth rates recorded over the last ten years in the Mexican market and the growth rates that would be needed to close the IPG determined in 2021 over the next decade. According to this analysis, the Mexican insurance market recorded an average annual growth rate of 8.8% over the 2011–2021 period (see Chart 3.1.1-s). This was underpinned by an average growth of 9.1% in the Life insurance segment and of 8.5% 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 whole would fall 3.7 pp short of the amount needed to close the IPG calculated for 2021. 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 the last year. A similar conclusion can be drawn from an individual analysis of the Life and Non-Life segments. Life insurance would fall 4.9 pp short, while Non-Life insurance would fall just 2.5 pp short. To bridge these insurance gaps in the lines indicated, the Mexican insurance market would need to achieve an annual average growth of 14% and 11% respectively over the next decade. It should be noted, as indicated in

Chart 3.1.1-r
Mexico: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

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



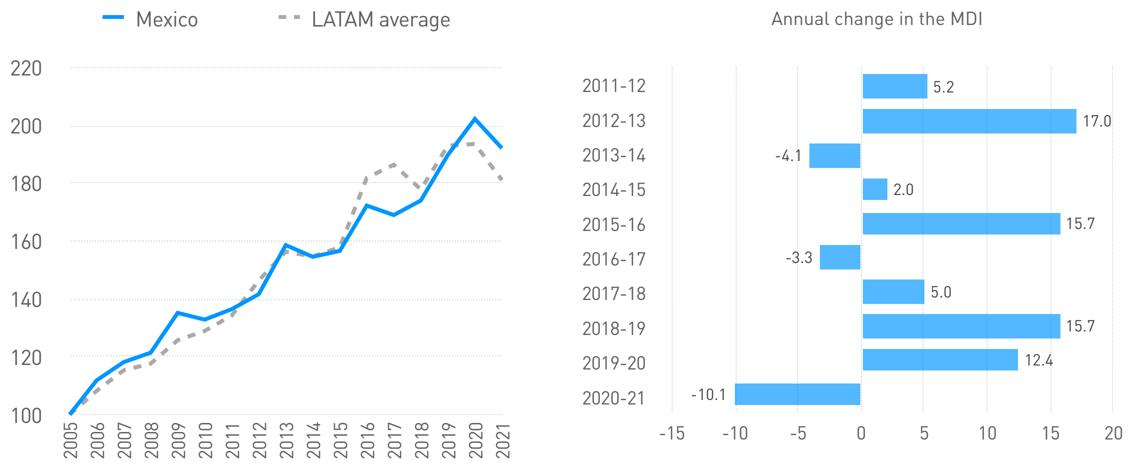
Source: MAPFRE Economics

the aforementioned chart, that this insufficiency for closing the gap has been extended in 2021 compared to 2020, on account of the worse figures reported in the Life segment (4.9 pp in 2021, versus 4.0 pp in 2020), and the Non-Life segment, where the insufficiency has also gone from 2.0 pp in 2020 to 2.5 pp in 2021.

Market Development Index (MDI)

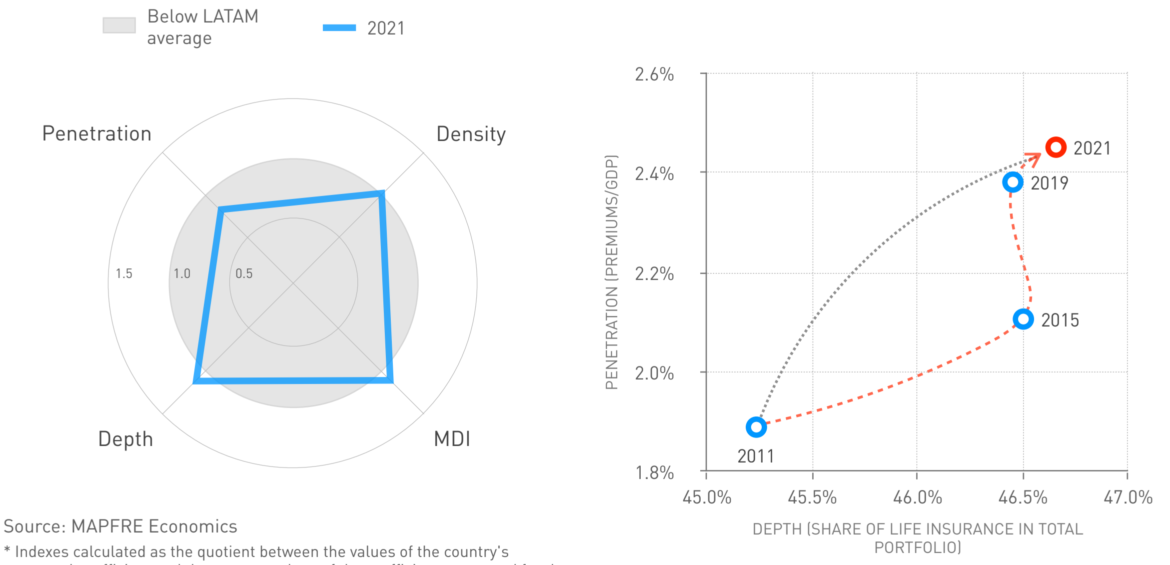
Chart 3.1.1-t shows an estimate of the Market Development Index (MDI) for the Mexican insurance industry. As indicated previously, the aim of the MDI is to summarize trends shaping the performance and maturity of insurance

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 (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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.

markets. In the case of the Mexican insurance market, the indicator shows a positive trend over the last decade, slightly higher than the regional average (192 vs. 181). It should be noted that despite the unfavorable figures reported for the last year, the index has shown positive progress over the last decade.

Comparative analysis of structural coefficients

Lastly, Chart 3.1.1-u summarizes the Mexican insurance market's situation in comparison with the average for Latin America, measured in terms of the different structural indicators analyzed (penetration, density, depth and MDI). We can see from this analysis that, while the depth and MDI of the Mexican insurance market is slightly higher than the average for the region, both penetration and density still fall short of the average levels. Nonetheless, the progress made both in terms of quantity (penetration) and quality (depth) over the course of the past decade has been very positive.

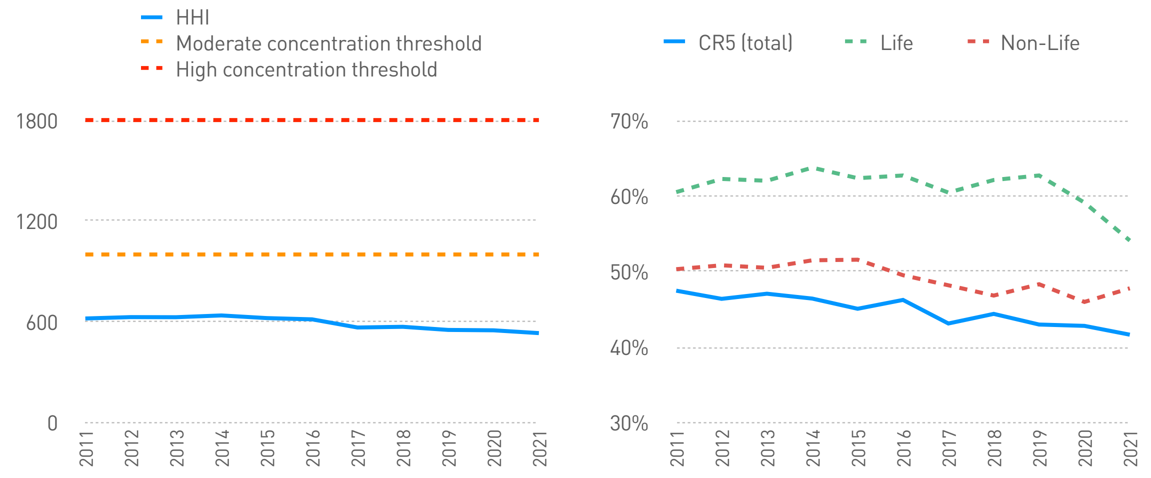
Insurance market rankings

Total ranking

At year-end 2021, the insurance and finance market in Mexico was comprised of 110 institutions, 98 insurance institutions and 12 finance. The top five insurers accounted for 41.6% of total premiums, down 1.2 pp from the previous year. In this regard, market 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. In general, levels of concentration 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 group ranking, as illustrated in Chart 3.1.1-w, the three main insurance groups in Mexico in 2021 were the same as the previous year: Grupo Nacional Provincial (with a market share of 14.6%), MetLife (9.7%) and BBVA (9.0%).

Chart 3.1.1-v
Mexico: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



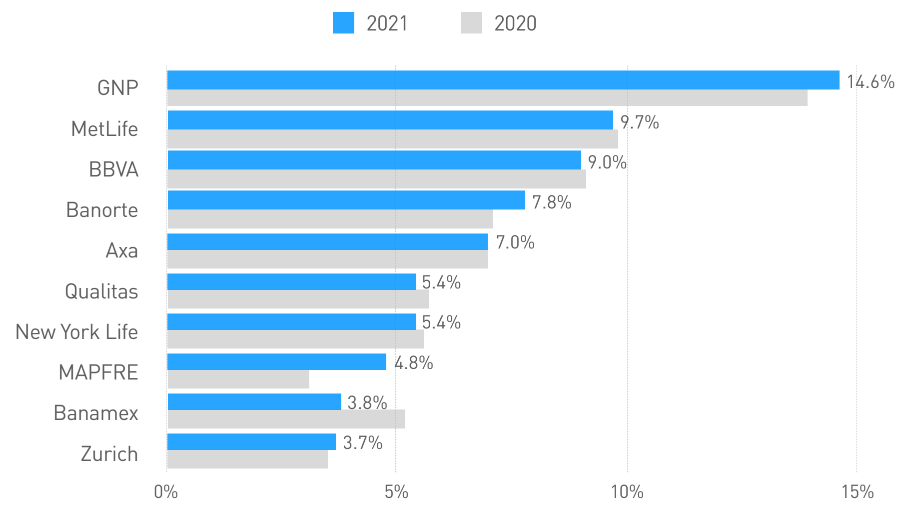
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

Also worth mention is the fact that MAPFRE has climbed three positions to eighth in 2021, having underwritten a major two-year insurance policy.

Life and Non-Life rankings

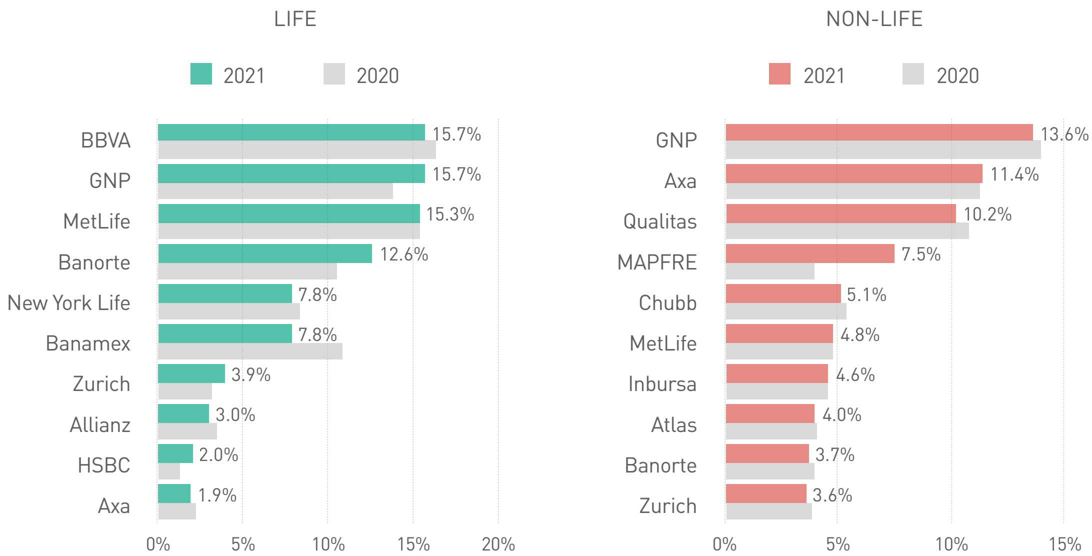
The Non-Life ranking was led by Grupo Nacional Provincial (GNP), with a market share of 13.6% of all premiums, followed by Axa (11.4%) and Qualitas (10.2%), as was the case the previous year. Elsewhere in the ranking, the improvement seen by MAPFRE is worth particular mention, up 4 positions with a market share of 7.5%, with the others dropping by one position, with the exception of Banorte and Zurich which remain in ninth and tenth positions,

Chart 3.1.1-w
Mexico: Total Ranking
(market shares, %)



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

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)

respectively. In turn, in the Life insurance business, BBVA continues to lead the market with a share of 15.7%, followed by GNP (15.7%) and MetLife (15.3%), which switch positions. Banorte and New York Life, in fourth and fifth positions respectively, leapfrog Banamex, now in sixth. It is worth noting that HSBC has jumped four positions up in the ranking into ninth, with a market share of 2.0% (see Chart 3.1.1-x).

Key regulatory aspects

As regards regulatory topics, no adjustment to the Law on Insurance and Bond Institutions was made in 2021. However, 20 updates to the Unique Circular for Insurance and Bonds (CUSF) were published. The most significant of these regulatory adjustments are grouped by context below:

- Technical notes were included for the calculation of amounts constituting life annuities and survivor's insurance on retirement, redundancy at an advanced age and old-age and for pensions linked to the Social Security Law.
- The accounting record for estimated doubtful balances in relation to surety insurance was increased, as were premiums receivable on administrative bonds and mandatory liability insurance.
- The indexes for claims paid out and administration costs of the bonds market were updated, as were the statutory scenarios for the Dynamic Solvency Test.
- The request for statistical information on individual and group Life insurance, individual and group Personal Accident insurance, individual and group Medical Expenses insurance and the Financial Guarantee line was restructured.
- The list of reinsurance intermediaries and the General Register for Foreign Reinsurers was updated.
- Replacement of the in-person process with a digital process for obtaining a license to perform insurance and bond agent activities.

- Adaptation of measurement tranche K for the purposes of requiring capital for asset-liability mismatch.

In addition to these updates, in 2022, the National Insurance and Bond Commission (CNSF) has focused on performing different activities that made it possible to improve the regulatory environment and facilitate regulatory processes. Some of these measures included:

- Clarifications were made in relation to how to handle the loss variables of life, accident and illness insurance, casualty insurance, as well as assets subject to market risk, to determine the Solvency Capital Requirement.

- Implementation of an operational risk events database to collate statistics in relation to this type of risk.

- Proposed modification of the CUSF, as regards the payroll deduction and collection via credit or debit card.

- Definition of the "Rights on Policy" concept to identify whether these rights recover expenses or whether they should be accrued during the lifetime of the policy.

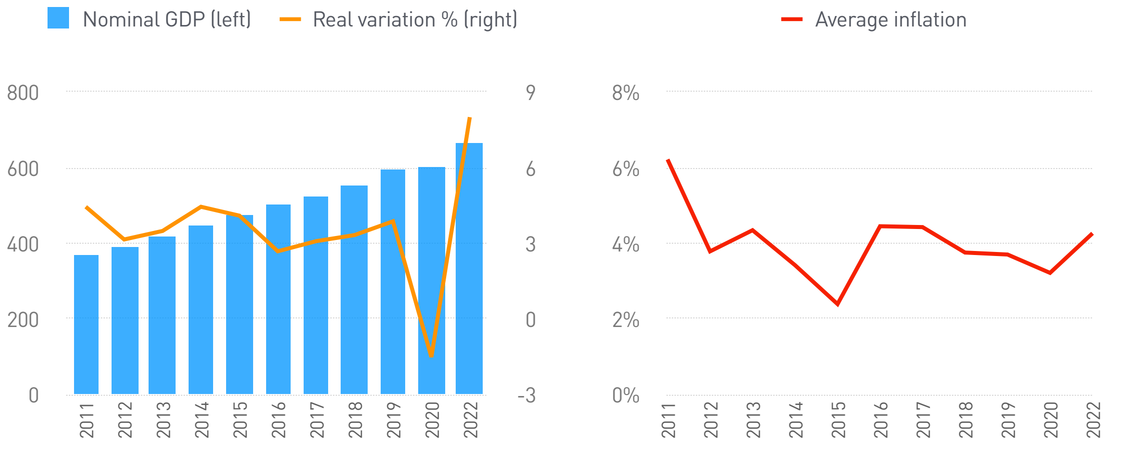
- Impact analysis in relation to the application of the international insurance contract accounting standard and the differences that could impact the Insurance and Bond Institution Law and the CUSF.

3.1.2 Guatemala

Macroeconomic environment

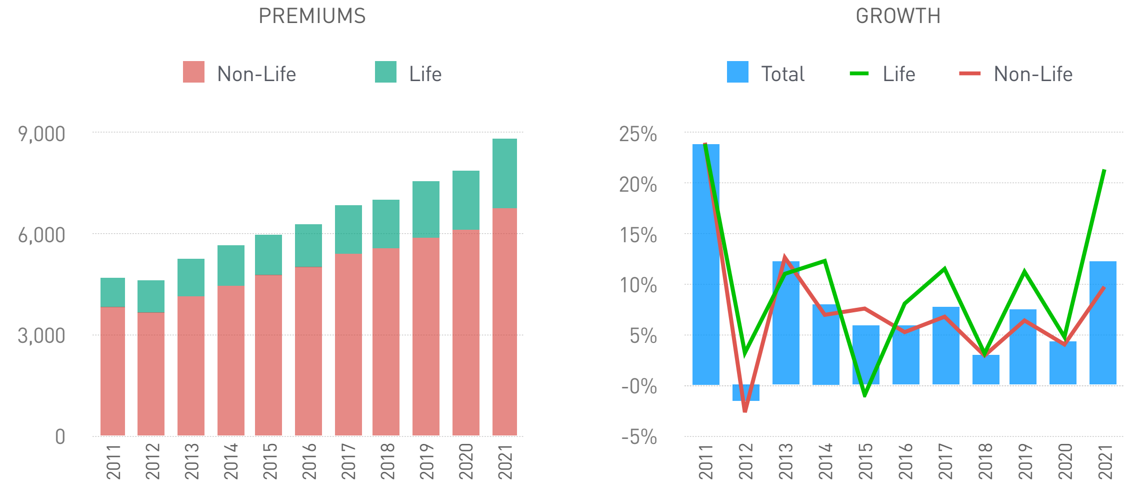
In 2021, the Guatemalan economy experienced real GDP growth of 8.0% in 2021, in contrast to the recession seen the previous year during the outbreak of the pandemic, when it contracted by 1.5% (see Chart 3.1.2-a). This reactivation has been sustained thanks to the lifting of restrictions imposed to combat the Covid-19 pandemic, the increase in family remittances, higher public spending and the impact of growth in the United States. Furthermore, the total public debt of the central government came to 30.8% of GDP (31.5% in 2020) and the tax deficit stood at 1.2% of GDP (4.9% in 2020) on account of the invigoration of tax income (improvements in taxpayer assistance, mea-

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)

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)

sures to facilitate payments, e-billing and customs taxation) in the first half of the year, where the real increase in income tax collection of 41.7% is worth particular note.

As regards monetary policy, in 2021, the Bank of Guatemala maintained its lax monetary policy, leaving the monetary policy rate at 1.75% (adopted on June 24, 2020). However, it is worth noting that in 2022, two increases of 25 basis points have been approved, to 2.25%, on account of the inflationary environment abroad. In this sense, the inflation accumulated in 2021 compared to December of the previous year stood at 3.1% and by June 2022 had risen to 7.6%, above the target range of the central bank (between 4.0% and 6.0%).

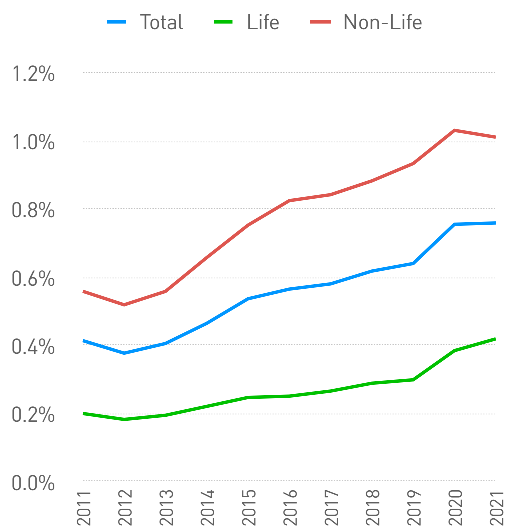
MAPFRE Economics forecasts a 4% upturn in the Guatemalan economy in 2022. ECLAC, in turn, also estimates that in 2022 Guatemalan GDP will grow by 4%, supported by external demand. Furthermore, the deficit of the central government would stand at around 2.4% of GDP on account of the increase in public spending in the first half of the election year; with a balanced current account, on account of the decrease in imports; and the year would end with approximate inflation of 4.8% while production and supply levels return to pre-pandemic levels.

Insurance market

Growth

The Guatemalan insurance market achieved premiums of 8.80 billion quetza-

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)

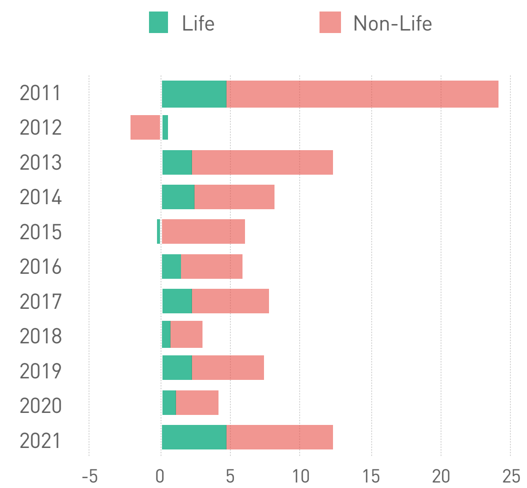
Table 3.1.2
Guatemala: Premium Volume[1] by Line, 2021

Line	Millions of Quetzales	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**8,803.8**	**1,137.8**	**12.3**	**7.7**
Life	**2,069.0**	**267.4**	**21.4**	**16.4**
Public Life	0.0	0.0	28.6	23.3
Individual Life	236.8	30.6	6.1	1.7
Group Life	1,811.8	234.1	22.6	17.6
Pensions	20.5	2.6	549.7	523.1
Non-Life	**6,734.9**	**870.4**	**9.8**	**5.3**
Health	2,394.4	309.4	10.7	6.1
Automobiles	1,553.7	200.8	9.0	4.6
Fire and allied lines	542.8	70.1	11.6	7.0
Earthquake	583.8	75.4	8.1	3.7
Other lines	568.1	73.4	4.1	-0.2
Transport	288.6	37.3	19.2	14.3
Surety	270.7	35.0	12.8	8.2
Technical risks	207.3	26.8	15.2	10.5
Personal Accidents	192.3	24.9	-2.3	-6.3
Third-Party Liability	133.1	17.2	14.7	10.0

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

les in 2021 (1.14 billion dollars), representing nominal growth of 12.3% and real growth of 7.7%. Thus, the market is growing at a faster pace than in 2020, when it registered growth of 4.2%. Premiums increased by 9.8% in the Non-Life segment, arriving at 6.74 billion quetzales (870 million US dollars). This business accounts for 76.5% of the total market, and in relation to the two most important lines of business,

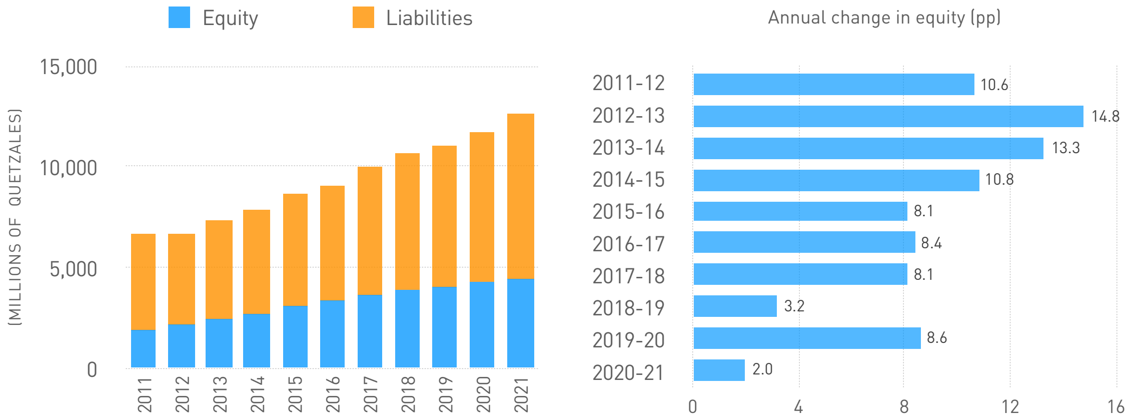
Chart 3.1.2-d
Guatemala: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2011	24.0	4.7	19.3
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

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

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)

Health grew in nominal terms by 10.7% and Automobile by 9.0%, which means that, in real terms, the Health business grew by 6.1% and the Automobile business grew by 4.6%. Meanwhile, the Life business posted nominal growth of 21.4% year on year, coming to 2.07 billion quetzales (267 million dollars), as reflected in Table 3.1.2 and Chart 3.1.2-b.

Over the past decade, the change in the share of total premiums and by Life and Non-Life segments in the Guatemalan insurance market in comparison to the Latin American market has been favorable. As reflected in Chart 3.1.2-c, the weight of total Guatemalan premiums in the total for Latin America has grown from 0.41% in 2011 to 0.76% in 2021. Specifically, the share of the Life insurance business also increased from 0.20% in 2011 to 0.42% in 2021, while the Non-Life insurance business grew from 0.56% to 1.01% during this period.

As shown in Chart 3.1.2-d, 7.6 percentage points of the total 12.3% nominal growth reported for the Guatemalan insurance market in 2021 was generated by the Non-Life insurance segment, while the Life business contributed the remaining 4.6 percentage points. As a result, the balanced growth profile that has prevailed for practically the entire past decade continues, with positive contributions from both insurance businesses.

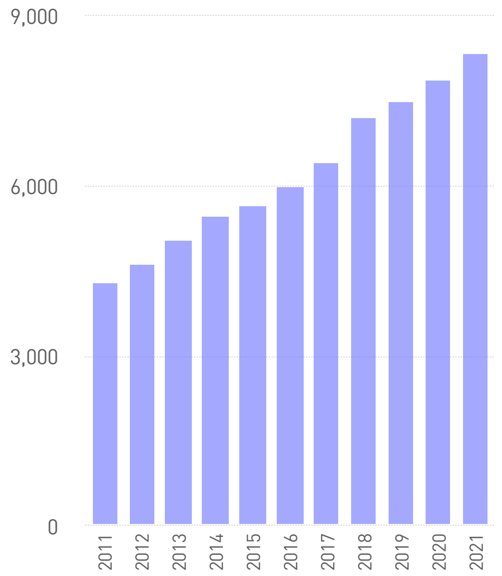
Balance sheet and shareholders' equity

Chart 3.1.2-e shows developments in the overall balance sheet at sector level of the Guatemalan insurance market over the 2011–2021 period. As can be seen, the Guatemalan insurance industry had total assets of 12.7 billion quetzales (1.65 billion dollars) in 2021, while equity stood at 4.4 billion quetzales (575 million dollars), up 2.0 percentage points on the previous year. Aggregate capitalization levels for the Guatemalan insurance industry (measured over total assets) averaged 35% over the last decade and were always above 30%, except in 2011. At the end of 2021, this represented 34.97% of the total assets.

Investments

Charts 3.1.2-f, 3.1.2-g, and 3.1.2-h show the evolution of investments in the 2011–2021 period, as well as the composition of the aggregate investment portfolio at the sector level over the course of this period.

Chart 3.1.2-f
Guatemala: Insurance Market Investments
(millions of quetzales)

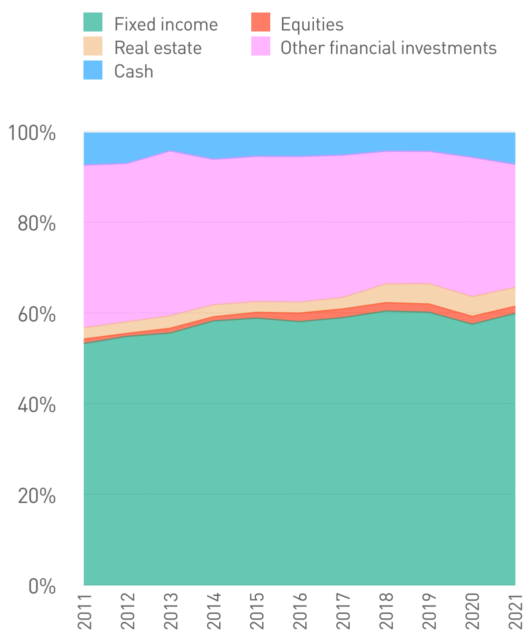


Source: MAPFRE Economics (based on data from the Superintendency of Banks)

As can be seen, investment in 2021 amounted to 8.31 billion quetzales (1.08 billion dollars), focused on fixed-income investments (60.1%). Other financial investments (mainly bank deposits) also had a significant share, which accounted for 27.1% of the portfolio. Debt instruments are therefore the most prevalent, with aggregate investment in equity playing only a minor role, similar to the previous year (1.6%).

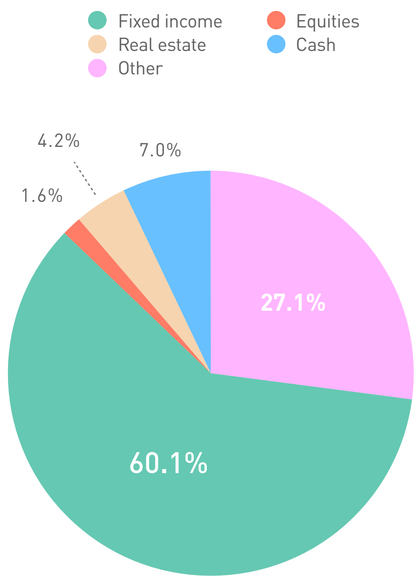
An analysis of the investment portfolio increased during the 2011–2021 period shows the gradual increase of the weight of investments in public fixed income, climbing from 53.5% in 2011 to 60.1% in 2021 (Charts 3.1.2-f and 3.1.2-g). Meanwhile, the percentage of other financial investments (essentially bank deposits) accounted for 35.8% in 2011; this trend has since reversed, gradually falling to 27.1% by the end of 2021.

Chart 3.1.2-g
Guatemala: Structure of Investments
(%)



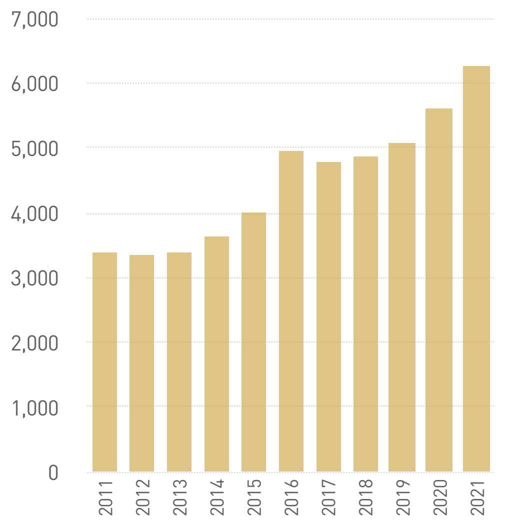
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-h
Guatemala: Structure of Investments, 2021
(%)



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)

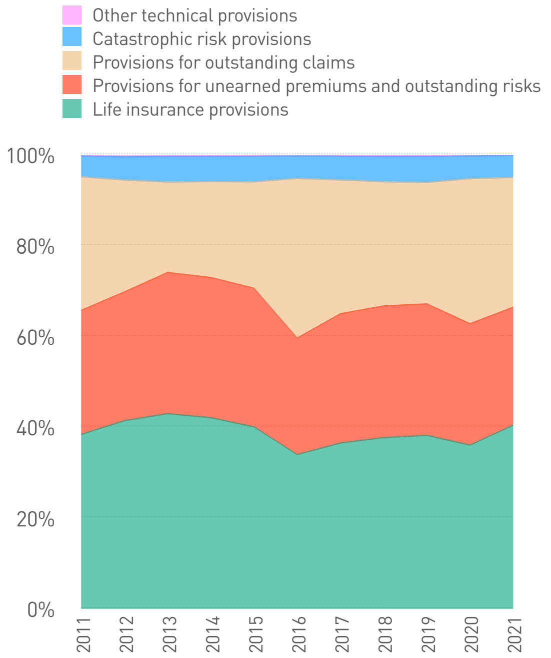


Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Technical provisions

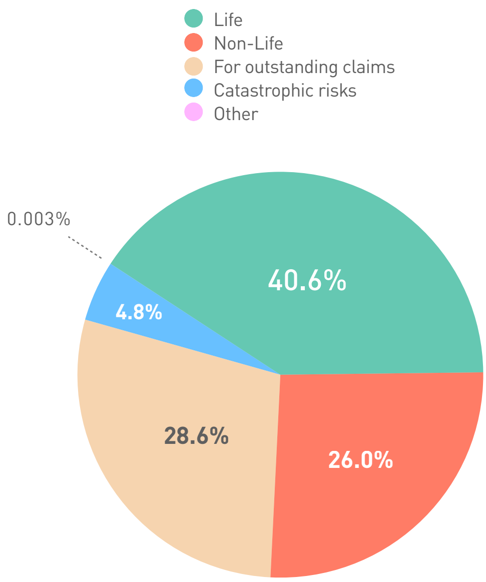
The evolution and relative composition of the Guatemalan insurance industry's technical provisions over the 2011–2021 period are shown in Charts 3.1.2-i, 3.1.2-j and 3.1.2-k. In 2021, technical provisions stood at 6.28 billion quetzales (814 million dollars); 40.6% of the total related to technical provisions associated with Life insurance, 26% to the provision for unearned premiums and unexpired risks in Non-Life insurance, 28.6% to the provision for outstanding claims, and the remaining 4.8% to provisions for catastrophic risks. Furthermore, technical provisions saw sustained growth in absolute terms over the 2011–2021 period, both in Life and Non-Life insurance (interrupted only in 2012 and 2017). When taking into consideration the weight on total technical provisions, there is a general drop in 2016 in both Life and Non-Life in favor of provisions for outstanding claims, with this

Chart 3.1.2-j
Guatemala: Structure of Technical Provisions
(%)



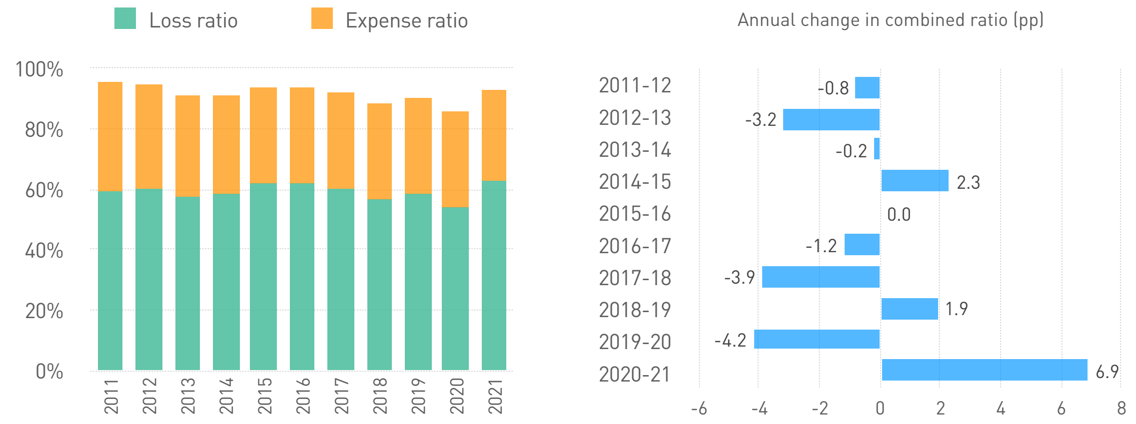
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

Chart 3.1.2-k
Guatemala: Structure of Technical Provisions, 2021
(%)



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)

share in the Non-Life business remaining in 2021, while in Life, it has grown from 34.1% to the aforementioned 40.6% (Chart 3.1.2-j).

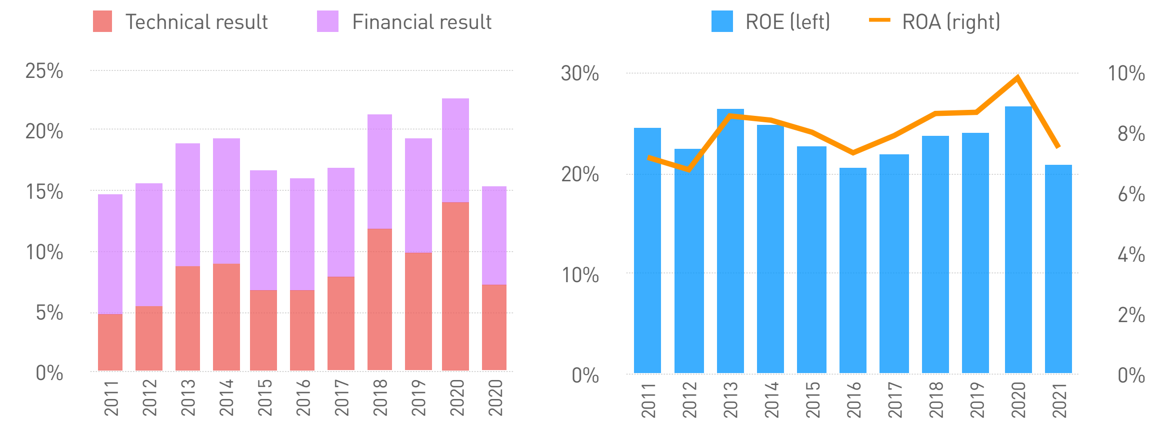
Technical performance

Chart 3.1.2-l shows developments in the Guatemalan insurance industry's technical performance over the 2011–2021 period. According to this information, the combined ratio in 2021 stood at 92.8% (down by 6.9 pp year on year). This is mainly due to the 8.4% increase in the loss ratio and, to a lesser extent, a drop in the expense ratio, which varied -1.4% compared to the previous year.

Results and profitability

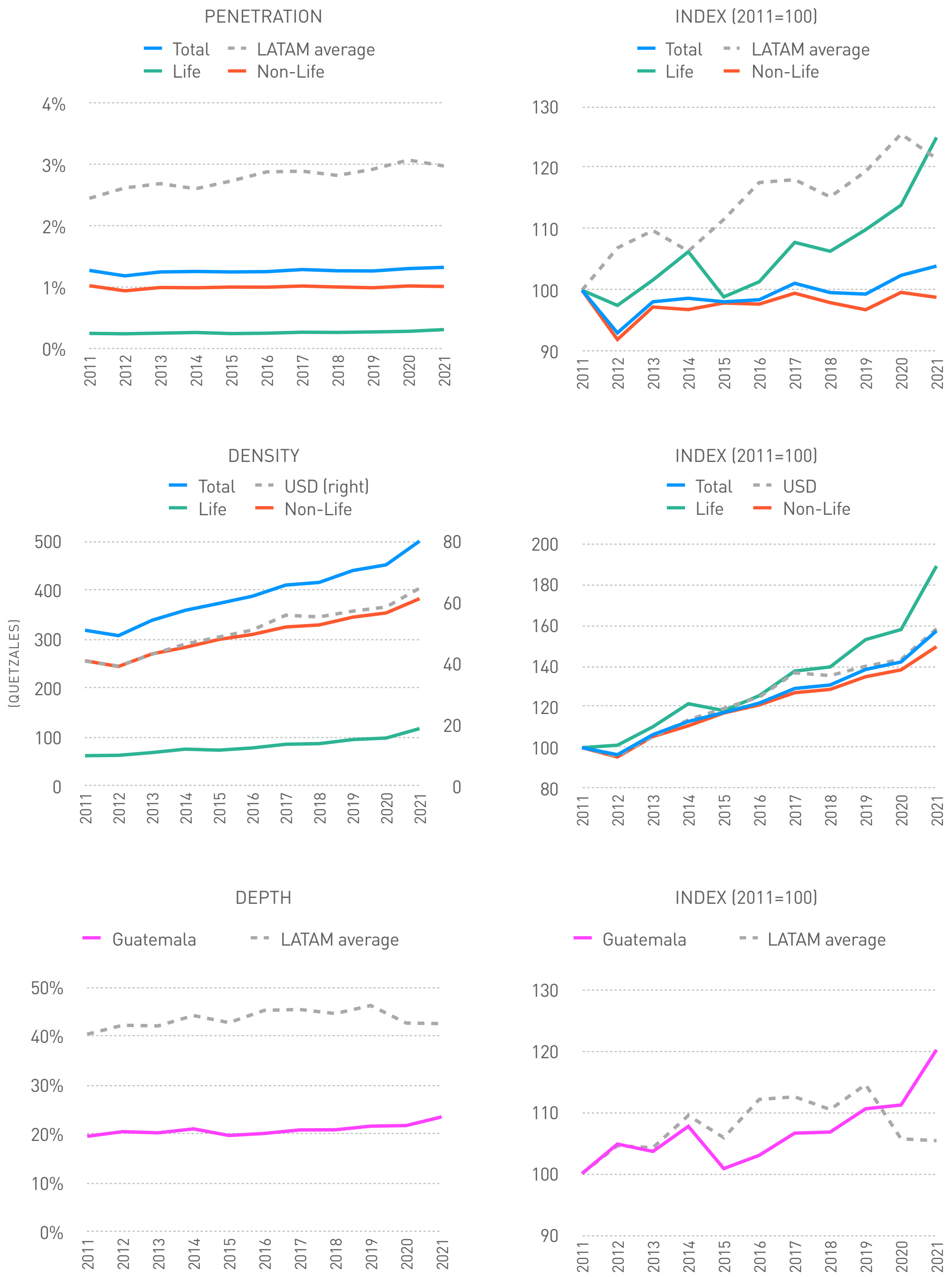
The Guatemalan insurance business posted a net result of 917 million quetzales (118 million dollars) in 2021, down by 18% on the previous year, due to the 45% reduc-

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, %; 2011 index=100)



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

tion in the technical result and 5.6% growth in the financial result compared to 2020 (see Chart 3.1.2-m). In terms of profitability levels, return on equity (ROE) stood at 20.9%, down by 5.9 pp from the figure recorded in the previous year. A similar situation emerges when analyzing return on assets (ROA), which stood at 7.5%, 2.3 pp down on the figure recorded in 2020, while the financial result over earned premiums remained stable over the last ten years at values of around 9.5% (8.2% in 2021), and the technical result divided by the earned premium stood at 7.2% in 2021.

Insurance penetration, density and depth

Chart 3.1.2-n shows the performance of the insurance industry's main structural growth indicators and their trend over the 2011–2021 period. First, it should be noted that, despite the pace of growth in the insurance industry, the penetration rate (premiums/GDP) in 2021 remained at 1.3%. It is important to note that during the 2011–2021 period, this indicator has shown a stable trend; its figure is therefore well below the average of Latin American insurance markets, and its trend over the past decade has diverged from that of other countries in the region where penetration averaged 3.0%.

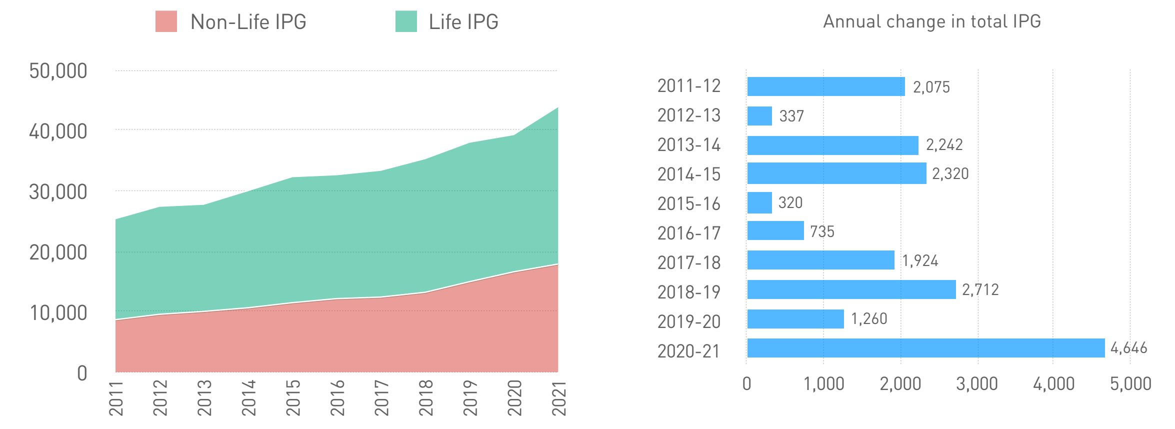
In terms of density levels (premiums per capita), this indicator stood at 500 quetzales (64.60 dollars), up 57.2% from the figure recorded in 2011 (318 quetzales). In contrast to penetration performance, the density index has increased over the last decade, meaning that while per capita purchases of 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.

Finally, the depth (Life insurance premiums over total premiums) indicator was 23.5%, 1.8 pp above the 2020 figure and 3.9 pp above the 2011 figure. As with the penetration index, the Guatemalan insurance market's depth level is 19 pp lower than the Latin American average (42.5%).

Insurance Protection Gap estimate

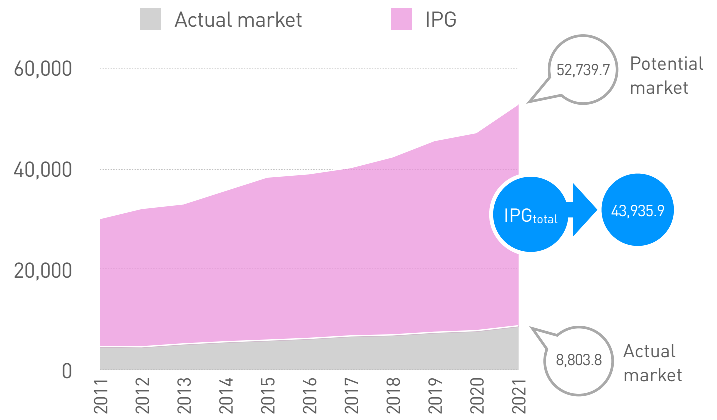
Chart 3.1.2-o shows the IPG estimate for the Guatemalan insurance market over the 2011–2021 period. As can be seen, the insurance gap amounted to 43.94 billion quetzales (5.68 million dollars) in 2020. As in the majority of Latin American insurance markets, the structure and evolution of the

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)



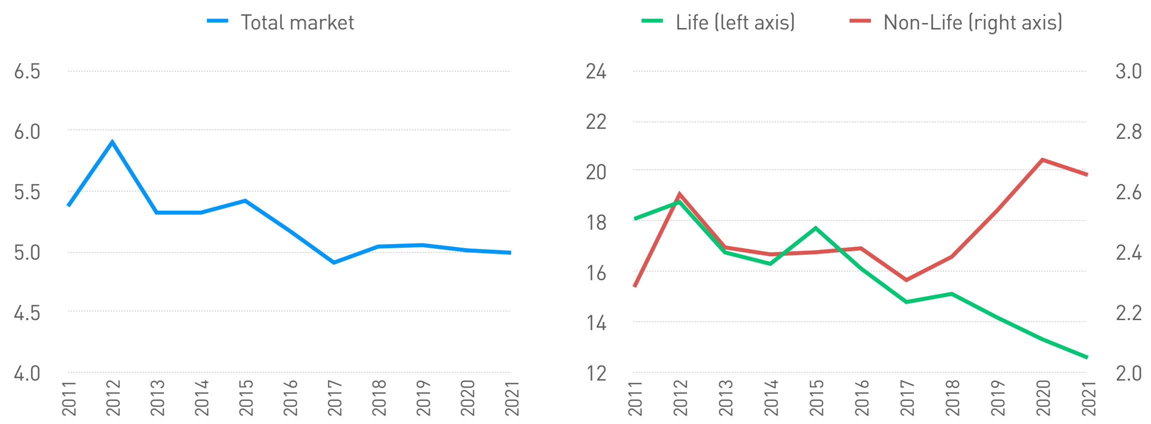
Change	Actual market	IPG
2021-2011	86.6 %	73.2 %
2021-2020	12.3 %	11.8 %

Source: MAPFRE Economics

IPG demonstrates the predominance of Life insurance. In 2021, 59.3% of the gap related to Life insurance (26.04 billion quetzales), while Non-Life insurance accounted for 40.7% of the IPG (17.88 billion quetzales). Based on this estimate, the potential insurance market in Guatemala in 2021 (measured as the sum of the actual market plus the IPG) stood at 52.74 billion quetzales (6.82 billion US dollars); i.e. 6 times the size of the current market (see Chart 3.1.2-p).

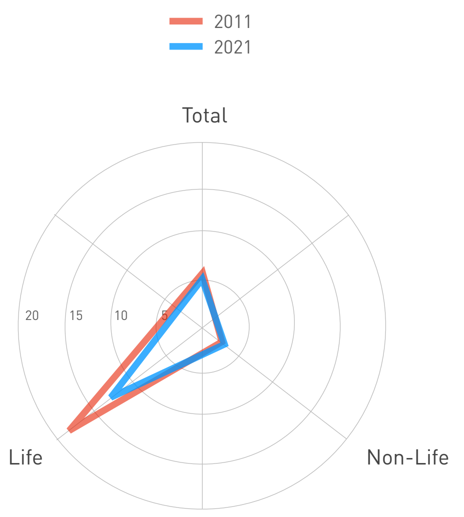
Additionally, Chart 3.1.2-q shows an estimate of the IPG as a multiple of the actual market in each year of the period under analysis. As regards the Guatemalan insurance market, the IPG (measured as a multiple of the existing market) has been on a gentle downward path over the 2011–2021 period, both in terms of the total market and the Life segment. Thus, while in 2011 the IPG was 5.4 times the size of the actual insurance market in Guatemala, in 2021 this had been reduced to 5 times. A similar

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: Change in IPG as a Multiple of the Actual Market



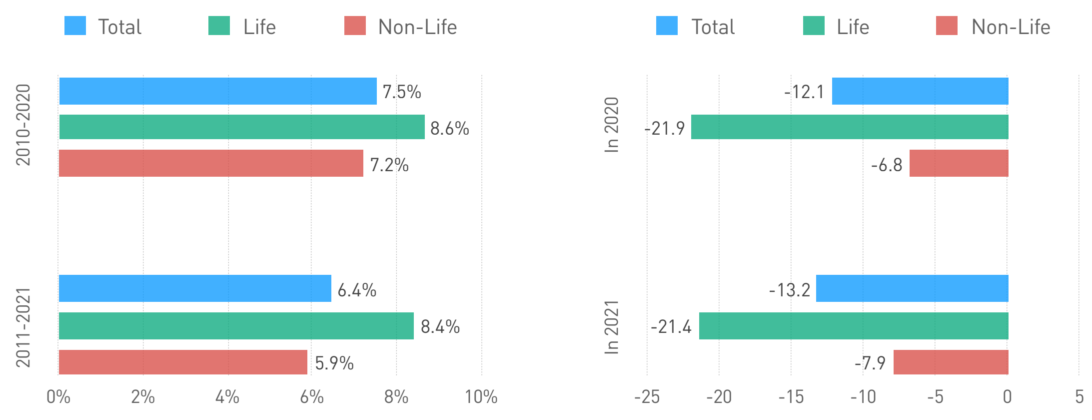
Source: MAPFRE Economics

situation emerges in the Life segment, where the multiple fell from 18.1 to 12.6 times. However, as regards the Non-Life insurance segment, there was an increase in the gap as a multiple of the market, increasing from 2.3 times in 2011 to 2.7 times in 2021.

Chart 3.1.2-r shows the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total over the last ten years, comparing the situation in 2021 with the state of the market in 2011. The chart shows a mild improvement in terms of the gap as a multiple of the actual market, although in particular in the Life insurance segment.

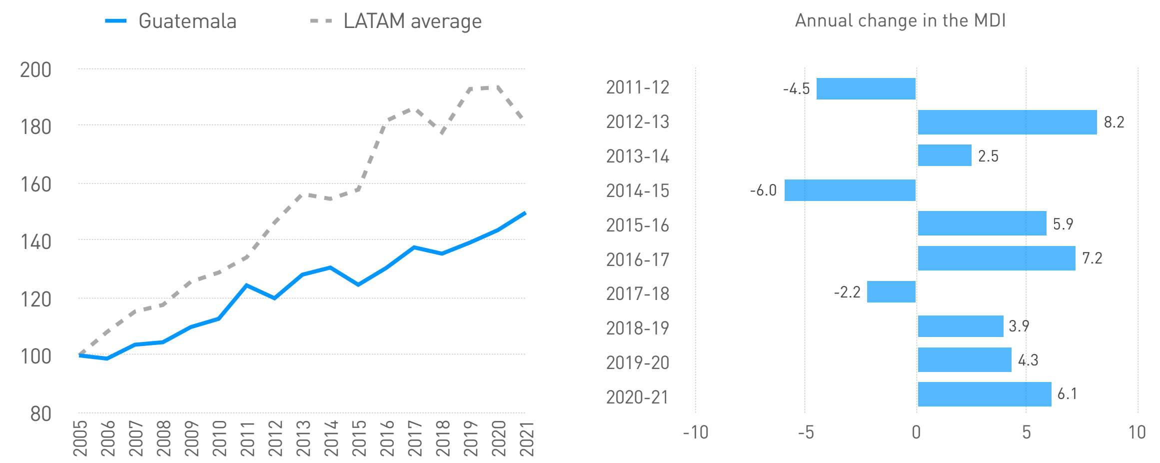
Lastly, Chart 3.1.2-s summarizes the evaluation of the Guatemalan insurance market's capacity to close the IPG calculated in 2021. To this end, a comparative analysis has been carried out between the growth rates recorded in the market over the last ten years and the growth rates that would be needed to close the IPG calculated in 2021 over the next decade. According to this analysis, the Guatemalan insurance market recorded an average annual growth rate of 6.4% over the 2011–2021 period. This was underpinned by an average growth of 8.4% in the Life insurance segment and of 5.9% 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 2021 by 13.2 pp; i.e. the insurance market would need

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)

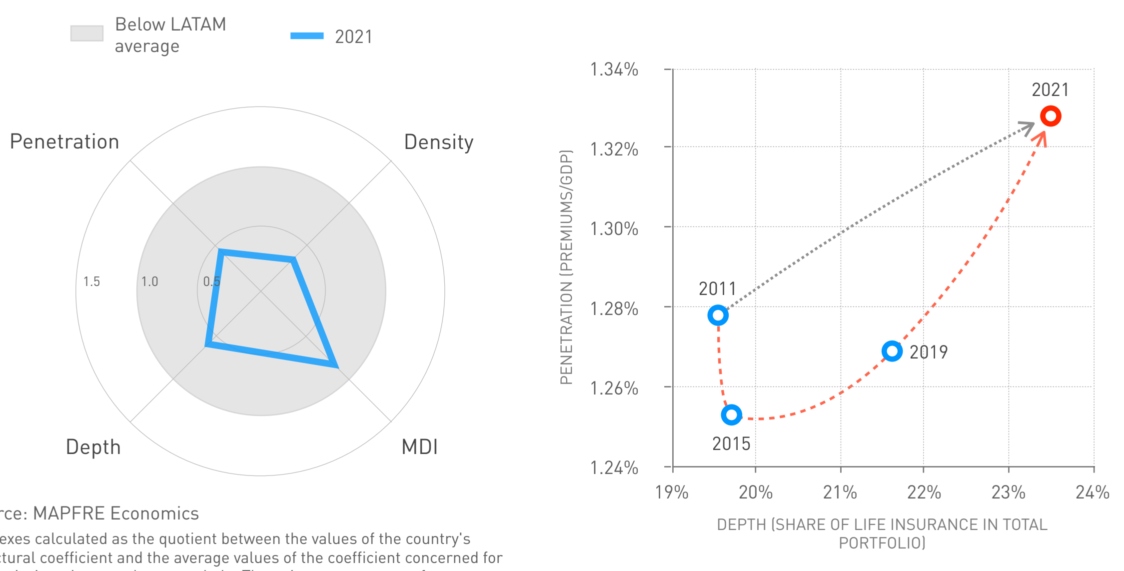


Source: MAPFRE Economics

an average growth rate of 19.6% over the next decade in order to close the IPG estimated in 2021.

A similar situation emerges when analyzing the Life and Non-Life segments. In the former case, the insufficiency would be 21.4 pp, while for the latter, this would be 7.9 pp. The Guatemalan insurance market would therefore need to achieve an annual average growth of 29.8% and 13.8% respectively over the next decade to bridge these insurance gaps. Finally, with regard to the comparative analysis of this fiscal year compared to that conducted in 2020 for the Guatemalan insurance market, the

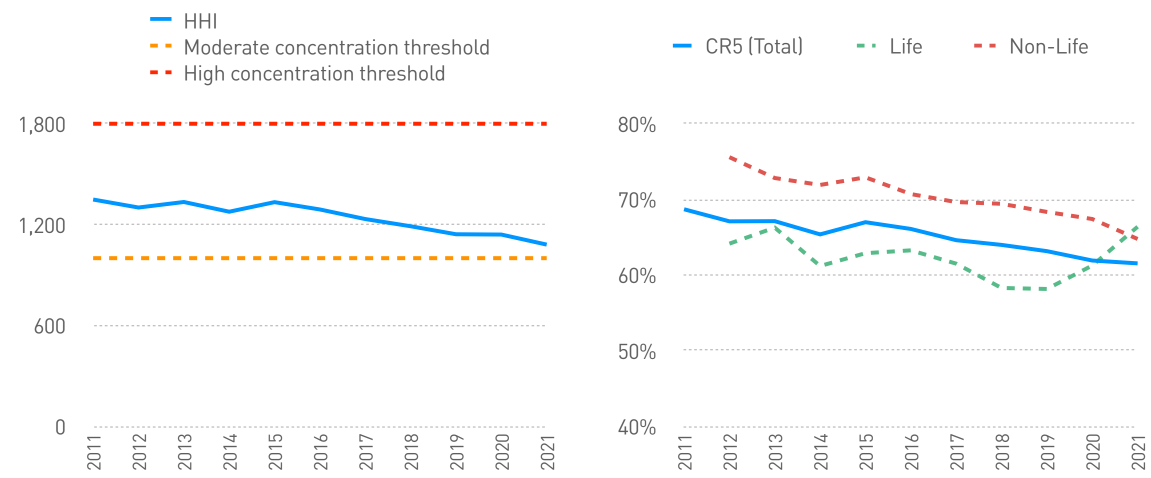
Chart 3.1.2-u
Guatemala: Comparative Structural Coefficient Index* vs. Average for Latin America, 2021 and Medium-Term Changes in the Insurance Market (2011–2021)



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 3.1.2-v
Guatemala: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



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

insufficiency levels of the total market and of the Non-Life insurance segment have increased slightly.

Market Development Index (MDI)

Chart 3.1.2-t shows an estimate of the Market Development Index (MDI) for the Guatemalan insurance industry. Total ranking, this indicator shows a positive trend over the past decade, with annual decreases in 2012, 2015 and 2018. However, it should be noted that the current figure (149.8) stands beneath the average for Latin America (181), with a slightly diverging trend.

Joint analysis of structural coefficients

In summary, Chart 3.1.2-u shows the Guatemalan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. It can be seen that its situation is significantly below the Latin American average for all indicators, especially in terms of density (240 dollars in premiums per capita in Latin America vs. 64.6 dollars in Guatemala), which indicates its fledging level of development compared to the region as a whole. Despite this, its performance over the past decade in terms of both quantity (penetration) and quality (depth) has been positive.

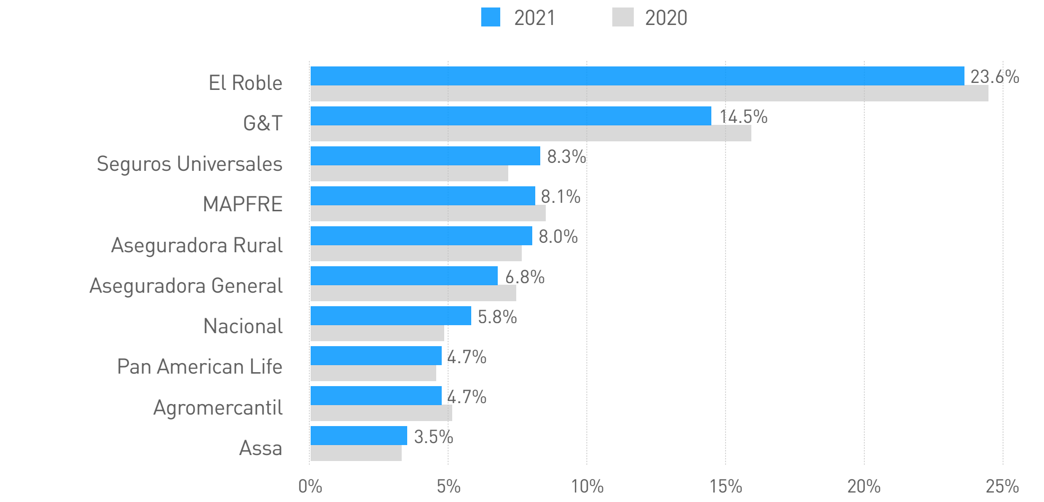
Insurance market rankings

Total ranking

There were 27 insurance companies operating in the Guatemalan insurance industry in 2021. The top five institutions accounted for 61.5% of total premiums, 0.4 pp less than in 2020. There has been a slight decrease in the concentration levels of the Guatemalan insurance market over the last decade. The Herfindahl index shows that aggregate concentration levels of the market stayed above the theoretical threshold indicating moderate concentration (see Chart 3.1.2-v). When analyzing the concentration from the perspective of insurance lines of business, however, it can be seen that this drop is attributable to an improvement in the Non-Life insurance segment, while in the Life insurance segment, concentration has increased since 2019.

As shown in Chart 3.1.2-w, the two largest insurance groups in the Guatemalan market continue to be El Roble, with 23.6%

Chart 3.1.2-w
Guatemala: Total Ranking
(market shares, %)



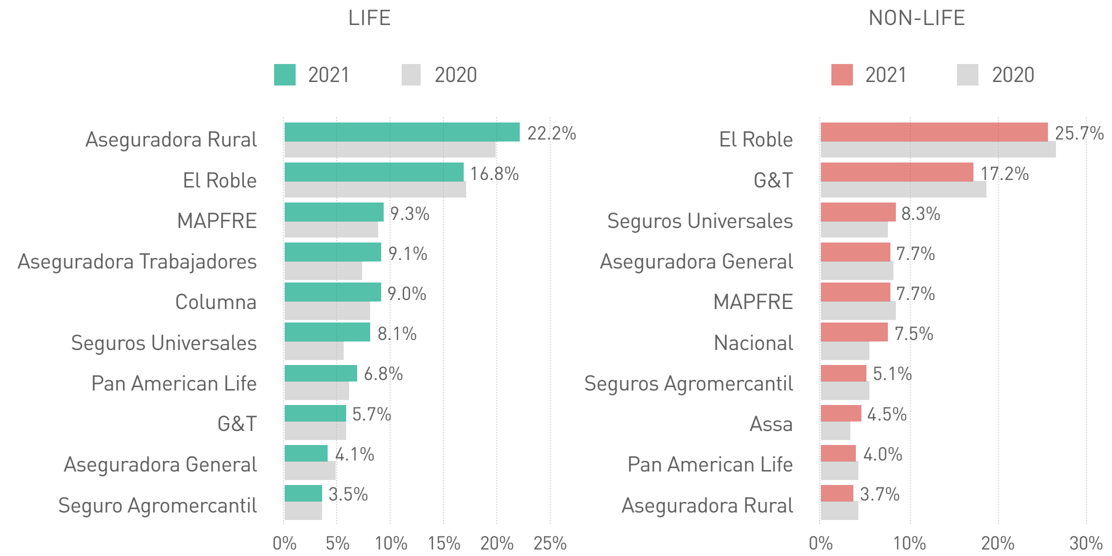
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

of market premiums (down on its share in 2020 by 0.9 pp) and G&T, with a market share of 14.5% (also down by 1.4 pp). Some way behind are Seguros Universales, whose market share stood at 8.3% (1.2 pp up on 2020), climbing three positions, past Aseguradora General, which falls to sixth, Aseguradora Rural, accounting for 8%, and MAPFRE for 8.1% of market share.

Life and Non-Life rankings

For the Non-Life ranking, El Roble again tops the table with a share of 25.7% of

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



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

total premiums. The firm is followed by G&T, with 17.2%, and Seguros Universales with a market share of 8.3%, passing Aseguradora General, which drops to fourth position with a market share of 7.7% and MAPFRE, with a market share of 7.7% in fifth position. In the Life ranking, El Roble dropped to second place with 16.8% of total premiums, with its market share falling -0.3 pp year on year, while Aseguradora Rural reached first place with 22.2%. MAPFRE secured third place with 9.3% of premiums in this market segment, increasing its share by 0.4 pp compared to the previous year (see Chart 3.1.3-v).

Key regulatory aspects

In the case of the Guatemalan insurance market, during 2021, a variety of regulations and circulars were passed[15].

- Circular 6608-2021 (published on August 26, 2021) regarding the program for implementing the NIFA project (Financial Information Standards for Insurance Companies) based on the IFRS regulations.

- Circular 10421-2021 (published on October 18, 2021) regarding the circular sent.

- Regulation JM-104-2021 (of November 26, 2021) for the Administration of Technology Risk.

- Monetary Council Resolution JM-48-2021 regarding the special temporary measure as a result of Covid-19 and the use of the available balance from account 503104 (Reserve for unforeseen circumstances).

Furthermore, prior to January 2022, the following resolutions were published by the Superintendency of Banks:

- SIB 82-2022 regarding the minimum amount of initial capital paid by national or foreign insurance or reinsurance companies set up in Guatemala.

- SIB 80-2022 regarding the minimum amount of initial capital paid by national or foreign micro-finance institutions set up in Guatemala.

- SIB 79-2022 regarding the minimum amount of initial capital paid by national or foreign banking institutions set up in Guatemala.

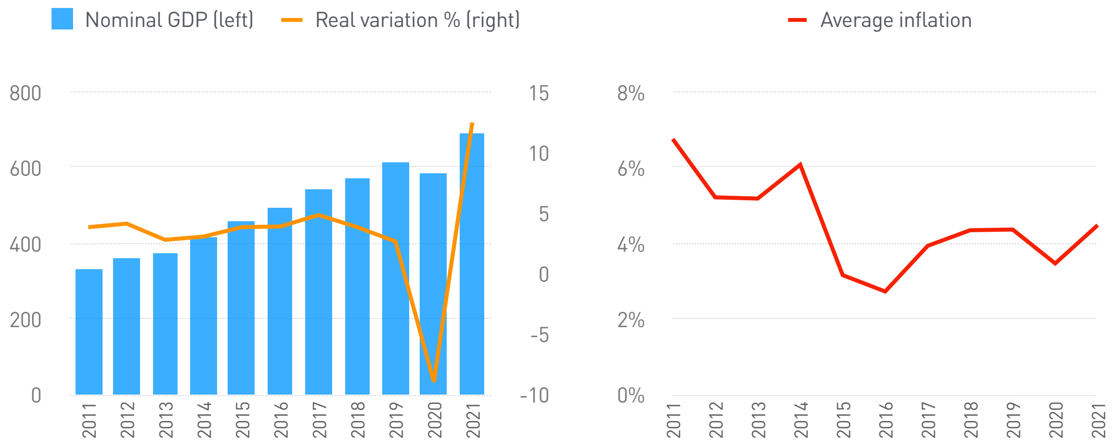
3.1.3 Honduras

Macroeconomic environment

The Honduran economy recorded real growth of 12.5% in 2021, following the 9.0% downturn registered the previous year (see Chart 3.1.3-a). The economic recovery has been sustained by growth in external demand having overcome the Covid-19 crisis worldwide, promoted by the recovery of the country's main trade partners (in particular the United States), higher levels of domestic consumption and private investment as a result of the recovery of household and business income, the consequent recovery of employment and the reconstruction of the production infrastructure following the damage caused by storms Eta and Iota at the end of 2020. All of this combined to improve the unemployment rate, which stood at 8.6% in 2021 (compared to 10.9% in 2020). Against this backdrop, the Honduran government saw out 2021 with a fiscal deficit of approximately 5.0% of GDP (7.0% in 2020), with an increase in current spending, aimed at mitigating the impact of the health emergency and the consequences of the aforementioned storms. As regards the foreign sector, the current account balance reached a deficit of 4.3% of GDP (in comparison to the surplus of 2.8% registered in 2020), on account of the significant increase in imports, which counteracted the increase in exports and family remittances.

On the other hand, the expansive monetary policy applied by the central bank in 2020, which saw four monetary policy interest rate cuts, to 3.0%, remained unchanged through-

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)

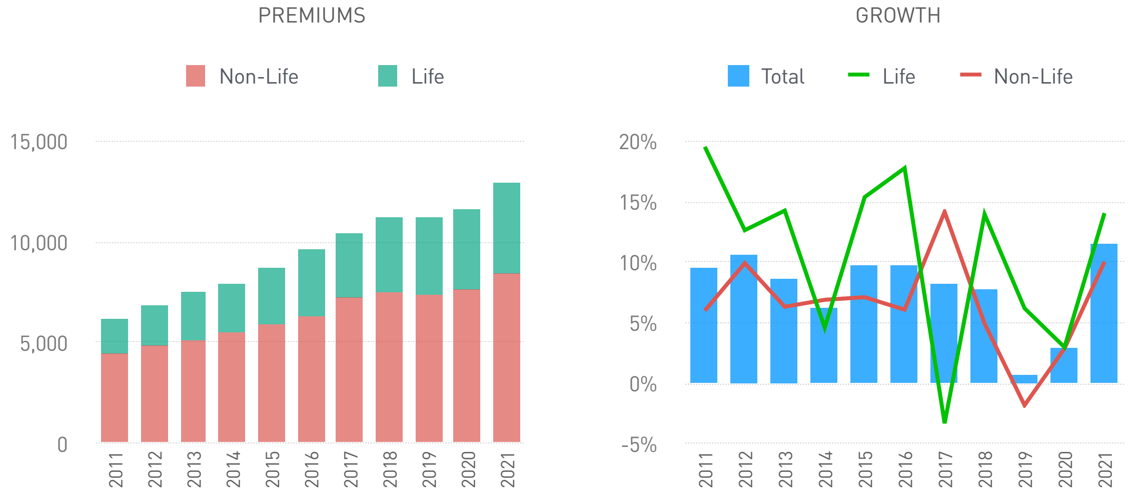
out 2021 given the moderate expectations as regards inflation. However, despite interest rates remaining low, as well as the promotion of guarantee funds for the agriculture sector and business sector, in August 2021, there was moderate growth in the volume of loans and discounts (5.9% compared to 9.6% recorded during the same period in 2020). Furthermore, year-on-year inflation in December 2021 stood at 5.3% (slightly above the target range established by the central bank of between 3% and 5%). In June 2022, it stood at 10.2%. To this end, the Central Bank of Honduras, in a communication released in June 2022, decided to keep an active monetary policy in place, removing surplus liquidity through open market transactions, maintaining its monetary poli-

Table 3.1.3
Honduras: Premium Volume[1] by Line, 2021

Line	Millions of lempiras	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**12,886.4**	**535.3**	**11.4**	**6.6**
Life	**4,515.0**	**187.5**	**14.0**	**9.1**
Non-Life	**8,371.5**	**347.7**	**10.0**	**5.3**
Fire and allied lines	2,538.8	105.5	9.7	5.0
Automobiles	1,648.8	68.5	6.0	1.4
Health	2,440.4	101.4	12.7	7.9
Other lines	709.8	29.5	12.8	8.0
Transport	311.5	12.9	22.2	17.0
Surety	194.8	8.1	42.3	36.2
Personal Accidents	297.4	12.4	-9.2	-13.1
Third-Party Liability	223.0	9.3	1.3	-3.0
Occupational risks	6.9	0.3	22.2	17.0

Source: MAPFRE Economics
(based on data from the Na-

Chart 3.1.3-b
Honduras: Growth Developments in the Insurance Market
(premiums, millions of lempiras; annual nominal growth rates, %)

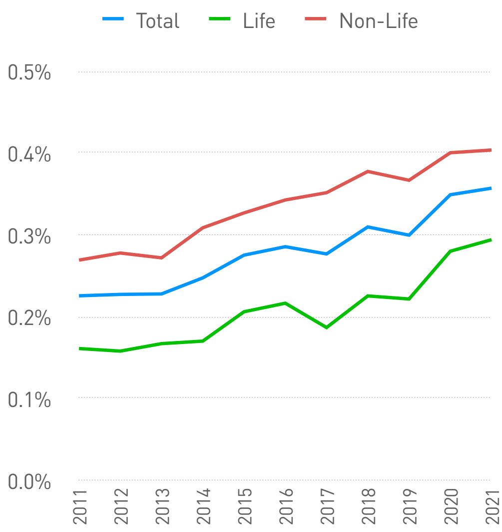


Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

cy rate (MPR) at 3.0% and repeating its commitment to monitoring the evolution of inflation and its determining factors.

For 2022, MAPFRE Economics has forecast growth for the Honduran economy of 3.5%, while ECLAC has estimated GDP growth of 3.8% for 2022, driven by the dynamism of foreign demand and the recovery of domestic demand.

Chart 3.1.3-c
Honduras: Share of Insurance Premiums in Latin America
(%)



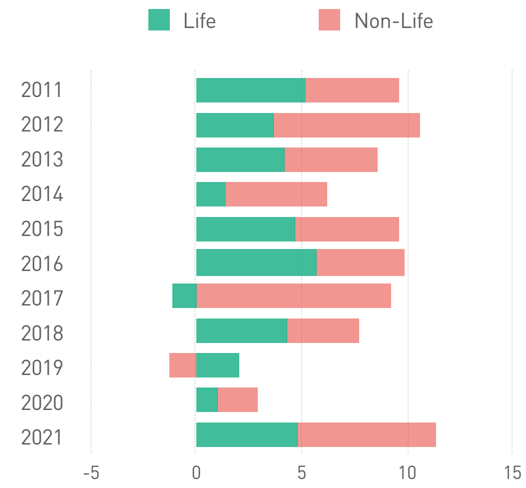
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission and supervisory bodies in the region)

Insurance market

Growth

In 2021, the premium volume of the Honduran insurance market grew to 12.89 billion lempiras (535 million US dollars). This represents growth of 11.4% in nominal terms and 6.6% in real terms relative to the previous year (see Table 3.1.3 and Chart 3.1.3-b). The Honduran insurance industry grew more than the previous year, when premiums grew 2.9% in nominal terms. Specifically, in 2021, Life premiums grew by 14.0% (3.0% in 2020) to 4.52 billion lempiras (188 million US dollars). Meanwhile, Non-Life premiums were up 10% (vs. 2.9% in 2020), reaching 8.37 billion lempiras (348 million dollars). It is worth noting that all Non-Life lines experienced growth, with the exception of Personal Injury (-9.2%), with the Health line of business (placing second by premium volume) experiencing double-digit growth (12.7%).

Chart 3.1.3-d
Honduras: Contribution to Insurance Market Growth
(percentage points, pp)



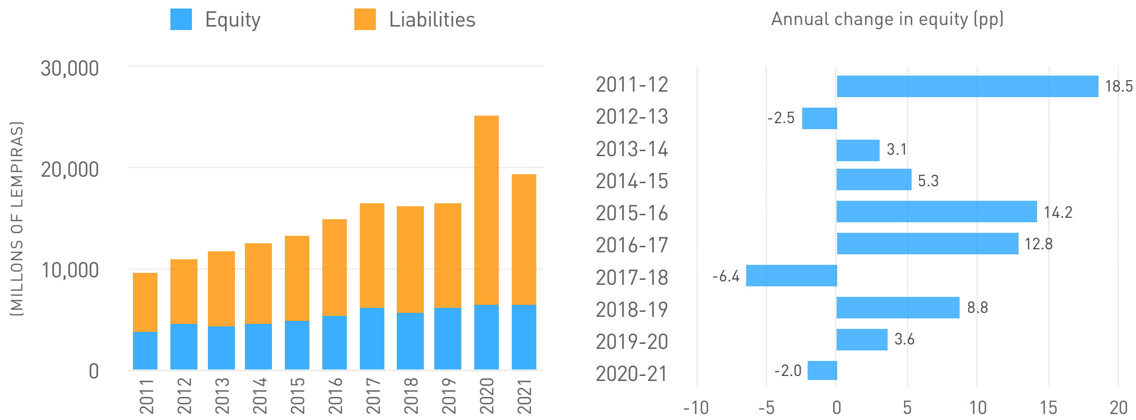
	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2011	9.6	5.2	4.4
2012	10.7	3.6	7.0
2013	8.6	4.2	4.5
2014	6.2	1.4	4.8
2015	9.6	4.7	4.9
2016	9.8	5.7	4.1
2017	8.1	-1.1	9.3
2018	7.7	4.3	3.4
2019	0.8	2.0	-1.2
2020	2.9	1.0	1.9
2021	11.4	4.8	6.6

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

The share of total premiums and by Life and Non-Life segments of the Honduran market compared to the Latin American market has grown over the past ten years by 13 basis points (bps). The Non-Life line of business has a bigger share (0.4% in 2021) in Latin America when compared to Life insurance (0.29%). The proportion of total Honduran insurance premiums in the total for Latin America has increased from 0.23% in 2011 to 0.36% in 2021 (see Chart 3.1.3-c).

From the perspective of its composition, Life insurance contributed a positive 4.8 pp to the overall growth of 11.4% registered in the Honduran insurance market in 2021, while Non-Life insurance contributed 6.6 pp (see Chart 3.1.3-d).

Chart 3.1.3-e
Honduras: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)

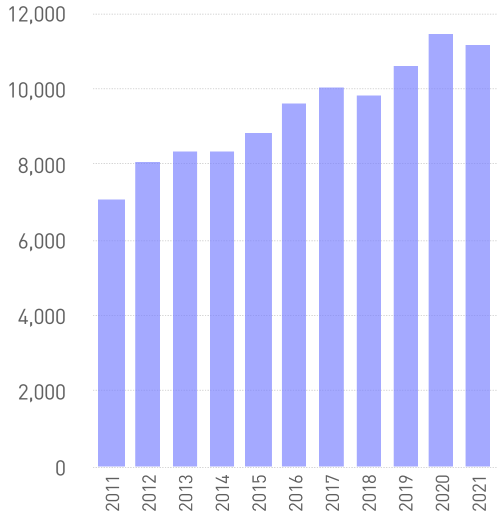


Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Balance sheet and shareholders' equity

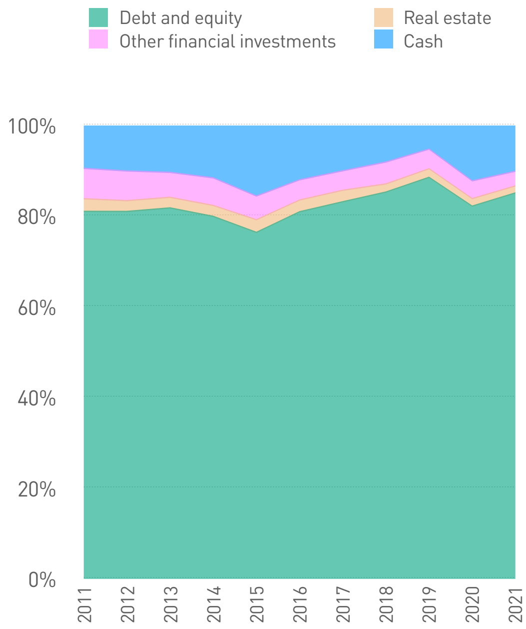
The performance of the Honduran insurance industry's aggregate balance sheet over the 2011–2021 period is shown in Chart 3.1.3-e. The industry's total assets amounted to 19.49 billion lempiras (796 million dollars), while equity stood at 6.37 billion lempiras (260 million dollars), showing a growing trend that was only interrupted in 2013, 2018 and 2021. The aggregate capitalization levels of the Honduran insurance industry (measured in relation to total assets) are significant, at around 39% on average in the 2011–2014 period. From then on, it stagnated at an average around 36% of total assets, reaching 32.7% by 2021, growing 6.8 pp due to the decrease in total assets, which dropped from 25.16 billion in 2020 to 19.49 billion the last year. In 2020, "Debts Charged to Reinsurers and Counter Guarantors" registered under Assets increased by practically 7.54 billion, which explains this deviation in total as-

Chart 3.1.3-f
Honduras: Insurance Market Investments
(millions of lempiras)



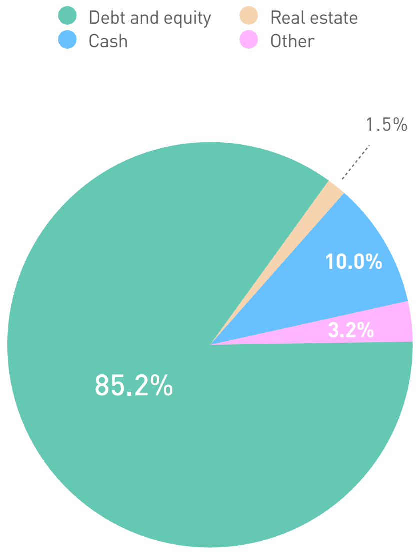
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

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, 2021
(%)



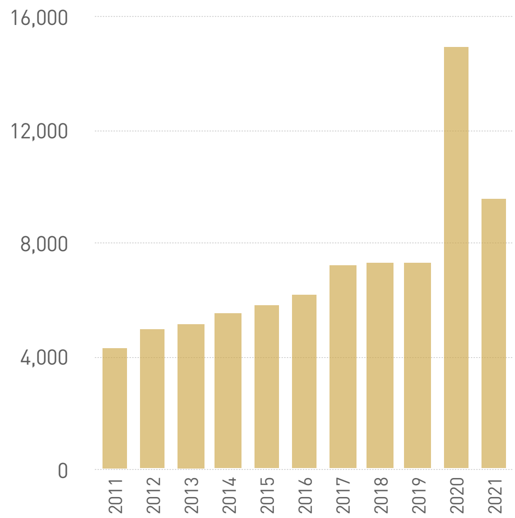
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

sets, while "Reserves for Accidents" on the liabilities side saw provisions double from one year to the next, as will be seen in the following sections of this report.

Investments

Chart 3.1.3-f shows developments in the Honduran insurance industry's investment over the 2011–2021 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 2021. According to this data, investments by insurance companies operating in the Honduran market came to 11.17 billion lempiras (456 million US dollars) in 2021, with 85.2% of the total concentrated in debt and equity instruments, 10% in cash, 1.5% in real estate and the remaining 3.2% in other financial investments. Notably, investments in cash and cash equivalents over the analyzed period followed an upward trend, which reverted after 2015 but returned to 2013 levels in 2021. There is a general trend toward growth in the share of debt and equity investments (which seemed to have stagnated since 2014), standing above the ten-year average in 2021 (82.4%). The growth in investments in cash and cash equivalents over the course of the period is notable.

Chart 3.1.3-i
Honduras: Technical Provisions of the Insurance Market
(millions of lempiras)

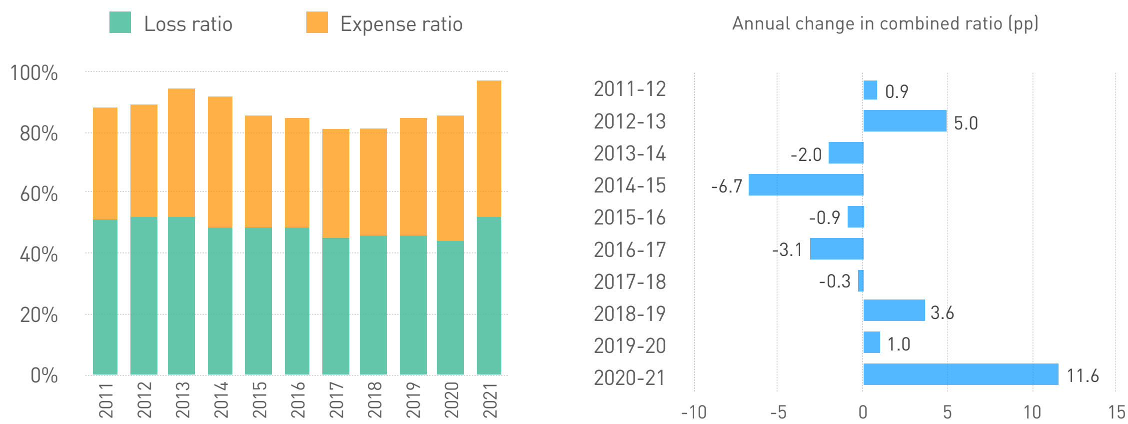


Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Technical provisions

The change in the technical provisions of the Honduran insurance sector is reflected in Chart 3.1.3-i. It is worth nothing that, with the data available to us at the time of preparing this report, it is not currently

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)

possible to conduct a more detailed analysis of the composition of technical provisions at sector level. However, it should be noted that during the 2011–2021 period, they experienced sustained growth in absolute terms at an aggregate level, although undermined in 2020 by the strong growth in reserves for claims, as mentioned in the previous section.

Technical performance

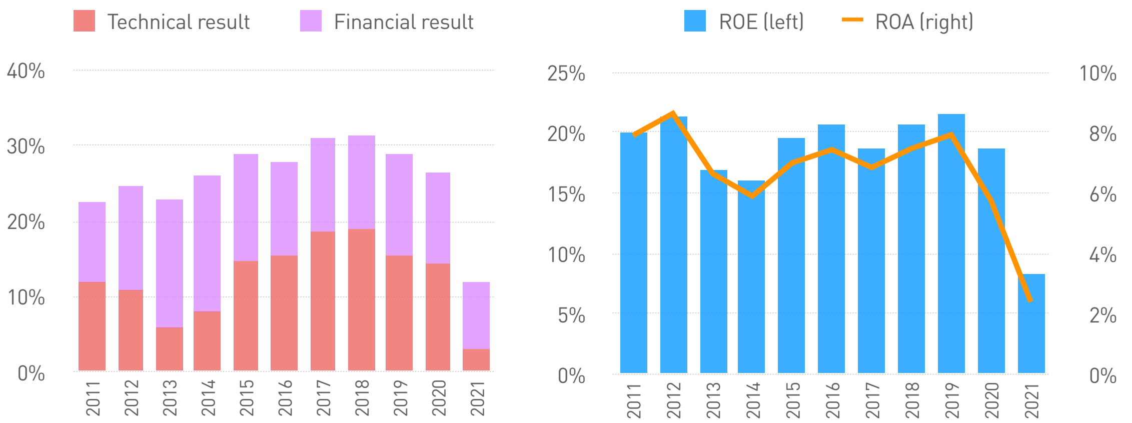
Chart 3.1.3-j shows developments in the technical performance of the Honduran insurance industry over the 2011–2021 period, based on an analysis of the market's combined ratio. In 2021, this technical coefficient stood at 97.1%, 11.6 pp above the level reached in 2020 (85.5%). The expense ratio worsened to 44.7%, up 3 pp from the previous year. The loss ratio has reached its highest point in the past decade, at 52.4%, 8 pp up on 2020, meaning that the combined ratio is also at its highest in the past ten years. This phenomenon has affected practically all insurance markets analyzed during the reopening of the economy following the lockdown measures implemented to control the pandemic.

Results and profitability

The Honduran insurance industry posted a net result of 538 million lempiras (22.33 million US dollars) in 2021, down 55.1% from the previous year. It is worth noting that the net result recorded in 2021 by the Honduran insurance industry was attributable both to the drop in the sector's technical result, which fell to 185.47 million lempiras (7.7 million dollars) on account of the process of coming out of lockdown, and the worsening of the financial result, which dropped to 576.26 million lempiras (23.9 million dollars) as a result of the impact of the lax monetary policy adopted to support an economy that had been hard hit by the effects of the Covid-19 pandemic.

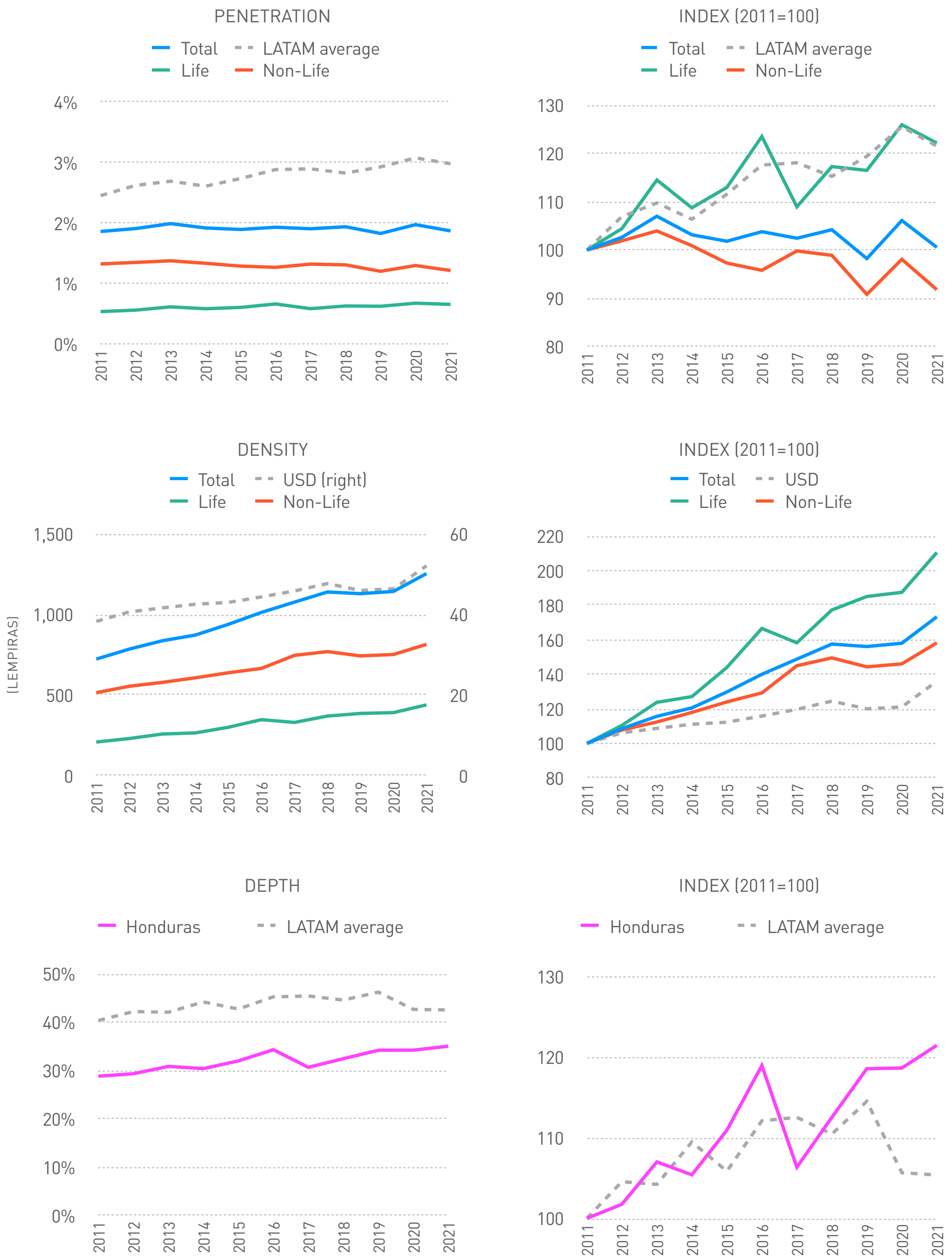
In terms of the sector's profitability, return on equity (ROE) was 8.36% in 2021, falling 10.4 pp compared to 2020 mostly due to the lower results discussed above. In a similar vein, return on assets (ROA) amounted to

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, %; 2011 index=100)



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

2.41% in 2021, down 3.4 pp from the value reported in 2020 (see Chart 3.1.3-k).

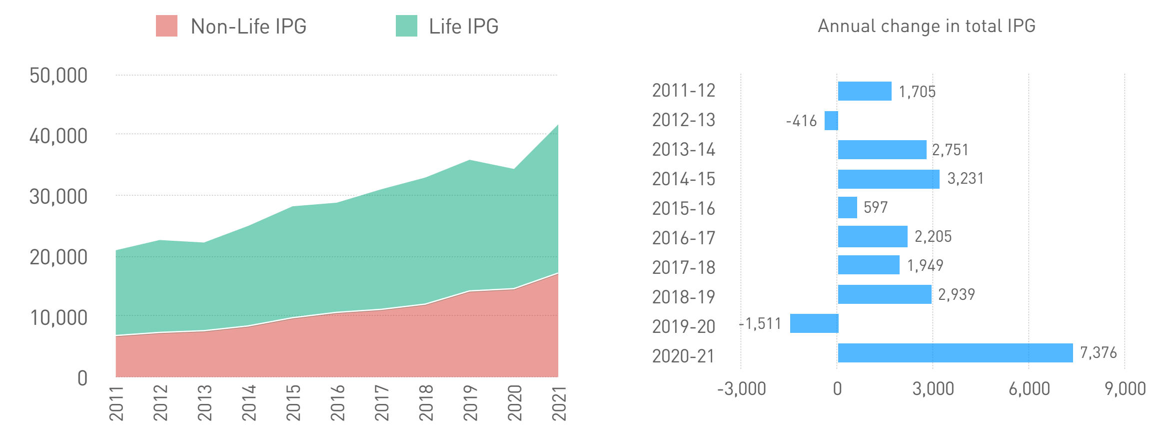
Insurance penetration, density and depth

Chart 3.1.3-l shows the main structural trends shaping the development of the Honduran insurance market over the 2011–2021 period. First, the penetration index (premiums/GDP) came to 1.9% in 2021, 0.1 pp lower than seen in 2020 and similar to the figure recorded in 2011. 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 index of which stood at 3.0%). Insurance density in Honduras (premiums per capita) amounted to 1,254 lempiras, up 9.7% on 2020 (1,143 lempiras). Density has been on an upward trend, registering cumulative growth of 73.3% over the 2011–2021 period. Depth in the Honduran market (measured as Life insurance premiums in relation to total premiums) stood at 35% in 2021; i.e. 6.2 pp above the value recorded in 2011 and very similar to the level seen the previous year. It is worth noting that 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 (42.5%).

Insurance Protection Gap estimate

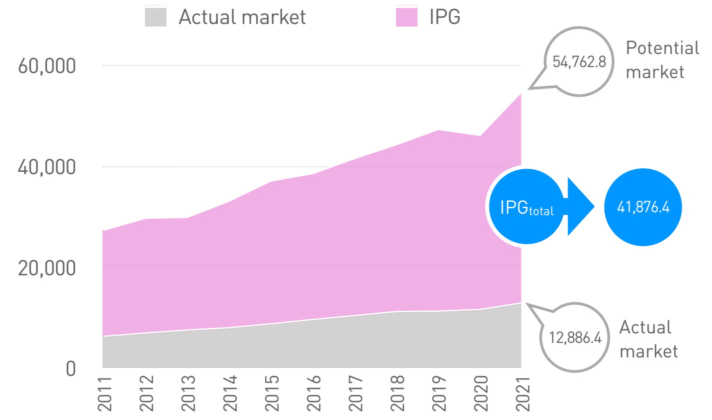
Chart 3.1.3-m provides an estimate of the IPG for the Honduran insurance market between 2011 and 2021, revealing that the insurance gap stood at 41.88 billion lempiras (1.74 billion dollars) in 2021, 3.2 times the size of the actual insurance market in Honduras at the end of that year. The structure 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. Indeed, Life insurance accounted for 58.9% of the IPG at the end of 2021 (24.68 billion lempiras), 8.5 pp below the share for this segment a decade prior. The remaining 41.1% of the gap is a product of the Non-Life insurance segment (17.18 billion lempiras). Accordingly, the potential insurance market in Honduras at the end of 2021 (sum of the actual market plus the IPG) is estimated at 54.76 billion lempiras (2.28 billion dollars), some 4.2 times the size of the total insurance market in Honduras that year.

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
2021-2011	106.6 %	98.9 %
2021-2020	11.4 %	21.4 %

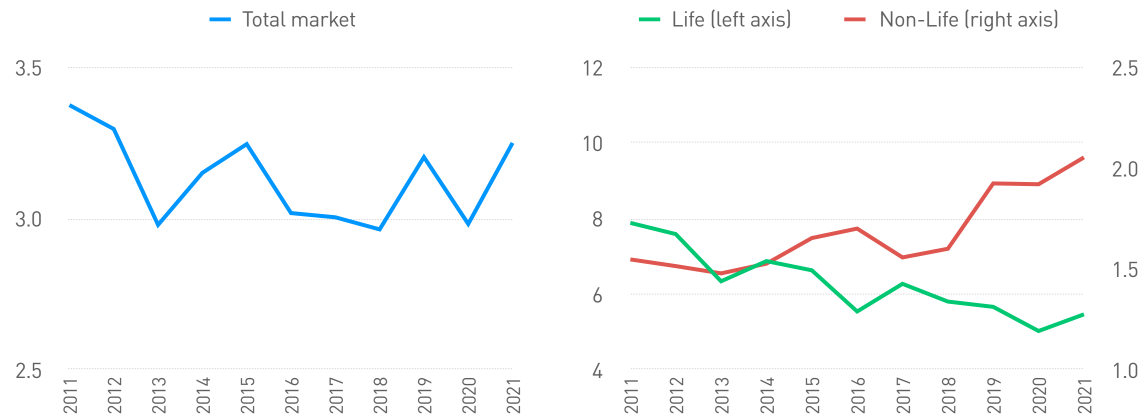
Source: MAPFRE Economics

Chart 3.1.3-o provides an estimate of the IPG as a multiple of the actual insurance market in Honduras. Based on this analysis, the insurance gap as a multiple shows a slightly downward trend, with upturns in 2015, 2019 and 2021. In the Life insurance segment, there is a clearly downward trend from 7.9 to 5.5 times between 2011 and 2021. The same cannot be said for the Non-Life insurance segment, however, where the insurance gap has displayed a positive trend over the period under analysis by climbing from 1.5 to 2.1 times over the period.

To complete this analysis, Chart 3.1.3-p summarizes the 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 decade. As seen in this representation, only the Life insurance business saw an improvement, while the IPG as a multiple of the actual market over the past ten years deteriorated in the Non-Life segment.

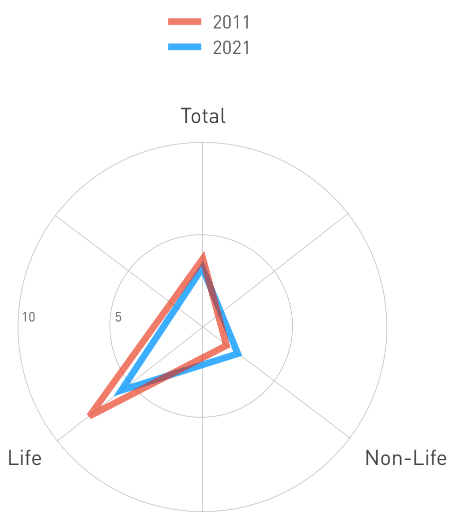
Lastly, Chart 3.1.3-q shows a summary of the Honduran insurance market's capacity

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



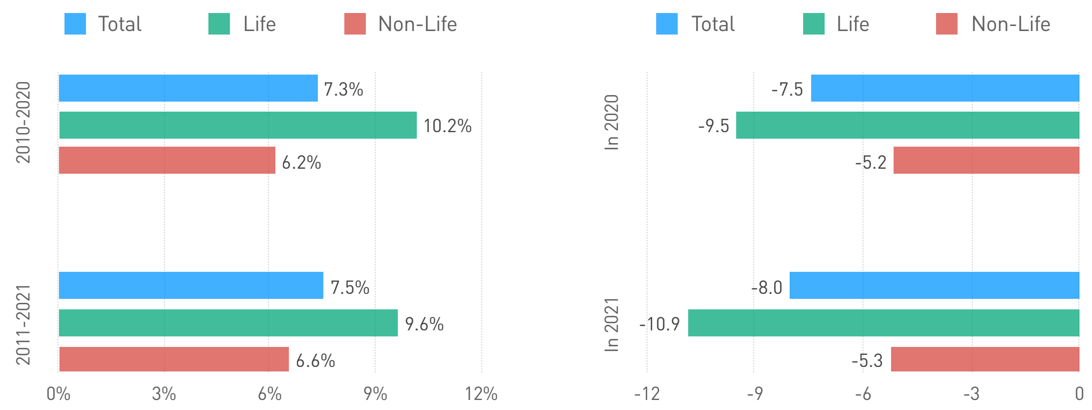
Source: MAPFRE Economics

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 required to close the gap determined in 2021 over the coming ten years. This analysis shows that the Honduran insurance market posted an average growth rate of 7.5% over the 2011–2021 period; the product of an annual growth rate of 9.6% in the Life insurance segment and an annual average growth rate of 6.6% in the Non-Life insurance 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. For the Life insurance segment, the rate recorded would fall 10.9 pp short, while for the Non-Life insurance segment, it would fall 5.3 pp short. It is important to note that the situation has worsened in both segments in comparison to the analysis made in last year's report: in the Life segment, insufficiency increased from 9.5 pp to 10.9 pp, while in the Non-Life segment, there was less of a deterioration (from 5.2 pp to 5.3 pp), with this performance extending to the industry overall.

Market Development Index (MDI)

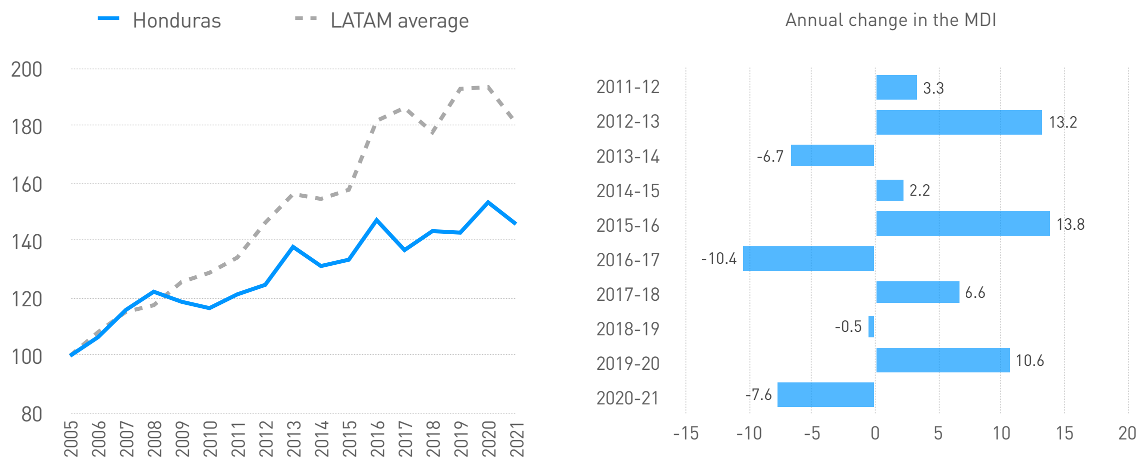
Chart 3.1.3-r shows an estimate of the Market Development Index (MDI) for the

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



Source: MAPFRE Economics

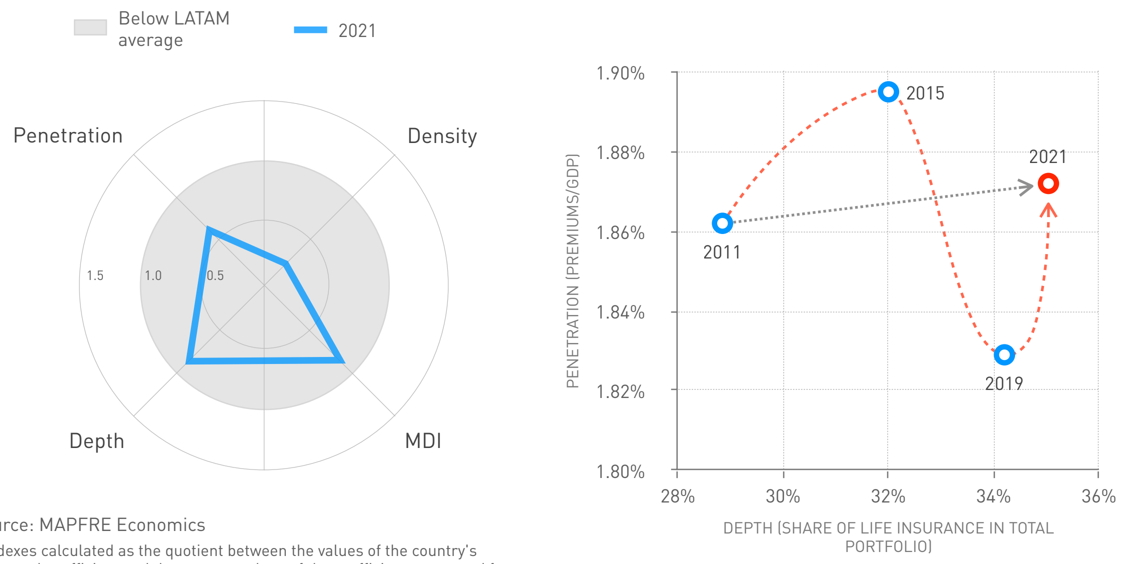
Chart 3.1.3-r
Honduras: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Honduran insurance industry. Generally speaking, the MDI (which is used as an indicator of the overall trend in development and maturity of the insurance market) displayed a positive trend over the period under analysis, with improvements in 2008, 2013, 2016, and 2020. However, it is from 2016 onward when this growth trend clearly separates from the average growth of Latin American insurance markets, recording a deviation from the average for the Latin American region in 2021 (181.0 vs. 145.8) that was similar to the deviation seen in 2016 (181.8 vs. 147.2).

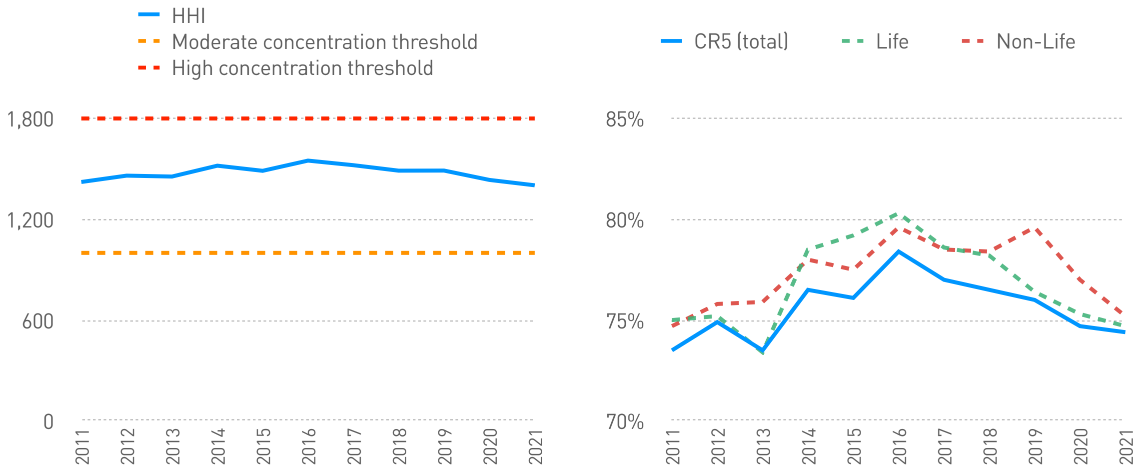
Chart 3.1.3-s
Honduras: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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, %)

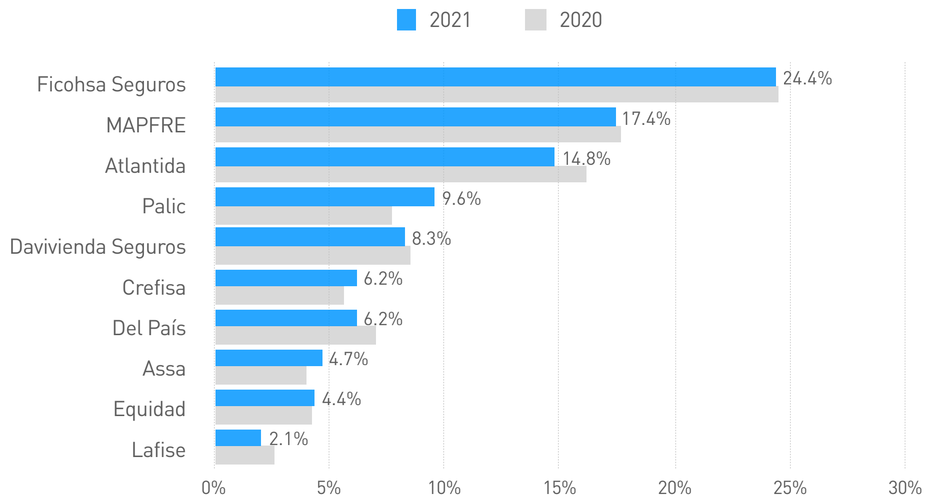


Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

Joint analysis of structural coefficients

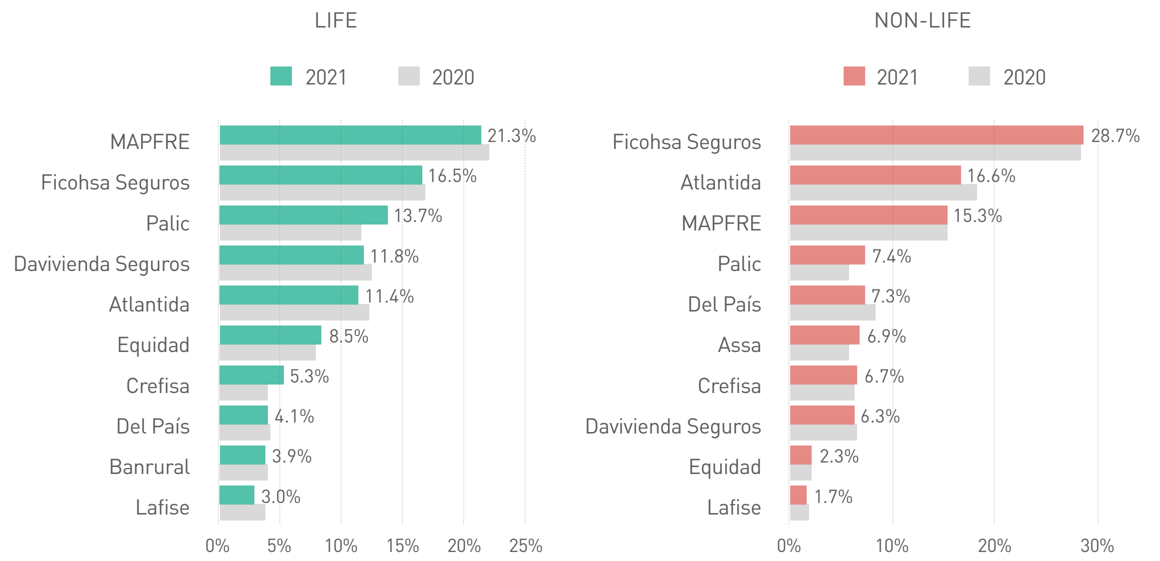
Lastly, Chart 3.1.3-s summarizes the Honduran insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. This shows that the situation of the insurance market in Honduras fell short of the average for Latin America, especially density, which suggests fledging levels of development compared to the regional average as a whole. Likewise, as can be seen, despite showing sustained progress in terms of the quality of the market's development between 2011 and 2021 (sustained increases in depth), progress has been more mixed in

Chart 3.1.3-u
Honduras: Total 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)

terms of quantity (penetration). As a result, when looking at the medium term, there has been slight progress overall in both aspects during the period subject to analysis.

Insurance market rankings

Total ranking

There were 11 insurance companies operating in Honduras in 2021, the same as the year before. The market share of the top five insurers (CR5) represented 74.4% of total premiums, down by 0.3 pp on 2020 (74.7%). It is worth noting that the industry's level of concentration has remained relatively stable in recent years, although at values that are somewhat above the ideal parameters, although on a downward trend since 2016. The Herfindahl index has remained above the threshold for moderate concentration over the last ten years (see Chart 3.1.3-t).

In this context, Chart 3.1.3-u shows the ranking of insurance groups operating in the Honduran market in 2021. This ranking continues to be led by Ficohsa Seguros, which, with 24.4% of premiums, saw its market share drop by 0.1 pp compared to the previous year. It is followed by MAPFRE (17.4%) and Atlantida (14.8%), down 0.3 pp and 1.5 pp in their respective market shares. The remaining insurance groups operating in Honduras has switched positioned since last year, with the exception of Lafise which remains in tenth place. Palic, Crefisa and Assa have all moved up one place, with market shares of 9.6%, 6.2% and 4.7%, respectively, passing Davivienda Seguros (8.3%), Del País (6.2%) and Equidad (4.4%).

Life and Non-Life rankings

For the Non-Life ranking, as in the previous year, Ficohsa Seguros continued to lead the ranking with a share of 28.7% of premiums. Atlántida came in next with 16.6%, followed by MAPFRE with 15.3% of the market. From the remaining companies, special mention should be made of the four-place rise of Palic, with a market share of 7.4% in 2021, and the fall of Davivienda Seguros to eighth position, down 3 positions from last year's ranking. Lastly, in the Life ranking, MAPFRE regained first position with 21.3% of total premiums, followed by Ficohsa Seguros with 16.5%. Palic, with 13.7% of premiums in this market segment, occupied third place in the ranking, up two places, passing Davivienda (11.8%) and Atlántida (11.4%), which both dropped by one position respectively (see Chart 3.1.3-v).

Key regulatory aspects

In 2021, the Honduran insurance market regulatory and supervisory body, the National Bank and Insurance Commission, with a view to strengthening the approach to Risk-Based Supervision under GRD Resolution No. 913/26-11-2021, reformed the "Regulation on Reinsurance and Fronting Operations and the Registration of Foreign Reinsurers and Reinsurance Brokers," including items and provisions enshrined in international principles and Risk-Based Supervision (RBS), as well as the transition from registration on paper to an electronic format, as regards the registration, renewal, suspension or cancellation processes of national and foreign reinsurers and reinsurance brokers.

Also worth note were the relief measures issued by resolution, with a view to insurance institutions being able to mitigate the negative impact of the pandemic and tropical storms Eta and Iota on their figures, details of which are provided below:

- Resolution SSE No. 911/26-11-2021, authorizing institutions with excess Provision Reserves to release them automatically by the end of 2021, ensuring that they maintain the minimum Prevision Reserves required for each line of business. Institutions must send notice within a maximum of five working days from the end of the period in which surpluses from the Provision Reserve were released. Insurance institutions must provide financial justification when requesting authorization to release Prevision Reserves in case the balance is less than or equal to 50% of the Reserves for Ongoing Risks and the net loss ratio retained in one or more lines of business, during a single financial year, is more than 70% and they require a plan to replenish these reserves over a period of more than 24 months.

- Resolution SSE No. 073/27-01-2021 and Resolution SSE No.958/13-12-2021, which provides exceptional authorization for insurance institutions, when calculating the Reserve for Incurred But Not Reported Claims (IBNR), to deduct the withholding of losses incurred as a result of the Covid-19 pandemic and tropical storms Eta and Iota from the net losses withheld in 2020 and 2021, on the consideration that these were extraordinary events, with a view to mitigating the impact of these events on the reserve.

- Resolution SSE No. 940/07-12-2021, which temporarily reforms clause 1(b) of Resolution SSE No.879/15-10-2018 for a period of six months, in relation to Eligible Assets for Investment to support the investment reserves, consisting of increasing the percentage recognized as eligible from the balance of premiums receivable from 20% to 50% (net of impairment) and for matching purposes in relation to deposits, considerin up to two times the balance of "Obligations with Insured Parties" as a restriction, in view of the decrease in the profitability of the portfolios due to the increase in interest rates offered by the institutions of the National and International Financial System on deposit and bond certificates.

Furthermore, several projects are underway to reform the regulatory framework of the Honduran insurance market. The following are worth particular note:

- The Law on Insurance and Reinsurance institutions, which dates to 2001. The reform aims to update the law to comply with international insurance principles, including in its content aspects like, but not limited to, corporate governance, risk-based supervision, expanding the channels for selling insurance, protecting the users of insurance services, early actions and resolution measures.

- The Corporate Governance Regulation, which represents a comprehensive regulation on the design, integration and functioning of governing bodies (Shareholders, Board of Directors/Management Committee and Senior Management) adapted to international principles and the risk-based supervision methodology.

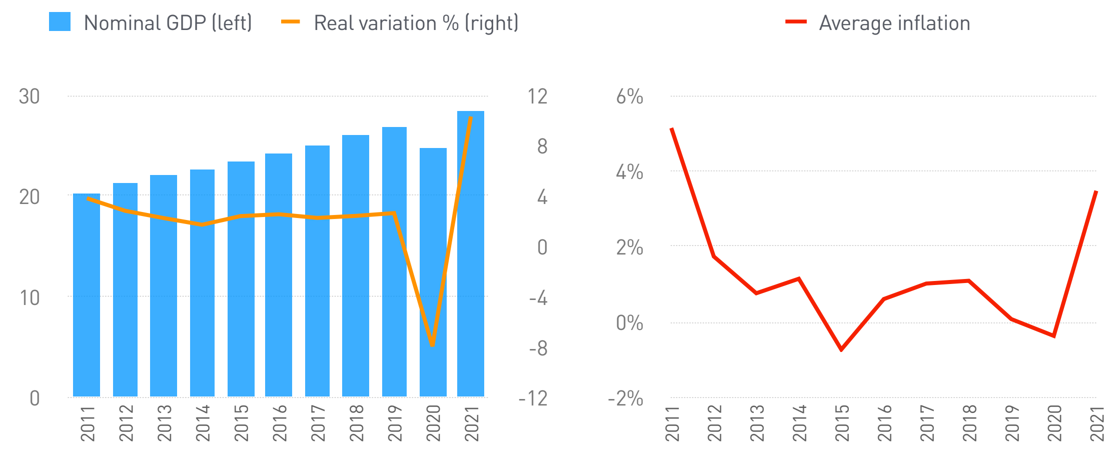
3.1.4 El Salvador

Macroeconomic environment

The Salvadoran economy grew by 10.3% in 2021, having contracted by 7.9% the previous year (see Chart 3.1.4-a). This economic upturn is attributable to both internal and external factors. The former include the progress made with the national vaccination campaign, business support policies and growth in internal demand, higher remittances sent from abroad and an increase in the minimum salary. The most important external factors are the recovery of income from tourism and the upturn in exports of goods. In terms of the external sector, the current account of the balance of payments had a deficit of 5.1% of GDP (surplus of 0.8% in 2020), in light of the significant increase in trade and the resulting growth in the import and export of goods and services (40% and 35%, respectively). Furthermore, year-on-year inflation in December 2021 stood at 6.1% (annual inflation of -0.1% in 2020), coming in at 7.8% in June 2022.

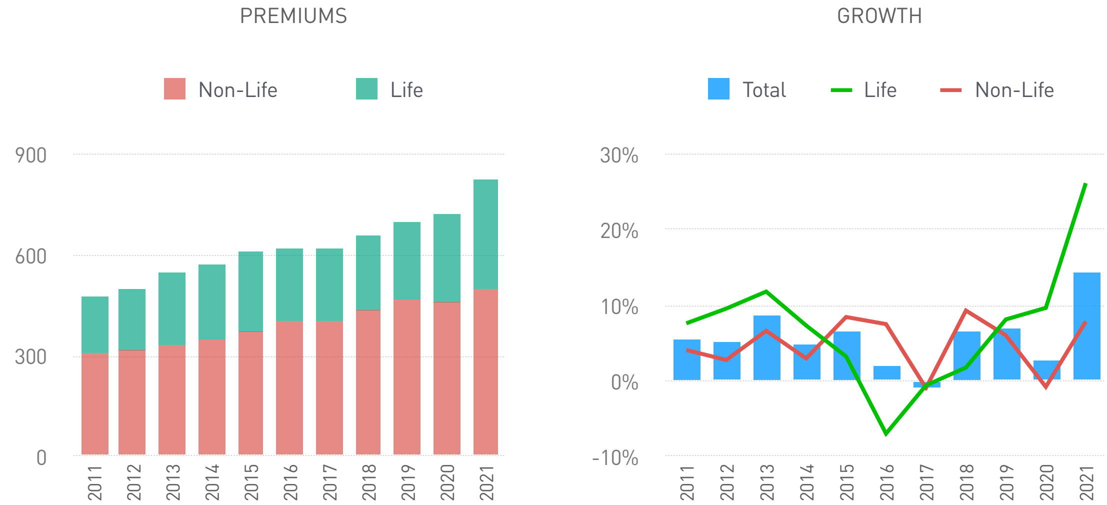
According to data from the Central American Monetary Council, the fiscal deficit of the Salvadoran central government was 4.9% of GDP in 2021 (compared to 9.2% in 2020). In this sense, tax policy has focused on boosting economic growth and fighting tax evasion as part of an Anti-Evasion Plan and Anti-Contraband Plan; the first has raised 420 million dollars since October 2019 and the second, more than 20 million dollars. Furthermore, the total public debt of the central government dropped slightly, to 59.9% of GDP (63.2% in 2020). However, despite the slight improvement, the public accounts remain stressed, and the main ratings agencies have maintained their speculative grade with a negative outlook since the declaration of selective default with the previous government.

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)

As regards the outlook for 2022, MAPFRE Economics has estimated GDP growth in El Salvador of 2.5%. In turn, ECLAC also expected the Salvadoran economy to grow by around 2.5% in 2022, thanks to the invigoration of internal and external demand and the boost in public spending in investment and welfare schemes, such as health, education and security.

Insurance market

Growth

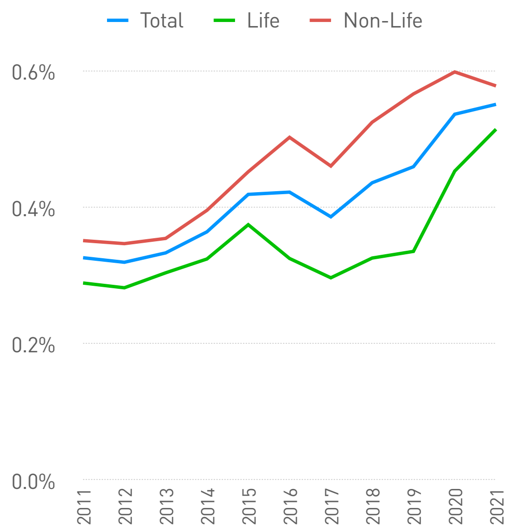
The Salvadoran insurance market's premium volume grew 14.5% in nominal terms (10.7% in real terms), reaching 826 million dollars, figures slightly higher than those from the previous year in the Life segment

Table 3.1.4
El Salvador: Premium Volume[1] by Line, 2021

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**826.2**	**14.5**	**10.7**
Life	**328.2**	**26.2**	**22.0**
Individual and group	222.5	13.5	9.7
Social security and pensions	105.7	64.9	59.4
Non-Life	**498.0**	**7.9**	**4.3**
Accident and Illness	142.3	4.6	1.1
Fire and allied lines	126.6	8.8	5.2
Automobiles	105.9	16.8	12.9
Other lines	105.5	2.0	-1.4
Credit and/or surety	17.8	17.6	13.6

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
(%)



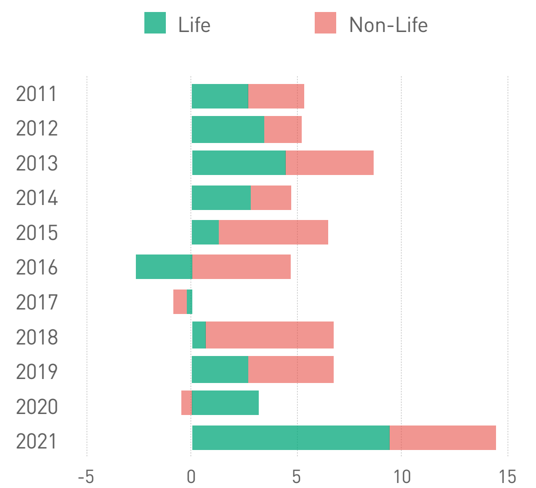
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System and supervisory bodies in the region)

and lower for the Non-Life and market total (see Table 3.1.4 and Chart 3.1.4-b). Life insurance premiums accounted for 39.7% of the total market, growing by 26.2% in nominal terms in 2021 to reach 328 million US dollars. Non-Life premiums increased by a nominal 7.9% to 498 million dollars. By modality, individual and group Life insurance policies, which are the most significant, grew 13.5%, and social security and pension Life insurance policies also grew 64.9%. In turn, the Non-Life segment recorded more moderate growth in Fires (8.8%), Accidents (4.6%) and Other lines (2%), as well as notable growth in Automobile (16.8%) and Credit (17.6%).

Over the past decade, the change in the share of total premiums and by Life and Non-Life segments of the Salvadoran market compared to the Latin American market has been favorable and only interrupted by the contraction seen in 2017. The weight of total Salvadoran premiums in the total for Latin America grew from 0.33% in 2011 to 0.55% in 2021. Specifically, the share of the Life insurance business also increased from 0.29% in 2011 to 0.52% in 2021, while the Non-Life insurance business grew from 0.35% to 0.58% during this period (see Chart 3.1.4-c).

Finally, worth particular mention is the 14.5% growth recorded by the Salvadoran insurance market in 2021, the Life insurance segment contributing 9.4 pp, basically attributable to the Individual and Group

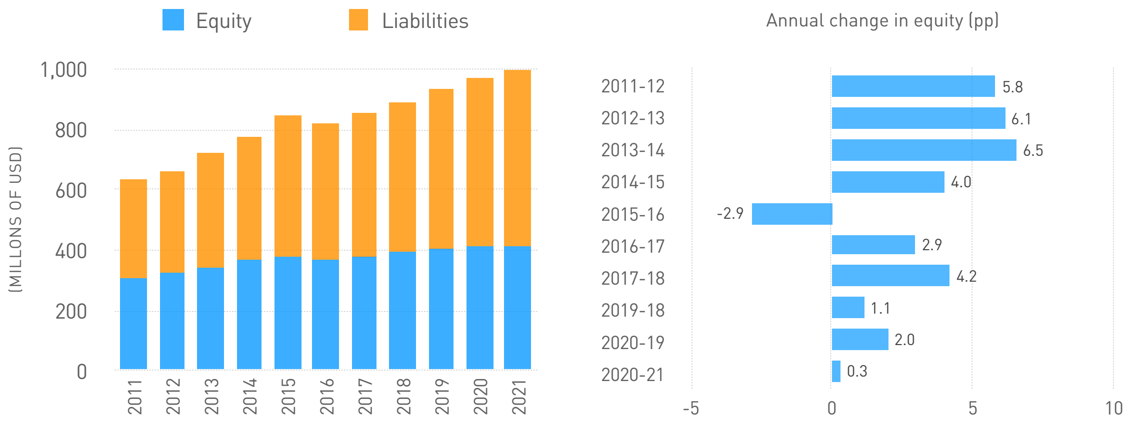
Chart 3.1.4-d
El Salvador: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	5.4	2.7	2.7
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

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

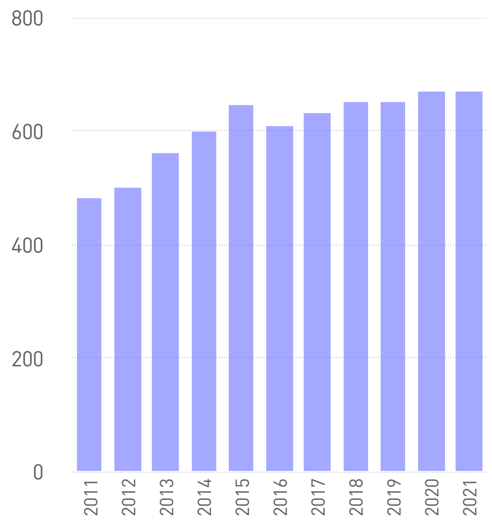
Chart 3.1.4-e
El Salvador: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



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

lines of business, as indicated previously, while Non-Life increased its contribution to total growth with 5.1 pp (see Chart 3.1.4-d).

