Fundación MAPFRE

THE LATIN AMERICAN INSURANCE MARKET IN 2019

MAPFRE Economics

The Latin American insurance market in 2019

Wilberto Casanto [Junín, 1978]
Escena de un cazador asháninka
(Scene of an Ashaninka Hunter) (2016)
Acrylic on canvas
80 x 60 cm.

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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 creation of this report.

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Presentation

One of Fundación MAPFRE's objectives is the dissemination of insurance and social protection knowledge and culture. The publication of this study on the Latin American insurance market, prepared annually by MAPFRE Economics, falls within this goal. The report we are presenting today analyzes the performance of the insurance industry in 19 Latin American countries in 2019 and its evolution during the 2009–2019 period. It also updates the estimate of the Insurance Protection Gap and includes an overview of the main regulatory and legislative changes taking place in each market. This information is supplemented with a comprehensive analysis of the insurance activity in the region, which also examines the economic and demographic factors that have influenced its performance.

From the data contained in the report, it appears that Latin America's insurance performance in 2019 was positive, reaching a premium volume of 153 billion dollars, up 1.6% from the previous year, with a positive contribution to growth by Life insurance (2.3 percentage points) and a negative contribution from Non-Life lines (-0.6 percentage points). The study confirms that Life insurance continues to be the least-developed segment in the region, although it has gradually increased its contribution to the sector over the period analyzed from 37.3% of premiums in 2009 to 46.1% in 2019. This is one of the factors that has helped reduce the insurance gap in the region, which, in 2019, amounted to 246.8 billion dollars. This, together with real premiums, puts the potential insurance market in Latin America at 400 billion dollars.

Fundación MAPFRE publishes *The Latin American insurance market in 2019* with the hope that it will be a further contribution to the effort to convey the importance of insurance activity in boosting efforts aimed at increasing social well-being and to demonstrate its key role in the economy.

Fundación MAPFRE

Introduction

This new edition of *The Latin American Insurance Market* report analyzes the performance of the insurance industry in this region, offering an overview of the performance of this activity at the Latin American level, as well as in each of the markets that comprise it. To this end, the study reviews the most relevant figures and trends, considering matters such as premium growth, the performance of the sector's aggregate balance sheet items, technical provisions, investments, technical performance, and sector performance and profitability.

The report also analyzes the evolution of the insurance industry not only in 2019, but also over the past decade. It addresses the mid-term review of the main structural trends of this activity, such as penetration, density and depth, updating the estimates of the Insurance Protection Gap and of the Market Development Index for both the region and each of the region's markets.

As in previous editions, this report is supplemented with a review of trends in the concentration of the insurance industry, both at the aggregate level and for each of the markets considered. Lastly, it includes a description of the main regulatory changes that took place in the region during 2019, as well as an overview of the most important changes expected for this year, based on information provided by the insurance supervisory bodies in the region.

We hope that this new edition of our report will contribute to the assessment of Latin American insurance market performance and that, in this regard, it will be one more factor that continues to support its growth and development.

MAPFRE Economics

Executive summary

The global economy and the insurance industry

In 2019, the global economy grew by 2.9%, compared to 3.6% the previous year, with developed and emerging markets close to the threshold of 2% and 4% respectively. In this context, the G7 group of economies suffered a significant slowdown compared to the previous year. Although on another level, emerging economies were also unable to avoid the slowdown in economic activity, to which several factors contributed that burdened manufacturing activity and investment: trade tensions between the United States and China; the prospect of increased tariffs on other US trade partners; uncertainty surrounding Brexit; and, from a structural perspective, the point in the economic cycle in which the global economy found itself.

However, while global activity lost momentum, coinciding with a slowdown, 2019 was expected to be the prelude to economic recovery in 2020, spearheaded by emerging markets in response to the widespread global monetary shift toward expansionary monetary policies. Increasing monetary laxity led to more favorable financial conditions, as well as a curb on the impairment of emerging market currencies, with investment flows that remained dynamic by financing these economies. Today, however, that expectation has been shattered by the crisis caused by lockdown and social distancing measures implemented by governments around the world in order to tackle the COVID-19 pandemic. They have led to a radical change in the situation, with major fluctuations in the exchange rates of emerging market currencies, unprecedented investment outflows and sharp falls in GDP, and the duration and future consequences that may arise from this situation remain highly uncertain at present.

Global insurance increased its premium volume once again in 2019 to 6.3 trillion US dollars (USD), which represents real growth of 2.9%, slightly below the 3.2% recorded the previous year. It should be noted that the slowdown in economic growth and the low interest rate environment in developed countries were factors that limited the growth of the global insurance industry. Accordingly, for yet another year, the boost came from Non-Life insurance lines, with larger increases in emerging markets (mainly in Asia), with developments in the two largest markets, China and India, standing out. Latin American markets showed moderate growth in this line of business, with decreases in real terms in Argentina, Brazil, Honduras, Nicaragua, and Panama.

Despite the difficult economic and financial environment, characterized by persistently low or negative interest rates, Life insurance premium revenue in global markets rose moderately. Premiums grew modestly in developed insurance markets, while emerging markets once again experienced strong increases following the fall in the previous year. In real terms, the greatest growth in the Life business was experienced by the Latin American and Caribbean region, thanks to the momentum of its two main markets, Brazil and Mexico.

The economy and the Latin American insurance market in 2019

The economy of Latin America and the Caribbean fell from a real growth of 1.0% percent of GDP in 2018 to 0.1% in 2019. In this sense, economic activity in the region has virtually become stagnant, exacerbating the weak growth trend of the previous five years and adding more urgency and new challenges to reviving economic growth. This weak momentum reflects *structural* and *cyclical* factors. In the *structural* aspect, potential growth in the region remains limited by low investment, slow productivity growth, a weak business climate, and low-quality infrastructure and education. The development of long-term savings, investment in infrastructure and productivity remain challenges that the region must face in order to speed up its long-term growth potential. And from a *cyclical* perspective, economic dynamics have been slowed by low growth in the global economy and commodity prices, high economic policy uncertainty, re-balancing in some economies, and social unrest in others. In this context, some countries in the region experienced social tensions (Bolivia, Colombia, Chile and Ecuador) that, in some cases, disrupted economic activity.

In this inherently complex context, the crisis caused by the implementation of lockdown and social distancing measures to tackle the COVID-19 pandemic began in early 2020 and have been accompanied by price drops in oil and other raw materials, as well as in commodities, making the region's economic outlook for 2020 extremely complex.

Insurance market performance

In 2019, total premiums in Latin America amounted to 153.05 billion US dollars, of which 54% came from Non-Life insurance and the remaining 46% from Life insurance. The situation of relative economic stagnation in Latin America continues to weigh on the performance of the insurance industry, which experienced weak growth in 2019. However, insurance market premiums, at the aggregate level, showed a slight growth of 1.6% (compared to the decline of -5.5% in 2018) as a result of the good performance of some of its large markets and the lower depreciation of its currencies (which greatly influenced the strong decline experienced in the previous year). The share of the Latin American insurance market in the global total declined slightly due to the weak performance of the Non-Life business.

A notable aspect of insurance market performance in the Latin American and Caribbean region in 2019 is that it has been a year of greater contrast, in which the economic environment has affected the two large segments of the insurance business differently. On the one hand, the Non-Life insurance business experienced a slight decline of -1.1%, in line with the economic slowdown, with declines in most of the lines that form this business segment. The Automobile line, which accounts for 16.9% of total premiums, saw a contraction of -8.4%. However, the Life segment performed well, with a premium growth of 5.1%. The Non-Life segment's negative contribution to growth (which undoubtedly influenced the economic slowdown experienced in 2019) has been offset by the good performance of the Life business, which has had a favorable interest rate environment for marketing savings and income products, offsetting the negative effect of the economic slowdown in this business segment.

The widespread application of expansionary, accommodative monetary policies by virtually every country in the region is beginning to leave times of high interest rates far behind, as a result of sharp falls in short-term risk-free interest rates and rate curves beginning to show positive trends in some very notable markets such as Brazil. Expectations of further interest-rate declines and the possibility of offering medium- and long-term interest rates that are higher than short-term rates (term premiums), have created a favorable environment in the region's main markets for marketing Life Savings annuity insurance products with guaranteed interest rates, which has been reflected in the good performance of their respective markets, despite the environment of low economic growth.

In this context, with the exception of the insurance markets in Argentina and Chile, the region's large insurance markets performed well. The markets in Mexico and Peru are particularly noteworthy, which recorded exceptional growth measured both in real terms in their local currencies (7.2% and 7.4% respectively) and in US dollars (11.0% and 8.0% respectively), with growth balanced between Life and Non-Life segments. The markets in Brazil and Colombia also showed significant real growth in their respective currencies (7.4% and 6.6% respectively), although significantly lower when measured in US dollars (3.1% and -0.6% in each case), due to the depreciation suffered by their respective currencies. It should be noted that the growth of the Brazilian insurance market originated in the good performance of the Life business, since the Non-Life business experienced a slight decline, in real terms.

Of the rest of the countries included in this report, Central American and Caribbean markets, with the exception of Nicaragua, Honduras and, to a lesser extent, Panama, also stood out for their good performance. Among the Andean countries, the markets of Bolivia and Ecuador also stood out for their good performance, while the aforementioned Argentine and Chilean markets performed poorly.

In 2019, the aggregate net result of the Latin American insurance market stood at 13.46 billion US dollars, representing a growth of 13.5% compared to the aggregate result of the previous year. Profits in US dollars decreased from the previous year in the insurance markets of Argentina (-6.5%), Chile (-28.1%), Costa Rica (-22.6%), El Salvador (-2%), Nicaragua (-13.4%) and Paraguay (-0.2%), whereas profits increased in the rest of the region's markets.

As already recorded in previous years, in 2019, the Latin American insurance markets with the highest levels of concentration were Costa Rica, Uruguay, Nicaragua and Peru, with a Herfindahl index above the threshold associated with a highly concentrated industry. Meanwhile, Honduras, Panama, the Dominican Republic, Venezuela and Guatemala achieved index values equating to markets with a moderate level of concentration. The remaining Latin American markets reported indices below the threshold associated with moderate levels of concentration.

Structural trends in the insurance industry

The average penetration index (premiums/GDP) of the region's insurance industry was 2.9% in 2019, slightly higher than the previous year, by 0.08 percentage points (pp). The indicator improved in the Life segment (1.4%, compared to 1.3% the previous year), with the Non-Life segment remaining unchanged (1.6%). An analysis of the changes in this indicator since 2009 shows that there has been an increase of 0.5 percentage points, confirming for yet another year the growing trend we have seen over the last decade, with the development of the Life insurance segment contributing almost exclusively and that of Non-Life insurance playing a smaller role. As a result, total penetration in the region has risen by 18.8% over the last ten years. The cumulative increase in penetration in the Life insurance segment came to 46.8%, while the cumulative increase in Non-Life insurance was 2.1% over the same period. These growth figures, while undeniably significant in the case of Life insurance, still fall short of the figures reported between 2008–2018.

Puerto Rico continues to report the highest penetration index, reaching 14.8% in 2019, due to the important role played by insurance companies in its health system. After Puerto Rico, Chile (4.3%), Brazil (3.2%), and Colombia (2.8%) were the countries that reported the highest penetration indices in 2019.

In terms of density (premiums per capita), the region's average indicator stood at 248.3 US dollars, 0.7% above the previous year's level, recovering only slightly from the sharp decline of the previous year, which was the result of the sharp depreciation of the main currencies in that year. The bulk of insurance spending per person remained focused in the Non-Life segment (133.9 US dollars), which was down -2.0% from the previous year. Life insurance density amounted to 114.4 US dollars, 4.1% above that of 2018.

On the other hand, density showed a growing trend in the region between 2009 and 2019, increasing by 36.4% over this period. The cumulative increase in the Life insurance market over the period amounted to 68.6% (rising from 67.9 to 114.4 US dollars), while cumulative growth in Non-Life insurance was 17.3% (from 114.2 to 133.9 US dollars). In contrast to the penetration index over the 2009–2019 period, the density index shows a certain growth improvement when compared with the 2008–2018 period. Furthermore, an individual analysis of each of the markets considered in this report also points to a trend toward increasing density over recent years, when measured in local currency.

Lastly, the insurance depth index (the ratio of Life insurance premiums to total premiums) stood at 46.1% in 2019, 1.5 percentage points above that of 2018, and was strongly influenced by the good performance of the Life insurance segment in the region's large markets. In a medium-term analysis (2009–2019), the indicator shows an improvement, with a cumulative increase of 8.8 percentage points and cumulative growth of 23.6% over that period.

The Insurance Protection Gap (IPG) for the Latin American insurance market is estimated at 246.8 billion US dollars, -3.0% less than the figure estimated for the previous year. The structure of the IPG over the last ten years shows no significant changes with respect to our previous report, confirming the predominance of Life insurance and, therefore, its greater growth potential. The potential insurance market in Latin America in 2019 (the sum of the actual insurance market plus the IPG) therefore stood at 399.8 billion US dollars, 2.6 times larger than the current regional market.

Over the 2009–2019 period, the insurance market recorded an average annual growth rate (in US dollars) of 4.2%, with an average growth of 6.5% in Life insurance and 2.7% in Non-Life insurance. If the same growth rate seen over the 2009–2019 period were to continue over the next ten years, the growth rate of the market as a whole would fall short of closing the 2019 IPG by -5.8 percentage points. The same is true when analyzing either the Life insurance segment (short 5.4 percentage points) or the Non-Life Insurance segment (short 5.6 percentage points), with the situation having improved compared to the measurement taken in 2018, except as regards the Non-Life segment.

Lastly, this edition of the report includes a new estimate of the Market Development Index (MDI) for the Latin American insurance industry. The MDI (which aims to summarize trends regarding the development and maturity of insurance markets) has shown a sustained improvement over the last ten years, despite suffering a slight dip in 2014 and again in 2018. Despite these two setbacks, this clear positive trend in the industry over the 2009–2019 period provides further proof that the Latin American insurance market has been experiencing positive growth, when analyzed over the medium-term.

A detailed analysis for each of the Latin American insurance markets is included in the third chapter of this report. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2019, before analyzing the main figures and trends in their insurance markets.

1. Economic and demographic context

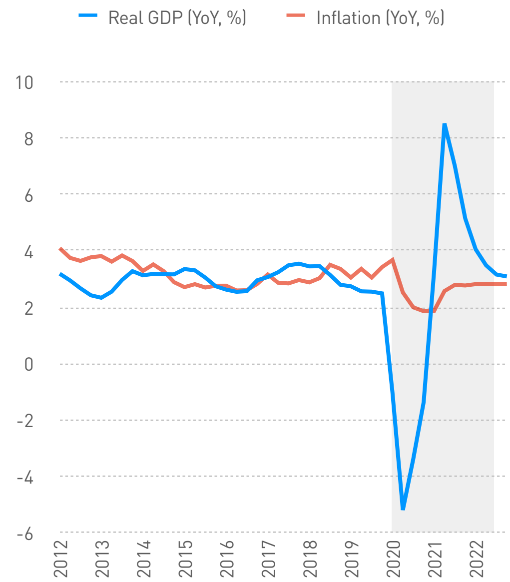
1.1 Economy

Global environment

The global economy grew by 2.9% in 2019 (compared to 3.6% the previous year), with developed and emerging markets almost at the threshold of 2% and 4% respectively (see Chart 1.1-a)[1]. Specifically, the G7 group of economies[2] grew by 1.6%, with the United States by 2.3% and the eurozone by 1.2%, experiencing a notable slowdown compared to the previous year. Emerging economies, although on another level, were also unable to avoid the slowdown: China grew by 6.2% (compared to 6.7% the previous year), the emerging and developing group dropped to 3.7% from 4.5%, and Southeast Asia's large emerging markets (China, Indonesia, and the Philippines) dropped to 5.7% from 6.1%. Several factors burdening manufacturing activity and investment contributed to this slowdown in activity: trade tensions between the United States and China, the prospect of increased tariffs on other US trade partners, uncertainty surrounding Brexit and, from a structural perspective, the point in the economic cycle in which the global economy found itself.

However, while global activity lost momentum, coinciding with a slowdown, 2019 was expected to be the prelude to economic recovery in 2020, spearheaded by emerging markets in response to the widespread global monetary shift toward expansionary monetary policies. Today, however, that expectation has been shattered by the crisis caused by lockdown and social distancing measures implemented by governments around the world in order to tackle the COVID-19 pandemic. Global performance is therefore expected to differ greatly from what would have been expected a few months ago, when it was thought that the world economy would move closer toward the potential for global growth throughout 2020 and 2021, driven by emerging-market performance.

Chart 1.1-a
Global: growth and inflation, 2012–2022



Source: MAPFRE Economics (based on Haver data)

Before the pandemic crisis, the slowdown was still characterized by convergence between economies, with central banks setting the pace of synchrony; now the United States has joined Japan and the eurozone in favor of economic stimulus and, as a result, many central banks from emerging countries (especially in Latin America) are rapidly converging toward greater monetary laxity. In Europe, 2019 was marked by elections in various countries and by the renewal of positions at the European Commission and the European Central Bank (ECB), while in the United Kingdom, the result of the December election gave the Conservatives a comfortable majority to unblock the Brexit process in the British parliament. The ECB continued to manage expectations on interest rate hikes (which were delayed until the end of 2022, even before the pandemic), while restarting operations to purchase sovereign assets and inject liquidity in light of sluggish activity and plummeting prices. This was not only encouraged by then-ECB President Mario Draghi, but was also fully embraced by his successor, Christine Lagarde.

The US economy, for its part, saw reduced dynamism. With an average growth six tenths lower than that of the previous year (2.3%, compared to 2.9%), it continued to maintain a barely frictional unemployment rate (the lowest since the middle of the previous century) and inflation that still kept the Federal Reserve in its comfort zone. The economic cycle ended abruptly in the first quarter of 2020, leaving behind the legacy of having been the longest in the country's history. Having abandoned the idea of returning to monetary neutrality, the Federal Reserve began to voice the opinion that it was time to resume a counter-cyclical support policy, which materialized through interest rate cuts. Concerns over global domestic and commercial activity led the Federal Reserve to lower interest rates three times in 2019, to the range of 1.50–1.75%. On October 11 of this year, it also announced that it would continue to inject liquidity into the interbank market to the amount of 60 billion US dollars monthly until at least January 2020 in order to stabilize the repo market until the interest rate returns to within the official range. As a result, the financial conditions of emerging countries (which were restrictive during 2018) became lax, with increased external financing and currencies experiencing less depreciation pressure against the US dollar.

China, however, abandoned intentions initiated in 2018 to promote deleveraging and reduce quasi-tax stimuli, with the aim of mitigating misalignments and potential risks throughout 2019 and 2020. The entry into force of customs tariffs on exports to the United States and the slowdown of its main trade partners had to be offset by further stimuli. The government implemented a package of measures (lowering taxes and encouraging borrowing in the private sector) to stimulate internal demand and offset the slowdown in the export sector caused by the trade war.

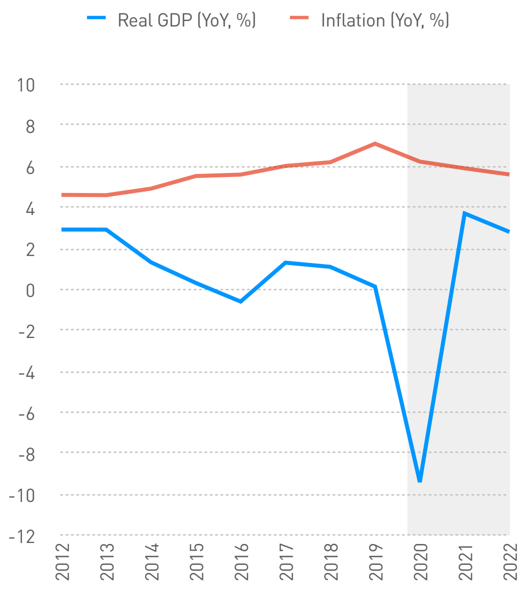
Among the relevant milestones in emerging markets, Brazil is a particularly notable case. On October 23, the Brazilian Federal Senate announced the constitutional reform of the public pension system. The reform will be implemented progressively up to 2033, and the transition period will vary depending on certain established parameters. Brazilian public accounts suffer from a strong structural budget imbalance, largely caused by high spending in the public pension system. Demographic projections point to an even higher increase, with the ensuing impairment of the deficit and level of future borrowing, with this being one of the reasons why Brazil's sovereign risk remained below the investment grade.

In short, all of these developments led to a macroeconomic scenario of moderate nominal and real growth in 2019, with increasing monetary laxity, more favorable financial conditions, and a curb on the impairment of emerging market currencies. Investment flows remained dynamic by financing emerging countries, even those with latent or highly visible vulnerabilities. However, the implementation of lockdown and social distancing measures to tackle the COVID-19 pandemic in the first months of 2020 has led to a radical change in the situation, with major fluctuations in the exchange rates of emerging-market currencies, unprecedented investment outflows, and sharp falls in GDP, and the duration and future consequences that may arise from this situation currently remain highly uncertain.

Latin American environment

The economy of Latin America and the Caribbean fell from a real growth of 1.0% percent of GDP in 2018 to 0.1% in 2019. Economic activity in the region has therefore become virtually stagnant, plummeting further down the path of weak growth momentum of the previous five years and adding more urgency and new challenges to reviving economic growth (see Chart 1.1-b). As a matter of fact, the region's real per capita GDP

Chart 1.1-b
Latin America: growth and inflation, 2012–2022



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

declined by an average of 0.6% annually during the 2014–2019 period, in contrast to the average 2% annual price increase resulting from the commodity boom during the 2000–2013 period.

This weak momentum reflects *structural* and *cyclical* factors. In the *structural* aspect, potential growth in the region remains limited by low investment, slow productivity growth, a weak business climate, and low-quality infrastructure and education. The development of long-term savings, investment in infrastructure and productivity remain challenges that the region must face in order to speed up its long-term growth potential. And from a *cyclical* perspective, economic dynamics have been slowed by low growth in the global economy and commodity prices, high uncertainty surrounding economic policy, re-balancing in some economies, and social unrest in others.

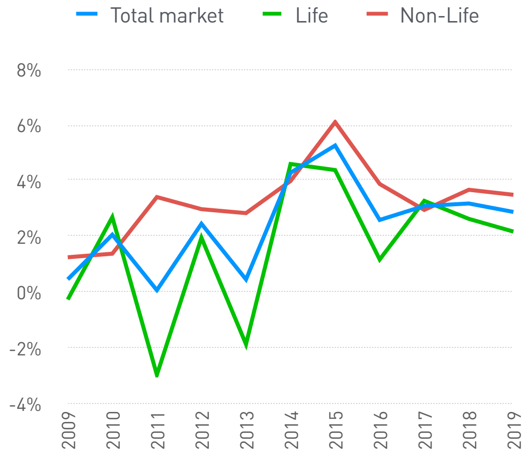
High political uncertainty in several of Latin America's major economies continues to weigh on growth. For example, uncertainty surrounding the course of economic policy and reforms in Brazil and Mexico is likely to have contributed to the slowdown in real GDP and investment growth in 2019. While helping to restore internal and external balances, continued economic re-balancing in economies under tension, which experienced sudden halts in capital flows in 2018–19 (Argentina, Ecuador), has also burdened economic growth in the region. In this context, some countries in the region experienced social tensions (Bolivia, Colombia, Chile and Ecuador) that, in some cases, disrupted economic activity. Uncertainty surrounding economic policy has also increased in these countries as governments consider alternative policies and reforms to make growth more inclusive and meet social demands.

In this inherently complex context, the crisis caused by the implementation of lockdown and social distancing measures to tackle the COVID-19 pandemic began in early 2020 and have been accompanied by price drops in oil and other raw materials, making the region's economic outlook extremely complex for 2020, for which MAPFRE Economics forecasts a -9.4% drop in Latin American GDP.

Economic environment and insurance demand

Global insurance increased its premium volume once again in 2019 to 6.3 trillion US dollars (USD)[3], which represents real growth of 2.9%, which is slightly below the 3.2% recorded in 2018 (see Chart 1.1-c). It should be noted that the slowdown in economic growth and the low interest rate environment in developed countries were factors that limited the growth of the global insurance industry. For yet another year, this was driven by Non-Life insurance lines, with a real increase of 3.5%, compared to the 2.2% of Life insurance, with larger increases in emerging markets than in developed markets. Despite the difficult economic and financial environment,

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



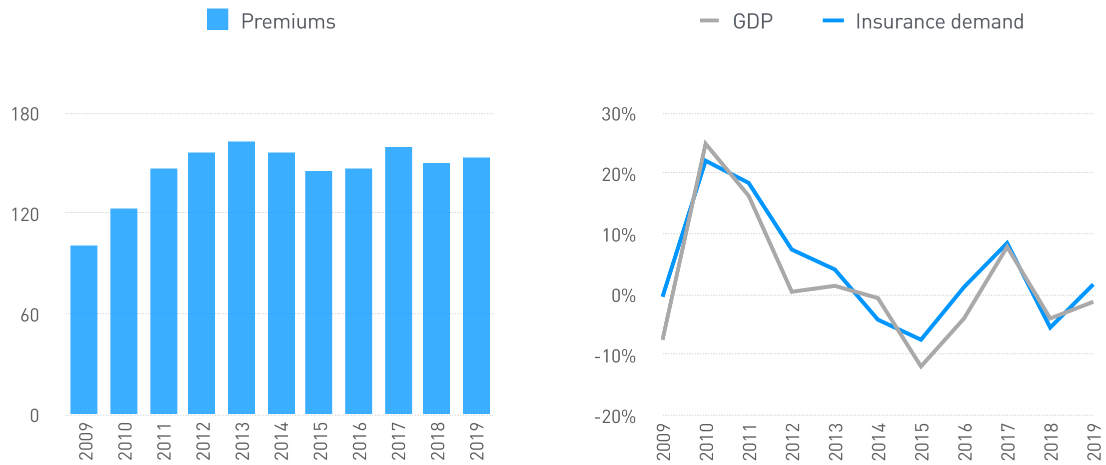
	Total	Life	Non-Life
2009	0.5%	-0.3%	1.2%
2010	2.1%	2.7%	1.4%
2011	0.1%	-3.0%	3.4%
2012	2.4%	1.9%	3.0%
2013	0.4%	-1.9%	2.8%
2014	4.3%	4.6%	4.0%
2015	5.3%	4.4%	6.1%
2016	2.6%	1.2%	3.9%
2017	3.1%	3.3%	2.9%
2018	3.2%	2.6%	3.7%
2019	2.9%	2.2%	3.5%

Source: MAPFRE Economics (based on Swiss RE data)

characterized by persistently low or negative interest rates, Life insurance premium revenue in global markets rose moderately to 2.9 trillion US dollars. Premiums grew modestly in developed insurance markets, while emerging markets once again experienced strong increases following the fall in the previous year. In real terms, the greatest growth in the Life business was experienced by the Latin American and Caribbean region, thanks to the momentum of its two main markets, Brazil and Mexico.

Furthermore, the Non-Life insurance premium volume totaled 3.4 trillion US dollars, which is 3.5% higher than 2018 in real terms. Growth was solid in emerging economies—mainly in Asia—with performance of the largest markets, China and India, being notable. Latin American markets showed moderate growth, with

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



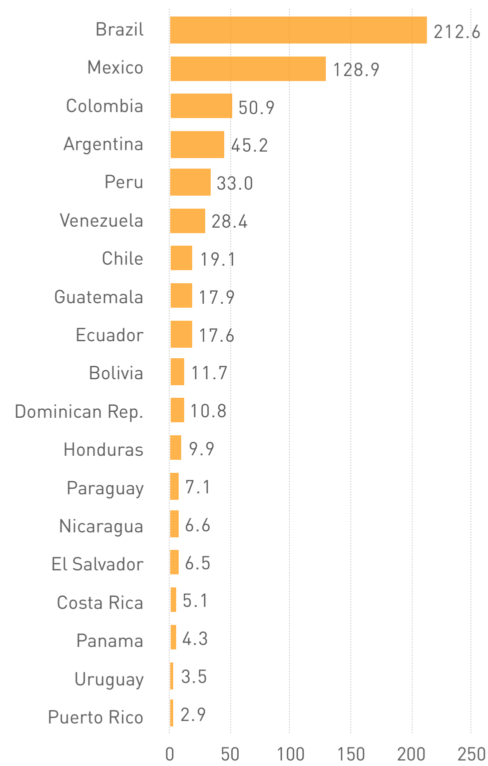
Source: MAPFRE Economics (based on supervisory body and IMF data) decreases in real terms in Argentina, Brazil, Honduras, Nicaragua, and Panama. In Europe, the slowdown in economic growth limited the increase in Non-Life businesses.

As indicated previously, the economic stagnation in Latin America continues to weigh on the performance of the insurance industry, which experienced weak growth in 2019, in line with the economic situation (see Chart 1.1-d). However, insurance market premiums showed slight growth of 1.6% (compared to the decline of -5.5% in 2018) as a result of the good performance of some of its large markets and the lower depreciation of its currencies, which had a large influence on the strong decline experienced in the previous year.

Another notable aspect of insurance market performance in the Latin American and Caribbean region in 2019 is that it has been a year of greater contrast, in which the economic environment has affected the two large segments of the insurance business differently. On the one hand, the Non-Life insurance business, which is more closely tied to cycle behavior, experienced a slight decline, in line with the economic slowdown. However, the Life segment (which is also largely influenced by the interest rate environment, as well as the economic cycle situation) has performed well, with premium growth of 5.1% in US dollars at the regional level, compared to the previous year's -7.2% decline, the explanation of which goes beyond the effect of currency depreciation in that year.

In this sense, the widespread application of expansionary, accommodative monetary policies by virtually every country in the region is beginning to leave times of high interest rates far behind, as a result of sharp falls in short-term risk-free interest rates and rate curves beginning to show positive trends in some very notable markets such as Brazil. Expectations of further interest-rate declines and the possibility of offering medium- and long-term interest rates that are higher than short-term rates (term premiums), have created a favorable environment in the region's main markets for marketing Life Savings annuity insurance products with guaranteed interest rates, which has been reflected in the good performance of their respective markets, despite the environment of low economic growth. The Life insurance markets in Brazil and Mexico therefore showed excellent performance, along with those of Peru and the rest of the Andean countries, except the Chilean market. The Life insurance markets in Uruguay and Central American countries (with the exception of Nicaragua) also performed well.

Chart 1.2-a
Latin America: population, 2020
(millions)



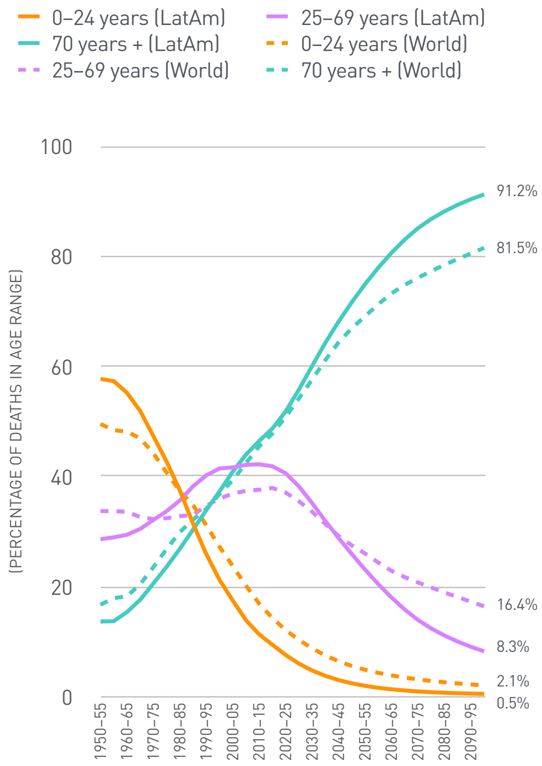
Source: MAPFRE Economics (based on UN data)

1.2 Demographics

According to the latest population data for Latin America released by the United Nations (UN) in 2019[4], the estimated population in 2020 of the 19 countries featured in this report totaled 622.1 million people. Brazil and Mexico account for a significant share of the total, with populations of 212.6 and 128.9 million inhabitants respectively. Colombia and Argentina both have populations of over 40 million inhabitants, with 50.9 and 45.2 million respectively. These are followed by Peru and Venezuela, each with populations of around 33 and 28.4 million inhabitants respectively. The remaining countries have populations of below 20 million, namely Chile, Guatemala, and Ecuador, with populations ranging between 17 and 20 million inhabitants (see Chart 1.2-a).

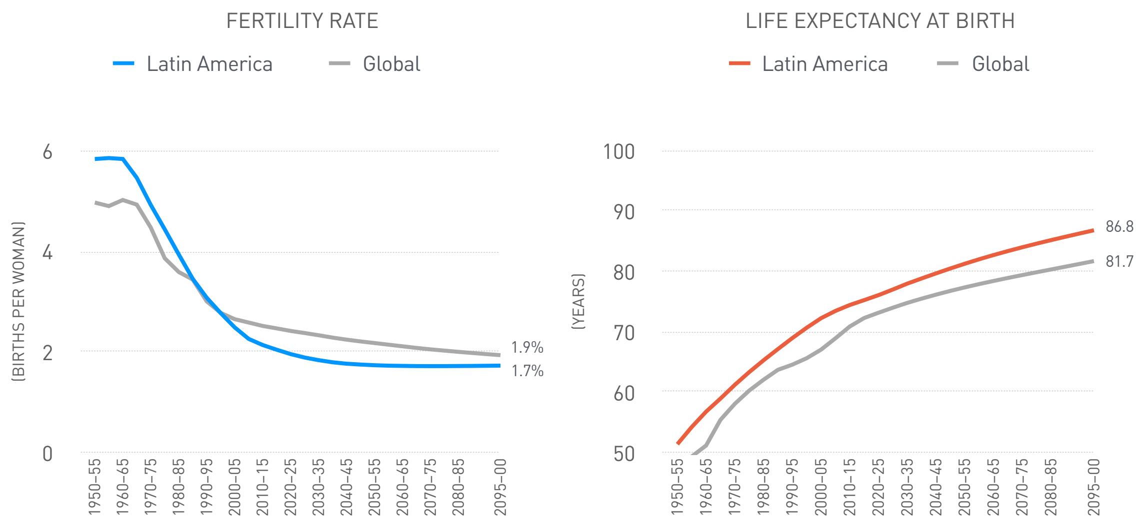
With regard to the region's demographic parameters, the updated projections produced by the UN for Latin America and the Caribbean show a trend of declining fertility rates and of increasing population longevity (see Chart 1.2-b). In line with this information, life expectancy at birth in the region rose from 51 years in 1950 to 75 years in 2020, representing an increase of 24 years over the period. The projections confirm that, in the future, life expectancy in the region could grow at an approximate pace of

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-b
Latin America: fertility rate and life expectancy at birth, 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) two years per decade, to reach over 81 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 6 births per woman in the 1960s to 1.7 by the end of this century.

Meanwhile, forecasts for the percentage of deaths by age cohort point to a reduction in the proportion of premature deaths, leading to an increasing proportion of the population reaching older ages. It should be noted that the region's death distribution pattern begins to differ from average projections for the global population, making the concentration of the population at extreme ages higher in Latin America than in the world average (see Chart 1.2-c).

Lastly, 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 2019

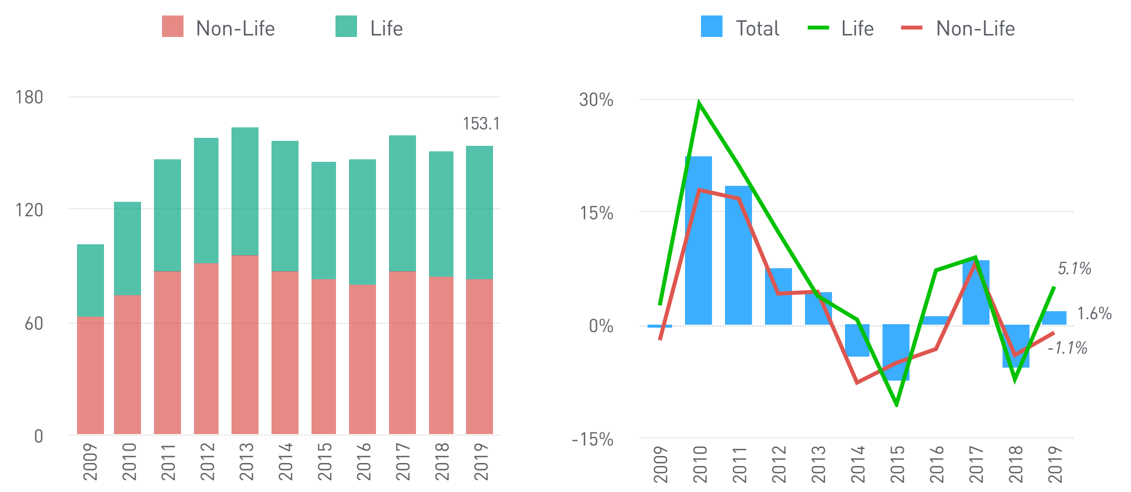
2.1 Insurance market performance

Growth

In 2019, total premiums in Latin America amounted to 153.05 billion US dollars, of which 54% came from Non-Life insurance and the remaining 46% from Life insurance. The share of the Latin American insurance market in the global total fell by -0.03 percentage points (pp) between 2018 and 2019, as a result of weak performance in the Non-Life business, the share of which fell by 0.14 pp, while the Life business increased by 0.11 pp. In a long-term perspective, Latin America's share in the global insurance business has shown a growing trend: while in 1980 this share was only 1.8%, by 2019 it had risen to 2.4%, mainly as a result of the increase in the Life segment. The Non-Life business, although increasing its weight, has barely deviated from the level recorded four decades ago, as a result of the decline in the last five years[5] (see Charts 2.1-a and 2.1-b).

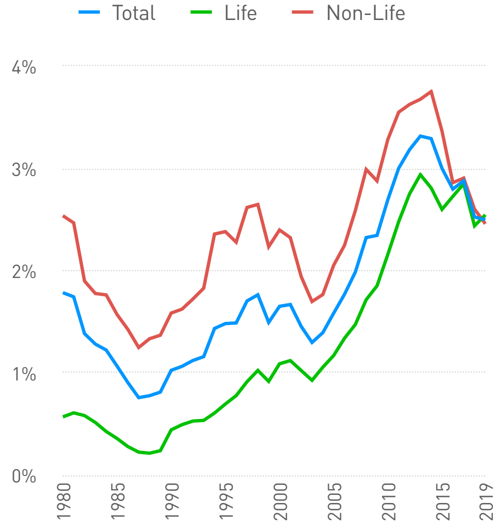
This trend toward an increase in the Latin American insurance market's share in the global market has been interrupted only during the periods of economic and financial crises that have affected the region, amplified by the effect of the devaluation of various countries' currencies, which typically accompanies such cyclical events. Thus, after good performance in 2017, the Latin American insurance industry, in the next two years, once again suffered the consequences of its currencies depreciating against the dollar, which was triggered by the monetary normalization process carried out by the US Federal Reserve in 2018, coupled with a number of structural weaknesses that increased the impact on some of the region's economies, continuing down this path of currency depreciation, despite the US monetary policy's shift in bias.

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 supervisory body data)

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



Source: MAPFRE Economics (based on Swiss RE data)

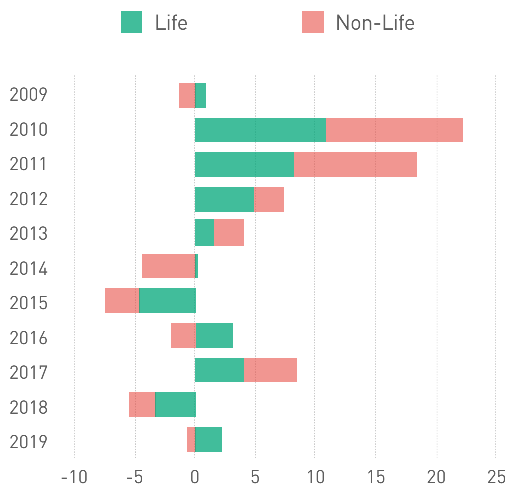
As shown in Chart 2.1-a, total insurance industry premiums in 2019 grew by 1.6% compared to the previous year. For the second consecutive year, the Non-Life insurance segment contributed negatively to the decline in business, with -0.6 pp (-2.2 pp in 2018), while the Life business had a remarkable positive contribution of 2.3 pp (which

Table 2.1-a
Latin America: annual changes in premium volume, 2018–2019
(growth in local currency, %)

Country	Nominal growth	Real growth
Argentina	36.3	-11.2
Bolivia	7.8	5.8
Brazil	11.4	7.4
Chile	0.8	-1.4
Colombia	10.3	6.6
Costa Rica	7.9	5.7
Ecuador	6.4	6.1
El Salvador	6.8	6.7
Guatemala	7.4	3.6
Honduras	0.8	-3.4
Mexico	11.1	7.2
Nicaragua	-4.2	-9.1
Panama	-0.1	0.2
Paraguay	5.1	1.3
Peru	9.7	7.4
Puerto Rico	6.3	5.5
Dominican Republic	16.2	14.2
Uruguay	19.7	10.9
Venezuela	22,077.5	10.9

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

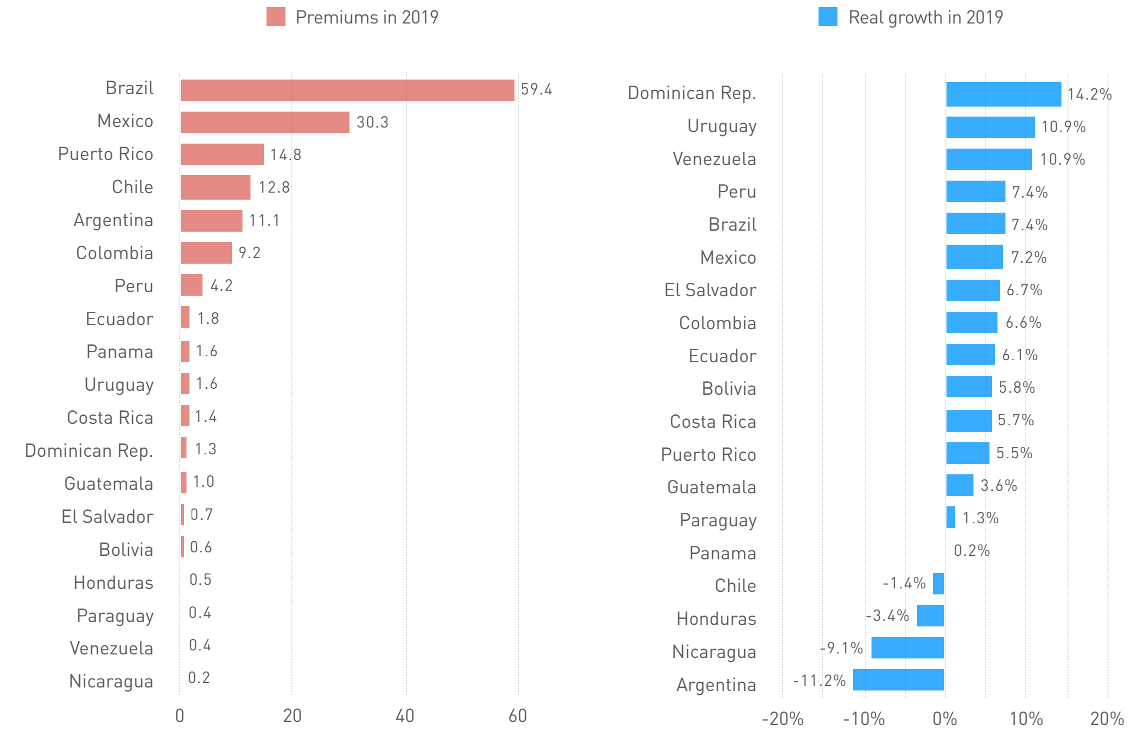
Chart 2.1-c
Latin America: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	-0.4	0.9	-1.3
2010	22.1	10.9	11.2
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	1.6	2.3	-0.6

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

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



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

reversed the negative contribution of -3.3 pp in 2018), becoming the driver of growth in that year (see Chart 2.1-c).

The Non-Life business's negative contribution to growth in 2019, which undoubtedly influenced the economic slowdown experienced in that year, has been offset by the good performance of the Life business, which experienced a favorable interest rate environment for marketing savings and income products, offsetting the negative effect of the economic slowdown in this business segment. In this sense, when measuring growth in insurance activity in the local currency for each of the markets under analysis, many recorded positive premium growth both in the local currency and in real terms. Even so, there are exceptions such as Argentina, Guatemala, Nicaragua, Honduras and Chile (see Chart 2.1-d and Table 2.1-a).

Despite the situation of relative economic stagnation experienced by Latin America in 2019, it should be noted that, with the exception of the insurance markets in Argentina and Chile, the region's large insurance markets performed well. In this regard, the markets in Mexico and Peru are particularly noteworthy, which recorded exceptional real growth measured both in their local currencies (7.2% and 7.4% respectively) and in US dollars (11% and 8% respectively), with growth balanced between Life and Non-Life segments. The markets in Brazil and Colombia also showed significant real growth in their respective currencies (7.4% and 6.6% respectively), although significantly lower when measured in US dollars (3.1% and -0.6% respectively), due to the depreciation suffered by their respective currencies. It should be noted that the growth of the Brazilian insurance market originated in

Table 2.1-b
Latin America: premium volume by country, 2019
(premiums, millions of USD; growth in USD, %)

Country	Non-Life		Life		Total	
	Premiums	Growth 2018–2019 (%)	Premiums	Growth 2018–2019 (%)	Premiums	Growth 2018–2019 (%)
Argentina	9,654	-19.9	1,412	-24.7	11,066	-20.5
Bolivia	371	4.7	206	14.1	577	7.8
Brazil	20,825	-5.3	38,536	8.3	59,361	3.1
Chile	5,315	-2.2	7,446	-11.6	12,762	-7.9
Colombia	6,325	-0.1	2,843	-1.6	9,168	-0.6
Costa Rica	1,190	6.2	227	5.9	1,417	6.1
Ecuador	1,364	6.9	434	5.1	1,797	6.4
El Salvador	465	6.1	237	8.2	702	6.8
Guatemala	766	4.0	211	8.7	977	5.0
Honduras	301	-4.5	156	3.3	458	-2.0
Mexico	16,201	10.8	14,054	11.3	30,255	11.0
Nicaragua	162	-8.5	41	-10.4	203	-8.9
Panama	1,162	-1.3	406	3.6	1,568	-0.1
Paraguay	368	-2.9	58	-6.8	426	-3.5
Peru	2,328	6.5	1,903	10.0	4,230	8.0
Puerto Rico	13,349	6.1	1,466	8.1	14,815	6.3
Dominican Rep.	1,138	12.6	209	9.1	1,347	12.0
Uruguay	868	-3.3	686	15.9	1,554	4.3
Venezuela	366	0.3	3	-54.5	369	-0.7
Total	**82,519**	**-1.0**	**70,534**	**5.1**	**153,053**	**1.6**

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

the good performance of the Life business, since the Non-Life business experienced a slight decline, in real terms.

Of the rest of the countries analyzed, Central American and Caribbean markets, with the exception of Nicaragua, Honduras and, to a lesser extent, Panama, also stood out for their good performance. Among the Andean countries, the markets of Bolivia and Ecuador also stood out for their good performance, while the aforementioned Argentine and Chilean markets performed poorly.

Performance by line of business

In 2019, premiums in the Life insurance segment in Latin America grew by 5.1% measured in US dollars (compared to the decline of -7.2% in 2018), while premiums in the Non-Life insurance segment fell by -1.1% (compared to -4.0% in 2018). The sharp falls in 2018 were largely explained by the strong depreciation of the main currencies in that year, particularly the Argentine peso and the Brazilian real. Overall, exchange rates did not recover in 2019, with the exception of the Mexican peso, which managed to stabilize the average exchange rate for the year and closed the fiscal year with a revaluation of its currency close to 4%. However, depreciations in 2019 were significantly lower, with the exception of the Argentine peso, which, together with the good performance of the region's large insurance markets in their respective local currencies, led to a substantial improvement in insurance market growth measured in dollars (see Table 2.1-b).

In terms of the region's Non-Life segment, most of the business sectors that comprise this line of business reported negative growth. The Automobile line, which represents 16.9% of total premiums, contracted by -8.5%, greater than the

Table 2.1-c
Latin America: premium volume by insurance line*, 2019
(premiums, millions of USD)

Lines	2018	2019	Growth %	Share %
Life	**67,131**	**70,531**	**5.1%**	**46.2**
Life — individual and group	57,452	61,436	6.9%	40.2
Life — social security and/or pensions	9,679	9,094	-6.0%	6.0
Non-Life	**83,083**	**82,153**	**-1.1%**	**53.8**
Workplace accidents	5,568	4,693	-15.7%	3.1
Personal accidents	4,262	4,142	-2.8%	2.7
Automobiles	28,156	25,769	-8.5%	16.9
Credit and/or surety	2,199	2,158	-1.9%	1.4
Fire and allied lines	8,003	8,529	6.6%	5.6
Other damage	11,863	11,978	1.0%	7.8
Third-party liability	2,321	2,622	13.0%	1.7
Health	17,803	18,998	6.7%	12.4
Transport	2,909	3,265	12.2%	2.1
Total	**150,214**	**152,684**	**1.6%**	**100.0**

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

*Note: It is important to note that 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, 2019
(millions of USD)

Country	Allocated premiums	Loss ratio	Operating expenses	Technical result	Financial result	Other revenues and expenses	Net result
Argentina	10,995.1	-9,350.4	-5,315.5	-3,670.8	4,710.7	516.0	1,555.9
Bolivia	400.4	-156.1	-240.7	3.6	40.6	-2.8	41.3
Brazil	24,356.0	-9,749.6	-12,550.8	2,055.6	4,939.1	-1,098.1	5,896.6
Chile	10,200.6	-9,808.8	-3,072.9	-2,681.1	3,200.6	53.1	572.6
Colombia	6,557.6	-4,051.4	-3,247.0	-740.8	1,419.9	-1.9	677.1
Costa Rica	1,001.3	-609.5	-487.9	-96.2	197.5	-4.4	96.9
Ecuador	1,113.6	-486.1	-337.8	289.6	56.1	-284.6	61.2
El Salvador	436.9	-252.7	-188.2	-3.9	23.9	15.5	35.5
Guatemala	636.4	-370.5	-202.8	63.1	59.6	-0.5	122.2
Honduras	221.1	-101.8	-85.1	34.2	29.3	-10.6	52.9
Mexico	21,096.8	-16,106.8	-5,900.2	-910.2	5,148.6	-1,213.2	3,025.2
Nicaragua	128.9	-47.6	-69.4	11.9	16.3	0.4	28.6
Panama	1,028.6	-543.7	-382.8	102.1	104.2	-10.3	196.0
Paraguay	317.2	-132.2	-163.2	21.8	23.8	-2.7	42.9
Peru	2,503.1	-1,487.2	-1,433.9	-418.0	893.5	-20.4	455.1
Puerto Rico	-	-	-	-	-	-	381.1
Dominican Republic	608.5	-320.7	-245.0	42.8	48.3	32.7	123.8
Uruguay	1,401.6	-994.1	-497.1	-89.5	195.6	-8.8	97.3
Venezuela[1]	192.8	-27.2	-211.0	-45.3	40.0	346.9	341.6

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

1/ The data corresponds to the year 2018 (latest available).

-7.4% contraction it experienced in 2018. In the Life insurance segment, premiums for individual and group Life insurance increased, but premiums for Pension and Social Security insurance fell, unlike in the previous year. Individual and group Life insurance, which represent 40.2% of total premiums, therefore increased by 6.9%, which was largely explained by the good performance in this line of business in Brazil and Mexico (see Table 2.1-c).

Results and profitability

Table 2.1-d presents the income statement structure of Latin American insurance markets in 2019. As observed, all countries recorded positive aggregate net results. In 2019, the aggregate net result of the Latin American insurance market stood at 13.46 billion US dollars, representing a growth of 13.5% compared to the aggregate result of the previous year.

Profits in US dollars decreased from the previous year for insurance markets in Argentina (-6.5%), Chile (-28.1%), Costa Rica (-22.6%), El Salvador (-2%), Nicaragua (-13.4%) and Paraguay (-0.2%), but grew in the rest of the region's markets (see Table 2.1-e).

Furthermore, the profitability measures presented in Table 2.1-f show data relating to return on equity (ROE) and return on assets (ROA) in the region's various insurance markets in 2019. This information shows that Argentina (27.8%), the Dominican Republic (26.4%), Mexico (24.7%), Brazil (24.6%), Guatemala (23.5%), Honduras (20.7%), Nicaragua (18.4%), and Paraguay (17.0%) recorded the highest ROE indices. By contrast, the insurance markets in Chile (7.8%), Venezuela (8.2%) and Costa Rica (5.0%) showed the lowest levels of the indicator (in the case of Venezuela, with an average inflation of five digits).

Table 2.1-e
Latin America: net result by country, 2019
(millions of USD)

Country	2018	2019	Growth 2018–2019 (%)
Argentina	1,663.7	1,555.9	-6.5
Bolivia	35.7	41.3	15.9
Brazil	5,150.6	5,896.6	14.5
Chile	796.8	572.6	-28.1
Colombia	571.8	677.1	18.4
Costa Rica	125.2	96.9	-22.6
Ecuador	51.0	61.2	20.0
El Salvador	36.2	35.5	-2.0
Guatemala	118.3	122.2	3.3
Honduras	51.5	52.9	2.8
Mexico	2,468.0	3,025.2	22.6
Nicaragua	33.1	28.6	-13.4
Panama	140.3	196.0	39.7
Paraguay	43.0	42.9	-0.2
Peru	319.8	455.1	42.3
Puerto Rico	137.2	381.1	177.8
Dominican Republic	102.0	123.8	21.3
Uruguay	18.7	97.3	421.5
Venezuela[1]	341.6	n/a	-
Total[2]	11,862.8	13,462.2	13.5

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

1/ 2019 data is not included due to the information being unavailable on the date of conclusion of this report.
2/ To maintain comparability, the results of Venezuela for 2018 are not included in the total sum for that year.

Table 2.1-f
Latin America: profitability by country, 2019
(in local currency)

Country	Equity/ assets	ROE	ROA	Average inflation
Argentina	24.9%	27.8%	6.9%	53.5%
Bolivia	30.1%	12.2%	3.7%	1.8%
Brazil	7.7%	24.6%	1.9%	3.7%
Chile	9.7%	7.8%	0.8%	2.3%
Colombia	17.9%	14.4%	2.6%	3.5%
Costa Rica	44.9%	5.0%	2.2%	2.1%
Ecuador	30.0%	9.5%	2.8%	0.3%
El Salvador	42.9%	8.9%	3.8%	0.1%
Guatemala	36.3%	23.5%	8.5%	3.7%
Honduras	38.2%	20.7%	7.9%	4.4%
Mexico	14.0%	24.7%	3.5%	3.6%
Nicaragua	40.3%	18.4%	7.4%	5.4%
Panama	38.8%	15.2%	5.9%	-0.4%
Paraguay	38.3%	17.0%	6.5%	3.8%
Peru	16.2%	17.4%	2.8%	2.1%
Puerto Rico	28.9%	12.9%	3.7%	0.7%
Dominican Republic	30.9%	26.4%	8.2%	1.8%
Uruguay	11.9%	14.7%	1.7%	7.9%
Venezuela[1]	48.0%	8.2%	3.9%	65,374%

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

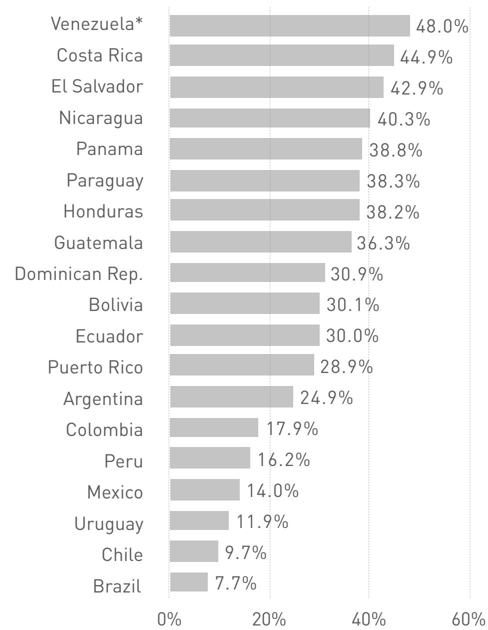
1/ The data for Venezuela corresponds to 2018, the latest data available.

Capitalization levels

The level of aggregate capitalization (measured as the ratio between shareholders' equity and total assets) of the insurance industries of each of the countries analyzed is shown in Chart 2.1.-e.

As indicated in previous versions of this report, relatively smaller insurance markets show higher capitalization indices, while the indicator is lower in the region's markets that are relatively more developed (Mexico, Chile and Brazil). Venezuela (the market with the highest level of capitalization according to the indicated metric) stands out again, with an average inflation rate in 2019 of five digits and where a large part of the shareholders' equity calculated corresponds to unrealized gains in real estate investments and other financial instruments. The aforementioned Table 2.1-f compares capitalization levels (equity/assets) with two profitability indicators: return on equity (ROE) and return on assets (ROA).

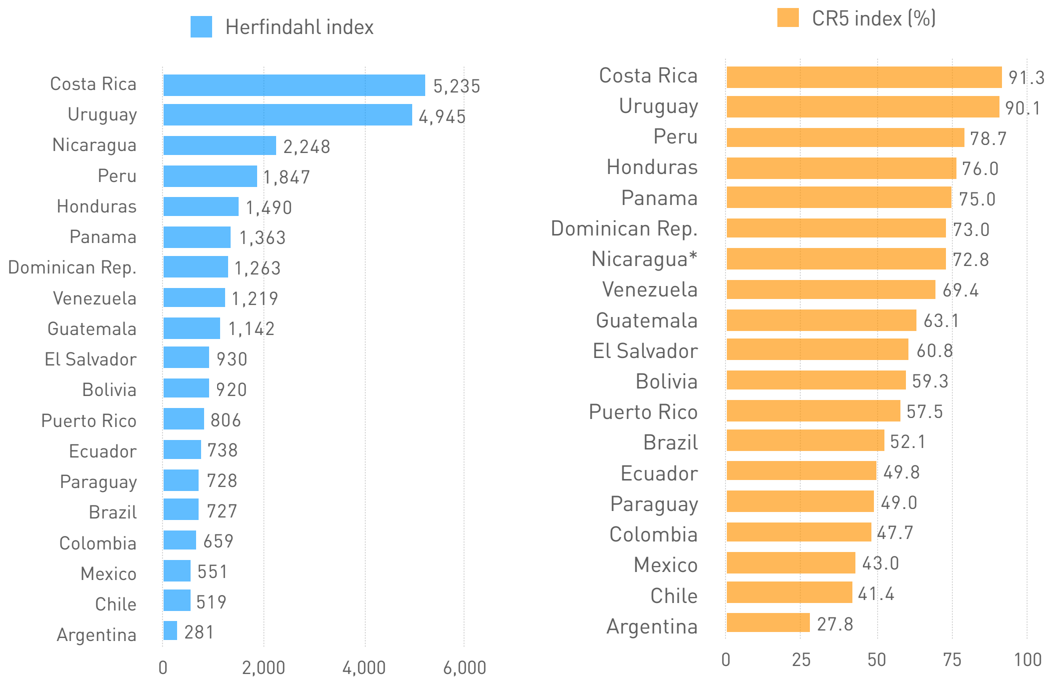
Chart 2.1-e
Latin America: level of capitalization, 2019
(equity/assets, %)



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

* The data for Venezuela corresponds to 2018, the latest data available.

Chart 2.1-f
Latin America: Herfindahl and CR5 indices, 2019



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.

Concentration levels

Measuring the concentration level of an industry provides an overview of competition levels in a market. As such, the lower the concentration, the greater the current competitive incentive and, as a result, a further stimulating factor for market development.

As already recorded in previous years, in 2019, the Latin American insurance markets with the highest levels of concentration were Costa Rica, Uruguay, Nicaragua and Peru, with a Herfindahl index above the threshold associated with a highly concentrated industry (HHI>1800). Meanwhile, Honduras, Panama, the Dominican Republic, Venezuela and Guatemala achieved values equating to markets with a moderate level of concentration (1000<HHI<1800). The other remaining Latin American markets reported indices below 1000 points, i.e. below the threshold associated with moderate levels of concentration.

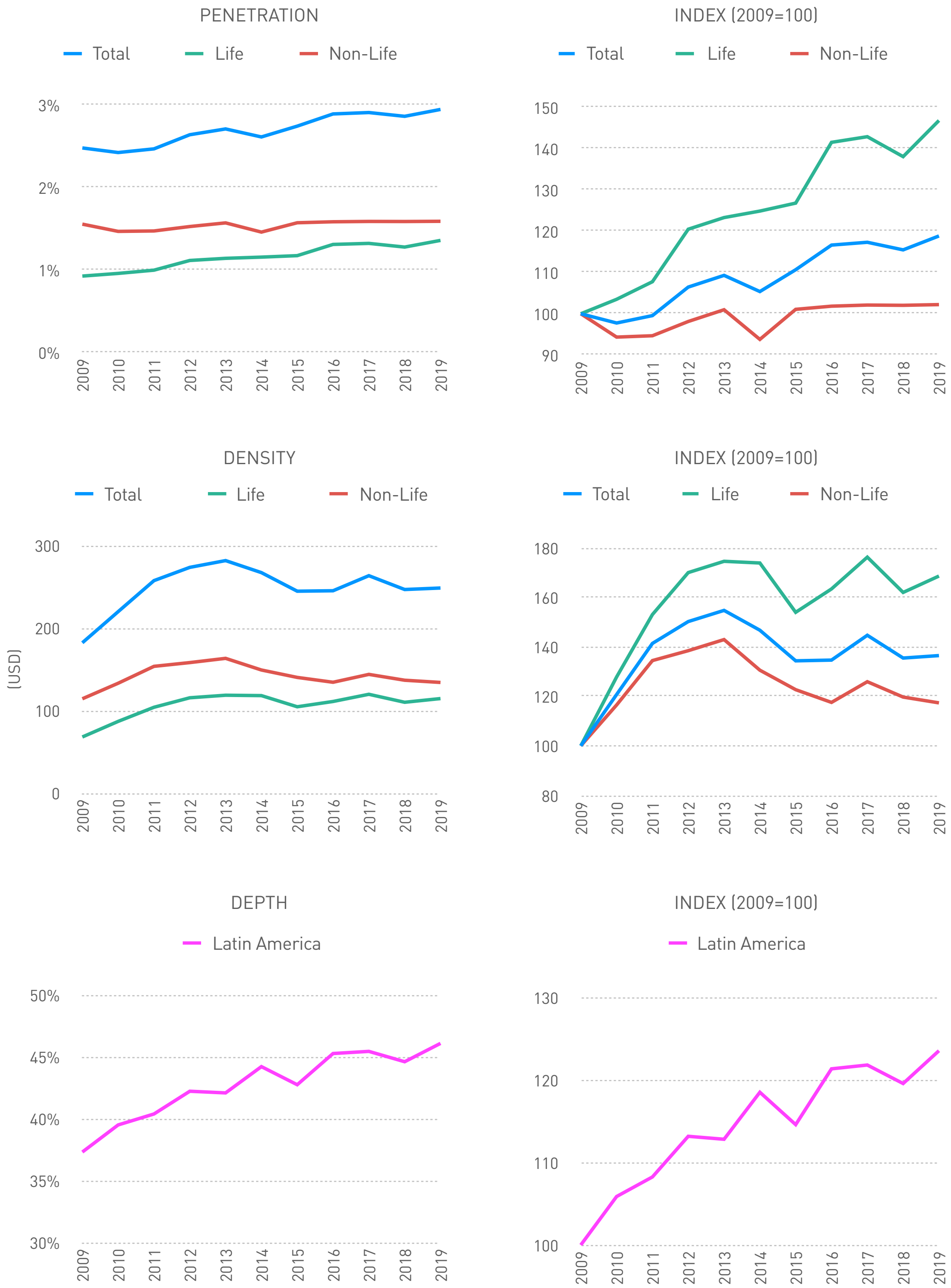
A further measure of the industry concentration process is the market share of the top five largest insurers (CR5) (shown in Chart 2.1-f), which confirms the existence of the concentration levels described based on the Herfindahl index.

2.2 Structural trends

Penetration, density and depth

Chart 2.2-a presents structural trends in the Latin American insurance industry analyzed as a whole over the 2009–2019 period[6]. The region's average penetration rate (premiums/GDP) was 2.9% in 2019, higher than the previous year by 0.08 percentage points. The indicator improved in the Life segment (1.4%, compared to 1.3% the previous year), with the Non-Life segment remaining unchanged (1.6%).

Chart 2.2-a
Latin America: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2009 index=100)



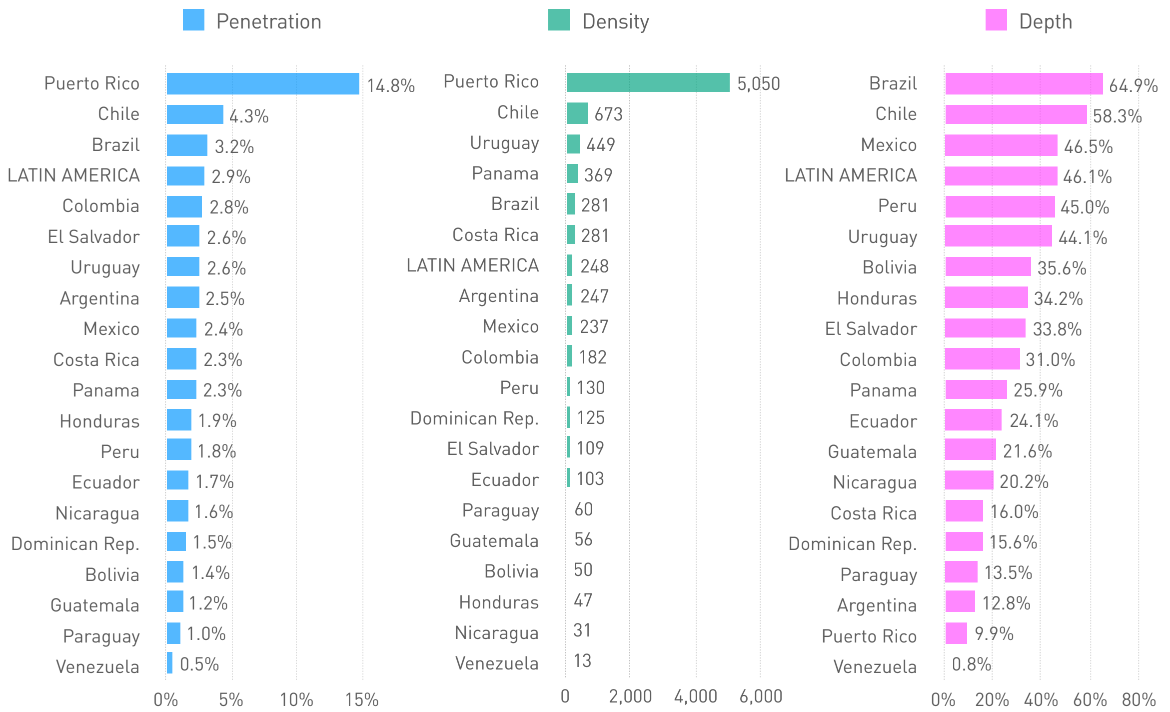
Source: MAPFRE Economics (based on supervisory body data)

As shown in Chart 2.2-b, Puerto Rico continues to report the highest penetration and density (premiums per capita) indices in the region, reaching 14.8% and 5,050 US dollars respectively in 2019. 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. After Puerto Rico, Chile (4.3%), Brazil (3.2%), and Colombia (2.8%) were the countries that reported the highest penetration indices in 2019. The markets that improved the values of this indicator in 2019 were Puerto Rico, Brazil, El Salvador, Uruguay, Peru, Mexico, Ecuador, Bolivia and Venezuela. Chile, Colombia, Costa Rica, Guatemala and the Dominican Republic practically maintained the same rate as in 2018. All other countries reported a reduction in their penetration rate compared the previous year (Argentina, Panama, Honduras, Nicaragua and Paraguay).

From a medium-term perspective, an analysis of the changes in this indicator at the regional level since 2009 shows that there has been an increase of 0.4 percentage points, confirming for yet another year the growing trend we have seen consistently over the last decade, with the development of the Life insurance segment contributing almost exclusively and that of Non-Life insurance playing a smaller role. As a result, total penetration in the region has risen by 18.9% over the last ten years. The cumulative increase in penetration in the Life insurance segment amounted to 46.8%, while the cumulative increase in Non-Life insurance was barely 2.1% over the same period. These growth figures, while undeniably significant in the case of Life insurance, still fall short of the figures reported between 2008–2018.

In terms of density (premiums per capita), the region's average indicator stood at 248.3 US dollars, 0.7% above the previous year's level, recovering only slightly from the sharp decline in the previous year, which was the result of the sharp depreciation of the main currencies in that year. The bulk of insurance spending per person remained concentrated in the Non-Life segment

Chart 2.2-b
Latin America: penetration, density and depth indices, 2019
(premiums/GDP, %; premiums per capita, USD; Life premiums/total premiums, %)



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

(133.9 US dollars), which was down by -2.0% from the previous year. Life insurance density amounted to 114.4 US dollars, 4.1% above that of 2018.

Between 2009 and 2019, density showed a growing trend in the region, increasing by 36.4% over this period. The cumulative increase in the Life insurance market over the period amounted to 68.6% (rising from 67.9 to 114.4 US dollars), while cumulative growth in Non-Life insurance was 17.3% (from 114.2 to 133.9 US dollars). In contrast to the penetration index over the 2009–2019 period, the density index shows a certain growth improvement when compared with the 2008–2018 period. Furthermore, an individual analysis of each of the markets considered in this report also points to a trend toward increasing density over recent years, when measured in local currency.

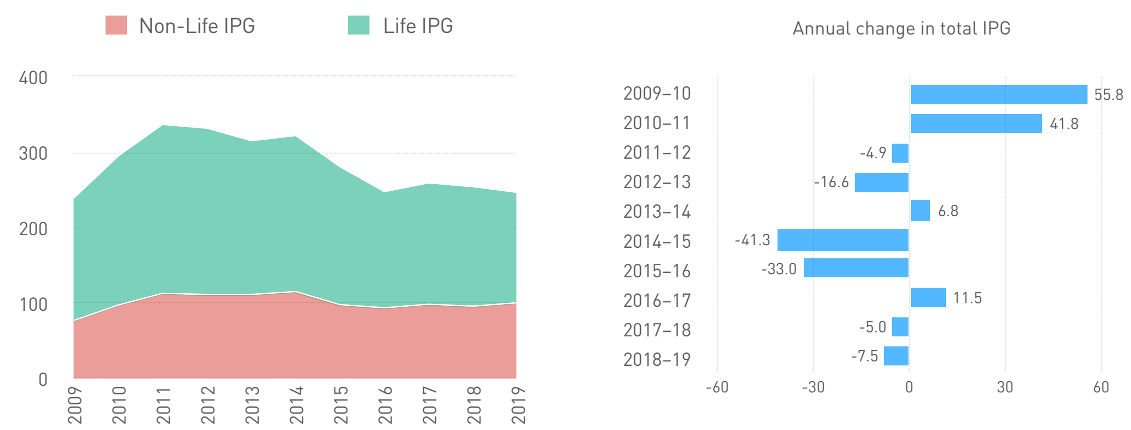
Lastly, the insurance depth index (the ratio of Life insurance premiums to total premiums) stood at 46.1% in 2019, 1.5 pp above the value recorded in 2018, and was strongly influenced by the good performance of the Life insurance segment in the region's large markets. In a medium-term analysis (2009–2019), the indicator showed an improvement over the last decade, with a cumulative increase of 8.8 percentage points and cumulative growth of 23.6% over that period.

Insurance Protection Gap estimate

The Insurance Protection Gap (IPG) represents the difference between the insurance coverage that is economically necessary and beneficial to society and the amount of coverage that is 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.

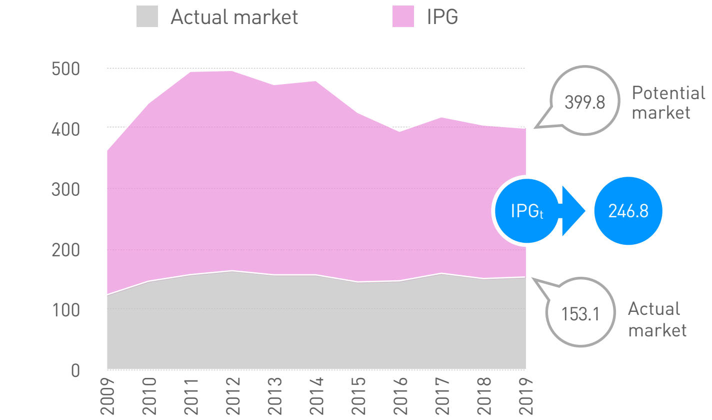
By its nature, the IPG is not a static concept involving an invariable amount over time. This potential insurance coverage area is continually modified depending on both the growth of each country's economy and on the emergence of new risks to be covered that are inherent to economic and social development. The IPG is also strongly correlated with market growth: *quantitatively*, the gap is reduced as the penetration rate increases,

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



Source: MAPFRE Economics

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



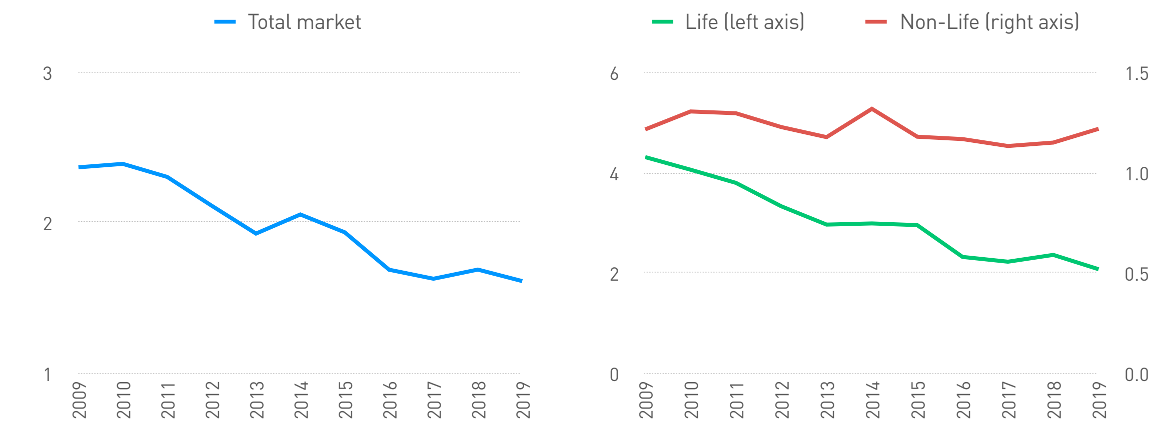
Variation	Actual market	IPG
2019–2009	51.5%	3.1%
2019–2018	1.6%	-3.0%

Source: MAPFRE Economics

and *qualitatively*, the gap also tends to decrease as markets become more sophisticated and mature. Hence, factors such as sustained economic growth, low inflation, higher personal disposable income, the general development of the financial system, an efficient regulatory framework, and the application of public policies aimed at increasing financial inclusion and education are factors that stimulate a decrease in the IPG in the medium-term.