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)

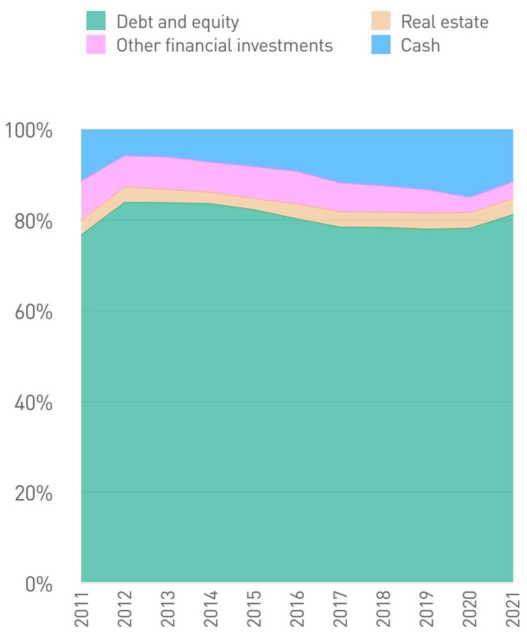
Balance sheet and shareholders' equity

Chart 3.1.4-e shows the performance of the aggregate balance sheet of El Salvador's insurance industry over the 2011–2021 period. This data shows that the industry's total assets in 2021 amounted to 994 million dollars, up 2.3% from the previous year. Aggregate capitalization levels measured over total assets are notable in a balance sheet analysis. This indicator has remained above 40% in the 2011–2021 period, reaching a peak of 48.7% in 2012 and decreasing slightly thereafter to 41.2% of total assets in 2021.

Investments

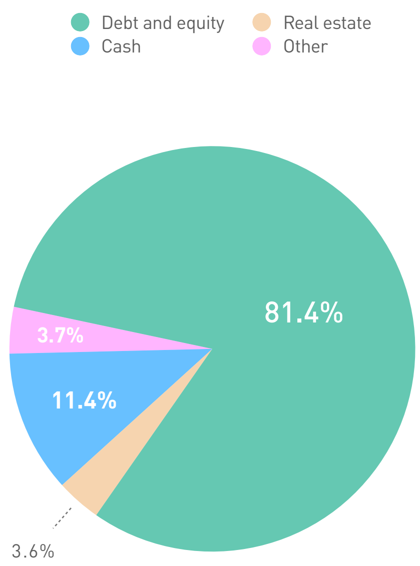
Chart 3.1.4-f shows changes in total investments in the Salvadoran insurance industry, while Charts 3.1.4-g and 3.1.4-h show the composition of the aggregate investment portfolio at the sector level over the 2011–2021 period. As can be seen from this information, investments amounted to 671 million dollars in 2021 (0.62% higher than in 2020). As shown in Chart 3.1.4-g, 81.4% of investments in 2021 was concentrated in debt and equity

Chart 3.1.4-g
El Salvador: Structure of Investments
(%)



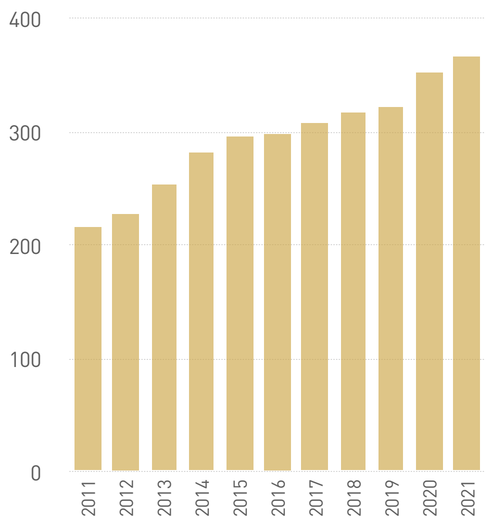
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-h
El Salvador: Structure of Investments, 2021
(%)



Source: MAPFRE Economics (based on data from the

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)

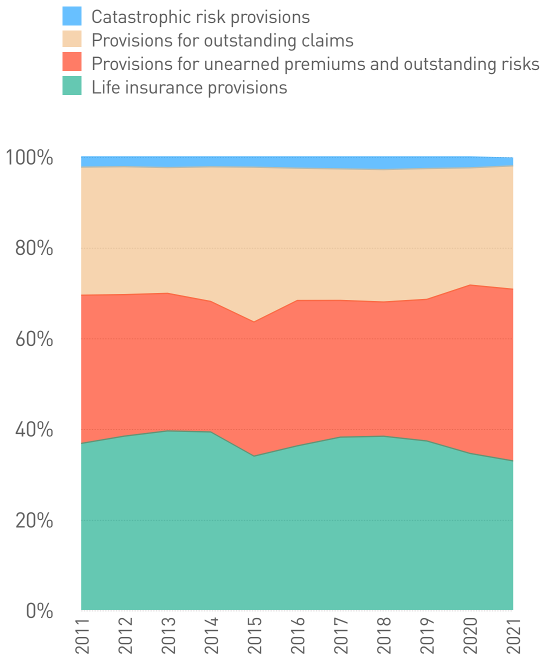
instruments, 11.4% in cash, 3.6% in real estate and the remaining 3.7% in other financial investments.

When reviewing the developments in the sectoral structure of investments over the last decade, a sharp increase can be seen in the percentage of debt and equity in 2012 at the expense of assets held as cash. From then on, the trend is inverted, losing weight in the sector investment portfolio, with an increase once again recorded in 2021, up by 4.5% compared to 2011 (Chart 3.1.4-h).

Technical provisions

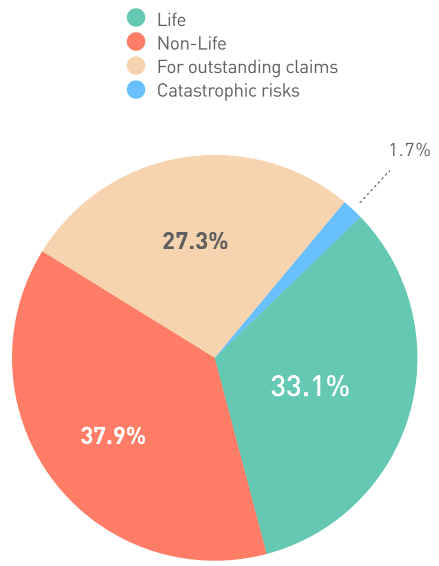
With regard to the Salvadoran insurance industry's technical provisions, Charts 3.1.4-i, 3.1.4-j and 3.1.4-k show their developments and relative composition over the period analyzed (2011–2021). Technical provisions stood at 365 million dollars in 2021, up 13.8 million from the previous

Chart 3.1.4-j
El Salvador: Structure of Technical Provisions
(%)



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

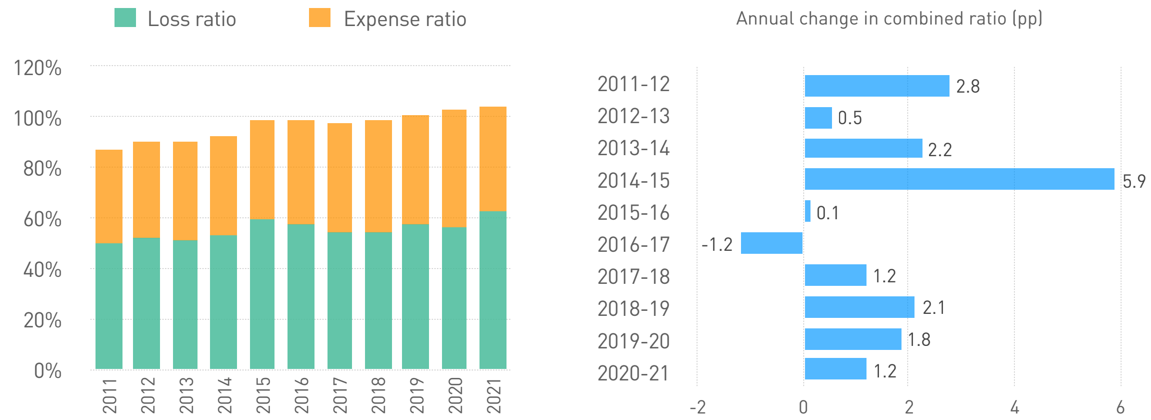
Chart 3.1.4-k
El Salvador: Structure of Technical Provisions, 2021
(%)



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

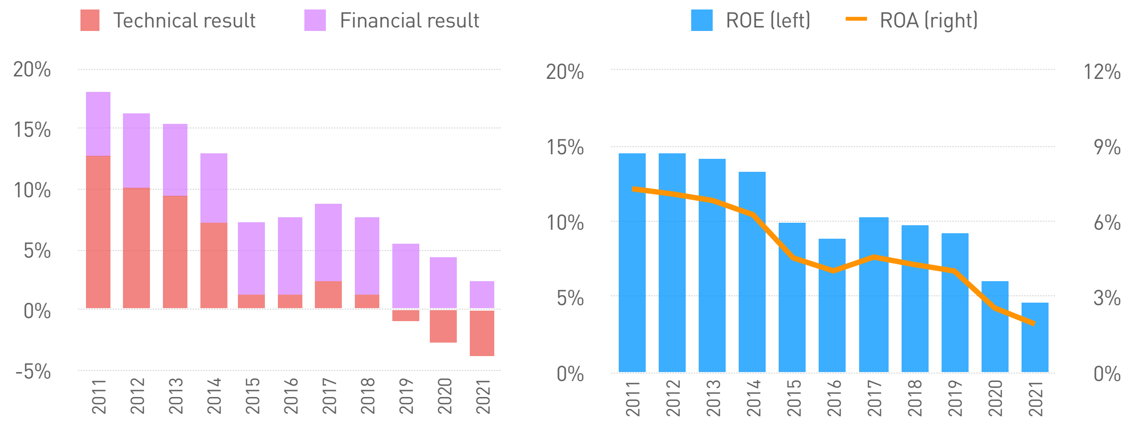
year. In 2021, 33.1% of the total related to Life insurance technical provisions, 37.9% to provisions for unearned premiums and outstanding risks in Non-Life insurance, 27.3% to provisions for outstanding claims, and the remaining 1.7% to provisions for catastrophic risks. During the 2011–2021 period, there was a general increase in the

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)

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)

absolute values of technical provisions, with the exception of Life provisions, which dropped slightly in 2015 and 2016. 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 developments in the technical performance of the Salvadoran insurance industry over the 2011–2021 period, based on an analysis of the market's combined ratio. It shows sustained growth of this indicator starting from 2011 on, with a combined ratio going from 87.3% in 2011 to 103.9% in 2021, the highest value in this period.

Results and profitability

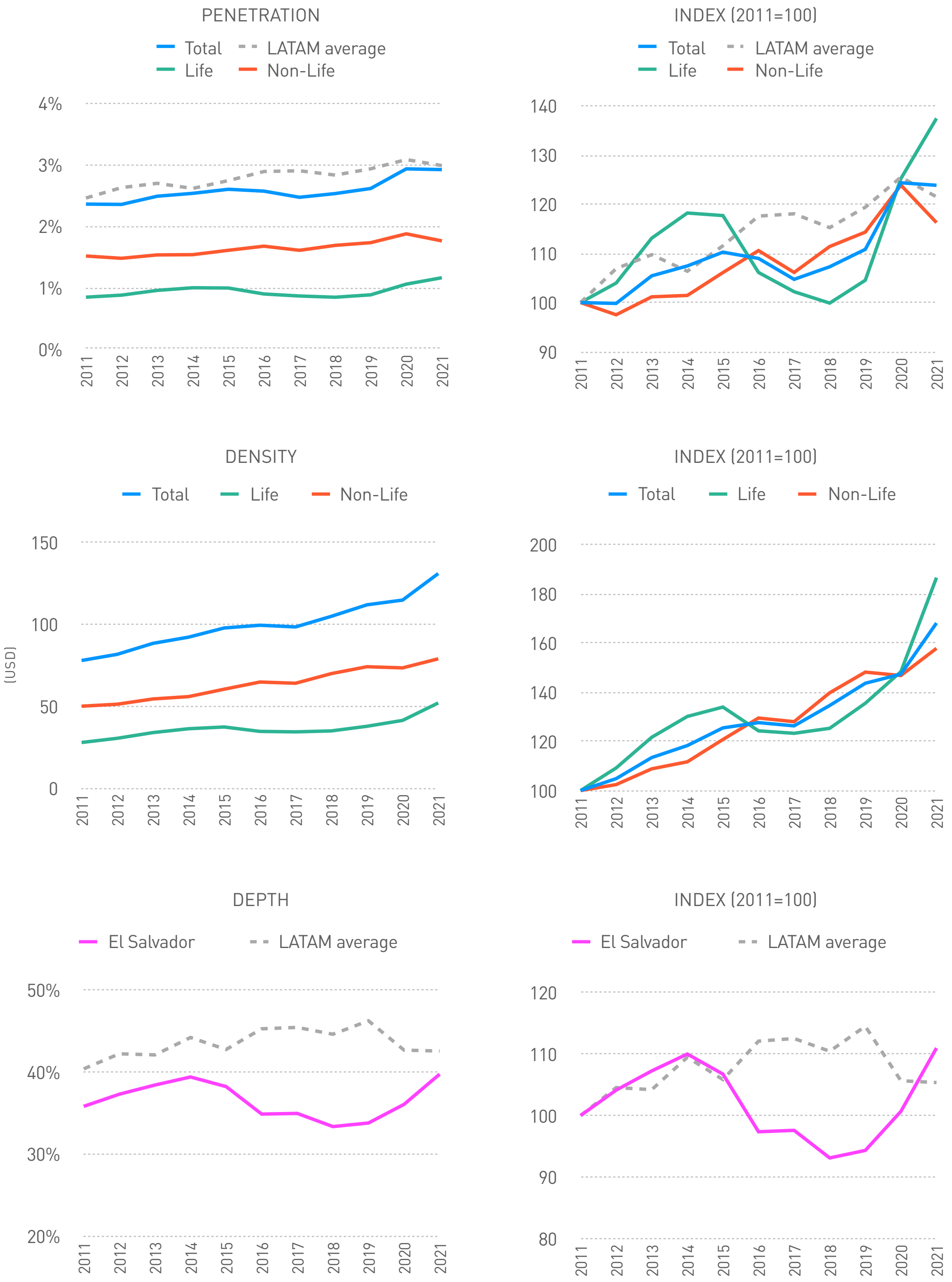
The 2021 result before tax from the Salvadoran insurance business was 19 million dollars (compared to 24.5 million in 2020), due to the decrease in both technical and financial results of insurance operations during the year. As can be seen in Chart 3.1.4-m, starting in 2011, with the sole exception of 2018, there was a sustained reduction in the technical result, which has affected the profitability of the insurance industry, which, in 2021, hit a minimum (-19.82 million dollars), while the financial result dropped by 6 million dollars to 12 million dollars.

In line with the above, return on equity (ROE) in the Salvadoran market confirms the downward trend, falling to 4.65% in 2021, 1.4 pp lower than in 2020 and 10 pp lower than in 2011. A similar situation emerges when analyzing the return on assets (ROA), which reached 1.9% in 2021, remaining 0.6 pp lower than 2020 and 5.4 pp lower than 2011.

Insurance penetration, density and depth

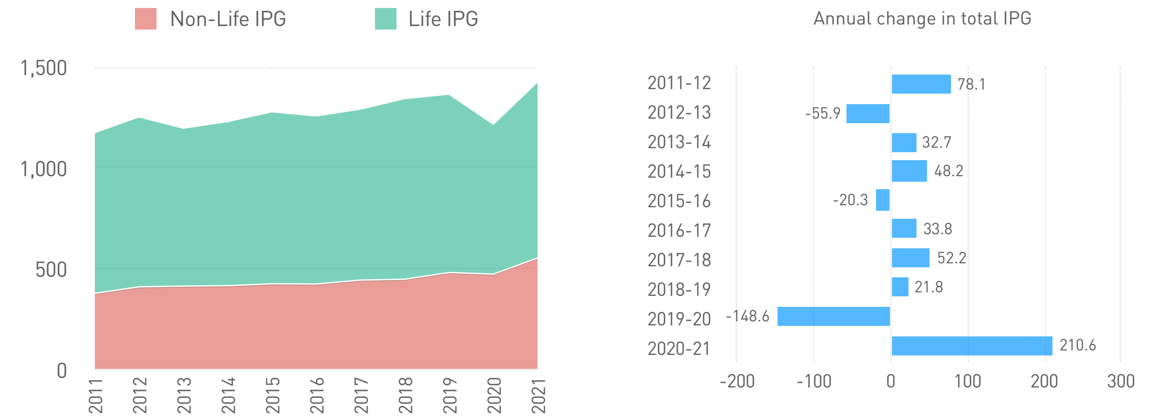
Chart 3.1.4-n shows the main structural trends shaping the development of the Salvadoran insurance industry between 2011 and 2021. The penetration rate (premiums/GDP) in 2021 was 2.9%, 0.5 pp higher than in 2011. When comparing the average trend seen in Latin American markets, there is a divergence over the course of the period, although in 2021, it came close to the average for the Latin American market of 3.0%. Meanwhile, the density indicator (premiums per capita) stood at 131 dollars

Chart 3.1.4-n
El Salvador: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2011 index=100)



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

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



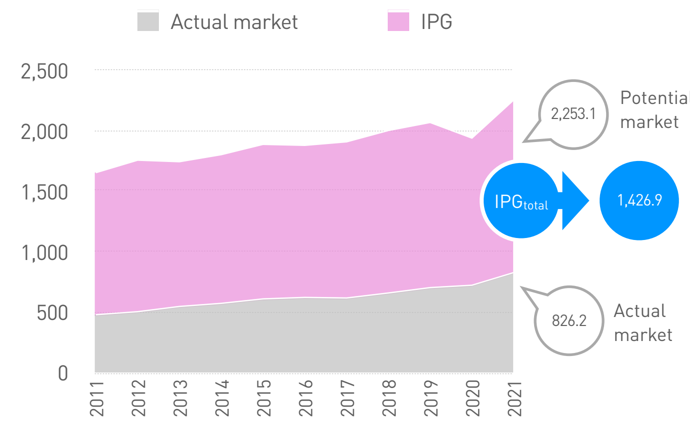
Source: MAPFRE Economics

in 2021, up from the level reported the previous year (115 dollars). The density of the Salvadoran insurance market has been steadily increasing over the period, recording cumulative growth of 68% throughout the 2011–2021 period. In 2021, this indicator also showed higher growth compared to the Latin American market average, which was 240 dollars in 2021 compared to 216.7 dollars in 2020. Depth in the Salvadoran market (measured as Life insurance premiums vs. total premiums) stood at 40% in 2021, 3.7 pp more than in 2020, showing growth until 2018. The absolute values for the average indicator for the countries in the region (42.5% for 2021) have always been above the Salvadoran insurance market, although the divergence with the average for countries in the region has been decreasing since 2018.

Insurance Protection Gap estimate

Chart 3.1.4-o shows an estimate of the IPG for the Salvadoran insurance market

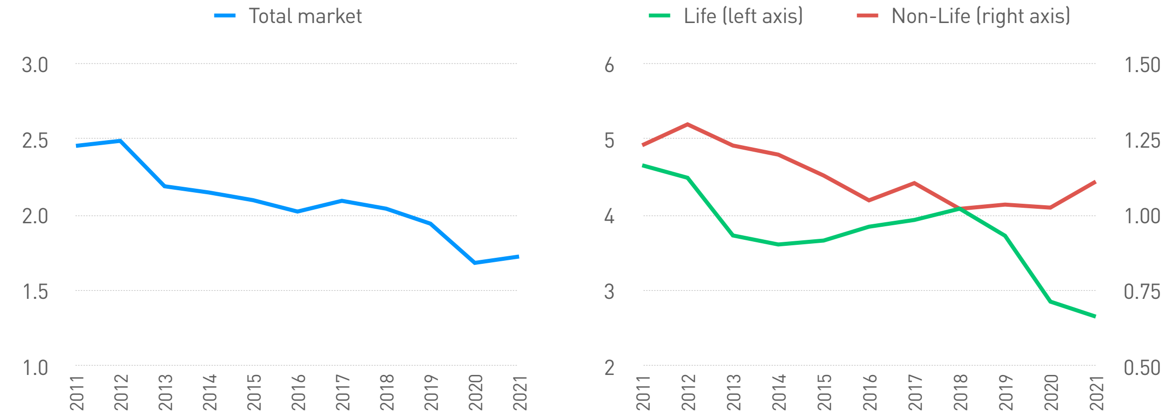
Chart 3.1.4-p
El Salvador: Insurance Protection Gap and Potential Market
(millions of USD)



Change	Actual market	IPG
2021-2011	72.9 %	21.5 %
2021-2020	14.5 %	17.3 %

Source: MAPFRE Economics

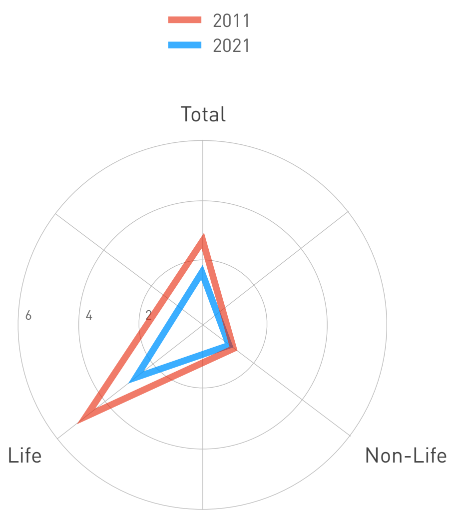
Chart 3.1.4-q
El Salvador: IPG as a Multiple of the Actual Market
(number of times the size of the actual insurance market)



Source: MAPFRE Economics

between 2011 and 2021. The IPG stood at 1.43 billion dollars in 2021, equivalent to 1.7 times the actual insurance market at the end of the year (the same as the previous year). The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. At the close of 2021, 61% of the insurance protection gap was related to Life insurance (873 million dollars), down 7 percentage points on the level recorded in 2011. The remaining 39% of the IPG was related to the Non-Life insurance market (553 million dollars). Accordingly, the potential insurance market in El Salvador at the close of 2021 (sum of the actual market plus the IPG) is estimated at 2.25 billion dollars, accounting for 2.7 times the total insurance market in El Salvador that year.

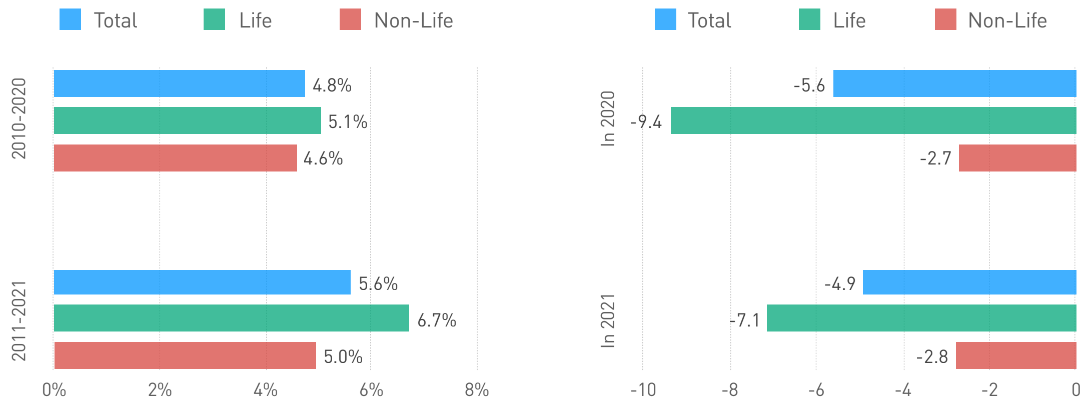
Chart 3.1.4-r
El Salvador: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.1.4-q shows an estimate of the insurance gap as a multiple of the actual insurance market over the course of the 2011–2021 period. As a multiple, the IPG for the Life insurance segment shows a downward trend over the period under analysis (falling from 4.7 to 2.7 times), though this trend seemed to have been reversed between 2014 and 2018. In the case of the Non-Life insurance segment, the medium-term trend is one of deterioration. Chart 3.1.4-r summarizes changes 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 ten years, comparing the situation in 2021 with the state of the market in 2011. As can be seen, the Life line has shown the most

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

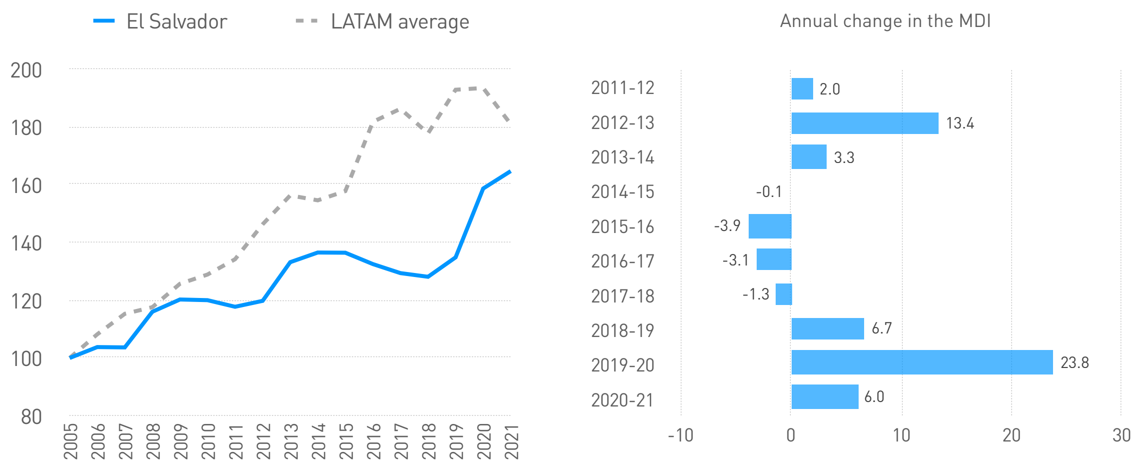


Source: MAPFRE Economics

improvement in El Salvador's insurance market.

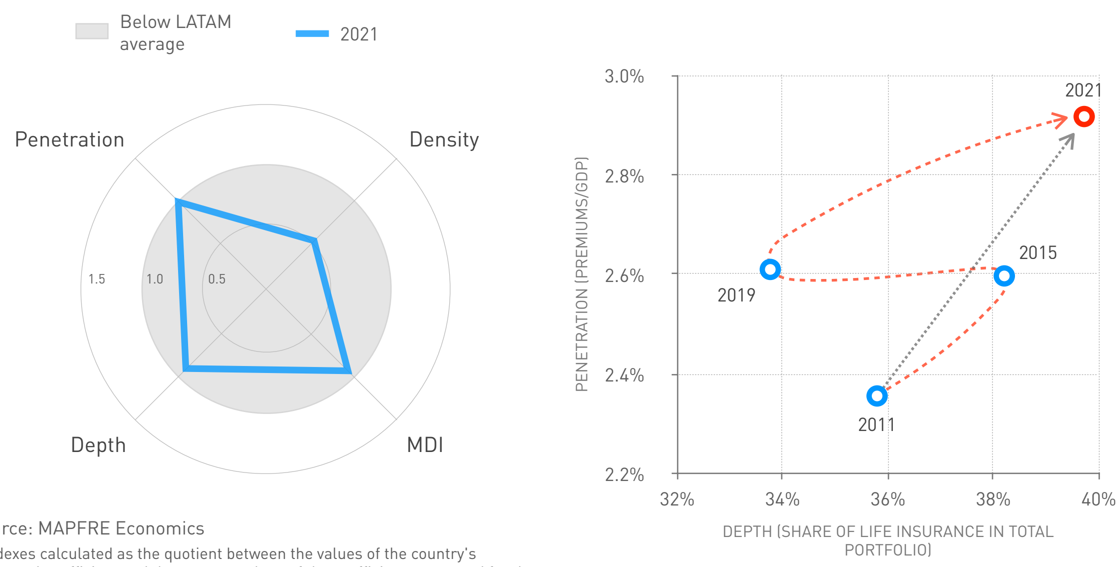
Lastly, Chart 3.1.4-s shows a summary of the Salvadoran insurance market's capacity to close the insurance gap, by means of a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the gap determined in 2021 over the coming ten years. The Salvadoran insurance market grew at an average annual rate of 5.6% between 2011 and 2021; the Life segment saw average annual growth of 6.7%, while the Non-Life segment reported annual growth of 5.0%. Were the same rate of growth seen over the last ten years to continue over the next ten years, the growth rate of the Salvadoran insurance market would not be enough to close the IPG for both the Life segment (short 7.1

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



Source: MAPFRE Economics

Chart 3.1.4-u
El Salvador: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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.

pp) and the Non-Life segment (short 2.8 pp). It is also worth noting that insufficiency dropped compared to the previous year for the Life line of business (-2.3 pp), while it grew in the Non-Life line (+0.1 pp).

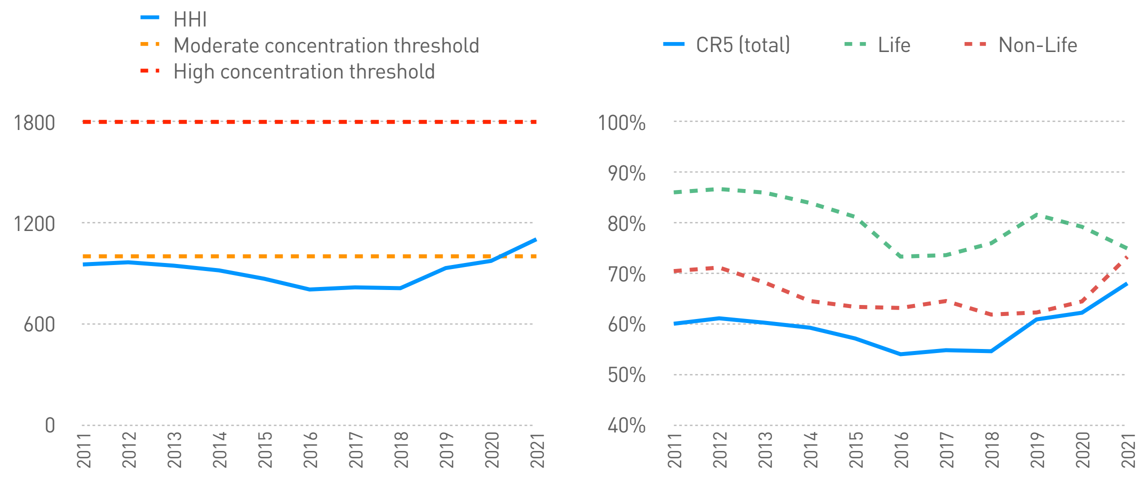
Market Development Index (MDI)

The Market Development Index (MDI), as noted earlier in this report, is used as an indicator of the overall trend shaping the performance and maturity of insurance markets. The calculated result for the Salvadoran insurance industry is shown in Chart 3.1.4-t. In general, the performance of the indicator is positive, growing during the 2011–2021 period, although between 2014 and 2018, it diverged from the average performance of Latin American insurance markets before later resuming its convergence. Notably, this indicator recovered by 6.0 pp in 2021, mainly due to the closing of the Life insurance gap compared to the previous year.

Joint analysis of structural coefficients

Lastly, Chart 3.1.4-u summarizes the Salvadoran insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. Firstly, it shows that the situation of the Salvadoran insurance market falls short of the average for Latin America, especially density (although it has improved over this last year), which suggests lower levels of relative development compared to the average for the region's markets as a whole. Likewise, as can be seen, despite showing a positive trend in terms of the quantity of the market's development between 2011 and 2021 (sustained increases in penetration), progress has been more mixed in terms of quality (depth). However, when looking at the medium term, there has been progress overall in both aspects during the past decade.

Chart 3.1.4-v
El Salvador: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



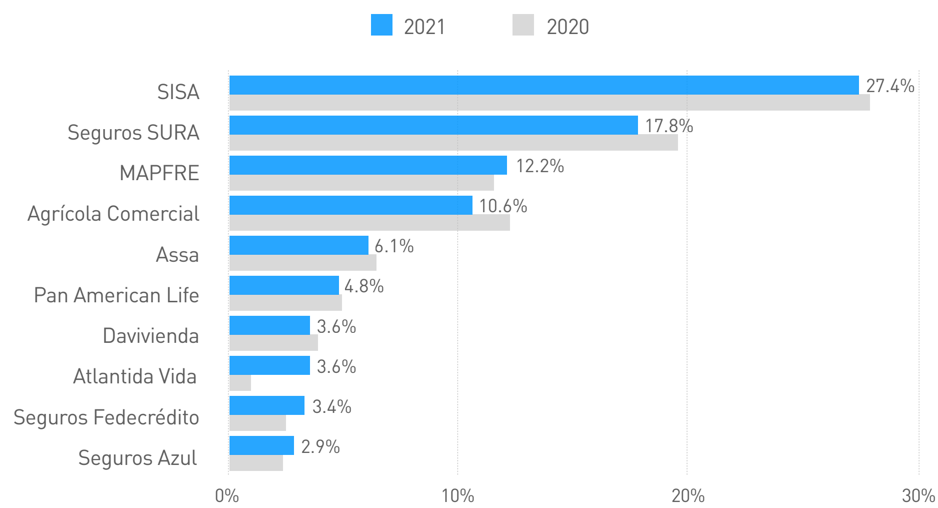
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Insurance market rankings

Total ranking

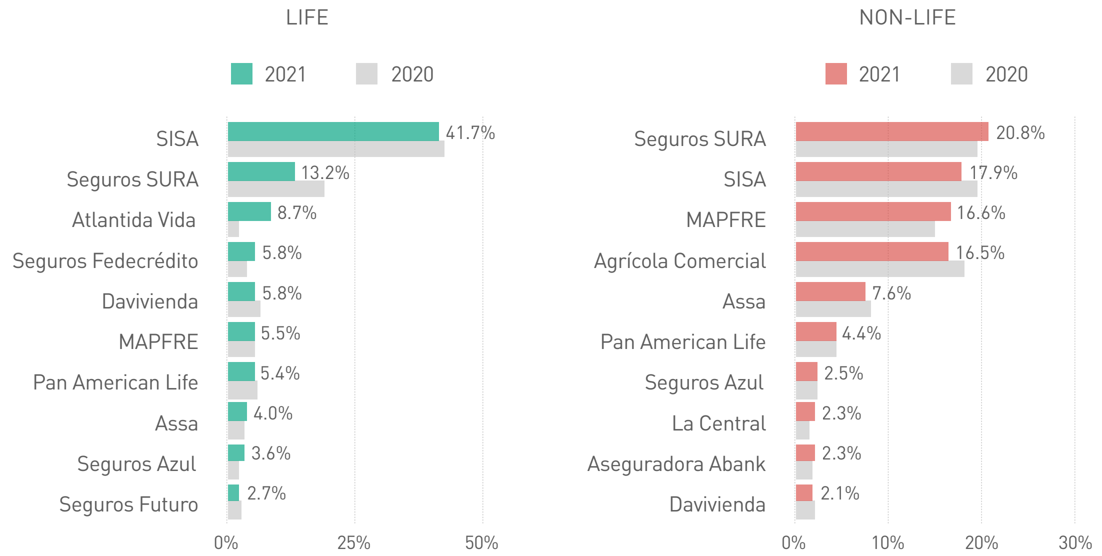
In 2021, 23 insurers operated in El Salvador, one more than the previous year following the authorization of the Executive Council of the Superintendency for the Financial System (SSF) for Seguros Comédica to start operations. The Herfindahl and CR5 indexes both point to a slight increase in the degree of market concentration in El Salvador versus a decade ago. The market share of the top five insurers (CR5) in 2021 represented 68% of total premiums, a significant increase in concentration compared to 2020

Chart 3.1.4-w
El Salvador: Total 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)

(62.1%). The Herfindahl index, meanwhile, has remained practically in line with the theoretical threshold consistent with moderate levels of concentration in the insurance industry, surpassing 2021 (see Chart 3.1.4-v).

In the total ranking of insurance groups in 2021 (see Chart 3.1.4-w), as was the case last year, Seguros e Inversiones (SISA) ranks first with a market share of 27.4% (-0.5 pp compared to 2020), with Seguros Sura placing second with a market share of 17.8% (-1.8 pp from 2020). MAPFRE moves up to third place (12.2%), increasing its market share year on year by 0.6 pp. Then come Aseguradora Agrícola Comercial with a market share of 10.6% and Assa at 6.1%. Also worth note is the fact that Atlántida Vida has moved up to eighth position, with a market share of 3.6%.

Life and Non-Life rankings

Finally, the first three places in the ranking of Non-Life insurance groups on the Salvadoran market are occupied by Seguros Sura (20.8%), up one place, followed by SISA (17.9%), which has been knocked down to second place. MAPFRE (16.6%) moves up to third, passing Aseguradora Agrícola Comercial (16.5%), which drops to fourth. At the bottom of the ranking, La Central de Seguros moves up (three positions) with Seguros Pacífico dropping out of the top ten. With regard to the ranking of insurance groups in the Life segment, SISA tops the ranking with 41.7% of premiums. Seguros Sura, with a market share of 13.2%, remains in second position and Atlántida Vida (8.7%) moves up several positions, passing Seguros Fedecrédito (5.8%), which drops to fourth. Davivienda moves down to fifth with a market share of 5.8% (see Chart 3.1.4-x).

Key regulatory aspects

In terms of relevant regulatory aspects in the Salvadoran insurance market in 2021, worth particular mention are the following:

- Technical Rules for Staggering the Constitution of Reserves for Reorganizing Credits affected by Covid-19, passed on February 25, 2021. No. CNBCR-03/2021 establishes a staggered approach to the constitution of reorganization reserves that the financial institutions to which these Rules apply each month must constitute in relation to the credit portfolio to which the Technical Temporary Rules for Overcoming Defaults and Contractual Obligations (NTTEIOC) and the Temporary Technical Rules for the Treatment of Credits Affected by Covid-19 (NPBT-01) were applied.

- Temporary Technical Rules on Cybersecurity Measures and Identifying Customers in Digital Channels, passed on August 23, 2021. No. CN-09/2021 (NPBT-06) establishing the guidelines applicable to banks, cooperative banks and savings associations for implementing cybersecurity measures to prevent online fraud and thus protect the savings and deposits of the country's residents. These Rules establish that companies must apply cybersecurity measures and use multiple-factor authentication to verify the identity of their customers to perform transactions online, with a view to preventing fraud, identity theft or password theft.

- Technical Rules for Facilitating the Participation of Financial Institutions in the Bitcoin Ecosystem, passed on September 7, 2021. No. CN-12/2021 regulating persons offering bitcoin-based services to their customers, whether natural or legal persons, for services offered either directly or through a Bitcoin Service Provider. Persons may participate in the provision of wallet services with or without custodian services based on bitcoin, exchange services, payment processing, as well as other services, in addition to offering a full range of banking services to a Bitcoin Service Provider.

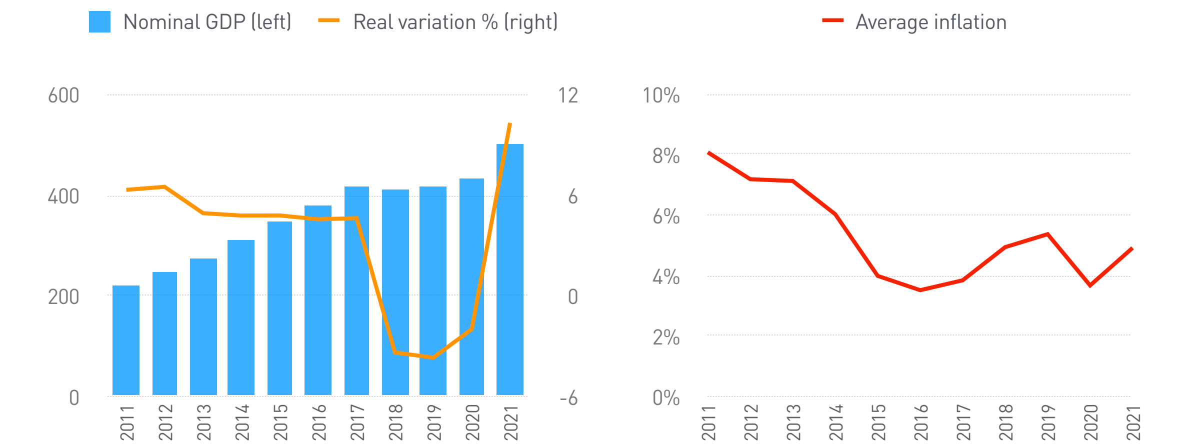
- Update of the minimum capital requirements for 2021. In accordance with the provisions of Articles 14, 48, 68, 120 and 98 of the Insurance Companies Act and Article 35(5) of the Regulations of the Act in question, the Board of Directors of the Superintendency of the Financial System, in session no. CD-55/2021 on December 13, 2021, approved the update of the minimum share capital requirements for insurance companies and insurance brokers.

3.1.5 Nicaragua

Macroeconomic environment

In 2021, the Nicaraguan economy recorded real GDP growth of 10.3%, recovering from the 2.0% downturn registered the previous year (see Chart 3.1.5-a). This can

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)

be attributed to the solid increase in external demand, in particular, notable growth in the United States, which has positively affected free trade zone activities, traditional exports and remittances. This rate of growth can also be attributable to a base effect after a three-year economic crunch between 2018 and 2020. With this outlook, the government has access to more funds for implementing reforms on the Tax Compromise Act and the Regulation on the Social Security Act (both in force since late 2019) to balance public accounts in an attempt to contain public spending and raise income tax and luxury tax revenues. In this sense, the central government's tax deficit has dropped slightly, to 0.7% of GDP in 2021 (1.1% the previous year), on account of the increase in growth of the government's total income, supported in particular by the growth in tax income (25.2%). In turn, the central government's public debt in comparison to GDP has fallen from 48.4% in 2020 to 47.8% in 2021. In terms of the external sector, the current account balance at the end of 2021 had a deficit of 2.3% of GDP (surplus of 3.0%) in light of the significant growth in imports.

Concerning monetary policy, the Central Bank of Nicaragua has maintained the expansive position adopted in 2020 and in the first quarter of 2021 reduced the monetary reference rate (MRR) to 3.5%, reducing interest rates on the financial market. Furthermore, year-on-year inflation in December 2021 stood at 7.3% (average annual inflation of 2.6% in 2020), coming in at 11.5% in June 2022. Faced with this situation, in 2022 the central bank increased its MRR by 50 bps four times, to 5.5%, where it remained on the date of this report. The aim of this measure was to contain inflationary pressure from abroad as a result of the increase in the international price of food and fuel.

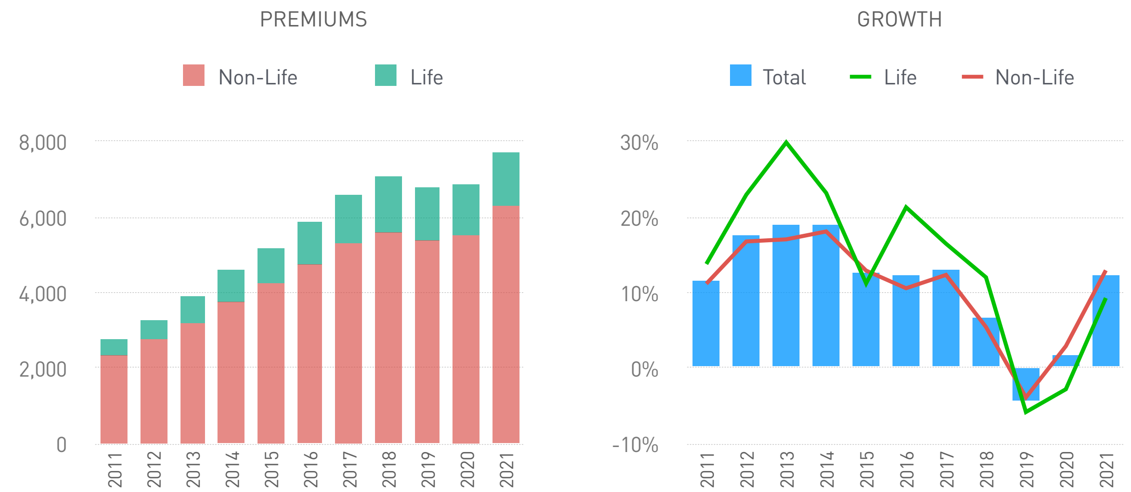
For 2022, MAPFRE Economics has estimated real growth in the Nicaraguan economy of around 2.9%, while ECLAC has placed this at 3.0%; these forecasts are in contrast to the significant expansion seen in 2021, on account of the drop in dynamism of the US economy, lower public investment and the disappearance of the aforementioned base effect.

Table 3.1.5
Nicaragua: Premium Volume[1] by Line, 2021

Line	Millions of Cordobas	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**7,733.8**	**220.2**	**12.3**	**7.0**
Life	**1,453.1**	**41.4**	**9.3**	**4.2**
Non-Life	**6,280.7**	**178.8**	**13.0**	**7.7**
Automobiles	1,290.5	36.7	4.9	0.0
Fire and allied lines	2,125.4	60.5	12.1	6.8
Compulsory[2]	1,031.1	29.4	15.2	9.8
Other lines	678.7	19.3	29.1	23.0
Health	485.7	13.8	12.6	7.3
Personal Accidents	175.5	5.0	3.7	-1.2
Credit and/or surety	128.5	3.7	27.6	21.6
Transport	145.9	4.2	13.5	8.1
Third-Party Liability	219.4	6.2	20.6	14.9

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, %)



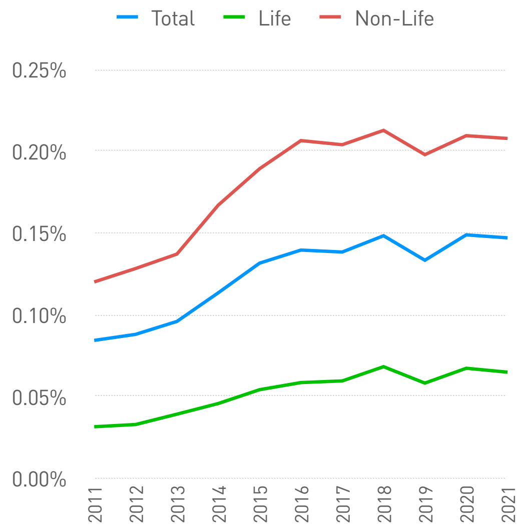
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Insurance market

Growth

Premiums in the Nicaraguan insurance market totaled 7.73 billion Cordobas (220 million US dollars) in 2021, representing nominal growth of 12.3% and real growth of 7.0% compared to the previous year (see Table 3.1.5 and Chart 3.1.5-b). Thus, in 2021 the Nicaraguan insurance market improved compared to 2020 in all lines of business and modalities, surpassing pre-pandemic levels in terms of the volume of premiums, with the sole exception of the Personal Accidents line, which showed real negative growth (-1.2%).

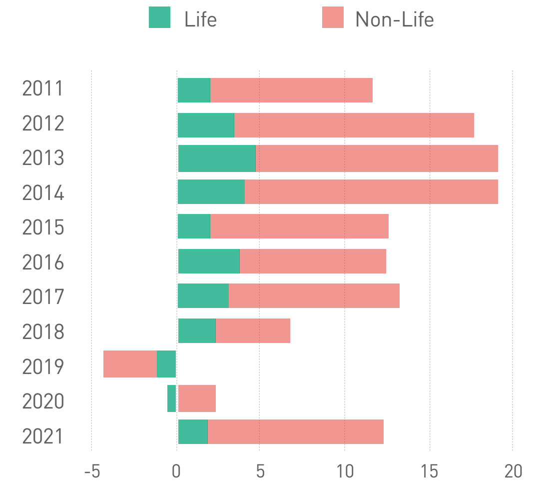
Chart 3.1.5-c
Nicaragua: Share of Insurance Premiums in Latin America
(%)



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

By market segment, the Life business represented 18.8% of the total, up by 9.3% (compared to a 2.8% drop the previous year), reaching 1.45 billion Cordobas (41 million dollars). Meanwhile, Non-Life premiums grew 13%, 10 pp more than in 2020, to 6.28 billion Cordobas (179 million dollars). In terms of the two most important modalities, Fires performed particularly well (with nominal growth of 12.1% and real growth of 6.8%) with Automobile also growing year on year, although to a lesser extent (nominal growth of 4.9%). Following behind, the third most important line, under the "Mandatory" heading, performed favorably with nominal growth of 15.2% and real growth of 9.8%.

Chart 3.1.5-d
Nicaragua: Contribution to Insurance Market Growth
(percentage points, pp)



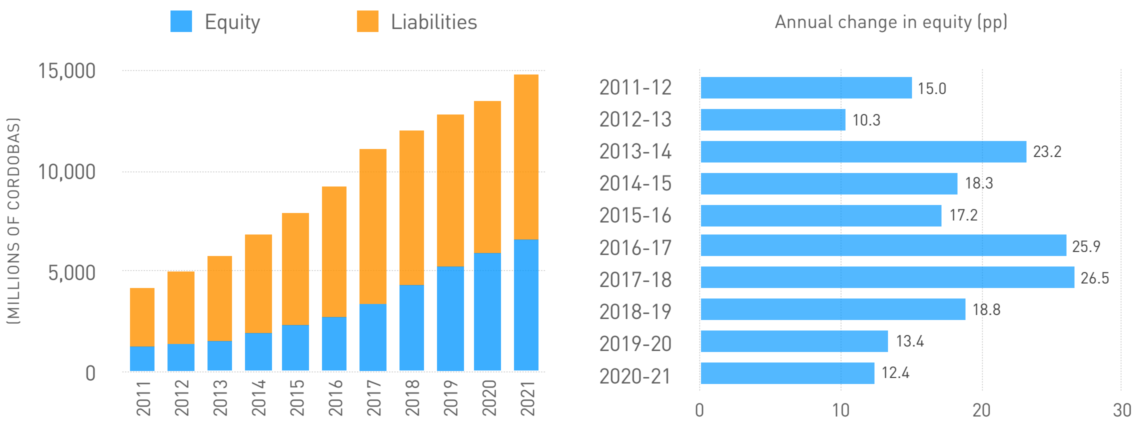
	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2011	11.6	2.0	9.5
2012	17.7	3.5	14.3
2013	19.1	4.7	14.4
2014	19.0	4.0	15.0
2015	12.6	2.0	10.6
2016	12.5	3.8	8.7
2017	13.2	3.1	10.0
2018	6.8	2.4	4.4
2019	-4.2	-1.2	-3.1
2020	1.8	-0.6	2.4
2021	12.3	1.8	10.5

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

In turn, the share of total premiums and by Life and Non-Life segments of the Nicaraguan market in comparison to the overall Latin American market grew over the past ten years by 6 bps overall, 3 bps in the Life segment and 9 bps in the Non-Life segment. The Non-Life line of business has a bigger share (0.21% in 2021) in Latin America when compared to Life insurance (0.06%). The proportion of total Nicaraguan insurance premiums in the total for Latin American has increased from 0.08% in 2011 to 0.15% in 2021 (see Chart 3.1.5-c).

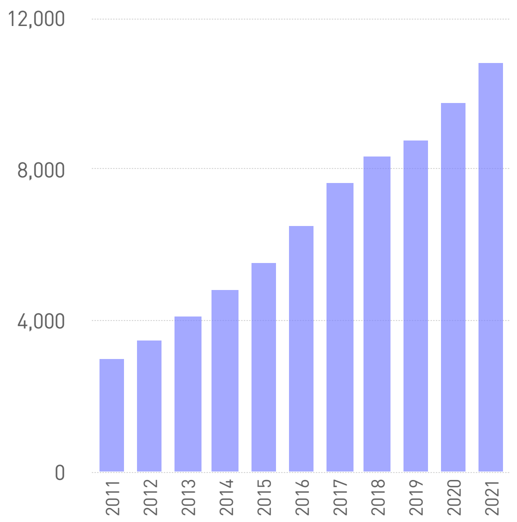
In terms of contribution to growth by the two major business lines in the Nicaraguan insurance market, in relation to the total growth of 12.3% seen in 2021, the biggest contribution was made by the Non-Life segment, with growth of 10.5 pp, while the

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)

Chart 3.1.5-f
Nicaragua: Insurance Market Investments
(millions of Cordobas)



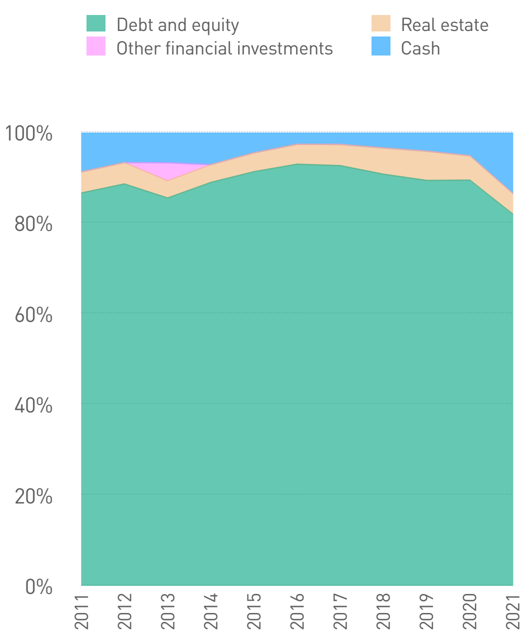
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

contribution of Life insurance was 1.8 pp, with the market returning to the trend of positive contributions to growth in both lines that had been lost in 2019 (see Chart 3.1.5-d).

Balance sheet and shareholders' equity

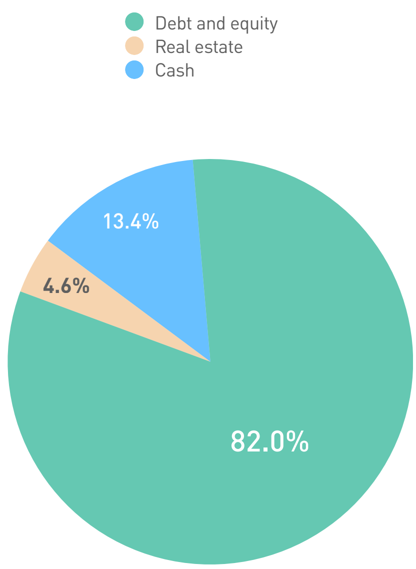
Chart 3.1.5-e shows the performance over the 2011–2021 period in the Nicaraguan insurance industry's aggregate balance sheet. As can be seen in this information, in 2021, total assets stood at 14.79 billion Cordobas (416 million dollars), while equity increased to 6.61 billion Cordobas (12.4 pp higher than in 2020). It is worth noting that in 2011, aggregate levels of capitalization within the Nicaraguan insurance industry, relative to total assets, stood at 30.1%, gradually increasing over the 2011–2021 period to reach 44.7% of total assets by the end of 2021.

Chart 3.1.5-g
Nicaragua: Structure of Investments
(%)



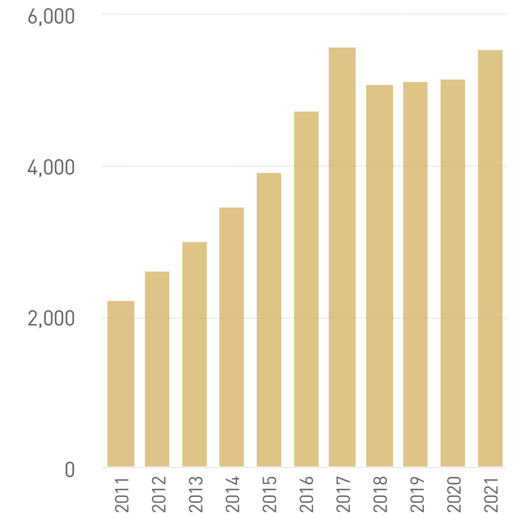
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-h
Nicaragua: Structure of Investments, 2021
(%)



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

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)

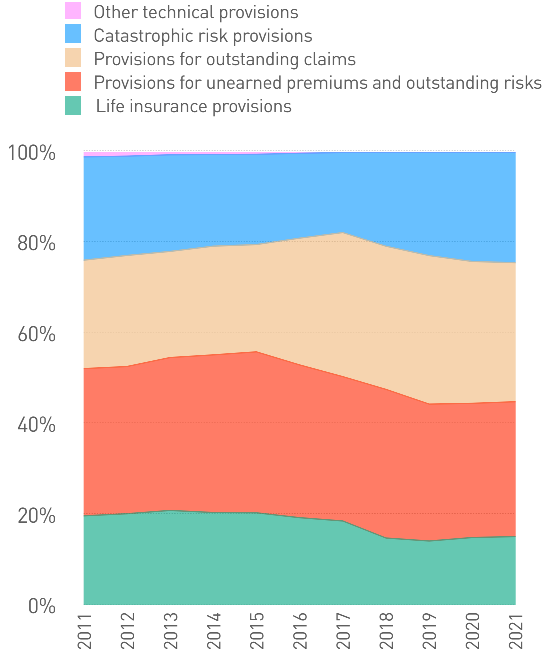
Investments

Chart 3.1.5-f shows the evolution of investments, while Charts 3.1.5-g and 3.1.5-h show the composition of the aggregate portfolio by sector over the course of the 2011–2021 period. This data shows that in 2021, investments totaled 10.83 billion Cordobas (305 million dollars), with 82% concentrated in debt and equity instruments, 13.4% in cash (which increased significantly during the year) and the remaining 4.6% in real estate investments. Performance in the structure of Nicaragua's insurance market investment portfolio over the last decade generally shows the dominance of investments in debt and equity instruments, with a slight decline in favor of cash deposits, as indicated previously.

Technical provisions

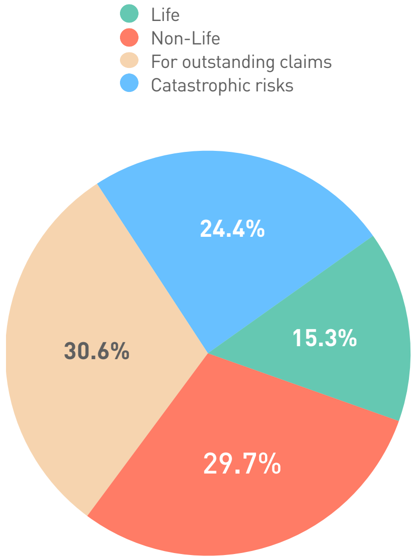
Charts 3.1.5-i, 3.1.5-j and 3.1.5-k show the relative composition and performance of

Chart 3.1.5-j
Nicaragua: Structure of Technical Provisions
(%)



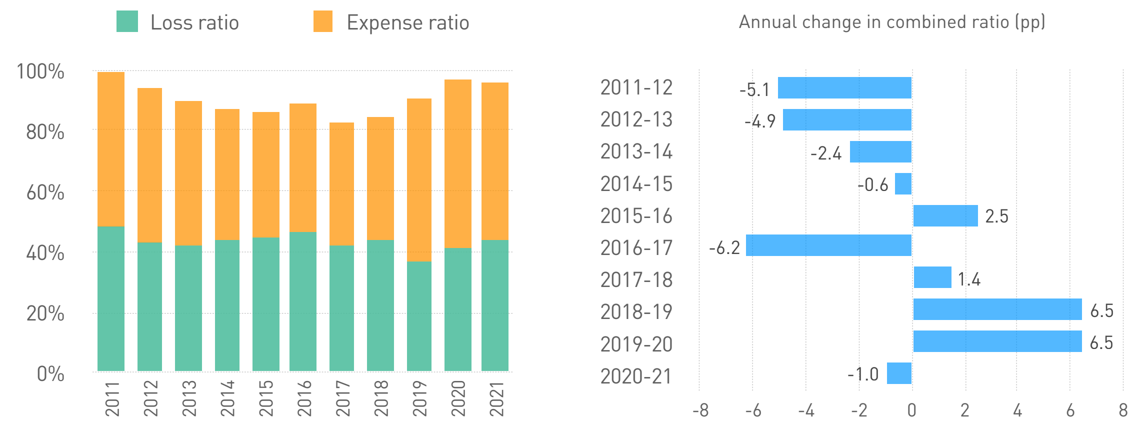
Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

Chart 3.1.5-k
Nicaragua: Structure of Technical Provisions, 2021
(%)



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)

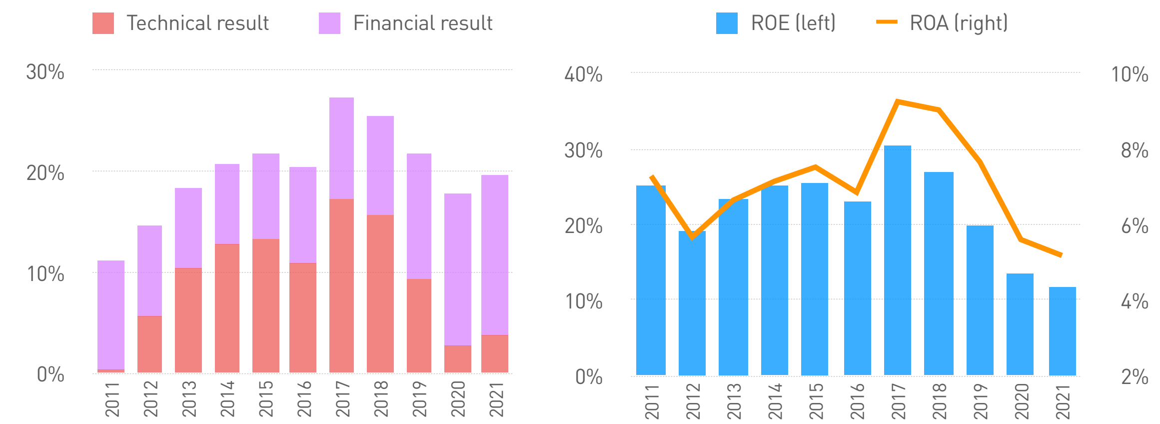


Source: MAPFRE Economics (based on data from the Superintendency of Banks and Other Financial Institutions)

the Nicaraguan insurance industry's technical provisions over the period analyzed. In 2021, technical provisions amounted to 5.53 billion Cordobas (156 million dollars). Of this total, 15.3% related to Life insurance technical provisions, 29.7% to provisions for unearned premiums and outstanding risks in Non-Life insurance, 30.6% to provisions for outstanding claims, and the remaining 24.4% to provisions for catastrophic risks.

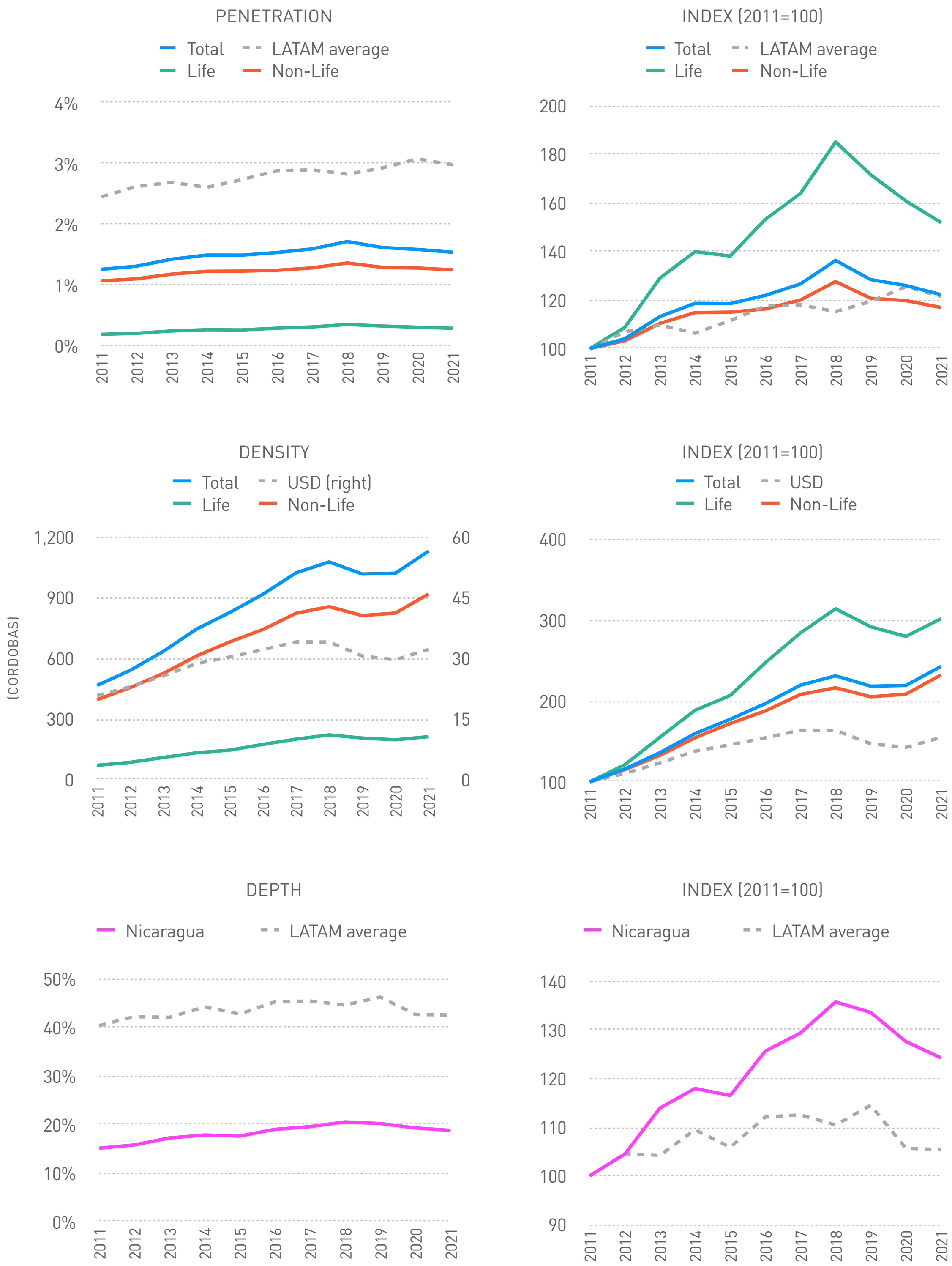
Over the 2011–2021 period, there was sustained growth in technical provisions in absolute terms, related to both Life and Non-Life insurance. This trend was interrupted in 2018 for both provisions, though their relative weights stayed fairly stable throughout the period. The significant percentage of catastrophic risk provisions is worth particular note, accounting for 24.4% of the total provisions in 2021.

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, %, 2011 index=100)



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

Technical performance

With regard to the technical performance of the Nicaraguan insurance industry, Chart 3.1.5-l shows the evolution of the industry's total combined ratio between 2011 and 2021. As can be seen, the combined ratio shows how the technical performance of the sector improved by 1 pp in 2021, to 96.2%, mainly attributable to the decrease in the expense ratio by 3.4 pp to 52.4%. The loss ratio, in turn, increased by 2.4 pp to 43.8%. This improvement in the combined ratio helped to break a trend started in 2018 in relation to the deterioration of this indicator at a sectoral level.

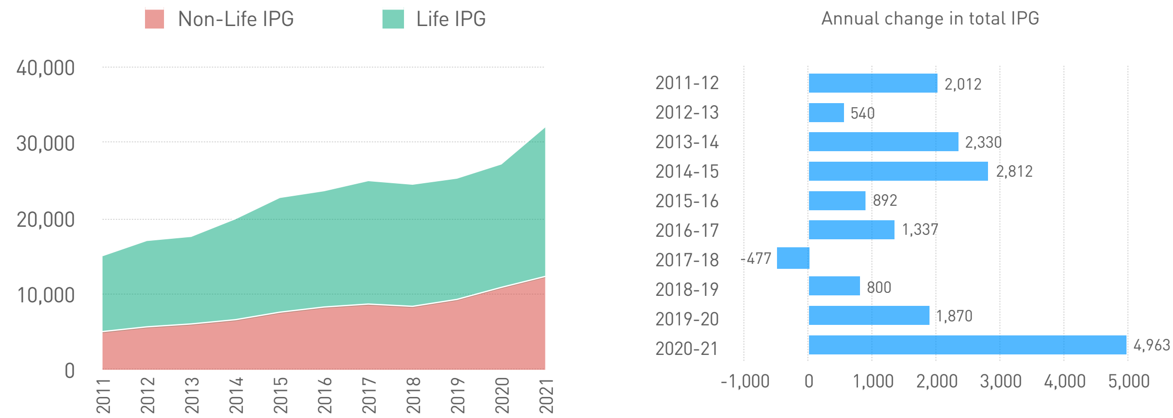
Results and profitability

The net result of the Nicaraguan insurance business in 2021 was 733.9 million Cordobas (21 million dollars), 0.7% lower than the previous year, due to a deterioration in financial results (see Chart 3.1.5-m). In terms of profitability, return on equity (ROE) stood at 11.8% in 2021, falling by 1.6 pp compared to 2020. A similar situation emerges when analyzing return on assets (ROA), which reached 5.2% in 2021, dropping 0.4 pp compared to the previous year. In general terms, analyzing its performance over the past decade, the profitability of the insurance sector in Nicaragua has performed positively, with ROE of around 22% on average during the decade, despite returning its worst figures over the past three years.

Insurance penetration, density and depth

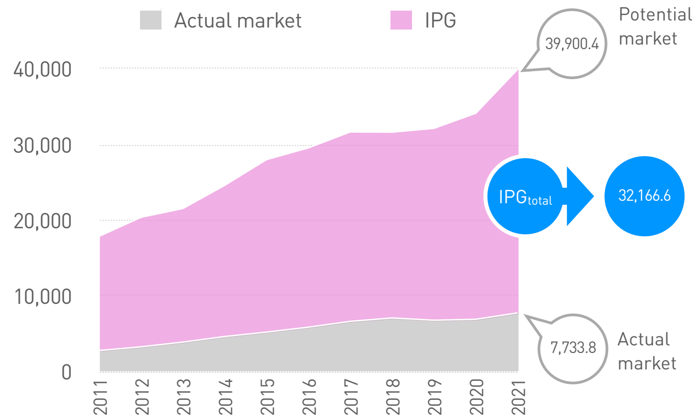
Chart 3.1.5-n shows the main structural trends shaping the development of the Nicaraguan insurance industry over the 2011–2021 period. Firstly, the penetration index (premiums/GDP) stood at 1.5% in 2021, 0.1 pp lower than the level recorded in 2020 and 1.5 pp lower than the Latin American average. As can be seen, the penetration index in the Nicaraguan market was on a lightly positive trend between 2011 and 2018, at which point it began to fall, moving away from the average trend similar to that recorded by the Latin American insurance market as a whole. Meanwhile, insurance density in Nicaragua (premiums per capita) amounted to 1,129 Cordobas (32 dollars), up 10.7% year over year (1,020 Cordobas). In contrast with penetration, the density indicator (measured in local currency) has followed an upward path, with the exception of the 2019–2020 period, showing a cumulative increase of 142.6% over the 2011–2021 period.

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
2021-2011	179.7%	113.2%
2021-2020	12.3%	18.2%

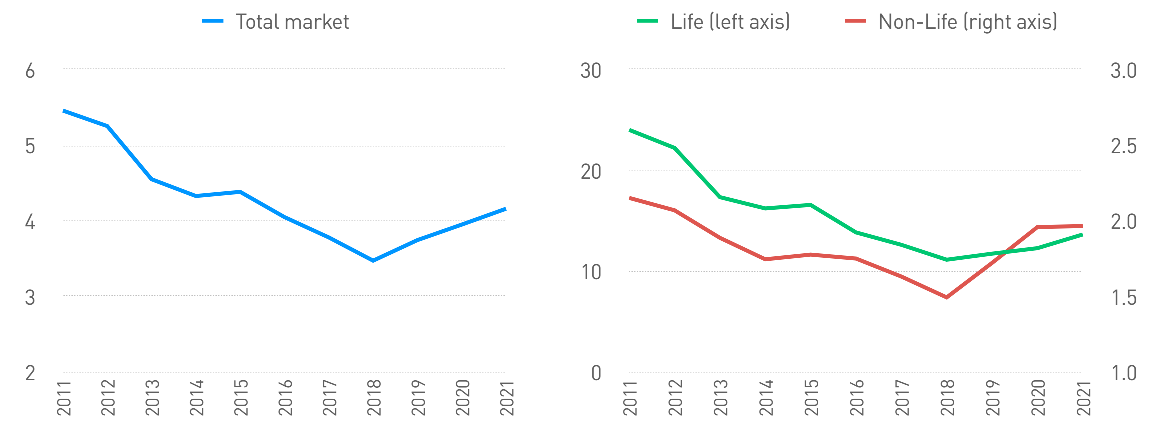
Source: MAPFRE Economics

Finally, depth in the Nicaraguan market (Life insurance premiums vs. total premiums) stood at 18.8% in 2021, i.e., 3.7 pp more than in 2011 and generally in line with the trend of the Latin American market as a whole, always averaging 25% below the market and at absolute levels still far below the regional average (42.5% in Latin America for 2021).

Insurance Protection Gap Estimate

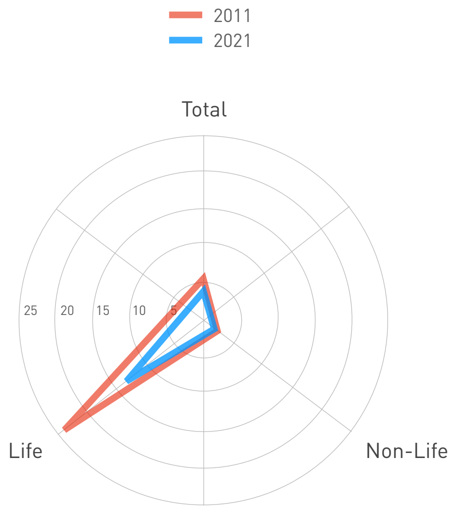
Chart 3.1.5-o shows an estimate of the IPG for the Nicaraguan insurance market between 2011 and 2021. This shows that the insurance gap amounted to 32.17 billion Cordobas (916 million dollars) in 2021, some 4.2 times the size of the actual in-

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

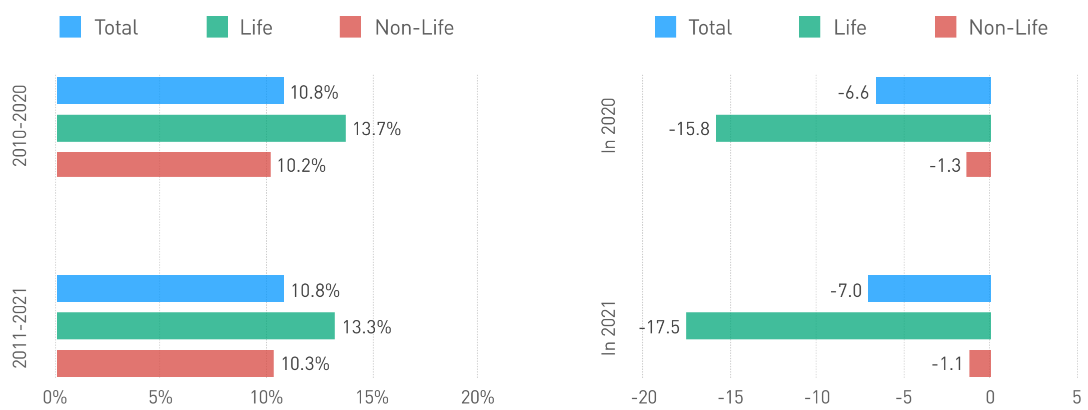
surance market in Nicaragua at the end of that year.

The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment, similar to most Latin American markets. As such, Life insurance accounted for 62% (19.82 billion Cordobas) of the insurance gap at the close of 2021 (60% in 2020), 5 pp below the share for this segment in 2011. The remaining 38% of the gap is attributable to the contribution of the Non-Life insurance segment (12.34 billion Cordobas). The potential insurance market in Nicaragua at the close of 2021 (the sum of the actual market plus the IPG) was therefore estimated at 39.9 billion Cordobas (1.14 billion dollars), 5.2 times the size of the total insurance market in that year (see Chart 3.1.5-p).

To complement this analysis, 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 decline over the 2011–2021 period, both for the Life insurance segment (falling from 24 to 13.6 times) and the Non-Life insurance segment (falling from 2.2 to 2 times). However, it is worth noting that over the past three years, the relative gap to the real insurance market in the country has increased.

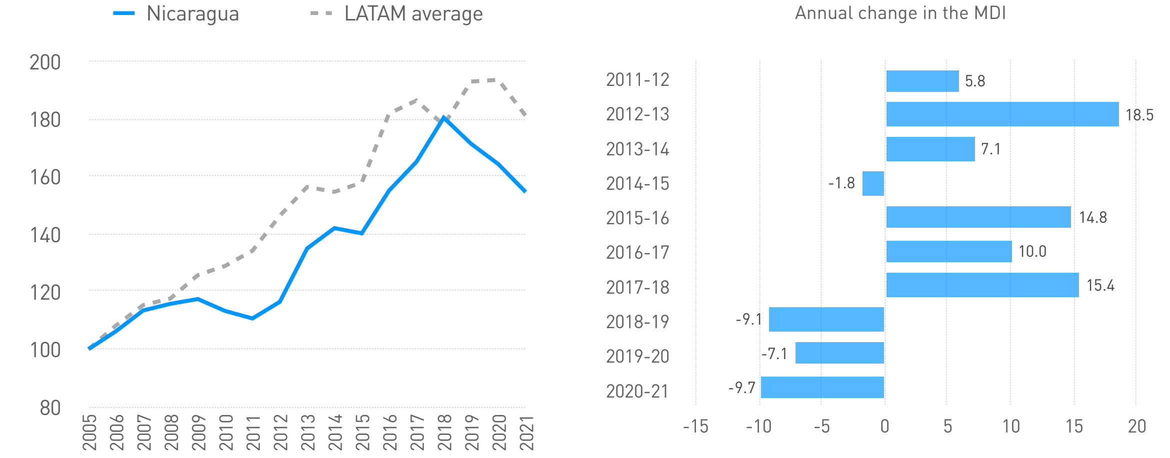
Chart 3.1.5-r summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Nicaraguan insurance market over the last decade, comparing the situa-

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)

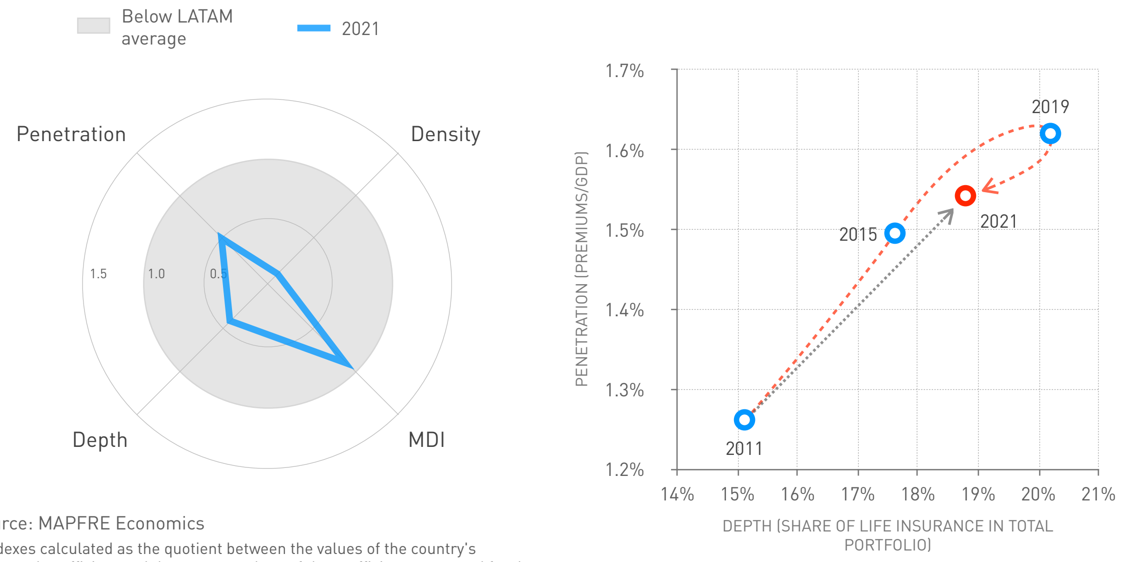


Source: MAPFRE Economics

tion in 2021 with that of 2011. This suggests that the market situation has improved during this period, mainly thanks to the Life insurance business in terms of the insurance gap as a multiple of the real market.

Lastly, Chart 3.1.5-s shows a summary of the Nicaraguan insurance market's capacity to close the IPG, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to

Chart 3.1.5-u
Nicaragua: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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.

close the gap determined in 2021 over the coming decade. As such, the Nicaraguan insurance market grew at an average annual rate of 10.8% over the past decade, underpinned by an average annual growth rate of 13.3% in the Life insurance segment and average annual growth rate of 10.3% in the Non-Life insurance 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 Nicaraguan insurance market would prove insufficient to achieve the objective indicated by 7.0 pp. Specifically in relation to the Life segment, the observed growth rate would fall short by 17.5 pp, and by 1.1 pp for the Non-Life segment. It is worth noting that, in comparison to the exercise performed in 2020, the deterioration in the Nicaraguan insurance market's capacity to cover the IPG remained.

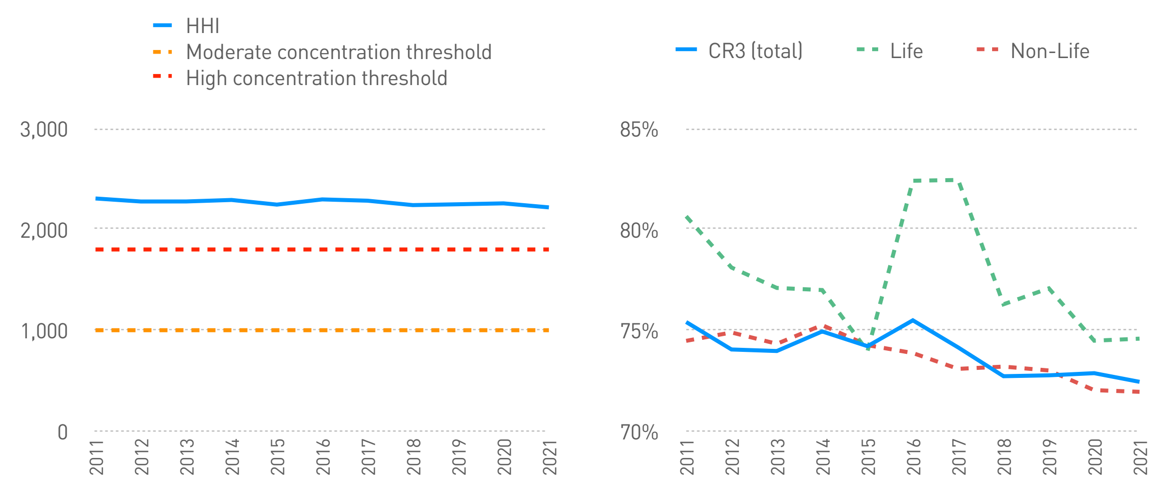
Market Development Index (MDI)

The Market Development Index (MDI) estimate for the Nicaraguan insurance sector is reflected in Chart 3.1.5-t. In this case, the MDI (used as an indicator of the general trend seen in relation to the performance and maturity of insurance markets) reflects a positive trend between 2011 and 2021, although slowing down significantly from 2019 onward, in contrast to the average trend in Latin America. As said chart shows, the trend generally followed the average for the insurance markets of Latin America with a divergence that was more marked in 2010–2011 and 2019–2021, when the indicator showed the largest difference with the Latin American average (-29.2%). In 2021, this divergence was reduced compared to the average trend in Latin America, whose MDI dropped by 12.4 pp, while in Nicaragua, the MDI dropped by 9.7 pp.

Joint analysis of structural coefficients

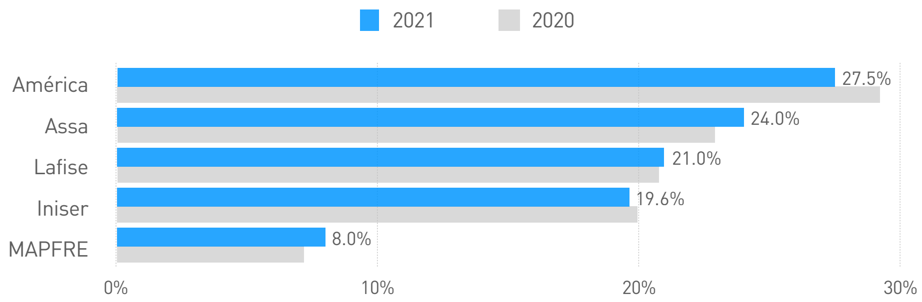
Lastly, Chart 3.1.5-u summarizes the Nicaraguan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators previously analyzed. As such, the Nicaraguan insurance market falls short of the Latin American average, especially in terms of penetration, density and depth, although the MDI is closer to the region's average. As regards general performance of the insurance industry in this country, although progress has been made both in terms of quantity (penetration) and quality (depth) over the past decade, the clear downturn since 2019 is worth particular mention.

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)

Chart 3.1.5-w
Nicaragua: Total Ranking
(market shares, %)



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

Insurance market rankings

Total ranking

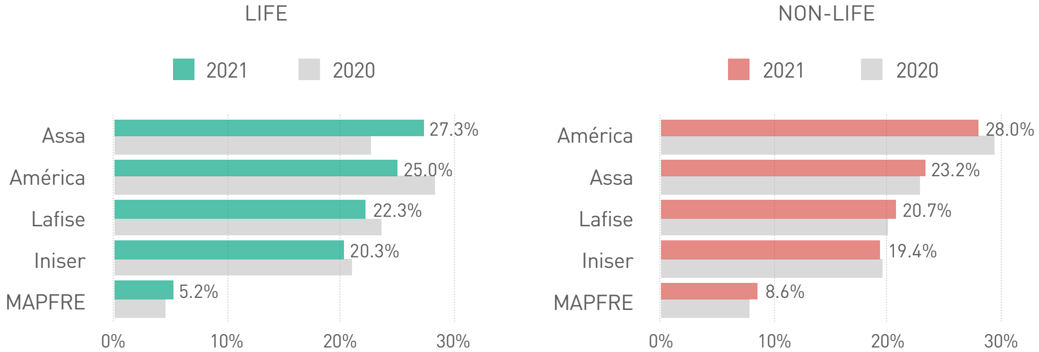
In 2021, the Nicaraguan insurance industry maintained its structure, with just five insurers operating in the market. Over the past decade, there has been a very slight decrease in market concentration. Over the entire 2011–2021 period, the Herfindahl index has remained above the theoretical threshold indicative of 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 over the period analyzed, albeit while remaining significantly high (see Chart 3.1.5-v).

In terms of the total ranking of the Nicaraguan insurance market in 2021, as reflected in Chart 3.1.5-w, the company América tops the ranking with a market share of 27.5%. The following two positions in the ranking are occupied by Assa with a market share of 24% and Lafise with 21%. MAPFRE rounds off the ranking with a market share of 8%.

Life and Non-Life rankings

In the Non-Life ranking, América once again topped the Nicaraguan market in 2021 with a share of 28%, while second and third places were held by Assa (23.2%) and Lafise (20.7%) as in the total market ranking (see Chart 3.1.5-x). Finally, the ranking of companies offering Life insurance is topped by Assa, which, with a market share of 27.3%, moved up two positions; América (25%, down by 3.3% year on year) fell by one place, and Lafise ranked third with a market share of 22.3% (23.6% in 2020).

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)

They are followed by Iniser (20.3%) with MAPFRE rounding off the list on 5.2% (up 0.6% year on year).

Key regulatory aspects

In terms of regulatory aspects in 2021 relating to the Nicaraguan insurance market, the following regulations were issued by the Superintendency of Banks and Other Financial Institutions, which is tasked with supervising insurance activity in the country:

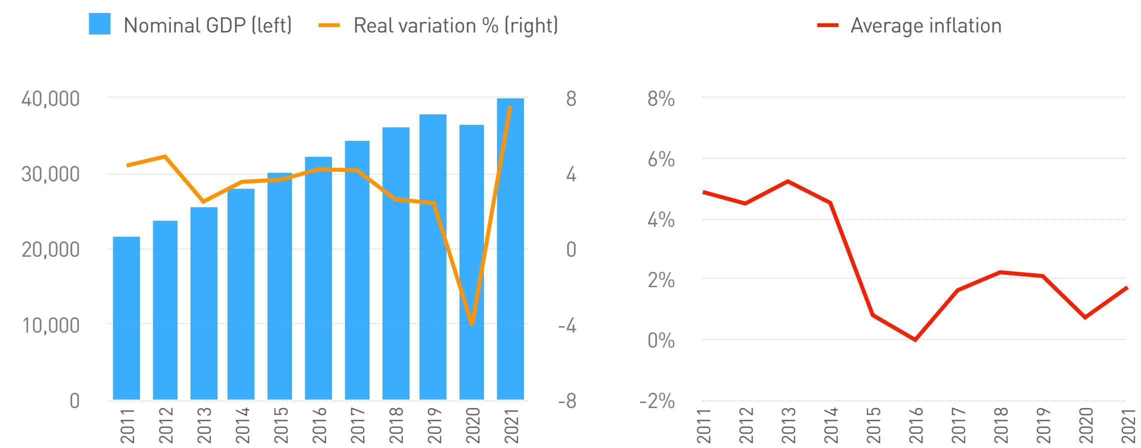
- Law No. 1061. Amendment and Addition to Law No. 842 on the Protection of the Rights of Consumers and Users. Published on February 9, 2021.
- CD-SIBOIF-1240-1-ABR06-2021 Standard on Sanctions due to Breaches of Transparency Matters and the Protection of the Customer and/or Users of Financial Services. Published on April 22, 2021.
- CD-SIBOIF-1240-2-ABR06-2021 Amendment Standard for Articles 1, 3, 5, 49, and 50 of the Standard on the Transparency of Financial Operations. Published on April 22, 2021.
- CD-SIBOIF-1250-1-MAY28-2021 Standard for the Care, Processing, and Compensation of Claims Set Out in Insurance Contracts. Published on July 6, 2021.
- CD-SIBOIF-1262-3-AGOS3-2021 Amendment Standard for Article 6 of the Standard on the Payment of Bonuses at Financial Institutions. Published on September 3, 2021.
- CD-SIBOIF-1269-8-SEP10-2021 Standard on Imposing Penalties on Insurance Institutions for failure to comply with Decree No. 15-2018, published in Gazette No. 190 of October 3, 2018. Published on November 22, 2021.
- CD-SIBOIF-1269-7-SEP10-2021 Standard on Imposing Penalties on Insurance Institutions for failure to comply with Decree No. 15-2018, published in Gazette No. 190 of October 3, 2018. Published on November 22, 2021.

3.1.6 Costa Rica

Macroeconomic environment

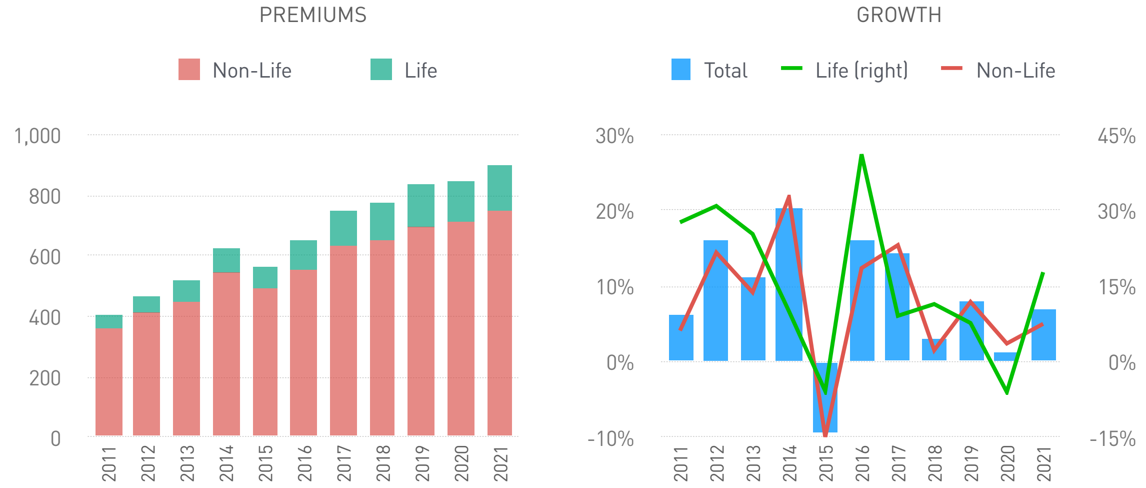
In 2021, the Costa Rican economy grew by 7.6% in real terms (compared to the contraction of 4.1% the previous year), thus surpassing pre-pandemic levels (see Chart 3.1.6-a). This improvement can be attributed to the recovery of private con-

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)

Chart 3.1.6-b
Costa Rica: Growth Developments in the Insurance Market
(premiums, billions of colones; annual nominal growth rates, %)

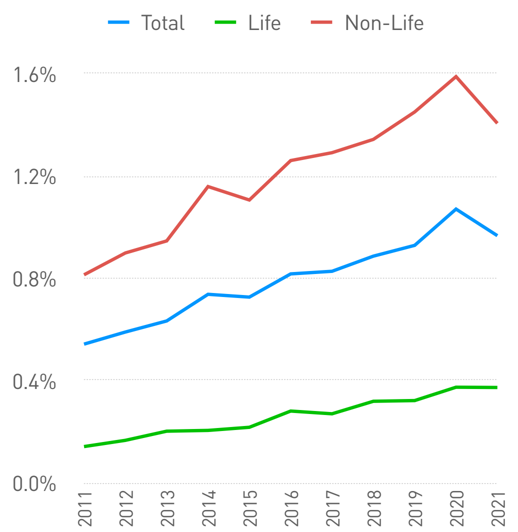


Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

sumption, which experienced the highest level of growth, an increase in investment and the positive contribution of the foreign sector. Based on the data published by the Central American Monetary Council, Costa Rican public debt amounted to 78.9% of GDP at the close of 2021 (78.7% in 2020), and the fiscal deficit would close the year at around -5.0%, compared to -8.0% the previous year. Following the fiscal expansion seen the previous year to counteract the impact of the Covid-19 pandemic, the government has implemented a series of measures to correct the deficit, strengthen public finances and reorganize the sustainability of debt. As a result, during the second half of the year, it arranged a new loan with the International Monetary Fund (IMF) for the sum of 1.78 billion dollars.

In terms of prices, inflation remained under control after growing year on year by 3.3% in 2021, following the implementation of favorable monetary policies by the central bank to support the recovery. In this sense, the central bank kept the reference interest rate at 0.75% during 2021, in addition to a more relaxed position in terms of its participation on the foreign currency market (MONEX), which resulted in currency depreciation of 6.2% compared to the dollar. However, the upturn in inflation that started at the end of the year and peaked at 11.48% in July has resulted in a change of course, with a tightening of monetary policy, with the first interest rate increase in

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)

Table 3.1.6
Costa Rica: Premium Volume[1] by Line, 2021

Line	Millions of colones	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**900,209.3**	**1,448.2**	**6.9**	**5.1**
Life	**147,816.1**	**237.8**	**17.8**	**15.8**
Non-Life	**752,393.2**	**1,210.4**	**5.0**	**3.2**
Automobiles	230,618.9	371.0	1.1	-0.6
Fire and allied lines	107,815.9	173.5	4.4	2.6
A&H	169,982.9	273.5	18.8	16.8
Other lines	56,725.4	91.3	-5.3	-6.9
Transport	12,714.6	20.5	21.5	19.5
Third-Party Liability	21,104.1	34.0	10.4	8.5
Credit and surety	8,205.5	13.2	-26.1	-27.4
Agriculture and livestock	212.5	0.3	-12.1	-13.6
Workplace accidents	145,013.3	233.3	2.7	1.0

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

December and a further five over the course of 2022, taking the rate to 7.5% in July.

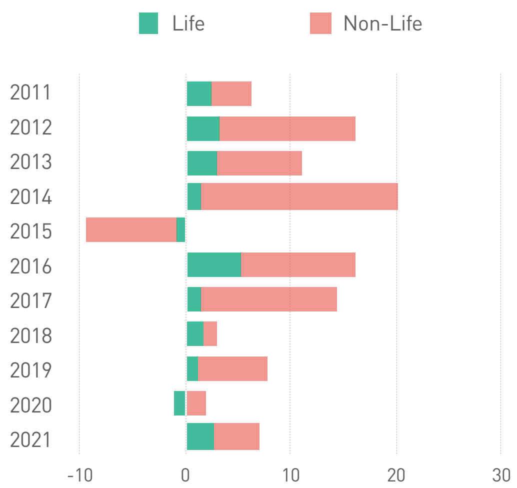
Looking to 2022, MAPFRE Economics estimates GDP growth in Costa Rica of around 3.3%, similar to the forecast made by ECLAC. It has forecast a slowdown in economic growth year on year, on account of an increase in external demand.

Insurance market

Growth

Premium volume in the Costa Rican insurance market climbed to 900.21 billion colones (1.45 billion dollars) in 2021, revealing nominal growth of 6.9% and real growth of 5.1% year on year (see Table 3.1.6 and

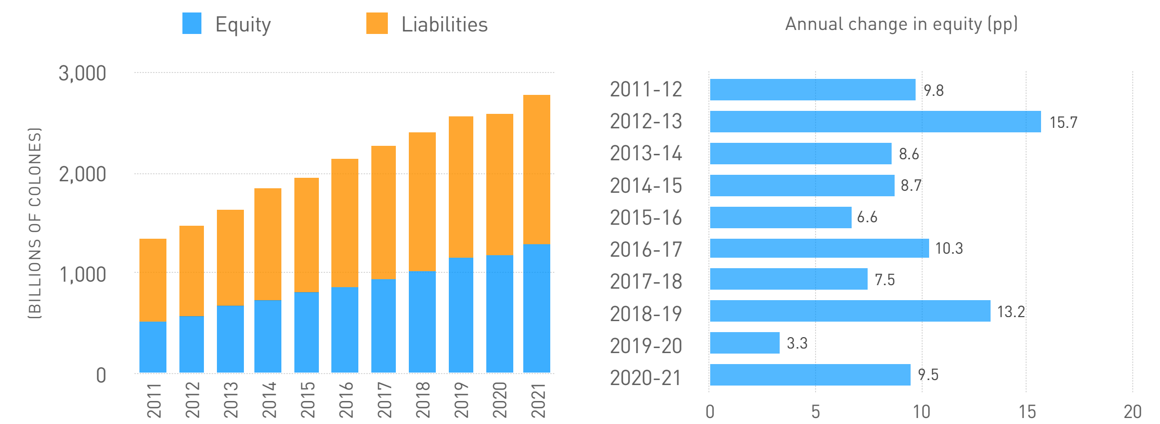
Chart 3.1.6-d
Costa Rica: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	6.2	2.4	3.8
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

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

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)



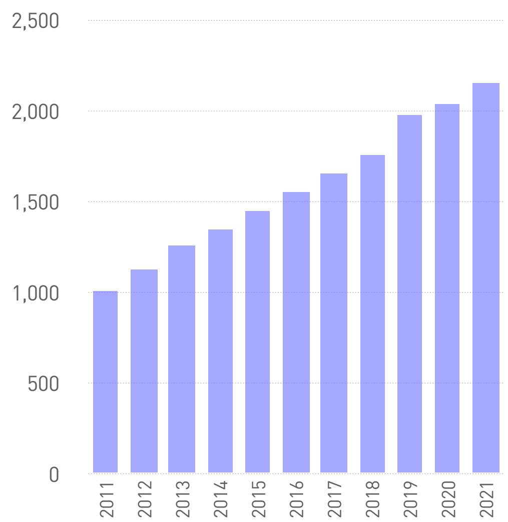
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Chart 3.1.6-b). The Costa Rican market grew 8.2% on average over the last six years after the drop recorded in 2015 (-9.4%), when the National Insurance Institute of Costa Rica (the insurance company with the largest market share) changed the way premiums were accounted for to adapt to the applicable regulations. However, these modifications make it more difficult to compare statistical data for 2015 onward with data for previous years, both in terms of revenue per premium and in terms of the balance sheet and income statements.

In 2021, Life insurance premiums, which account for 16.4% of the total, increased by 17.8% nominal (15.8% real) to 147.82 billion colones (237.8 million dollars), while Non-Life premiums grew by 5.0% (3.2% real) to 752.39 billion colones (1.21 billion dollars). In 2021, there was general growth in the Non-Life insurance sectors, only penalized by the drop in Agriculture and Livestock (-12.1%), Credit and Surety (-26.1%) and Other Lines (-5.3%). The market grew in Automobile (1.1%), Accident and Health (18.8%), Transport (21.5%), Workplace Accidents (2.7%), Third-Party Liability (10.4%) and Fires (4.4%).

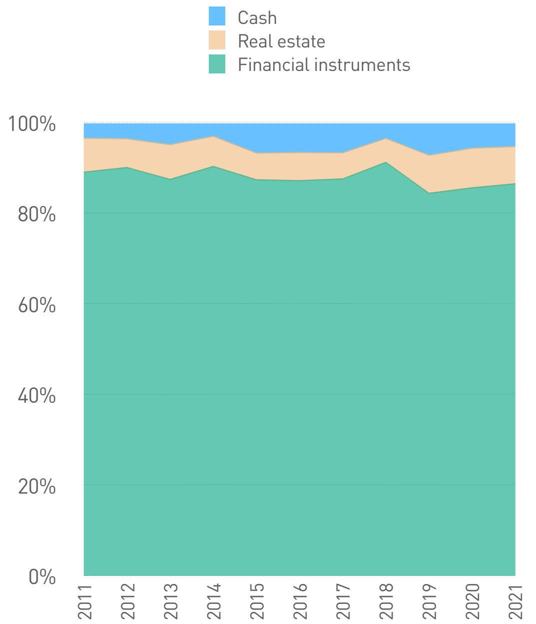
As reflected in Chart 3.1.6-c, over the course of the 2011–2021 period, the share of total premiums and by Life and Non-Life segments of the Costa Rican market compared to the Latin American market has grown, with the exception of 2015 and 2021. Thus, the weight of total Costa Rican premiums in the total for Latin America has grown from 0.54% in 2011 to 0.97% in 2021.

Chart 3.1.6-f
Costa Rica: Insurance Market Investments
(billions of colones)



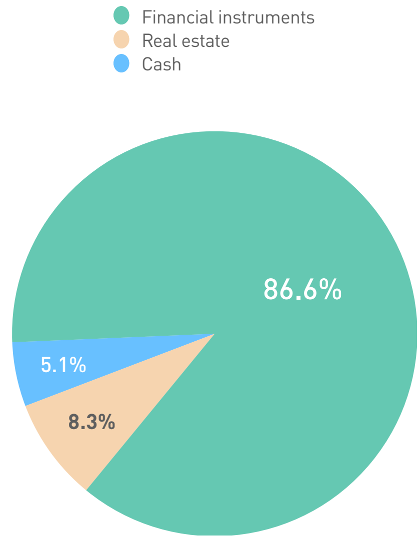
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

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, 2021
(%)



Source: MAPFRE Economics
(based on data from the

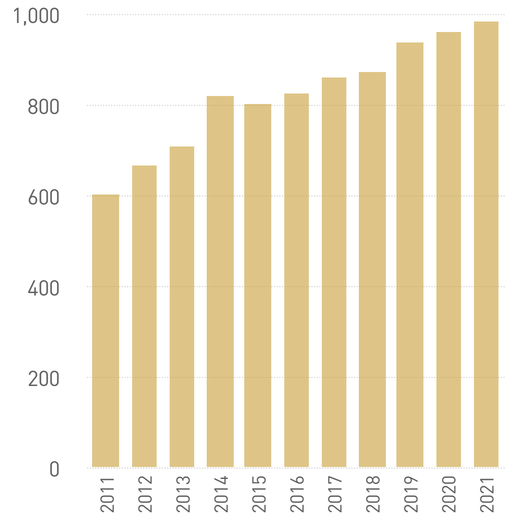
Similarly, the participation of the Life insurance business also increased from 0.14% in 2011 to 0.37% in 2021, while the Non-Life insurance business grew from 0.81% to 1.41% during this period.

The largest contribution to growth in the Costa Rican insurance industry in 2021 came from the Non-Life insurance segment. As reflected in Chart 3.1.6-d, this segment contributed 4.3 pp of the 6.9 pp of the sector's growth in 2021. In turn, the contribution of Life insurance to total growth in 2021 was 2.7 pp.

Balance sheet and shareholders' equity

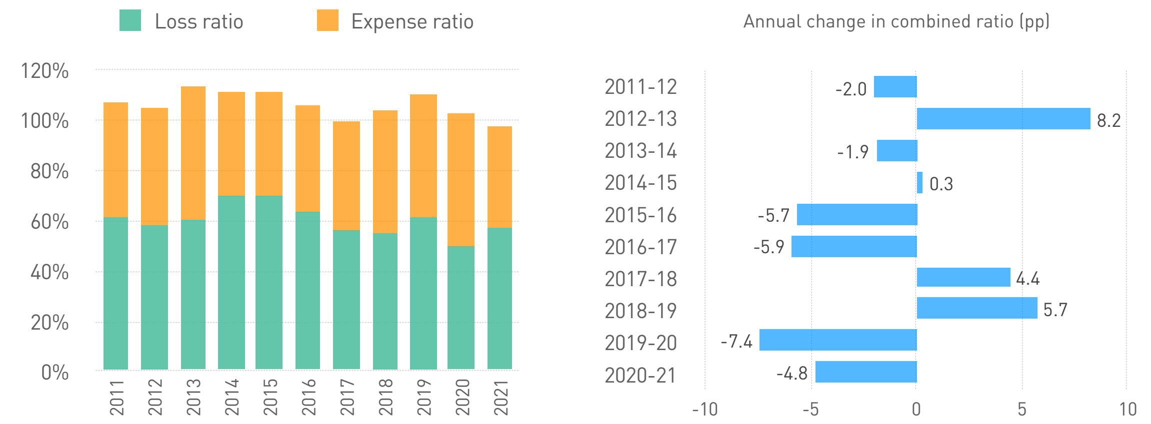
Chart 3.1.6-e shows the Costa Rican insurance industry's aggregate balance sheet for the 2011–2021 period. Total assets in 2021 amounted to 2.76 trillion colones (4.3 billion dollars), while equity amounted to 1.3 trillion colones (2.02 billion dollars), with growth of 9.5 pp compared to the previous year. The Costa Rican insurance in-

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)

Chart 3.1.6-j
Costa Rica: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



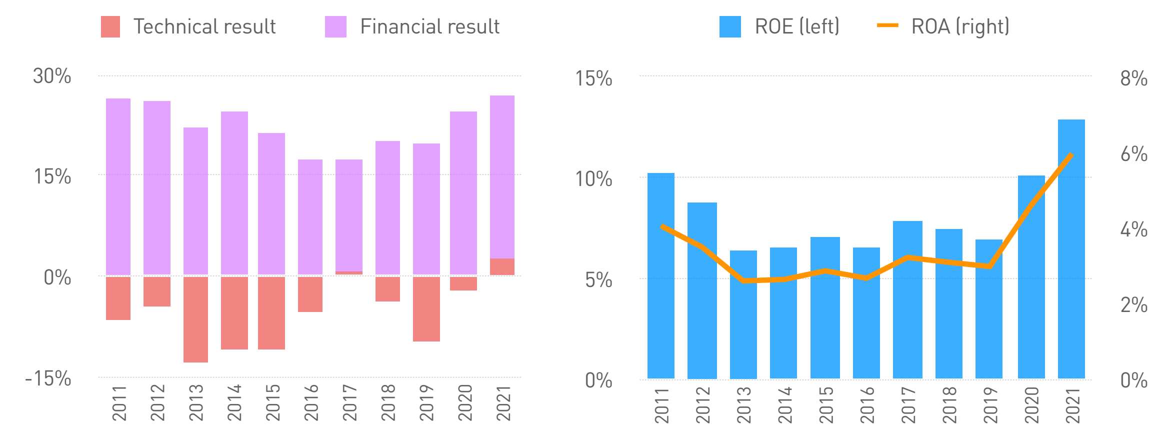
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

dustry maintained aggregate capitalization levels (measured over total assets) of around 42% over the last decade, reaching 47.0% of total assets in 2021.

Investments

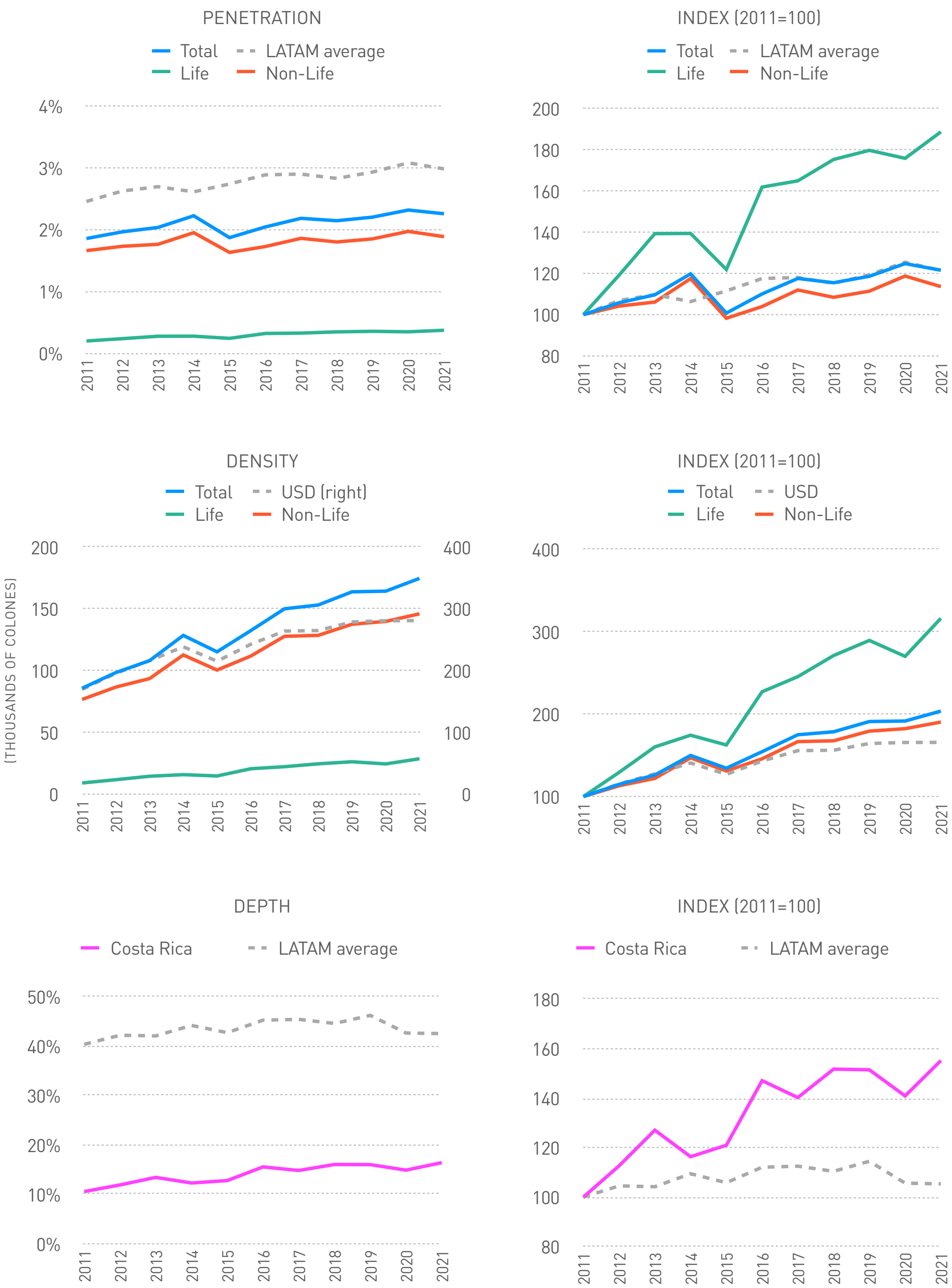
Chart 3.1.6-f shows the evolution of investments, while Charts 3.1.6-g and 3.1.6-h show the composition of the aggregate investment portfolio by sector for the insurance industry over the course of the 2011–2021 period. Investment totaled 2.16 trillion colones (3.36 billion dollars) in 2021, with 86.6% concentrated in financial instruments, 5.1% in cash and 8.3% in real estate. Over the 2011–2021 period, investment structure for the Costa Rican insurance industry did not show any major changes, with investments in financial instruments prevailing over cash and cash equivalents and real estate.

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)

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, %, 2011 index=100)



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

Technical provisions

Chart 3.1.6-i shows changes in the technical provisions of the Costa Rican insurance industry between 2011 and 2021. It shows that technical provisions amounted to 983 billion colones (1.53 billion dollars) in 2021, compared to 602 billion colones (1.18 billion dollars) that they stood at a decade prior, in 2011. 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 2011–2021 period, notably spiking in 2014.

Technical performance

Chart 3.1.6-j shows developments in the Costa Rican insurance industry's technical performance over the 2011–2021 period. This period notably included a surge in the loss ratio in 2014 and 2015 when it peaked (69.88 pp). In 2021, the loss ratio increased by 7.56 pp to 57.45%, influenced by the processing of coming out of the lockdown imposed to counteract the Covid-19 pandemic. The expense ratio, however, fell by 12.4% to 39.95%. The total combined ratio was therefore below 100% in 2021, standing at 97.4%, down by 4.8 pp compared to the previous year.

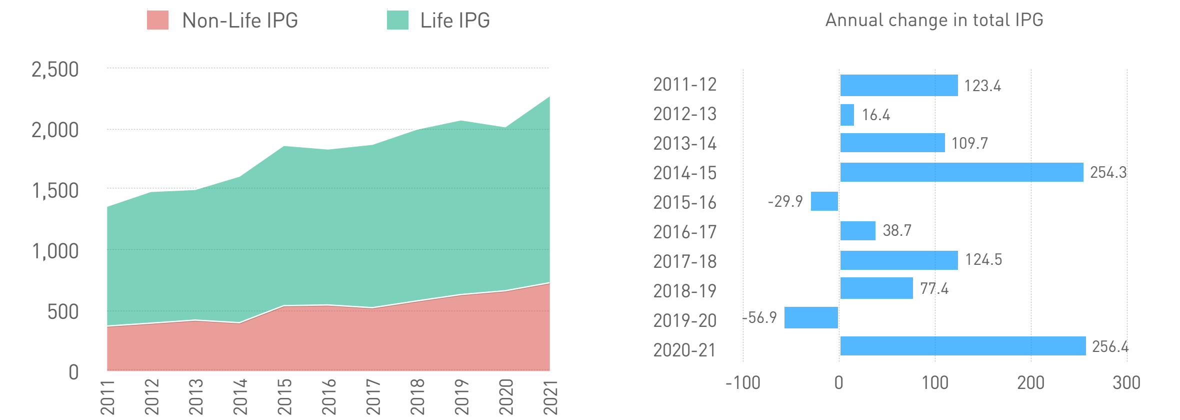
Results and profitability

The Costa Rican insurance industry posted a net result of 159.47 billion colones in 2021 (257 million dollars). In turn, the financial result remained highly satisfactory, coming in at 24.1% of premiums, while the technical result increased into the black, standing at 18.09 billion colones (2.6% of premiums). In terms of profitability, indicators have shown a growing trend from 2013 onward, with the exception of the reduction seen in 2019. As a result, return on equity (ROE) stood at 12.8% in 2021, up 2.7 percentage points from 2020. Return on assets (ROA) performed similarly, reaching 5.97% in 2021, up 1.4 pp from the previous year (see Chart 3.1.6-k).

Insurance penetration, density and depth

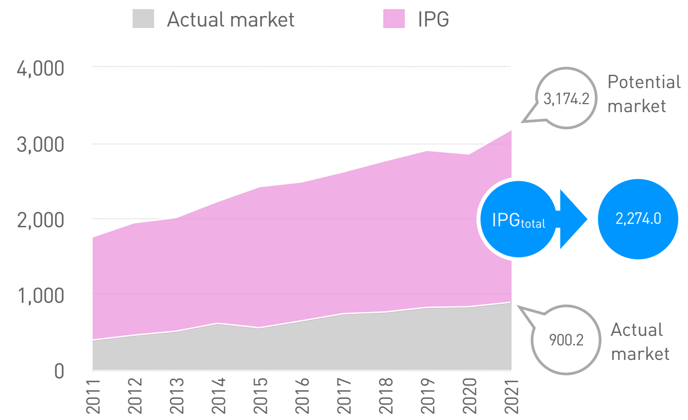
Chart 3.1.6-l shows the main structural trends shaping the development of the Costa Rican insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) stood at 2.3% in 2021, the same figure reported the previous year, up by just 0.4 pp over the last ten years. The penetration of insurance in the Costa Rican market has continued to grow, although at

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



Source: MAPFRE Economics

Chart 3.1.6-n
Costa Rica: Insurance Protection Gap and Potential Market
(billions of colones)

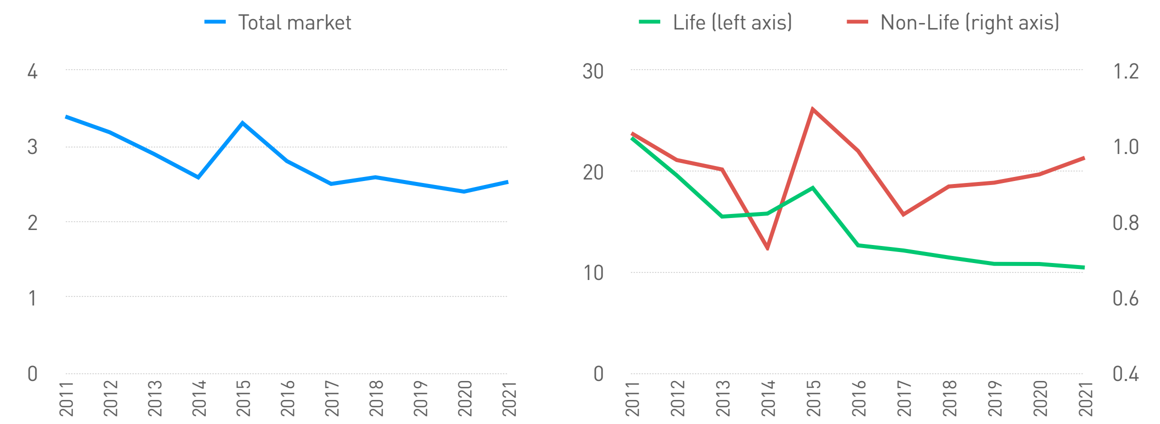


Change	Actual market	IPG
2021-2011	124.4%	67.2%
2021-2020	6.9%	12.7%

Source: MAPFRE Economics

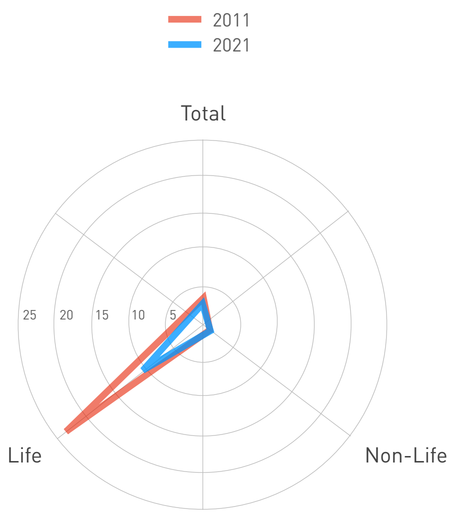
a slower rate and at lower absolute values than seen on the Latin American insurance market as a whole. In terms of insurance density in Costa Rica (premiums per capita) the indicator reached 174,664 colones (281 dollars), up 6.3% from 2020 (164,328 colones). Density in the Costa Rican market (measured in local currency) has generally shown a growing trend between 2011 and 2021, 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. The depth rate in the Costa Rican insurance market (Life insurance premiums vs. total premiums) in 2021 stood at 16.4%, 6 pp above the value reached in 2011. It grew over the analyzed period at a rate similar to the average indicator for Latin American countries as a whole, albeit consistently below said average.

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

Chart 3.1.6-p
Costa Rica: Change in IPG
as a Multiple of the Actual Market



Source: MAPFRE Economics

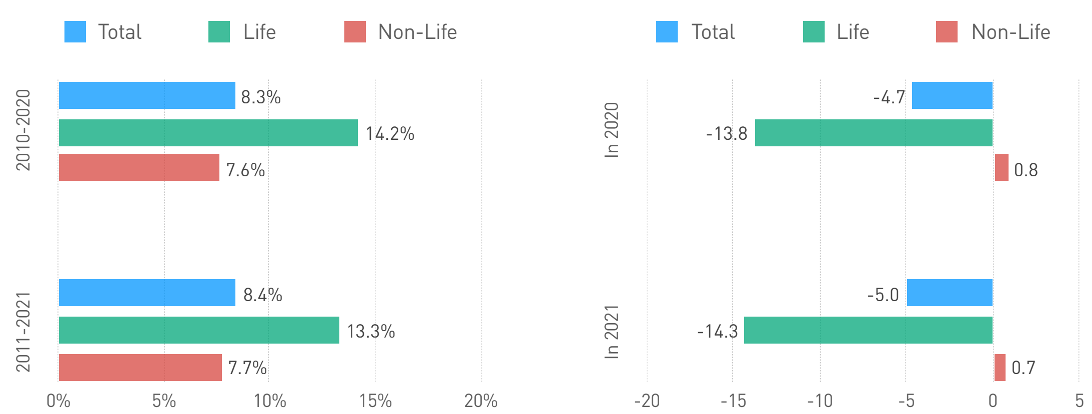
Insurance Protection Gap estimate

Chart 3.1.6-m provides an estimate of the IPG for the Costa Rican insurance market between 2011 and 2021, revealing that the insurance gap stood at 2.27 billion colones (3.66 billion dollars) in 2021. The structure and performance of the IPG between 2011 and 2021 were shaped mainly by the Life insurance segment. At the close of 2021, 67.9% of the IPG was related to Life insurance (1.54 trillion colones), 4.8 pp less than the share recorded for this segment a decade prior, in 2011. The remaining 32.1% of the insurance gap was related to the Non-Life insurance segment (729 billion colones). The potential insurance market in Costa Rica at the close of 2021 (estimated as the sum of the actual market plus the insurance gap) was therefore estimated at 3.17 trillion colones (5.11 billion US dollars), 3.5 times the size of the total Costa Rican insurance market in 2021, compared to 3.4 times in 2020 (see Chart 3.1.6-n).

As Chart 3.1.6-o shows, the insurance gap measured as a multiple of the actual market followed a stable trend for the Non-Life segment in Costa Rica (staying at a multiple around 1), while the IPG corresponding to Life insurance shows a downward trend for the period under analysis, going from 23.3 to 10.4 times the actual market.

Chart 3.1.6-p summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Costa Rican insurance market over the last ten years, comparing the situation in 2021 with the state of the market in 2011. This presentation makes it clear that the

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



Source: MAPFRE Economics

Life insurance business has seen the biggest improvement in the insurance gap over the past decade.

Lastly, Chart 3.1.6-q summarizes the Costa Rican insurance market's capacity to close the insurance gap. As indicated previously in this report, this is based on 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 2021 over the next decade.

This analysis reveals that the Costa Rican insurance market grew at an average annual rate of 8.4% over the period under analysis; the product of an average annual growth rate of 13.3% in the Life insurance segment and of 7.7% in the Non-Life segment. Were the same growth rate seen over the last decade to continue over the next 10 years, the growth rate of the Costa Rican insurance market would be sufficient to bridge the insurance gap in the Non-Life insurance segment, although insufficient for Life insurance by 14.3 pp.

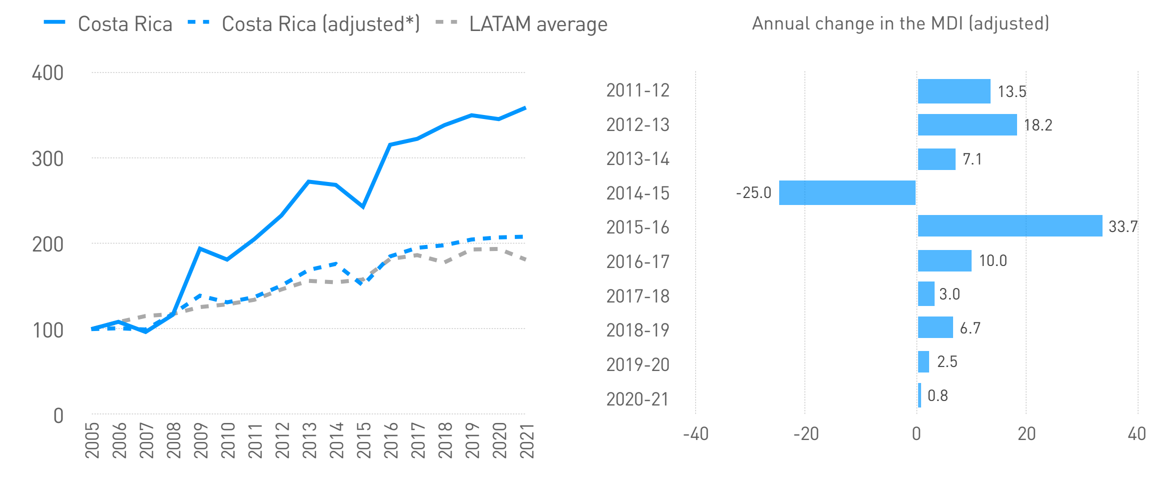
Market Development Index (MDI)

Chart 3.1.6-r shows an estimate 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 particular 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, as indicated in previous reports, 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 region.