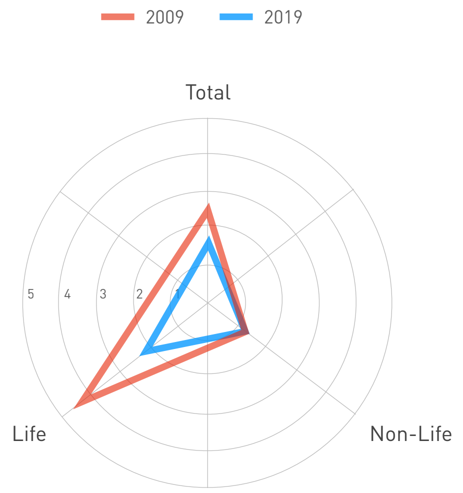
The IPG for the Latin American insurance market[7] in 2019 is estimated at 246.8 billion US dollars, down by -3.0% (-7.5 billion US dollars) from the previous year's estimate. There were no major changes in the structure of the IPG over the last decade compared to our previous report, confirming that the bulk of the gap lies in Life insurance. In 2019, 59.3% of the IPG therefore corresponded to Life insurance (146.3 billion US dollars), while Non-Life insurance accounted for 40.7% of the gap, equivalent to 100.5 billion US dollars (see Chart 2.2-c). As such, the potential insurance market in Latin America in 2019 (the sum of the actual insurance market plus the IPG) stood at 399.8 billion US dollars, 2.6 times larger than the current regional market (see Chart 2.2-d).

Chart 2.2-e
Latin America: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

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

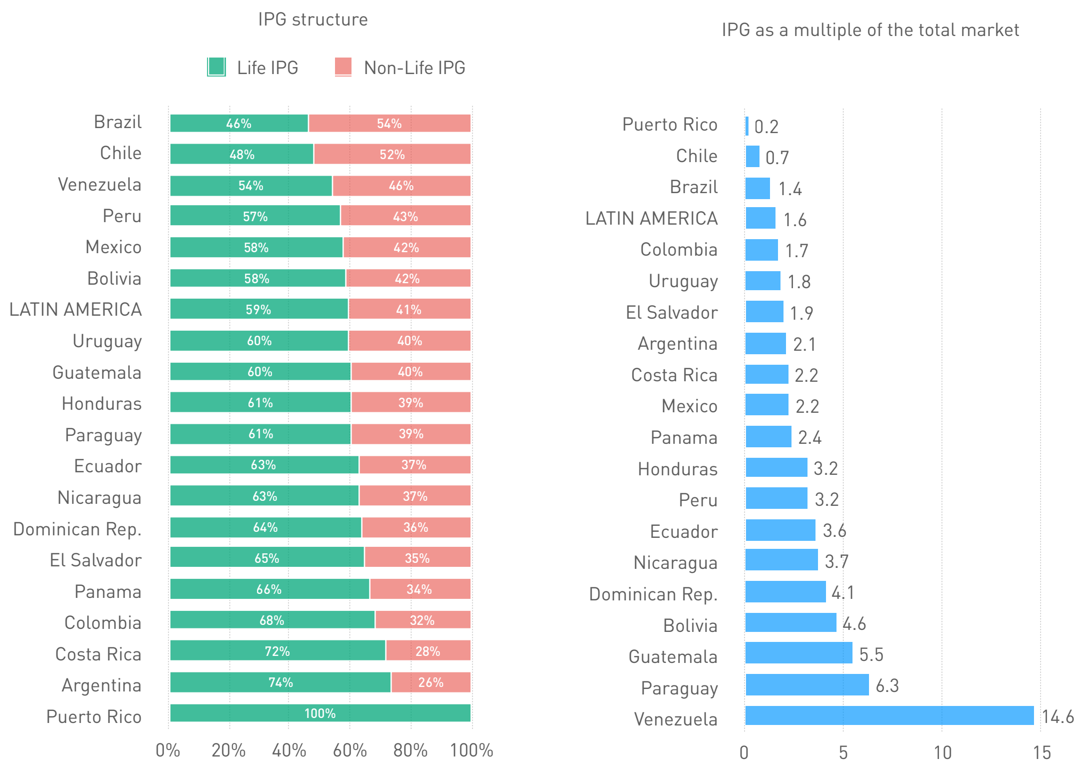


Source: MAPFRE Economics

As shown in Chart 2.2-e, a supplementary way of analyzing the insurance gap in relative terms is to present it as a multiple of the actual market. As can be seen from this information, the region's insurance gap between 2009 and 2019 shows a decreasing trend, both when analyzing the total market (which fell from 2.4 to 1.6 times the actual market) and when analyzing the Life segment (which fell from 4.3 to 2.1 times the corresponding market). In terms of the Non-Life insurance market, however, after having maintained a downward trend between 2014 and 2017, the 2019 measurement stood at a relative value almost equivalent to that recorded ten years ago (1.2 times).

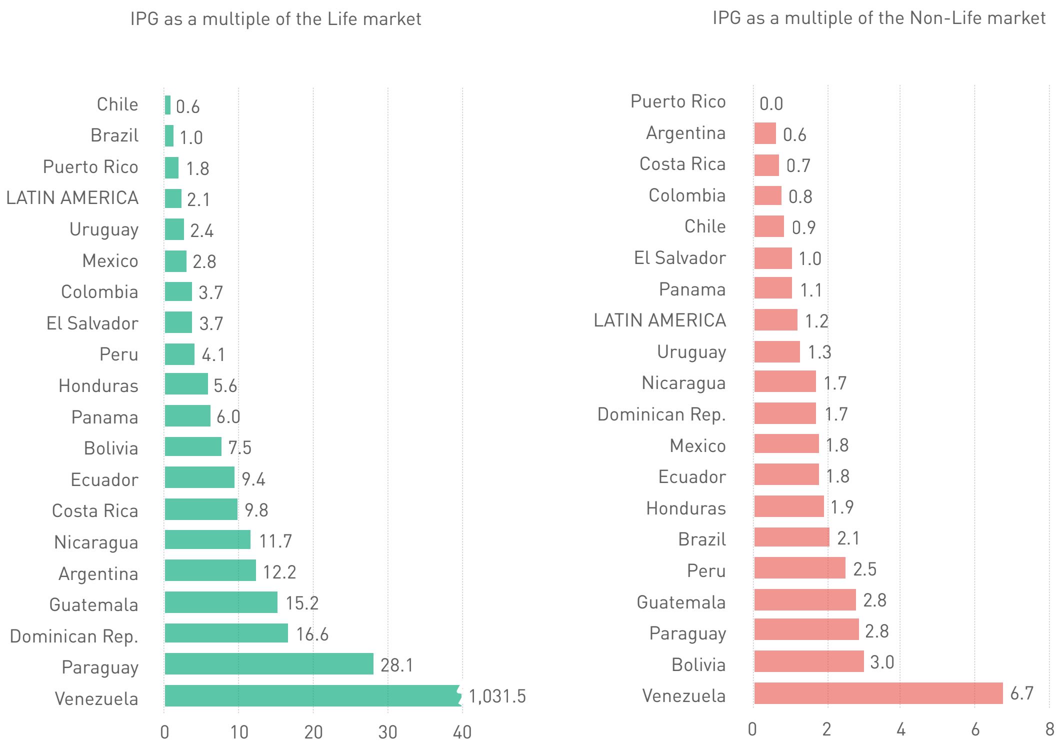
This performance is shown in Chart 2.2-f, which summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Latin American insurance market over the last decade, comparing the situation in 2019 with that of 2009. During this period, there was an

Chart 2.2-g
Latin America: structure and relative size of the Insurance Protection Gap, 2019
(structure, %; IPG as a proportion of total market, number of times)



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

Chart 2.2-h
Latin America: structure and relative size of the Insurance Protection Gap in the Life and Non-Life segments, 2019
(structure, %; IPG as a proportion of the respective market, number of times)



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

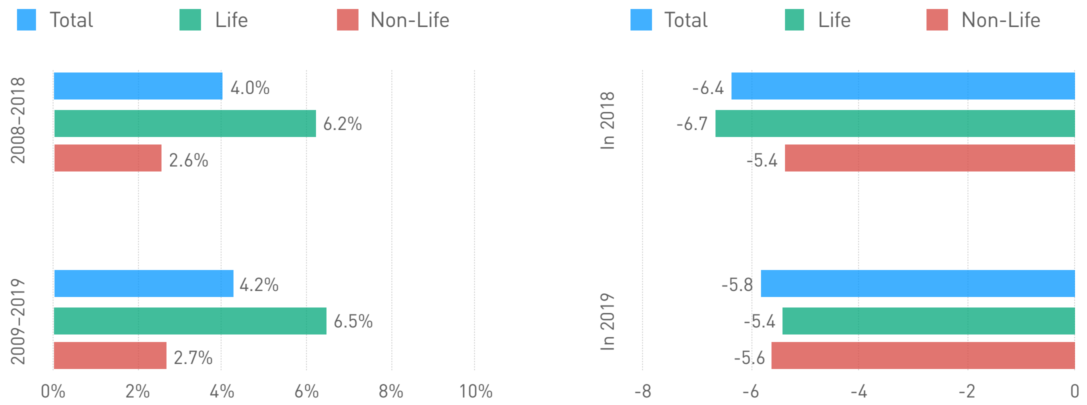
improvement in the total insurance gap thanks to the reduction in the IPG of the Life segment (the least developed segment in the region), while the insurance protection gap in the Non-Life segment as a multiple of the actual market hardly varied over the period.

Moreover, the structure of the IPG for each of the region's countries, as well as the relative size of the insurance gap in relation to the current total market and to the different insurance lines (Life and Non-Life), are presented in Charts 2.2-g and 2.2-h. As can be seen, the development of insurance markets and the dynamics of their structural trends can be associated with the degree of balance in the existing IPG, which can be used to identify underdeveloped areas. The degree of progress in market development is therefore linked to the ratio of the insurance gap to the current market.

Lastly, Chart 2.2-i updates the assessment made regarding the capacity of the Latin American insurance industry to close the insurance gap. As in previous reports, we have conducted a comparative analysis of the growth rates observed over the 2009–2019 period in relation to the growth rates that would be required to close the IPG determined in 2019 over the next decade.

Over this period (2009–2019), the region's insurance market recorded an annual average premium growth (in US dollars) of 4.2%, underpinned by average growth of 6.5% in the Life insurance segment and 2.7% in the in the Non-Life segment. This growth dynamic has accelerated compared to the 2008–2018 period, which experienced growth of 4.0%, 6.2% and 2.6% respectively.

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



Source: MAPFRE Economics

Accordingly, if the same growth rate seen over the 2009–2019 period were to continue in the industry over the next decade, the growth rate of the market as a whole would fall short of closing the 2019 IPG by -5.8 percentage points. The same is true when analyzing both the Life insurance segment (short 5.4 percentage points) or the Non-Life insurance segment (short 5.6 percentage points), with the situation having improved compared to the measurement taken in 2018, except as regards the Non-Life segment, where this insufficiency increased by a few percentage points.

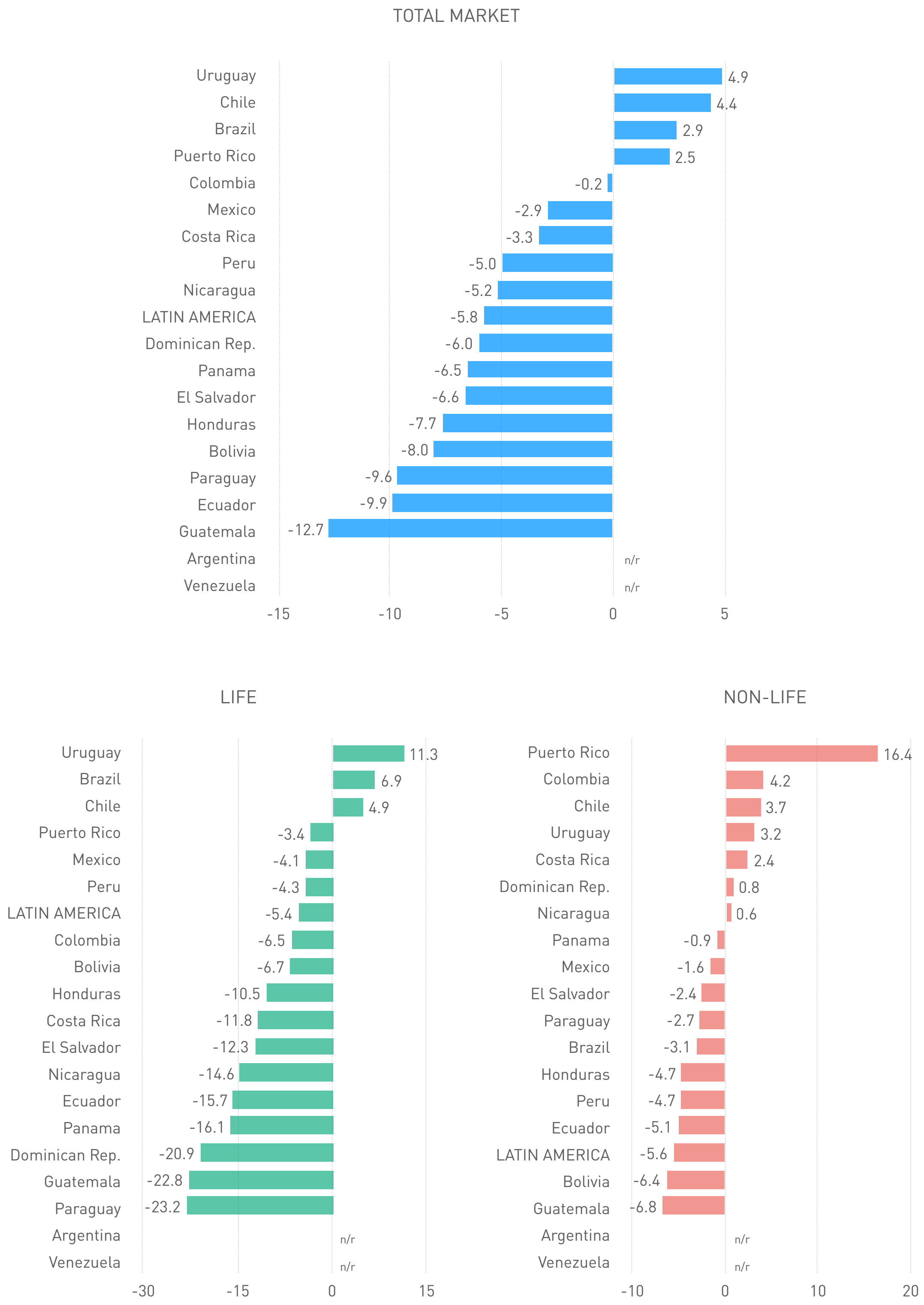
Furthermore, Chart 2.2-j shows the result of this analysis considering each of the markets analyzed in this report individually, in relation to the sufficiency or insufficiency of each market to close the IPG determined in 2019 over the next decade. As can be seen from this analysis, at the aggregate level, only the insurance markets in Uruguay, Chile, Brazil and Puerto Rico recorded an average annual growth rate sufficient enough, if maintained over the next decade, to close the insurance gap determined in 2019. In the Life segment, the markets that would succeed in closing the IPG would only be Uruguay, Brazil and Chile, while in the Non-Life segment, the markets that show growth sufficient enough to close the gap are Puerto Rico, Colombia, Chile, Uruguay, Costa Rica, the Dominican Republic and Nicaragua.

Market Development Index (MDI)

Lastly, as in previous versions of this report, Chart 2.2-k shows an estimate of the Market Development Index (MDI) for the Latin American insurance industry[8]. As can be seen from this information, for the region as a whole, the MDI has shown a sustained improvement over the last decade, despite suffering a slight dip in 2014 and in 2018. Despite these two setbacks, this clear positive trend in the industry over the 2009–2019 period provides further proof that the Latin American insurance market has been experiencing positive growth, when analyzed over the medium-term.

The same situation is confirmed in Chart 2.2-l, which shows a dispersion analysis that seeks to identify the development trend of the Latin American insurance market over the 2009–2019 period, based on the evolution of penetration indices (as an indicator of the quantitative growth of this activity) and of insurance depth indices (as a *proxy* of the level of maturity in market development).

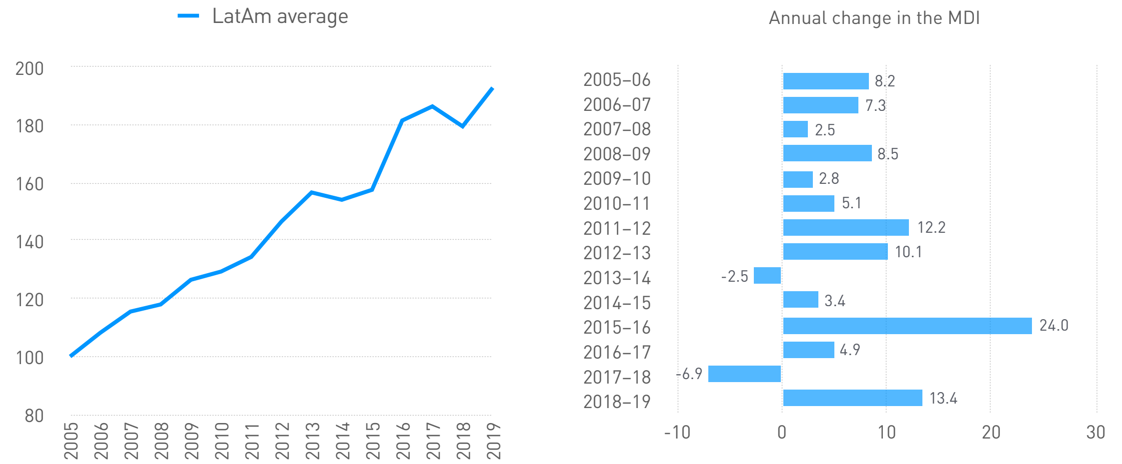
Chart 2.2-j
Latin America: sufficiency (or insufficiency) to close the 2019 IPG in 10 years
(sufficiency or insufficiency, pp)



Source: MAPFRE Economics

n/r Not relevant for the analysis, due to the effects of overestimation produced by the high inflation levels present in these economies.

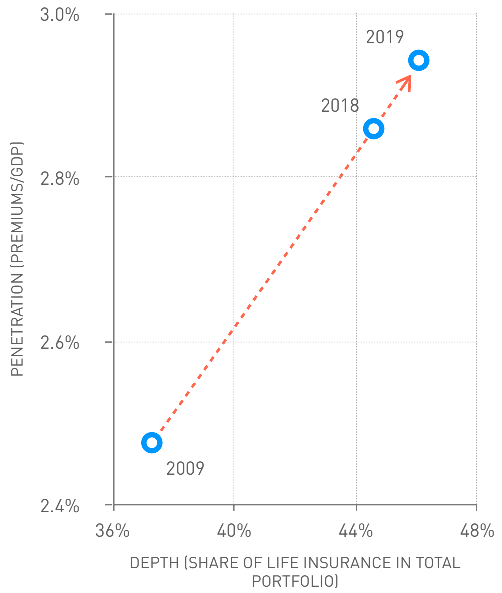
Chart 2.2-k
Latin America: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

The dispersion analysis confirms that the Latin American insurance industry, analyzed as a whole, has shown a balanced and consistently positive development over the period analyzed, both over the 2009–2018 period and over the last year, to the extent that this development has been characterized by the sustained rise in penetration levels (*quantitative* component of market development) and by the continuous increase in depth levels (*qualitative* aspect of the market development process).

Chart 2.2-l
Latin America: medium-term changes in the insurance market, 2009–2019
(penetration vs. depth)



Source: MAPFRE Economics

Summary of M&A activity

As in other years, throughout 2019, the growth of insurance groups operating in Latin America has been boosted by the purchase and sale of insurance portfolios, agreements and collaborations, as well as corporate mergers and acquisitions. In this regard, in March 2019, MAPFRE closed an agreement with the financial institution Actinver in Mexico, which allows exclusive sales through the Actinver channel[9]. Furthermore, MAPFRE created a new company in Brazil specializing in the insurance market, Brasilseg — a company composed of holding company BB MAPFRE SH1 Participações S.A. and its subsidiaries (Companhia de Seguros Aliança do Brasil and Aliança do Brasil Seguro de S.A.), which operates in the Life business through its insurance companies[10].

Allianz, for its part, has been developing an aggressive expansion campaign throughout the last quarter of 2019. The company acquired different positions in countries such as Brazil, where it agreed to pay 667 million euros (738 million US dollars) to purchase all the assets of Brazilian insurer SulAmérica[11].

With regard to other acquisitions and mergers, it should be noted that, in Chile, Inmobiliaria Norte Verde S.A. (which controlled 66.3% of the shares in Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A.) has sold its stake to Chubb INA International Holdings Ltd. located in Chile[12]. This negotiation concluded on December 30, 2019 once authorized by the *Fiscalía Nacional Económica* (Colombian National Economic Prosecutor's Office)[13]. In Uruguay, Zurich has reached an agreement to acquire the Group Health and Individual Life business of EuroAmérica[14]. In Argentina, Confiar has become Experta Seguros (Werthein Group)[15], Grupo Sancor has launched the company Prevención Retiro[16] and lastly, there is a new insurance operator called Solvencia Seguros de Retiro[17].

In the Dominican Republic, Scotiabank formalized a strategic alliance with Seguros Crecer, with the aim of expanding protection solutions for its clients[18]. In Puerto Rico, Axa has sold Heritage Life Insurance and has become Equitable[19]. In Colombia, Seguros Riesgos Laborales Suramericana merged in 2019 with Suramericana Vida[20]. Furthermore, in November 2018, the Financial Superintendency of Colombia authorized the merger of Zurich Colombia Seguros S.A. and ZLS Aseguradora de Colombia S.A. (formerly QBE Seguros), which have operated jointly from that date onward[21]. Likewise, Seguros Bolívar and Liberty Seguros reached an agreement for the sale and purchase of Liberty Seguros de Vida. Liberty Seguros will continue to focus on its operations in Colombia in its business units for companies and individuals (except for Occupational Risks and individual Life)with the company Liberty Seguros Generales[22].

Lastly, it should be noted that the Sura Group continues its strategy in financial services and is focusing on ORAs (Occupational Risk Accidents) and Life insurance, while Sura Asset Management is focused on capital management. The subsidiary in Uruguay was formed in February of this year, following the spin-off between Seguros Suramericana and its subsidiary Seguros de Vida Suramericana. Furthermore, authorization was announced in May 2020 for the transfer of the life annuities portfolio in Mexico to be completed, which had been communicated to the market on November 29, 2019. This operation included the transfer of 15,000 policies, as well as around 574 million US dollars in assets that were granted to Grupo Financiero Banorte[23].

Individual analysis of Latin American insurance markets

A detailed analysis for each of the Latin American insurance markets is included in the following chapter of this report. These individual reports begin with an initial assessment of the macroeconomic environment of each country in 2019, before analyzing the main figures and trends in their insurance markets.

These individual reports provide a perspective (when the information available so permits) for the 2009–2019 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 indicators. Likewise, in order to appropriately portray the dynamics underlying the main trends in each market, the country analysis uses local currency so as to avoid the distorting effects of currency fluctuations. Furthermore, each of the individual reports includes an estimate of the insurance gap, in terms of both its size and structure.

3. Latin American insurance markets: analysis by country

3.1 North America, Central America and the Caribbean

3.1.1 Mexico

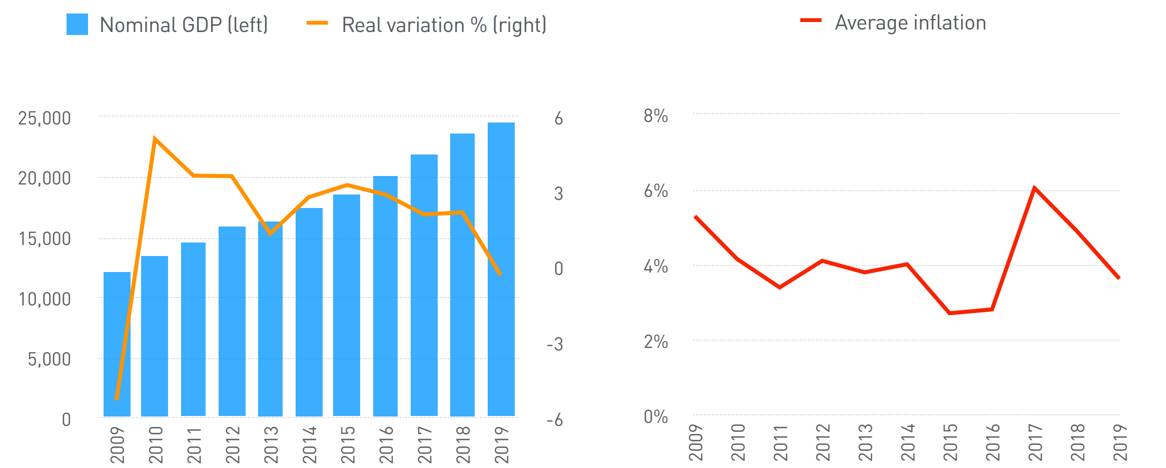
Macroeconomic environment

In 2019, the Mexican economy experienced a notable slowdown in its level of activity, with GDP falling by -0.3%, compared to growth of 2.2% in 2018 (see Chart 3.1.1-a). This loss of dynamism can be attributed to the decrease in investment, private consumption and adjustments in the implementation of the public budget related to the start of a new administration, in a complex external environment marked by global trade tensions, particularly with the United States. The central bank's monetary policy during the year was restrictive, although it could begin to gradually relax, especially in the last quarter of the year, in a context of controlled inflation and less pressure on exchange-rate depreciation, to which the United States' more accommodative monetary policy contributed.

Exports performed well throughout 2019 and were the main driver of the Mexican economy, mitigating the slowdown caused by falling domestic demand. Private consumption slowed while investment and public consumption suffered setbacks. The unemployment rate stood at 3.5% (3.3% in 2018). The public sector fiscal deficit improved in 2019 to stand at 1.7% of GDP (compared to 2% in 2018), with a debt-to-GDP ratio of 47.1% (compared to 46.9% in 2018). The current account deficit also improved, reaching 0.4% of GDP, compared to 2.1% in the previous year.

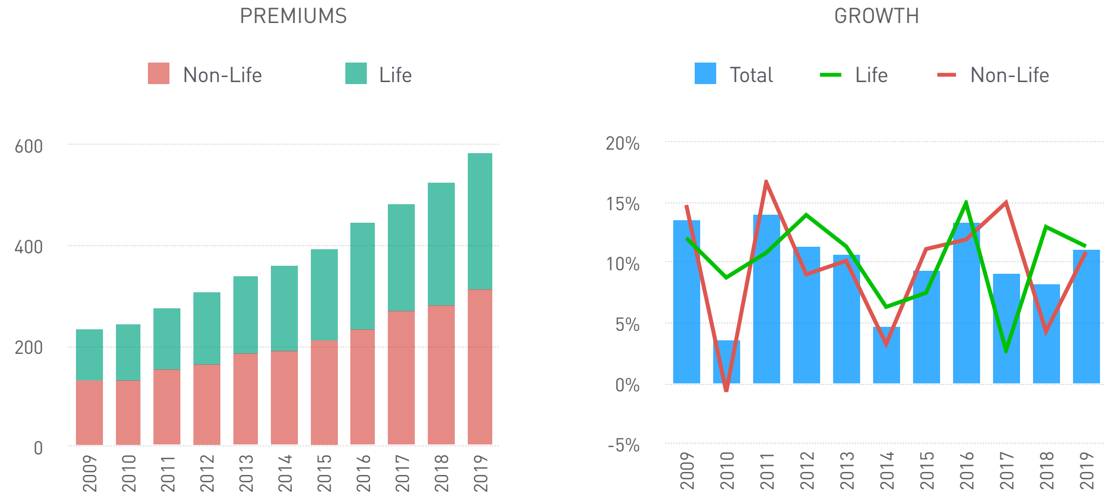
Average inflation in 2019 stood at 3.6%, within the target range established by the central bank (between 3% and 4%). Similarly, the exchange rate against the dollar showed some stability

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 IMF data)

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)

throughout the year, with an average depreciation of -0.1% during the year. Depreciation at the close of 2019 was therefore -3.7% compared to the close of the previous year.

For 2020, MAPFRE Economics[24] estimates a fall in GDP that could lie in the range of -10.5% to -11.3%. The current global economic situation, caused by the COVID-19 pandemic, has led to unprecedented capital outflows of investment from non-residents of Mexico, with a sharp depreciation of the Mexican peso against the dollar, which exceeded 30% in the second quarter of the year.

The economic standstill caused by the application of social distancing measures to tackle the pandemic is expected to have an amplified effect on the economy's performance, due to the sharp drop in oil prices, given that Mexico is a producer country. This adds to the negative effects on tourism and external demand, especially from the United States. The Economic Commission for Latin America and the Caribbean (ECLAC)[25] puts the forecast for economic activity growth in 2020 at -9.0%, while the International Monetary Fund (IMF) places it at -10.5%.

Insurance market

Growth

Premium volume in the Mexican insurance market amounted to 582.25 billion pesos (30.26 billion US dollars) in 2019, representing a nominal increase of 11.1% and real growth of 7.2% (see Table 3.1.1 and Chart 3.1.1-b). The percentage of premiums corresponding to Life and Pension insurance remains unchanged at 46%, and the remaining 54% corresponds to Non-Life insurance. It should be noted that market growth in 2019 (which was 11.1%) was aided by a larger contribution from Non-Life insurance of 5.9 percentage points (pp), whereas Life insurance contributed 5.3 pp (See Chart 3.1.1-c).

However, an analysis of the main Mexican insurance market segments shows that Life insurance premiums grew by 11.4% in nominal terms (7.5% in real terms) to reach 270.46 billion pesos (14.05 billion US dollars). It should be noted that individual Life insurance, which represents 66% of Life insurance, grew the most (24.1% in nominal terms and 19.7% in real terms) to 179.8 billion pesos (9.34 billion US dollars). However, while Pension insurance

Table 3.1.1
Mexico: premium volume[1] by line, 2019

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**582,245**	**30,255**	**11.1**	**7.2**
Life	**270,456**	**14,054**	**11.4**	**7.5**
Individual Life	179,803	9,343	24.1	19.7
Group Life	63,375	3,293	-14.1	-17.1
Pensions	27,278	1,417	12.8	8.9
Non-Life	**311,789**	**16,201**	**10.9**	**7.0**
Automobiles	115,096	5,981	4.7	1.0
Health[2]	86,739	4,507	8.7	4.9
Fire	21,078	1,095	36.6	31.8
Earthquake and other catastrophic risks	21,788	1,132	10.7	6.8
Miscellaneous	24,748	1,286	20.0	15.8
Transport	18,382	955	48.0	42.8
Third-party liability	13,514	702	17.9	13.8
Personal accident[2]	5,492	285	-2.4	-5.8
Agriculture	2,634	137	-37.1	-39.3
Credit and surety	2,317	120	21.3	17.0

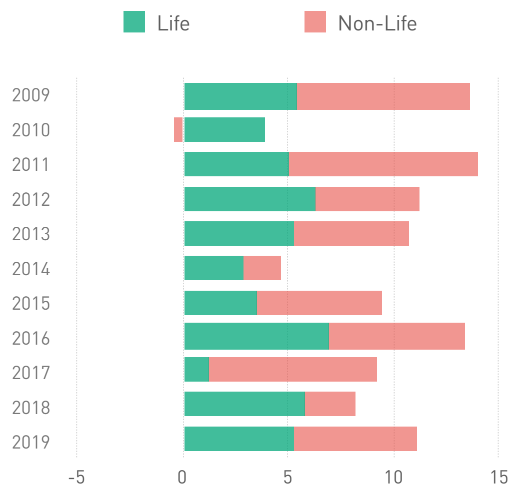
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

1/ Direct premium
2/ Accident and Illness line

grew in both real and nominal terms, group Life insurance showed a decrease of -14.1% and -17.1% in nominal and real terms respectively.

Non-Life insurance premiums in 2019 grew by 10.9% in nominal terms and 7.0% in real terms to 311.79 billion pesos (16.2 billion US dollars). All modalities in this market segment grew in

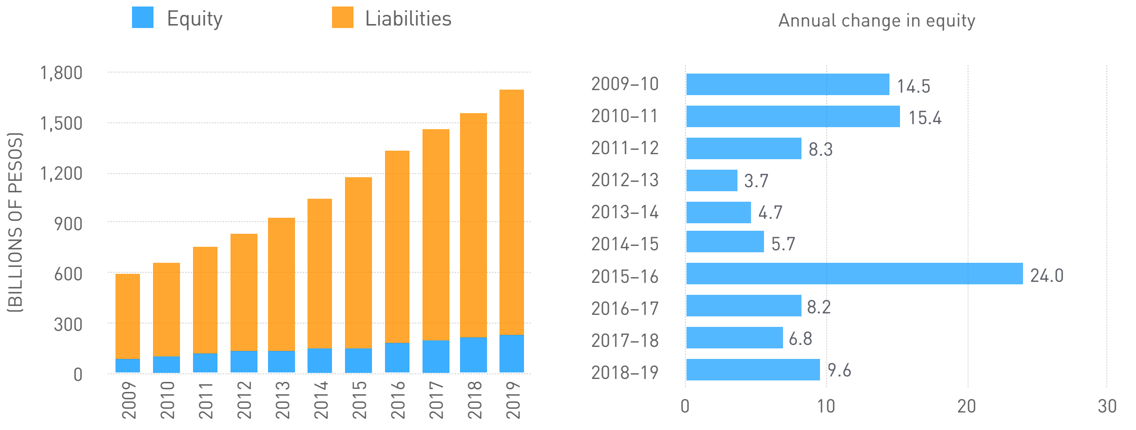
Chart 3.1.1-c
Mexico: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2009	13.6	5.4	8.2
2010	3.5	3.9	-0.4
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

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

Chart 3.1.1-d
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)

nominal terms, with the exception of the Personal accident and Agricultural lines. The two most important Non-Life lines (Automobile and Health) grew by 4.7% and 8.7% respectively in nominal terms (1% and 4.9% in real terms).

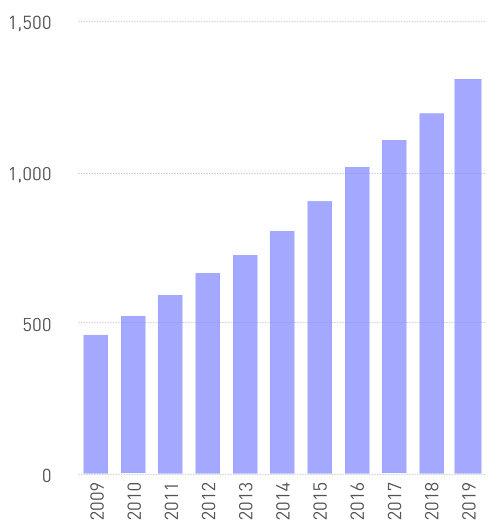
Balance sheet and shareholders' equity

Chart 3.1.1-d shows developments in the size of the aggregate balance sheet of the Mexican insurance market at the industry level over the 2009–2019 period. This data shows that the Mexican insurance industry had total assets of 1.69 trillion pesos (89.16 billion US dollars) in 2019, while equity stood at 235.8 billion pesos (12.46 billion US dollars), up 9.6 pp from the previous year.

Investments

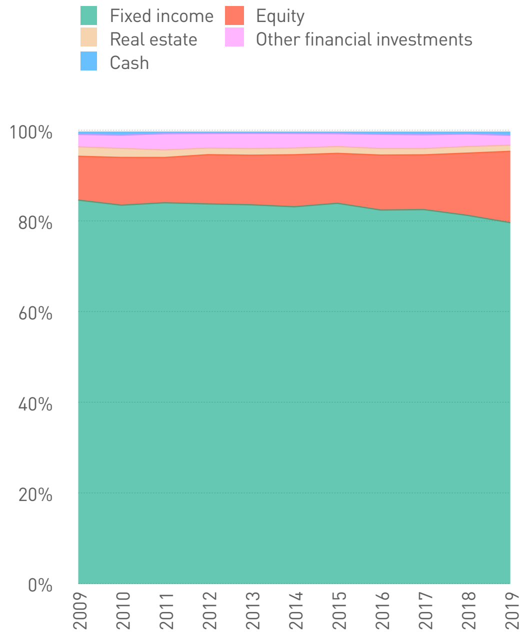
Chart 3.1.1-e shows changes in total investments for the 2009–2019 period, while Charts 3.1.1-f and 3.1.1-g show the composition of the Mexican insurance market's aggregate investment portfolio at the industry level during that period and specifically in 2019. Total investments in the latter year reached 1.31 trillion pesos (69.24 billion US dollars), with a distribution similar to that of 2018, very concentrated in fixed income investments (79.9%), but weakly losing weight in favor of equity instruments that account for 15.7% of investments (2 pp higher than the previous year).

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



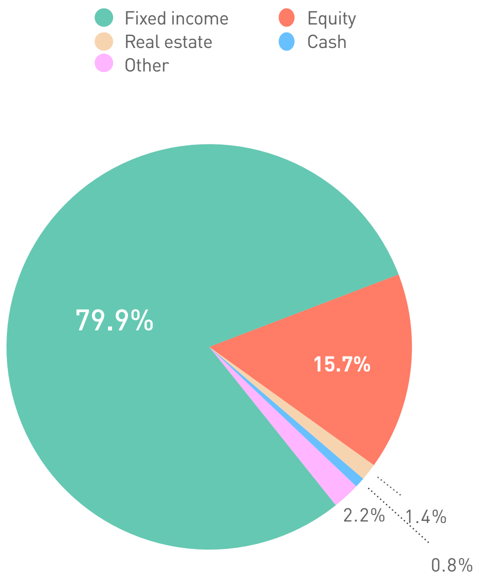
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

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



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

Chart 3.1.1-g
Mexico: structure of investments, 2019
(%)



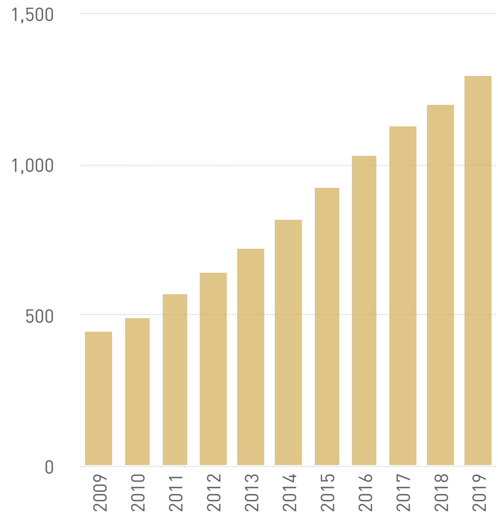
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

It should be noted that sovereign debt, which remained high this year, was influenced by the ongoing process of implementing the new Solvency II-style prudential regulation in Mexico, which favors the matching of assets and liabilities and, therefore, the use of debt instruments.

Technical provisions

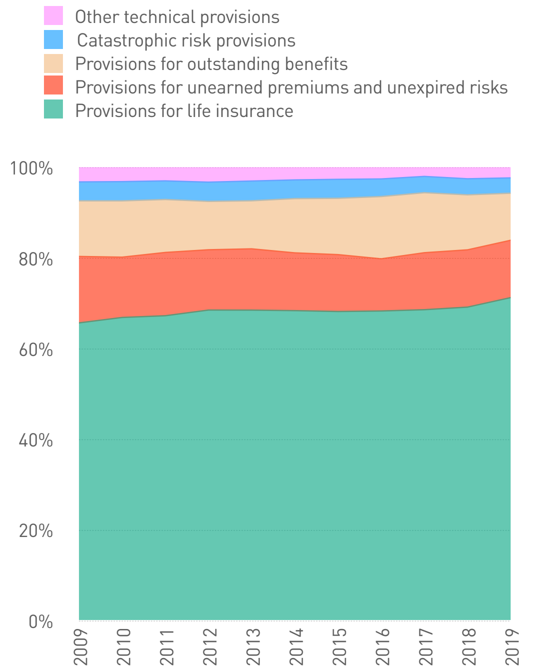
The development of technical provisions in the Mexican insurance industry over the 2009–2019 is shown in Chart 3.1.1-h. This chart shows that the total technical provisions in 2019 amounted to 1.3 trillion pesos (68.52 billion US dollars). Meanwhile, as shown in Charts 3.1.1-i and 3.1.1-j, 71.4% of total technical provisions related to Life insurance, 12.7% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 10.4% to technical provisions for outstanding benefits, 3.4% to catastrophe reserves and 2.2% to other technical provisions.

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



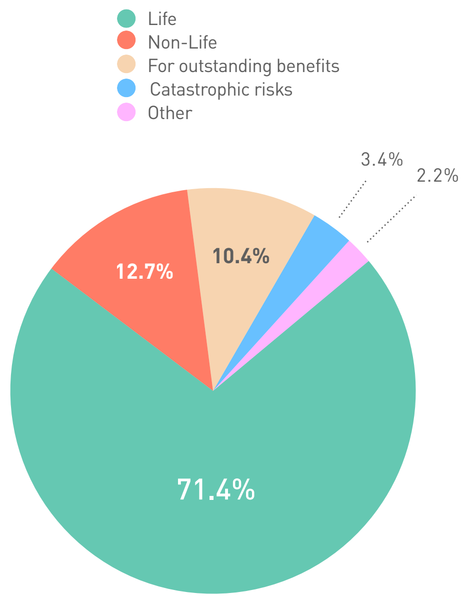
Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)

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



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

Chart 3.1.1-j
Mexico: structure of technical provisions, 2019
(%)



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

It is important to note that the relative weight of Life insurance provisions increased over the 2009–2019 period from 65.8% in 2009 to 71.4% in 2019. While the trend stabilized from 2012, in 2019 it increased once again while the share of the remaining provisions fell slightly in this period.

Technical performance

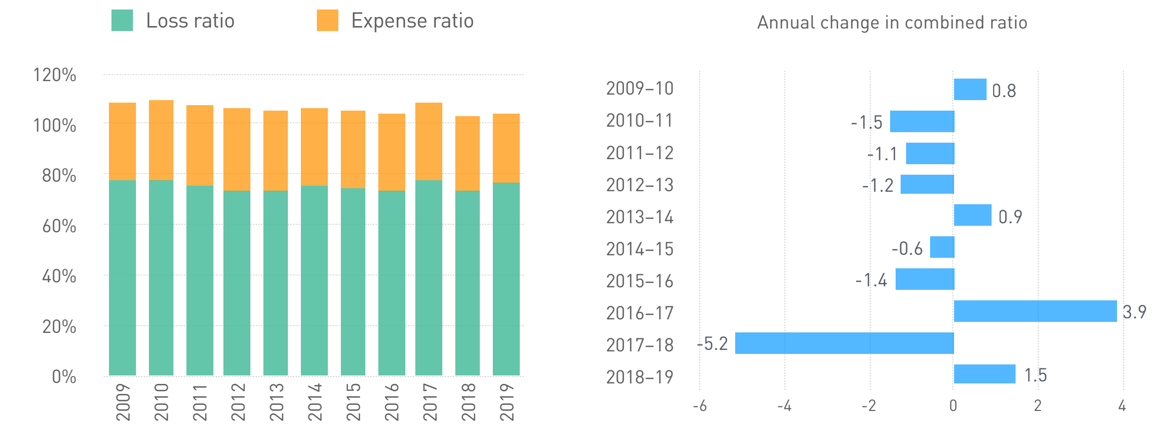
The development of technical performance in the Mexican insurance industry over the 2009–2019 period is shown in Chart 3.1.1-k. This data shows that the total combined ratio (calculated in relation to the net earned premium) stood at 104.3% in 2019, showing a decrease of 1.5 pp compared to the figure reported in 2018 (102.8%). The change in the 2019 indicator was mainly caused by the effect of the increase in the loss ratio (2.8 pp).

Results and profitability

The Mexican insurance industry posted a consolidated net result of 58.22 trillion pesos (3.03 billion US dollars) in 2019, up 23% from the previous fiscal year, largely due to a 25% improvement in the financial result (which already accounts for 24% of the net earned premiums) compared to the previous year.

The downward trend in the loss ratio (from the peak values reached in 2009) was interrupted in 2019. It was therefore not possible to show the improvement in the combined ratio of recent years and the values recorded in 2016 have been shown once again. In any case, the indicator has always stood above 100% during the analyzed period. At the same time, the financial result (as a percentage of the net earned premium) stood at 24.4% in 2019, i.e.

Chart 3.1.1-k
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)

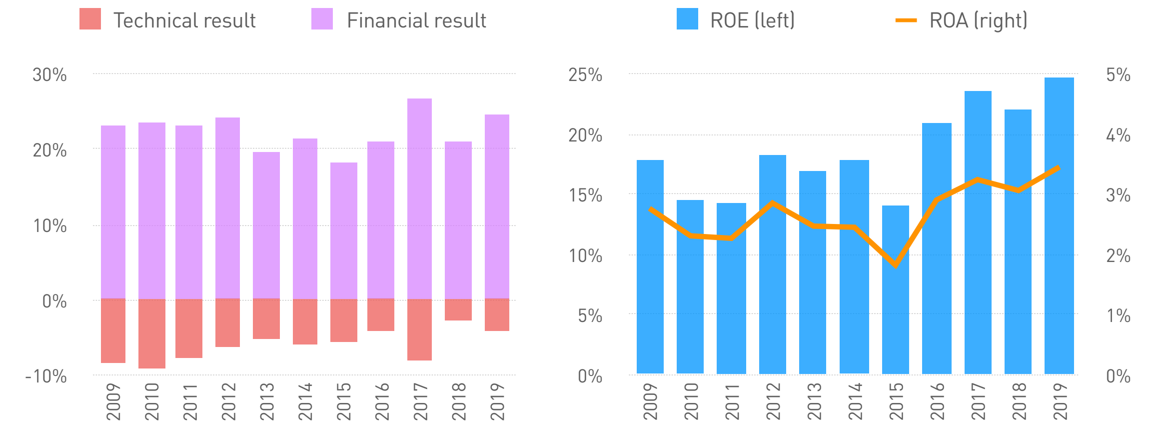
3.3 pp above the level recorded in the previous year (see Chart 3.1.1-l).

With regard to profitability, return on equity (ROE) stood at 24.7% in 2019, up 2.6 pp from the level recorded in 2018. In a similar vein, return on assets (ROA) reached 3.5% in 2019, showing a slight increase of 0.4 pp compared to the value recorded in 2018.

Insurance penetration, density and depth

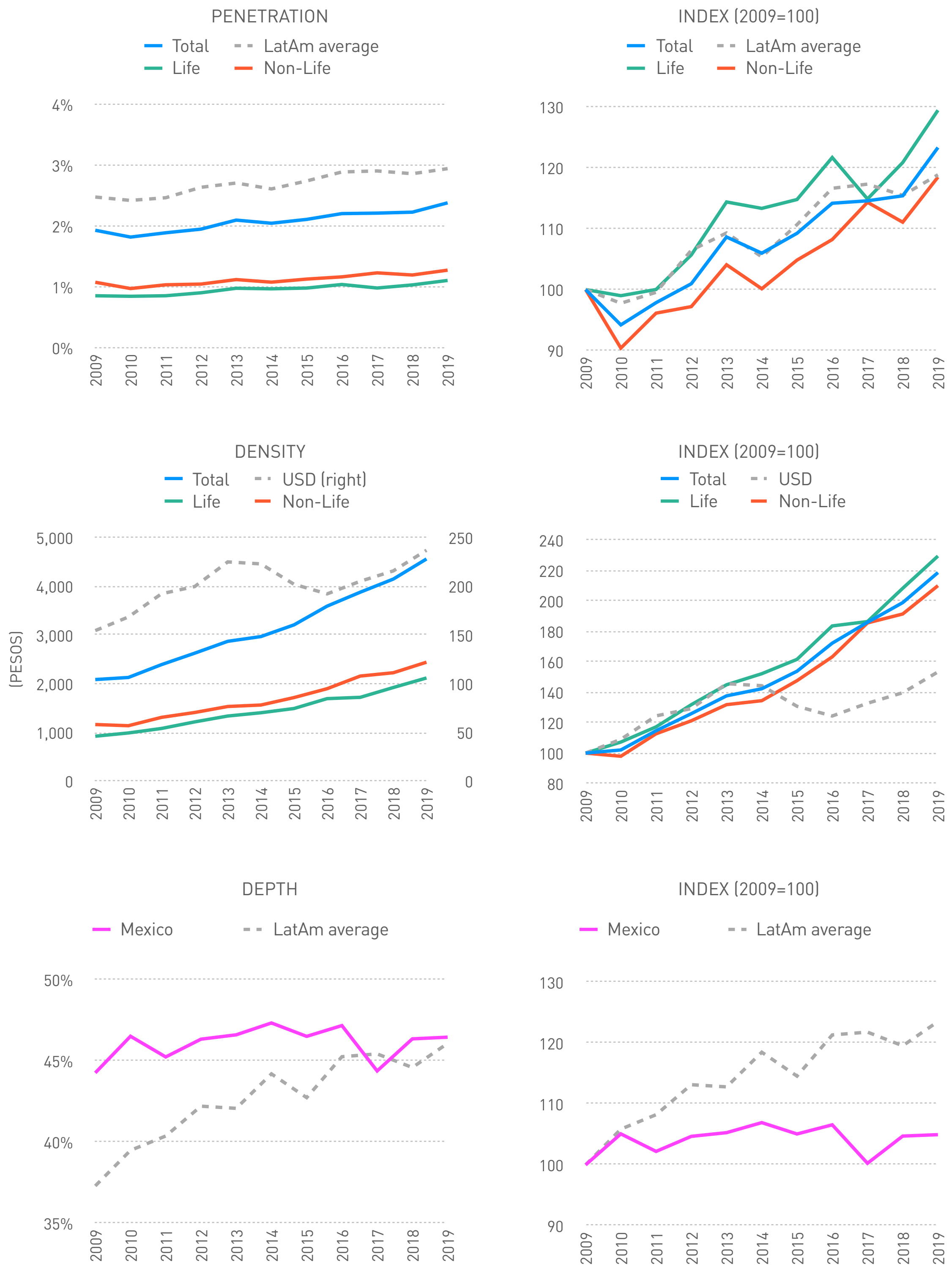
Chart 3.1.1-m shows the main structural trends shaping the development of the Mexican insurance industry over the 2009–2019 period. First, the penetration rate (premiums/GDP) in 2019 stood at 2.4%, reaching a record high for the country's insurance industry. This indicator has generally been on an upward trend over the

Chart 3.1.1-l
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)

Chart 3.1.1-m
Mexico: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



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

2009–2019 period, in line with the general pattern seen across the wider Latin American region. However, the penetration of the Mexican market remains below the absolute average level for Latin America (2.9%).

Insurance density levels (premiums per capita) reached 4,563.9 pesos (237.2 US dollars) in 2019, 10% higher than the value recorded in 2018 (4,151.7 pesos). As with penetration, density also shows a growing trend over the last decade, with accumulated growth in local currency of 118.6% over the period analyzed (2009–2019).

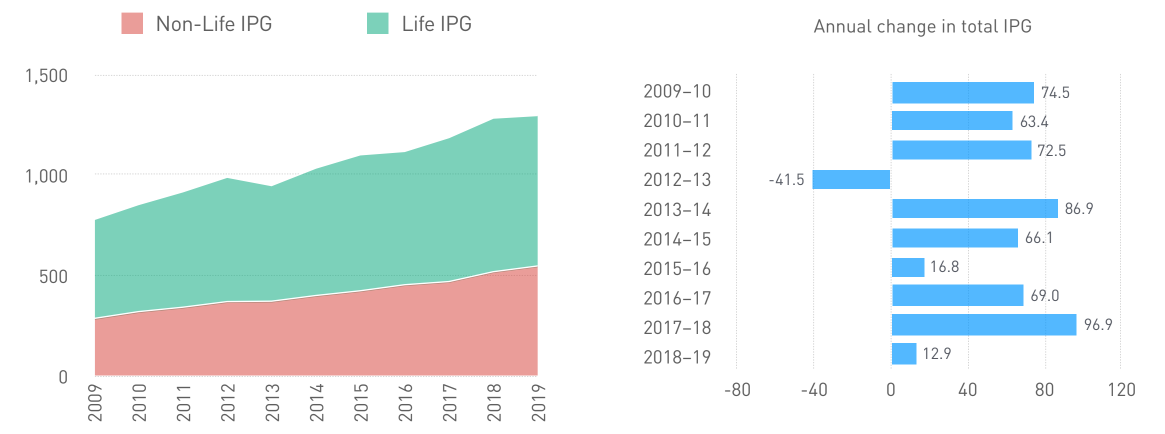
With regard to depth levels (measured as the ratio between Life insurance premiums and total premiums), the indicator stood at 46.5%, i.e. slightly higher than the value recorded in 2018 (46.3%) and 2.2 pp higher than in 2009. The difference between the depth trend in the Mexican insurance market and the average levels of the Latin American insurance markets has gradually declined since 2009 until Mexican depth fell below the Latin American average in 2017 (44.4% vs. 45.4%). Since 2018, however, it returned to showing values above the region's average, marking the Mexican market's favorable evolution toward higher levels of maturity in its development.

Insurance Protection Gap estimate

Chart 3.1.1-n shows an estimate of the Insurance Protection Gap (IPG) for the Mexican insurance market over the 2009–2019 period. The IPG stood at 1.3 trillion pesos (67.4 billion US dollars) in 2019, equivalent to 2.2 times the size of the actual insurance market at the close of that year. The structure and performance of the IPG over the last decade shows the significant role Life insurance had in shaping the IPG. In 2019, 58% of the IPG corresponded to Life insurance, equivalent to 748.6 billion pesos. Conversely, Non-Life insurance accounted for 42% of the gap, amounting to 548.5 billion pesos. Accordingly, the potential insurance market in Mexico (measured as the sum of the actual market plus the IPG) amounted to 1.88 trillion pesos (97.66 billion US dollars), i.e. 3.2 times the country's actual market, thereby reducing the gap compared to the previous year, in which this ratio was 3.5 times the actual market (see Chart 3.1.1-o).

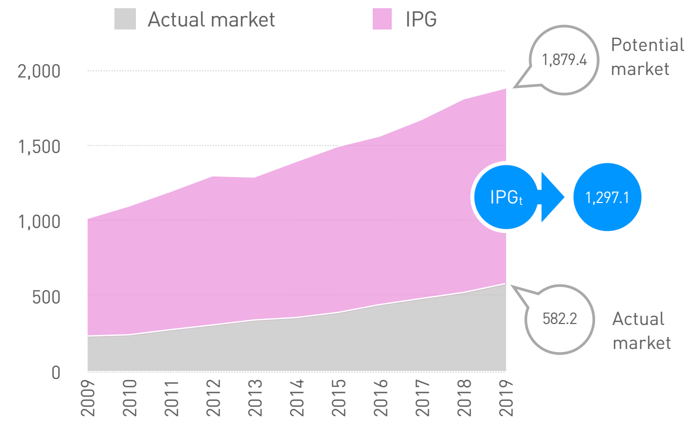
Chart 3.1.1-p shows an estimate of the IPG as a multiple of the actual market in each year; this comparison allows for an analysis of how the gap has changed over time. With regard to the Mexican insurance market, the IPG as a multiple has been on a clear downward trend

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



Source: MAPFRE Economics

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



Variation	Actual market	IPG
2019–2009	148.0%	66.4%
2019–2018	11.1%	1.0%

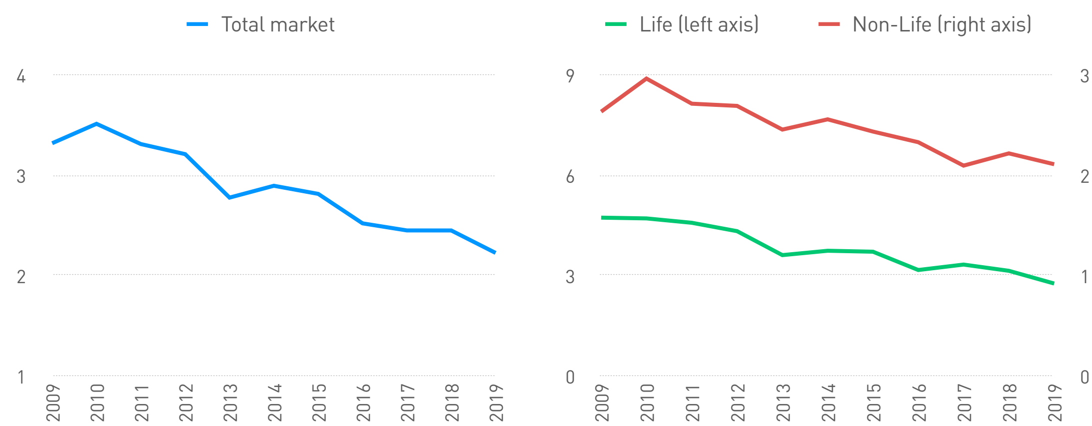
Source: MAPFRE Economics

over the last decade, both when analyzing the total market and the Life and Non-Life segments. While the IPG in 2009 was 3.3 times the size of the Mexican actual insurance market, in 2019 this 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 4.7 to 2.8, while for the latter it shrunk from 2.2 to 1.8 over this decade.

Additionally, Chart 3.1.1-q summarizes changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Mexican insurance market over the last decade, comparing the situation in 2019 to that of 2009, assessing the improvement in the Non-Life business and, to a greater extent, in the Life business.

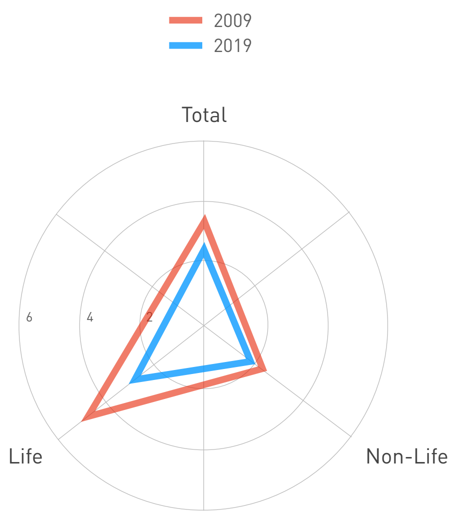
Lastly, similar to previous versions of the Latin American insurance market report[26], a comparative analysis has been conducted between the growth rates recorded over the last ten years in the Mexican market and the growth rates that would be needed to close the IPG determined in 2019 over the next decade.

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



Source: MAPFRE Economics

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

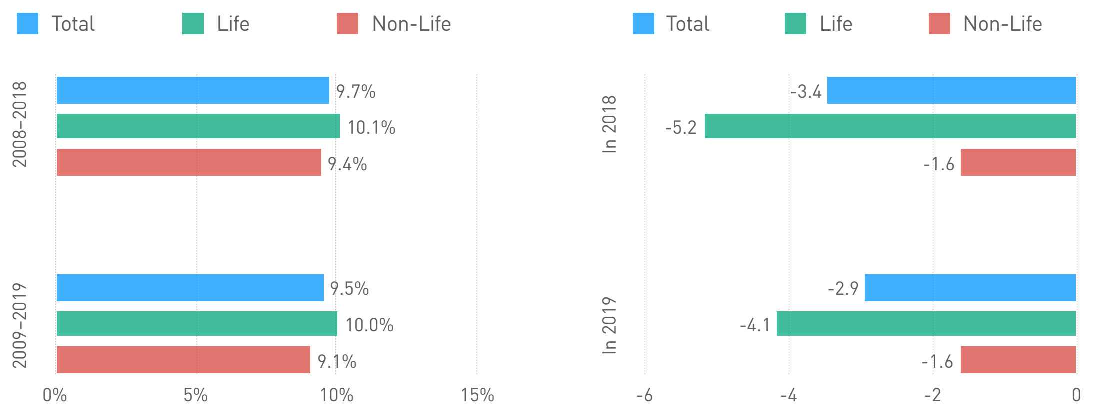


Source: MAPFRE Economics

According to this analysis (shown in Chart 3.1.1-r), between 2009 and 2019, the Mexican insurance market recorded an average annual growth rate of 9.5%. This was underpinned by an average growth of 10.0% in the Life insurance segment and of 9.1% 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 2.9 pp short of the amount needed to close the IPG calculated for 2019. This means that the Mexican insurance market would need to see average growth of 12.4% over the next ten years in order to close the IPG calculated for 2019. A similar conclusion can be drawn from an individual analysis of the Life and Non-Life segments. Life insurance would fall 4.1 pp short, while Non-Life insurance would fall just 1.6 pp short. To bridge these gaps, the Mexican insurance market would need to achieve an annual average growth of 14.2% and 10.7% respectively over the next decade.

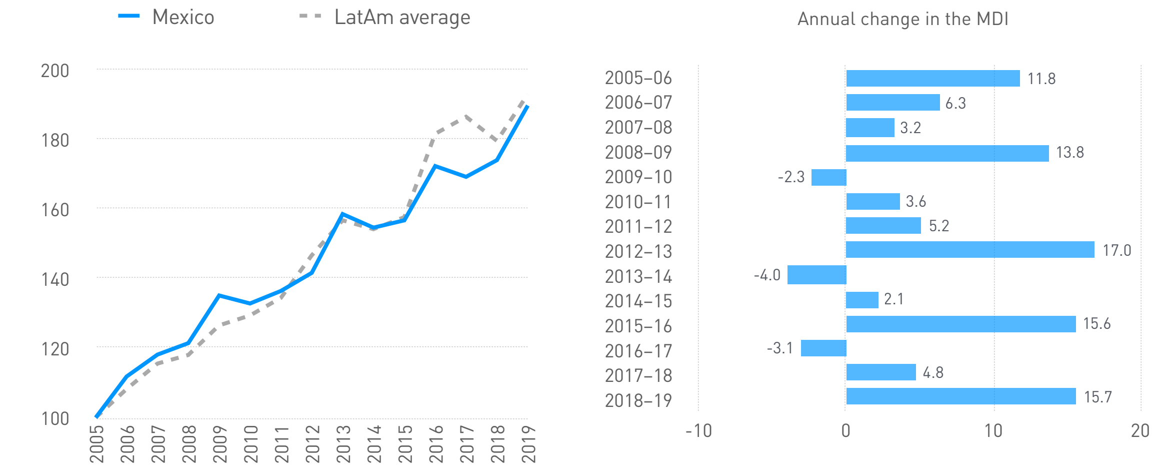
It should be noted that, as shown in Chart 3.1.1-r mentioned above, this insufficiency for closing the gap has been reduced in 2019 from that determined for 2018, due to the improvement in the Life segment (-4.15 pp in 2019 vs. -5.18 pp in 2018), while the Non-Life segment has experienced little variation compared to the measurement determined in 2018 (-1.61 in 2019 vs. -1.59 in 2018).

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



Source: MAPFRE Economics

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



Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.1.1-s shows an estimate of the Market Development Index (MDI) for the Mexican insurance industry. As indicated previously, the aim of the MDI as an indicator is to summarize trends shaping the performance and maturity of insurance markets. In the case of the Mexican insurance market, the indicator shows a positive trend over the last decade, although it fell slightly short of the regional average in 2019 (189.7 vs. 192.9). It should be noted that, except for 2010, 2014 and 2017, the index has shown positive progress over the last decade.

Comparative analysis of structural coefficients

Lastly, Chart 3.1.1-t 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). This analysis of the Mexican insurance industry shows that, while the situation in terms of density, depth and MDI is virtually equivalent to the region's average, it still falls short in terms of penetration levels.

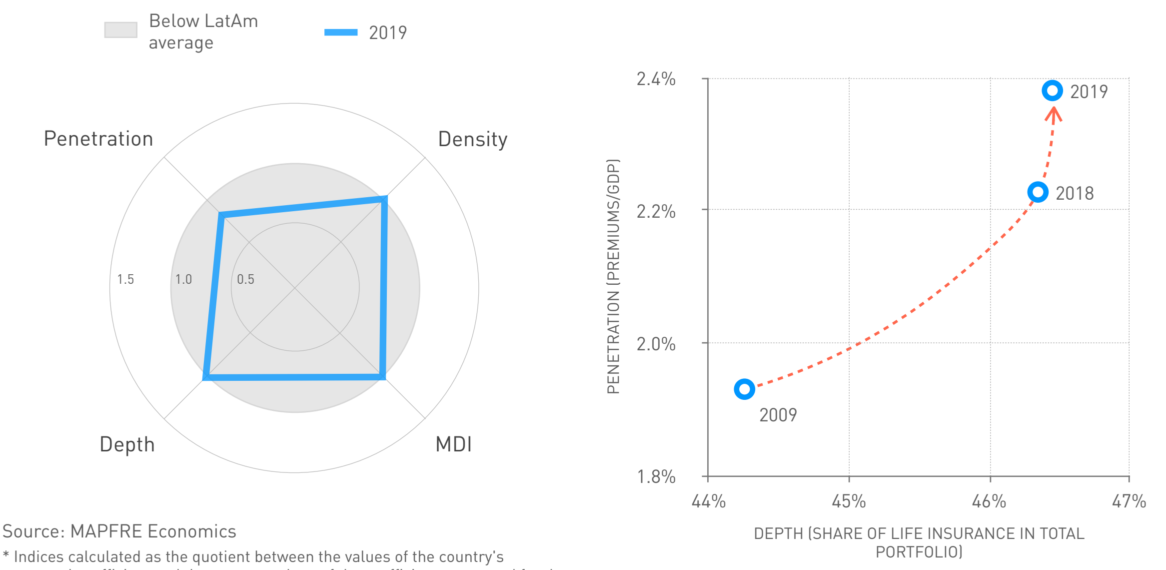
Chart 3.1.1-t also shows the fiscal year considered before for the Latin American insurance market as a whole, which shows a dispersion analysis that seeks to identify the development trend of the market over the 2009–2019 period, based on the evolution of penetration indices (as an indicator of the quantitative growth of this activity) and of insurance depth indices (as a proxy of the level of maturity in market development). This dispersion analysis confirms that, in general, the Mexican insurance industry shows a balanced and consistently positive development both over the 2009–2018 period and over 2018 (which was especially emphasized in its penetration levels). The development of the Mexican insurance industry has therefore been characterized by both the sustained rise in penetration levels (*quantitative* component of market development) and by the continuous increase in depth levels (*qualitative* aspect of the market development process).

Insurance market rankings

Total ranking

At the end of 2019, the Mexican insurance industry consisted of 112 institutions. The top five insurers accounted for 43.0% of total

Chart 3.1.1-t
Mexico: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)

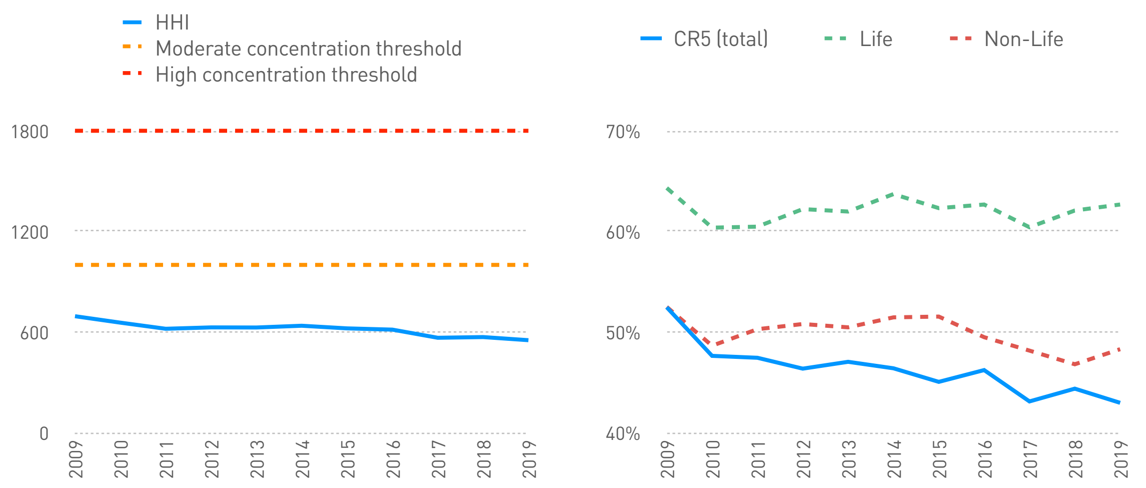


Source: MAPFRE Economics

* Indices 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.

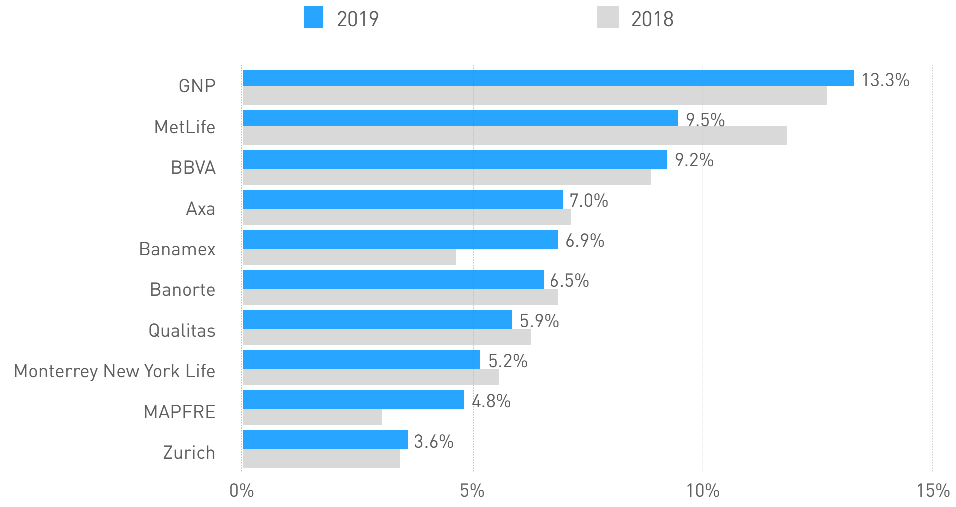
premiums, down 1.4 pp from the previous year. In this regard, market concentration has generally trended downward over the last ten years (albeit with a trend toward stagnation in the Life insurance segment), as shown by the CR5 index. Concentration levels in the Mexican insurance industry measured through the Herfindahl index are below the threshold associated with potential competition problems and a downward trend (see Chart 3.1.1-u).

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



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

Chart 3.1.1-v
Mexico: total ranking
(market shares, %)



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

In terms of the total group ranking, the four main insurance groups in Mexico in 2019 were the same as the previous year: Grupo Nacional Provincial (13.3%) remains in first place, MetLife in second (9.5%) and BBVA in third (9.2%). Banamex, for its part, accounts for the greatest jump, from eighth to fifth place, with a share of 6.9% due to growth in the individual Life line and shows a significant increase in the placement of mainly Universal products.

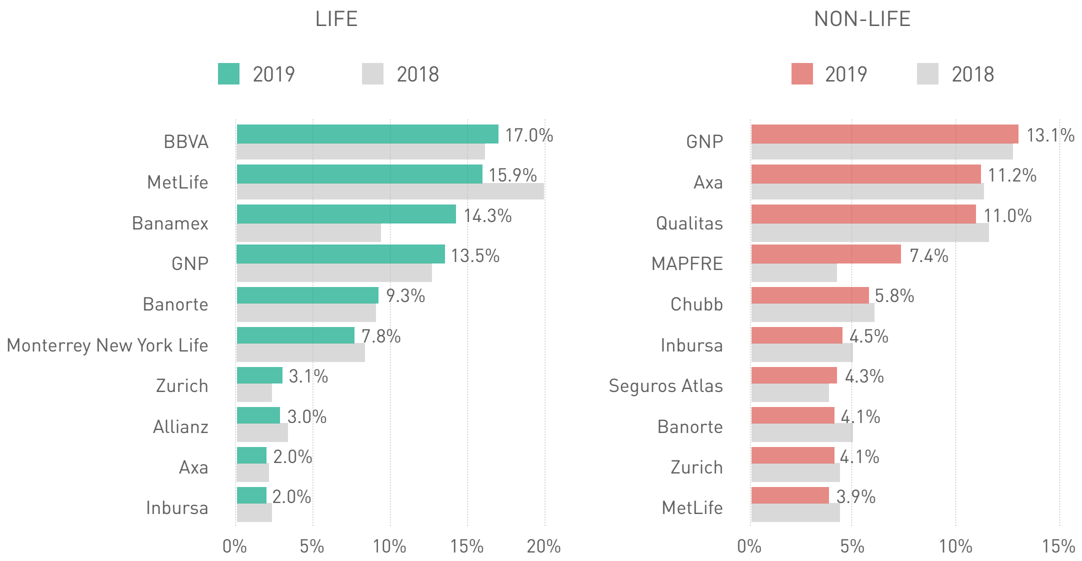
However, in addition to Banamex, only MAPFRE improved its relative position, rising to ninth place with a market share of 4.8%, due to the effect of the June 2019 renewal of Petróleos Mexicanos' (PEMEX) comprehensive biennial damage policy for 502.9 million US dollars. Meanwhile, Banorte (6.5%), Qualitas (5.9%), Seguros Monterrey New York Life and Zurich all dropped in the total ranking (see Chart 3.1.1-v).

Life and Non-Life rankings

With regard to the Non-Life insurance segment, 63 insurance companies were operating in the Mexican market at the end of 2019. The ranking was led by Grupo Nacional Provincial (GNP) with 13.1% of total premiums, followed by Axa (11.2%) and Quálitas (11.0%), the latter two swapping positions, though both of their shares dropped compared to the previous year. In the rest of the ranking, MAPFRE and Seguros Atlas improved their positions, jumping five and three places respectively to reach shares of 7.4% and 4.3% respectively. The remaining companies fell in their rankings and shares compared to the previous year (see Chart 3.1.1-w).