Joint analysis of structural coefficients

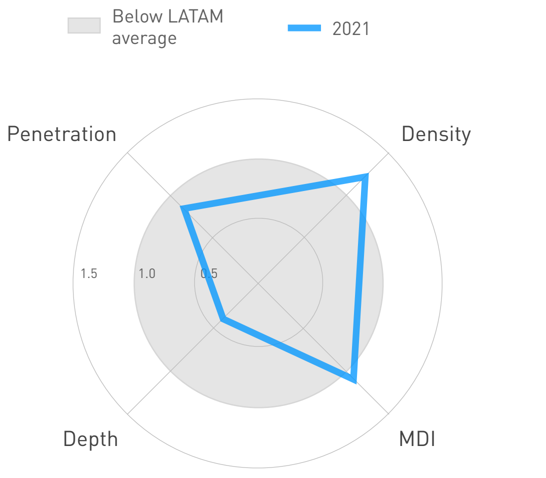
Lastly, Chart 3.1.6-s summarizes the Costa Rican insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. This data shows that the market still remains below the average for Latin America in terms of penetration and, in particular, depth, but not in

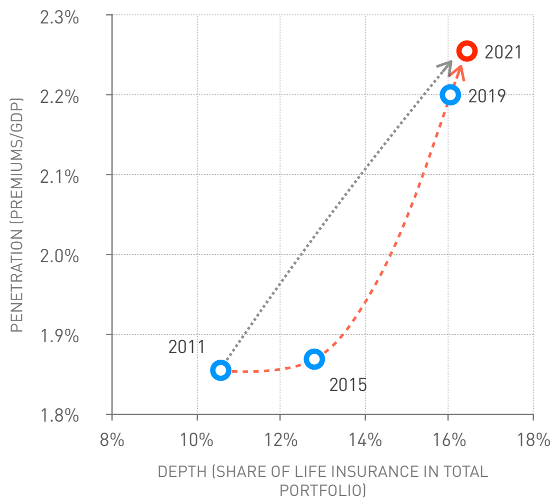
Chart 3.1.6-r
Costa Rica: Market Development Index (MDI)
(2005 index=100; annual change)



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

Chart 3.1.6-s
Costa Rica: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



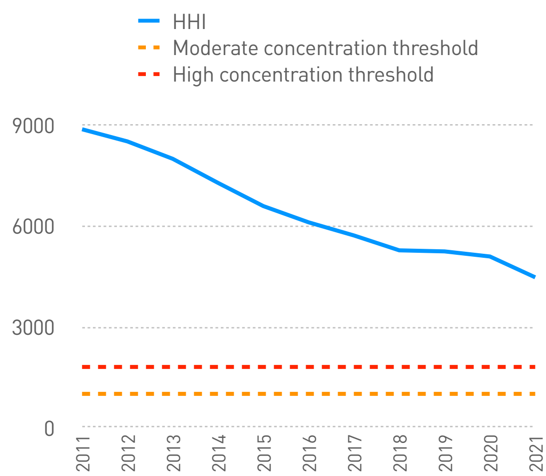


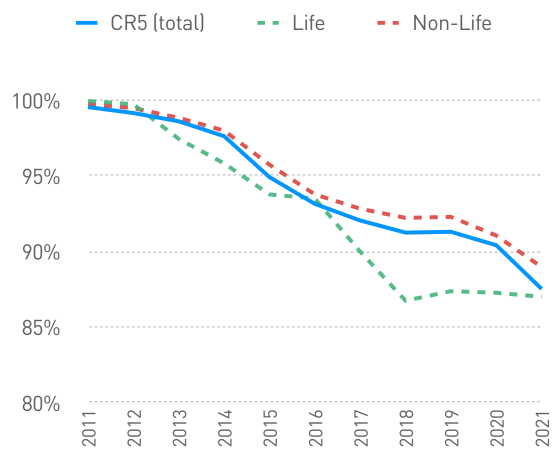
Source: MAPFRE Economics

* 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.

terms of density and the market development index. This relative comparison reveals the fledging level of development in the Life business within the Costa Rican market compared to the wider region, while also showing the growth potential of this insurance activity segment in the country. Furthermore, the analysis of the development of the country's insurance market reflected in Chart 3.1.6-s shows that this has been balanced, both from the perspective of quantity (increase in penetration) and quality (improvement in depth) over the course of the decade.

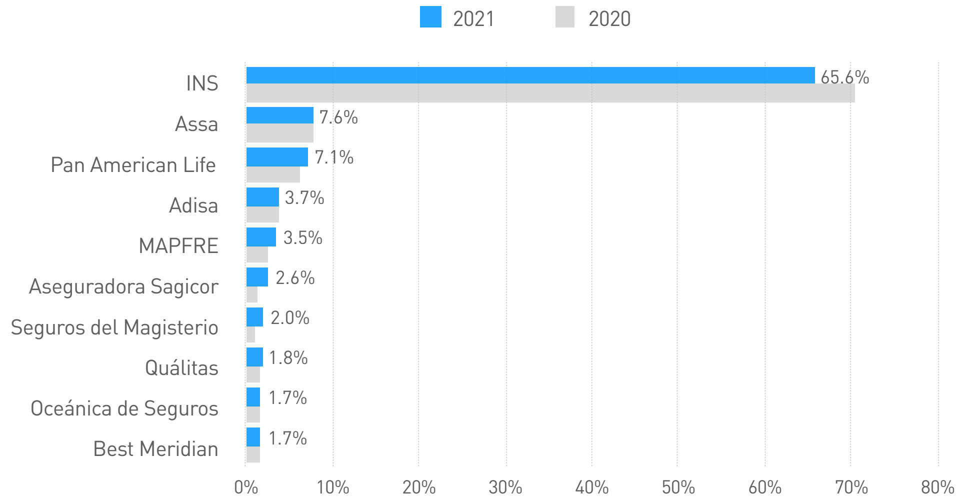
Chart 3.1.6-t
Costa Rica: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)





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

Chart 3.1.6-u
Costa Rica: Total Ranking
(market shares, %)



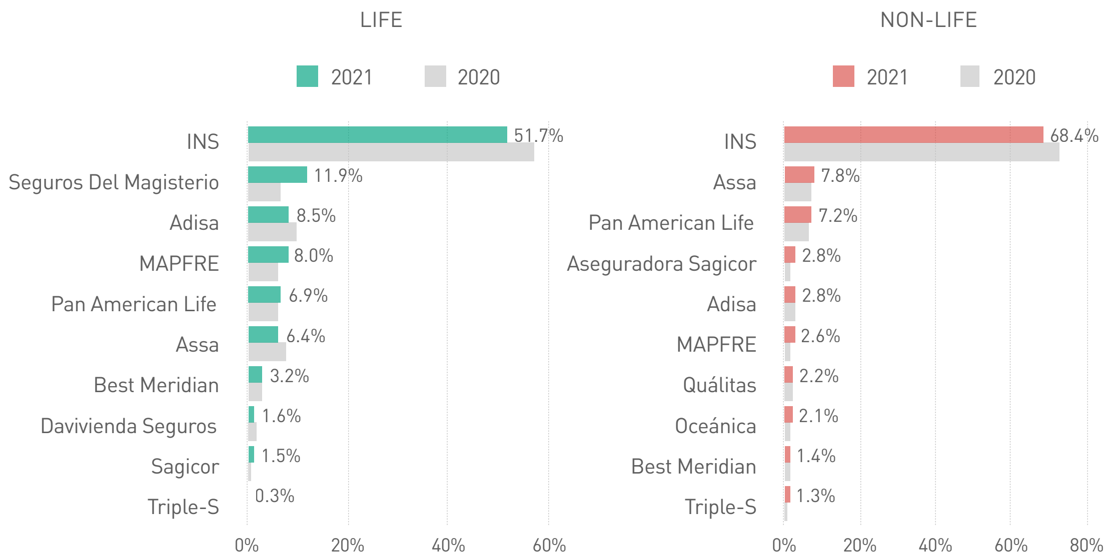
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

Insurance market rankings

Total ranking

There were 13 insurance companies operating in the Costa Rican insurance market in 2021, the same as the year before. This market only opened up to competition in 2008 and remains highly concentrated, with a single company (Instituto Nacional de Seguros [the National Insurance Institute], or INS) accounting for a significant portion of all premiums. Chart 3.1.6-t shows the Herfindahl and CR5 indexes for the Costa Rican insurance industry. As can be seen in this information, levels of concentration are

Gráfica 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)

still well above the theoretical threshold associated with a high degree of market concentration, although concentration levels are steadily decreasing. In the medium-term, this could lead to greater levels of competition within the insurance market.

As regards the total ranking in 2021, the same five groups listed in 2020 remain. The ranking is once again topped by INS, with a market share of 65.6%, followed quite some distance behind by Assa (7.6%), Pan American Life (7.1%), Adisa (3.7%) and MAPFRE (3.5%). Sagicor and Seguros del Magisterio experienced the highest rises in the ranking, moving up three and four positions, respectively. Best Meridian Insurance rounds out the ranking two places down on its position from last year, as reflected in Chart 3.1.6-u.

Life and Non-Life rankings

Compared to the previous year, the Non-Life group ranking in 2021 did not see any change in position in terms of the top three insurance groups, and was yet again led by INS, with a market share of 68.4%. Far behind it were Assa (7.8%), Pan American Life (7.2%), Sagicor, up four places (2.8%), Adisa (2.8%) and MAPFRE (2.6%). Finally, INS is also the biggest insurer in the Life segment of the Costa Rican market, with a share of 51.7%, followed by Seguros del Magisterio (11.9%), passing Adisa (8.5%) in third. MAPFRE places fourth in the ranking (8.0%), followed by Pan American Life (6.9%) and Assa, which drops three positions. The remainder of the ranking sees no other changes, with all companies remaining in the same position as last year (see Chart 3.1.6-v).

Key regulatory aspects

In 2021, the regulatory development process in Costa Rica was intense, as a result of legal requirements, institutional commitments and international trends inherent to the insurance industry, which resulted in specific regulatory developments and developments applicable to the entire financial system. In terms of the regulations specific to the Costa Rican insurance industry, the following were particularly noteworthy in 2021:

- *Accounting regulations.* The necessary regulatory changes were made to implement International Financial Reporting Standard 17 (IFRS 17), in relation to insurance contracts, which will come into force worldwide in January 2023. This also responded to the country's commitments in relation to the accounting regulations of the financial sector, to align with the International Financial Reporting Standards in force. Against this backdrop, as a result of the institutional project to implement IFRS 17 in the Costa Rican insurance industry, on August 23, 2021, the National Council for the Supervision of the Financial System (CONASSIF) approved the necessary amendments for the adoption of the standard, in particular the reform of the Financial Reporting Regulations, including an annex in relation to the Chart of Accounts for institutions supervised by the General Insurance Superintendency (SUGESE), the Regulation on the Registration of Products and the Regulation on the Solvency of Insurance and Reinsurance Companies. The Council approved the entry into force of these reforms on January 1, 2024, one year after the international requirement, considering the time needed for supervised institutions to implement the changes. In addition to these regulatory reforms, the Superintendent's Agreements in relation to the submission of information to the Superintendency (SGS-A-021-2013) were amended, as were the guidelines for the application of solvency provisions (SGS-DES-A-021-2013) to enforce the adoption of the standards by insurance companies. As is the case of the regulatory reforms, these changes will come into force on January 1, 2024.

- *Authorization and registration.* On November 22, 2021, the comprehensive amendment of the authorization and registration regulation for the insurance industry was approved, previously known as SUGESE Agreement 01-08 and hereafter as SUGESE Agreement 01-21 Regulation on Authorizations, Registrations and Operating Requirements of Institutions Supervised by SUGESE, in line with the institutional commitments and the commitment of CONASSIF to simplify formalities, as well as improving and clarifying the regulation after more than twelve years in force and ensuring consistency with subsequent legal and regulatory developments. The reform took effect on November 27, 2021. In addition to this reform, the related Superintendent Resolutions were adjusted, issued in advance, for the purposes of consistency with the comprehensive reform.

- *Solvency regime.* CONASSIF approved amendments to different aspects of the Regulation on the Solvency of Insurance and Reinsurance Companies. On April 12, 2021, the methodology for defining the capital requirement for catastrophic risk was amended, as regards the treatment of reinsurance to determine the capital requirement of earthquake and volcanic eruption coverage. This capital requirement was originally approved in October 2018, although its entry into force was suspended until 2019, at the request of the industry to review the component related to reinsurance. In 2020, the suspension was maintained as a measure for supporting the sector to offset the economic impact of the Covid-19 pandemic. Ultimately, the requirement was adjusted and came into force in September 2021. Furthermore, the Superintendent Resolution for the provision of information was amended with a view to including the new figures that must be sent to the Superintendency in relation to this capital requirement.

  Also on April 12, 2021, CONASSIF decided to permanently implement a measure taken in 2020 for the insurance industry to face the Covid-19 crisis, which reduced the limit as regards the percentage withheld for reinsurance, used for the capital requirement for technical risk in relation to general and personal insurance. The limit now stands at 25%.

  Finally, on August 16, 2021, to correct the handling of surety insurance in the solvency regime, CONASSIF approved a specific method for calculating the provision and the calculation of the capital requirement for this type of insurance, thus recognizing that surety insurance poses a different risk for insurance companies offering it. This regulatory reform was supplemented with the update to the agreement to send information, to adjust the capital sufficiency index and the capital requirement on account of the technical risk of surety insurance.

- *Disclosure of information.* On April 12, 2021, the Council approved the Regulation on providing periodic information and disclosing relevant facts governing the obligations for providing periodic reporting and disclosing relevant facts required for supervised companies, pursuant to the provisions of the Insurance Market Regulation Act. The issuance of this Regulation resulted in the issuance of three Superintendent Resolutions, namely: (i) resolution for normalizing the functioning of the Relevant Facts Service, available on SUGESE's online platform to communicate relevant facts to the Superintendency and the corresponding public; (ii) agreement to normalize the method and content for disclosing information on the relevant roles and positions of supervised companies, and (iii) adjustments to digital agreements and the remittance of information, to ensure consistency with the new rules for disclosing information and relevant facts.

- *Financial inclusion.* In relation to the Regulation on Inclusion and Access to Insurance, approved by CONASSIF in August 2020, the corresponding regulations were passed in terms of the Register of Health Insurance Operators, in response to Transitional Provision III of the Regulation. Following the change in the procedure for registering and updating the operators of these insurance policies and automation as part of a new service offered on the SUGESE platform online, Superintendent Resolution SGS-A-0083-2021 was issued on General Guidelines for the Registration of Health Insurance Operators by Insurance Companies, dated June 24, 2021.

3.1.7 Panama

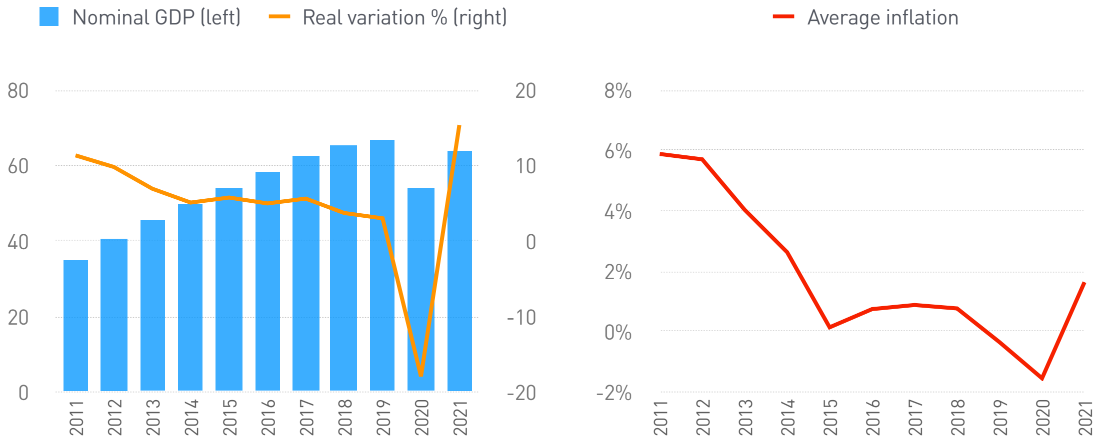
Macroeconomic environment

The Panamanian economy registered growth of 15.3% in 2021 following the notable drop of 17.9% seen the previous year. This significant recovery, although not enough to return to pre-pandemic levels, was underpinned by the gradual recovery of economic activity in the country and a favorable external environment (see Chart 3.1.7-a). Both factors contributed to higher levels of dynamism in household consumption in 2021 and the partial recovery of investment starting in the second quarter of the year, following the reactivation of major infrastructure projects and new flows of private investment. Furthermore, year-on-year inflation in 2021 stood at around 1.6% (average annual inflation of -1.6% in 2020), reaching 3.5% in July 2022 (having peaked in June at 5.2%).

According to data published by the Central American Monetary Council, Panamanian public debt amounted to 63.6% of GDP at the end of 2021 (68.4% in 2020), and the fiscal deficit would close the year at around 6.3%, compared to 9.1% the previous year. This situation reflects the extraordinary dedication of funds to overcoming the Covid-19 pandemic, as well as the announcement of the New Panama Solidarity Plan, in force until December 31, 2021. As regards the external sector, having recorded a surplus in 2020 (2.0% of GDP), the current account balance recorded a deficit of 2.2% in 2021, in particular as a result of the increased speed of imports.

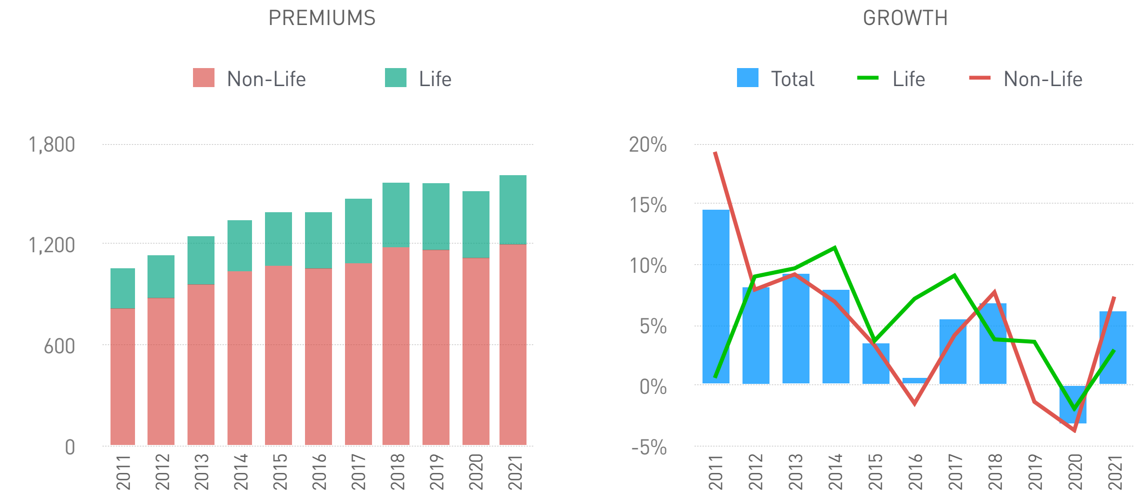
MAPFRE Economics has forecast GDP growth in Panama of around 7.0% for 2022, similar to the rate forecast by ECLAC, which expects the Panamanian economy to consolidate its improvement as demand factors (mainly consumption and private investment) recover.

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)

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)

Insurance market

Growth

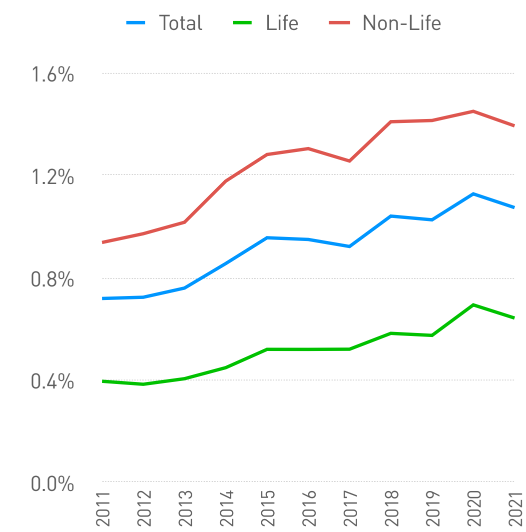
In 2021, the premium volume of the Panamanian insurance market was 1.61 billion balboas (exchange rate pegged to the US dollar). As reflected in Table 3.1.7 and in Chart 3.1.7-b, nominal market growth in 2021 stood at 6.2% (compared to the drop of 3.2% seen the previous year), with real growth of 4.5% year on year. Non-Life insurance premiums, which account for 74.5% of the entire Panamanian insurance market, performed more favorably than Life premiums and amounted to 1.2 billion balboas. Specifically,

Table 3.1.7
Panama: Premium Volume[1] by Line, 2021

Line	Millions of balboas (= USD)	Growth	
		Nominal (%)	Real (%)
Total	**1,611.2**	**6.2**	**4.5**
Life	**410.1**	**3.0**	**1.3**
Non-Life	**1,201.0**	**7.3**	**5.6**
Automobiles	278.1	6.0	4.3
Health	371.3	8.7	6.9
Other lines	116.8	17.3	15.5
Surety	106.3	-12.4	-13.8
Fire and allied lines	164.8	4.6	2.9
Third-Party Liability	43.1	16.4	14.5
Transport	56.6	1.7	0.1
Technical risks	36.9	94.4	91.3
Personal Accidents	20.4	9.3	7.6
Multirisk	6.8	9.5	7.7

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
(%)

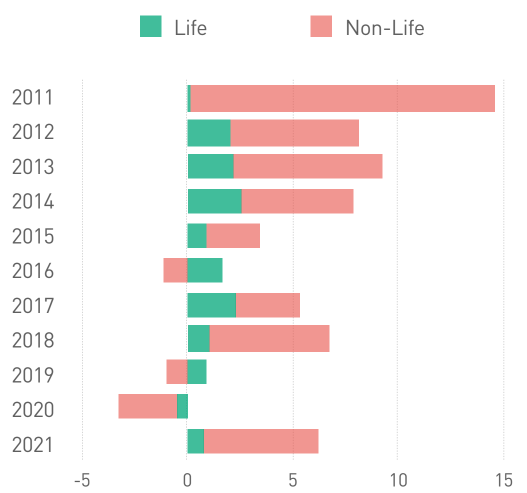


Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance and supervisory bodies of the region)

Non-Life premiums grew by 7.3% in nominal terms (5.6% in real terms), while Life insurance premiums (25.5% of the portfolio) experienced growth of 3%, to a total of 410 million balboas. In 2021, only the Surety line of business contracted, by 12.4% year on year. Health insurance saw the most significant growth, by 8.7%, with 371 million in premiums. Automobile, the second-biggest segment in the Non-Life insurance business by weight, registered 278.1 million in premiums, experiencing 6.0% growth in nominal terms (4.3% in real terms). Finally, the 4.6% nominal growth in the Fire and allied lines and the growth in the Third-Party Liability (16.4%) and Technical Risks (94.4%) lines are worth particular mention.

In relation to the Panamanian market, the share of total premiums and by Life and Non-Life segments compared to the Latin American market has been positive, with the exception of 2017, 2019 and 2021, when the weight of both lines compared to the corresponding markets contracted. Over the past decade, the weight of total Panamanian premiums in the total for Latin America has grown from 0.72% in 2011 to 1.08% in 2021. Likewise, the participation of the Life insurance business also increased from 0.4% in 2011 to 0.64% in 2021, while the Non-Life insurance business grew from 0.94% to 1.4% during this period (Chart 3.1.7-c).

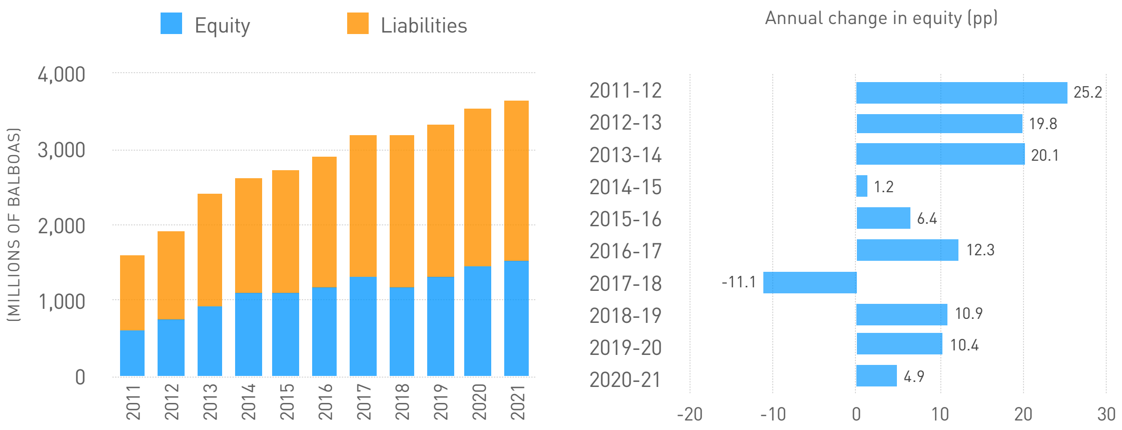
Chart 3.1.7-d
Panama: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	14.6	0.2	14.4
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

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)



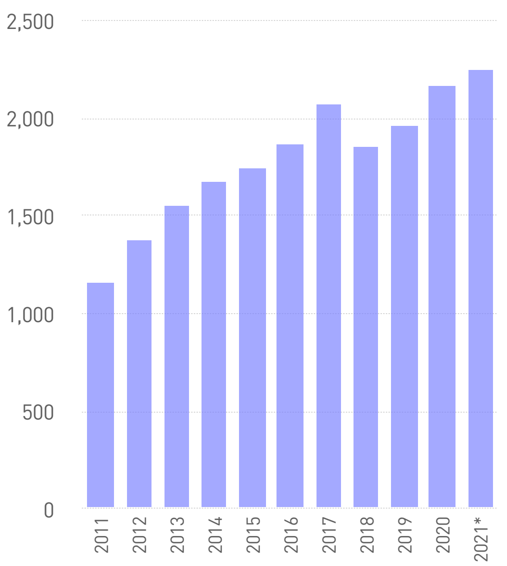
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

As such, of the growth of 6.2% recorded by the Panamanian insurance market in 2021, 0.8 pp were contributed by the Life insurance segment, while the Non-Life segment made a contribution of 5.4 pp (see Chart 3.1.7-d).

Balance sheet and shareholders' equity

Chart 3.1.7-e shows the aggregate balance sheet of the Panamanian insurance industry over the 2011–2021 period. Total assets

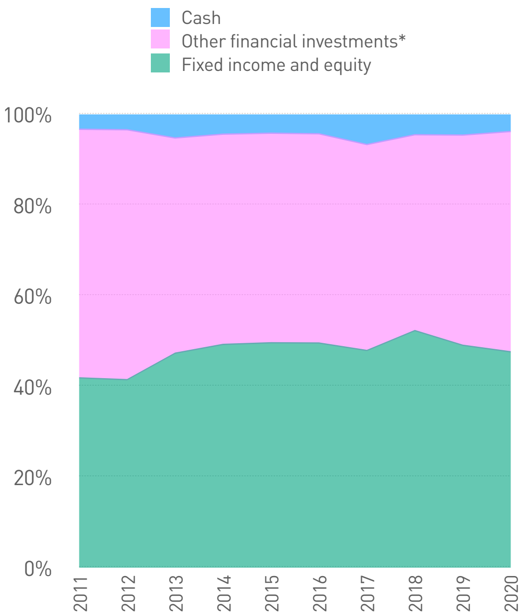
Chart 3.1.7-f
Panama: Insurance Market Investments
(millions of balboas)



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).

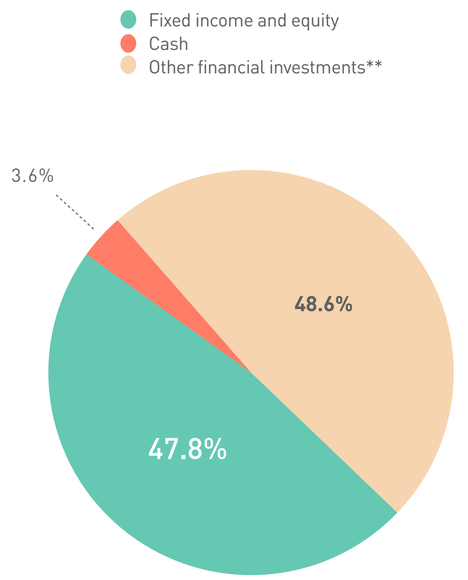
Chart 3.1.7-g
Panama: Structure of Investments
(%)



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

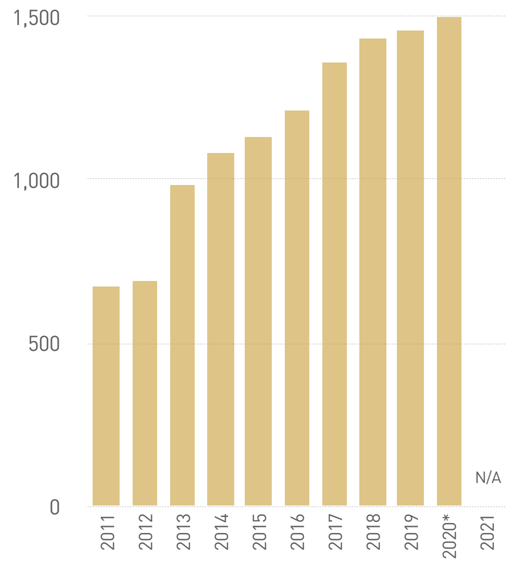
*Includes bank deposits

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

in 2021 came to 3.65 billion balboas, up by 3.6% year on year, while equity during the year stood at 1.51 billion balboas (4.9 pp up on the previous year). The Panamanian insurance industry's aggregate capitalization levels (measured over total assets) rose 3.2 pp over the last 10 years. Since 2011 (38.1%), the indicator has grown until 2021 (41.2%), although this growth was interrupted in 2013 (37.9%) and 2019 (39.2%), when there was a significant drop in capitalization over total assets.

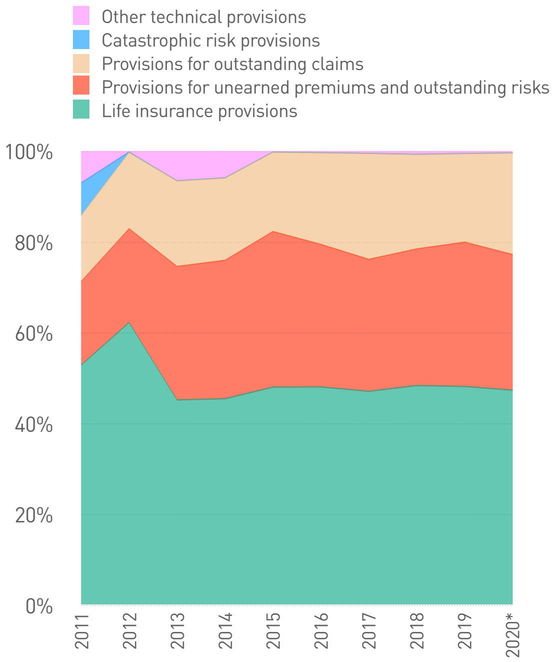
Investments

It should be noted that information in relation to investments by the Panamanian insurance industry for the past year has not been included, and that the statistical information needed to analyze investments, technical provisions and profitability were not available prior to the date of this report. However, for merely illustrative purposes as regards the main trends in the Panamanian market in recent years, Chart 3.1.7-f has been included (with an estimation of investment for the past two years based on the information provided by the Insurance and Reinsurance Superintendency, Article 217), as well as Charts 3.1.7-g and 3.1.7-h, which reflect the performance and structure of aggregate investments at a sectoral level for the 2011–2020 period, emphasizing the relative importance of equity and variable investments.

Technical provisions

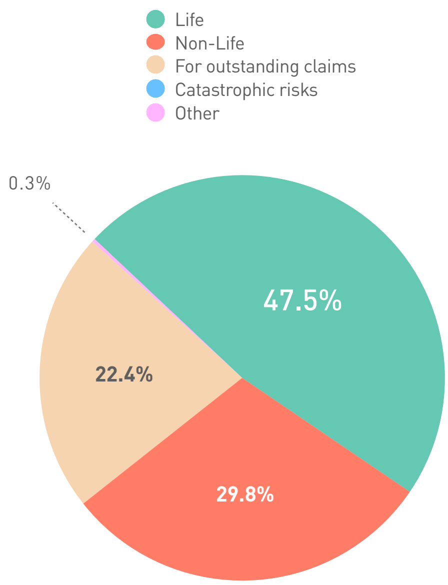
Charts 3.1.7-i, 3.1.7-j and 3.1.7-k show the performance and structure of the Panamanian sector's technical provisions between 2011 and 2020 for the purposes indicated above. In this case, technical provisions associated with Life insurance accounted for a significant percentage: 47.5% in 2020, the last year for which information was made available.

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*
(%)

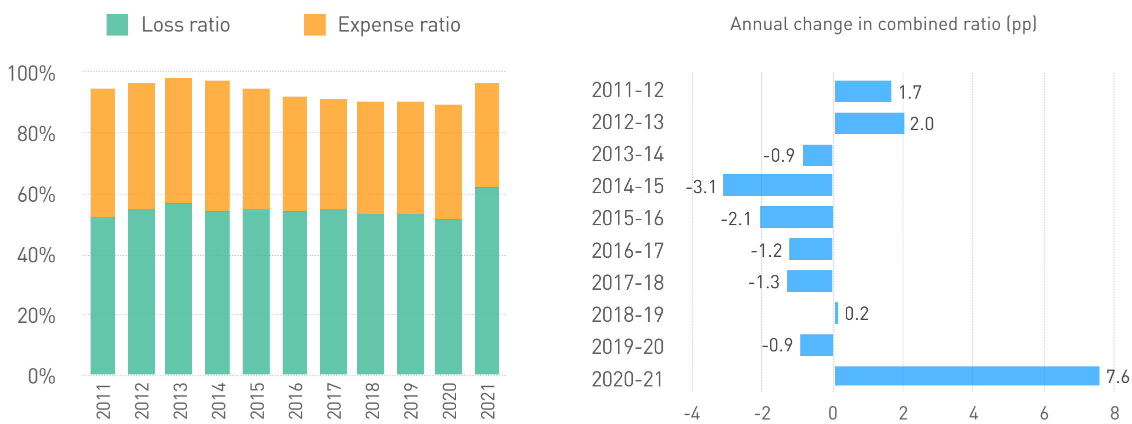


Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
*Latest available data

Technical performance

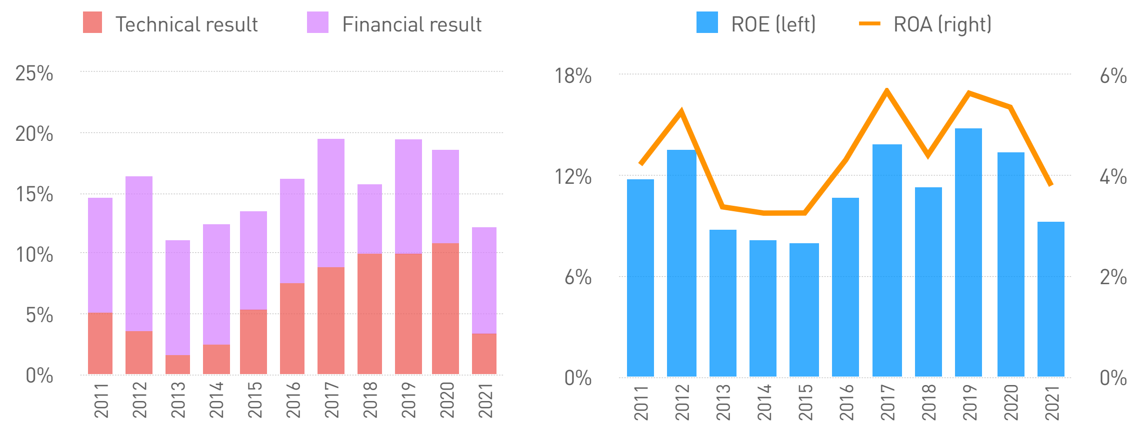
The aggregate combined ratio of the Panamanian industry in 2021 deteriorated year on year, increasing by 7.6 pp to 96.7%, still below the threshold of 100%. This means that 2021 has broken the trend established in recent years as regards the improvement in technical efficiency first seen in 2014. In turn, the 3.2 pp improve-

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)

ment in the expense ratio, from 38.1% to 34.8% in 2021, was not enough to offset the worsening of the loss ratio, which increased by 10.8 pp to 61.9% (51.1% in 2020), dragging down the total combined ratio of the Panamanian market. This was undoubtedly influenced by the restoration of economic activity following the lockdown measures imposed to combat Covid-19 (see Chart 3.1.7-l).

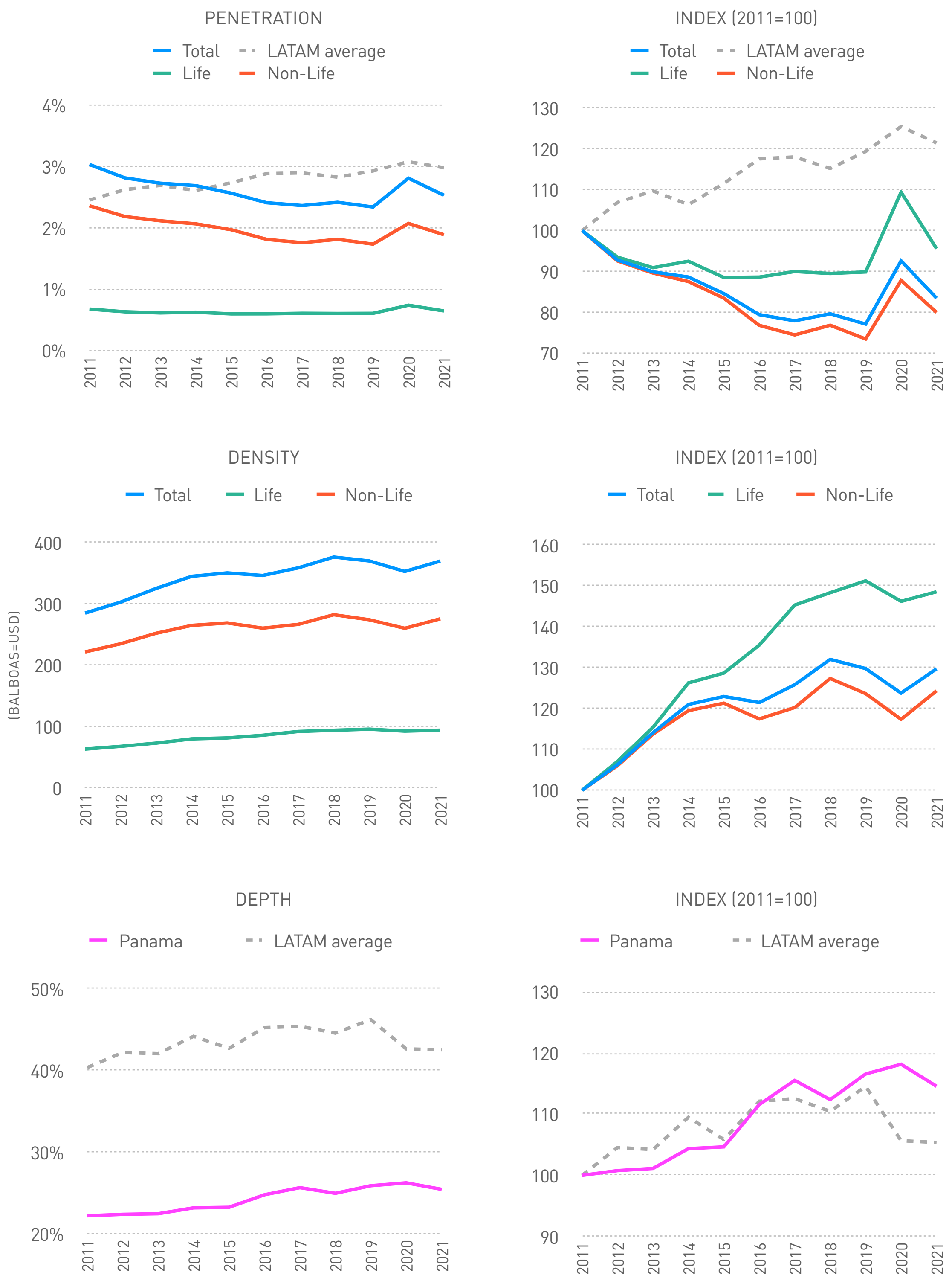
Results and profitability

The net result of the insurance industry in Panama in 2021, penalized by an increase in the loss ratio, stood at 136.2 million balboas (-25.6% year on year), underpinned by the technical result of the sector, which stood at 36.8 million dollars (-66.6% compared to 2020) and a financial result of 99.4 million balboas (up 28.3% year on year). The profitability indicators show a downward trend from 2019 onwards, with a return on equity (ROE) dropping to 9.3% (contracting by 4.1 pp compared to 2020), and a return on assets (ROA) that stands at 3.8%, down by 1.6 pp year on year (see Chart 3.1.7-m).

Insurance penetration, density and depth

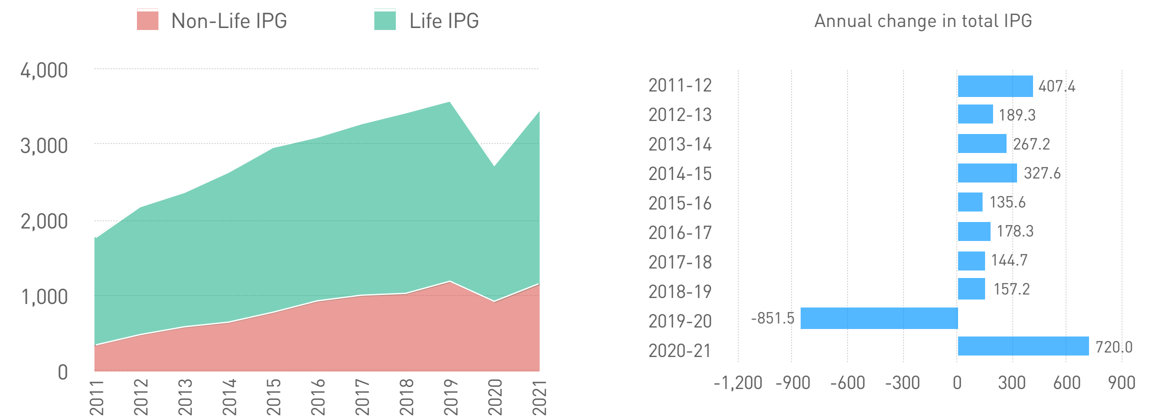
Chart 3.1.7-n shows the main structural trends shaping the development of the Panamanian insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) in 2021 stood at 2.5%, 0.3 pp lower than in 2020 and 0.5 pp lower than in 2011. As can be seen in the aforementioned chart, the penetration index of the Panamanian market has consistently contracted since 2011, diverging from the average of the Latin American insurance market as a whole since 2014; nonetheless, in 2020 it came close to average values before falling back again in 2021, 0.5 pp behind the trend. Insurance density in Panama (premiums per capita) amounted to 370 balboas (on par with the US dollar), representing accumulated growth of 29.7% compared to 2011 and 4.8% the previous year (353 balboas). In contrast to the penetration rate, density has been on an upward trend, higher than the Latin American average of 240 dollars. Lastly, the depth of the Panamanian market (measured as the ratio of Life insurance premiums to total premiums) stood at 25.5% in 2021, down by

Chart 3.1.7-n
Panama: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, balboas; Life premiums/total premiums, %, 2011 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)



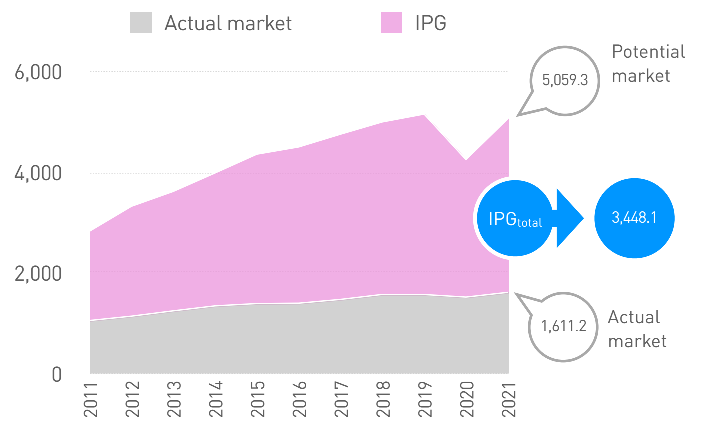
Source: MAPFRE Economics

0.8 pp on the previous year and up by 3.2% on the figure from 2011. Depth was virtually stagnant over the last decade, at figures 19% 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 estimate of the IPG for the Panamanian insurance market between 2011 and 2021. This data shows that the insurance gap in 2021 stood at 3.45 billion balboas, 2.1 times the size of the actual insurance market in Panama that year. The structure and performance of the IPG between 2011 and 2021 (as for most Latin American insurance markets) show a dominance of the Life insurance segment. At the close of 2021, 66.3% of the IPG (66% in 2020) related to Life insurance (2.29 billion balboas), meaning that the share of this segment fell by 13.8 pp compared to 2011 and grew by 0.4 pp compared to the previous year. The remaining 33.6% of the IPG is a product of the Non-Life insurance segment (1.16 billion balboas). The potential insurance market in Panama at year-end

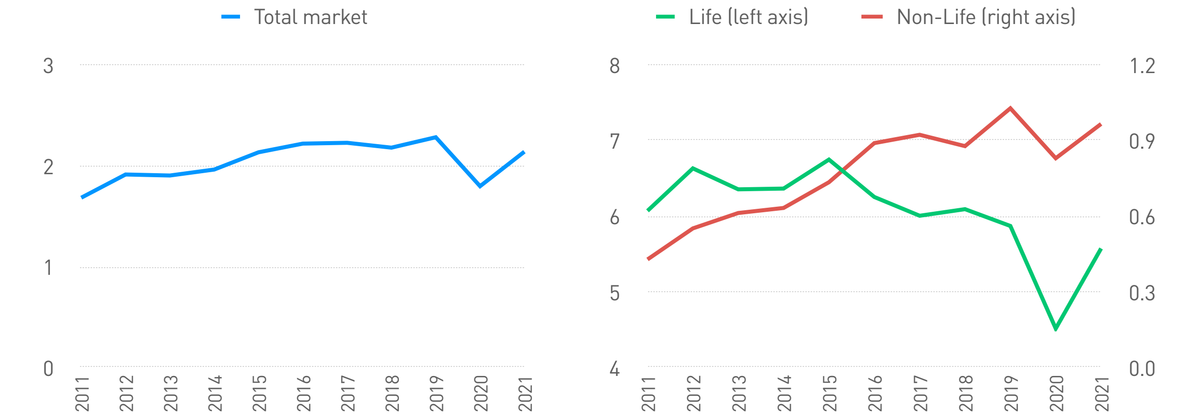
Chart 3.1.7-p
Panama: Insurance Protection Gap and Potential Market
(millions of balboas)



Change	Actual market	IPG
2021-2011	53.0%	94.5%
2021-2020	6.2%	26.4%

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)

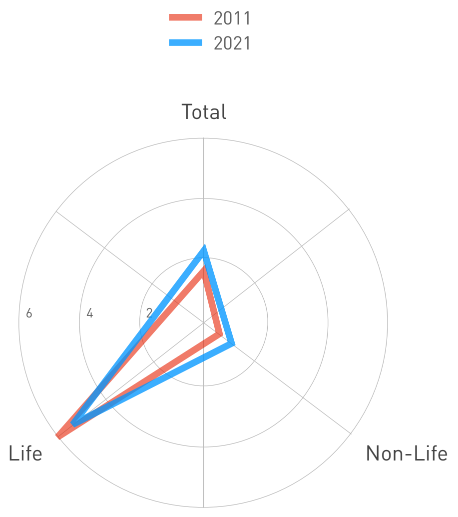


Source: MAPFRE Economics

2021 (the sum of the actual market plus the IPG) was therefore estimated at 5.06 billion balboas, 3.1 times the size of the total insurance market that year (see Chart 3.1.7-p).

Chart 3.1.7-q shows an estimate of the insurance gap as a multiple of the actual insurance market in Panama. The IPG as a multiple of the market followed an upward trend until 2019 as a result of the expansion of the IPG in the Non-Life segment, since the indicator only went up for the Life segment until 2015. Last year, the indicator for both lines rose again, following the significant drop in 2020 as a result of the economic impact of the pandemic on the country's insurance industry.

Chart 3.1.7-r
Panama: Change in IPG
as a Multiple of the Actual Market

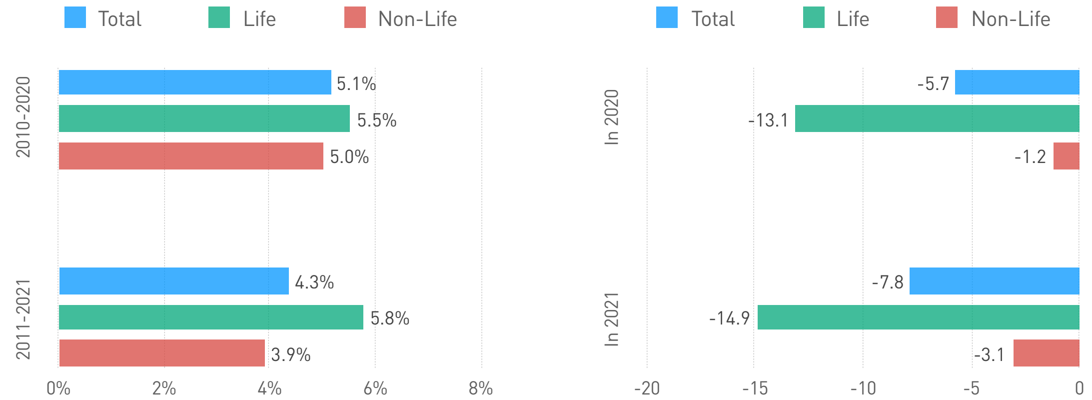


Source: MAPFRE Economics

Chart 3.1.7-r summarizes the development of the IPG as a multiple of the actual Life and Non-Life markets and the Panamanian insurance market as a whole over the last decade. As this chart shows, the IPG as a multiple of the actual market increased in the Non-Life segment in the 2011–2021 period, meaning the insurance protection gap worsened, while it went down in the Life segment.

Finally, Chart 3.1.7-s shows the Panamanian insurance market's capacity to close the insurance gap. This is based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the insurance gap determined in 2021 over the next decade. As such, the Panamanian insurance market grew at an average annual rate of 4.3%, underpinned by an average annual growth rate of 5.8% in the Life insur-

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



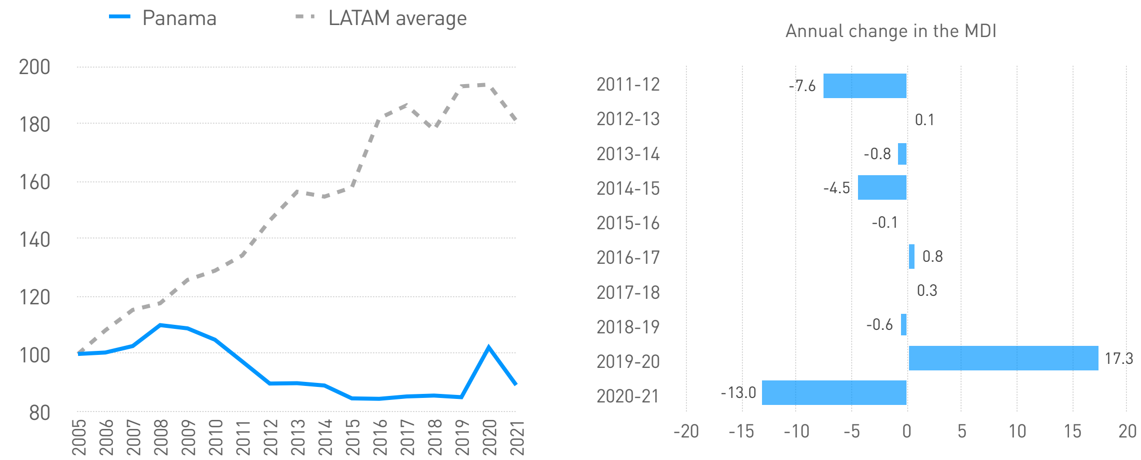
Source: MAPFRE Economics

ance segment and average annual growth rate of 3.9% in the Non-Life insurance segment. This analysis confirms that, were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Panamanian insurance market would fall 3.1 pp short of achieving this objective in the Non-Life insurance segment, while it would fall 14.9 pp short in the Life insurance segment. This represents a worsening of the sufficiency of both segments compared to the exercise performed last year for the 2010–2020 period.

Market Development Index (MDI)

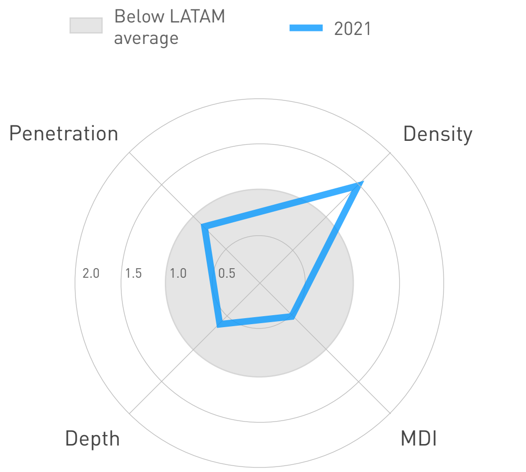
Chart 3.1.7-t shows an estimate of the Market Development Index (MDI) for the Panamanian insurance industry between 2005 and 2021. As noted throughout this report, the MDI is used as a benchmark for the general trends observed in the performance and maturity of insurance markets. In 2021, the indicator for the Panamanian market dropped by 13 pp compared to the previous period, returning to similar values as those seen in 2012. The indicator fol-

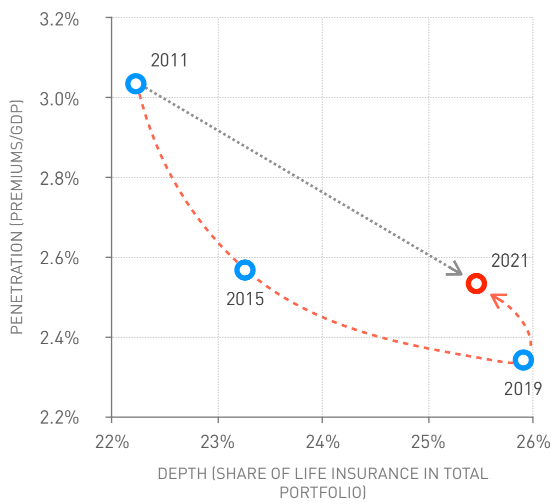
Chart 3.1.7-t
Panama: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.7-u
Panama: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)





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.

lowed the same trend as the Latin American insurance market average only until 2008 (although always remaining below that value), after which it clearly diverged from the average performance seen across the wider region. Over the past year, the same distance as seen in 2020 has been maintained in terms of the average MDI for Latin America (91.2 pp), as the index for the Panamanian market has dropped to 89.2 (102.3 in 2020), while the regional average also dropped by 12.4 pp, to 181.0 (193.5 in 2020).

Joint analysis of structural coefficients

Finally, 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 coefficients 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 four of the structural indicators analyzed, the density index being the only exception. Furthermore, when analyzing the performance of this market over the past decade, it can be seen that although progress has been made in terms of quality (depth), performance has waned over the course of the decade in terms of quantity (penetration).

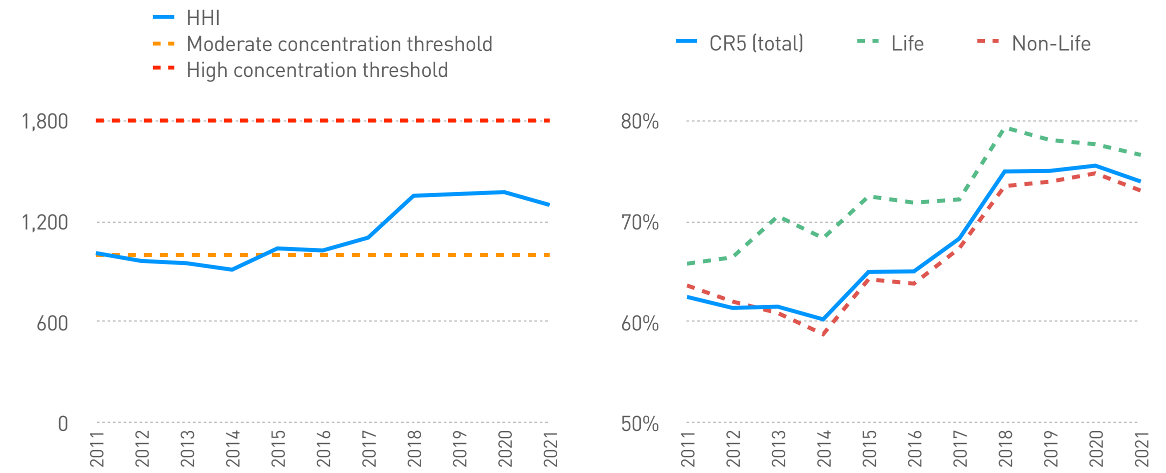
Insurance market rankings

Total ranking

A total of 23 insurance companies were operating in Panama at the end of 2021, the same as in previous years. While concentration in the Panamanian insurance industry generally declined until 2014, the Herfindahl and CR5 indexes both show an increase in market concentration thereafter and until 2020, when they stabilized before dropping slightly again.

The CR5 index (market share of the five largest companies operating in the market) stood at 73.9% in 2021 (76.6% for the Life segment and 73.0% for the Non-Life segment). The Herfindahl index in 2021 remained above the theoretical threshold indicative of moderate levels of industry concentration, a parameter that the Panamanian market has been exceeding since 2015 (see Chart 3.1.7-v).

Chart 3.1.7-v
Panama: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



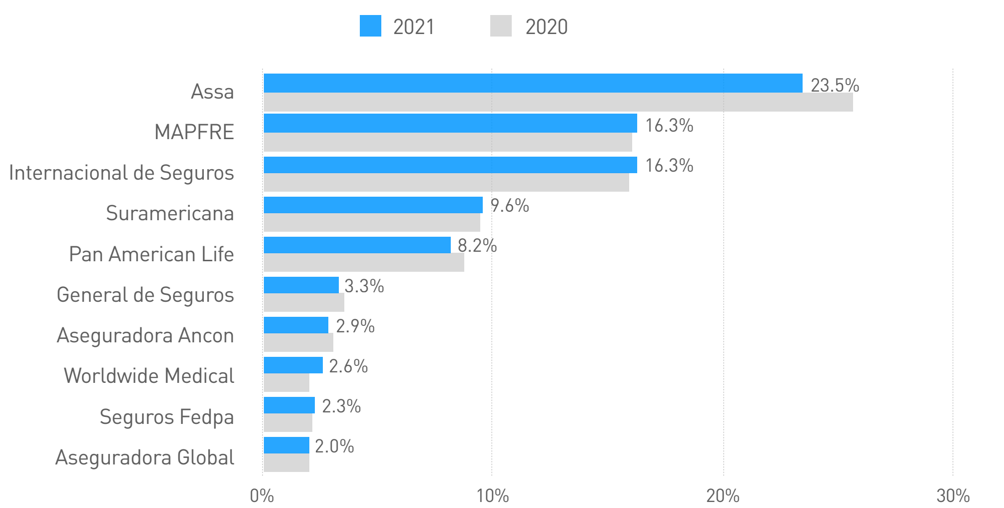
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

On the other hand, the total ranking of insurance groups in Panama in 2021 was led by Assa, with a market share of 23.5% (25.6% in 2020), followed by MAPFRE, which remains in second place with a market share of 16.3% (16.1% in 2020), and Internacional, which has increased its market share by 0.4 pp to 16.3%. The remaining companies on the list maintained their relative position, with the exception of Worldwide Medical, which moved up 2 places to eighth, overtaking Seguros Fedpa and Aseguradora Global, who round off the ranking with market shares of 2.3% and 2.0% each (see Chart 3.1.7-w).

Life and Non-Life rankings

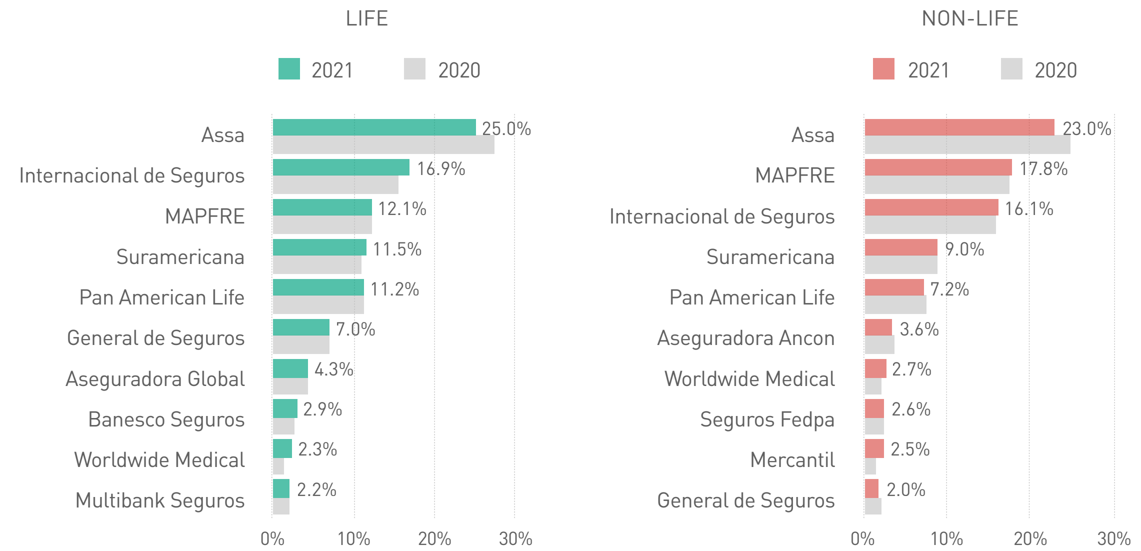
As shown in Chart 3.1.7-x, in the Non-Life ranking for 2021, the top positions were occupied by Assa, with a market share of 23.0% (-1.9% on 2020), MAPFRE, up by 0.4

Chart 3.1.7-w
Panama: Total 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)

pp this year to a market share of 17.8% (17.4% in 2020) and Internacional de Seguros with a market share of 16.1%. The remaining companies remain in the same position as last year, with the exception of Worldwide Medical and Seguros Fedpa, which switched positions (seventh and eighth, respectively). Mercantil Panamá also entered the top ten Non-Life companies, up 3 positions over the past year. General de Seguros rounded off the ranking with a market share of 2.0%.

Finally, the three insurance groups that topped the Life ranking last year remain in the same places: Assa with a market share of 25.0% (-2.5 pp on 2020), Internacional de Seguros with a market share of 16.9% (15.6 % in 2020) and MAPFRE with a market share of 12.1%. Suramericana in fourth and Worldwide Medical in ninth, overtook Pan American Life and Multibank, which drop to fifth and tenth, respectively, while the remaining companies stay in the same position.

Key regulatory aspects

In terms of regulatory aspects relating to the Panamanian insurance market during 2021 and the start of 2022, the following regulations were issued by the Management Body of the Superintendency of Insurance and Reinsurance, which is tasked with supervising insurance activity in the country:

- Resolution-001-2021, passed on January 12, 2021, regulating the concept of microinsurance.
- Resolution-001-2022, passed on July 12, 2022, amending Resolution No. 11-2013, establishing the minimum requirements for operating as Alternative Insurance Sales Channels.
- Resolution-002-2022, passed on July 21, 2022, regulating the use of the simple or certified electronic signature and digitalized or scanned signatures for documents related to the insurance industry.
- Resolution-018-2020, of March 23, 2020, which considers pending receivable balances on net premiums earned arising from agreements and amendments to insurance policy terms and conditions as Solvency Ratios, Liquidity Margins, and Investment Balance Sheet Reserves.

- Resolution-JD-013-2021, of April 7, 2021, extending the effectiveness of Resolution No JD-018 of March 23, 2020, until December 31, 2021.
- Resolution-007-2021, of September 22, 2021, creating and regulating the Policies Commission for the Approval, Review and Analysis of Insurance Policies.
- Resolution-010-2021, of July 26, 2021, suspending the procedural and administrative terms of the Department for Consumer Protection and Intermediaries indefinitely until further notice.
- Resolution-009-2021, of July 26, 2021, suspending the procedural and administrative terms of the Department for Insurance Consumer Protection and the Department of Insurance Intermediaries from July 12 to 16, 2021, in addition to other provisions.
- Circular-003-2021, of January 29, 2021, asking for information to be sent about the increase in premiums for health collectives.
- Circular-021-2021, of May 14, 2021, containing the schedule for the submission of information for calculating the Technical Reserves for 2021.
- Circular-043-2021, of February 11, 2022, consulting the coverage of policies for the disabled population.

Finally, the agreement of February 24, 2022 (Agreement-SSRP-SUMARSE), is a cooperation agreement entered into between SUMARSE and the Superintendency of Insurance and Reinsurance of Panama, which seeks to promote cooperation with a view to increasing the standards of sustainability and human rights in the insurance sector by collectively creating a voluntary industry protocol that encourages responsible business conduct and the impact on the supply chain of insurers.

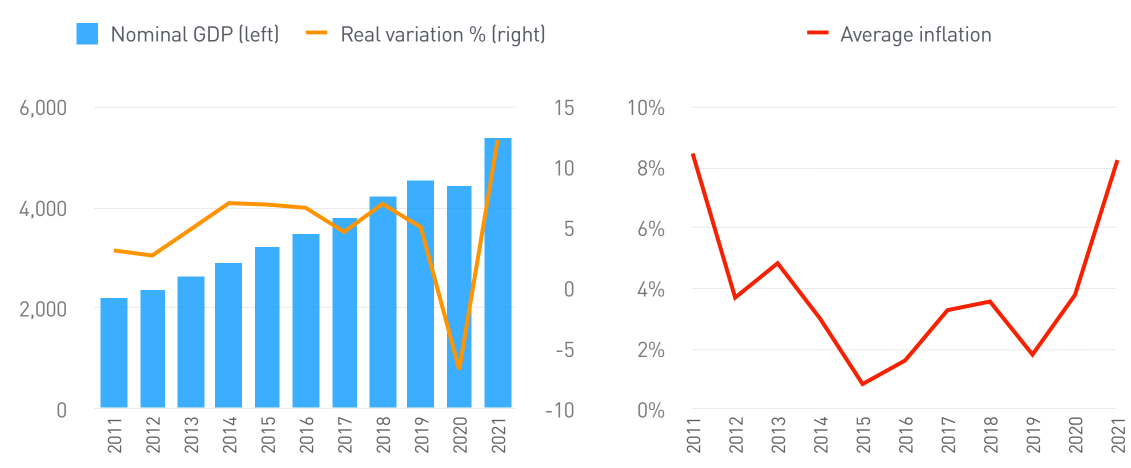
3.1.8 Dominican Republic

Macroeconomic environment

In 2021, the Dominican economy grew by 12.3% in real terms (-6.7% in 2020), supported mainly by the recovery of tourism-related activities, surpassing pre-Covid levels of activity. The sectors registering the biggest increases in aggregate value, in addition to tourism-related services (hotels, bars and restaurants), were construction and mine and quarry-operating activities (see Chart 3.1.8-a). In terms of the current account, although the increase in exports, both of goods and travel services, increased an impressive rate, the rise in the price of imports was higher, meaning that the current account deficit ended the year at 2.0% in 2021, in line with the previous year. In terms of the situation of public accounts, based on the information published by the Central America Monetary Board, in view of the more favorable domestic and international economic backdrop, the deficit dropped to -2.7%, resulting in a reduction in debt to GDP to 62.7% in 2021, compared to 69.1% in 2022, while foreign debt represented 58% of public debt. The average inflation rate in 2021 rose to 8.2%, compared to 3.8% in 2020; as a result, monetary policy has progressively increased interest rates of the standing expansion facility (1-day repos) to 5.00% by December 2021. In 2022, the central bank continued to tighten monetary policy, increasing the interest rate to 8% in the month of August.

As regards the growth forecast, MAPFRE Economics has forecast an increase in Dominican GDP of 5.1% in 2022, while ECLAC estimates that the Dominican economy will grow by 5.3% the same year. This is forecast to coincide with an increase in the export of goods and an increase in revenue on tourism-related activities and foreign flows of investment. As regards inflation, the persistent external shocks and permeability of core inflation are negative factors.

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)

Insurance market

Growth

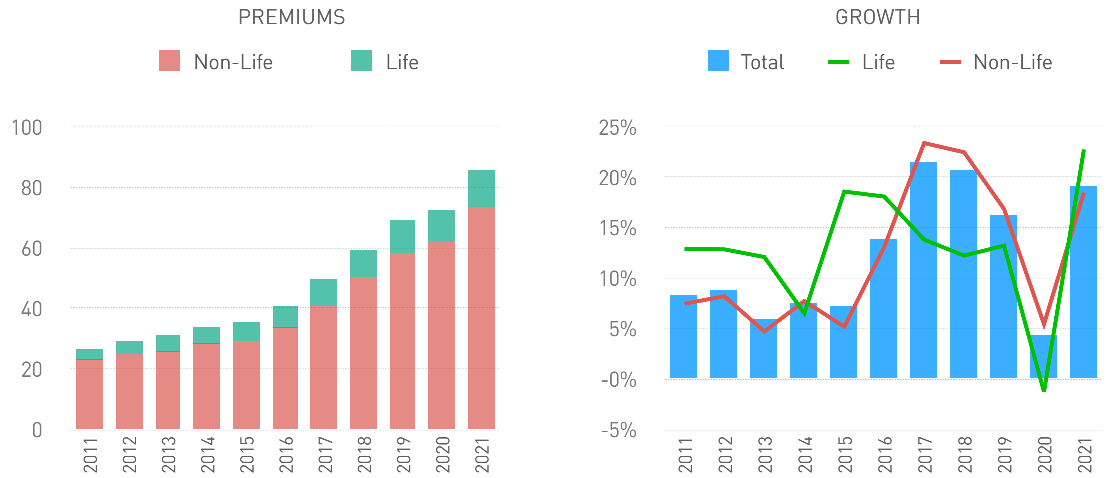
The Dominican insurance market achieved a premium volume of 86.02 billion pesos (1.51 billion dollars) in 2021, revealing nominal growth of 19.1% and real growth of 10%, up significantly year on year (see Table 3.1.8 and Chart 3.1.8-b). Life premiums grew by 22.7% in nominal terms (13.4% in real terms) to 13.04 billion pesos (228 million dollars). Individual Life insurance increased by 4.4% to 347 million pesos. In turn, Group Life insurance increased by much more (23.3%), to 12.69

Table 3.1.8
Dominican Republic: Premium Volume[1] by Line, 2021

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**86,020.6**	**1,506.5**	**19.1**	**10.0**
Life	**13,038.7**	**228.3**	**22.7**	**13.4**
Individual Life	347.4	6.1	4.4	-3.6
Group Life	12,691.3	222.3	23.3	13.9
Non-Life	**72,981.9**	**1,278.1**	**18.4**	**9.4**
Fire and allied lines	23,156.5	405.5	24.8	15.3
Automobiles	19,533.0	342.1	18.0	9.0
Health	21,290.8	372.9	8.9	0.6
Other lines	5,047.2	88.4	35.6	25.3
Transport	1,608.6	28.2	12.7	4.2
Surety	1,683.6	29.5	45.9	34.8
Personal Accidents	662.2	11.6	1.2	-6.5

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
1/ Net premiums collected.

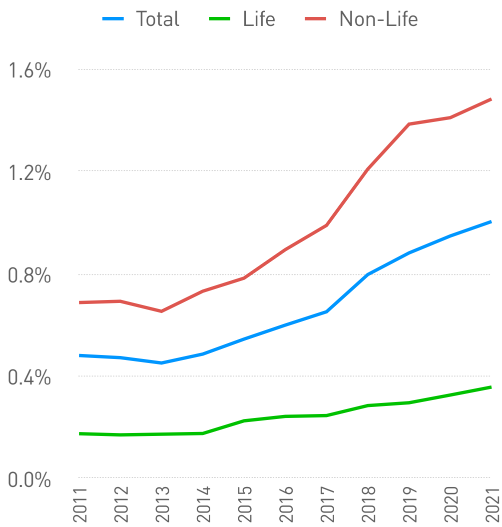
Chart 3.1.8-b
Dominican Republic: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)



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

billion pesos. As for Non-Life premiums (which account for 84.8% of the total), they grew by 18.4% in nominal terms and 9.4% in real terms to 72.98 billion pesos (1.28 billion dollars). The Health and Fires lines of business remain the most important Non-Life segments; Health grew by 8.9% in nominal terms to 21.29 billion pesos, and Fires, with 23.16 billion pesos of premiums (406 million dollars), grew by 24.8% in nominal terms and 15.3% in real terms year on year. Other lines and Transport have grown, while the line increasing the most over the past year in relative terms was Sureties, with 45.9% nominal growth and 34.8% in real terms.

Chart 3.1.8-c
Dominican Republic: Share of Insurance Premiums in Latin America
(%)

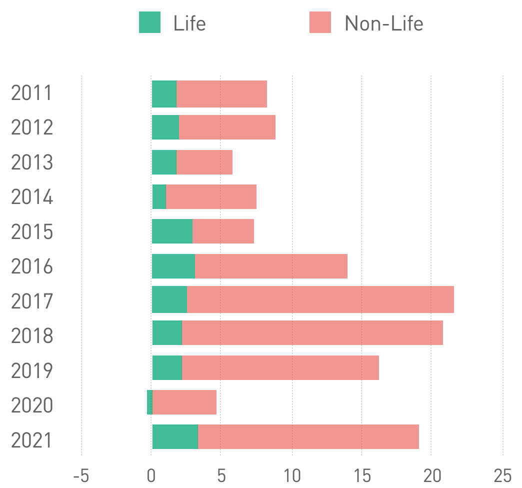


Source: MAPFRE Economics (based on data from the Superintendency of Insurance and supervisory bodies of the region)

In relation to the Dominican insurance market, the share of total premiums and by Life and Non-Life segments compared to the Latin American market has been positive, with the exception of 2013, when the weight of the Non-Life segment and all its corresponding lines contracted. As reflected in Chart 3.1.8-c, over the past decade, the weight of total Dominican premiums in the total for Latin America has grown from 0.48% in 2011 to 1.01% in 2021. Specifically, the share of the Life segment increased from 0.18% in 2011 to 0.36% in 2021, while the Non-Life insurance business grew from 0.69% to 1.48%.

The 19.1% growth recorded by the Dominican Republic insurance market in 2021 is mainly attributable to the Non-Life insurance segment, which contributed growth of 15.7 pp, while the Life segment contributed positively to growth, although to a lesser extent, at 3.3 pp (see Chart 3.1.8-d).

Chart 3.1.8-d
Dominican Republic: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	8.2	1.8	6.4
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

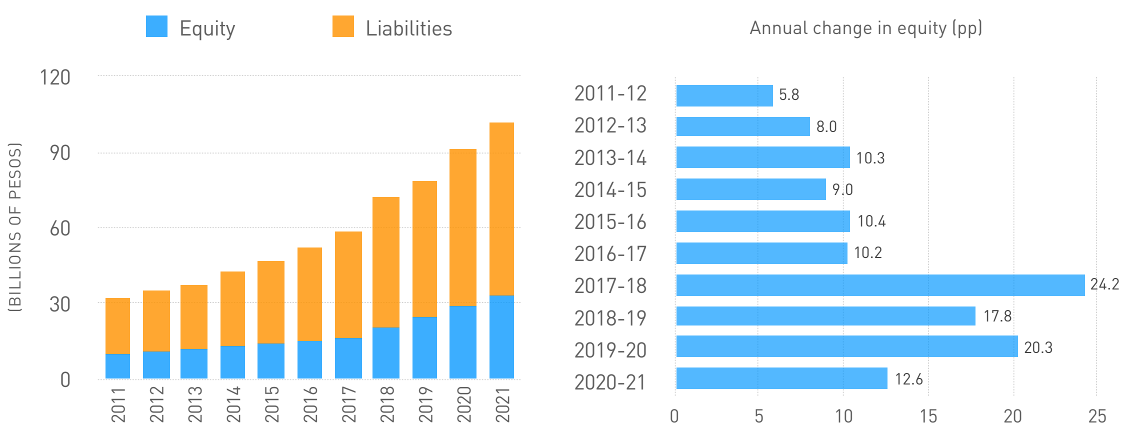
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Balance sheet and shareholders' equity

Chart 3.1.8-e shows the aggregate balance sheet for the Dominican insurance industry. The industry's total assets in 2021 amounted to 101.31 billion pesos (1.77 billion dollars). Meanwhile, total equity within the industry came to 32.61 billion pesos (569 million dollars), up 12.6 pp on the value reported in 2020; these changes are in line with those reported the previous year. It is important to note that over the 2011–2021 period, equity levels have consistently increased annually in the Dominican insurance industry.

Aggregate capitalization levels in the insurance industry (measured relative to total assets) stood at values close to 30% throughout the period, bottoming out at 28.1% in 2017 before rising to 32.2% at the end of 2021.

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)

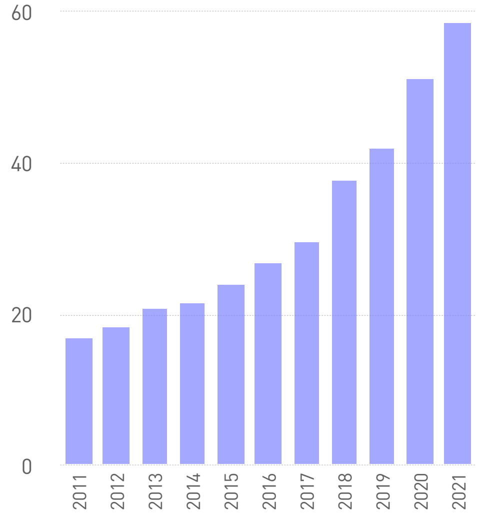


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Investments

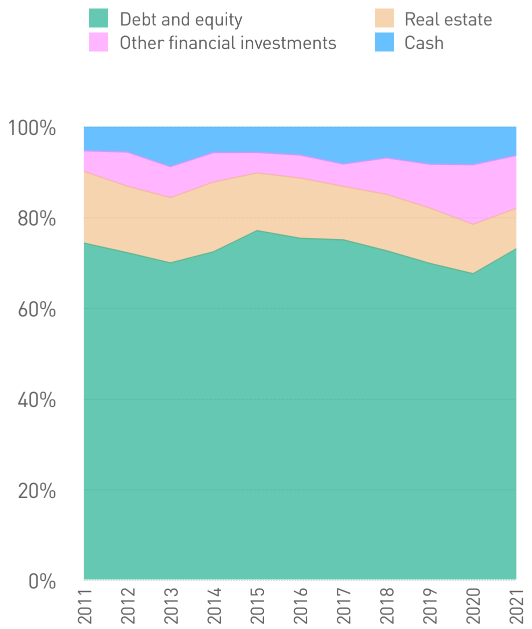
Chart 3.1.8-f shows the performance of the aggregate investment portfolio at the sector level over the 2011–2021 period, while Charts 3.1.8-g and 3.1.8-h show the performance of the investment structure over the period. These data show that in 2021 investments made by the Dominican insurance sector amounted to 58.31 billion pesos (1.02 billion dollars), focused on debt and equity instruments (73.2%) and a relatively smaller proportion to real estate (8.9%) and cash and cash equivalents (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 5.21 billion pesos, compared to 5.54 billion pesos in 2020, which represents a 6.0% drop year on year. Other financial investments also increased 1.0 pp to 6.78 billion pesos in 2021, virtually tripling the 2011–2021 average.

Chart 3.1.8-f
Dominican Republic: Insurance Market Investments
(billions of pesos)



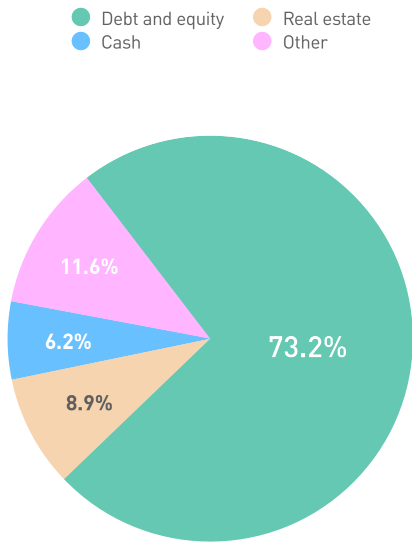
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-g
Dominican Republic: Structure of Investments
(%)



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

Chart 3.1.8-h
Dominican Republic: Structure of Investments, 2021
(%)

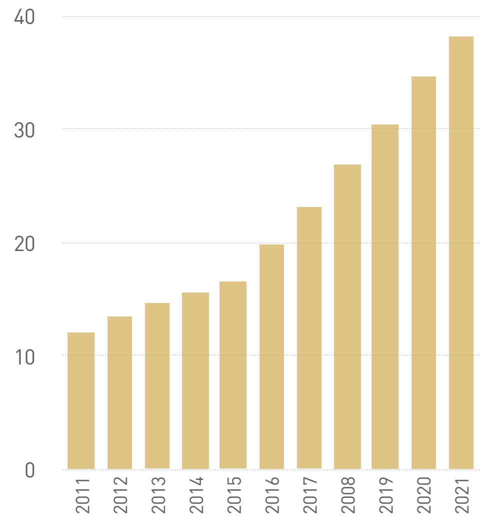


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Technical provisions

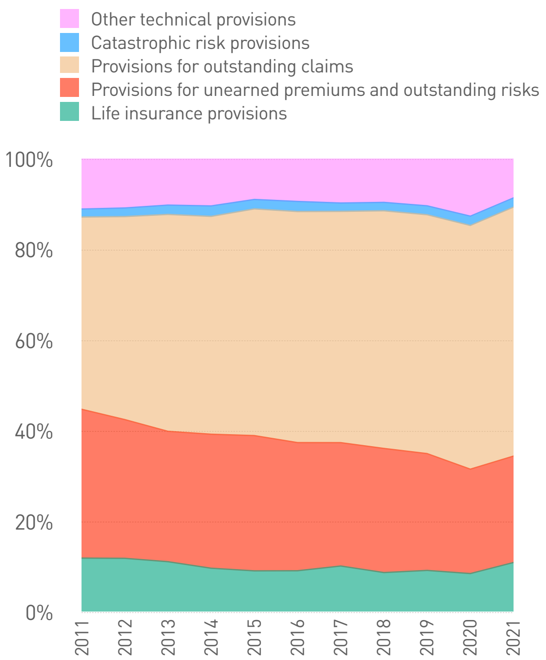
Chart 3.1.8-i shows the performance of technical provisions within the Dominican insurance market, while Charts 3.1.8-j and 3.1.8-k show the changes in the relative composition of said provisions over the 2011–2021 period. Technical provisions amounted to 38.28 billion pesos (668 million dollars) in 2021; 11.1% corresponded to mathematical provisions and outstanding risks for personal insurance, 23.5% to the provision for unearned premiums and outstanding risks for Non-Life insurance, 54.9% to the provision for outstanding claims, 2.0% to the provision for catastrophic risks, and the remaining 8.5% to other technical provisions. Also noteworthy is the decreased weight of provisions for Life insurance over the 2011–2021 period (Chart 3.1.8-j), falling from 12.0% of total technical provisions in 2011 to 11.1% at the end of 2021.

Chart 3.1.8-i
Dominican Republic: Technical Provisions of the Insurance Market
(billions of pesos)



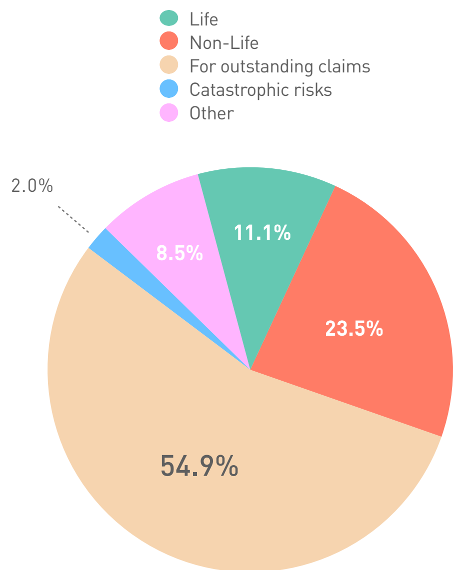
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-j
Dominican Republic: Structure of Technical Provisions
(%)



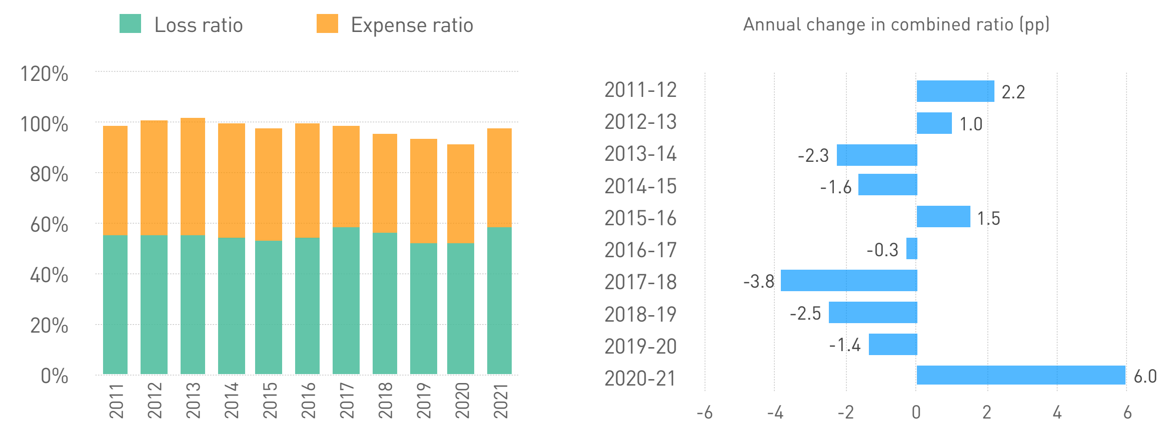
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-k
Dominican Republic: Structure of Technical Provisions, 2021
(%)



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

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)

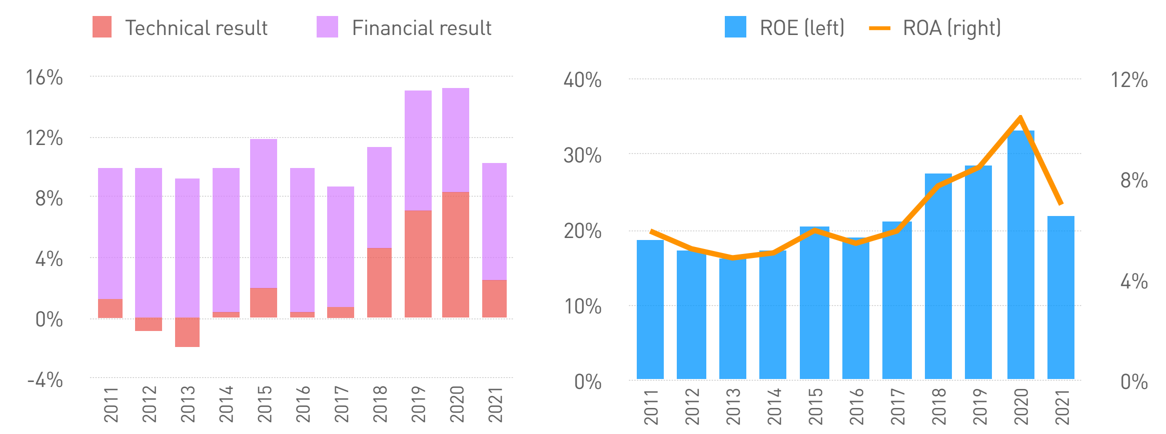
Technical performance

Chart 3.1.8-l shows the performance of the aggregate combined ratio for the Dominican insurance industry as a whole over the 2011–2021 period. This data shows that the technical indicator dropped by 6.0 pp in 2021, mainly due to the increase in the loss ratio (6.9 pp) to 58.8%. As has been the case in most markets analyzed, the economic recovery process after the lockdown measures employed to control the Covid-19 pandemic has been an essential factor in explaining the performance of the loss ratio, while the expense ratio improved slightly, by 0.9%, to 38.8%.

Results and profitability

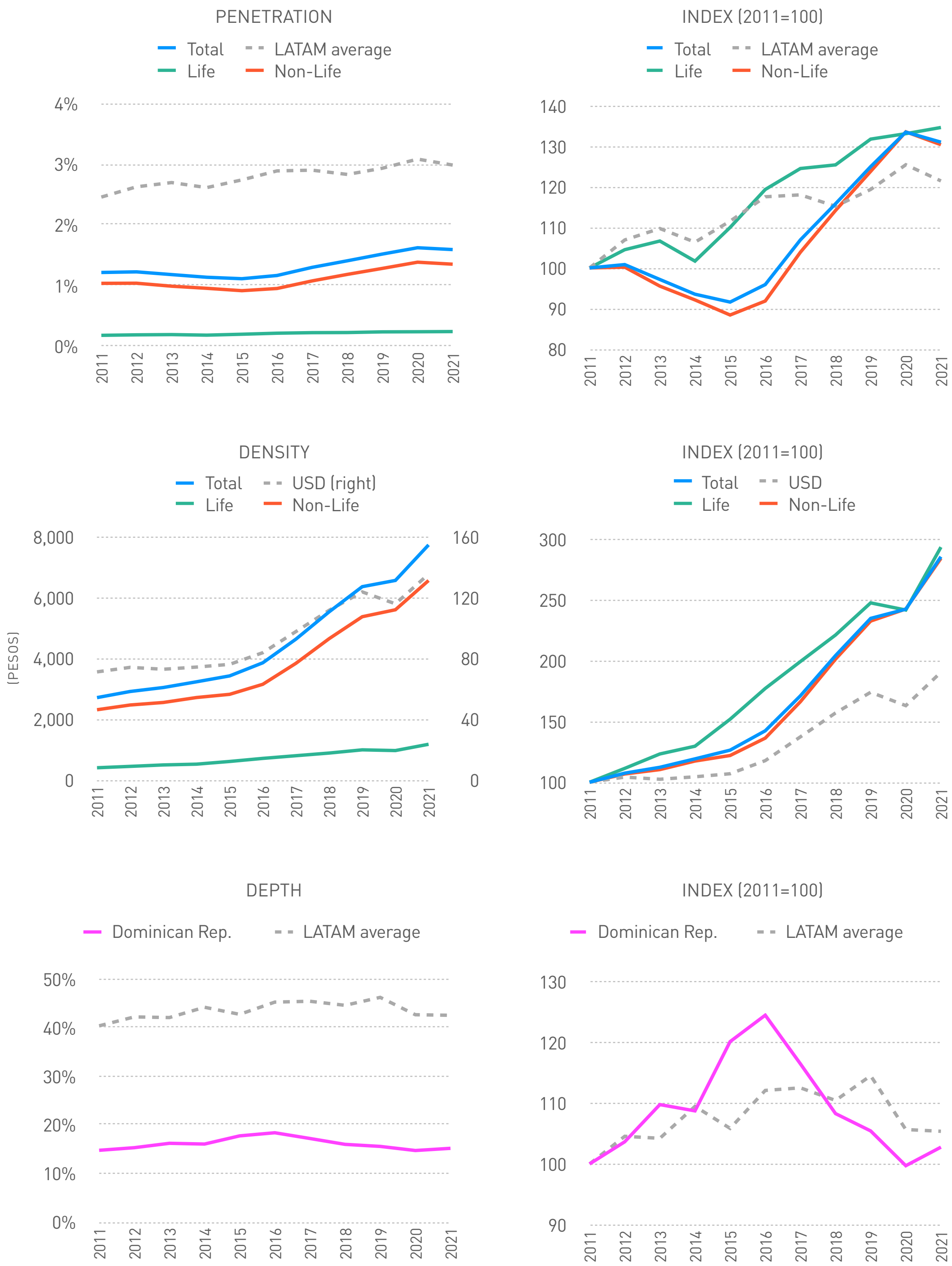
The Dominican insurance industry posted a consolidated result of 6.74 billion pesos (118 million dollars) in 2021, down 23.6% year on year. This data is supported by the technical result over earned premium,

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)

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, %; 2011 index=100)



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

which was down by 6.0 pp year on year, standing at 2.42 as a result of the deterioration of the loss ratio. With regard to earned premiums, the financial result grew by 1.18 pp more than in 2020, to reach 7.92 (see Chart 3.1.8-m). Thus, return on equity (ROE) stood at 21.9% in 2021, up by 11.4 pp compared to the previous year. Likewise, return on assets (ROA) reached 7.0% in 2021 (up by 3.4 pp on 2020).

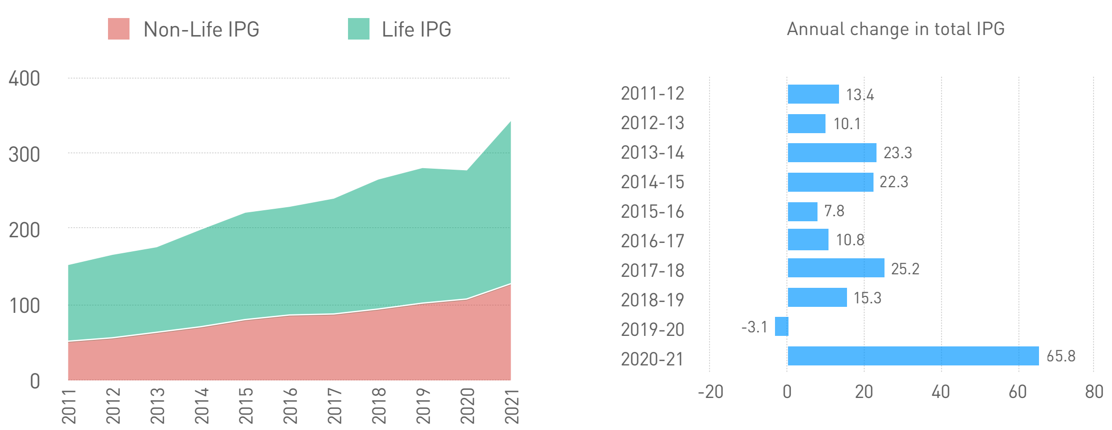
Insurance penetration, density and depth

The main structural trends in the performance of the Dominican insurance industry between 2011 and 2021 can be consulted in Chart 3.1.8-n. The penetration index (premiums/GDP), which had been in decline between 2011 (1.2%) and 2015 (1.1%), started to gradually grow from then on, reaching 1.6% in 2021, practically unchanged compared to 2020. As reflected in Chart 3.1.8-n, the penetration index of the Dominican Republic's insurance market, in general, has shown a slightly upward trend since 2016, although remaining well below the absolute average values of the region, which stood at 3.0% in 2021. Insurance density (premiums per capita) stood at 7,737 pesos (136 dollars), 17.8 pp higher than in 2020 (6,568 pesos). Density (measured in local currency) followed an upward trend over the period under analysis in the Dominican market, registering cumulative growth of 185.6% between 2011 and 2021. Lastly, the depth index in the Dominican insurance market (Life insurance premiums in relation to total premiums) stood at 15.2% (14.7% in 2020), 0.5 pp more than in the previous year and 0.4 pp higher than in 2011. Although depth in the Dominican market grew practically in step with the market trends for Latin America as a whole, its absolute levels were 27.4% pp below the regional average in 2021.

Insurance Protection Gap estimate

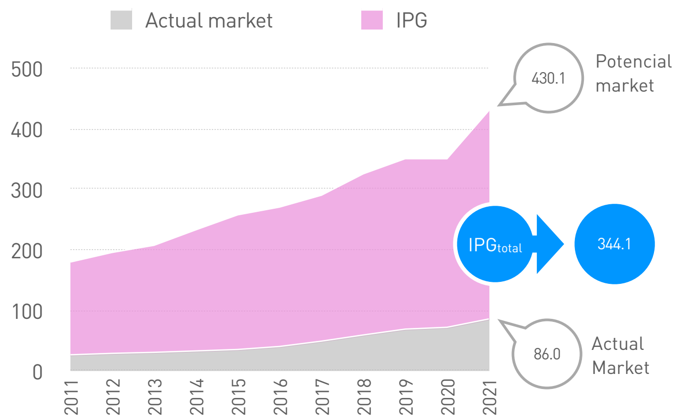
Chart 3.1.8-o shows an estimate of the IPG for the Dominican Republic insurance market between 2011 and 2021. The insurance gap stood at 344.09 billion pesos (6.03 billion dollars) in 2021, 4 times the size of the Dominican insurance market at the close of that year. The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment. At year-end 2021, 62.8% of the IPG corresponded to Life insurance (216.23 billion pesos), down 3.4 pp from the participation seen in that segment in 2011 and 1.4 pp down own the previous year. The remaining 37.2% of the insurance gap can be explained by the contribution of the Non-Life insur-

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)



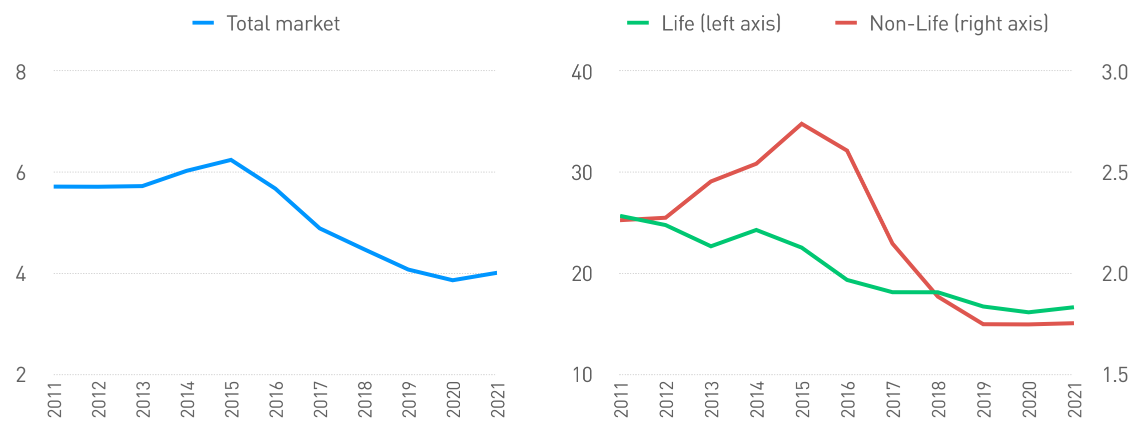
Change	Actual Market	IPG
2021-2011	220.6%	124.6%
2021-2020	19.1%	23.6%

Source: MAPFRE Economics

ance segment (127.73 billion pesos). Accordingly, the potential insurance market in the Dominican Republic at the close of 2021 (calculated as the sum of the actual market plus the IPG) was estimated at 430.11 billion pesos (7.53 billion dollars), 5 times the size of the total insurance market that year (see Chart 3.1.8-p).

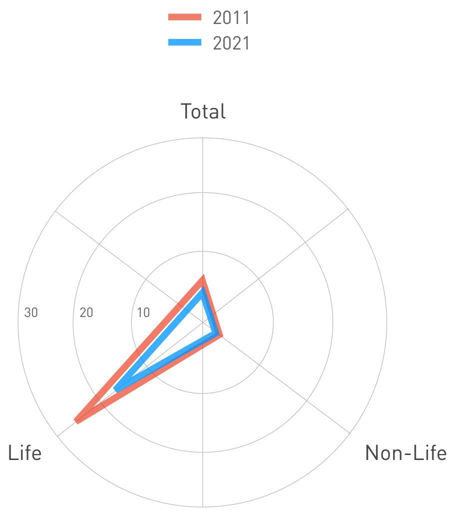
Chart 3.1.8-q shows an estimate of the IPG as a multiple of the actual insurance market in the Dominican Republic between 2011 and 2021. The insurance gap as a multiple of the market grew up until 2015, as a result of the performance of the Non-Life segment, at which time the trend was reversed, with both the Non-Life and Life segments showing a sustained drop. The IPG as a multiple of the total market went from 5.7 to 4.0 times in that period, dropping notably during the 2016–2019 period. In the Life insurance segment, the indicator clearly decreased between 2011 and 2021, going from 25.6 to 16.6 times, while the accumulated decrease in the Non-Life business was not as pronounced during the period (2.3 times to 1.8 in the last decade).

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

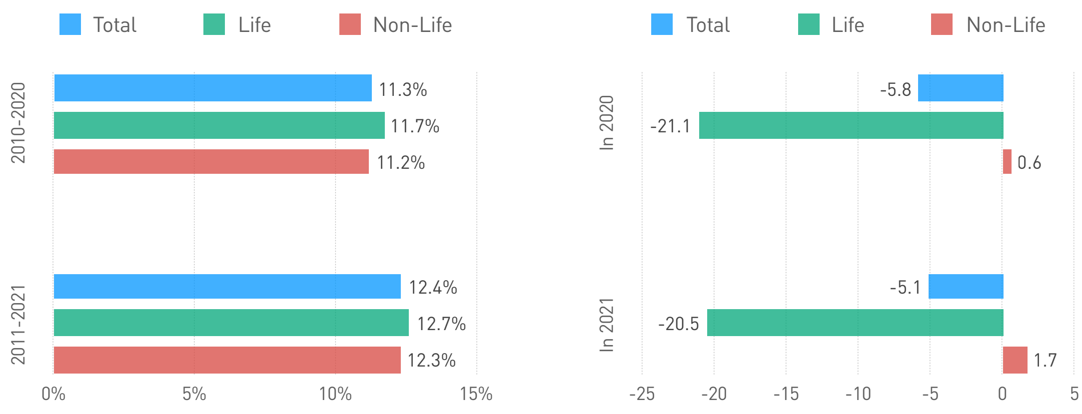
To complete this analysis, Chart 3.1.8-r shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Dominican insurance market over the last decade. Said chart shows that both lines of business narrowed the gap as a multiple of the market, although the insurance gap continued to be notably larger than in the case of Life insurance.

Chart 3.1.8-s shows a summary of the Dominican insurance market's capacity to close the insurance gap, based on 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 2021 over the coming decade. As we can see, the Dominican insurance market registered average annual growth of 12.4% over the 2011–2021 period, comprising an annual growth rate of 12.7% for the Life insurance segment and 12.3% for Non-Life insurance. 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 20.5 pp), compared to a shortfall of 21.1 pp in 2020.

Market Development Index (MDI)

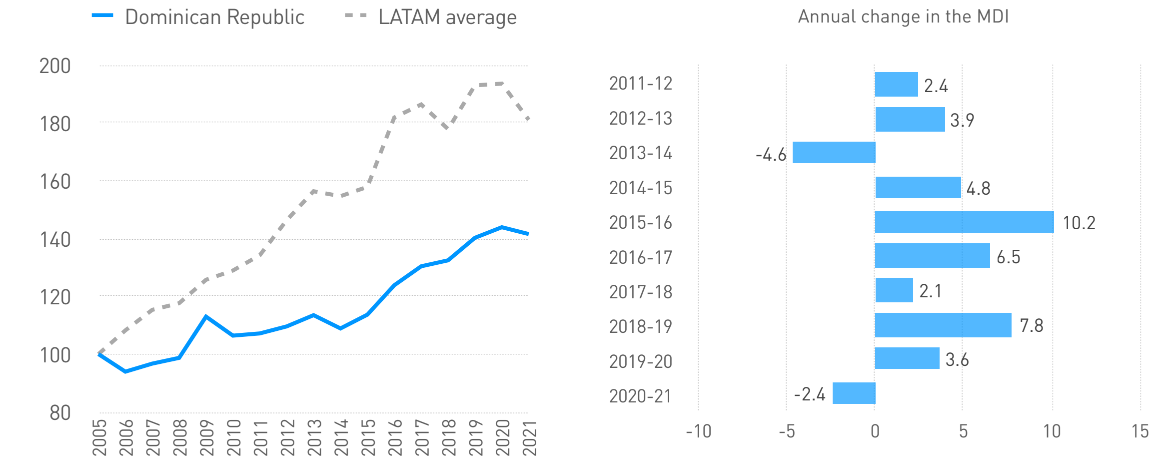
Chart 3.1.8-t shows an estimate of the Market Development Index (MDI) for the Dominican insurance industry. In this case, the MDI (an indicator used in this report to analyze the overall trend in development and maturity of the insurance market) showed a

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)



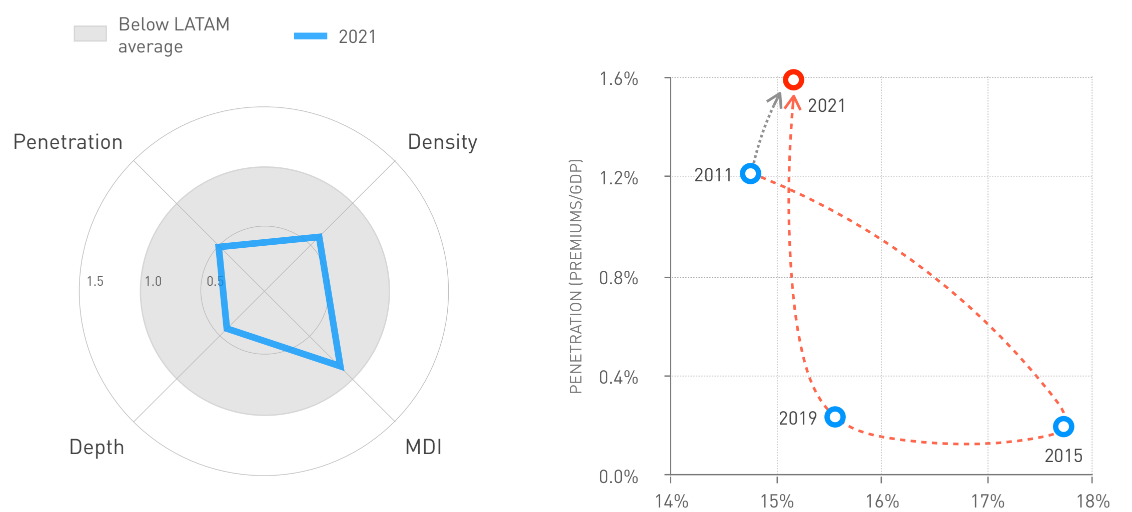
Source: MAPFRE Economics

positive trend throughout the 2011–2021 period, but it was insufficient to converge with the average performance of the insurance markets in Latin America during the period, standing 40 points below in 2021 and with a spread that increased until 2016 and has dropped since then.

Joint analysis of structural coefficients

Lastly, Chart 3.1.8-u summarizes the Dominican insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. In this

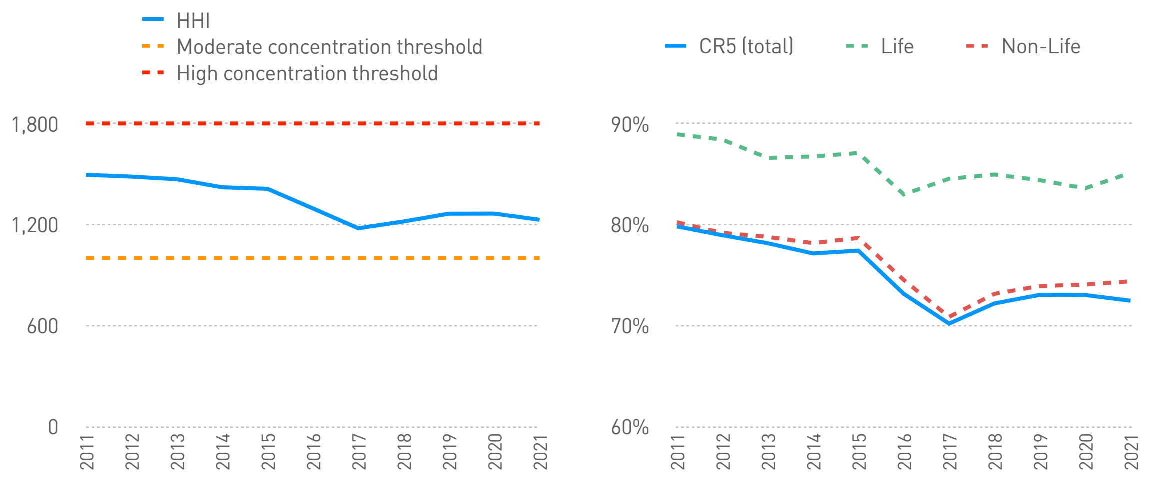
Chart 3.1.8-u
Dominican Republic: Comparative Structural Coefficient Index*
vs. Average for Latin America (2021)
and Medium-Term Changes in the Insurance Market (2011–2021)



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.

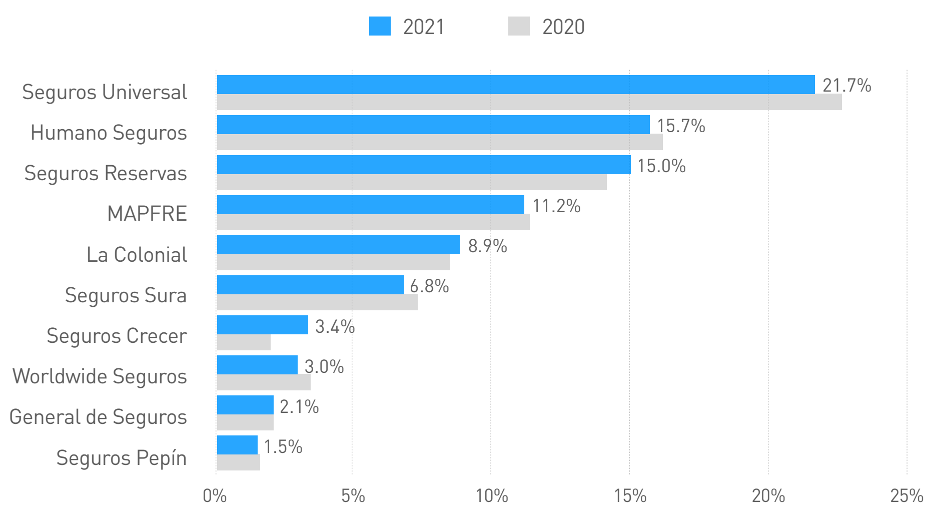
Chart 3.1.8-v
Dominican Republic: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



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

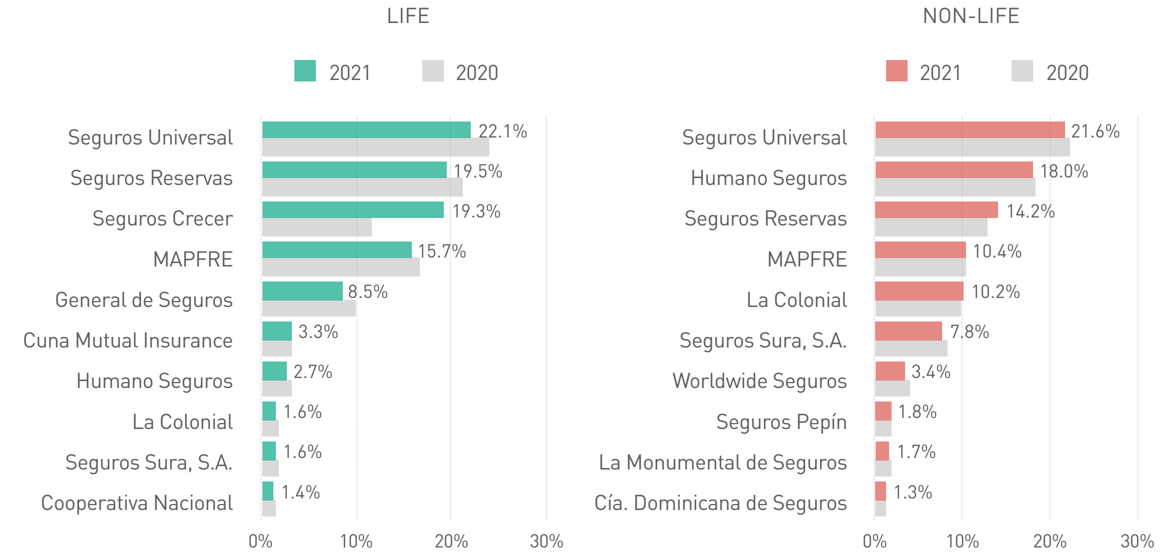
sense, all the country's indicators are below the average for Latin America, especially in terms of depth, penetration and density, although it is true that the latter is narrowing the distance with the regional average. This situation indicates that the level of development of the Dominican market is still fledging compared to the average for the region as a whole. Likewise, the ten-year analysis of the development of the Dominican insurance market has made some aggregate progress in terms of quantity (penetration) and quality (depth), although there have been setbacks during the period.

Chart 3.1.8-w
Dominican Republic: Total Ranking
(market shares, %)



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

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)

Insurance market rankings

Total ranking

In 2021, the same 38 insurers were present in the Dominican market as in the previous year. The market has a high level of concentration. Between 2011 and 2017, there was a decrease in concentration before stagnating since then. The Herfindahl index (1,227 in 2021) decreased over the past year, although it has remained above the threshold indicating moderate concentration. In the case of the CR5 index, the indicator also fell in 2021 (72.4%) and is lower than in the previous two years (see Chart 3.1.8-v).

The 10 largest insurers operating in the Dominican Republic in the total ranking is practically the same as the previous year, with slight changes in position toward the bottom of the board, where Seguros Crecer (seventh in the ranking) has passed Worldwide and General de Seguros. At the top of the ranking, the top six companies remain unchanged year on year. Seguros Universal led the ranking with 21.7% of premiums (22.6% in 2020), followed by Humano Seguros (15.7%), Seguros Reservas (which gained 0.8% market share, reaching 15%), and MAPFRE (with a market share of 11.2%) remaining in fourth place (see Chart 3.1.8-w).

Life and Non-Life rankings

Given the relative weight maintained by Non-Life insurance within the total Dominican market, the ranking for this segment is very similar to the total ranking (see Chart 3.1.8-x). The insurance companies topping the table for the Non-Life segment in 2021 are exactly the same as in the previous year and there has been no change in their relative positions. The ranking continues to be led by Seguros Universal with 21.6% (-0.8 pp year on year), Humano Seguros with 18% (-0.5 pp) and Seguro Reservas with 14.2% (+1.2 pp). Seguros Universal remains at the top of the Life ranking with 22.1% of the market's premiums (-1.8 pp year on year), followed by Seguros Reservas (19.5%), Seguros Crecer with a market share of 19.3% (+7.6 pp) and MAPFRE with a market share of 15.7%. There are practically no changes in the rest of the ranking, with the exception of Cuna Mutual and Humano Seguros, which switched positions (sixth and seventh, respectively).

Key regulatory aspects

In terms of the most relevant regulatory aspects in the Dominican market, the following provisions issued in 2020, both in terms of legislation and of prudential regulations by the Superintendency of Insurance, responsible for regulating and supervising the market in the country, must be noted:

- Resolution 02-2021, creating the Technical Commission to appraise assets and liabilities of companies in liquidation.
- Resolution 01-2021, creating the Superintendency of Insurance User Care Center.
- Circular 6 of March 3, 2020, establishing March 30 of each year as the deadline to update and file the Companies Registry certificate.
- Circular 8 of March 20, 2020, setting out the Covid-19 protocol.
- Circular 31 of October 6, 2020, on the requirement to implement the monitoring and handling system for license numbers assigned to insurance companies and insurance and reinsurance intermediaries.
- Circular 36 of November 4, 2020, establishing information requirements with commissions paid to intermediaries.
- Circular 2405 of December 28, 2020, in relation to the requirement for affidavits to be sent for collected premiums and the corresponding payment receipts.
- Circular No. 3-2021, establishing a reminder about the prior insurance approval needed from the Superintendency for Insurance in order for insurance companies to sell new plans and/or services.
- External Circular No. 05-2021, on the National Risk Assessment (ENR-2015- 2020) in relation to money laundering and terrorist financing, to measure weaknesses and threats.
- Circular No. 6, on quality of information of April 27, 2021, in terms of the obligation to carry a certificate or tag issued by the insurer with the insured vehicle's details.

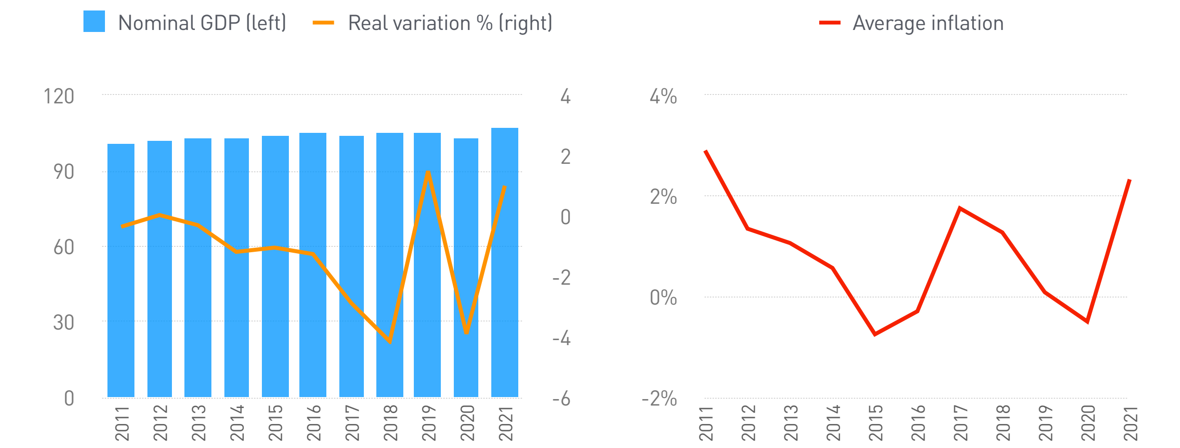
3.1.9 Puerto Rico

Macroeconomic environment

The Puerto Rican economy recorded growth of 1.0% in real terms in 2021. This contribution, although positive and reversing the trend seen for the majority of the past decade, is not enough to recover the ground lost during the recession in which Puerto Rico has been immersed for several years (see Chart 3.1.9-a). By components, worth particular mention is the positive performance of private consumption, the biggest factor of aggregate demand, following the significant contraction recorded in 2020, in addition to investment in construction. In turn, the island economy benefited from the additional impact of the federal funds approved as part of the Puerto Rico Fiscal Agency and Financial Advisory (AAFF) plan, in the form of fiscal measures and structural reforms. In terms of the job market, according to data from the Puerto Rican Department of Labor, the total number of people in employment in December 2021, adjusted seasonally, came to 1,018,000, up by 61,000 on December 2020 (957,000), recovering and even bettering pre-pandemic levels. The inflation rate grew again during 2021, recording year-on-year growth of 4.2% during December compared to -0.1% the previous year (2.8% compared to -0.5% on average the previous year).

As a result, the International Monetary Fund (FMI) has forecast GDP growth for Puerto Rico of around 4.8% in 2022, while a recent estimate by the Board of Financial Supervision and Administration for Puerto Rico (JSAF) put economic growth for this year at 5.2%.

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)

Insurance market

Growth

As shown in Chart 3.1.9-b and Table 3.1.9, the Puerto Rican insurance market grew by 9.8% in nominal terms in 2021 (7.3% in real terms) to reach an estimated 17.65 billion dollars in premium volume, compared to the 12.3% nominal growth seen in 202016. In 2021, Life insurance premiums (representing 9.8% of the market) grew by 20.6% in nominal terms (17.9% in real terms). Meanwhile, Non-Life premiums increased by 8.7% in nominal terms, which translates into 6.3% growth in real terms. Health accounted for 83.1% of the Non-Life insurance segment and grew by 6.3% in real terms (8.8% in nominal terms) in 2021; the other Non-Life modalities, except Fires, experienced moderate growth both in absolute and relative terms.

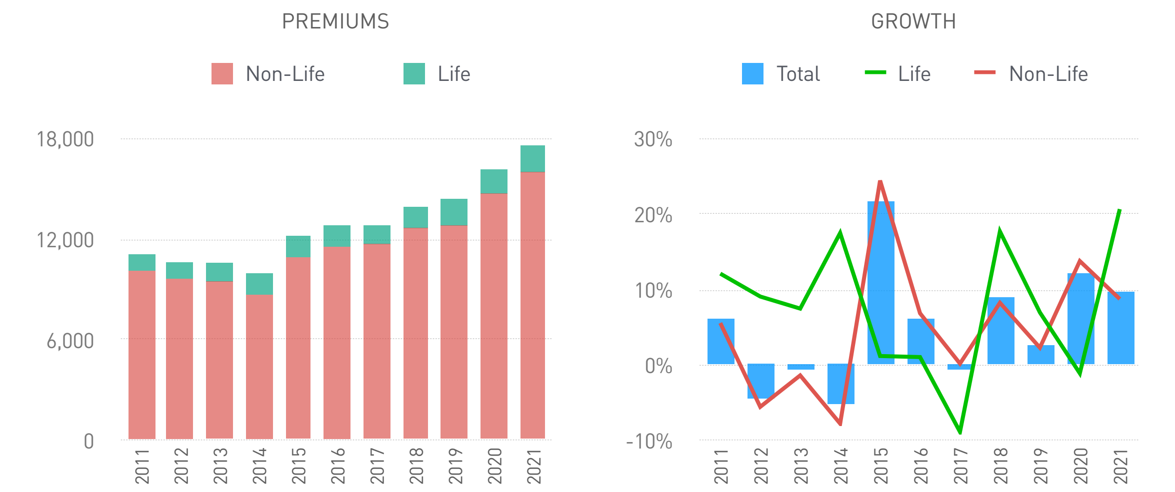
The Puerto Rican insurance market (the third biggest in Latin America and the sixth biggest Life market) has performed very

Table 3.1.9
Puerto Rico: Premium Volume[1] by Line, 2021

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**17,651.0**	**9.8**	**7.3**
Life	**1,730.9**	**20.6**	**17.9**
Non-Life	**15,920.0**	**8.7**	**6.3**
Health	13,231.3	8.8	6.3
Automobiles	898.1	13.1	10.5
Third-Party Liability	323.5	15.4	12.8
Fire and allied lines	294.7	1.9	-0.5
Transport	131.9	4.4	2.0
Other lines	1,040.4	5.5	3.1

Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)
1/ Written premiums, direct insurance

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)

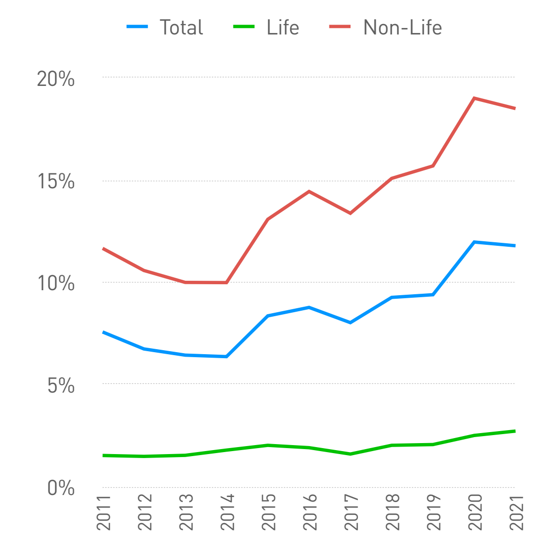
positively in terms of its share of total premiums and by Life and Non-Life segments. Despite the fact that during the 2011–2014 period (in particular in the Non-Life segment), its weight in relation to the overall Latin American market decreased, since 2015 it has shown an upward trend. The weight of total Puerto Rican premiums in the total for Latin America grew from 7.6% in 2011 to 11.8% in 2021. Specifically, the share of the Life insurance business also increased from 1.5% in 2011 to 2.7% in 2021, while the Non-Life insurance business grew from 11.7% to 18.5% during this period, representing growth of 4.2 pp and 6.8 pp for the total and Non-Life respectively (see Chart 3.1.9-c).

On the other hand, and as reflected in Chart 3.1.9-d, the 9.8% growth of the Puerto Rican insurance market seen in 2021 was mainly attributable to the contribution of the Non-Life insurance segment, which provided 8.0 pp of the total and, to a lesser extent, the Life insurance segment, which contributed 1.8 pp.

Balance sheet and shareholders' equity

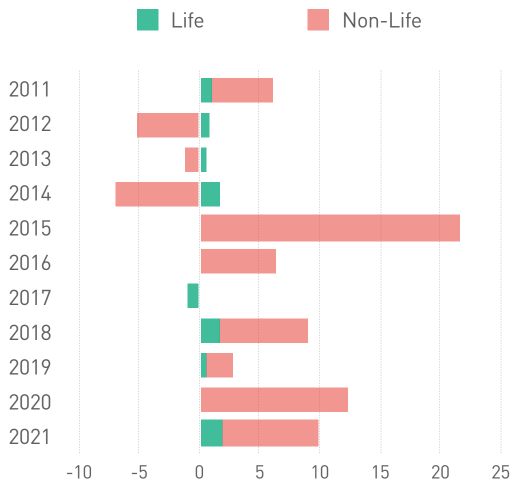
Chart 3.1.9-e shows the performance of the aggregate balance sheet for insurance companies domiciled in Puerto Rico over the 2011–2021 period. Total estimated assets in the insurance industry amounted to 12.44 billion dollars in 2021, while equity amounted to 3.72 billion dollars, 15.4 pp higher than the previous year. Aggregate

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)

Chart 3.1.9-d
Puerto Rico: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	6.1	0.9	5.1
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

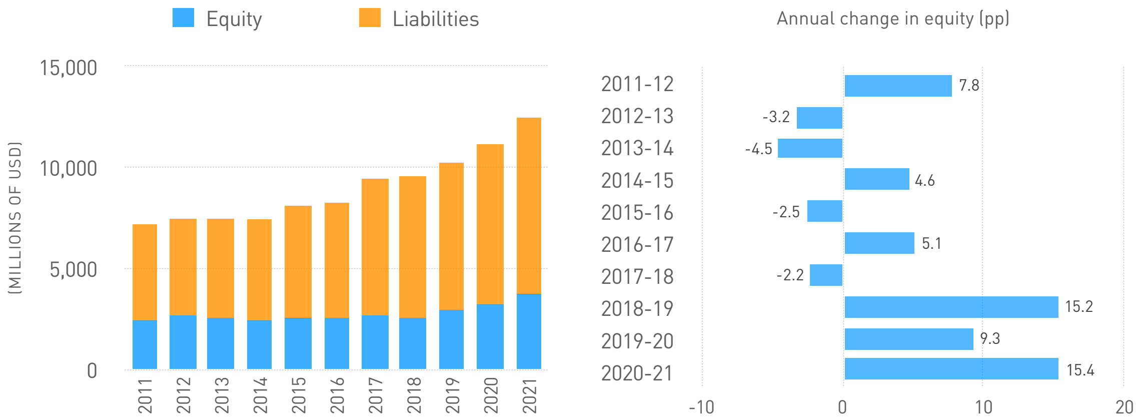
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

capitalization levels for insurance companies operating in this country (measured over total assets) were above 30% until 2016. They peaked in 2012 at 35.3% and fell subsequently, reaching 29.9% in 2021.

Investment and technical provisions

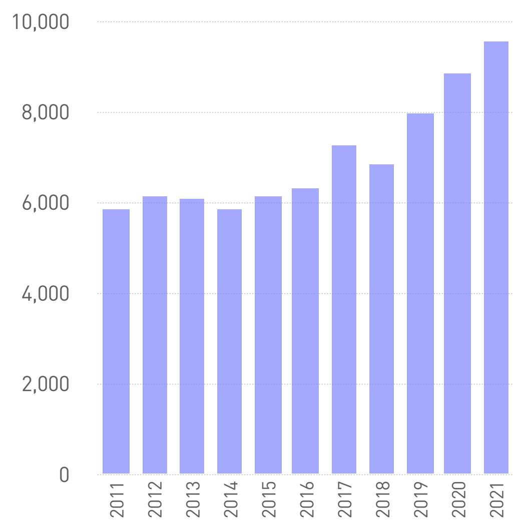
Chart 3.1.9-f shows the performance of the aggregate investment portfolio at the sector level for insurance companies in Puerto Rico over the 2011–2021 period. It can be seen that, in 2021, the total portfolio amounted to 9.55 billion dollars, up 8% on the previous year. Meanwhile, Chart 3.1.9-g shows changes in technical provisions at sector level over the period under analysis. Provisions came to 5.01 billion dollars in 2021, up by 5.4% year on year (4.75 billion dollars). It should be noted that is not pos-

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)



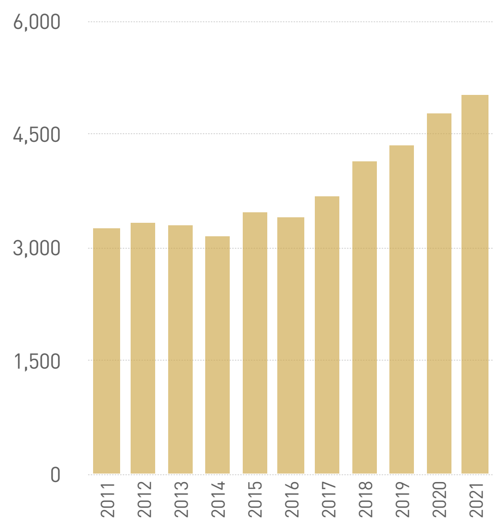
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-f
Puerto Rico: Insurance Market Investments
(millions of USD)



Source: MAPFRE Economics (con datos de la Oficina del Comisionado de Seguros de Puerto Rico y la 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 (con datos de la Oficina del Comisionado de Seguros de Puerto Rico y la National Association of Insurance Commissioners, NAIC)

sible on the basis of available data to provide a more detailed disaggregation of the composition of both investment and technical provisions.

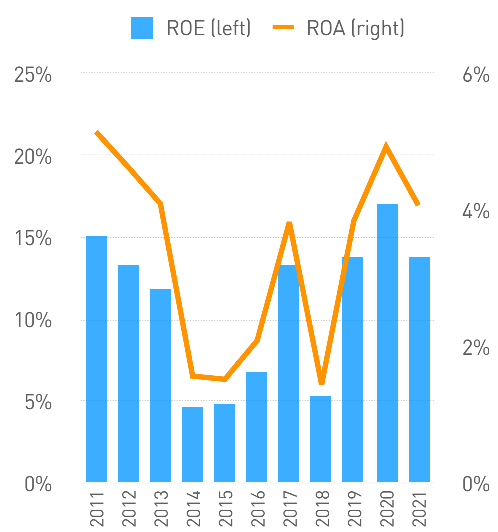
Results and profitability

The consolidated result for all insurance companies operating in Puerto Rico in 2021 was 480.4 million dollars, 8.9% down on the previous year. Turning to profitability parameters in the market, the industry achieved return on equity (ROE) of 13.8% in 2021, down by 3.2 pp on 2020. The same holds true for return on assets (ROA), which reached 4.1% in 2021, down by 0.9 pp on 2020. The performance of both indicators returned the profitability growth trend for the Puerto Rican insurance industry to the levels seen in 2012 (see Chart 3.1.9-h).

Insurance penetration, density and depth

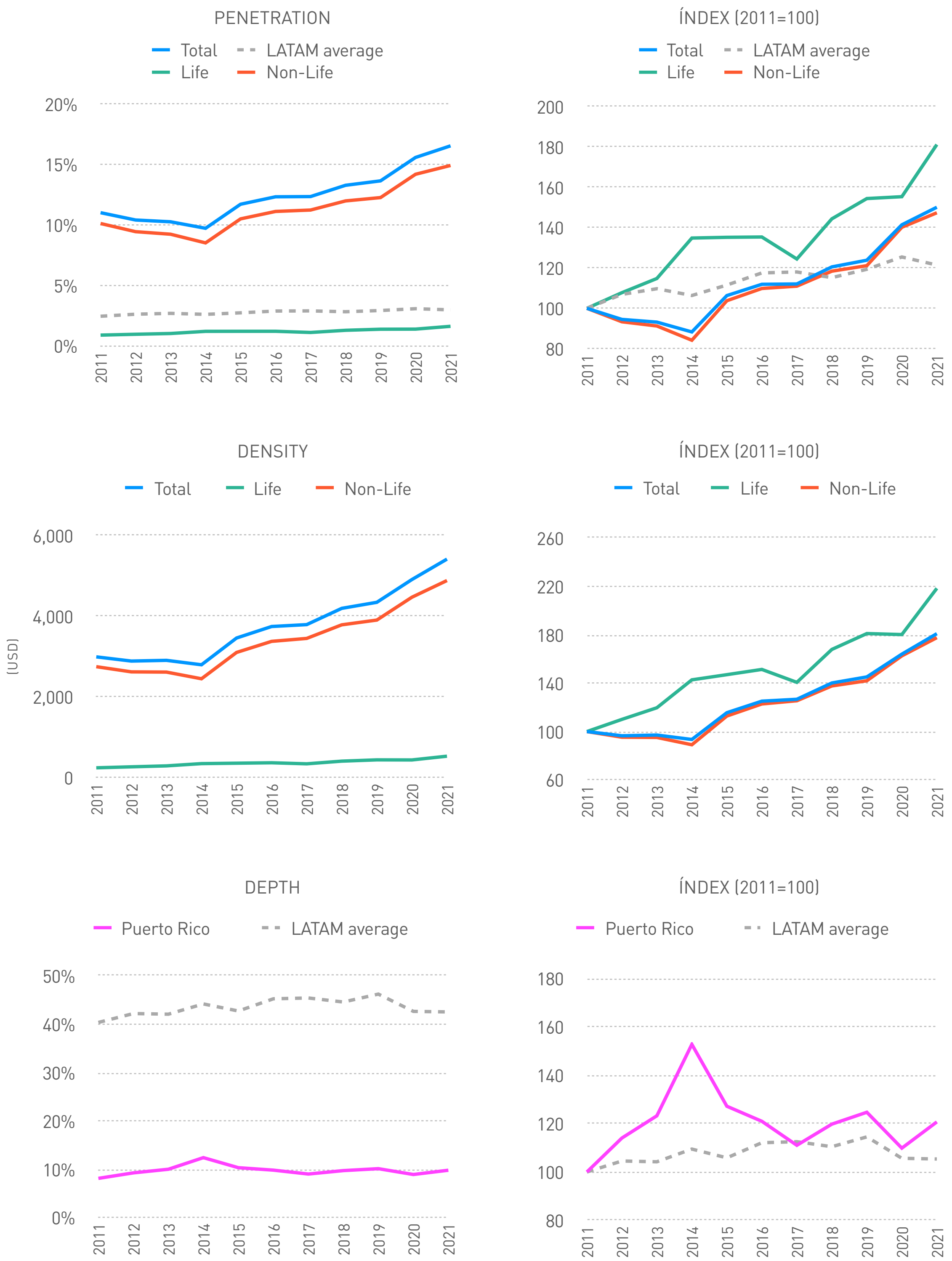
Chart 3.1.9-i shows the main structural trends shaping the development of the Puerto Rican insurance industry over the 2011–2021 period. First, the penetration index (premiums/GDP) stood at 16.5% in 2021, 1 pp higher than the previous year

Chart 3.1.9-h
Puerto Rico: Profitability
(%; ROE, %; ROA, %)



Source: MAPFRE Economics (con datos de la Oficina del Comisionado de Seguros de Puerto Rico y la 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, %, 2011 index=100)



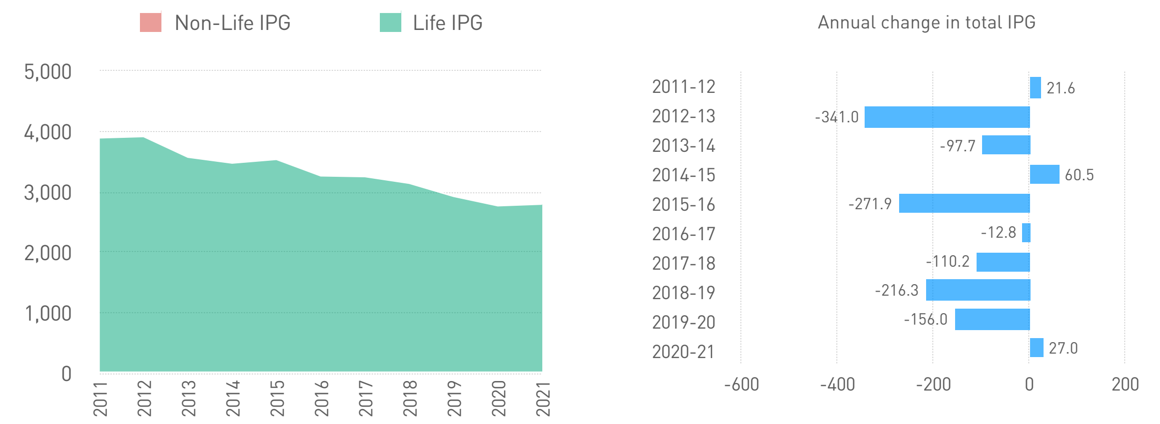
Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office) and 5.5 pp higher than in 2011. It is the highest indicator value to be found in all of Latin America and is largely because premium volumes in this segment include Health insurance for the poorest groups of society, which is managed by the insurance industry but covered by government budgets. Insurance density in Puerto Rico (premiums per capita) came to 5,421 dollars (also the highest in the region), up by 10.3% from the previous year (4,914 dollars). As with penetration, density has continued to grow over the period under analysis, with cumulative growth of 81.0% over the 2011–2021 period, strongly influenced by the behavior of the Health insurance line. The depth index of the Puerto Rican market (measured as the ratio between Life insurance premiums and total premiums) stood at 9.8%, 0.9 pp higher than in 2020 and just 1.7 pp higher than in 2011. In contrast to the penetration and density indicators, the depth of the Puerto Rican insurance market grew well below (-32.7%) the trend for the wider Latin American market.

Insurance Protection Gap estimate

Chart 3.1.9-j shows an estimate of the IPG for the Puerto Rican insurance market between 2011 and 2021. It shows that the insurance gap amounted to 2.79 billion dollars in 2020, some 0.2 times the size of the actual insurance market in Puerto Rico at the end of that year. The 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 (dominated by growth in Health insurance). As such, the IPG was largely a product of the Life insurance segment at the close of 2021. Accordingly, the potential insurance market in Puerto Rico at the close of 2021 (the sum of the actual market plus the IPG) is estimated at 20.44 billion US dollars, 1.2 times the size of the total insurance market that year (see Chart 3.1.9-k).

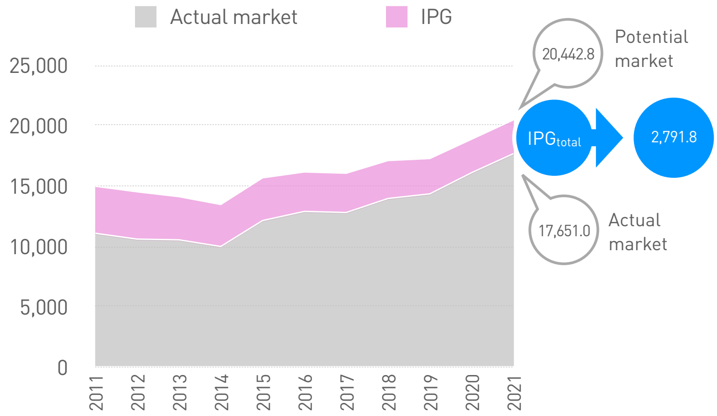
Chart 3.1.9-l shows an estimate of the IPG as a multiple of the actual market in Puerto Rico. It can be seen in this analysis that the insurance gap multiple, which is concentrated in the Life insurance segment, has continually declined over the 2011–2021 period, falling from 4.3 to 1.6 times. Chart 3.1.9-m supplements this analysis by showing the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Puerto Rican insurance market over the last ten years, comparing the situation in 2021 with that of 2011. As we can see, there has been an improvement in the insurance gap,

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)



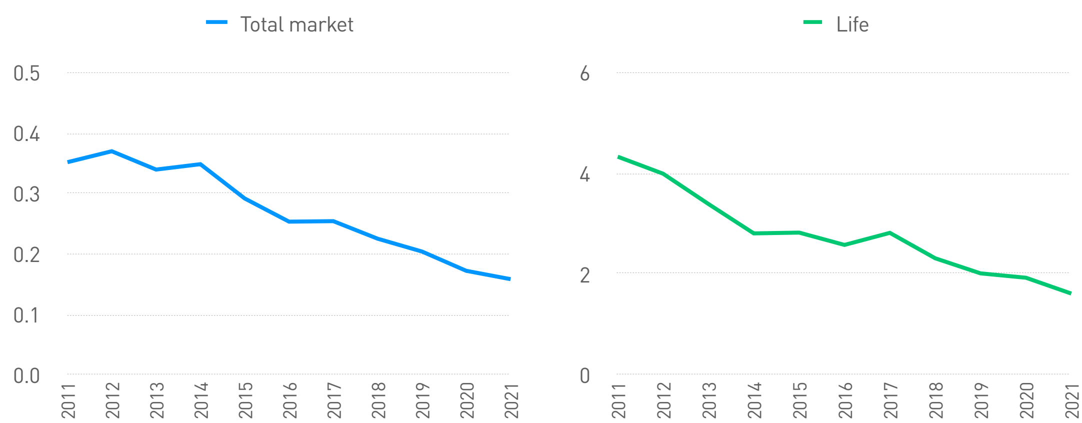
Change	Actual market	IPG
2021-2011	59.6%	-28.2%
2021-2020	9.8%	1.0%

Source: MAPFRE Economics

mainly in the Life segment, while the gap in Non-Life insurance is practically zero.

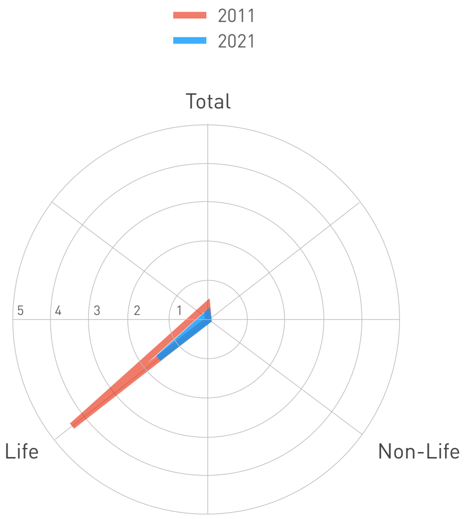
Lastly, Chart 3.1.9-n shows the Puerto Rican insurance market's capacity to close the insurance gap, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the gap determined in 2021 over the coming ten years. In line with the above, the Puerto Rican insurance market grew at an average annual rate of 4.8% over the past decade, underpinned by an annual growth rate of 6.8% in the Life insurance segment and 4.6% in the Non-Life insurance segment. Thus, were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Puerto Rican insurance market would fall 3.3 pp short of achieving this objective in the Life insurance segment, which accounts for the bulk of the IPG in this insurance industry. This insufficiency has decreased by 2.0 pp from the measurement taken in 2020 (when it stood at -5.3 pp).

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

Market Development Index (MDI)

In the case of the insurance industry in Puerto Rico, the Market Development Index (MDI) is shown in Chart 3.1.9-o. As can be seen, the MDI shows a positive trend from 2011 onward, in line with the average development of the Latin American insurance market, and above this trend in the past two years.

Joint analysis of structural coefficients

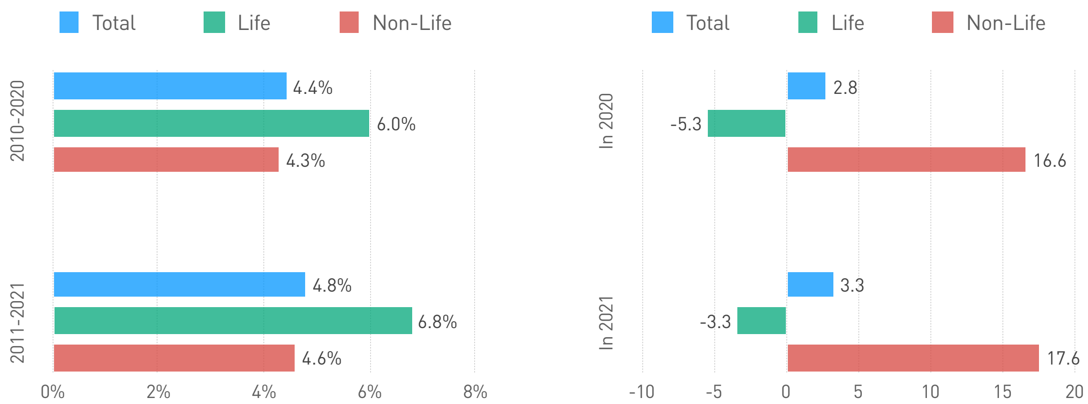
Lastly, Chart 3.1.9-p summarizes the Puerto Rican insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. This shows that, with the exception of the depth indicator (due to the insufficient relative development of the Life insurance segment in the Puerto Rican market), all other indicators, especially those for penetration and density, are well above the average for Latin America. This is attributable to the above-mentioned high level of development of private health insurance in Puerto Rico. Furthermore, analyzing the performance of the Puerto Rican insurance industry, there has been a balanced trend over the past decade, with improvements in quantity (penetration) and quality (depth), despite setbacks in 2015 and 2019.

Insurance market rankings

Total ranking

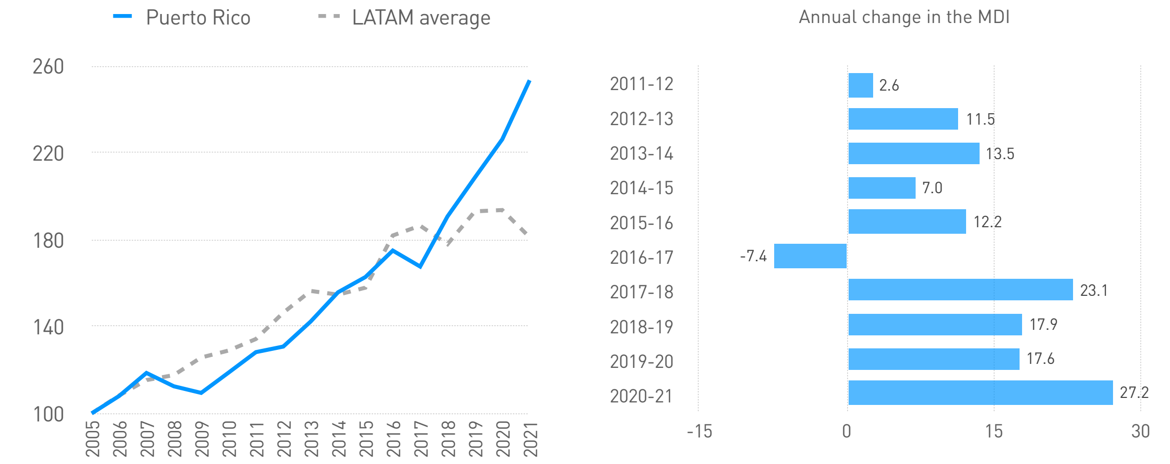
In 2021, there was an increase in the number of companies authorized to offer insurance services in Puerto Rico and in several lines of business. At the end of the year, the Puerto Rican market had 110 life and

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)

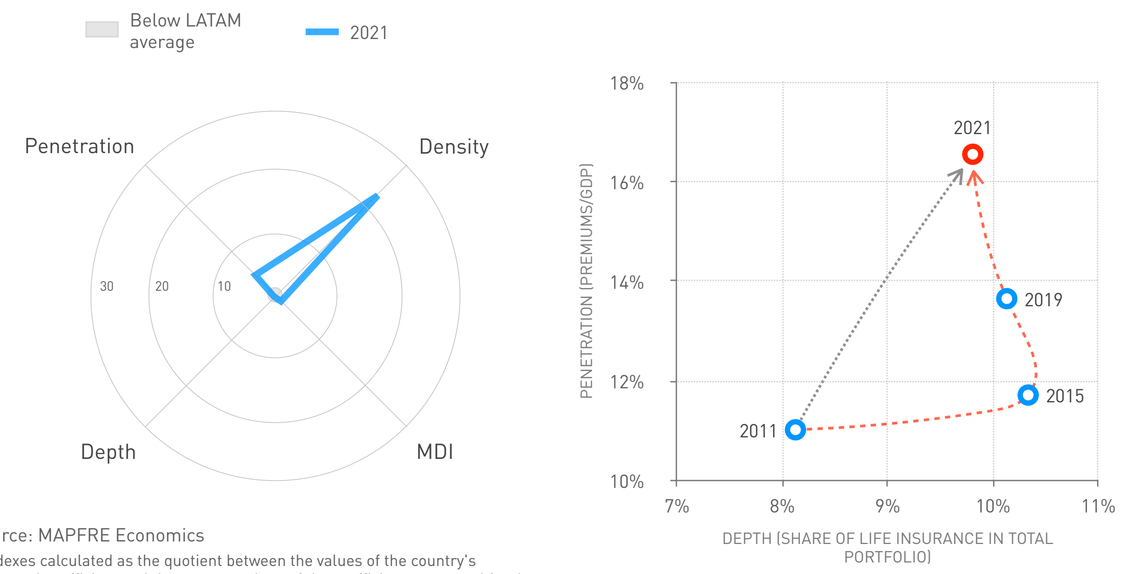


Source: MAPFRE Economics

disability insurers (3 more than in 2020), 210 property and contingency insurers (3 more than in 2020), 42 reinsurers (2 more than in 2020) and 13 health service organizations. The indexes that measure market concentration (see Chart 3.1.9-q) show stagnation between 2011 and 2018, at which point they start to rebound up until 2021, with this being the first year where the industry concentration measured using the Herfindahl index has surpassed the theoretical threshold that measures moderate concentration. However, there has been a notable spike in concentration in the Non-Life insurance segment, only interrupted in 2015 and 2020.

In the total ranking, the top three positions are occupied by Innovacare (23.5%), which overtakes Triple-S (23.5%), although with

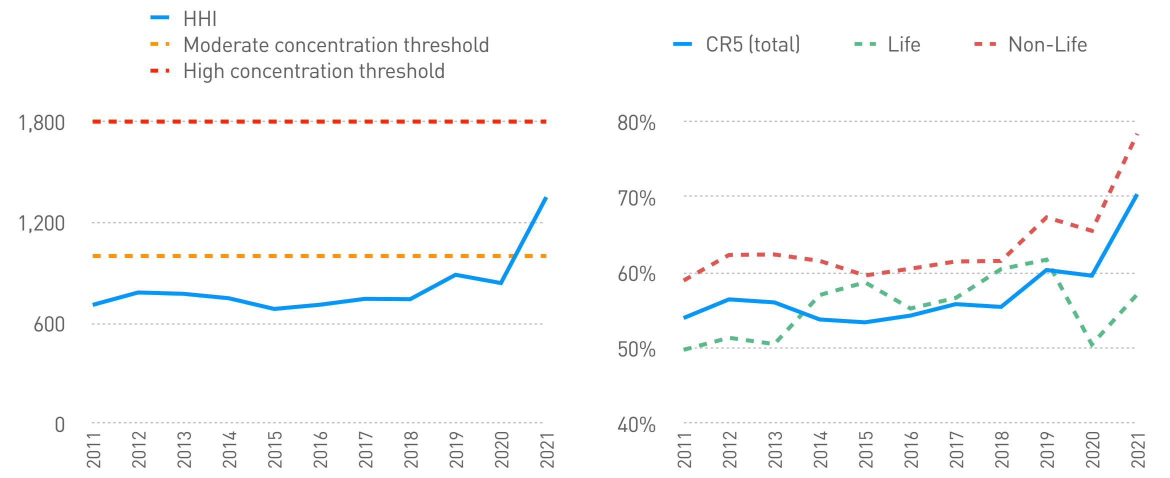
Chart 3.1.9-p
Puerto Rico: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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, %)



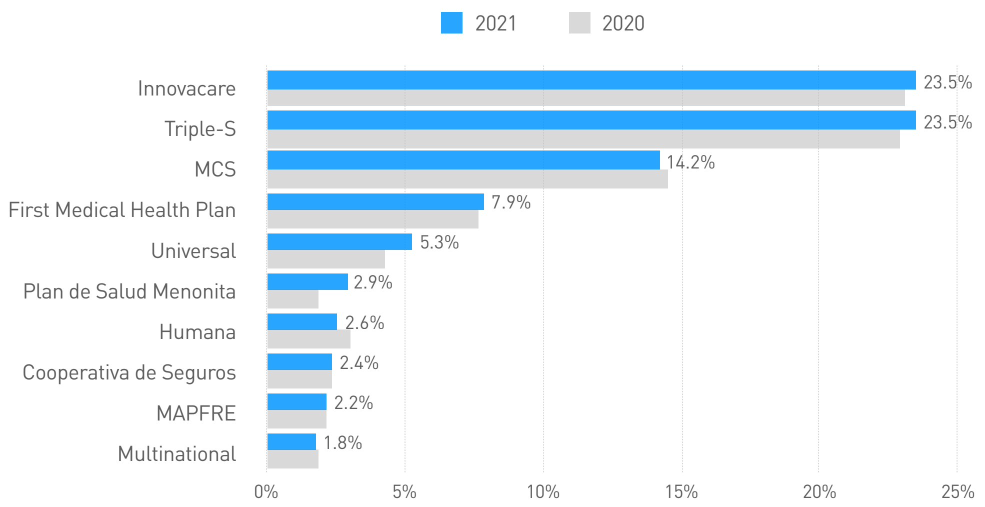
Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office)

practically the same premium volume, and MCS (14.2%), whose market shares are a long way ahead of the other participants in the market. Worth particular mention is the rise of Plan de Salud Menonita to sixth place (tenth the previous year), as well as the one-place drop of Humana and Cooperativa de Seguros. Multinational rounds out the ranking to the detriment of Molina Health, which slips out of the top ten (see Chart 3.1.9-r).

Life and Non-Life rankings

Given the relative weight of the Health segment in Puerto Rico, the total and Non-

Chart 3.1.9-r
Puerto Rico: Total Ranking
(market shares, %)



Source: MAPFRE Economics (con datos de la National Association of Insurance Commissioners, NAIC)

Life rankings are therefore very similar. The Non-Life ranking was thus headed for the second year by Innovacare, with 26.1% of premiums. Triple-S took second with a market share of 25.1%, while MCS took third with 15.8% of this segment's market share (see Chart 3.1.9-s). However, if the Non-Life ranking is analyzed without the Health business, i.e., considering only the other lines of business, this ranking would be led by Universal, with 14.9% of the market, followed by MAPFRE in second (11.4%) and Cooperativa de Seguros in third with 10.8% (see Chart 3.1.9-t). As regards the ranking for the Life insurance segment, the top three positions are held by Universal Life with a share of 21.1% of premiums, followed by Trans Oceanic with an 11.4% market share and Lincoln Financial in third place with a market share of 8.8%.

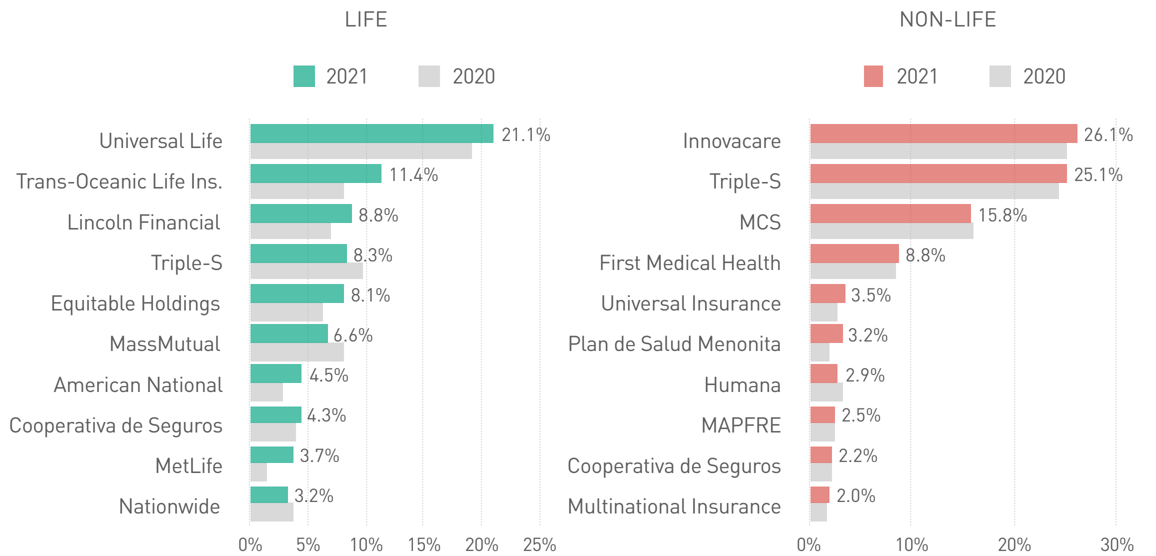
Key regulatory aspects

As regards the main legal developments in terms of insurance in 2021 and the regulatory developments issued by the Puerto Rico Office of the Commissioner of Insurance, the following is worth particular note:

- Law No 69-2021, amending Section 6 of Article VI of Law 72-1993, better known as the "Puerto Rico Health Insurance Administration Act" (ASES), to include medical-paramedical emergency technicians (TEM-P) as a health professional authorized to provide healthcare services in the homes of beneficiaries who require the use of an artificial ventilator to remain alive; amending paragraph (5) of Article 19,030 of Law No. 77 of June 19, 1957, known as the "Puerto Rico Insurance Code," to include medical-paramedical emergency technicians (TEM-P) as a health professional authorized to provide healthcare services in the homes of beneficiaries who require the use of an artificial ventilator to remain alive; adding paragraph 13 to Article 13 of Law 310-2002, known as the "Puerto Rico Board of Examiners of the Emergency Medical Technicians Act"; and for other related purposes.

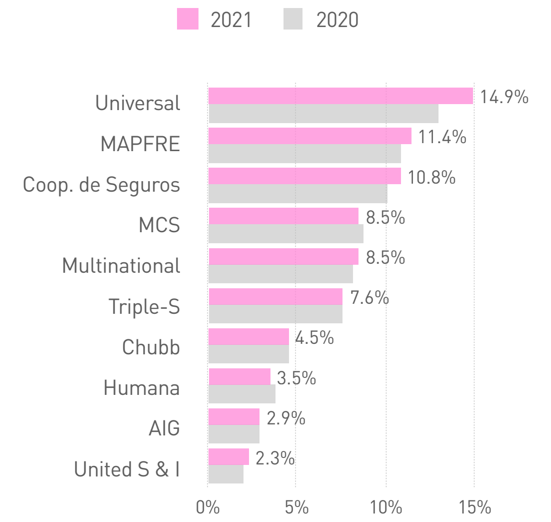
- Law No. 75-2021, amending Article 3.070, paragraph (1) (k) and adding a new paragraph (2) and (3) to Article 40,180, adding paragraph (2) to Article 40,210, adding paragraph (4) to Article 40,230, and adding paragraph (1) (d) to Article 40,250 of Law No. 77 of June 19, 1957, known as the

Chart 3.1.9-s
Puerto Rico: Life and Non-Life Ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the National Association 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 Association of Insurance Commissioners, NAIC)

"Puerto Rico Insurance Code," establishing that insurance companies duly authorized to undertake insurance businesses in Puerto Rico may become members of a Federal Home Loan Bank (FHLB) and, as such, may participate in the activities that FHLB members are allowed to perform.

- Law No. 77-2021, amending paragraph (v) of Article 41,050 of Law No. 77 of June 19, 1957, known as the "Puerto Rico Insurance Code," with a view to including health professionals who provide services to the Corporation of the Cardiovascular Center of Puerto Rico and the Caribbean within the limits of legal liability to which the Commonwealth of Puerto Rico is subject pursuant to Law 104 of June 29, 1955, known as the "Claims and Suits against the Commonwealth Act."

- Law No. 83-2021, amending Article 62 of Law 129-2020, known as the "Puerto Rico Condominium Act," establishing that the Homeowners Association may take out policies against risks to insure the original private elements of apartments; allowing homeowners to take out individual policies against risks to insure their private property and private possessions; instructing the Puerto Rico Insurance Commissioner's Office to amend any regulation or charter that is inconsistent with this law; and for other purposes.

3.2 South America

3.2.1 Colombia

Macroeconomic environment

In 2021, the Colombian economy ended the year with growth of 10.6% (compared to the contraction of 7.0% in 2020), as a result of the increased dynamism of demand, supported by the sustained consumption of households and an upturn in investment (see Chart 3.2.1-a). Furthermore, the progress with Covid-19 vaccination campaigns, the progressive easing of mobility restrictions, government programs to alleviate the effects of the pandemic and the economic reactivation strategy, enhanced with the approval of the Social Investment Law, contributed to the upturn in economic activity and saw levels of activity return to pre-pandemic levels by July 2021. Trade, industry and healthcare and welfare activities led this growth, with job market indicators also improving (the unemployment rate stood at 13.4% in 2021 compared to 15.1% in 2022), although they failed to return to pre-pandemic levels (9.9% in 2019).

In turn, this rapid recovery and the growth in inflation resulted in the central bank gradually removing the monetary stimulus implemented to tackle the pandemic, successively increasing interest rates to 3.0%. As of the date of this report, and given the continued inflationary pressure, the central bank has continued to increase its key policy rate to the current level of 9.0%. These measures are justified by the high level of inflation, which in 2021 stood at 5.6% (compared to average annual inflation of 2.5% in 2020) as a result of external factors, such as disruption to the supply chain and the increase in price of raw materials and maritime transport costs. This has combined with internal factors, like social unrest in April and May, blockades on supply points, an increase in the price of agricultural raw materials in view of the scarcity of domestic demand, the prolonged rainy season and the removal of price relief established during the pandemic. The external environment has failed to improve, and the year-on-year inflation rate came to 10.8% in August 2022.

In fiscal terms, the central government's deficit fell to 7.1% of GDP in 2021 (7.8% in 2020), beneath the level estimated in mid-2021 as part of the Medium-Term Fiscal Framework. Furthermore, despite the increase in revenue approved under the Social Investment Law leading to the creation of the Autonomous Fiscal Rule Committee, central government debt over GDP remained similar to the previous year (61.5% in 2021 and 61.4% in 2020). However, the effects of the new law may start to be felt in 2022. In the external environment, the country's current account deficit worsened, ending 2021 at 5.7% of GDP (3.4% in 2020) as a result of the deficit balances in relation to the trade of goods and services, as well as factor income, offset in part by a surplus in transfers.

For 2022, MAPFRE Economics has estimated GDP growth in Colombia of around 6.2%, while ECLAC has estimated growth of 6.5%, driven by improvements in exchange rates and demand factors, with internal consumption worth particular mention.

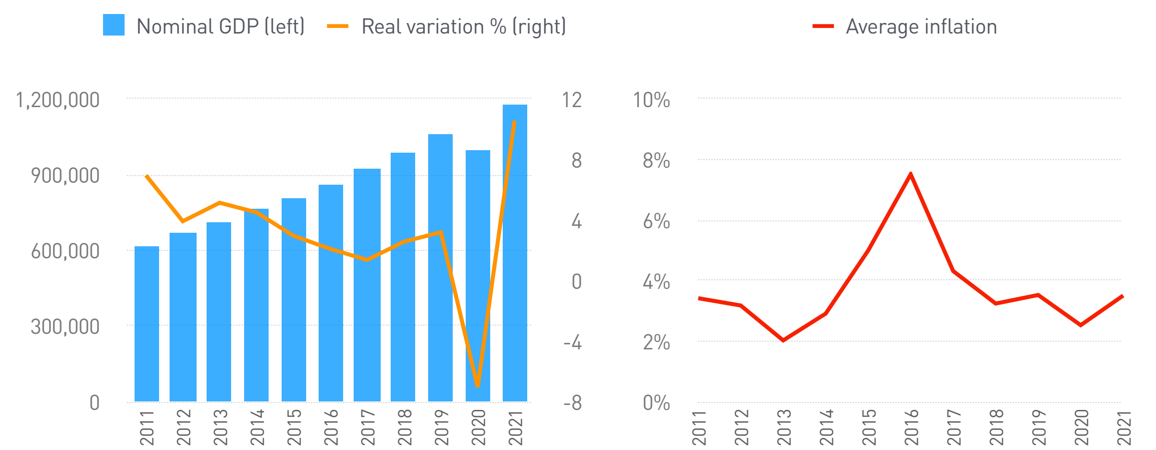
Insurance market

Growth

The Colombian insurance industry recorded 35.34 trillion pesos (9.44 billion dollars) in premiums in 2021, up by 15.9% in nominal terms and 12% in real terms, as a result of the strong performance of both market segments, with very similar growth rates of around 16% in nominal terms (see Table 3.2.1 and Chart 3.2.1-b). All lines have shown nominal and real increases in premium volume in 2021; worth particular mention was the 22.3% growth in pension insurance in the Life business, while in the Non-Life business, growth in Third-Party Liability (25.8%), Credit (25.8%) and Aviation (24.2%) are all worth particular mention. In terms of Automobile insurance and Workplace Accident insurance, which represent the highest volumes, both experienced notable growth of 12.6% and 14.4% in nominal terms, respectively.

Furthermore, over the past decade, the share of total premiums and by Life and Non-Life segments of the Colombian market in comparison to the Latin American

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)

market have been favorable in general, despite the contraction seen in 2015–2016, before returning to a path of growth. Thus, the weight of total Colombian premiums in the total for Latin America has grown from 5.0% in 2011 to 6.3% in 2021. Similarly, the share of the Life insurance business also increased from 3.5% in 2011 to 4.5% in 2021, while the Non-Life insurance business grew from 6.1% to 7.6% during this period (Chart 3.2.1-c).

As has been the case over the last decade, the contribution to growth in the Colombian insurance industry in 2021 came mainly from Non-Life lines, which contributed 11.1 pp to the total industry growth in 2021 (15.9%), while the Life segment contributed 4.9 pp (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 between 2011 and 2021. As can be seen, the industry's total assets amounted to 98.89 trillion pesos (24.24 billion dollars). Similarly, the industry's aggregate equity stood at 15.17 trillion pesos (3.72 billion US dollars) for the year, down by 1.5 pp compared to the previous year. Meanwhile, aggregate capitalization levels in the Colombian insurance industry (measured relative to total assets) rebounded slightly in 2021, representing 15.3% of assets at the end of the year, compared to 16.8% in 2020. 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

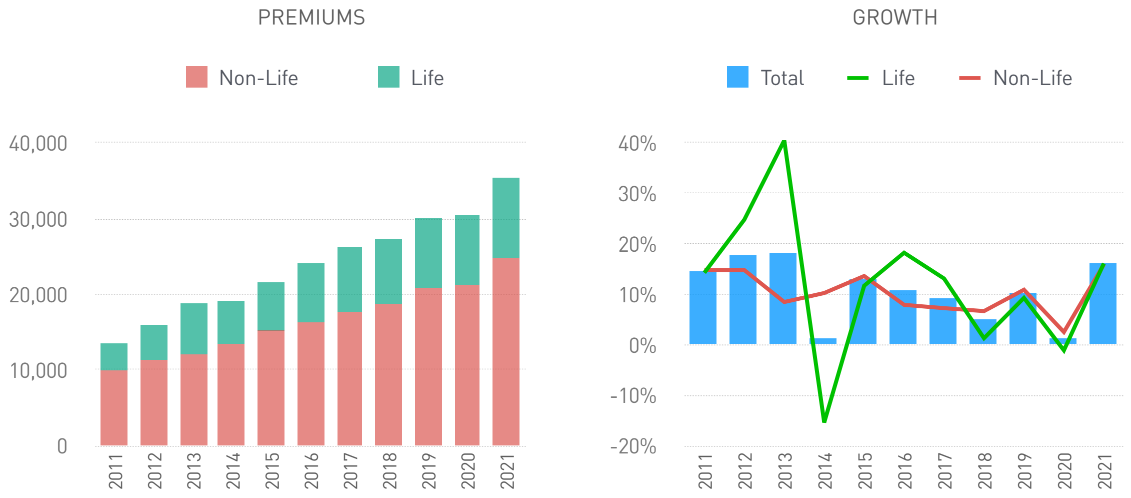
Chart 3.2.1-f reflects investment in the Colombian insurance industry between 2011 and 2021, while Charts 3.2.1-g and 3.2.1-h reflect the changes in the structure of the investment portfolio over said period and specifically in

Table 3.2.1
Colombia: Premium Volume[1] by Line, 2021

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**35,343,993.0**	**9,437.0**	**15.9**	**12.0**
Life	**10,701,223.9**	**2,857.3**	**16.1**	**12.1**
Life — individual and group	6,243,948.5	1,667.2	12.0	8.2
Pension insurance	4,457,275.4	1,190.1	22.3	18.2
Non-Life	**24,642,769.1**	**6,579.7**	**15.9**	**11.9**
Automobiles	3,860,644.2	1,030.8	12.6	8.8
Other lines	3,852,607.0	1,028.7	25.4	21.2
SOAT[2]	3,184,239.2	850.2	10.4	6.7
Health	2,437,233.9	650.8	10.0	6.3
Earthquake	1,155,863.3	308.6	15.7	11.8
Fire	1,204,944.5	321.7	17.4	13.4
Third-Party Liability	1,760,188.7	470.0	25.8	21.6
Personal Accidents	1,312,511.9	350.4	16.7	12.7
Transport	383,469.2	102.4	13.4	9.5
Theft	496,689.1	132.6	12.0	8.2
Aviation	218,140.8	58.2	24.2	20.0
Credit	141,934.4	37.9	25.8	21.5
Workplace accidents	4,634,303.0	1,237.4	14.4	10.5

Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)
1/ Written premiums
2/ Compulsory Traffic Accident Insurance

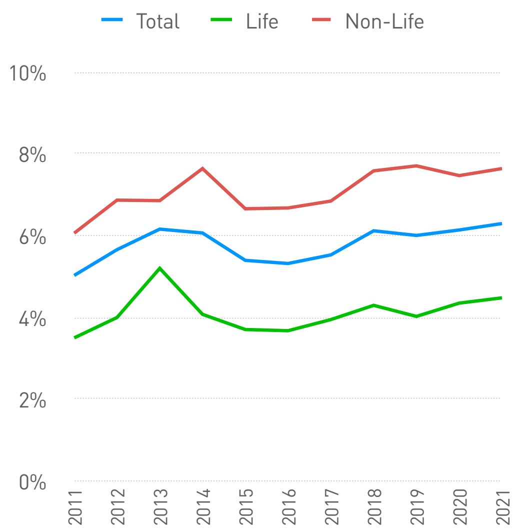
Chart 3.2.1-b
Colombia: Growth Developments in the Insurance Market
(premiums, billions of pesos; annual nominal growth rates, %)



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

2021. In 2021, investments of the Colombian insurance industry totaled 72.17 trillion pesos (17.69 billion dollars), including cash and real estate (investment properties). In terms of structure, investment was concentrated in fixed income (81.0%) and, to a lesser extent (14.3%), in equity instruments.

Chart 3.2.1-c
Colombia: Share of Insurance Premiums in Latin America
(%)

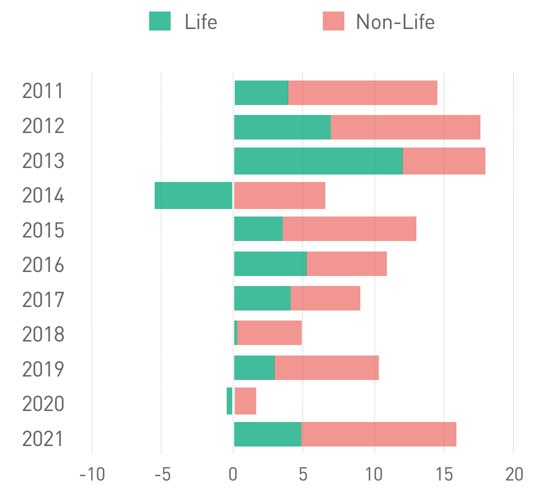


Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia and supervisory bodies of the region)

Technical provisions

Chart 3.2.1-i reflects the performance of technical provisions between 2011 and 2021, while Charts 3.2.1-j and 3.2.1-k indicate their relative composition during this period. Technical provisions amounted to 73.26 trillion pesos (17.95 billion dollars) in 2021. Of the total technical provisions, 50.9% related to Life insurance, 11.7% to provisions for unearned premiums and outstanding risks in Non-Life insurance, 31.9% to provisions for outstanding claims, 2.4% to provisions for catastrophic risks and the remaining 3% to other technical provisions. Sustained absolute growth was observed in technical provisions for the Colombian insurance industry over the 2011–2021 period. Life provisions have almost tripled in volume to 37.29 trillion pesos (9.14 billion dollars), although their share of total provisions fell from 59% in 2011 to 50.9% in 2021. Conversely, provisions for outstanding claims have increased their share most, from 23.4% in 2011 to 31.9% in 2021.

Chart 3.2.1-d
Colombia: Contribution to Insurance Market Growth
(percentage points, pp)



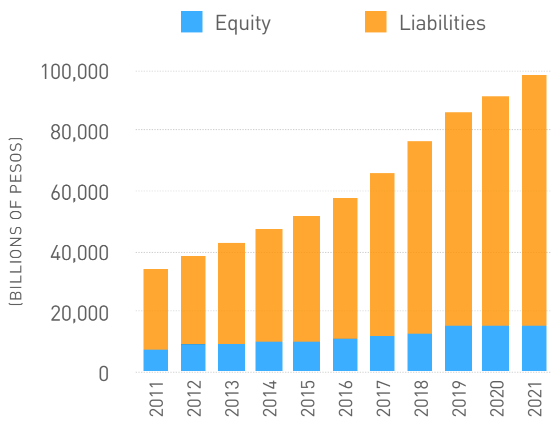
	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2011	14.6	4.0	10.6
2012	17.5	7.0	10.6
2013	18.0	12.1	5.9
2014	1.1	-5.5	6.6
2015	13.0	3.5	9.5
2016	10.9	5.3	5.5
2017	9.0	4.1	4.9
2018	4.9	0.4	4.5
2019	10.3	2.9	7.4
2020	1.3	-0.4	1.7
2021	15.9	4.9	11.1

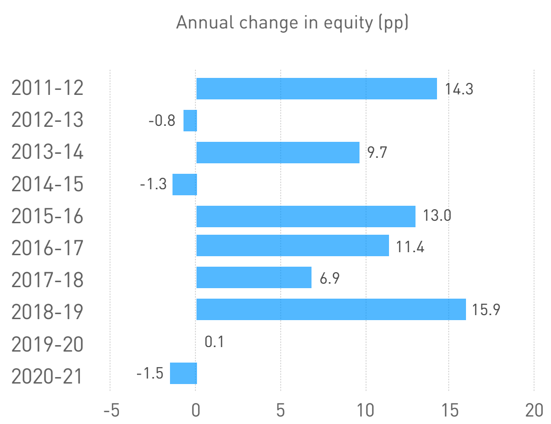
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Technical performance

The technical result of the Colombian insurance industry in 2021 worsened, with an increase in the total combined ratio of 3.8 pp compared to 2020, to 114.7%, on account of the 6.2 pp increase in the loss ratio, as the expense ratio improved by 2.4 pp to 47.1% (see Chart 3.2.1-l). As reflected in Chart 3.2.1-m, the combined ratio of companies supplying property & casualty insurance (Non-Life) performed in a similar way, increasing by 1.9 pp in 2021 to 104.0% (102.0% in 2020), on account of a 4.8 pp increase in the loss ratio (as was the case in most markets analyzed following the process of reopening the economy after the lockdown measures implemented to combat the pandemic) and a 2.8 pp decrease in the expense ratio, to 51.8%.

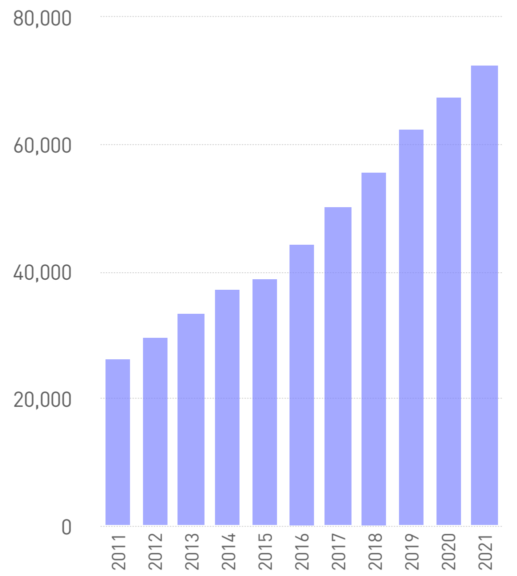
Chart 3.2.1-e
Colombia: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)





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

Chart 3.2.1-f
Colombia: Insurance Market Investments
(billions of pesos)



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

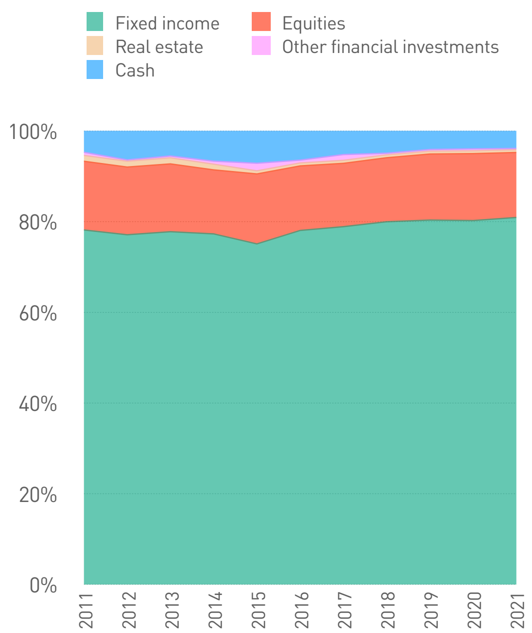
Results and profitability

The net result from the Colombian insurance business in 2021 came to 867.09 billion pesos (232 million dollars), down by 42.3% year on year, on account of the deterioration in the technical result, as the financial result increased by 4.8% to 4.32 trillion pesos (1.15 billion dollars). In turn, as reflected in Chart 3.2.1-n, the profitability of the sector in 2021 was down on the previous year. Return on equity (ROE) stood at 5.7%, compared to 9.8% the previous year; a similar situation emerges for return on assets (ROA), which reached 0.9% in 2021, representing a decrease of 0.8 pp compared to the previous year.

Insurance penetration, density and depth

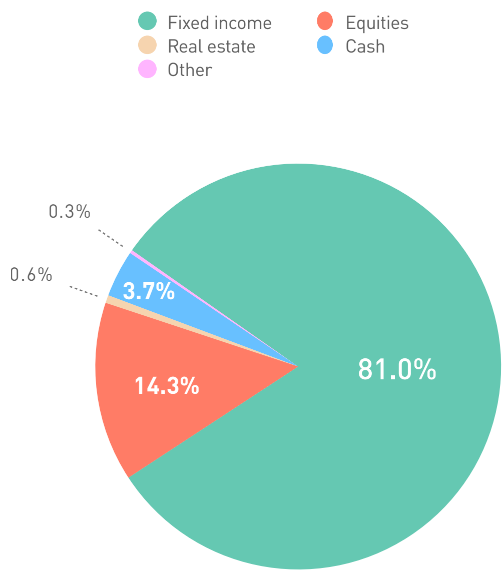
Chart 3.2.1-o shows the main structural trends shaping the development of the Colombian insurance industry over the 2011–2021 period. The penetration index

Chart 3.2.1-g
Colombia: Structure of Investments
(%)



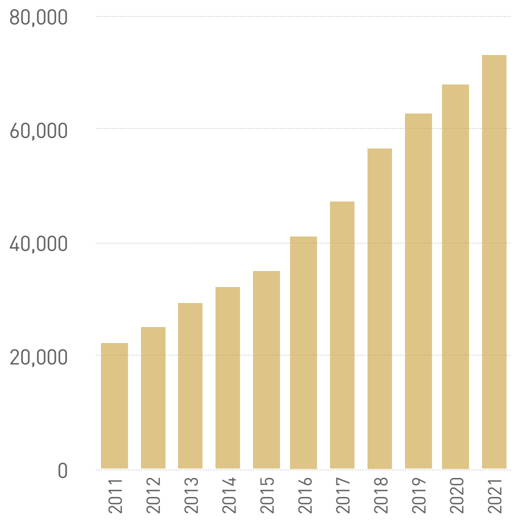
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-h
Colombia: Structure of Investments, 2021
(%)



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

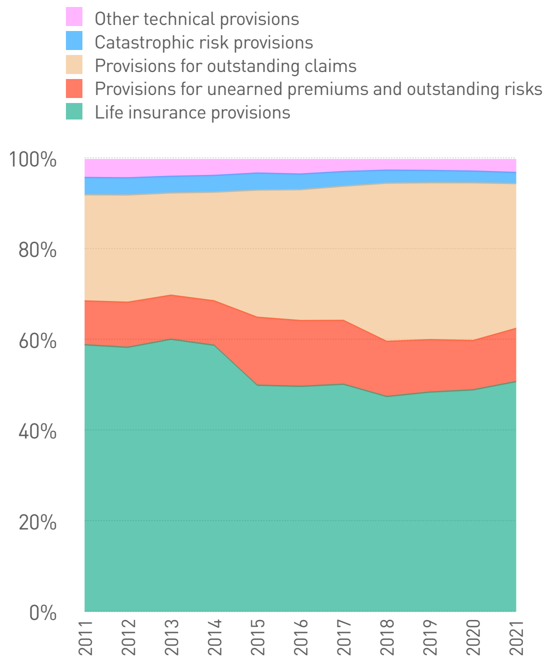
Chart 3.2.1-i
Colombia: Technical Provisions of the Insurance Market
(billions of pesos)



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

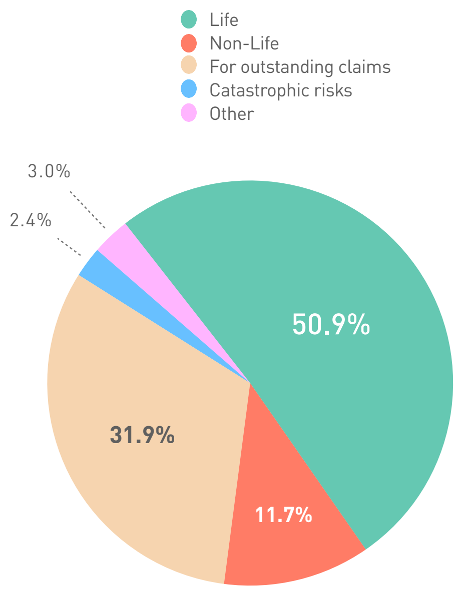
(premiums/GDP) came to 3% in 2021, the same as the previous year. Generally, the penetration rate for the Colombian insurance market has been on an upward trend since 2011, in line with the average for the Latin American insurance market as a whole. Meanwhile, the density indicator (premiums per capita) amounted to 686,070 pesos (183 dollars) in 2021, up by 14.6% in local currency compared to the previous year. As with the penetration index, density in the Colombian market (measured in local currency) showed an upward trend over the 2011–2021 period. However, when measured in dollars, it shows a decline from 2013 through 2016 as a result of the devaluation of the Colombian peso against the US dollar during this period. This situation reversed in 2017, but occurred once again in 2019 and 2020 before recovering once more in 2021. Lastly, the depth of the Colombian insurance market (Life insurance premiums in relation to total premiums) stood at 30.3% in 2021 compared to 30.2% in 2020 and 2.2 pp higher than in 2011. This indicator has per-

Chart 3.2.1-j
Colombia: Structure of Technical Provisions
(%)



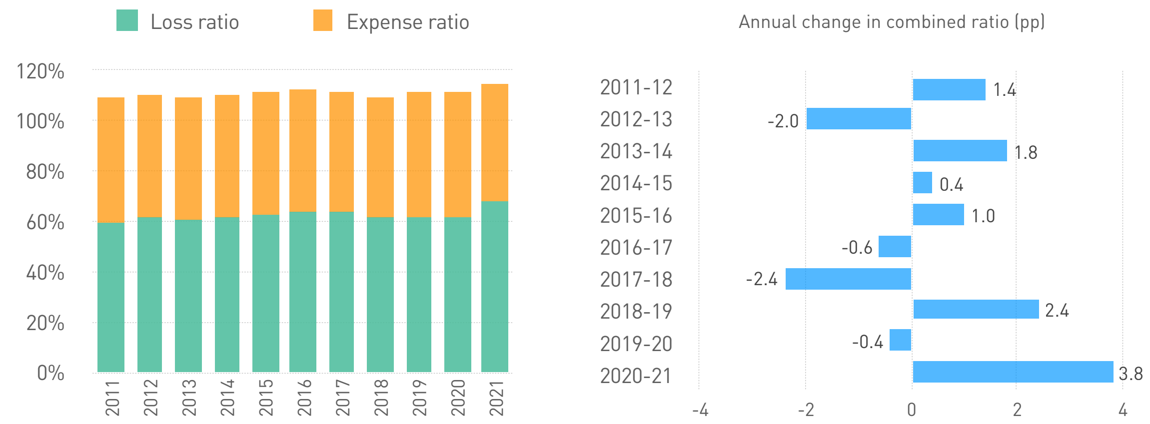
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-k
Colombia: Structure of Technical Provisions, 2021
(%)



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

Chart 3.2.1-l
Colombia: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



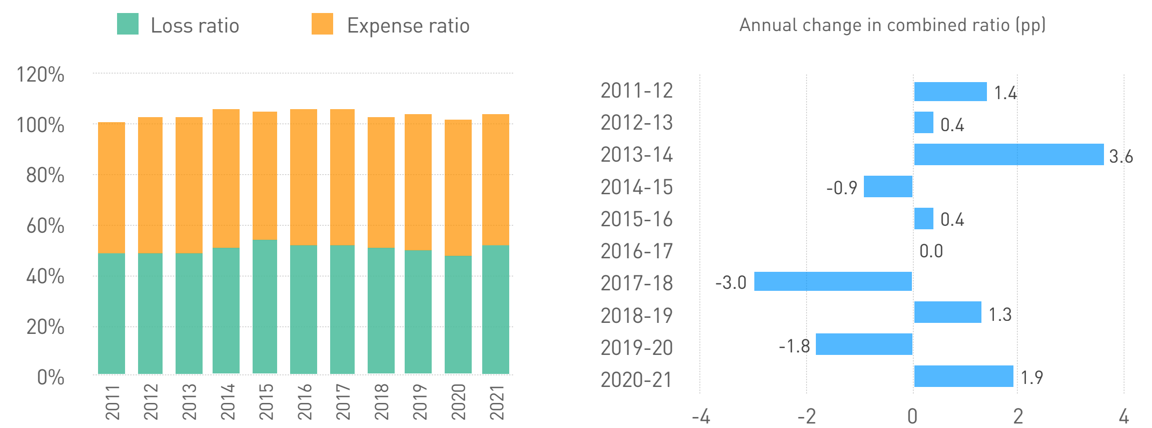
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

formed disparately over the last decade, hitting a historical maximum in 2013 (35.5%) and then practically stagnating from 2014 on.

Insurance Protection Gap estimate

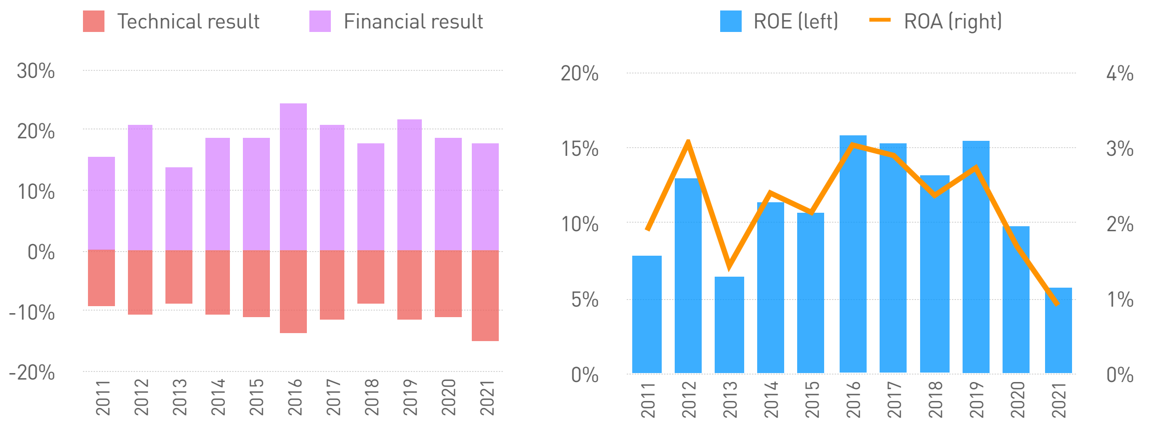
Chart 3.2.1-p shows an estimate of the insurance gap for the Colombian insurance market between 2011 and 2021. As can be seen, the IPG amounted to 58.25 trillion pesos (15.55 billion dollars) in 2021, some 1.6 times the size of the actual insurance market in Colombia at the end of that year. Similar to most Latin American insurance markets, the structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. Indeed, 67% of the IPG was a product of Life insurance (39.19 trillion pesos) at the close of 2021, down by 2.5 pp on 2011. The remaining 33% of the insurance gap is attributable to the contribution of the

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)

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)

Non-Life insurance segment (19.03 trillion pesos). Accordingly, the potential insurance market at the close of 2021 (the sum of the actual market plus the IPG) was estimated at 93.6 trillion pesos (24.99 billion US dollars), equivalent to 2.6 times the size of the total insurance market that year (see Chart 3.2.1-q).

The estimated insurance protection gap of the Colombian market as a multiple of the real market has decreased continuously between 2011 and 2021 (see Chart 3.2.1-r). Over this period, the total gap fell from 2.7 to 1.6 times the size of the actual market. A similar situation emerges for the Life market multiple, which fell from 6.7 to 3.7 (though with a small upturn in 2014), and for the Non-Life market, which fell from 1.1 to 0.8.

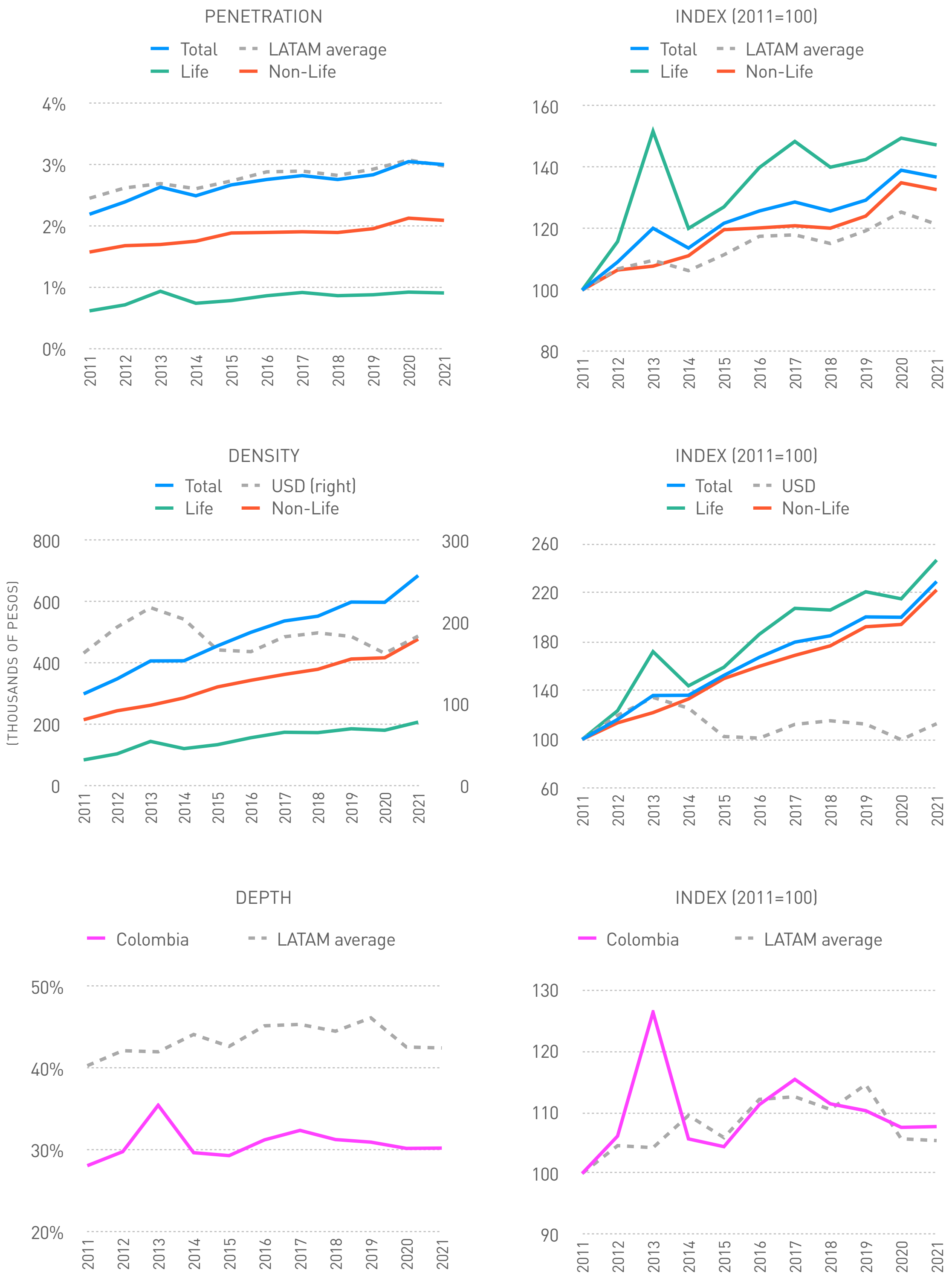
Chart 3.2.1-s illustrates the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total insurance market, comparing the situation in 2021 with the state of the market in 2011. It can be seen that there has been an improvement in the gap as a multiple of the actual market mainly in the Life segment with a smaller variation in the Non-Life segment.

Chart 3.2.1-t shows a summary of the updated assessment of the Colombian insurance market's capacity to close the insurance gap determined in 2021, based on 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 over the coming ten years. Our analysis shows that the Colombian insurance market registered an average annual growth rate of 10.0% over the 2011–2021 period, underpinned by average annual growth of 10.9% in the Life insurance segment and of 9.7% in the case of Non-Life insurance. Were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Colombian insurance market would prove sufficient to close the insurance gap calculated in 2021 only in the Non-Life insurance segment. In terms of the Life insurance segment, the growth rate would fall 5.8 pp short of closing the gap, slightly down on the measurement performed in 2020.

Market Development Index (MDI)

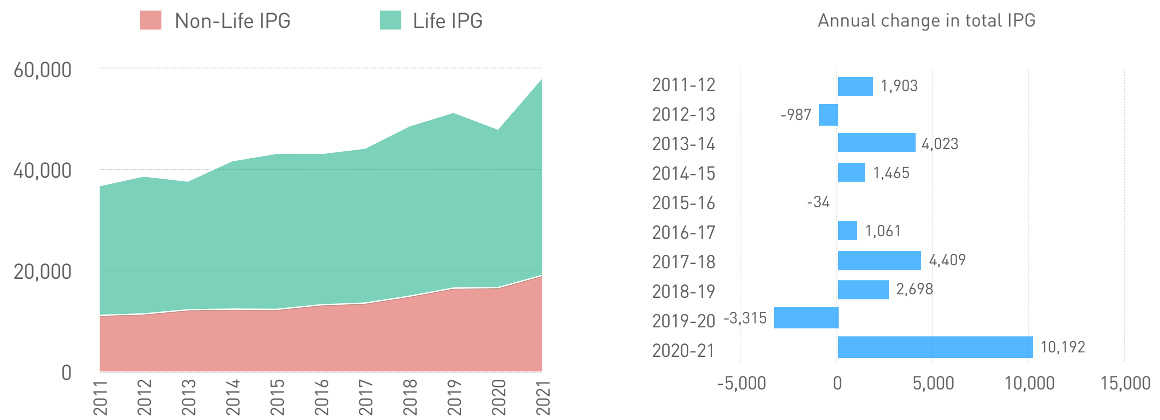
Chart 3.2.1-u shows an update of the estimate of the Market Development Index (MDI) for the Colombian insurance industry between 2005 and 2021. The MDI has per-

Chart 3.2.1-o
Colombia: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2011 index=100)



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

Chart 3.2.1-p
Colombia: Insurance Protection Gap
(billions of pesos)



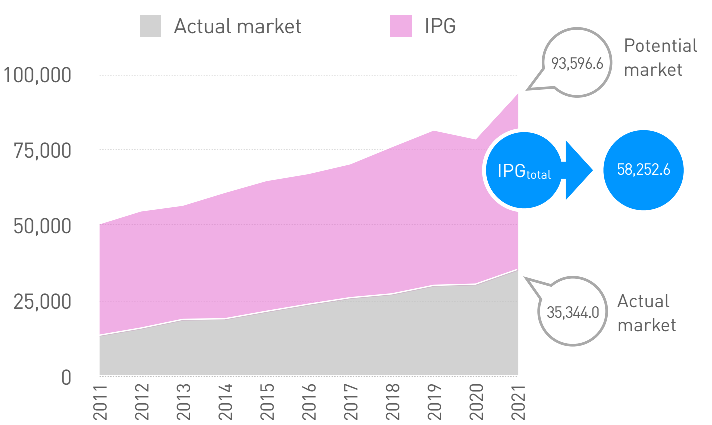
Source: MAPFRE Economics

formed positively over the period in question, with a slight drop in 2021, although on a very similar path to the one seen on average by Latin American insurance markets.

Comparative analysis of structural coefficients

From the perspective of the four structural coefficients analyzed, the situation of the Colombian insurance market in 2021 in comparison to the Latin American average is reflected in Chart 3.2.1-v. As can be seen, although the penetration and performance of the Market Development Index (MDI) in the Colombian market are in line with the regional average, depth and density are still below the Latin American insurance market average. Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2011–2021 period, the Colombian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect) and depth levels (qualitative aspect).

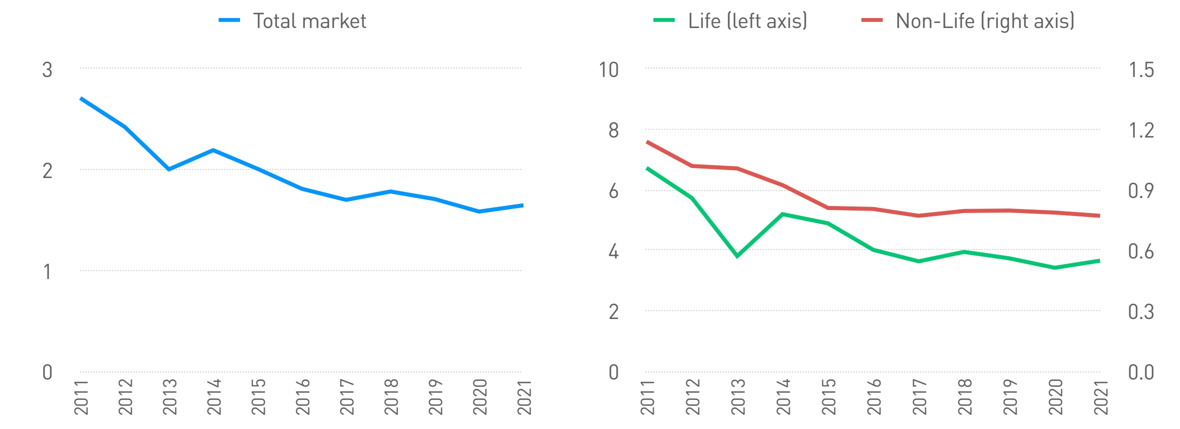
Chart 3.2.1-q
Colombia: Insurance Protection Gap and Potential Market
(billions of pesos)



Change	Actual market	IPG
2021-2011	160.2%	58.1%
2021-2020	15.9%	21.2%

Source: MAPFRE Economics

Chart 3.2.1-r
Colombia: IPG as a Multiple of the Actual Market
(number of times the size of the actual insurance market)



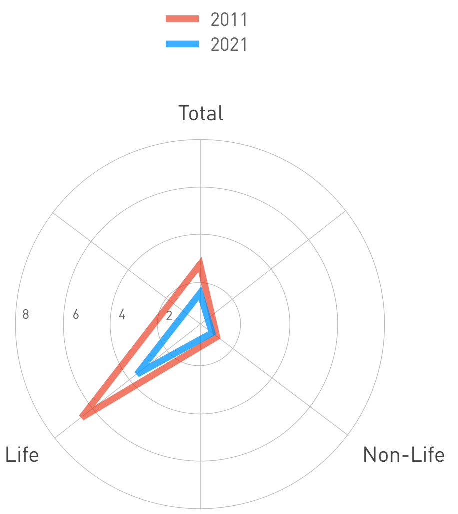
Source: MAPFRE Economics

Insurance market rankings

Total ranking

In 2021, there were 23 property & casualty companies, 18 Life insurance companies and two insurance cooperatives operating in Colombia. In general, there are low levels of concentration in the Colombian insurance market, as confirmed by the Herfindahl and CR5 indexes. The Herfindahl index fell slightly (to 650.9 points) for the second year in a row and remains below the moderate concentration threshold. The concentration level of the top five insurance companies in the market (CR5) also increased. Between them, these companies account for 47.5% of premiums, increasing by just 0.1 pp, with a higher concentration in the Life segment (65.8%) than in the Non-Life segment (44.8%) (see Chart 3.2.1-w).

Chart 3.2.1-s
Colombia: Change in IPG
as a Multiple of the Actual Market



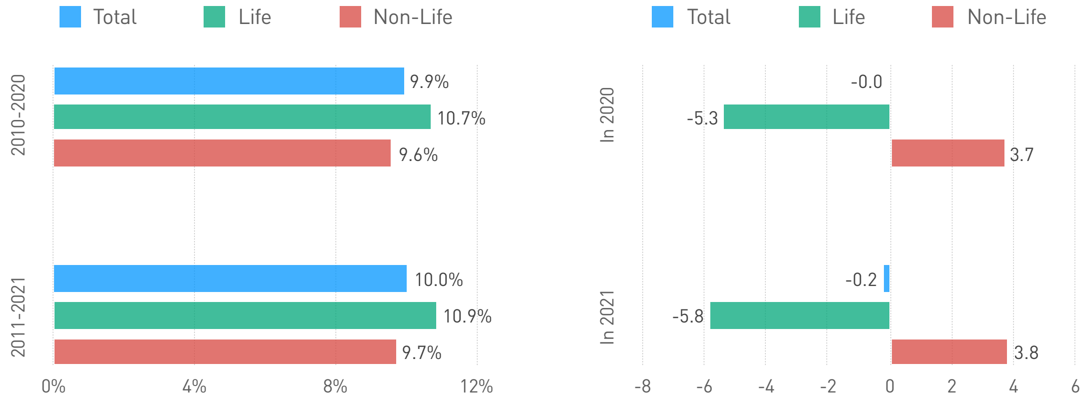
Source: MAPFRE Economics

In 2021, the positions of the groups in the total ranking of insurance groups remain practically unchanged compared to 2020, with the exception of MAPFRE, which moves up from eighth to seventh, with Allianz dropping down to eighth. The ranking is led by Suramericana, accounting for 23.8% of total premiums, 1.1 pp down on the previous year, and well ahead of Alfa, in second place with a market share of 12.2% (see Chart 3.2.1-x).

Life and Non-Life rankings

With regard to the Non-Life insurance segment, Suramericana once again tops the ranking in 2021 with 26.8% of premi-

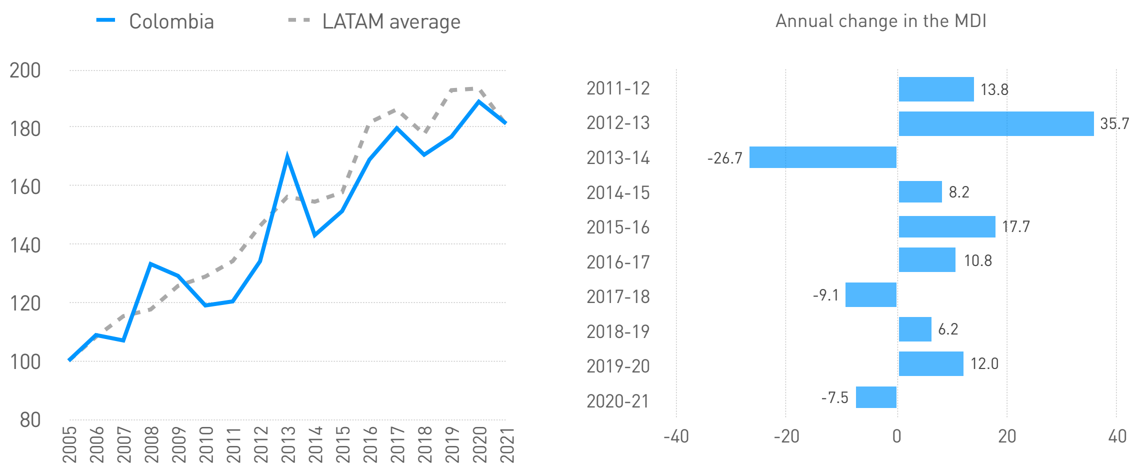
Chart 3.2.1-t
Colombia: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

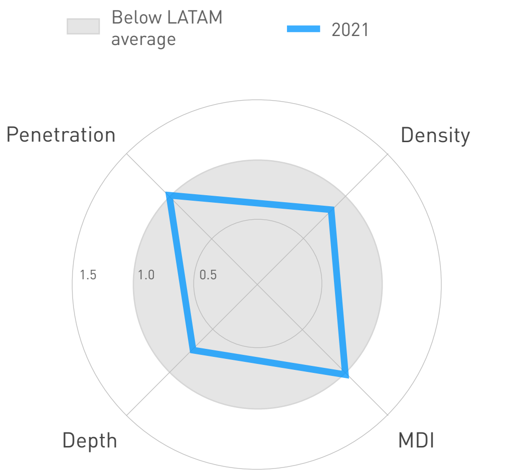
ums, which represents a 1.3 pp decrease in its market share compared to the previous year. Bolívar moves up one place to fourth, with Estado placing fifth, while Mundial ranks sixth, pushing Allianz down one place. Finally, Colmena recovers the position it lost in 2020 and places tenth. With regard to the Life ranking for 2021, Alfa tops the ranking once again, increasing its market share by 2.6 pp to 36.3%. Some way behind the top three groups is Global Seguros, with a market share of 3.5% in fourth. MetLife and MAPFRE move up two and three places, respectively, into sixth and seventh place. In contrast, state-owned companies Positiva y Previsora drop from fourth to eighth. Finally, Pan American Life placed ninth in 2021, a position occupied by Axa Colpatria the previous year (see Chart 3.2.1-y).

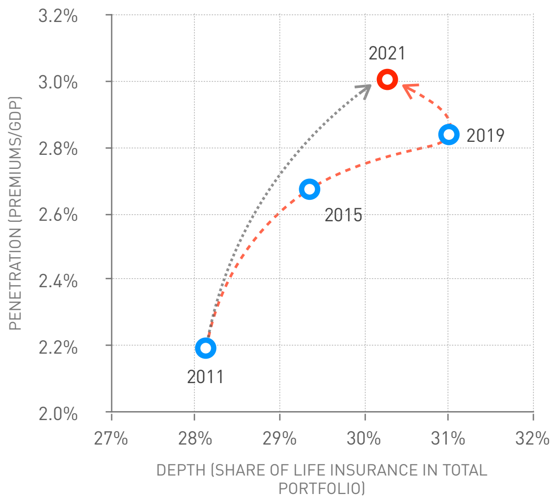
Chart 3.2.1-u
Colombia: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.1-v
Colombia: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)





Source: MAPFRE Economics

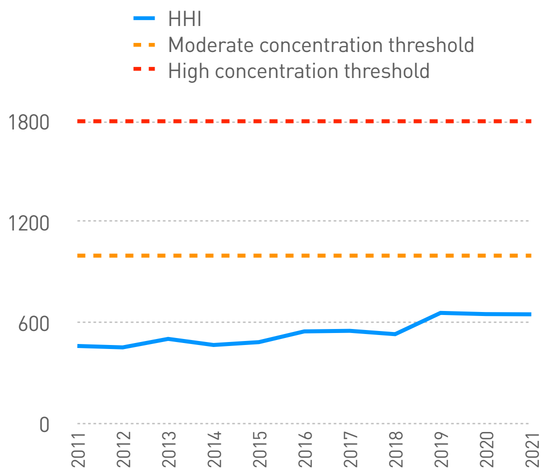
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

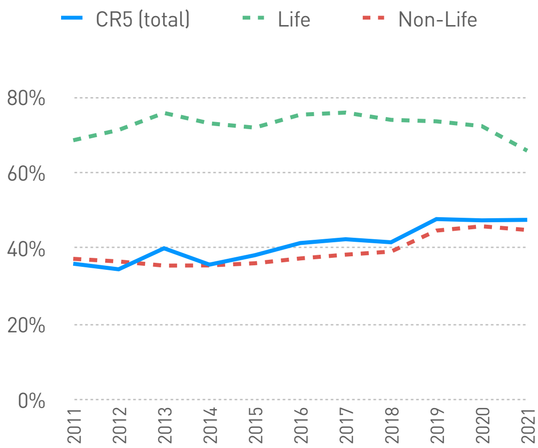
Key regulatory aspects

During 2021, the regulatory environment of the Colombian insurance industry experienced adjustments in the context of the economic reactivation. These adjustments are summarized below:

Laws in relation to the insurance sector issued by the Congress of the Republic

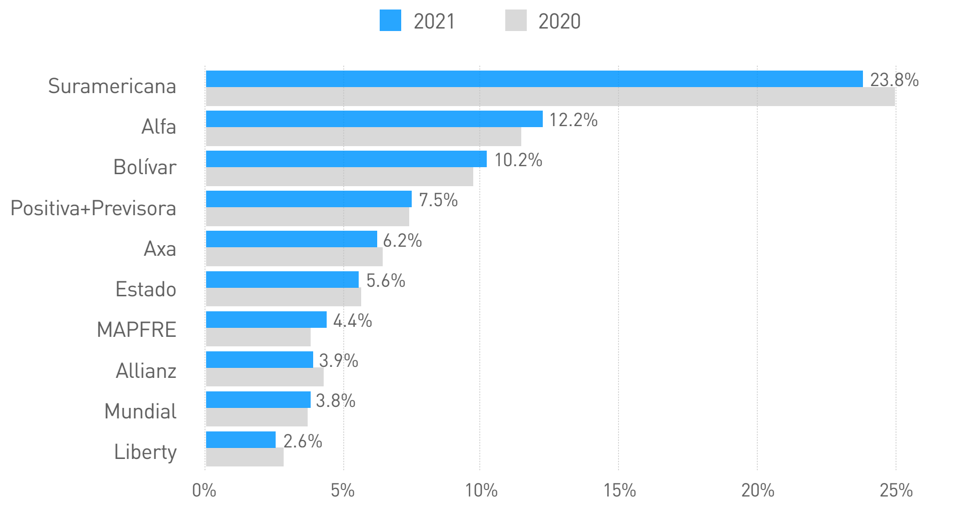
Chart 3.2.1-w
Colombia: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)





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

Chart 3.2.1-x
Colombia: Total Ranking
(market shares, %)

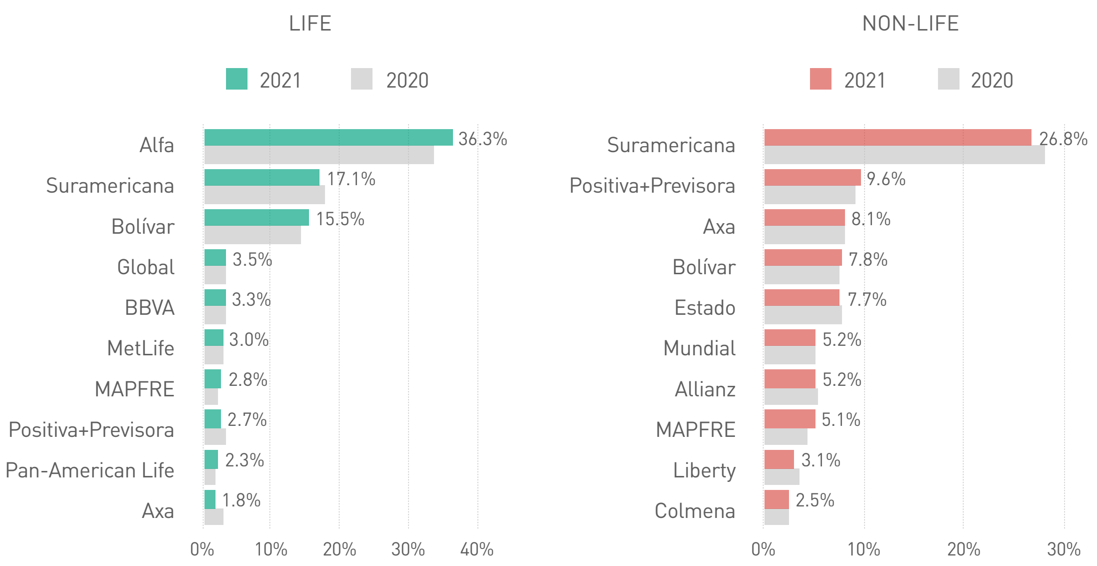


Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

In 2021, the Congress of the Republic passed a series of laws in relation to the insurance industry, a summary of which is provided below:

- Law 2128 of August 4, 2021, promoting the supply, continuity, reliability and coverage of fuel gas in Colombia and with a view to promoting and expanding the use of this energy source and thus generate positive impacts on the environment, quality of life and health of the population, offering a 10% discount on Mandatory Traffic Accident Insurance (SOAT) premi-

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)

ums and contractual and extracontractual liability insurance for vehicles powered by fuel gas.

- Law 2161 of November 26, 2021, establishing measures to promote the acquisition, renewal and non-evasion of the SOAT and establishing a discount for policies renewed on time, provided that no claims were reported during the previous policy with a view to promoting and recognizing good driving habits of drivers and generating incentives to fight evasion in this line of business.

- Law 2171 of December 31, 2021, creating mechanisms for repatriating nationals who die abroad, establishing, inter alia, voluntary insurance to cover the costs associated with transporting the human remains of a person who dies abroad to their country of origin with a view to creating mechanisms that allow for costs and formalities to be covered, as well as the services required to repatriate human remains and the funeral costs of Colombians who die abroad.

- In terms of legislative initiatives, the national government presented Draft Law No. 413 of 2021 - of the Senate, which aimed to reform a series of aspects in relation to the financial system, including the insurance industry, for consideration by the Congress in March 2021. The changes proposed for the insurance industry include the definition of insurance activity and the ability of the national government to recognize transactions that form part of said activity, as well as the institutional strengthening of the regulation and supervision authorities. This draft was approved during the first debate before being filed.

- Replacing this draft, the national government issued Draft Law No. 337 of 2022, setting out the rules related to access and financing for building equity. This draft enhances proposals in relation to inclusive insurance, maintaining the legal definition of insurance activity, as well as providing for the option of operating several lines of insurance under a single license (which represents a change in relation to the division of companies into property & casualty and life insurance firms, which had been the case to date). This draft is still to be discussed as part of a first debate by the Congress of the Republic; however, due to the change in legislative period, this draft will be filed and will not be debated.

- Finally, Draft Law No. 323 of 2020 of the Senate promoting financial inclusion in insurance, risk management and other provisions, which seeks to define inclusive insurance and promote financial education on insurance. Due to the change in legislative period, this draft will be filed and will not be debated.

Decrees and drafts related to the insurance industry issued by the national government

- The national government, through the Unit of Regulatory Protection and Financial Regulation Studies (URF), issued Decree 1084 of September 10, 2021, in relation to the rules applicable to financial institutions acting as policyholders on behalf of their debtors. As part of this framework, financial institutions pool demand for debtor insurance, which has the potential to enhance cost efficiency for financial consumers. This decree establishes rules in relation to the transparency of the process of taking out insurance and the appropriate disclosure of information to debtors.

- In December 2021, the URF published a draft decree and the corresponding technical study, updating the system of technical reserves for insurers. The main aim of the draft is to improve the technical budgets of technical reserves and thus establish a prudential framework based on the different lines of business offered. To this end, the draft shall adjust, in all aspects, the method for calculating the unearned premium reserve, the reported claims reserve and the ongoing risks reserve. The URF estimates that this decree will come into force during 2022.

- As regards technical studies, in January 2021, the URF published the 2021–2025 roadmap for the modernization of the insurance industry. This document serves as a guide for developing insurance industry regulations in the coming period. The document addresses different elements of change for the insurance industry, including: (i) a prudential adjustment that includes the adoption of the Solvency II and IFRS 17 standards; (ii) an adjustment in relation to the corporate governance of insurance companies, addressing the strengthening of the actuarial function and risk management, in addition to other aspects; and (iii) an adjustment in relation to the regulatory framework of inclusive insurance, which includes a review of the model for marketing this insurance.

- In February 2022, the URF published a draft decree aimed at consolidating financial inclusion in Colombia for public comment. The adjustments proposed include expanding the lines of insurance that can be distributed through the network of other financial institutions or through the correspondent network. This network entails the sale of financial products through non-financial institutions present nationwide, which would enhance the coverage of the financial system.

- In May 2022, the URF published a study on the characteristics of pension insurance in Colombia, identifying its main problems and proposing a series of measures to address the problems, the solution to which is within the regulatory remit of the national government. Based on this technical study, the URF will work on a draft decree.

- In terms of prudence, the URF announced a consultation project to adopt the IFRS 17 and Solvency II standards in the Colombian insurance industry. Insurance companies participated in this project and to date have completed two impact assessment exercises with a view to calculating the period of transition and calibrating the relevant parameters, based on the experience of countries in the region and in Europe.

External Circulars of the Financial Superintendency of Colombia

- External Circular 003 of 2021 set out the instructions applicable to the integrity policies of electoral candidates with a view to insurance companies refraining from demanding the constitution of any type of counter-guarantees for the insurable risk as part of these policies, in line with the decision handed down by the Constitutional Court.

- External Circular 007 of 2021 set out instructions with a view to adjusting changes to the system of investment of insurance companies and capitalization firms in order to promote the appropriate diversification of investment portfolios and balance-sheet matching, pursuant to the provisions of Decree 1393 of 2019. Furthermore, instructions were set out in relation to risk management and investment processes and the inclusion of environmental, social and corporate governance (ESG) and climate factors as relevant risks for investment portfolios and their inclusion in decision-making processes.

- External Circular 017 of 2021 updated instructions on customer knowledge procedures employed by supervised companies, in relation to the nature, characteristics and profile of risk for certain products, including mandatory insurance.

- Continuing with the roadmap for bringing together international standards and best practices in relation to the management and supervision of risk at financial institutions, and in order to provide companies with an overview of the risks to which they are exposed, to adopt guidelines in relation to risk governance and the definition of a risk appetite framework, in line with the best international practices and recommendations made by multilateral institutions in the field, External Circular 018 of 2021 was issued, implementing the Integrated Risk Administration system to include the management of risks to which supervised companies are exposed. Furthermore, instructions were issued in relation to the aggregation of risk data and filing reports. The Circular will enter into force in 2023.

- External Circular 023 of 2021 implemented the technological development known as "Smartsupervision," which seeks to standardize the structure for classifying the causes of grievances by supervised companies, including insurance companies, with a view to providing the Superintendency with timely, uniform information on their management and effective and adequate supervision. Likewise, pursuant to international standards and to generate a range of appropriate products and services for financial consumers, the Financial Consumer Assistance System has been adjusted to include the development of the principle of fair treatment and the identification of the root causes of grievances, as well as other aspects.

- External Circular 027 of 2021 established the general parameters that must be satisfied by insurance companies when entering into reinsurance contracts protecting them against deviations in the loss ratio in the occupational risk business. Furthermore, instructions were established with a view to companies reporting to the Superintendency on the methodology for calculating and releasing the loss ratio deviation reserve for occupational risks, bearing in mind the additional protection referred to in the Decree.

- With a view to offering a higher level of transparency in the market through the disclosure of consistent, comparable and relevant sustainability information by issuers, in line with the international standards of the Task Force for Climate Related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB) of the Value Reporting Foundation (VRF), External Circular 031 of 2021 was issued to set out instructions on the framework for disclosing information on social and environmental matters, including the climate, as part of the periodic end-of-year report and periodic quarterly report by securities issuers. These regulations will be applicable to insurance companies that issue securities on the Colombian market.

- External Circular 035 of 2021 updated the maximum rates of Mandatory Personal Injury Insurance suffered by People in Traffic Accidents (SOAT) and set out instructions relating to the discounts granted under Laws 1964 of 2019 and 2128 and 2161 of 2021 for holders of SOAT who own electric or gas vehicles and can accredit that they employ good driving habits.

- As part of their collaboration and coordination mandates, the Superintendency, in cooperation with the National State Contracting Agency (Colombia Compra Eficiente), issued Joint External Circulars 001 and 002 of 2021, the purpose of which is for supervised companies to implement mechanisms and tools to facilitate the confirmation of the origin, characteristics and relevant elements of bank guarantees, separate assets granted as guarantees and certain insurance policies.

- In 2022, the Superintendency published two draft Circulars in relation to the insurance industry for public comment. Firstly, the draft Circular in relation to the accumulation, calculation and release of the reserve assigned to the payment of occupational illness claims in view of the collection by another insurer filing a claim against them for economic and assistance benefits as a result of an occupational illness. Secondly, the draft Circular in relation to compliance insurance and insurance rates sets out instructions in relation to insurance rates when insurers resort to the experience and information of reinsurers. Furthermore, this draft supplements the instructions that insurers must follow in relation to risk management in the compliance segment with a view to ensuring the adequate control of risk accumulation and the need to take out reinsurance, bearing in mind the specific features of this line of business.

3.2.2 Venezuela

Macroeconomic environment

It is estimated that the Venezuelan economy contracted by 1.5% in real terms in 2021 (compared to 30% the previous year), the eighth consecutive year in which the economy contracted, although at a slower pace than in previous years (see Chart 3.2.2-a). In addition to the less adverse economic impact caused by the pandemic and the restrictions placed on economic activity, oil production experienced some relief (still subject to the trade and oil sanctions imposed by the United States), showing some signs of improvement both on account of the increase in production and the favorable oil price environment. Consumption has also experienced a slight upturn, mainly supported by the public sector, both on account of the improvement in tax income on oil exports and the receipt of foreign remittances, which helped to alleviate the needs of the public sector in relation to financing. To this end, the increase in international reserves following the International Monetary Fund's allocation of 3.5 billion special drawing rights (SDR)[17] served as a stabilizing factor. As regards inflation, the continuous increase in prices has led to a situation of hyperinflation, with a year-on-year increase in prices of 1,589% in 2021, once against dragging down the performance of the exchange rate, the stability of which and loss of confidence compared to the dollar resulted in a new monetary reconversion in October 2021, which wiped six zeros off the bolivar while establishing a new set of currency.

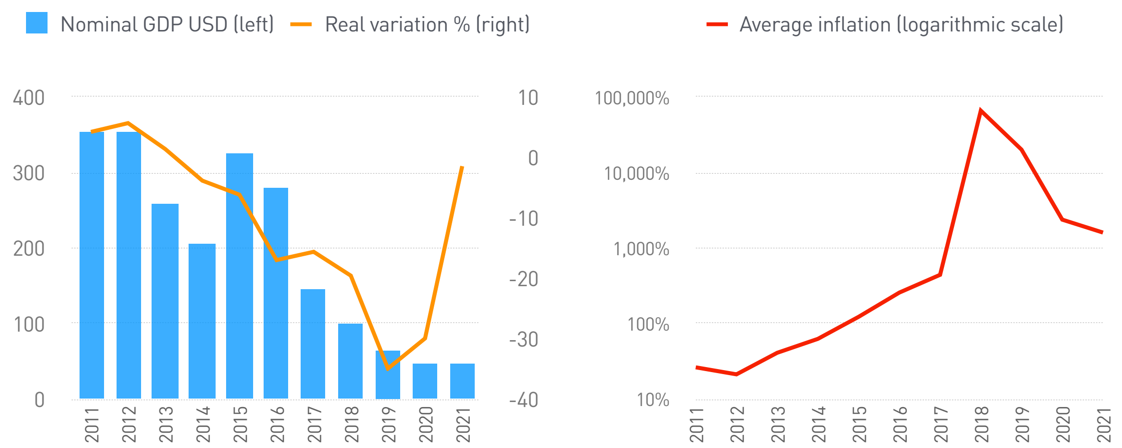
Against this backdrop, MAPFRE Economics has forecast growth in Venezuelan GDP of 1.5% for 2022. The estimate made by the IMF is similar, maintaining some optimism as regards the positive trend seen in the country's economy of late. ECLAC, in turn, agrees with this sentiment, although the growth forecast stands at 3.0% for 2022.

Insurance market

Growth

Premiums in the Venezuelans insurance market dropped in real terms by 26.4% (-1,143% in nominal terms) compared to the previous year, to 1.73 billion bolivars. Non-Life insurance continued to account for most premiums, with 99.6%, compared to 0.4% for Life insurance premiums (see Table 3.2.2 and Chart 3.2.2-b). Furthermore, over the past decade the change in the participation of total premiums and by Life and Non-Life segments in the Venezuelan insurance market in comparison to the Latin American market has been unfavorable. Thus, the total proportion of Venezuelan premiums in the total for Latin America has dropped from 0.7% in 2011 to 0.4% in 2021. Likewise, the participation of the Life insurance business also dropped from 0.3% in 2011 to practically zero in 2021, while the Non-Life insurance business dropped from 11.5% to just 0.6% during this period (see Chart 3.2.2-c). Finally, in terms of the contribution to the growth of the insurance business, Chart 3.2.2-d shows that practically all growth in 2021 came from the Non-Life segment.

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)

Balance sheet and shareholders' equity

The aggregate balance sheet for the Venezuelan insurance industry between 2010 and 2020 (the latest data available) can be seen in Chart 3.2.2-e. The industry's total assets came to 9.15 billion sovereign bolivars, while equity amounted to 3.03 billion sovereign bolivars, up 1,111 percentage points on 2019, largely due to the effects of the hyperinflation in the economy. The Venezuelan insurance industry saw aggregate capitalization levels (measured over total assets) of around 36% between 2009 and 2013, before peaking in 2017 and then returning towards the average, standing at around 33% of total assets in 2020. 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 this economy is experiencing.

Investments

Chart 3.2.2-f shows the latest available changes in investment in the Venezuelan insurance market between 2010 and 2020. In 2020, it amounted to 6.28 billion 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

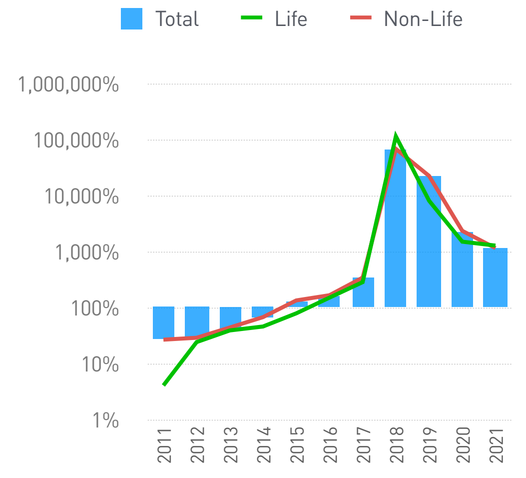
Changes in technical provisions and net reinsurance provisions for the Venezuelan

Table 3.2.2
Venezuela: Premium Volume[1] by Line, 2021

Line	Millions of bolivars	Millions of USD[2]	Growth	
			Nominal (%)	Real (%)
Total	**1,732.1**	**534.8**	**1,142.5**	**-26.4**
Life	7.7	2.4	1,265.9	-19.1
Non-Life	1,724.4	532.4	1,142.0	-26.4

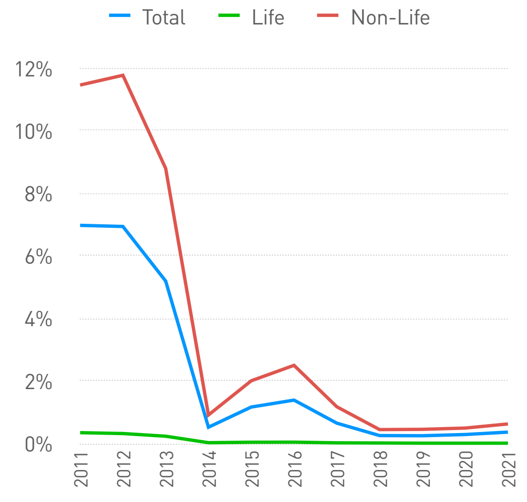
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
1/ Net premiums received from direct insurance. Estimated Life premium volume.
2/ The VEF/USD exchange rate has been interpolated based on the latest DICOM auctions available.

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)

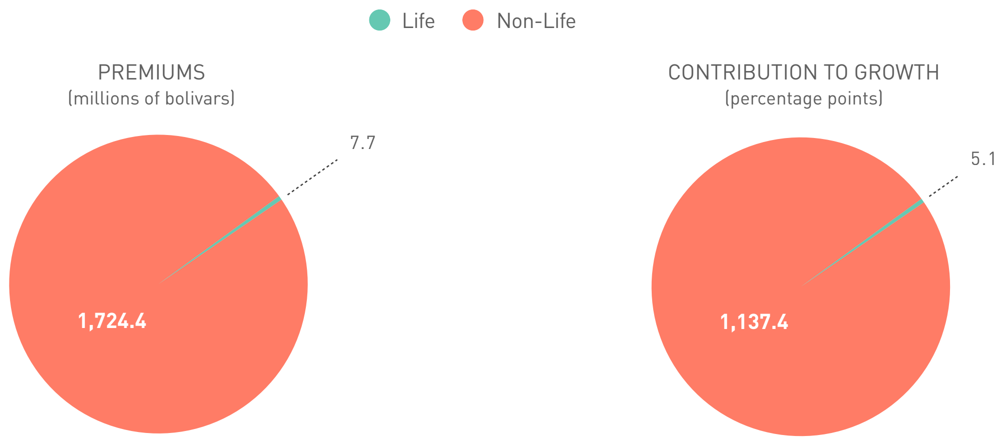
Chart 3.2.2-c
Venezuela: Share of Insurance Premiums in Latin America
(%)



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

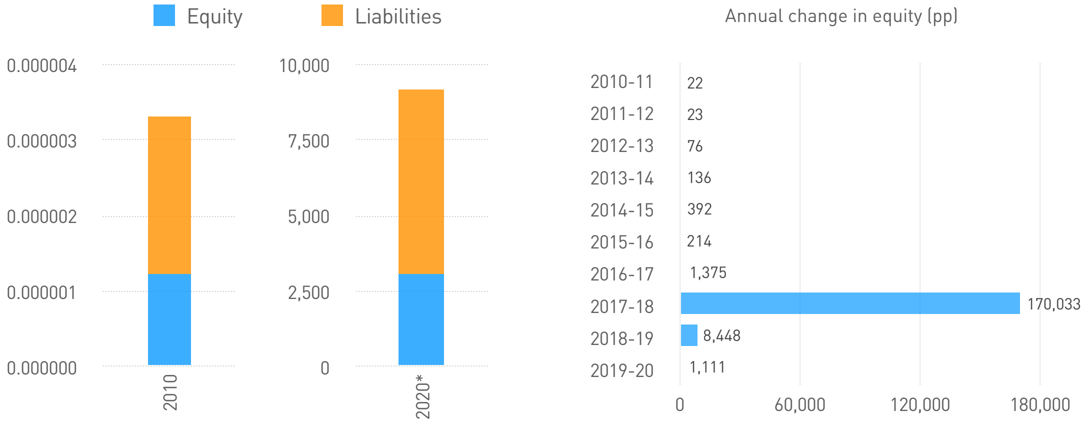
insurance industry between 2010 and 2020 (latest data available) can be seen in Chart 3.2.2-g. In 2020, technical provisions stood at 4.44 billion bolivars. Of the total technical provisions, 0.4% related to Life insurance, 53.4% to provisions for unearned premiums and outstanding risks in Non-Life insurance, 34.7% to provisions for outstanding claims, 1.0% to provisions for catastrophic risks and the remaining 10.5% to other technical provisions. As shown in Chart 3.2.2-h, the relative weight of Life insurance provisions fell from 1.3% of total provisions in 2010 to 0.4% in 2020. There

Chart 3.2.2-d
Venezuela: Insurance Market and Contributions to Growth, 2021
(premiums, millions of bolivars; percentage points, pp)



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

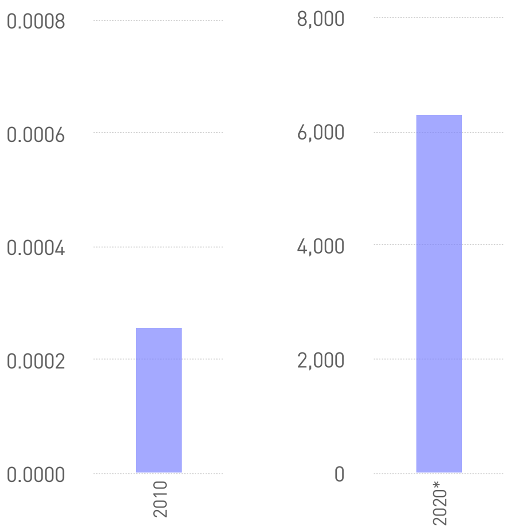
Chart 3.2.2-e
Venezuela: Changes in the Insurance Industry's Aggregate Balance Sheet
(millions of bolivars; change in equity, percentage points)



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

was also a gradual increase during this period in the weight of provisions for unearned premiums and outstanding risks, from 55.2% of total provisions in 2010 to 66.6% in 2019; however, in 2020, this dropped to 53.4%. On the other hand, the provision for outstanding claims fell from around 40% to 34.7% in 2020 (see Chart 3.2.2-i).

Chart 3.2.2-f
Venezuela: Insurance Market Investments
(millions of bolivars)



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

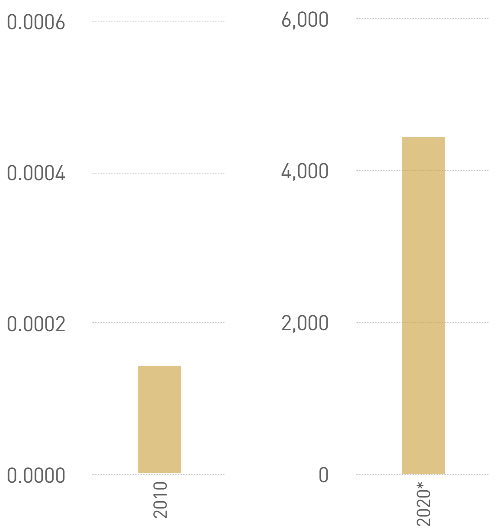
Technical performance

Based on the latest information available, the Venezuelan insurance industry registered a negative technical result in 2020, with a combined ratio of 108.4%, an improvement of 12 percentage points in relation to 2019. The loss ratio increased (+12.4 pp) while the expense ratio improved 24.4 pp, (see Chart 3.2.2-j).

Results and profitability

The Venezuelan insurance industry posted a consolidated result of 106.5 billion bolivars (32.9 million dollars) for 2021. As there is no balance sheet data available for 2021, profitability indicators for that year could not be analyzed. As can be seen in Chart 3.2.2-k, there was a clear negative trend in the profitability of the Venezuelan insurance industry between 2010 and 2020, starting in 2012 and reaching the lowest level for the decade in 2017, before bouncing back slightly in recent years.

Chart 3.2.2-g
Venezuela: Technical Provisions of the Insurance Market
(millions of bolivars)

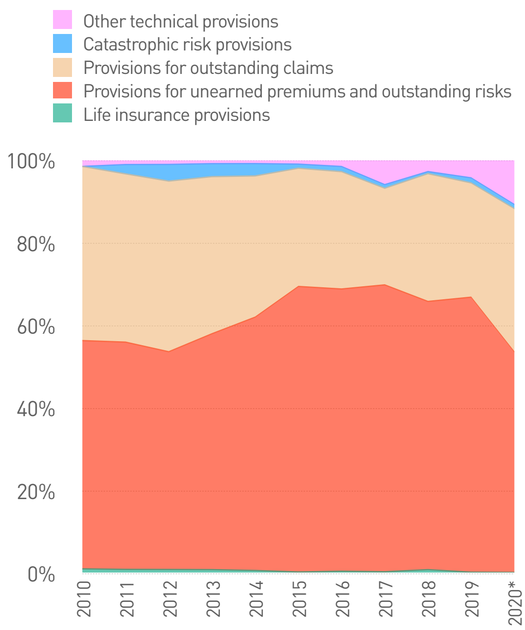


Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
* Latest data available

Insurance penetration, density and depth

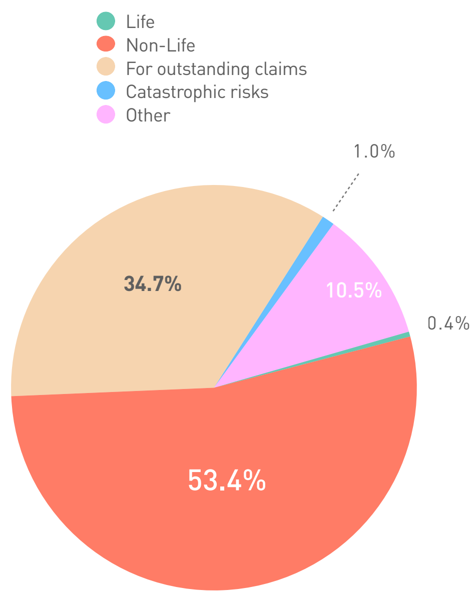
The main structural trends shaping the development of the Venezuelan insurance industry between 2011 and 2021 can be seen in Chart 3.2.2-l. The penetration index (premiums/GDP) stood at 1.2% in 2021, up 0.4 pp on 2020. As stated in our 2019 report, following a period of contraction between 2009 and 2011, the indicator showed an upward trend until 2014, to only quickly fall again over the past three years. Insurance density in Venezuela (premiums per capita) reached 61 bolivars (19 dollars), up 1,155% on 2020. This was also influenced by the hyperinflationary trend in the general level of prices in the economy. Accordingly, density has climbed steadily in nominal terms over the last decade when measured in local currency, rising exponentially from 2013. However, when the index is calculated in dollars, density has been clearly declining. With regard to depth (Life insurance premiums to total premiums), the in-

Chart 3.2.2-h
Venezuela: Structure of Technical Provisions
(%)



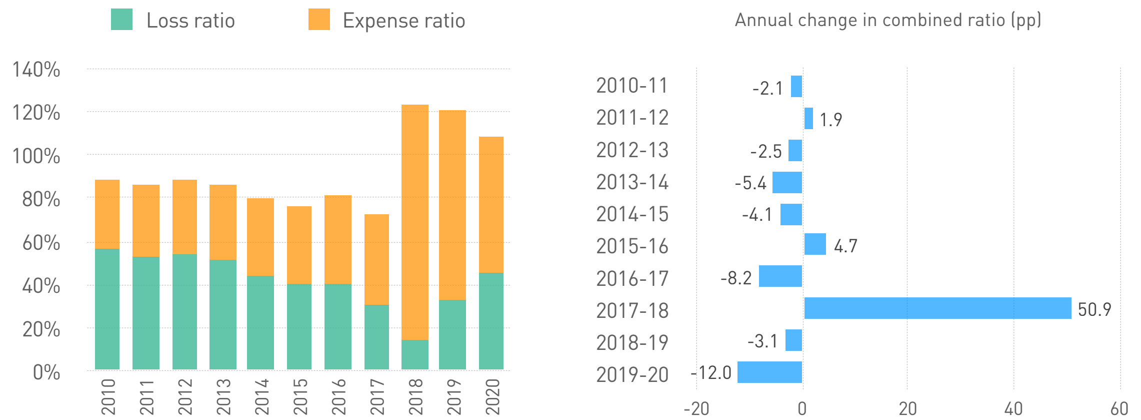
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
* Latest data available

Chart 3.2.2-i
Venezuela: Structure of Technical Provisions, 2020*
(%)



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

Chart 3.2.2-j
Venezuela: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



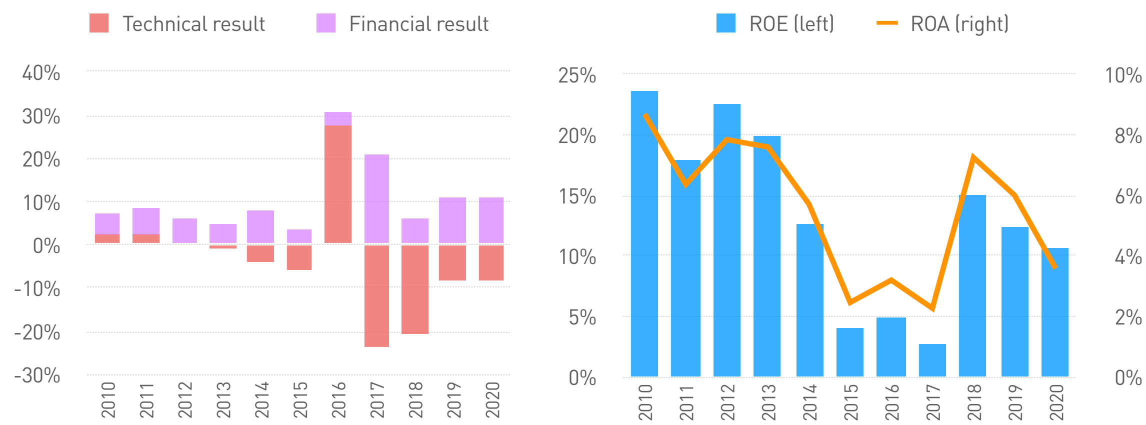
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

dicator in 2021 stood at just 0.4%, 1.5 percentage points below the value observed in 2011. The trend in the depth of the Venezuelan insurance market clearly diverges from the average performance of the other insurance markets in Latin America, as the Life insurance segment has virtually disappeared in the country.

Insurance Protection Gap estimate

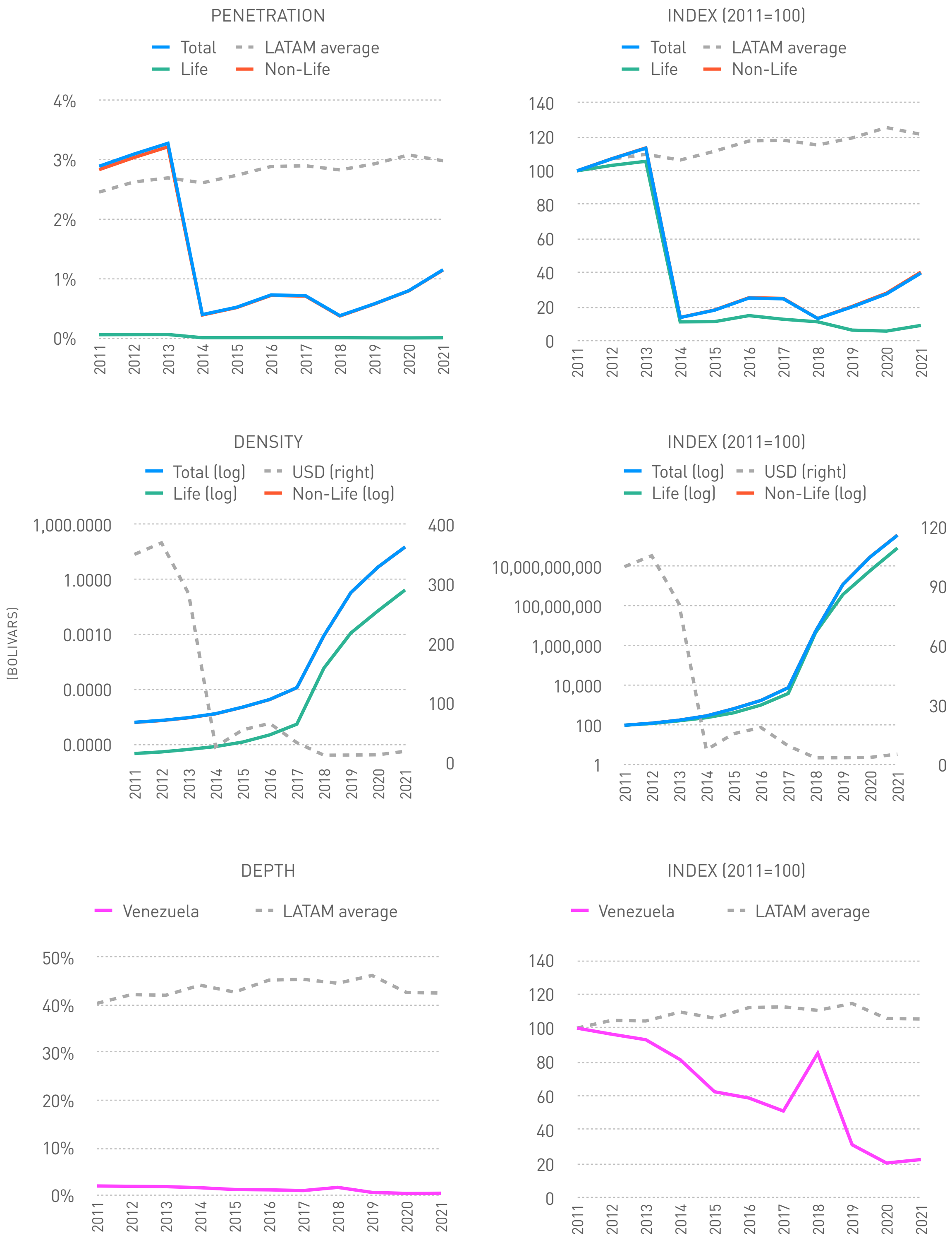
Chart 3.2.2-m shows an estimate of the insurance gap for the Venezuelan insurance market in 2021. The IPG this year amounted to 10.2 billion bolivars, 5.9 times the size of the Venezuelan insurance mar-

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, bolivars and USD; Life premiums/total premiums, %, 2011 index=100)



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

ket at the close of the year. The structure and performance of the IPG are largely a product of Life insurance. At the close of 2021, 62.2% of the IPG corresponded to this market segment, compared to 37.8% for Non-Life insurance. As such, the potential insurance market in Venezuela at the close of 2021 (estimated as the sum of the country's actual insurance market plus the IPG) would stand at 12 trillion bolivars, 6.9 times the size of the total insurance market that year.

Chart 3.2.2-n provides an estimate of the IPG as a multiple of the actual insurance market in Venezuela. As can be seen, the insurance gap as a multiple of the market followed an upward trend from 2010 to 2017 and then fell again to 5.9 times the relative market in 2021.

Market Development Index (MDI)

Chart 3.2.2-o shows an estimate of the Market Development Index (MDI) for the Venezuelan insurance industry. In general, the indicators had been in line with the average trend seen in Latin America until 2014, at which time it clearly started to deteriorate, with this phenomenon remaining the same until 2021.

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. This clearly demonstrates that the deterioration of the Venezuelan insurance market has caused all of its structural dimensions to fall well below the average for the region. This conclusion is confirmed when analyzing the market development process over the past decade, which has deteriorated both in terms of quantity (penetration) and quality (depth) during the period subject to analysis

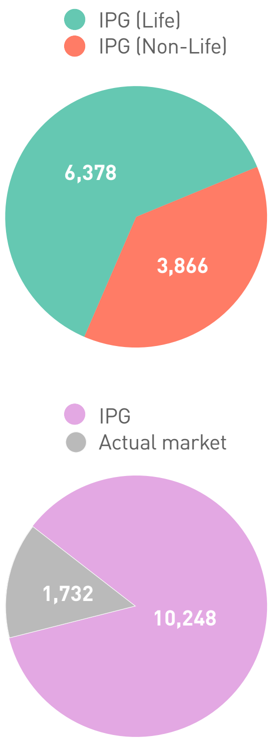
Insurance market rankings

Total ranking

There were 49 insurance companies operating in Venezuela in 2021, 3 more than the previous year. The Herfindahl index increased to 1,451 in 2021, beyond the threshold that indicates moderate market concentration, although it remains below the threshold of 1,800 points, which would indicate high concentration (see Chart 3.2.2-q). Furthermore, the CR5 index reflects a high concentration of 71.8% in relation to the Life and Non-Life segments.

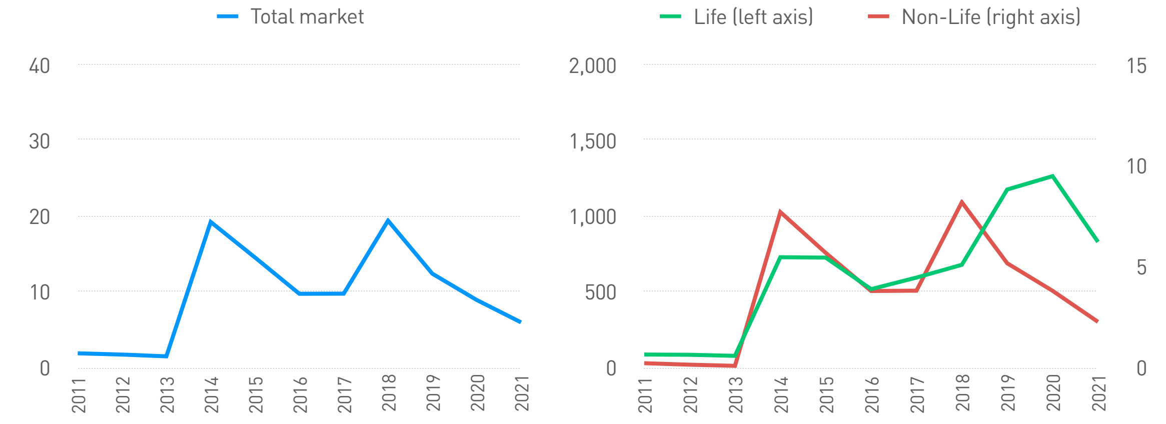
As regards the ranking of insurance groups shown in Chart 3.2.2-r, in 2021 this continued to be led by Mercantil and Caracas, with

Chart 3.2.2-m
Venezuela: Insurance Protection Gap* and Potential Market, 2021
(millions of bolivars)



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)

market shares of 27.6% and 20.4%, respectively. They were followed by Pirámide (11.1%), Oceánica de Seguros (7.3%), MAPFRE (5.4%) and Universitas, which dropped to 4.2% (10.9% in 2020). The total ranking in 2021 was rounded out by Hispania de Seguros (3.9%), Constitución (3.1%), Banesco (2.8%) and Internacional de Seguros (2.3%).

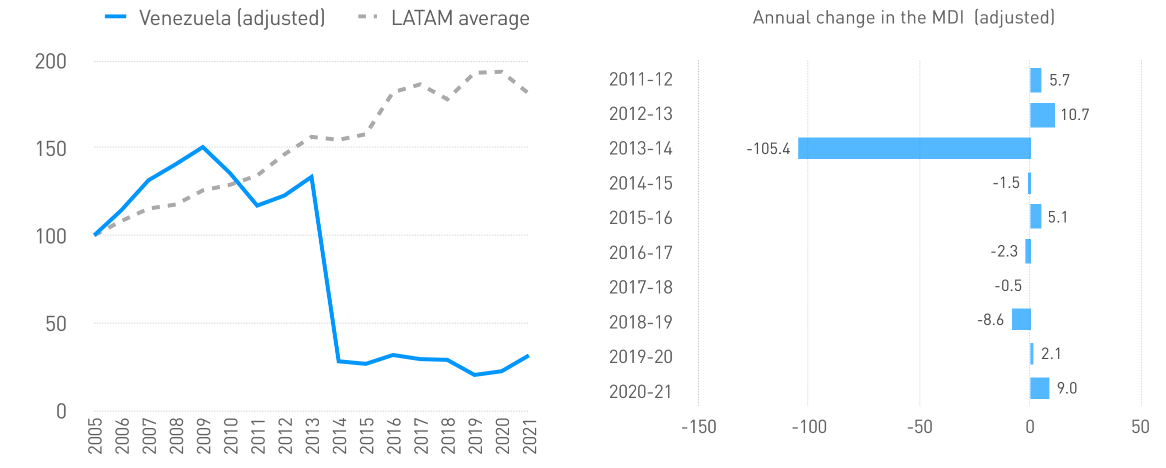
Life and Non-Life rankings

The Non-Life ranking continued to be led by Mercantil in 2021, with a market share of 27.7%, followed by Caracas (20.4%) and Pirámide (11.1%) relegating Universitas (4.2%) to sixth position, behind Oceánica (7.3%) and MAPFRE (5.3%). In terms of the Life insurance ranking, it continued to be led by Mercantil, with a market share of 22.6%, followed by MAPFRE (17%) and Atrio Seguros (16.7%) in second and third place respectively (see Chart 3.2.2-s).