There were 49 insurance companies operating in the Life line of the Mexican market the close of 2019. In this year, MetLife and BBVA swapped places, with BBVA jumping to lead the Life market with a 17% share, followed by MetLife, which, with 15.9%, saw a 4.6% drop in its market share essentially as a result of the impact of the cancellation of government policies for major medical expenses and for SSI insurance (*Seguros de Separación Individualizada* — individual contingency insurance)[27]. For its part, Banamex (14.3%) jumped one place to third with a share almost 5 pp higher than the previous year (9.4%). In terms of drops in the ranking, Grupo Nacional Provincial and Allianz both saw a decrease in their market share, each dropping one place, with Inbursa joining them by dropping two places. Zurich (3.1%) and Axa (2.0%) jumped two places and one place respectively, while all the other companies maintained their relative ranks (see Chart 3.1.1-w).

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



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

Key regulatory aspects

In terms of regulatory issues in the Mexican insurance market, with the aim of boosting the country's insurance industry, the CNSF (*Comisión Nacional de Seguros y Fianzas* — National Insurance and Bond Commission) carried out various actions in 2019 aimed at maintaining solvency and a sound regulatory framework, seeking progressive consolidation of the Solvency II scheme that has prevailed in the Mexican market since 2015.

In this regard, during 2019, various updates to the CUSF (*Circular Única de Seguros y Fianzas* — Insurance and Bond Circular) were published and grouped under the following headings:

- Access to the Mexican insurance market by financial technology institutions, in order to bring technological models for insurance or bond contracting to the general population (InsurTech).

- Adjustments to the modeling of the Solvency Capital Requirement (SCR) with an emphasis on: calibration of the valuation of financial assets; market valuation methodologies (exchange rate, interest rate) for reserves risk; simplifications in the measurement of financial risk; and modeling of asset flows for the pensions line.

- Push for a better-regulated reinsurance market by updating the risk transfer criteria for insurance and bond operations, as well as changes to streamline administrative matters.

- Specifying the regulation concerning investment in securities representing the share capital of insurers belonging to financial groups.

- Redefining the time frames for the application of Financial Reporting Standards to ensure correct implementation by insurers.

- Various administrative simplifications aimed at facilitating regulatory compliance in aspects related to reinsurance, insurance agents and investments.

Furthermore, during 2019, efforts by the Mexican regulator have enabled progress to be made in the following regulations:

- Rights and Obligations of the Insured, to disclose and make transparent the information contained in the policy in order to improve the policyholders' understanding of their covered risks, rights and obligations.

- Implementing the principle of proportionality so as to mitigate barriers to competition arising from excessive regulation, with an adjustment period in case the industry is not developed or lacks experience, as is the case with the regulatory sandboxes for InsurTech initiatives; the foregoing includes the objectives of greater competition, the financial inclusion of currently unattractive sectors, and financial innovation that results in more efficient and more affordable services.

- Reducing the information requested in the Regulatory Reports, in order to reduce the regulatory burden and avoid duplicated information.

- Reducing response times in CNSF procedures, with the intention of being more swift when registering products, expanding insurance lines and authorizing new companies, among other aspects.

- Analyzing regulatory alternatives that allow new players in the market, regulated proportionally to their risk, nature and size.

- Amending the existing microinsurance regulation to make this insurance more attractive to institutions and policyholders, revising models proposed by the industry and identifying the causes of its non-promotion to carry out a product relaunch.

- Modifying the evaluation process, reviewing materials for the accreditation of insurance agents and updating reagents used for their evaluation.

- Provisions relating to cybersecurity, for the purpose of protecting cyber-resources and the data of policyholders and institutions, as well as supervising the technical capacity of insurers offering coverage for these risks.

3.1.2 Guatemala

Macroeconomic environment

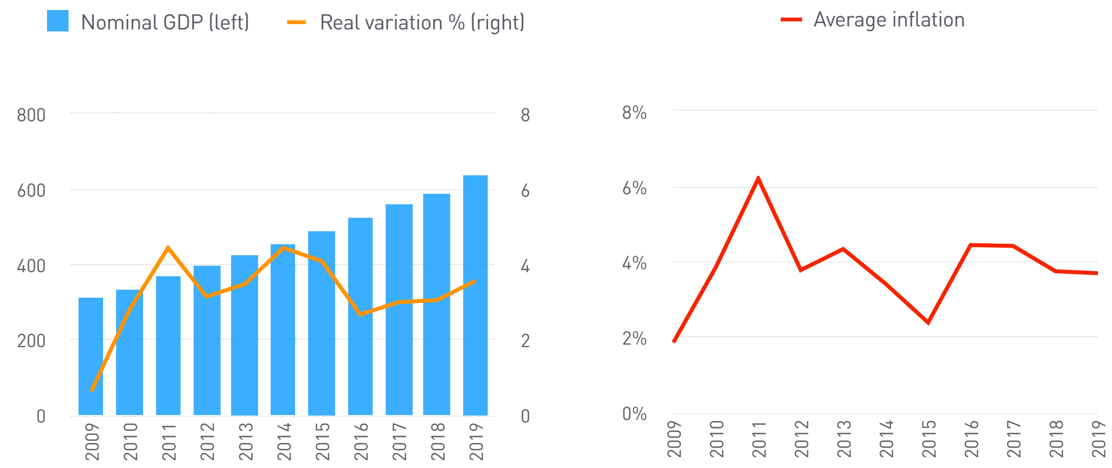
The Guatemalan economy recorded real growth of 3.6% in 2019, higher than the 3.1% recorded in the previous year (see Chart 3.1.2-a). This accelerated economic growth was underpinned by the good performance of private consumption, stimulated by better dynamics in remittances and credit expansion. In turn, albeit to a lesser extent, the investment contribution was once again positive with a significant contribution from public spending. It should be noted that Alejandro Giammattei took office as President of Guatemala in January 2020, after winning the second round of elections in August 2019.

By sectors of activity, dynamism returned in general. Led by construction, virtually all sectors improved, except electricity, gas and water. The foreign sector remained stable, both due to the slight increase in imports and due to exports, the increase in value of which was offset by a lower volume recorded. According to information from the Central American Monetary Council, the fiscal deficit of the Guatemalan central government stood at 2.0% of GDP in 2019 (1.7% in 2018) and total public debt reached 27.6% of GDP (26.0% in 2018).

Average inflation in 2019 stood at 3.7%, lower than the previous year (3.8%), which allowed the central bank to maintain its accommodative monetary policy of recent years without changing interest rates in 2019, as inflation fell within the central bank's target range (between 3% and 5%). Unemployment (in the absence of official year-end data) could record positive performance compared to 2018, based on preliminary data.

However, the ECLAC estimates a contraction in GDP of -4.1% for 2020 as a result of the economic effects of the lockdown and social distancing measures that have been implemented to tackle the COVID-19 pandemic. Similarly, the IMF estimates a contraction of -1.96% for 2020.

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, %)



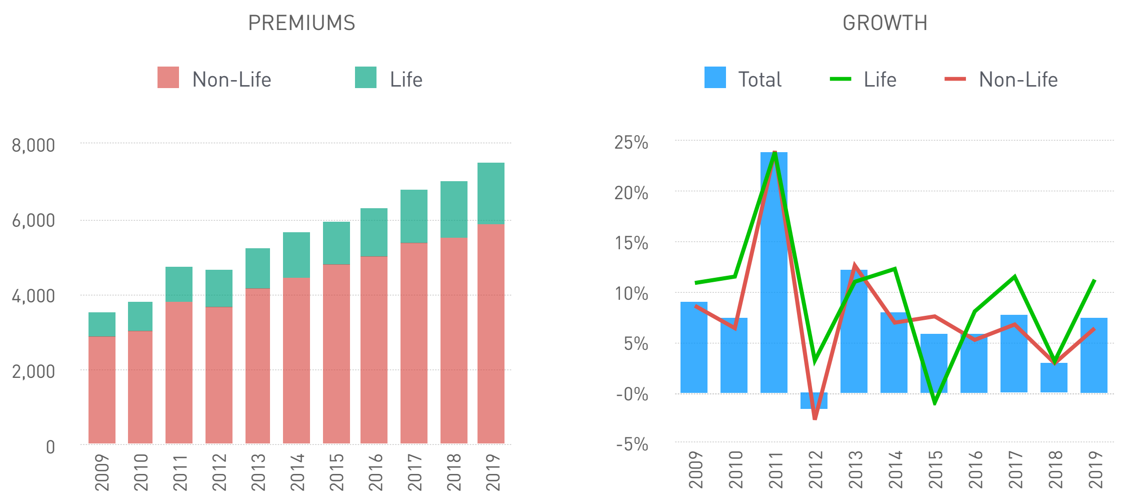
Source: MAPFRE Economics (based on IMF data)

Insurance market

Growth

The Guatemalan insurance market achieved premiums of 7.53 billion quetzales (977 million US dollars) in 2019, representing nominal growth of 7.4% and real growth of 3.6%. The market performed significantly better than in 2018, with nominal growth of 3.0% (-0.7% in real terms). Premiums were up 6.4% in the Non-Life segment (2.9% in 2018), reaching 5.9 billion quetzales (766 million US dollars). This business accounts for 78.4% of the total market, and the two most important lines of business (Health and Automobile) both grew in nominal terms by 8.3% and 5% respectively, which means that, in real terms, the Health business grew by 4.4% and the Automobile business grew by 1.2%. Meanwhile, the Life

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)

Table 3.1.2
Guatemala: premium volume[1] by line, 2019

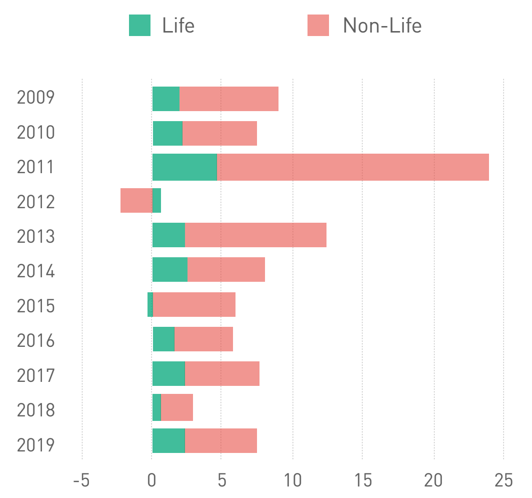
Line	Millions of quetzales	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**7,525**	**977**	**7.4**	**3.6**
Life	**1,627**	**211**	**11.3**	**7.3**
Individual Life	218	28	4.2	0.5
Group Life	1,401	182	12.4	8.4
Pensions	8	1	10.6	6.6
Non-Life	**5,898**	**766**	**6.4**	**2.6**
Health	1,955	254	8.3	4.4
Automobiles	1,474	191	5.0	1.2
Fire and allied lines	468	61	10.7	6.8
Earthquake	507	66	5.5	1.7
Other lines	537	70	15.9	11.8
Transport	244	32	4.9	1.1
Surety	256	33	-1.3	-4.8
Technical risks	152	20	-18.8	-21.7
Personal accidents	194	25	7.5	3.7
Third-party liability	111	14	4.3	0.5

Source: MAPFRE Economics (based on data from the Superintendency of Banks)
1/ Net direct reinsurance premium

business grew by 11.3% (3.1% in 2018) to stand at 1.63 billion quetzales (211 million US dollars), 8.1 pp more than in 2018 (see Table 3.1.2 and Chart 3.1.2-b).

As shown in Chart 3.1.2-c, of the Guatemalan insurance market's 7.4% nominal growth in 2019, 5.1 pp were contributed by the Non-Life insurance segment, while the Life segment contributed the remaining 2.3 pp. The balanced

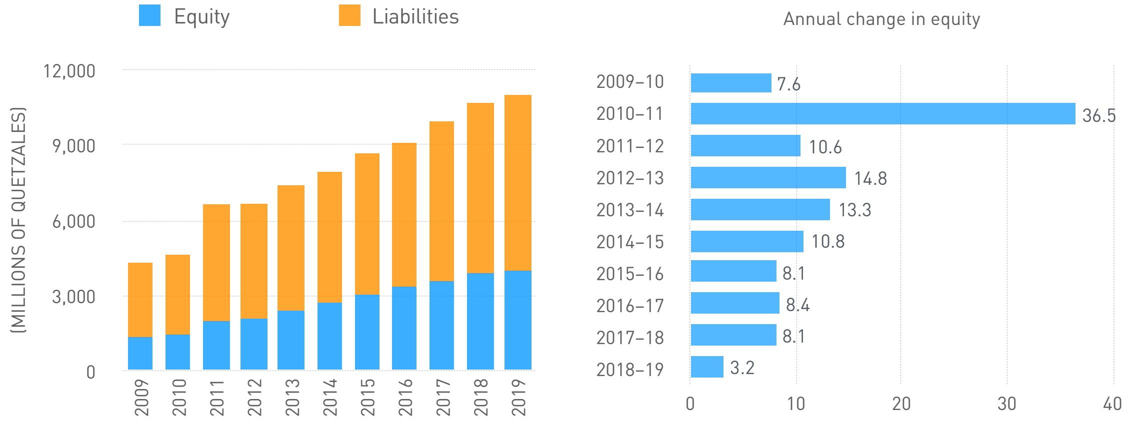
Chart 3.1.2-c
Guatemala: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	9.1	2.0	7.0
2010	7.4	2.2	5.2
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

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

Chart 3.1.2-d
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)

growth path of the previous year is therefore maintained, with positive contributions from both insurance lines; a characteristic growth trend in this market over the last decade, with the exception of 2012 when the Life segment negatively contributed to the industry's growth.

Balance sheet and shareholders' equity

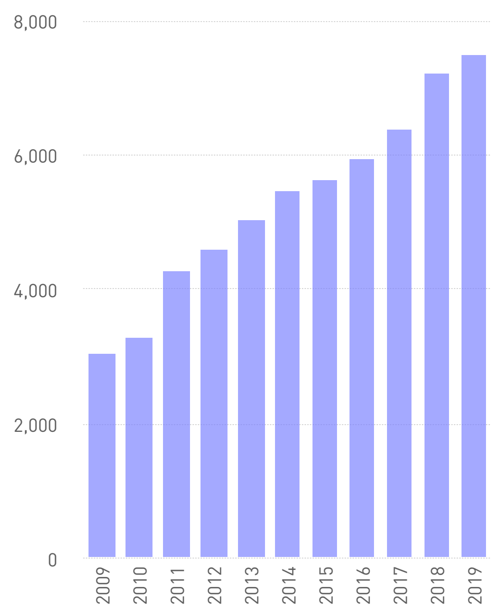
Chart 3.1.2-d shows developments in the size of the Guatemalan insurance market's aggregate balance sheet at the sector level between 2009 and 2019. This data shows that the Guatemalan insurance industry had total assets of 11.05 billion quetzales (1.44 billion US dollars) in 2019, while equity stood at 4.01 billion quetzales (520 million US dollars), up 3.2 pp from the previous year.

The aggregate capitalization levels of the Guatemalan insurance industry (measured on total assets) were notable and stood above 26% in 2006, 2007 and 2008, exceeding 30% in the other periods. At the end of 2019, this represented 36.3% of the total assets.

Investments

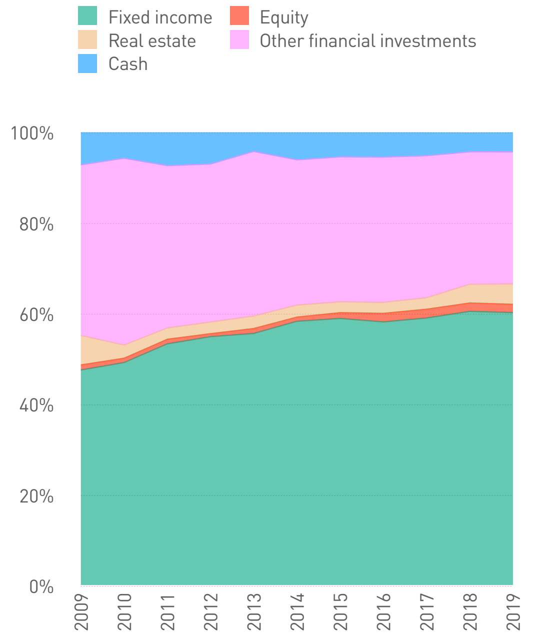
Charts 3.1.2-e, 3.1.2-f and 3.1.2-g show changes in investments for the Guatemalan insurance market over the 2009–2019 period, as well as the composition of the aggregate investment portfolio at the sector level over that period and, specifically, for 2019. In 2019, investments reached 7.49 billion quetzales (973 million US

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



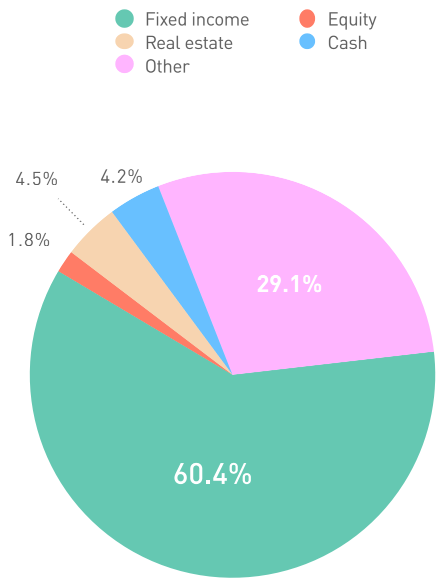
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

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



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

Chart 3.1.2-g
Guatemala: structure of investments, 2019
(%)



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

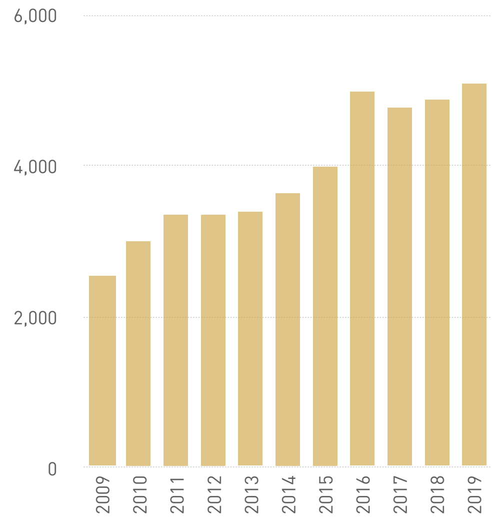
dollars), which were concentrated in fixed income investments (60.4%) and with aggregate investment in equity instruments playing only a minor role, mirroring the situation seen in the previous year (1.8%). Other financial investments (mainly bank deposits) also had a significant share, which accounted for 29.1% of the portfolio.

An analysis of the portfolio performance over the last decade shows the gradual increase in the weight of investments in public fixed income, climbing from 47.7% in 2009 to 60.4% in 2019. Conversely, the share of other financial investments (essentially bank deposits) fell in that period from 37.7% in 2009 to the aforementioned 29.1% in 2019.

Technical provisions

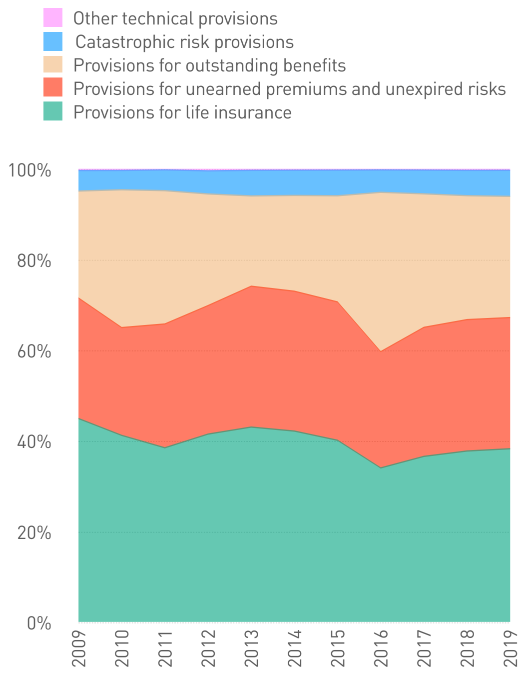
The performance and composition of the Guatemalan insurance industry relative to technical provisions over the 2009–2019 period are shown in Charts 3.1.2-h, 3.1.2-i and 3.1.2-j. The industry's technical provisions amounted to 5.08 billion quetzales (660 million US dollars) in

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



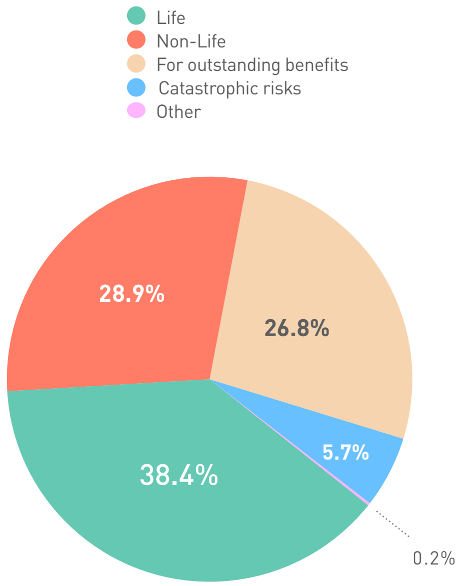
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

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



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

Chart 3.1.2-j
Guatemala: structure of technical provisions, 2019
(%)



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

2019. Of these total technical provisions, 38.4% related to Life insurance, 28.9% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 26.8% to provisions for outstanding benefits, 5.7% to provisions for catastrophic risks, and 0.2% to other technical provisions.

Technical provisions saw sustained growth in absolute terms over the 2009–2019 period, both in Life and Non-Life insurance (interrupted only in 2017). However, considering the relative weight of Life insurance provisions out of the total technical provisions, a general decline can be observed over the last decade (from 45% to 38.4% in this period), with the sharpest dips seen in 2011 and 2016 (Chart 3.1.2-i).

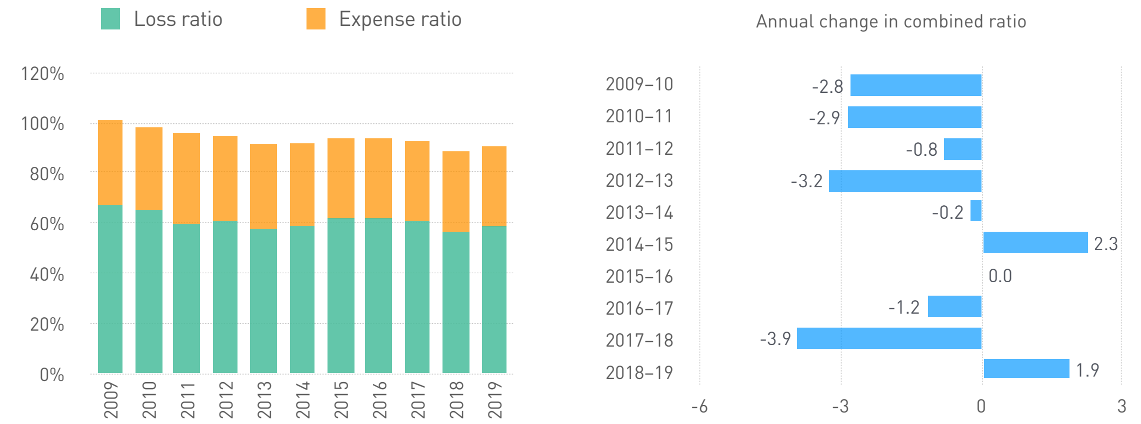
Technical performance

Chart 3.1.2-k shows positive performance in the Guatemalan insurance industry's technical performance over the 2009–2019 period. This data shows that the combined ratio increased to 90.1% in 2019 (1.9 pp higher than the previous year). This slight decline in the market's technical performance was mainly due to the upturn of 1.2 pp in the loss ratio, as well as to the increase in the expense ratio, which was 0.7% higher than the previous year.

Results and profitability

In 2019, the net result of the Guatemalan insurance business was 941 million quetzales (122 million US dollars), up 5.7% from the previous year, due to sustained positive technical results and to the solid performance of the financial result, which grew by 2% compared to the figure reported in 2018 (see Chart 3.1.2-l).

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



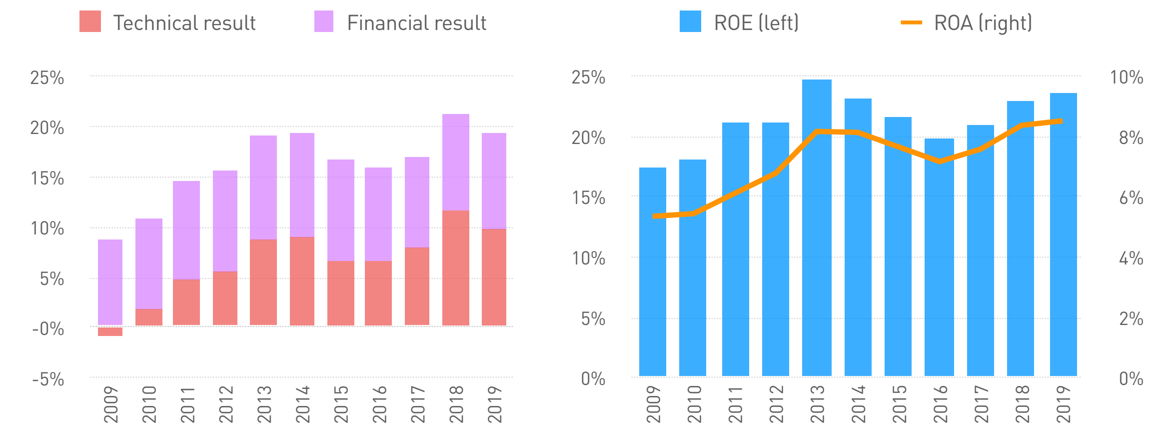
Source: MAPFRE Economics (based on data from the Superintendency of Banks)

In terms of profitability levels, return on equity (ROE) stood at 23.5%, up 0.6 pp from the figure recorded in the previous year. A similar situation emerges when analyzing return on assets (ROA), which reached 8.5%, 0.1 pp above the figure recorded in 2018, while the financial result over earned premiums remained stable over the last ten years at values of around 9.5%.

Insurance penetration, density and depth

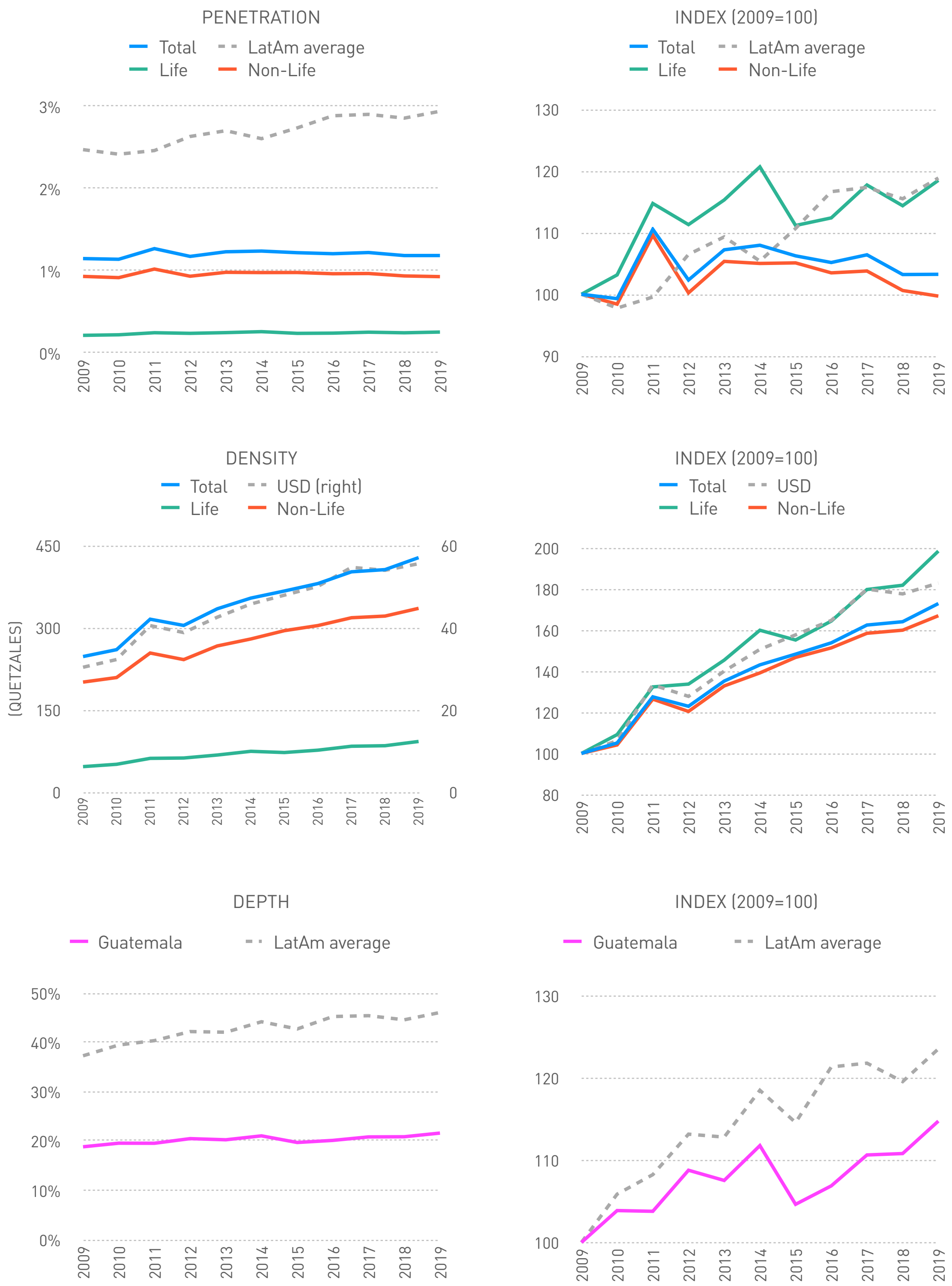
Chart 3.1.2-m shows the performance of the Guatemalan insurance industry's main structural growth indicators and their trend over the 2009–2019 period. First, it should be noted that, despite the pace of growth in the country's insurance industry, the penetration rate (premiums/GDP) in 2019 remained at 1.2%. It is important to note that during the 2009–2019 period, this indicator has shown a

Chart 3.1.2-l
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-m
Guatemala: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, quetzales and USD; Life premiums/total premiums, %, 2009 index=100)



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

virtually static 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 2.9%.

In terms of density levels (premiums per capita), this indicator stood at 428 quetzales (55.60 US dollars), 73.0% above the figure recorded in 2009 (247.5 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.

With regard to depth levels (ratio between Life insurance premiums and total premiums), this indicator stood at 21.6%, 1.7 pp above the 2018 figure and 3.1 pp above the figure reported in 2009. However, as with the penetration index, the Guatemalan insurance market's depth level is -24.4 pp lower than the Latin American average (46.1%).

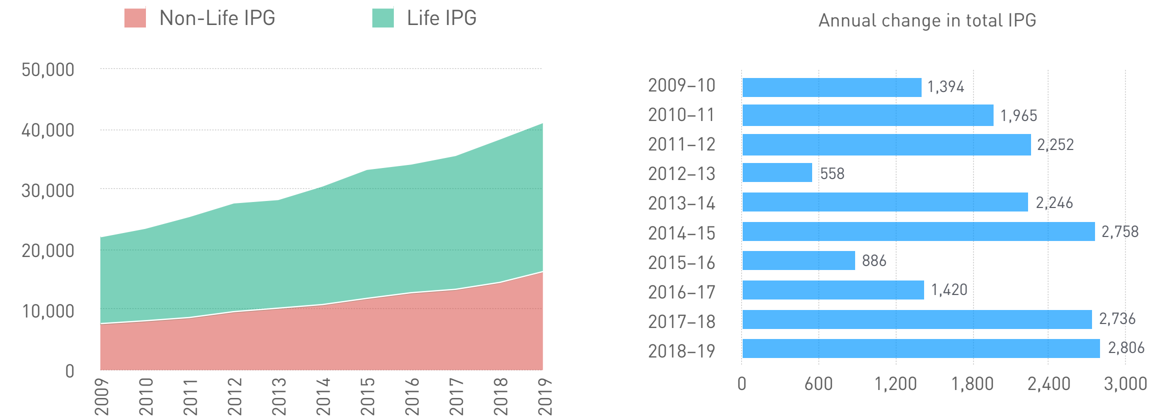
Insurance Protection Gap estimate

Chart 3.1.2-n shows the new IPG estimate for the Guatemalan insurance market over the 2009–2019 period. The insurance gap stood at 41.16 billion quetzales (5.35 billion US dollars), equivalent to 2018 and 5.5 times the actual insurance market at the close of 2019.

As in most Latin American insurance markets, the structure and performance of the IPG are largely attributable to the Life insurance segment, making the relative underdevelopment of this market segment evident. Thus, 60% of the gap in 2019 corresponded to Life insurance (24.77 billion quetzales), while Non-Life insurance accounted for 40% of the IPG (16.39 billion quetzales). Accordingly, the potential insurance market in Guatemala in 2019 (measured as the sum of the actual market plus the IPG) stood at 48.69 billion quetzales (6.32 billion US dollars); i.e. 6.5 times the size of the current market (see Chart 3.1.2-o).

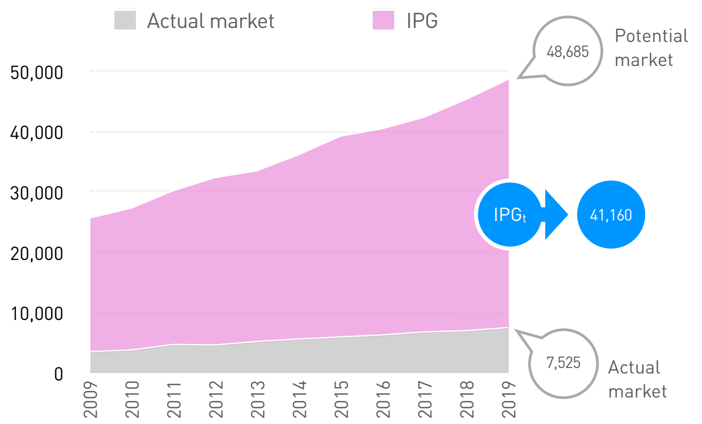
Additionally, Chart 3.1.2-p shows an estimate of the IPG as a multiple of the actual market in each year of the period under analysis. The insurance gap (measured as a multiple) for the

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



Source: MAPFRE Economics

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



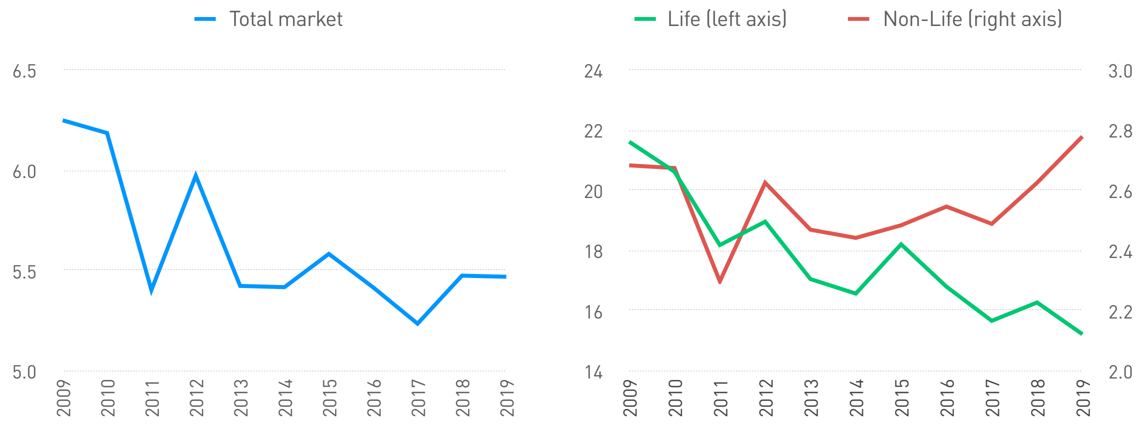
Variation	Actual market	IPG
2019–2009	112.4%	85.9%
2019–2018	7.4%	7.3%

Source: MAPFRE Economics

Guatemalan insurance market shows a declining trend over the 2009–2019 period, both in terms of the total market and, more sharply, the Life segment. Thus, while the IPG of the Guatemalan market was 6.2 times the size of the actual market in 2009, this had fallen to 5.5 times in 2019. A similar situation emerges in the Life segment, where the multiple fell from 21.6 to 15.2 times. With regard to the Non-Life insurance segment, however, the opposite performance is observed, as the multiple rose from 2.7 times in 2009 to 2.8 times in 2019, with a clear growth trend since 2014.

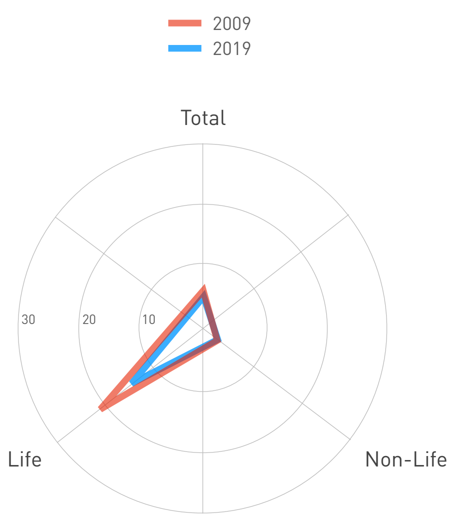
Chart 3.1.2-q summarizes the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Guatemalan insurance market over the last decade, comparing the situation in 2019 with that of 2009. As previously indicated, a slight improvement can be seen in terms of the gap as a multiple of the actual market, albeit mainly in the Life insurance segment.

Chart 3.1.2-p
Guatemala: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.1.2-q
Guatemala: change in IPG as a multiple of the actual market

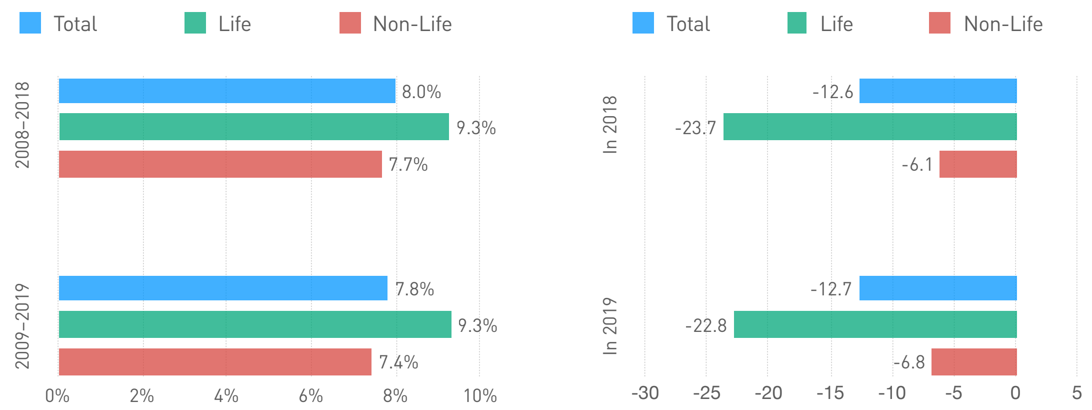


Source: MAPFRE Economics

Lastly, Chart 3.1.2-r summarizes the evaluation of the Guatemalan insurance market's capacity to close the IPG. To this end, a comparative analysis has been carried out between the growth rates recorded in the market over the last ten years and the growth rates that would be needed to close the IPG calculated in 2019 over the next decade. According to this analysis, the Guatemalan insurance market recorded an average annual growth rate of 7.8% over the 2009–2019 period. This was underpinned by an average growth of 9.3% in the Life insurance segment and of 7.4% in the Non-Life insurance segment. Were the same pattern to continue over the next ten years, the growth rate for the market as a whole would fall short of the rate needed to cover the gap determined in 2019 by 12.7 pp; i.e. the insurance market would need an average growth rate of 20.5% over the next decade in order to close the IPG estimated in 2019.

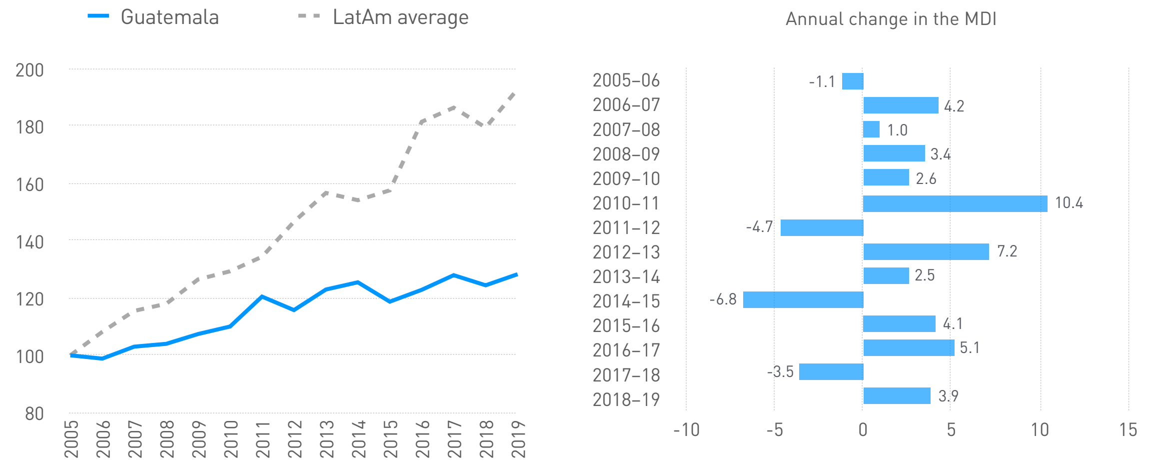
A similar situation emerges when analyzing the Life and Non-Life segments. In the former case, the insufficiency would be 22.8 pp, while for the latter, this would be 6.8 pp. The Guatemalan insurance market would therefore need to achieve an annual average growth of 32.1% and 14.2% respectively over the next decade to bridge these insurance gaps. It should be noted that, with regard to the comparative analysis of this fiscal year compared to that conducted in 2018 for the Guatemalan insurance market, the insufficiency levels of the total market and of the Non-Life insurance segment have increased slightly.

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



Source: MAPFRE Economics

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



Source: MAPFRE Economics

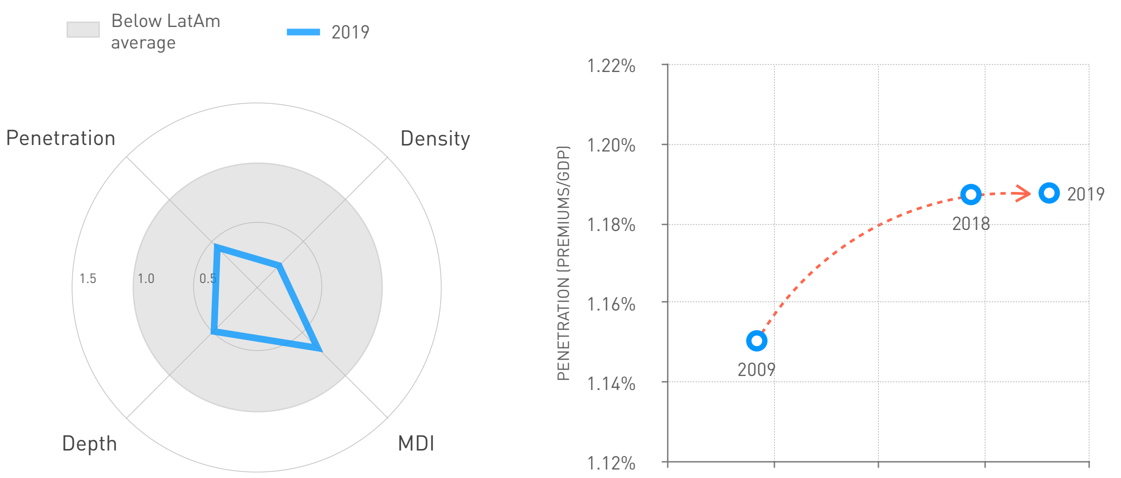
Market Development Index (MDI)

Chart 3.1.2-s shows an estimate of the Market Development Index (MDI) for the Guatemalan insurance industry. Overall, this indicator shows a positive trend over the past decade, with annual decreases in 2012, 2015 and 2018. However, it should be noted that its level (128.3) stands below the Latin American market average (192.9) and its growing trend stagnated in the 2011–2015 period, though it improved in the final stretch.

Joint analysis of structural coefficients

Lastly, Chart 3.1.2-t summarizes 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

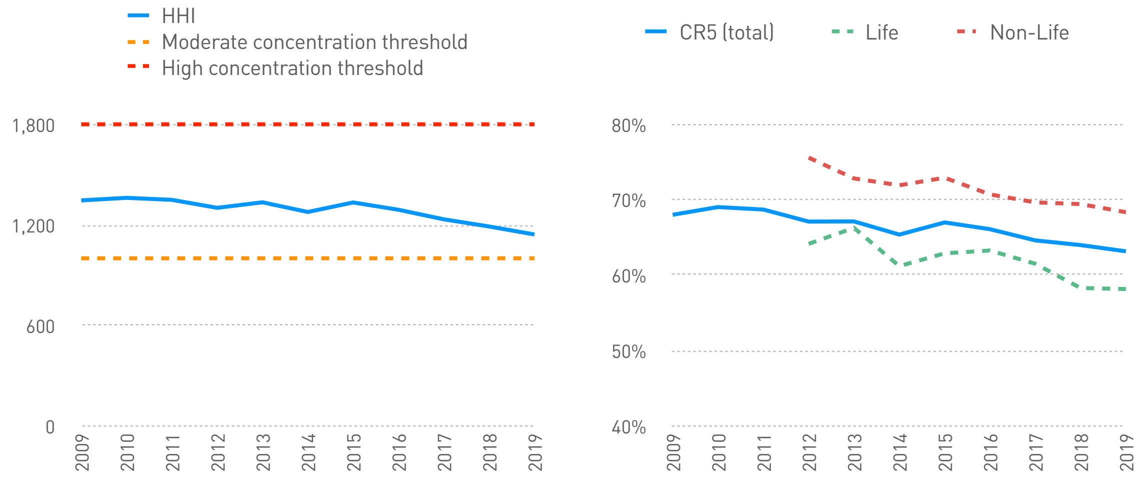
Chart 3.1.2-t
Guatemala: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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-u
Guatemala: insurance industry concentration
(Herfindahl index; CR5 index, %)



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

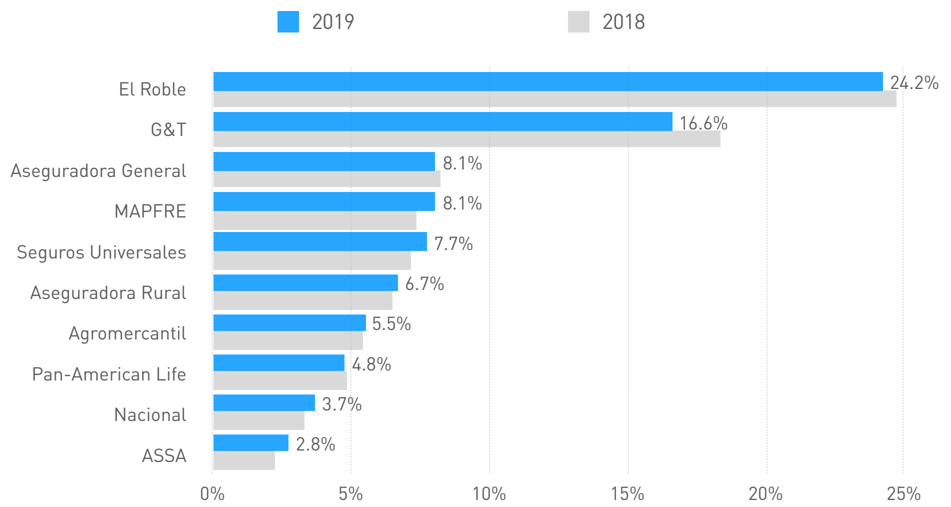
situation is significantly below the Latin American average for all indicators, especially in terms of density (248.4 US dollars in premiums per capita in Latin America vs. 55.6 US dollars in Guatemala), which indicates its low level of development compared to the region as a whole. Likewise, the dispersion analysis shown in the aforementioned chart confirms that, in general, the Guatemalan insurance industry has shown a development over the 2009–2019 period that was emphasized in its depth levels, with no significant improvements in market penetration.

Insurance market rankings

Total ranking

There were 28 insurance companies operating in the Guatemalan insurance industry in 2019. The top five institutions accounted for 63.1% of

Chart 3.1.2-v
Guatemala: total ranking
(market shares, %)



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

total premiums, 0.9 pp less than in the previous year. There has therefore been a slight decrease in the concentration levels of the Guatemalan insurance market over the last decade. However, the Herfindahl index shows that concentration levels are still above the theoretical threshold indicative of the onset of moderate concentration levels. A similar conclusion can be drawn from analyzing the CR5 index, which fell from 68.0% in 2009 to 63.1% in 2019 (see Chart 3.1.2-u).

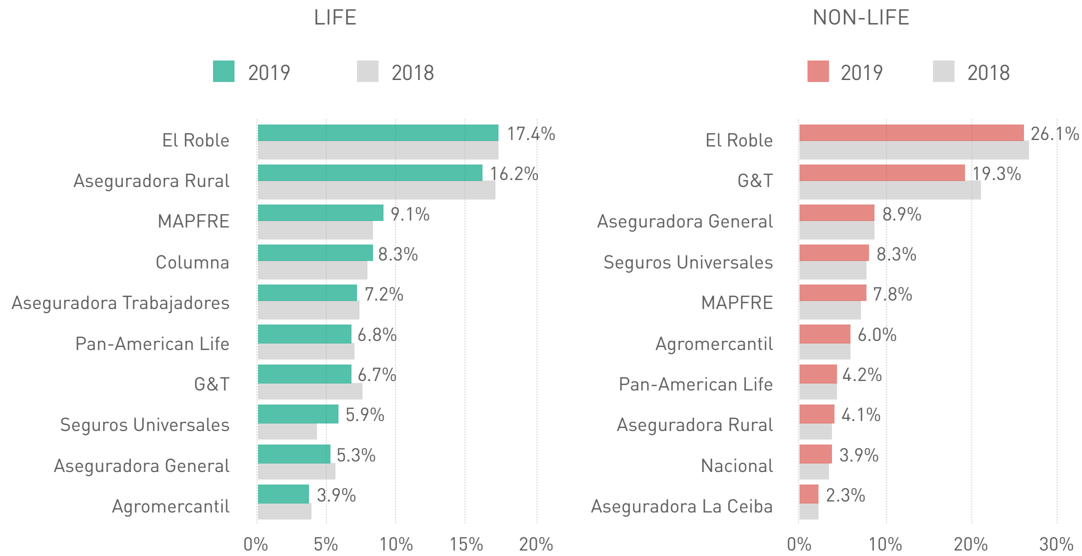
The two most important insurance groups in the Guatemalan market remain El Roble, with 24.2% of the market's premiums (down 0.5 pp in 2019), and G&T, with a market share of 16.6% (also with a -1.7 pp drop in its market share). Aseguradora General follows some distance behind with a share of 8.1% (-0.1 pp less than in 2018), as do MAPFRE with 8.1% and Seguros Universales with 7.7%. It should be noted that none of the top ten groups saw any changes in their relative positions compared to the previous year (see Chart 3.1.2-v).

Life and Non-Life rankings

For the Non-Life ranking, El Roble again tops the table with a share of 26.1% of premiums. G&T (19.3%) and Aseguradora General (8.9%) followed in the same order as the previous year. As in the total ranking, none of the top ten groups saw any changes in their relative positions compared to the previous year (see Chart 3.1.2-w).

Lastly, with regard to the Life ranking, El Roble again holds first place with 17.4% of total premiums, increasing its share by 0.1 pp compared to the previous year, followed by Aseguradora Rural with 16.2%. MAPFRE secured third place with 9.1% of premiums in this market segment, increasing its share by 0.8 pp compared to the previous year. G&T dropped two spots to seventh place, a situation that was taken advantage of by Aseguradora de los Trabajadores and Pan-American Life, which both jumped one place despite their market share not improving compared to 2018 (see Chart 3.1.3-w).

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



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

Key regulatory aspects

With regard to the most relevant regulatory aspects in the Guatemalan insurance market, the country's supervisory body (the Superintendency of Banks) did not submit draft regulations to the Monetary Board for approval in 2019. However, the Superintendency of Banks has been pushing for the development and modification of various different regulations, based on best practices and international standards, such as the Draft Regulations on Comprehensive Risk Management for Insurers and Reinsurers, which is in its final phase before being submitted to the Monetary Board for issuing. These regulations will provide insurance companies with a regulatory framework for risk-based management, while the Superintendency of Banks will be able to consolidate its risk-based supervisory approach.

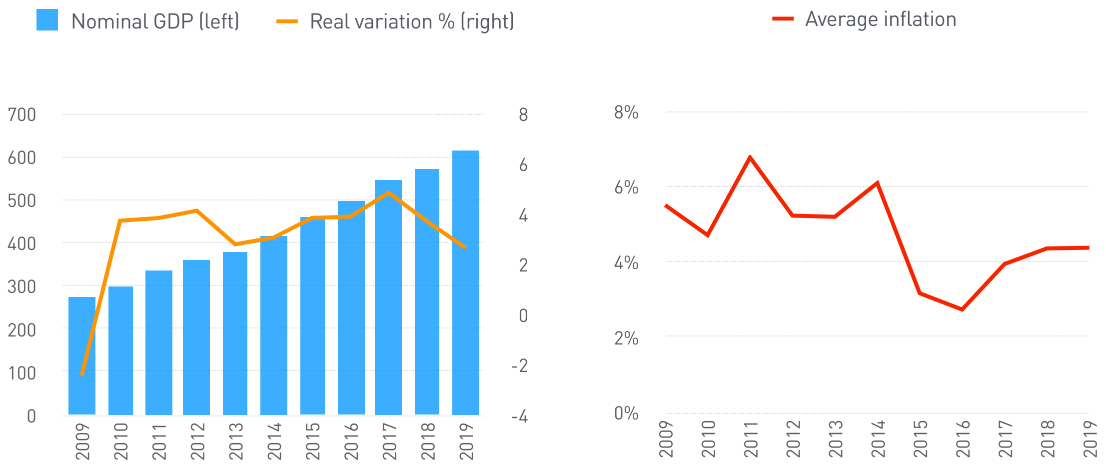
Pursuant to the provisions of the Insurance Business Law, and via Resolution 122-2019, the Superintendency of Banks set the 2019 minimum amounts of initial paid-up capital for national insurers or reinsurers, or foreign insurers or reinsurers incorporated in the national territory, to operate exclusively in the Life or personal insurance, casualty insurance and surety insurance lines, as well as to operate in all lines and exclusively in reinsurance.

3.1.3 Honduras

Macroeconomic environment

The Honduran economy grew by 2.7% in real terms in 2019, compared to 3.7% in 2018 (see Chart 3.1.3-a), continuing on the downward trend initiated in 2017. This performance was due in part to the effort made to reduce public spending in order to contain the public deficit and to penalize the foreign sector, with a reduction in exports (mainly coffee and bananas) both in volume and, more sharply, in price and its consequent impact on the agricultural sector. Despite this, the decline in imports was greater, providing some relief to the balance of payments current account, the deficit of which stood at around 1.4% of GDP at the close of 2019 (compared to 5.9% in 2018). In terms of supply, highlights in the first quarter included the solid performance of the finance sector (8.0% YoY), community, social and personal services (3.4%) and real estate (3.3%). In terms of demand, growth was mainly due to the dynamism of private consumption (2.9%).

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 IMF data)

With regard to fiscal matters, in addition to the effort to contain public spending, there was also a reduction in revenue marked by the aim of reducing fiscal pressure. The 2018 elimination of a tax on the gross income of companies, effective for the 2019 fiscal year, resulted in companies with annual gross income exceeding 300 million lempiras no longer having to pay the additional 1.5% income tax, according to estimates offered by ECLAC. As a result of the foregoing, the fiscal deficit at the close of 2019 stood at 2.5% of GDP (2.1% in 2018). It is worth noting that, after several years of fiscal adjustments agreed upon with the IMF, efforts made by the Honduran authorities to control the deficit reduced said deficit from 7.9% in 2013 to 2.5% in 2019. Public debt accounted for 43.9% of GDP, compared to 43.7% the previous year, according to data published by the Central American Monetary Council.

Average inflation in 2019 stood at 4.4% (equivalent to 2018), which was well within the central bank's target range (between 3.0% and 5.0%). The prices that showed the greatest increases were those of education, housing, water, electricity, gas and other fuels, as well as private health services. According to the latest estimate released by the ECLAC, the open unemployment rate is likely to be 5.7% of the economically active population in 2019.

The ECLAC estimates a contraction in the Honduran GDP of -6.1% for 2020 as a result of the economic effects of the COVID-19 pandemic and the economic decline of its main trading partner (the United States), with the subsequent effect on remittances. The IMF, for its part, has anticipated a drop of around -2.3% in Honduras' GDP.

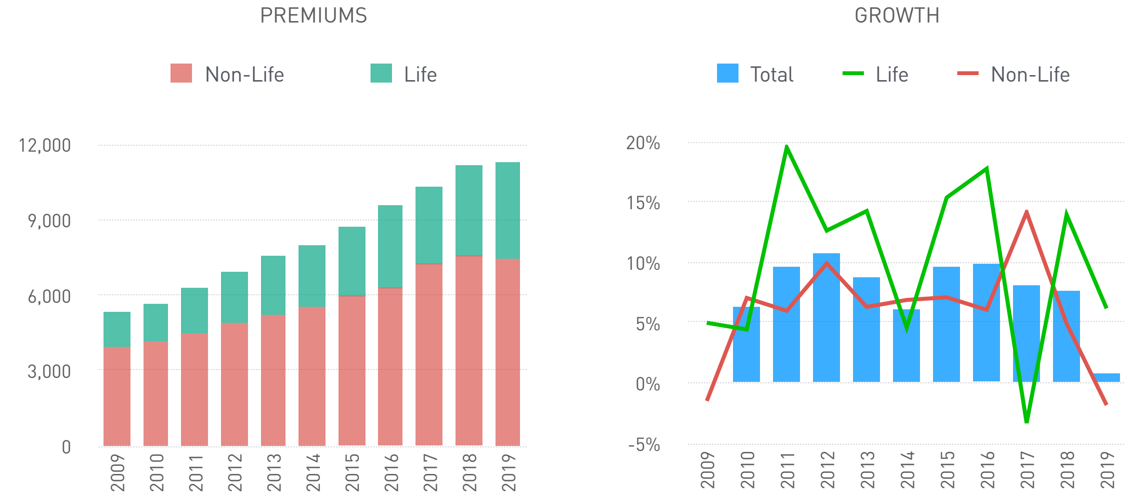
Insurance market

Growth

Premium volume in the Honduran insurance market grew to 11.24 billion lempiras (458 million US dollars) in 2019. This represented growth of 0.8% in nominal terms and -3.4% in real terms, compared to the previous year. Growth in the Honduran insurance industry has therefore been significantly lower (-6.9 pp) than in 2018, when premiums increased by 7.7% in nominal terms (see Table 3.1.3 and Chart 3.1.3-b).

When analyzing industry performance by market segment, Life line premiums grew by 6.2% in 2019 (compared to the significant 13.9% growth recorded in 2018), reaching 3.85 billion lempiras (156.5 million US dollars). Meanwhile, premiums for the Non-Life line fell by -1.8% (compared to growth of 4.9% in 2018) to reach

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)

Table 3.1.3
Honduras: premium volume[1] by line, 2019

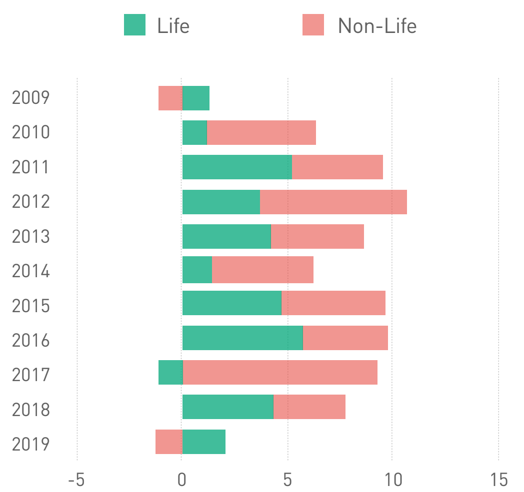
Line	Millions of lempiras	Millions of USD	Growth Nominal (%)	Real (%)
Total	**11,244**	**458**	**0.8**	**-3.4**
Life	**3,845**	**156**	**6.2**	**1.7**
Non-Life	**7,398**	**301**	**-1.8**	**-5.9**
Fire and allied lines	2,207	90	-2.2	-6.3
Automobiles	1,612	66	-2.2	-6.3
Health	2,106	86	1.5	-2.8
Other lines	565	23	-10.0	-13.8
Transport	265	11	-1.3	-5.4
Surety	162	7	7.7	3.2
Personal accidents	373	15	-1.0	-5.1
Third-party liability	100	4	-19.0	-22.4
Occupational risks	8	0	13.2	8.5

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

7.4 billion lempiras (301 million US dollars). It should be noted that two of the three most important Non-Life modalities in the Honduran market (Fire and Automobiles) fell by -2.2% in nominal terms (-6.3% in real terms), while Health, the second in terms of relevance, grew by 1.5% (-2.8% in real terms).

Accordingly, as shown in Chart 3.1.3-c, Life insurance contributed a positive 2.0 pp to the 0.8% growth recorded by the Honduran insurance market in 2019, while the Non-Life insurance segment contributed -1.2 pp.

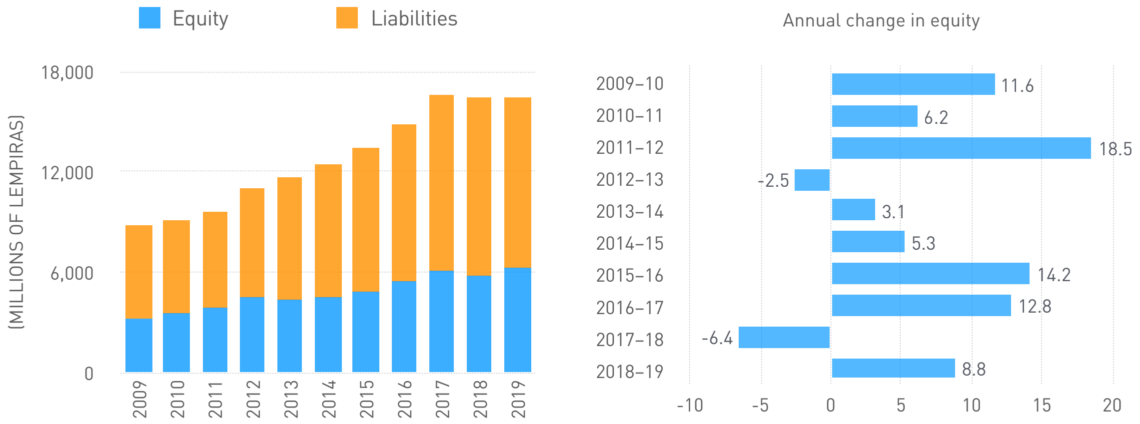
Chart 3.1.3-c
Honduras: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Non-Life
2009	0.2	1.3	-1.1
2010	6.3	1.2	5.1
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

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

Chart 3.1.3-d
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)

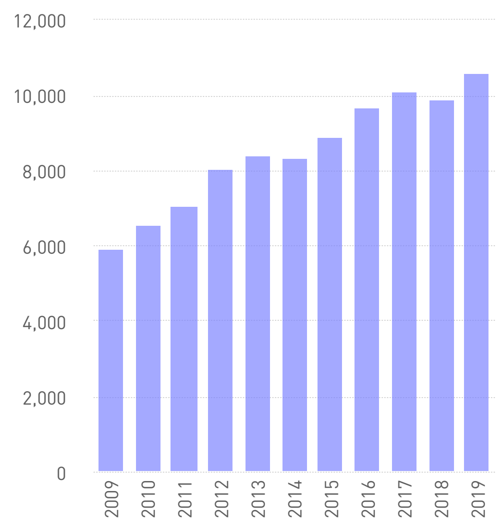
Balance sheet and shareholders' equity

The performance of the Honduran insurance industry's aggregate balance sheet over the 2009–2019 period is shown in Chart 3.1.3-d. This data shows that the industry's total assets amounted to 16.42 billion lempiras (667 million US dollars), while equity stood at 6.27 billion lempiras (254 million US dollars), showing a growing trend that was only interrupted in 2013 and 2018. The aggregate capitalization levels of the Honduran insurance industry (measured in relation to total assets) are also significant at levels of around 39.0% over the 2009–2012 period. Since then, capitalization has somewhat stagnated to reach around 37% of total assets, with the exception of 2015 (35.6%) and 2018 (35.2%).

Investments

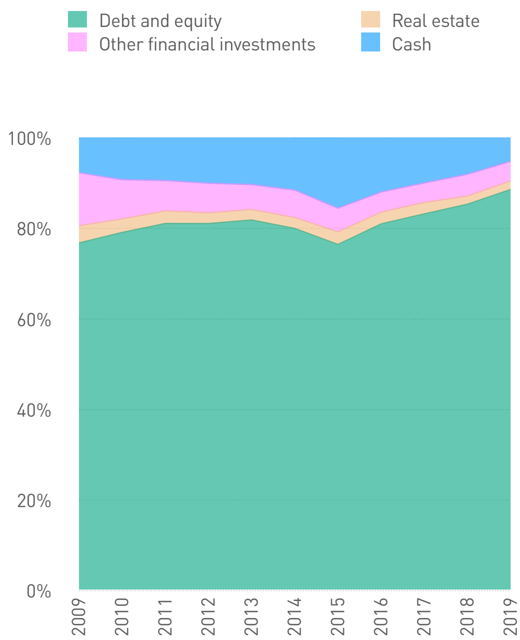
Chart 3.1.3-e shows changes in investments for the Honduran insurance industry over the 2009–2019 period, while Charts 3.1.3-f and 3.1.3-g show the composition of the aggregate investment portfolio at the sector level over that period and specifically in 2019. This data shows that total investment by insurance companies operating in the Honduran market came to 10.57 billion lempiras (429 million US dollars) in 2019, with 88.7% of the total concentrated in debt and equity instruments, 5.1% in cash, 1.9% in real estate and the remaining 4.3% in other financial investments.

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



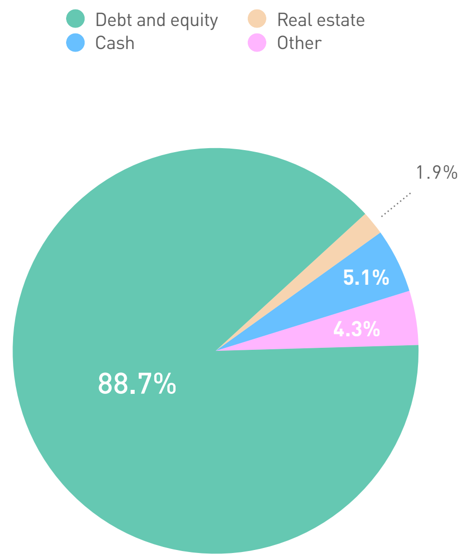
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

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



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

Chart 3.1.3-g
Honduras: structure of investments, 2019
(%)



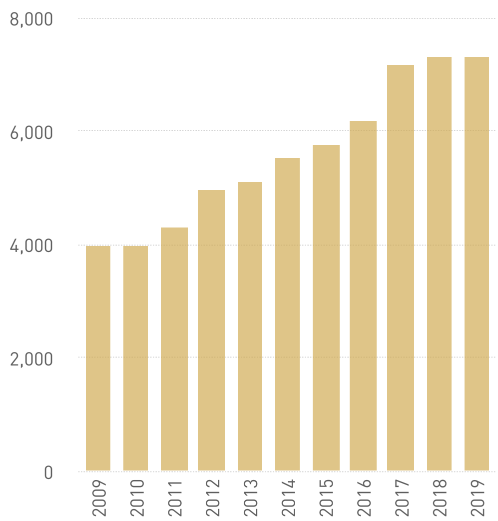
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

There is a general trend toward growth in the share of debt and equity investments (which seemed to have stagnated until 2014), obtaining its highest value of the last decade in 2019. Also noteworthy is the growing trend in cash investments since 2009, which began to reverse in 2015.

Technical provisions

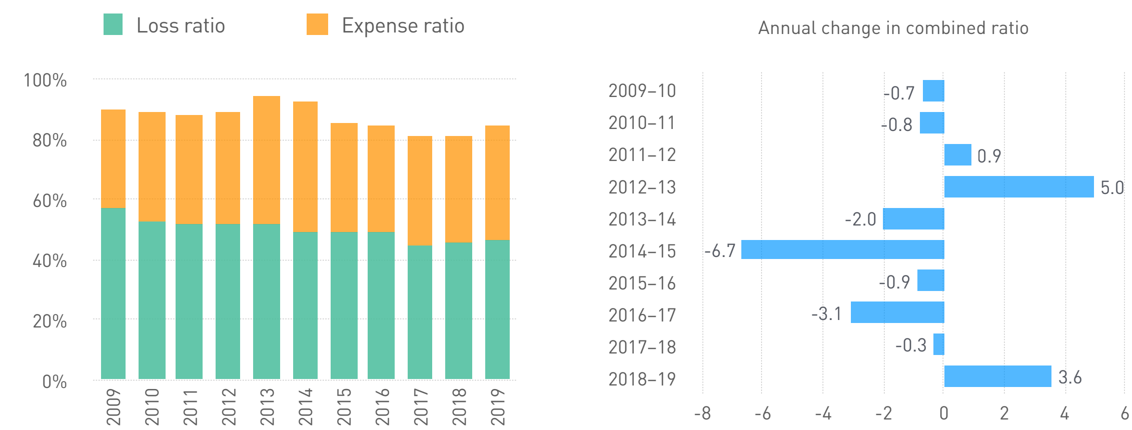
Chart 3.1.3-h shows developments in the technical provisions of the Honduran insurance industry. Over the 2009–2019 period, sustained growth is evident in absolute terms at the aggregate level, with the only exception being in 2010, which recorded a slight fall, and a slowdown between 2017 and 2019. Technical provisions stood at 7.32 billion lempiras (297 million US dollars) in 2019. Conducting a more detailed analysis of the composition of technical provisions at a sector level was not possible with the data available.

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



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

Chart 3.1.3-i
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)

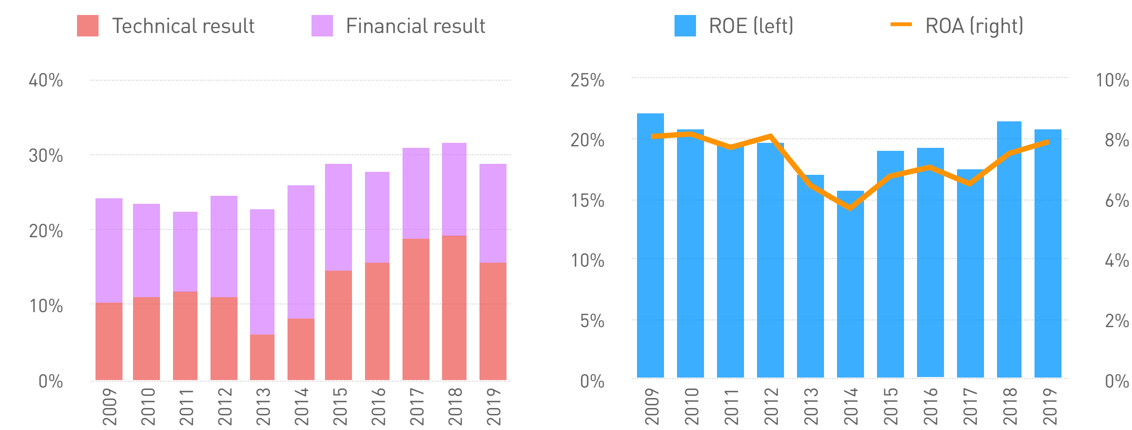
Technical performance

Chart 3.1.3-i shows developments in the technical performance of the Honduran insurance industry over the 2009–2019 period, based on an analysis of the market's combined ratio. This technical coefficient stood at a very satisfactory 84.6% in 2019, 3.6 pp above the level attained in 2018 (81.0%), thus interrupting the technical efficiency improvement that began in 2014. This relative decline in the indicator was fundamentally due to the increase in the expense ratio, which stood at 38.5%, 3.4 pp higher than the previous year. For its part, the loss ratio remained at figures similar to 2018.

Results and profitability

The Honduran insurance industry posted a net result of 1.3 billion lempiras (52.9 million US

Chart 3.1.3-j
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)

dollars) in 2019, up 5.6% from the previous year. It is important to note that the net result obtained in 2019 by the Honduran insurance industry was underpinned by the industry's sustained technical profitability and by an improved financial result, which grew by 25% compared to the previous year (see Chart 3.1.3-j).

In terms of profitability, return on equity (ROE) stood at 20.7% in 2019, falling by -0.6 pp from 2018, mainly because equity growth (8.8%) was greater than the aforementioned increase in the net result (5.6%). A similar situation emerges for return on assets (ROA), which reached 7.9% in 2019, up slightly by 0.4 pp from 2018.

Insurance penetration, density and depth

Chart 3.1.3-k shows the main structural trends shaping the development of the Honduran insurance market over the 2009–2019 period. First, the penetration index (premiums/GDP) came to 1.8% in 2019, 0.1 pp below the level recorded in 2009. 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 2.9%).

Insurance density in Honduras (premiums per capita) amounted to 1,154 lempiras (47 US dollars), down -0.9% from 2018 (1,164 lempiras). Despite this, density in Honduras has shown an upward trend, recording cumulative growth of 75.7% over the 2009–2019 period.

Depth in the Honduran market (measured as Life insurance premiums in relation to total premiums) stood at 34.2% in 2019; i.e. 7.3 pp above the value recorded in 2009 and 1.7 pp above the previous year. Over the last two years, 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 (46.1%).