Key regulatory aspects

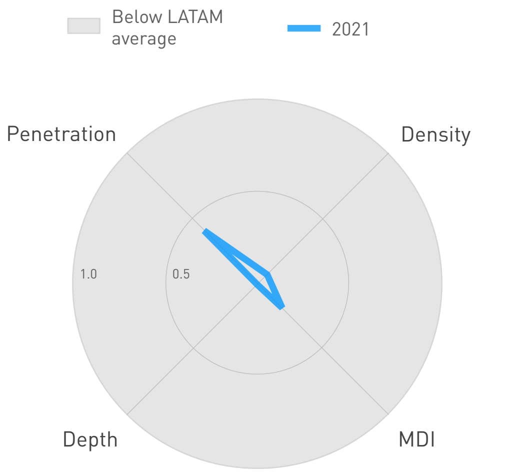
Key regulatory aspects relating to the Venezuelan insurance market are listed

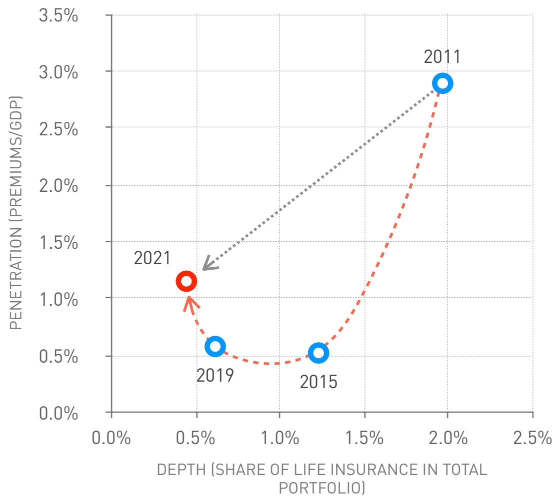
Chart 3.2.2-o
Venezuela: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.2-p
Venezuela: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



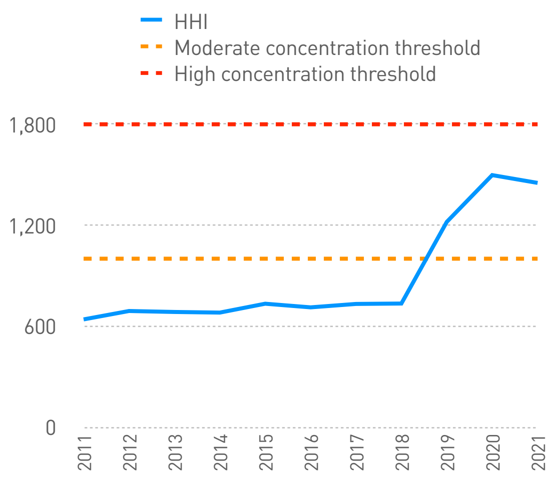


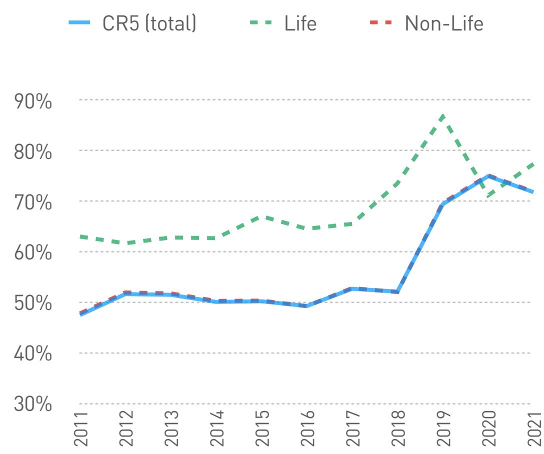
Source: MAPFRE Economics

* 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.

below: (i) Ordinance FSAA-2-0160 of 2022, revoking the general and uniform character and the rate of the Individual Health Insurance Policy and approving the minimum content of the general conditions of health insurance contracts, and (ii) Administrative Ordinance SAA-2-0001 of 2021, establishing that regulated subjects are required to make a special contribution to finance the operations of the Insurance Activity Superintendency.

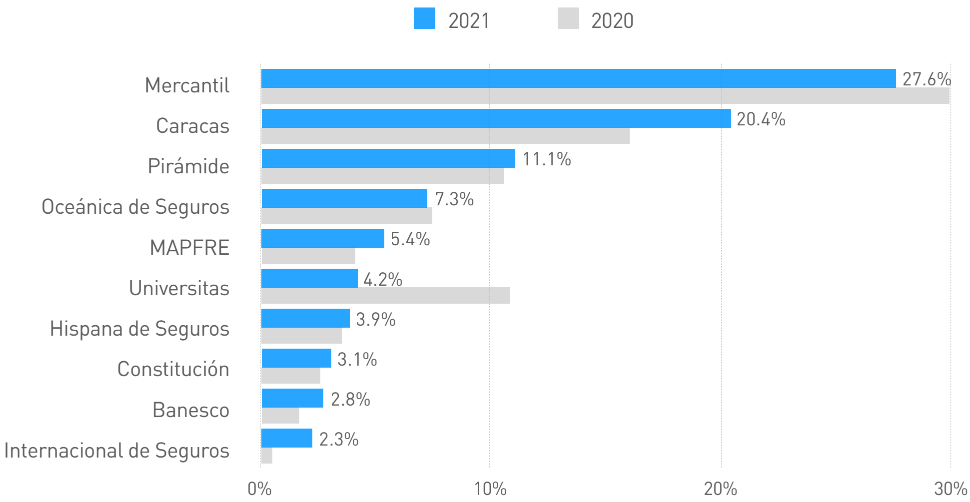
Chart 3.2.2-q
Venezuela: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)





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

Chart 3.2.2-r
Venezuela: Total ranking
(market shares, %)



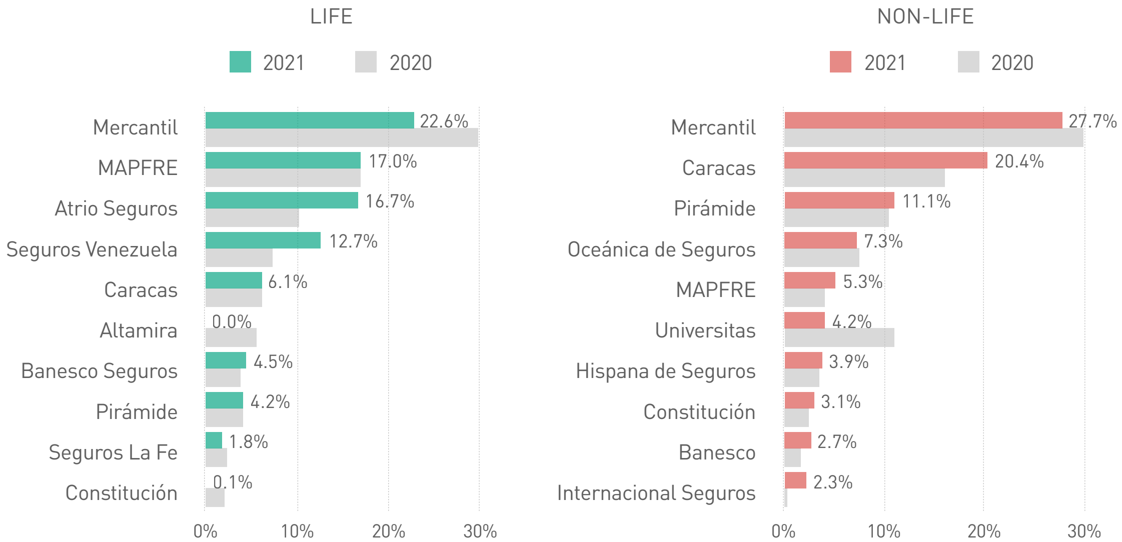
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

3.2.3 Brazil

Macroeconomic environment

In 2021, the Brazilian economy experienced real growth of 4.6% (-3.9% in 2020), underpinned by domestic demand, being one of the world economies to recover from the economic impact of the Covid-19 pandemic the previous year and achieving a product level beyond the pre-Covid level (see Chart 3.2.3-a). The main drivers of the recovery were consumption and private investment, while the contribution of external demand to economic growth was negative, with an increase in exports which was offset by an

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.

even bigger increase in imports. The average unemployment rate dropped only slightly to 13.2% of the active population (13.8% in 2020), remaining above the pre-coronavirus figure.

During 2021, the federal government was forced to cut the extensive programs to assist vulnerable people and companies that mitigated the economic impact of the coronavirus crisis to a large extent. This was because of the worsening situation of the public accounts due to the exceptional measures taken as a result of the constitutional amendment approved by Congress that removed the application of certain fiscal rules in 2020. It is estimated that the total spending of the federal government on Covid-19 in 2021 was lower than 1.4% of GDP (compared to equivalent spending of 7.0% of GDP in 2020). The fiscal efforts to reduce costs, accompanied by the increase in tax income, saw the tax deficit rise to 4.4% (having peaked at 14% of GDP in 2020). Public debt dropped by 8.3 pp of GDP to 80.3% (88.6% in 2020). Despite these efforts, both indicators remain high, meaning it represents one of the main weaknesses of the Brazilian economy.

In terms of interest rates, in 2021 there was a change in course from the lax monetary policy that had been applied by the Bank of Brazil to fight the economic effects of the coronavirus crisis toward progressive tightening of policy in response to the upturn in inflation. Thus, in April, the base interest rate (SELIC) was increased from 2.0% to 2.75%, the first of five successive interest rate hikes in 2021, to 9.25% at its meeting in December (the highest level seen since October 2017) in light of inflation that hit 10.06% in December, well beyond the central bank's target of 5%. This process continued in 2022 with signs that the inflation trend is being bucked, although it has not been brought under control (10.07% in July compared to 11.9% in June), forcing the central bank to tighten its monetary policy further still, with an increase in interest rates to 13.75% in August.

For 2022, the forecast suggests there will be a significant downturn in the economy as a result of the tightening of monetary policy, with expected real GDP growth in 2022 of around 1.6% according to MAPFRE Economics, while the IMF and ECLAC put growth at 1.7% and 1.6%, respectively.

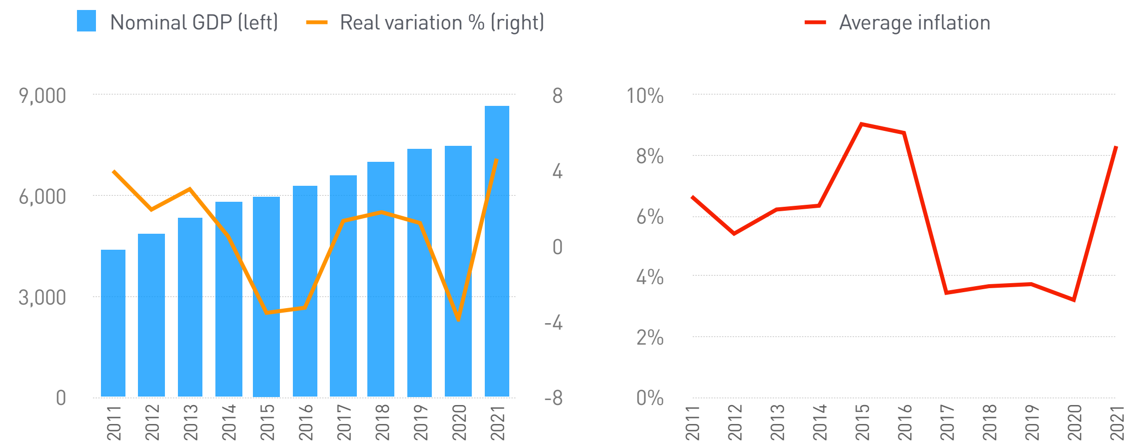
Insurance market

Growth

The economic recovery seen in 2021 has had a positive influence on the performance of the Brazilian insurance market, with the premium volume standing at 268.1 billion reais, up by 13.2% in nominal terms and 4.5% in real terms. Both market segments experienced significant growth, with the Non-Life segment growing more than the Life segment (14.9% and 12.2%, respectively). The *Vida gerador de beneficio libre* (VGBL) product accounts for 74% of Life premiums, up by 11.9% in 2021, recovering from the contraction seen in 2020 as a result of the economic impact of the Covid-19 crisis. The interest-rate environment has boosted the performance of the Life Savings insurance business as an instrument used by households to protect against the upturn in inflation. Life products other than the VGBL, which performed positively during the first year of the pandemic, grew once again in 2021 at a rate of 13% (see Table 3.2.3-a and Chart 3.2.3-b).

In total, Life premiums came to 171.28 billion reais (31.73 billion dollars), which represents an increase of 3.6% in real terms. The Non-Life segment, in turn, achieved a premium volume of 96.83 billion reais (17.94 billion dollars), a nominal increase of 14.9% and real increase of 6.1%. All lines experienced nominal increases, and only Automobiles (-0.1%) and Credit and Surety (-1.9%) experienced decreases in real terms. The performance of Automobile insurance has been affected by the Insurance for Personal Injury Caused by Land Vehicles (DPVAT), which saw an 88% drop in premiums in 2021 following the successive rate cuts set by the National Board for Private Insur-

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, %)

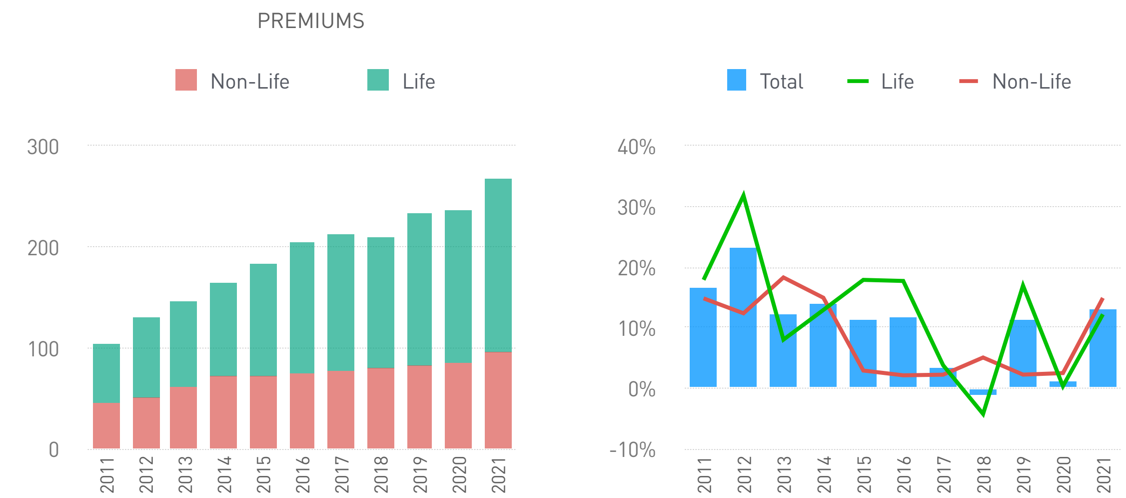


Source: MAPFRE Economics (based on FMI data)

ance, which set a zero premium for DPVAT in 2021, justified by the surplus amounts paid by vehicle owners in the past.

When analyzing the change in share of total premiums and by Life and Non-Life segments of the Brazilian insurance market in relation to the Latin American market as a whole over the past decade, Chart 3.2.3-c reflects that the proportion is by far the most changed in the region, dropping from 42.9% in 2011 to 33.2% in 2021. Thus, the participation of the Life insurance business also increased from 59.3% in 2011 to 49.8% in 2021, while the Non-Life insurance business grew from 31.9% to 20.8% during this period.

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)

Table 3.2.3-a
Brazil: Premium Volume[1] by Line, 2021

Line	Millions of reals	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**268,103.6**	**49,668.7**	**13.2**	**4.5**
Life	**171,279.0**	**31,731.1**	**12.2**	**3.6**
Life — individual and group	45,114.2	8,357.8	13.0	4.4
VGBL[2]	126,164.9	23,373.2	11.9	3.4
Non-life	**96,824.5**	**17,937.7**	**14.9**	**6.1**
Automobiles	38,474.8	7,127.8	8.2	-0.1
Other lines	18,604.7	3,446.7	16.3	7.4
Accidents	6,851.9	1,269.4	14.0	5.3
Fire (Comprehensive Insurance)	7,426.4	1,375.8	15.5	6.6
Transport	4,733.0	876.8	31.0	21.0
Credit and Surety	5,643.4	1,045.5	6.2	-1.9
Agricultural	7,544.6	1,397.7	40.3	29.5
Third-Party Liability	3,461.6	641.3	32.3	22.2
Hull transport	1,409.6	261.1	15.4	6.6
Special risks[3]	1,623.3	300.7	29.4	19.5
Burials	1,051.3	194.8	26.3	16.6

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

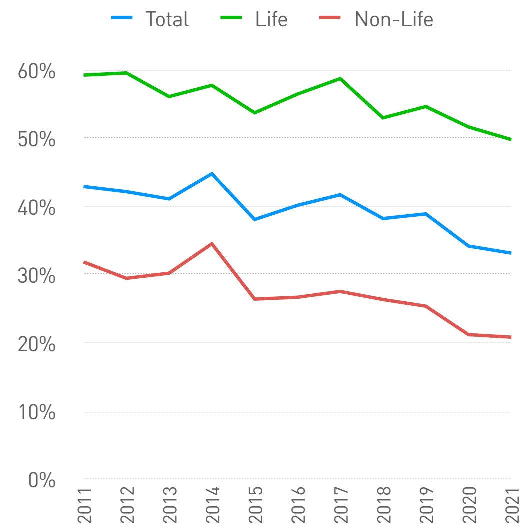
Furthermore, as regards the 13.2% nominal growth of the Brazilian insurance sector in 2021, the most important contribution came from the Life insurance segment, with 7.9 pp, while the Non-Life segments contributed 5.3 pp of this growth (see Chart 3.2.3-d).

To round off the panorama of the different segments of the Brazilian insurance market, it is worth noting that to the figure of insurance premiums, the Private Pension, Health (under the control of the *Agencia Nacional de Saude Suplementar,* ANS) and Capitalization insurance premiums must be added. As summarized in Table 3.2.3-b, as regards private pensions, insurance companies brought in 14.5 billion reais in premiums in 2021, 5.6% more than the previous year. Health insurance companies received a premium volume of 51.68 billion reais, representing an 8.2% increase, while the Capitalization segment grossed 24.3 billion reais, up by 6% compared to the previous year. Total revenue in 2021 for all market segments amounted to 358.57 billion reais (66.43 billion dollars), with a nominal increase of 11.6% compared to the previous year.

Balance sheet and shareholders' equity

Chart 3.2.3-e shows the change in the size of the aggregate balance sheet for all insurance companies operating in Brazil over the 2011–2021 period. Based on this information, the industry's total assets stood at 1.39 trillion reais (249.13 billion dollars), while equity stood at 99.2 billion reais (17.78 billion dollars), down by 4% on 2020. Similarly, the aggregate capitalization levels (measured over total assets) in the Brazilian insurance industry followed a downward trend, moving from around 16.0% in 2011 to 7.1% of total assets in 2021.

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)

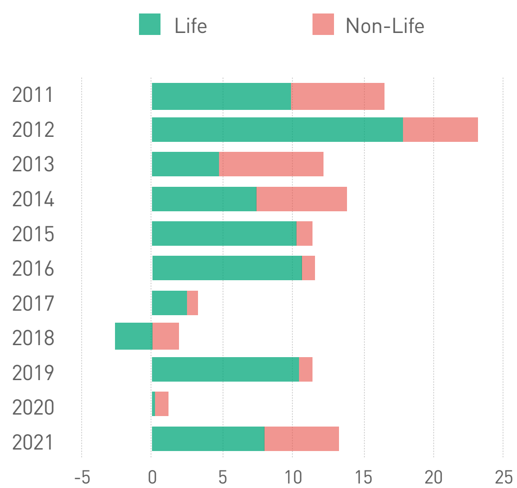
Investments

Charts 3.2.3-f, 3.2.3-g and 3.2.3-h show the performance and structure of the aggregate investment portfolio at the sector level for the Brazilian insurance industry between 2011 and 2021. As can be seen, this data shows that investments in 2021 amounted to 1.25 trillion reais, (224.09 billion dollars), mostly concentrated in mutual funds (86.7%) and, to a much lesser extent, in debt instruments (9.3%), equity (3.7%), cash (0.3%) and other financial investments (0.1%). As indicated in previous reports, 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 over the period analyzed, from 81.2% in 2011 to 86.7% in 2021. To this end, Table 3.2.3-c shows changes in the structure of investments, though in this case through an analysis of the underlying assets managed through mutual funds. These are also concentrated in fixed income instruments, which account for 92.8% of investments in 2020, the most recent year for which this information is available.

Technical provisions

The evolution and relative composition of the Brazilian insurance industry's technical provisions over the 2011–2021 period are shown in Charts 3.2.3-i, 3.2.3-j and 3.2.3-k

Chart 3.2.3-d
Brazil: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	16.6	9.9	6.7
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

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

Table 3.2.3-b
Brazil: Private Insurance Premiums and Contributions, 2021

Line	Millions of reals	Millions of USD	Growth 2020-2021 (%)
Insurance	268,103.6	49,668.7	13.2
Private pension	14,497.5	2,685.8	5.6
Health Insurance	51,676.8	9,573.6	8.2
Capitalization	24,296.0	4,501.1	6.0
Total	**358,573.9**	**66,429.2**	**11.6**

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance and the National Supplementary Health Agency, ANS)

In 2021, technical provisions stood at 1.24 trillion Brazilian reais (221.69 billion dollars), with the Life business accounting for around 86.8% 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. As a result, if provisions for this product are grouped with other pension products, these provisions can be seen to have increased over the 2011–2021 period, from 82.7% of the total in 2011 to 86.8% of the total in 2021.

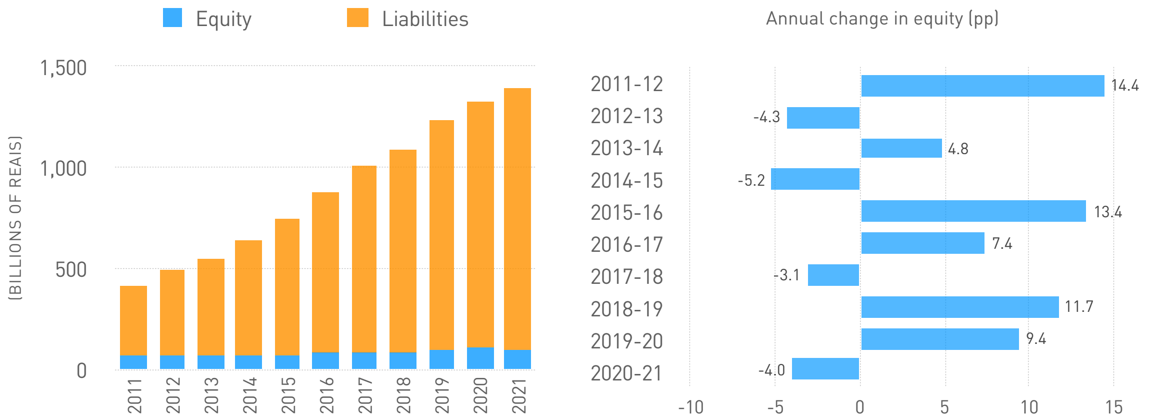
Technical performance

Chart 3.2.3-l shows data relating to the total combined ratio of the Brazilian insurance industry. Based on this data, the aggregate indicator for all lines of insurance on the market dropped by five percentage points in 2021 compared to the previous year, to 97.6%, as a result of a 7.1 pp increase in the loss ratio (mainly as a result of the resumption of economic activity after the impact of the Covid-19 pandemic) and a 2.1 pp drop in the expense ratio.

Results and profitability

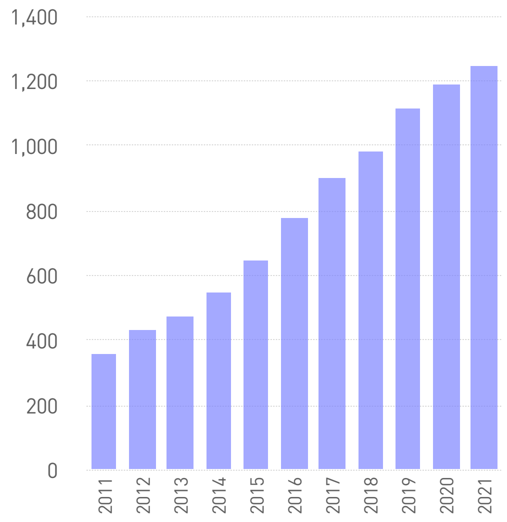
The technical performance of the Brazilian insurance market, combined with the drop in the financial result, affected the industry's net result, which stood at 11.87 billion reais (2.2 billion dollars) in 2021, a drop of 34.0% year on year. The profitability indicators of the Brazilian insurance industry are

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)

Chart 3.2.3-f
Brazil: Insurance Market Investments
(billions of reais)



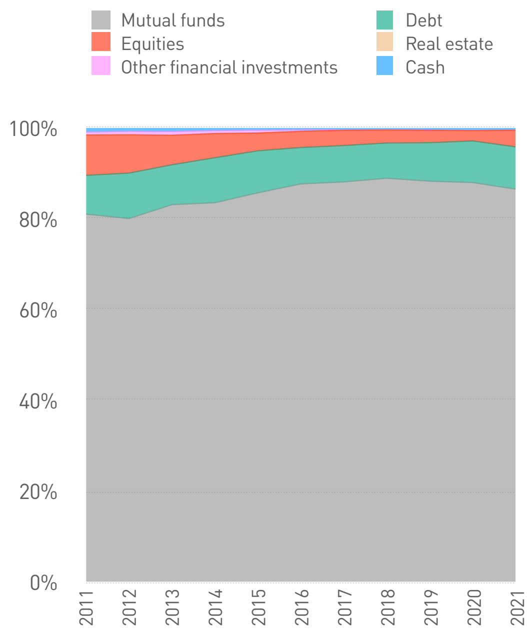
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

reflected in Chart 3.2.3-m, showing a contraction in 2021. Return on equity (ROE) stood at 11.7% compared to 18.2% in 2020, while return on assets (ROA) reached 0.9% in 2021, 0.5 pp down on the previous year.

Insurance penetration, density and depth

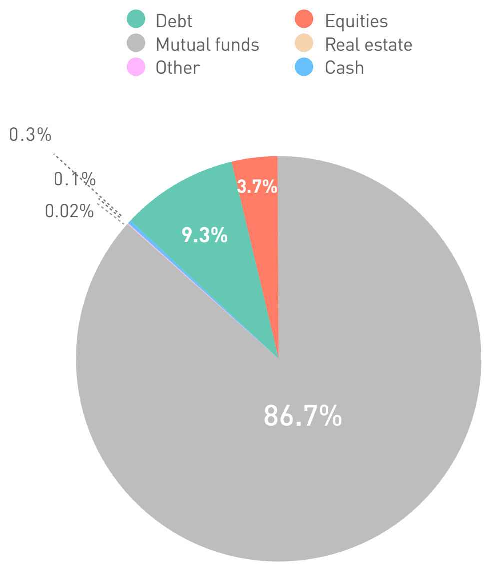
Chart 3.2.3-n summarizes the main structural trends shaping the development of the Brazilian insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) in 2021 stood at 3.1%, one percentage point lower than in 2020 and 0.7 pp higher than in 2011. The penetration rate (considering only premiums from insurance activity) grew constantly between 2011 and 2016, in line with the average trend for the Latin American insurance market as a whole, although contractions were recorded in 2017, 2018 and 2021. Insurance density (premiums per capita) stood at 1,251 reais (232 dollars), 12.6%

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 Investments, 2021
(%)



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

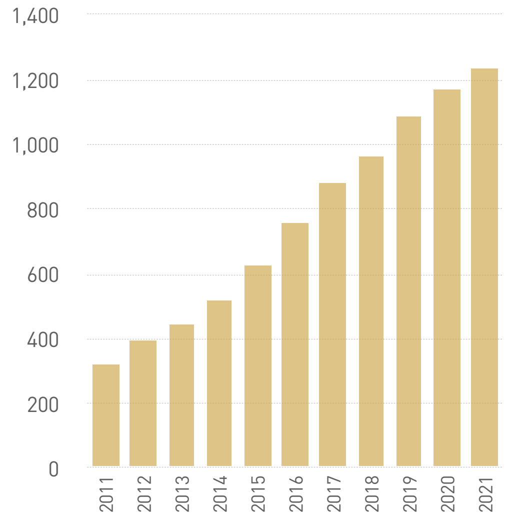
Table 3.2.3-c
Brazil: Changes in the Structure of Investments by Underlying Asset
(composition, %)

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 of Private Insurance)

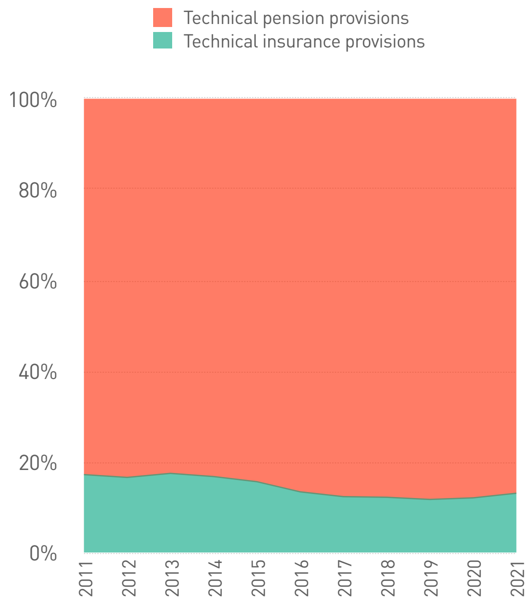
* Latest data available

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)

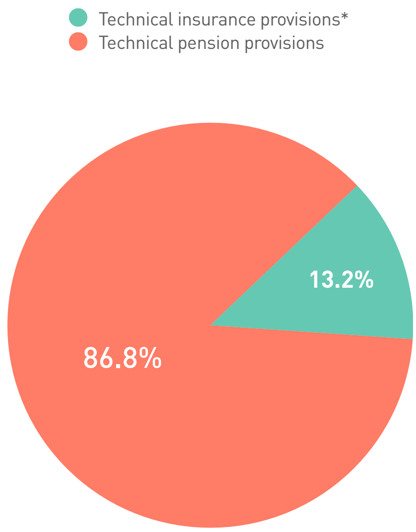
Chart 3.2.3-j
Brazil: Structure of Technical Provisions
(%)



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

*Without VGBL

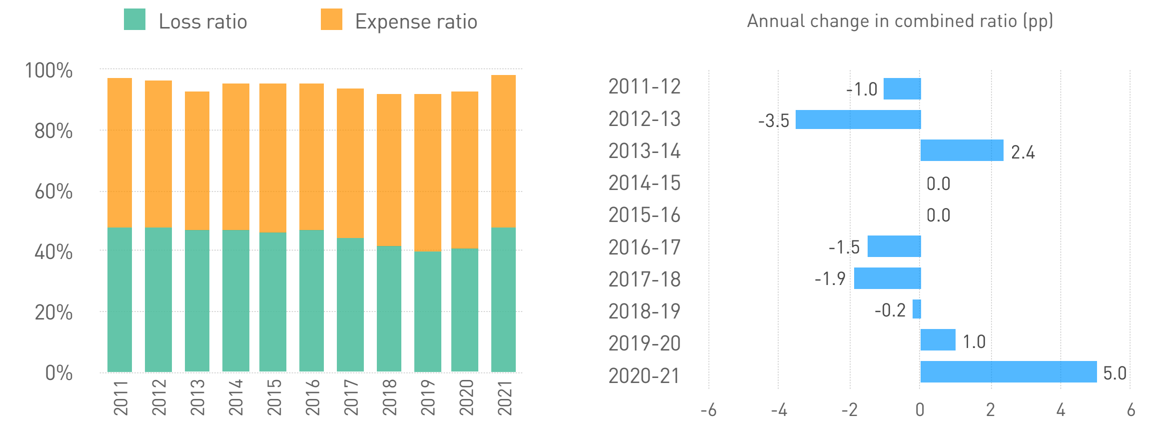
Chart 3.2.3-k
Brazil: Structure of Technical Provisions, 2021
(%)



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)



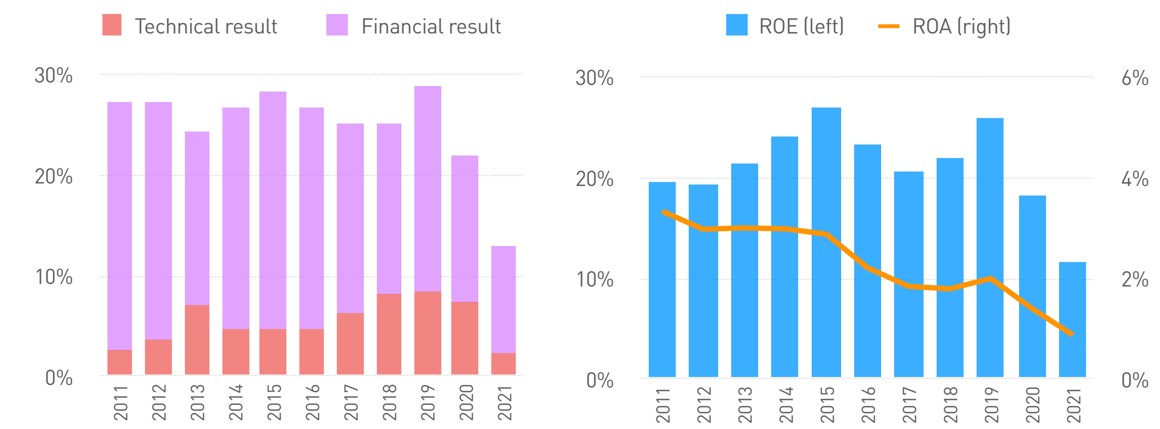
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

more than the amount recorded in 2020 (1,111 reais) with better performance of the Non-Life segment. It is worth noting that the average density measured in local currency followed an upward trend over the course of the 2011–2021 period with a single dip in 2018. However, analysis of the indicator in dollars shows a drop beginning in 2014, coinciding with depreciation of the real. Finally, in relation to depth (measured as the ratio of Life insurance premiums to total premiums), the indicator for 2021 stood at 63.9% (down by 0.5 pp on 2021 compared to the previous year), up 8.2 pp on the value seen in 2011, above the average values seen in Latin America.

Insurance Protection Gap estimate

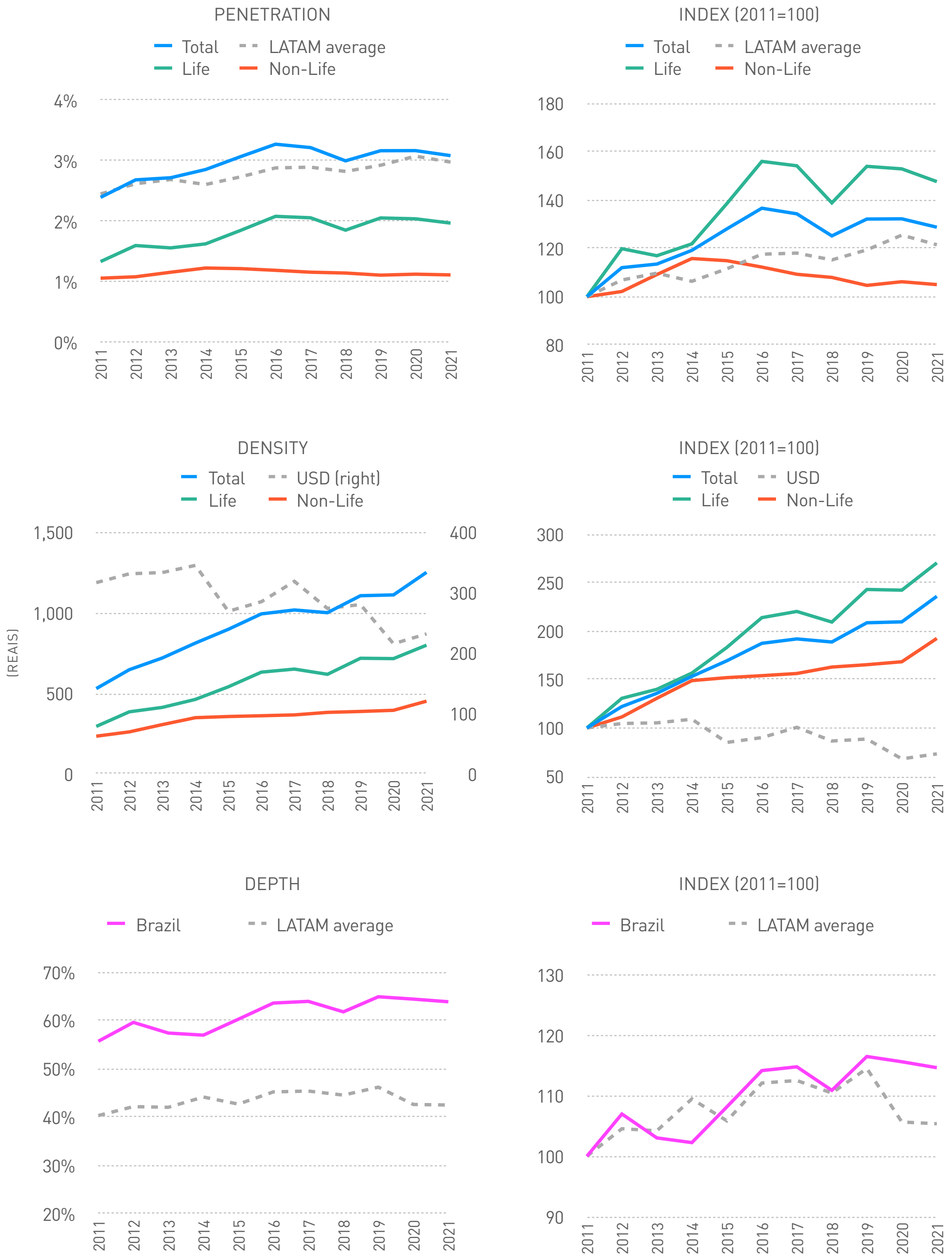
Chart 3.2.3-o shows an estimate of the insurance gap for the Brazilian insurance market over the past decade. The IPG stood at 422.3 billion reais (78.2 billion dollars) in 2021, a sum equivalent to 1.6 times the actual insurance market at year-end 2021. In

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, %, 2011 index=100)



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

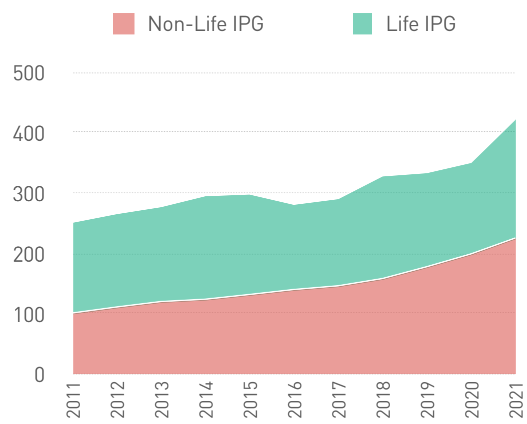
terms of its structure, in 2021 46.6% of the IPG corresponded to Life insurance (196.7 billion reais), while the remaining 53.4% corresponded to the gap in the Non-Life segment (225.3 billion reais); worth particular note is the reduction in the share of Life insurance in the 2011–2021 period, down by 13.2 pp. Thus, the potential insurance market in Brazil in 2021 (the combined real market and the IPG) was estimated as standing at 690.4 billion reais (127.9 billion dollars); i.e., 2.6 times Brazil's total insurance market that year (see Chart 3.2.3-p).

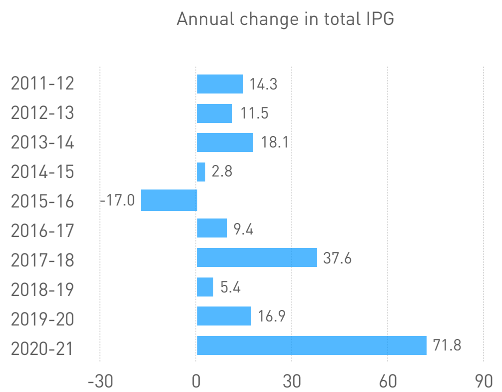
Chart 3.2.3-q shows the estimated IPG as a multiple of the actual market, which generally followed a downward trend over the course of the period under analysis, staying low in the Life segment, although Non-Life did gradually increase after 2014 although dropping slightly in 2021. During the decade subject to analysis, the total IPG fell from 2.4 to 1.6 times the size of the actual market between 2011 and 2021, the multiple for the Life market falling from 2.6 to 1.1 and for the Non-Life market increasing from 2.2 to 2.3 times.

Chart 3.2.3-r shows the performance of the IPG as a multiple of the actual market for the Life segment, the Non-Life segment, and the Brazilian insurance market as a whole in 2011 and 2021. The Life business saw a substantial improvement in closing the gap over the past decade. The same cannot be said for the Non-Life segment, where the IPG fell slightly over the past decade.

As a summary of this analysis, Chart 3.2.3-s presents the update of the assessment exercise performed in relation to the Brazilian insurance market's capacity to close the insurance gap determined in 2021, based on a comparative analysis of the growth rates observed over the last ten years compared to the growth rates that would be required to close this gap over the next ten years. The Brazilian insurance market grew at an average annual rate of 9.8% during the period under analysis, with an annual rate of 11.3% in the Life insurance segment and an annual average of 7.6% for Non-Life insurance. Thus, were the same growth rate seen over the last ten years to continue for the next ten 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 5.2 pp short. This insufficiency is smaller than the one identified as part of the exercise performed the previous year (-5.3 pp).

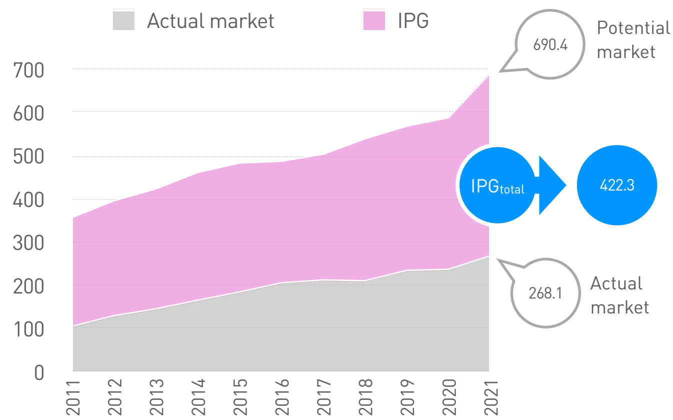
Chart 3.2.3-o
Brazil: Insurance Protection Gap
(billions of reais)





Source: MAPFRE Economics

Chart 3.2.3-p
Brazil: Insurance Protection Gap and Potential Market
(billions of reais)



Change	Actual market	IPG
2021-2011	155.3%	67.9%
2021-2020	13.2%	20.5%

Source: MAPFRE Economics

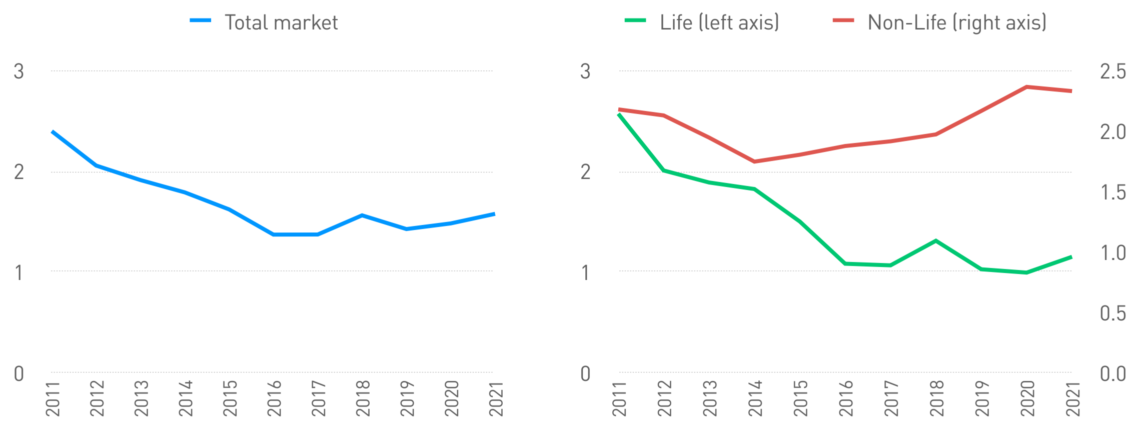
Market Development Index (MDI)

Chart 3.2.3-t shows an estimate of the Market Development Index (MDI) for the Brazilian insurance industry. As indicated previously, the MDI, an indicator used to measure the trend in the development and maturity of the insurance market; in this case showed a generally positive trend in the 2011–2021 period, even surpassing the average for the Latin American insurance market as a whole in this period.

Comparative analysis of structural coefficients

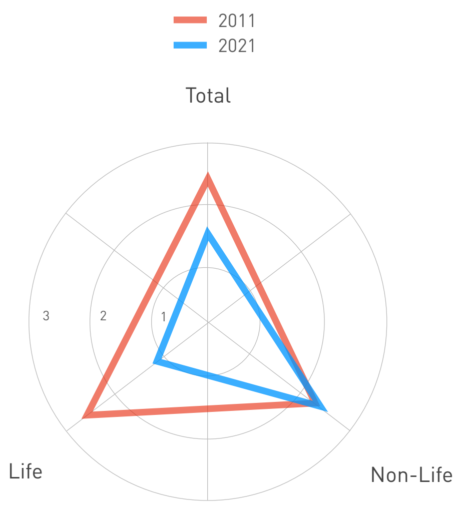
Meanwhile, Chart 3.2.3-u shows the Brazilian insurance market's situation compared to the average for Latin America, measured in terms of the four structural indicators analyzed. To this end, the Brazilian market exceeds the regional average in all aspects, especially in terms of depth and MDI. Furthermore, the dispersion analysis shows that the market's performance over the past

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

decade confirms that the insurance sector in Brazil has developed in a balanced manner, with gains both in terms of penetration (quantity) and depth (quality), despite the downturn seen between 2019 and 2021.

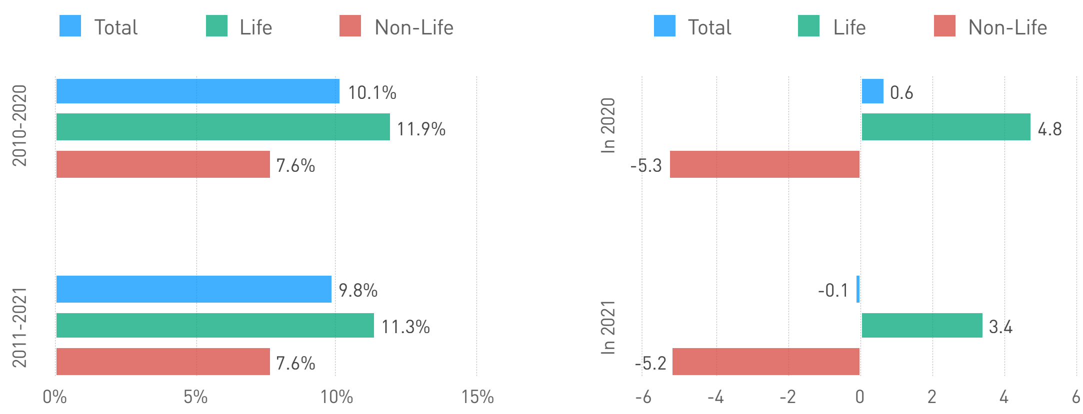
Insurance market rankings

Total ranking

In 2021, the Brazilian insurance industry was comprised of 124 insurance companies, two more than in 2020. The sector concentration levels dropped from 2017 onward before increasing in 2019 and 2021 after a small drop in 2020. The Herfindahl index stood at 754.1 (719.1 in 2020), beneath the moderate concentration threshold, while the CR5 index increased over the past two years and stood at 53.1% in 2021 (52.3% in 2020), with a higher concentration in the Life insurance segment, at 79.4%, than in the Non-Life segment, at 39.6% (see Chart 3.2.3-v).

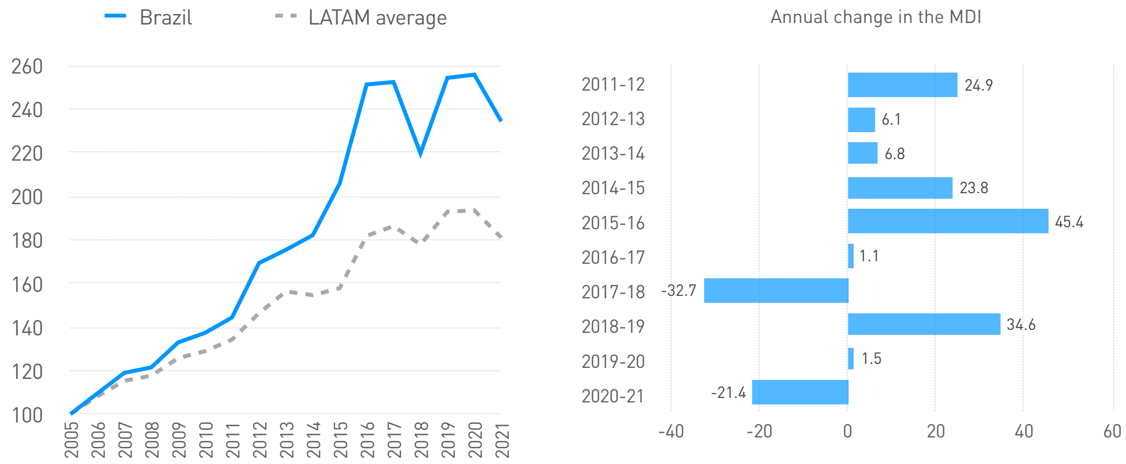
The total ranking of groups in the Brazilian market was once again led by Brasilprev, with a share of 16.0% of market premiums, followed by Bradesco and Caixa, with market shares of 15.5% and 15.0%, respectively, with both companies maintaining their positions. The top ten insurance groups are the same as the previous year, with barely any changes in the ranking, with Tokio Marine and Allianz merely switching positions, with the former moving up one place (see Chart 3.2.3-w).

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)

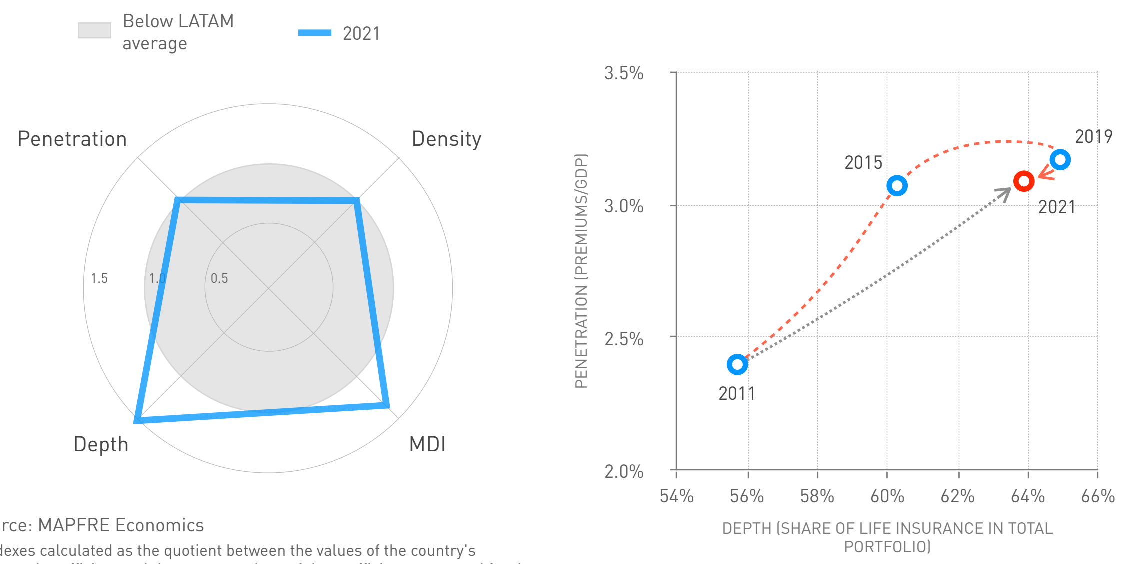


Source: MAPFRE Economics

Life and Non-Life rankings

In the Non-Life ranking, Porto Seguro remains in first place, with 14.5% of market premiums (14.9% in 2020), followed by MAPFRE, having increased its market share by one percentage point to 13.2%. Tokio Marine moves up two positions, with Allianz dropping down two positions, in third and fifth place, respectively, while Bradesco remains in fourth place. As regards the other groups, Caixa overtakes Liberty and is ranked the eighth-biggest Non-Life insurance group. In turn, Brasilprev heads the Life ranking in 2021, with a market share of 25.1%, followed by Caixa, which moves up from third to second position, pushing Bradesco down to third. The composition

Chart 3.2.3-u
Brazil: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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 position of the other groups in the Life insurance segment remain unchanged compared to the 2020 ranking (see Chart 3.2.3-x).

Key regulatory aspects

In 2021, the following regulatory instruments were issued in relation to the Brazilian insurance market[18]:

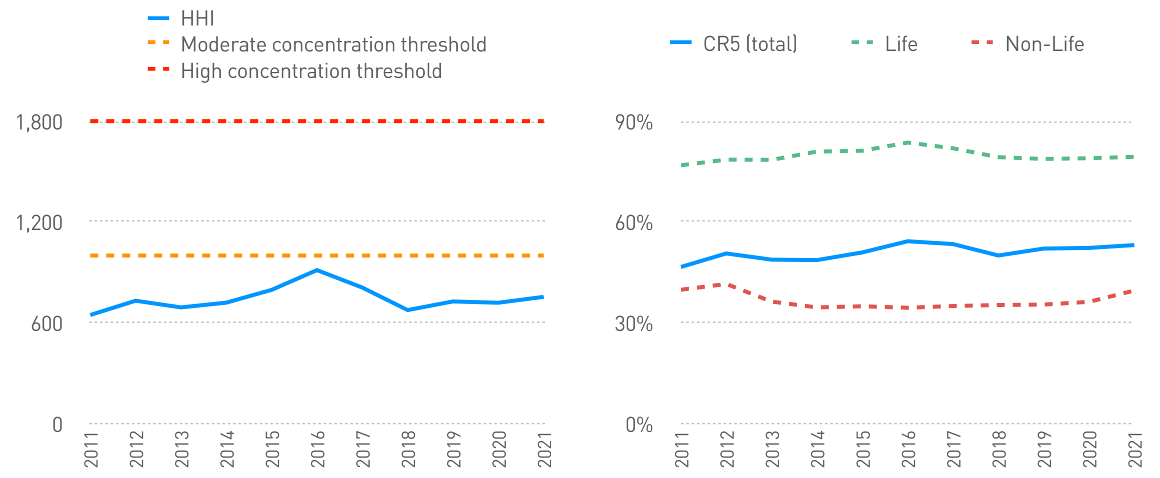
- Continuing with the Regulatory Sandbox project embarked upon in 2020, the Superintendency of Private Insurance (Susep) sought to make changes to the regulations in force. Resolution CNSP No. 417 and Susep Circular No. 636, both in 2021. Furthermore, a second notice (Susep Electronic Notice No. 1/2021) was launched, expanding the operational scope of companies participating in the experimental environment.

- Due to the dissolution of the DPVAT Consortium at the end of 2020, and following the authorization of the National Council for Private Insurance (CNSP), Susep entered into an agreement with Caixa Econômica Federal to manage the payment of DPVAT compensation and the fund set up with the surplus accumulated funds (FDPVAT), as established in CNSP Resolution No. 400, 2020. The operation began in 2021, ending the year with the receipt and processing of compensation claims at the same level as seen in previous years.

- The Open Insurance System was regulated following the publication of CNSP No. 415 and Susep Circular No. 635, both in 2021, by Susep and CNSP. Furthermore, CNSP Resolution No. 429 was issued, with a view to regulating insurance service initiators (SISS), companies whose specific objective is to operate in the Open Insurance Ecosystem. This is the possibility for consumers of insurance products and services to facilitate the exchange of their information between different companies authorized and accredited by Susep in a secure, agile, accurate and appropriate manner.

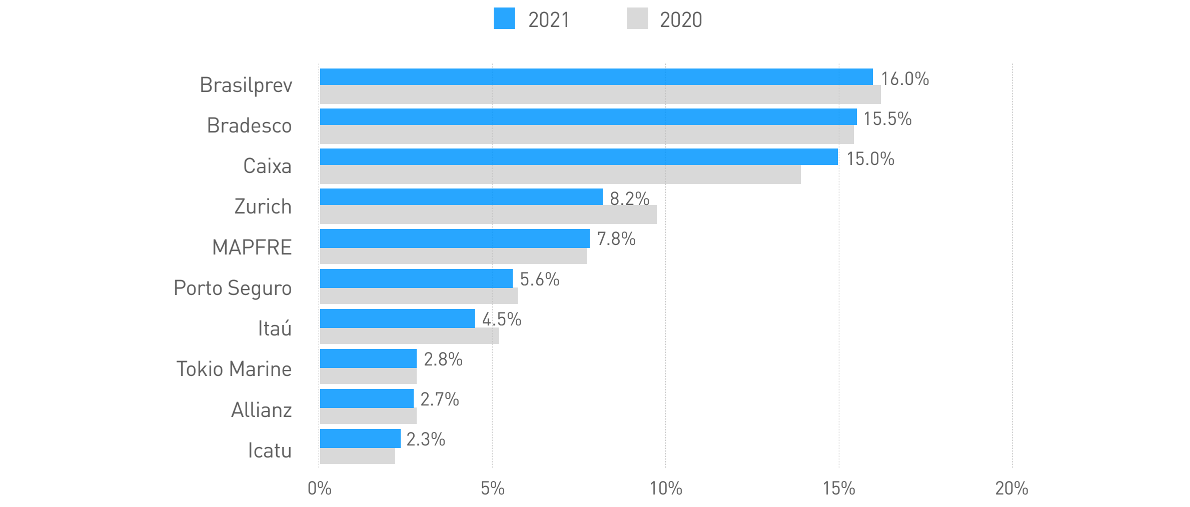
- Through the publication of CNSP Resolution No. 416 of 2021, Susep established the relationship between the In-

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: Total Ranking
(market shares, %)

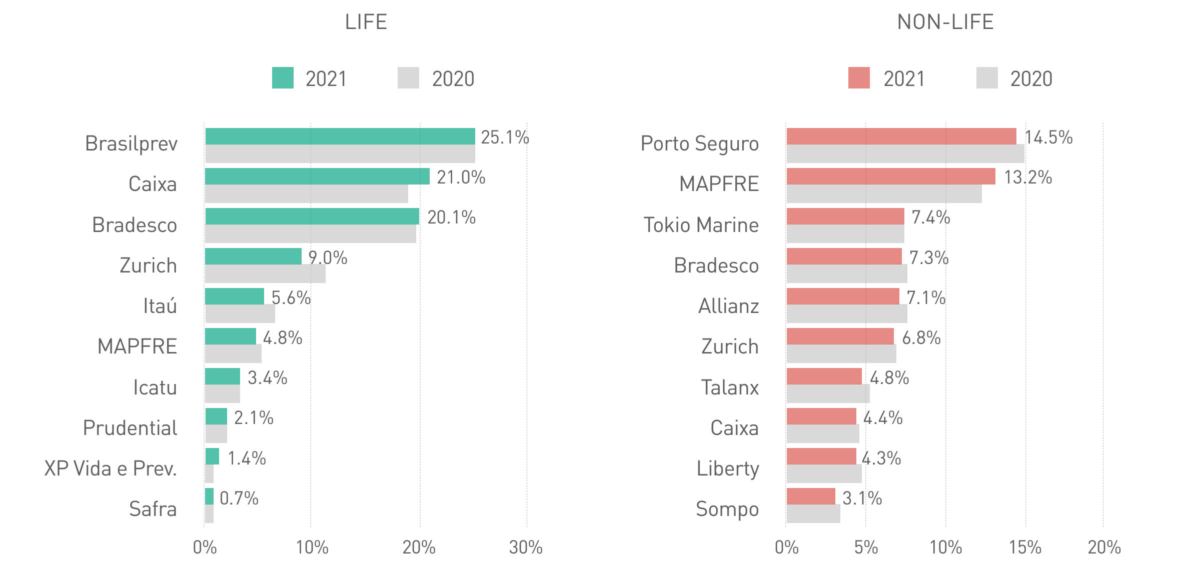


Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

ternal Control System and the Risk Management Structure more clearly, promoting the alignment of terminology and the concepts used to address these two topics. The new regulation introduced new requirements in relation to best risk management practices, in line with the recommendation of the Financial Stability Assessment Program (FSAP 2018).

- CNSP Resolution No. 414, of 2021, revised provisions of CNSP Resolution No. 216, 2010, with a view to handling

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)

the assessment of property appraisals that include the assets of insurance companies, local reinsurers, capitalization firms and supplementary open pension companies.

- Susep Circular No. 631 of 2021, which sets out the nature of characteristics in relation to the costs to be financed with the income of the DPVAT insurance consortium, aimed to respond to the recommendations made by the Internal Audit department at Susep to clarify the CNSP's powers for deciding on matters relating to the DPVAT; adapted the standard to CNSP Resolution No. 398, No. 399 and No. 400, all of 2020, bearing in mind the dissolution of the DPVAT insurance consortium and consolidated the regulatory provisions, pursuant to the mandate set out in Decree No. 139, of 2019.

- Through the publication of CNSP Resolution No. 412 of 2021 and Susep Circular No. 634, of 2021, a new approach was established for managing liquidity risk at supervised companies, with a view to modernizing the provisions on different aspects of prudential regulations.

- Susep Circular No. 650 of 2021 established procedures for the preparation and presentation to Susep of the Consolidated Prudential Report, considering the prudential group concept introduced by CNSP Resolution No. 388 of 2020, which addresses the segmentation of the supervised market for the purposes of proportionately applying the prudential regulation.

- Susep Circular No. 638, of 2021, which sought to reduce the risk of cyber attacks on supervised companies, based on appropriate security standards, aimed at continuously improving data as well as maintaining the confidentiality and integrity of information.

- Susep Circular 646 of 2021 established the Record Repair Process, a new supervisory measure that expands the range of coercive instruments available to the supervisor, with a view to enhancing the effectiveness of the resolution of irregularities and deficiencies involving supervised companies, in addition to rationalizing the use of administrative sanctioning procedures.

- In 2021, Susep continued with the review, simplification and enhancing the flexibility of the regulations applicable to damages insurance: Susep Circular 620, of 2020 (group property insurance), Susep Circular 621, of 2021 (general standard on large consumption damage insurance) and Susep Circular 639, of 2021 (group automobile insurance).

- CNSP Resolution No. 408 of 2021 revised and consolidated the regulation on the use of remote means in insurance transactions, supplementary open insurance and capitalization, with a view to simplifying the regulations and reviewing the technical requirements of transactions performed using remote means for the regulations to adapt to technological progress.

- CNSP Resolution No. 409 of 2021 revised the specific microinsurance regulation with the main objective of changing the regulatory focus for the segment, in order to boost its development and promote the inclusion of insurance, with the extinction of excessively restrictive rules and the adoption of basic values and principles that must guide insurance transactions classified as microinsurance.

- CNSP Resolution No. 431 of 2021 revised and simplified the regulation applicable to insurance representatives, with a view to facilitating new business models, based on the expansion of the scope of operation for insurance representatives and the removal of unjustifiable regulatory restrictions, as well as simplifying the regulation and jointly addressing intermediaries who act as representatives of insurance companies in the regulations. The new regulation reflects the alignment of Brazilian regulations with the Insurance Core Principles (ICPs) for intermediaries established by the International Association of Insurance Supervisors (IAIS).

- CNSP Resolution No. 434 of 2021 revised and updated the regulation applicable to insurance underwriters, with a view to consolidating and strengthening the role of the insurance underwriter as a representative of insured parties, as well as mitigating improper conduct in the actions of underwriters with the insured parties they represent.

- CNSP Resolution No. 432 and Susep Circular No. 648, both of 2021, updated the prudential regulatory frameworks. The regulatory review improved the wording of the frameworks to enhance the clarity, precision and objectivity of the provisions, facilitating their interpretation by interested parties and, in short, reducing the regulatory cost of the market supervised by Susep.

- CNSP Resolution No. 422 of 2021, addressing the operating authorization by Susep, start of operations in the country, positions on contractual or regulatory bodies, disbursement of capital and transfer of portfolios, in addition to the conditions of the corporate control structure at supervised companies.

- The publication of CNSP Resolution No. 407 of 2021 rounded out the regulatory proposal including the general guidelines and principles for the preparation and sale of damage insurance contracts to cover major risks. The regulation was the result of one of Susep's strategic projects for 2020–2023, and its main aim was to update the regulations in force as regards the minimum structure of Contractual Conditions and Actuarial Technical Notes of Damage Insurance Contracts, noting the differences between mass insurance and major risks.

- CNSP Resolution No. 418 of 2021 aimed to improve the regulatory framework for taking out nuclear insurance, reinsurance and risk retrocession.

- The main aim of the publication of Susep Circular 637 of 2021 was to establish simpler and more flexible regulations, with a less restrictive bias, as regards the regulation on third-party liability insurance. Furthermore, it protected the minimum regulatory framework, an important factor in ensuring the legal security of contractual relations in addition to preventing deviations in market practices. All the above in line with the principles of Law 13,874 of 2019, which establishes the Charter of Rights of Economic Freedom.

- Susep Circular No. 640 of 2021 aimed to revise and consolidate the rules in relation to insuring livestock, animals, rural pledges, agricultural improvements and products and rural insurance eligible for subsidies, providing greater flexibility and a better alignment with the guidelines for subsidizing rural insurance.

- CNSP Resolution No. 413 of 2021 extended the methods for contracting insurance via bills, adapting the legislation to the reality of today's technological developments, introducing the option of taking out insurance by any means, including remotely, as well as verbal requests or the equivalent, now provided for in Article 5 of CNSP Resolution No. 285 of 2013. However, the aim was to maintain the burden of proof in relation to the request to take out insurance on the part of the insurance company.

- Susep Circular 642 of 2021 amended the general rules on accepting risks, the duration of insurance and the minimum elements of contract documents, opening up space for the relaxation of a number of restrictive standards with a view to facilitating the development of new products.

- Following the assessment of actuarial forecasts and the performance of the corresponding technical studies, Susep verified the existence of sufficient surplus funds to cover DPVAT insurance during 2022, without the need to charge premiums. Thus, without prejudice to the continued support for victims of traffic accidents and their families, the rate of zero will be maintained this year.

3.2.4 Ecuador

Macroeconomic environment

The Ecuadorian economy grew by around 4.2% in 2021 (having contracted by 7.8% the previous year) as a result of the invigoration of external demand through the upturn in exports of goods and services, as well as internal demand factors, such as the increase in both central government and household spending (see Chart 3.2.4-a). In 2021, unemployment returned to pre-pandemic levels (4.5%, compared to 6.2% in 2020), although the positive performance of this indicator can be attributed to the increase in informal employment compared to the drop in employment in the formal sector[19] (6.8% and -4.8% respectively, based on the year-on-year variation in September 2021). In 2021, the balance of trade registered a surplus, a decisive factor of which were oil exports (thanks to the increase in the international price of crude oil), given that there was a deficit in the non-oil balance of trade. In this regard, the current government is considering the consolidation of trade relations with its strategic partners (application for Ecuador to join the Pacific Alliance as a member and the subsequent negotiations of the Free Trade Agreement with Mexico) in order to expand the country's export offer, secure customs preferences and attract more direct foreign investment.

In 2021, the fiscal deficit decreased significantly as a result of the quick recovery of public income, ending the year at 3.9% of GDP, compared to 7.5% the previous year, coming back in line with the surplus targets agreed with the IMF. Oil revenue (61.7%) easily surpassed tax revenue (10.2%), in which case, the increase in VAT revenue (15.4%) was offset by the decrease in income tax (-3%); while there was a notable drop in public investment (-42.2%). According to ECLAC data, aggregate public debt in Ecuador stood at about 57% of GDP at year-end 2021 (vs. 59% in 2020). Looking to 2022, the management of public indebtedness is due to continue with additional access to foreign private financing through commercial loans negotiated with international financial institutions, an upturn in the issuing of bonds on the domestic market and a possible development in the refinancing of bilateral debt with China. As regards the external sector, the balance of payments current account in 2021 returned a surplus of 2.9% (compared to 2.7% in 2020). The year-on-year inflation in December 2021 stood at 1.9% (average annual inflation in 2020 of -0.3%), coming in at 4.2% in June 2022.

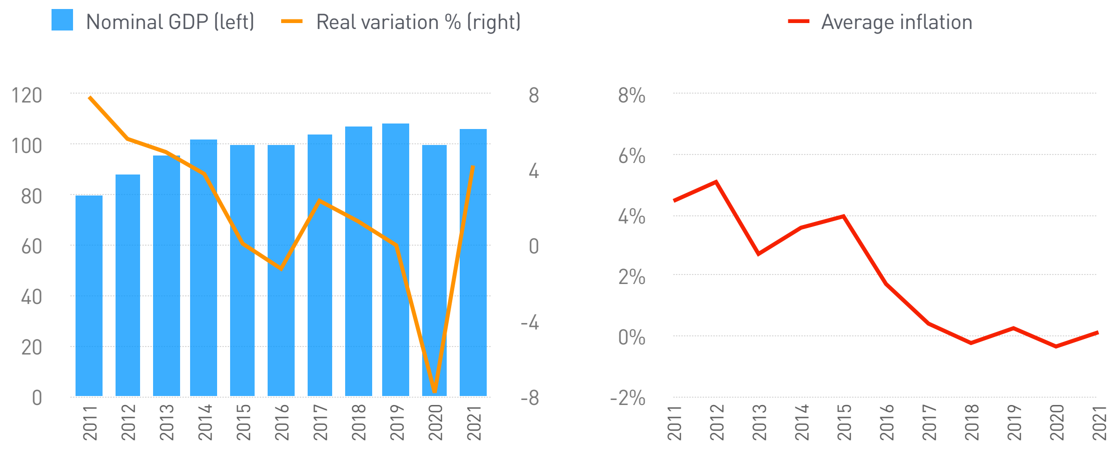
In 2022, MAPFRE Economics has forecast Ecuadorian GDP growth of around 2.6%, while ECLAC forecasts a slow recovery, with growth of 2.7%, although uncertainty remains in relation to external conditions and the high reliance on the country's main exports. Therefore, growth will depend on the reactivation of domestic demand, which is expected to be weak in terms of consumption, as the reduction in public investment is expected to continue.

Insurance market

Growth

In 2021, Ecuadorian insurance market premiums dropped for a second year in a row, down by 5.3% in nominal terms and 5.4% in real terms to 1.61 billion dollars (see Chart 3.2.4-b and Table 3.2.4). This growth has been affected by the perfor-

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)

mance of the Non-Life insurance segment, with the lines in this segment accounting for 71.9% of premiums, nominally down by 9.7% (down by 9.8% in real terms). In turn, Life insurance grew by 8.0% (7.9% in real terms) thanks to the boost in group insurance, which accounts for a greater volume. With the exception of the Health line of business, which grew 5%, the premiums of all other Non-Life lines of business dropped, both in nominal and real terms. Worth particular note is the drop in Fire insurance, down by 23.3% in nominal terms, and Transport, down by 12.8%.

Ecuadorian insurance market premiums represented 1.1% of the Latin American insurance market in 2021; this share has remained more or less stable over the past decade, with a small upturn in 2019 (1.2%) and 2020 (1.3%), and a drop in 2021. The share of the Non-Life segment is higher than that of the Life segment, accounting for 1.3% and 0.7%, respectively.

Analyzing the composition of the 5.3% drop experienced by the Ecuadorian insurance market in 2021, the Non-Life segment made a negative contribution of 7.3 pp, while the contribution of Life insurance was positive at 2.0 pp. As can be seen in Chart 3.2.4-d, in 2018 and 2019, both segments contributed positively to the sector's growth, a situation which has been reversed over the past two years on account of the impact of Covid-19.

Balance sheet and shareholders' equity

Chart 3.2.4-e shows the Ecuadorian insurance industry's aggregate balance sheet. As can be seen, total assets in 2021 amounted to 1.89 billion dollars, down 390 million dollars from the previous year. Equity stood at 572 million dollars, down by 89.5 million dollars from the previous year. In turn, the aggregate capitalization of the Ecuadorian insurance industry is worth note (measured against total assets). It stood at 33.3% in 2011; from then on, it fell to a low of 25.6% in 2013, partially recovering thereafter and reaching 30.4% of total assets in 2021.

Investments

Chart 3.2.4-f shows the performance of the aggregate investment portfolio at the sector level in Ecuador over the 2011–2021 period, while Charts 3.2.4-g and 3.2.4-h show

Table 3.2.4
Ecuador: Premium Volume[1] by Line, 2021

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**1,606.0**	**-5.3**	**-5.4**
Life	**451.3**	**8.0**	**7.9**
Individual Life	23.3	-10.6	-10.7
Group Life	428.0	9.3	9.1
Non-Life	**1,154.7**	**-9.7**	**-9.8**
Automobiles	332.0	-2.8	-2.9
Other lines	209.6	-12.7	-12.8
Fire, theft and allied lines	203.2	-23.3	-23.4
Transport	106.9	-12.8	-12.9
Personal Accidents	72.1	-4.1	-4.3
Surety and credit	76.0	-1.6	-1.7
Health	90.4	5.0	4.9
Third-Party Liability	64.6	-8.8	-8.9

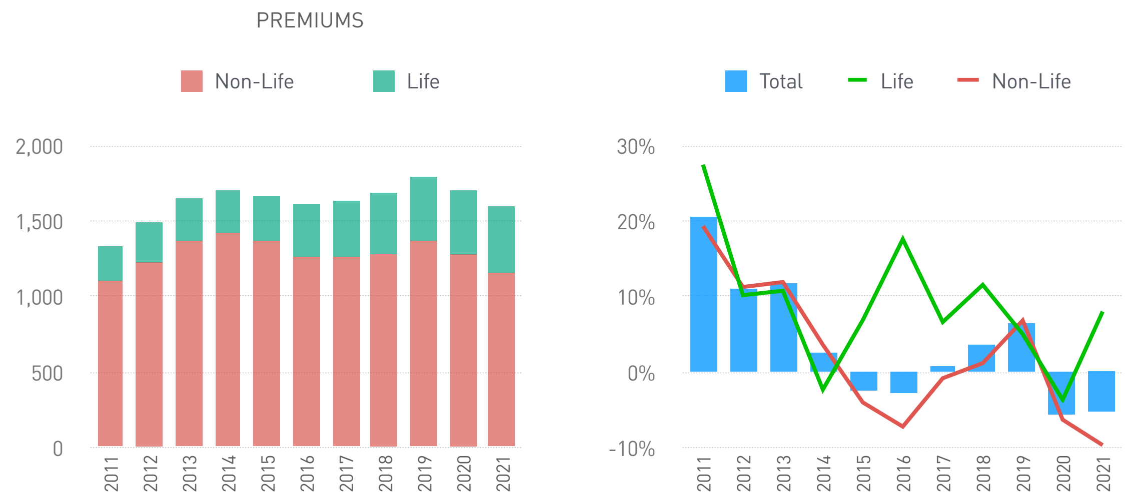
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)
1/ Net written premium

the performance of the relative portfolio composition during this period. Total sector investments came to 1.04 billion dollars in 2021, down on the previous year (1.09 billion dollars), with a downward trend in terms of the investment in fixed-income instruments (50.2% in 2021 compared to 65.4% in 2011) and an increase in other instruments, mainly equity, which grew by 2.8 pp in the past year.

Technical provisions

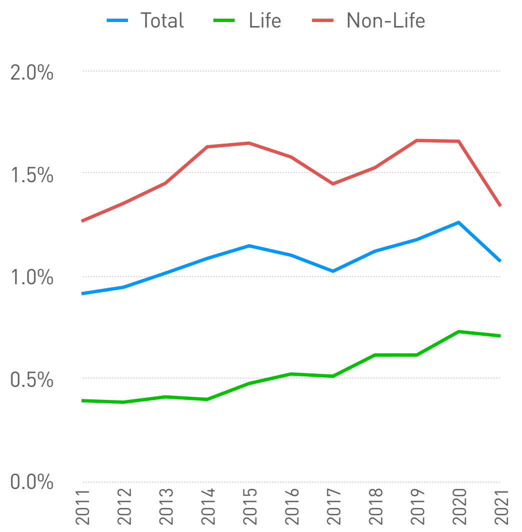
Charts 3.2.4-i, 3.2.4-j, and 3.2.4-k show the relative composition and performance of

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)

Chart 3.2.4-c
Ecuador: Share of Insurance Premiums in Latin America
(%)

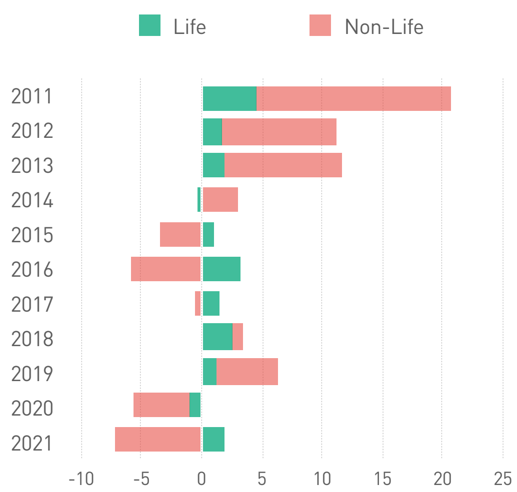


Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance and supervisory bodies in the region)

the Ecuadorian insurance industry's technical provisions during the 2011–2021 period. In the latter year, technical provisions amounted to 639 million dollars (819 million dollars in 2020). Despite this drop in absolute terms, Life insurance provisions continued to grow in 2021 (after increasing significantly in 2017), to account for 21.8% of the total. In turn, 29.9% of technical provisions in the Ecuadorian insurance sector corresponded to Non-Life insurance unearned premiums and unexpired risks, 45% to provisions for outstanding claims, 1.7% to provisions for catastrophic risks, and the remaining 1.6% to other technical provisions.

It is important to note that the change in the composition of technical provisions 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 claims, 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 claims as a result of the earthquake that struck the country in April 2016.

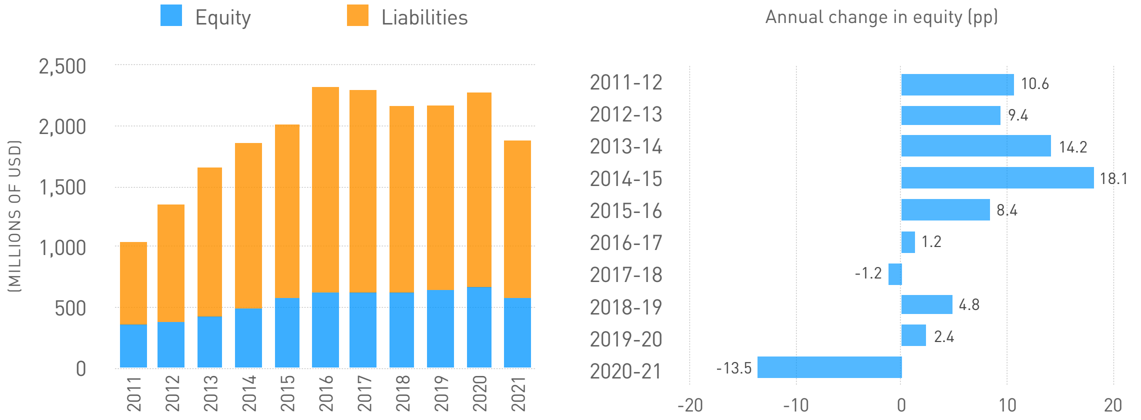
Chart 3.2.4-d
Ecuador: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	20.7	4.5	16.2
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

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-e
Ecuador: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)

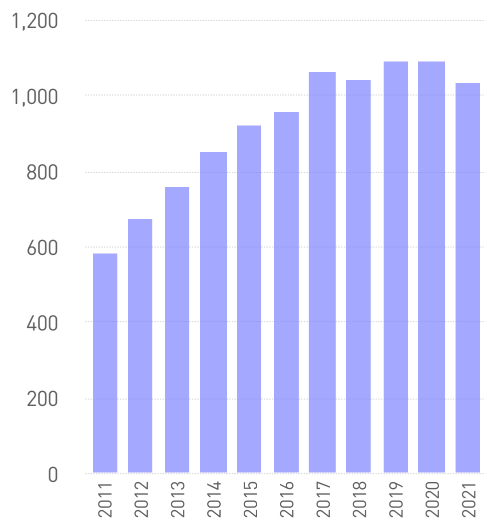


Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Technical performance

Chart 3.2.4-l shows the main data in relation to the technical performance of the Ecuadorian insurance industry over the 2011–2021 period. In the last year of the period, the combined ratio dropped by 3.0 pp to 83.0%. The loss ratio increased by 2.3 pp and the expense ratio by 0.7 pp, to 53.3% and 29.7% respectively. It is important to note that the total combined ratio of the insurance market in Ecuador stood well below the parameter of 100% throughout the decade under analysis.

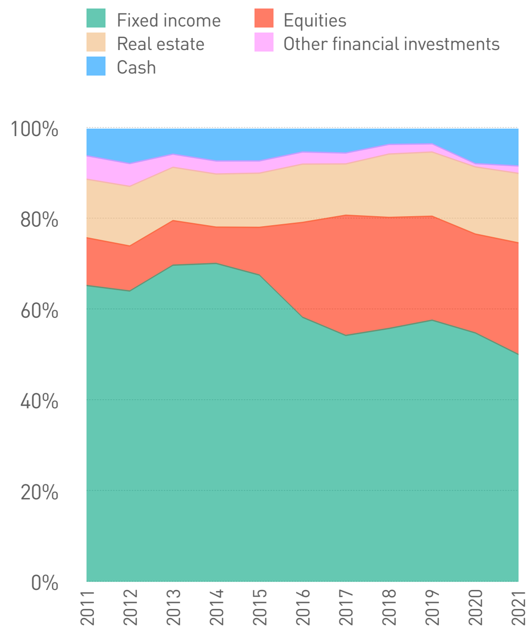
Chart 3.2.4-f
Ecuador: Insurance Market Investments
(millions of USD)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

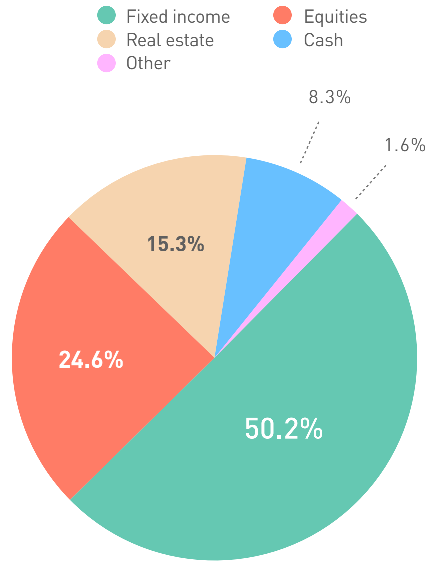
In relation to the Non-Life segment shown in Chart 3.2.4-m, the combined ratio increased in 2021 by 7.5 pp to 78.4%. This deterioration in the Non-Life combined ratio is attributable to the increase in the loss ratio of 5.4 pp and the expense ratio of 2.1 pp. However, as in the case of the total combined ratio, the indicator for the Non-Life segment 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.

Chart 3.2.4-g
Ecuador: Structure of Investments
(%)



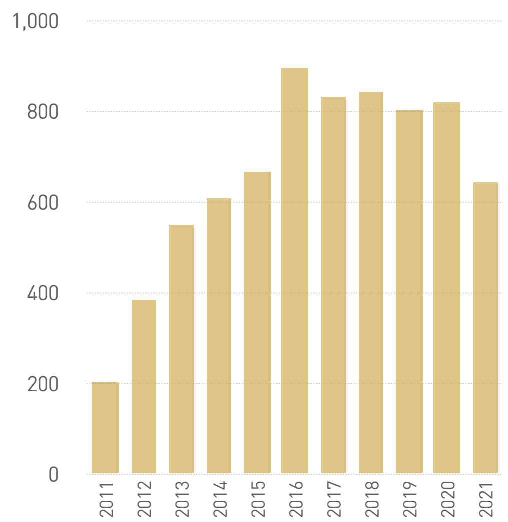
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-h
Ecuador: Structure of Investments, 2021
(%)



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)

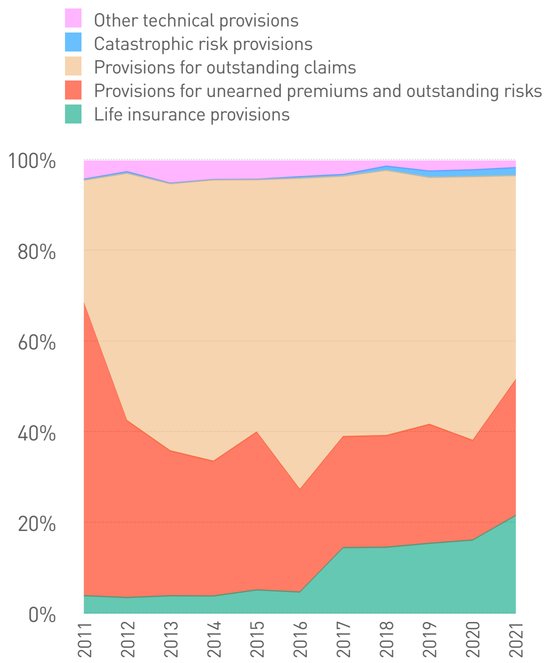
Results and profitability

The Ecuadorian insurance industry posted an aggregate technical result of 173 million dollars in 2021, down by 16.4% on the previous year. The financial result also dropped by 10.2%, falling to 43 million dollars. As a result of the above, and bearing in mind the non-operating costs not included in the technical profitability referred to in the previous section, the net result of the insurance industry was negative, -5 million dollars compared to 5.7 million dollars the previous year. Thus, the main profitability indicators in 2021 were negative: return on equity (ROE) at -0.8% (0.9% in 2020), while the return on assets (ROA) was -0.2% compared to 0.3% the previous year (see Chart 3.2.4-n).

Insurance penetration, density and depth

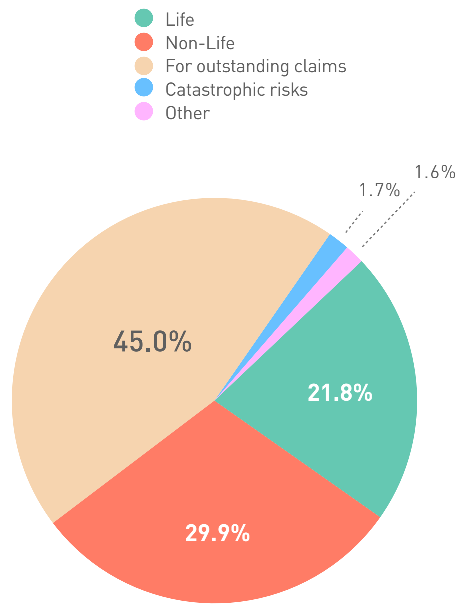
The most relevant structural trends shaping the development of the Ecuadorian in-

Chart 3.2.4-j
Ecuador: Structure of Technical Provisions
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

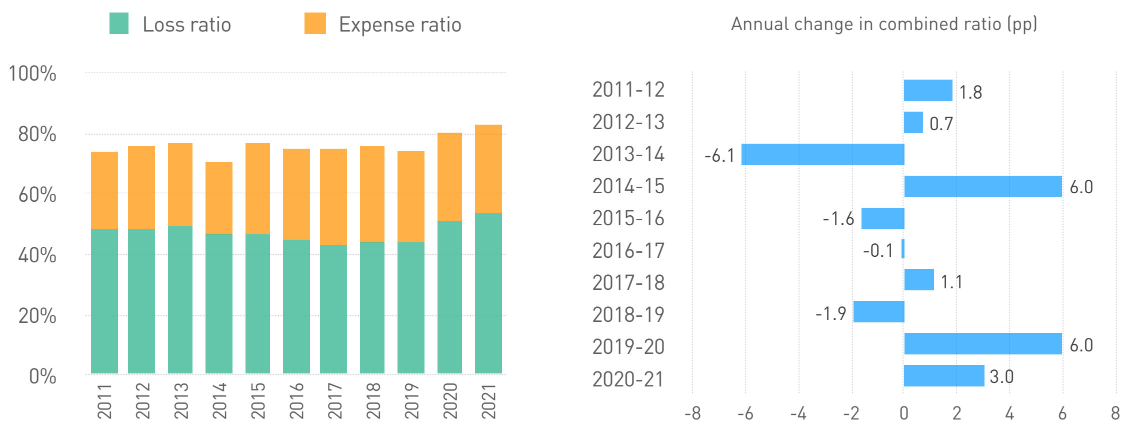
Chart 3.2.4-k
Ecuador: Structure of Technical Provisions, 2021
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

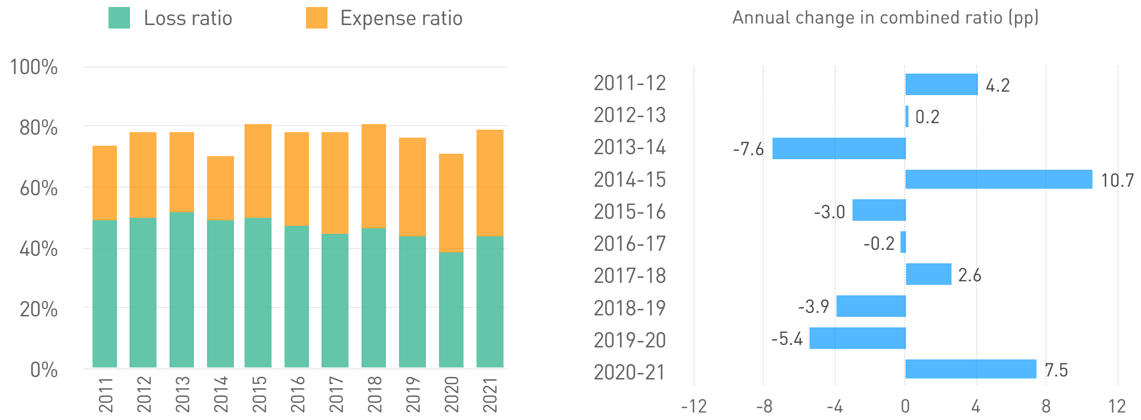
surance industry between 2011 and 2021 can be seen in Chart 3.2.4-o. The penetration rate (premiums/GDP) was 1.5% in 2021 (0.4% in Life and 1.1% in Non-Life), 0.2 pp down on the previous year. In the Life market, the penetration index is significantly below the Latin American average. The penetration of the Non-Life insurance segment is closer to the Latin American average, although in 2015 there was a change in trend, dropping for four years in a row before increasing again in 2019 and 2020 and then falling in 2021. The density indicator (premiums per capita) stood at 90

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)

Chart 3.2.4-m
Ecuador: Changes in Non-Life Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



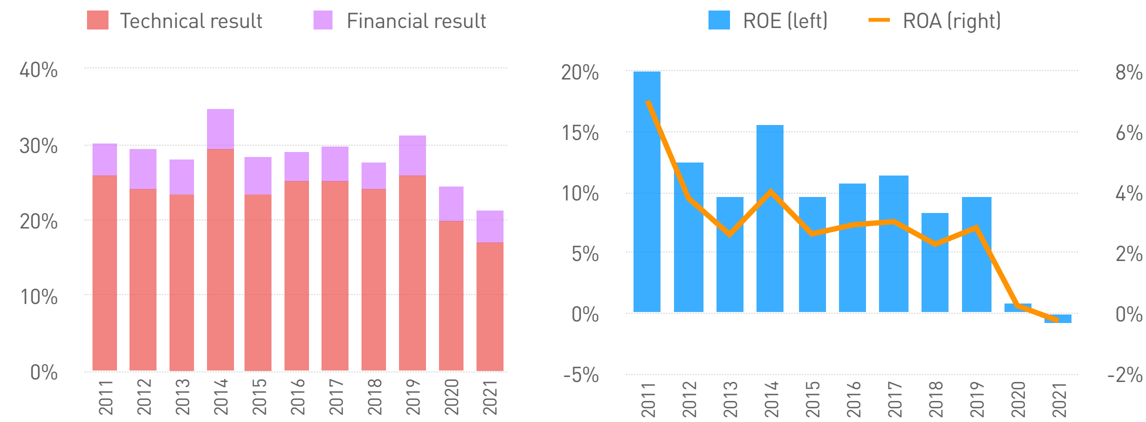
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

dollars in 2021, down vs. the level reached in 2020 (96.4 dollars). Density in Ecuador showed an upward trend until 2014 but decreased for the next three years due to a reduction in premiums resulting from the country's general economic situation, though it once again began to grow in 2019 before the 2020 and 2021 downturn. Lastly, in terms of depth levels (Life insurance premiums in relation to total premiums), the indicator rose slowly over the last ten years, and more rapidly since 2014, albeit still well below the average values of the wider region. In 2021, the index was at 28.1%, up 3.5 percentage points on 2020. From a medium-term perspective, depth in the Ecuadorian insurance market has increased by 10.8 pp since 2011.

Insurance Protection Gap estimate

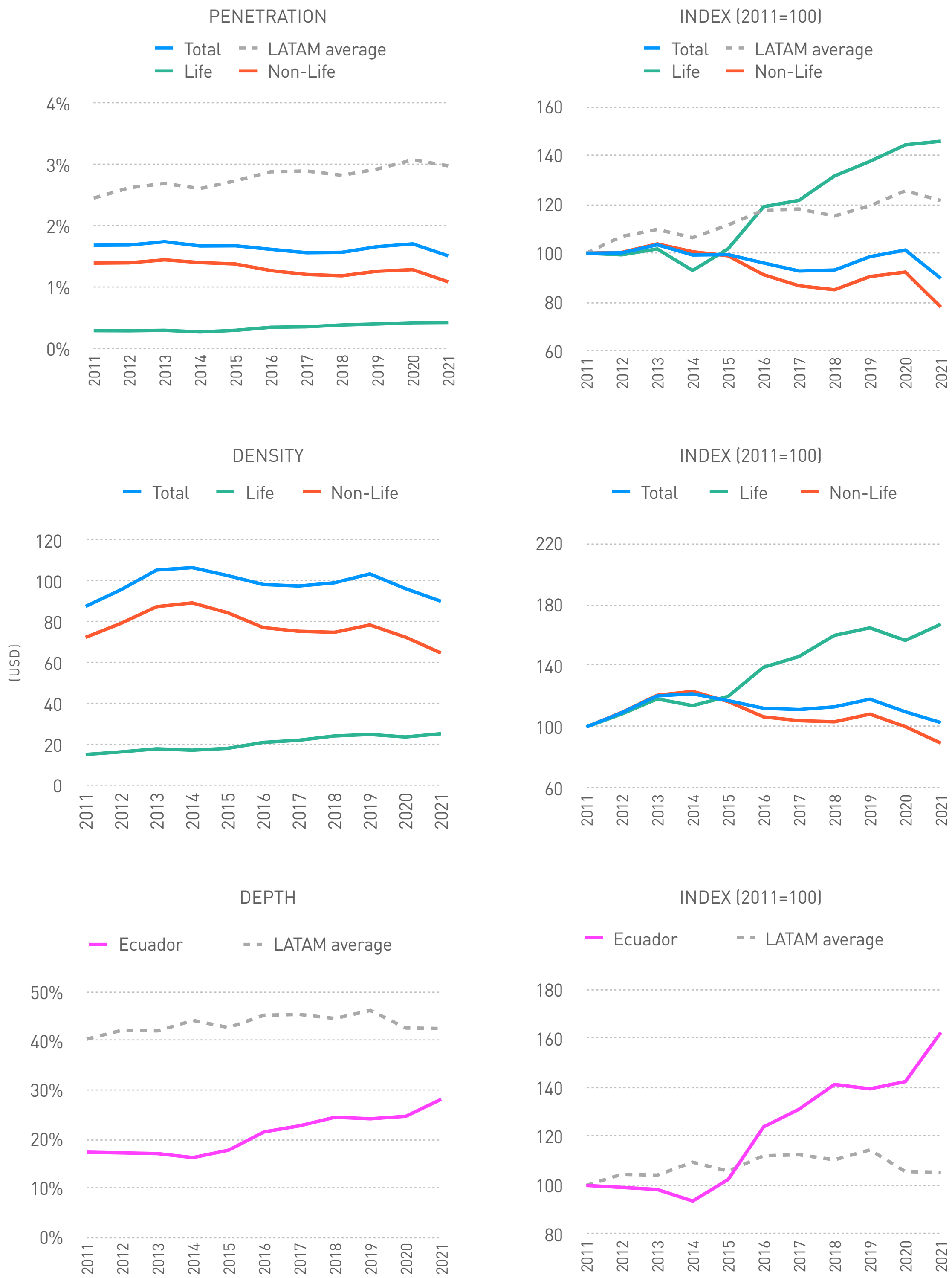
The update to the estimated insurance protection gap and its performance in terms of

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, %, 2011 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

the Ecuadorian insurance market between 2011 and 2021 is reflected in Chart 3.2.4-p. To this end, the IPG stood at 6.84 billion dollars in 2021. As is the case for most Latin American markets, the structure and performance of the IPG over the 2011–2021 period are shaped mainly by the Life insurance segment. At year-end 2021, 59.2% of the IPG was attributable to the contribution of the Life segment (4.05 billion dollars), 10.1 pp less than the share in 2011; the remaining 40.7% of the IPG was attributable to the Non-Life segment (2.79 billion dollars). The potential insurance market at the close of 2021 (measured as the sum of the actual market plus the IPG) was therefore estimated at 8.45 billion dollars, 5.3 times the size of the total insurance market in Ecuador that year (see Chart 3.2.4-q).

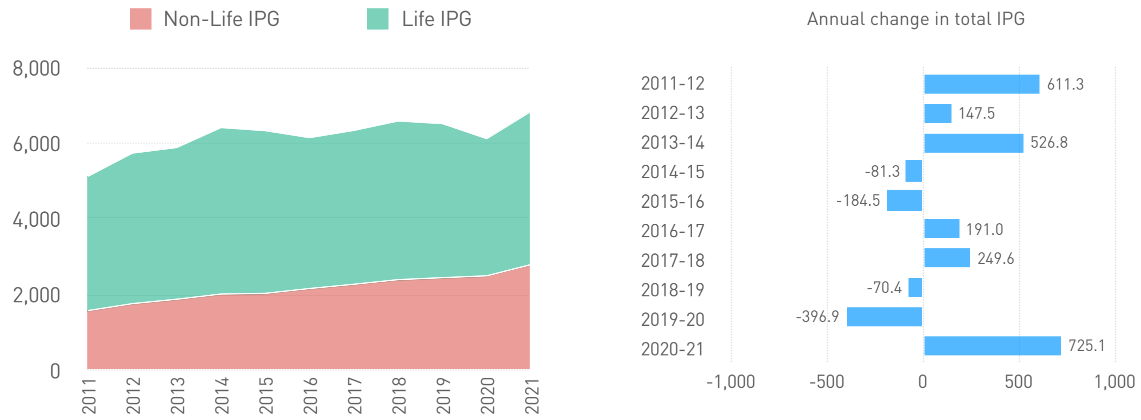
Charts 3.2.4-r and 3.2.4-s provide an estimate of the IPG as a multiple of the actual insurance market in Ecuador for the 2011–2021 period, as well as a relative comparison of both years. As can be seen, the gap for the Life insurance segment shows a downward trend throughout the period under analysis (falling from 15.4 to 9 times), while for the Non-Life segment there was a downward trend until 2014 when it began to rise again, reaching 2.4 in 2021.

Lastly, Chart 3.2.4-t provides an update to the assessment exercise in relation to the Ecuadorian insurance market's capacity to close the IPG determined in 2021, based on 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 over the coming decade. The Ecuadorian insurance market grew at an average annual rate of 1.9%; the Life insurance market grew at an average annual rate of 6.9% and the Non-Life segment grew at an average annual rate of 0.4%. Were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Ecuadorian insurance market would fall 16.2 pp short of closing the IPG calculated in 2021 over that period. The growth rate for the Life segment would fall 18.9 pp short of bridging the insurance gap, while the growth rate for Non-Life insurance would fall 12.6 pp short. These values are higher than those registered in 2020.

Market Development Index (MDI)

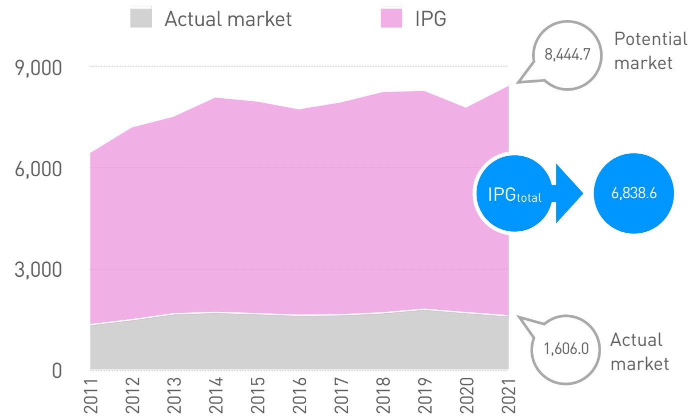
Chart 3.2.4-u shows the performance of the Market Development Index (MDI) for the Ecuadorian insurance industry. The data confirm that the market development indicator consistently followed the average

Chart 3.2.4-p
Ecuador: Insurance Protection Gap
(millions of USD)



Source: MAPFRE Economics

Chart 3.2.4-q
Ecuador: Insurance Protection Gap and Potential Market
(millions of USD)



Change	Actual market	IPG
2021-2011	20.2%	33.6%
2021-2020	-5.3%	11.9%

Source: MAPFRE Economics

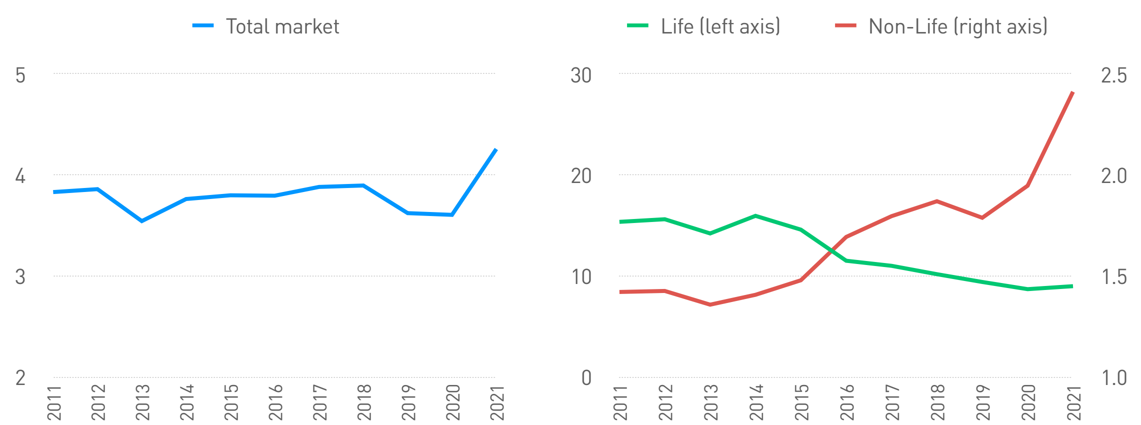
for Latin American insurance markets in the 2005–2021 period, with significant gains from 2015 on, although there was a downturn in the last year analyzed.

Comparative analysis of structural coefficients

Chart 3.2.4-v shows the situation of the Ecuadorian insurance market in 2021 compared to the Latin American average in terms of the structural coefficients analyzed. As can be seen, the Ecuadorian market remains below the average for the wider region in all dimensions except for the Market Development Index, which is close to the regional average.

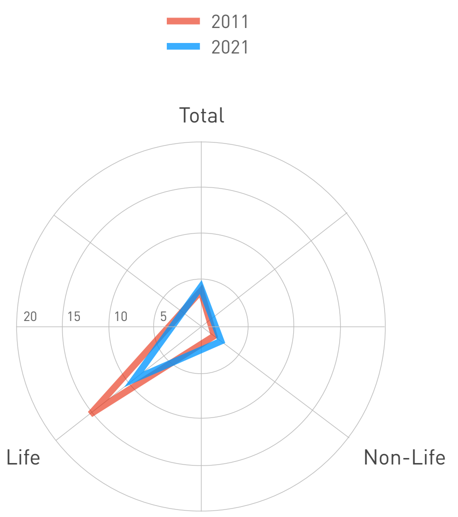
Furthermore, the dispersion analysis shown in the aforementioned chart to illustrate the performance of insurance activity in the country confirms that, over the 2011–2021 period, the Ecuadorian insurance industry showed unbalanced development characterized by improvements in both depth levels (qualitative aspect) despite a decrease in penetration (quantitative aspect).

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

Chart 3.2.4-s
Ecuador: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

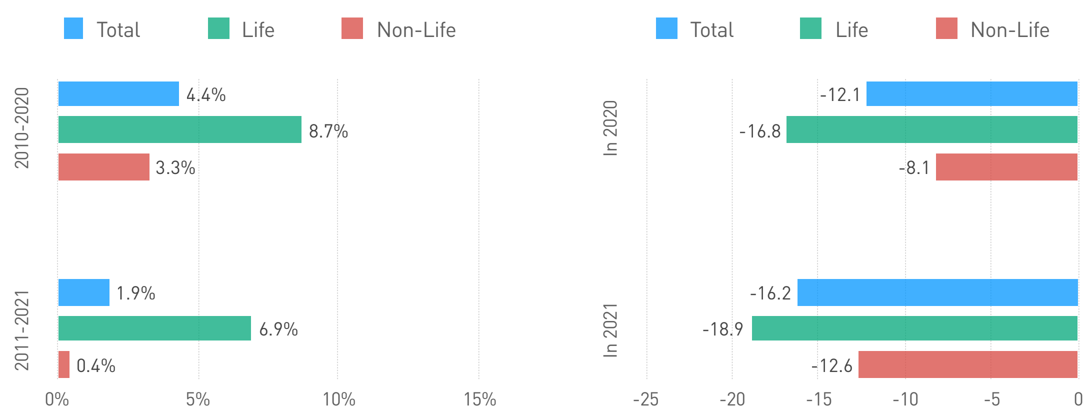
Insurance market rankings

Total ranking

In 2021, 30 insurance companies were operating in the Ecuadorian insurance industry. However, following Executive Decree No. 82, of June 15, 2021, the National Financial Corporation (CFN) was instructed to proceed with the voluntary liquidation of the state insurance company, Seguros Sucre. In turn, at the end of 2021, a merger took place between Equivida and Equinoccial, as part of which the operations of Equivida were assumed in full, forming part of the commercial product portfolio of Seguros Equinoccial. Thus, in 2021, the first five insurance institutions accounted for 47.5% of the premiums in the sector (CR5), down in terms of concentration from 2020, affecting both the Life and Non-Life segments. As a result, the upward trend in market concentration was reversed from 2020 onward, as can be seen in Chart 3.2.4-w. Nonetheless, the Herfindahl index remained below the moderate concentration threshold.

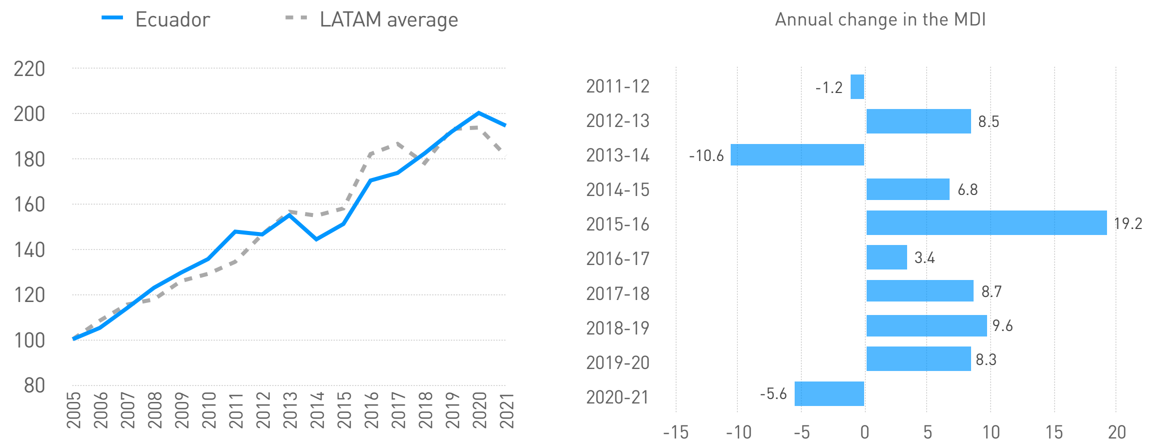
The total ranking of Ecuadorian insurance groups in 2021 is reflected in Chart 3.2.4-x, headed by Equinoccial, with a market share of 14.4%, climbing one position after its merger with Equivida, replacing Seguros Sucre, which was liquidated in mid-2021. These changes have resulted in other companies moving up in the ranking from third place onward. Chubb (10.5%) and Pichincha (10.0%) remain in second and third place,

Chart 3.2.4-t
Ecuador: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.4-u
Ecuador: Market Development Index (MDI)
(2005 index=100; annual change)



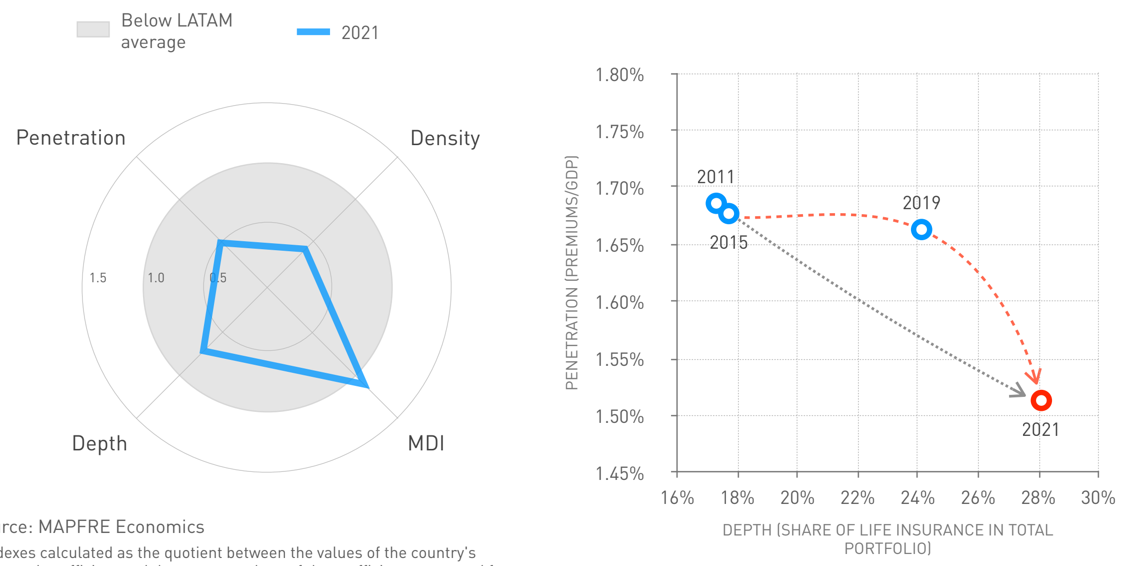
Source: MAPFRE Economics

respectively, while AIG, Zurich, Hispana, Aseguradora del Sur, Latina and MAPFRE all move up in the ranking. Ecuatoriano Suiza remains in tenth place.

Life and Non-Life rankings

In the Non-Life ranking, the situation is similar to the one described above: Equinoccial, which was the second largest insurance group in 2020, moved into first position in 2021, replacing Seguros Sucre, with a market share of 12.4%. The disappearance of Seguros Sucre from the ranking as a result of its liquidation has seen the following groups move up. Thus, Latina moves up from eleventh in 2020 to sixth in 2021, and MAPFRE overtakes Ecuatoriano Suiza. Fi-

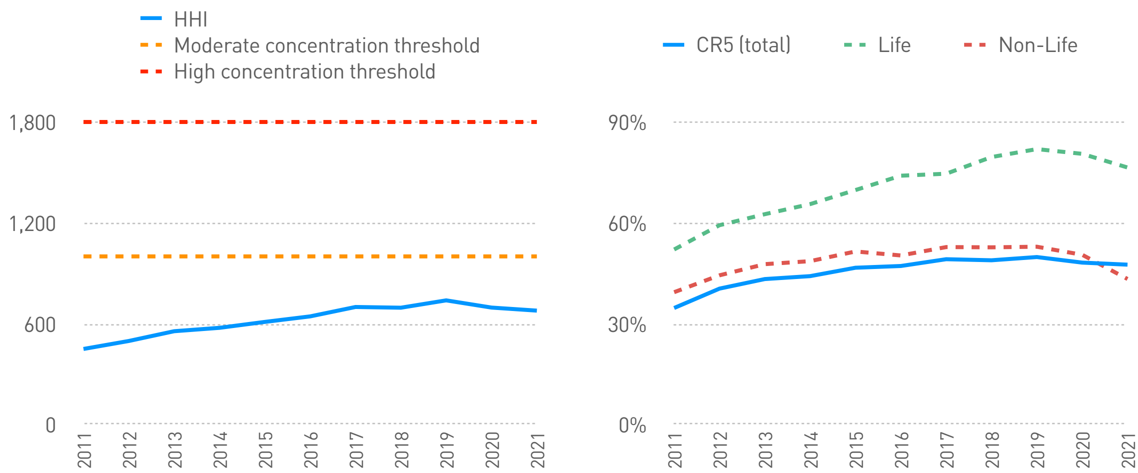
Chart 3.2.4-v
Ecuador: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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 3.2.4-w
Ecuador: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



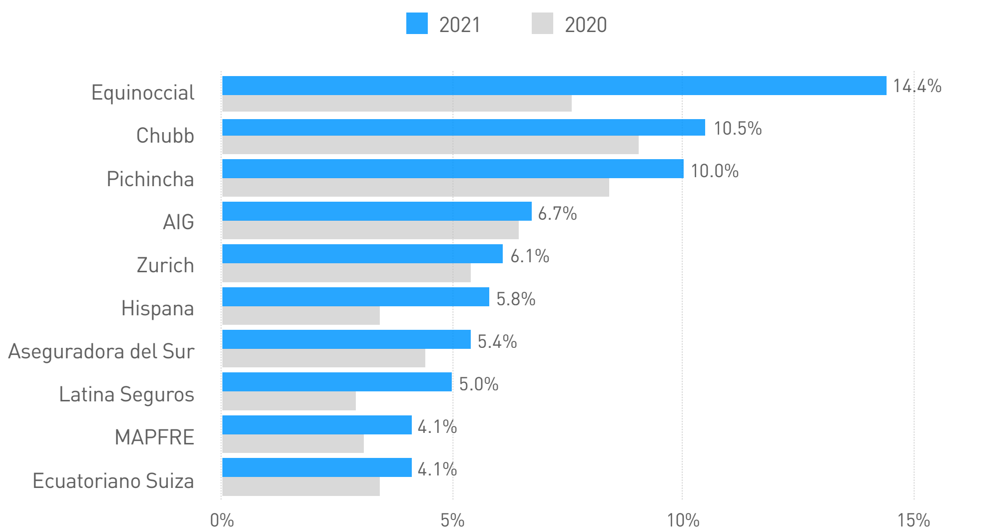
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

nally, the Life ranking continues to be led by Pichincha, increasing its market share by 2.2 pp, to 32.4%, followed by Equinoccial (19.4%), following its merger with Equivida. Furthermore, Hispana, Ecuatoriano Suiza and BMI all join the ranking in fifth, seventh and eighth places, respectively (see Chart 3.2.4-y).

Key Regulatory Aspects

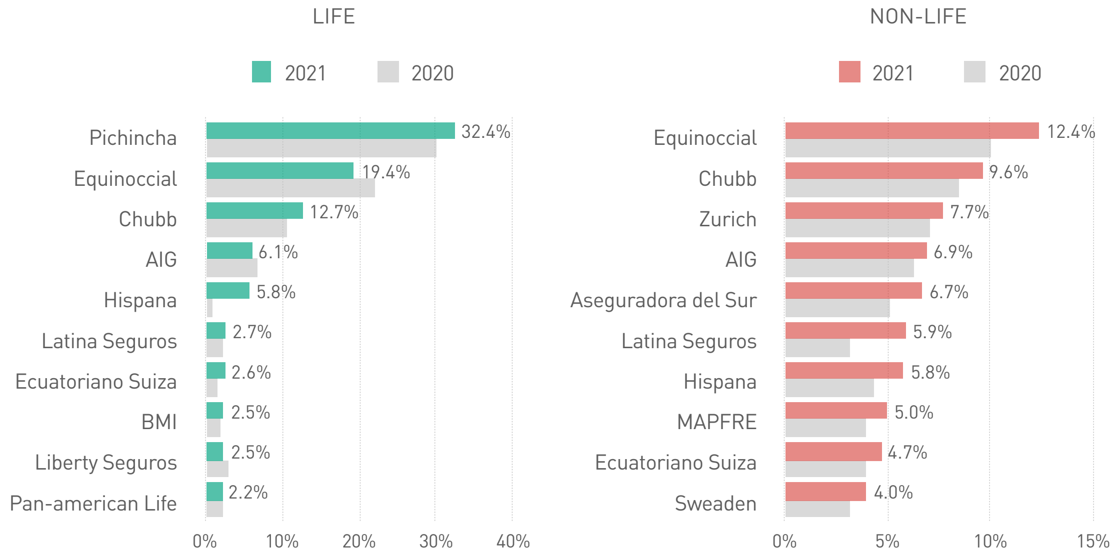
The key provisions and regulations issued in 2021 affecting the insurance industry in the Ecuadorian market are indicated below:

Chart 3.2.4-x
Ecuador: Total 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)

Monetary and Financial Policy and Regulation Board

- Resolution JPRF-F-2022-035. Reform of the variable reference component for readjusting risk-free interest rates in replacement of the LIBOR interest rate.

- Resolution JPRF-S-2022-034. Approval of the provisions of the External Audit chapter on the provision of services to a single audited entity in the insurance sector.

- Resolution No. JPRF-S-2022-029. Reform of the term for presenting the single, definitive base of insured parties and beneficiaries by the payer to COSEDE for the payment of Private Insurance Fund coverage.

- Resolution No. JPRF-F-2022-027. Reform of the Rule for the extraordinary merger of popular and cooperative finance sector companies, including the term of three months.

- Resolution No. JPRF-S-2022-025. Update of the rule for preventing money laundering, with a risk-based approach, for the insurance industry.

- Resolution No. JPRF-S-2022-012. Approval of the resolution establishing the Contribution to the Private Insurance Fund of 0.18%.

Superintendency of Companies, Securities and Insurance

- Resolution SCVS-INPAI-2022-00004075. Extension of the term Art#6010-0057 (2022/05/27).

- Instruction for the planning, preparation, regulatory development and monitoring of the Rules issued by the Superintendency of Companies, Securities and Insurance, published in the Supplement to the Official Register No. 65 of May 18, 2022 (2022/04/22).

- Resolution No. SCVS-INC-DNCDN-2022-0001, published in the Official Register No. 5, of February 17, 2022 (2022/01/26).

- Resolution SCVS INC DNCDN 2021 00016. Dissolution Regulation, published in the Third Supplement to the Official Register No. 554, of October 7, 2021 (2021/09/27).

- Resolution SCVS-INC-DNCDN-2021-0013. Reform of the Asset Laundering Rules, published in the Supplement to the Official Register No. 516, of August 16, 2021 (2021/07/27).

- Resolution SCVS-INC-DNCDN-2021-0012. Reform of the Regulation on External Auditing (2021/07/23).
- Resolution No. SCVS-INPAI-2021-0004. Suspension of terms 26/04 to 20/05/2021 (2021/04/23).
- Resolution No. SCVS-INPAI-2021-0006, Extension of balances to May 2021 (2021/04/23).
- Rules for the Prevention of Asset Laundering. Resolution SCVS INC DNCDN 2021 0002, published in the Second Supplement of the Official Register No.411, of March 16, 2021 (2021/03/16).

3.2.5 Peru

Macroeconomic environment

The Peruvian economy saw one of the biggest recoveries in the region in 2021, growing by approximately 13.3%, compared to the contraction of 11.0% the previous year, as a result of the significant increase in national production, driven by the resumption of economic activity, the swift recovery of aggregate demand, both internally and externally, and the base effect (see Chart 3.2.5-a). Domestic demand recovered thanks to the increase in private consumption and the resumption of investment projects, in particular in the construction sector. This is combined with the positive impact on external demand, following a significant improvement in the exchange rate (reaching an 11-year high), driven by record copper prices and an acceleration in growth in the United States and China. According to the Central Reserve Bank of Peru (BCRP), the Peruvian economy recovered to pre-pandemic levels in the third quarter of 2021. However, the recovery in employment still appears sluggish, and although the unemployment rate has fallen to 5.9% in 2021 (compared to 7.7% in 2020), the central government plans to continue making progress with vaccinations and health emergency controls to facilitate the recovery of the job market.

The fiscal deficit in annual terms dropped from 8.9% to 2.5% between 2020 and 2021. This is attributable to the decrease in the government's non-financial expenses as a percentage of GDP (despite the slight nominal increase), the increase in current revenue as a result of the increase in the price of minerals, and the increase in tax revenue (general sales tax and income tax) and non-tax revenue (mine royalties, fees and oil royalties). The central government's public debt stood at 32.7% of GDP at year end (32.9% in 2020 and 24.8% in 2019), with a change in its composition since 2019 on account of the increase in the share of debt in foreign currency, increasing the share of debt subject to variable rates as a result. As regards the foreign sector, the current account balance ended the year with a deficit of 2.4% (surplus of 1.2% in 2020) as a result of the bigger increase in imports (due to the recovery in internal demand), and the deficit of the account associated with factor income on account of the higher profits earned by companies associated with direct foreign investment and the deterioration of the services account in view of the increase seen in international fleets. Furthermore, the central bank's interventions in the exchange market in the form of swaps, the placement of readjustable deposit certificates and sales via trading desks to control the depreciation of the exchange rate (in December 2021, it had dropped by 10.6% compared to year-end 2020) saw net international reserves grow by 3.82 billion dollars by December 2021, standing at 78.53 billion dollars.

As regards inflation, the increase in the price of food with a high import content, fuel and the depreciation of the Peruvian sol saw year-on-year inflation increase by 6.4% in December 2021, reaching 8.4% by August 2022 (when average inflation for 2020 was 1.8%). The BCRP has cut the monetary stimuli that saw the monetary policy rate (MPR) drop to a historic minimum (0.25%)

between March 2020 and July 2021, and since August, it has increased 5 times, ending the year at 2.50%. On the reporting date, the BCRP had continued to increase the rate by 50 bps each month, and by September 2022, the MPR stood at 6.75%.

MAPFRE Economics has estimated that Peruvian GDP growth in 2022 will come to around 2.6%, while ECLAC forecasts that the Peruvian economy will experience 2.5% growth. This slowdown in growth compared to 2021 reflects the gradual return to normal of spending habits and the lifting of health restrictions (loss of the base effect), the tightening of monetary policy, the impact of structural problems that affect growth as the primary export model reliant on an uncertain international environment, and the stagnation of activities such as tourism and restaurants, which are not expected to return to pre-Covid levels.

Insurance market

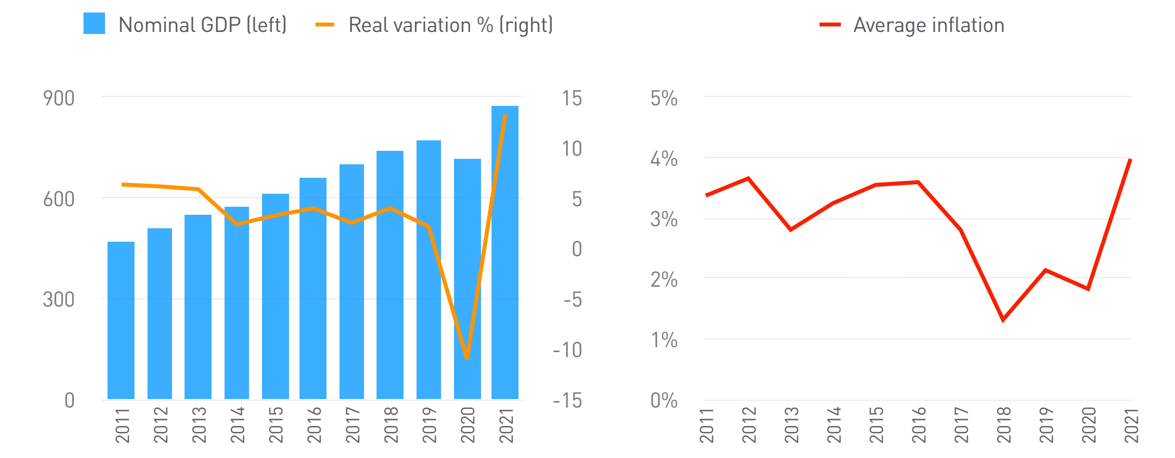
Growth

The Peruvian insurance industry experienced strong growth in 2021, following the fall in premiums seen in 2020, to a premium volume of 17.7 billion soles (4.56 billion dollars), a year-on-year increase of 26.2% in nominal terms and 21.4% in real terms. The main stimulus came from the Life segment, which grew by 40.4%, although the Non-Life segment also performed very well, with an increase of 15.3% (see Chart 3.2.5-b and Table 3.2.5).

In turn, comparing the performance of the Peruvian insurance industry to the Latin American insurance industry (see Chart 3.2.5-c), it can be seen that its share has gradually increased over the past decade, from 1.8% in 2011 to 3.0% in 2021. The biggest increase came in the Life segment, increasing from 1.9% to 3.5%, while Non-Life experienced an increase of 1.0 pp, from 1.7% to 2.7% during this period.

Life insurance generated revenue of 8.55 billion soles, with a significant increase in all modalities, in particular pensions, increasing by 74.6%. Meanwhile, Non-Life insurance lines recorded a nominal growth in premiums of 15.3% (10.9% in real terms), reaching 9.15 billion soles (2.36 billion dollars). All lines experienced double-digit growth, with particular mention going to Aviation (34.6%), Third-Party Lia-

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)

bility (30%) and Transport (29.6%). Fire, Health and Automobile insurance, which account for the highest volume of premiums, also performed well, with increases of 10.4%, 11.7% and 16.2%, respectively. Thus, the Life insurance segment accounted for 17.5 pp of the 26.2% nominal growth reported by the insurance market in Peru in 2021, while the remaining 8.7 pp were attributable to the Non-Life segment (see Chart 3.2.5-d).

Balance sheet and shareholders' equity

Chart 3.2.5-e shows the performance of the Peruvian insurance industry's aggregate balance sheet at the sector level over the 2011–2021 period. This data shows that the industry's total assets amounted to 67.15 billion soles (16.78 billion dollars) in 2021, while equity amounted to 8.46 billion soles (2.12 billion dollars), down by 8.7 pp 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 2011 to 12.6% in 2021.

Investments

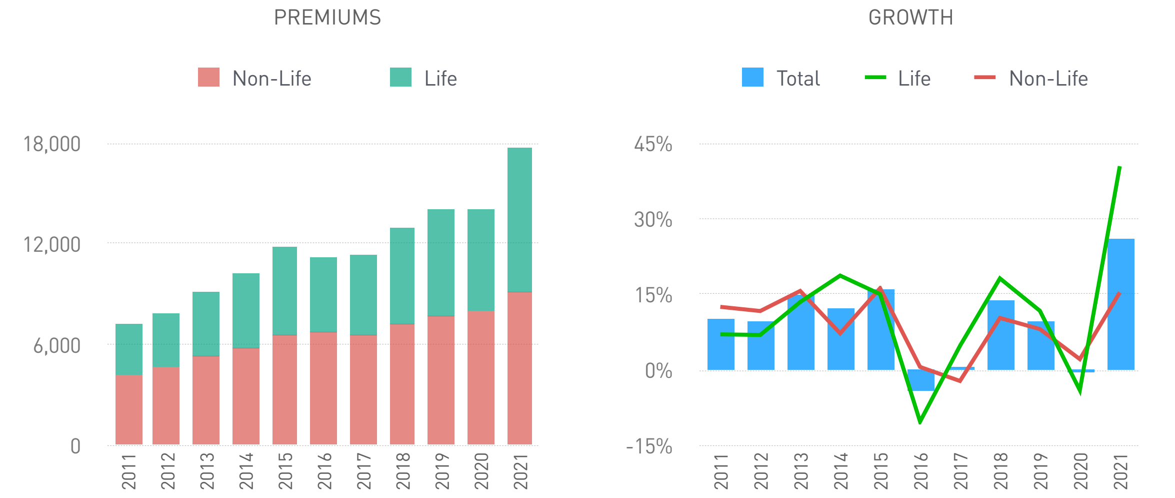
Charts 3.2.5-f, 3.2.5-g and 3.2.5-h show changes in investment over the 2011–2021 period, as well as the composition of the aggregate portfolio at the sector level for the Peruvian insurance industry during said period. Investment totaled 51.65 billion soles (12.91 billion US dollars) in 2021, most of which was concentrated in equities and fixed income financial securities. The composition of investment in 2021 was as follows: 85.6% concentrated in debt and equities, 7.2% in cash and the remaining 7.3% in real estate investments.

Table 3.2.5
Peru: Premium Volume[1] by Line, 2021

Line	Millions of soles	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**17,695.5**	**4,557.4**	**26.2**	**21.4**
Life	**8,548.4**	**2,201.6**	**40.4**	**35.0**
Individual Life	2,802.0	721.7	31.6	26.6
Group Life	2,372.5	611.0	16.9	12.4
Pensions	3,373.9	868.9	74.6	67.9
Non-Life	**9,147.1**	**2,355.8**	**15.3**	**10.9**
Automobiles	1,474.2	379.7	16.2	11.8
Fire and allied lines	2,004.1	516.2	10.4	6.2
Other lines	1,088.8	280.4	18.1	13.6
Health	1,489.0	383.5	11.7	7.4
Personal accidents[2]	777.0	200.1	12.0	7.7
Transport	259.4	66.8	29.6	24.6
Third-Party Liability	454.3	117.0	30.0	25.0
Burials	143.5	37.0	12.4	8.1
Aviation	149.7	38.6	34.6	29.4
Multirisk	171.8	44.2	15.6	11.2
Sea - Hull	109.0	28.1	17.6	13.1
Credit and/or surety	500.9	129.0	16.0	11.6
Workplace accidents	525.3	135.3	20.5	15.9

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-b
Peru: Growth Developments in the Insurance Market
(premiums, millions of soles; annual nominal growth rates, %)

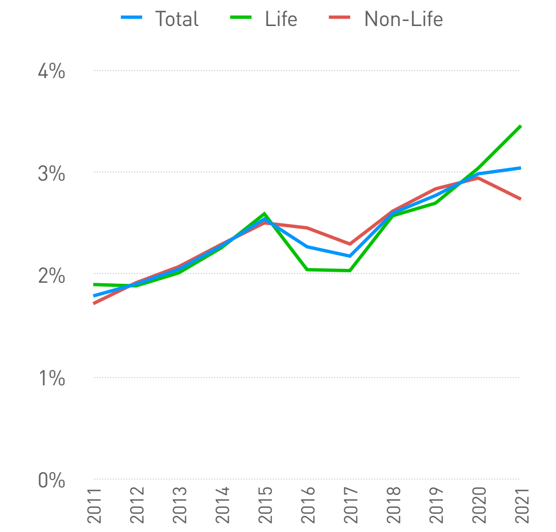


Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Technical provisions

Meanwhile, Charts 3.2.5-i, 3.2.5-j and 3.2.5- k present information on the performance and relative composition of technical provi-sions between 2011 and 2021.

Chart 3.2.5-c
Peru: Share of Insurance Premiums in Latin America
(%)



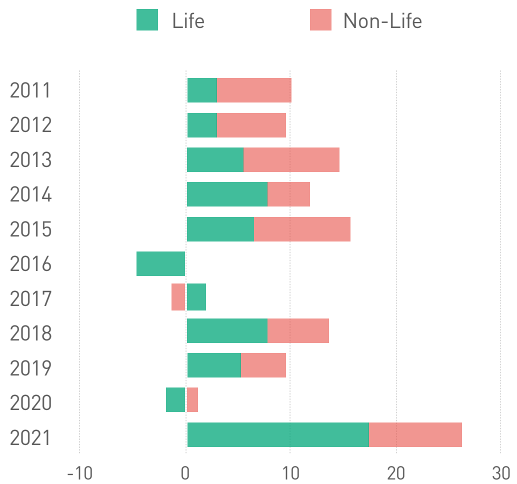
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators and supervisory bodies in the region)

In 2021, tech-nical provisions amounted to 50.64 billion soles (12.66 billion dollars); 74.9% of the total corresponded to Life in-surance, 18.2% to the provision for out-standing claims, and the remaining 6.7% to the provision for un-earned premiums and unexpired Non-Life insurance risks. As highlighted in previous versions of this re-port, the volume of techni-cal provisions of the Peruvian insurance in-dustry signifi-cantly increased in absolute values in recent years in both the Life and Non-Life insur-ance segments. The compo-sition of aggre-gate provisions remained rel-atively stable until 2013, when the propor-tion corre-sponding to Life insurance fell slightly from around 80% to close to 76%. At year-end 2021, it represented 74.9% of total provi-sions.

Technical performance

Chart 3.2.5-l shows developments in the technical performance of the Peruvian in-surance industry over the 2011–2021 period. To this end, the combined ratio dropped by 9.8 pp in 2021, to 129%, as a result of the significant increase in the loss ratio, which dropped from 62.7% in 2020 to 70.4% in

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
2011	10.1	3.1	7.0
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

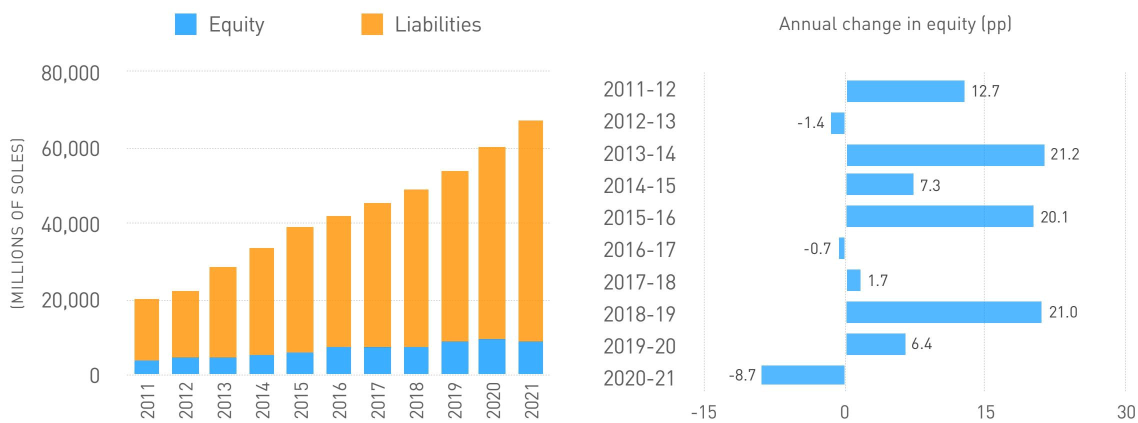
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

2021, but also due to the increase in spending, which increased by 2.05 pp.

Results and profitability

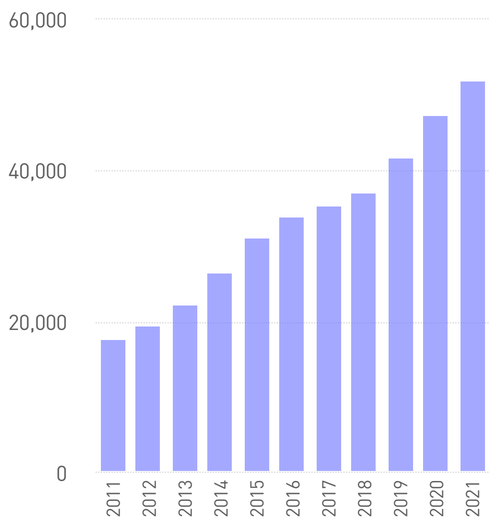
The Peruvian insurance industry posted a net result of 418.5 million soles (108 million dollars) in 2021, down by 61.4% year on year. The technical result, as indicated previously, remained negative, in line with the results of the last decade, and the financial result increased by 15.9% during the year in question. In terms of profitability levels, return on equity (ROE) stood at 4.7% in 2021, down by 7.3 pp from the previous year. Return on assets (ROA) reached 0.7% in 2021, 1.0 pp down on 2020 (see Chart 3.2.5-m).

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)

Chart 3.2.5-f
Peru: Insurance Market Investments
(millions of soles)

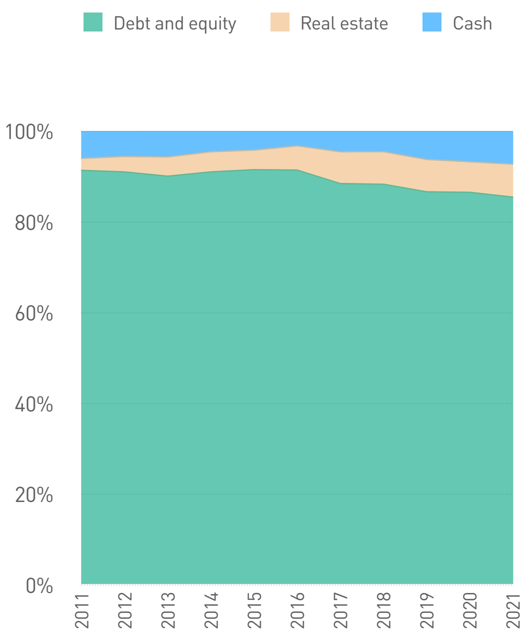


Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Insurance penetration, density and depth

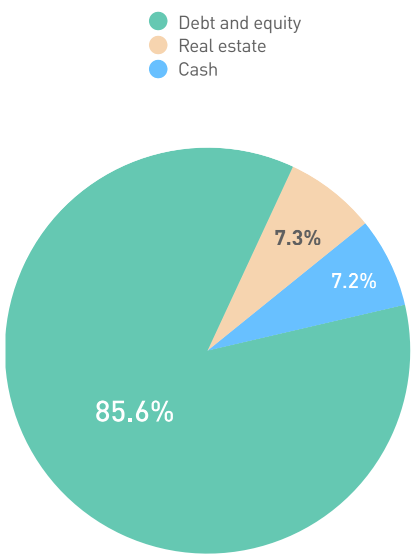
Chart 3.2.5-n shows the main structural trends shaping the development of the Peruvian insurance industry over the 2011–2021 period. According to this information, in 2021 the penetration index (premiums/GDP) for the Peruvian market stood at 2.0%; the same as in 2020 and 0.5 pp higher than in 2011, thus maintaining the indicator's recovering trend that began in 2018. From a medium-term perspective, the penetration index in the Peruvian market has grown steadily over the period under analysis but remains below the average absolute values of the region's markets. Meanwhile, insurance density in Peru (premiums per capita) stood at 525 soles (135 dollars), 24.7% higher than in 2020. Peruvian market density (measured in local currency) went up until 2015, when it began to fall slightly, a trend that reversed in 2018 and then dropped again in 2020 before recovering in 2021. Lastly, insurance depth (Life insurance pre-

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, 2021
(%)



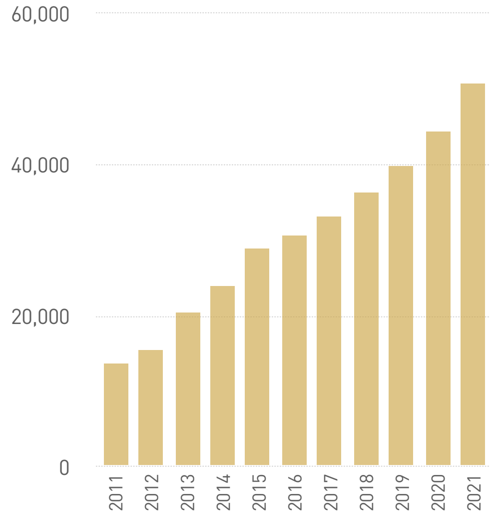
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

miums in relation to total premiums) stood at 48.3% in 2021, up 5.4 pp from 2011 and 4.9 pp higher than the previous year. The depth indicator for the Peruvian insurance market has fluctuated around the average values of the regional markets over the past decade, surpassing the average during the past year.

Insurance Protection Gap estimate

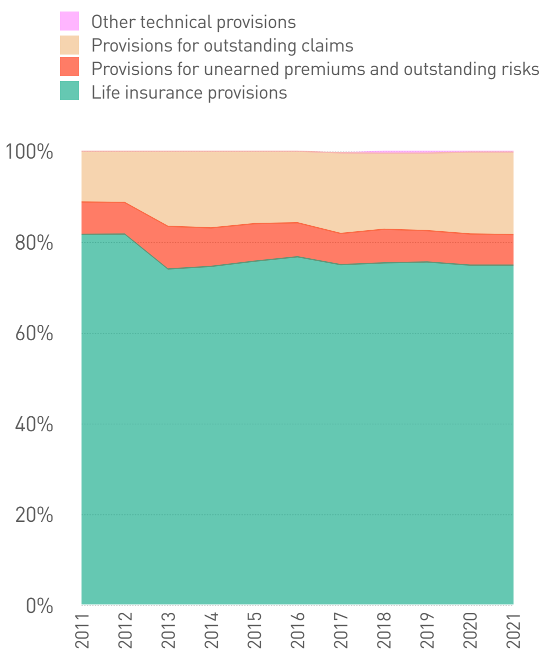
Chart 3.2.5-o shows an estimate of the insurance gap for the Peruvian insurance market between 2011 and 2021. The insurance gap in 2021 amounted to 51.66 billion soles, almost 3 times the size of the Peruvian insurance market at the end of that year. The structure and performance of the IPG over the period analyzed are largely attributable to the Life insurance segment, though this has been reducing to a greater extent than in Non-Life insurance. At the close of 2021, 55% of the insurance gap was attributable to Life insurance (28.42 billion soles), down by 7.2 pp from 2011. Meanwhile, the remaining

Chart 3.2.5-i
Peru: Technical Provisions of the Insurance Market
(millions of soles)



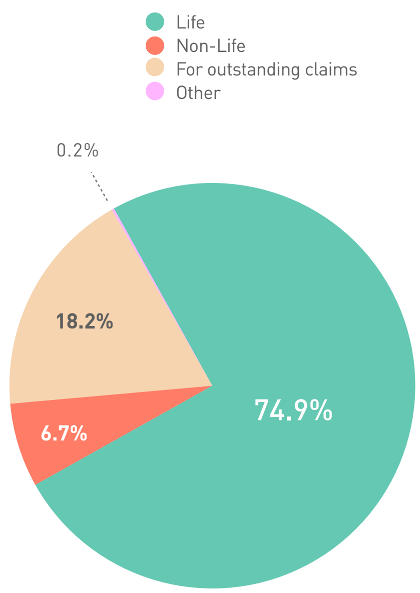
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-j
Peru: Structure of Technical Provisions
(%)



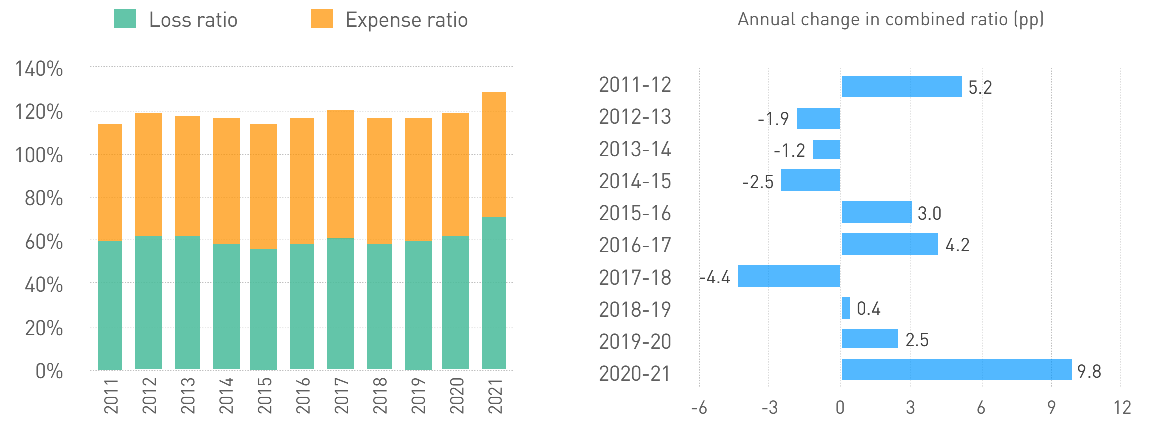
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-k
Peru: Structure of Technical Provisions, 2021.
(%)



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)



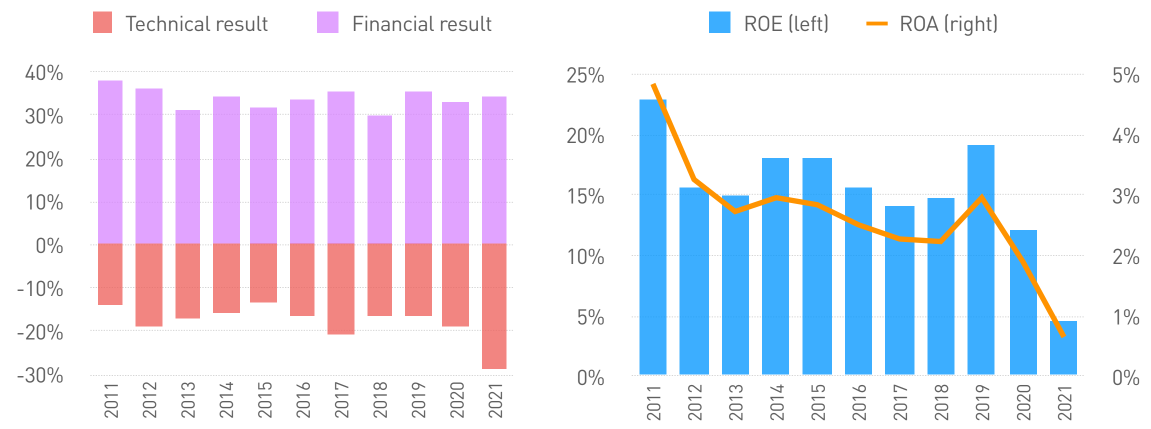
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

45% of the IPG in 2021 was attributable to the Non-Life insurance segment (23.22 billion soles). The potential insurance market in Peru (the sum of the actual market plus the insurance gap) was estimated at 69.36 billion soles in 2021, 3.9 times the total insurance market that year (see Chart 3.2.5-p).

In turn, Chart 3.2.5-q shows an estimate of the insurance gap of the Peruvian market as a multiple of the actual insurance market. To this end, the IPG as a market multiple has dropped between 2011 and 2021. In the case of the Life insurance segment, the IPG as a multiple of the market fell from 6.3 to 3.3 over the past decade, while in the Non-Life insurance segment, it fell from 2.8 to 2.5 times.

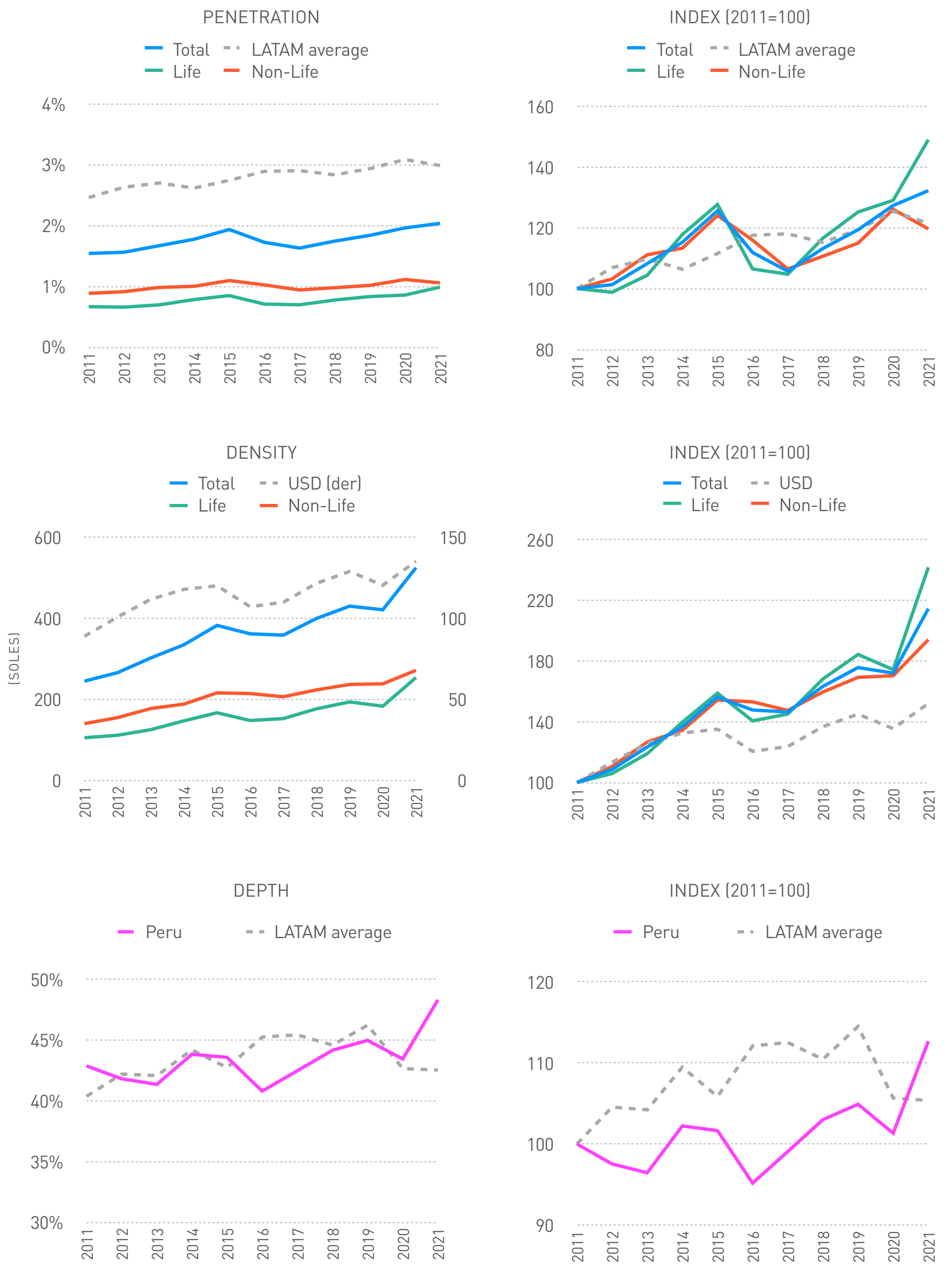
In summary, Chart 3.2.5-r shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Peruvian insurance market, comparing the situation in 2011 with that of 2021. During this period, there was a clear

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, %, 2011 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

reduction in the insurance gap in relative terms, led by the decrease in the Life insurance segment.

Chart 3.2.5-s provides a summary update on the evaluation done on the Peruvian insurance market's capacity to close the insurance gap estimated in 2021, using a comparative analysis on the growth rates observed over the last ten years and the growth rates that would be needed to close the gap estimated in 2021 over the next ten years. The Peruvian insurance market recorded an average annual growth rate of 9.4% between 2011 and 2021, which consisted of an annual growth rate of 10.7% in the Life insurance segment and of 8.3% in the Non-Life insurance segment. Thus, were the same growth rate seen over the past decade to continue over the next ten years, the growth rate of the Peruvian insurance market would fall 5.1 pp short of closing the insurance gap estimated for 2021 in the Life segment and 5.2 pp short in the Non-Life segment; these shortfalls, in general, have improved compared to 2020.

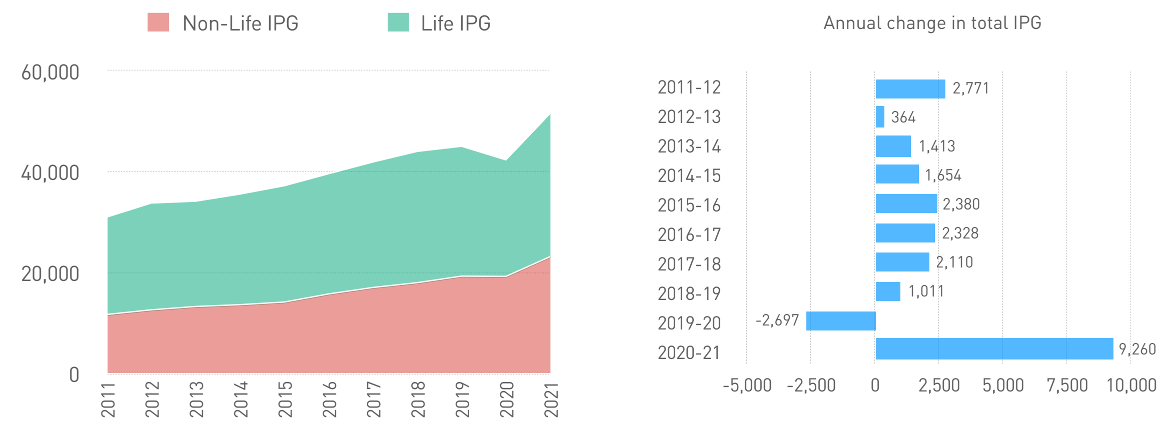
Market Development Index (MDI)

Chart 3.2.5-t shows an estimate of the Market Development Index (MDI) for the Peruvian insurance industry. This indicator, used to analyze the overall trend in development and maturity of the insurance market, showed a positive trend throughout the 2011–2021 period after shrinking in 2011, 2012, 2016, and 2017. However, the indicator began to increase once again in the last four years, recovering the average trend observed in Latin American insurance markets.

Comparative analysis of structural coefficients

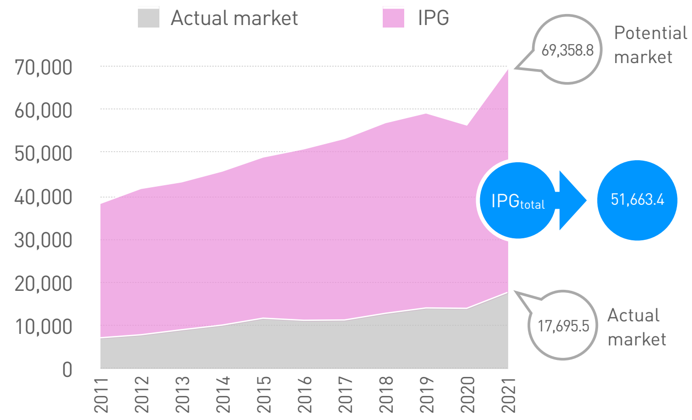
Chart 3.2.5-u outlines the state of the Peruvian insurance market when compared with the average for Latin America, measured in terms of the structural indicators featured in this report. This information reveals that, with the exception of depth, all structural dimensions of the Peruvian insurance market remain below the regional average. Furthermore, the dispersion analysis that seeks to identify the performance trend in the Peruvian insurance market over the past decade confirms that the Peruvian insurance industry, in general terms, has experienced a balanced and consistently positive development between 2011 and 2021, despite the drop seen between 2015 and 2019.

Chart 3.2.5-o
Peru: Insurance Protection Gap
(millions of soles)



Source: MAPFRE Economics

Chart 3.2.5-p
Peru: Insurance Protection Gap and Potential Market
(millions of soles)



Change	Actual market	IPG
2021-2011	145.4%	66.3%
2021-2020	26.2%	21.8%

Source: MAPFRE Economics

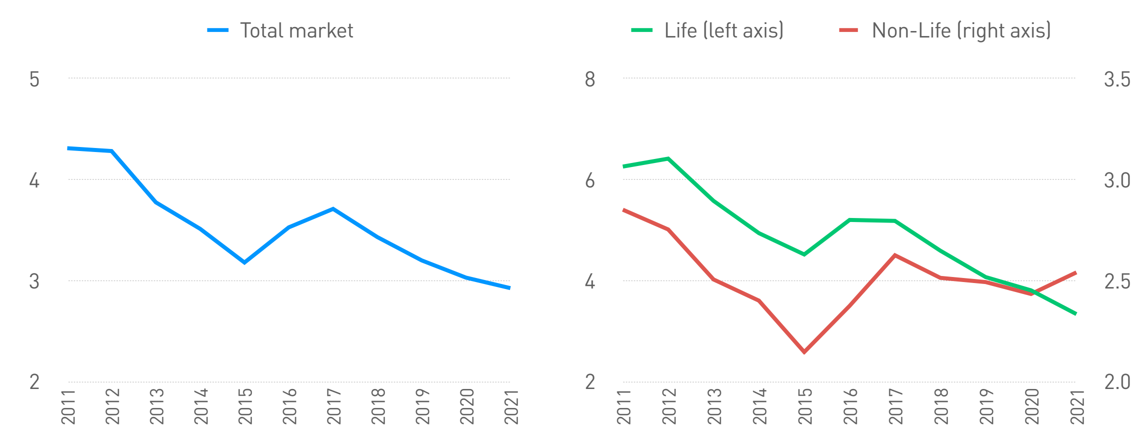
Insurance market rankings

Total ranking

There were 18 companies operating in the Peruvian insurance industry at year-end 2021, of which four were dedicated exclusively to Life lines, seven to property and casualty lines, and seven to both. Market concentration is relatively high, decreasing until 2016 before reversing the trend in 2017 and then falling again in 2021. The Herfindahl index, which from 2017 onward shows high concentration, has returned to the range of moderate concentration in 2021, although still within the high part of the band. This situation is confirmed by analyzing the CR5 index (75.2%), which replicates this performance in both segments of the market, with Non-Life standing at 87.5% and Life standing at 81.1% (see Chart 3.2.5-v).

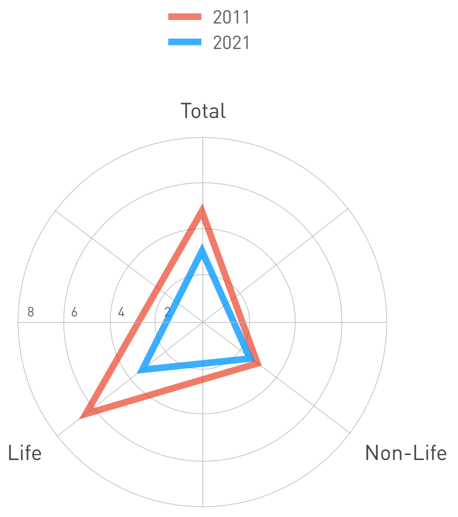
In this context, in terms of the total group ranking in 2021 (see Chart 3.2.5-w), Rimac and Pacífico Seguros continued to hold the top two positions with market shares of 29.5% and 24.1%, respectively. The remain-

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

Chart 3.2.5-r
Peru: Change in IPG
as a Multiple of the Actual Market



Source: MAPFRE Economics

ing groups in the ranking remain the same as in 2020, as does the position they occupy.

Life and Non-Life rankings

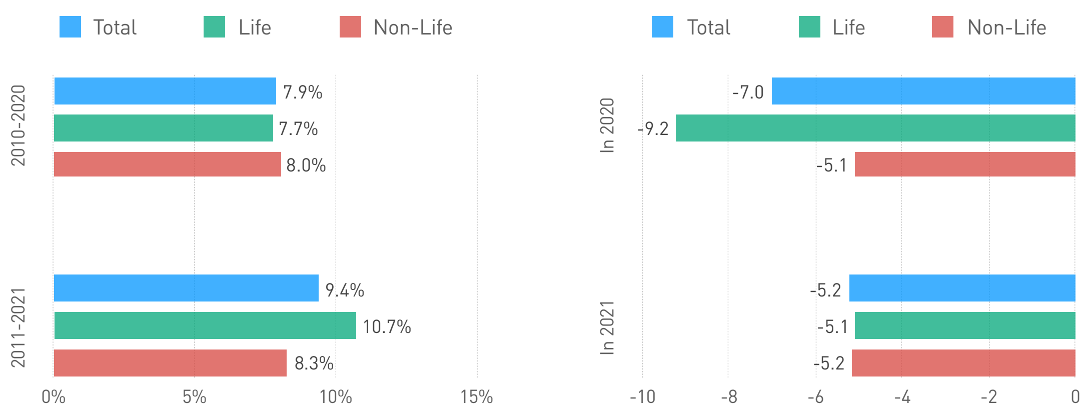
In the Non-Life group ranking for 2021, Rimac, Pacífico, MAPFRE and La Positiva continued to hold the top places, with market shares of 36.4%, 20.8%, 16.4% and 16.1% respectively, followed some way behind by Chubb (2.7%). In the 2021 Life ranking, Pacífico Seguros remained in first place, with a market share of 27.8%, followed by Rimac with 22.2%, Interseguro with 13.6%, La Positiva with 9.7%, and MAPFRE with a market share of 7.8% (see Chart 3.2.5-x).

Key regulatory aspects

Below are the main regulations issued in 2021 and 2022 as part of the update to the regulatory framework of the Peruvian insurance market.

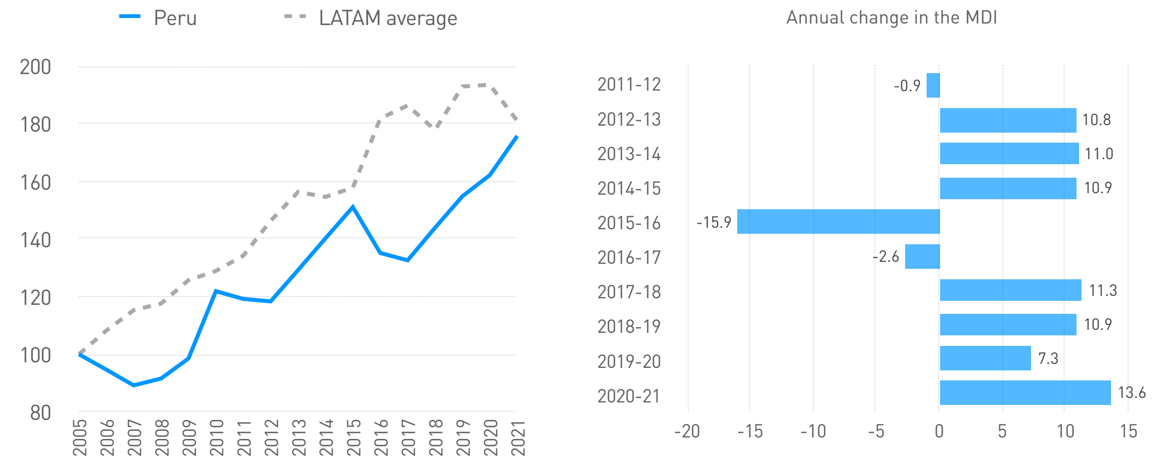
- SBS Resolution No. 504-2021. *Regulation on Data Security Management and Cybersecurity*. The aim of this Regulation is to strengthen the cybersecurity capacities of companies in supervised systems, establishing a general regime and simplified regime in relation to the management of information security, with differing requirements depending on the type of company based on their size, nature and the complexity of their transactions, based on criteria of proportionality. It also establishes minimum authentication re-

Chart 3.2.5-s
Peru: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.5-t
Peru: Market Development Index (MDI)
(2005 index=100; annual change)

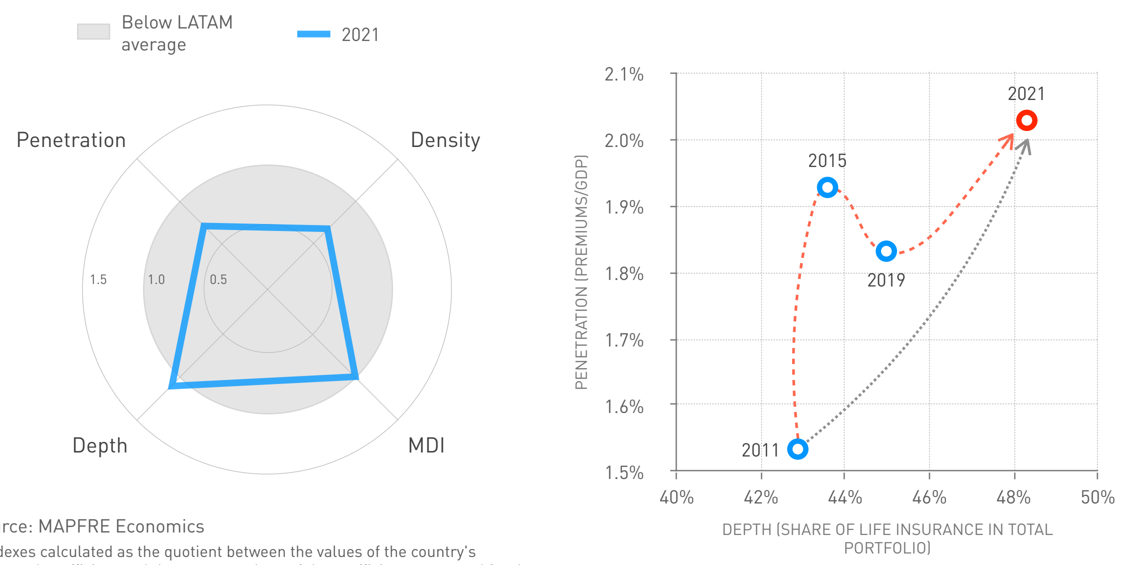


Source: MAPFRE Economics

quirements for providing services via digital channels.

- Law No. 31143. *Law protecting financial services consumers from usury*. Establishes purchasing conditions for debtor's life insurance and sets out the process for the Superintendency of Banking, Insurance, and Pension Fund Administrators to approve general and specific policy conditions. Gives the Superintendency the authority to regulate and approve rates and other commissions.

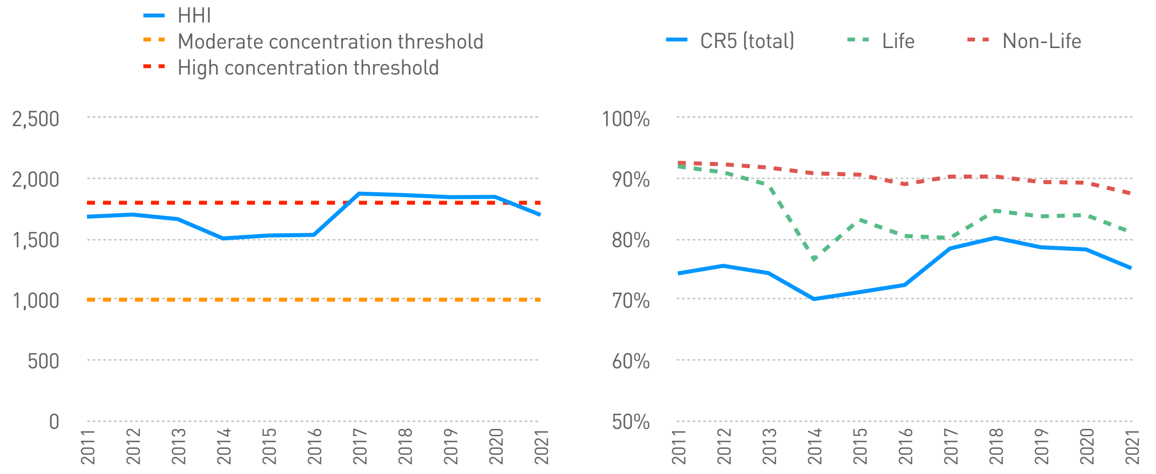
Chart 3.2.5-u
Peru: Comparative Structural Coefficient Index* vs. Average for Latin America (2021)
and Medium-Term Changes in the Insurance Market (2011–2021)



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.

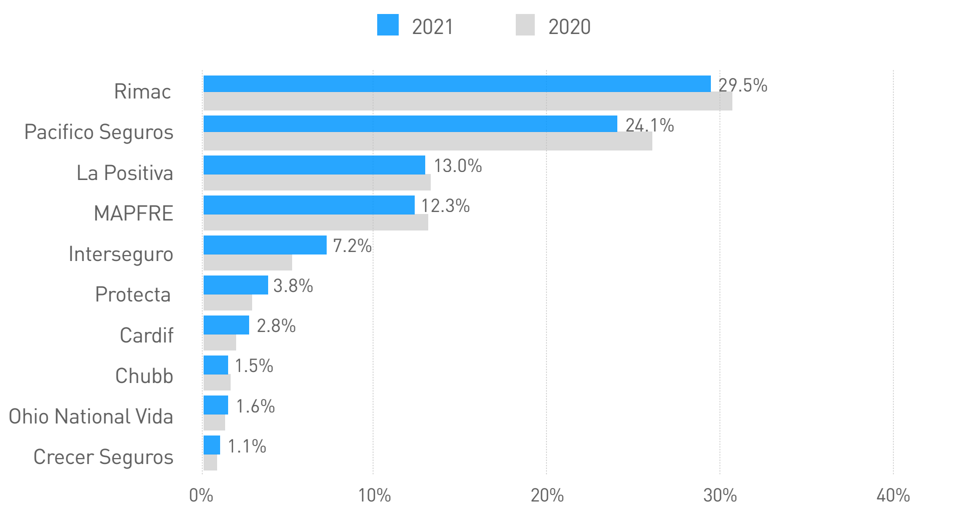
Chart 3.2.5-v
Peru: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

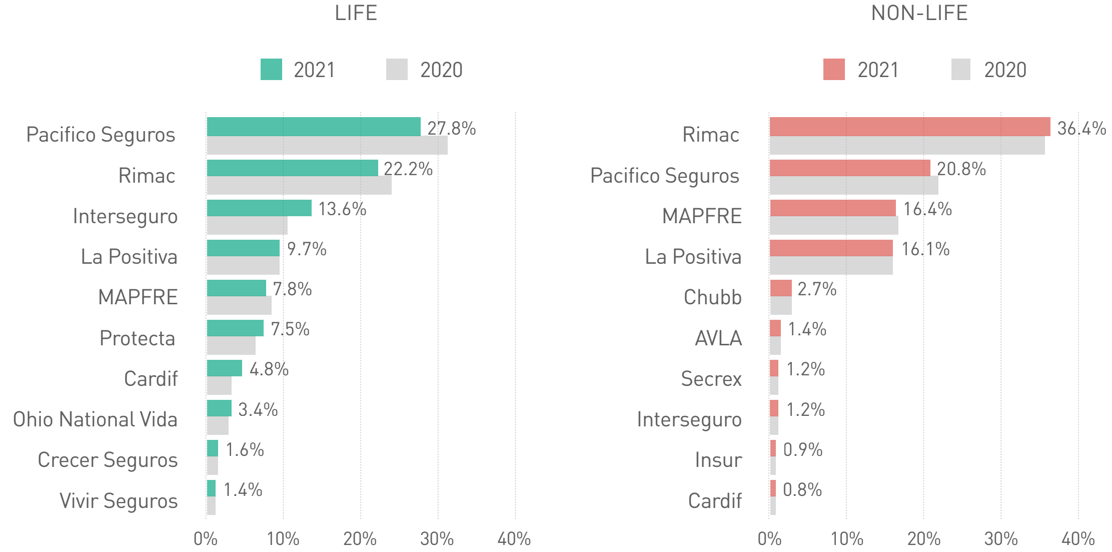
- Law No. 31149. Amends the *Law on the Consolidation of Welfare Benefits* (DL No. 688). Law No. 31149, published on March 31, 2021, amended Articles 9 and 18 of Legislative Decree No. 688 (regulatory framework for the life insurance law). The new Article 18 of the aforementioned Legislative Decree indicates that, in case of the resignation of the insured worker, they may choose to maintain their life insurance; to this end, within a period of sixty (60) calendar days from the end of the employment relationship, they must write to the insurer and pay the premium, at the frequency of their choice (monthly, quarterly, six-monthly or annually), which

Chart 3.2.5-w
Peru: Total Ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

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)

is calculated based on the most recent salary paid. Furthermore, Article 18 of said Legislative Decree indicates that, in case the insured worker resigns and chooses to retain their life insurance, the insurance company shall enter into a new agreement with the worker, establishing a premium that cannot be any higher than the premium paid by the employer prior to the end of the employment relationship, extending an individual life policy with a renewable annual payment and maturity; maintaining the validity of the insurance taken out pursuant to the provisions of Law 29946, on Insurance Contract Law, as well as maintaining the same conditions that the insured party enjoyed while employed.

- SBS Resolution No. 1143-2021. *Regulation on Mathematical Reserves*. Establishes the guidelines and methodological approach for building mathematical reserves for life insurance other than life annuity SPP and SCTR and Mandatory Life Insurance. The regulation follows Insurance Core Principle (CIP) No. 14, approved by the International Association of Insurance Supervisors, establishing standards for insurance company liability valuation. The primary provisions of the Regulation are: (i) general provisions in terms of the methodological approach, guidelines, and principles for building life insurance mathematical reserves; (ii) inclusion of the best estimate margin (MOCE), a component of the mathematical reserve; (iii) mathematical reserves must be recorded and treated in the books pursuant to the new methodological approach and its components (base mathematical reserves, best estimate margin (MOCE), and variation on the mathematical reserves resulting from changing interest rates; (iv) guidelines in terms of building Life insurance mathematical reserves with a savings and/or investment element; (v) a proprietary authorization procedure was added for insurance companies to use or modify their own methodology to calculate the MOCE of the mathematical reserves; (vi) an authorization procedure for releasing mathematic reserves was included applying the Mathematical Reserve Regulation; and (vii) companies have an adaptation period, which ends on December 31, 2022.

- SBS Resolution No. 1147-2021. This resolution amends the *Regulation on Insurance System Market Conduct Management* approved by SBS Resolution No. 4143-2019. Debtor's life insurance purchasing conditions, in accordance with Law No. 31143, protecting financial services consumers from usury.

- SBS Resolution No. 1761-2021. This resolution amends the *Regulation on asset requirements for insurance and reinsurance companies* (SBS Res. No. 1124-2006 and amending rules). The Covid-19 pandemic has increased the number of claims that insurance companies need to cover, especially in terms of pension and group life insurance. This increased loss ratio can be seen under liabilities in insurance companies' books (claims reserves) and expenses. However, due to the current solvency ratio rule, this increase is also being reflected in the asset requirements for these kinds of insurance policies and is estimated as an unexpected loss. Thus, the current asset requirement calculation rule for group pension and life insurance places excessive emphasis on the excess mortality caused by the pandemic. The proposal therefore aims to prevent double penalty of insurance companies' financial situation due to said effect. Given this scenario, adjusting the solvency ratio calculation based on these types of claims is considered reasonable to mitigate the effects of the pandemic on the capital charge required of insurance companies. This adjustment is necessary considering that increased claims due to the pandemic could extend for a longer period of time with the risk of a third wave and new variants of the virus.

- SBS Resolution No. 2201-2021. This resolution amends the R*egulation on Classifying and Valuing Insurance Company Investments* (SBS Res. No. 7034-2012 and amending rules). Provides clarification in relation to the investment costing method and provisions for the sale and accounting reclassification of instruments. The general rule applying to all investments by a company consists of applying the average weighted cost for capital instruments and PEPS for debt instruments. The scope or perimeter for calculating the average cost or the PEPS formula may be the investment portfolio to which the costing instruments belong when said portfolio backs a single, homogeneous group of obligations.

- SBS Resolution No. 2239-2021. Amendment of the *Circular on the technical reserves for disability and survivor's insurance and funeral costs in the Private Pension System, the Regulation on the Outstanding Risk Reserve and the Regulation on the Technical Claims Reserve.* During the pandemic, insurance companies reported an increase in the number of claims in relation to this insurance that covers the risk of mortality. To this end, with a view to attenuating the impact of an increase in mortality rates caused by the pandemic on insurance and/or reinsurance companies, SBS Resolution No. 2239-2021 was issued, including the following measures:

1. Amendment to Circular No. S-603-2003 "Technical reserves for disability and survivor's insurance and funeral costs in the Private Pension System." The method for calculating the "reserve rate" used to calculate the technical reserve for disability and survivor's insurance and funeral costs in the Private Pension System was amended. This rate is calculated based on the "update rates" calculated each month by the Superintendency, which allow insurance companies to calculate the capital required by definitive disability and survivor's pensions, with the purposes of settling the additional definitive contribution. The "reserve rate" was calculated as the lowest of the "update rates" in the previous six months. Through SBS Resolution No. 2239-2021

it was established that the "reserve rate" is calculated as the average "update rate" for the past 12 months.

2. Amendment of the Outstanding Risk Reserve Regulation (SBS Resolution No. 6394-2016 and amending rules). The methodology for calculating the Reserve for Premium Shortfalls (RIP) was amended to group together short-term individual or group life insurance risk. It should be noted that the Reserve for Premium Shortfalls (RIP) is constituted when the Reserve for Unaccrued Withheld Premiums (RPNDR) does not sufficiently cover the retained obligations generated during the outstanding coverage period of insurance agreements, accepted reinsurance and received coinsurance. The RIP is calculated on a quarterly basis using historic information, broken down for six risk groups. In the case of short-term individual or group life insurance, with a maturity of less than or equal to one year, the RIP was calculated using information from the preceding 24 months. SBS Resolution No. 2239-2021 requires the RIP for this group to be calculated bearing in mind the most favorable scenario of information from the past 24 or 48 months.

3. Amendment of the Claims Reserve Regulation (SBS Resolution No. 1856-2020). Fourth Final and Transitional Provision included in the Claims Reserve Regulation, with a view to allowing companies to gradually constitute the gross, assigned and net IBNR reserve for the following risks: medical care, long-term individual life, private group life, labor law life, survival, long-term funeral, short-term individual life, short-term funeral, former employee law life and disability, survival and funeral pension insurance. In other words, the gradual constitution of the IBNR reserve applies to life insurance risks (those other than income insurance) and medical care. The gradual recognition of the IBNR reserve consists of applying a minimum percentage to the estimation of the gross, assigned and net IBNR reserve during a two-year period. This percentage starts at 60% in July 2021 and increases on a straight-line, monthly basis until July 2023, when 100% of the reserve must be constituted.

- SBS Resolution No. 2388-2021. *Regulation on Life Insurance with a savings and/or investment element*. The main provisions of this standard include the following:

  - The scope of the Regulation includes individual income and other life insurance with a savings and/or investment element, whether separable or not according to the Regulation on Mathematical Reserves. The elements corresponding to the insured party's savings or investment must be identified, separating them from the elements associated with the coverage of insurance risks.

  - It develops the principles, policies and procedures in relation to the supply and promotion of products under the regulation.

  - It includes the principles for disclosing and managing conflicts of interest in the management of investments, with a view to ensuring that company decisions are objective and transparent, both in the selection of assets and the assignment or transfer of investments between investment portfolios, in such a way that the investment decisions adopted do not harm the interests of the insured parties.

  - It sets out that when companies offer alternative products, they shall bear in mind the risk aversion profile of the end customer. The commercial names of these insurance policies must be expressed in simple, clear language that is understandable to users, without generating false expectations in relation to their conditions or benefits or inducing error as regards their nature or the associated risk profile.

- Companies are required to provide sufficient and relevant information to the contracting party when offering these insurance products, to which end, they must consider the needs and interests of users, as well as their level of knowledge of the products and their level of risk tolerance.

- Additional information is set out that must be contained in the policies and account statements of these policies, considering the items charged and paid to users for each element, as well as the charges made and the conditions and variables considered to calculate their value.

- Companies are required to send or make an updated account statement available to the insured party containing information on the values and activities of each account belonging to them, based on the inherent elements of insurance risk coverage and the associated investment and savings elements, which must feature the interest rate or effective rate of return (ERR), from the start date to the cut-off date of the account statement. In relation to investment elements, the value and changes in number of shares held by the insured party must be featured, as well as the value of the account on the cut-off date of the account statement, in addition to information on the breakdown of the investment portfolio's distribution by country of origin and asset class, following market practices and uses.

- Savings and investment elements are recognized as part of technical obligations, with the exception of separable investment elements, the financial risk inherent to which is assumed in full by the insured party, which correspond to financial obligations, to be added to the technical obligations also for the purposes of being backed by eligible investments.

- The liabilities corresponding to inseparable savings and/or investment elements under the Regulation on Mathematical Reserves are subject to the calculation of guarantee fund and solvency equity requirements, under the same parameters established for individual life and income insurance. In turn, as regards separate savings or investment elements, including investment elements for which the financial risk is assumed in full by the insured party, the solvency equity requirement does not apply, although guarantee fund requirements are established.

- Separable savings and/or investment elements of the insurance element must be measured as liabilities at fair value through profit and loss or at amortized cost, depending on the nature of the obligation. Investment elements for which the financial risk is assumed in full by the insured party must be measured as liabilities at fair value through profit and loss.

- To manage assets and liabilities, companies must define homogeneous groups of special (exclusive) obligations for these products and segregate the obligations resulting from savings elements from those resulting from investment elements. Furthermore, in the case of obligations associated with savings or investment elements, companies must define homogeneous groups of obligations bearing in mind a level of segregation that takes the characteristics of each product into consideration.

- SBS Resolution No. 2429-2021. R*egulation for the temporary performance of activities in innovative models.* The Thirty-Fourth Final and Supplementary Provision of the General Law on the Financial System and Insurance System and Organic Law on the Superintendency of Banking and Insurance (Law No. 26702 and amending rules) stipulates that the Superintendency may establish temporary authority over any operation or activity within the scope of its supervisory powers via new models and can grant any exceptions to the regulation it deems applicable to the individuals or legal entities carrying out said operations or activities, as well as with regard to the other provisions necessary for their development. In view of the above, a regulatory framework has been established to set up spaces for temporary tests in relation to the performance of activities applicable to going concern companies, as well as those in the process of applying for a license, with a view to promoting the innovative development of products and/or financial services that allow them to come into contact with companies in a more efficient and high-quality manner. To this end, companies may ask the Superintendency to perform tests on activities related to the supervised systems. As a result, they have the opportunity to experiment on a small scale, performing activities in a temporary and controlled manner, with customers and users involved in the validation of their feasibility. The Regulation also sets out the authorization procedure to which companies will be subject to ask to perform these tests, establishing the general and specific conditions in each case.

- SBS Resolution No. 2451-2021. *Minimum procedures for the management, classification, reporting and constitution of provisions for disputes*. With a view to promoting the adequate management of disputes faced by supervised companies, it was necessary to establish minimum procedures for their management, classification, reporting and constitution of provisions, which have been prepared bearing in mind the experience acquired from the supervision actions performed in recent years. As regards dispute management, the Regulation stipulates that companies must have policies and procedures that include the following aspects: areas participating in dispute management, procedures for handling disputes, periodic report to the Risk Committee on the status of disputes, monitoring of the management of external legal advisors recruited, preparation of an updated record of disputes, etc. Furthermore, the Regulation indicates that companies must have a manual of policies and procedures, approved by management, developing guidelines for the classification of disputes, the constitution of provisions for disputes and disclosures in financial statements. The dispute must be classified when it first arises and must be updated at least every time there is a relevant change in its status (ruling, resolution, decision, opinion, new evidence or other relevant aspects, accordingly). Furthermore, all disputes for which an unfavorable ruling, resolution, decision or opinion has been handed down, regardless of the stage or authority, must be classed as "probable."

- SBS Resolution No. 3661-2021. *Regulation for the Constitution of the Catastrophic Risks Reserve*. SBS Resolution No. 3661-2021 updates the provisions of the Regulation for the Constitution of the Catastrophic Risks and Uncertain Claims Reserve (SBS Resolution No. 1305-2005), applicable to insurance companies in the calculation of the catastrophic risk reserve for portfolios of insured assets against such risks. To this end, a study has been completed to update the methodology for calculating estimated losses in relation to buildings and other insured assets against the risks of earthquake and tsunami by the Peruvian Japanese Center for Seismic Research and Disaster Mitigation (CISMID) at the National University of Engineering. As a result, CISMID has prepared the technical bases for estimating losses for the purposes of earthquake and tsunami insurance, which must be applied by insurance companies, providing the insurance system with sufficient financial strength to assume the losses caused by these risks. The primary provisions of the new Regulation are: (i) adapting the metrics for calculating the reserve for catastrophic risks; (ii) updating the CISMID's technical note, including the risk of tsunami to calculate the catastrophic risk reserve; (iii) adapting the database for property and insured assets against catastrophic risks, annex for special structures and claims being paid out in relation to catastrophic risks; (iv) including an annex with a description of the type of structure of insured assets, including an illustration of these, to facilitate the completion of annexes; (v) including the review of databases of insured assets as part of the Internal Audit Work Plan; (vi) amending the Regulation on the Sale of Insurance Products and the Supervision and Control of Insurance Brokers and Agents, with a view to ensuring that bancassurance operators and intermediaries inform those taking out policies that include the risk of earthquake and/or tsunami of the consequences of taking out insurance for a value less than the commercial or reconstruction value of the insured asset, as well as the value of the premium to be paid, and (vii) the inclusion of authorization procedures for applying the catastrophe reserve and the use of own methodologies for estimating the catastrophe reserve.

- SBS Resolution No. 3872-2021. Amending the *Regulation on the Classification and Appraisal of Investments by Insurance Companies* (fair value model for appraising investments in property). SBS Resolution No. 3872-2021 clarifying the requirements and guidelines for the fair value model for appraising investments in property, including aspects in relation to real-estate management and the accounts treatment and capital requirements associated with these investments, with a view to enhancing the solvency of insurance companies and contemplating a higher level of prudence and independence and lower level of volatility in the calculation of the value of these investments. The main provisions of the Resolution are the following:

  - They define the requirements in relation to the policies and procedures that must be implemented by companies requesting authorization to appraise their real-estate investments under the fair value model, with a view to improving their management of real-estate risk. These include the requirement to implement indicators to identify and monitor early warning signals for real-estate market values (separate from any appraisals performed) applicable to their own investments, as well as defining the criteria and procedures to be followed in case of delays (actual or expected) in payments to counterparties as part of usufruct and lease agreements.

  - They establish that appraisals of investments in real estate under the fair value model must be performed by third parties (appraisal firms or experts) who meet the training and experience requirements in relation to real-estate appraisals. They seek to ensure the appraisal is independent and prevent possible conflicts of interest. Furthermore, they include guidelines for periodically alternating between appraisal companies or experts, bearing in mind that a single property cannot be appraised by the same expert or company more than five (5) years in a row.

  - They establish that the fair value of real estate generating income or periodic flows with agreements in force at the time of the appraisal corresponds to the commercial appraisal value, which must be calculated considering the income generated using at least two approaches: the revenue approach, using the discounted cash flow method; and the market approach, based on comparable values.

- For properties that do not generate any income or periodic flows on the appraisal date (no valid agreement in place), the fair value corresponds to the commercial appraisal value, which shall be calculated bearing in mind the result obtained using at least two approaches: the cost approach (replacement value) and the market approach. Furthermore, on an exceptional basis, for properties for which agreements under which income or periodic flows were generated expired in the twelve (12) months prior to the appraisal date, the revenue approach may be applied in addition to the cost and market approaches.

- They establish a capital requirement of 10% of the value of investments in real estate appraised under the fair value method, included in the Guarantee Fund, in addition to the 35% of solvency equity and the corresponding requirements for separable savings and investment elements according to the Mathematical Reserves Regulation.

- The guidelines to be taken into consideration in the real-estate appraisal under the fair value model are updated. To apply the revenue approach, specific guidelines are established in relation to forecasting flows, circumstances of non-collection, vacancy rates, calculating the discount rate and the calculation of residual value. To apply the market approach, when using the offer prices of comparable properties, rather than the effective purchase prices, a discount of at least two percent (2%) must be applied, reflecting the estimated impact of the negotiation on the ultimate purchase price (negotiation factor).

- New materiality thresholds are established for identifying indirect exposures via real estate investments. Considering a reasonable balance between the materiality of exposures and the operating burden of the process of identifying these exposures, which shall be considered in the calculation of the investment limits in the Regulation on Investments by Insurance Companies.

- Circular CS-37-2021, AS-32-2021, Circular CS-38-2021, AS-33-2021. *Presentation of financial and complementary information by insurance intermediaries and agents*. The Superintendency has drawn up two circulars requiring financial and complementary information from insurance intermediaries and agents. They establish different requirements for natural and legal persons. Furthermore, in the case of insurance brokerages, information requirements differ depending on the segment to which the company belongs. The primary provisions of the project are:

  - Insurance brokerages in Segment 1 are required to send the following information: financial statements once per six months, corporate information on an annual basis, supplementary information (income, information on policy intermediation, risks inherent to the insurance they offer, referrals, sales promoters, exclusive insurance brokers, professional third-party liability policies, etc.) on a six-monthly and yearly basis.

  - Insurance brokerages in Segment 2 are required to send the following information: financial statements once per six months, corporate information on an annual basis, supplementary information (income, information on policy intermediation, risks inherent to the insurance they offer, referrals, sales promoters, exclusive insurance brokers, professional third-party liability policies, etc.) on a six-monthly and mainly a yearly basis.

  - Insurance brokerages in Segment 3 are required to send the following information: financial statements on an annual basis, corporate information on an annual basis, supplementary information (income, risks they work in, sales promoters, exclusive insurance brokers, professional third-party liability policies, etc.) on a yearly basis.

- Insurance agencies are required to send the following information: financial statements on an annual basis, corporate information on an annual basis, supplementary information (income, lines of business they work in, claims settlement periods and information on agents with exclusive insurance) on a six-monthly and yearly basis.

- Insurance brokers who are natural persons must send information on their revenue and professional third-party liability policies, in addition to a sworn declaration once per year that they are not affected by any impediment in relation to the performance of their activities.

- Agents who are natural persons must send information on their revenue, in addition to a sworn declaration once per year that they are not affected by any impediment in relation to the performance of their activities.

- SBS Resolution No. 297-2022. Amendment to the *Regulation on Asset Requirements for Insurance and Reinsurance Companies.* The Regulation on Asset Requirements for Insurance and Reinsurance Companies, approved under SBS Resolution No. 1124-2006 and amending rules, establishes, inter alia, the methodology for calculating the solvency margin requirement to be met by insurance and reinsurance companies. SBS Resolution No. 297-2022 amends the aforementioned Regulation with a view to updating the minimum withholding ratio used to calculate the solvency margin by pension insurance operators, to ensure that said calculation is in line with the withholding and risk levels employed by insurance companies, enhancing the dispersion of the insured risk. To this end, the minimum withholding percentage is reduced from 50% to 30%.

- SBS Resolution No. 418-2022. Amendment to the *Regulation on Investments Made by Health Companies.* The Superintendency has considered it appropriate to amend the Regulation on investments made by health companies, for the purposes of clarification and to extend the scope of requirements in relation to guidelines of interest for investments in local mutual funds, pursuant to the international standards and best practices between investors and management companies (Mutual Fund Administration Company, or SAFI). The primary provisions are as follows: (i) establish that the eligibility requirement for maintaining an investment commitment in cash making it possible to align interests for local mutual funds that invest in real estate, infrastructure, private equity, forestry investments; also applies to local mutual funds investing in real estate and infrastructure, the majority of which (80% or more) is located in Peru, and (ii) establish that this requirement can be made not only by the Administration Company (SAFI), but also through companies who form part of the SAFI's economic group, as well as directly by shareholders in them or key staff members of the fund.

- SBS Resolution No. 1840-2022. Amending the *Regulation on Managing Market Conduct in the Insurance System and the Regulation on the Register of Policy Models and Minimum Technical Note Requirements.* Law No. 31143, protecting the consumers of financial services from usury, amended several of the regulatory provisions associated with approving the conditions of policies, marketing insurance products and rates. Furthermore, Article 3 of the cited Law amends Article 9 of General Law No. 26702 on the Financial System and Insurance System and Organic Law on the Superintendency of Banking and Insurance, with a view to establishing the rates and the general and specific conditions of policies determined freely by companies in the insurance system and that must be approved by the Superintendency and communicated to the public. Therefore, the regulation issued by the Superintendency has to be amended with a view to bringing it in line with the new provisions established in said Law, thus making it necessary to change the procedure, terms and obligations applicable in the approval of the conditions of insurance policy models subject to previous review, applicable to all products containing the minimum conditions of Law No. 29946 on Insurance Contracts. In relation to rates, the Superintendency, through the Regulation on Managing Market Conduct in the Insurance System, approved SBS Resolution No. 4143-2019, establishing the requirement to disclose the rates of group products with a view to providing users with information on the value of the commercial premium, charges as deductible costs, deductibles, copayment or coinsurance, as applicable, as well as interests, in the case of payment in installments, in addition to the other elements that the rate must contain. In this context, a regulation was required to bring the provisions in force in line with Law No. 31143, as regards the regulation of rates and fees, including the commercial premiums that insurance companies charge to users, thus regulating the guidelines and minimum content of rates, as well as their dissemination.

3.2.6 Bolivia

Macroeconomic environment

The Bolivian economy grew by 6.1% in real terms in 2021, recovering partially from the contraction suffered the previous year (-8.7%), mainly during the second half of the year, as a result of the relaxation of restrictions imposed during the pandemic and the positive international environment, which enjoyed a high level of dynamism (see Chart 3.2.6-a). In relation to domestic demand, the recovery has been positive yet moderate, on account of the drop in real income, a job market in recovery, although unstable, and certain rigidity on the supply side subject to price controls for certain supplies. In terms of the foreign sector, the Bolivian economy benefited notably from the favorable circumstances in relation to raw materials, boosting income on exports of gas as well as mining-related activities. As a result, tax income experienced an incomplete recovery, with an increase in nominal debt, although dropping in relation to GDP (both recorded locally and foreign debt), thus offering a medium- and long-term profile of sustainability. The gross public debt of the non-financial sector stood at 57.8% of GDP at year-end 2021 (58.5% in 2020). Meanwhile, the average inflation rate stood at 0.7% in 2021, compared to 0.9% the previous year. The central bank does not use interest rates as a monetary policy instrument, but it does use an exchange-rate mechanism, keeping the nominal exchange rate stable throughout the year in order to keep inflation under control. To this end, and given the changes in prices recorded, the central bank proceeded with its policy of expansion.

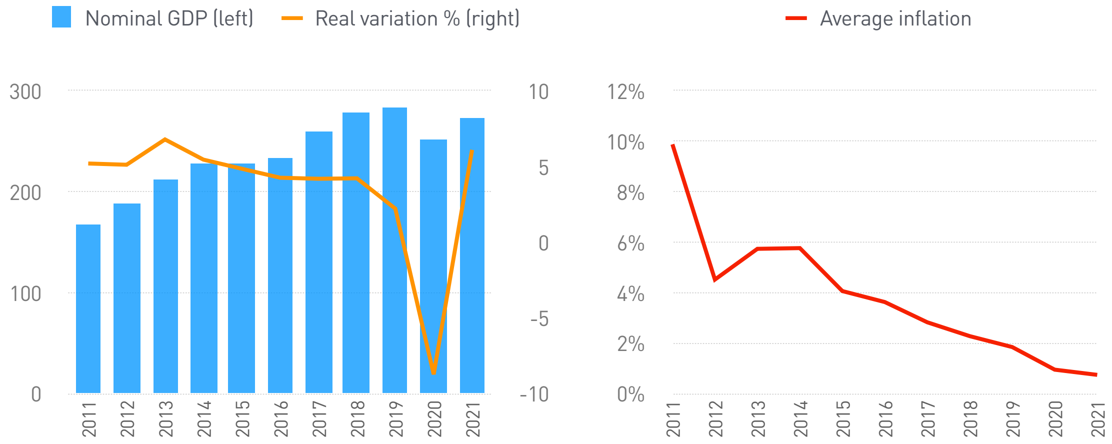
Looking to 2022, MAPFRE Economics has estimated Bolivian GDP growth of around 3.4%, while ECLAC estimates that the Bolivian economy will grow by 3.5%, attributing this slowdown in growth compared to the previous year to the expectations of a more conservative economic policy, as well as the limited production capacity of sectors like the mining and hydrocarbon sectors. According to the IMF's most recent forecast for 2022, this growth is estimated to be 3.8%.

Insurance market

Growth

Premiums in the Bolivian insurance market in 2021 amounted to 4.26 billion bolivianos (617 million dollars), representing nominal growth of 4.0% and real growth of 3.3% compared to the previous year. This was mainly due to the boost of Life insurance, though this was less dynamic than in the previous year (7.8% in nominal terms and 7.0% in real terms). Of these 2021 premi-

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)

ums, 61% related to Non-Life insurance, with the remaining 39% relating to Life insurance (see Table 3.2.6 and Chart 3.2.6-b).

In turn, comparing the performance of the Bolivian insurance industry to the Latin American insurance industry (see Chart 3.2.6-c), it can be seen that its share has gradually increased over the past decade, from 0.18% in 2011 to 0.41% in 2021. The biggest increase came in the Life segment, increasing from 0.1% to 0.38%, while the Non-Life experienced an increase from 0.24% to 0.44%.

Life insurance continued on its upward trend (which has remained uninterrupted for more than a decade), accounting for 39.1% of premiums (21.7% in 2011). Life insurance premiums increased to 1.67 billion bolivianos (241 million US dollars), which represents a nominal increase of 7.8% and a real increase of 7%. Although the largest increase occurred in the Life Annuity line (10.9% in nominal terms and 10.1% in real terms), its premium volume is so small that its contribution to growth is lower than that of the individual Life modality, which accounts for 90.4% of the Life premiums and increased by 9.3% (8.5% in real terms) in 2021, while group Life dropped by 6.9% (-7.6% in real terms). Meanwhile, Non-Life insurance premiums (which made up 61% of premiums in 2021) saw a nominal growth of 1.8%, or 1.0% in real terms, reaching 2.59 billion bolivianos (376 million dollars). Automobile was the most important modality, which includes Compulsory Traffic Accident Insurance (CTAI) and which fell by 4.4% in nominal terms (5.1% in real terms) in 2021. As Chart 3.2.6-d indicates, Life insurance positively contributed 2.9 pp to growth in 2021, while the Non-Life insurance segment negatively contributed 1.1 pp.

Balance sheet and shareholders' equity

Chart 3.2.6-e shows the Bolivian insurance industry's aggregate balance sheet at the sector level. This data shows that the industry's total assets amounted to 8.423 billion bolivianos (1.22 billion dollars) in 2021, while equity totaled 2.37 billion bolivianos (343 million dollars), up 1.7 pp from 2020. Furthermore, the Bolivian insurance industry maintained aggregate capitalization levels (measured on total assets) of over 20% between 2011 and 2021, representing 28.1% of total assets in 2021.

Table 3.2.6
Bolivia: Premium Volume[1] by Line, 2021

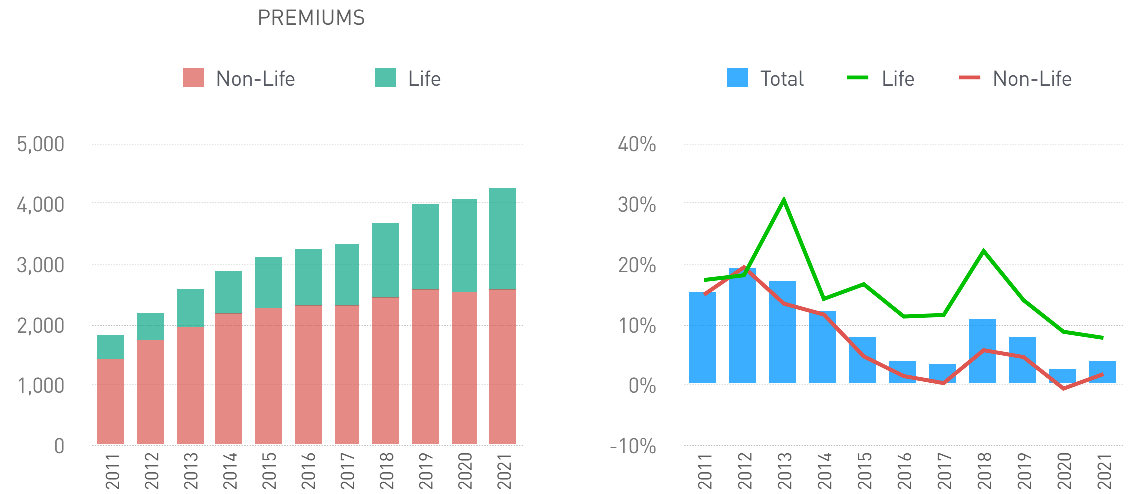
Ramo	Millions of bolivianos	Millions Of USD	Growth Nominal (%)	Growth Real (%)
Total	**4,258.4**	**617.2**	**4.0**	**3.3**
Life	**1,664.5**	**241.2**	**7.8**	**7.0**
Group Life	140.3	20.3	-6.9	-7.6
Individual Life	1,505.2	218.1	9.3	8.5
Life annuity	19.1	2.8	10.9	10.1
Non-Life	**2,593.9**	**375.9**	**1.8**	**1.0**
Automobiles	655.1	94.9	-4.4	-5.1
Other lines	416.8	60.4	16.5	15.6
Fire	324.2	47.0	-7.6	-8.2
Third-Party Liability	122.0	17.7	8.4	7.6
Transport	218.2	31.6	19.9	19.0
Technical risks	129.3	18.7	-0.3	-1.0
Surety	105.9	15.4	-10.9	-11.6
Health	525.8	76.2	1.3	0.6
Personal Accidents	96.6	14.0	4.2	3.4

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
1/ Direct premiums

Investments

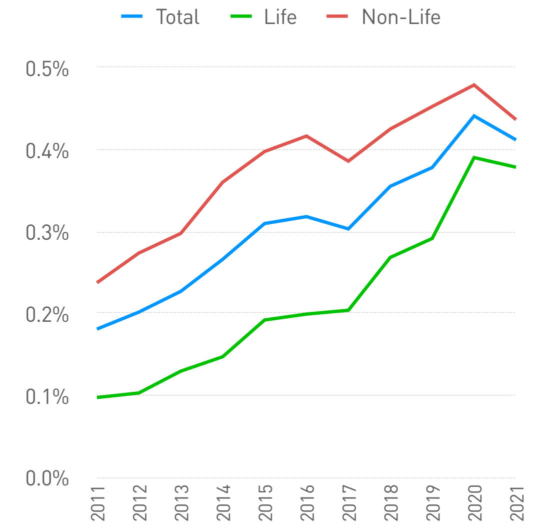
Changes in investment in the Bolivian insurance market between 2011 and 2021 are shown in Chart 3.2.6-f. Based on this information, total investment reached 5.62 billion bolivianos (815 million dollars) in 2021. Meanwhile, Charts 3.2.6-g and 3.2.6-h show changes in the structure of the investment portfolio at the sector level in the Bolivian insurance market between 2010 and 2020 (the last year for which disaggregated data is available). In 2020, the investment portfolio was concentrated in

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
(%)



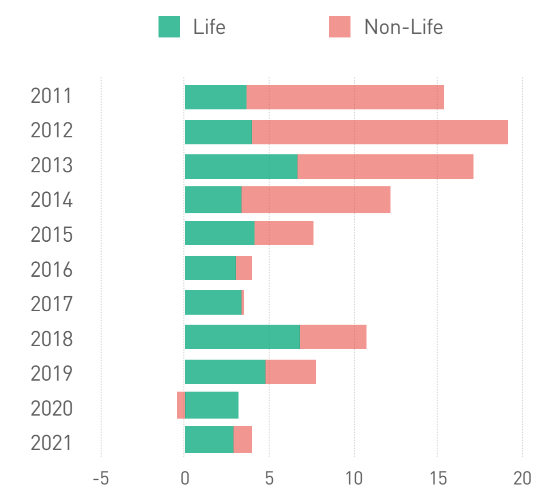
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority and supervisory bodies in the region)

fixed income (58.3%), in equity instruments (9.5%), real estate (19.2%), and cash and other investments (10.4% and 2.6% respectively). The structure of the portfolio has changed significantly over the period under analysis, with the weight of investment in equities falling from above 24% in 2012 and 2013 to around 12% in 2014 and 2015 and to 9.5% by 2020. Meanwhile, the weight of real-estate assets has increased from 4.1% in 2010 to 19.2% in 2020.

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. In 2021, technical provisions amounted to 3.39 billion bolivianos (491 million dollars). According to the latest data available at the close of 2020, 72.8% of total technical provisions related to Life insurance, 12.9% to provisions for unearned premiums and outstanding risks in Non-Life insurance, and 14.1% to provisions for outstanding claims. Over the 2010–2015 period, provisions for Life insurance lost its share, falling from 88.2% of total provisions in 2010 to 77.7% in 2015, then slightly rising in the next two years to 78.9% in 2017 before dropping again in the following three years to 72.8% in 2020. This also holds true for the absolute values, which fell from 2.8 billion bolivianos (398 million dollars) in 2010 to 2.47 billion bolivianos (358 million dollars) in

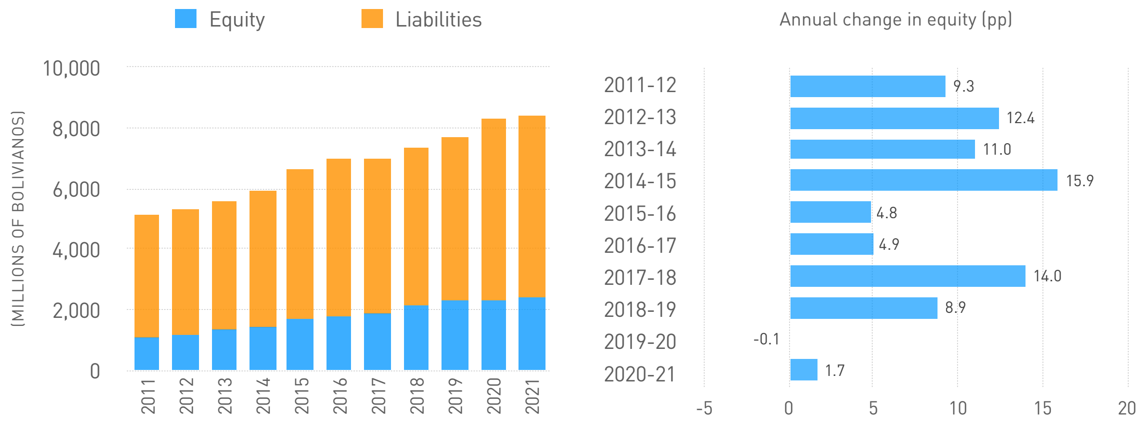
Chart 3.2.6-d
Bolivia: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	15.4	3.7	11.7
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

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

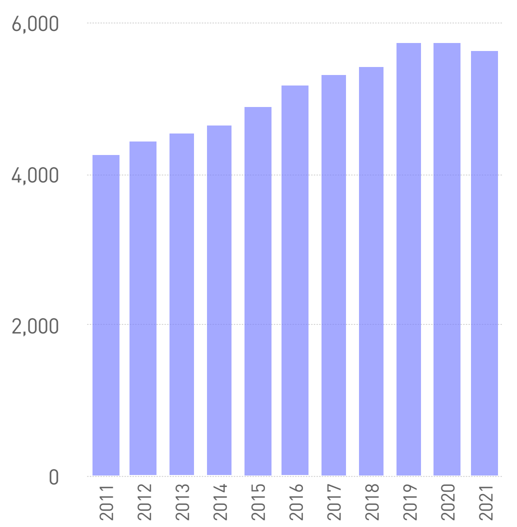
Chart 3.2.6-e
Bolivia: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

2015, before climbing to 2.67 billion bolivianos (388 million dollars) in 2020. During the same period (2010–2020), provisions for unearned premiums and outstanding risks in Non-Life insurance doubled in value from 187 million bolivianos in 2010 to 472 million bolivianos (69 million dollars) in 2020. In turn, as regards provisions for outstanding claims in Non-Life insurance, there was an increase of 51% in 2020, following the declines shown in 2017.

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)

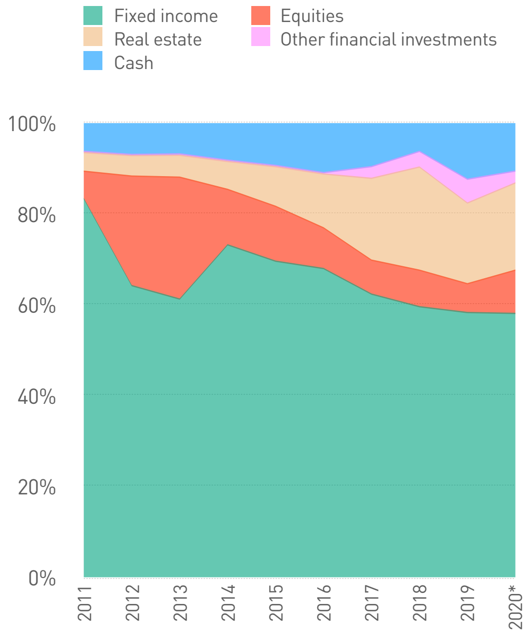
Technical performance

As regards the technical performance of the Bolivian insurance market, as shown in Chart 3.2.6-l, the total combined ratio worsened by 3.4 pp in 2021 to 105.6%, due to a decrease of 1.0 pp in the expense ratio, while the loss ratio increased more notably (4.4 pp). Meanwhile, the combined ratio for Non-Life insurance companies in 2021 fell by 3.7 pp to 95.4%. This performance was due to a deterioration of 3.4 pp in the expense ratio and the increase of 0.4 pp in the loss ratio, thus altering the performance seen over the previous years when expenditure increased, while the loss ratio remained stable (see Charts 3.2.6-l and 3.2.6-m).

Results and profitability

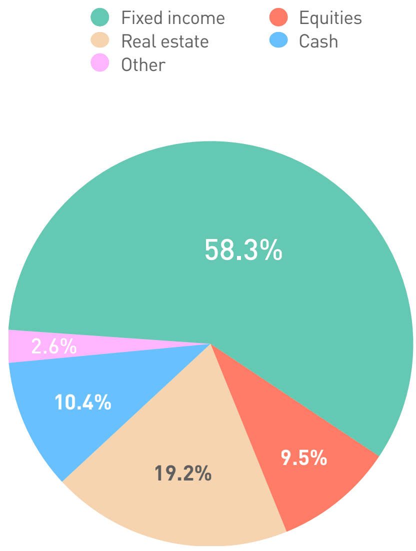
The Bolivian insurance industry posted a financial result of 174.7 million bolivianos (25.3 million dollars) in 2021, down 53% on the previous year. Combined with a lower technical result, this financial result led to an 84.4% decrease in the net result for

Chart 3.2.6-g
Bolivia: Structure of Investments
(%)



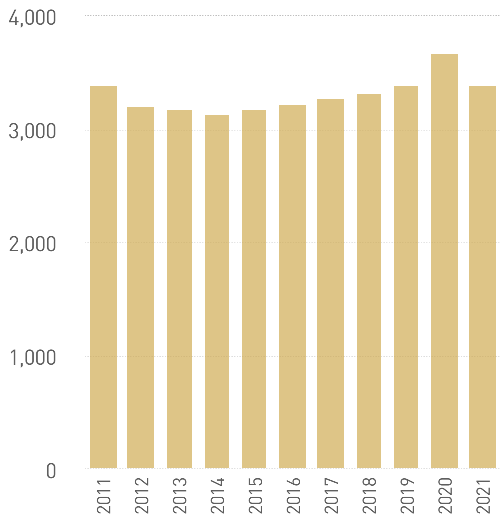
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
* Latest data available

Chart 3.2.6-h
Bolivia: Structure of Investments, 2020*
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
* Latest data available

Chart 3.2.6-i
Bolivia: Technical Provisions of the Insurance Market
(millions of bolivianos)



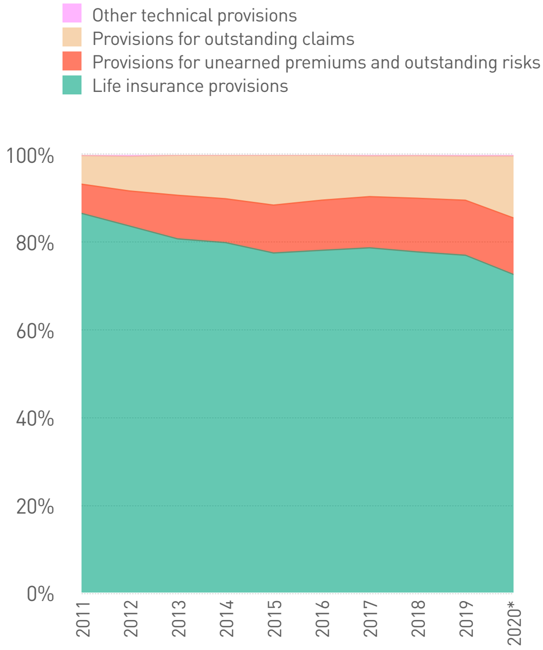
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

2021, which came to 2.8 million bolivianos (0.4 million dollars). In terms of profitability, in 2021, the lowest profitability levels seen over the past decade were registered. Return on equity (ROE) stood at 1.4% in 2021, down by 7.8 pp compared to 2020; a similar situation emerges for return on assets (ROA), which reached 0.4% in 2021, representing a decrease of 2.3 pp compared to 2020 (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 over the 2011–2021 period. The penetration rate (premiums/GDP) was 1.6% in 2021, just 0.5 pp higher than a decade prior, in 2011, and it was still far below the averages observed in the Latin American region. In terms of insurance density (premiums per capita), the indicator stood at 353 bolivianos (51 dollars) in 2021,

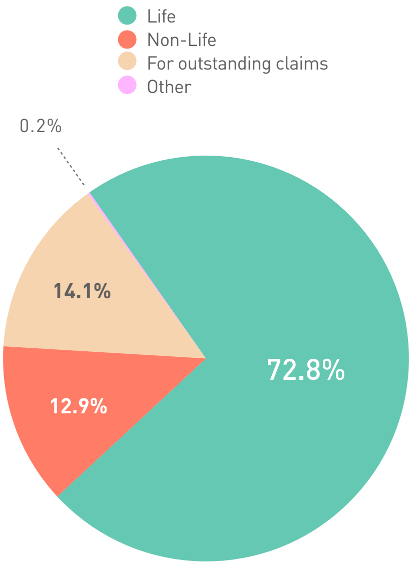
Chart 3.2.6-j
Bolivia: Structure
of Technical Provisions
(%)



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, 2020*
(%)

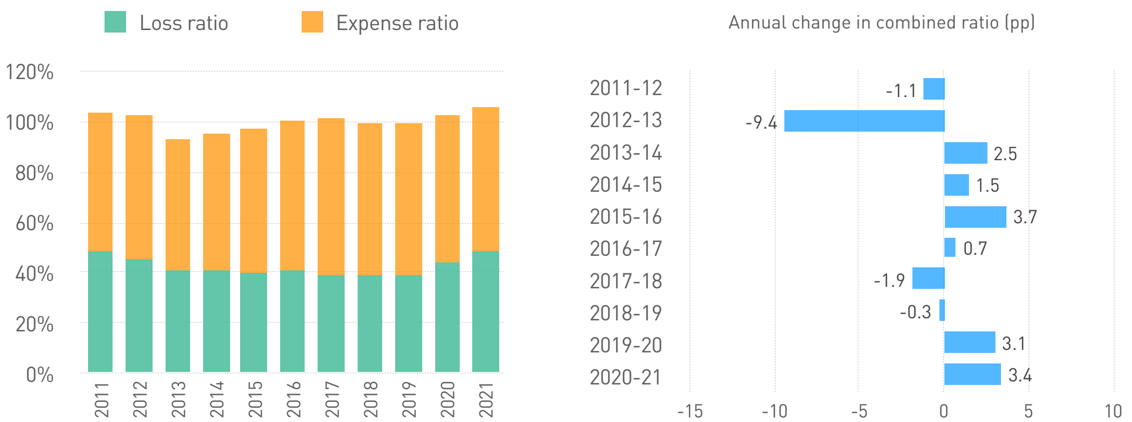


Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

* Latest data available

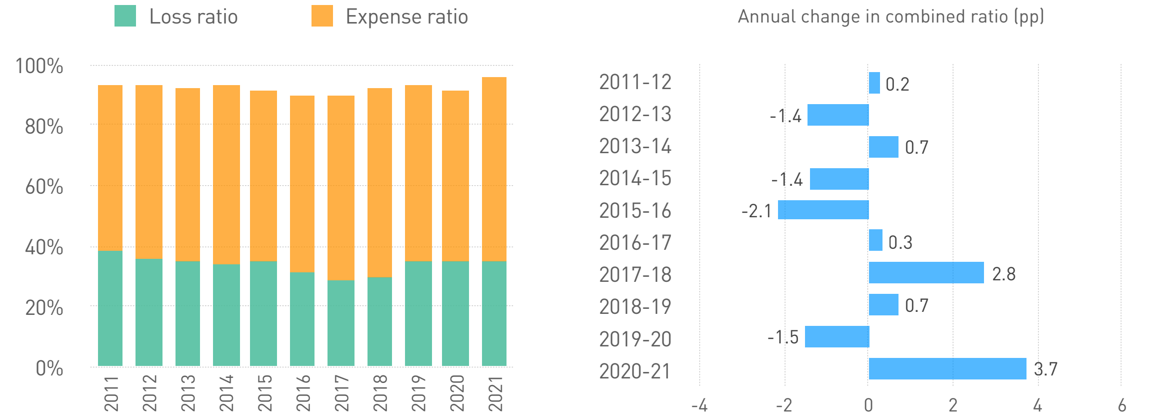
following an upward trend over the decade under analysis, showing growth of practically 100% since 2011, when density stood at 177 bolivianos. Lastly, with regard to depth (Life insurance premiums in relation to total premiums), the indicator for 2021 stood at 39.1%, up 17.3 pp from 2011. In this case, depth has increased steadily in the Bolivian insurance market during the period under analysis and, although it is still below the average values observed across Latin America, it has shown a converging trend in

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)



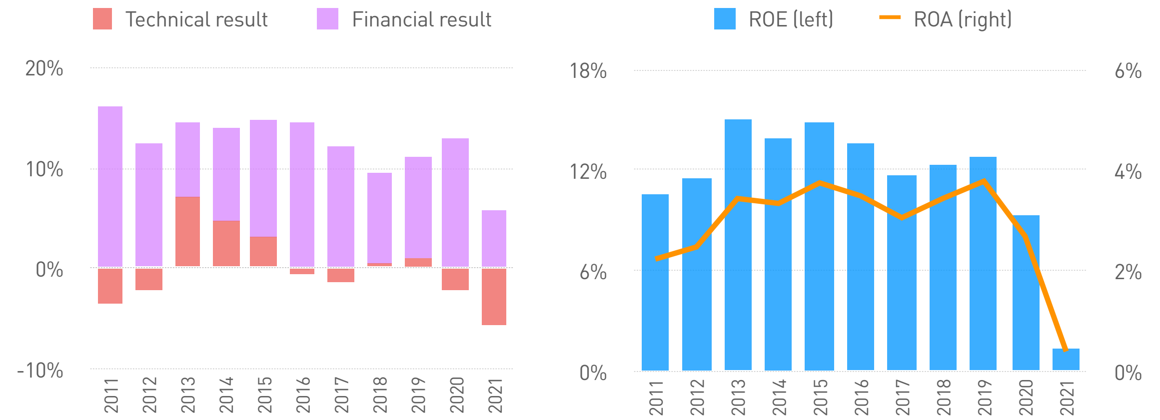
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

recent years with higher growth than the regional average.

Insurance Protection Gap estimate

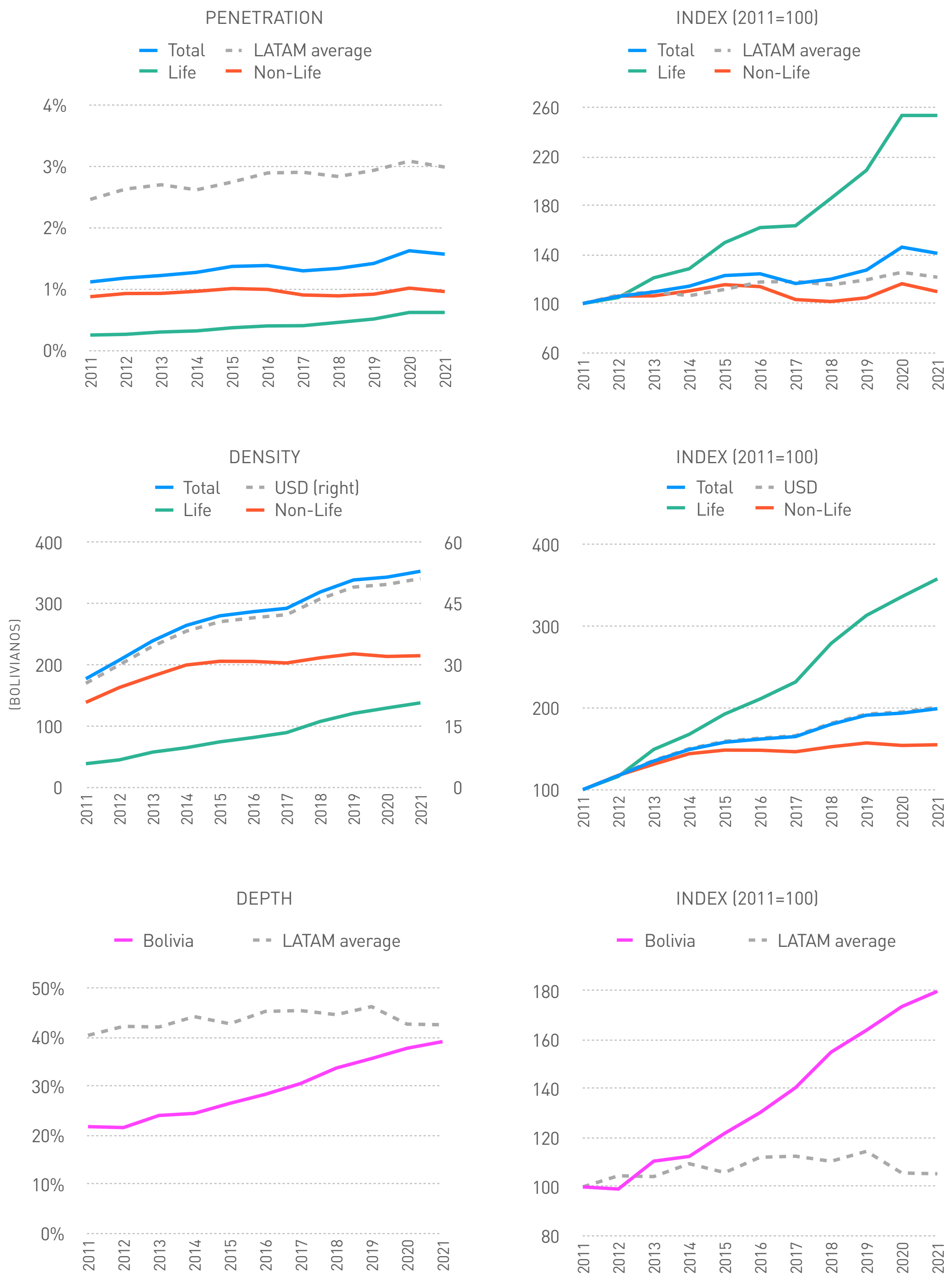
Chart 3.2.6-p provides an update of the IPG estimate for the Bolivian insurance market over the 2011–2021 period. The IPG came to 17.4 billion bolivianos (2.53 billion dollars) in 2021, equivalent to 4.1 times the size of the country's actual insurance market at the end of that year. As in the region's other insurance markets, the structure and performance of the insurance gap over the last decade are largely attributable to the Life insurance segment. As such, 64% of the IPG in 2011 related to Life insurance, which amounted to 7.53 billion bolivianos. By 2021, this percentage had fallen to 56.8% (9.9 billion bolivianos). The potential insurance market in Bolivia in 2021 (the sum of the actual market plus the insurance gap) was estimated at 21.69

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)

Chart 3.2.6-o
Bolivia: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, bolivianos and USD; Life premiums/total premiums, %, 2011 index=100)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

billion bolivianos (3.14 billion US dollars), 4.1 times the size of the country's total insurance market that year (see Chart 3.2.6-q).

Chart 3.2.6-r provides an estimation of the IPG as a multiple of the actual market in each year of the period under analysis. In this case, the insurance gap, measured as a multiple of the actual market, began to decline significantly from 2011, down to 4.1 times in 2021. However, the Non-Life insurance segment has shown an upward trend since 2016, meaning that the indicator has stalled at 2.9 times over the 2011–2020 period. In the Life insurance segment, in contrast, the IPG as a multiple of the actual market shows a clearly declining trend between 2011 and 2021, falling from 18.8 to 5.9 times over that period.

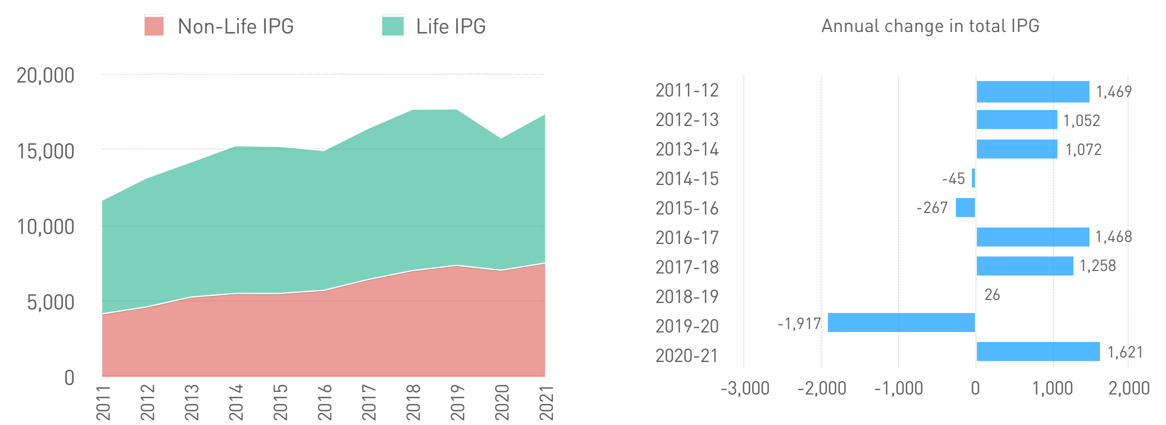
Additionally, Chart 3.2.6-s shows the changes in the insurance gap as a multiple of the actual market for the Life and Non-Life segments and for the total Bolivian insurance market in 2011 and 2021. As can be seen, the Life insurance segment accounted for the drop in the insurance gap during this period.

Lastly, Chart 3.2.6-t shows the changes in the Bolivian insurance market's capacity to close the IPG determined in 2021, based on a comparative analysis between the growth rates observed over the last ten years in this market and the growth rates that would be required to close this insurance gap. As such, the Bolivian insurance market reported an average annual growth rate of 8.7% between 2011 and 2021, which consisted of an average rate of 15.3% in the Life segment and of 6.1% in the Non-Life insurance segment. Were the same growth rate to continue over the next ten years, the growth rate of the Bolivian market as a whole would fall 8.9 pp short of closing the IPG determined in 2021. The same would apply to both the Life insurance segment (short by 6.1 pp) and the Non-Life segment (short by 8.5 pp). This means that in order to close the insurance gap estimated for 2021, the Bolivian insurance market would require annual growth rates substantially higher than those observed over the last decade: 17.7% for the total market and 21.4% and 14.6% for the Life and Non-Life segments, respectively.

Market Development Index (MDI)

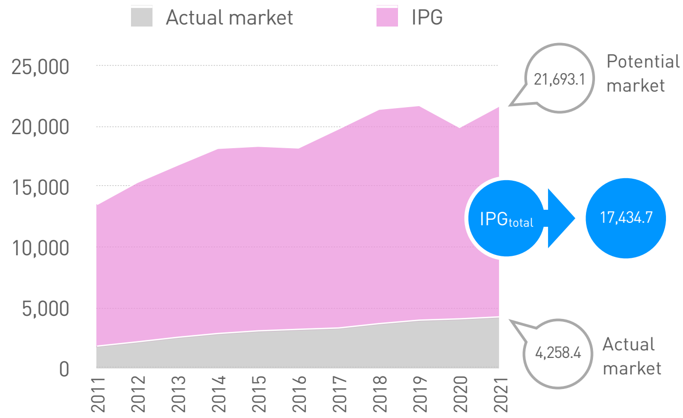
Chart 3.2.6-u shows an estimate of the Market Development Index (MDI) for the Bolivian insurance industry. This indicator is intended to summarize the trend in the performance and maturity of insurance markets. In the case of the Bolivian insurance industry, the indicator showed a posi-

Chart 3.2.6-p
Bolivia: Insurance Protection Gap
(millions of bolivianos)



Source: MAPFRE Economics

Chart 3.2.6-q
Bolivia: Insurance Protection Gap and Potential Market
(millions of bolivianos)



Change	Actual market	IPG
2021-2011	131.3%	49.0%
2021-2020	4.0%	10.2%

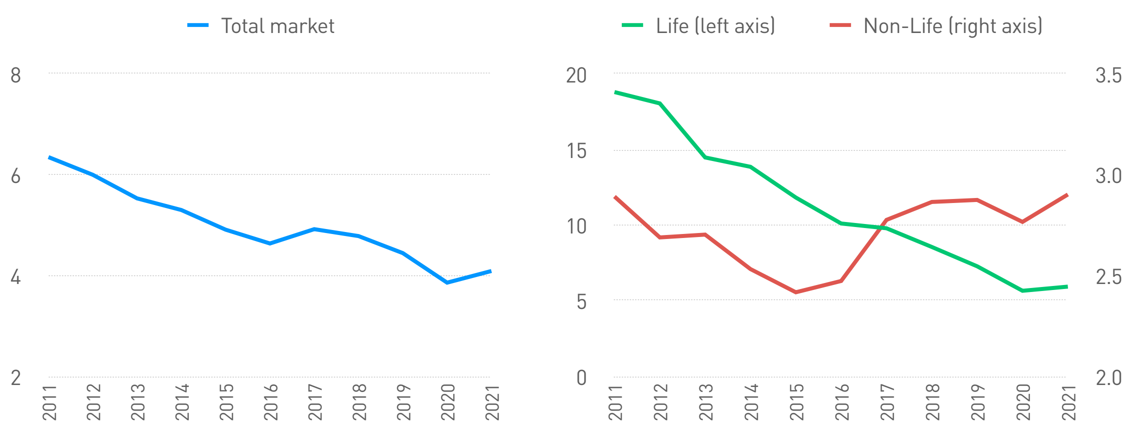
Source: MAPFRE Economics

tive trend during the period in question, which became more pronounced from 2013 onward and was generally in line with the average trend observed across the Latin American market as a whole up until 2020, before dropping slightly in 2021.

Comparative analysis of structural coefficients

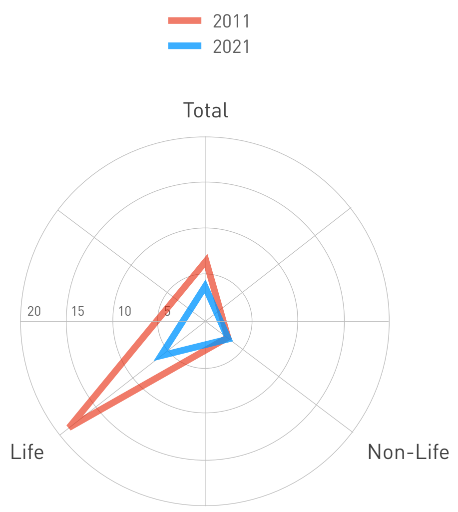
Chart 3.2.6-v shows the Bolivian insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed previously. It can be seen that, with the exception of the market performance index, these coefficients were below the regional average, especially in terms of density (premiums per capita) and penetration (total premiums/GDP). The dispersion analysis shown in Chart 3.2.6-v confirms that, over the 2011–2021 period, the Bolivian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect of market development) and depth levels (qualitative aspect).

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

Chart 3.2.6-s
Bolivia: Change in IPG
as a Multiple of the Actual Market



Source: MAPFRE Economics

Insurance market rankings

Total ranking

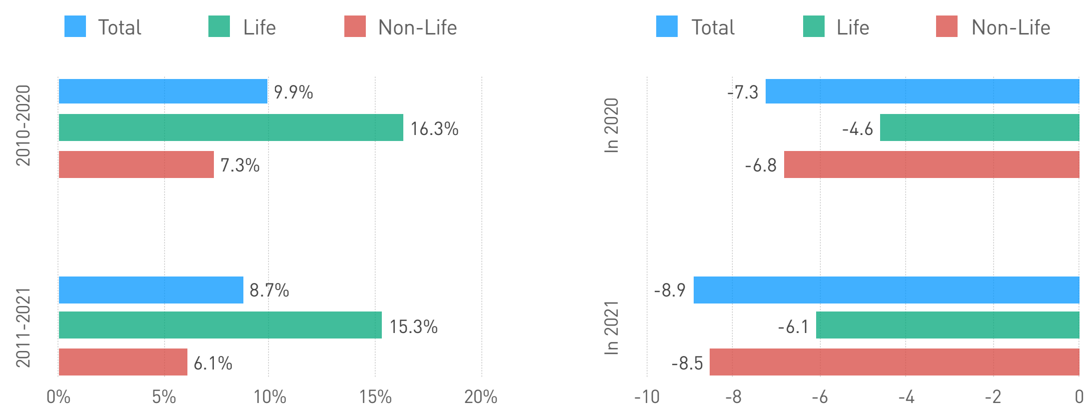
There were 19 insurance companies operating in the Bolivian insurance market in 2021, the same as in 2020. Ten of these companies operated exclusively in the People line, while the remaining nine operated in General P&C and Bonds insurance. As is reflected in Chart 3.2.6-w, concentration levels in the Bolivian insurance market have shown a declining trend over the past decade, especially since 2016. In 2018, the Herfindahl index crossed the threshold indicating a moderate concentration level and stayed below this threshold until 2021. In the same vein, the top five insurance companies accounted for 57.1% of total premiums between them, 0.1 pp more than in 2020.

In 2021, the total ranking of the Bolivian insurance market was led once again by Alianza Seguros, with a market share of 21.9%. Following behind were Nacional Seguros with 19.9% and BISA Seguros with 15.5%. Fourth place was held by La Boliviana, with a market share of 12.6% in 2021 (see Chart 3.2.6-x).

Life and Non-Life rankings

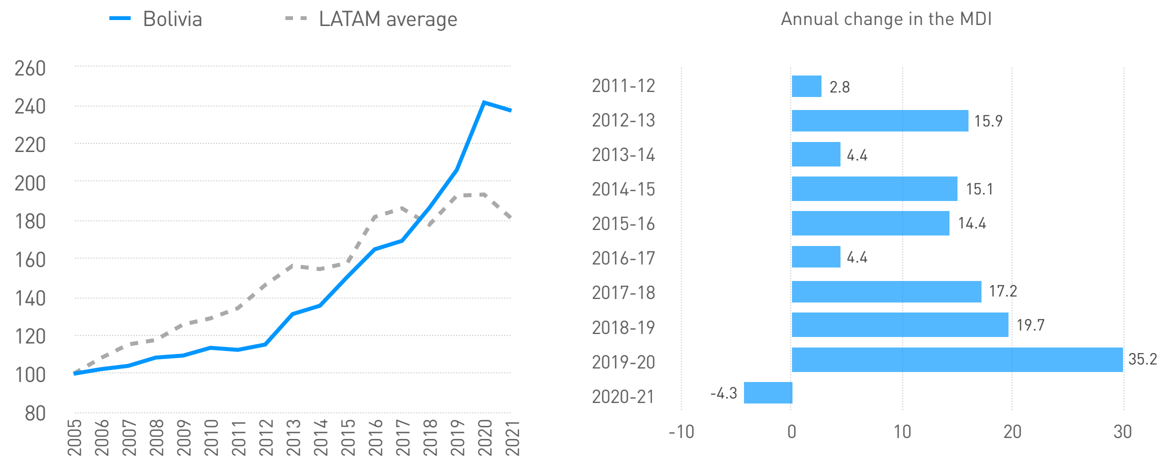
The 2021 Non-Life ranking was also headed by Alianza Seguros with a market share of 20.6%, followed by BISA with 17.8%, and Boliviana Ciacruz with 15% in third. The Life ranking for 2021 was again topped by Nacional Seguros with a premium market

Gráfica 3.2.6-t
Bolivia: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.6-u
Bolivia: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

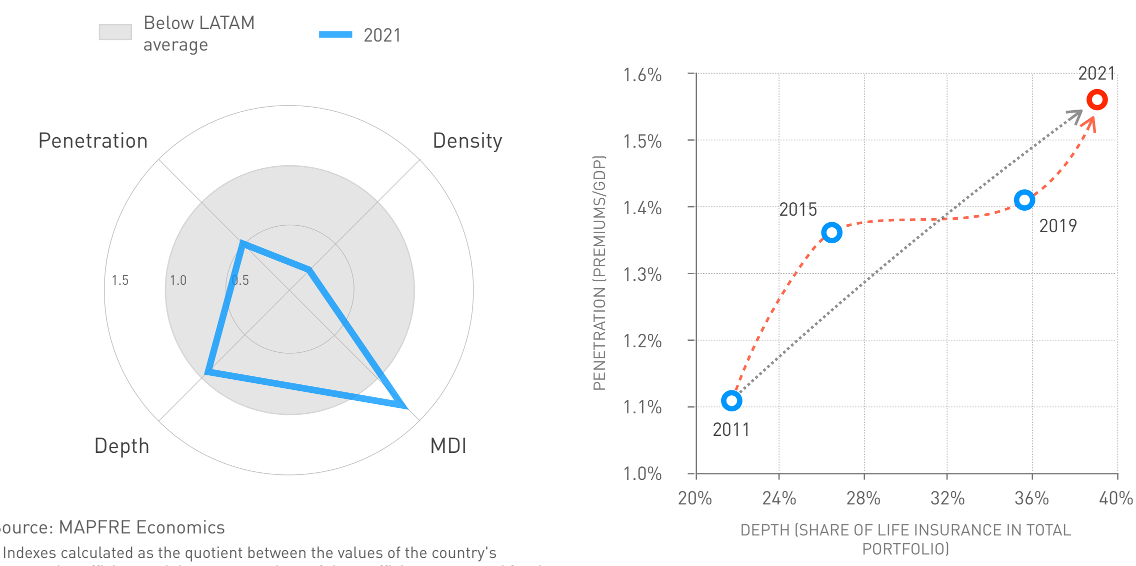
share of 33.4%, followed by Alianza Seguros with 24.0% and BISA (La Vitalicia + BISA) with 12.0% (see Chart 3.2.6-y).

Key regulatory aspects

In terms of regulations relating to the operation of the Bolivian insurance industry, the most relevant regulations issued in 2021 and so far in 2022 are detailed below:

- RA 0998 (9/21/2021). Includes the line of Mandatory Occupational Accident Insurance in the Field of Construction (SOATC) in the Single Chart of Accounts and Accounts Manual.

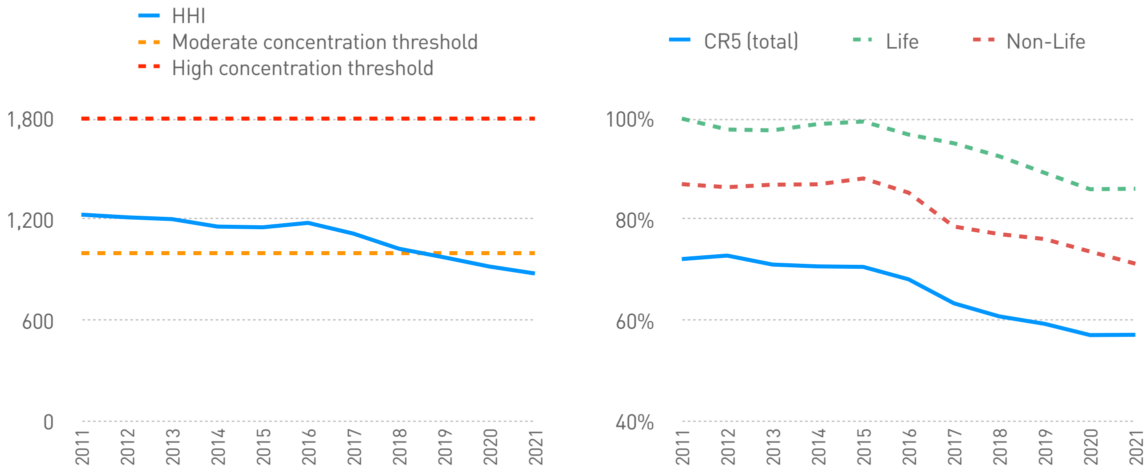
Chart 3.2.6-v
Bolivia: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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.

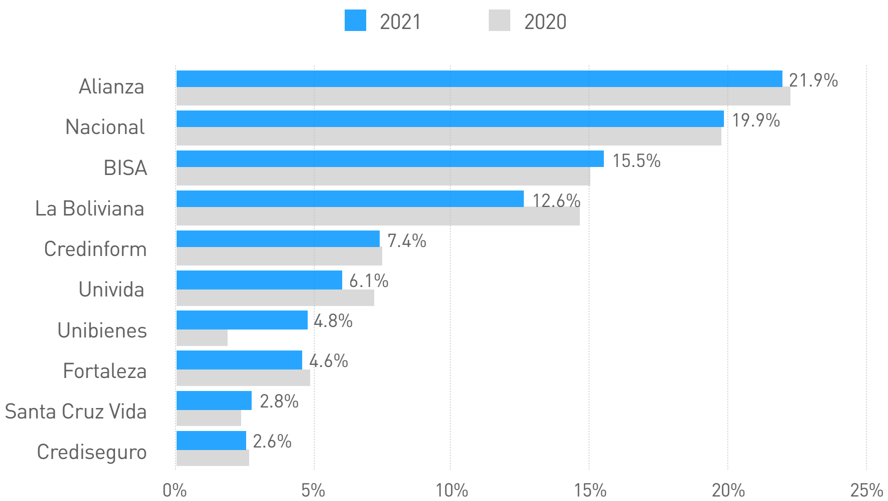
Chart 3.2.6-w
Bolivia: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

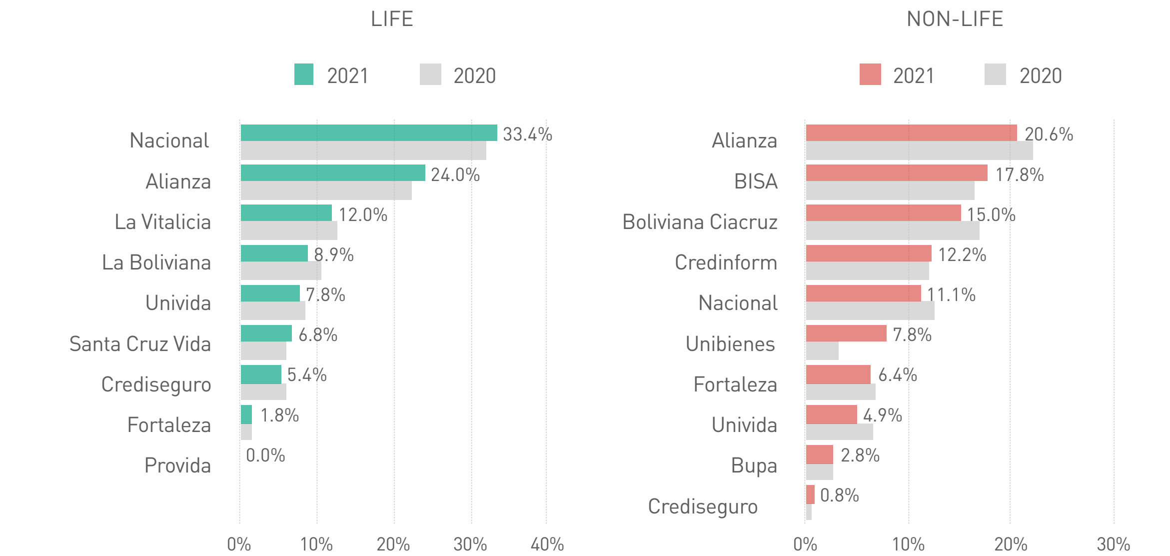
- RA 1154 (10/22/2021). Approves the system of approval for the administration and sale of Mandatory Traffic Accident Insurance (SOAT), amending Administrative Resolution APS/DJ/DS/No. 1596/2017 of December 22, 2017, which amended IS Administrative Resolution No. 595 of October 5, 2004.
- RA 1371 (12/1/2021). Sets out exceptional measures for the insurance market.
- RA 1612 (12/31/2021). Amendment of Article 17 of the Regulation for Investments in the Construction of Real Estate destined for Luxury Housing and Constitution

Chart 3.2.6-x
Bolivia: Total Ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

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)

of the Special Technical Reserve for Technical Rate Risk.

- RA 1070 (7/25/2022). Amends the Regulation for the Use of Electronic and Digital Media.

3.2.7 Chile

Macroeconomic environment

The Chilean economy experienced growth of 11.7% in 2021 (-6.1% in 2020), to above pre-pandemic levels, following the lifting of mobility restrictions, fiscal cushioning via direct transfers by the government to invigorate consumption, as well as external demand as a result of an increase in the price of copper, in addition to other factors (see Chart 3.2.7-a). In relation to domestic demand, the strong growth in private consumption, both in relation to services and durable goods, accompanied by fiscal stimulus, represented the main contribution to GDP. In turn, and in relation to employment, although the recovery was somewhat slower than other variables, by the end of 2021, the national unemployment rate had hit 7.5%, compared to 10.4% the year before. In terms of the foreign sector, the upturn in exports (29%) was driven by the mining sector and industrial goods. Nonetheless, there was a bigger increase in imports (55%), resulting in a deficit balance in terms of goods, combined with the deterioration in the commercial balance of services. The financial account, in turn, registered a negative balance, reflecting the transactions performed by the government to finance the emergency economic plan. As a result, in 2021, the current account registered a deficit of 20.31 billion dollars, corresponding to 6.6% of GDP. Concerning the public sector, and as a result of the package of fiscal expansion measures that increased public spending, the deficit rose to 7.7% of GDP by year-end 2021 (compared to 7.3% in 2020). This caused the central government's public debt to increase to 36.3% of GDP (32.5% in 2020).

As regards inflation, there was a shift of 7.2% in 2021 (annual average of 4.5%), mainly attributable to the ultra-lax monetary policy implemented until mid-2021 to mitigate the economic impact of the pandemic, the significant increase in internal demand, the international context of inflationary pressure and the depreciation of the peso caused, inter alia, by idiosyncratic factors. On the monetary side, and following the implementation of extensive liquidity measures throughout 2020 and in the first half of 2021 (with a drop in interest rates and other unconventional measures), the central bank has been moving towards a more restrictive policy of cuts with a view to containing pressure on prices and bringing inflation toward its target of 3%. To this end, in 2021 it increased interest rates five times, from 0.5% (the rate of interest up until June) to 4% by December. Subsequently, in 2022, the central bank has continued to tighten its monetary policy with a further six increases, taking the interest rate to 10.75% in September in light of uncontrollable inflation (14.1% year on year in August).

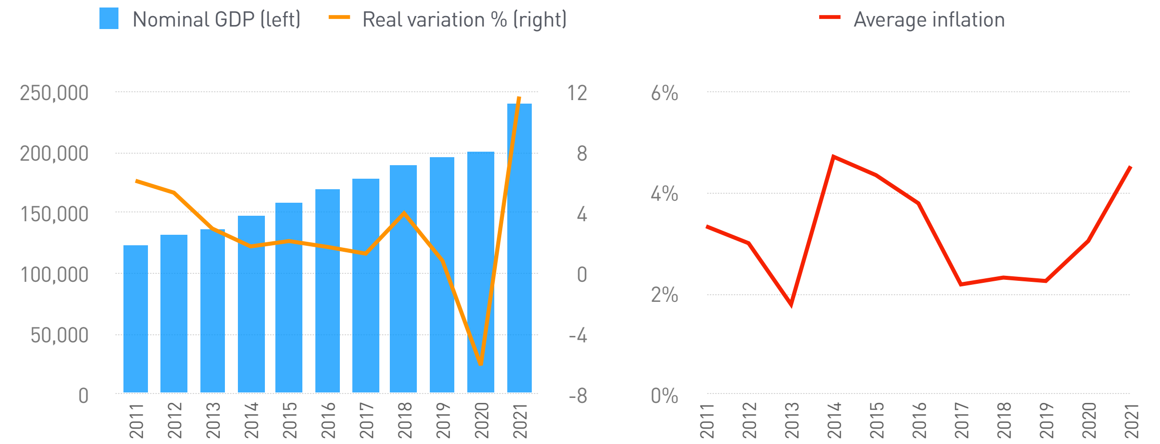
As regards the growth outlook, MAPFRE Economics forecasts that Chilean GDP will grow at a rate of around 1.8%, while ECLAC estimates a rate of growth of 1.9%, on account of lower buoyancy in terms of consumption, combined with the downward adjustment due to the tightening of financing conditions and inflation, as well as margin for institutional uncertainty.

Insurance market

Growth

Despite the impact of Covid-19 still being felt in 2021, the recovery of economic activity helped the insurance industry to perform strongly during the year, with a nominal increase in premiums of 11.0% and 6.2% in real terms, to 8.7 trillion pesos (11.44 billion dollars). This was mainly attributable to the Non-Life segment, which grew by 14.2% in nominal terms, while the Life segment recorded growth of 7.8% (see Table 3.2.7 and Chart 3.2.7-b). Total sales of Life insurance stood at 4.2 trillion pesos in 2021 (5.52 billion dollars), of which 62% corresponded to pension insurance, which grew by 7.6% thanks to the increase in interest rates used to calculate the value of pensions. Analyzing the different modalities of pension insurance, this growth can be attributed mainly to the increase in sales of insurance with pension savings (21.3%) and life annuities, which account

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)

for 48% of this Life business and which increased by 10.2%. For other Life modalities, worth particular note is the growth in insurance with a Single Investment Account (22.6%). Non-Life insurance continued making positive contributions to the industry with a revenue of 4.5 trillion pesos in premiums (5.92 billion dollars), representing a nominal increase of 14.2% compared to 2020 and a real increase of 9.3%. The lines that had the biggest impact on this positive performance, given their bigger market share, were Automobile (20.5%) and Fire and allied lines (13.4%), which include earthquake and tsunami covers.

The Chilean insurance market is one of the most developed in Latin America, and in 2021 it accounted for 7.6% of the region's premiums. During the 2011 to 2021 period, its highest market share came in 2018, with 9.2% of premiums, before dropping the following two years and increasing again in 2021; however, this increase failed to offset the losses made the previous years. The situation in the Life insurance business was somewhat similar, where the market share dropped from 10.5% in 2011 to 8.7% in 2021, peaking in 2018 with 12.5% of premiums. In contrast, the share of the Non-Life insurance business has increased from 4.8% in 2011 to 6.9% in 2021 (see Chart 3.2.7-d).

Finally, as shown in Chart 3.2.7-d, Life insurance contributed 3.9 pp to the growth of the Chilean insurance industry in 2021, while Non-Life insurance contributed 7.2 pp, thus generating total sector growth of 11% that year.

Balance sheet and shareholders' equity

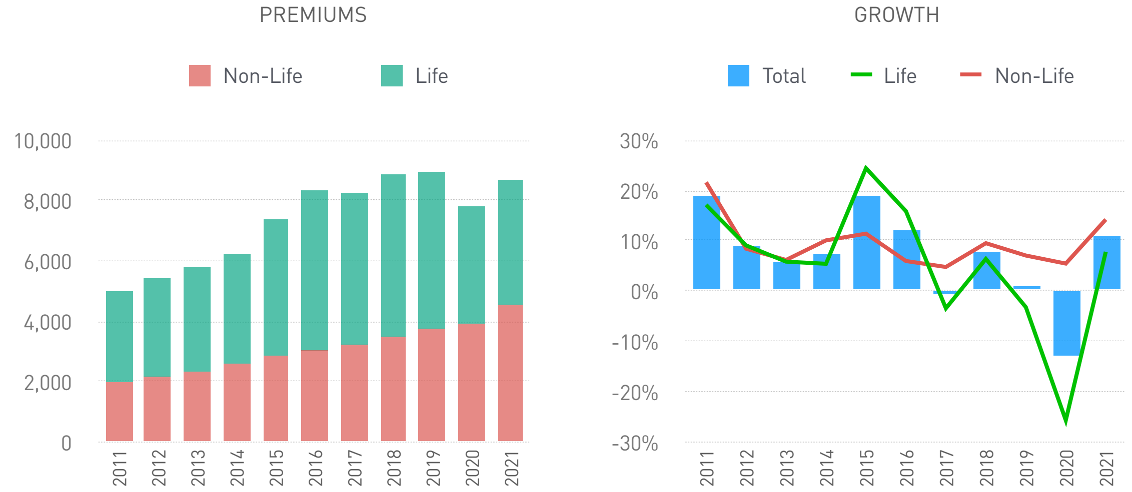
Chart 3.2.7-e shows the Chilean insurance industry's aggregate balance sheet at the sector level over the 2011–2021 period. As can be seen, the industry's total assets at the end of 2021 amounted to 59.21 trillion pesos (69.5 billion US dollars), while equity stood at 5.86 trillion pesos (6.88 billion US dollars), resulting in growth of 6.2% compared to 2020. The capitalization level for the Chilean insurance market saw sustained increases in absolute terms over the

Table 3.2.7
Chile: Premium Volume[1] by Line, 2021

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**8,700,175.9**	**11,440.8**	**11.0**	**6.2**
Life	**4,197,236.2**	**5,519.4**	**7.8**	**3.1**
Individual Life	880,797.9	1,158.3	22.0	16.8
Group Life	694,381.0	913.1	-5.6	-9.6
Pension insurance	2,622,057.4	3,448.0	7.6	3.0
Non-Life	**4,502,939.7**	**5,921.4**	**14.2**	**9.3**
Fire and allied lines	1,443,866.9	1,898.7	13.4	8.5
Automobiles	984,006.0	1,294.0	20.5	15.2
Other lines	570,461.1	750.2	15.5	10.5
Health	661,284.5	869.6	3.9	-0.6
Personal accidents[2]	299,530.5	393.9	12.7	7.9
Transport	185,366.2	243.8	19.0	13.8
Third-Party Liability	179,927.2	236.6	16.1	11.1
Credit and/or surety	178,497.4	234.7	22.8	17.5

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)

course of the period under analysis, and in relative terms, the capitalization ratio (capital over total assets) fell after during the period in question, from 12% in 2011 to 9.9% in 2021.