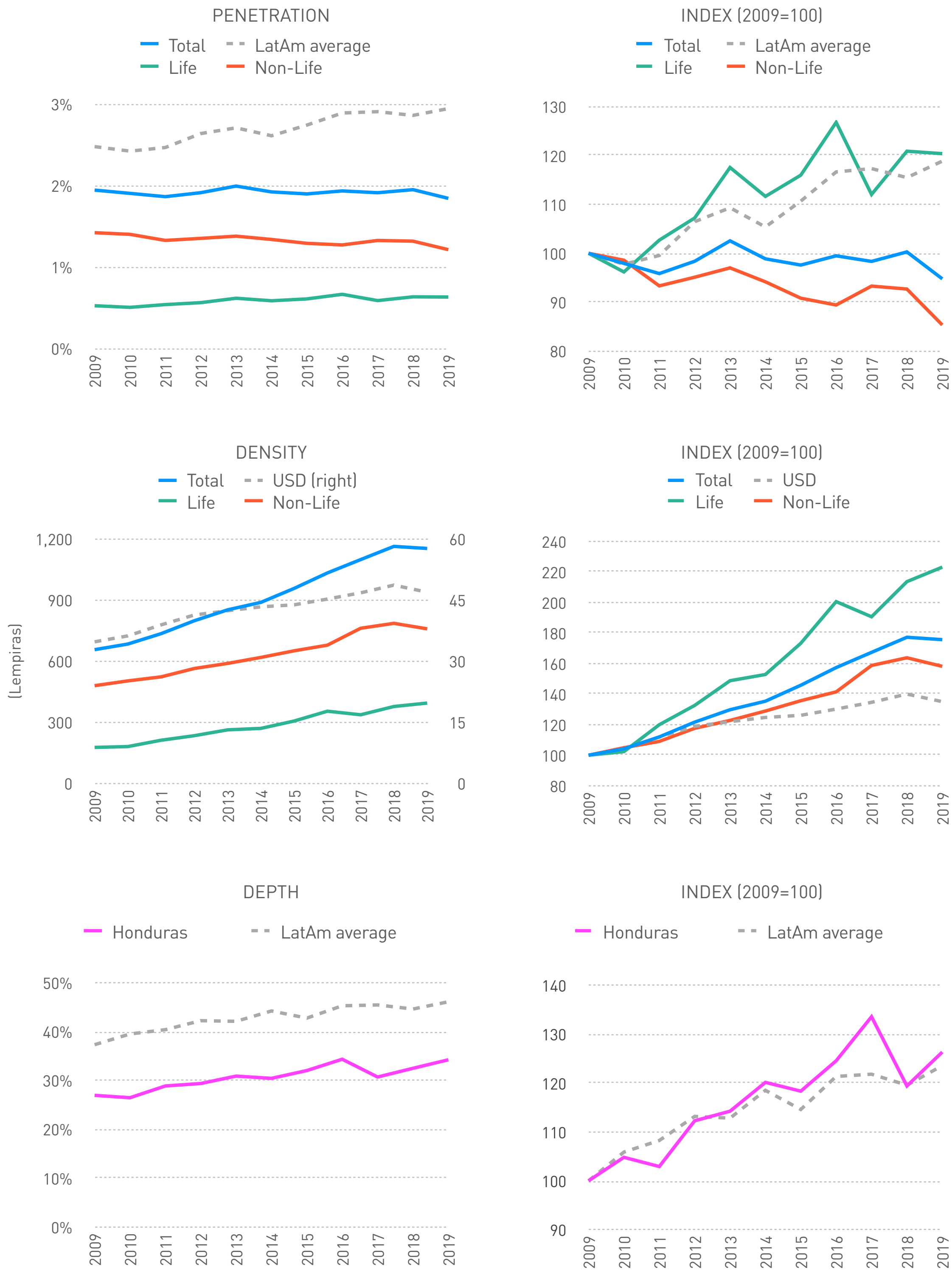
Insurance Protection Gap estimate

Chart 3.1.3-l shows an estimate of the IPG for the Honduran insurance market between 2009 and 2019. This analysis shows that the insurance gap amounted to 35.7 billion lempiras (1.45 billion US dollars) in 2019, 3.2 times the size of the actual insurance market in Honduras at the close of that year.

The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment, as is the case in most Latin American insurance markets. At the close of 2019, 60.5% of the IPG was related to Life insurance (21.61 billion lempiras), down 7.9 pp from the level recorded for this segment in 2009. The remaining 39.5% of the gap was related to the Non-Life insurance market (14.09 billion lempiras). The potential insurance market in Honduras at the close of 2019 (sum of the actual market plus the IPG) is therefore estimated at 46.94 billion lempiras (1.91 billion US dollars), 4.2 times the size of the total insurance market in Honduras that year (see Chart 3.1.3-m).

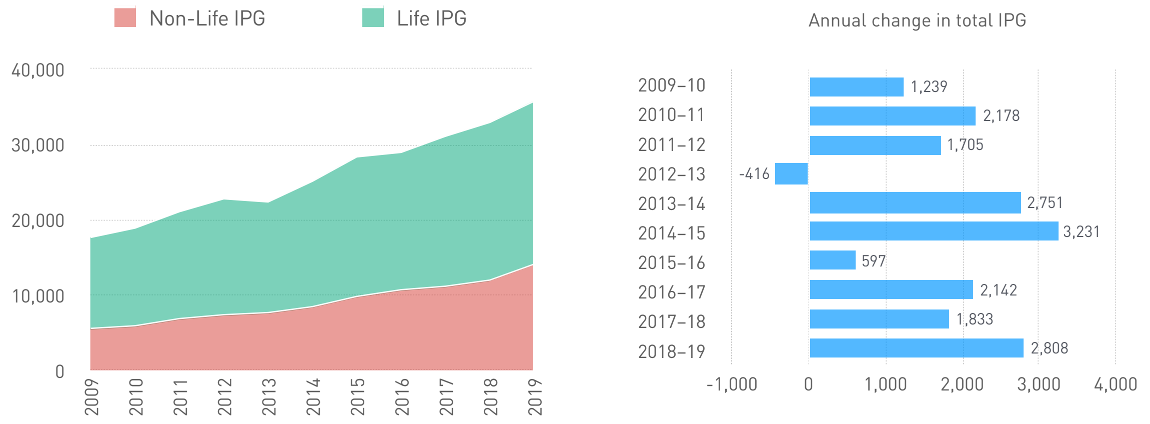
Chart 3.1.3-n provides an estimate of the IPG as a multiple of the actual insurance market in Honduras. The insurance gap as a multiple shows a slightly declining trend until 2019, when it seems to rebound. In the Life insurance segment, there is a clearly downward trend from 8.4 to 5.6 times the respective market between 2009 and 2019. The same cannot be said for the Non-Life insurance segment, however, where the insurance gap shows a growing trend over the period under analysis, climbing from 1.4 to 1.9 times over the period.

Chart 3.1.3-k
Honduras: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, lempiras and USD; Life premiums/total premiums, %; 2009 index=100)



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

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

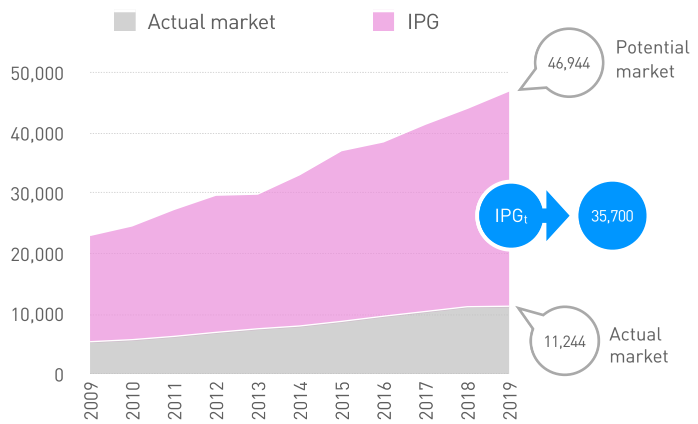


Source: MAPFRE Economics

Additionally, Chart 3.1.3-o summarizes the change 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. This confirms that only the Life insurance business saw an improvement, while the IPG as a multiple of the actual market deteriorated in the Non-Life segment.

Lastly, Chart 3.1.3-p shows a summary of the Honduran 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 2019 over the coming ten years. This analysis shows that the Honduran insurance market posted an average growth rate of 7.7% over the 2009–2019 period; the product of an annual growth rate of 10.3% in the Life insurance segment and an annual average growth rate of 6.6% in the Non-Life insurance segment.

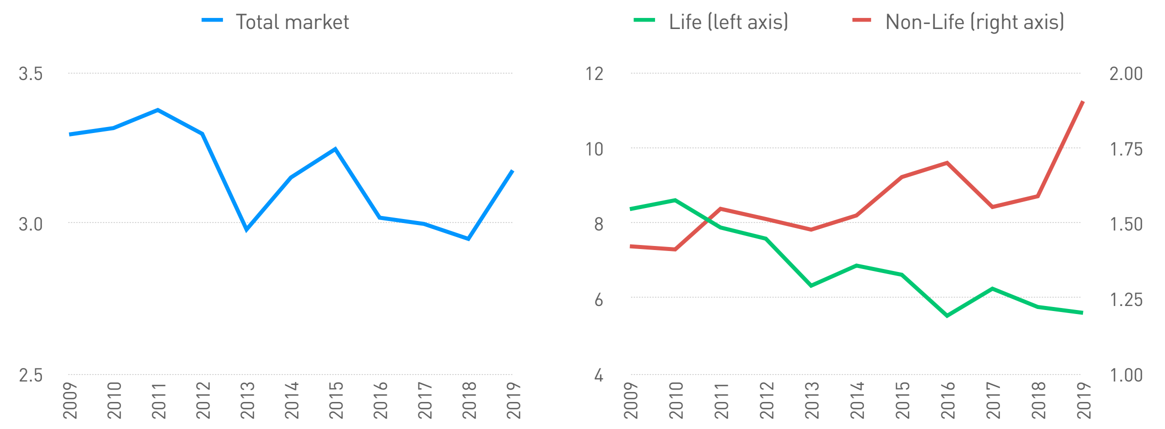
Chart 3.1.3-m
Honduras: Insurance Protection Gap and potential market
(millions of lempiras)



Variation	Actual market	IPG
2019–2009	110.0%	102.5%
2019–2018	0.8%	8.5%

Source: MAPFRE Economics

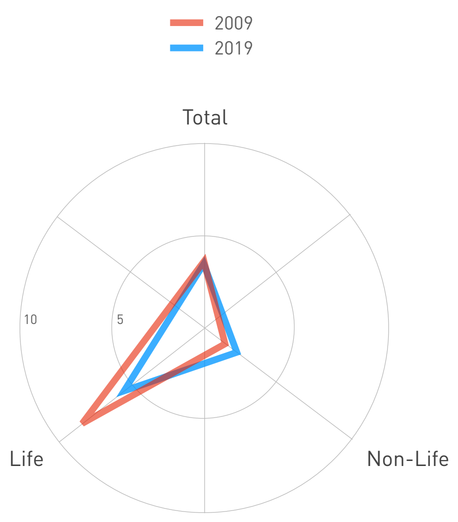
Chart 3.1.3-n
Honduras: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

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 10.5 pp short, while for the Non-Life insurance segment, it would fall 4.7 pp short. It is important to note that the slight improvement in the Life segment, the insufficiency of which dropped from 10.9 pp to 10.5 pp, was insufficient to offset the effect of the Non-Life segment, with this performance extending equally to the industry overall.

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



Source: MAPFRE Economics

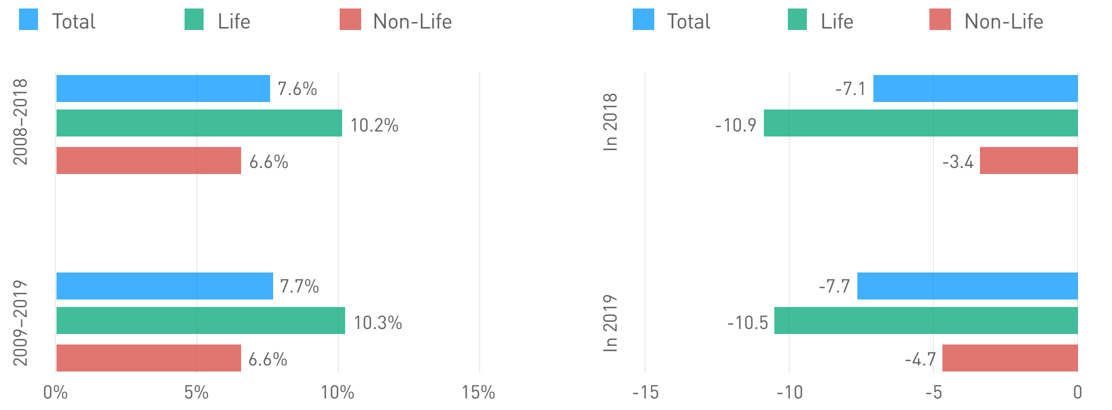
Market Development Index (MDI)

Chart 3.1.3-q shows an estimate of the Market Development Index (MDI) for the Honduran insurance industry. The MDI (which is used in this report as an indicator of general patterns shaping the performance and maturity of the insurance markets) generally shows a positive dynamic over the period analyzed. Until 2015, this trend followed that of the Latin American insurance market average, although at a slower rate and with setbacks in some years (2009, 2010 and 2014). As of 2015, however, the indicator deviates from the Latin American regional average by -42.2 points on average (-49.3 points below in 2019).

Joint analysis of structural coefficients

Lastly, Chart 3.1.3-r shows the Honduran insurance market's situation in comparison

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



Source: MAPFRE Economics

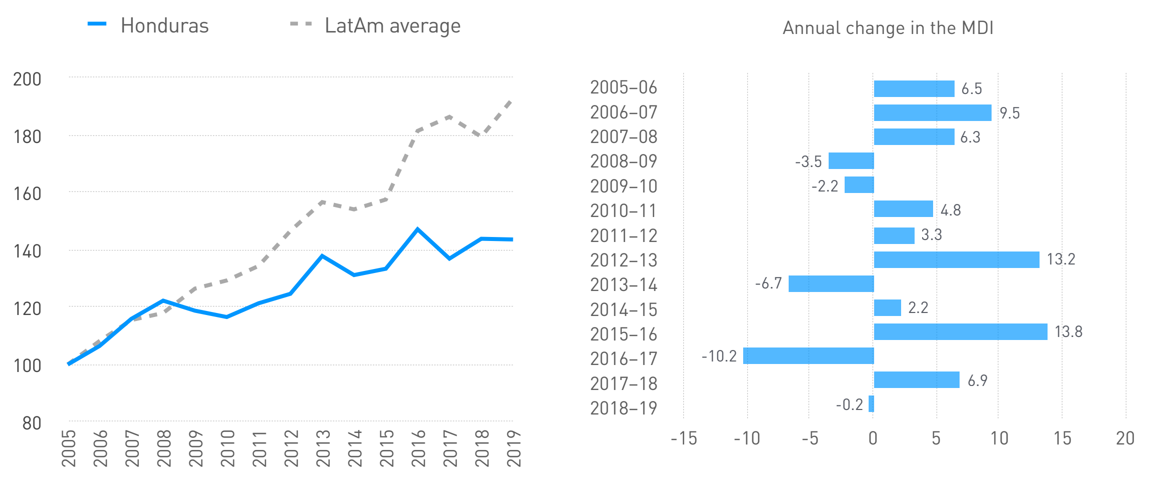
with the average for Latin America, measured in terms of the various structural indicators analyzed. This shows that all indicators fall short of the average for Latin America, especially density, which suggests poor levels of development compared to the region as a whole. Similarly, the dispersion analysis shown in the aforementioned chart confirms that the country's insurance industry has not maintained a balance over the 2009–2019 period as, although there was a relative improvement in depth levels, there was a clear contraction in insurance penetration levels in this market.

Insurance market rankings

Total ranking

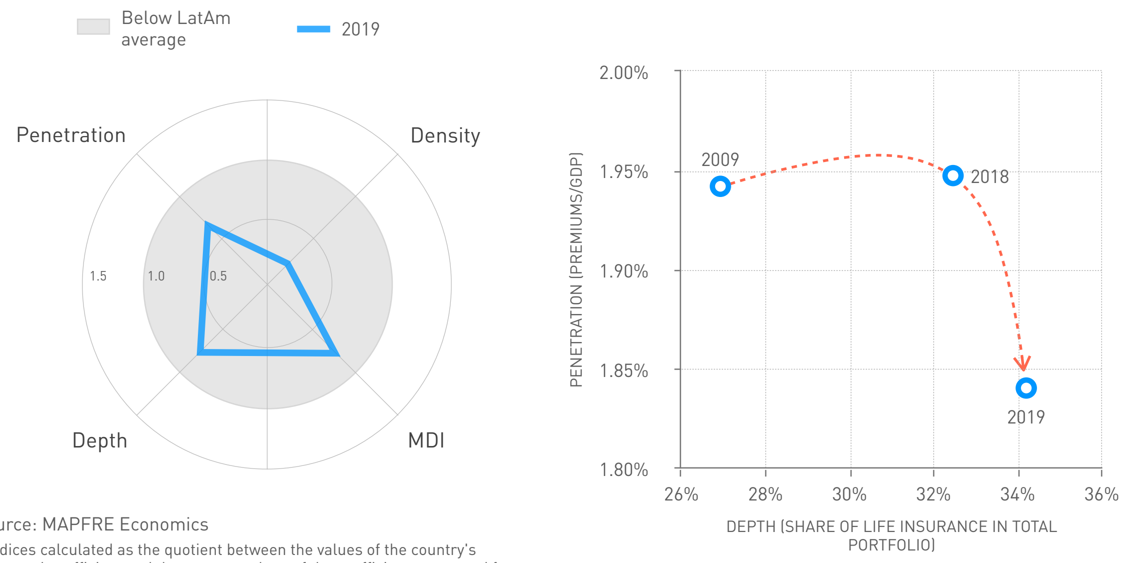
There were 11 insurance companies operating in Honduras in 2019. The market share of the

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



Source: MAPFRE Economics

Chart 3.1.3-r
Honduras: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



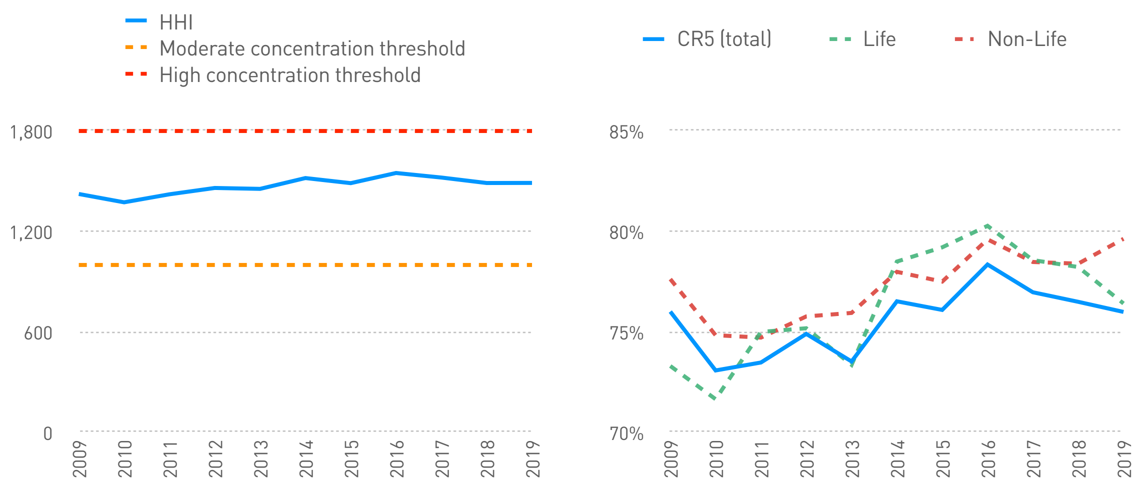
Source: MAPFRE Economics

* Indices 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.

top five insurers (CR5) represented 76.0% of total premiums, a slight decrease from the concentration level reported in 2018 (76.5%). The industry's concentration level has therefore remained relatively stable in recent years, although at values indicating significant levels and with a growing trend between 2010 and 2016, allowing the Herfindahl index to remain above the moderate concentration threshold over the last decade (see Chart 3.1.3-s).

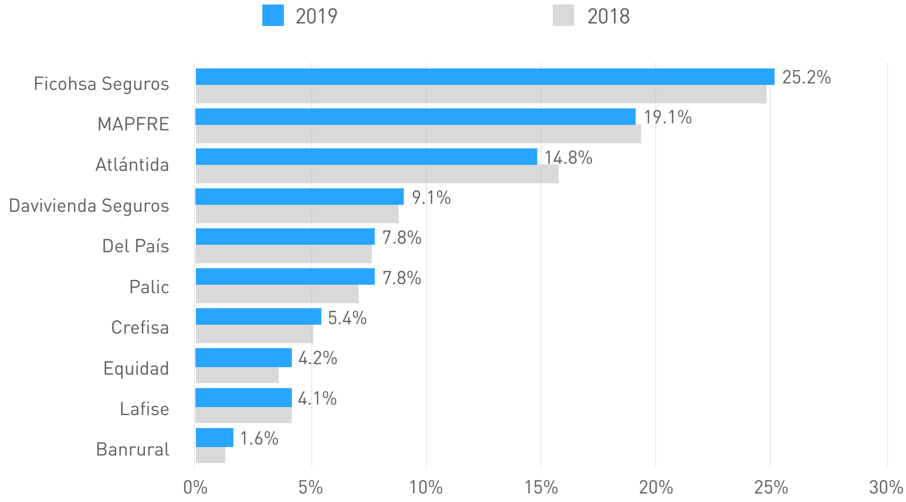
Chart 3.1.3-t shows the ranking of insurance groups operating in the Honduran market in 2019. This ranking continues to be led by Ficohsa Seguros, which, with 25.2% of premiums, saw its market share grow by 0.4 pp

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



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

Chart 3.1.3-t
Honduras: total ranking
(market shares, %)



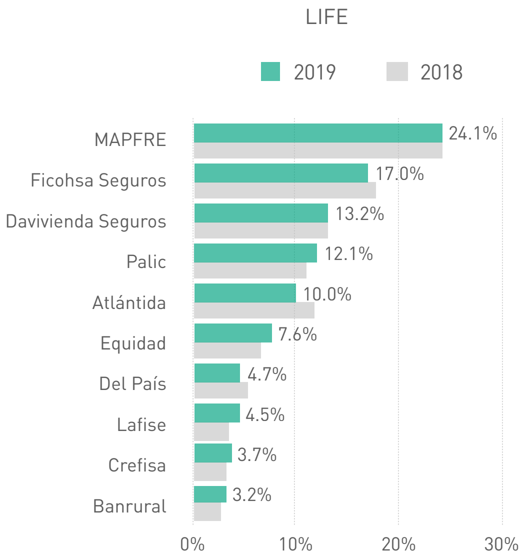
Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)

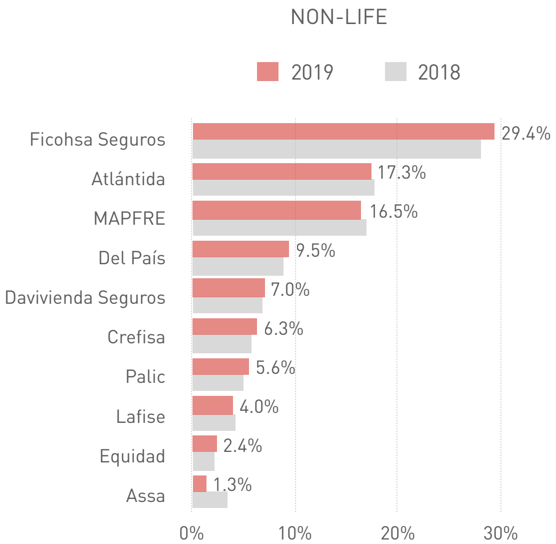
compared to the previous year. MAPFRE (19.1%) and Atlántida (14.8%) follow, each falling by -0.3 pp and -1.0 pp in their market share respectively. Except for Equidad, which overtook Lafise to hold eighth place, the other insurance companies featured in the ranking remain unchanged.

Life and Non-Life rankings

Ficohsa Seguros also tops the Non-Life ranking with a share of 29.4% in premiums. It is followed by Atlántida with 17.3% and by MAPFRE with 16.5% of the market share. All companies in the Non-Life ranking held their places, with the exception of Equidad and Assa,

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





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

which swapped places (see Chart 3.1.3-u). Lastly, in the Life ranking, MAPFRE held first position with 24.1% of total premiums, followed by Ficohsa Seguros with 17.0%. For its part, Palic overtook Atlántida to hold fourth place with 12.1% of the premiums in this market segment.

Key regulatory aspects

In July 2017, the supervisory body for the Honduran market, the *Comisión Nacional de Bancos y Seguros* (National Banking and Insurance Commission), signed a "Cooperation Framework Agreement" for technical assistance from the Toronto Leadership Centre, in order to improve and strengthen the risk-based monitoring process. This project is strategically important for the Commission, which is responsible for ensuring the financial stability and solvency of the institutions supervised, as well as for assessing the proper management of the risks inherent to their activity, within the framework of the concepts issued by the Basel Committee on Banking Supervision and by the International Association of Insurance Supervisors (IAIS) on this matter.

Through this project, the Commission hopes to improve and strengthen the risk-based monitoring process, which involves, among other actions, harmonizing its legislation with international principles, whereby making changes to the law and rules that apply to the Honduran insurance system will be essential. The main changes made and the projects under development are as follows:

Reform projects in progress

- Law on insurance and reinsurance institutions.
- Regulations on corporate governance applicable to supervised institutions.
- Regulations on reinsurance operations and registration of foreign reinsurers and reinsurance brokers.
- Standards for the submission and publication of financial statements and technical and financial indicators of insurance institutions.
- Standards for the management of technological risk and the continuity of technology operations.
- Standard for operational risk management.
- Standards for the registration of appraisers of movable and immovable assets, other assets and credit guarantees of supervised institutions.
- Standards for enhancing transparency, financial culture, and financial user support in supervised institutions.

Approved regulations

- Accounting manual for insurance institutions, based on the International Financial Reporting Standards (IFRS) combined with prudential standards. (SSE Resolutions No. 156/15-03-2016 and No. 470/13-06-2019.
- Regulations for brokering insurance and/or bonds (GES Resolution No. 973/10-12-2019).
- Rules for regulating electronic signatures of the Comisión Nacional de Bancos y Seguros (CNBS — National Banking and Insurance Commission), (GTI Resolution No. 977/10-12-2019).
- Rules for the electronic management system of the Comisión Nacional de Bancos y Seguros (CNBS — National Banking and Insurance Commission), (GTI Resolution No. 978/10-12-2019).
- Standards for the evaluation and classification of the credit portfolio. (GES Resolution No. 055/28-01-2020).
- Standards for credit risk management in the agriculture sector. (GES Resolution No. 056/28-01-2020).

3.1.4 El Salvador

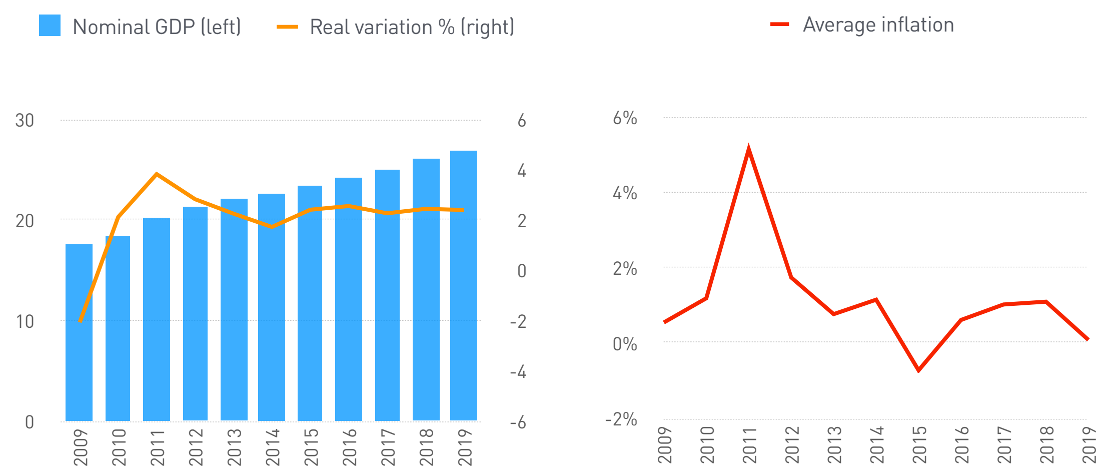
Macroeconomic environment

The Salvadoran economy recorded real growth of 2.4% in 2019, slightly lower than the previous year (see Chart 3.1.4-a). This mild moderation in the economy's growth was due to a smaller boost in remittances, exports and public sector investment. According to the ECLAC's preliminary estimates, the public sector fiscal deficit in 2019, including pensions, will be around 3.1% of GDP (2.7% in 2018). Similarly, public debt compared to GDP stood at 73.3% in 2019, slightly higher than the percentage recorded at the previous fiscal year-end (72.7%), according to data from the Central American Monetary Council. Also noteworthy was the formation of a new government after the February 2019 presidential elections, in which Nayib Bukele was elected as the new president.

El Salvador is still being dragged down by the cost of debt and access to international capital markets as a result of the lack of political agreements in the Legislative Assembly under the previous government, which consequently resulted in a situation of non-payment due to failing to meet the debt commitments of the *Certificados de Inversión Previsional* (CIP — pension investment certificates) to the amount of 56.6 million US dollars (1.1% of the total budget). Rating agencies placed the country in selective default for said non-payment and, although there have been small positive variations in the credit rating by major rating agencies, it was rated the equivalent of B- in 2019. In line with the latest developments related to the economic effects of the pandemic, Fitch Ratings affirmed El Salvador's long-term foreign-currency issuer default rating (IDR) at B- in June 2020 and revised the outlook from stable to negative.

Salvadoran exports showed weak growth of 0.5% year-on-year between January and September 2019, due to a 4.1% decline in traditional exports. The main raw materials (coffee and sugar) were negatively impacted by the context of falling international prices and lower absorption in terms of volume from its main partner, the United States, with 42.1% of total exports from El Salvador in 2019 (compared to 44.3% in 2018). By sector, growth in construction (8.7%), electricity (7.3%), and financial and insurance activities (5.5%) were notable. According to data published by the Central American Monetary Council, the deficit of the balance of payments current account represented 2.1% of GDP at the close of 2019 (4.7% in 2018). Lastly, average inflation of El Salvador's dollarized economy stood at -0.1% in

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 IMF data)

Table 3.1.4
El Salvador: premium volume[1] by line, 2019

Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**702**	**6.8**	**6.7**
Life	**237**	**8.2**	**8.1**
Individual and group	180	9.0	8.9
Social security and pensions	57	5.8	5.7
Non-Life	**465**	**6.1**	**6.0**
Accident and Illness	135	4.9	4.8
Fire and allied lines	111	7.4	7.3
Automobiles	101	6.7	6.6
Other lines	104	7.5	7.5
Credit and/or surety	15	-5.4	-5.4

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

2019 compared with 1.1% in 2018, while the unemployment rate was 6.7% (6.3% in 2018).

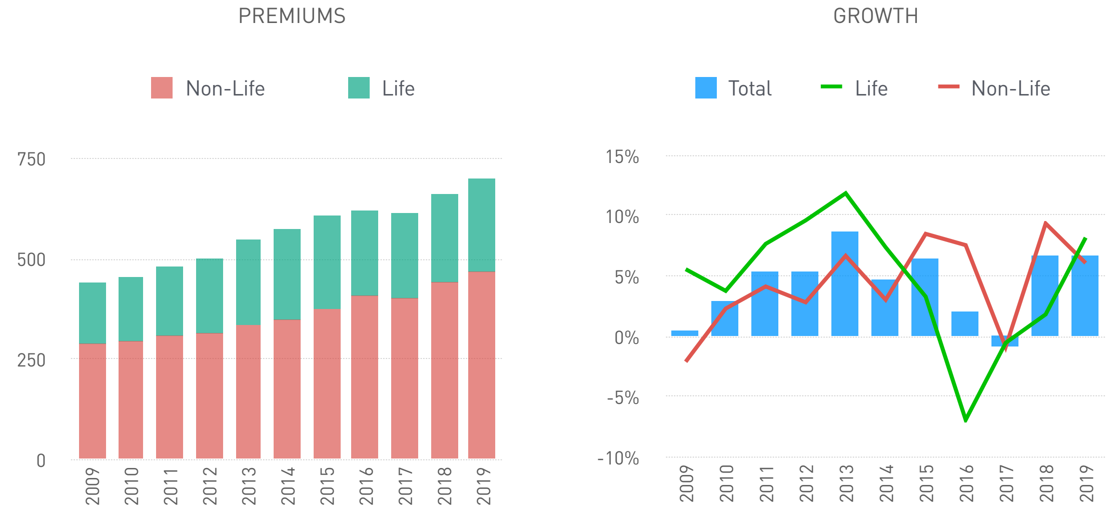
The ECLAC estimates a contraction in the Salvadoran GDP of -8.6% for 2020 as a result of the economic effects of the COVID-19 pandemic and the economic decline of its main trading partner (the United States), with the subsequent effect on remittances. The IMF, for its part, predicts a drop of around -5.4% in Salvadoran GDP.

Insurance market

Growth

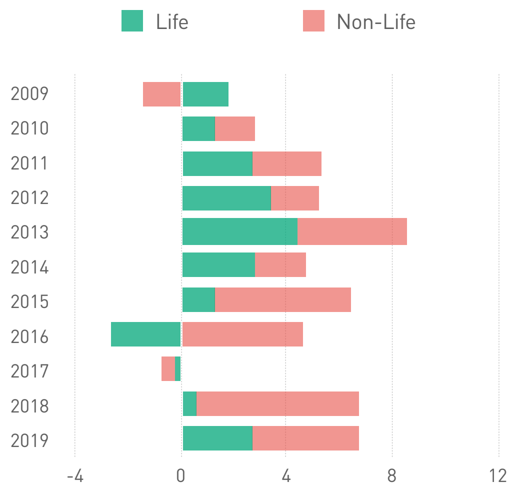
Premium volume in the Salvadoran insurance market grew by 6.8% in nominal terms (6.7% in real terms) to reach 702 million US dollars, figures similar to those of the previous year (see Table 3.1.4 and Chart 3.1.4-b). Life line premiums accounted for 33.7% of the total market, growing by 8.2% in nominal terms in 2019 to reach 237 million US dollars. Non-Life

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)

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



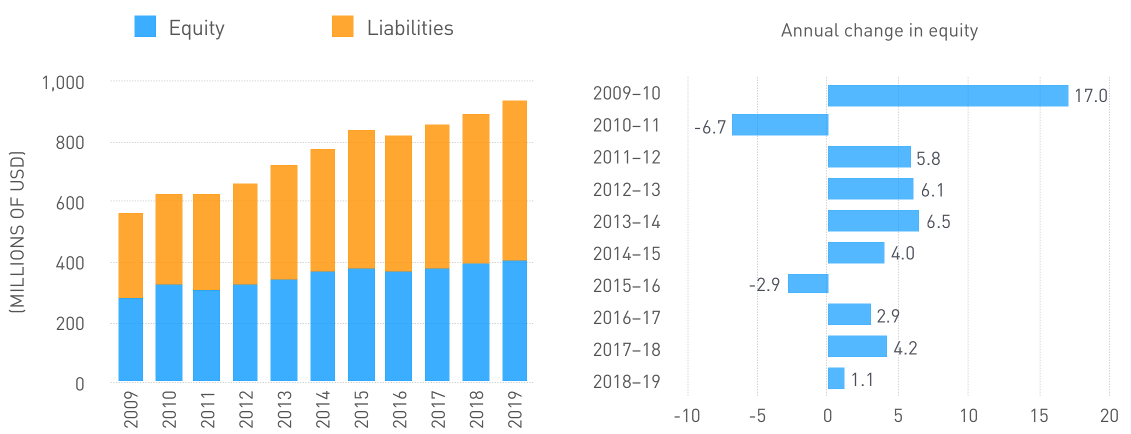
	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	0.4	1.8	-1.4
2010	2.8	1.3	1.5
2011	5.4	2.7	2.7
2012	5.2	3.4	1.8
2013	8.6	4.4	4.2
2014	4.7	2.8	1.9
2015	6.4	1.3	5.1
2016	2.0	-2.6	4.7
2017	-0.8	-0.2	-0.6
2018	6.7	0.6	6.1
2019	6.8	2.7	4.0

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

premiums also grew by 6.1% to 465 million US dollars. By modalities, individual and group Life insurance, which are the most significant, grew by 9%, while social protection and pension Life insurance also increased by 5.8%. In the Non-Life segment, growth was around 6% in all modalities, except Credit and Surety, which decreased by -5.4%.

Accordingly, the Salvadoran insurance market recorded growth of 6.8% in 2019, of which the Life insurance segment positively contributed 2.7 pp, while Non-Life insurance contributed the most with 4.0 pp (see Chart 3.1.4-c).

Chart 3.1.4-d
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)

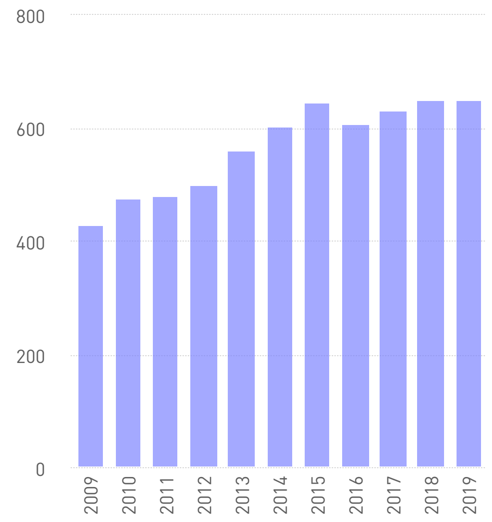
Balance sheet and shareholders' equity

Chart 3.1.4-d shows the performance of the aggregate balance sheet of El Salvador's insurance industry over the 2009–2019 period. This data shows that the industry's total assets in 2019 amounted to 932 million US dollars, up 4.5% from the previous year. An analysis of the balance sheet highlights aggregate capitalization levels measured relative to total assets, which stood above 40% in the period between 2009 and 2019, reaching a peak of 52.3% in 2010, though this has since fallen slightly to 42.9% of total assets in 2019.

Investments

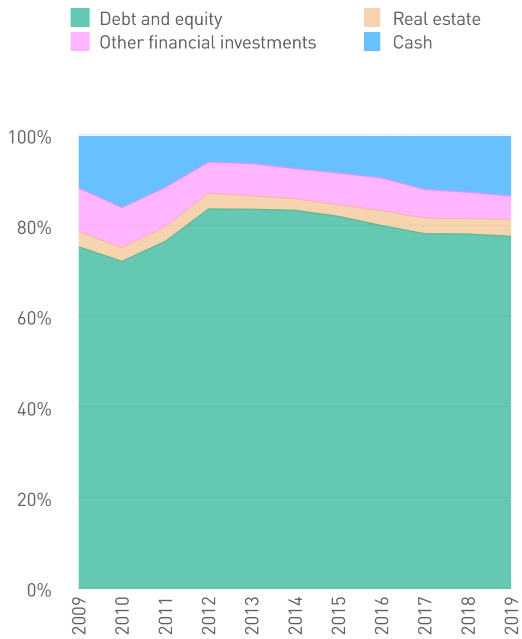
Chart 3.1.4-e shows changes in total investments in the Salvadoran insurance industry, while Charts 3.1.4-f and 3.1.4-g show the composition of the aggregate investment portfolio at the sector level over the 2009–2019 period and specifically in 2019. This data shows that investments amounted to 651 million US dollars in 2019 (0.4% higher than in 2018). As shown in Chart 3.1.4-g, 78% of investments in

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



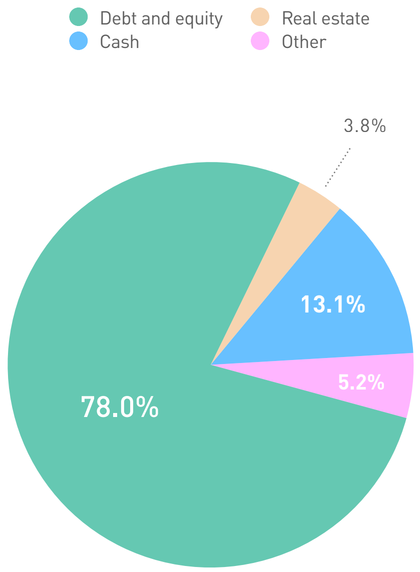
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

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



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

Chart 3.1.4-g
El Salvador: structure of investments, 2019
(%)



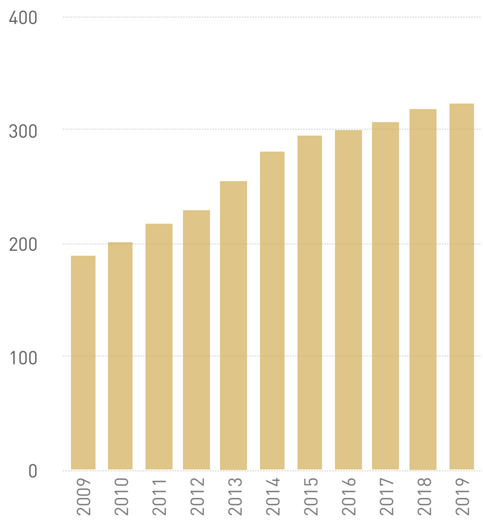
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

2019 was concentrated in debt and equity instruments, 13.1% in cash, 3.8% in real estate and the remaining 5.2% 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. However, both types of assets are 2% higher in 2019 than in 2009. (Chart 3.1.4-f).

Technical provisions

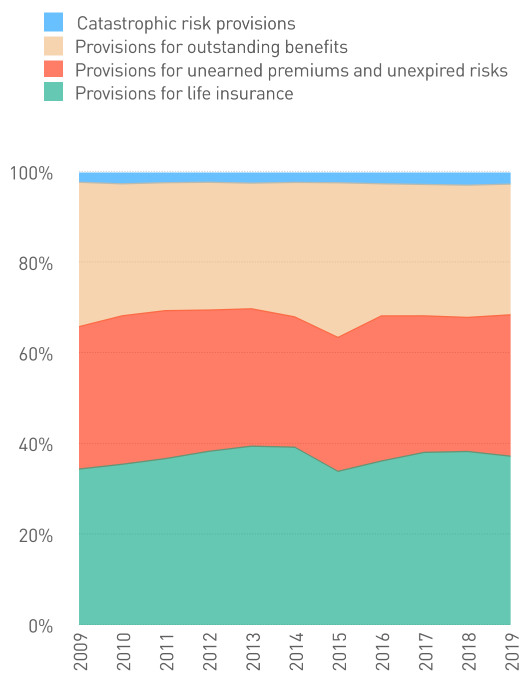
With regard to the Salvadoran insurance industry's technical provisions, Charts 3.1.4-h, 3.1.4-i and 3.1.4-j show their developments and relative composition over the period analyzed (2009–2019) and for 2019. Technical provisions stood at 322.7 million US dollars in 2019, up 5 million from the previous year. Of this total, 37.4% related to Life insurance technical provisions, 31.2% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 28.8% to provisions for outstanding benefits, and the remaining 2.6% to provisions for catastrophic risks.

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



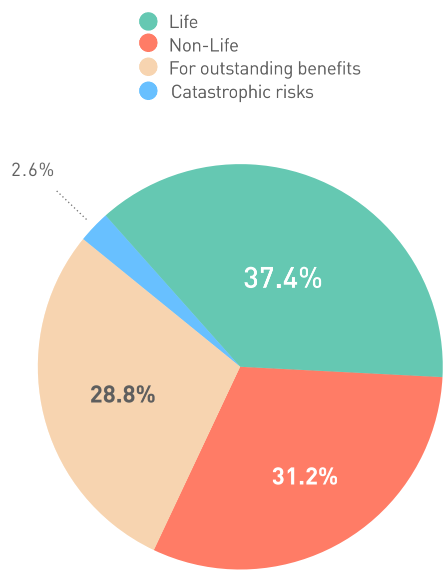
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

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



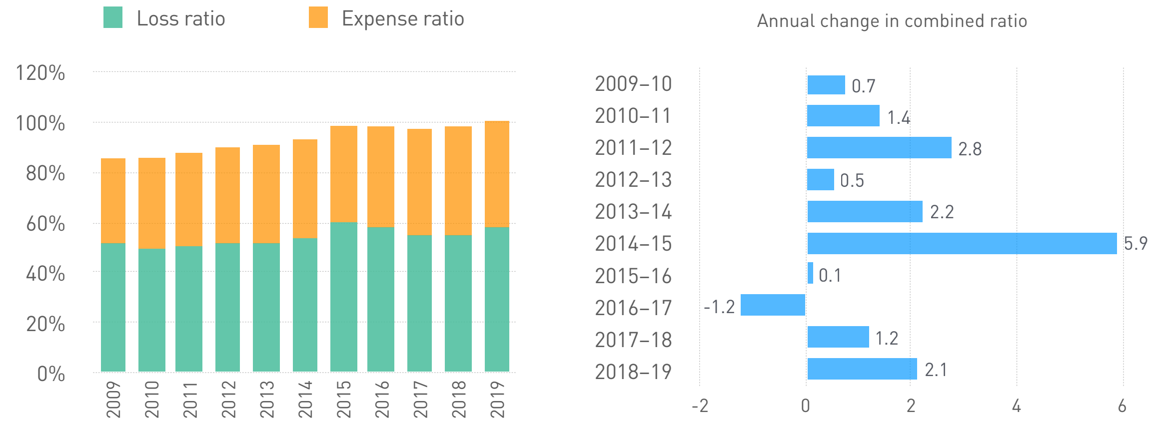
Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

Chart 3.1.4-j
El Salvador: structure of technical provisions, 2019
(%)



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

Chart 3.1.4-k
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)

Over the 2009–2019 period, there was a general sustained increase in the absolute values of all technical provisions, except those relating to Life insurance, which decreased relatively in 2015, and provisions for catastrophic risks, which fell slightly over the 2009–2012 period. Apart from this, no particularly significant changes in the composition of technical provisions were observed over the last ten years.

Technical performance

Chart 3.1.4-k shows developments in the technical performance of the Salvadoran insurance industry over the 2009–2019 period, based on an analysis of the market's combined ratio. This data shows the sustained decline of this indicator since 2009, with the combined ratio shifting from 85.1% in this year to 100.9% in 2019 (2.1 pp higher than in 2018). It should be noted that the reduction in the technical indicator for 2019 was largely a result of the decrease in the loss ratio, which increased by 3.3 pp.

Results and profitability

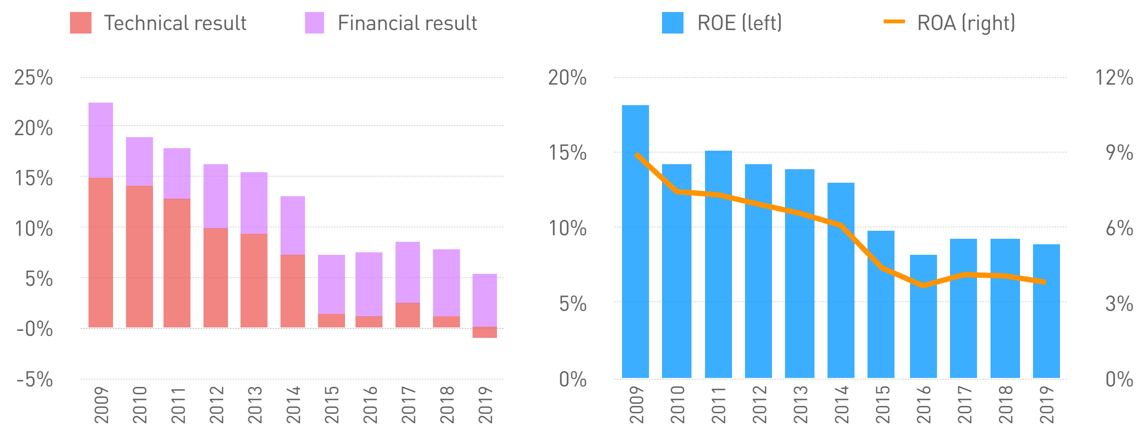
The 2019 result before tax from the Salvadoran insurance business was 35.5 million US dollars (compared to 36.2 million in 2018), due to the decrease in both technical and financial results. As can be seen in Chart 3.1.4-l, there has been a decline in the technical result since 2015, which has been affecting the profitability of the insurance industry.

In line with the above, return on equity (ROE) in the Salvadoran market confirms the downward trend, falling to 8.9% in 2019, -0.3 pp lower than in 2018, and -9.2 pp lower than in 2009. A similar situation emerges when analyzing the return on assets (ROA), which reached 3.8% in 2019, staying -0.3 pp lower than 2018 and -5.1 pp lower than 2009.

Insurance penetration, density and depth

Chart 3.1.4-m shows the main structural trends shaping the development of the Salvadoran insurance industry between 2009 and 2019.

Chart 3.1.4-l
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)

First, the penetration index (premiums/GDP) in 2019 was 2.6%, which was only 0.1 pp higher than the figure reported in 2009. The penetration index in the Salvadoran insurance market has shown a flat trend, at values close to 2.5%. Compared to the average trend seen for Latin American markets, this has clearly diverged since 2015, with values below the Latin American market average of 2.9% in 2019.

Meanwhile, the density indicator (premiums per capita) stood at 108.80 US dollars in 2019, up from the level reported the previous year (102.4 US dollars). The density of the Salvadoran insurance market has been steadily increasing over the period, recording cumulative growth of 52% throughout the 2009–2019 period. However, this indicator is still well below the average of the Latin American markets, which stood at 248.4 US dollars in 2019 (compared to 246.6 US dollars in 2018).

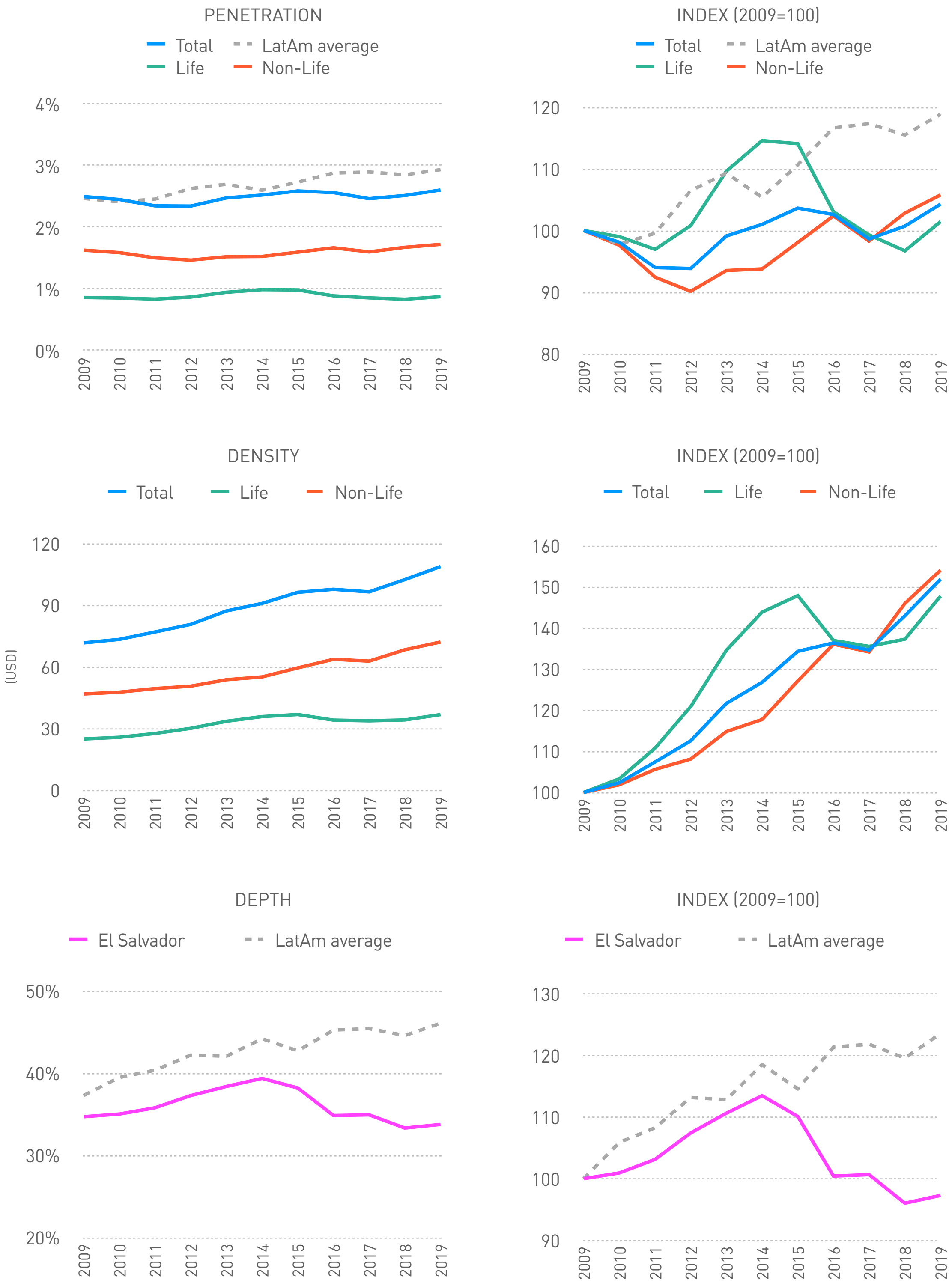
With regard to depth levels in the Salvadoran market (Life insurance premiums in relation to total premiums), the index in 2019 stood at 33.8%, -0.9 pp lower than in 2009 and 0.4 pp higher than in 2018, showing a growing trend until 2014, after which point it stagnated. As with the other structural indicators, the absolute values of the depth index for the regional country average (46.1% for 2019) have always been higher than the Salvadoran insurance market, and divergence from the regional country average has been increasing.

Insurance Protection Gap estimate

Chart 3.1.4-n shows an estimate of the IPG for the Salvadoran insurance market between 2009 and 2019. This information shows that the insurance gap stood at 1.36 billion US dollars in 2019, equivalent to 1.9 times the actual insurance market at the close of the year (slightly lower than the previous year).

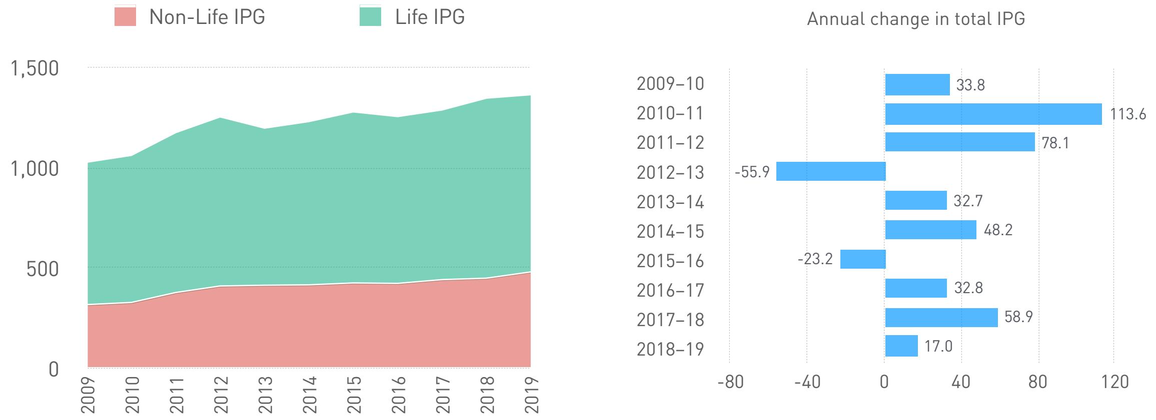
The structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. Life insurance accounted for 65.0% of the insurance gap at the close of 2019 (882.6 million US dollars), down -4.3 pp compared to 2009. The remaining 35.0% of the IPG is attributable to the

Chart 3.1.4-m
El Salvador: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2009 index=100)



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

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



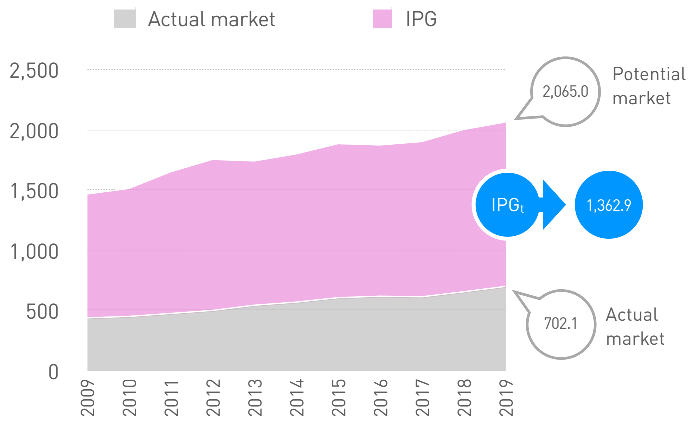
Source: MAPFRE Economics

contribution of the Non-Life insurance segment (480.2 million US dollars). Accordingly, the potential insurance market in El Salvador at the close of 2019 (sum of the actual market plus the IPG) is estimated at 2.07 billion US dollars, 2.9 times the total insurance market in El Salvador that year (see Chart 3.1.4-o).

Furthermore, Chart 3.1.4-p shows an estimate of the insurance gap as a multiple of the actual insurance market in 2009–2019. As a multiple, the IPG for the Life insurance segment shown a sustained downward trend over the period under analysis (falling from 4.6 to 3.7 times), though this trend showed signs of slowing down from 2013 onward. The medium-term trend for the Non-Life segment is stable at levels close to 1.1 times the respective market during this period.

Chart 3.1.4-q 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 decade, comparing the situation in 2019 with that of 2009. As the data in the aforementioned chart shows, only the Life line has shown an improvement in El Salvador's insurance market.

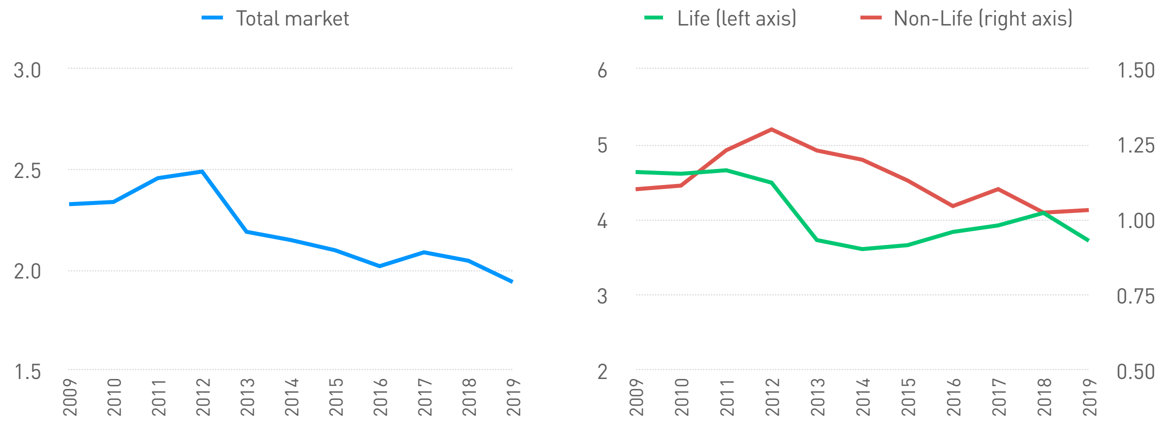
Chart 3.1.4-o
El Salvador: Insurance Protection Gap and potential market
(millions of USD)



Variation	Actual market	IPG
2019–2009	59.2%	32.7%
2019–2018	6.8%	1.3%

Source: MAPFRE Economics

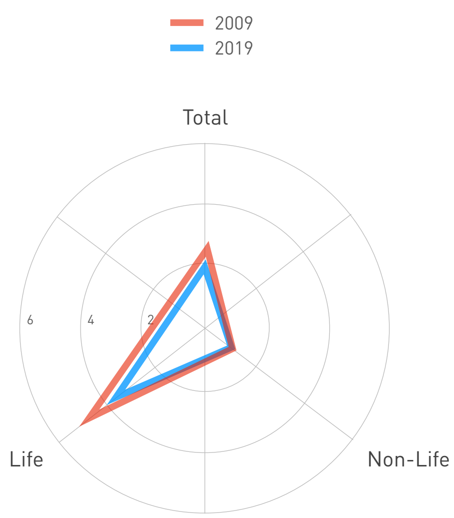
Chart 3.1.4-p
El Salvador: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

Lastly, Chart 3.1.4-r 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 2019 over the coming ten years.

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



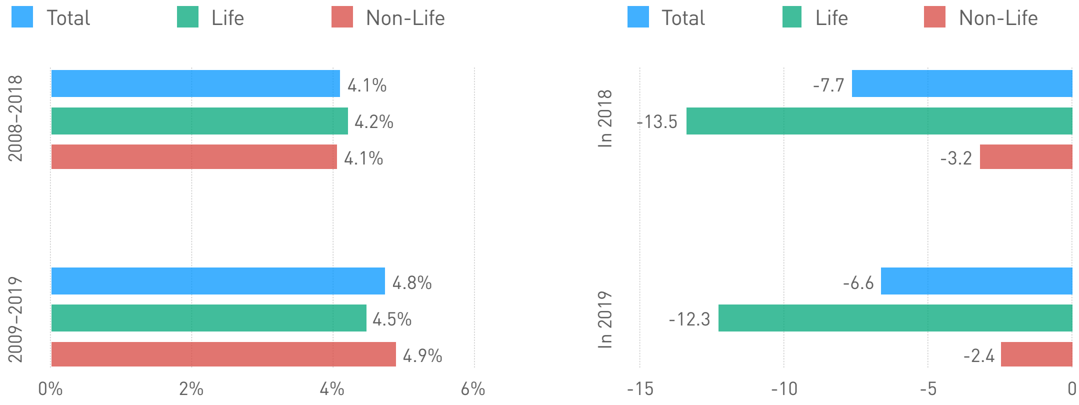
Source: MAPFRE Economics

The Salvadoran insurance market grew at an annual average rate of 4.8% between 2009 and 2019; the Life insurance segment saw annual average growth of 4.5%, while the Non-Life insurance segment reported annual growth of 4.9%. Were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Salvadoran insurance market would prove insufficient to close the insurance gap for both the Life segment (short 12.3 pp) and the Non-Life segment (short 2.4 pp). However, it should be noted that the insufficiency of both the Life and Non-Life segments reduced compared to the previous year.

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-s. The indicator generally showed a positive growing trend over the 2009–2019 period, although it has been dipping since 2015 and, in any case, as of 2010, has fallen

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



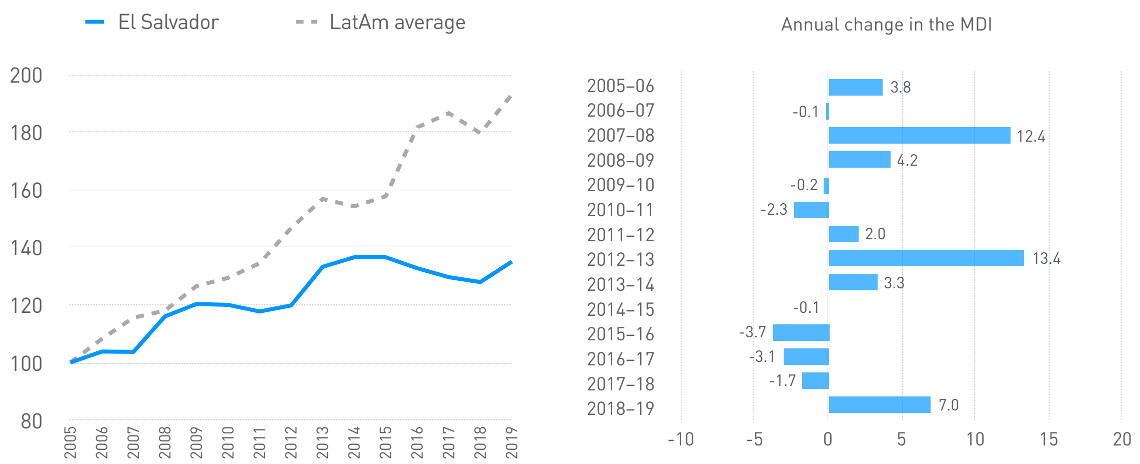
Source: MAPFRE Economics

below and diverged from the trend shown by the average performance of the Latin American insurance markets. It should be noted that there was a significant rebound in this indicator in 2019 (+7.04 points), mainly due to the improved performance of the density index (premiums per capita) compared to both the previous year and to the average of Latin American insurance markets.

Joint analysis of structural coefficients

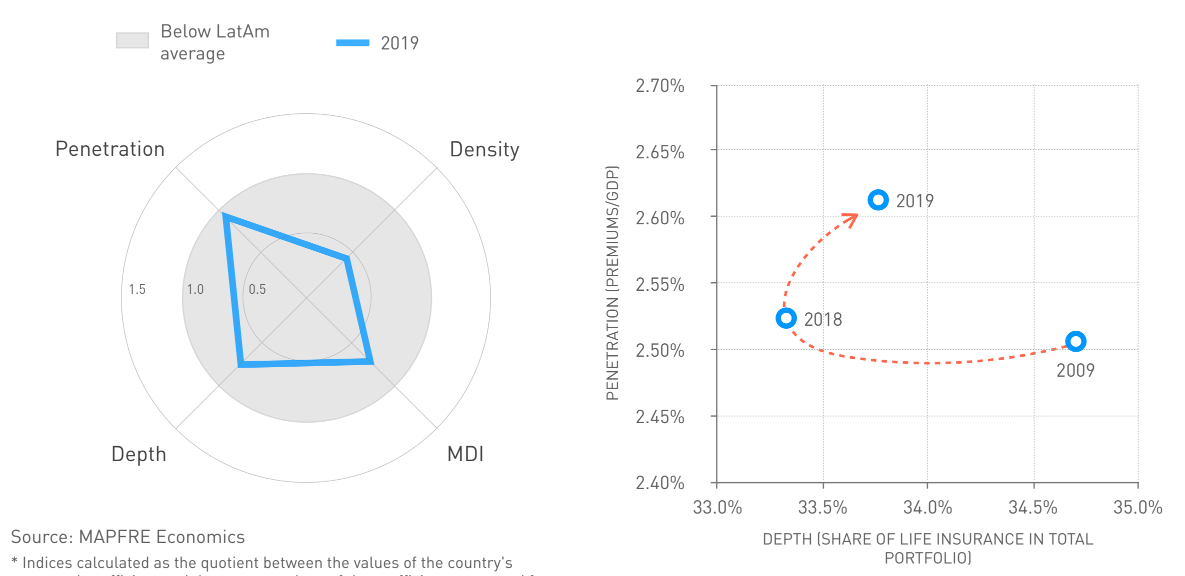
Lastly, Chart 3.1.4-t summarizes the Salvadoran insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed. This shows that the situation of the country's insurance market falls short of the average for Latin America, especially density (although it has

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



Source: MAPFRE Economics

Chart 3.1.4-t
El Salvador: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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.

improved over this last year), which suggests poor levels of development compared to the region's markets as a whole. Similarly, the dispersion analysis shown in Chart 3.1.4-t confirms that, over the 2009–2018 period, the Salvadoran insurance industry showed development characterized by a contraction in depth levels and stagnated penetration; a trend that does, however, seem to be reversing as of 2019.

Insurance market rankings

Total ranking

There were 22 insurance companies operating in the Salvadoran market in 2019, the same as in the previous year. The Herfindahl and CR5 indices both point to a slight decline in the degree of market concentration in El Salvador from 2013 onward, with an upturn in both indicators in 2019.

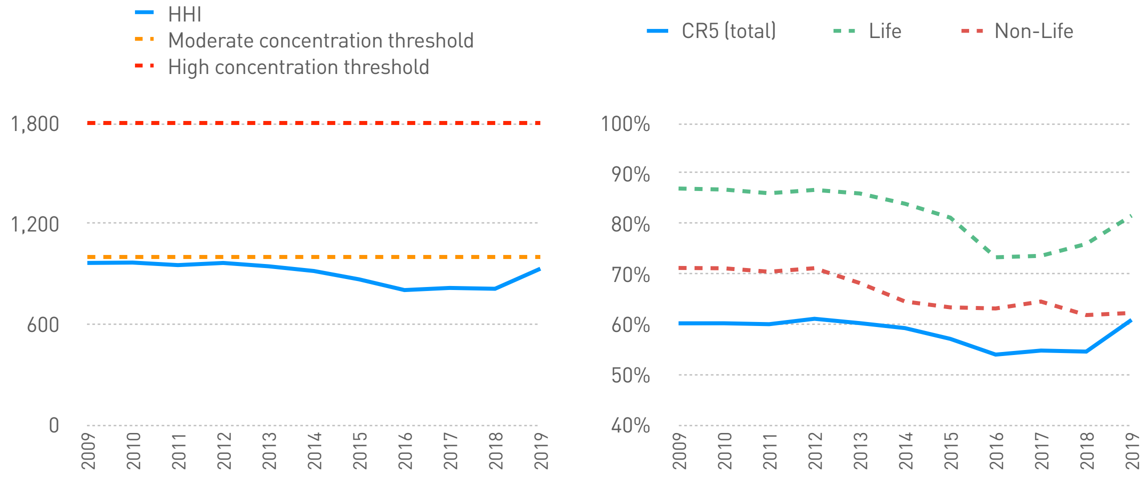
The market share of the top five insurers (CR5) in 2019 represented 60.8% of total premiums, a significant increase in concentration compared to 2018 (54.5%). Similarly, over the last decade, the Herfindahl index has remained practically in line with the theoretical threshold indicative of moderate levels of concentration in the insurance industry, diverging positively from this trend between 2013 and 2018 to then rebound in 2019 (see Chart 3.1.4-u).

In the total ranking of insurance groups in 2019 (see Chart 3.1.4-v), first place is held by Aseguradora Suiza Salvadoreña, which, with a market share of 22.3% (3.9 pp more than the previous year), overtook Seguros e Inversiones (SISA), which holds second place with 20.6% (increasing its share by 1.6 pp). Aseguradora Agrícola Comercial remains in third place once again, with a market share of 13.1% (0.6 pp more than the previous year). With the exception of Seguros Fedecrédito and Seguros Azul, which swapped places, the other companies maintained their relative positions.

Life and Non-Life rankings

The top three positions of the Salvadoran market's Non-Life insurance ranking are occupied by Aseguradora Agrícola Comercial

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

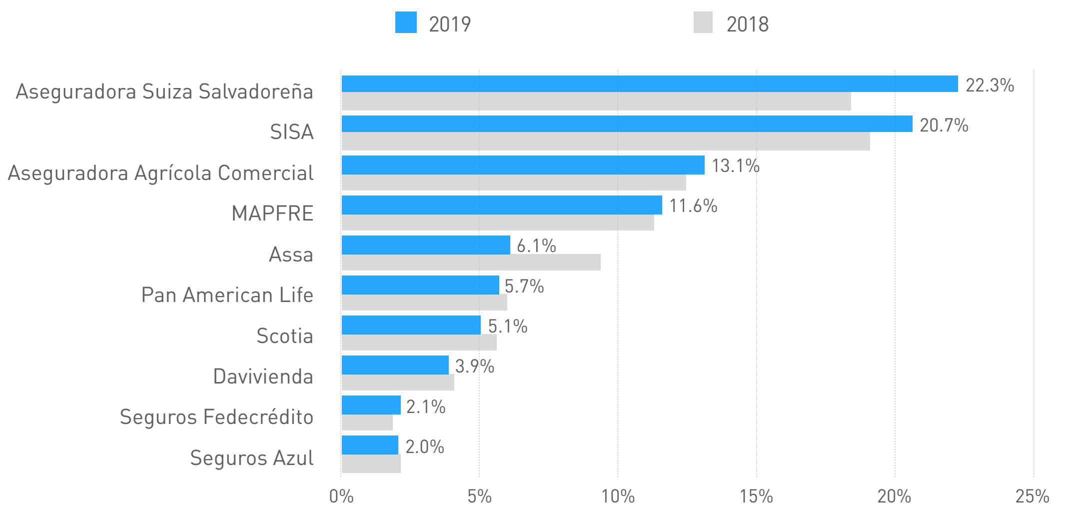


Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)

with 18.7%, swapping places with Aseguradora Suiza Salvadoreña, which ranked second this year with a share of 18.4%, while SISA ranked third with a share of 15.1%, placing MAPFRE (14.8%) in fourth (see Chart 3.1.4-w).

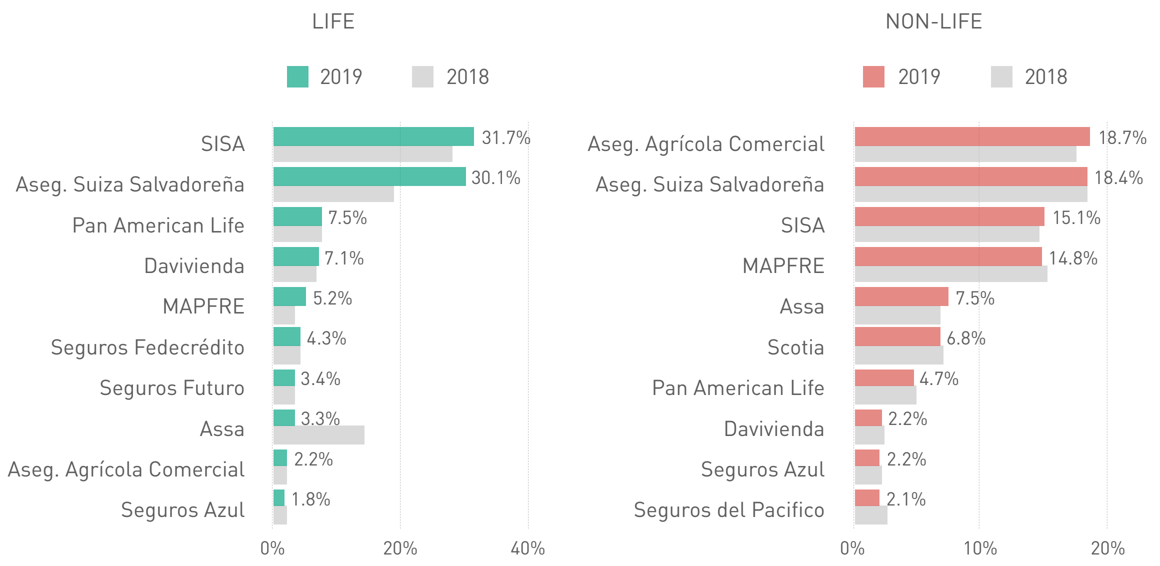
With regard to the ranking of insurance groups in the Life segment, SISA tops the ranking with 31.7% of premiums. Aseguradora Suiza Salvadoreña ranked in second place with a market share of 30.1%, while Pan American

Chart 3.1.4-v
El Salvador: total ranking
(market shares, %)



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

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



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

Life rises to third with a share of 7.5%, bumping Assa out of the spot it held in 2018, after which it fell to eighth place due to the interim policy portfolio outflow. Also noteworthy is the fact that MAPFRE jumped three positions, increasing its market share by 2.0 pp to 5.2%.

Key regulatory aspects

With regard to the key regulatory aspects, the following standards issued by the Salvadoran insurance market's regulatory body should be noted:

- CNBCR-15/2018, technical standards for the transparency and disclosure of insurance companies' data.