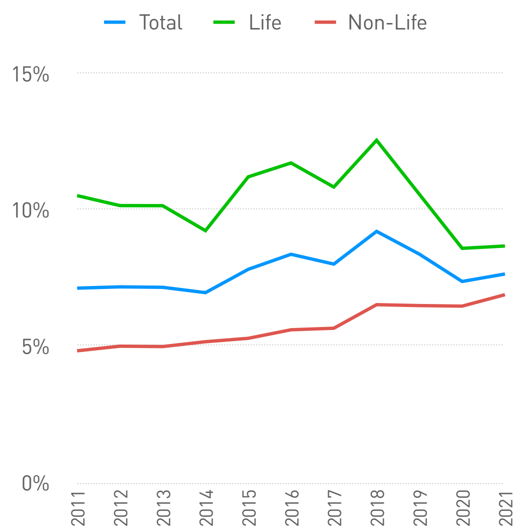
Investments

Charts 3.2.7-f, 3.2.7-g and 3.2.7-h show the performance and composition of the Chilean insurance industry's aggregate investment portfolio at the sector level between 2011 and 2021. This shows that total industry investments reached 52.09 trillion pesos (61.14 billion US dollars) in 2021, with fixed income accounting for 55.6% and equities accounting for a significantly smaller proportion, just 8.4%. As noted in previous versions of this report, investments in fixed income instruments lost relative weight in total investments made by the Chilean insurance industry over the period analyzed, dropping from 69.2% in 2011 to 55.6% in 2021. In contrast, the weight of real estate investments and other types of financial investments grew during the period, climbing in each case from around 11.8% of the portfolio in 2011 to 15.5% and 19.7% respectively in 2021.

Technical provisions

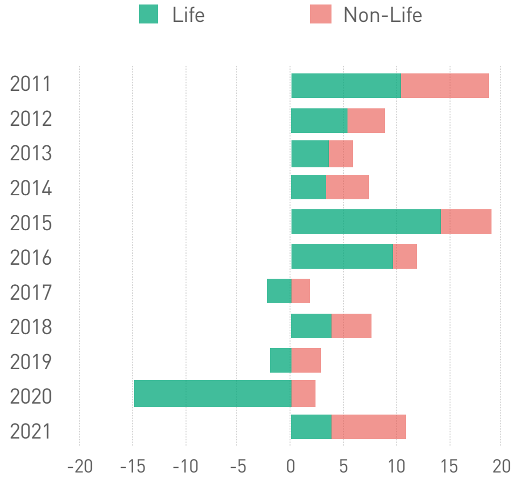
Charts 3.2.7-i, 3.2.7-j and 3.2.7-k show the relative composition and performance of the Chilean insurance industry's technical

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)

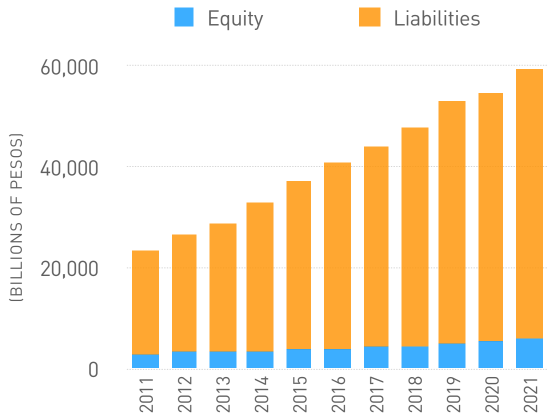


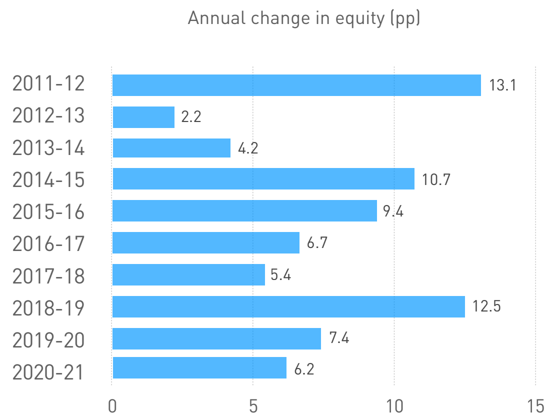
	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2011	18.9	10.4	8.5
2012	8.8	5.4	3.4
2013	6.0	3.5	2.5
2014	7.3	3.2	4.1
2015	19.0	14.3	4.7
2016	12.1	9.7	2.3
2017	-0.4	-2.2	1.8
2018	7.6	3.9	3.7
2019	0.8	-1.9	2.8
2020	-12.7	-15.0	2.3
2021	11.0	3.9	7.2

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

provisions over the 2011–2021 period. As can be seen, technical provisions amounted to 48.53 trillion pesos (56.96 billion dollars) in 2021; 89.1% of them corresponded to provisions associated with Life insurance, 5.1% to the provision for unearned premiums and outstanding risks for Non-Life insurance, 4.6% to the provision for pensions, 0.03% to the provision for catastrophic risks, and the remaining 1.1% to other technical provisions. Over the period under analysis, the relative weight of Non-Life insurance provisions increased from 3% in 2011 to 5.1% in 2021, yet this still remains low when compared with the significant weight of technical provisions for the Life insurance segment, and life annuities linked to the Chilean pension system in particular.

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)

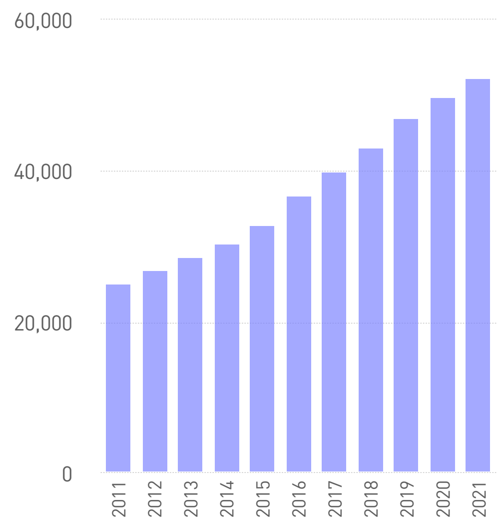
Technical performance

In 2021, the technical result of the Chilean insurance sector remained in the red, with a total combined ratio that was more than 6.6 pp up on the previous year, coming to 124.8%. This deterioration in the ratio can be attributed to the increase in the loss ratio by 7.4 pp, which could not be offset by the 0.8 pp decrease in the expense ratio (see Chart 3.2.7-l). In turn, the combined ratio of companies operating in the Non-Life segment remained below 100%, despite the 3.0 pp increase in 2021, standing at 97.6% with a 2.3 pp increase in the loss ratio and 0.7 pp increase in expenses (see Chart 3.2.7-m).

Results and profitability

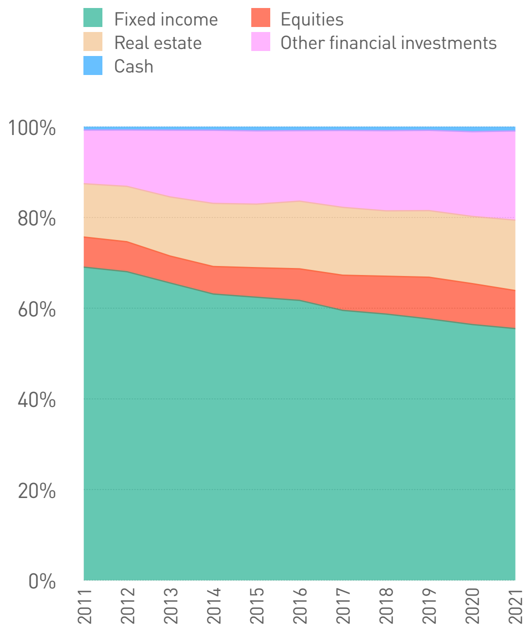
Despite the drop in the technical result, the net result of the Chilean insurance industry was 60% higher than in 2020, coming to 1.12 trillion pesos (1.48 billion dollars),

Chart 3.2.7-f
Chile: Insurance Market Investments
(billions of pesos)



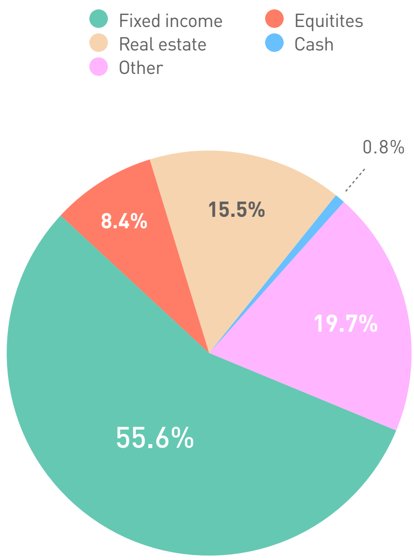
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

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, 2021
(%)



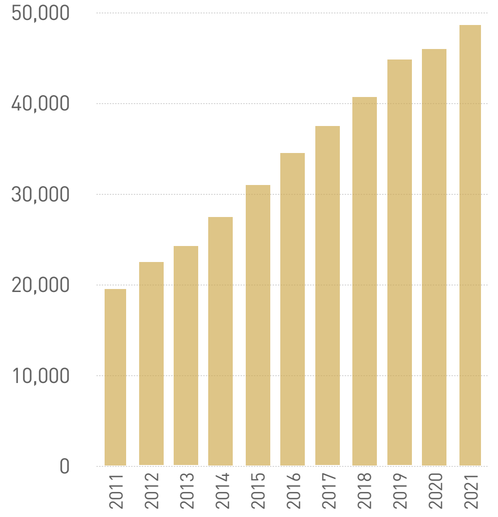
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

thanks to the increased return on investments during the period, boosted by the strong performance of equity markets. Chart 3.2.7-n confirms that the positive net result achieved by the insurance industry over nearly the entire period under analysis was a product of financial results that were able to offset the negative technical results. Return on equity (ROE) was around 19.7% in 2021, up 6.5 pp compared to the previous year. Return on assets (ROA) also saw a slight increase of 0.7 pp from the previous year, standing at 2.0% in 2021.

Insurance penetration, density and depth

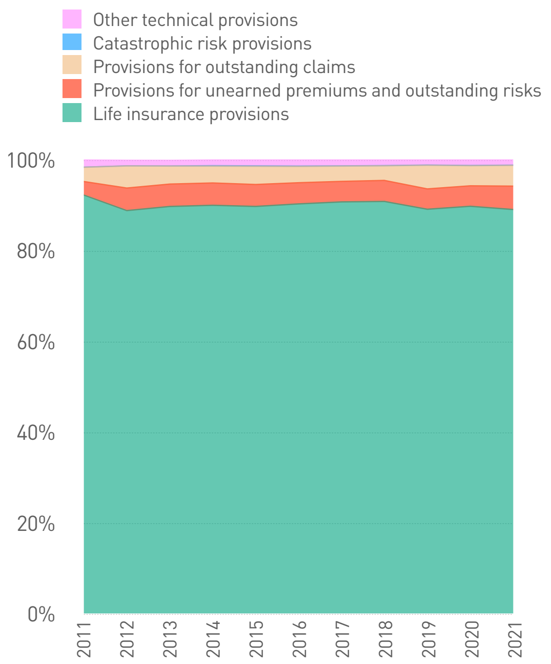
Chart 3.2.7-o reflects the main structural trends shaping the development of the Chilean insurance industry over the past decade. Chile's penetration index (premiums/GDP) remains the second highest in Latin America; however, the indicator fell by 0.3 pp compared to the previous year to 3.6%, which is, in aggregate terms, 0.5 pp

Chart 3.2.7-i
Chile: Technical Provisions of the Insurance Market
(billions of pesos)



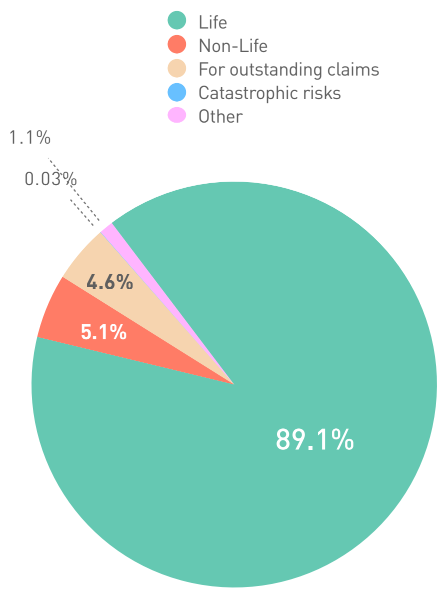
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-j
Chile: Structure of Technical Provisions
(%)



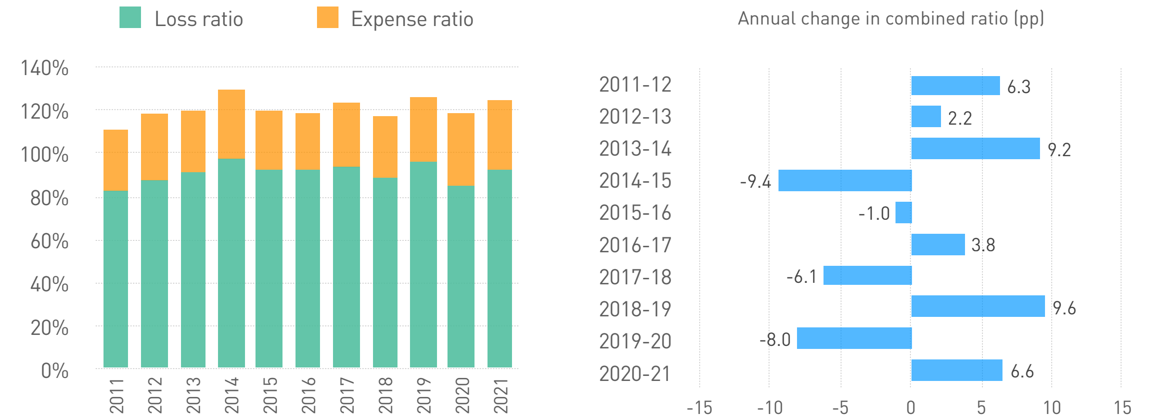
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-k
Chile: Structure of Technical Provisions, 2021
(%)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

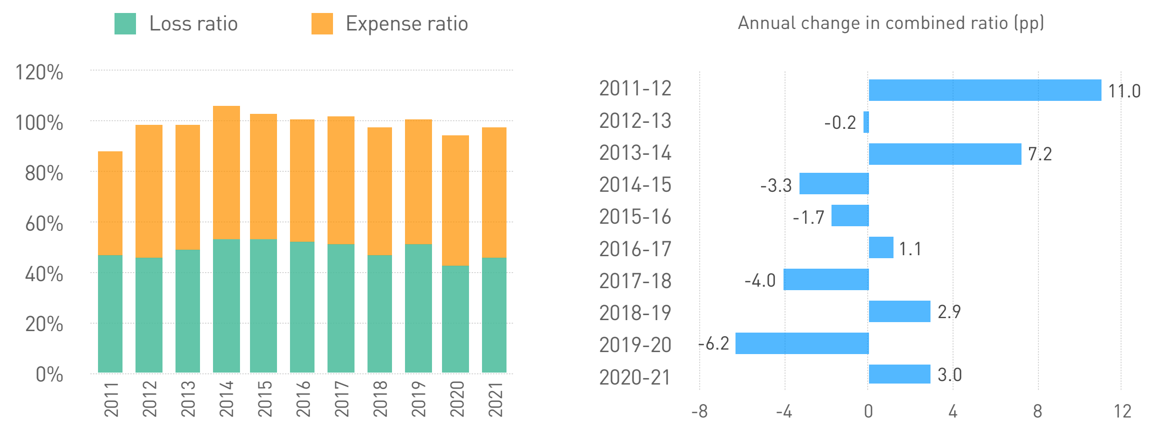
Chart 3.2.7-l
Chile: Changes in Market Technical Performance
(total combined ratio, %; annual change in combined ratio, percentage points)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

higher than in 2011. As said chart indicates, the penetration rate in the Chilean market followed an upward trend from 2011 until 2016, in line with the average for the Latin American insurance market as a whole and above the absolute values for the regional average; however, from 2017 on, this trend appears to have reversed due to a loss of momentum in the performance of the Life insurance segment, in particular in relation to life annuities. The insurance density index (premiums per capita) in Chile increased in 2021 to reach 446,319 pesos (587 dollars), 9.9% higher than the value recorded in 2020 (405,979 pesos). Density in the Chilean insurance market (measured in local currency) showed an upward trend over the 2011–2018 period, with dips in 2017, 2019 and 2020 before growing again in 2021. It should be noted

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) that the high density level in the Chilean market was largely determined by the participation of the private insurance industry in the pension system through the provision of life annuities. Finally, depth (Life insurance premiums divided by total premiums) dropped by 1.4 pp in 2021, coming in at 48.2%, still above the average for Latin American insurance markets. However, as in the case of penetration, the depth coefficient shows a declining trend from 2017, when it diverged from the average of the region's insurance markets.

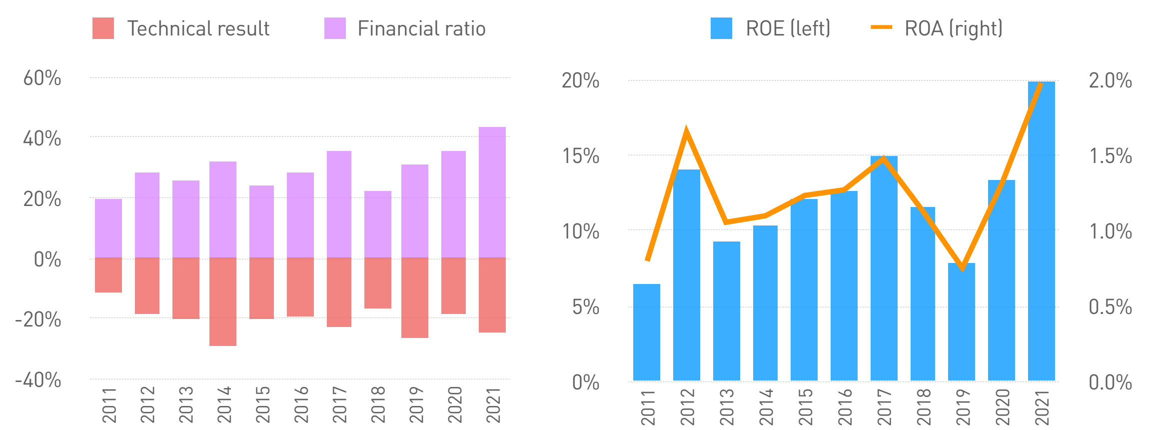
Insurance Protection Gap estimate

Chart 3.2.7-p shows an update of the estimated insurance gap for the Chilean insurance market over the 2011–2021 period. The insurance gap in 2021 stood at 10.43 trillion pesos (13.72 billion dollars), 1.2 times the size of the actual insurance market in Chile at the close of that year. As observed in previous measurements, the structure and performance of the IPG over the period under analysis show a relative balance between the contributions from Life and Non-Life insurance, with the gap increasing in both lines. Thus, at year-end 2021, 57.6% of the IPG related to Life insurance (6 trillion pesos), while the Non-Life insurance segment accounted for the remaining 42.4% of the gap (4.43 trillion pesos). As such, the potential insurance market in Chile at the close of 2021 (measured as the sum of the actual market plus the IPG) was estimated at 19.13 trillion pesos (25.16 billion dollars), 2.2 times the size of the total Chilean insurance market that year (see Chart 3.2.7-q).

As such, Chart 3.2.7-r shows an estimate of the insurance gap as a multiple of the actual insurance market. In relative terms, there was a general upward trend in the IPG between 2011 and 2021. During this time, the total insurance gap fell from 1 to 1.2 times the size of the actual market. However, the change in trend from 2017 is once again noteworthy, as the indicator increased from 0.6 to 1.2 times during the 2016–2021 period. Similarly, the multiple of the Life market showed decreases in the 2011–2016 period, falling from 1 to 0.4 times, however, in recent years, the indicator has risen, climbing to 1.4 times the real market in 2021. In the case of the Non-Life insurance segment, the trend decreased up until 2019, falling from 1 time in 2011 to 0.8 in 2019, with a slight increase over the past two years, coming to 1 time the actual market in 2021, bringing it back in line with the 2011 indicator.

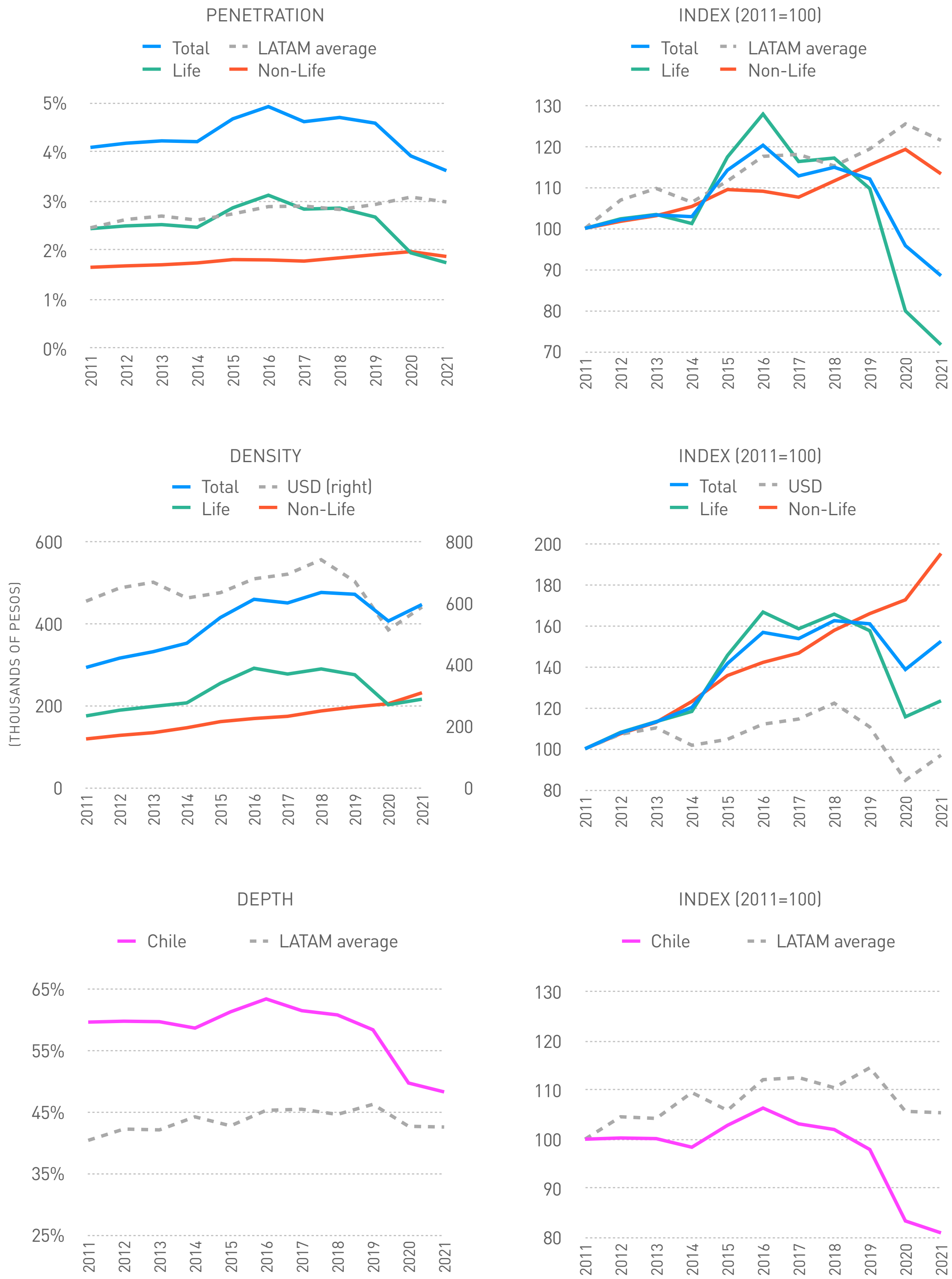
Chart 3.2.7-s reflects the changes in the IPG as a multiple of the actual market for

Chart 3.2.7-n
Chile: Changes in Results and Profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



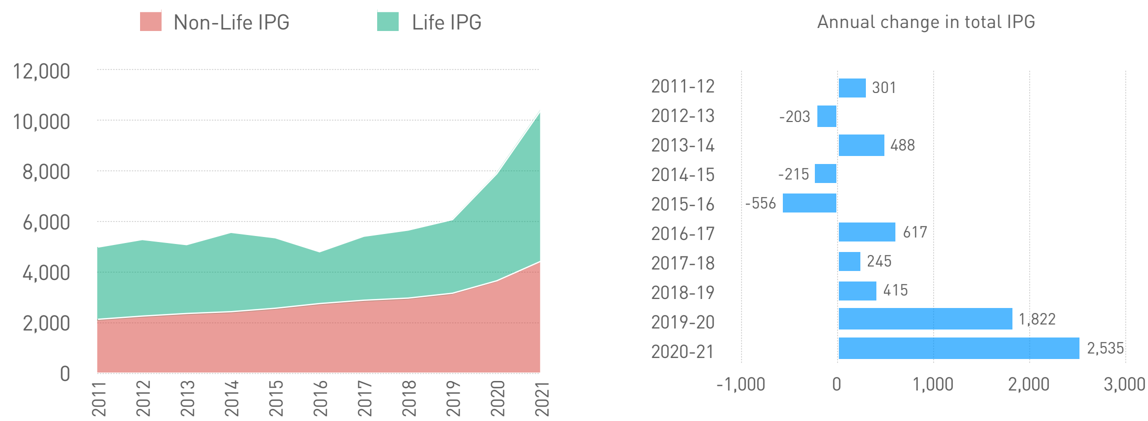
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-o
Chile: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2011 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)

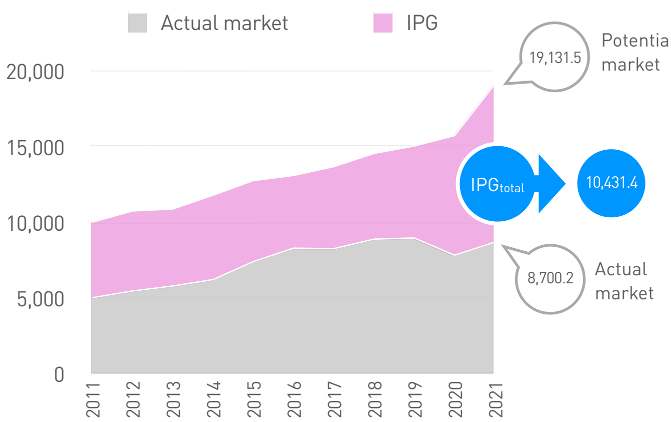


Source: MAPFRE Economics

the Life and Non-Life segments and for the total Chilean insurance market, comparing the situation in 2021 with that of 2011. As indicated previously, this analysis confirms that in the Non-Life segment, the level in 2021 remains the same as in 2011, although the Life market has lost steam in recent years, expanding the IPG in relative terms.

Lastly, Chart 3.2.7-t summarizes the Chilean insurance market's capacity to close the insurance gap determined in 2021, based on a comparative analysis of the growth rates observed over the last ten years compared to the growth rates that would be required to close the IPG over the next decade. This confirms that the country's insurance market grew at an average annual rate of 5.6% between 2011 and 2021, while the Life and Non-Life segments grew at a rate of 3.4% and 8.3% respectively. Given the relative development of the Chilean insurance market, the analysis

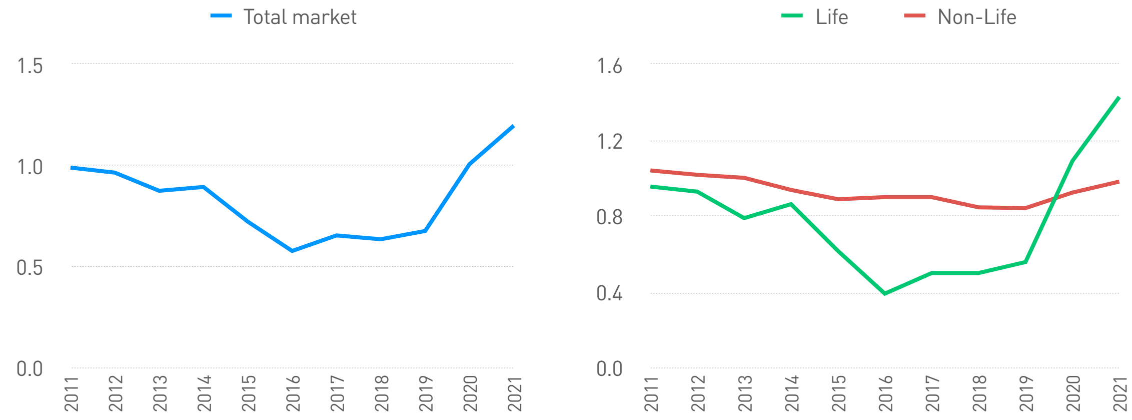
Chart 3.2.7-q
Chile: Insurance Protection Gap and Potential Market
(billions of pesos)



Change	Actual market	IPG
2021-2011	73.1%	109.3%
2021-2020	11.0%	32.1%

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

shows that, were the same growth rate to continue over the next ten years, the growth rate of the Chilean insurance market would prove sufficient to close the insurance gap for the Non-Life insurance segment; however, in the case of the Life segment, the trend seen over the past decade would fall short of closing the gap over the coming ten years. It is also worth noting that this shortfall has increased compared to the exercise performed last year, from 3.4 pp to 5.9 pp.

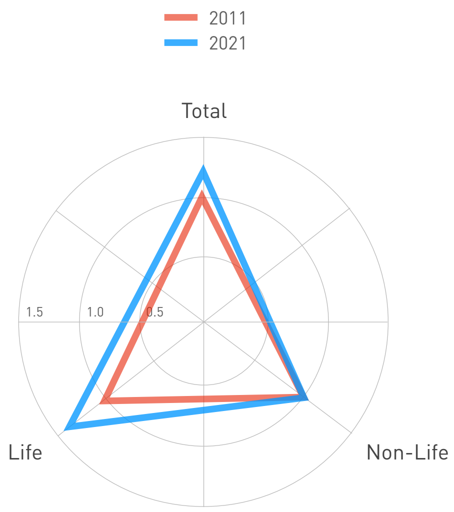
Market Development Index (MDI)

Chart 3.2.7-u shows an updated estimate of the Market Development Index (MDI) for the Chilean insurance industry. The MDI, an indicator used to measure the overall trend in the development and maturity of the insurance market, showed a generally positive trend until 2016, when it began to fall and did so abruptly in 2020, impacted to a large extent by the 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, which accelerated the fall of this business segment's already dropping indicator.

Comparative analysis of structural coefficients

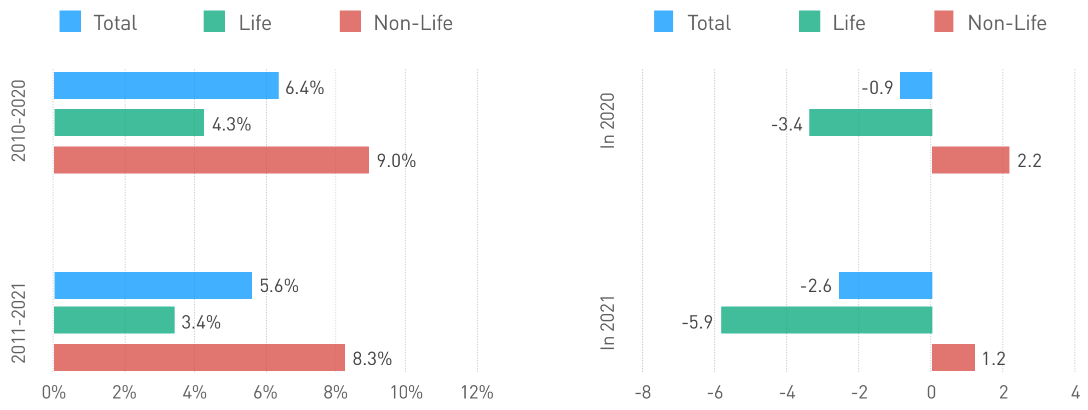
Chart 3.2.7-v shows the Chilean insurance market's situation in comparison with the average for Latin America, measured in terms of the four structural coefficients analyzed above. This confirms that the

Chart 3.2.7-s
Chile: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.2.7-t
Chile: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chilean insurance market continues to be above the Latin American average except when it comes to the MDI, which deteriorated over the last three years below the average for the insurance markets in the region.

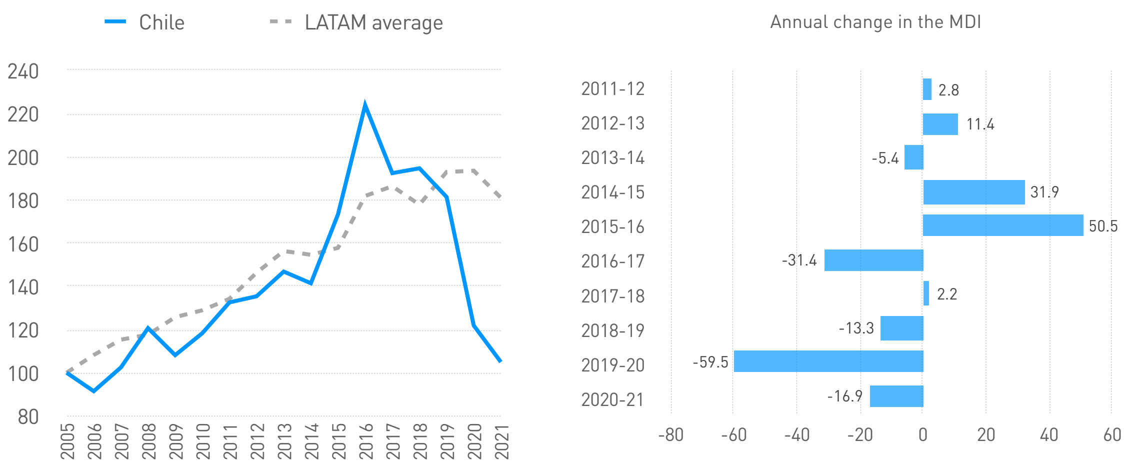
In turn, the dispersion analysis, which seeks to identify trends in the performance of the insurance industry between 2011 and 2021, confirms that the Chilean insurance industry has come off its path of development, with losses both in terms of quantity (penetration) and quality (depth); this is particularly clear from 2017 onward.

Insurance market rankings

Total ranking

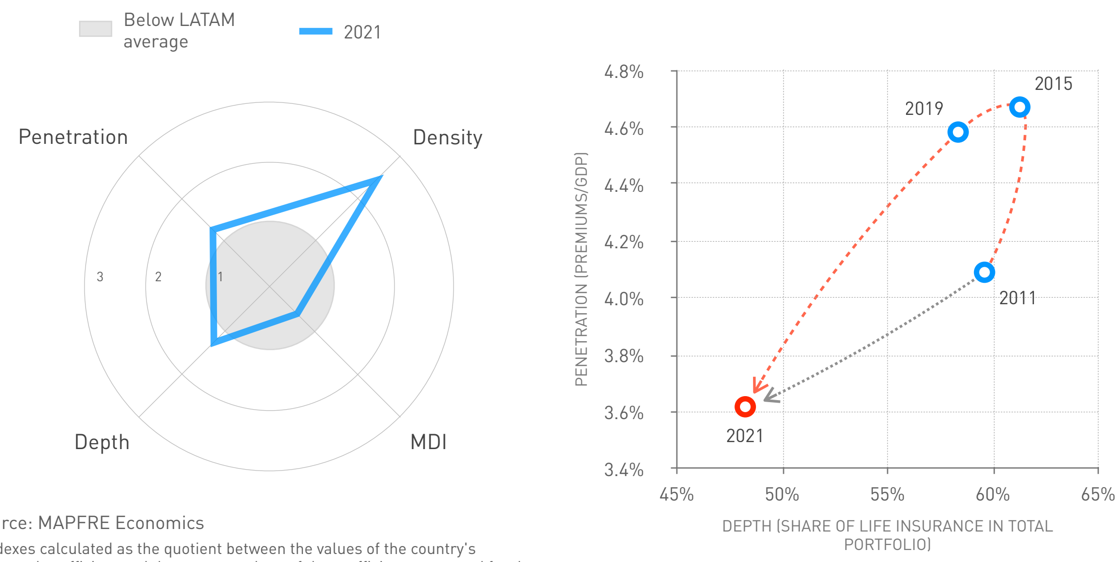
There were 33 General P&C insurance companies and 33 Life insurance compa-

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 (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



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.

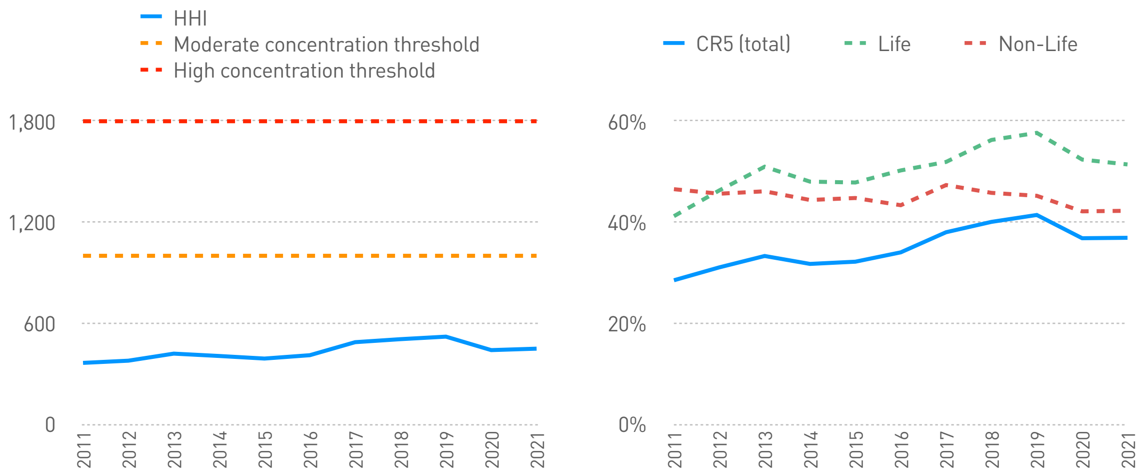
nies operating in the Chilean insurance market in 2021. Chart 3.2.7-w shows the concentration indicators for the industry over the decade under analysis. The Herfindahl index indicates a low level of concentration in the industry, falling below the theoretical threshold indicating moderate concentration, showing an increasing trend from 2016 that was inverted in 2020 before increasing slightly again in 2021. Meanwhile, the CR5 index (market share of the five largest insurance companies) remained stable throughout the period and, as shown in the aforementioned chart, the Non-Life business saw lower levels of concentration, falling below the Life line from 2012 onwards.

In terms of the total ranking of insurance groups in 2021, worth particular mention is Zurich's drop to third place, with Consorcio and MetLife both moving up one position to first and second, respectively, with market shares of 11.1% and 9.7%. As regards the other positions, HDI, Security and BNP Paribas Cardif all join the ranking in seventh, eighth and ninth places, respectively. In contrast, Penta, which placed sixth in 2020, dropped out of the top 10 groups (see Chart 3.2.7-x).

Life and Non-Life rankings

In terms of the Non-Life insurance ranking, this is led by BCI, with a market share of 12.9%, followed by Sura and Zurich, which account for 11.5% and 9.2% of premiums, respectively. HDI moves up from seventh to fourth in the ranking, with a market share of 7.4%. MAPFRE remains fifth and Chubb drops from fourth to sixth, followed by Liberty in seventh place, one place lower than a year ago. The last three places remain unchanged. In the Life ranking, Consorcio remains the top group with a market share of 19.2%, followed by MetLife (15.0%). And here is where a number of changes take place: Cámara moves up from fifth to third, Zurich remains in fourth, and Security moves from eighth to fifth. Worth particular mention is the increase seen by 4 Life Seguros, a pension insurance company dedicated mainly to the Life Annuity market, into sixth place from fifteenth in 2020. Dropping down the list are Penta Vida (-4), BICE (-2) and Principal (-3),

Chart 3.2.7-w
Chile: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (base on data from the Chilean Insurance Association)

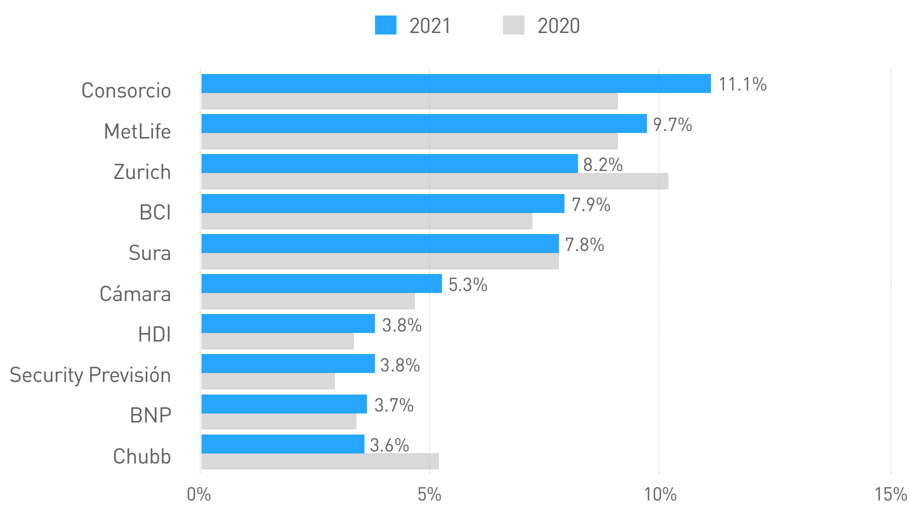
while Ohio National remains in ninth (see Chart 3.2.7-y).

Key regulatory aspects

As regards the regulatory aspects concerning the Chilean insurance market, worth particular mention is the ongoing work by the Commission for the Financial Market (CMF) to progressively include international best practices into the regulations of the insurance industry. Therefore, in recent years, a series of regulations have been passed to this end.

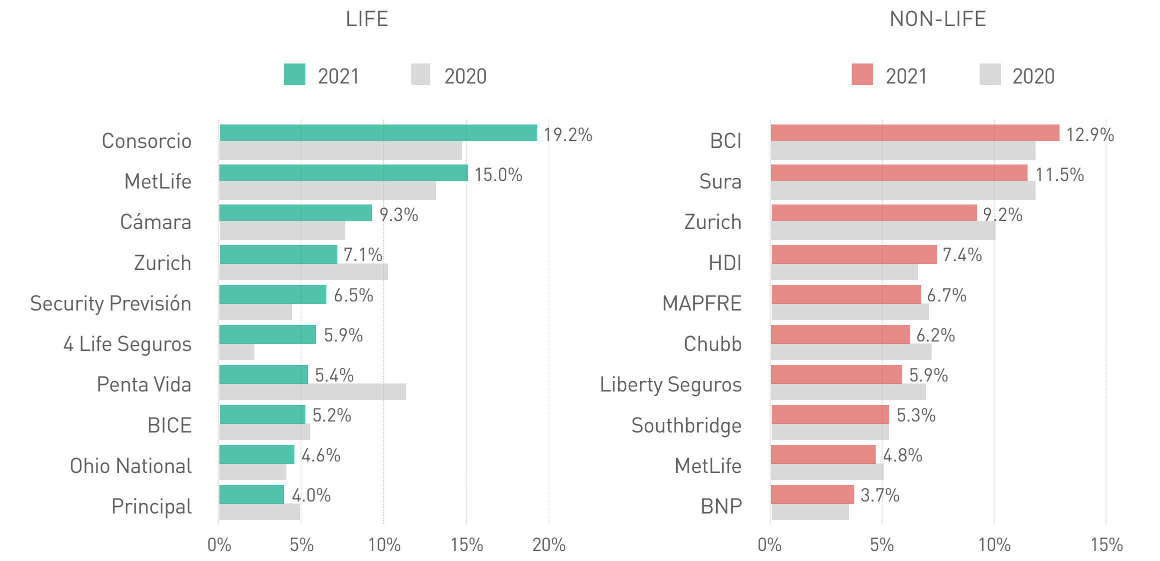
On March 1, 2021, the CMF launched the implementation of its new structure for regulating and supervising the financial

Chart 3.2.7-x
Chile: Total Ranking
(market shares, %)



Source: MAPFRE Economics (base on data from the Chilean Insurance Association)

Chart 3.2.7-y
Chile: Life and Non-Life Ranking
(market shares, %)



Source: MAPFRE Economics (base on data from the Chilean Insurance Association)

market (approved by Resolution No. 4694), to have a structure based on two pillars: (i) Prudence, ensuring the solvency and appropriate risk management of audited financial institutions, and (ii) Market Conduct, overseeing the transparency and integrity of the securities market and protecting financial customers. This change seeks to strengthen the supervision and regulation work of the Commission and, therefore, its capacity to oversee the solvency of financial intermediaries, market conduct and the protection of financial customers, while promoting the development of the financial market. Furthermore, the change seeks to strengthen the analysis capacity and provision of information to the public by the Commission.

Despite the Draft Bill establishing a Risk-Based Oversight (SBR) model for the insurance industry in Chile not advancing in Congress, the CMF has continued working on implementing Pillar 1 (regulatory) and Pillar 2 (oversight) of the new SBR model. This is how 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. The six Risk-Based Capital methodological documents published by the CMF to date (the sixth version was published for comment in October 2021) are worth mention, following the eight industry impact studies performed. 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.

2021 was a year that was once again affected by the global impact of the Covid-19 pandemic. As a result, in view of mobility restrictions, low growth and the need to provide families with resources, Congress passed the withdrawal of pension funds, as well as bringing forward pensions provided as support, thus affecting insurance companies offering life annuities. Although overall growth suffered a significant contraction and inflation levels were high, the

CMF constantly analyzed and revised its Insurance Regulation Plan, making the corresponding adjustments where necessary.

In turn, the new Minister of Finance, Mr. Mario Marcel, who took on the role on March 11, 2022, defined four priority projects to be developed and implemented during his mandate:

- Consolidated debt: the aim is to create a consolidated debt register with a view to facilitating access and reducing the cost of credit, offering greater security to savers and helping to reduce the risk of households getting into excess debt.
- Fintech development: draft law that aims to promote financial knowledge and inclusion through innovation and technology in the provision of financial services.
- Resilience of the financial system and its infrastructures: draft law that enhances the resilience of the financial system and its infrastructures, including the strengthening the local risk market.
- Risk-Based Supervision: draft law that amends DFL No. 251 (Insurance Law), including a risk-based capital requirement as part of a risk-based supervision model for the insurance industry.

Finally, a reform of the current pension system is underway, the main principles of which will focus on delivering universal coverage, sufficiency, financial solvency, exclusivity and solidarity, participation, transparency, predictability and understanding for insured persons. All these elements may have an impact on how the life annuities business, sold by life insurance companies, operates.

Finally, below are the main regulatory principles issued and in the consultation stage:

Year 2022

- General Standard No. 474, issued 4/14/2022. Aimed at the entire insurance market. Regulates the entry of foreign reinsurance intermediaries in the register and amends general standard No. 139. The regulatory proposal aims to simplify registration processes and the continuous information obligations of the following registers. (i) Special Register of Reporting Companies (REEI), (ii) Register of Foreign Securities (RVE), and (iii) Register of Foreign Reinsurance Intermediaries (RCRE). This is in response to the fact that, given the more formal nature of these registers and the fact that public faith would not be compromised in their keeping, the current requirements may be considered unnecessary or excessively damaging to the companies entered in these registers.

- General Standard No. 471, issued 4/13/2022. Addressed to Insurance Companies. Regulates entry into the register of insurance agents and the register of life annuity agents. It should be noted that Law No. 21,314 on new requirements in terms of transparency and enhancing the responsibilities of market agents, published on April 13, 2021, amended DFL No. 251, establishing in Article 57 that the CMF is responsible for keeping the Register of Insurance Agents. It also introduced a new Article 57.bis, regulating the entry of Life Annuity Agents in the special register, also kept by the CMF. In this context, the regulation establishes the registration procedure and the method of accrediting compliance with the requirements established by law to be entered in these registers.

- General Standard No. 470, issued 4/8/2022. Addressed to Life and Insurance and P&C Companies. Regulates the system for consulting insurance under Article 12 of DFL No. 251 of 1931. Revokes General Regulation No. 342. The new System for Consulting Insurance allows insured persons or contracting parties to obtain an online report from the CMF website identifying all insurance that a person currently has. It will also allow partners, children, parents and heirs to consult this in relation to insurance of those who have passed away or with a legally declared disability. The regulation aims to establish the manner and requirements to be fulfilled by people consulting the system and the means available for sending a request for information, as well as the form and content of the data that insurance companies must provide, along with the time frames for companies to deliver the information and the response time for requesters. Furthermore, the standard establishes the way in which the express consent of insured persons or contracting parties shall be provided, to allow the information about their insurance contracts to be exchanged between the insurance companies they provide consent to, with a view to obtaining offers for a specific type of coverage.

- General Standard No. 469, issued 4/8/2022. Addressed to Life and P&C Insurance Companies, Insurance Brokers, Banks and Financial Institutions, Mortgage Brokers, Cooperatives, Leasing Firms and Securitizers and Realtors. Regulates the individual and group contracting of insurance associated with mortgage loans under Article 40 of DFL No. 251, the minimum conditions of which must include the tender bases and the information that must be provided to lenders, insured borrowers and the Commission for the Financial Market. Revokes General Standard No. 330, Circular No. 3,530 Banks (Circular No. 147 on Cooperatives and Circular No. 62 on Subsidiaries), Circular Letter No. 2 of 2012 Banks, (Circular Letter No. 1 Cooperatives of 2012) and Circular No. 3,537 Banks (Circular No. 149 Cooperatives and Circular No. 63 Subsidiaries). Insurance associated with mortgage loans are those that credit institutions take out collectively, on behalf of and charged to their customers, to protect their guarantees (fire, earthquake and tsunami) or the source of loan payments (relief or disability). This insurance can also be taken out directly by the borrower in the form of an individual policy. Pursuant to Article 40 of the Insurance Law, the CMF regulations must establish the minimum conditions that must be included in the tender conditions and the information to be provided to lenders, insured borrowers and the Commission. The main regulatory changes are as follows:

  - The participation of a broker may not be demanded and, if the insurer's offer includes one, the credit institution cannot replace them.
  - Brokers cannot be included in an offer when they have advised the credit institution as part of the tender.
  - The credit institution may collect the insurance premium along with the dividend and transfer it to the insurer free of charge.
  - Regulates the grouping of smaller portfolios for a joint tender.
  - Improves the quantity and quality of information to be delivered to lenders to improve their rates.
  - Strengthens the right of Insurance Companies to underwrite risks and pay out on claims.
  - Improves access to take out individual mortgage relief insurance.

  This new regulation is expected to increase the number of lenders who participate in tenders, increasing competition and benefiting mortgage loan users with better conditions in terms of the price of this insurance.

- Circular No. 2309, issued 3/28/2022. Addressed to Life Insurance Companies. Amends Circular No. 1815, establishing the rules for sending information on pension life annuity policies under DL No 3,500 of 1980. The main aim of the regulatory amendment is to include fields in relation to the new additional clause to temporarily increase the pension authorized by the CMF to be taken out with pension life annuities. The above aims to facilitate the preparation of statistics, include validations in other bases and generate the necessary studies.

- Circular No. 2308, issued 3/28/2022. Addressed to Life Insurance Companies. Amends Circular No. 1194, which establishes rules for sending pension insurance information and matching system coverage indexes every quarter. The main aim of the regulatory amendment is to include fields in relation to the new additional clause to temporarily increase the pension authorized by the CMF to be taken out with pension life annuities and the fields regarding the advance payment of life annuities. The foregoing with a view to using this data in the calculation of technical reserves performed by the Commission and thus verify or audit the amounts reported by insurance companies.

- General Standard No. 466, issued 3/28/2022. Addressed to Life Insurance Companies, Pension Fund Managers and Pension Advisers. Amends General Standard No. 218 of the Commission for the Financial Market and Title II, Book II of the Compendium of Rules of the Pensions Superintendency, which sets out instructions on the System of Consultation and Proposals of Pension Sums established in Article 61.bis of DL No. 3,500 of 1980. Joint regulation by the CMF and the Pensions Superintendency. The aim of the regulatory amendment is to include in the SCOMP a new clause for temporarily increasing the pension authorized by the CMF to be taken out with pension life annuities, which may be quoted and arranged by disability and old-age pension advisers. The regulatory amendment also includes a legal change to Article 82 of DL No. 3,500, in relation to the state guarantee benefit for the suspension of payments or winding-up resolution involving the insurance company, introduced by Law No. 21,419 of January 29, 2022, creating the Guaranteed Universal Pension. Furthermore, the regulatory change aims to refine and graphically present the information provided to advisers with the request for proposals, in relation to the characteristics of the different types of pensions and information on additional clauses that can be arranged in relation to a life annuity.

- General Standard No. 465 (amending General Standard No. 398), issued on 2/25/2022. Addressed to Pension Fund Managers and Life Insurance Companies that have obligations due to the arrangement of life annuity insurance and disability and survival insurance under DL 3,500 of 1980. Joint regulation by the CMF and the Pensions Superintendency. The main aim of the regulatory proposal is to extend the validity period of the 2014 provisional mortality tables, the validity of which ends on June 30, 2022, used to calculate programmed retirement, additional contributions to disability and survival pensions and the technical reserves that must be set up by companies offering life annuities and that participate in disability and survival pensions. The foregoing is attributable to the circumstances created by Covid-19. First, because the pandemic has affected the process of updating mortality tables, the original planning of which has been affected. And second, because of the need to assess the potential impact of the pandemic on medium and long-term mortality.

- General Standard No. 464, issued 1/31/2022. Addressed to all Insurers, Insurance Brokers, Banks, Payment Card Issuers, Mortgage Brokers and Cooperatives. Amends General Standard No. 460, determining the insurance that may be taken out pursuant to the provisions of Article No. 538.bis of the Code of Commerce. Includes insurance that can be taken out without ratification immediately or at the same time as other credit transactions, insurance considered in the Agricultural Sector Program with state subsidies that is normally taken out by farmers at the same time as credit transactions that allow them to partially finance the working capital required to perform their economic activity or partially finance investments in fixed assets

- General Standard No. 463, issued 1/5/2022. Addressed to all Insurers and Reinsurers. Amends General Standard No. 152 establishing rules about assets representative of technical reserves and risk equity. In particular, includes:
  - Bonds with no fixed maturity included in point 1.b.
  - Limit per instrument 7 of RT PR.
  - Limit per issue 30 of total bonds with no fixed maturity, for investment in bonds with no fixed maturity.

Year 2021

- Circular No. 2299, issued 11/05/2021. Addressed to Insurance Brokers who are not natural persons. Amends Circular No. 2137, setting out the standards on the method and content of insurance broker's financial statements when these are not natural persons. The main aim of the regulatory amendment is to render the requirement to report production in relation to pension advice offered by Insurance Brokers who are legal persons null and void, as these pension advisers are now supervised exclusively by the Pensions Superintendency.

- Circular No. 2298, issued 11/05/2021. Addressed to Insurance Brokers who are natural persons. Amends Circular No. 1652, establishing a uniform encrypted statistics file to report production brokered by insurance brokers (natural persons). The main aim of the regulatory amendment is to render the requirement to report production in relation to pension advice offered by Insurance Brokers who are natural persons null and void, as these pension advisers are now supervised exclusively by the Pensions Superintendency.

- General Standard No. 460, issued 8/13/2021. Addressed to all Insurers, Insurance Brokers, Banks, Payment Card Issuers, Mortgage Brokers and Cooperatives supervised by the Commission for the Finance Market. Applies to all financial providers. Determines the insurance that may be taken out pursuant to the provisions of Article No. 538.bis of the Code of Commerce. The aim of this regulatory proposal is to establish the insurance that can be taken out, in a single act or in combination, as part of the award, renegotiation or rescheduling of financial products or services, which seek to ensure payment of the debt to the lender or the protection of the pledged assets, pursuant to the provisions of Article 538.bis of the Code of Commerce, as well as regulating aspects in relation to the ratification of insurance other than the types indicated. This regulation implemented the legal provision in favor of strengthening the position of financial service users, in relation to the free arrangement of these insurance policies for them.

- Circular No. 459, issued 7/30/2021. Addressed to Pension Financial Consultancy Firms and Pension Financial Advisers. Joint regulation by the CMF and the Pensions Superintendency. Establishes the regulation in relation to Pension Financial Consultancy Firms and Pension Financial Advisers as provided for in Title XVII on Pension Advice, in DL No. 3,500 of 1980. The aim is to establish the regulations set out in Article 4 of Law No. 21,314, to regulate the provision of benefit financial advice services.

- General Standard No. 458, issued 7/30/2021. Addressed to all Insurers and Reinsurers. Amends General Standard No. 152 establishing rules about assets representative of technical reserves and risk equity. The main aim of the regulatory amendment is to implement the transitional provisions introduced in DFL N251 (Insurance Law) through Law No. 21,276, which refer to the capacity of the CMF to grant, temporarily, a more flexible regulatory framework for insurance companies in the context of the pandemic. The foregoing in relation to the minimum ratings of investments by insurance companies. The foregoing should make it possible for insurance companies to better face situations in which their investments are downgraded by making the requirements in relation to the limits of representative investments more flexible.

- Circular No. 2287, issued 3/1/2021. Addressed to Life Insurance Companies. The main aim of the regulatory change is to expand the options for annually sending a breakdown of the activities in the previous calendar year, including the email address indicated by the insured party.

- General Standard No. 455, issued June 2, 2021. Addressed to Life Insurance Companies, Pension Fund Managers and Pension Advisers. Amends General Standard No. 218 of the Commission for the Financial Market and Title II, Book II of the Compendium of Rules of the Pensions Superintendency, which sets out instructions on the System of Consultation and Proposals of Pension Sums established in Article 61.bis of DL No. 3,500 of 1980. Joint regulation by the CMF and the Pensions Superintendency. The main aim of the regulatory change is to regulate how SCOMP operates in cases in which an affiliated pensioner, who has taken scheduled retirement as described in the new Article 10 of Law No. 20,255, or their beneficiaries in case they have passed away while in this situation, wish to receive life annuity proposals. Furthermore, it takes the opportunity to address the simplification of other aspects of the Proposal Certificate with a view to making it easier to read and understand. The main aspect is in relation to requests to change the type of pension, when the Proposal Certificate shall only contain life annuity proposals, as this is the only type of pension to which the pensioner can switch during programmed retirement and, as a result, the Request for Proposals and the acceptance shall not contain the section on this modality. Furthermore, the cover letter of the Proposal Certificate is improved in terms of changes in modality, as is the risk classification information when there are no life annuity proposals.

3.2.8 Paraguay

Macroeconomic environment

In 2021, the Paraguayan economy experienced real GDP growth of 4.2% (-0.8% the previous year) as a result of the recovery of internal demand thanks to the reactivation of the economy following the measures implemented to combat Covid-19 (see Chart 3.2.8-a). This effect, however, is lower from the third quarter onward on account of the impact of the drought on electricity generation and the drop in agricultural activity. Unemployment affected 7.5% of the workforce in the country in 2021 (7.7% in 2020). As regards the fiscal balance, the progressive removal of the stimulus introduced in 2020 to alleviate the impact of the pandemic and the dynamism of the economic reactivation on tax collection have resulted in a reduction of the tax deficit from 6.1% of GDP in 2020 to 3.7% in 2021. Over the course of 2021, this deficit was mainly financed by placing debt on the national market; the central government's public debt reached 30.1% of GDP (29.7% in 2020), 87% of which corresponds to external debt.

The Central Bank of Paraguay decided to change its lax position in relation to monetary policy given the upturn in inflation seen since May 2021, increasing its monetary policy rate between August and December from 0.75% to 5.25%. Over the course of 2022, the central bank has hiked its interest rates to 8.25% as a result of the increase in prices triggered by the Russian invasion of Ukraine. In this sense, year-on-year inflation in December 2021 stood at 6.8% (average inflation of 1.8% in 2020), and in June 2022 came to 11.5%. Furthermore, the real exchange rate depreciated by 9.8% during 2021 (0.9% the previous year).

In terms of the outlook for 2022, MAPFRE Economics has estimated Paraguayan GDP growth of around 0.3%. In turn, ECLAC has put growth at 0.2%, given the slow recovery of the services and manufacturing industries and the slowdown in domestic and foreign demand.

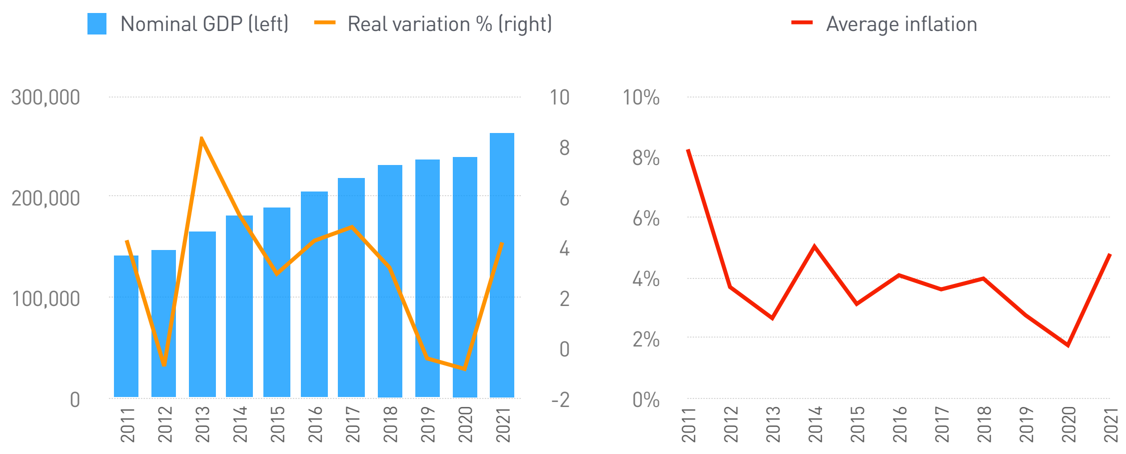
Insurance market

Growth

Premiums in the Paraguayan insurance market (annualized as of December of this year) amounted to 2.93 trillion guaranies (432 million US dollars) in 2021, representing nominal growth of 4.9% and real growth of 0.1% (see Chart 3.2.8-b and Table 3.2.8). Life insurance premiums, which made up 16% of the total market, grew 9.1% in nominal terms (4.1% in real terms) to 470.97 billion guaranies (70 million dollars), while Non-Life insurance premiums, accounting for the remaining 84%, grew 4.1% in nominal terms (-0.7% in real terms) to 2.46 trillion guaranies (362 million dollars). Almost all insurance modalities grew in nominal terms, with the exception of Miscellaneous Risks (-5.3%), Theft (-2.9%) and Third Party Liability (-2.7%). At the opposite end of the scale, the lines which saw most growth were Personal Accidents (30.3%) and Transport (24.1%).

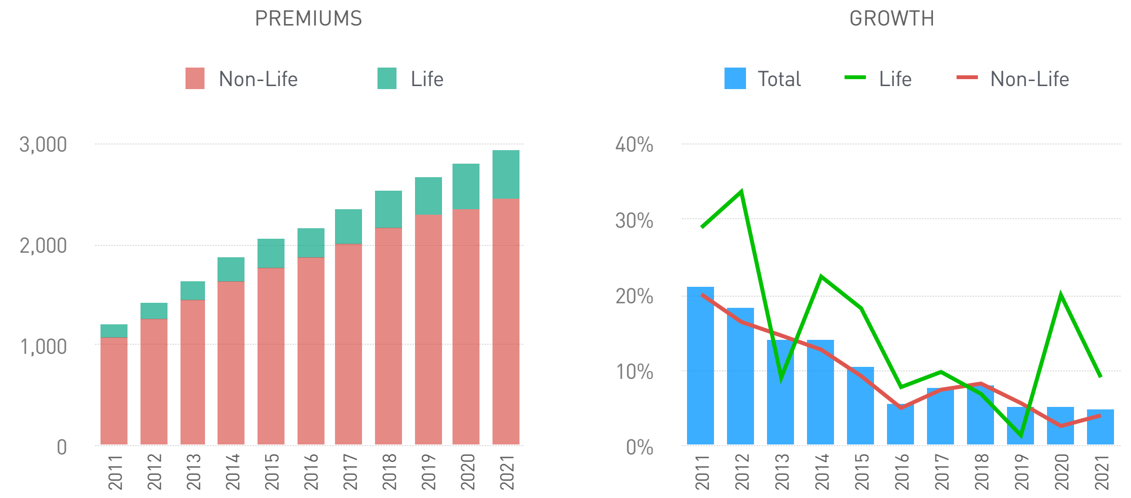
In turn, the share of the Paraguayan insurance industry in the Latin American insurance market is relatively small, accounting for just 0.3% of premiums, which has remained stable since 2014, a year in which it increased slightly from 0.2% in previous years (see Chart 3.2.8-c). The Life segment has maintained a share with a positive trend of around 0.1% during the 2011–2021 period, while Non-Life lines of business increased between 2011 and 2018, peaking in 2018 with a share of 0,5%, dropping back by 0.1 pp in 2019 before recovering in 2020 and ultimately falling back to a share of 0.4% in 2021.

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)

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)

Finally, the Non-Life insurance segment made a strong contribution of 3.5 pp to the 4.9% nominal growth recorded by the Paraguayan insurance industry in 2021, while the Life insurance segment only contributed 1.4 pp (see Chart 3.2.8-d).

Balance sheet and shareholders' equity

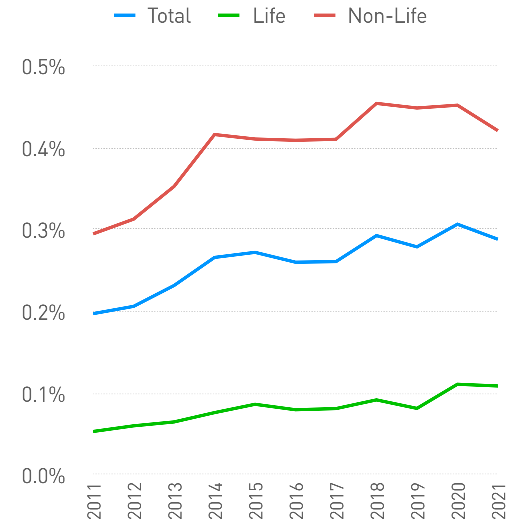
Chart 3.2.8-e shows the performance of the Paraguayan insurance industry's aggregate balance sheet over the past decade. This data shows that the industry's total assets in 2021 stood at 4.6 trillion guaranies (669

Table 3.2.8
Paraguay: Premium Volume[1] by Line, 2021

Line	Millions of guaranis	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**2,927,024.1**	**431.9**	**4.9**	**0.1**
Life	**470,968.7**	**69.5**	**9.1**	**4.1**
Non-Life	**2,456,055.4**	**362.4**	**4.1**	**-0.7**
Automobiles	1,257,931.9	185.6	3.5	-1.2
Other lines	215,411.6	31.8	3.3	-1.4
Fire	221,104.0	32.6	3.9	-0.8
Miscellaneous risks	241,992.3	35.7	-5.3	-9.6
Transport	148,595.5	21.9	24.1	18.5
Theft	63,146.4	9.3	-2.9	-7.3
Surety	117,479.8	17.3	4.4	-0.4
Third-Party Liability	92,848.6	13.7	-2.7	-7.1
Personal Accidents	97,545.3	14.4	30.3	24.3

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
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay and supervisory bodies of the region)

million dollars), while equity stood at 1.83 trillion guaranies (267 million dollars), 2.8 pp higher than in 2020. It should be noted that aggregate capitalization levels in the industry remained high throughout the period. In 2011, equity stood at 33.4% of total assets, a figure that has risen gradually to reach 40.5% in 2020 before dropping slightly in 2021 to 39.9%.

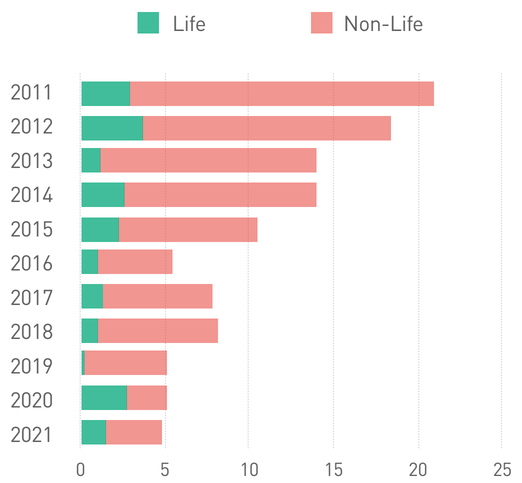
Investment and technical provisions

The performance of investments and technical provisions in the Paraguayan insurance industry between 2011 and 2021 is reflected in Charts 3.2.8-f and 3.2.8-g. As can be seen from this information, investments in 2021 came to 1.95 trillion guaranies (283 million dollars), up 6.1% on the figure recorded in 2020. Meanwhile, technical provisions in 2021 amounted to 1.88 trillion guaranies (273 million dollars), up 12.3% from the previous year. It should be noted, however, that in the case of both investment and technical provisions, it has not been possible to carry out a more detailed analysis of their composition with the data available.

Technical performance

Chart 3.2.8-h shows the technical result of the Paraguayan insurance industry (with data annualized as of December 2021). As can be seen from this information, the indicator fell year on year, although it re-

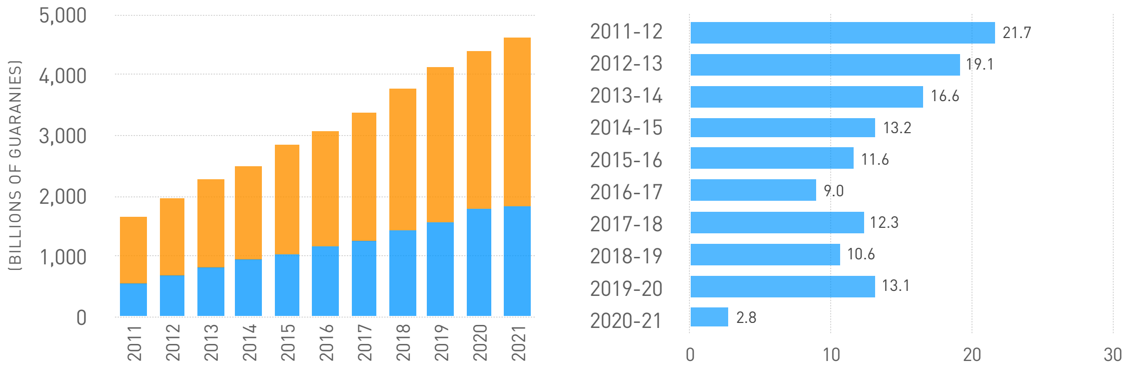
Chart 3.2.8-d
Paraguay: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	21.0	3.0	18.0
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

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)

mained positive. The total combined ratio recorded in 2021 was 96.4% (compared to 88.6% in 2020), which implied an improvement of 7.8 pp as a result of a slight increase in the loss ratio (+11.4 pp) and an improvement in the expense ratio (-3.7 pp). Thus, in 2021, the downward trend in the combined ratio seen between 2018 and 2020 was reversed.

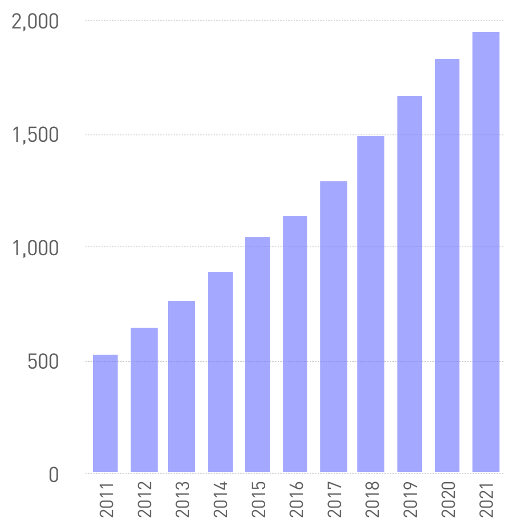
Results and profitability

In December 2021, the net result from the Paraguayan insurance business came to 220.82 billion guaranies (32.6 million dollars), down by 40.2% year on year on account of the decrease in the technical result and lower financial results. Turning to profitability, the industry achieved return on equity (ROE) of 12.2% in 2021, down 9.8 pp on 2020. In a similar vein, return on assets (ROA) amounted to 4.9% in 2021, down by 3.8 pp from the value reported the previous year (see Chart 3.2.8-i).

Insurance penetration, density and depth

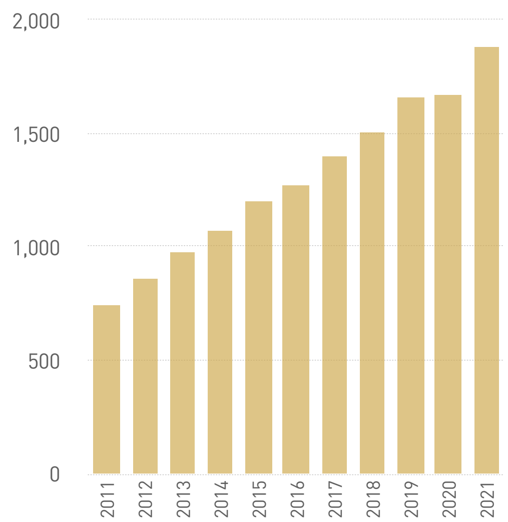
Chart 3.2.8-j shows the main structural trends shaping the development of the Paraguayan insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) stood at 1.1% in 2021, meaning that this figure has remained virtually unchanged since 2015. As reflected in previous versions of the report, the penetration index for the Paraguayan market grew steadily between 2011 and 2015, to then stabilize after that year, lagging behind the aver-

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)



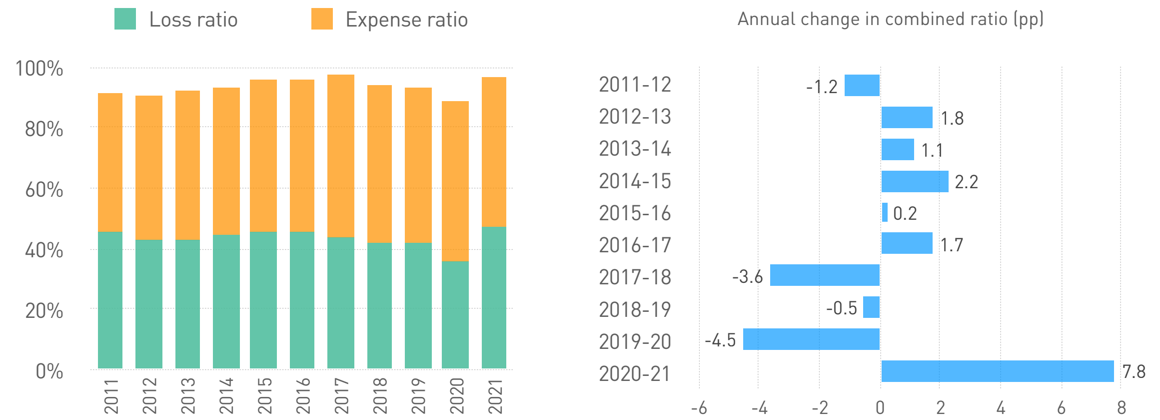
Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

age absolute values of the other insurance markets in the region throughout the decade. Insurance density in Paraguay (premiums per capita) came to 436,622 guaranies (64 dollars), up 3.5% on the level reached in 2020. There was a growing trend in density (measured in local currency) over the period under analysis, registering cumulative growth of 110.5% between 2011 and 2021. Lastly, insurance depth in the Paraguayan market (Life insurance premiums in relation to total premiums) came to 16.1%, up 5.2 pp from 2011 and 0.6 pp more than in 2020. It is worth noting 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

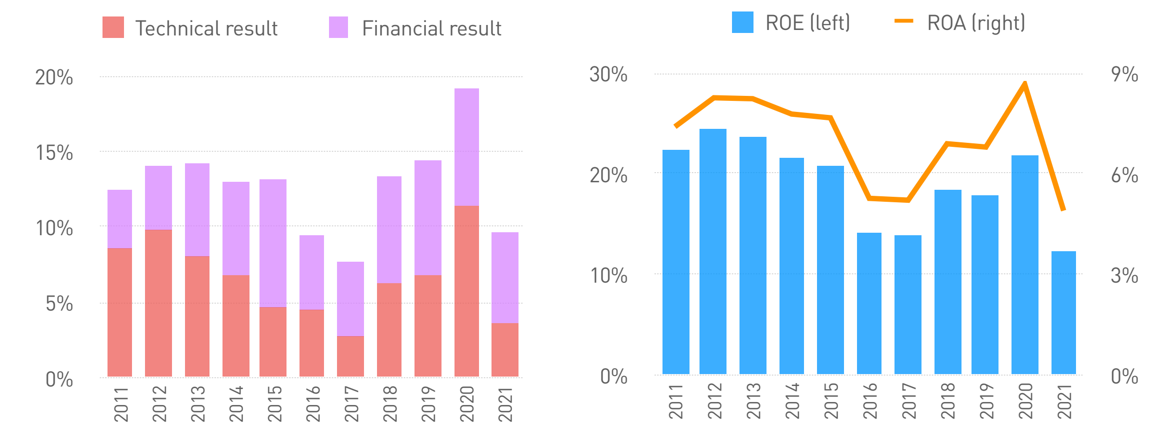
Chart 3.2.8-k shows an estimate of the IPG for the Paraguayan insurance market between 2011 and 2021. The insurance gap in 2021 amounted to 18.08 trillion guaranies, 6.2 times the size of the Paraguayan insurance market at the end of that year, with an increase in both Non-Life and Life insurance. As in other insurance markets in the region, the structure and performance of the insurance gap over the period under analysis are largely attributable to the Life insurance segment. At year-end 2021, 59.3% of the IPG was related to Life insurance (10.73 trillion guaranies), 4.8 pp less than the share recorded for this segment in

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)

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)

2011. The remaining 40.7% of the insurance gap was related to the Non-Life insurance segment (7.35 trillion guaranies). As such, the potential insurance market in Paraguay at the close of 2021 (the sum of the actual insurance market plus the IPG) was estimated at 21.01 trillion guaranies, 7.2 times the size of the total insurance market that year (see Chart 3.2.8-l).

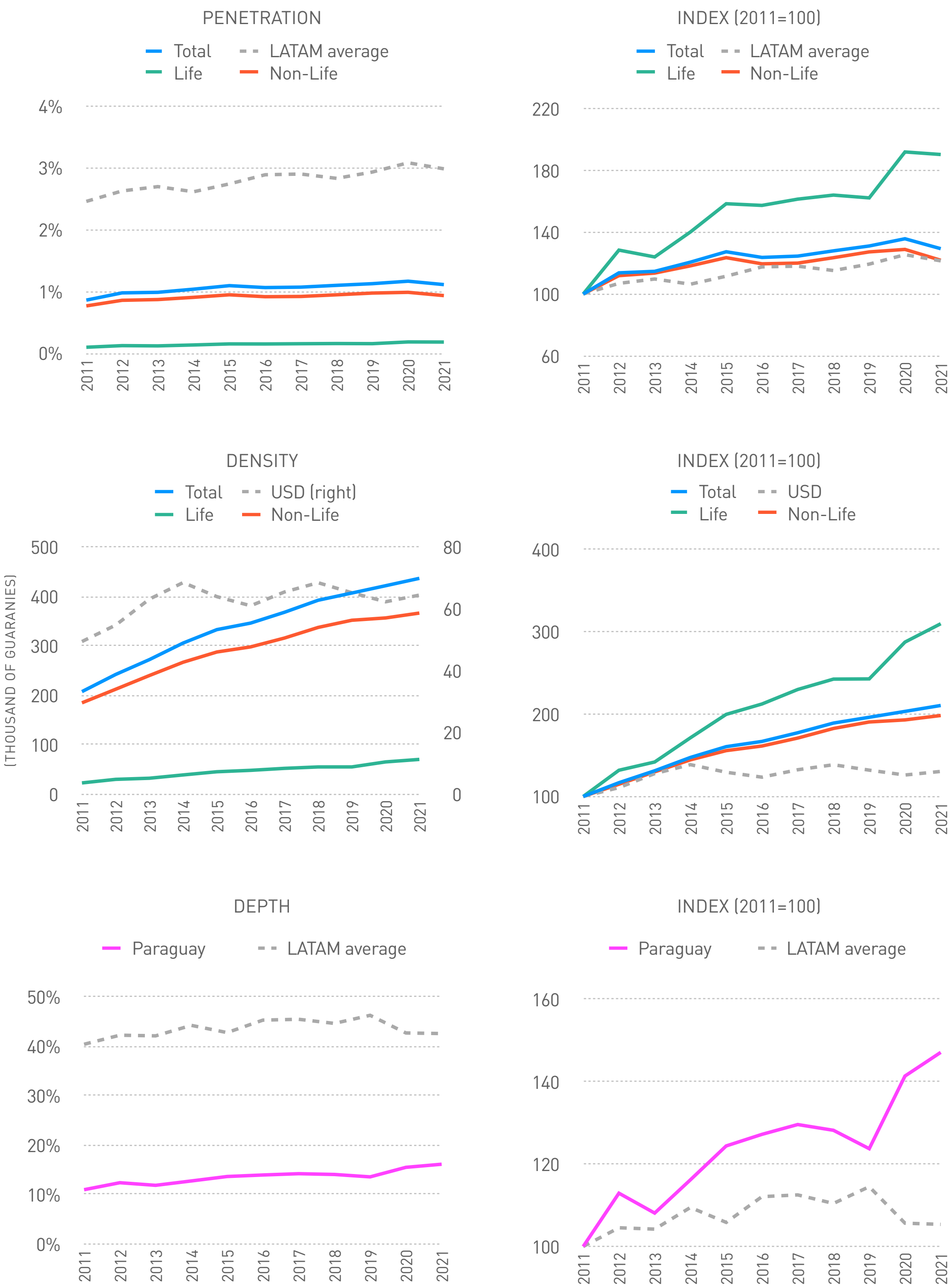
Charts 3.2.8-m and 3.2.8-n show an estimate of the insurance gap as a multiple of the actual insurance market in Paraguay. As can be seen, the IPG as a multiple of the market showed a downward trend between 2011 and 2021 both for the Life insurance segment (falling from 49.9 to 22.8 times) and to a much smaller extent for the Non-Life insurance segment (from 3.4 to 3.0 times). However, it is worth mentioning that this downward trend has slowed since 2017, and in 2021, there was a 0.4 pp increase compared to the previous year.

Chart 3.2.8-o reflects the update of the Paraguayan insurance market's capacity to close the insurance gap determined in 2021, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the IPG over the coming decade. This analysis shows that the Paraguayan insurance market recorded an average annual growth rate of 9.2% over the 2011–2021 period, underpinned by an annual growth rate of 13.5% in the Life insurance segment and an average annual growth rate of 8.6% in the Non-Life insurance segment. Were the growth rate seen over the last decade to continue over the next ten years, the growth rate of the Paraguayan insurance market would fall 6.3 pp short of closing the gap in the Non-Life insurance segment, and 23.8 pp short in the Life insurance segment. It should be noted that this shortfall in growth has grown year on year.

Market Development Index (MDI)

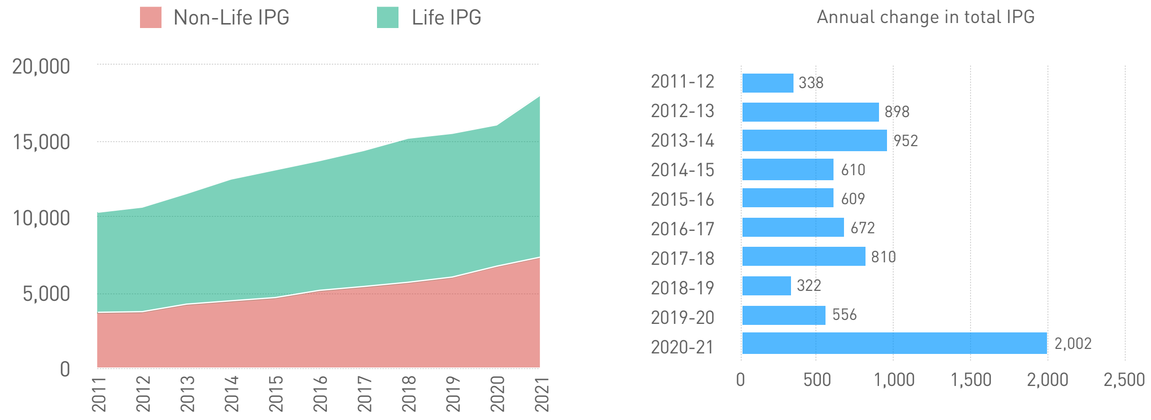
The updated Market Development Index (MDI) estimate for the Paraguayan insurance industry in 2005–2021 is reflected in Chart 3.2.8-p. As indicated previously, the MDI is used as an indicator for monitoring the maturity of the markets analyzed. In the case of the Paraguayan market, the indicator was positive until 2020 on account of a slight downturn in 2021, generally above the average seen by Latin American insurance markets.

Chart 3.2.8-j
Paraguay: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, guaranies and USD; Life premiums/total premiums, %, 2011 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-k
Paraguay: Insurance Protection Gap
(billions of guaranies)



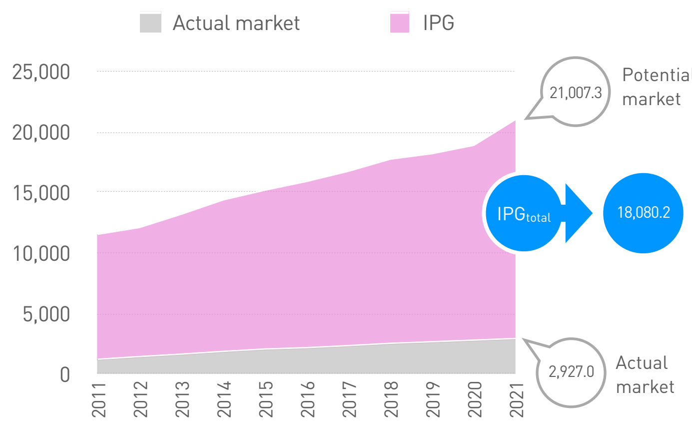
Source: MAPFRE Economics

Comparative analysis of structural coefficients

Chart 3.2.8-q shows the Paraguayan insurance market's situation in comparison with the average for Latin America, measured in terms of the four structural indicators analyzed: penetration, density, depth and MDI. As can be seen, the indicators for the Paraguayan insurance market fall well below the regional average, with the exception of the MDI, which exceeded the regional market average in 2021.

Furthermore, the dispersion analysis used to determine the development of the country's insurance market demonstrates that, during the 2011–2021 period, the Paraguayan insurance sector has been relatively balanced in its development, with slight improvements in penetration (quantity) and depth (quality), with the exception of the slight downturn between 2015 and 2019.

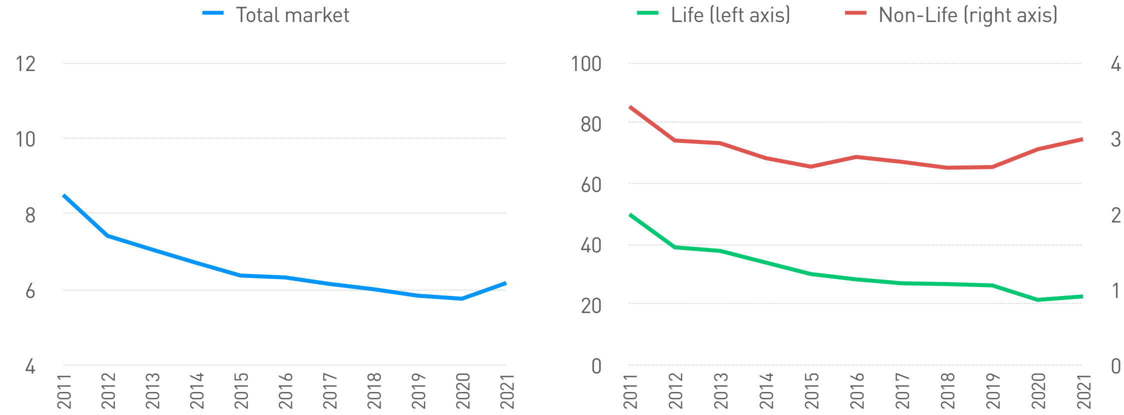
Chart 3.2.8-l
Paraguay: Insurance Protection Gap and Potential Market
(billions of guaranies)



Change	Actual market	IPG
2021-2011	141.5%	75.3%
2021-2020	4.9%	12.4%

Source: MAPFRE Economics

Chart 3.2.8-m
Paraguay: IPG as a Multiple of the Actual Market
(number of times the size of the actual insurance market)



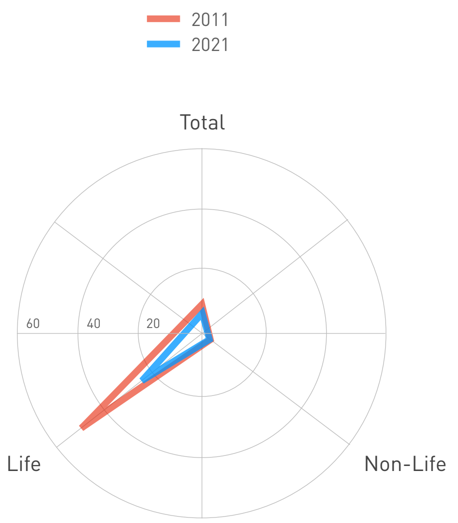
Source: MAPFRE Economics

Insurance market rankings

Total ranking

There were 34 insurance companies operating in the Paraguayan market in 2021; 21 authorized to offer property insurance and 13 operating in Life and property insurance. As can be seen in Chart 3.2.8-r, the industry is not highly concentrated. The Herfindahl index dropped in 2021, reaching 672.9 points compared to 729.6 in 2020, still below the moderate concentration threshold. In terms of the CR5 index, the top five companies held 46.7% of total premiums in 2021, down 3 pp on 2020, with a drop of 6.9 pp in the Life segment and 1.7 pp in the Non-Life segment.

Chart 3.2.8-n
Paraguay: Change in IPG
as a Multiple of the Actual Market



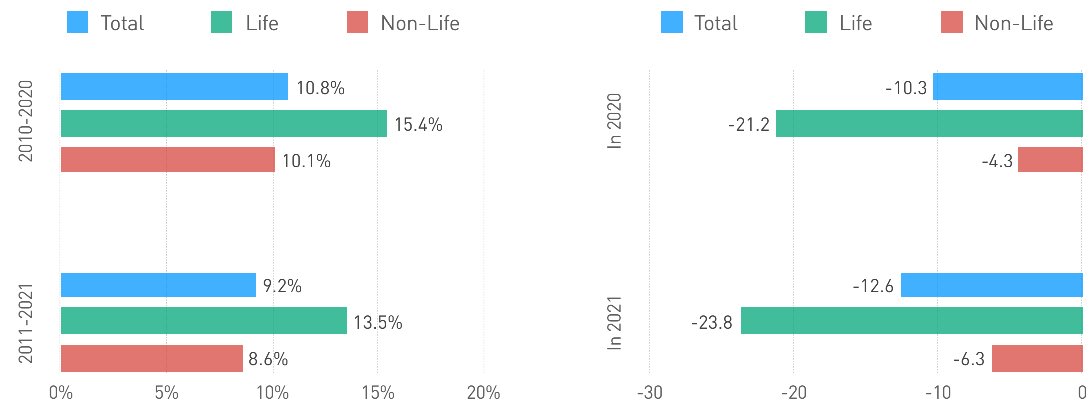
Source: MAPFRE Economics

Turning our attention to the 2021 total ranking of insurance groups in the Paraguayan market, MAPFRE was still topping the table, with a market share of 16.2%. It was followed some way behind by Aseguradora del Este (10.4%), La Consolidada (8.0%) and Aseguradora Yacyreta (6.1%). In turn, Aseguradora Tajy moved past Patria into fifth, with the latter dropping to sixth. The following positions remain unchanged, with the exception of Aseguradora Paraguaya moving up from eleventh to tenth (see Chart 3.2.8-s).

Life and Non-Life rankings

The ranking of the Non-Life insurance segment in 2021 continues to be topped by MAPFRE, with a market share of 18.5% of premiums, with just one change compared to the 2020 ranking: Patria moves up one place, into sixth, while Sancor moves down from sixth to seventh. As regards the Life insurance ranking in 2021, it continues to be

Chart 3.2.8-o
Paraguay: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



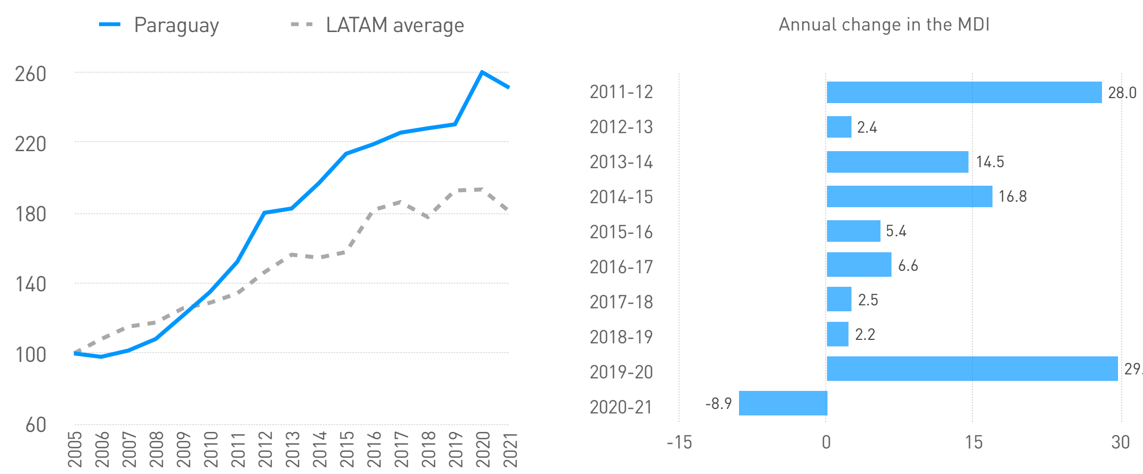
Source: MAPFRE Economics

topped by Aseguradora del Este, which accounts for 15.9% of premiums. Worth note is the impressive performance of Itaú, up from thirteenth to sixth, following the acquisition of 100% of shares in Providencia Seguros (see Chart 3.2.8-t).

Key regulatory aspects

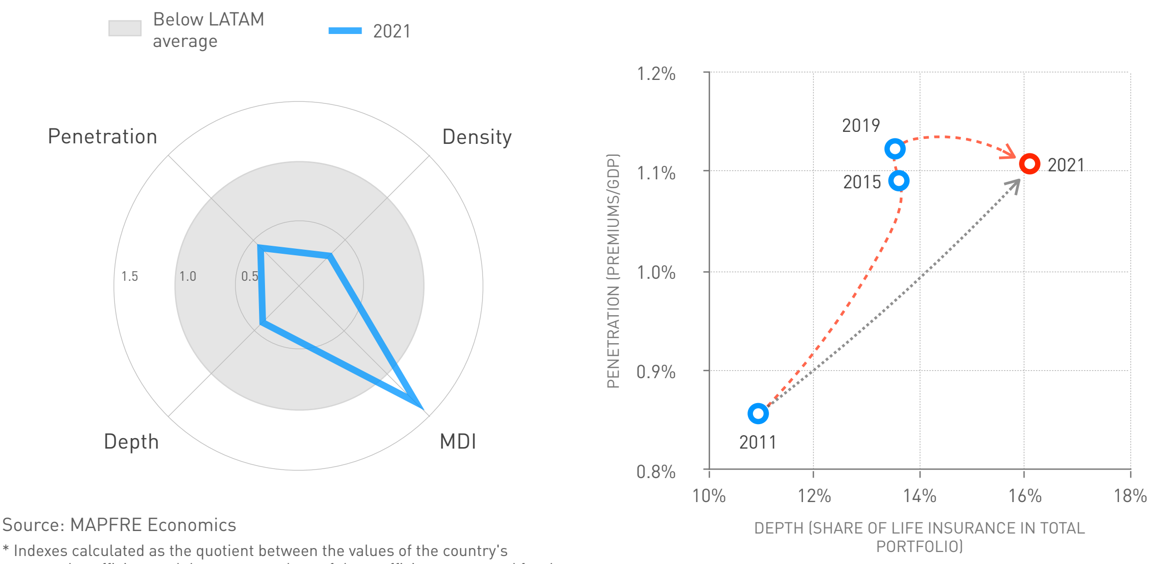
During 2021, the Insurance Superintendency focused on establishing standards on increased information requirements from supervised companies, in addition to access requirements to be fulfilled by companies who wish to perform activities that are supervised by the Superintendency. Furthermore, it improved the instruction for the online registration and renewal of insurance agent licenses (covering both agents and brokers) and claim settlers. The aim of this was to provide modern methods in the process of filing documents

Chart 3.2.8-p
Paraguay: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.8-q
Paraguay: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)



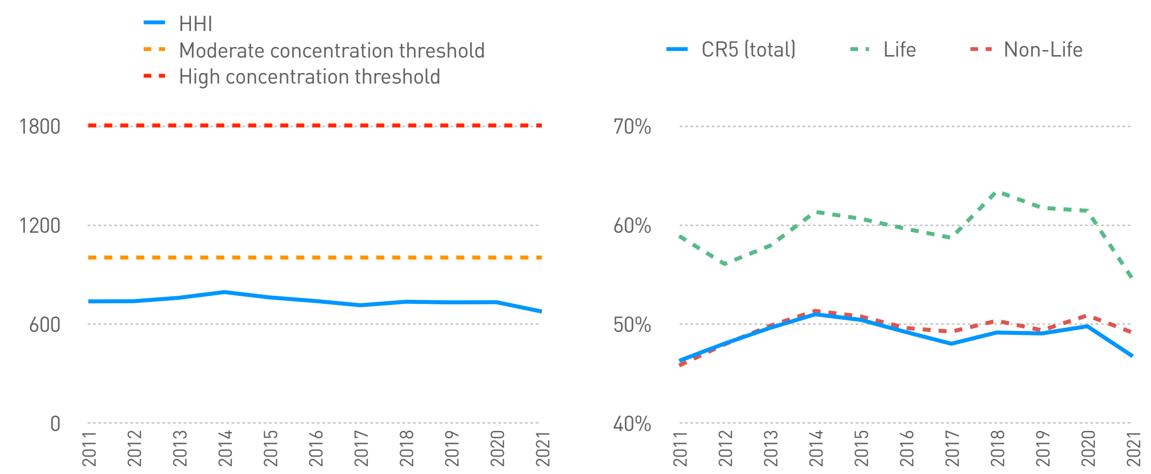
Source: MAPFRE Economics

* 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.

for the registration and renewal of licenses, speeding up administrative processes undertaken by interested parties.

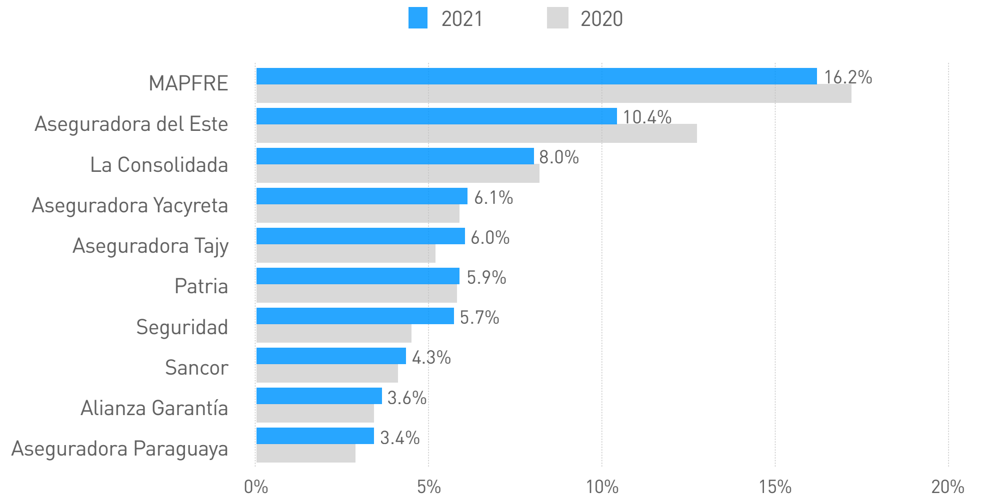
As part of its efforts to combat money laundering, the Superintendency increased relevant information requirements in relation to Anti-Money Laundering and Counter Terrorist Financing (AML-CTF), with a view to identifying policyholders or insured parties who are considered Politically Exposed Persons (PEPs), the geographic area, payment methods used, etc.

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)

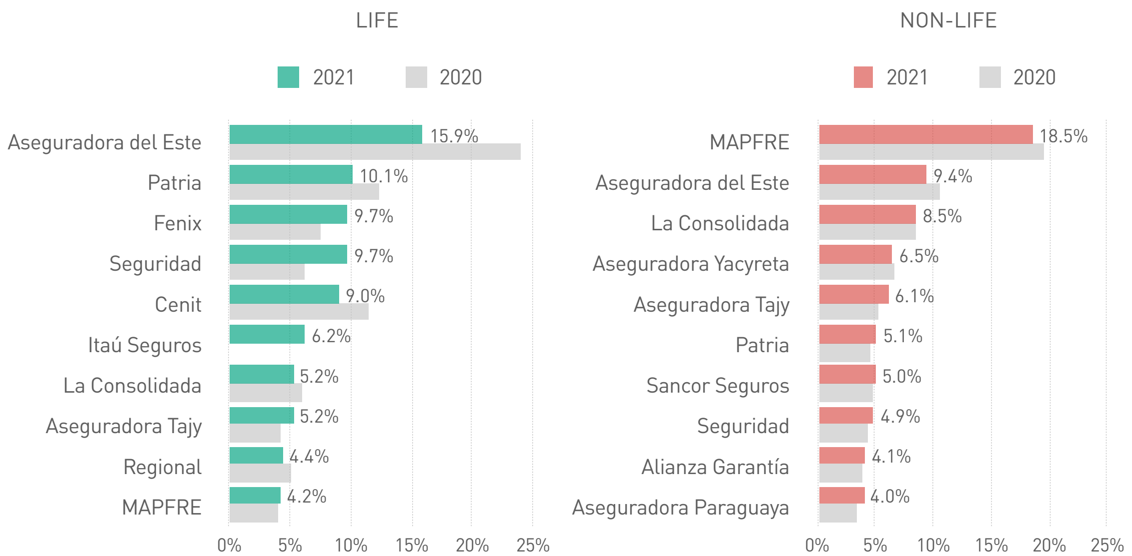
Chart 3.2.8-s
Paraguay: Total Ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Furthermore, regulations were issued establishing the access requirements for granting operating authorization required by the organizer of a new company, mainly in relation to technical suitability and knowledge. Finally, the Board of Directors at the Central Bank of Paraguay issued the "Regulation Establishing Minimum Standards for Good Corporate Governance," to be applied from January 1, 2023, to all companies in the Paraguayan financial system, including insurance companies. However, this application must comply with the timelines and application guides issued by

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)

the Insurance Superintendency and the Banks Superintendency for their supervised companies.

Summarizing the regulatory activities undertaken in the Paraguayan insurance market, below are details of the main regulations issued by the Insurance Superintendency:

- RES.N°016.ACTA. No. 04 of 1/20/2022. Regulation establishing Minimum Standards for Good Corporate Governance The international standard of insurance supervision in relation to Corporate Governance issued by the IAIS (PS No. 7) recommends that the supervisory authority establish specific rules in this matter to guarantee health and prudent management and control of the insurance company.

- RES.SS.SG. No. 232/2021 of 12/30/2021. Expansion of the Data Provision Regime for the Superintendency of Insurance Information Point. The need to expand the data required from insurance companies that contributes to the development of a LAFT risk matrix system to enhance the supervision of the insurance industry.

- RES.SS.SG. No. 231/2021 of 12/29/2021. Amendment of Resolution SS.SG. No. 217/2018 of F/9/24/2018, Regulation on the opening of new insurers and reinsurers. The specification of access requirements for granting operating authorization in relation to technical suitability and knowledge required by the organizer of the new company.

- RES.SS.SG. No. 211/2021 of 11/23/2021. Amendment of Article 4 of Annex I to Resolution No. 14/96 of June 21, 1996, Regulation on insurance agents and claims settlers and Resolution SS.GG. No. 126/21 of July 2, 2021. Approves the instruction for the online registration and renewal of insurance agent licenses (covering both agents and brokers) and claim settlers. Determination of the documents to be submitted by legal persons who wish to operate as insurance brokers or claims settlers.

- RES.SS.SG. No. 179/2021 of 10/18/2021. Amendment of Resolution SS.SG. No. 244/2020 of f/10/5/2020, Rules for underwriting, acquiring or transferring shares, incompatibility to be a shareholder or occupy posts at supervised companies. The incompatibility for insurance companies to be shareholders in other insurance companies, as provided for in the Insurance Law, and granting a reasonable period for managed entities to resolve operational and/or administrative issues.

- RES.SS.SG. No. 126/2021 of 7/2/2021. Approves the instruction for the online registration and renewal of insurance agent licenses (covering both agents and brokers) and claim settlers. The need to provide modern methods as part of the process of submitting documents for the registration and renewal of insurance agents and claims settlers, with a view to speeding up the administrative formalities undertaken by managed entities.

3.2.9 Argentina

Macroeconomic environment

The Argentine economy grew by 10.2% in 2021 following three consecutive years of contractions (-9.9% in 2020), thanks to the improved health situation and progress with vaccination campaigns, making it possible to relax the restrictions imposed and the invigoration of domestic and foreign demand (see Chart 3.2.9-a). This dynamic was offset by growth in the import of goods and services, which saw the commercial balance of trade surplus decrease and maintain the deficit in the service sector, in particular on account of the negative context for the tourism industry in light of the continued restrictions on cross-border mobility. However, there was a surplus of 1.4% of GDP in 2021 in relation to the balance of payments current account, above the 0.8% recorded in 2020. This can be attributed to the reduced revenue deficit on account of the reduced burden of interest on public debt as a result of the restructuring performed in the second half of 2020. The Argentine government amended the policies for assisting the industries most affected by the pandemic, to place as greater focus on this. At year-end 2021, the gross debt of the central administration stood at 80.6% of GDP (compared to 103.8% in 2020).

In turn, the monetary policy pursued by the Central Bank of the Argentine Republic in 2021 remained expansive, leaving its monetary policy interest rates unchanged at 38.0%. During the same period, the central bank provided financial assistance to the National Treasury to address the costs arising on the expansion of fiscal measures adopted mainly via the transfer of profits and, at the end of 2021, the monetary base registered an increase of 47.9% year on year in nominal terms. The year-on-year inflation rate in December 2021 stood at 51.4% (average inflation of 48.4% in 2020), and the exchange rate of the Argentine peso experienced average depreciation of 21.5% to the dollar (45.4% in 2020) despite the net purchases of foreign currency made by the central bank and the maintenance of restrictions on the purchase of freely available foreign currencies. Year-on-year inflation in August 2022 stood at 78.5%, and the central bank increased its monetary policy interest rate to 75% on account of the inflationary environment abroad, exacerbated by the impact of the Russian invasion of Ukraine.

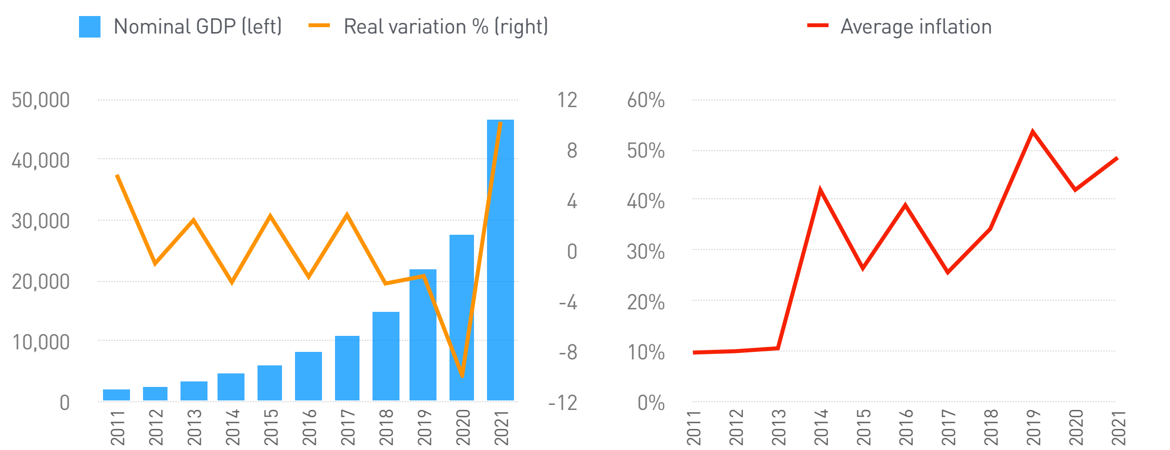
Looking to 2022, MAPFRE Economics has forecast Argentine GDP growth of around 2.8%, while ECLAC estimates growth of 3.5% thanks to private consumption, investment and exports, and insofar as the sectors most affected by the pandemic can resume all their activities, international demand remains and there are no further restrictions on mobility associated with the pandemic.

Insurance market

Growth

Premium volume in the Argentine insurance market in 2021 (annualized as of December 2021) amounted to 1.26 trillion pesos (13.25 billion dollars), up by 50.6% in nominal terms and 1.5% in real terms when compared to the same period of the previous year, with similar increases in both market segments (see Chart 3.2.9-b

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) and Table 3.2.9). Life insurance premiums, which account for 12.5% of the total market, grew by 49.8% in nominal terms (0.9% in real terms) to reach 157.83 billion pesos (1.66 billion US dollars). All modalities experienced nominal increases, led by group Life insurance, with only individual Life insurance dropping in real terms (-4.6%). Non-Life insurance premiums, which account for 87.5% of the market, grew 50.8% in nominal terms (1.6% in real terms) to 1.1 trillion pesos (11.59 billion dollars). All lines experienced positive growth in nominal terms; in real terms, Health (-6.2%), Workplace Accidents (-5.6%) and Other lines (-2.1%) were all down. In contrast, the lines that experienced the biggest growth were Agriculture (72.1%), Credit and Surety (64.3%) and Transport (60.1%).

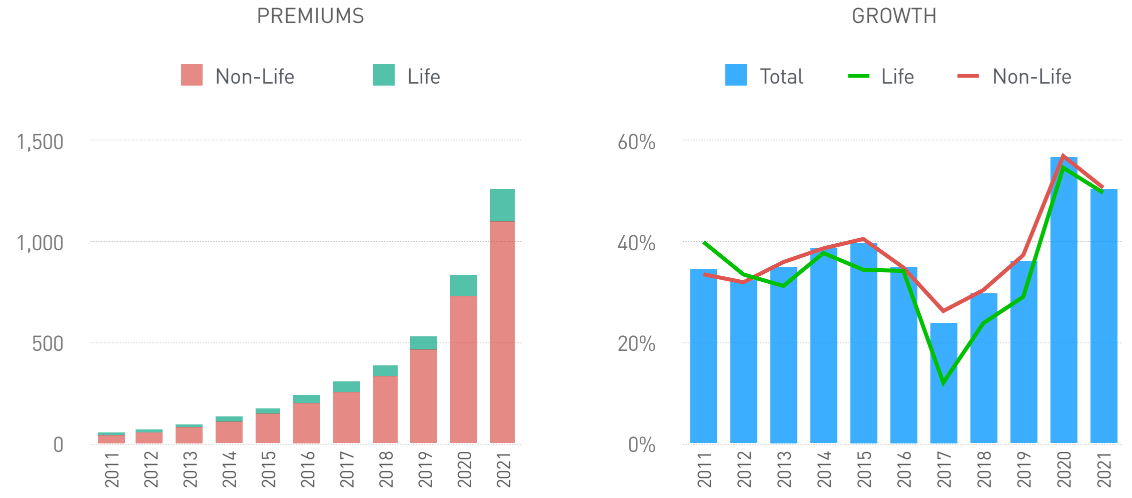
The share of Argentine insurance in the Latin American insurance market increased to 8.8% in 2021, with Non-Life enjoying a higher share (13.5%) than Life (2.6%). The market share of the Argentine insurance industry grew up until 2015, when it peaked, accounting for 13.4% of total premiums and 19.8% of Non-Life premiums; since then, its share has dropped (see Chart 3.2.9-c).

As regards the 50.6% nominal growth in the Argentine insurance market in 2021, Non-Life made the largest contribution with 44.4 pp, while 6.3 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 dynamic of the Argentine market.

Balance sheet and shareholders' equity

When analyzing the performance of the aggregate balance sheet of the Argentine insurance industry between 2011 and 2021, as presented in Chart 3.2.9-e, it can be seen that assets came to 2.36 trillion pesos (22.97 billion dollars) at year-end 2021, up 39.2% year on year, while equity stood at 675.22 billion pesos (6.57 billion dollars), up 40.0 pp year on year. Aggregate capitalization levels within the Argentine insurance industry (measured over total assets) stood at around 20% between 2011 and

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, 2021

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**1,260,181.6**	**13,250.8**	**50.6**	**1.5**
Life	**157,830.3**	**1,659.6**	**49.8**	**0.9**
Group Life	95,782.1	1,007.1	53.6	3.5
Individual Life	45,217.3	475.5	41.6	-4.6
Retirement	16,830.9	177.0	51.7	2.2
Non-Life	**1,102,351.3**	**11,591.2**	**50.8**	**1.6**
Automobiles	491,386.6	5,166.9	54.7	4.3
Other lines	63,110.6	663.6	45.4	-2.1
Fire	69,607.4	731.9	51.5	2.1
Combined Family	65,751.7	691.4	56.7	5.6
Agricultural insurance	35,889.8	377.4	72.1	16.0
Personal Accidents	24,900.4	261.8	51.2	1.9
Third-Party Liability	26,148.6	275.0	58.1	6.5
Transport	20,956.4	220.4	60.1	7.9
Credit and Surety	20,655.0	217.2	64.3	10.7
Health	2,548.7	26.8	39.2	-6.2
Workplace accidents	281,396.3	2,958.9	40.0	-5.6

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
1/ Premiums and surcharges issued

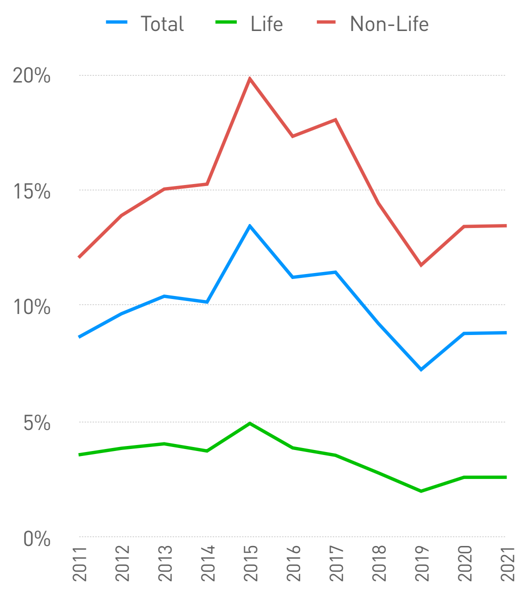
2019, the highest value being in 2021 with 28.6% over total assets.

It should be noted that in the previous version of this report, we warned about the extraordinary increase in aggregate equity in the Argentine insurance industry, as a result of the additional provisions established by the Superintendency of Insurance, meaning that the balance sheets of insurance companies and reinsurance companies, at the end of 2020, had to restate the different items in uniform currency (adjusted for inflation). In 2021, there was no such distortion as all balance sheet items were expressed following the same criteria.

Investments

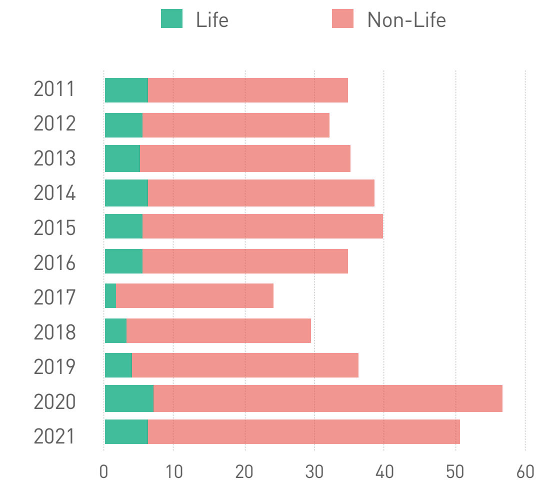
Charts 3.2.9-f, 3.2.9-g and 3.2.9-h show the performance, structure and composition of the aggregate investment portfolio of the Argentine insurance industry at the sector level between 2011 and 2021. In the latter

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)

Chart 3.2.9-d
Argentina: Contribution to Insurance Market Growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2011	34.6	6.4	28.2
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

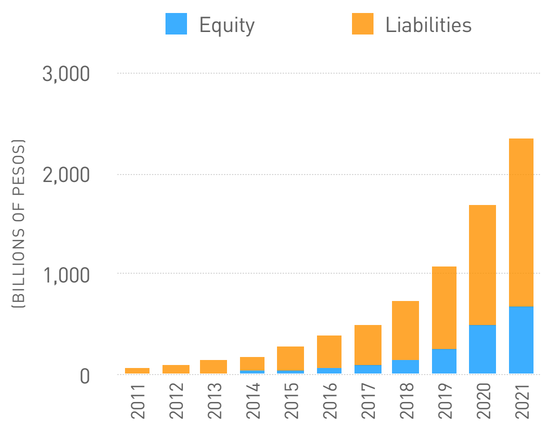
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

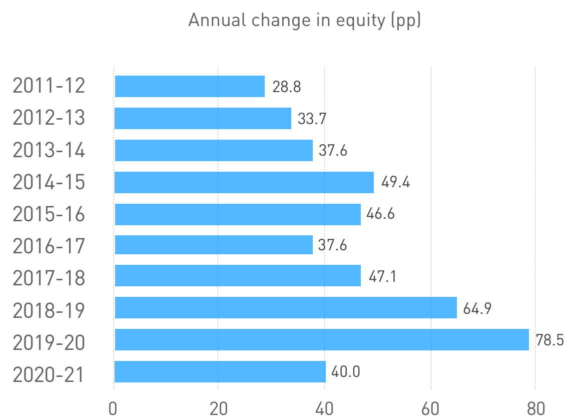
year, investment totaled 1.81 trillion pesos (17.66 billion dollars), concentrated in fixed income (52.4%), mutual funds (30.5%), and, to a significantly lesser extent, equity instruments (9.7%). Particularly noteworthy in the aggregate investment portfolio analysis is the gradual increase in amounts managed through mutual funds, which increased in relative values from 2011, growing from 12.2% of total investments in that year to 30.5% by the end of 2021.

Technical provisions

Charts 3.2.9-i, 3.2.9-j, and 3.2.9-k show the relative composition and performance of the Argentine insurance industry's technical provisions during the 2011-2021 period.

Chart 3.2.9-e
Argentina: Changes in the Insurance Industry's Aggregate Balance Sheet
(amounts in local currency; change in equity, percentage points)





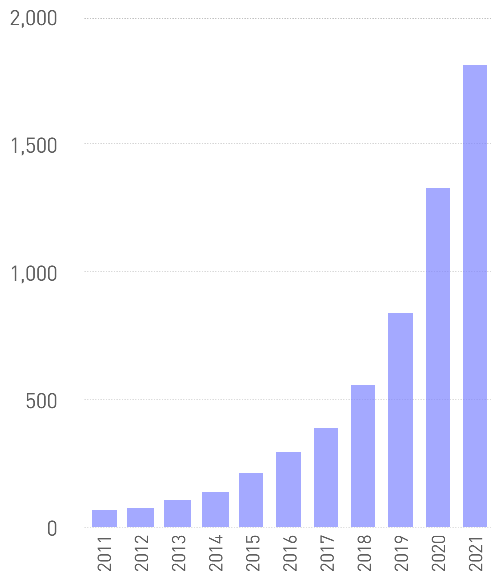
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

As can be seen, technical provisions amounted to 1.33 trillion pesos (12.92 billion dollars) in 2021. Of this total, 33.5% related to Life insurance, 11.8% to provisions for unearned premiums and outstanding risks in Non-Life insurance and the remaining 54.7% to provisions for outstanding claims. Over the period analyzed, there was a gradual reduction in the weight of provisions for Life insurance, which fell from representing 41.7% of total provisions in 2011 to 33.5% in 2021. This confirms, as mentioned in previous versions of the report, the relative loss in the weight of this insurance segment within the structure of the Argentine market.

Technical performance

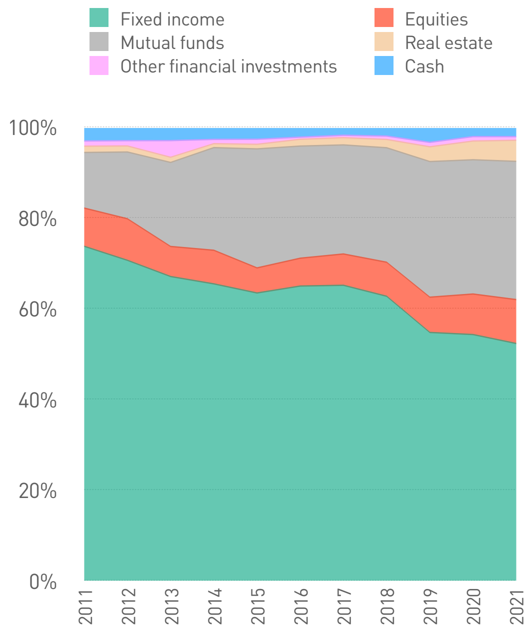
The total combined ratio of the Argentine insurance market performed positively once again in 2021, standing at 90.8%, the same as in 2020, as a result of the improvement in the loss ratio, which fell by 1.2 pp, and the deterioration in the expense ratio of -1.2 pp. As Chart 3.2.9-l shows, the technical result for the insurance business in Argentina was positive for the second year in a row. As explained in last year's report, this can be attributed to the restatement of the various items in insurance companies' financial statements in uniform currency (adjusted for inflation). Upon adjusting for inflation, various items need to be restated in accordance with the Consumer Price Index as at their date of origin, so the adjustments applied to premiums exceed the costs. It is worth considering that the production cycle in the insurance industry is inverted, with revenue (premiums) being generated first and then costs (loss ratio and expenses), and companies are obligated to constitute the technical reserves necessary to fulfill the commitments taken on. As a result, depending on the adjustment, an increase in items under accrued premiums can be higher than accrued claims and adjusted expenses,

Chart 3.2.9-f
Argentina: Insurance Market Investments
(billions of pesos)



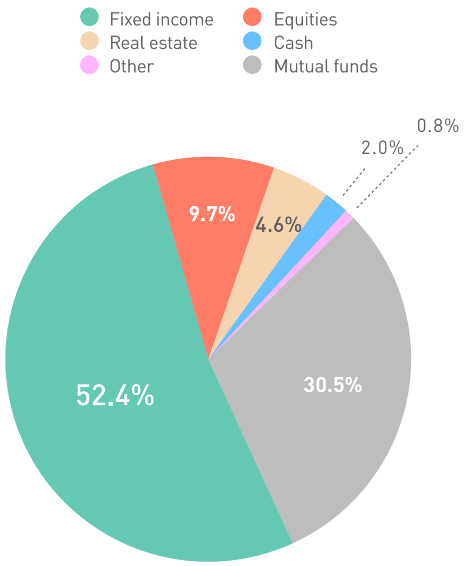
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

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, 2021
(%)



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

thereby boosting the technical result. The changes introduced by the Superintendency of Insurance as regards the calculation of the technical reserve due to the insufficiency of premiums (Resolution 147/2020) also had an impact, as the values had to be expressed in a uniform currency, resulting in a drop in the value of the reserve or the need to constitute one[20].

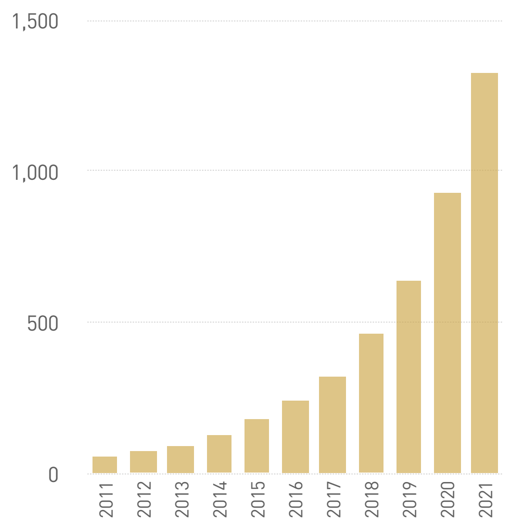
Results and profitability

The Argentine insurance industry ended 2021 in the red. The net result from the insurance business (with annualized data as of December 2021) was -55.55 billion pesos (-584 million dollars), as a result of the positive technical result and negative financial result. In terms of profitability, this was negative in 2021: return on equity (ROE) stood at -9.6%, down by 19.6 pp from 2020. Meanwhile, return on assets (ROA) reached -2.7%, down by 5.5 pp compared to the value reported in 2020 (see Chart 3.2.9-m).

Insurance penetration, density and depth

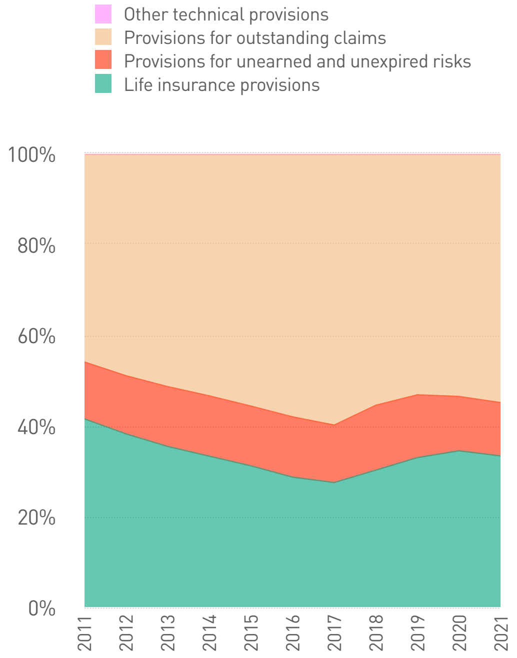
Chart 3.2.9-n shows the main structural trends shaping the development of the Argentine insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) stood at 2.7% in 2021, down 0.3 pp from the previous year. The indicator expanded until 2015, and from 2016 onward it has shown a clear downward trend, which reversed in 2020 driven by the drop in GDP and nominal premium growth, before dropping again in 2021. Insurance density (premiums per capita) reached 27,833 pesos (293 dollars), 49.8% higher than the value observed in 2020. Density therefore followed an upward trend over the course of the last decade, although its measurement in local currency was influenced by the hyperinflationary environment affecting this market. When measured in dollars, density has been more stable overall and dropped since 2018. Turning our attention to depth (Life insurance premiums to total premiums), the indicator for 2021 came to 12.5%, 4.1 percentage points

Chart 3.2.9-i
Argentina: Technical Provisions of the Insurance Market
(billions of pesos)



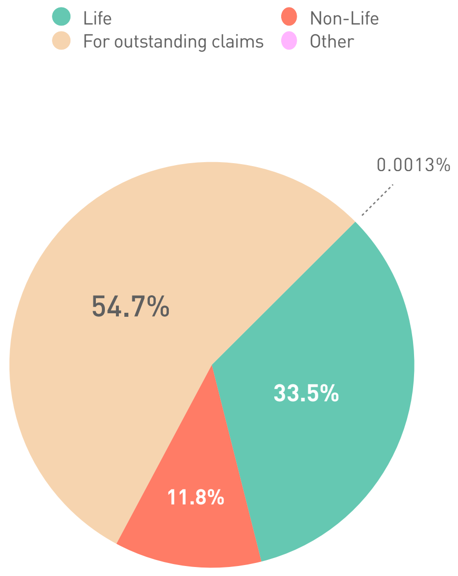
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

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, 2021
(%)



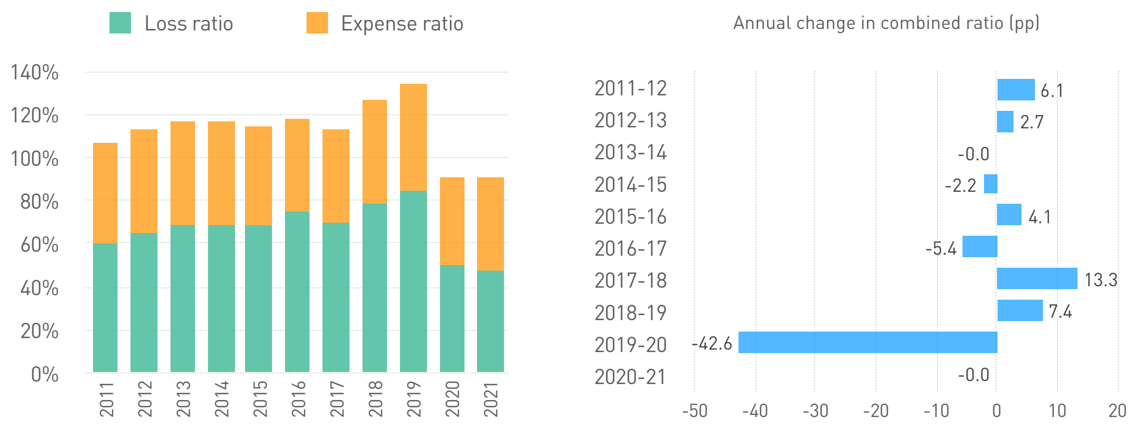
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

below the value observed in 2011. 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

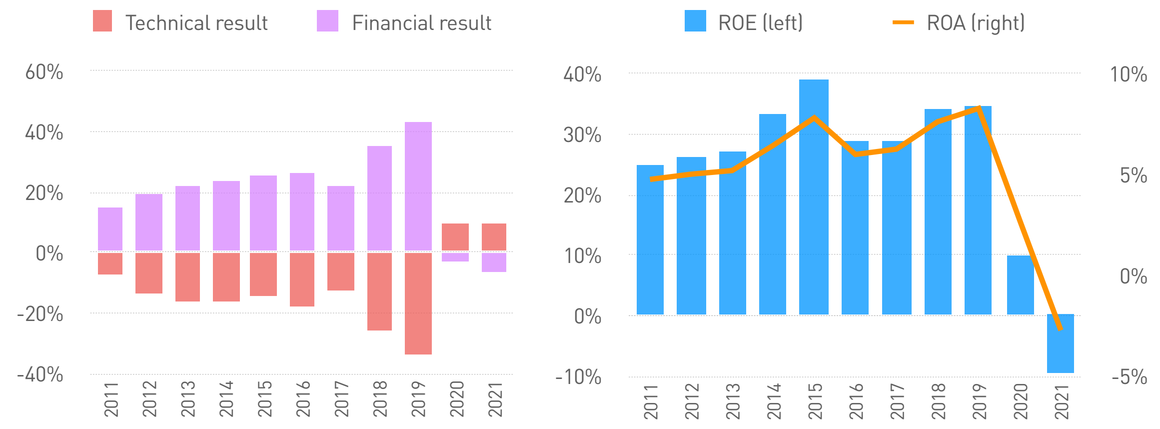
Chart 3.2.9-o shows an estimate of the insurance gap for the Argentine insurance market between 2011 and 2021. As can be seen, the

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)

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)

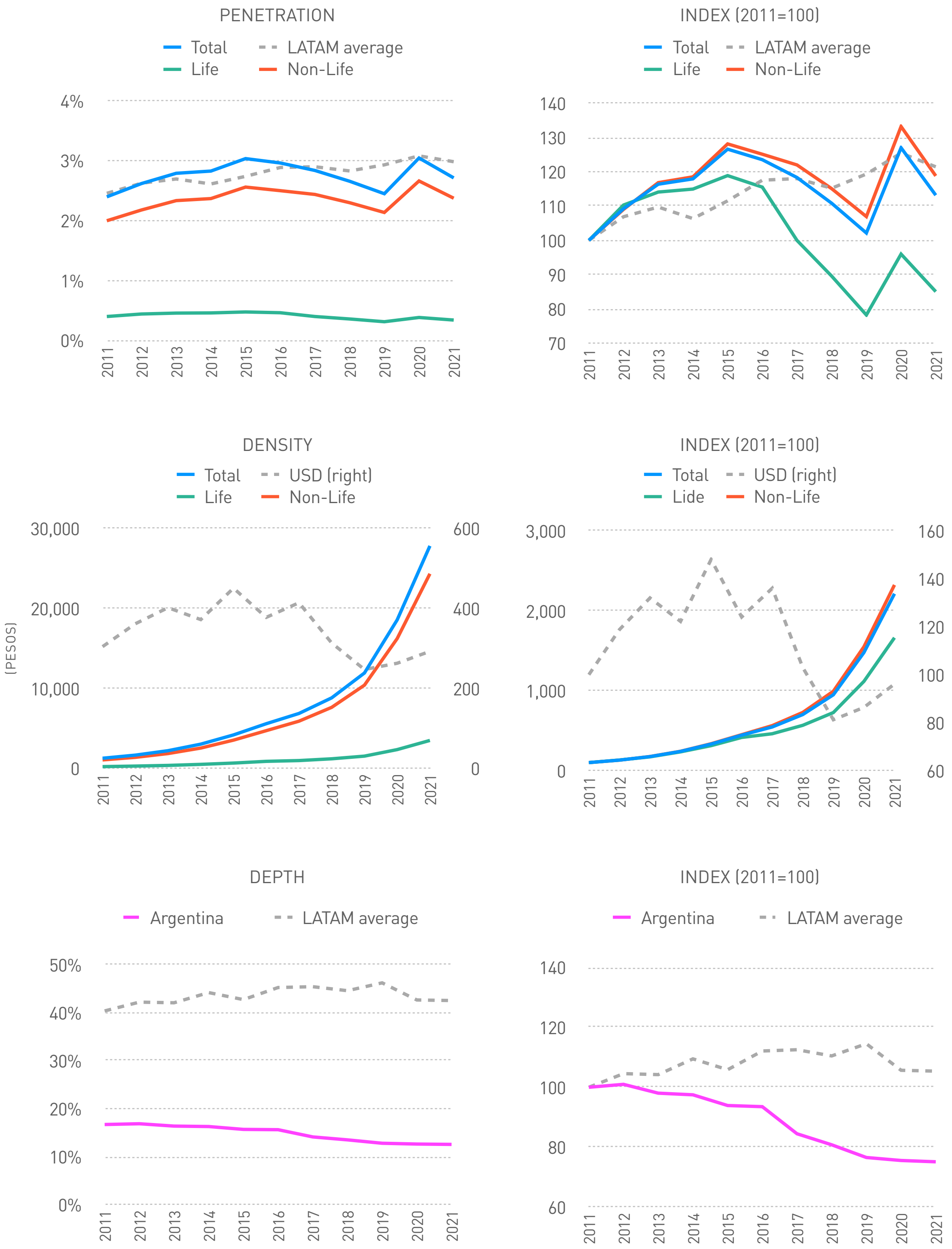
insurance gap stood at 2.44 trillion pesos (25.61 billion dollars) in 2021, equivalent to 1.9 times the size of the actual insurance market at the close of the same year. The structure and performance of the IPG between 2011 and 2021 shows the significant role that Life insurance had in shaping the gap, despite having fallen by 76% in 2011 to 74.4% at present (1.81 trillion pesos). In contrast, Non-Life insurance saw its IPG share increase from 24% to 25.5% in this period. As such, as Chart 3.2.9-p shows, the potential insurance market in Argentina in 2021 (the sum of the actual market plus the IPG) amounted to 3.7 trillion pesos, almost 2.9 times the size of the country's market that year.

As indicated in previous reports, given the inflation experienced by the Argentine economy in recent years, absolute values in the IPG estimate can be 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. To this end, the IPG as a multiple showed a downward trend between 2011 and 2016, when it fell from 2.4 to 1.6 times the size of the actual market. From 2017 onward, however, this trend is inverted, returning to growth, standing at 2.1 times in 2019, before falling again in 2020 (1.6 times) and rising in 2021 to 1.9 times (see Chart 3.2.9-q).

A similar situation can be seen with the Life and Non-Life segments. In the case of the former, the IPG as a multiple of the respective market dropped from 10.9 to 8.4 times between 2011 and 2016, before beginning to grow again to stand at 12.3 times in 2019, dropping again in 2020 to 9.6 times and increasing in 2021 to 11.5 times. In the case of Non-Life insurance, the trend reversed even earlier; between 2011 and 2015, the IPG as a multiple of the respective market fell from 0.7 to 0.3 times, before growing again from 2016 and standing at 0.6 times in 2019, then falling again to stand at 0.4 times in 2020 and growing again to 0.6 times in 2021. In the medium-term perspective, the insurance gap for the Argentine market gradually fell over the course of the last decade, before rebounding as a result of the Life segment (see Chart 3.2.9-r).

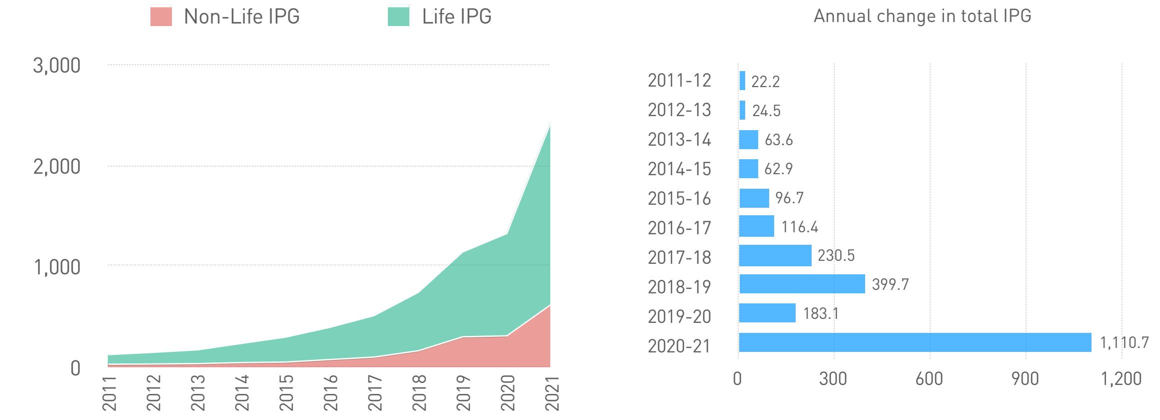
Lastly, Chart 3.2.9-s summarizes the update to the Argentine insurance market's capacity to close the IPG, based on a comparative analysis between the growth rates observed over the last ten years in this market and the growth rates that would be required to close the IPG determined in 2021 over the next decade. Thus, the Argentine insurance market recorded an average annual growth rate of 37.5% between 2011 and 2021. This was underpinned by an average growth of 33.6%

Chart 3.2.9-n
Argentina: Changes in Penetration, Density and Depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2011 index=100)



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

Chart 3.2.9-o
Argentina: Insurance Protection Gap
(billions of pesos)



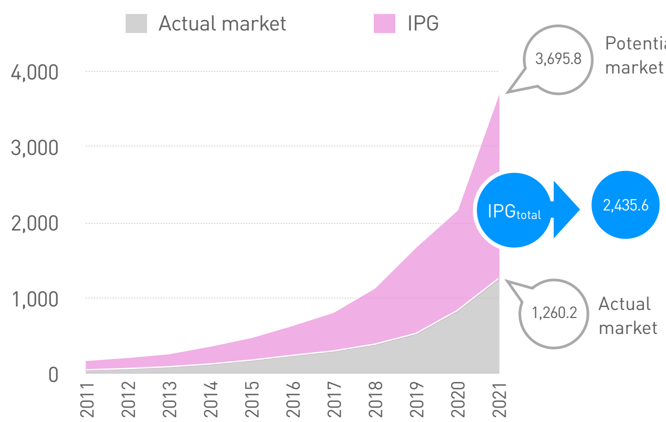
Source: MAPFRE Economics

in the Life insurance segment and 38.2% in the Non-Life segment. Thus, were this growth rate to continue over the next ten years, the growth rate of the market as a whole would prove sufficient to close the IPG determined in 2021 as far as both Non-Life and Life insurance are concerned. However, it should also be noted that the sufficiency rates resulting from this analysis tend to be clearly overestimated due to the high inflation rates observed in the economy.

Market Development Index (MDI)

Chart 3.2.9-t shows an update of the estimate of the Market Development Index (MDI) for the Argentine insurance industry. The MDI seeks to summarize the performance and maturity of insurance markets and shows that there were two moments at which the trend substantially differed from the trend experienced by the Latin American region as a whole. The first, in 2008–

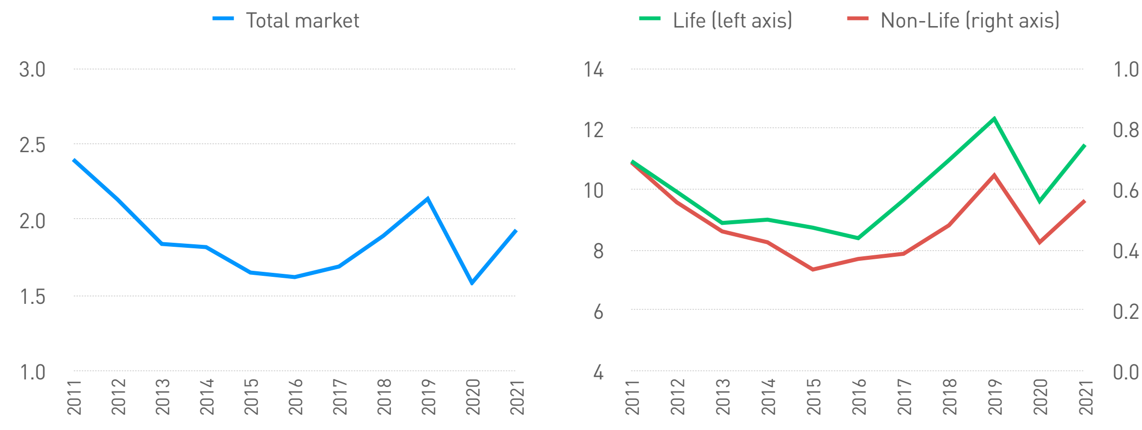
Chart 3.2.9-p
Argentina: Insurance Protection Gap and Potential Market
(billions of pesos)



Change	Actual market	IPG
2021-2011	2,313.5%	1,844.4%
2021-2020	50.6%	83.8%

Source: MAPFRE Economics

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

2010, and the second from 2017 until 2019, reversing in 2020 as a result of the accounting effects and macroeconomic impact of the pandemic, before dropping again in 2021. In any case, the indicator differs significantly from the market average in the region.

Comparative analysis of structural coefficients

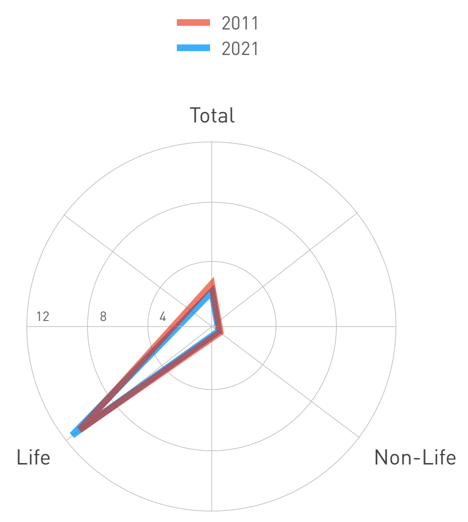
Chart 3.2.9-u shows the Argentine insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed: penetration, density, depth and MDI. As this information shows, both depth and MDI were far below the regional average, although penetration and density were in line with said average. Similarly, the dispersion analysis shown in the aforementioned chart shows that, over the 2011–2021 period as a whole, the Argentine insurance industry had been showing unbalanced development where, despite some improvements in quantity (penetration), strongly influenced by hyperinflation, there has been a decrease in quality (depth).

Insurance market rankings

Total ranking

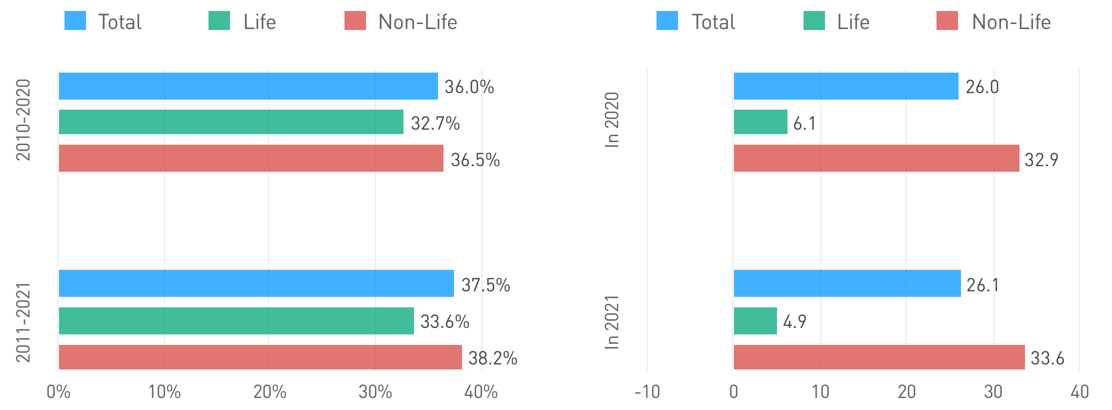
At year-end 2021, there were 192 insurance companies authorized to operate in Argentina, of which 18 provided Retirement insurance, 36 were dedicated to Life insurance (including Group, Individual, Pensions, Health, Personal Accidents and Funerals), 12 were dedicated to Workplace Accidents and 5 to Public Passenger Transport. The remaining 121 companies are dedicated to other Property and Casualty Insurance or to mixed operations. Based on this significant number of market

Chart 3.2.9-r
Argentina: Change in IPG as a Multiple of the Actual Market



Source: MAPFRE Economics

Chart 3.2.9-s
Argentina: Capacity to Close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

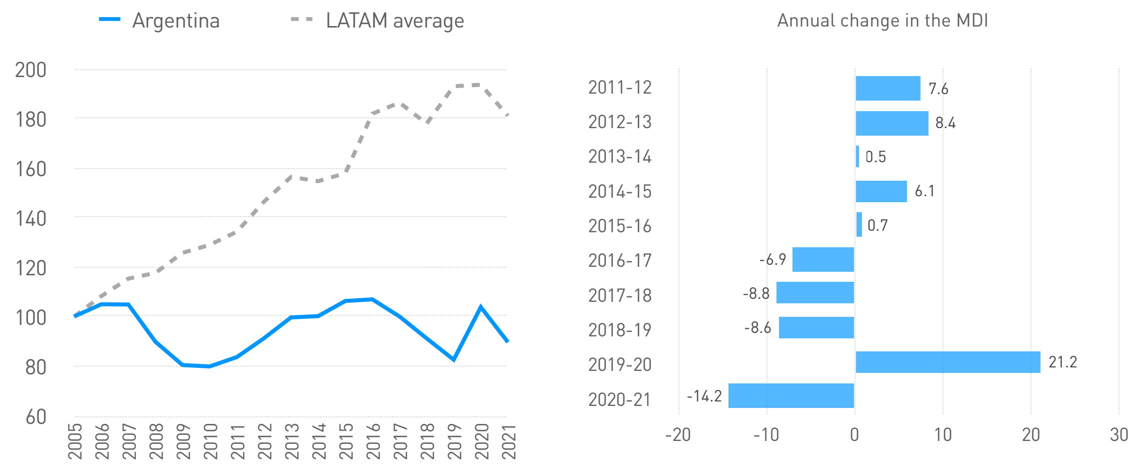
participants, the Herfindahl and CR5 indexes generally show low concentration, though they showed a slight upward trend between 2014 and 2017, with a greater concentration in Life than Non-Life insurance (see Chart 3.2.9-v).

As regards the ranking of the main insurance groups in Argentina in 2021, it was topped by Sancor (10.9%) and Federación Patronal (7.8%). The only changes in the ranking see Segunda move up from fifth to fourth and San Cristobal from sixth to fifth, with Zurich dropping down two places to sixth (see Chart 3.2.9-w).

Life and Non-Life rankings

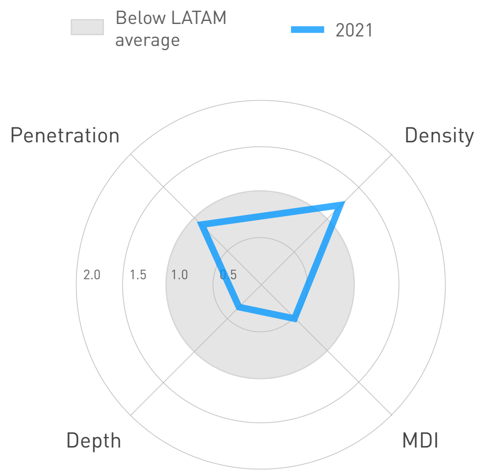
Given the importance of the Non-Life segment in the Argentine insurance market, the companies featured in the 2021 Non-Life ranking were practically the same as those that appeared in the total ranking. Sancor led the ranking with 11.8% of market premiums, followed by Federación Patronal (8.7%). The first change in the rank-

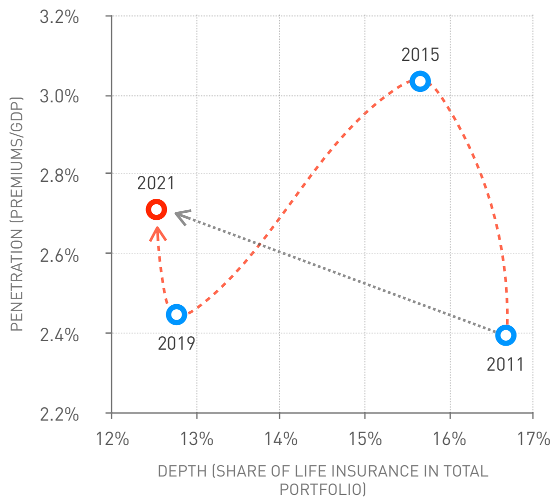
Chart 3.2.9-t
Argentina: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.9-u
Argentina: Comparative Structural Coefficient Index* vs. Average for Latin America (2021) and Medium-Term Changes in the Insurance Market (2011–2021)

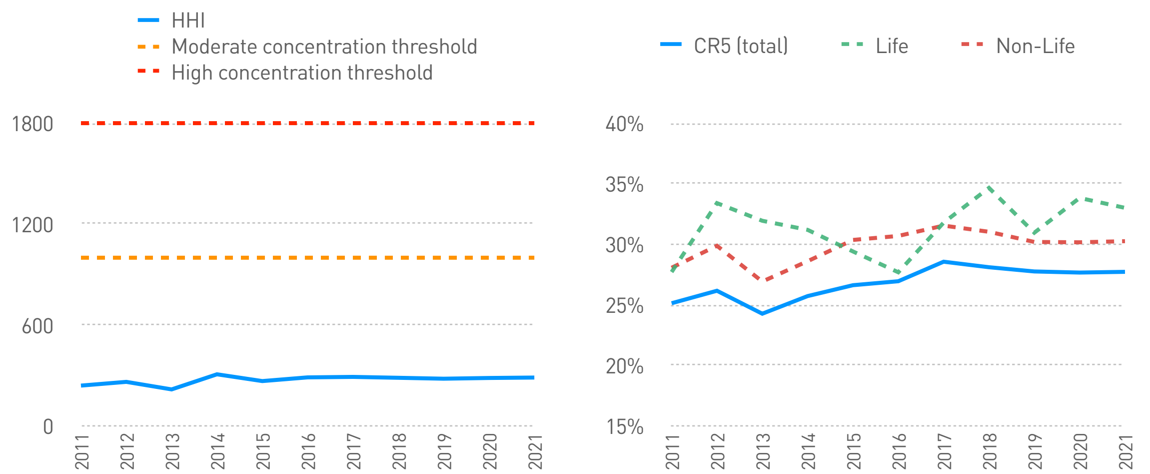




Source: MAPFRE Economics
* Indexes calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

ing can be seen in sixth place, now occupied by Generali, which moved up one place, with Zurich moving in the opposite direction to seventh. Worth particular note is the improvement seen by Mercantil Andina, moving up from thirteenth to ninth place. In terms of the Life ranking, Zurich remains on top with a share of 14.9% of premiums, followed by Life Seguros (7.5%), the name of the new company resulting from the acquisition by Orígenes of MetLife's portfolio, which sees the other groups in the ranking move down one place (see Chart 3.2.9-x).

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)

Key regulatory aspects

With regard to the main regulatory adjustments in the Argentine insurance market, the following stand out:

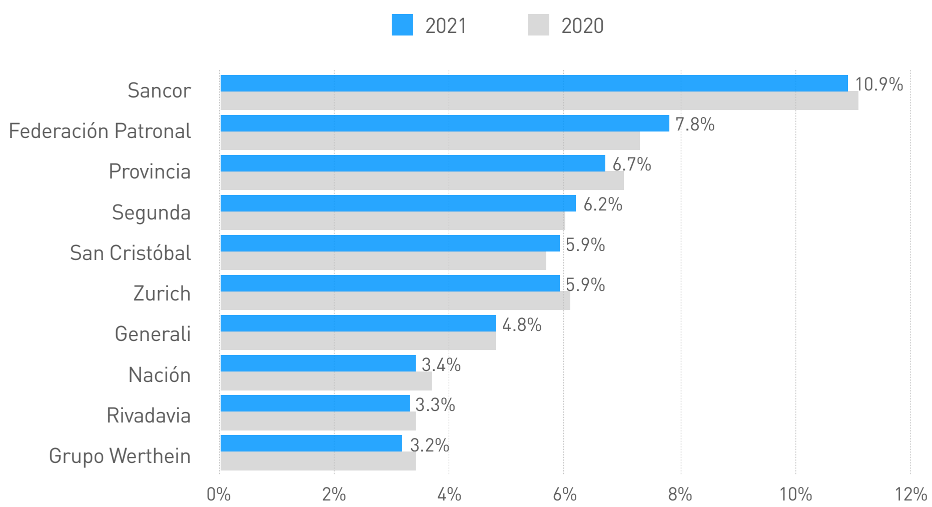
- RESOL-2021-75-APN-SSN#MEC (1/20/2021). Extending until March 1, 2021, the period set out in point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements) for the submission of Insurance and Reinsurance Company Financial Statements for the year ended on December 31, 2020.

- RESOL-2021-331-APN-SSN#MEC (4/8/2021). Extending until June 1, 2021, the period set out in point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements) for the submission of Insurance and Reinsurance Company Financial Statements for the year ended on March 31, 2021.

- RESOL-2021-398-APN-SSN#MEC (5/7/2021). Instructing the Coordinator of the Fiduciary Fund for Professional Illnesses (FFEP) to pay out the following amounts, within a period of ten working days, to the institutions listed as follows: a) Federación Patronal Seguros, S.A. (0726): $43,485,517.-; b) Omint Aseguradora de Riesgos del Trabajo, S.A. (0862): $61,378,394.-; and c) La Segunda Aseguradora de Riesgos del Trabajo, S.A (0618): $17,482,270. Informing the Coordinator of the Fiduciary Fund for Professional Illnesses (FFEP) to report to the Assessment Office on compliance with the preceding Article.

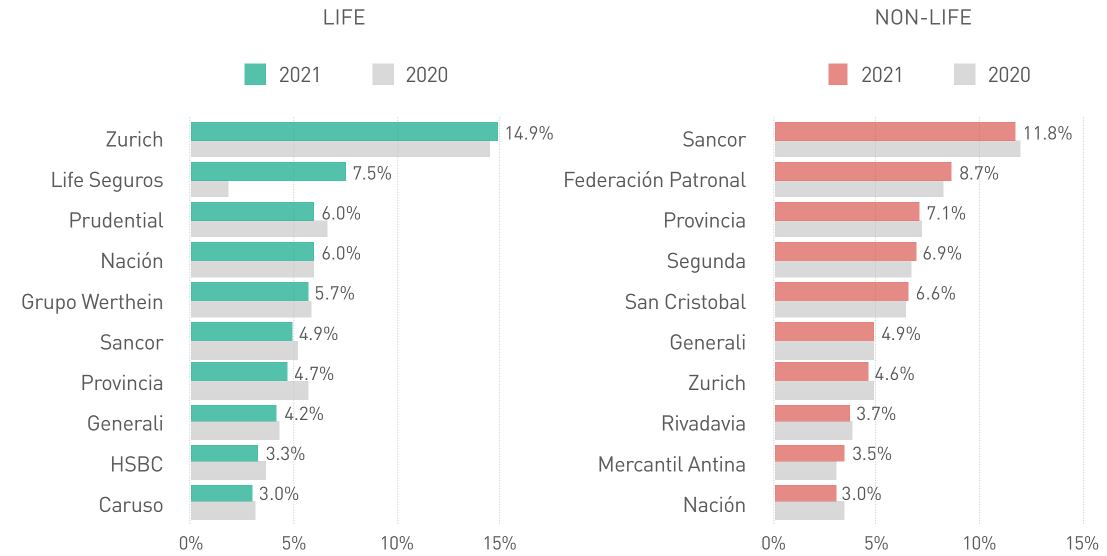
- RESOL-2021-421-APN-SSN#MEC (5/17/2021). Amending point 33.4.1.4 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "33.4.1.4 Reserve for Incurred But Not Reported Claims (IBNR). This liability must be created with the claims that have occurred as at the date of calculation but have not yet been reported to the insurance company. It should consist of an amount equivalent to TWELVE PERCENT (12%) of gross written premiums from the last FOUR (4) quarters. Premiums must

Chart 3.2.9-w
Argentina: Total Ranking
(market shares, %)



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

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)

be considered in uniform currency for these purposes."

- CIRC IF-2021-49425419-APN-SSN#MEC (6/2/2021). Insurance Market - Implementation of Digital Records and Books - Resolution RESOL-2019-1025-APN-SSN#MHA -(GE)

- RESOL-2021-492-APN-SSN#MEC (6/10/2021). Amending, until the financial year ending June 30, 2022, the limits set out in paragraphs a) and b) of point 39.1.2.4.1.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "a. For companies involved in Retirement and Life Savings insurance, the holding of investments booked at their technical value shall not exceed 80% of their investment portfolio, excluding property; b. For insurers involved in other lines and reinsurers, the holding of investments booked at their technical value shall not exceed 70% of their investment portfolio, excluding property." Establishing that National Public Securities, Regional Public Securities and Negotiable Bonds valued, at June 30, 2021, at their technical value pursuant to Article 2 of Resolution RESOL-2020-112-APN-SSN#MEC dated May 8, may continue using this assessment criteria until the end of the fiscal year ending June 30, 2022. The breakdown of investments held, valued pursuant to the provisions of this article, shall be reported in the notes to financial statements ending June 30, 2021, and at the successive end of quarters. Suspending, until the fiscal year ending June 30, 2022, provisions of paragraphs e) of point 39.1.2.4.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements). Establishing that, until the close of the fiscal year ending June 30, 2022, the assets mentioned in Article 2 of this Resolution, valued at their technical value, may be disposed of without prior authorization from the Superintendency of Insurance, when the market price exceeds their technical value, reporting this circumstances in the notes to financial statements.

- CIRC IF-2021-53983069-APN-GE%SSN (6/16/2021). Presentation of the Annual Report and Representative Report for foreign companies.

- RESOL-2021-535-APN-SSN#MEC (6/30/2021). Including, as point 33.4.3 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), the following text: "33.4.3 Insurance Companies involved in providing coverage for Workplace Risks shall respect the following guidelines in relation to reserves for outstanding claims charged to the Fiduciary Fund for Professional Illnesses (FFEP): 33.4.3.1 Claims in the process of being settled. (SPL). I. Partial Permanent Occupational Disability; II. Death of the worker. 33.4.3.2 Incurred but not reported claims (IBNR). No reserve should be set up for this item. 33.4.3.3 Liabilities for Court Cases. Claims as part of court proceedings and those associated with reviews set out in Article 2 of Law No. 27,348, initiated as a result of an unlisted professional illness with Covid-19 coverage, must be included in liabilities following the guidelines established in the regulations in force. Claims related to an unlisted professional illness with Covid-19 coverage shall be excluded from the calculation of the minimum overall liability; therefore, details shall be provided in the notes to the financial statements of the total number of cases, total value of the gross reserve constituted and the net reserve having applied the balancing factor. 33.4.3.4 Temporary Occupational Disabilities Payable. At the end of each fiscal year or period, an overall liability must be constituted, calculated as 0.75% of nominal monthly pay, calculated as the average pay over the SIX (6) months prior to the end of the quarter, corresponding to all workers covered by the Insurance Company. 33.4.3.5 Cash Benefits Payable. At the end of each fiscal year or period, an overall liability must be constituted, calculated as 0.75% of nominal monthly pay, calculated as the average pay over the six months prior to the end of the quarter, corresponding to all workers covered by the Insurance Company.

- RESOL-2021-545-APN-SSN#MEC (7/6/2021). Amending point 30.1.1.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "30.1.1.1 Capital Payable per Lines: a. Automobiles (excluding Motorcycles and Third-Party Liability of Vehicles used for Public Passenger Transport): $87,000,000); b. Motorcycles: $52,000,000; c. For companies operating in the lines indicated in paragraphs a) and b): $104,250,000); d. Third-Party Liability of Vehicles used for Public Passenger Transport: $87,000,000, which is in addition to the amount required to operate Automobiles. For mutual insurance companies involved exclusively in Third-Party Liability of Vehicles used for Public Passenger Transport: $104,250,000. The amount indicated above is in addition to the amount equivalent to 14% of premiums and fees issued in the 12 months preceding the end of the previous accounting statement (net of cancellations); e. Third-Party Liability and Aircrafts: $26,000,000; f. Surety and Credit Insurance: $26,000,000; g. Environmental Responsibility and/or Environmental Collateral, covered by Article 22 of Law No. 25,675: capital is required in addition to the capital indicated in paragraph e) or f), as appropriate, of $17,400,000; h. Casualty Insurance (including Fire and Combined, Theft and Similar Risks, Windows, Transport, Passenger Accidents, Livestock, Hail, Technical Insurance and Miscellaneous Risks): $26,000,000; i. To operate under paragraphs a), b), e), f) and h), the minimum capital is $130,000,000. This minimum capital excludes the sums required for Third-Party Liability of Vehicles used for Public Passenger Transport and Environmental Responsibility and/or Environmental Collateral, covered by Article 22 of Law No. 25,675, which shall require additional accreditation pursuant to the amounts set out in paragraphs d) and g); j. Workplace Risks included in Law No. 24,557 and its amendments: $87,000,000); k. For companies considered under Additional Provision 4 of Article 49 of Law No. 24,557, additional capital of $43,500,000 is required; l. To operate in any of the following lines of Personal Insurance: $26,000,000): Life Insurance (Individual and Group), when the corresponding plans do not provide for the constitution of Mathematical Reserves; Burial; Personal Accidents; Health; m. Burial: $13,000,000; n. Life Insurance (Individual and Group) the corresponding plans do not provide for the constitution of Mathematical Reserves: $26,000,000); o. The minimum capital to be accredited is $52,000,000) to operate under paragraphs l), m) and n) at the same time; p. For companies involved in Retirement insurance, minimum capital of $87,000,000 is required. Effective October 1, 2021, the amounts indicated in paragraphs a) to p) shall be adjusted on a quarterly basis in line with the "Liabilities Update Rate" capitalized at simple interest on a daily basis. The valid amounts on the reporting date of the accounting statements shall be published by the Superintendency of Insurance prior to the presentation of the accounting statements."

- RESOL-2021-551-APN-SSN#MEC (7/8/2021). Extending until September 1, 2021, the period set out in point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements) for the submission of Insurance and Reinsurance Company Financial Statements for the year ended on June 30, 2021.

- RESOL-2021-585-APN-SSN#MEC (7/29/2021). Instructing the Coordinator of the Fiduciary Fund for Professional Illnesses (FFEP) to pay out the following amounts, within a period of ten working days, to the institutions listed: Federación Patronal Seguros, S.A. – CUIT 33-70736658-9: $22,834,603. La Segunda Aseguradora de Riesgos del Trabajo, S.A. – CUIT 30-68913348-3: $135,370,660. Omint Aseguradora de Riesgos del Trabajo, S.A. - CUIT 30-71234180-3: $39,017,129. Compañía Argentina de Seguros Latitud Sur S.A.- CUIT 30-50006638-1: $20,550,442. Swiss Medical Art, S.A. - CUIT 33-68626286-9: $179,565,045. Prevención Aseguradora de Riesgos del Trabajo, S.A. - CUIT 30-68436191-7: $79,319,785.

- RESOL-2021-595-APN-SSN#MEC (8/5/2021). Replacing paragraph k) of point 7.1.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "k) For the purposes of all regulations associated with capital, their integration and increase, under no circumstances shall contributions be made in cash, they shall only be made by bank transfers to the company's accounts, from accounts in the name of the person making the contribution, with the banking institution indicating the source, account number and CBU. When making contributions in the form of public securities traded daily on the securities market, they shall come from the customer's account and be included at their listing price." Replacing section l) of paragraph a) of point 7.1.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "I) They must meet the requirements set out in the form attached as 'Annex to point 7.1.2. paragraph a) section I),' which shall take on the form of a sworn declaration, formulated before the notary public, who shall have appraised the supporting documents. Copies of sworn declarations, submission records and acknowledgment of receipt shall be attached for the previous three years submitted to the Federal Administration of Public Revenue (AFIP) in relation to tax on earnings, personal property and those replacing or supplementing them. In relation to individuals not required to pay tax, the corresponding proof of non-taxpayer status shall be submitted." Replacing point 7.3 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "7.3 Transfer of shares and capital contributions. 7.3.1 Transfer of shares. 7.3.2 Capital contributions. 7.3.3 Terms for refining the transaction. Replacing point 8.3.1 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "8.3.1 Irrevocable contributions to future share subscriptions. Including, as paragraph f) of Point 35.14.1.4 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), the following text: "f) The following may not be the beneficiaries of loans or owners of encumbered property: I) Shareholders, members of the Board of Directors and Audit Committee and managers of the lending institution while they are in their post and until TWO (2) years have elapsed since the relationship ended, with the same restriction applying to partners and relatives up until the fourth degree of blood or family relationship. II) Companies related to or controller by the lending insurance company, under the terms of point 35.9.3;". Including, as paragraph f) of Point 35.14.2.4 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), the following text: "f) The following may not be the beneficiaries of loans or owners of encumbered automobiles: I) Shareholders, members of the Board of Directors and Audit Committee and managers of the lending institution while they are in their post and until 2 years have elapsed since the relationship ended, with the same restriction applying to partners and relatives up until the fourth degree of blood or family relationship. II) Companies related to or controlled by the lending insurance company, under the terms of 35.9.3."

- RESOL-2021-604-APN-SSN#MEC (8/10/2021). Establishing financial remuneration in relation to the balances of the Fiduciary Fund for Professional Illnesses disbursed by Insurers offering Workplace Risk coverage. The interest rate applicable is defined as the average effective monthly rate arising on the 30-day lending rates for fixed-term deposits of the Bank of Argentina in force during the period. Establishing the remuneration defined in Article 1 of this Resolution, accruing in relation to the payments made by the Insurer in excess of the balance of the Fiduciary Fund for Professional Illnesses it manages, once funds are no longer available on account of the application of the recomposition mechanism set out in Articles 8 and 19 of the Regulation for Accounts, Inflows and Outflows of Funds and Investments of the Fiduciary Fund for Professional Illnesses (FFEP) approved under Resolution RESOL-2020-358-APNSSN#MEC of October 7 (T.O. RESOL-2020-507-APN-SSN#MEC of December 30).

- RESOL-2021-750-APN-SSN#MEC (10/20/2021). Establishing that for the purposes of applying the financial remuneration in relation to the balances of the Fiduciary Fund for Professional Illnesses disbursed by Insurers offering Workplace Risk coverage set out in Resolution RESOL-2021-604-APN-SSN#MEC of August 10, the resulting balances must be calculated at the end of each month, applying the following formula: Amount (A): i. With a positive sign: the FFEP balance under fiduciary administration at the start of period t. ii. With a negative sign: the amount raised each month between t and t+1 corresponding to the fixed amount paid by each worker together with the aliquot, established in Article 5 of Decree No. 590 of June 30, 1997, and its amendments and supplementing regulations. iii. With a positive sign: the sums disbursed and allocated to FFEP between t and t+1. iv. With a positive sign: the remuneration obtained at the end of the month t-1. In case a positive result is returned in relation to the amount obtained in (A), the interest rate published by the Superintendency of Insurance corresponding to the month t+1 shall be applied, calculated pursuant to the guidelines set out in Article 1 of Resolution RESOL-2021-604-APNSSN#MEC of August 10. Furthermore, when registering the first balance of the FFEP as part of its fiduciary administration resulting in a negative, the company shall indicate this in the report provided for in Article 18 of the Regulation for Accounts, Inflows and Outflows of Funds and Investments of the Fiduciary Fund for Professional Illnesses (FFEP) approved under Article 1 of Resolution RESOL-2020-358-APN-SSN#MEC of October 7 (T.O. RESOL-2020-507-APN-SSN#MEC of December 30) along with the balance obtained in (A) as "First negative FFEP balance."

- RESOL-2021-756-APN-SSN#MEC (10/22/2021). Extending until December 1, 2021, the period set out in point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements) for the submission of Insurance and Reinsurance Company Financial Statements for the year ended on September 30, 2021.

- CIRC IF-2021-102941657-APN-GE#SSN (10/26/2021). Amendment to the method for presenting periodic information (Art. 18 FFEP Regulation).

- RESOL-2021-882-APN-SSN#MEC (12/27/2021). Extending the period set out in Article 3 of Resolution RESOL-2020-507-APNSSN#MEC, of December 30, until December 31, 2022.

- RESOL-2021-887-APN-SSN#MEC (12/29/2021). Eliminating point 33.5.7 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, its amendments and supplements). Eliminating point 39.12.4 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, its amendments and supplements). Reinsurers shall reverse the stabilization reserve set up on January 1, 2022. The reversed amount shall be allocated to heading 3.03.01.01.01.04.00.00 "Other Equity Adjustments" under Equity. For the purposes of restatement in uniform currency, the past-due date of this heading shall be considered as January 1, 2022. This account may be used to absorb future losses or for its capitalization. The reversal of the reserve referred to in this Article may not give rise to the distribution of profits. Replacing section XIII) of paragraph e) of point 39.13.3 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements).

- RESOL-2021-889-APN-SSN#MEC (12/29/2021). Amending point 39.8.2 of the General Insurance Business Regulation (T.O. Resolution SSN No. 38,708 dated November 6, 2014, and its amendments and supplements), as follows: "39.8.2 The annual accounting statements referred to in Article 38 of Law No. 20,091 and the interim periods indicated in the preceding point, issued by insurance and reinsurance companies, shall be submitted to this control authority within 60 calendar days of the end of the fiscal year/period in question. Their submission shall be made using the forms established by this control authority, bearing in mind the assessment rules indicated by this GIBR and complementary provisions. This information shall be accompanied by the reports by the company's audit body, tax examiner and external auditor, whose signatures shall be duly certified by the corresponding professional bodies."

Below, details are provided of the Resolutions amending the *General Insurance Business Regulation*:

- 268 (3/16/2021). Replacing - Clause SO-RC 5.1 Basic Mandatory Third-Party Liability

Insurance, Article 68 of Law No. 24,449 (covering risks of death, disability, injury, and self-standing legal obligation) in the Annex to point 23.6 paragraph a.1) of the General Insurance Business Regulation, with Clause SO-RC 6.1. Increase of Coverage Limits Third-Party Liability of Vehicles and/or Trailers and Insurance for Vehicles involved in a service required over a Technological Platform. Replacing - Clause CA-RC 20.1 Mandatory Overdraft of the Insured Party as part of Third-Party Liability Risk Exclusively Applicable to Taxis or Chauffeured Vehicles, in the Annex to point 23.6 paragraph a. 1) of the "General Insurance Business Regulation," with Clause 20.2. Replacing - Clause 1.2 in relation to the Self-Standing Legal Obligation referred to in the Annex to point 23.6 paragraph a. 3) of the "General Insurance Business Regulation."

- 356 (4/15/2021). Replacing - General Conditions of Third-Party Liability for Vehicles dedicated to Public Passenger Transport (RC-TP 3.1) of the single provision set out in "Annex to point 23.6 paragraph a.2)" of the General Insurance Business Regulation." Increase of Insured Sums and Deductible TPL Insurance for Vehicles dedicated to Public Passenger Transport

- 378 (4/30/2021). Approving - Generally and Uniformly Applying the Contractual Conditions of the "Third-Party Liability Insurance for Unmanned Aircraft (VANT) and Unmanned Vehicle Systems (SVANT)." Replacing - Annex to point 23.6 paragraph e) of the "General Insurance Business Regulation." Contractual Conditions of the "Third-Party Liability Insurance for Remotely Piloted Aircraft."

- 421 (5/17//2021). Amending - point 33.4.1.4 of the "General Insurance Business Regulation." Reserve for Incurred But Not Reported Claims (IBNR) Workplace Risks.

- 535 (6/30/2021). Including - point 33.4.3 of the "General Insurance Business Regulation." Insurance companies involved in providing coverage for Workplace Risks shall respect the following guidelines in relation to reserves for outstanding claims charged to the Fiduciary Fund for Professional Illnesses (FFEP). Amending - point 30.1.1.3 of the "General Insurance Business Regulation." Amount based on claims.

- 595 (8/5/2021). Replacing paragraph k) of point 7.1.1 of the "General Insurance Business Regulation." Under no circumstances may contributions in cash be made; they shall only be made by bank transfer. Replacing - section I) of paragraph A) of point 7.1.2 of the "General Insurance Business Regulation." Proof of submitting sworn declarations for the past 3 years submitted to the AFIP. Replacing - point 7.3 of the "General Insurance Business Regulation." Transfer of shares and capital contributions. Replacing - point 8.3.1 of the "General Insurance Business Regulation." Irrevocable contributions to future share subscriptions. Including - paragraph h) of point 35.2 of the "General Insurance Business Regulation." Shareholders, members of the Board of Directors and Audit Committee and managers of the insurance company while they are in their post and until 2 years have elapsed since the relationship ended, shall not enter into property lease or purchase agreements with the company to which they belong. Including - paragraph f) of Point 35.14.1.4 of the "General Insurance Business Regulation." Members of the Board of Directors and Audit Committee and managers of the lending institution while they are in their post and until 2 years have elapsed after the relationship ended may not be the beneficiaries of loans or owners of encumbered property. Including - paragraph f) of Point 35.14.2.4 of the "General Insurance Business Regulation." Members of the Board of Directors and Audit Committee and managers of the lending institution while they are in their post and until TWO (2) years have elapsed since the relationship ended may not be the beneficiaries of loans or owners of encumbered automobiles. Revoking - Articles 1, 2, 4 and 5 of SSN Resolution No. RESOL-2018-989-APN-SSN#MHA and point 8.3.2 of the "General Insurance Business Regulation."

- 685 (9/15/2021). Including - paragraph g) of point 25.4.1 of the "General Insurance Business Regulation." Request for removal by clicking on a link on the insurance company's website or mobile application. This link must be easily identifiable and of first access. This mechanism for requesting the termination of the contract is mandatory for policies taken out using electronic means and in relation to the following lines: Automobiles, Motorbikes, Combined, Theft and Similar Risks, Windows, Miscellaneous Risks and Personal Accidents. Replacing - Final paragraph of point 25.4.1 of the "General Insurance Business Regulation." In the case of paragraphs e), f) and g), proof of rescission shall be delivered or made available to the policyholder and/or insured party via the means established in paragraph c) of point 25.3.1.

- 766 (10/28/2021). Replacing - First paragraph of Clause 1.1 of the General Conditions of Third-Party Liability for Vehicles dedicated to Public Passenger Transport (RC-TP 4.1) of the single provision set out in "Annex to point 23.6 paragraph a.2)" of the "General Insurance Business Regulation." Increase of Insured Sums and Deductible TPL Insurance for Vehicles dedicated to Public Passenger Transport and TPL for Vehicles and/or Trailers. Replacing - Clause 1.2 of the General Conditions of Third-Party Liability for Vehicles dedicated to Public Passenger Transport (RC-TP 4.1) of the single provision set out in "Annex to point 23.6 paragraph a.2)" of the "General Insurance Business Regulation." Replacing - First paragraph of Clause 2 of the General Conditions of Third-Party Liability for Vehicles dedicated to Public Passenger Transport (RC-TP 4.1) of the single provision set out in "Annex to point 23.6 paragraph a.2)" of the "General Insurance Business Regulation." Replacing - Clause 1.2 of the Basic Mandatory Third-Party Liability SO-RC 6.1- Article 68 of Law No. 24,449 (covering risks of death, disability, injury, and self-standing legal obligation) - SO-RC 6.1 in the "Annex to point 23.6 paragraph a.1)" of the "General Insurance Business Regulation." Replacing - Point 1 of paragraph a) of Clause 2 of the Basic Mandatory Third-Party Liability Insurance, Article 68 of Law No. 24,449 (covering risks of death, disability, injury, and self-standing legal obligation) - SO-RC 6.1 in the "Annex to point 23.6 paragraph a.1)" of the "General Insurance Business Regulation." Replacing - "NOTE" to Clause CA-RC 20.2 "Mandatory Overdraft of the Insured Party as part of Third-Party Liability Risk Exclusively Applicable to Taxis or Chauffeured Vehicles," in the "Annex to point 23.6 paragraph a. 1)" of the "General Insurance Business Regulation." Replacing - Clause 1.2 - Self-Standing Legal Obligation referred to in the "Annex to point 23.6 paragraph a. 3)" of the "General Insurance Business Regulation."

- 850 (12/9/2021). Replacing - point 23.1.1 of the "General Insurance Business Regulation." Admission requirements. Replacing - paragraphs b. and f. of points 23.2.1.2, 23.2.2.2 and 23.3.2 of the "General Insurance Business Regulation." Copy of the Minutes of the Board of Directors and Actuary Opinion. Eliminating - paragraphs h. from points 23.2.1.2 and 23.3.2 and g. from point 23.2.2.2 of the "General Insurance Business Regulation." Replacing - points 23.3 and 23.3.1 of the "General Insurance Business Regulation." Specific Approval as per the System of Minimum Standards. Replacing - paragraph g) of point 23.3.2 of the "General Insurance Business Regulation."

- 875 (12/22/2021). Amending - point 30.1.1.1 of the "General Insurance Business Regulation." Capital to be accredited per line. Amending - point 30.1.1.2 of the "General Insurance Business Regulation." Amount based on Premiums and Surcharges. Amending - point 39.2.1.1 of the "General Insurance Business Regulation." Unification of codes and names of lines.

- 887 (12/29/2021). Eliminating - point 33.5.7 of the "General Insurance Business Regulation." Stabilization Reserve. Eliminating - point 39.12.4 of the "General Insurance Business Regulation." Eliminating - section XIII) of paragraph e) of point 39.13.3 of the "General Insurance Business Regulation." Replacing - paragraph c) of point 35.6 of the "General Insurance Business Regulation." Replacing - paragraphs i) and k) of point 30.2.1 of the "General Insurance Business Regulation." Eliminating - point 30.6 of the "General Insurance Business Regulation."

Other important regulatory resolutions are as follows:

- 275 (3/17/2021). Approving - Clause "Transmittable Disease Annex," applicable exclusively in Insurance Plans in relation to Fires, Goods Transportation, Technical Insurance and Surety, Approving - Clause "Transmittable Disease Annex – Third-Party Liability", applicable exclusively in Insurance Plans in relation to Third-Party Liability / Approving - "Limitation Clause and Exclusion due to Sanctions," applicable exclusively in Property & Casualty Insurance Plans.

- 750 (10/20/2021). Financial Remuneration Fiduciary Fund for Professional Illnesses

- 882 (12/27/2021) - Extending the term indicated in Article 3 of Resolution RESOL-2020-507-APNSSN#MEC until 12/31/2022.

- 850 (12/9/2021). Approving - Contractual Conditions of Group Life Insurance presented under the Minimum Standards System. Approving - Minimum Standards to be applied to Contractual Conditions for Group Life Insurance. Approving - Minimum Standards for the Technical Note on Group Life Insurance. These shall not apply to "Group Life Insurance on Debtor Balances," "Life Insurance with Savings" or "Mandatory Group Life Insurance." Approving - Generally and applying in a uniform manner, the clause entitled "Methods Approved for the Payment of Premiums." Approving - Generally and applying in a uniform manner, the clause entitled "Interpretation Clause." Approving - Generally and applying in a uniform manner, the clauses entitled "Additional Clause Automatically Increasing Insured Capital Based on a Fixed Percentage - Group Modality." These shall not apply to "Group Life Insurance on Debtor Balances," "Mandatory Group Life Insurance" (pursuant to Decree No. 1567/74, Law Nos. 13,003, 16,517, 16,600, 19,628 and their amendments and supplements), Burial or any Personal Insurance for which the Insured Sum is expressed in relation to the Sliding Scale of Living Wages (SMVM) or as a multiple of the insured party's wage, or to Property & Casualty insurance.

- 8 (1/5/2022). Approving - Generally, the Contractual Conditions of "Group Life Insurance." Approving - Generally, the Contractual Conditions of "Renewable Annual Individual Life Insurance."

- 334 (5/12/2022). Approving - Generally, the Contractual Conditions of "Leisure or Recreational Boat Insurance."

3.2.10 Uruguay

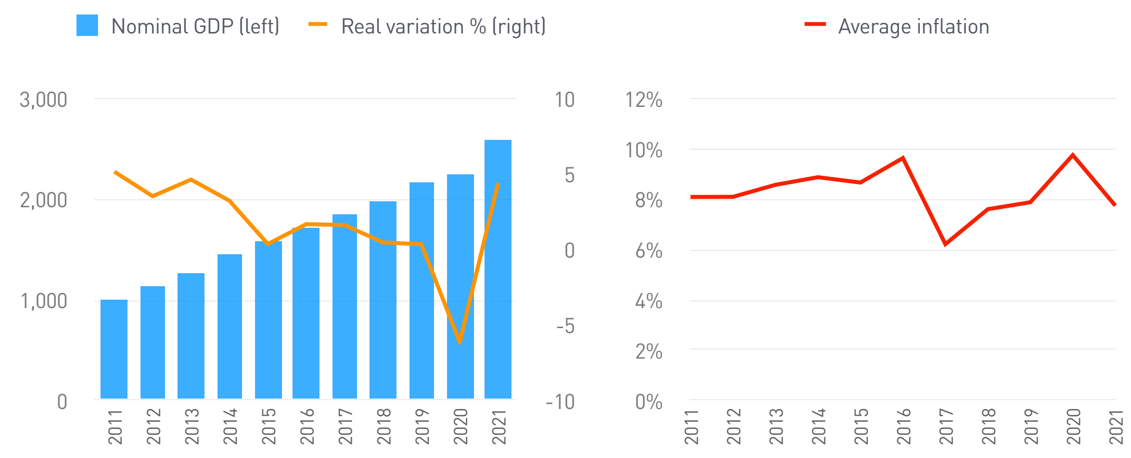
Macroeconomic environment

In 2021, the Uruguayan economy experienced real growth of 4.4% (compared to a drop of 6.1% in 2020), which is asymmetrical when compared to the production sectors on account of the timing of the shocks seen and the macroeconomic situation prior to the pandemic (see Chart 3.2.10-a). Worth particular note is the growth in exports of goods and services (beef benefiting from the price due to demand in China, cellulose, wood, electricity to Brazil), as well as private investment that is driving the recovery, in contrast to the contractions in the tourism and catering industries. As regards employment, the unemployment rate, which grew significantly in 2020 (to 10.1%), is gradually recovering and in 2021 stood at 9.3%. Furthermore, worth particular mention is that in 2020, the country had a low Covid-19 infection rate; however, infections multiplied from summer 2021 onward, meaning the government support measures were maintained throughout 2021. The government's fiscal deficit remains, although dropping from 5.1% of GDP in 2020 to 3.8% of GDP in 2021, thanks to the increase in tax collection through the taxes on consumption and companies and, to a lesser extent, those related to social security contributions, as well as personal tax. The main source for financing the deficit were public securities, and the central government's public debt in 2021 stood at 59.6% of GDP (compared to 61.4% in 2020).

Year-on-year inflation in December 2021, in turn, stood at 7.7% (average inflation of 9.8% in 2020). During the first half of 2021, the Central Bank of Uruguay kept its monetary policy reference rate at 4.5% with a view to not affecting the recovery of economic activity. As activity recovered, during the second half of the year, rates were increased three times in 2021 to 5.75%. On the reporting date, and as a result of the Russian invasion of Ukraine, price levels were on the rise, and by August 2022, year-on-year inflation had increased to 9.53%. As a result, the central bank considered it necessary to continue applying its restrictive monetary policy and increased its monetary policy interest rates six times to 10.25%.

As regards the growth forecast for 2022, MAPFRE Economics has forecast growth of 4.4%, while ECLAC anticipates a moderate recovery for the Uruguayan economy of 4.5%, driven by the recovery of domestic demand as mobility restrictions are lifted, as well as growth of the manufacturing industry, the gross formation of fixed capital and the export of goods.

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)

Insurance market

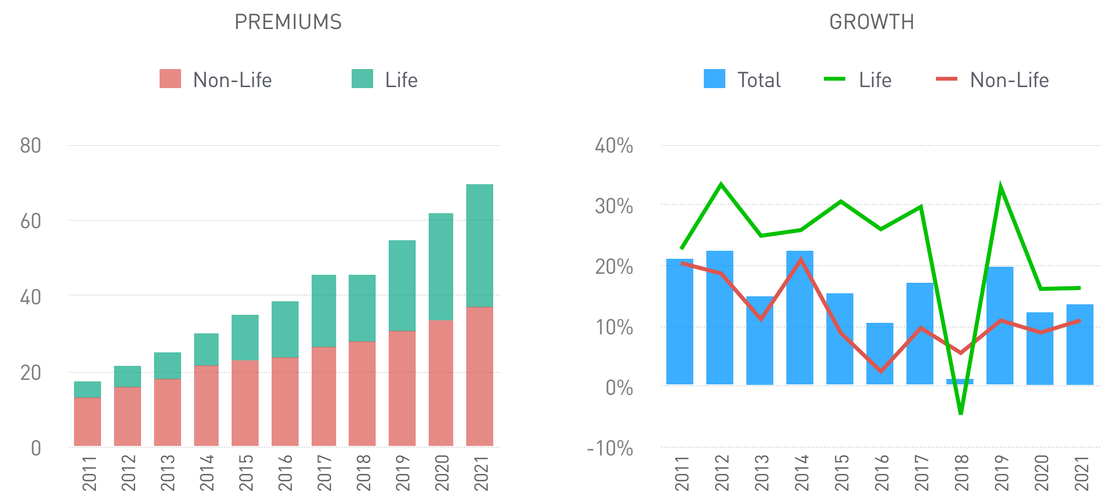
Growth

The Uruguayan insurance market performed positively in 2021, achieving a premium volume of 69.68 billion pesos (1.6 billion dollars), representing nominal growth of 13.4% and real growth of 5.2% (see Chart 3.2.10-b and Table 3.2.10). Life insurance was the main driver (16.3% in nominal terms and 7.9% in real terms), more specifically pension insurance, which saw revenue of 24.2 billion pesos, accounting for 34.7% of total premiums, a nominal increase of 19% (10.4% in real terms). Banco de Seguros del Estado was the company to win nearly all of this business. Meanwhile, premiums for the Non-Life line totaled 37 billion pesos (849 million dollars), up 11.0% in nominal terms and 3.0% in real terms compared to the previous year. Automobiles, the line responsible for the highest volume of premiums, saw a significant nominal increase of 13.7%, and other smaller lines also performed well in 2021, such as Surety and Credit (29.7%) and Third-Party Liability (20.6%).

The Uruguayan Insurance industry accounted for 1.1% of the premiums issued by Latin American insurers as a whole, with Life accounting for a bigger share than Non-Life (1.2% and 1%, respectively). During the period between 2011 and 2021, the share increased gradually, from 0.6% in 2011 to 1.1% at present. This performance was repeated in both the Life segment, where the share increased from 0.4% to 1.2%, and in the Non-Life segment, where, although performance was more varied, its share increased from 0.8% in 2011 to 1.0% in 2021 (see Chart 3.2.10-c).

In terms of contributions, as shown in Chart 3.2.10-d, the 13.4% nominal growth experienced by the Uruguayan insurance market in 2021 is attributable to a positive contribution of 7.5 pp from the Life insurance segment and 5.9 pp from the Non-Life insurance segment. As can be seen in the aforementioned chart, the Life insurance segment (and more specifically, pension insurance) contributed the most to the insurance industry's growth over the past three years.

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, 2021

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**69,684.3**	**1,599.4**	**13.4**	**5.2**
Life	**32,680.2**	**750.1**	**16.3**	**7.9**
Pension	24,201.2	555.5	19.0	10.4
Non-Pension	8,478.9	194.6	9.3	1.5
Non-Life	**37,004.2**	**849.3**	**11.0**	**3.0**
Automobiles	14,649.0	336.2	13.7	5.5
Other lines	3,832.1	88.0	1.8	-5.5
Fire	3,464.4	79.5	11.4	3.4
Transport	1,351.4	31.0	-2.0	-9.1
Third-Party liability	1,031.8	23.7	20.6	11.9
Theft	1,055.5	24.2	5.0	-2.5
Surety and credit	1,322.7	30.4	29.7	20.4
Workplace accidents[2]	10,297.3	236.3	10.4	2.4

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.

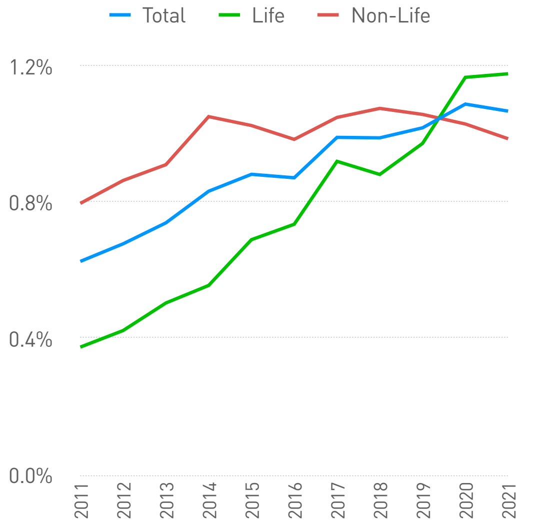
Balance sheet and shareholders' equity

Chart 3.2.10-e shows the performance of the Uruguayan insurance industry's aggregate balance sheet between 2011 and 2021. As can be seen, in 2021, the industry's total assets amounted to 279.21 billion pesos (6.25 billion dollars), while equity stood at 34.36 billion pesos (769 million dollars), 27.2 pp higher than in 2020. With regard to the performance of the Uruguayan insurance industry's aggregate capitalization levels (measured over total assets), the gradual decline from 20.0% in 2011 to 12.3% in 2021 is noteworthy.

Investments

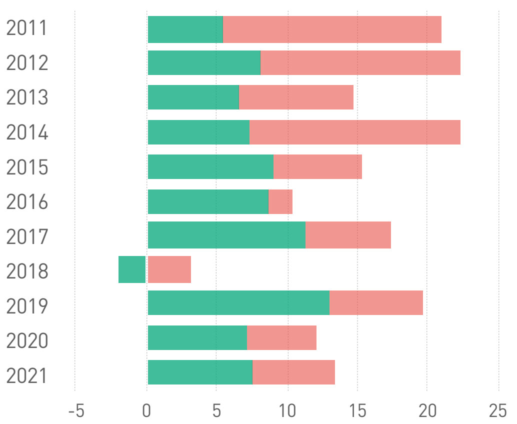
Charts 3.2.10-f, 3.2.10-g and 3.2.10-h show changes in investments, as well as the composition of the aggregate portfolio at the sector level between 2011 and 2021. As can be seen, total investment by the Uruguayan insurance industry amounted to 256.87 billion pesos (5.75 billion dollars), with 90% concentrated in fixed income and equity instruments, 0.3% in real estate investments, 0.01% in cash, and the remaining 9.7% 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 portfo-

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
2011	21.0	5.4	15.6
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

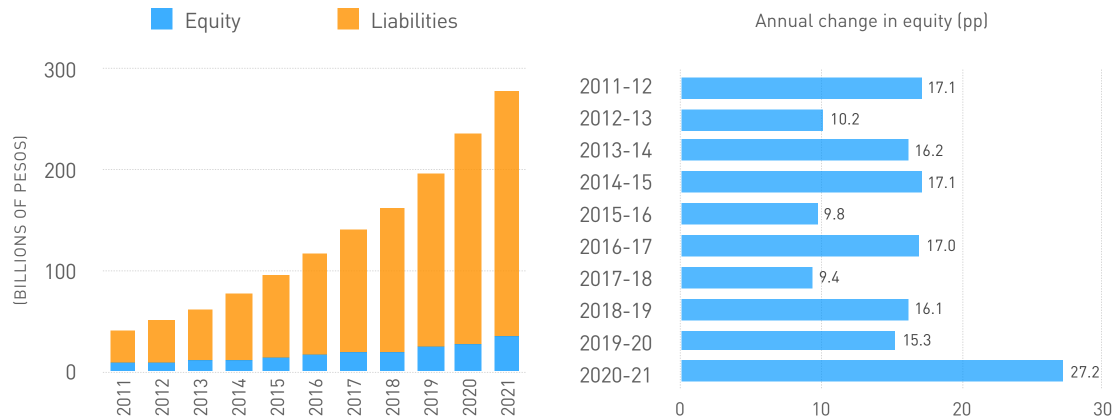
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

lio, as this fell from 2.3% of the portfolio in 2011 to just 0.3% in 2021.

Technical provisions

Charts 3.2.10-i, 3.2.10-j and 3.2.10-k show the performance and relative composition of technical provisions in the Uruguayan insurance industry between 2011 and 2021. In 2021, technical provisions stood at 231.51 billion pesos (5.18 billion dollars). Technical provisions associated with Life insurance accounted for 73.1% of the total, while unearned premiums and unexpired risks in Non-Life insurance accounted for 4.5% and the provision for outstanding claims for the remaining 22.4%. The relative weight of Life insurance technical provisions grew steadily over the period analyzed from 52.4% of total provisions in 2011 to 73.1% in 2021.

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)

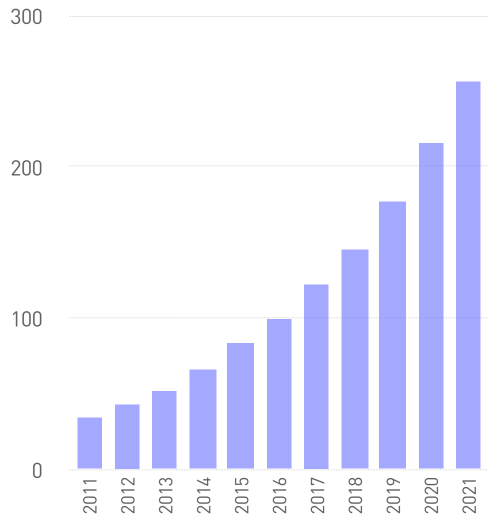
Technical performance

The technical performance of the Uruguayan insurance market over the past decade is reflected in Chart 3.2.10-l. As can be seen, the aggregate combined ratio in 2021 improved by 5.7 pp, to 103.6%, thanks mainly to the drop in the loss ratio (-5.4 pp), combined with the 0.3 pp drop in the expense ratio. From a medium-term perspective, there is a slight downward trend in terms of the expense ratio and an upward trend in terms of the loss ratio.

Results and profitability

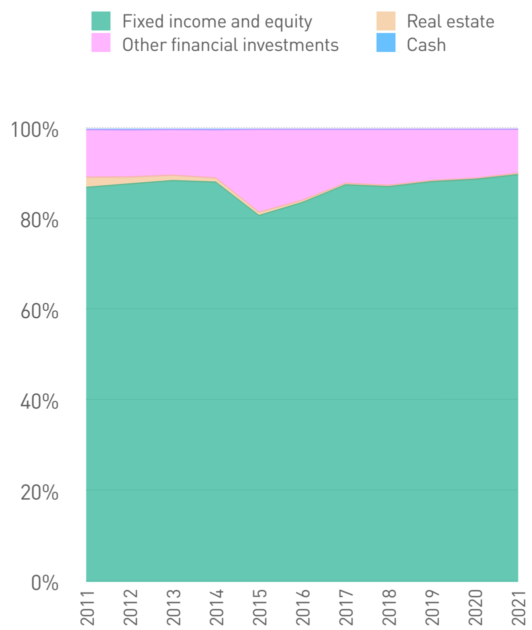
The net result of the Uruguayan insurance industry for the year in 2021 came to 8.1 billion pesos (186 million dollars), a significant increase of 57.3% on the previous year, as a result of the combination of an improved technical result and maintenance of a strong financial result (1.6%). Meanwhile, from a profitability perspective, return on

Chart 3.2.10-f
Uruguay: Insurance Market Investments
(billions of pesos)



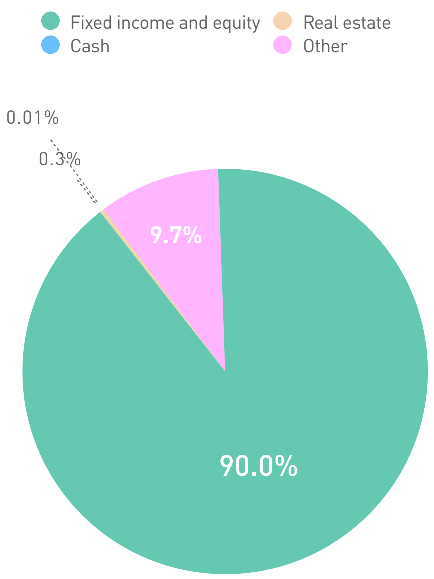
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

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, 2021
(%)



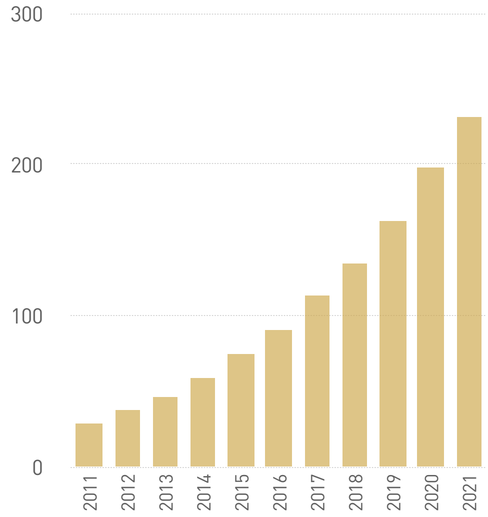
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

equity (ROE) in Uruguay's insurance market stood at 26.4% in 2021, an increase of 6.0 pp compared to 2020. A similar situation can be seen with return on assets (ROA), which reached 3.1% in 2021, up by 0.8 pp compared to 2020 (see Chart 3.2.10-m).

Insurance penetration, density and depth

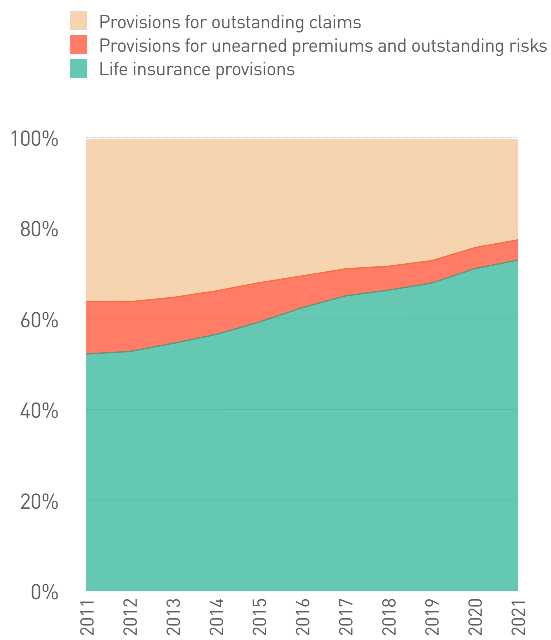
Chart 3.2.10-n shows the main structural trends shaping the development of the Uruguayan insurance industry over the 2011–2021 period. The penetration index (premiums/GDP) stood at 2.7% in 2021, the same as in 2020, and 0.9 pp higher than the level seen in 2011, with a particularly significant contribution from the Life insurance segment. From a medium-term perspective, the penetration rate in the Uruguayan market has shown an upward trend during the past decade, practically converging with the average absolute values of the region's markets. Meanwhile,

Chart 3.2.10-i
Uruguay: Technical Provisions of the Insurance Market
(billions of pesos)



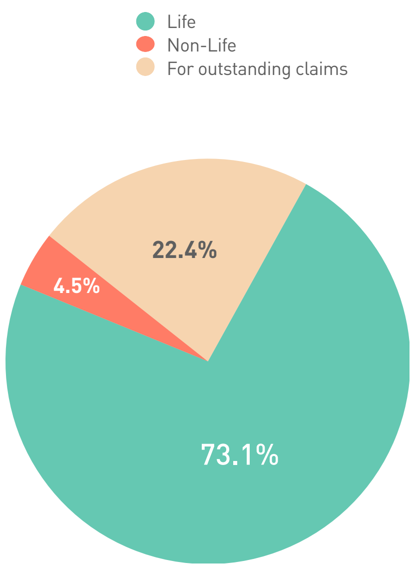
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-j
Uruguay: Structure of Technical Provisions
(%)



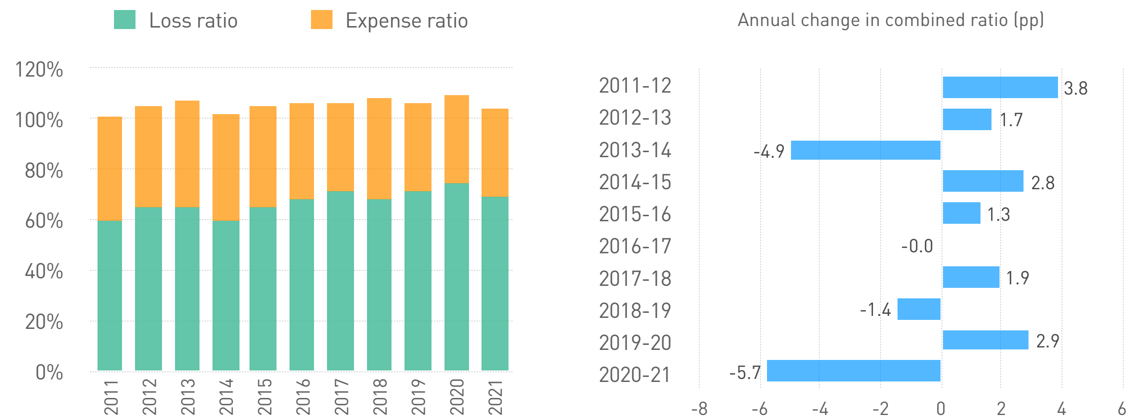
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-k
Uruguay: Structure of Technical Provisions, 2021
(%)



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)



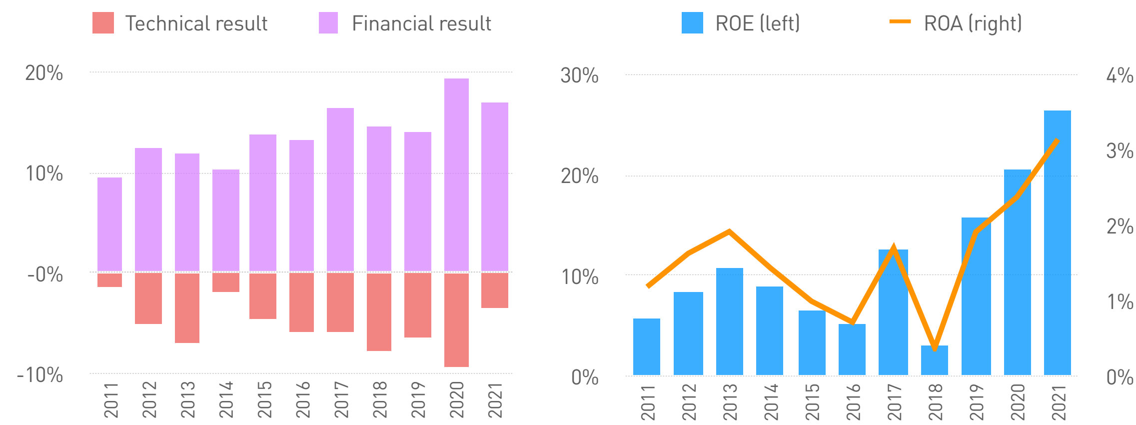
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

insurance density in Uruguay (premiums per capita) came to 20,338 pesos (467 dollars), up 13.5% on the level reached in 2020. 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 287.6% over the 2011–2021 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 46.9% in 2021, 22.7 pp higher than in 2011, surpassing the average recorded by Latin American insurance markets.

Insurance Protection Gap estimate

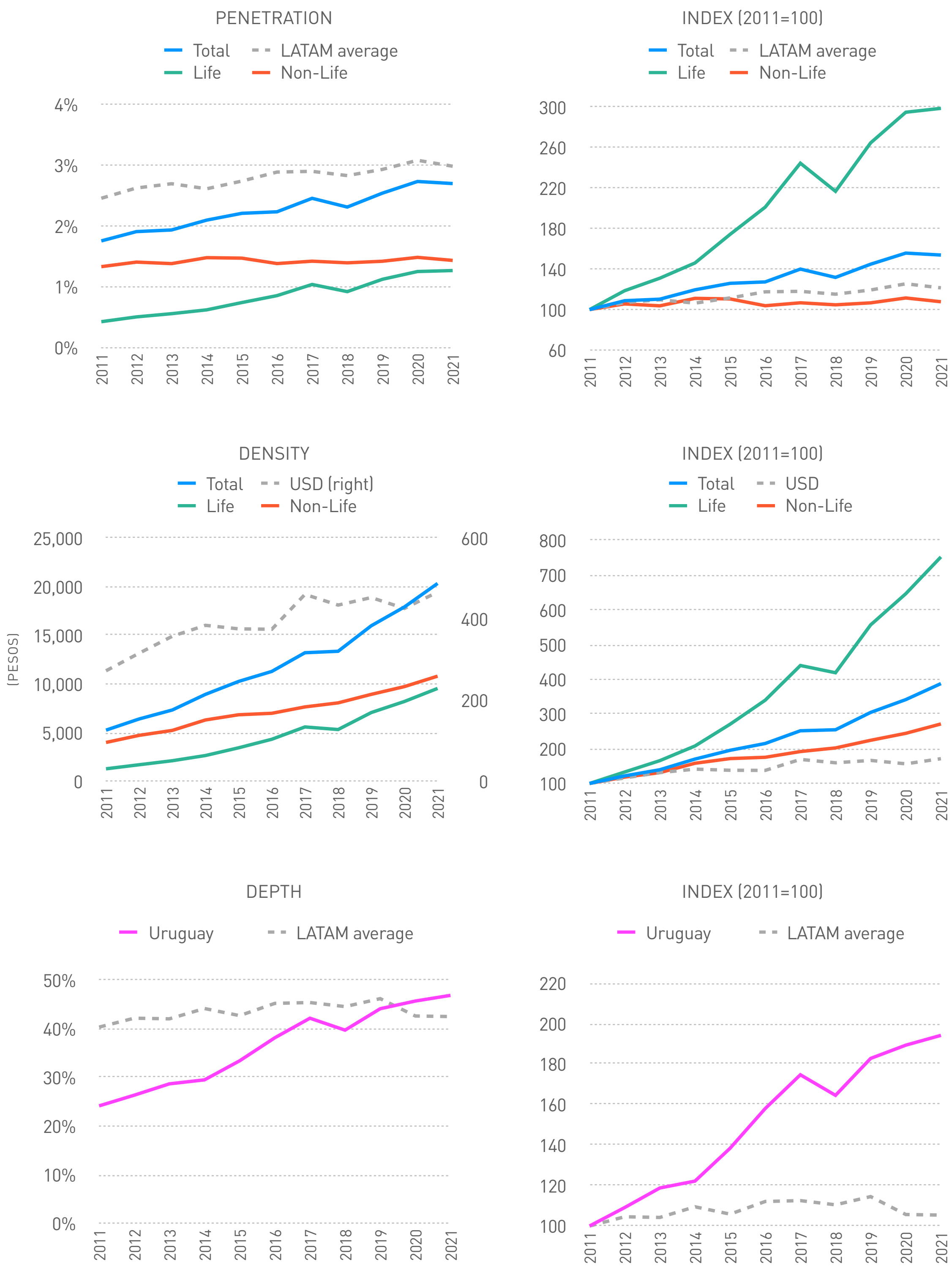
Chart 3.2.10-o provides an estimation of the IPG for the Uruguayan insurance market between 2011 and 2021. The IPG stood at 135.82 billion pesos (3.12 billion dollars)

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,%, 2011index=100)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

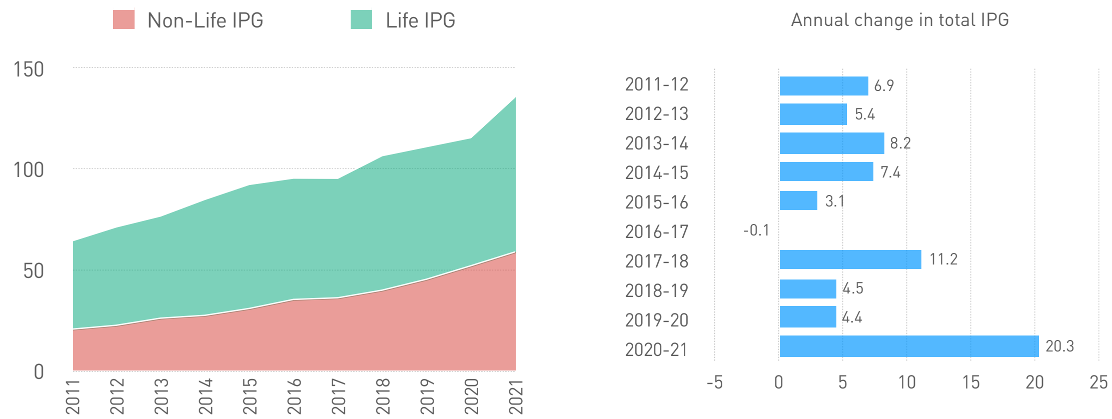
in 2021, 1.9 times the size of the Uruguayan insurance market at the close of that year. The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment, although it is gradually decreasing. Thus, Life insurance accounted for 56.6% of the IPG (76.86 billion pesos) at the close of 2021, 11.4 pp down on the share of this segment ten years ago. The remaining 43.4% of the 2021 insurance gap is attributable to the Non-Life insurance segment (58.89 billion pesos). As reflected in Chart 3.2.10-p, the potential insurance market in Uruguay at the close of 2021 (the sum of the actual market plus the IPG) was estimated at 205.50 billion pesos (4.72 billion dollars), 2.9 times the size of the total insurance market that year.

Chart 3.2.10-q shows an estimate of the Uruguayan market's insurance gap as a multiple of the actual insurance market. According to this metric, the market's IPG fell during the 2011–2021 period in the case of Life insurance, dropping from 10.3 to 2.4 times. However, 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 2021.

Finally, Chart 3.2.10-r reflects the performance of the IPG as a multiple of the actual market in the Life and Non-Life insurance segments and in the Uruguayan insurance market as a whole, by comparing the situation in 2021 with that of 2011. This shows that the situation of the Uruguayan insurance market improved substantially in the Life line, while the Non-Life segment only marginally improved in terms of the gap as a multiple of the actual market, as previously mentioned.

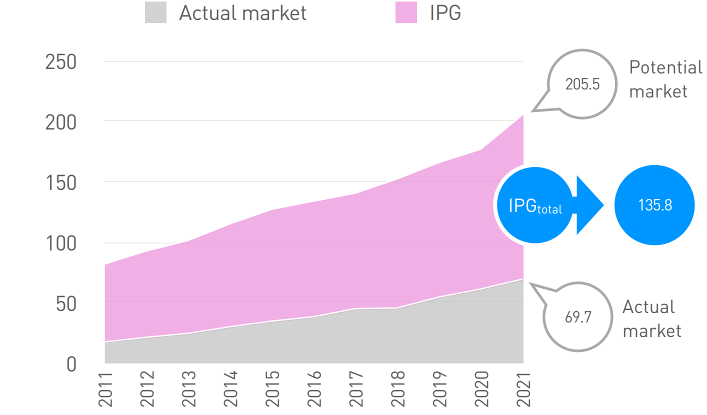
Chart 3.2.10-s shows an update of the Uruguayan insurance market's capacity to close the insurance gap determined in 2021, based on a comparative analysis between the growth rates observed over the past ten years and the growth rates that would be required to close the gap over the next decade. This information indicates that the Uruguayan insurance market grew at an average annual rate of 14.7% over the period analyzed; this growth was comprised of an annual growth rate of 22.6% in the Life insurance segment and 10.7% in the Non-Life insurance segment. Were the growth rate seen over the last decade to continue over the next ten years, the growth rate of the Uruguayan insurance market would continue to be sufficient to close the insurance gap estimated in 2021.

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
2021-2011	295.1%	111.1%
2021-2020	13.4%	17.6%

Source: MAPFRE Economics

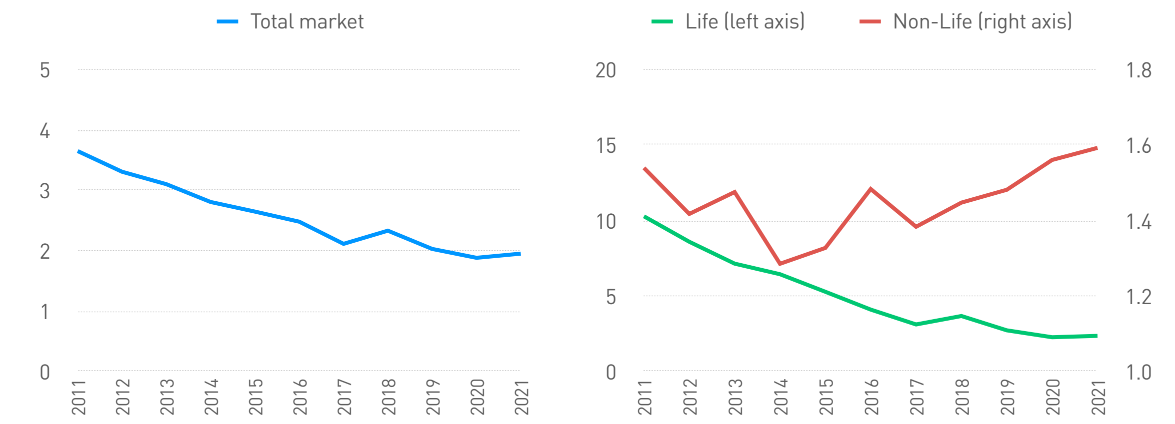
Market Development Index (MDI)

Chart 3.2.10-t shows an estimate of the Market Development Index (MDI) for the Uruguayan insurance industry between 2005 and 2021. The MDI shows a positive trend throughout the period under analysis and, from 2012 onwards, surpassed the average performance of the Latin American insurance markets. As can be seen, the indicator fell in 2018 in line with overall market performance but began to recover in 2019 and 2020 before falling slightly again in 2021.

Comparative analysis of structural coefficients

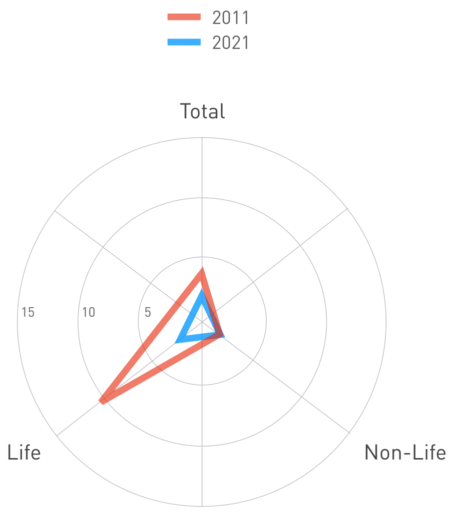
The state of the Uruguayan insurance market when compared with the average for Latin America in terms of the four structural indicators analyzed previously is illus-

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

trated in Chart 3.2.10-u. It can be seen that, while penetration is still slightly below the regional average, the Uruguayan market exceeds the regional averages for density, depth and the estimated MDI. Moreover, the dispersion analysis shown in the chart confirms that, over the 2011–2021 period, the Uruguayan insurance industry showed balanced development characterized by improvements in both penetration of insurance (quantity) and depth of insurance (quality).

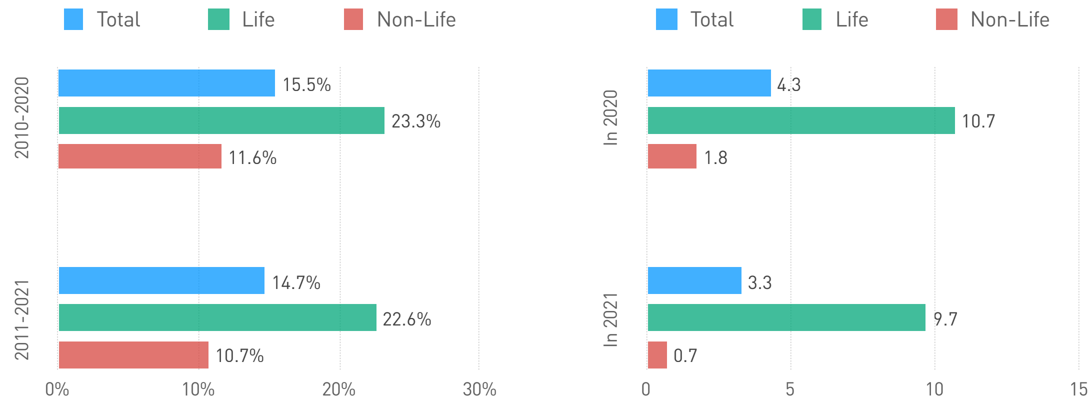
Insurance market rankings

Total ranking

There were 16 insurance companies operating in Uruguay in 2021: 15 private companies and one state-owned company (Banco de Seguros del Estado, or BSE), which monopolizes the Workplace Accidents line. As indicated in previous reports, this fact conditions the existence of a concentrated insurance market, with high values in the Herfindahl and CR5 indexes over the years. However, 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.

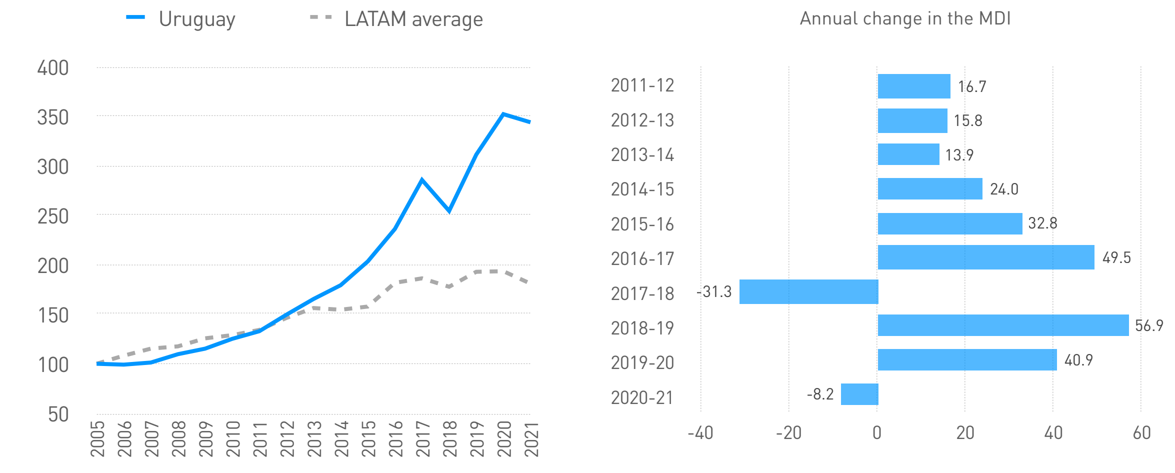
BSE led the total ranking of the Uruguayan insurance market in 2021 with 68.8% of total premiums (0.3 pp less than in 2020),

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)



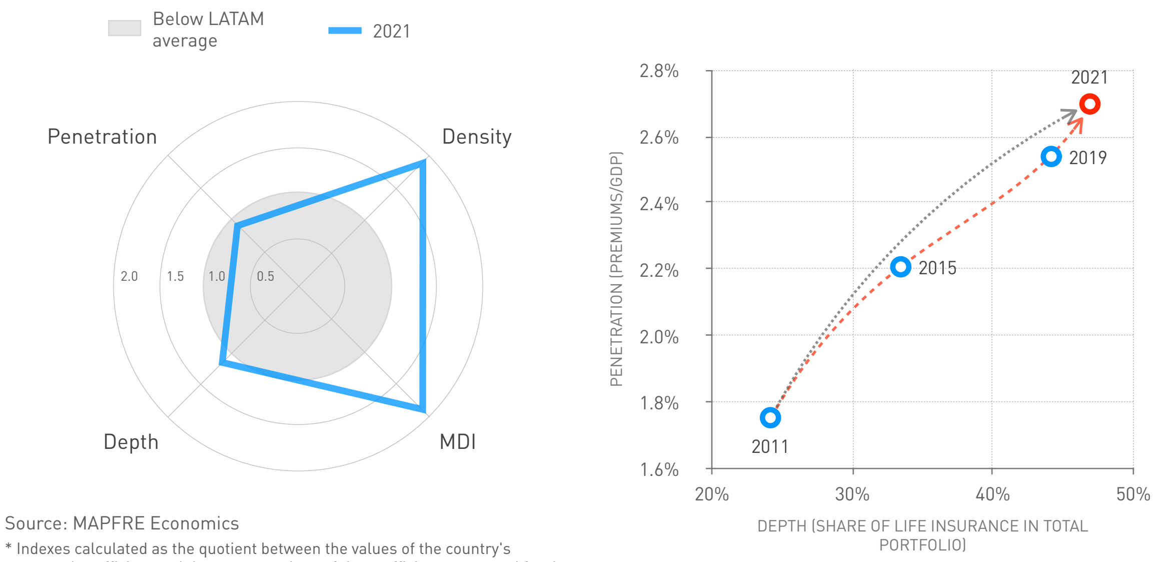
Source: MAPFRE Economics

with growth of 22.1% in pension Life insurance. MAPFRE comes next with a market share of 6.9% and then Sura on 6.0%, with no further changes in the positions occupied by groups in 2020 (see Chart 3.2.10-w).

Life and Non-Life rankings

As regards the Non-Life ranking, BSE accounted for 59.1% of the Non-Life market (-2.3 pp on the previous year) followed by Sura (10.2%). MAPFRE and Porto switched

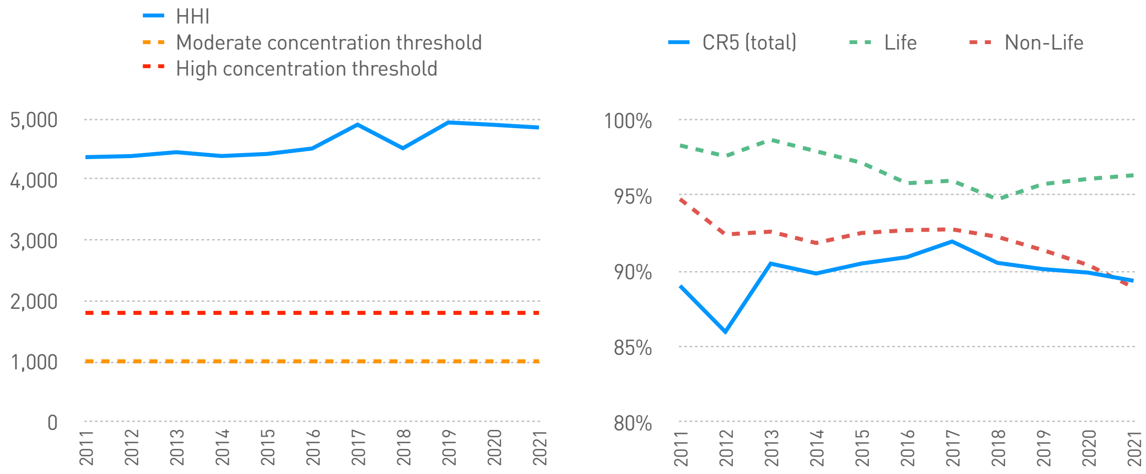
Chart 3.2.10-u
Uruguay: Comparative Structural Coefficient Index* vs. Average for Latin America (2021)
and Medium-Term Changes in the Insurance Market (2011–2021)



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.

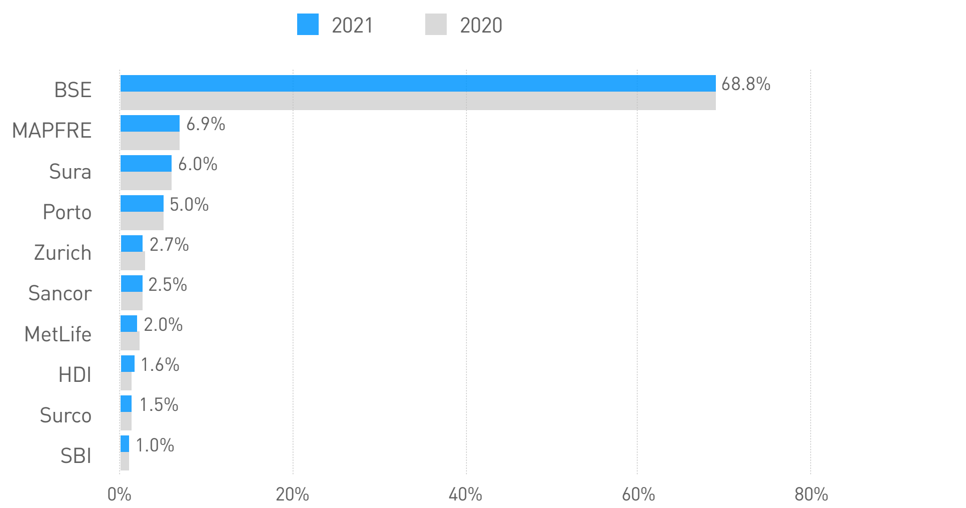
Chart 3.2.10-v
Uruguay: Insurance Industry Concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

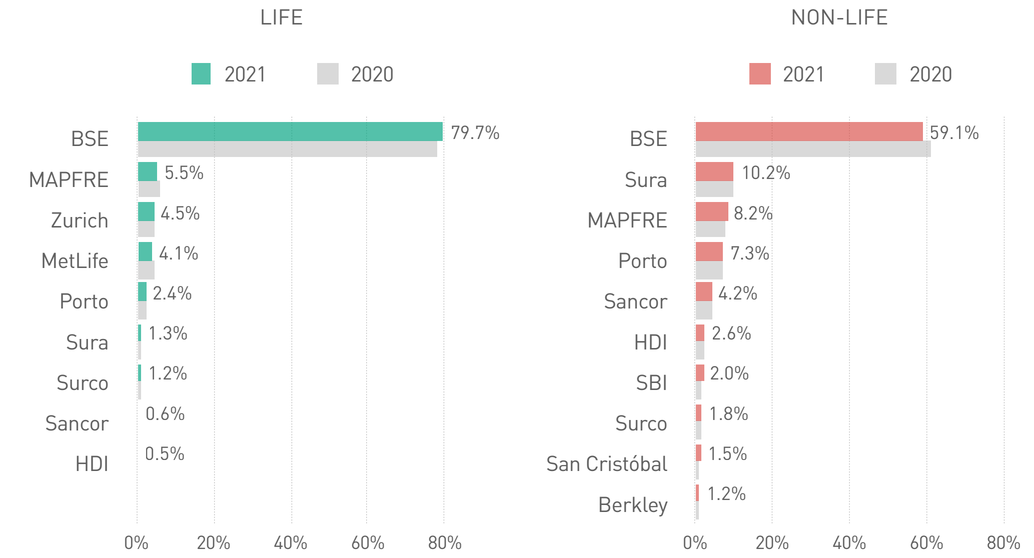
places to third and fourth with 8.2% and 7.3% respectively. The fact that San Cristóbal moved up from twelfth position to ninth is particularly noteworthy. BSE also leads the Life ranking, with an increase in its market share following the significant rise in the sale of pension insurance, accounting for 79.7% of premiums (1.6 pp higher than in 2020). MAPFRE held onto second place with a market share of 5.5%

Chart 3.2.10-w
Uruguay: Total Ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

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)

while Zurich Santander took third (4.5%). The only change in this ranking sees Sura and Surco switch positions, into sixth and seventh, respectively (see Chart 3.2.10-x).

Key regulatory aspects

Below is a summary of the main standards in relation to the insurance market issued by the Superintendency of Financial Services (SSF) of the Central Bank of Uruguay during the period spanning January 1, 2021 to June 2022. The most relevant ongoing projects related to this market are also detailed[21].

Regulations issued

Supplementing the update to the regulation on lines of insurance issued in 2020, and following a series of consultations received from the industry requesting clarification about the allocation of specific coverage to lines of insurance, criteria have been established for the allocation of specific coverage, published under Communication 2021/216.

Furthermore, through Communication No. 2021/145 and 2021/189, the SSF communicated the changes introduced to the accounts plan for insurance companies as a result of the changes made in 2020 to lines of insurance and technical reserves, effective January 1, 2022. In relation to the reserve due to the insufficiency of premiums, Circular No. 2402 indicates that this must be calculated for the new lines or levels of disaggregation established in Articles 1 and 2 of the List of Insurance and Reinsurance Standards, once 36 months have elapsed from the start of activity in these lines or levels.

In terms of pension insurance, Circular No. 2389 amended the benchmark performance curve applicable for determining pension earnings and technical reserves corresponding to group disability and death insurance and life annuity pension insurance, following the development of a new reference curve for Pension Units. With the creation of the Pension Unit (PU) in 2019 (which grows in line with the Average Nominal Wage Index) and said unit's performance on the securities market, there is now a PU benchmark curve that is more suited to pension insurance. Meanwhile, Circular No. 2390 increased the margin that insurance companies can deduct from said benchmark yield curve. This margin includes management costs and the profit margin, in addition to other aspects. In turn, through Circular No. 2396 and Communication Nos. 2021/265 and 2021/266, certain aspects of Law No. 19,678 applicable to insurance companies that offer pension insurance were regulated. It established an obligation to define a set of assets affected by pension technical reserves and the debts with insured parties resulting from pension insurance, which must be identified and appraised on a daily basis and be sufficient to cover the said obligations and follow certain diversification rules. In turn, custodial accounts must be individually identified and have separate deposit accounts for the purposes of calculating them to hedge pension liabilities. Furthermore, the conditions set out in the law provide special requirements for these companies when reshaping deficit situations in their technical ratios. Finally, it increases the limit for the investments in the Uruguayan state's securities and monetary regulation instruments to 100%, for insurance companies with 5% or less of the system's total pension reserves.

In turn, Communication No. 2021/263 updated the minimum management standards applicable to insurance companies. These standards consist of a series of management practices that the supervisor expects to find in the performance of its duty to assess supervised companies. These practices are organized in line with the assessment method adopted by the SSF and mainly place an emphasis on the roles and responsibilities of the company's corporate governance and risk management.

Finally, through Communication No. 2021/021, the SSF informed insurance companies, reinsurance companies and mutual insurance companies subject to its supervision of a new information requirement in relation to joint ventures.

Ongoing projects

In relation to ongoing projects, it should be noted that the SSF is working on a project that seeks to promote alignment with best practices and international standards in relation to risk capital requirements for insurance companies. As part of this initiative, a multidisciplinary work team was set up that is currently developing different initiatives to achieve the planned objective, to which end a roadmap was drawn up that has been published on the central bank's website22. Following an analysis of the different Solvency II documents and comparable regulations, the risks that would be addressed were defined, in addition to the information to be gathered for the purposes of performing studies to establish the parameters of the model. Initially, Communication 2021/176 was issued, establishing the quarterly information requirements for the purposes of calibrating capital charges due to credit and market risk.

Furthermore, the Superintendency has started to work on the development of a new information system for the insurance market, through which companies report their financial information. In turn, with a view to enhancing good relations, trust and greater satisfaction on the part of users, the SSF is currently in the process of releasing a list of best market conduct practices for supervised institutions in all markets, with a view to publishing a non-binding document with best practice guides or principles in relation to their customers, considering aspects such as fair treatment, transparency, sales practices and dispute resolution.

Finally, work is underway on adapting the information storage requirements in the country when outsourcing data processing to providers located abroad. The aim pursued is to accept different forms of local storage, establishing mitigating factors for facilitating and ensuring access to information.

Index of Tables and Charts

Tables

Charts

References

1/ See: MAPFRE Economics (2022), *2022 Economic and Industry Outlook: Second quarter perspectives,* Madrid, Fundación MAPFRE.

2/ See: https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022

3/ See: https://www.cepal.org/es/publicaciones/48077-estudio-economico-america-latina-caribe-2022-dinamica-desafios-la-inversion

4/ See: MAPFRE Economics (2022), *Global Savings After the Pandemic and Insurance Industry Investments,* Madrid, Fundación MAPFRE.

5/ Based on data from Swiss RE.

6/ See: https://population.un.org/wpp/

7/ See: MAPFRE Economics (2022), *COVID-19: A Preliminary Analysis of Demographic and Insurance Industry Impacts,* Madrid, Fundación MAPFRE.

8/ See: https://www.cepal.org/es/notas/america-latina-caribe-perdio-casi-3-anos-esperanza-vida-al-nacer-2019-2021-consecuencia-la

9/ Does not include 2021 data for Venezuela (or 2020 data for the purposes of comparison), due to the information being unavailable on the date of conclusion of this report.

10/ In this version of the report, the method used to calculate the return on equity and assets (ROE and ROA) indicators has been modified, both for the 2021 data and for the historical series since 2011. This methodological change may give rise to slight differences in these two indicators with the data presented in previous versions of this report. Specifically, the denominator of both ratios in the current version considers the average of the equity and asset items at the beginning and at the end of the fiscal year, compared to the closing value that had been considered in previous versions.

11/ The penetration, density and depth data, as well as the measurement of the Insurance Protection Gap (IPG) and the Market Development Index (MDI) for 2020 and prior years may show differences with those presented in the previous year's report (MAPFRE Economics [2021], *The Latin American Insurance Market in 2020,* 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.

12/ 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).

13/ Economic Commission for Latin America and the Caribbean (ECLAC) growth forecasts are available at: https://www.cepal.org/sites/default/files/pr/files/tabla_prensa_pib_estudioeconomico2022-esp.pdf

14/ Forecasts from the World Economic Outlook of the International Monetary Fund (IMF) are available at: https://www.imf.org/es/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022

15/ See: https://www.sib.gob.gt/Leyes/#!ejecutiva

16/ Figures updated for 2021 with the Annual Report of the Insurance Commissioner's Office.

17/ See: https://www.imf.org/en/Topics/special-drawing-right/2021-SDR-Allocation

18/ Superintendence of Private Insurance (2022). *Relatório de gestão 2021*. Available at: http://www.susep.gov.br/setores-susep/seger/corin/Relatorio%20de%20Gestao%202021.pdf/view

19/ See: https://repositorio.cepal.org/bitstream/handle/11362/47669/12/BP2021_Ecuador_es.pdf

20/ See: Gallo, Carlos (2020). *Balances 2020: por qué los resultados técnicos son positivos. Todo riesgo*. From: https://www.todoriesgo.com.ar/columna-carlos-gallo-resultados-tecnicos-balances/

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22/ See: https://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Seguros--Hoja-de-ruta-requerimientos-de-capital-por-riesgos-para-empresas-aseguradoras.aspx

Statistical appendix

Table A.1. Mexico: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	277,003	125,297	151,706	14.0%	10.2%	760,855	593,981	640,174	572,675	120,681	107.6	-13,356	40,627	15.3%	2.4%
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%

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
2011	1.9%	0.9%	1.0%	2,427	1,098	1,329	45.2%	917,477	574,318	343,159	3.3	4.6	2.3
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%	1,296,925	748,492	548,434	2.2	2.8	1.8
2020	2.5%	1.2%	1.3%	4,632	2,177	2,455	47.0%	1,253,528	676,847	576,680	2.1	2.5	1.9
2021	2.5%	1.1%	1.3%	5,077	2,369	2,708	46.7%	1,444,659	812,851	631,180	2.2	2.7	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		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	4,718	923	3,796	24.0%	16.8%	6,662	4,277	4,737	3,366	1,925	95.3	135	283	24.4%	7.2%
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	88.2	557	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%

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
2011	1.3%	0.2%	1.0%	318	62	256	19.6%	25,364	16,697	8,667	5.4	18.1	2.3
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%	35,318	22,113	13,205	5.0	15.1	2.4
2019	1.3%	0.3%	1.0%	440	95	345	21.6%	38,030	23,075	14,956	5.1	14.2	2.5
2020	1.3%	0.3%	1.0%	452	98	353	21.7%	39,290	22,696	16,594	5.0	13.3	2.7
2021	1.3%	0.3%	1.0%	500	117	382	23.5%	43,936	26,044	17,876	5.0	12.6	2.7

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
(millons of lempiras)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	6,237	1,799	4,438	9.6%	2.6%	9,591	7,061	5,784	4,293	3,807	88.2	434	387	20.0%	7.9%
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%

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
2011	1.9%	0.5%	1.3%	723	209	515	28.8%	21,051	14,183	6,867	3.4	7.9	1.5
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%	41,876	24,676	17,183	3.2	5.5	2.1

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
(millons of USD)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	478	171	307	5.4%	0.2%	629	479	323	216	305	87.3	35	14	14.5%	7.3%
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%

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
2011	2.4%	0.8%	1.5%	78	28	50	35.8%	1,174	797	378	2.5	4.7	1.2
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%	1,365	884	481	1.9	3.7	1.0
2020	2.9%	1.1%	1.9%	115	41	73	36.0%	1,216	743	473	1.7	2.9	1.0
2021	2.9%	1.2%	1.8%	131	52	79	39.7%	1,427	873	553	1.7	2.7	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
(millons of Cordobas)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	2,765	418	2,347	11.6%	3.3%	4,193	3,003	2,929	2,217	1,264	99.5	8	174	25.1%	7.3%
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%

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
2011	1.3%	0.2%	1.1%	465	70	395	15.1%	15,087	10,038	5,049	5.5	24.0	2.2
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%	25,333	16,039	9,295	3.7	11.7	1.7
2020	1.6%	0.3%	1.3%	1,020	197	823	19.3%	27,203	16,320	10,883	3.9	12.3	2.0
2021	1.5%	0.3%	1.3%	1,129	212	917	18.8%	32,167	19,816	12,339	4.2	13.6	2.0

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
(millons of colones)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	401,191	42,428	358,762	6.2%	1.3%	1,340,977	1,012,246	806,556	602,105	534,421	106.4	-17,020	70,042	10.2%	4.1%
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%

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
2011	1.9%	0.2%	1.7%	85,726	9,066	76,660	10.6%	1,359,999	989,113	370,886	3.4	23.3	1.0
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%	2,017,601	1,354,886	662,715	2.4	10.8	0.9
2021	2.3%	0.4%	1.9%	174,664	28,680	145,984	16.4%	2,273,957	1,544,179	728,822	2.5	10.4	1.0

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
(millons of balboas)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	1,053	234	819	14.6%	8.2%	1,588	1,157	984	673	604	94.9	31	56	11.7%	4.2%
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	1,858	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	1,964	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	2,160	2,088	1,574	1,435	89.2	110	77	13.4%	5.4%
2021	1,611	410	1,201	6.2%	4.5%	3,651	2,252	2,145	n.d.	1,505	96.7	37	99	9.3%	3.8%

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
2011	3.0%	0.7%	2.4%	285	63	222	22.2%	1,772	1,421	352	1.7	6.1	0.4
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

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
(millons of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	26,828	3,957	22,871	8.2%	-0.2%	31,425	16,808	21,573	12,091	9,852	98.7	178	1,181	18.7%	6.0%
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%

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
2011	1.2%	0.2%	1.0%	2,709	400	2,309	14.7%	153,189	101,480	51,709	5.7	25.6	2.3
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	86,349	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%	1.3%	7,737	1,173	6,564	15.2%	344,090	216,233	127,728	4.0	16.6	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
(millons of USD)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	11,059	898	10,161	6.1%	3.1%	7,143	5,824	4,691	3,238	2,452	N/A	N/A	N/A	15.1%	5.1%
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%	7.3%	12,436	9,551	8,715	5,007	3,721	N/A	N/A	N/A	13.8%	4.1%

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
2011	11.0%	0.9%	10.1%	2,996	243	2,752	8.1%	3,889	3,889	-	0.4	4.3	-
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	13.3%	1.3%	12.0%	4,199	409	3,791	9.7%	3,137	3,137	-	0.2	2.3	-
2019	13.7%	1.4%	12.3%	4,349	441	3,909	10.1%	2,921	2,921	-	0.2	2.0	-
2020	15.6%	1.4%	14.2%	4,914	439	4,475	8.9%	2,765	2,765	-	0.2	1.9	-
2021	16.5%	1.6%	14.9%	5,421	532	4,889	9.8%	2,792	2,792	-	0.2	1.6	-

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
(millons of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	13,581,554	3,819,524	9,762,029	14.6%	10.8%	34,160,398	26,072,658	26,131,154	22,356,789	8,029,244	109.2	-890,427	1,495,277	7.8%	1.9%
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%

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
2011	2.2%	0.6%	1.6%	299,755	84,300	215,455	28.1%	36,836,537	25,710,702	11,125,829	2.7	6.7	1.1
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%	43,241,833	30,923,908	12,317,921	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%	48,060,799	31,446,389	16,614,410	1.6	3.4	0.8
2021	3.0%	0.9%	2.1%	686,070	207,724	478,347	30.3%	58,252,633	39,190,644	19,033,819	1.6	3.7	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
(millons of bolivars)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	0.000000460	0.000000010	0.000000460	25.9%	-0.2%	0.000004260	0.338320920	0.000002780	0.185545210	0.000001470	86.2	0.010	0.019	18.0%	6.4%
2012	0.000000600	0.000000010	0.000000590	28.4%	6.1%	0.000005200	0.411060990	0.000003380	0.230741070	0.000001820	88.0	0.011	0.031	22.5%	7.8%
2013	0.000000860	0.000000020	0.000000840	43.4%	2.0%	0.000008010	0.648916550	0.000004800	0.331069730	0.000003210	85.6	0.004	0.038	20.0%	7.6%
2014	0.000001420	0.000000020	0.000001400	66.3%	2.6%	0.000015750	1.312149960	0.000008180	0.571722930	0.000007560	80.2	-0.010	0.055	12.6%	5.7%
2015	0.000003300	0.000000040	0.000003260	131.7%	4.5%	0.000058390	4.783714470	0.000021190	1.325897630	0.000037200	76.1	-0.103	0.210	4.1%	2.5%
2016	0.000008720	0.000000100	0.000008610	164.1%	-25.6%	0.000179720	14.607587780	0.000063040	3.036082480	0.000116680	80.8	-0.396	0.216	5.0%	3.2%
2017	0.000038200	0.000000380	0.000037820	338.3%	-18.5%	0.002011820	184.028038000	0.000291090	14.155599000	0.001720730	72.6	8.187	0.936	2.7%	2.3%
2018	0.026	0.000	0.026	68102.8%	4.2%	6.097	453,830.911	3.170	10,738.492	2.928	123.5	-3,180.139	2,808.183	15.1%	7.3%
2019	5.766	0.036	5.731	22,032.1%	10.6%	520.669	38,676,288.426	270.421	1,523,766.372	250.248	120.4	-466,945.119	141,818.399	12.5%	6.0%
2020	139.403	0.564	138.839	2,317.5%	-1.5%	9,150.817	6,283.824	6,119.820	4,441,026	3,030.997	108.4	-4,353,197.252	5,537,711.493	10.6%	3.6%
2021	1,732.122	7.705	1,724.418	1,142.5%	-26.4%	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, bolivars)			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
2011	2.9%	0.1%	2.8%	0.0000000160	0.0000000003	0.0000000157	2.0%	0.0000008449	0.0000007579	0.0000000870	1.8	83.0	0.2
2012	3.1%	0.1%	3.0%	0.0000000203	0.0000000004	0.0000000199	1.9%	0.0000009182	0.0000009182	0.0000000693	1.5	81.1	0.1
2013	3.3%	0.1%	3.2%	0.0000000287	0.0000000005	0.0000000282	1.8%	0.0000011636	0.0000011636	0.0000000514	1.4	74.2	0.1
2014	0.4%	0.0%	0.4%	0.0000000472	0.0000000008	0.0000000464	1.6%	0.0000165589	0.0000165589	0.0000107744	11.6	726.5	7.7
2015	0.5%	0.0%	0.5%	0.0000001081	0.0000000013	0.0000001068	1.2%	0.0000293547	0.0000293547	0.0000184593	8.9	723.8	5.7
2016	0.7%	0.0%	0.7%	0.0000002835	0.0000000033	0.0000002802	1.2%	0.0000844594	0.0000519508	0.0000325086	9.7	515.3	3.8
2017	0.7%	0.0%	0.7%	0.0000012499	0.0000000126	0.0000012373	1.0%	0.0003707708	0.0002274795	0.0001432914	9.7	591.8	3.8
2018	0.4%	0.0%	0.4%	0.0008735514	0.0000146320	0.0008589194	1.7%	0.5046121458	0.2951637489	0.2094484142	19.4	676.3	8.2
2019	0.6%	0.0%	0.6%	0.199	0.001	0.198	0.6%	41.701	41.701	29.504	7.2	1,174.2	5.1
2020	0.8%	0.0%	0.8%	4.893	0.020	4.873	0.4%	712.116	712.116	525.071	5.1	1,262.5	3.8
2021	1.2%	0.0%	1.1%	61.423	0.273	61.150	0.4%	6,378.309	6,378.309	3,866.058	3.7	827.9	2.2

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
(millons of reais)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	105,001	58,511	46,490	16.6%	9.3%	409,926	354,677	344,088	317,909	65,838	97.3	1,465	13,278	19.6%	3.3%
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%

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
2011	2.4%	1.3%	1.1%	530	295	235	55.7%	251,446	150,263	101,183	2.4	2.6	2.2
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	3.2%	2.0%	1.1%	1,111	716	395	64.4%	350,478	151,456	199,022	1.5	1.0	2.4
2021	3.1%	2.0%	1.1%	1,251	799	452	63.9%	422,280	196,731	225,341	1.6	1.1	2.3

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
(millons of USD)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	1,337	231	1,105	20.7%	15.5%	1,045	583	697	199	348	74.0	130	21	20.5%	7.0%
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%

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
2011	1.7%	0.3%	1.4%	88	15	73	17.3%	5,120	3,551	1,570	3.8	15.4	1.4
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

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
(millons of soles)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	7,212	3,092	4,120	10.1%	6.5%	19,786	17,371	15,680	13,568	4,106	113.8	-540	1,481	22.9%	4.8%
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%

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
2011	1.5%	0.7%	0.9%	245	105	140	42.9%	31,070	19,330	11,740	4.3	6.3	2.8
2012	1.6%	0.6%	0.9%	266	111	155	41.8%	33,841	21,185	12,656	4.3	6.4	2.8
2013	1.7%	0.7%	1.0%	302	125	177	41.3%	34,205	20,889	13,316	3.8	5.6	2.5
2014	1.8%	0.8%	1.0%	335	147	188	43.8%	35,618	21,942	13,676	3.5	4.9	2.4
2015	1.9%	0.8%	1.1%	382	167	216	43.6%	37,272	23,071	14,201	3.2	4.5	2.1
2016	1.7%	0.7%	1.0%	362	148	214	40.8%	39,651	23,847	15,804	3.5	5.2	2.4
2017	1.6%	0.7%	0.9%	358	152	206	42.5%	41,979	24,890	17,090	3.7	5.2	2.6
2018	1.7%	0.8%	1.0%	400	176	223	44.2%	44,089	26,045	18,044	3.4	4.6	2.5
2019	1.8%	0.8%	1.0%	430	193	237	45.0%	45,100	25,760	19,339	3.2	4.1	2.5
2020	2.0%	0.8%	1.1%	421	183	238	43.4%	42,403	23,121	19,282	3.0	3.8	2.4
2021	2.0%	1.0%	1.0%	525	254	271	48.3%	51,663	28,423	23,219	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
(millons of bolivianos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	1,841	400	1,441	15.4%	5.0%	5,176	4,251	4,097	3,395	1,078	103.4	-41	193	10.6%	2.2%
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	102.2	-63	372	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%

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
2011	1.1%	0.2%	0.9%	177	38	139	21.7%	11,698	7,530	4,168	6.4	18.8	2.9
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	1.6%	0.6%	1.0%	353	138	215	39.1%	17,435	9,899	7,529	4.1	5.9	2.9

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
(millons of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	5,027,445	2,996,333	2,031,111	18.9%	15.1%	23,278,241	25,082,990	20,493,396	19,451,724	2,784,845	111.7	-409,867	697,379	6.4%	0.8%
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%

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
2011	4.1%	2.4%	1.7%	292,743	174,474	118,270	59.6%	4,984,008	2,867,444	2,116,563	1.0	1.0	1.0
2012	4.2%	2.5%	1.7%	315,490	188,483	127,007	59.7%	5,284,702	3,041,142	2,243,559	1.0	0.9	1.0
2013	4.2%	2.5%	1.7%	331,200	197,618	133,581	59.7%	5,081,594	2,734,921	2,346,673	0.9	0.8	1.0
2014	4.2%	2.5%	1.7%	351,854	206,274	145,580	58.6%	5,569,121	3,151,164	2,417,957	0.9	0.9	0.9
2015	4.7%	2.9%	1.8%	414,566	254,025	160,541	61.3%	5,354,394	2,800,339	2,554,055	0.7	0.6	0.9
2016	4.9%	3.1%	1.8%	459,043	290,902	168,141	63.4%	4,798,114	2,057,296	2,740,819	0.6	0.4	0.9
2017	4.6%	2.8%	1.8%	450,136	276,647	173,488	61.5%	5,414,712	2,542,073	2,872,639	0.7	0.5	0.9
2018	4.7%	2.9%	1.8%	475,771	289,133	186,638	60.8%	5,659,205	2,701,457	2,957,749	0.6	0.5	0.8
2019	4.6%	2.7%	1.9%	471,288	274,988	196,300	58.3%	6,074,343	2,923,575	3,150,768	0.7	0.6	0.8
2020	3.9%	1.9%	2.0%	405,979	201,723	204,256	49.7%	7,896,536	4,251,388	3,645,148	1.0	1.1	0.9
2021	3.6%	1.7%	1.9%	446,319	215,318	231,001	48.2%	10,431,351	6,000,863	4,424,731	1.2	1.4	1.0

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
(millons of guaranies)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	1,212,157	132,555	1,079,602	21.0%	11.8%	1,634,863	526,164	1,088,238	739,285	546,625	91.4	80,701	36,172	22.4%	7.4%
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	96.4	77,518	128,959	12.2%	4.9%

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
2011	0.9%	0.1%	0.8%	207,421	22,682	184,739	10.9%	10,311,610	6,616,995	3,694,613	8.5	49.9	3.4
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%	15,522,358	9,497,947	6,024,410	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%	18,080,246	10,726,999	7,346,925	6.2	22.8	3.0

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
(millons of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	52,213	8,704	43,509	34.6%	22.6%	82,077	61,866	66,480	55,231	15,597	107.4	-3,139	6,259	24.9%	4.7%
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%

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
2011	2.4%	0.4%	2.0%	1,258	210	1,048	16.7%	125,264	95,245	30,019	2.4	10.9	0.7
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%	2,435,578	1,812,202	622,264	1.9	11.5	0.6

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
(millons of pesos)

Year	Premiums			Premium growth		Asset	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2011	17,637	4,261	13,377	21.0%	11.9%	40,986	33,942	32,806	29,069	8,180	101.3	-192	1,455	5.7%	1.2%
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%

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
2011	1.8%	0.4%	1.3%	5,247	1,267	3,979	24.2%	64,327	43,746	20,581	3.6	10.3	1.5
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

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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