- CNBCR-04/2020, temporary technical standards to address contractual obligations and breaches in response to the COVID-19 pandemic. The temporary measures targeting credit institutions to support debtors with payment problems are notable, as are the temporary measures on the handling of insurance policies by insurers, whereby insurance companies must ensure that persons obliged to pay the premiums corresponding to the insurance that said insurance companies offer who are affected by the situations caused by COVID-19 are not found to breach their contractual obligations and cannot incur penalties of any kind.

- CNBCR-10/2020, temporary technical standards on using electronic media in the social security system (NSPT-01) to provide continuity in Pension Institution procedures so that their insured members do not need to travel to agencies or offices. Includes Art. 12.- Given the context of the COVID-19 pandemic and in order to ensure workers' rights to voluntary savings, the AFPs (*Administradoras de Fondos de Pensiones* — Pension Fund Managers) may continue to receive the voluntary contributions referred to in Article 17 of the *Ley SAP* (Pension Savings System Act), so long as the first Voluntary Pension Savings Fund does not commence operations. Once the first Voluntary Pension Savings Fund initiates operations in accordance with the "Technical Standards for the Authorization, Registration and Operation of Voluntary Pension Savings Funds" (NSP-24), the AFPs may not continue to receive voluntary contributions. Members wishing to continue making such contributions must do so through a Voluntary Pension Savings Fund.

- Update of the minimum capital requirements for 2019. 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-41/2019 on December 10, 2019, approved the update of the minimum share capital requirements for insurance companies and insurance brokers.

3.1.5 Nicaragua

Macroeconomic environment

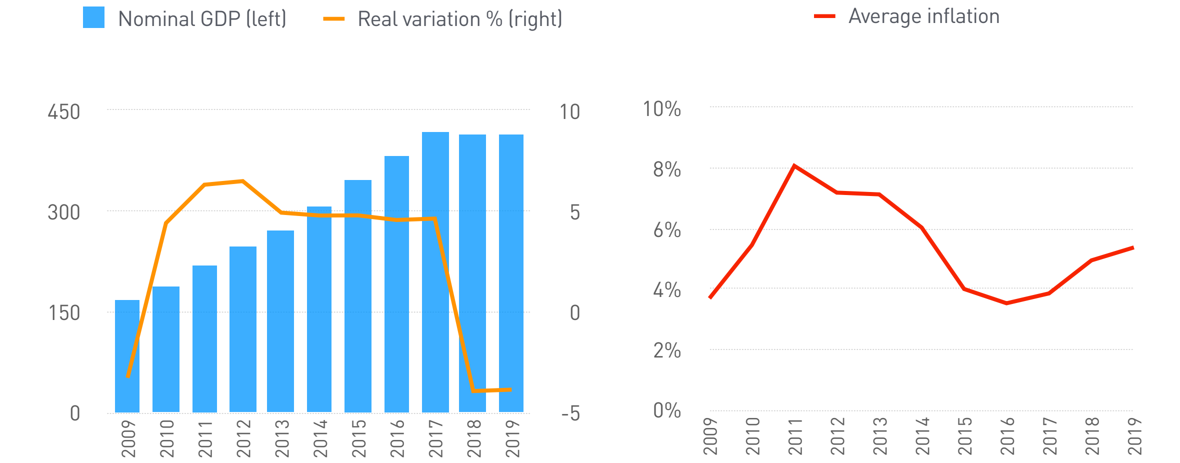
In 2019, Nicaragua's economy suffered a decline in GDP of -3.9% in real terms, in addition to the -4% decline experienced the previous year, which interrupted eight consecutive years of notable significant economic growth (See Chart 3.1.5-a). The political and social conflict that broke out in 2018 continues to negatively impact much of its economic activities, particularly construction, trade and tourism-related activities. In turn, reforms to the Tax Concertation Law and to the Regulations on Social Security Law implemented in 2019 exacerbate the recessive pattern, with a policy of containing public spending and of penalizing private spending, after increasing revenue from income tax and the selective consumption tax.

In terms of the foreign sector, according to preliminary estimates by the ECLAC, the drop in imports coupled with a slight rebound in exports led to an improvement in the current account, which saw a surplus of around 5.9% of GDP at the close of 2019, compared to 0.6% a year earlier. Meanwhile, the ratio of public debt to GDP was 54% in the second half of 2019 (52.7% at the close of 2018).

Average inflation came to 5.4% in 2019 (compared to 4.9% in 2018). This increase was mainly due to the effect of higher prices for alcoholic beverages and tobacco, as well as for various goods and services. The unemployment rate stood at 6.1% according to IMF data (5.5% at the close of 2018). The central bank, for its part, reduced the crawling-peg rate of the cordoba against the dollar, from 5% to 3% annually.

The ECLAC estimates a contraction in GDP of -8.3% for 2020 as a result of the economic effects of the COVID-19 pandemic, coupled with persistent uncertainty surrounding Nicaragua's economic performance in general. The IMF, for

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 IMF data)

Table 3.1.5
Nicaragua: premium volume[1] by line, 2019

Line	Millions of cordobas	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**6,766**	**203**	**-4.2**	**-9.1**
Life	**1,367**	**41**	**-5.8**	**-10.6**
Non-Life	**5,399**	**162**	**-3.8**	**-8.7**
Automobiles	1,311	39	-10.4	-14.9
Fire and allied lines	1,800	54	-6.3	-11.1
Other lines	1,350	41	12.4	6.6
Health	411	12	-8.1	-12.8
Personal accidents	176	5	-15.1	-19.5
Credit and/or surety	100	3	0.1	-5.0
Transport	105	3	-10.5	-15.0
Third-party liability	145	4	-7.9	-12.6

Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)
1/ Net written premiums

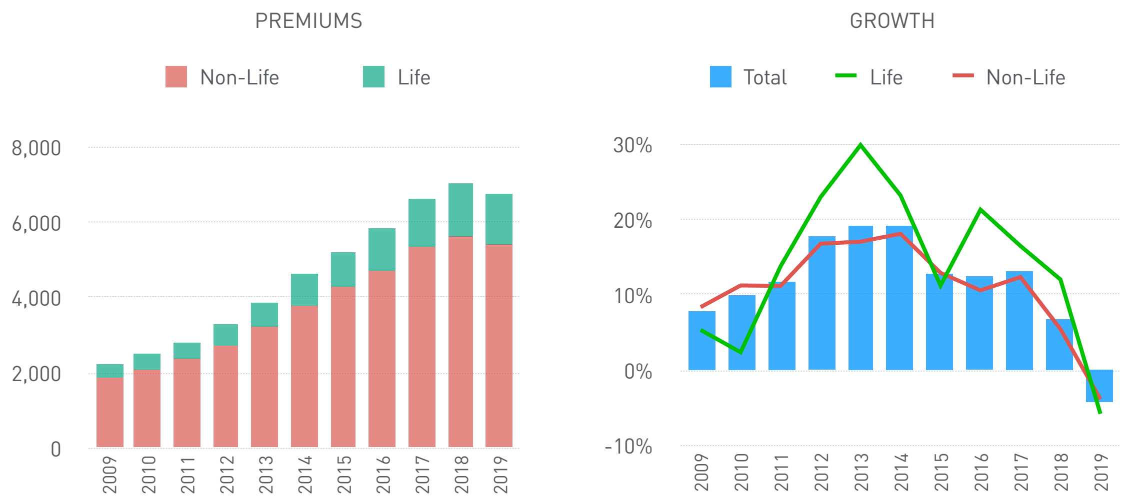
its part, predicts a drop of around -6% in Nicaraguan GDP.

Insurance market

Growth

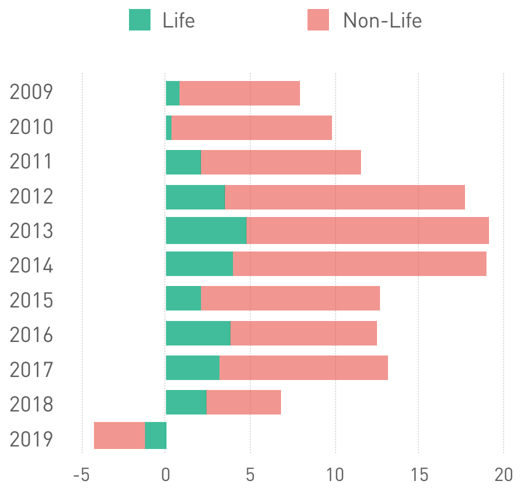
Premiums in the Nicaraguan insurance market totaled 6.77 billion cordobas (203 million US dollars) in 2019, representing a nominal decrease of -4.2% and a real decrease of -9.1% compared to the previous year (see Table 3.1.5). As shown in Chart 3.1.5-b, the Nicaraguan insurance market in 2019 was unable to maintain growth at levels similar to previous years, straying further away from the growth seen during the 2011–2017 period and seeing the lowest figures recorded that decade.

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)

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



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	7.9	0.9	7.0
2010	9.9	0.4	9.5
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

Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

From a market segment perspective, Life lines, which represent 20.2% of the total portfolio, declined by -5.8% in nominal terms (compared to 12.1% last year) to 1.37 billion cordobas (41 million US dollars). Meanwhile, premiums for the Non-Life line also fell by -3.8% in nominal terms (compared to the growth of 5.5% in 2018) to total 5.4 billion cordobas (162 million US dollars). The two most important Non-Life modalities, Fire and Automobiles, performed negatively; the former fell by -6.3% and the latter fell by -10.4%, both in nominal terms. Following behind, the third most important line, under the "Other Lines" heading, was the only line that performed favorably with nominal growth of 12.4% and real growth of 6.6%.

Of this joint performance (which implied a slowdown in growth of both the Life and Non-Life lines, and implied a -4.2% fall in the Nicaraguan insurance market), the Life segment contributed -1.2 pp, while the remaining -3.1 pp were contributed by the decline in Non-Life insurance (see Chart 3.1.5-c).

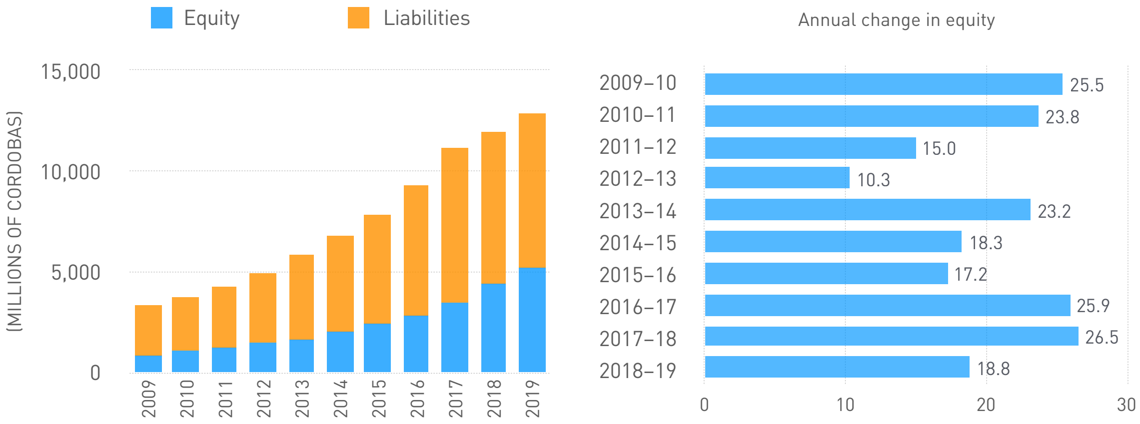
Balance sheet and shareholders' equity

Chart 3.1.5-d shows the performance over the 2009–2019 period in the Nicaraguan insurance industry's aggregate balance sheet. In 2019, total assets stood at 12.85 billion cordobas (377 million US dollars), while equity increased to 5.19 billion cordobas (152 million US dollars), up 18.8% from 2018. The increase in the aggregate capitalization levels of Nicaragua's insurance industry, measured on total assets, is noteworthy. The capitalization level in 2009 stood at 24.9%, increasing progressively over the 2009–2019 period to represent 40.3% of total assets at the end of 2019.

Investments

Chart 3.1.5-e shows changes in total investments in the Nicaraguan insurance industry, while Charts 3.1.5-f and 3.1.5-g show the composition of the aggregate portfolio at the sector level over the 2009–2019 period and

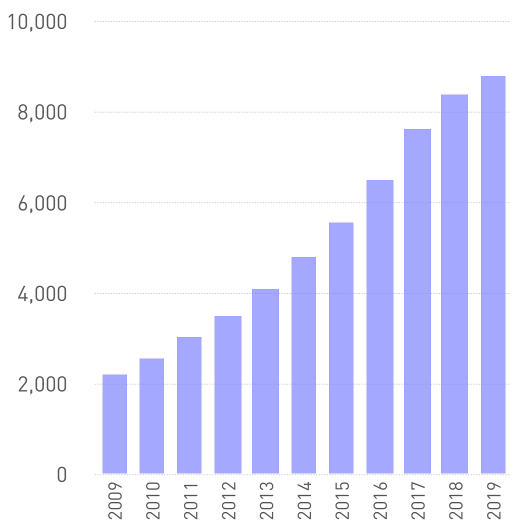
Chart 3.1.5-d
Nicaragua: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

for 2019 specifically. This data shows that investments in the latter year totaled 8.76 billion cordobas (257 million US dollars), with 89.5% concentrated in debt and equity instruments, 4.1% in cash and the remaining 6.4% in real estate investments. Performance in the structure of the country's insurance market investment portfolio over the last decade generally shows the dominance of investments in debt and equity instruments, albeit with a slight decline from 2018.

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



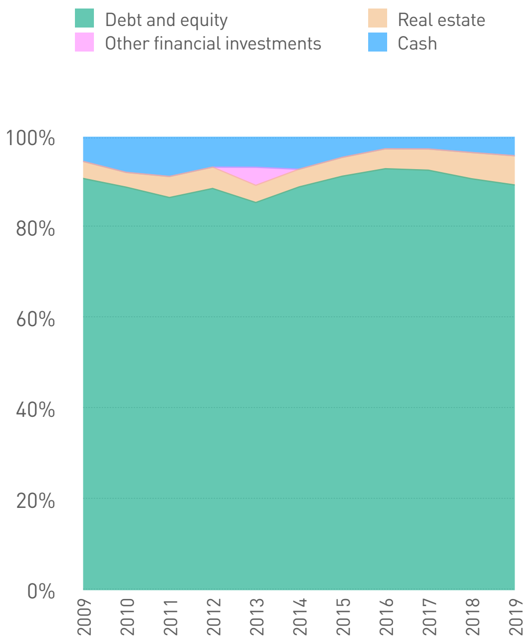
Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

Technical provisions

Charts 3.1.5-h, 3.1.5-i and 3.1.5-j show the relative composition and performance of the Nicaraguan insurance industry's technical provisions over the period analyzed. Technical provisions in 2019 amounted to 5.13 billion cordobas (150 million US dollars). Of this total, 14.3% related to Life insurance technical provisions, 30.2% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 32.7% to provisions for outstanding benefits, and the remaining 22.8% to provisions for catastrophic risks.

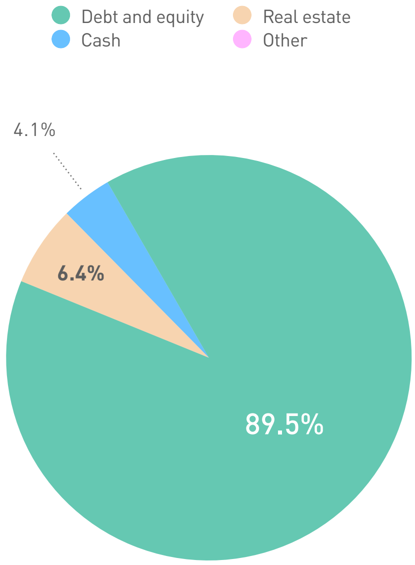
Over the 2009–2019 period, there was sustained growth in technical provisions in absolute terms, related to both Life and Non-Life insurance. This trend was interrupted in 2017 for both provisions, though their relative weights stayed fairly stable throughout the period. The significant percentage of catastrophic risk provisions is notable, accounting for 22.8% of the total in 2019.

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



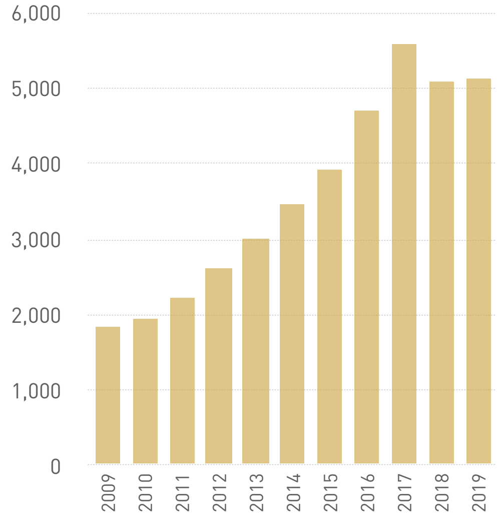
Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

Chart 3.1.5-g
Nicaragua: structure of investments, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

Chart 3.1.5-h
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)

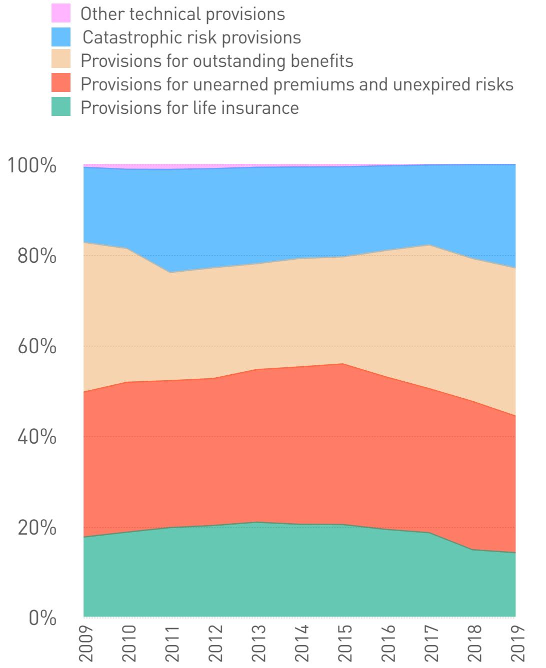
Technical performance

With regard to the technical performance of the Nicaraguan insurance industry, Chart 3.1.5-k shows the evolution of the industry's total combined ratio between 2009 and 2019. As can be seen, the combined ratio deteriorated in 2019, having increased by 6.5 pp to 90.7%, mainly due to growth in the expense ratio of 13.6 pp (53.8%), which could not be offset by the improvement in the loss ratio, which improved from 44% to 36.9%. It is important to note that the worsened ratios (especially the expense ratio) contributed to the decrease in insurance market premiums.

Results and profitability

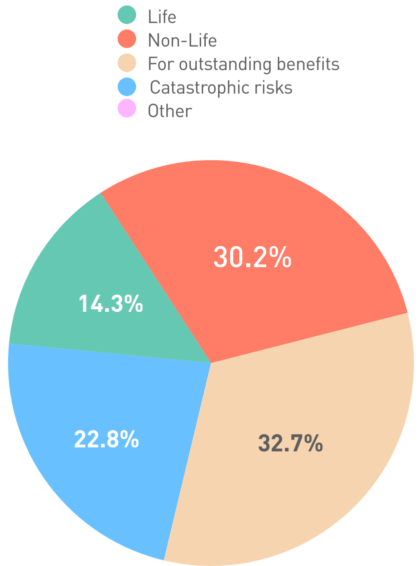
The net result of the Nicaraguan insurance business in 2019 was 952.6 million cordobas (29 million US dollars), -8.9% lower than the previous year, mainly due to the previously mentioned deterioration of the technical results (see Chart 3.1.5-l).

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



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

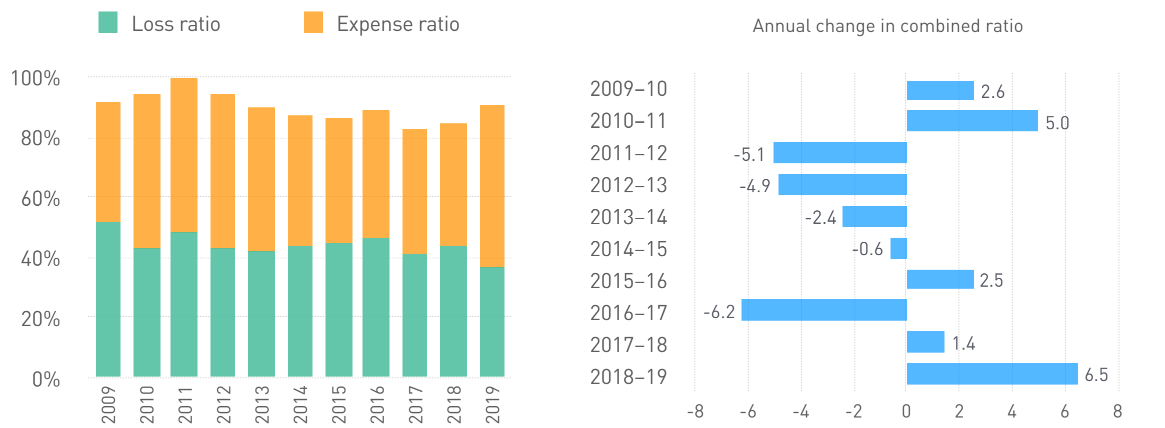
Chart 3.1.5-j
Nicaragua: structure of technical provisions, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

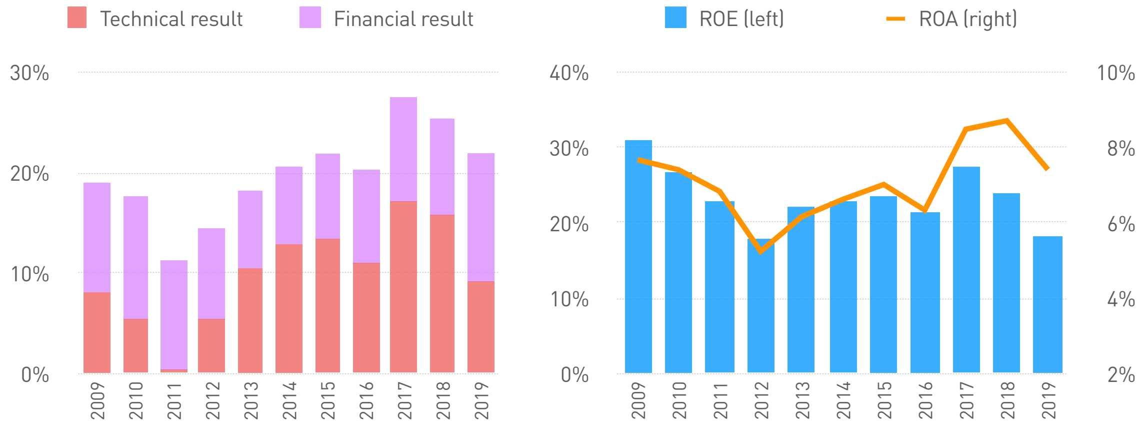
In terms of profitability, return on equity (ROE) stood at 18.4% in 2019, falling by -5.6 pp compared to 2018. A similar situation emerges when analyzing return on assets (ROA), which reached 7.4% in 2019, dropping -1.3 pp compared to the previous year. In general,

Chart 3.1.5-k
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)

Chart 3.1.5-l
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)

profitability in Nicaragua's insurance industry consistently performed positively at around 23% on average for ROE, despite the fact that it recorded its worst data in 2012 and 2019.

Insurance penetration, density and depth

Chart 3.1.5-m shows the main structural trends shaping the development of the Nicaraguan insurance industry over the 2009–2019 period. First, the penetration index (premiums/GDP) came to 1.6% in 2019, 0.3 pp higher than in 2009. As can be seen, the penetration index in the Nicaraguan market remained stagnant until 2012, at which point it began to rise, following an average trend similar to that recorded by the Latin American insurance market as a whole. However, the indicator contracted once again in 2019 when it decreased by -0.1 pp from the previous year.

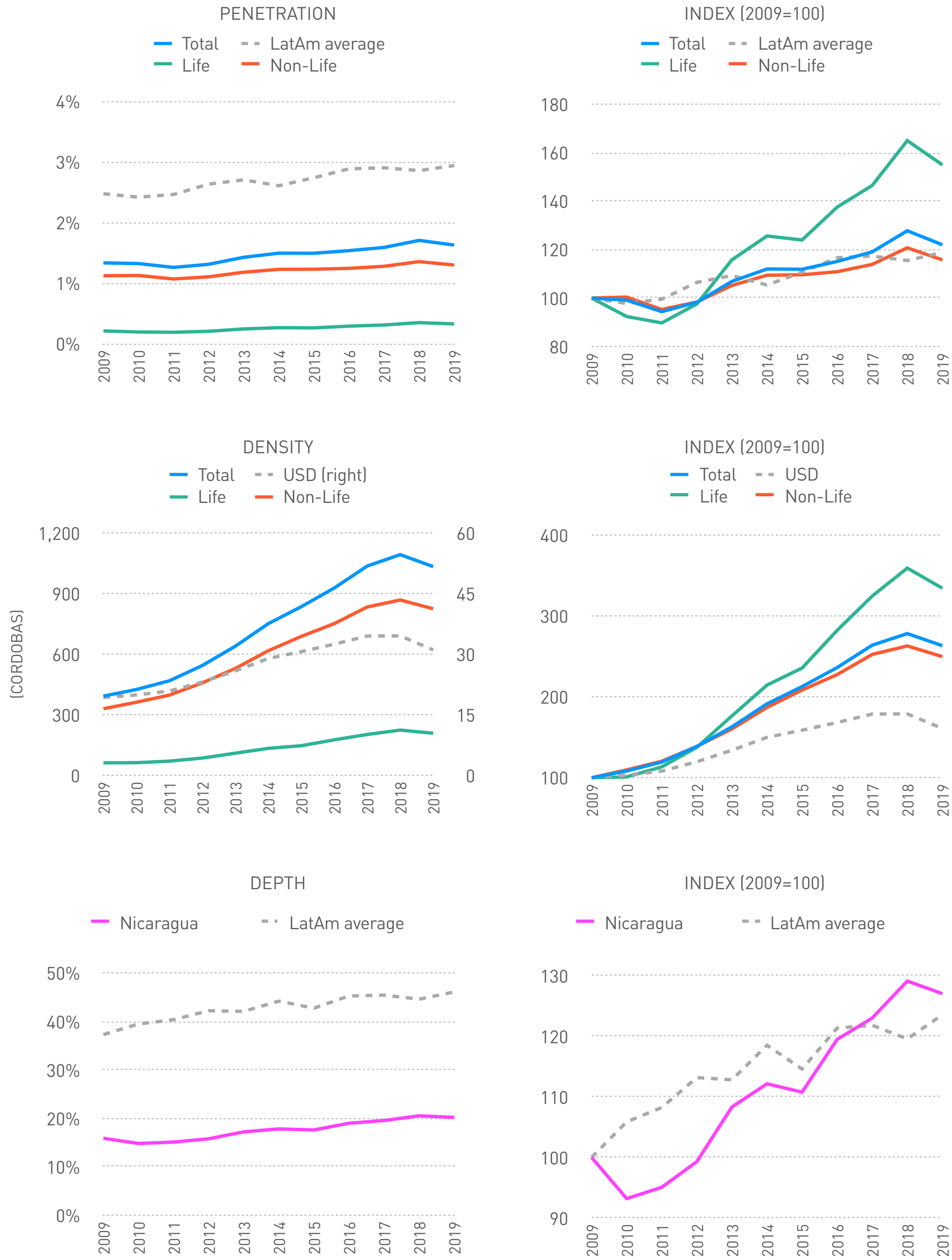
Insurance density in Nicaragua (premiums per capita) stood at 1,034 cordobas (31 US dollars) in 2019. Density (measured in local currency) has generally shown an upward trend, with a cumulative increase of 163.3% over the 2009–2019 period. However, as with penetration, the indicator shows a 5% drop in 2019 compared to the previous year (1,093 cordobas).

With regard to depth levels in the Nicaraguan market (Life insurance premiums in relation to total premiums), the index in 2019 stood at 20.2%, i.e. 4.3 pp higher than in 2009 and generally in line with the trend of Latin American markets as a whole, although always -25.1% on average below that trend and showing significant fluctuations in some years (2013 and 2018) as a result of the growth shown by the Life insurance segment, and still well below the region's average in absolute terms (46.1% in 2019).

Insurance Protection Gap estimate

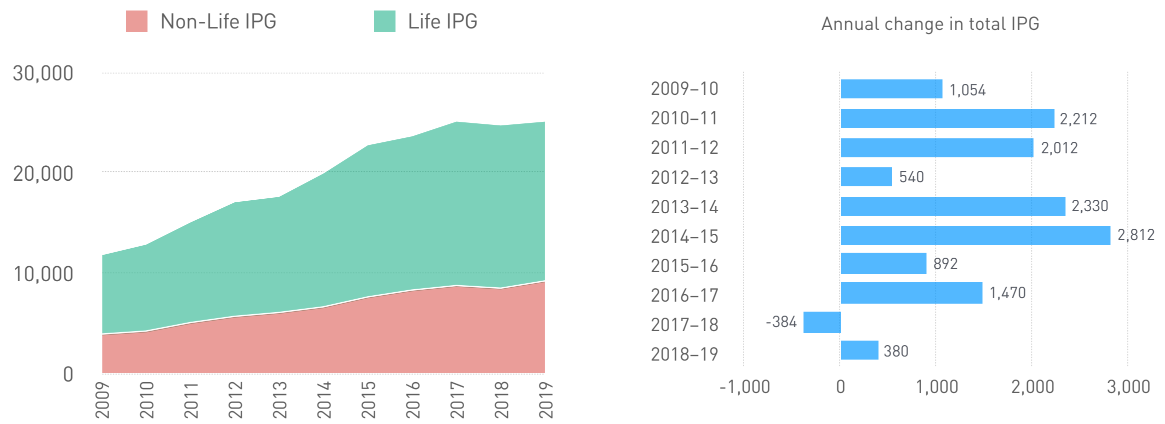
Chart 3.1.5-n shows an estimate of the IPG for the Nicaraguan insurance market between 2009 and 2019. This information shows that the insurance gap stood at 25.14 billion cordobas (756 million US dollars) in 2019, 1.5% greater than the previous year at 3.7 times the size of the actual insurance market.

Chart 3.1.5-m
Nicaragua: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, cordobas and USD; Life premiums/total premiums, %, 2009 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

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

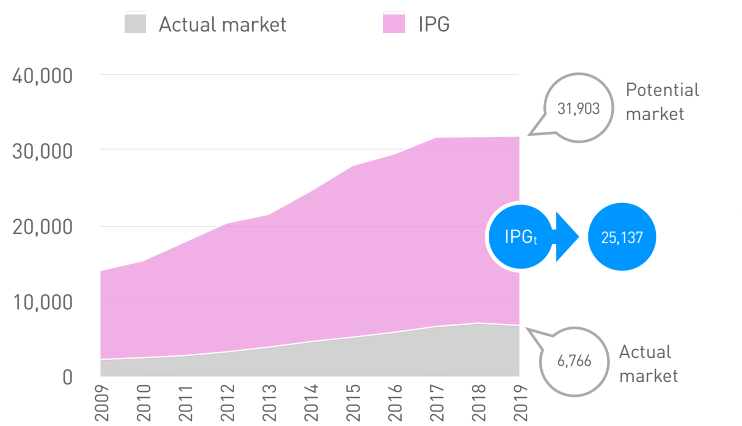


Source: MAPFRE Economics

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 63% (15.93 billion cordobas) of the insurance gap at the close of 2019 (66% in 2018), 4 pp below the share for this segment in 2009. The remaining 37% of the gap is attributable to the contribution of the Non-Life insurance segment (9.21 billion cordobas). The potential insurance market in Nicaragua at the close of 2019 (the sum of the actual market plus the IPG) was therefore estimated at 31.9 billion cordobas (958.9 million US dollars), 4.7 times the size of the total insurance market in that year (see Chart 3.1.5-o).

As such, Chart 3.1.5-p 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 sustained decline over the 2009–2019 period, both for the Life insurance segment (falling from 22.1 to 11.7 times) and the Non-Life insurance segment (falling from 2.1 to 1.7

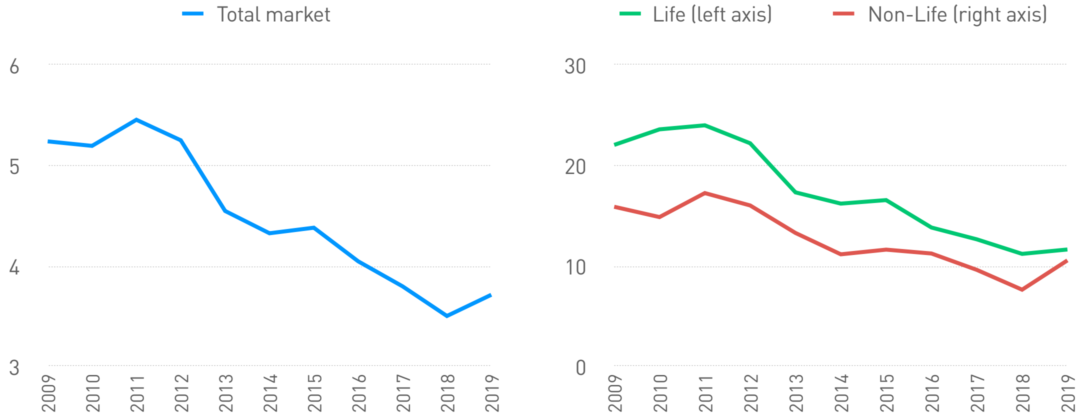
Chart 3.1.5-o
Nicaragua: Insurance Protection Gap and potential market
(millions of cordobas)



Variation	Actual market	IPG
2019–2009	200.0%	112.6%
2019–2018	-4.2%	1.5%

Source: MAPFRE Economics

Chart 3.1.5-p
Nicaragua: IPG as a multiple of the actual market
(number of times, actual insurance market)

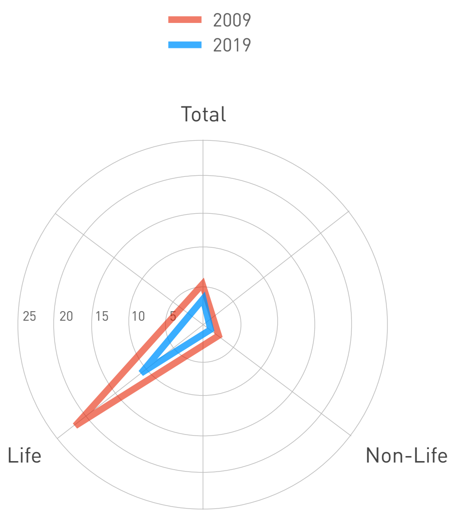


Source: MAPFRE Economics

times). However, this trend was interrupted in 2019 when the indicator saw an upturn for both the total market and for the Life and Non-Life segments.

Chart 3.1.5-q 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 situation in 2019 with that of 2009. This analysis confirms the reduction experienced by the insurance gap as a multiple of the actual market over the decade analyzed.

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

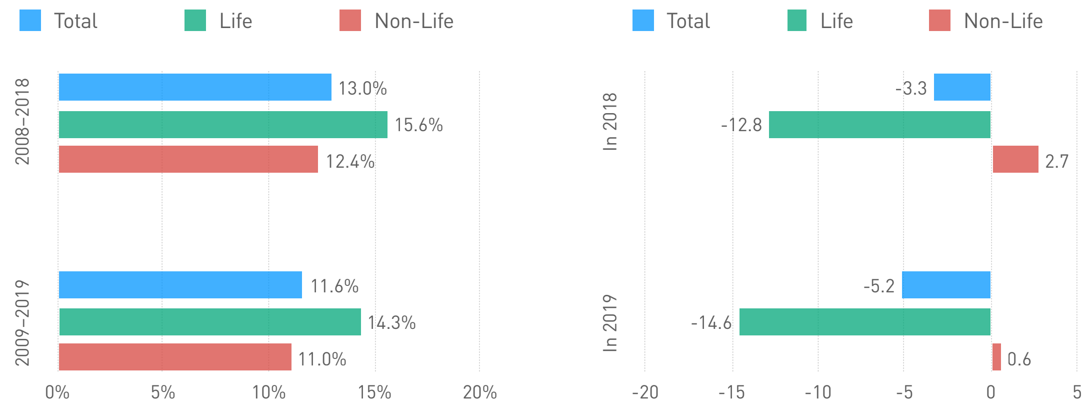


Source: MAPFRE Economics

Lastly, Chart 3.1.5-r 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 close the gap determined in 2019 over the coming decade.

In this regard, the Nicaraguan insurance market grew at an average annual rate of 11.6%, underpinned by an annual growth rate of 14.3% in the Life insurance segment and an average annual growth rate of 11.0% 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 Nicaraguan insurance market would prove sufficient to achieve this objective only in the Non-Life insurance segment. For the Life insurance segment, the observed rate would fall -14.6 pp short. It should be noted that the Nicaraguan insurance market capacity to close the IPG deteriorated compared to the 2018 fiscal year.

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



Source: MAPFRE Economics

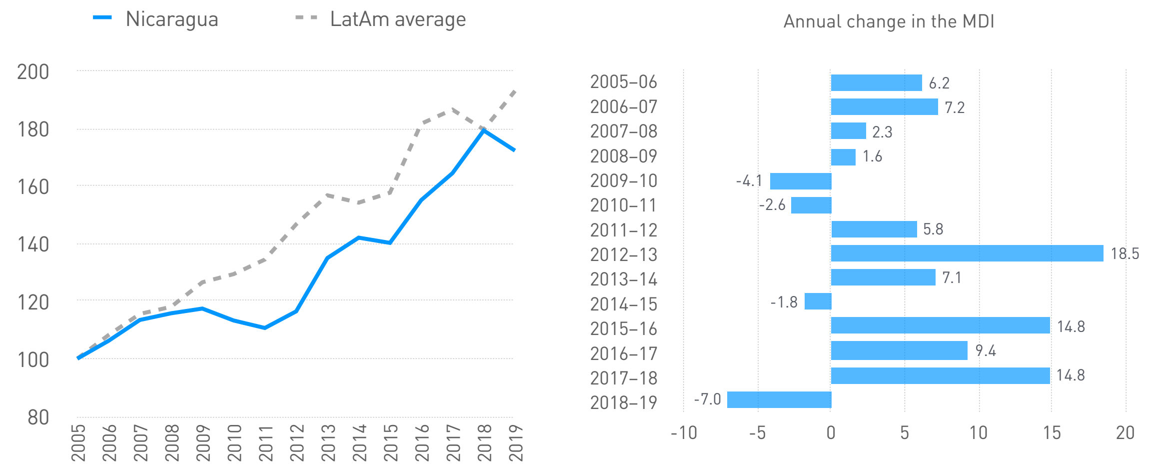
Market Development Index (MDI)

Chart 3.1.5-s shows an estimate of the Market Development Index (MDI) for the Nicaraguan insurance industry. In this case, the MDI (which is used as an indicator of the general trends shaping the performance and maturity of insurance markets) shows an overall positive trend over the 2009–2019 period. The aforementioned chart shows that the indicator's trend follows the average trend of the Latin American insurance markets, with a divergence in 2009–2011 and again in 2019.

Joint analysis of structural coefficients

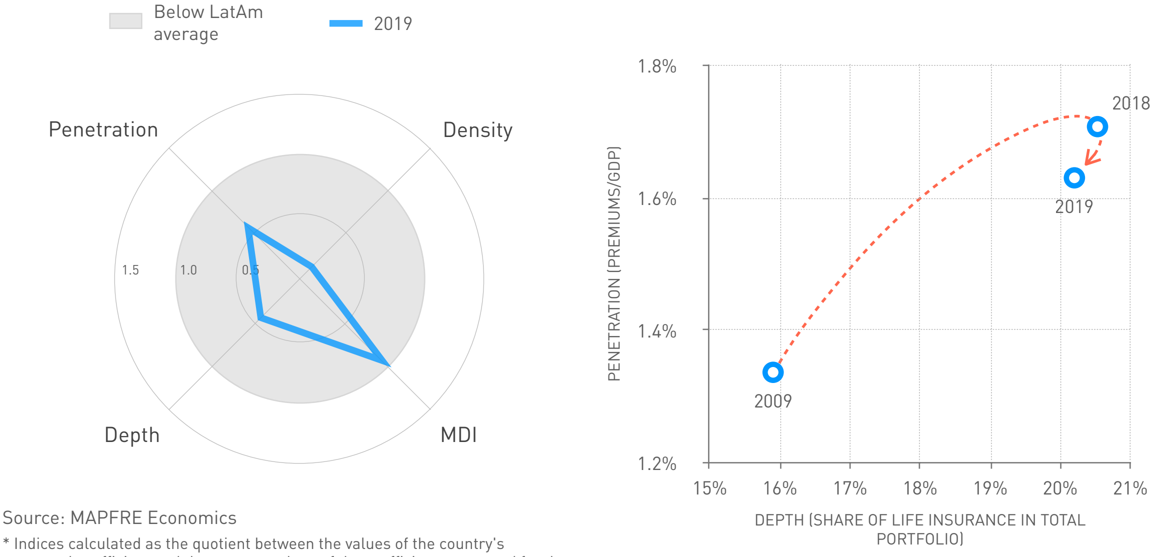
Lastly, Chart 3.1.5-t summarizes the Nicaraguan insurance market's situation in comparison with

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



Source: MAPFRE Economics

Chart 3.1.5-t
Nicaragua: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)

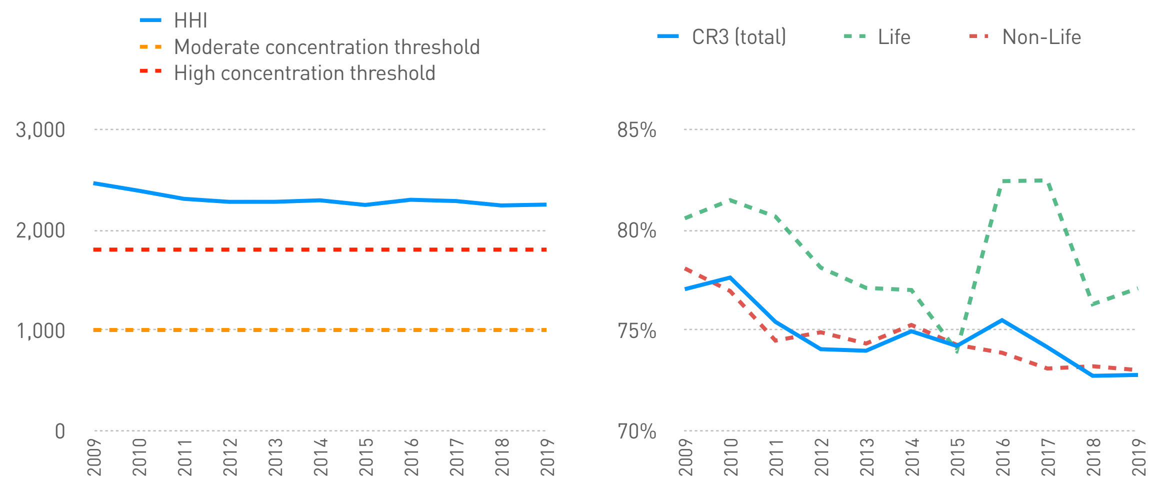


Source: MAPFRE Economics

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

the 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 market development index is closer to the region's average. Similarly, the dispersion analysis shown in the aforementioned chart confirms that, over the 2009–2018 period, the Nicaraguan insurance industry showed balanced development characterized by increases in both penetration levels (quantitative aspect) and depth levels (qualitative aspect). However, this trend reversed in 2019.

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



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

Insurance market rankings

Total ranking

The Nicaraguan insurance industry maintained its structure with only five insurance companies operating in the market, which, in itself, implies high levels of concentration. However, there has been a slight downward trend in market concentration levels over the last decade (see Chart 3.1.5-u). Over the entire 2009–2019 period, the Herfindahl index has remained above the theoretical threshold indicative of high levels of concentration. The same is true when analyzing the CR3 index (the market share of the three biggest companies), which shows a downward trend in industry concentration levels over the period analyzed, though still with significantly high levels.

In terms of the total ranking of the Nicaraguan insurance market in 2019, the company América tops the ranking with a market share of 29.1%. The next two places in the ranking are occupied by Assa (with 23.5%), which swapped places with Iniser compared to 2018 (with a share of 20.1%). The other companies maintained their relative ranking compared to the previous year (see Chart 3.1.5-v).

Life and Non-Life rankings

In the Non-Life ranking, América once again topped the Nicaraguan market in 2019 with a share of 29.3%, while second and third places were held by Assa (23.1%) and Iniser (20.5%) which, as in the total market ranking, swapped places compared to the previous year (see Chart 3.1.5-w).

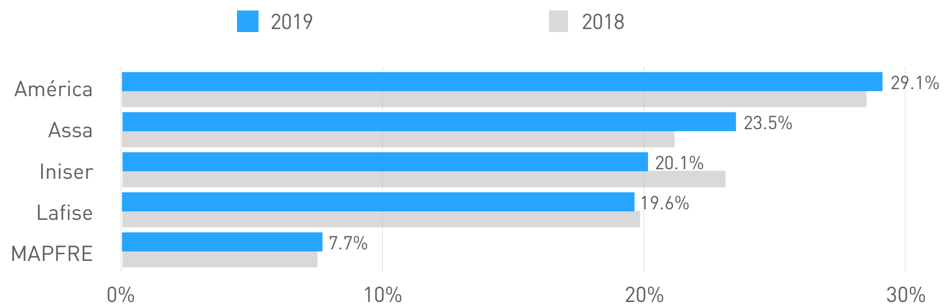
Lastly, in the ranking of companies operating in Life insurance in 2019, Assa (with 25.0% of the market share) overtook Lafisa, which fell one place after its market share dropped by -1.5 pp. América topped the ranking with 28.3% of market premiums.

Key regulatory aspects

In terms of regulatory aspects 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:

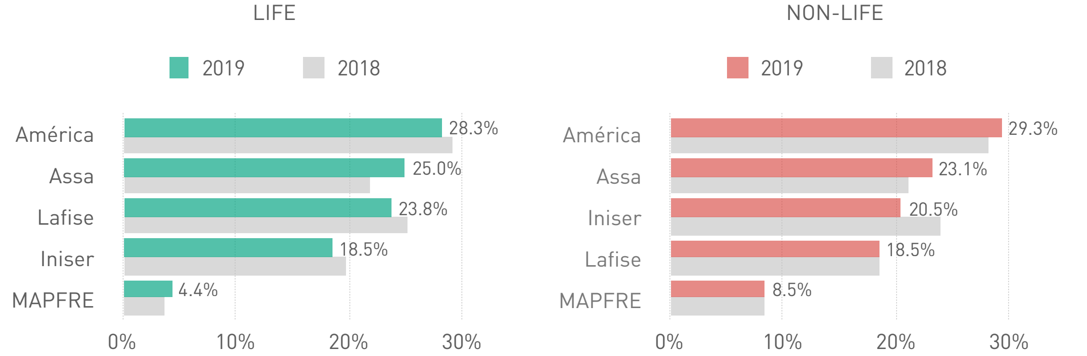
- Standard on granting temporary credit conditions. Resolution No. CD-SIBOIF-1181-1-JUN19-2020 dated June 19, 2020. This standard aims to mitigate the negative effects that could result from the international health scenario. It aims to establish temporary credit conditions that financial institutions may grant to debtors of credit cards, vehicle loans, personal loans, mortgages, micro-loans, SME loans, agricultural loans, livestock farming loans, industrial loans and commercial loans in all sectors of the economy.

Chart 3.1.5-v
Nicaragua: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

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



Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)

- Standard on external auditing. Resolution No. CD-SIBOIF-1129-2-SEP10-2019 dated September 10, 2019. This standard regulates the minimum requirements related to the external audit services to be contracted by financial institutions supervised by the Superintendency, such as, for example, the registration of the firms concerned, the process of selecting and hiring firms, and the audit trails performed by said firms.

- Standard on imposing penalties on banking, financial and insurance institutions for failure to comply with Decree No. 15-2018, published in Gazette No. 190 of October 3, 2018. Resolution No. CD-SIBOIF-1123-1-JUL30-2019 dated July 30, 2019. This establishes the violations and corresponding financial penalties applicable to banking, financial and insurance institutions for failing to comply with the obligations set out in Decree No. 15-2018 and with regulatory provisions for managing the risks of financing the proliferation of weapons of mass destruction, within the ranges established in Article 168 of the General Law on Banks and Article 170 of the General Law on Insurance, determined according to the severity of the offense, in accordance with the parameters and criteria to be indicated in this standard.

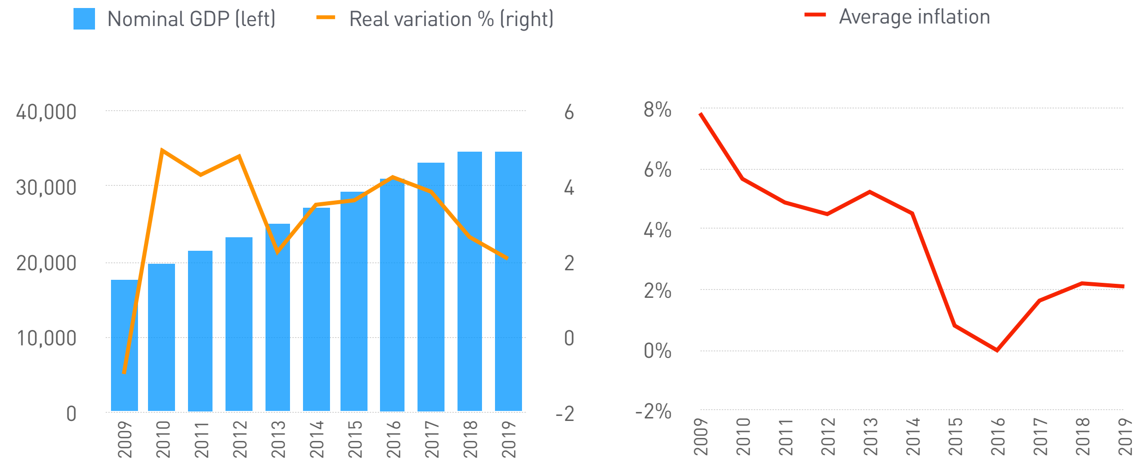
- Standard on the management of premiums to be collected by Insurance, Reinsurance and Finance companies. Resolution No. CD-SIBOIF-1116-1-JUN11-2019 dated June 11, 2019. This establishes the obligations with which insurance companies must comply in order to manage the premiums to be collected from insurance and bond policies. The provision should be made when impairments occur as a result of increases in past-due premiums and the calculation should be made with a statistical experience of at least three years to estimate the average coefficient of premium recovery and, conversely, to determine the provision amount for premium impairment for each of the following ranges: 31 days to 60 days, 61 days to 90 days, and 91 days and over. In the event of premiums to be collected from policyholders who have been judicially declared insolvent or bankrupt, or whose domicile in the country is unknown, provisions may be made for 100%.

3.1.6 Costa Rica

Macroeconomic environment

The Costa Rican economy grew by 2.1% in real terms in 2019, compared to 2.7% the previous year, thus extending the slowdown that began in 2017 (see Chart 3.1.6-a). The slowdown in activity in 2019 was a result of reduced domestic demand coupled with the slowdown in

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 IMF data)

world trade and the fall in the international prices of the country's key agricultural products which, along with adverse weather events, led to a significant contraction in the agriculture sector.

The average inflation rate reached 2.1% in 2019 (compared to 2.2% in 2018), below the central bank's target of 3% (with a tolerance range of one percentage point either side). With inflation under control and rising unemployment as a result of the economic slowdown (11.7%, compared to 10.3% the previous year), the central bank developed an expansionary policy during the year to stimulate the economy. As such, the monetary policy's reference rate was cut seven times throughout the year from 5.25% to 2.75%.

Meanwhile, according to data published by the Central American Monetary Council, public debt amounted to 76% of GDP at the close of 2019 (65.8% in 2018) and the fiscal deficit would close the year at around 6.9%, compared to 5.8% the previous year, representing the main vulnerability of the Costa Rican economy. The fiscal reform passed at the end of the previous year, through the Law on Finance Strengthening, resulted in a slight reduction in the primary deficit. However, high debt interest has caused the total deficit to deteriorate compared to the previous year. The balance of payments current account was also loss-making, although it did improve to 2.4% of GDP, compared to 3.3% the previous year.

The ECLAC estimates a contraction in GDP of -5.5% for 2020 as a result of the economic effects of the lockdown and social distancing measures that have been implemented to tackle the COVID-19 pandemic. Similarly, in its most recent estimate, the IMF predicts that Costa Rican GDP will contract by -3.3%.

Insurance market

Growth

Premium volume in the Costa Rican insurance market amounted to 832.85 billion colones (1.42 billion US dollars) in 2019, revealing nominal growth of 7.9% and real growth of 5.7% compared to the previous year (see Table 3.1.6 and Chart 3.1.6-b). The Costa Rican insurance market grew an average of 8.0% over the last four years, since the -9.4% decline recorded in 2015, the year in which the premium-recording criteria implemented by the Instituto Nacional de Seguros (the insurance company with the highest market share) was modified in order to comply with the regulations in force. However, these modifications make it more difficult to

Table 3.1.6
Costa Rica: premium volume[1] by line, 2019

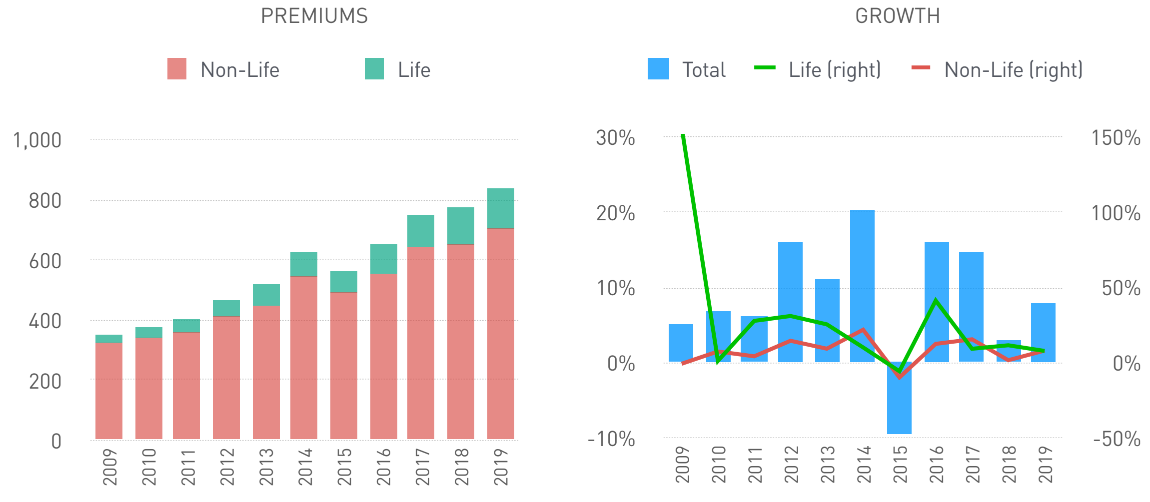
Line	Millions of colones	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**832,846**	**1,417**	**7.9**	**5.7**
Life	**133,476**	**227**	**7.7**	**5.5**
Non-Life	**699,370**	**1,190**	**7.9**	**5.7**
Automobiles	232,712	396	5.0	2.8
Fire and allied lines	92,147	157	9.1	6.9
Accident and health	129,423	220	12.9	10.6
Other lines	50,053	85	-4.9	-6.9
Transport	11,069	19	2.9	0.8
Third-party liability	17,968	31	12.7	10.3
Credit and surety	6,509	11	-3.6	-5.6
Agriculture and livestock	128	0	-45.7	-46.8
Workplace accidents	159,361	271	13.1	10.8

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

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.

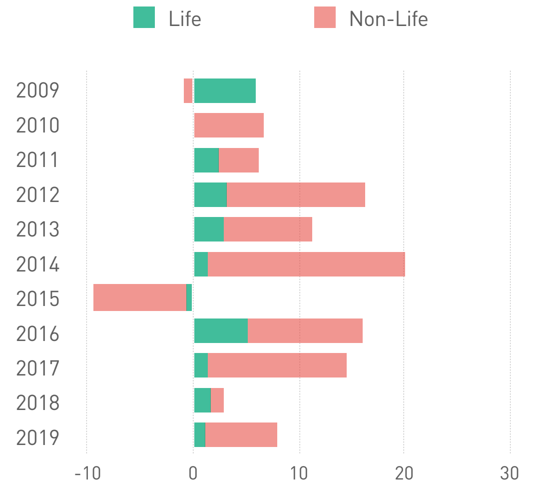
Chart 3.1.6-b shows that Life insurance premiums, which accounted for 16.0% of the total, grew by 7.7% in nominal terms in 2019 to reach 133.48 billion colones (227 million US dollars), while Non-Life premiums grew by 7.9% to 699.37 billion colones (1.19 billion US dollars). There was overall growth in the Non-Life insurance lines in 2019, except in Other Lines (-4.9%), Credit and Surety (-3.6%) and

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)

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



	Annual growth (pp)	Contribution to growth (pp) Life	Non-Life
2009	5.2	6.0	-0.8
2010	6.8	0.1	6.7
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

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

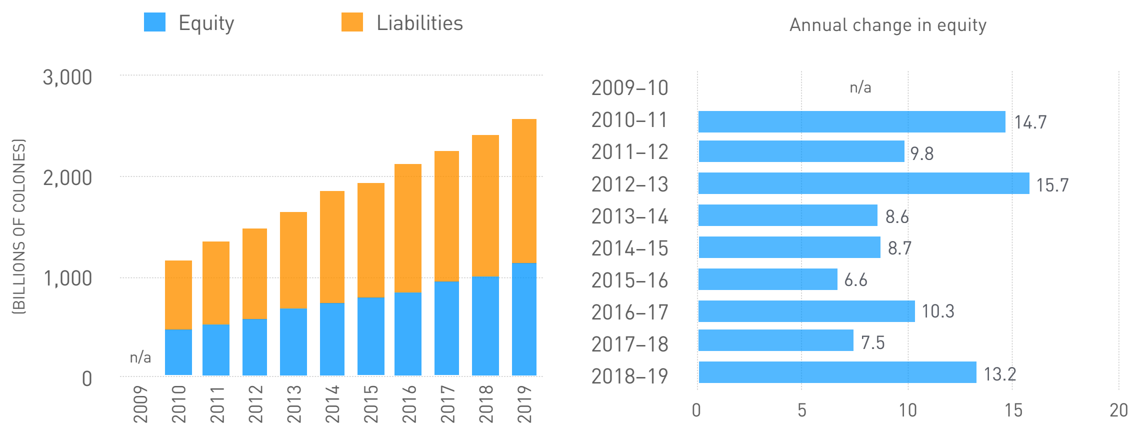
Agriculture and Livestock (-45.7%). Growth was seen in lines with more weight: Automobiles (5.0%), Accidents and Health (12.9%) and Fire (9.1%).

Thus, in contrast to 2018, the largest contribution to growth in the Costa Rican insurance industry came from the Non-Life insurance segment. This segment accounted for 6.7 pp of the industry's overall growth of 7.9 pp in 2019, whereas Life insurance contributed 1.2 pp (see Chart 3.1.6-c).

Balance sheet and shareholders' equity

Chart 3.1.6-d shows the Costa Rican insurance industry's aggregate balance sheet for the 2010–2019 period. This data shows that the industry's total assets in 2019 amounted to 2.56 trillion colones (4.48 billion dollars), while equity amounted to 1.15 trillion colones (2.01

Chart 3.1.6-d
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)

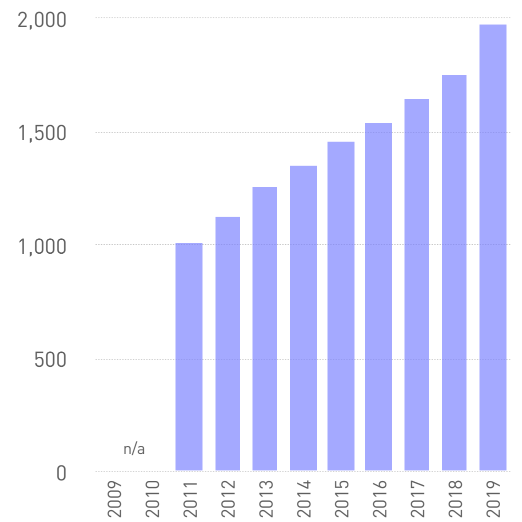
billion dollars), with growth of 13.2 pp compared to the previous year.

The Costa Rican insurance industry maintained aggregate capitalization levels (measured over total assets) of around 41% between 2010 and 2018, reaching 44.9% of total assets in 2019.

Investments

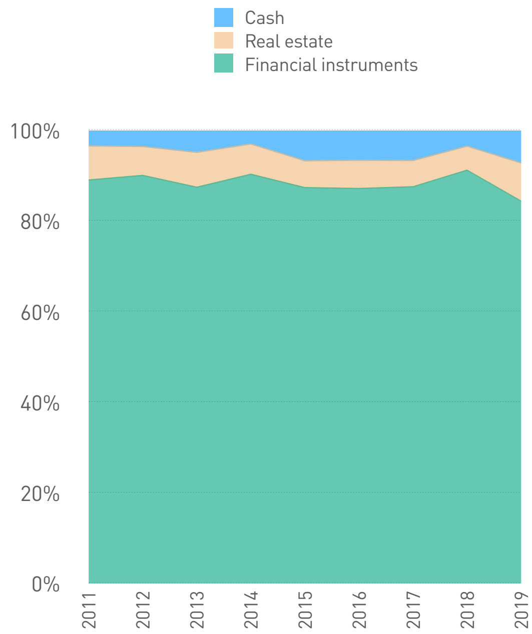
Chart 3.1.6-e shows changes in aggregate investments in the Costa Rican insurance industry, while Charts 3.1.6-f and 3.1.6-g show the composition of the aggregate investment portfolio of the insurance industry at the sector level over the 2011–2019 period and for 2019 specifically. Investment totaled 1.97 trillion colones (3.45 billion US dollars) in 2019, with 84.5% concentrated in financial instruments, 7.1% in cash and 8.4% in real estate. It can be seen that, over the 2011–2019 period, the structure of investments in the Costa Rican insurance industry shows no substantial changes, with investments in financial instruments dominating over investments in cash and real estate; though there was a slight

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



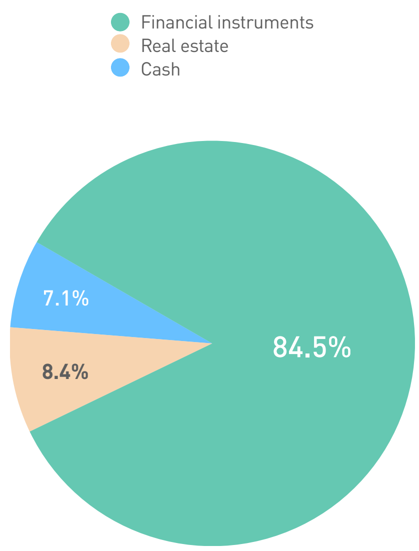
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

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



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

Chart 3.1.6-g
Costa Rica: structure of investments, 2019
(%)



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

decrease in investments in the former in favor of the latter in 2019.

Technical provisions

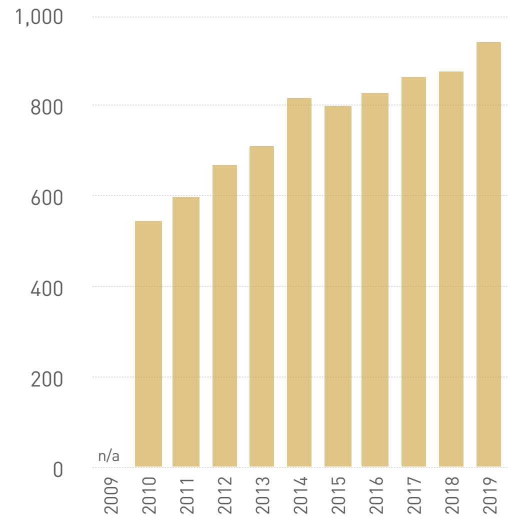
Chart 3.1.6-h shows the performance of technical provisions in the Costa Rican insurance industry over the 2010–2019 period. This data shows that technical provisions amounted to 941.2 billion colones (1.65 billion US dollars) in 2019, compared to 546.8 billion colones (1.06 billion US dollars) in 2010. It is important to note that technical provisions in the Costa Rican insurance industry saw sustained growth over the 2010–2019 period in aggregate terms.

Technical performance

Chart 3.1.6-i shows developments in the Costa Rican insurance industry's technical performance over the 2010–2019 period.

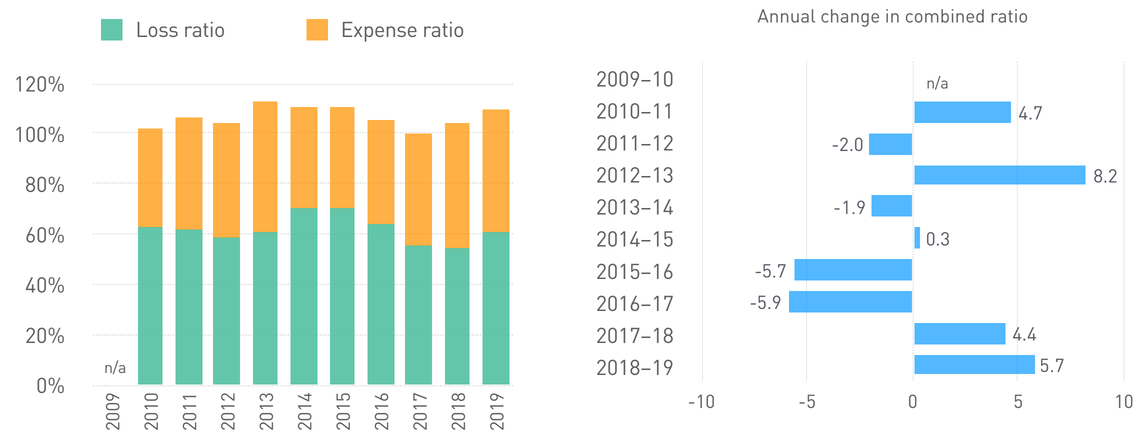
During this period, the upturn in the loss ratio in 2014 and 2019 should be noted. The loss ratio rose by 6.2 pp in 2019 to 60.9%. The expense ratio, however, fell by 0.5 pp to 48.7%. Thus, due to the upturn in the loss ratio in 2019, the combined ratio once again exceeded 100% to stand at 109.6% this year, increasing by 5.7 pp compared to the previous year.

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



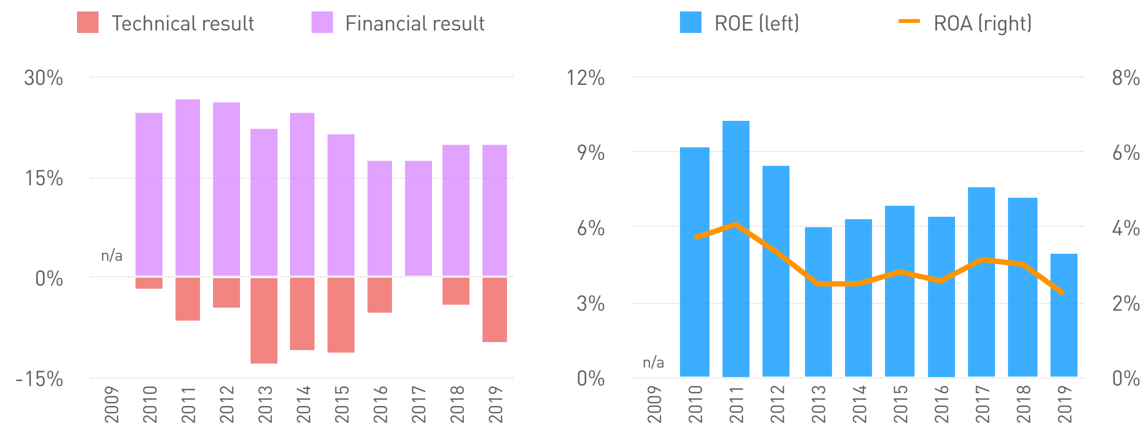
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

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



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

Chart 3.1.6-j
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)

Results and profitability

The Costa Rican insurance industry posted a net result of 56.93 billion colones in 2019 (97 million US dollars). The financial result remained very satisfactory at 19.7% of premiums, while the technical result remained in negative territory throughout the period analyzed (see Chart 3.1.6-j). In terms of profitability, the indicators showed a growing trend between 2013 and 2017, after which point it began to decline. Return on equity (ROE) stood at 5.0% in 2019, down -2.2 pp compared to 2018. The same occurred with return on assets (ROA), which reached 2.2% in 2019, down -0.8 pp from the previous year.

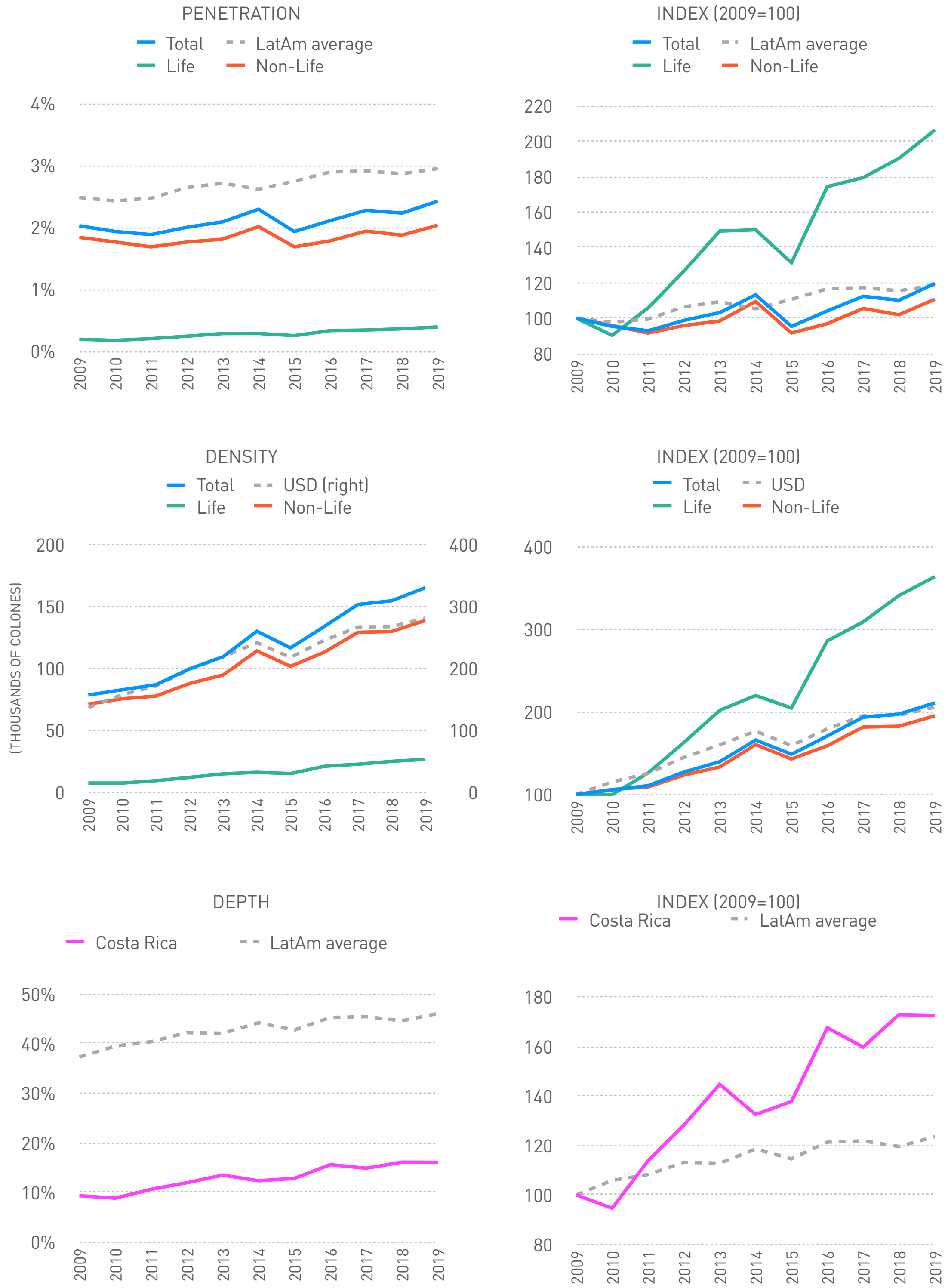
Insurance penetration, density and depth

Chart 3.1.6-k shows the main structural trends shaping the development of the Costa Rican insurance industry over the 2009–2019 period. First, the penetration index (premiums/GDP) stood at 2.4% in 2019, showing an increase of 0.4 pp over the last decade and a significant rebound from the previous year (+0.2 pp). The penetration index for the Costa Rican market maintained a growing trend, in line with the trend recorded for the Latin American insurance markets as a whole, though this was lower than the region's average absolute penetration values.

In terms of insurance density in Costa Rica (premiums per capita) the indicator reached 165,000 colones (281 US dollars), up 6.9% from 2018 (154,397 colones). Density in the Costa Rican market (measured in local currency) has generally shown a growing trend between 2009 and 2019, with the exception of 2015 when there was a 9.4% 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).

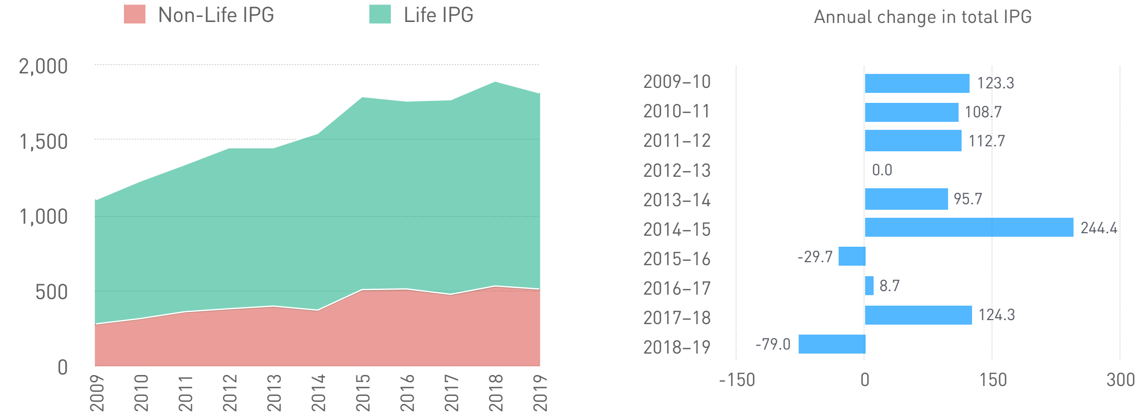
In terms of depth levels (Life insurance premiums in relation to total premiums), the respective index stood at 16.0% in 2019, 6.7 pp higher than in 2009, showing a growing trend

Chart 3.1.6-k
Costa Rica: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, colones and USD; Life premiums/total premiums, %, 2009 index=100)



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

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



Source: MAPFRE Economics

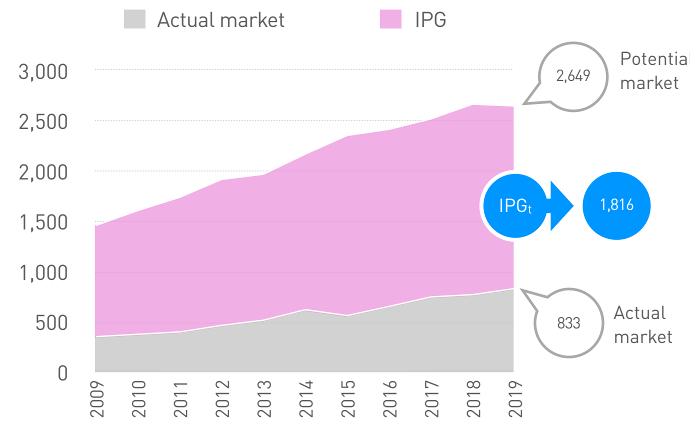
over the period under analysis, although this consistently remained below the indicator's average absolute values across Latin America.

Insurance Protection Gap estimate

Chart 3.1.6-l shows an estimate of the IPG for the Costa Rican insurance market between 2009 and 2019. This data shows that the insurance gap stood at 1.82 trillion colones in 2019 (3.1 billion US dollars). As in other Latin American markets, the structure and performance of the IPG between 2009 and 2019 are largely attributable to the Life insurance segment. Accordingly, Life insurance accounted for 71.7% of the IPG (1.3 trillion colones) at the close of 2019, down -2.8 pp from the contribution of this segment in 2009. The remaining 28.3% of the IPG is attributable to the Non-Life insurance segment (513.4 billion colones).

The potential insurance market in Costa Rica at the close of 2019 (estimated as the sum of the

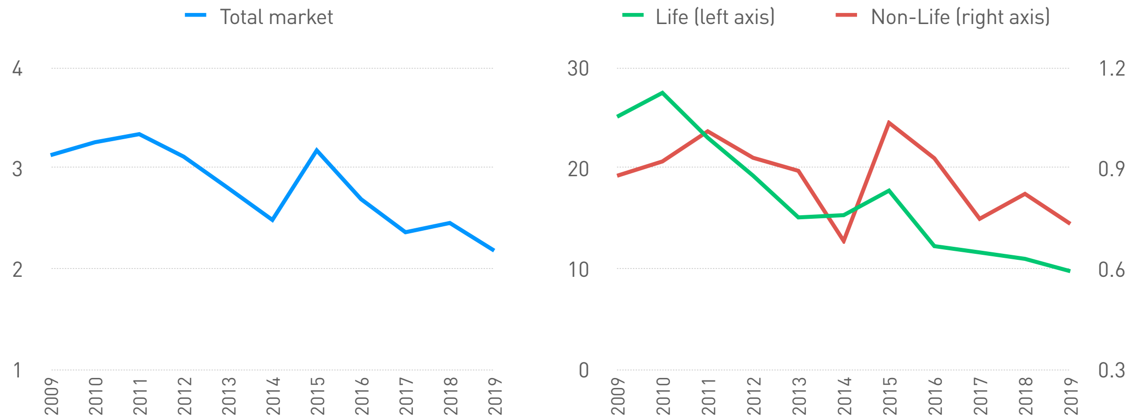
Chart 3.1.6-m
Costa Rica: Insurance Protection Gap and potential market
(billions of colones)



Variation	Actual market	IPG
2019–2009	135.4%	64.0%
2019–2018	7.9%	-4.2%

Source: MAPFRE Economics

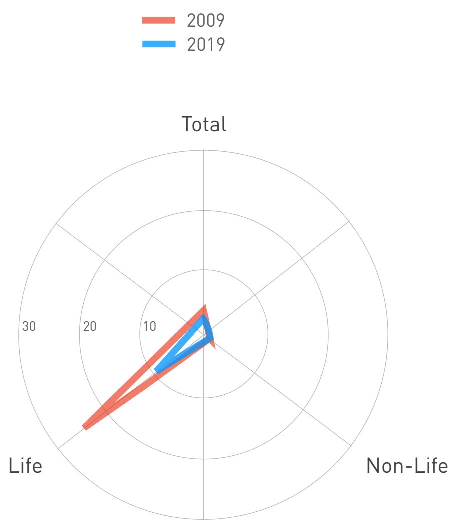
Chart 3.1.6-n
Costa Rica: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

actual market plus the insurance gap) was therefore estimated at 2.65 trillion colones (4.51 billion US dollars), 3.2 times the size of the total Costa Rican insurance market in 2019, compared to 3.5 times in 2018 (see Chart 3.1.6-m).

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



Source: MAPFRE Economics

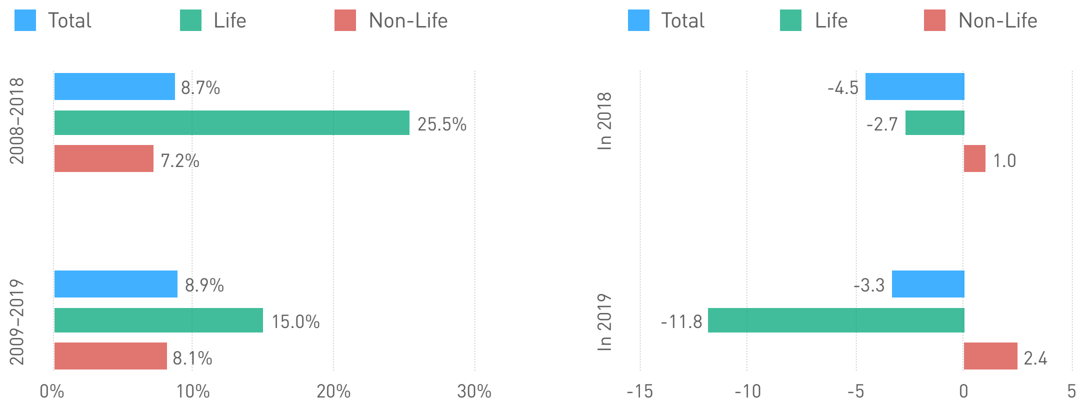
As shown in Chart 3.1.6-n, the insurance gap, measured as a multiple of the actual market, has shown a downward trend since 2015 (year of the accounting adjustment discussed above) for the Non-Life insurance segment (with the multiple falling from 0.9 to 0.7 in that period), while the IPG for the Life insurance segment also shows a downward trend over the analyzed period (falling from 25.1 to 9.8 times the actual market).

Chart 3.1.6-o summarizes the change 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 decade, comparing the situation in 2019 with that of 2009. That data shows that the Life segment has improved the most in terms of the gap.

Lastly, Chart 3.1.6-p 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 2019 over the next decade.

This analysis shows that the Costa Rican insurance market grew at an average annual rate of 8.9% over the period under analysis; the product of an annual growth rate of 15.0% in

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



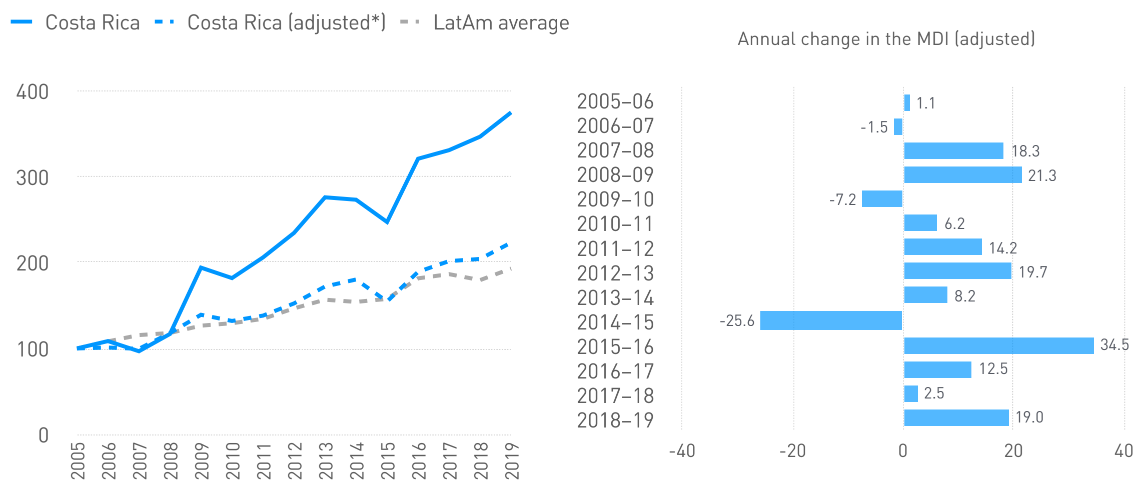
Source: MAPFRE Economics

the Life insurance segment and an average annual growth rate of 8.1% in the Non-Life insurance segment. Were the same growth rate observed over the past decade to continue over the next ten years, the growth rate of the Costa Rican insurance market would prove sufficient to close the insurance gap in the Non-Life segment (at 2.4 pp), but would prove clearly insufficient in the Life segment (at -11.8 pp). This insufficiency has increased by 9.1 pp compared to 2018.

Market Development Index (MDI)

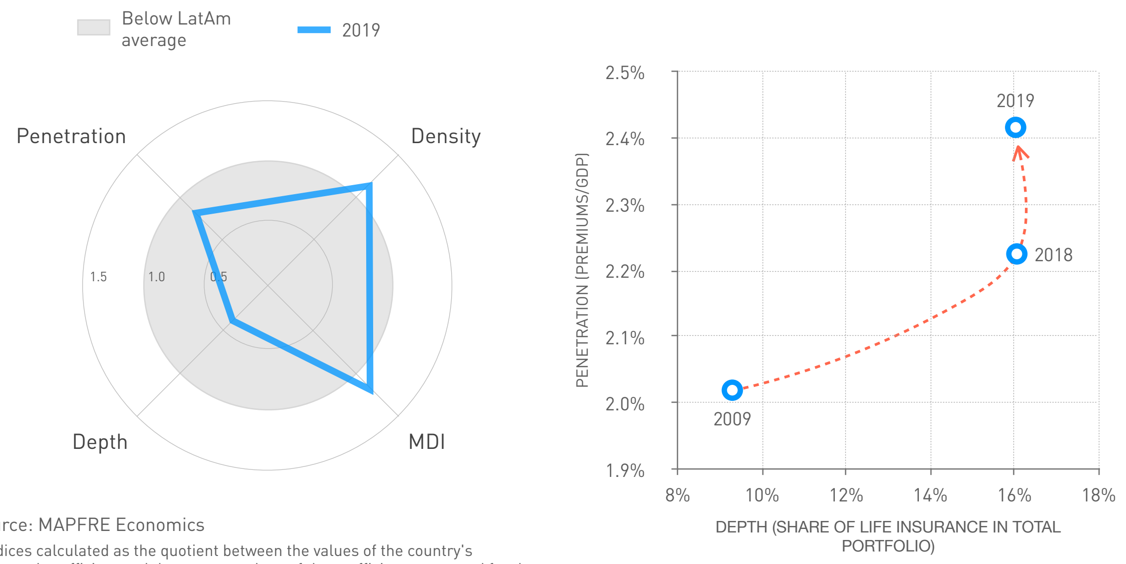
Chart 3.1.6-q shows an estimate of the Market Development Index (MDI) for the Costa Rican insurance industry. As indicated previously, the MDI is used in this report as an indicator of the general trends shaping the performance and maturity of insurance markets. In the particular case of the Costa Rican insurance industry, the MDI has shown a positive trend over the period under analysis. However, it is important to note that this trend could be overestimated

Chart 3.1.6-q
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-r
Costa Rica: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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.

considering the rapid growth of the Life insurance market, which started from a very small base in 2005. Chart 3.1.6-q therefore also shows an adjustment to eliminate this overestimation and present the underlying trend in this market's performance more accurately. By making the respective adjustment, this shows that the Costa Rican insurance market has performed in line with the average development of the region's markets, and have always performed above the regional average, except in 2015.

Joint analysis of structural coefficients

Lastly, Chart 3.1.6-r 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 terms of density and the market development index, which are actually slightly above the regional average. This relative comparison reveals the low 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.

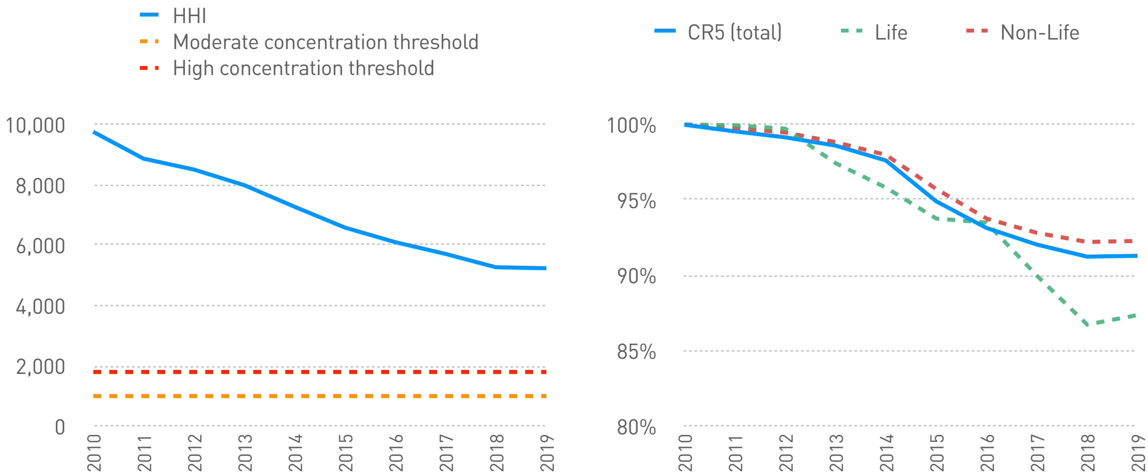
Similarly, the dispersion analysis shown in the aforementioned Chart 3.1.6-r confirms that, over the 2009–2018 period, the Costa Rican insurance industry showed balanced development characterized by increases in both penetration levels and depth levels. However, in 2019, this trend toward market development was concentrated solely in progress in penetration (driven by growth in the Non-Life segment), with the depth indicator remaining virtually unchanged.

Insurance market rankings

Total ranking

There were 13 insurance companies operating in Costa Rica in 2019, the same as the year before. As noted in previous editions of this

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



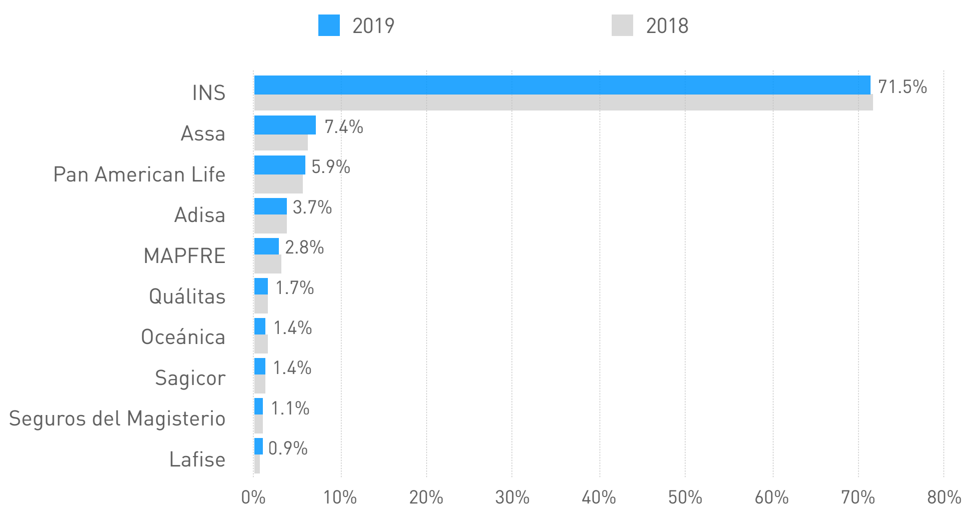
Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)

report, the market is highly concentrated and only opened up to competition in 2008, with a single company (Instituto Nacional de Seguros, or INS) accounting for the majority of all premiums.

Chart 3.1.6-s shows the Herfindahl and CR5 indices for the Costa Rican insurance industry.

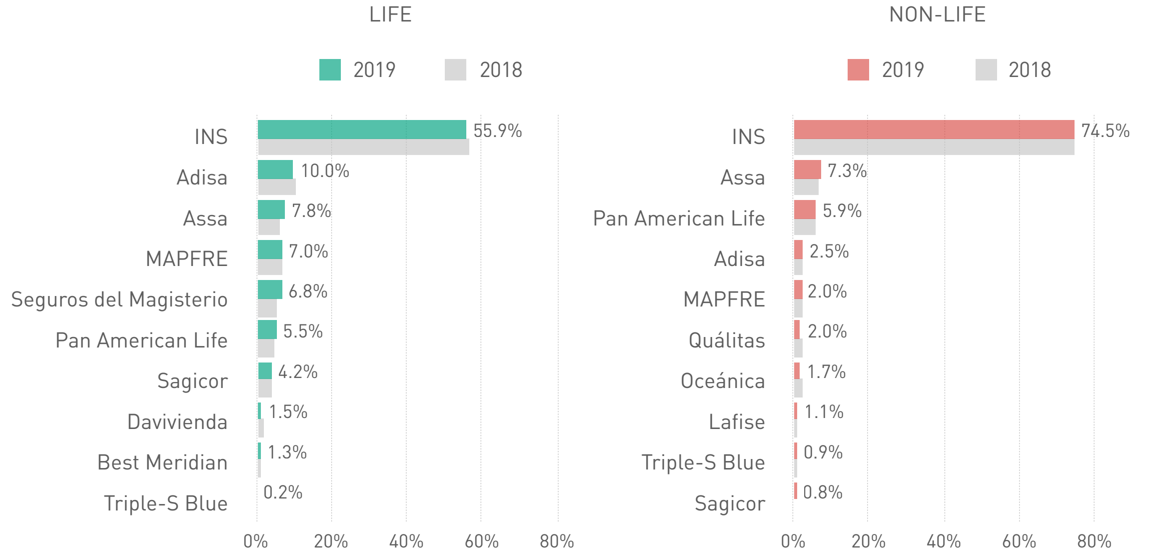
This data shows that concentration levels are well above the theoretical threshold indicative of high market concentration (even with a slight upturn in Life segment concentration in 2019), although with a declining trend that, in the medium-term, could lead to increased competition in the insurance market.

Chart 3.1.6-t
Costa Rica: total ranking
(market shares, %)



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

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



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

In terms of the total ranking in 2019, the top nine insurance groups operating in the Costa Rican market remained the same as in 2018, with no change in their relative positions. As shown in Chart 3.1.6-t, the ranking is once again topped by INS, with a market share of 71.5%, followed quite some distance behind by Assa (7.4%), Pan American Life (5.9%), Adisa (3.7%) and MAPFRE (2.8%).

Life and Non-Life rankings

The Non-Life group ranking is also topped by the INS with a market share of 74.5% (see Chart 3.1.6-u). Following some distance behind are Assa (7.3%), Pan American Life (5.9%), Adisa (2.5%) and MAPFRE (2%). Lastly, INS is also the top Life insurance company in the Costa Rican market with a market share of 55.9%, followed by Adisa (10.0%) in second place and Assa in third place (7.8%), ahead of MAPFRE in fourth place (7.0%).

Key regulatory aspects

Regarding the most relevant changes to the regulations applicable to the Costa Rican insurance industry, the following should be noted:

Amendment of laws approved by the Legislative Assembly

Several laws were passed in 2019 as a result of Costa Rica joining the Organization for Economic Cooperation and Development (OECD):

- Adoption of Law 9694. Modifies the Insurance Market Regulatory Law to establish the obligation of insurance companies to transfer 0.5% of the direct insurance premiums sold in the country to the Ministry of Finance, for the purpose of financing the *Sistema Nacional de Estadística* (SNE — National Statistics System), specifically the entity in charge of this, the *Instituto Nacional de Estadísticas y Censos* (INEC — National Institute of Statistics and Census). The strengthening of the SNE was one of the commitments included in the action plan with the OECD on the matter of statistics generation in the country.

- Adoption of Law 9736. The Law on the Strengthening of Competition Authorities improves the quality and effectiveness of the provisions contained in the Law on the Promotion of Competition and Effective

Consumer Protection, relating to the authorization of concentration processes, and creates control mechanisms to prevent mergers, sales or other concentration processes from significantly affecting market competition. While this standard is of general application, it is relevant to the insurance market as it also applies to portfolio and property concentrations.

- Adoption of Law 9768. Modifies the Organic Law of the Central Bank of Costa Rica to extend the scope of competence of financial supervisors, in order to achieve effective consolidated supervision; these provisions apply to financial groups in which an insurance company or intermediary has a stake. The law was passed by the Legislative Assembly on October 16, 2019 and enacted on November 4, 2019.

- Adoption of Law 9746. Amends the Stock Market Regulatory Law to incorporate the companies included in its scope of supervision in the financing scheme of the General Superintendency of Insurance. Prior to the issuing of this law, insurance market companies did not contribute to the financing of supervision, unlike the other financial institutions. With this law, those supervised in the insurance industry will contribute to the supervisor's financing, which will be done gradually until the industry's contribution reaches 50%; the Central Bank of Costa Rica would continue to cover the remainder of the budget. The law was passed by the Legislative Assembly on September 17, 2019 and enacted on October 22, 2019.

It should be noted that regulatory developments will be required in order for these changes to be effective; said developments are currently in progress and are regularly monitored by the *Consejo Nacional de Supervisión del Sistema Financiero* (CONASSIF — National Financial System Supervisory Council).

Similarly, the amendment of the Stock Market Regulatory Law made it possible to move forward in closing the existing regulatory gap in supervisor protections, in relation to those established on the basic principles of supervision. The new framework ensures legal assistance to supervisors and regulators, for activities carried out in the exercise of their duties, even when they have ceased their duties.

Regulatory framework approved by CONASSIF

The adoption of the Regulations on Financial Reporting in 2018, effective from January 1, 2020, made 2019 a year of transition toward implementing the new accounting regulations and adjustments to the prudential rules governing the operation of the financial system in Costa Rica. In addition to regulatory reforms, several reforms were required in agreements issued by the General Superintendent of Insurance regarding the submission of information under the new accounting scheme of the Regulations on Financial Reporting, the calculation of the solvency model and the recording of insurance operations.

Moreover, the adoption of the Law on Strengthening Public Finance in the last quarter of 2018 led to a number of changes in prudential rules and in the Regulations on Financial Reporting, which had to be addressed during 2019.

With regard to other specific insurance market regulations, the *Superintendencia General de Seguros* (SUGESE — General Superintendency of Insurance) encouraged the approval of minor reforms to the Regulations on the solvency of insurance companies and made progress in draft regulations that, although not finalized during that year, saw significant development. Thus, the Regulations on the submission of regular reports and the disclosure of relevant facts for companies supervised by SUGESE and the Regulations on self-issuable insurance were submitted to the market for consultation. Progress was also made in the comprehensive reform of the Regulations on the operating authorizations, registrations and requirements for companies supervised by SUGESE.

The following is a list of the draft legislation finalized during 2019:

- Reform of the Regulations on External Audits. This eliminates the requirement for information technology auditors to be members of the *Colegio de Profesionales en Informática y Computación* (Association of Information Technology and Computing Professionals). The reform is based on the fact that practicing this profession in the country does not require membership in a professional association and that there are other professionals who possess a CISA certification to prove that they are capable of conducting the specialized audits required in the General Regulations on Information Technology Management.

- Reform of the Regulations on financial reporting. Amends paragraphs three and four of Article 12 of said regulation, "IAS 21 — The Effects of Changes in Foreign Exchange Rates" and paragraph two of Article 32 "Financial statements of foreign companies forming part of financial groups and conglomerates and of foreign companies owning an insurance company authorized under the branch modality," for the purpose of converting foreign currency operations to colones using the reference selling exchange rate of the Central Bank of Costa Rica, rather than the buying rate. This amendment was the result of a new provision in the Law on Strengthening Public Finance.

- Reform of the Regulations on financial reporting. Amends Annexes 1 and 3 of these Regulations, for the purpose of incorporating the items, sub-accounts and analytical accounts to record input and deductible value added tax (VAT), as a result of the approval of the Law on Strengthening Public Finance, as well as to record the impairment of investments classified at fair value with changes in Other Comprehensive Income.

- General agreement to maintain the consistency of prudential rules with the Regulations on Financial Reporting in force as of January 1, 2020 and the Law on Strengthening Public Finance. The entry into force of the Regulations on Financial Reporting on January 1, 2020 led to a number of minor changes in the prudential regulations of superintendencies, which were approved by CONASSIF in April 2019. For the companies supervised by SUGESE, the change consisted of replacing the reference to the Accounting Regulations approved by CONASSIF with the Regulations on Financial Reporting.

- Reform of the Regulations on Financial Reporting. Modifies Annex 2 of the Regulations (Chart of Accounts for Companies Supervised by SUGESE) to add the sub-accounts and analytical accounts to record the amounts collected by the insurance companies, so that a contribution of 0.5% of the premiums of all insurance sold in the country, imposed by law, goes toward financing the Instituto Nacional de Estadística y Censos (National Statistics and Census Institute).

Agreements of the General Superintendent of Insurance

As part of the powers granted to the Superintendent by the Insurance Market Regulatory Law, in order to achieve an orderly, stable and efficient market, the main agreements issued during 2019 were as follows:

- Agreement SGS-A-065-2019 of January 14, 2019 — Affidavit of the compliance officer for the registration of insurance products. This agreement amends Article 7 of Agreement SGS-DES-A041-2014 (General guidelines for the registration of insurance products by insurance companies) to expand the content of the affidavit of the compliance officer for the registration of products, under the terms set out in Agreement SGS-A-0063-2018 (SUGESE differentiated guidelines regarding Regulations for compliance with Law No. 8204), specifically on the determination of due diligence measures in terms of compliance with the provisions on money laundering and financing of terrorism.

- Agreement SGS-A-066-2019 of September 16, 2019. Reforms to superintendent agreements for the implementation of the

Regulations on Financial Reporting effective from January 1, 2020. This agreement originates in the issuance of the Regulations on Financial Reporting in 2018, and three Superintendent agreements were amended. In detail, the agreement amends Articles 2 and 3 of Agreement SGS-DES-A-029-2013 (General guidelines for the application of the Regulations on the solvency of insurance and reinsurance companies) and Articles 1 and 2 of Agreement SGS-DES-A-028-2013 (Accounting guidelines for insurance and reinsurance activities) for the purpose of adapting them to the accounting structure imposed by the Regulations. It also adds Article 3bis to Agreement SGS-DES-A-021-2013 (Provisions for the submission of accounting and statistical information to the General Superintendency of Insurance by supervised companies), for the purposes of incorporating the provisions stipulated in the accounting regulations with regard to the submission of audited and interim financial statements by companies supervised by the SUGESE. It also amends Article 9 of the Agreement to refer the correction of financial or accounting information to the provisions of the Regulations on Financial Reporting. Lastly, Annexes 4, 5 and 11 of this agreement are amended to align the information submission models with the new accounting structure provided for in the Regulations on Financial Reporting.

- Agreement SGS-A-068-2019 of December 3, 2019 — Regulatory interest rate. The Agreement amends Chapter IV, Article 24 of Agreement SGS-A029-2013 (General guidelines for the application of the regulations on the solvency of insurance and reinsurance companies), to establish a new methodology for calculating the technical interest rate in colones for the calculation of the mathematical provision for long-term insurance. This methodology reduces the volatility of the technical provisions required for such insurance and uses a discount rate curve rather than a single rate.

- Agreement SGS-A-069-2019 of December 19, 2019 — Amends Agreement SGS-DES-A-021-2013 (Provisions for the submission of financial-accounting and statistical information to SUGESE by supervised companies). The agreement regulates the monthly submission of information corresponding to insurance companies' obligatory contribution to the financing of the Instituto Nacional de Estadística y Censos (INEC — National Statistics and Census Institute); it also modifies the detailed information associated with the value added tax (VAT).

3.1.7 Panama

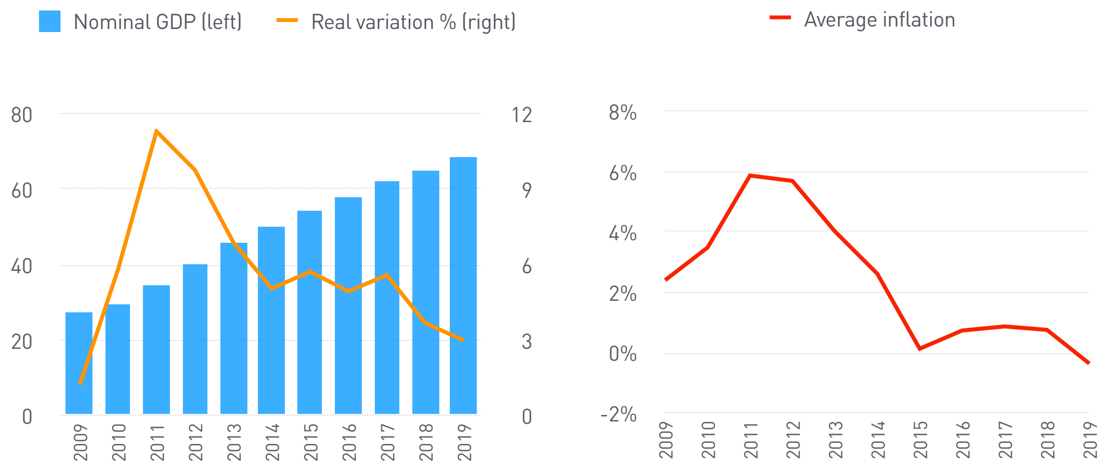
Macroeconomic environment

Throughout 2019, the Panamanian economy continued on the downward trend of recent years, with growth of 3.0% in real terms, compared to 3.7% in the previous year and 5.6% in 2017 (see Chart 3.1.7-a). This lower growth is due to a widespread loss of dynamism in the main sectors of the country's economy. The average inflation rate was -0.4% in 2019, down from 0.8% in the previous year, while unemployment stood at 7% (6% in 2018).

According to data published by the Central American Monetary Council, Panamanian public debt amounted to 46.4% of GDP at the close of 2019 (39.4% in 2018), and the fiscal deficit would close the year at around 3.8%, compared to 2.8% the previous year. In light of the fiscal deterioration, the new government (elected on July 1, 2019) took a series of measures to contain public spending by around 1.5 billion US dollars, of which around one-third corresponds to reduced operating costs and two-thirds to reduced investments. A tax amnesty period was also established until February 2020. The balance of payments current account fell to 5.2% of GDP in 2019 (8.2% in 2018).

The ECLAC estimates that the Panamanian economy will contract by -6.5% in 2020 as a result of the economic effects of the COVID-19 pandemic. According to its April forecasts, the IMF predicts that the contraction estimated for 2020 would be -2.1%.

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, %)



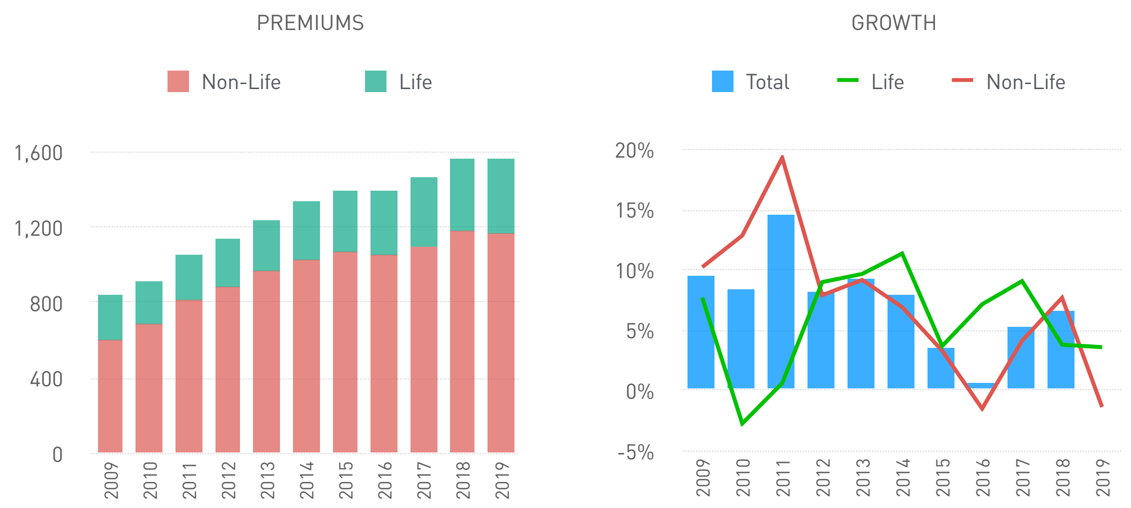
Source: MAPFRE Economics (based on IMF data)

Insurance market

Growth

Premium volume in the Panamanian insurance market amounted to 1.57 billion balboas (exchange rate pegged to the US dollar) in 2019. As shown in Table 3.1.7 and Chart 3.1.7-b, nominal growth in 2019 was -0.1%, which represents real growth of 0.2% compared to the previous year (due to the effect of the deflation recorded). It should be noted that the stagnation in market growth occurred as a result of poor performance in the Non-Life line.

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)

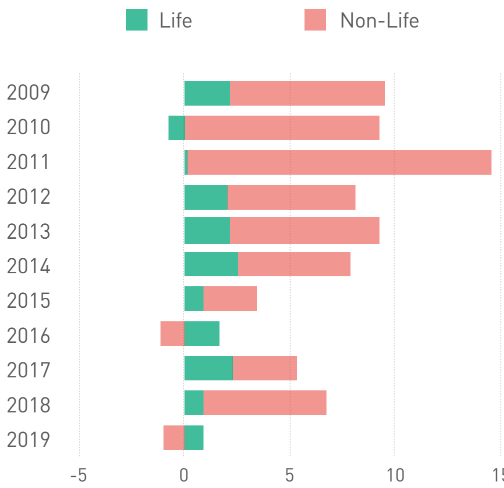
Table 3.1.7
Panama: premium volume[1] by line, 2019

Line	Millions of balboas (= USD)	Growth	
		Nominal (%)	Real (%)
Total	**1,568**	**-0.1**	**0.2**
Life	**406**	**3.6**	**4.0**
Non-Life	**1,162**	**-1.3**	**-1.0**
Automobiles	314	-2.4	-2.0
Health	322	1.3	1.7
Other lines	102	8.6	9.0
Surety	110	-14.2	-13.9
Fire and allied lines	153	5.1	5.4
Third-party liability	47	-7.9	-7.6
Transport	51	11.7	12.1
Technical risks	26	-33.4	-33.2
Personal accidents	31	7.8	8.2
Multirisk	8	-2.2	-1.9

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

Meanwhile, Life insurance premiums, which account for 26.0% of the total Panamanian insurance market, grew by 3.6% in 2019 (4.0% in real terms) to 406 million balboas. For their part, Non-Life insurance premiums (74.0% of the portfolio) fell by -1.3% (-1.0% in real terms) to 1.16 billion balboas. It should be noted that 2019 is the first year in which the Automobile line is not the most significant line in the Panamanian market. This year, the Health line is the most significant line with 322 million balboas in premiums, continuing with its good

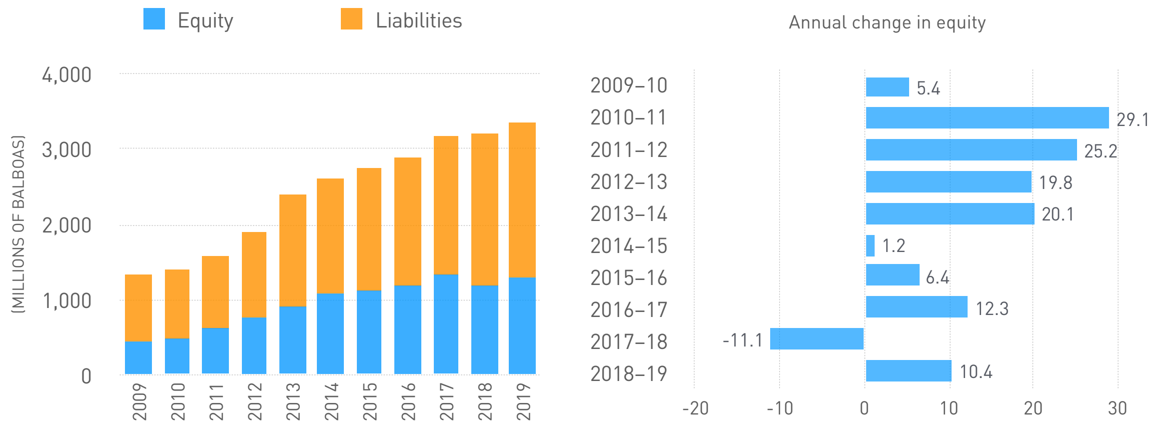
Chart 3.1.7-c
Panama: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	9.5	2.2	7.3
2010	8.5	-0.8	9.2
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

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

Chart 3.1.7-d
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)

performance and also showing a high degree of potential penetration. This line grew by 1.3% in nominal terms and by 1.7% in real terms in 2019, while the Automobile line fell by -2.4% in nominal terms (-2.0% in real terms), which partly explains the real decline in the industry as a whole. Performance has been mixed for the rest of the lines: Lines such as Surety (-14.2%), Third-Party Liability (-7.9%), Technical Risks (-33.4%) and Multirisk (-2.2%) have decreased, while other insurance lines such as Fire (5.1%), Transport (11.7%) and Personal Accidents (7.8%), to name a few, have increased.

As such, of the nominal decrease of -0.1% recorded by the Panamanian insurance market in 2019, 0.9 pp were contributed by the Life insurance segment, while the Non-Life segment made a negative contribution of -1.0 pp (see Chart 3.1.7-c).

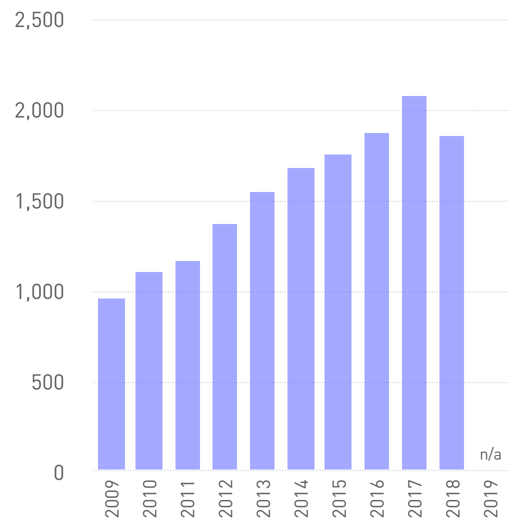
Balance sheet and shareholders' equity

Chart 3.1.7-d shows the aggregate balance sheet of the Panamanian insurance industry over the 2009–2019 period. This data shows that total assets amounted to 3.34 billion balboas in 2019, while equity for the same year came to 1.29 billion balboas (10.4 pp higher than the previous year). The aggregate capitalization level in the Panamanian insurance industry (measured on total assets) is notable. After stagnating at around 34% between 2008 and 2011, it then began to grow steadily and reach levels of around 40%, a figure slightly higher than the 38.8% of total assets for 2019.

Investments

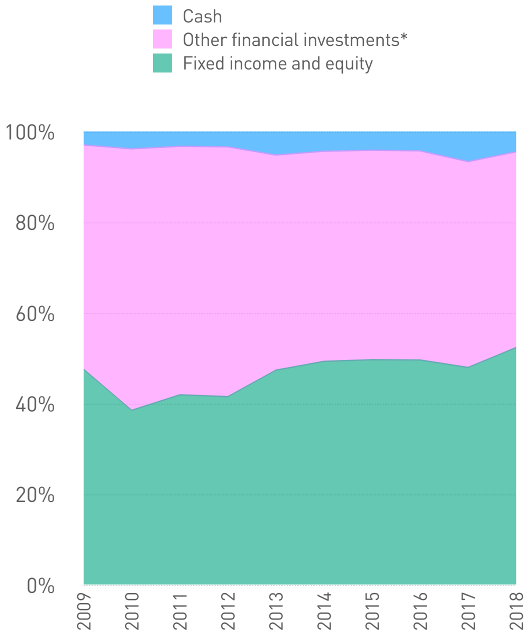
No statistical data is available on the closing date of this report in terms of financial

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



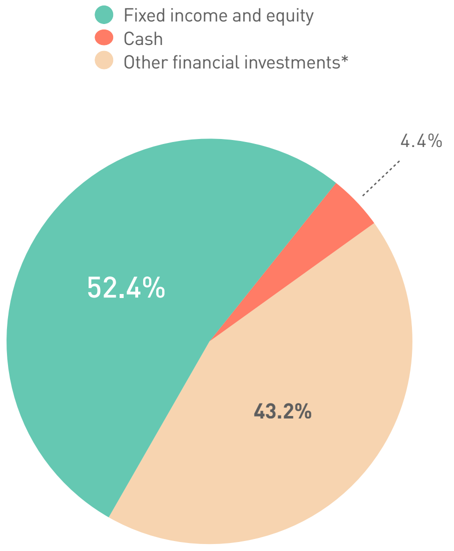
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

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



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

Chart 3.1.7-g
Panama: structure of investments, 2018*
(%)



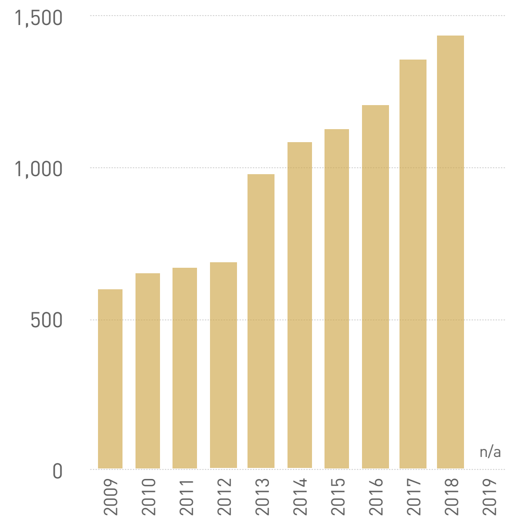
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
*Includes bank deposits
*Latest available data

investments and their corresponding breakdowns for the 2019 fiscal year. However, for the sole purpose of showing the main trends in the Panamanian insurance market in recent years, Charts 3.1.7-e, 3.1.7-f and 3.1.7-g show the structure and performance of aggregate investments at the sectoral level for the 2009–2018 period, highlighting the relative importance of fixed income and equity investments which, in the latter year, accounted for 52.4% of total investments in the country's insurance industry.

Technical provisions

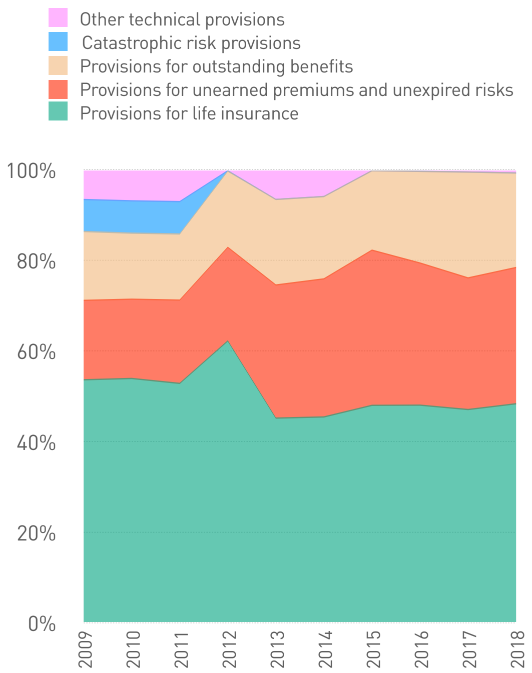
Likewise, no data is available on the closing date of this report in terms of technical provisions and their corresponding breakdowns for the 2019 fiscal year. However, for the sole purpose of showing the main trends in the Panamanian insurance market in recent years, Charts 3.1.7-h, 3.1.7-i and 3.1.7.-j include information on the structure and performance of the technical provisions of the Panamanian industry over the 2009–2018 period. In this case, the share of technical provisions

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



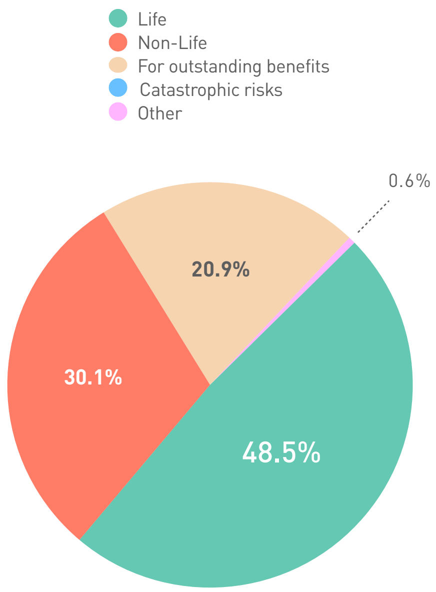
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

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



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

Chart 3.1.7-j
Panama: structure of technical provisions, 2018*
(%)



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

associated with Life insurance is notable and accounted for 48.5% of the industry's total technical provisions in 2018.

Technical performance

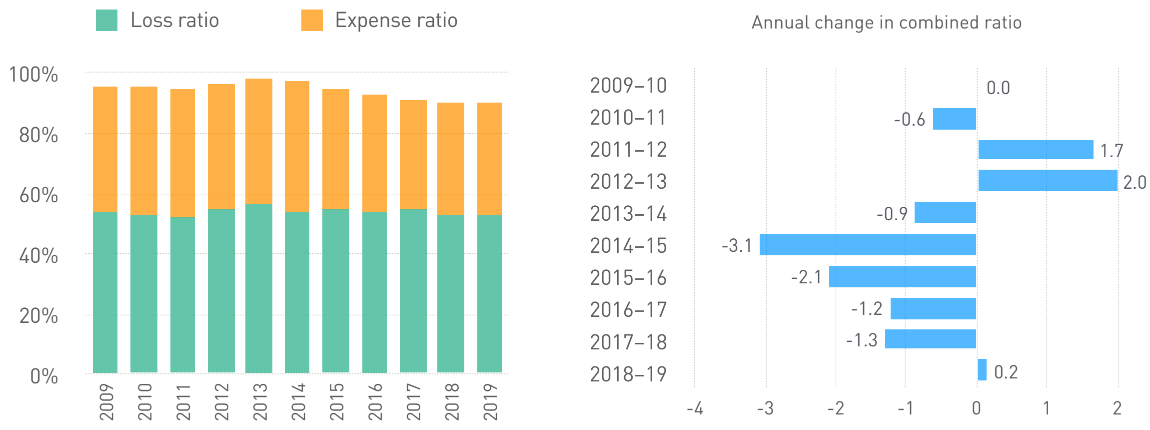
The aggregate combined ratio of the Panamanian insurance industry increased by 0.2 pp in 2019 to 90.1%. This indicator's improving trend of the last five years was therefore interrupted, though it still stood below 100%. The relative deterioration of the Panamanian market's combined ratio is mainly due to the increase in expenditure in relation to premiums, which stood at 37.2% (36.7% in 2018), 0.5 pp higher than the previous year. The loss ratio, however, improved by 0.3 pp compared to 2018, accounting for 52.9% of premiums, thus showing a decreasing trend over the last few years of the period analyzed, though this is insufficient to offset the increase in expenditure (see Chart 3.1.7-k).

Results and profitability

The financial result of the Panamanian insurance industry in 2019 was 104.2 million balboas, while the industry's technical result amounted to 102.1 million balboas. It should be noted that the technical result in 2019 was 17.9% higher than in 2017 and 3% higher than in 2018.

In terms of profitability, indicators have shown a growing trend from 2014 onward. In 2019, return on equity (ROE) stood at 15.2%, up 3.2 pp compared to 2018. Return on assets (ROA) performed similarly, reaching 5.9% in 2019, up 1.5 pp from the previous year (see Chart 3.1.7-l).

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



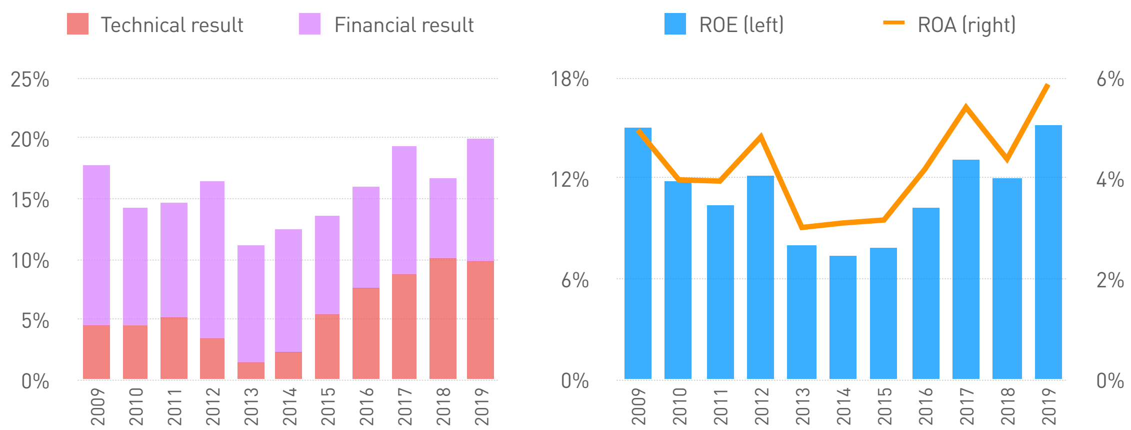
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Insurance penetration, density and depth

Chart 3.1.7-m shows the main structural trends shaping the development of the Panamanian insurance industry over the 2009–2019 period. The penetration index (premiums/GDP) in 2019 stood at 2.3%, -0.1 pp lower than in 2018 and -0.8 pp lower than in 2009 (3.1%). The aforementioned chart shows that the penetration index of the Panamanian market has followed a decreasing trend over the last decade. This trend has diverged from the average recorded by the Latin American insurance market as a whole, performing positively compared to said average only until 2014.

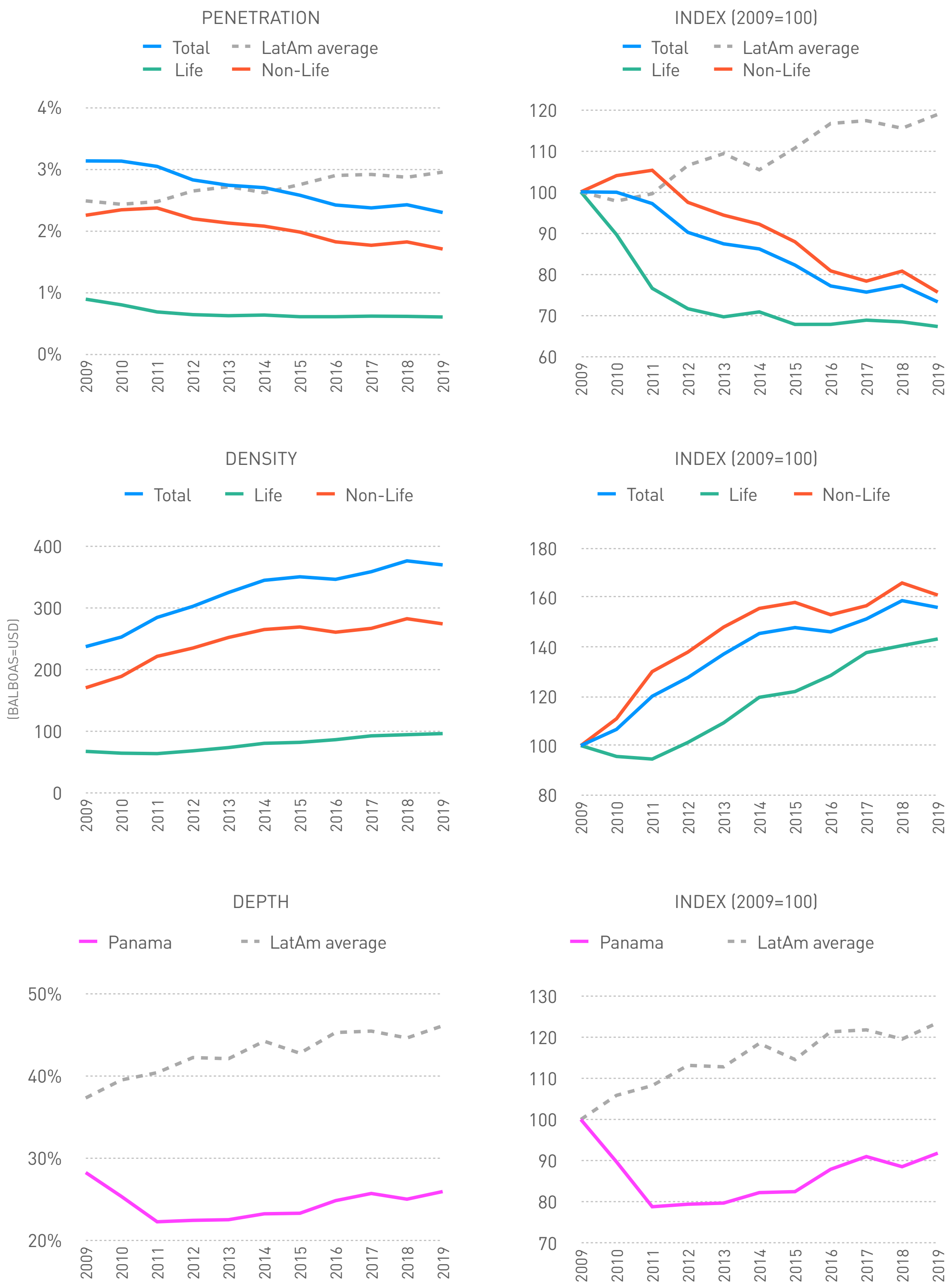
Insurance density in Panama (premiums per capita) amounted to 369 balboas (on par with the US dollar), representing a decrease of

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



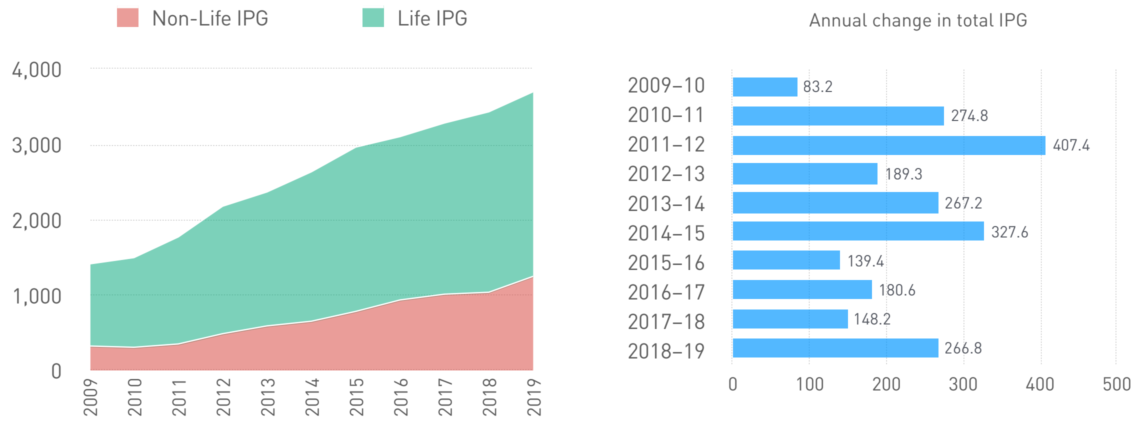
Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)

Chart 3.1.7-m
Panama: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, balboas; Life premiums/total premiums, %, 2009 index=100)



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

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



Source: MAPFRE Economics

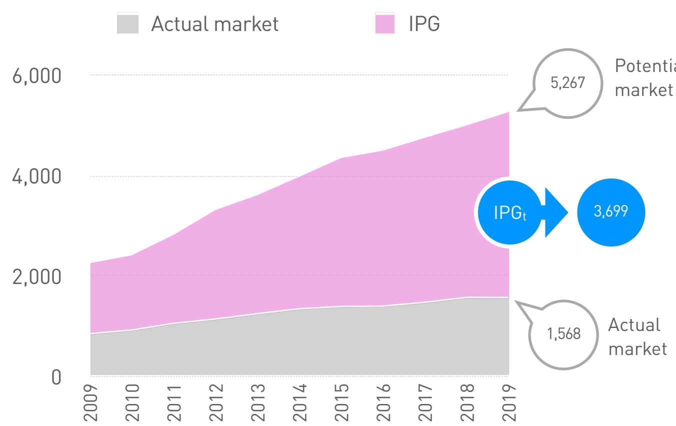
-1.7% compared to previous year (376 balboas). In contrast to the penetration rate, density has been following an upward trend, with a cumulative increase of 56.0% between 2009 and 2019, higher than the average of 248.4 US dollars for Latin America.

With regard to the depth levels in the Panamanian market (measured as the ratio between Life insurance premiums and total premiums), the rate in 2019 stood at 25.9%, showing a cumulative reduction of -2.3 pp between 2009 and 2019. This shows a clearly divergent trend from the average of the Latin American insurance market as a whole until 2011, at which point the trend reverses and begins to grow.

Insurance Protection Gap estimate

Chart 3.1.7-n shows an estimate of the IPG for the Panamanian insurance market between 2009 and 2019. This data shows that the

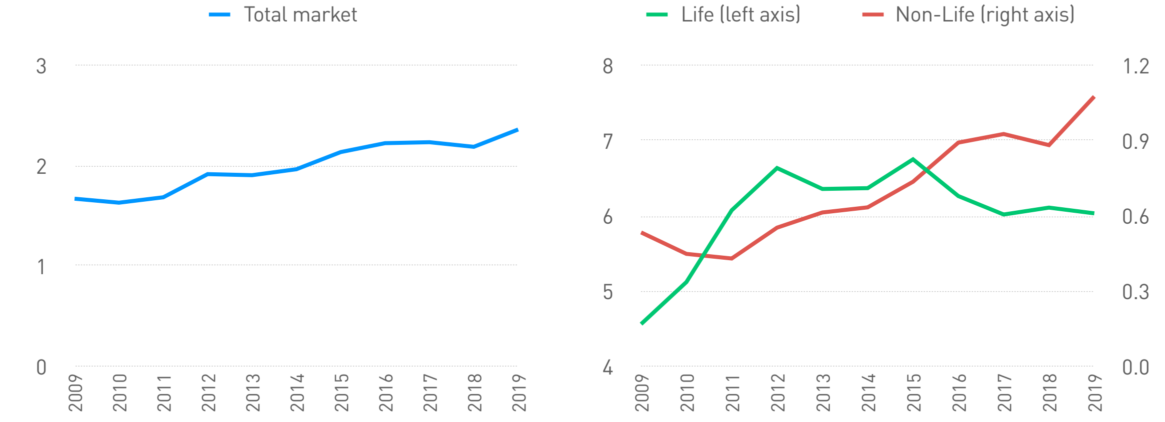
Chart 3.1.7-o
Panama: Insurance Protection Gap and potential market
(millions of balboas)



Variation	Actual market	IPG
2019–2009	85.1%	161.5%
2019–2018	-0.1%	7.8%

Source: MAPFRE Economics

Chart 3.1.7-p
Panama: IPG as a multiple of the actual market
(number of times, actual insurance market)



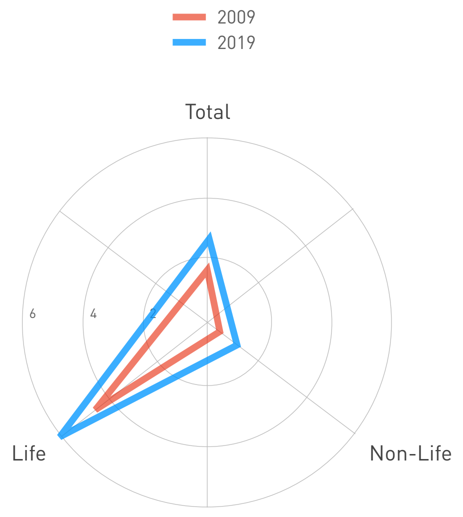
Source: MAPFRE Economics

insurance gap in 2019 stood at 3.7 billion balboas, 2.4 times the size of the actual insurance market in Panama that year.

The structure and performance of the IPG between 2009 and 2019 (as for most Latin American insurance markets) show a dominance of the Life insurance segment. At the close of 2019, 66.2% of the IPG (69.8% in 2018) related to Life insurance (2.45 billion balboas), meaning that the share of this segment fell by -11 pp compared to 2009 and by -3.5 pp compared to the previous year. The remaining 33.8% of the IPG is attributable to the Non-Life insurance segment (1.25 billion balboas). The potential insurance market in Panama at the close of 2019 (the sum of the actual market plus the IPG) was therefore estimated at 5.27 billion balboas, 3.4 times the size of the total insurance market that year (see Chart 3.1.7-o).

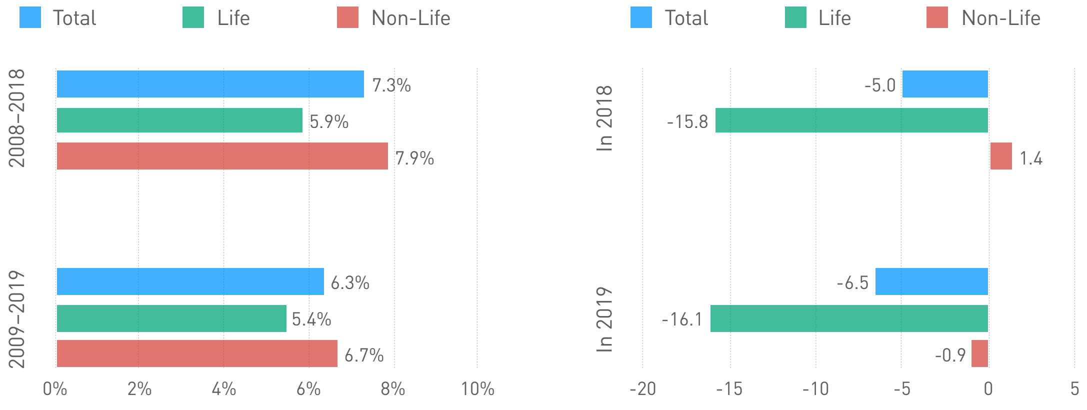
Chart 3.1.7-p shows an estimate of the insurance gap as a multiple of the actual insurance market in Panama. The IPG as a multiple of the total insurance market shows a flat trend until 2011, after which it begins to grow until 2019. The indicator shows mixed performance in the Life and Non-Life lines during the period between 2009 and 2011, with the former growing in terms of performance and the latter decreasing, leading to the aforementioned flat trend. From that moment on, and until 2015, the indicator grew somewhat harmoniously for both lines; however, over the last four years, the indicator

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



Source: MAPFRE Economics

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



Source: MAPFRE Economics

for the Life line decreased and the indicator for the Non-Life line stagnated with a slight rebound in 2019. It should be noted that this trend in insurance gap performance in relation to the actual market differs from the trend generally shown by Latin American insurance markets, which shows a gradual reduction in this indicator.

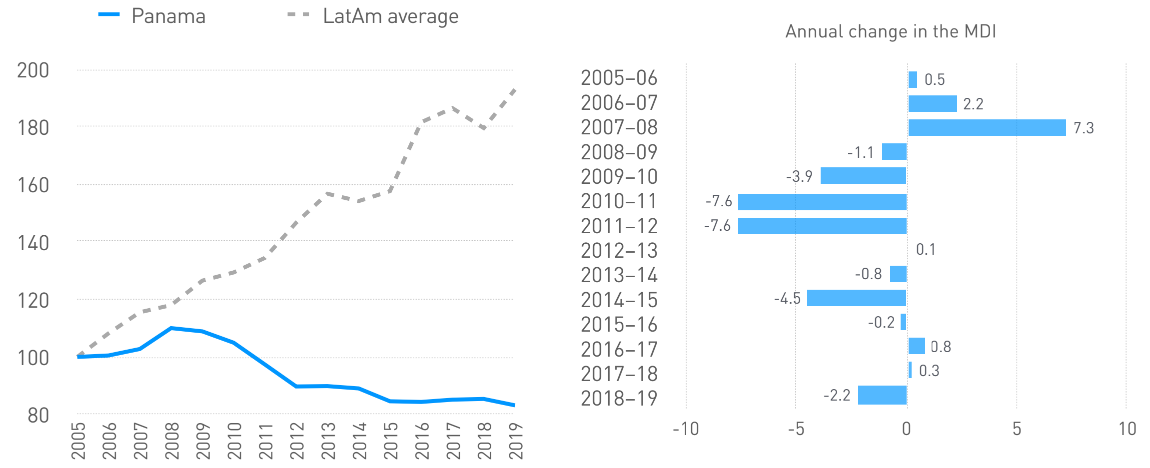
This situation is confirmed when analyzing Chart 3.1.7-q, which shows the change in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Panamanian insurance market over the last decade. This chart shows that the IPG as a multiple of the actual market experienced growth in both lines of business between 2009 and 2019, meaning that the situation has worsened in terms of the gap.

Chart 3.1.7-r 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 2019 over the next decade. As such, the Panamanian insurance market grew at an average annual rate of 6.3%, underpinned by an average annual growth rate of 5.4% in the Life insurance segment and average annual growth rate of 6.7% 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 -0.9 pp short of achieving this objective in the Non-Life insurance segment, while it would fall -16.1 pp short in the Life insurance segment. It should also be noted that the indicator in the Non-Life segment fell from the sufficient value obtained in 2018 to the aforementioned insufficient value recorded in 2019.

Market Development Index (MDI)

Chart 3.1.7-s shows an estimate of the Market Development Index (MDI) for the Panamanian insurance industry between 2005 and 2019. The indicator fell by -2.2 points in 2019 compared to the previous period, losing the little ground it gained in 2016–2017. 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. For the Panamanian insurance market, the indicator followed 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. This

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



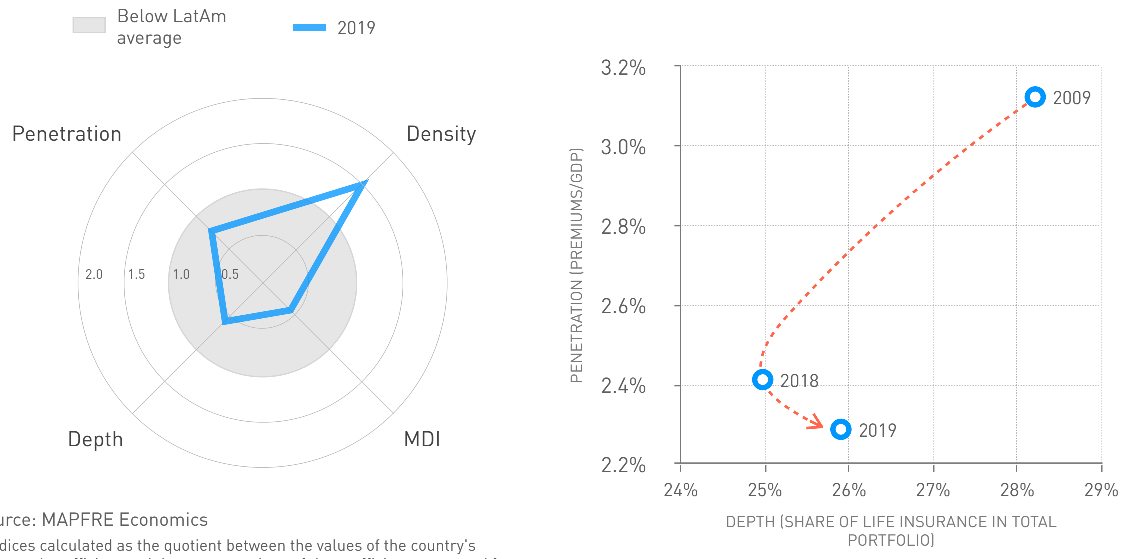
Source: MAPFRE Economics

year, it recorded the greatest differential in the entire period under study (-109.8%), compared to the average MDI in Latin America (192.94).

Joint analysis of structural coefficients

Lastly, Chart 3.1.7-t 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 regard, the Panamanian market remains below the average for all Latin American insurance markets in relation to three of the four structural indicators analyzed (penetration, depth and MDI), with the density index being the only exception.

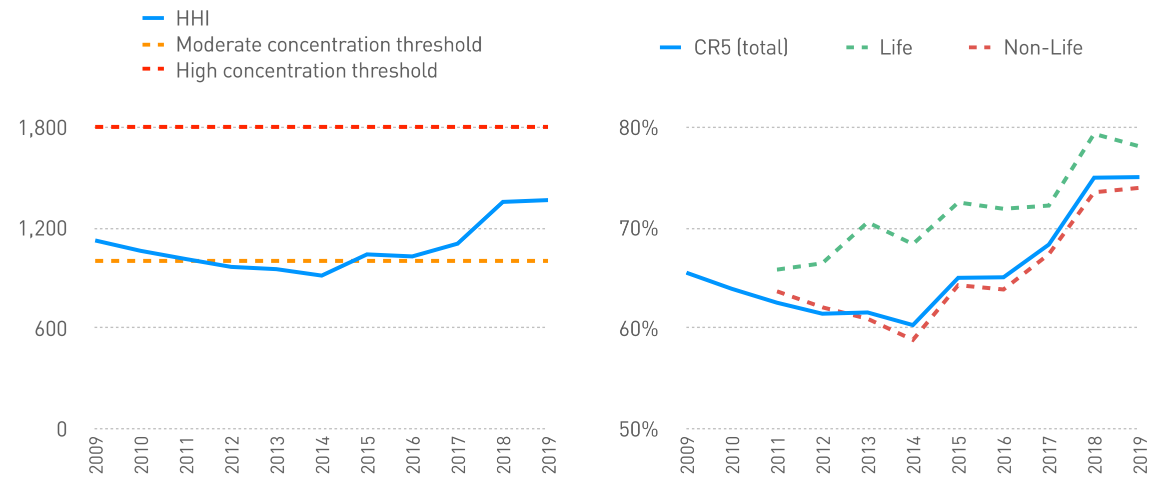
Chart 3.1.7-t
Panama: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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 3.1.7-u
Panama: insurance industry concentration
(Herfindahl index; CR5 index, %)



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

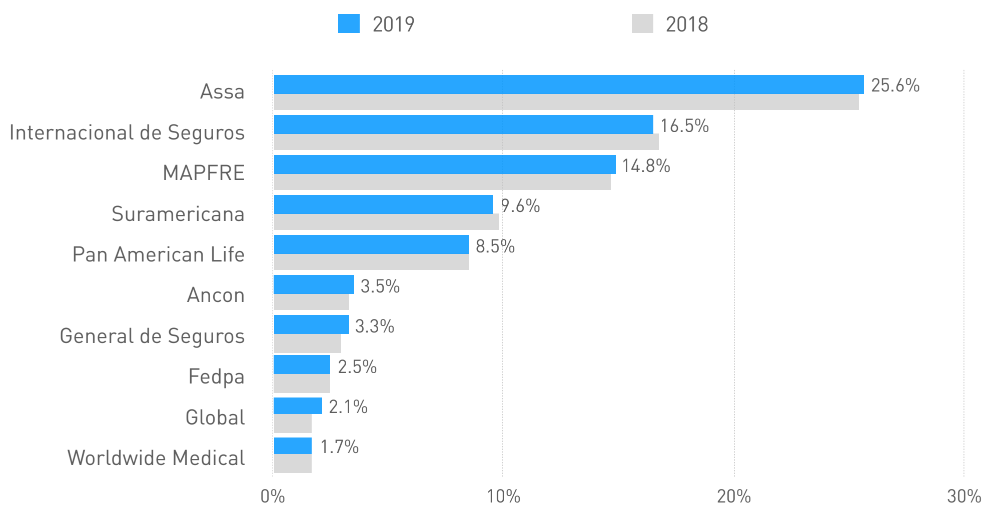
Similarly, the dispersion analysis shown in the aforementioned Chart 3.1.7-t confirms that, over the 2009–2018 period, the Panamanian insurance industry showed poorly balanced development characterized by decreases in both penetration levels (quantitative aspect) and depth levels (qualitative aspect). This trend partially reverses in 2019 with a slight increase in depth, but insurance penetration continues to deteriorate.

Insurance market rankings

Total ranking

A total of 23 insurance companies were operating in Panama at the end of 2019. While concentration in the Panamanian insurance industry generally declined until 2014, the Herfindahl and CR5 indices both show a rapid increase in market concentration thereafter

Chart 3.1.7-v
Panama: total ranking
(market shares, %)



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

and until 2019. The CR5 index (market share of the five largest companies operating in the market) stood at 75.0% in 2019 (78.1% for the Life segment and 73.9% for the Non-Life segment). The Herfindahl index in 2019 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-u).

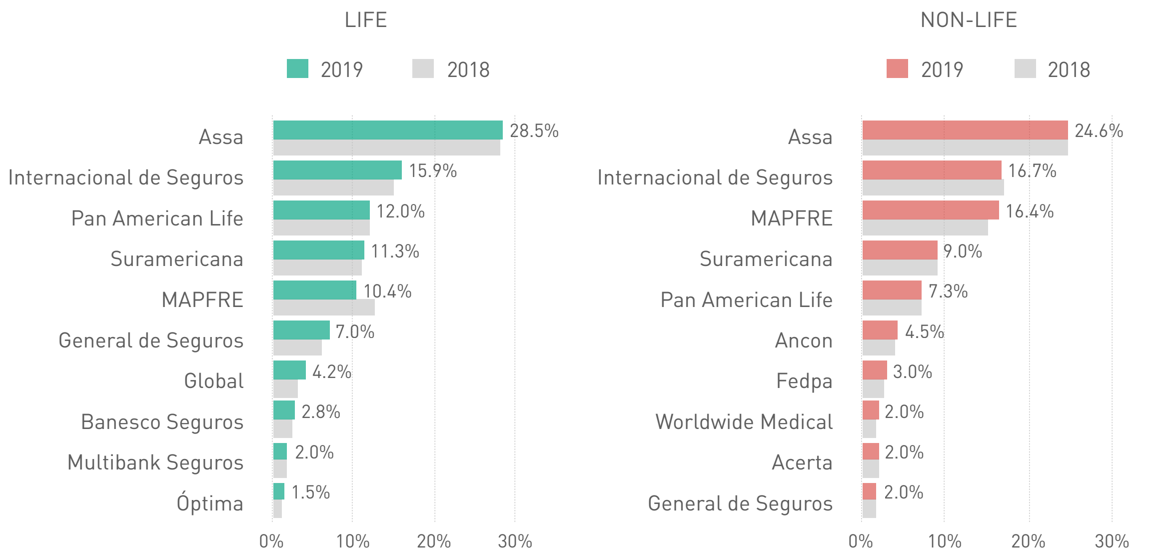
In the 2019 total ranking of insurance groups in Panama, there were no changes in the top ten rankings. Thus, as shown in Chart 3.1.7-v, Assa holds first place with a market share of 25.6%. Compañía Internacional de Seguros follows with a market share of 16.5% of premiums, which fell slightly compared to the previous year. MAPFRE holds third place with a market share of 14.8%, slightly higher than the previous year (14.7%).

Life and Non-Life rankings

As shown in Chart 3.1.7-w, the three insurance groups that top the total ranking also hold the top positions of the 2019 Non-Life ranking in the Panamanian insurance market, as they did in 2018: Assa with a share of 24.6% (unchanged from 2018); Compañía Internacional de Seguros with 16.7% (17.2% in 2018) and MAPFRE with a market share of 16.4% (15.3% in 2018). The other companies maintained their positions, except for Worldwide Medical and Acerta Seguros, which swapped places to rank eighth and ninth respectively.

Lastly, in the 2019 Life ranking, the top two spots were held by Assa, with a share of 28.5% (up 0.4% from the previous year), and Compañía Internacional de Seguros, which increased 0.8 pp to reach a share of 15.9%. MAPFRE, with a share of 10.4%, fell two places, allowing Pan American Life (12.0%) and Seguros Suramérica (11.3%) to jump to third and fourth respectively.

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



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

Key regulatory aspects

In terms of the most relevant regulatory aspects, the following provisions issued in 2019, both in terms of legislation and of prudential regulations by the Panamanian Superintendency of Insurance and Reinsurance, must be noted:

- Memorandum of understanding between the Superintendency of Insurance and Reinsurance and the *Instituto de Gobierno Corporativo de Panamá* (Panamanian Institute of Corporate Governance) to provide mutual advice on best corporate governance practices.

- Memorandum of understanding between the Superintendency of Insurance and Reinsurance and the Superintendency of the Panamanian Stock Market to streamline supervisory functions and the exchange of information between parties.

- Resolution No. DG-SSRP-006 of 2019, which revokes Resolution No. DG-SSRP-007 of 2018 on the date of implementation of IFRS Standard 17 on Insurance Contracts, which entered into force in January 2019.

- Resolution No. DG-SSRP-009 of 2019 on transparency standards in public administration and the right to freedom of information which establishes the terms Free Access, Restricted Access and Confidential Information, replacing the guidelines stipulated by Resolution No. DG-SSRP-001 of 2016.

- Resolution No. DG-SSRP-010 of 2019. As a result of the economic effects of COVID-19, a 90-day deferral period is granted for the payment of the annual fee and for the delivery of liability bonds for insurance brokers, natural persons and legal entities exempt from the generation of arrears or surcharges.

- Resolution No. DG-SSRP-011 of 2019, which communicates the possibility of remote working as a consequence of COVID-19, as well as the extension of the deadlines until May 31 to submit information on: solvency margin, balance sheet of reserves and investments, technical results, audited financial statements, single insurance report, appointment of external auditors, and certification of reinsurance or coverage notes translated into Spanish.

- Agreement No. 1 of April 2019 amending Articles 9 and 18 of Agreement No. 3 of 2015 on money laundering.

3.1.8 Dominican Republic

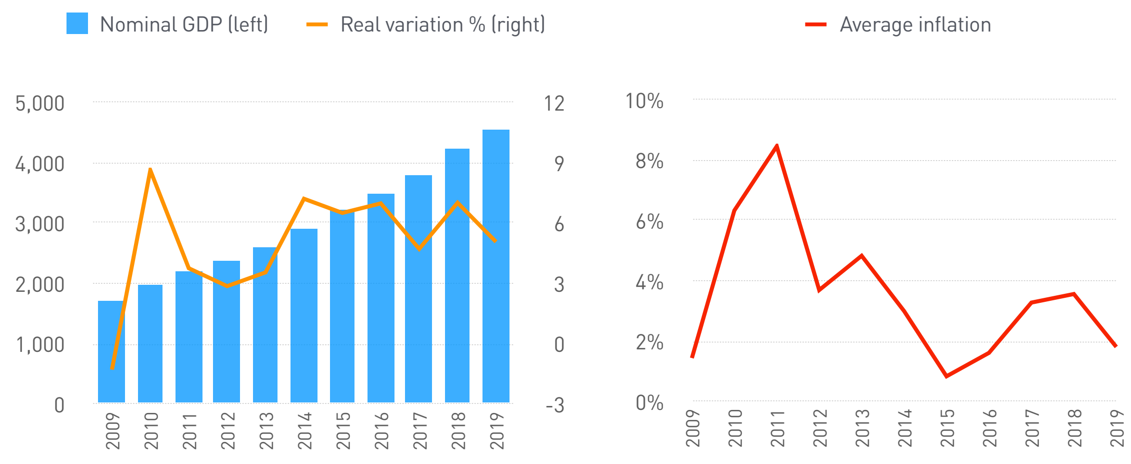
Macroeconomic environment

The Dominican Republic's economy grew by 5.1% in 2019, down from 7.0% in the previous year. This slowdown in growth is mainly explained by lower growth worldwide and, more particularly, in the United States, its main trading partner, as well as by lower tourist flows (see Chart 3.1.8-a). As a result of this slowdown, the Central Bank aligned its monetary policy with a more expansionary tone, with three interest rate cuts (June, August, and September) resulting in a total reduction of 100 basis points at the close of 2019, from 5.5% to 4.5% — the lowest rate since 2013.

The average annual inflation rate stood at 1.8% in 2019 (3.6% in 2018). However, year-end inflation rebounded to 3.7% (still within the target range), driven in part by the rise in food prices resulting from the drought in the north of the country, while unemployment stood at 6.2%, slightly higher than the previous year (5.7%).

With regard to the balance of payments current account, the deficit remained at 1.4% of GDP in 2019, similar to in 2018, with less dynamism in exports and the effect of reduced foreign tourism. Meanwhile, according to data published by the Central American Monetary Council, the fiscal deficit was 2.2% of GDP in 2019 (1.9% in 2018) and public debt amounted to 50.5% of GDP (compared to 47.9% in 2018).

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 IMF data)

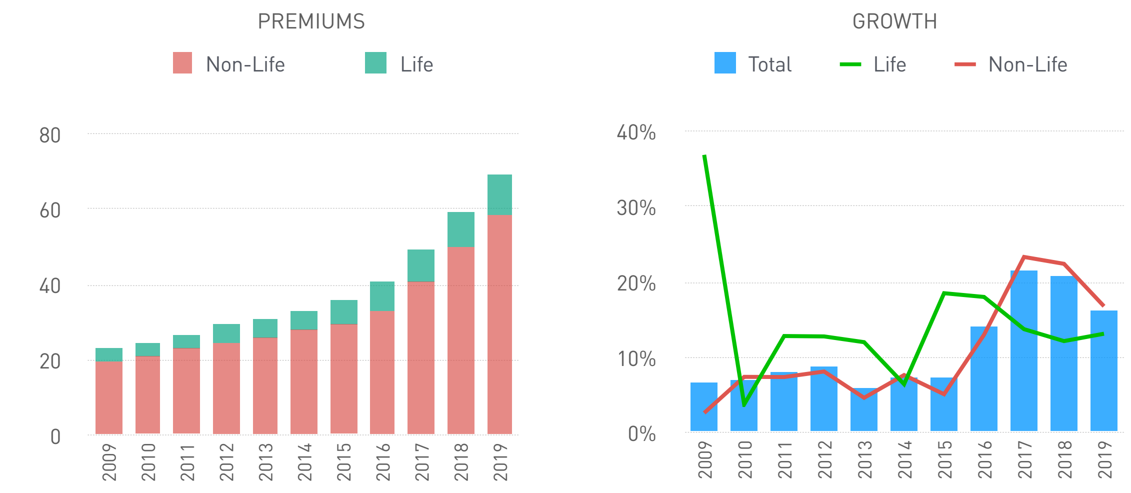
Lastly, with regard to growth forecasts, the ECLAC estimates that the Dominican economy will contract by around -5.3% in 2020, given the latest developments and the deterioration of global prospects as a result of the COVID-19 pandemic. According to its latest April forecasts, the IMF predicts that the economy could contract this year by close to -1.0% of GDP.

Insurance market

Growth

Premium volume in the Dominican insurance market amounted to 69.23 billion pesos (1.35 billion US dollars) in 2019, representing nominal growth of 16.2% and real growth of 14.2%, 4.4 pp less than the previous year in

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)

Table 3.1.8
Dominican Republic: premium volume[1] by line, 2019

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**69,230**	**1,347**	**16.2**	**14.2**
Life	**10,766**	**209**	**13.2**	**11.2**
Individual Life	389	8	23.0	20.9
Group Life	10,378	202	12.8	10.8
Non-Life	**58,464**	**1,138**	**16.8**	**14.7**
Fire and allied lines	15,775	307	15.6	13.6
Automobiles	16,857	328	12.0	10.0
Health	18,803	366	26.1	23.9
Other lines	3,640	71	4.1	2.3
Transport	1,274	25	14.8	12.8
Surety	1,347	26	12.5	10.5
Personal accidents	767	15	20.5	18.3

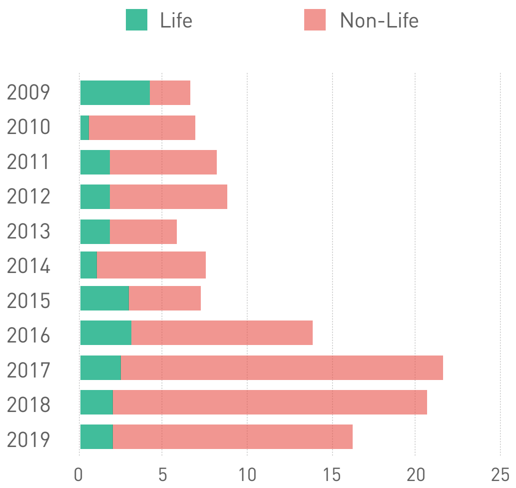
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
1/ Written premiums net of refunds and cancellations

nominal terms and 2.4 pp less in real terms (see Table 3.1.8 and Chart 3.1.8-b).

Premiums in the Life line saw strong growth of 13.2% in nominal terms (11.2% in real terms) to reach 10.77 billion pesos (209 million US dollars). Individual Life has once again experienced notable growth this year (23.0% in nominal terms and 20.9% in real terms), despite still being of marginal importance in the Dominican insurance industry. Group Life insurance, however, grew by 12.8% in nominal terms (10.8% in real terms).

Of this growth, it is important to note that Non-Life premiums (which account for 84.4% of the

Chart 3.1.8-c
Dominican Republic: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2009	6.5	4.2	2.4
2010	6.9	0.6	6.4
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

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

total) grew by 16.8% in nominal terms and 14.7% in real terms (compared to 22.4% and 18.2% respectively the year before) to reach 58.46 billion pesos (1.14 billion US dollars). The two most significant lines in this segment of the Dominican insurance market (Health and Automobile) both reported growth in real terms, growing by 23.9% and 10.0% respectively. The Fire line, which also carries particularly significant weight in the sector's risk portfolio, grew both in nominal terms (15.6%) and in real terms (13.6%). It is also worth noting that the other lines in the Non-Life segment also recorded growth.

The Non-Life insurance segment accounted for the bulk of the 16.2% growth recorded by the Dominican insurance market in 2019. Thus, while the Life segment contributed 2.1 pp to growth, the Non-Life insurance segment contributed 14.1 pp to the industry's growth (see Chart 3.1.8-c).

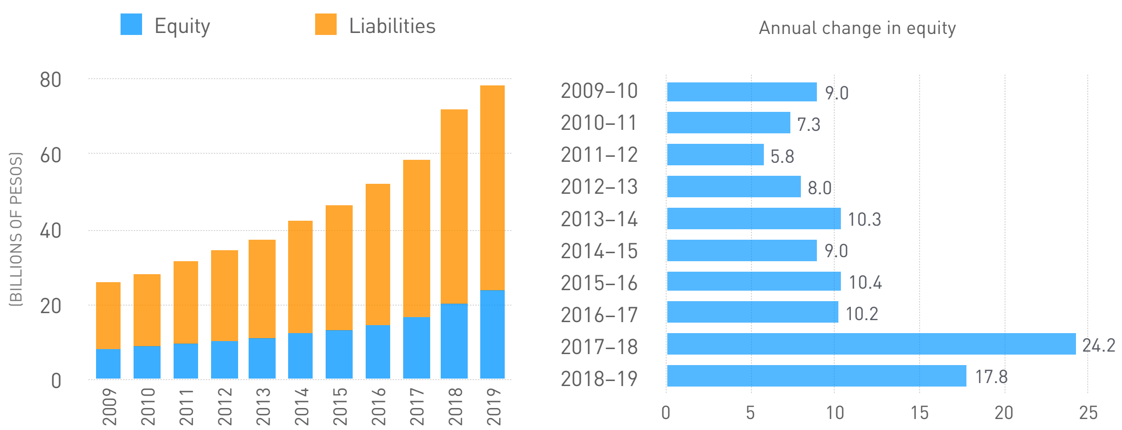
Balance sheet and shareholders' equity

Chart 3.1.8-d shows the Dominican insurance industry's aggregate balance sheet at the sector level. The industry's total assets in 2019 amounted to 77.95 billion pesos (1.47 billion US dollars). Meanwhile, equity within the industry amounted to 24.08 billion pesos (454 million US dollars), up 17.8 pp from 2018. It is important to note that over the 2009–2019 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 30.1% throughout the period, standing at 30.9% at the end of 2019.

Investments

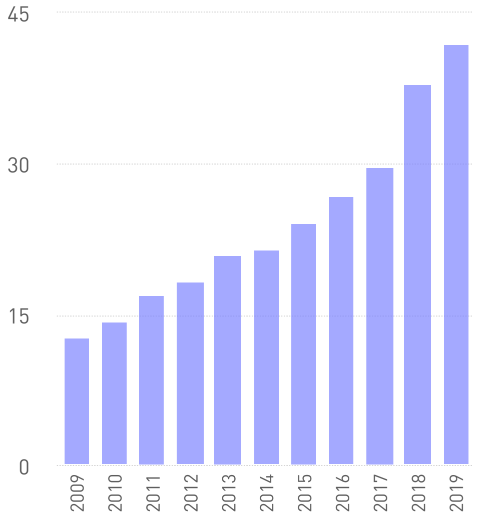
Chart 3.1.8-e shows the performance of the aggregate investment portfolio at the sector level over the 2009–2019 period, while Charts 3.1.8-f and 3.1.8-g show the performance of the investment structure over the period. Investments amounted to 41.9 billion pesos (789 million US dollars) in 2019, concentrated mostly in debt and equity instruments (70.0%) and with a relatively smaller proportion in real estate (12.2%) and cash (8.1%). 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 2009 (when it represented 16.5% of the portfolio) to reach 12.2% at the end of 2019, amounting to 5.12

Chart 3.1.8-d
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)

Chart 3.1.8-e
Dominican Republic: insurance market investments
(billions of pesos)



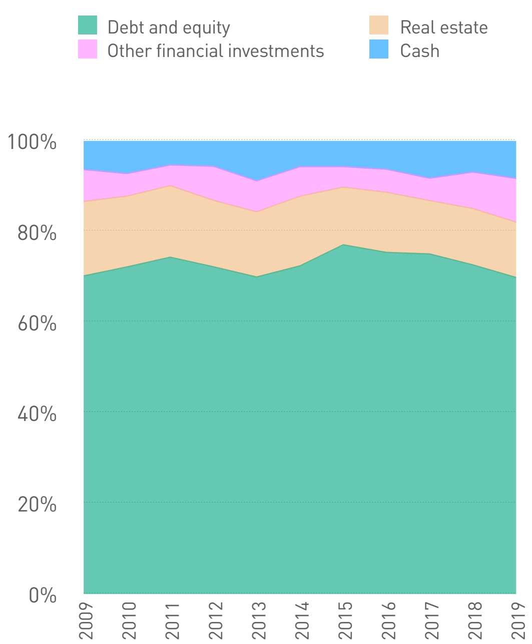
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

billion pesos, compared to 4.71 billion pesos in 2018. Furthermore, the weight of cash and other financial investments increased.

Technical provisions

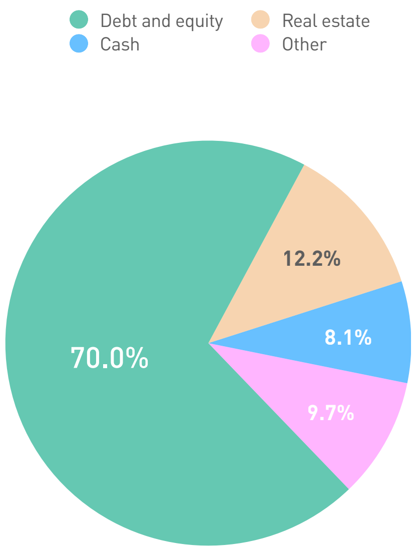
Chart 3.1.8-h shows the performance of technical provisions within the Dominican insurance market, while Charts 3.1.8-i and 3.1.8-j show the changes in the relative composition of said provisions over the 2009–2019 period. This data shows that technical provisions amounted to 30.36 billion pesos (571 million US dollars) in 2019. Of this total, 9.3% related to mathematical provisions and unexpired risks in personal insurance, 25.7% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 52.7% to provisions for outstanding benefits, 2.0% to provisions for catastrophic risks, and the remaining 10.3% to other technical provisions. Also noteworthy is the decreased weight of provisions for Life insurance over the 2009–2019 period (Chart 3.1.8-i), falling from 15.7% of total technical provisions in 2009 to 9.3% at the end of 2019.

Chart 3.1.8-f
Dominican Republic: structure of investments
(%)



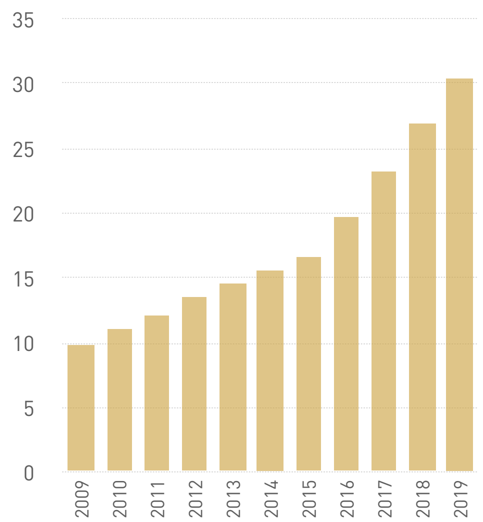
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-g
Dominican Republic: structure of investments, 2019
(%)



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

Chart 3.1.8-h
Dominican Republic: technical provisions of the insurance market
(billions of pesos)



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

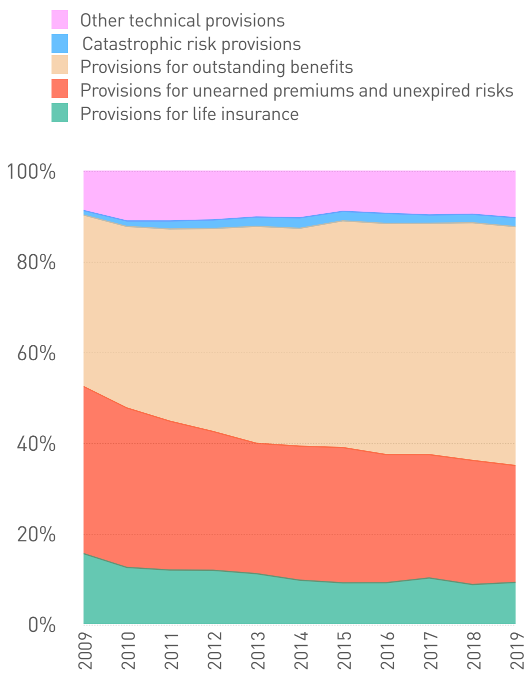
Technical performance

Chart 3.1.8-k shows the performance of the aggregate combined ratio for the Dominican insurance industry as a whole over the 2009–2019 period. This data shows that the technical indicator improved by 2.5 pp in 2019, mainly due to the decrease in the loss ratio (3.9 pp) to 93.0%.

Results and profitability

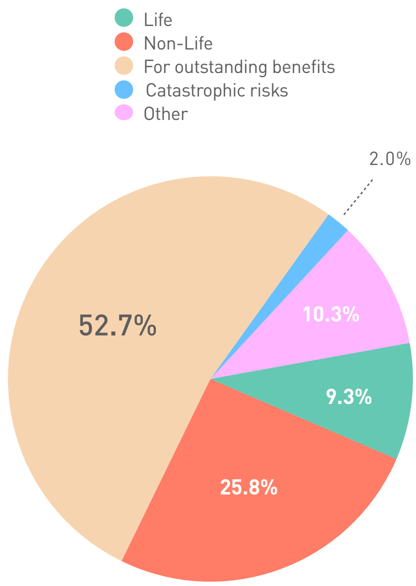
The Dominican insurance industry as a whole posted a consolidated result of 6.36 billion pesos (123 million US dollars) for the 2019 fiscal year, up by 25.9% from the previous year. This data was underpinned by an excellent technical result, 2.49 pp more over earned premiums than the previous year, reaching 7.0% of the net earned premiums due to this loss ratio improvement. With regard to earned premiums, the financial result also grew by 1.2 pp more than in 2018, to reach 7.9% (see Chart 3.1.8-l).

Chart 3.1.8-i
Dominican Republic: structure of technical provisions
(%)



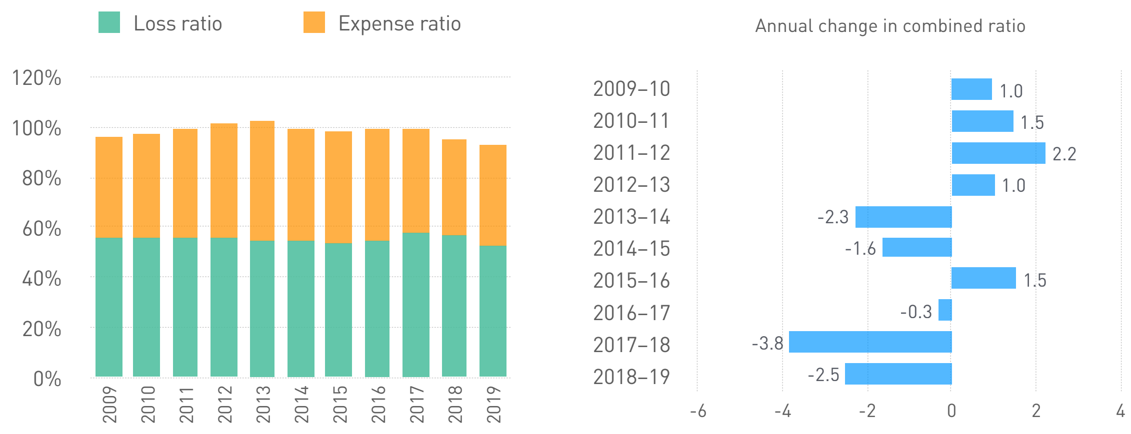
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-j
Dominican Republic: structure of technical provisions, 2019
(%)



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

Chart 3.1.8-k
Dominican Republic: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



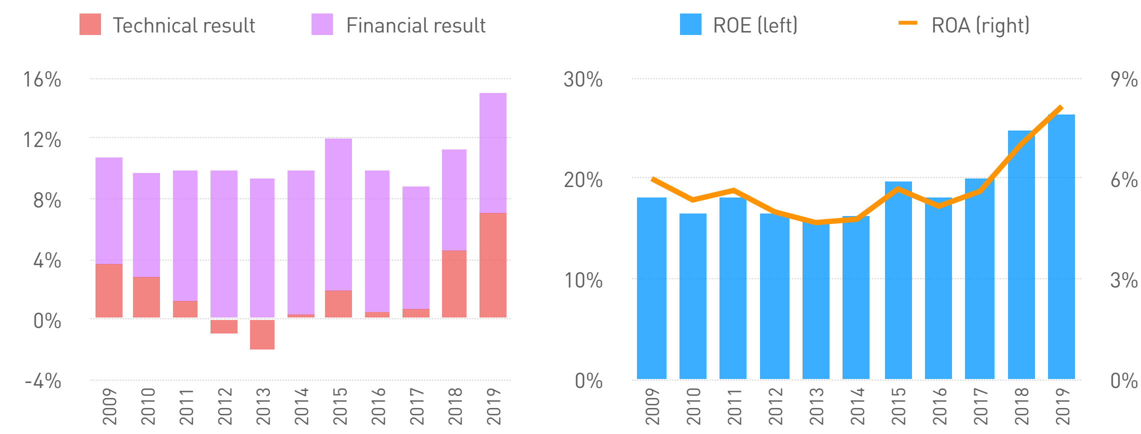
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Return on equity (ROE) stood at 26.4% in 2019, up by 1.7 pp compared to the previous year. Return on assets (ROA) reached 8.2% in 2019 (up by 1.1 pp from 2018). It is important to note that both indicators point to growth in the profitability trend that began in 2014.

Insurance penetration, density and depth

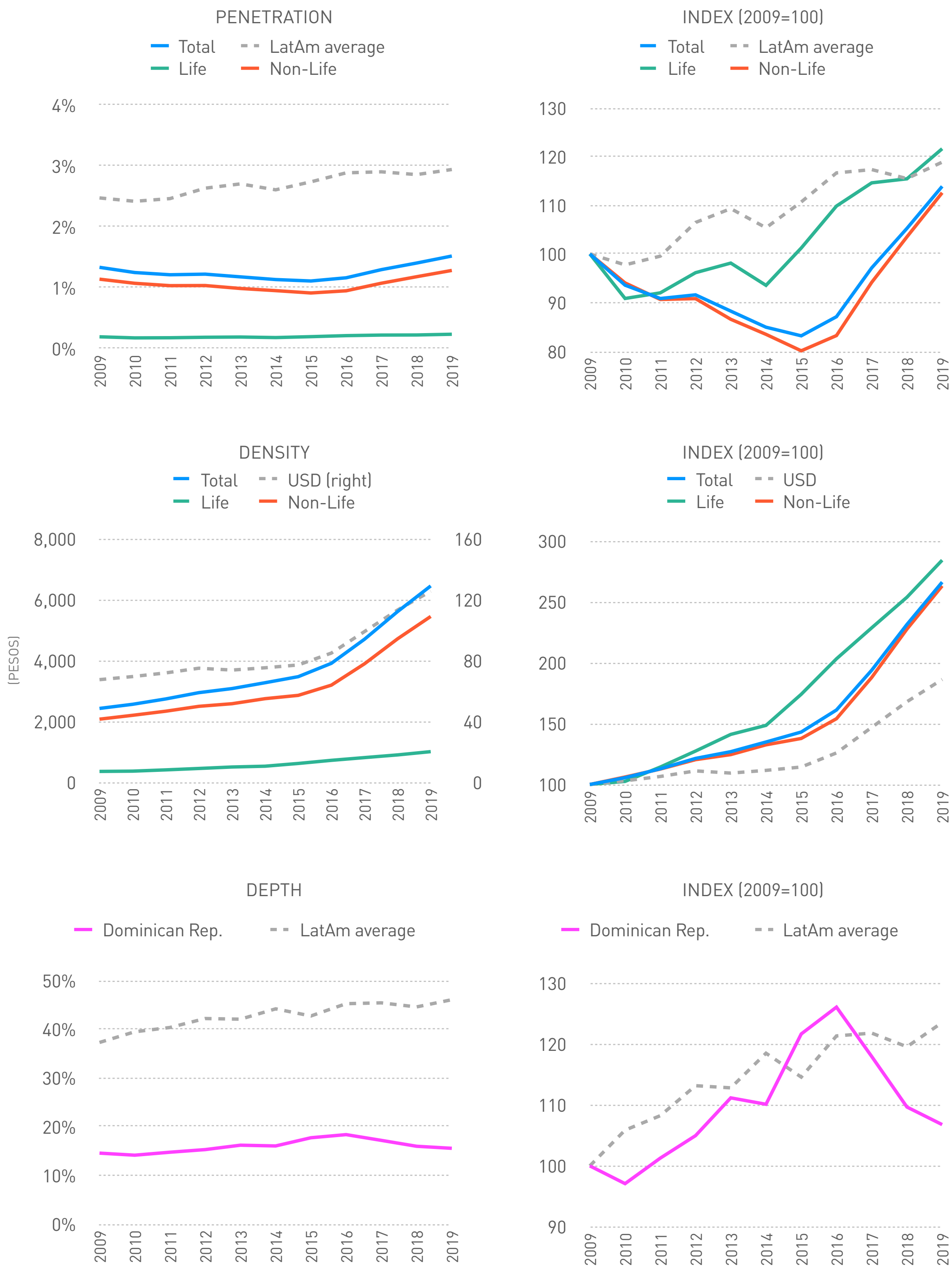
Chart 3.1.8-m shows the main structural trends shaping the development of the Dominican insurance industry over the 2009–2019 period. The penetration index (premiums/GDP), which remained around 1.2% until 2015, saw

Chart 3.1.8-l
Dominican Republic: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



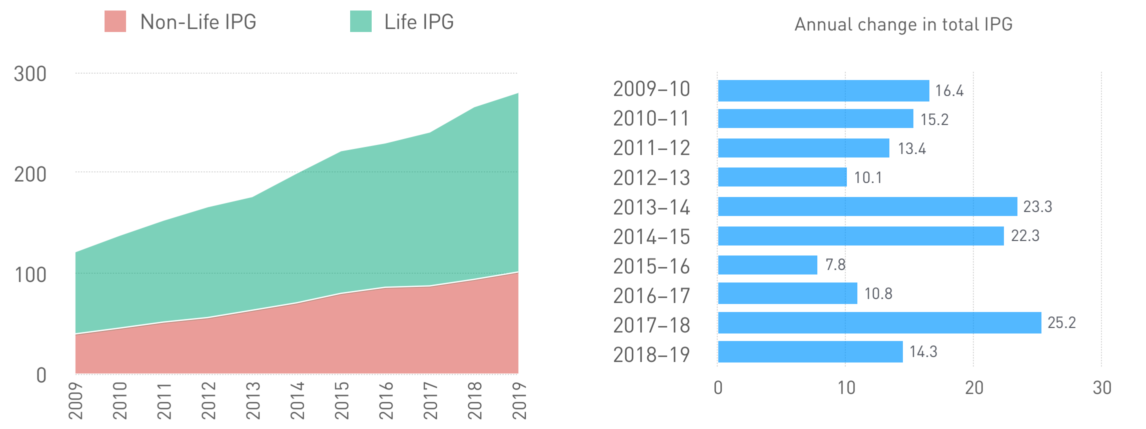
Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

Chart 3.1.8-m
Dominican Republic: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



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

Chart 3.1.8-n
Dominican Republic: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

sustained growth over the last four years, reaching 1.5% in 2019, although still well below (-1.6% on average) the average absolute values of the region's markets over the last ten years.

Insurance density (premiums per capita) stood at 6,447 pesos (125 US dollars), 15.0% from higher than in 2018 (5,605 pesos). The density of the Dominican market (measured in local currency) saw a growing trend over the period under analysis (accelerating from 2015 onward), recording cumulative growth of 166.2% between 2009 and 2019.

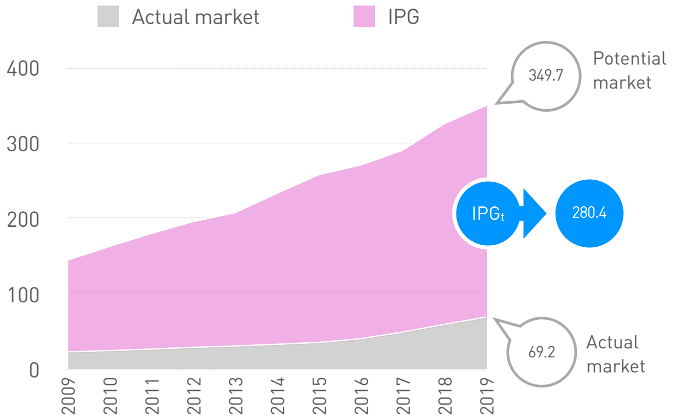
Lastly, the depth index in the Dominican insurance market (Life insurance premiums in relation to total premiums) stood at 15.6%, -0.4 pp less than in 2018 and 1 pp higher than in 2009. Growth of Dominican market depth had been relatively in line with the trend of all Latin American markets until 2016, however, from 2016 onward, the trend began to deviate from the regional average, with absolute values averaging -29.5% below the regional average over the last ten years.

Insurance Protection Gap estimate

Chart 3.1.8-n shows an update of the estimated IPG for the Dominican insurance market between 2009 and 2019. This data shows that the insurance gap stood at 280.44 billion pesos (5.46 billion US dollars) in 2019, 4.1 times the size of the Dominican insurance market at the close of that year.

Similar to most Latin American insurance markets, the structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. At the close of 2019, 63.8% of the IPG related to Life insurance (178.84 billion pesos), down 3.4 pp from the share recorded for this segment in 2009, while the remaining 36.2% of the insurance gap was attributable to the Non-Life insurance segment (101.6 billion pesos). Accordingly, the potential insurance market in the Dominican Republic at the close of 2019 (calculated as the sum of the actual market plus the IPG) was estimated at 349.67 billion pesos (6.8 billion US dollars), 5.1 times the size of the total insurance market that year (see Chart 3.1.8-o).

Chart 3.1.8-o
Dominican Republic: Insurance Protection Gap and potential market
(billions of pesos)



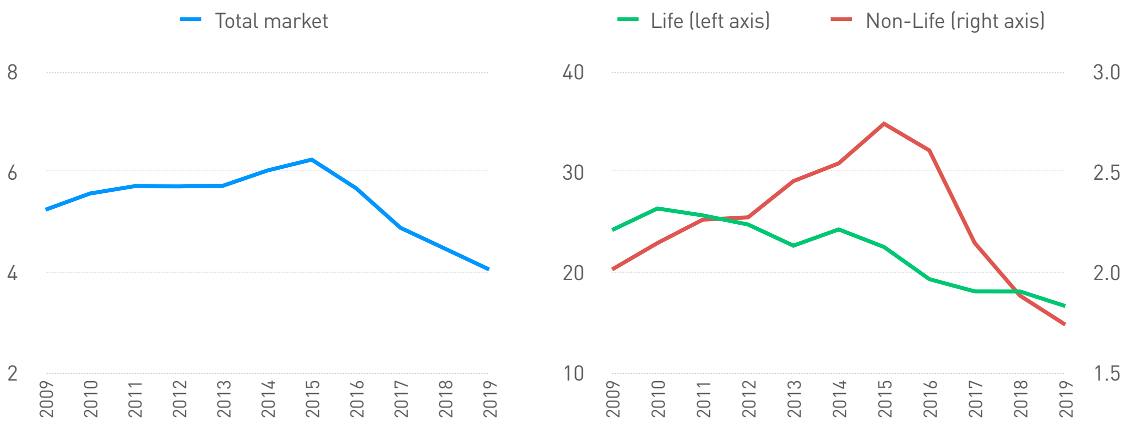
Variation	Actual market	IPG
2019–2009	198.5%	130.6%
2019–2018	16.2%	5.4%

Source: MAPFRE Economics

Chart 3.1.8-p shows an estimate of the IPG as a multiple of the actual insurance market in the Dominican Republic between 2009 and 2019. The insurance gap as a multiple of the market shows growth until 2015, when the trend reverses, dominated by the performance of the Non-Life insurance segment, where the IPG as a multiple of the market drops from 2.0 to 1.7 times the size of the actual market over that period, having experienced a notable decline in the last three years. Conversely, with regard to the Life insurance segment, the indicator shows a clearly downward trend over the 2009–2019 period, falling from 24.2 to 16.6 times the size over that period.

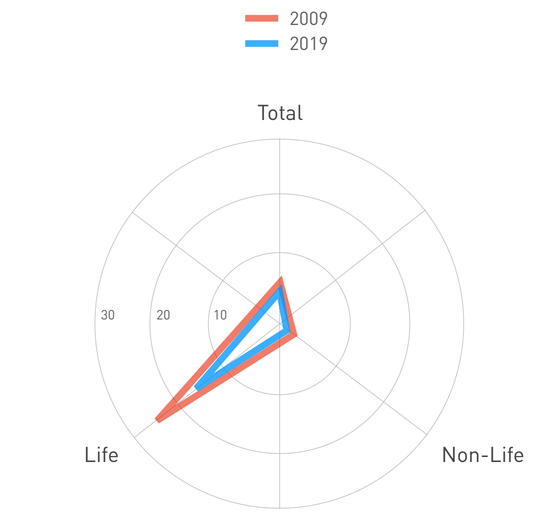
To complete this analysis, Chart 3.1.8-q shows changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Dominican insurance market over the last decade. This chart shows that the Life business is the only business to have

Chart 3.1.8-p
Dominican Republic: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.1.8-q
Dominican Republic: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

significantly narrowed the gap as a multiple of the market, although the insurance gap remains notably larger than in Non-Life insurance.

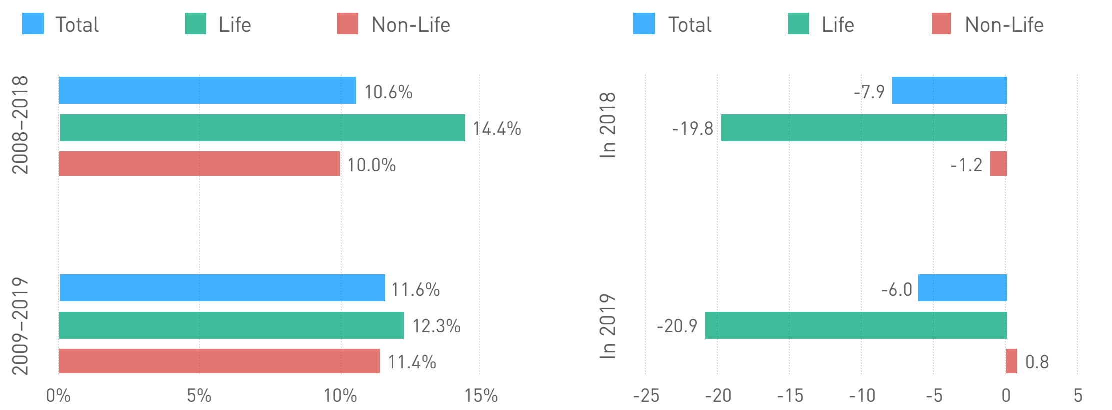
Chart 3.1.8-r shows a summary of the Dominican insurance market's capacity to close the insurance gap, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the gap determined in 2019 over the coming decade. As such, the Dominican insurance market recorded an average annual growth rate of 11.6%, underpinned by an annual growth rate of 12.3% in the Life insurance segment and 11.4% in the Non-Life insurance segment.

Were the same growth rate seen over the last decade to continue over the next ten years, the growth rate of the Dominican insurance market would fall short of this objective only in the Life insurance segment (short -20.9 pp), but would prove sufficient for the Non-Life segment. It should be noted that, compared to the 2018 fiscal year, this insufficiency was less in the Non-Life insurance segment (-2.0 pp) and greater in the Life insurance segment (1.1 pp).

Market Development Index (MDI)

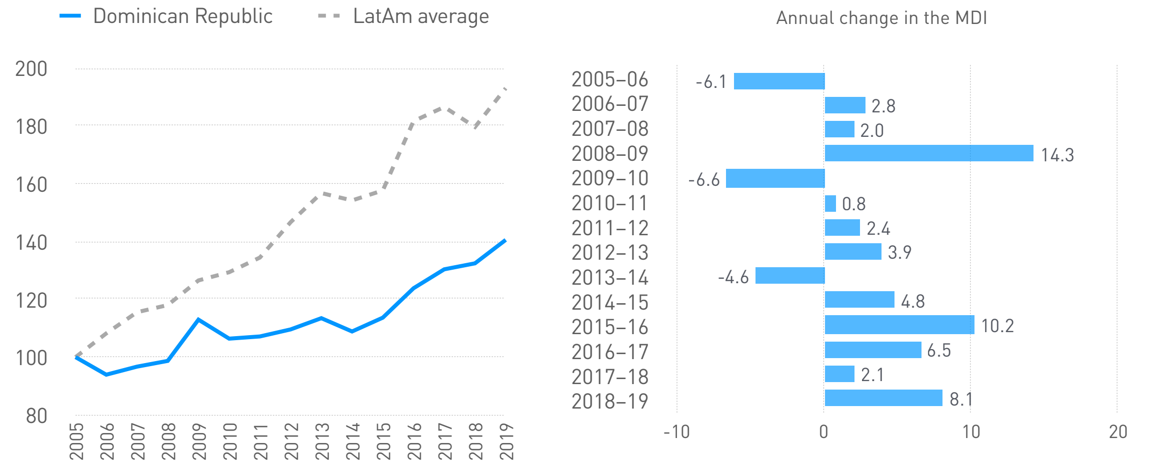
Chart 3.1.8-s shows an estimate of the Market Development Index (MDI) for the Dominican insurance industry. In this case, the MDI (the indicator that analyzes the general trends shaping the performance and maturity of insurance markets) shows an upward trend over the 2009–2019 period.

Chart 3.1.8-r
Dominican Republic: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.1.8-s
Dominican Republic: Market Development Index (MDI)
(2005 index=100; annual change)



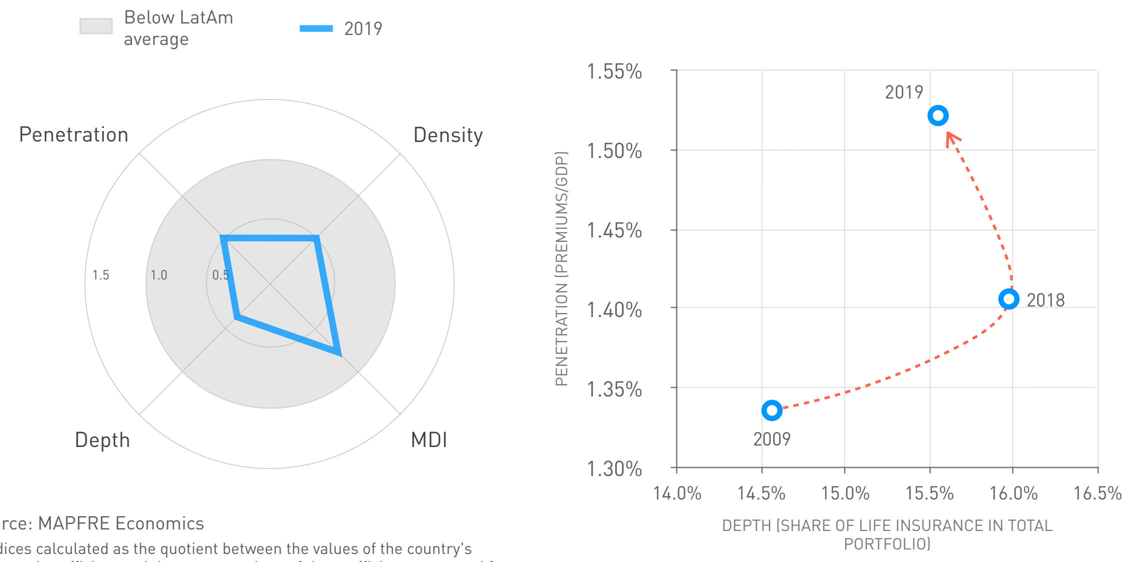
Source: MAPFRE Economics

However, the trend in the Dominican market seems to diverge from the average performance of Latin American insurance markets over that period in terms of intensity, with contractions in 2006, 2010 and 2014.

Joint analysis of structural coefficients

Lastly, Chart 3.1.8-t summarizes the Dominican insurance market's situation in comparison with the average for Latin America, measured

Chart 3.1.8-t
Dominican Republic: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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.

in terms of the various structural coefficients analyzed. This shows that all coefficients fall short of the Latin American average, especially in terms of depth, density and penetration. This situation indicates that this market is still at a lower level of development compared to the region as a whole.

Similarly, the dispersion analysis shown in the aforementioned chart shows that, over the 2009–2018 period, the Dominican insurance industry showed relatively balanced development characterized by slight increases in both penetration levels and depth levels. However, this trend partially reversed in 2019 as depth levels reduced, but progress continued in terms of the level of insurance penetration in the economy.

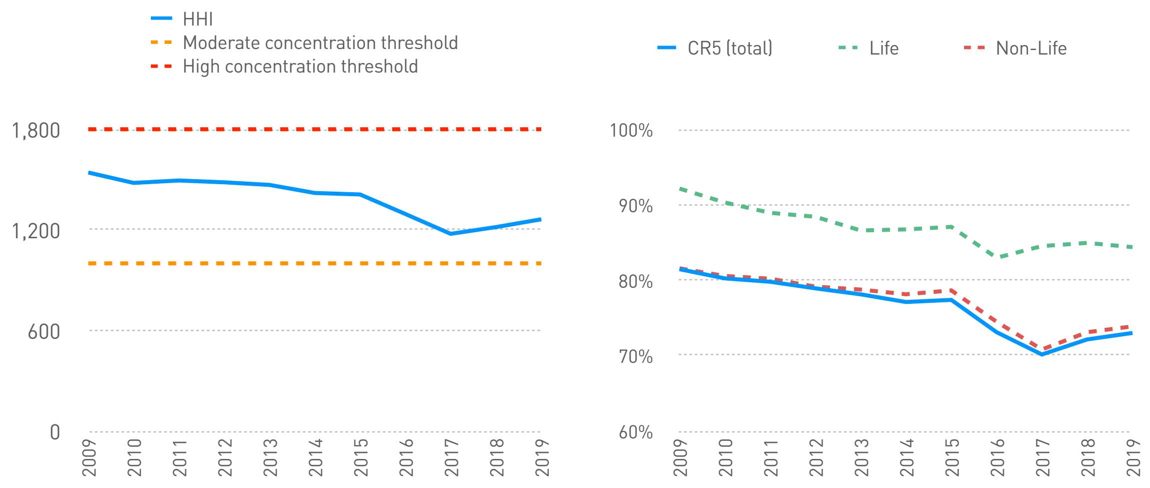
Insurance market rankings

Total ranking

As in 2018, there were 38 insurance companies operating in the Dominican Republic in 2019. This is a relatively concentrated market, though it has shown a downward trend over the last ten years in general toward reduced concentration, though this reversed from 2017 onward. The Herfindahl index, although showing the aforementioned downward trend, has remained above the theoretical threshold indicative of moderate concentration levels. Analyzing the performance of the CR5 index shows that the downward trend in concentration comes mainly from the Non-Life insurance segment (see Chart 3.1.8-u).

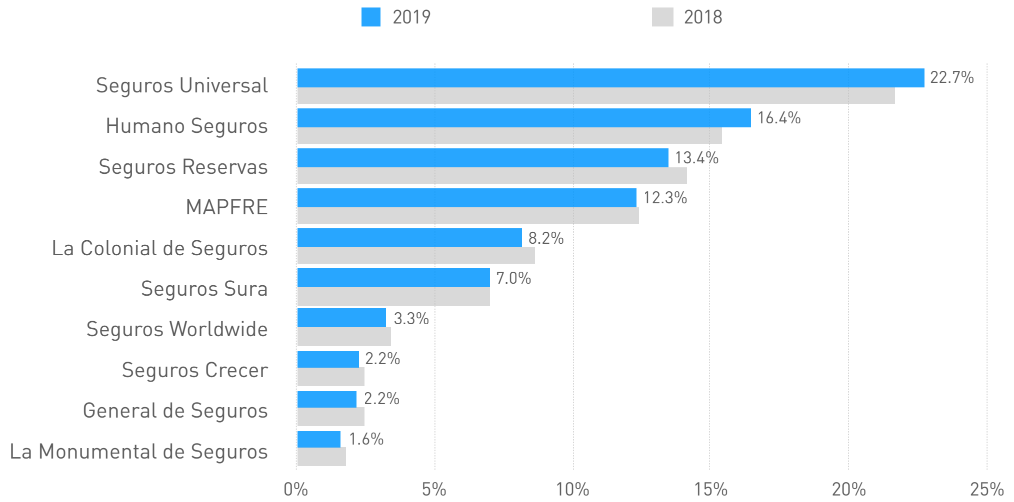
The ten largest insurance companies that composed the total ranking remained the same as in the previous year. The only noteworthy change is that Scotia Seguros became part of Seguros Crecer. The first seven companies in the ranking remain unchanged from the previous year. Seguros Universal tops the ranking with 22.7% of premiums (up 1.1 pp from 2018), followed by Humano Seguros (16.4%), Seguros Reservas (13.4%) and MAPFRE (12.3%), which maintains fourth place. In the rest of the total ranking for the Dominican market, only small changes in market shares and relative positions occurred compared to 2018 (see Chart 3.1.8-v).

Chart 3.1.8-u
Dominican Republic: insurance industry concentration
(Herfindahl index; CR5 index, %)



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

Chart 3.1.8-v
Dominican Republic: total ranking
(market shares, %)

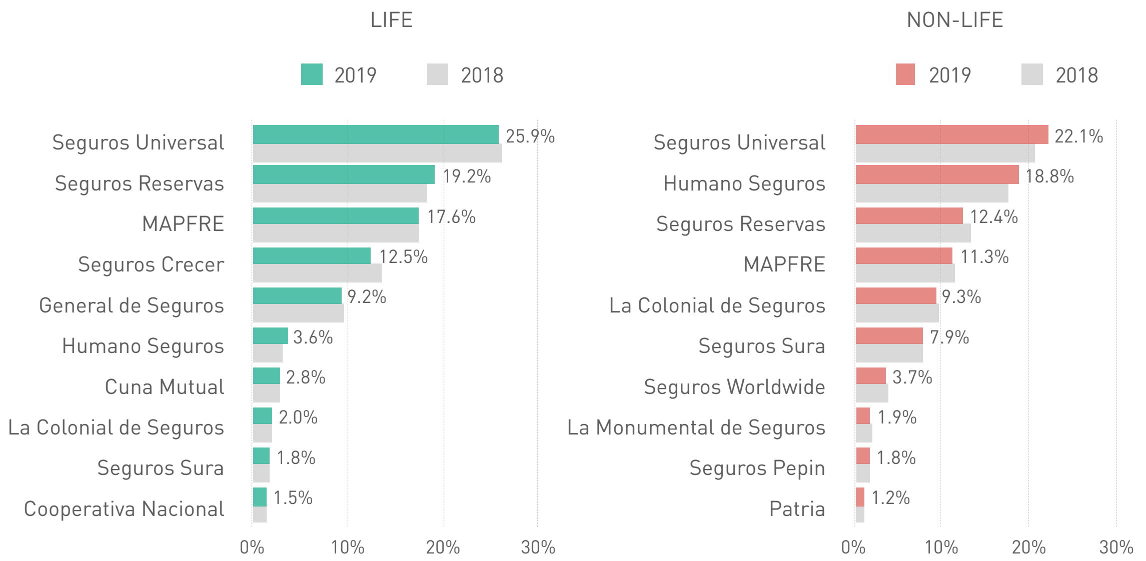


Source: MAPFRE Economics (based on data from the Superintendency of Insurance)

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. The insurance companies that form the 2019 Non-Life ranking are essentially the same as in previous years. The only aspect worth noting is the entry of Patria in tenth place, bumping out Atlántida. The ranking is once again topped by Seguros Universal with 22.1%, Humano Seguros with

Chart 3.1.8-w
Dominican Republic: Life and Non-Life ranking
(market shares, %)



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

18.8% and Seguro Reservas with 12.4%. The ranking for this market segment saw minor changes in market shares, but relative standings remain the same. Meanwhile, the Life ranking is once again topped by Seguros Universal with 25.9% of market premiums, followed by Seguros Reservas (19.2%), and MAPFRE in third place with a market share of 17.6% (see Chart 3.1.8-w).

Key regulatory aspects

With regard to the regulatory aspects in the Dominican insurance market, it should be noted that Resolution No. 01-2019 of the Superintendency of Insurance was published in 2019. This authorized Seguros Excalibur to operate as an insurance company in all lines. Resolution No. 02-2019 was also published, which authorized Reaseguradora Internacional to also operate as an insurer and, in turn, change its corporate name to Unit, S. A. Lastly, it should be noted that the Superintendency of Insurance is currently working on the draft of the Insurance Law.

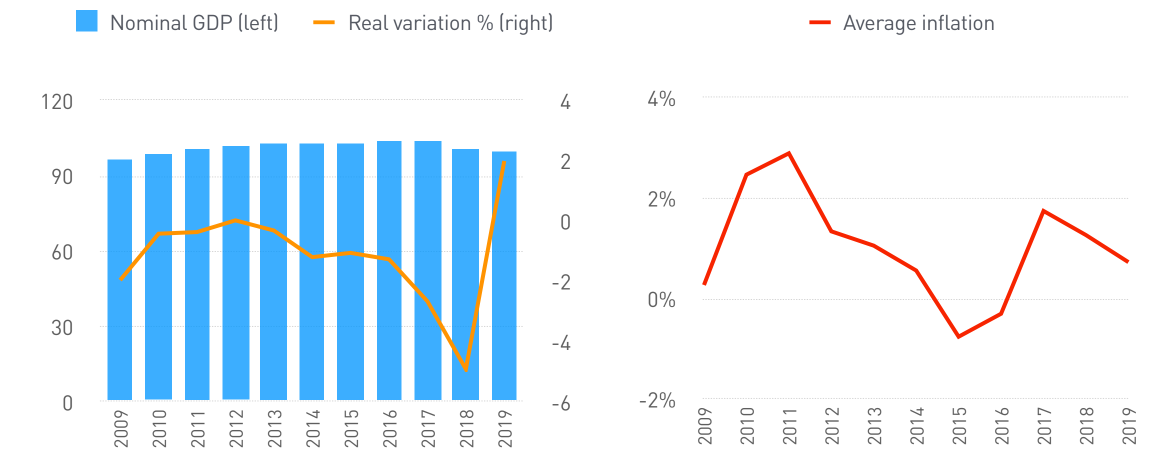
3.1.9 Puerto Rico

Macroeconomic environment

Puerto Rico's economy recorded real growth of 2.0% in 2019, compared to the contraction of -4.9% in the previous year, reflecting the first increase in gross domestic product in more than a decade (see Chart 3.1.9-a). By element, private consumption was the main driver of growth, with a growth rate of 5.9%, followed by public spending (13.9%). This is largely due to increased spending on medical and burial services, followed by increased spending on housing and the increase in personal spending, mainly on food. There was a slight contraction in terms of investment, partly due to the strong expansion in the previous period in light of increased investment in equipment due to the natural disasters that the country experienced. In terms of foreign trade, exports continued to record growth rates below the rate of import growth, and tourism activity increased from the previous year. The average inflation rate stood at 0.7% (1.3% in 2018) and, in the labor market, the unemployment rate continued to fall to stand at rates below 10%.

However, the COVID-19 pandemic, imposed quarantine, and high international uncertainty could lead to a further economic contraction in Puerto Rico in 2020 and could see the positive performance of 2019 be replaced by a contraction in GDP that, according to the IMF's latest estimates, could stand at around -6.0% in 2020.

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 IMF data)

Table 3.1.9
Puerto Rico: premium volume[1] by line, 2019

Line	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**14,815**	**6.3**	**5.5**
Life	**1,466**	**8.1**	**7.3**
Non-Life	**13,349**	**6.1**	**5.3**
Health	11,077	5.9	5.1
Automobiles	686	-2.4	-3.1
Third-party liability	270	50.7	49.6
Fire and allied lines	350	7.4	6.6
Transport	146	8.5	7.7
Other lines	820	5.0	4.2

Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)
1/ Written premiums net of refunds and cancellations

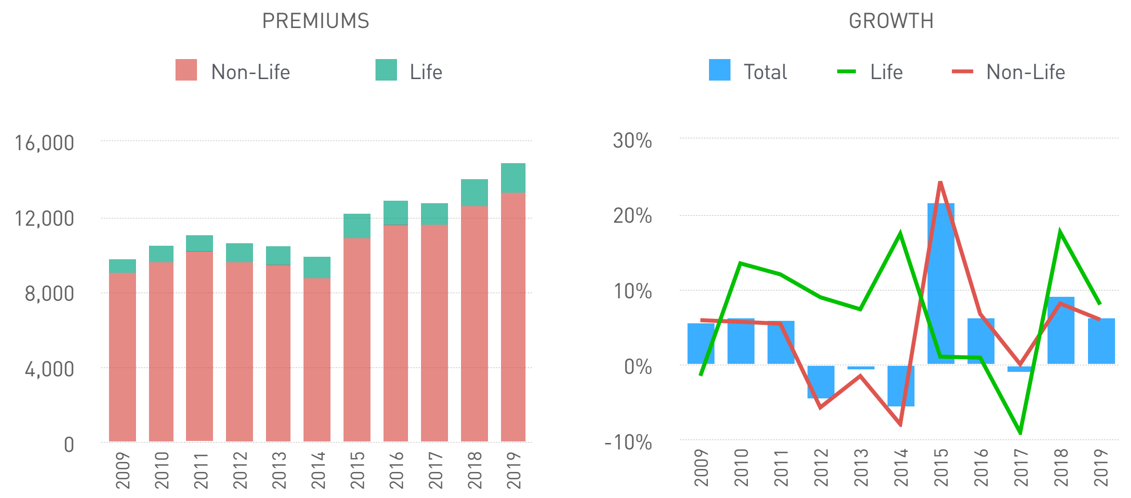
Insurance market

Growth

As shown in Chart 3.1.9-b and Table 3.1.9, the Puerto Rican insurance market grew by 6.3% in nominal terms in 2019 (5.5% in real terms) to reach an estimated 14.82 billion US dollars in premium volume, compared to the 9.1% nominal growth seen in 2018. Life insurance premiums in 2019 (representing 9.9% of the market) grew by 8.1% in nominal terms (7.3% in real terms). Meanwhile, Non-Life premiums grew by 6.1% in nominal terms, which translates into 5.3% growth in real terms. Health accounted for 83.0% of the Non-Life insurance segment and grew by 5.9% in nominal terms (5.1% in real terms) in 2019; the other Non-Life modalities, except Automobiles (-2.4% in nominal terms and -3.1% in real terms), grew both in absolute and relative terms.

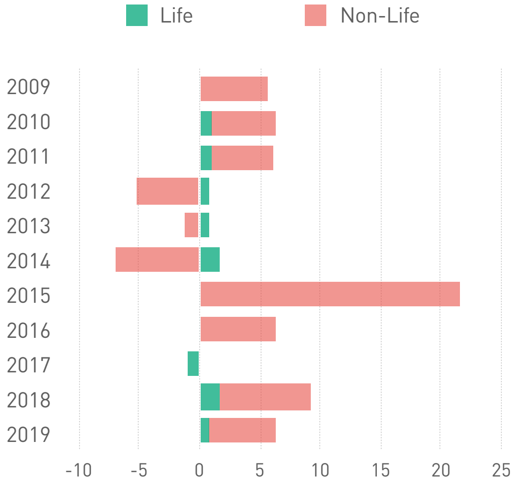
Thus, as shown in Chart 3.1.9-c, virtually all of the growth in the Puerto Rican insurance market in

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)

Chart 3.1.9-c
Puerto Rico: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2009	5.5	-0.1	5.6
2010	6.4	1.0	5.4
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	6.3	0.8	5.5

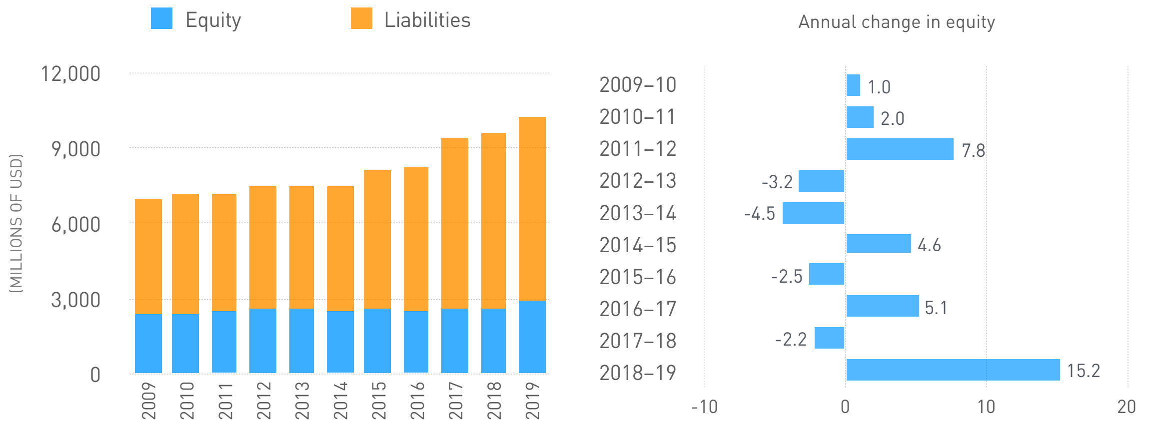
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

2019 (6.3%) was due to the effect of Non-Life insurance, which contributed 5.5 pp to said increase, while Life insurance contributed only 0.8 pp.

Balance sheet and shareholders' equity

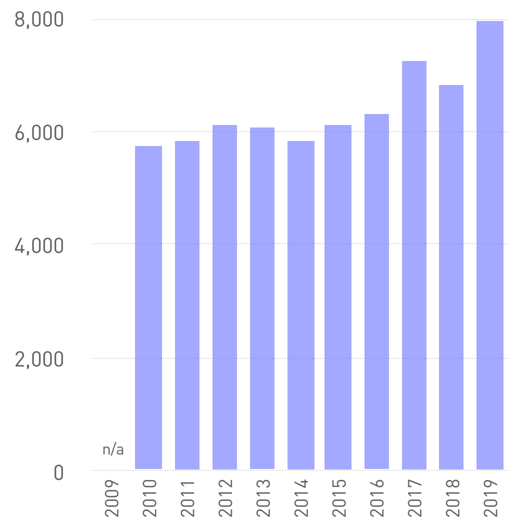
Chart 3.1.9-d shows the performance of the aggregate balance sheet for insurance companies domiciled in Puerto Rico over the 2009–2019 period. This data shows that total estimated assets in the insurance industry amounted to 10.23 billion US dollars in 2019, while equity amounted to 2.95 billion US dollars, 15.2 pp higher than the previous year. In terms of aggregate capitalization levels for insurance companies operating in the country (measured in relation to total assets), these

Chart 3.1.9-d
Puerto Rico: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



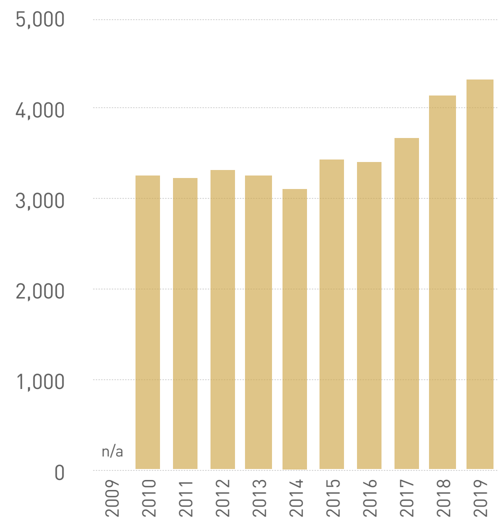
Source: MAPFRE Economics (based on data from the Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)

Chart 3.1.9-e
Puerto Rico: insurance market investments
(millions of USD)



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

Chart 3.1.9-f
Puerto Rico: technical provisions of the insurance market
(millions of USD)



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

levels stood above 30% between 2009 and 2016, peaking in 2012 at 35.3% and subsequently falling to 28.9% in 2019.

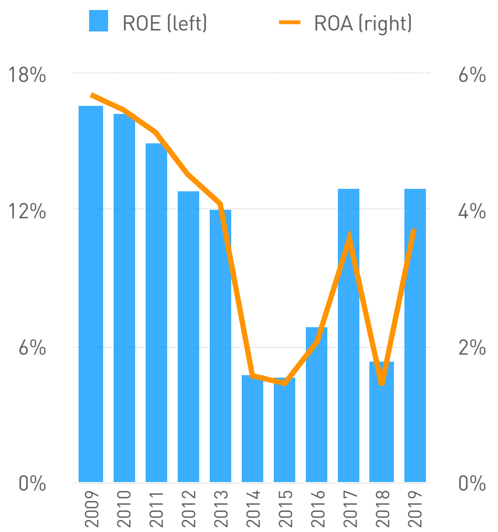
Investment and technical provisions

Chart 3.1.9-e shows the performance of the aggregate investment portfolio at the sector level for insurers operating in Puerto Rico over the 2010–2019 period. At the close of 2019, the total estimated portfolio amounted to 7.93 billion US dollars, up by 16.3% from the previous year. Furthermore, Chart 3.1.9-f shows the performance of technical provisions at the sector level during the aforementioned period. At the close of 2019, said technical provisions amounted to 4.34 billion dollars, representing growth of 4.8% compared to the close of 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.

Results and profitability

The estimated consolidated result for insurers operating in Puerto Rico amounted to 381.1 million US dollars in 2019, up by 12.8% from the previous year. It should be noted that the result has recovered since 2009 to above the result obtained in recent years. Profitability indicators

Chart 3.1.9-g
Puerto Rico: profitability
(%; ROE, %; ROA, %)



Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC) for the Puerto Rican market are expected to improve in 2019 compared to 2018. Return on equity (ROE) stood at 12.9% in 2019, up by 7.6 pp from 2018. Return on assets (ROA) also increased, reaching 3.7% in 2019, up by 2.3 pp from 2018 (see Chart 3.1.9-g).

Insurance penetration, density and depth

Chart 3.1.9-n shows the main structural trends shaping the development of the Puerto Rican insurance industry over the 2009–2019 period. First, the penetration index (premiums/GDP) stood at 14.8% in 2019, 1.0 pp higher than the previous year and 4.7 pp higher than in 2009, with its growth trend accelerating from 2015 onward. This is the highest indicator of all the Latin American insurance markets, which is largely because premium volumes in this segment include Health insurance for the poorest members of society, which is managed by the insurance industry but covered by government budgets.

Insurance density in Puerto Rico (premiums per capita) came to 5,050 US dollars (also the highest in the region), up by 10.1% from the previous year (4,586 US dollars). As with penetration, density also shows a growing trend over the period under analysis, with cumulative growth of 85.3% between 2009 and 2019.

The depth index of the Puerto Rican market (measured as the ratio between Life insurance premiums and total premiums) stood at 9.9%, 0.2 pp higher than in 2018 and 2.7 pp higher than in 2009. However, in contrast to the penetration and density indicators, the depth growth rate in the Puerto Rican insurance market fell well below (-36.2%) the trend for the Latin American market as a whole, and has shown relative stagnation since 2014.

Insurance Protection Gap estimate

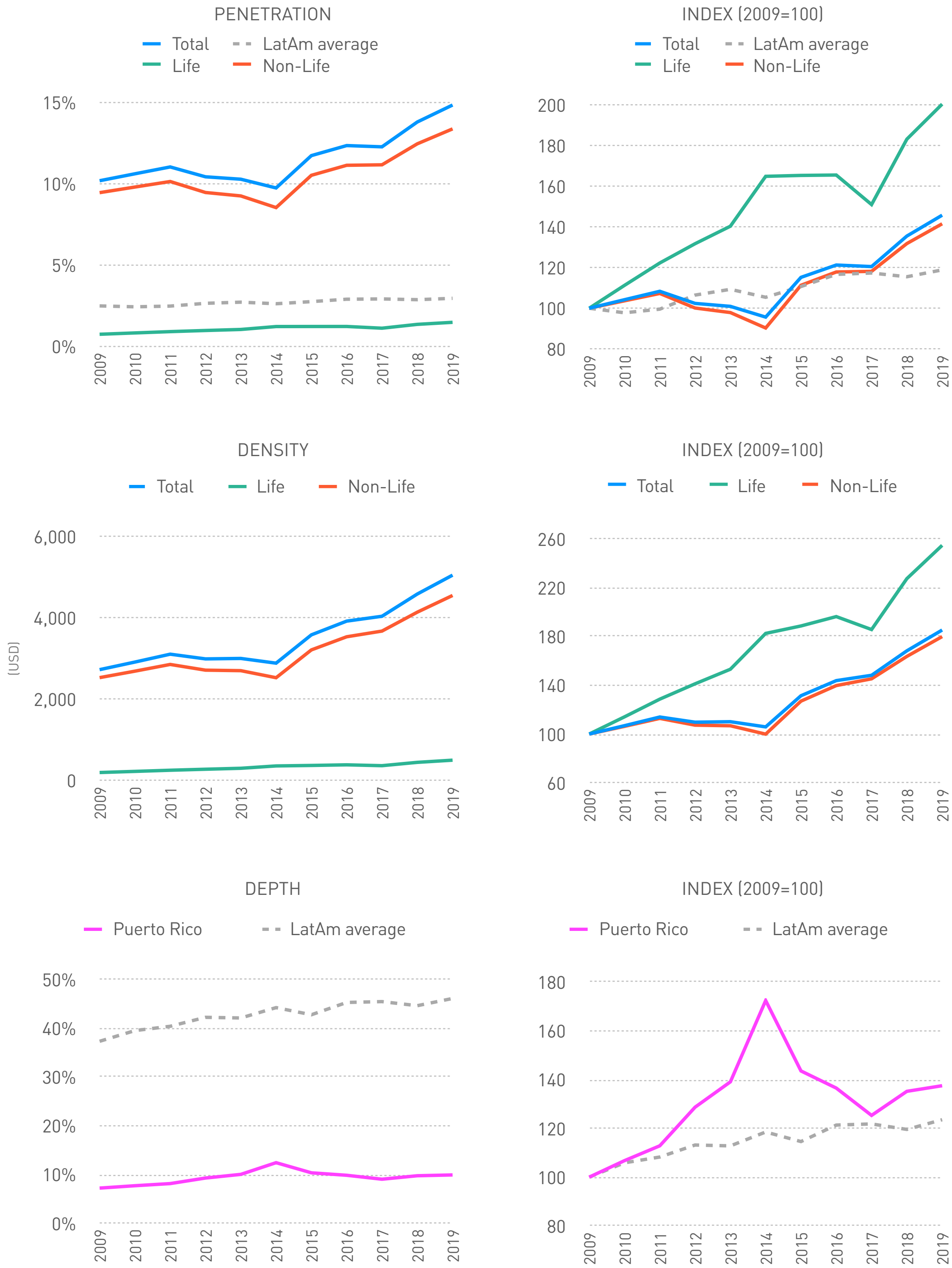
Chart 3.1.9-i shows an estimate of the IPG for the Puerto Rican insurance market between 2009 and 2019. Said chart shows that the insurance gap in 2019 stood at 2.7 billion US dollars, 0.2 times the size of the actual insurance market in Puerto Rico at the close of that year.

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, almost the entire IPG was a product of the Life insurance segment at the close of 2019. Accordingly, the potential insurance market in Puerto Rico at the close of 2019 (the sum of the actual market plus the IPG) is estimated at 17.51 billion US dollars, 1.2 times the size of the total insurance market that year (see Chart 3.1.9-j).

Chart 3.1.9-k shows an estimate of the IPG as a multiple of the actual market in Puerto Rico. This reveals that the insurance gap as a multiple of the market (concentrated in the Life insurance segment) shows a downward trend between 2009 and 2019, falling from 0.4 to 0.2 times the size of the actual market over that period in terms of the total market, and from 5.7 to 1.8 times the size in terms of Life insurance.

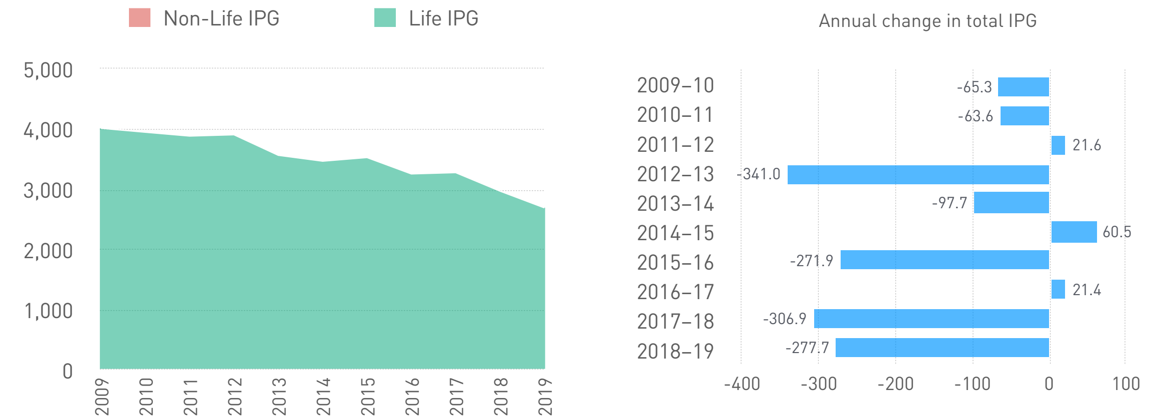
Chart 3.1.9-l supplements this analysis by showing the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Puerto Rican insurance market over the last ten years, comparing the situation in 2019 with that of 2009. In this regard, an improvement can

Chart 3.1.9-h
Puerto Rico: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2009 index=100)



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

Chart 3.1.9-i
Puerto Rico: Insurance Protection Gap
(millions of USD)



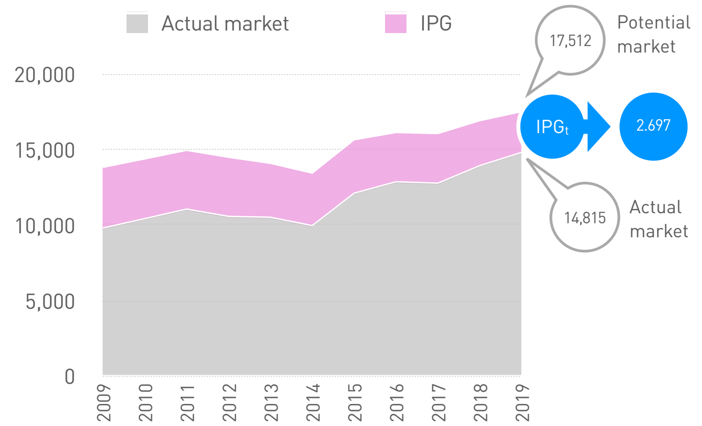
Source: MAPFRE Economics

essentially be seen in the gap of the Life segment.

Lastly, Chart 3.1.9-m of 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 2019 over the coming ten years.

The Puerto Rican insurance market grew at an average annual rate of 4.2% over the past decade, underpinned by an annual growth rate of 7.6% in the Life insurance segment and 3.9% 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 -3.4 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 compared to 2018 (when it was -5.7 pp).

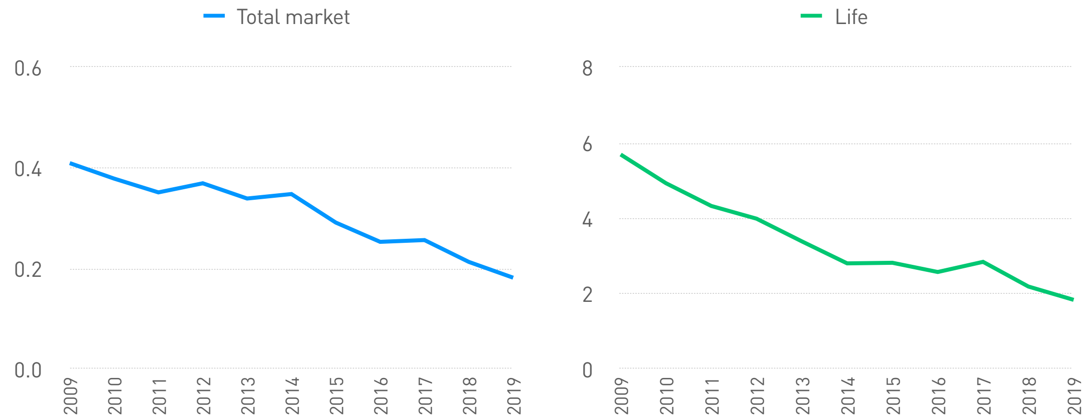
Chart 3.1.9-j
Puerto Rico: Insurance Protection Gap and potential market
(millions of USD)



Variation	Actual market	IPG
2019–2009	51.1%	-32.9%
2019–2018	6.3%	-9.3%

Source: MAPFRE Economics

Chart 3.1.9-k
Puerto Rico: IPG as a multiple of the actual market
(number of times, actual insurance market)

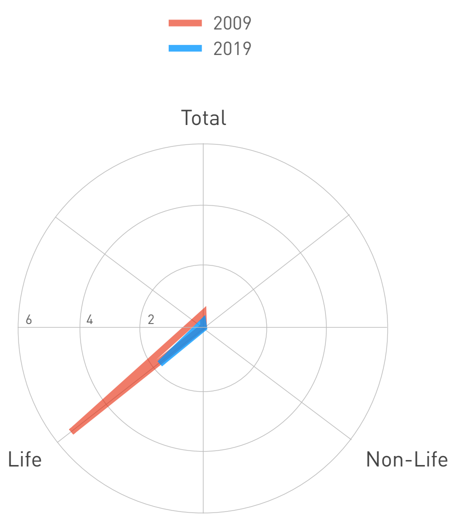


Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.1.9-n shows an estimate of the Market Development Index (MDI) for the Puerto Rican insurance industry. As can be seen, the MDI shows a positive trend from 2009 that, in the last two years of the period analyzed, is above the average of Latin American insurance markets.

Chart 3.1.9-l
Puerto Rico: change in IPG as a multiple of the actual market



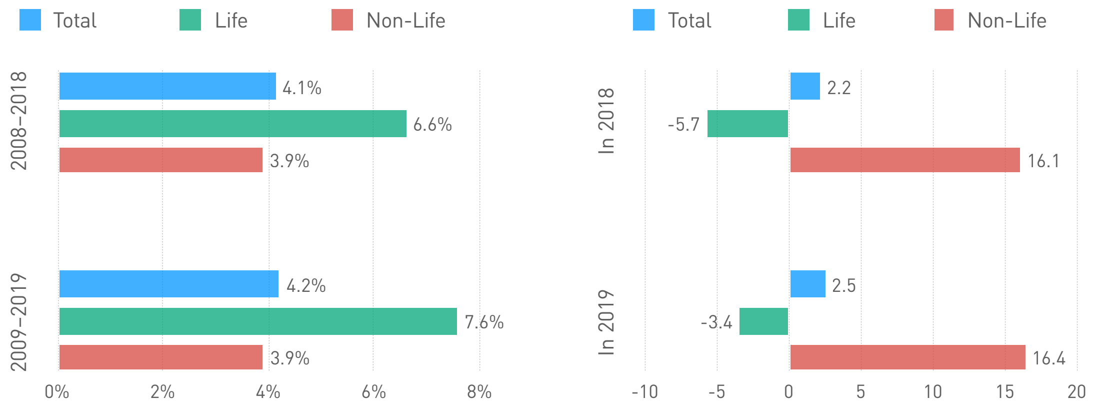
Source: MAPFRE Economics

Joint analysis of structural coefficients

Lastly, Chart 3.1.9-o shows 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 because private Health insurance is a highly developed concept in Puerto Rico, as mentioned above. The market development index (226.0 points) is also above the regional average (192.9).

Similarly, the dispersion analysis shown in the aforementioned Chart 3.1.9-o shows that, over the 2009–2018 period, the Puerto Rican insurance industry showed balanced development, characterized by increases in both penetration levels (quantitative aspect) and depth levels (qualitative aspect). This trend was maintained in 2019, but saw greater

Chart 3.1.9-m
Puerto Rico: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

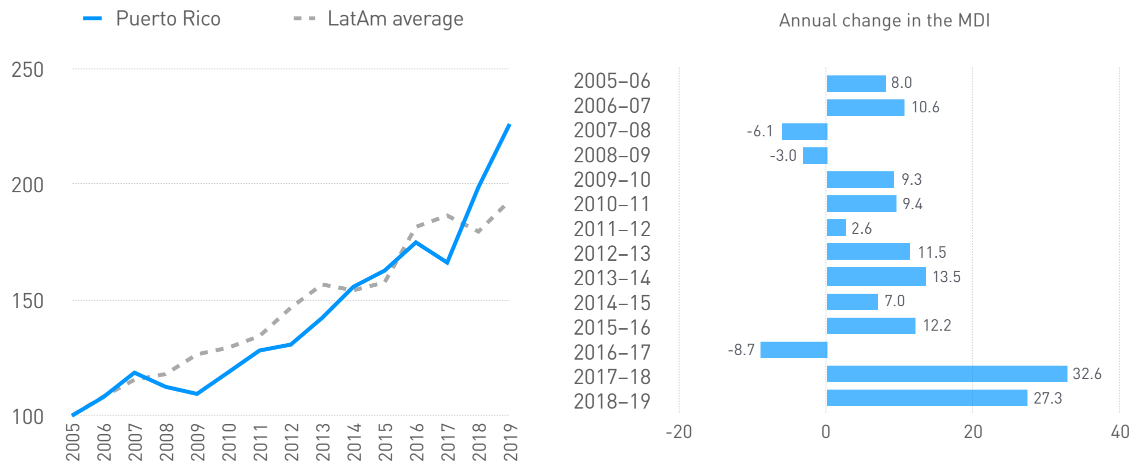
increases in penetration than in insurance depth.

Insurance market rankings

Total ranking

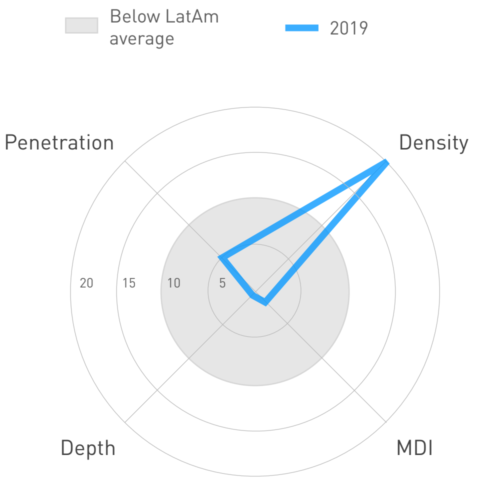
There were 386 insurance companies operating in Puerto Rico in 2019, 49 of which were domestic, 287 were foreign and 50 were from surplus lines. The indices measuring market concentration show that this increased between 2009 and 2012, and then decreased over the last three years, with a slight rebound since 2018 (see Chart 3.1.9-p). Regardless, the Herfindahl index shows that the level of concentration within the industry has remained consistently below the technical threshold indicative of moderate concentration.

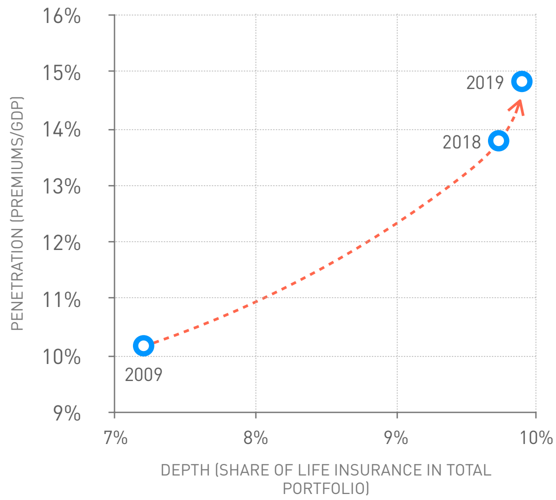
Chart 3.1.9-n
Puerto Rico: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.1.9-o
Puerto Rico: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)

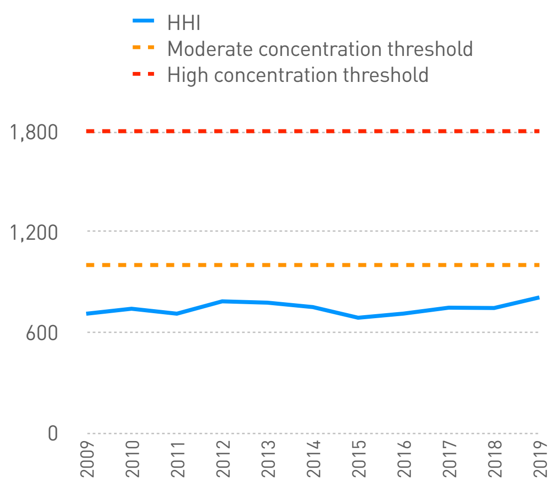


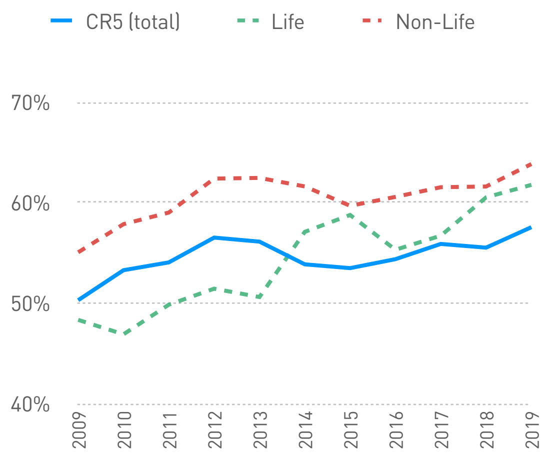


Source: MAPFRE Economics
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

In the total ranking, the first three positions are held by insurance groups whose market shares are significantly higher than the other market participants, and whose risk portfolio is strongly concentrated in Health insurance. For yet another year, InnovaCare holds first place with 22.3% of total premiums; Triple-S follows with a 22.2% share, as does MCS with 14.3% share (see Chart 3.1.9-q).

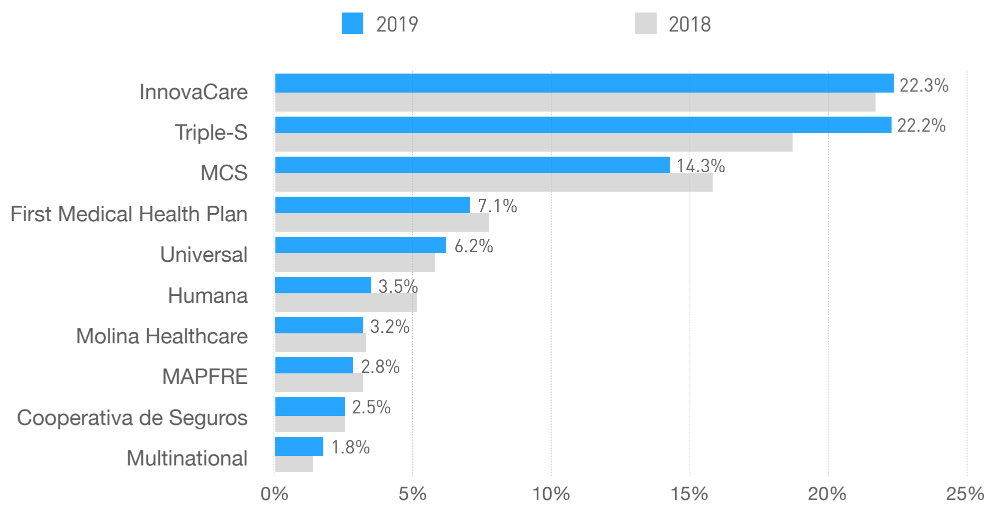
Chart 3.1.9-p
Puerto Rico: insurance industry concentration
(Herfindahl index; CR5 index, %)





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

Chart 3.1.9-q
Puerto Rico: total ranking
(market shares, %)

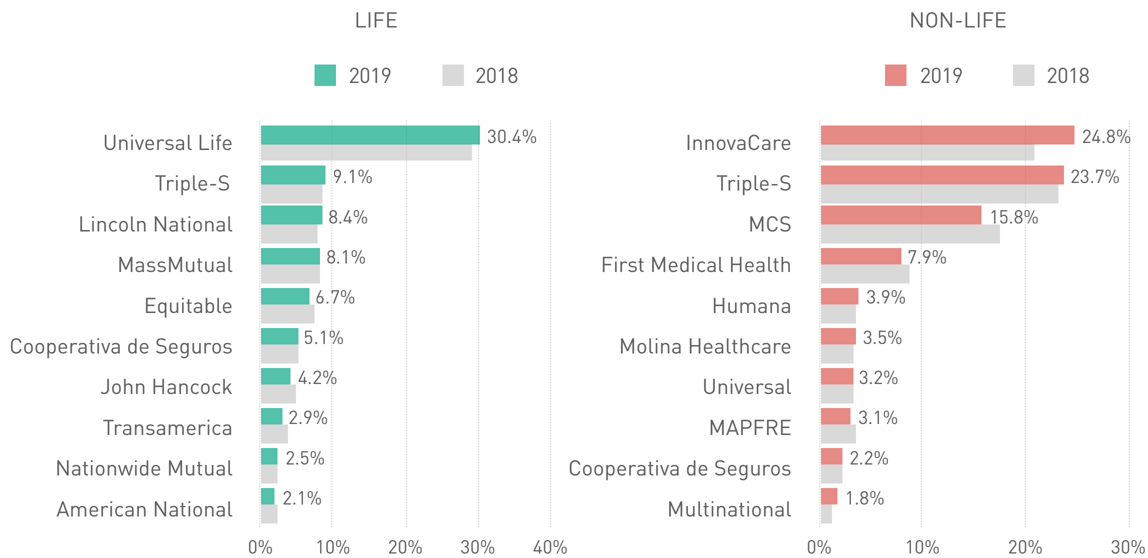


Source: MAPFRE Economics (based on data from the National Association of Insurance Commissioners, NAIC)

Life and Non-Life rankings

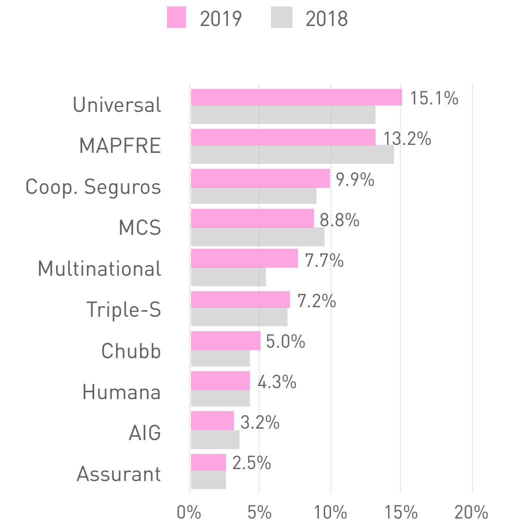
Given the relative weight of Health insurance in Puerto Rico, the total and Non-Life rankings are therefore very similar. For the first time, InnovaCare tops the market's Non-Life ranking this year with 24.8% of premiums. Triple-S holds second place with a market share of 23.7%, and MCS holds third place with 15.8% of the market share in this segment (see Chart 3.1.9-r). As regards the Non-Life ranking, when excluding the Health line (given the particular characteristics of this line in this market), the ranking would be led by Universal with 15.1% of the market share, followed by MAPFRE in

Chart 3.1.9-r
Puerto Rico: Life and Non-Life ranking
(market shares, %)



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

Chart 3.1.9-s
Puerto Rico: Non-Life ranking (excluding the Health line)
(market shares, %)



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

second place with 13.2% and Cooperativa de Seguros in third with 9.9% (see Chart 3.1.9-s).

As regards the ranking for the Life insurance segment, the top three positions are held by Universal Life with a share of 30.4% of premiums, followed by Triple-S with a 9.1% market share and Lincoln National with 8.4% of premiums, overtaking Massachusetts Mutual Life, with an 8.1% share. It should be noted that Axa sold Heritage Life this year and became Equitable, which ranked fifth in the Life ranking (6.7% share).

Key regulatory aspects

With regard to the main regulatory aspects in the Puerto Rican insurance market in 2019 and so far this year, the following provisions (which modified the framework of prudential insurance regulations) are particularly notable, as are the various regulations issued by the *Oficina de Comisionado de Seguros* (OCS — Office of the Commissioner of Insurance) of Puerto Rico:

- Act 014-2020, by which Article 1.120 – Insurance Consumer Bill of Rights is added to the Puerto Rican Insurance Code.

- Act 042-2020, which establishes the regulatory framework to promote the effective management and evaluation of own risks and solvency in the business activities of insurers, health service organizers, and insurance groups, known as the Own Risk and Solvency Assessment (ORSA). The provisions of this chapter were adopted following the parameters issued by the National Association of Insurance Commissioners (NAIC) under the model act known as the Risk Management and Own Risk Solvency Assessment Act.

- Act 060-2019, which establishes the Puerto Rican Incentives Code, which will provide for a new transparent and efficient process for the granting and control of all incentives granted by the Government.

- Act 090-2019, by which a subparagraph is added to Article 19.150 of the Puerto Rican Insurance Code on prohibited practices, in the sense that no agreement, contract, addendum or provision between a Medicare Advantage health service organization or its representative, including benefit managers and administrators, and a service provider, in connection to the services offered for Medicare Advantage, shall contain any clause establishing a lesser or less favorable payment to the provider than that established by the Centers for Medicare and Medicaid Services (CMS) for Puerto Rico as a reimbursement rate for each year of the services.

- Act 082-2019, which establishes the Regulatory Law for Pharmacy Benefits and Services Administrators, which oversees pharmacy benefit managers (PBM).

- Act 110-2019, which amends Article 27.161 of the Puerto Rican Insurance Code on unfair practices in claims adjustment.

- Act 138-2029, by which Article 30.031 is added to Chapter 31 of the Puerto Rican Insurance Code on the application to become a provider.

- Ruling Letter CN-2020-271-D, extending the term of insurance contracts and policies for an additional period of thirty (30) days due to COVID-19.

- Ruling Letter CN-2020-272-D, expedited process for the payment of claims from hospitals and laboratories during the COVID-19 crisis.

- Ruling Letter CN-2020-273-D, grace period for the payment of premiums and temporary postponement of policy cancellation due to lack of payment, as a measure to ensure continuity of coverage for policyholders during the COVID-19 crisis.

- Ruling Letters CN-2020-253-D, CN-2020-254-D, CN-2020-268-D, CN-2020-269-D, and CN-2020-270-D, on the payment of premiums, the management of dispensing medication, out-of-network providers, pre-authorizations, referrals, and claims by providers, insurers and subscribers.

- Ruling Letter CN-2020-255-EX, in accordance with Article 25.030(2) of the Puerto Rican Insurance Code, which establishes the percentage applicable to the Reserve for catastrophic insurance loss.

- Ruling Letter CN-2020-256-D, coverage exclusions for unoccupied or vacant property after the seismic event of January 2020.

- Ruling Letter CN-2020-258-D, which amends Ruling Letter No. 2008-93-PR to allow for validating the examination on variable annuities with the certification of the sales authorization for that purpose issued by the OCFI (*Oficina del Comisionado de Instituciones Financieras* — Office of the Commissioner of Financial Institutions).

- Ruling Letter CN-2020-262-AS, guidelines on the submission of rates and forms from January 2021 with regard to deadlines, requests to submit rates and forms, and the method of use once approved.

- Ruling Letter CN-2020-265-D, coronavirus guidelines for any health service organization and insurer that underwrites commercial medical insurance plans.

- Ruling Letter CN-2020-266-D, interim process for the extension of compulsory liability insurance coverage during the moratorium period established as a result of the state of emergency due to the coronavirus (COVID-19).

- Ruling Letter CN-2020-267-D, grace period for the payment of premiums and temporary postponement for 30 days of policy cancellation due to lack of payment.

- Ruling Letter CN-2020-276-D, "COVID-19 Information Request Template" to all insurers for the purpose of collecting information related to preparation, exposure and business continuity plans to address the coronavirus (COVID-19) situation.

- Ruling Letter CN-2020-277-D, given the statutory changes in the Insurance Code and the reinsurance market that have occurred over the last three (3) years, it is has been decided to suspend, for the 2019 annual report, the requirement to reclassify the liability of 2% of the catastrophic exposure of the country's insurers; the OCS conducts a further review of the current regulations governing the accounting treatment of the catastrophic reserve.

- Ruling Letter CN-2020-281-D, amendment to Ruling Letter N-AP-8-75-2006, property policies for condominiums and apartments in condominiums.

- Ruling Letter CC-2020-282-AF, through the approval of Act 181-2019, the "Salary Adjustment Act for Members of the Fire Department of Puerto Rico," established, among other matters, an amendment to Article 7.020 of the Puerto Rican Insurance Code for the purpose of imposing an additional premium contribution of 3% on insurers that underwrite premiums in the insurance lines of Fire and Allied Lines in Puerto Rico.

- Ruling Letter CN-2020-283-D, extension of the guaranteed enrollment period for basic individual medical insurance plans during 2021. The guaranteed underwriting period for 2021 will begin on November 1, 2020 and will extend until January 15, 2021, both inclusive, for new subscribers for basic individual medical insurance plans. The extension of the guaranteed underwriting period provided herein does not entail a change in the effective date of coverage, so that for applications for insurance that are received on or before January 15, 2021, the coverage of the medical insurance plan will enter into effect on January 1, 2021. In the case of renewals, the guaranteed underwriting period is extended until January 31, 2021, so that policyholders may renew their basic individual medical insurance plan.

3.2 South America

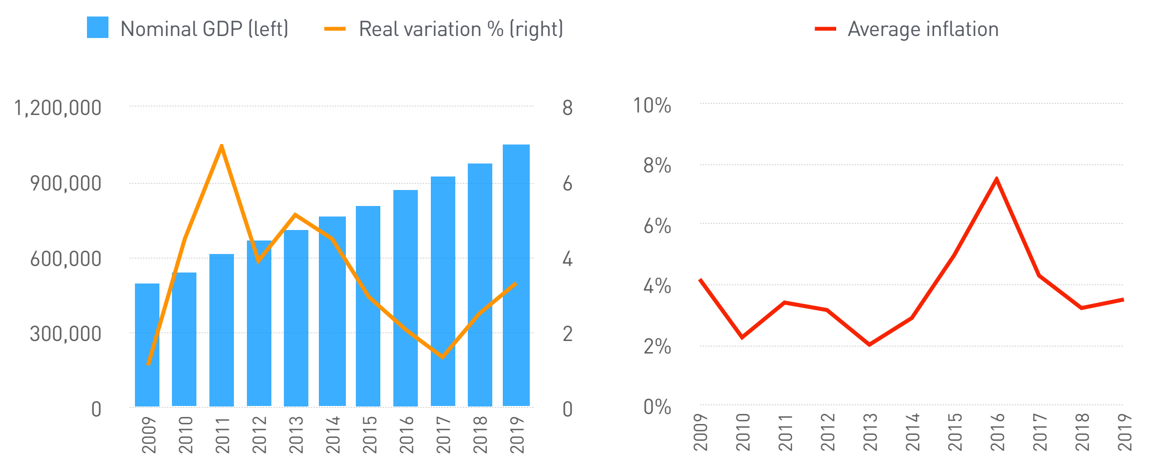
3.2.1 Colombia

Macroeconomic environment

The Colombian economy once again performed well in 2019, with real growth of 3.3%, compared to 2.5% the previous year (see Chart 3.2.1-a), driven by household and government consumption, and by private investment. The fiscal deficit in 2019 closed at 2.2% of GDP (compared to 3.1% the previous year), which was within the target set for the fiscal path for the next few years. Public debt in 2019 represented 50.3% of GDP at year-end, compared to 51.8% in 2018. For its part, the deficit of the balance of payments current account remains high at 4.2% of GDP at the close of 2019 (3.9% in 2018); this, together with unemployment, is one of the main challenges that this economy faces.

The inflation rate increased slightly to 3.5% for the year overall (3.2% in 2018), but remained within the monetary policy's target range (between 2.0% and 4.0%), thus allowing the central bank to maintain the intervention rate at 4.25% throughout the year. This resulted in moderate borrowing costs compared to those applied in previous years, which enabled a

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 IMF data)

broad range of credit to be supplied households, contributing to the growth of the Colombian economy in 2019. The exchange rate against the US dollar showed a trend toward depreciation throughout the year, with an average decline of around -10%.

The unemployment rate increased slightly to 10.5%, compared to 9.7% the previous year. According to ECLAC data, the progressive deterioration of employment is a cause for concern and considerable job losses were recorded. This could be related to the discouragement of low-productivity workers and the trend of job insecurity being accentuated by the pressure of Venezuelan migration, which may reach 5% of the economically active population in around four years. Despite this, the real increase in minimum wage and in the average remuneration of various lines of activity contributed to consumption dynamism, a driver of economic activity in 2019. The ECLAC estimates a contraction of -5.6% in Colombia's economy for 2020, as a result of the economic effects of the lockdown and social distancing measures that have been implemented to tackle the COVID-19 pandemic. Meanwhile, the IMF's most recent forecasts predict that this contraction could be -2.4%.

Insurance market

Growth

The Colombian insurance industry recorded 30.09 trillion pesos (9.17 billion US dollars) in premiums in 2019, up by 10.3% in nominal terms and 6.6% in real terms, with both the Life and Non-Life segments growing at a good pace (see Table 3.2.1 and Chart 3.2.1-b).

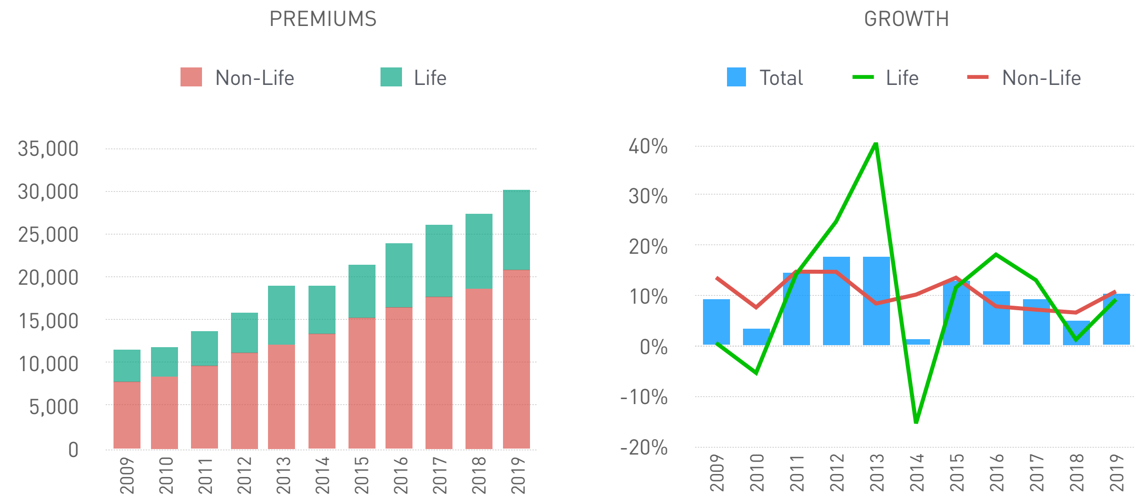
Life insurance, which accounts for 31% of the sector as a whole, recorded nominal growth of 9.2% and real growth of 5.5%, with a greater

Table 3.2.1
Colombia: premium volume[1] by line, 2019

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**30,087,537**	**9,168**	**10.3**	**6.6**
Life	**9,329,143**	**2,843**	**9.2**	**5.5**
Life — individual and group	5,433,616	1,656	10.4	6.6
Pension insurance	3,895,527	1,187	7.7	4.0
Non-Life	**20,758,394**	**6,325**	**10.8**	**7.1**
Automobiles	3,659,149	1,115	5.0	1.4
Other lines	2,891,957	881	12.3	8.5
CTAI[2]	2,820,683	860	9.6	5.9
Health	1,997,177	609	28.4	24.0
Earthquake	900,488	274	7.1	3.5
Fire	917,710	280	4.5	1.0
Third-party liability	1,249,971	381	17.9	13.9
Personal accidents	1,196,774	365	17.7	13.7
Transport	332,015	101	6.6	2.9
Theft	420,209	128	11.4	7.6
Aviation	163,455	50	40.7	35.9
Credit	102,177	31	7.5	3.9
Workplace accidents	4,106,629	1,251	6.9	3.2

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

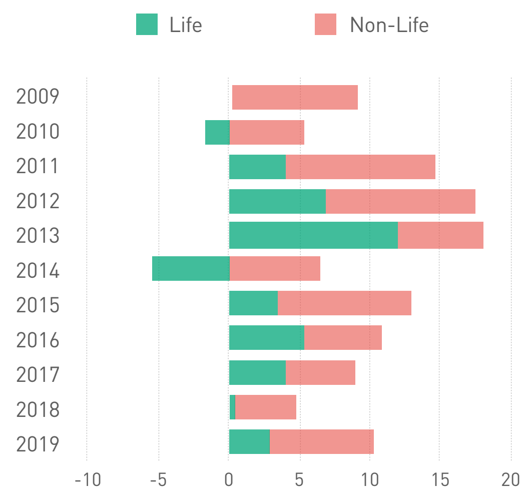
Chart 3.2.1-b
Colombia: growth developments in the insurance market
(premiums, billions of pesos; annual nominal growth rates, %)



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

increase in group and individual insurance than in pension insurance. Meanwhile, Non-Life insurance, which accounts for the remaining 69% of the market, grew by 10.8% in 2019 (7.1% in real terms) to reach 20.76 trillion pesos. The performance of the Health line (+28.4 in nominal terms), Third-Party Liability (+17.9%) and Accidents (+17.7%) was noteworthy. Workplace Accidents and Automobile insurance, the largest lines, also showed very positive performance in 2019, with nominal increases of 6.9% and 5.0% respectively. Among the smaller lines, growth in Aviation is particularly notable (40.7% in nominal terms).

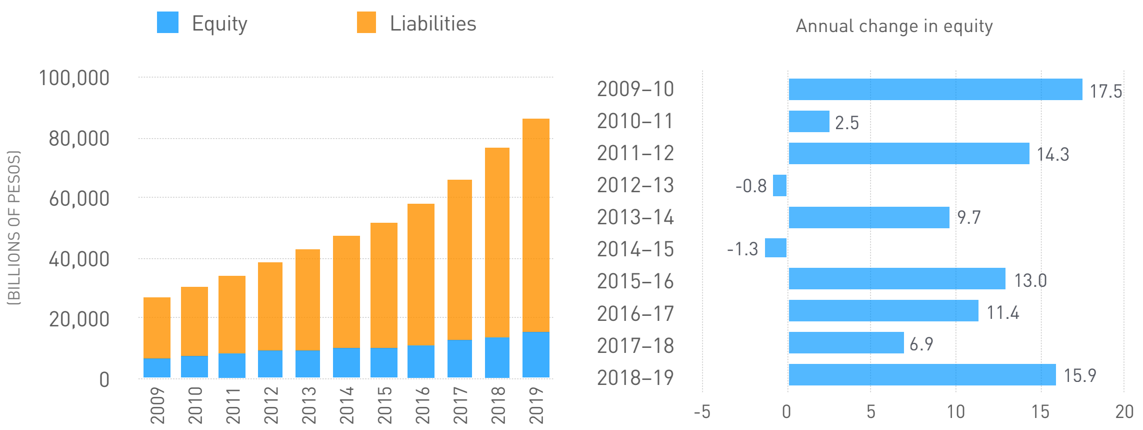
Chart 3.2.1-c
Colombia: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	9.2	0.2	9.0
2010	3.6	-1.7	5.3
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

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

Chart 3.2.1-d
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)

As has been the case over the last decade, with the exception of 2013, contribution to growth in the Colombian insurance industry in 2019 came mainly from Non-Life lines, which contributed 7.4 pp to the total industry growth in 2019 (10.3%), while the Life segment contributed 2.9 pp (see Chart 3.2.1-c).

Balance sheet and shareholders' equity

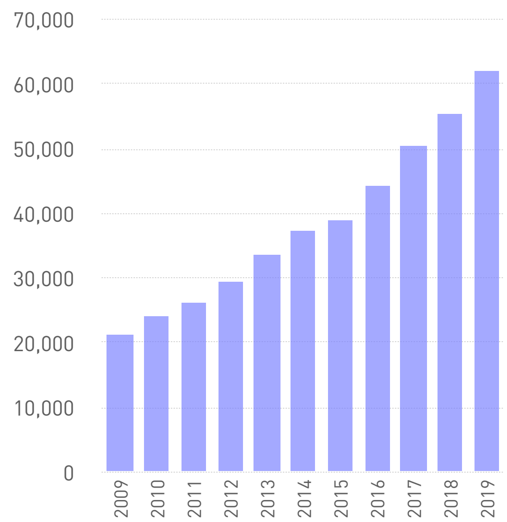
Chart 3.2.1-d shows the performance of the Colombian insurance industry's aggregate balance sheet at the sector level between 2009 and 2019. This data shows that the industry's total assets amounted to 86.05 trillion pesos (26.26 billion US dollars). Similarly, the industry's aggregate equity stood at 15.39 trillion pesos (4.7 billion US dollars) for the year, an increase of 15.9% compared to the previous year.

Meanwhile, aggregate capitalization levels in the Colombian insurance industry (measured relative to total assets) have rebounded slightly in 2019, representing 17.9% of assets at the end of 2019, compared to 17.3% in 2018 (which was the lowest rate over the last decade). 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

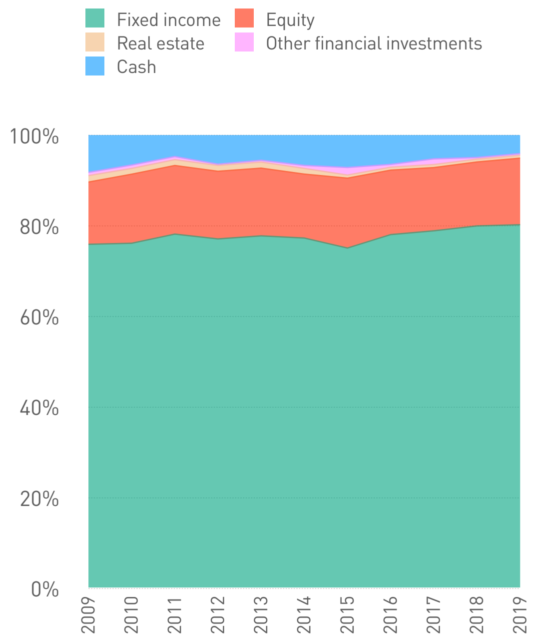
Chart 3.2.1-e shows changes in investment for the Colombian insurance industry between

Chart 3.2.1-e
Colombia: insurance market investments
(billions of pesos)



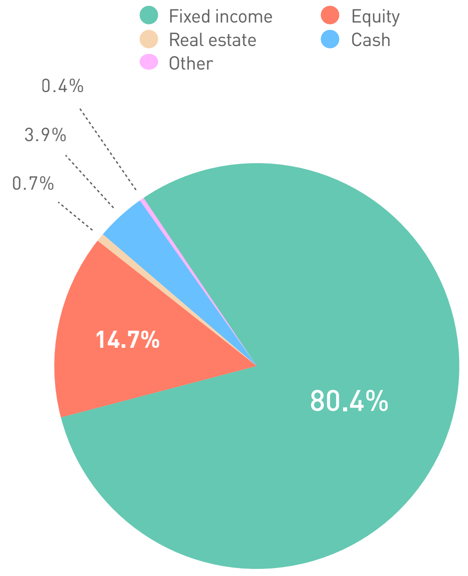
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-f
Colombia: structure of investments
(%)



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

Chart 3.2.1-g
Colombia: structure of investments, 2019
(%)



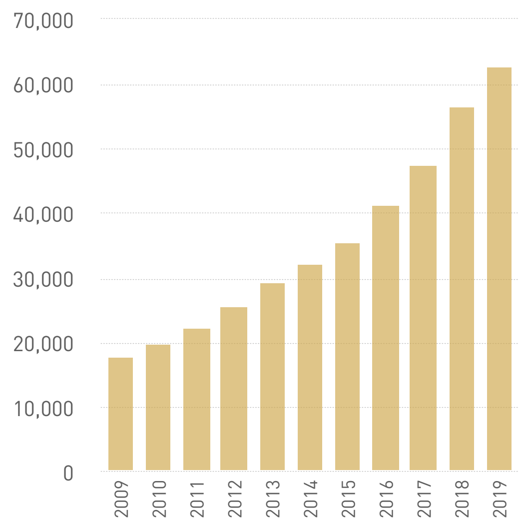
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

2009 and 2019, while Charts 3.2.1-f and 3.2.1-g show changes in the structure of the investment portfolio over said period and specifically in 2019. This data shows that investments for the Colombian insurance industry totaled 61.92 trillion pesos (18.89 billion US dollars) in 2019, including cash and real estate (investment properties). In terms of structure, investment was concentrated in fixed income (80.4%) and, to a lesser extent (14.7%), in equity instruments.

Technical provisions

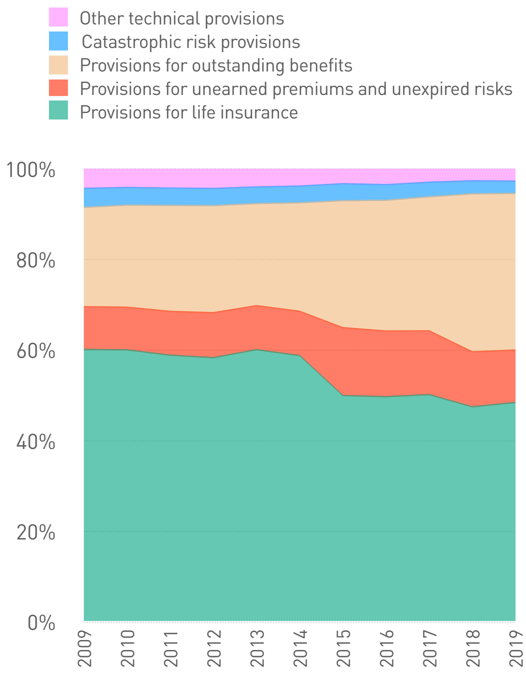
Chart 3.2.1-h shows changes in technical provisions over the 2009–2019 period, while Charts 3.2.1-i and 3.2.1-j show their relative composition over said period and specifically in 2019. In the latter year, technical provisions amounted to 62.74 trillion pesos (19.15 billion US dollars). Of the total technical provisions, 48.6% related to Life insurance, 11.5% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 34.6% to provisions for outstanding benefits, 2.7% to provisions for catastrophic risks and the remaining 2.6% to

Chart 3.2.1-h
Colombia: technical provisions of the insurance market
(billions of pesos)



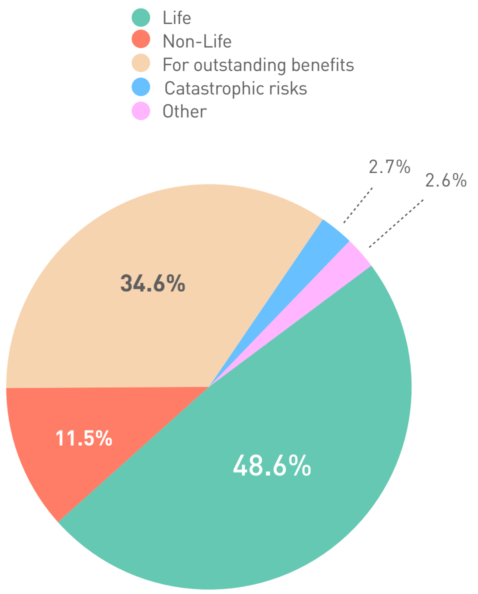
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Chart 3.2.1-i
Colombia: structure of technical provisions
(%)



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

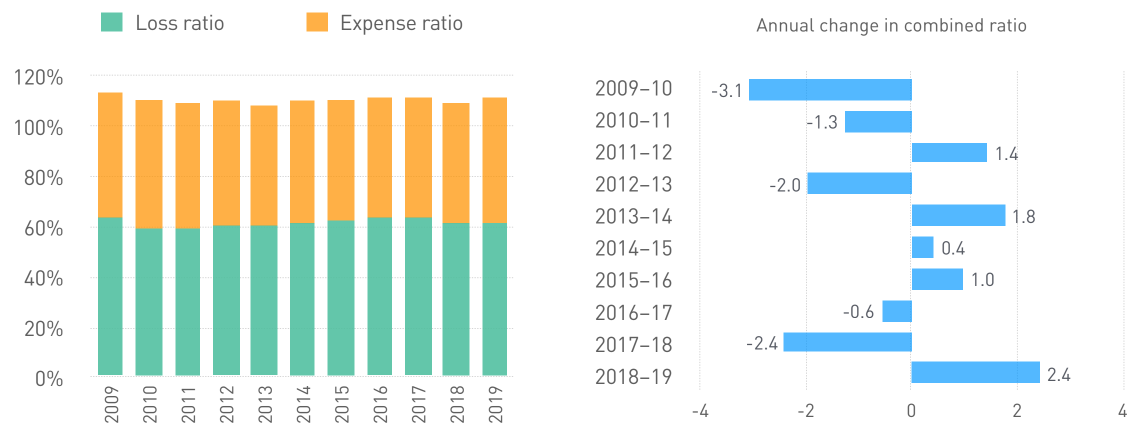
Chart 3.2.1-j
Colombia: structure of technical provisions, 2019
(%)



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

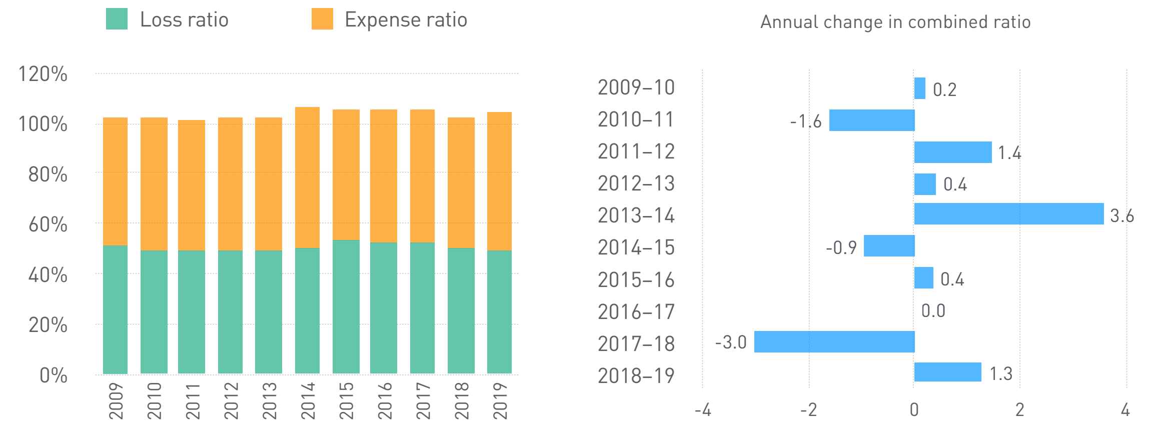
other technical provisions. Sustained absolute growth was observed in technical provisions for the Colombian insurance industry over the 2009–2019 period. Life provisions have almost tripled in volume to 30.48 trillion pesos (9.3 billion US dollars), although their share of total provisions has decreased from 60.3% in 2009 to 48.6% in 2019. Conversely, provisions for outstanding benefits have increased their share most, from 21.9% in 2009 to 34.6% in 2019.

Chart 3.2.1-k
Colombia: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



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

Chart 3.2.1-l
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)

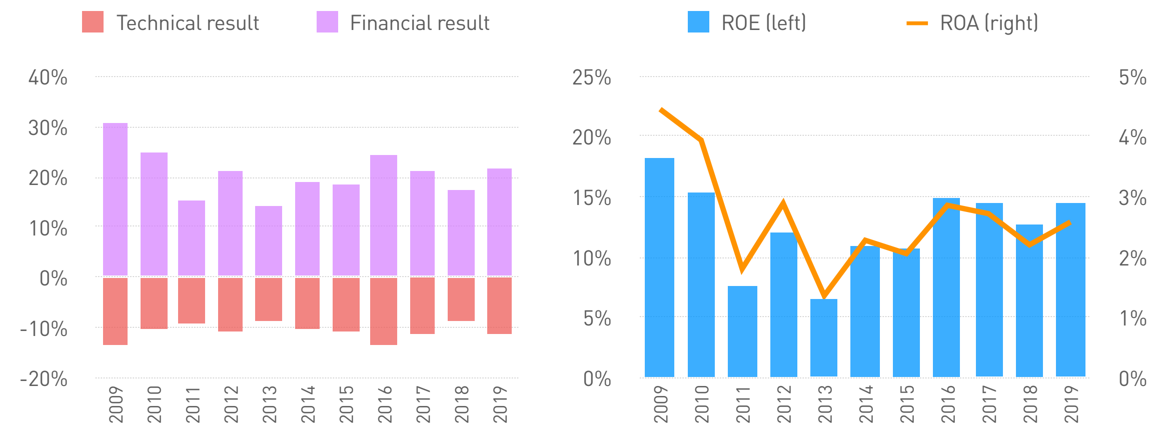
Technical performance

The technical result of the Colombian insurance industry deteriorated throughout 2019. The total combined ratio increased by 2.4 pp compared to 2018 to reach 111.3%, due to an increase of 1.9 pp in the expense ratio and 0.5 pp in the loss ratio (see Chart 3.2.1-k). Similarly, the combined ratio of companies operating in general P&C insurance (Non-Life) increased by 1.3 pp in 2019 to 103.9% (102.6% in 2018), due to a significant increase of 2.7 pp in the expense ratio, while the loss ratio fell by -1.4 pp (see Chart 3.2.1-l).

Results and profitability

The net result of the Colombian insurance business in 2019 was 2.22 trillion pesos (677

Chart 3.2.1-m
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)

million US dollars), up by 31.4% compared to the previous year (see Chart 3.2.1-m). Despite the deterioration in the technical result, an increase of 32.7% in the investment result boosted the Colombian insurance industry's positive result in 2019. Meanwhile, the industry's profitability increased compared to 2018. In this regard, return on equity (ROE) stood at 14.4%, compared to 12.7% the previous year; a similar situation emerges for return on assets (ROA), which reached 2.6% in 2019, representing an increase of 0.4 pp compared to the previous year.

Insurance penetration, density and depth

Chart 3.2.1-n shows the main structural trends shaping the development of the Colombian insurance industry over the 2009–2019 period. First, the penetration index (premiums/GDP) stood at 2.9% in 2019, 0.1 pp higher than the previous year. Overall, the penetration index in the Colombian market has grown steadily since 2010, in line with the average trend reported by the Latin American insurance market as a whole, although still slightly below the region's absolute average values.

Meanwhile, the density indicator (premiums per capita) amounted to 597,693 pesos (182 US dollars) in 2019, up by 8.9% 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 2009–2019 period. However, when measured in US dollars, it shows a decline from 2013 through 2016 as a result of the devaluation of the Colombian peso against the US dollar. This situation reversed in 2017, but occurred once again in 2019.

Lastly, the depth of the Colombian insurance market (Life insurance premiums in relation to total premiums) stood at 31.0% in 2019, -0.3 pp lower than in 2018 and 0.1 pp higher than in 2009. The performance of this ratio has been mixed over the last decade, with an all-time high in 2013 (35.5%). It should also be noted that the depth index for Colombia has remained consistently below the indicator's average absolute values for the Latin American average.

Insurance Protection Gap estimate

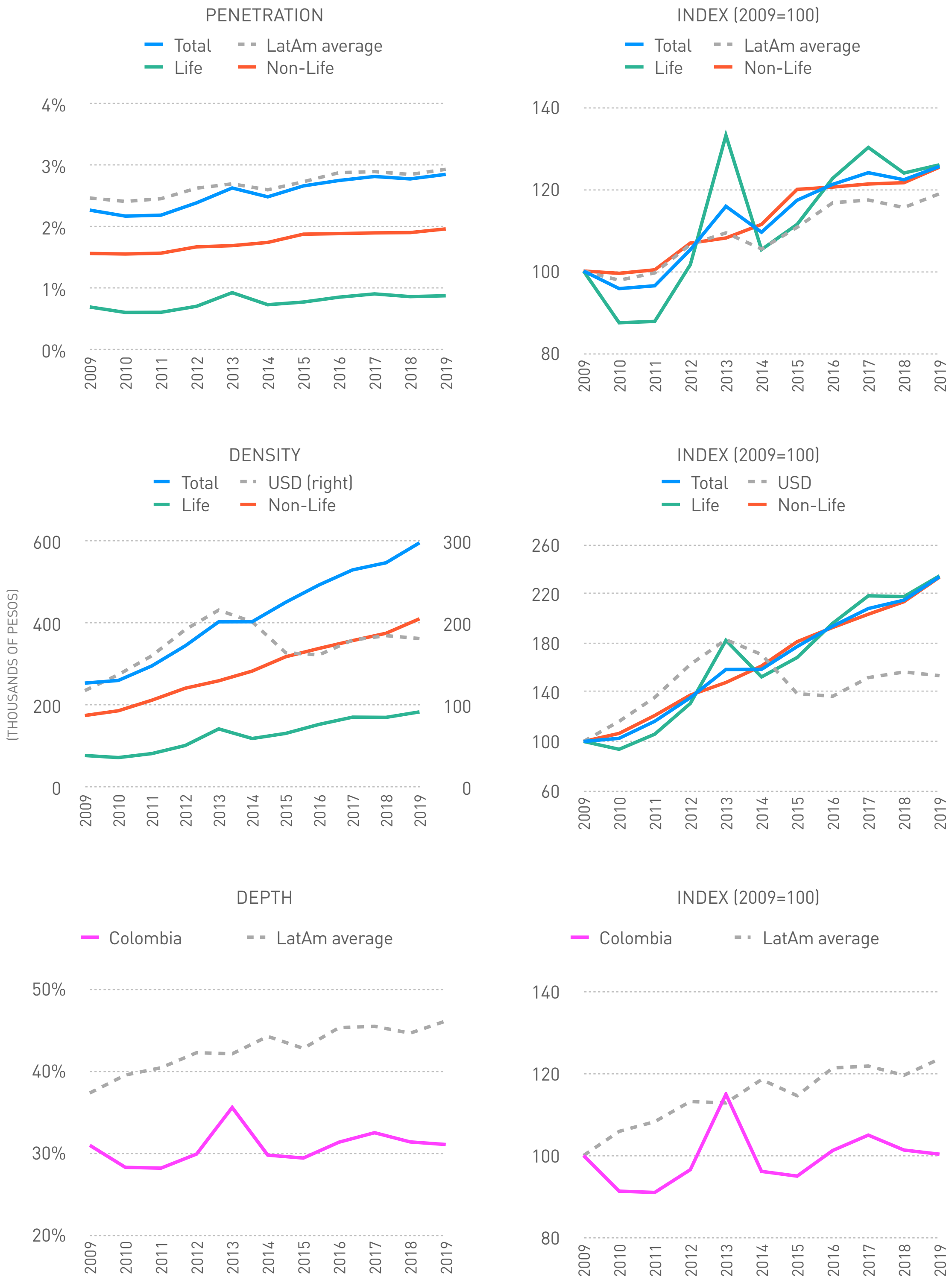
Chart 3.2.1-o shows an estimate of the insurance gap for the Colombian insurance market between 2009 and 2019. This data shows that the IPG amounted to 50.74 trillion pesos (15.46 billion US dollars) in 2019, equivalent to 1.7 times the size of the actual insurance market in Colombia at the close of that year.

Similar to most Latin American insurance markets, the structure and performance of the IPG over the period under analysis are largely attributable to the Life insurance segment. As such, 68% of the IPG was attributable to Life insurance (34.5 trillion pesos) at the close of 2019, down by -1.2 pp compared to 2009. The remaining 32% of the insurance gap is attributable to the contribution of the Non-Life insurance segment (16.24 trillion pesos). Accordingly, the potential insurance market at the close of 2019 (the sum of the actual market plus the IPG) was estimated at 80.83 trillion pesos (24.63 billion US dollars), equivalent to 2.7 times the size of the total insurance market that year (see Chart 3.2.1-p).

As such, Chart 3.2.1-q shows an estimate of the insurance gap of the Colombian market as a multiple of the actual insurance market in each year of the period under analysis, showing a steady downward trend throughout the 2009–2019 period. Over this period, the total gap fell from 2.7 to 1.7 times the size of the actual market. A similar situation emerges for the Life market multiple, which fell from 6.0 to 3.7 (though with a small upturn in 2014), and for the Non-Life market, which fell from 1.2 to 0.8.

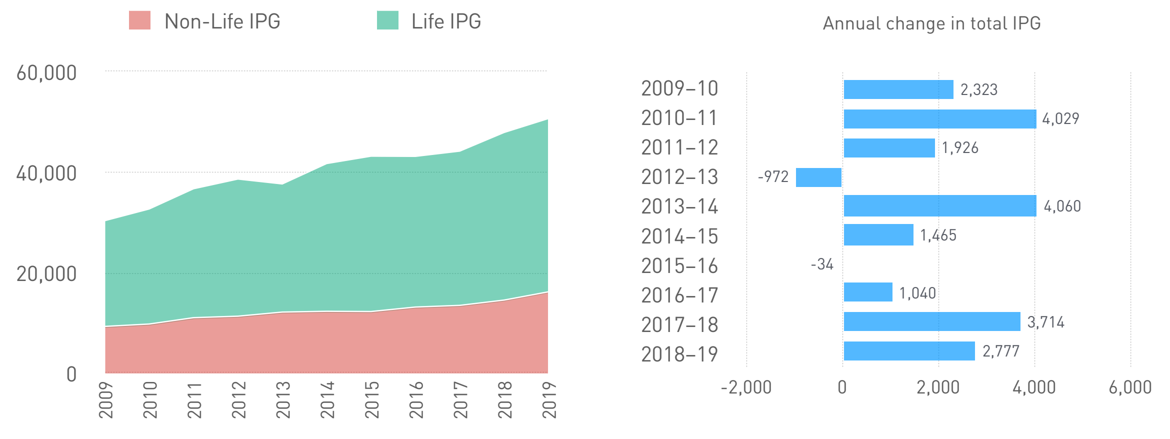
Furthermore, Chart 3.2.1-r summarizes changes in the insurance gap as a multiple of

Chart 3.2.1-n
Colombia: changes in penetration, density and depth, 2019
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



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

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

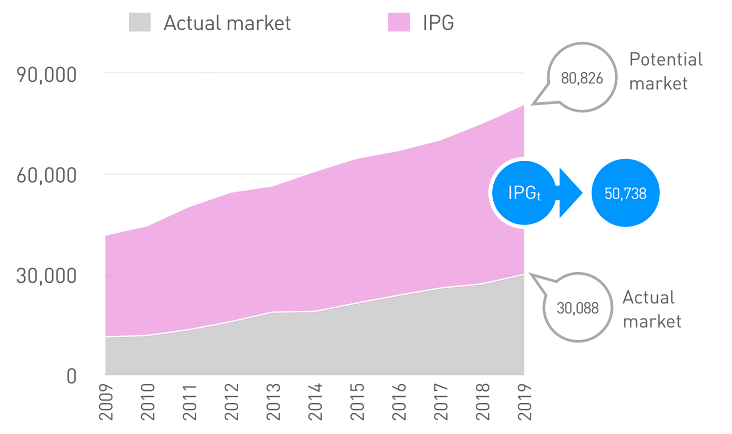


Source: MAPFRE Economics

the actual market for the Life and Non-Life segments and for the total insurance market in Colombia over the last decade, comparing the situation in 2019 with that of 2009. As such, the insurance gap as a multiple of the actual market can be seen to improve in both the Non-Life and Life segments.

Lastly, Chart 3.2.1-s shows a summary of the Colombian insurance market's capacity to close the insurance gap determined in 2019, 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. This analysis shows that the Colombian insurance market recorded an average annual growth rate of 10.2% over the 2009–2019 period, underpinned by an annual growth rate of 10.2% in the Life insurance segment and an average annual growth rate of 10.1% in the Non-Life insurance segment.

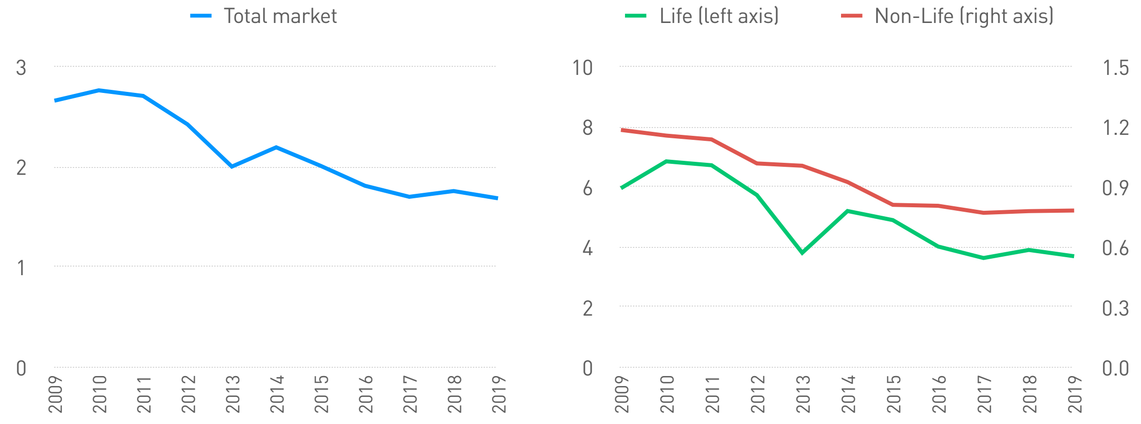
Chart 3.2.1-p
Colombia: Insurance Protection Gap and potential market
(billions of pesos)



Variation	Actual market	IPG
2019–2009	163.1%	66.8%
2019–2018	10.3%	5.8%

Source: MAPFRE Economics

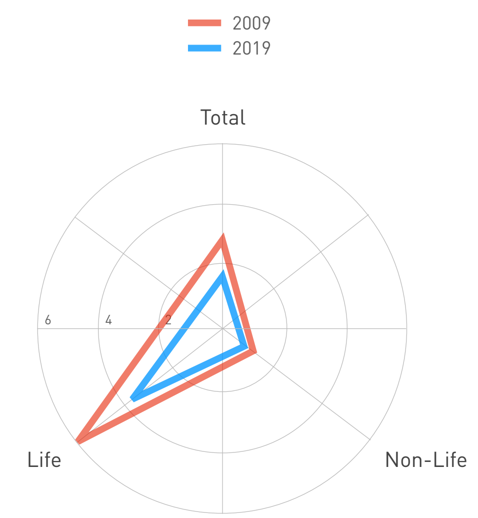
Chart 3.2.1-q
Colombia: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

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 only in the Non-Life insurance segment. In terms of the Life insurance segment, the growth rate would fall -6.5 pp short of closing the gap, having improved compared to 2018.

Chart 3.2.1-r
Colombia: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

Market Development Index (MDI)

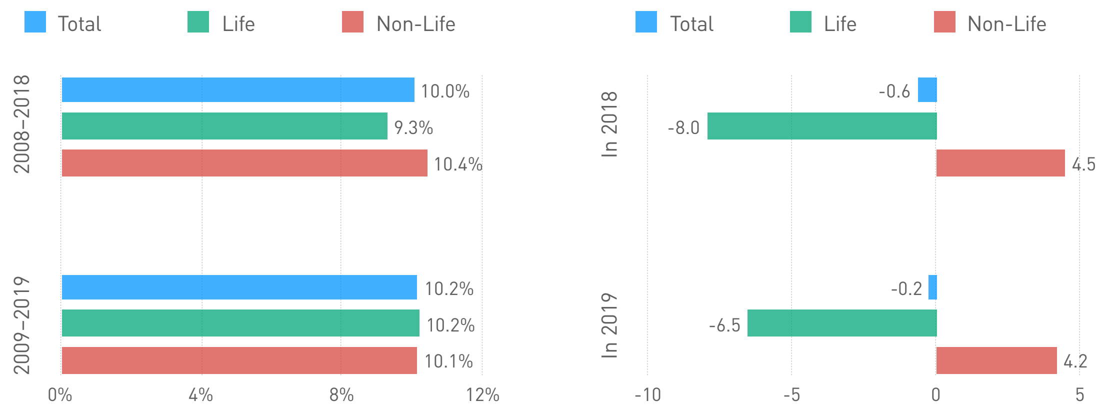
Chart 3.2.1-t shows an estimate of the Market Development Index (MDI) for the Colombian insurance industry between 2005 and 2019. The MDI shows a general positive trend over the period analyzed, similar to the trend shown by Latin American insurance markets on average, but with significant fluctuations in some years (2008, 2011 and 2013).

These fluctuations are a result of atypical performance in the growth of the Life insurance segment, which has caused a great deal of variability in depth levels, with contractions in 2009–2010 (following a significant increase in 2008) and in 2013–2014, and with an increase of 40% in Life insurance premiums in 2013, followed by a drop of -15.5% in 2014.

Comparative analysis of structural coefficients

Meanwhile, Chart 3.2.1-u shows the Colombian insurance market's situation in 2019 in comparison with the average for Latin America, measured in terms of the four structural coefficients analyzed. This analysis shows that, although the situation of the Colombian market in terms of penetration and the Market Development Index has followed the regional average, depth levels and density levels remain below the average for Latin American insurance markets.

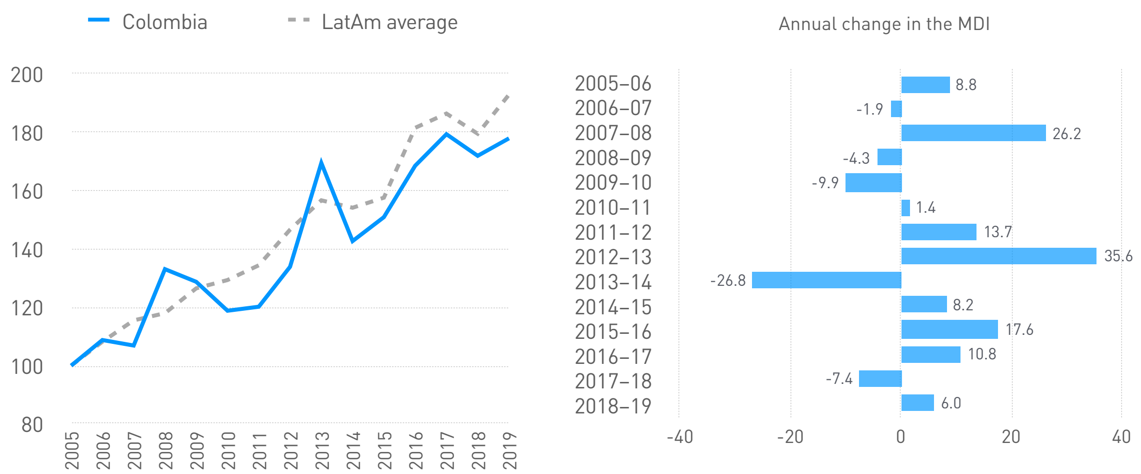
Chart 3.2.1-s
Colombia: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

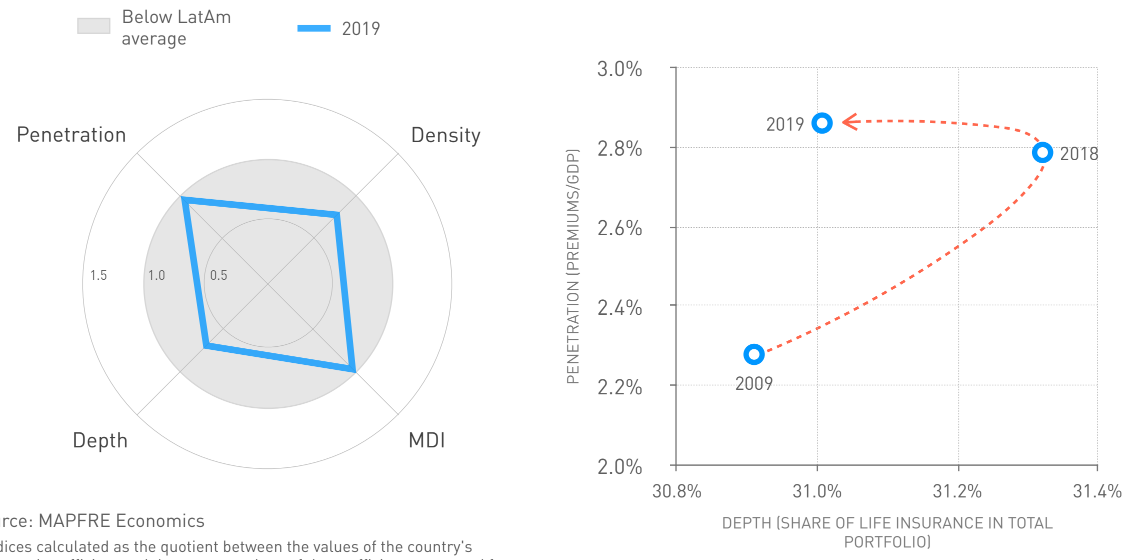
Furthermore, the dispersion analysis shown in the aforementioned chart confirms that, over the 2009–2018 period, the Colombian insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect) and depth levels (qualitative aspect). However, this trend changed in 2019, with a slight increase in penetration, but with a contraction in terms of insurance depth.

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



Source: MAPFRE Economics

Chart 3.2.1-u
Colombia: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



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

Insurance market rankings

Total ranking

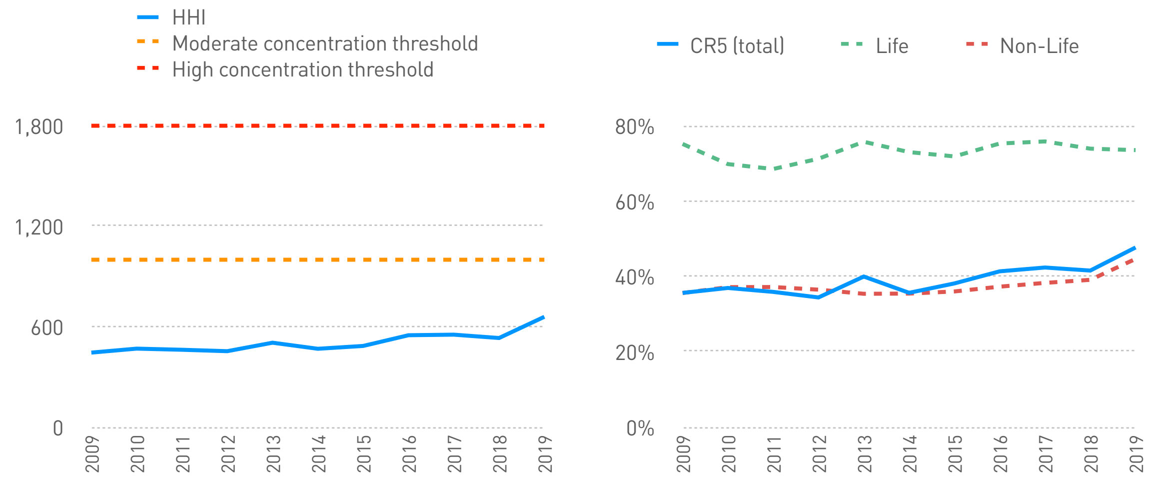
There were 26 general P&C insurance companies, 18 Life insurance companies and two insurance cooperatives operating in Colombia in 2019. In general, the Colombian insurance market continues to show low levels of concentration. This is supported by the Herfindahl and CR5 indices shown in Chart 3.2.1-v, which reveal a relatively steady trend between 2009 and 2019. The Herfindahl index increased slightly (659.3 points) in the latter year, but 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 47.7% of premiums (41.6% in 2018), with a higher concentration in the Life segment (73.5%) than in the Non-Life segment (44.7%). These percentages are higher when considering the groups in the ranking rather than individual companies, although doing so does not lead to a significant increase in concentration levels.

With regard to the M&A activity that took place during the year, it should be noted that, in May 2019, Seguros Bolívar and Liberty Seguros announced that they had reached an agreement for Bolívar's acquisition of Liberty Seguros de Vida's occupational risk and individual Life businesses in Colombia. Liberty's company, Liberty Seguros Generales, will continue to operate.

The total ranking of insurance groups in 2019 is led by Suramericana, which once again tops the table with 24.4% of the total premiums, well ahead of the next rank, Alfa, in second place with a share of 13.1%. Following behind are Bolívar (8.9%), state-owned companies Positiva and Previsora (7.0%), and Axa Colpatria, which increased its market share by four tenths to 6.1%. All groups have retained the same places as in 2018, with the exception of Mundial, which jumped one position to ninth, knocking Liberty down to the tenth place (see Chart 3.2.1-w).

Chart 3.2.1-v
Colombia: concentration of the insurance industry
(Herfindahl index; CR5 index, %)



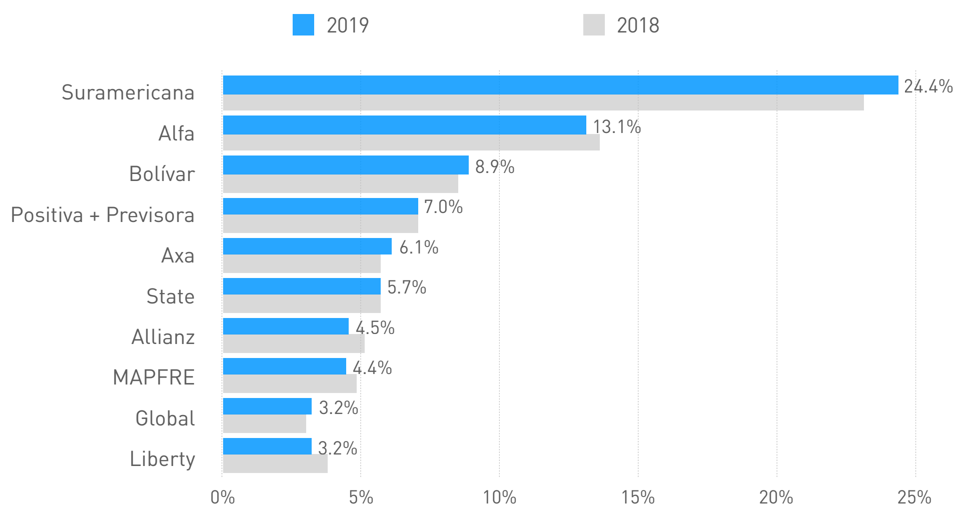
Source: MAPFRE Economics (based on data from the Financial Superintendency of Colombia)

Life and Non-Life rankings

With regard to the Non-Life insurance segment, Suramericana once again tops the ranking in 2019 with 27.9% of premiums, which represents a 1.4 pp increase in its market share. The same groups comprise this ranking as in the previous year, with only two changes occurring: Bolívar and Allianz, which had the same share in 2018, have distanced themselves slightly thanks to the 0.4 pp increase in Bolívar's share of Non-Life premiums; meanwhile, Mundial overtook Liberty, which rank eighth and ninth respectively.

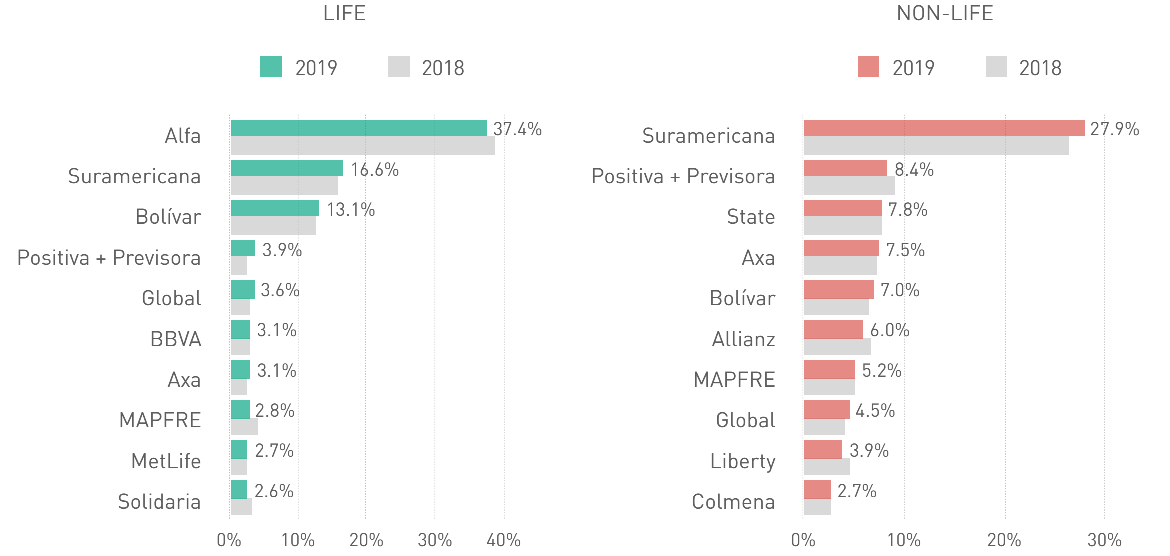
With regard to the Life ranking for 2019, Alfa tops the ranking once again with a market share of 37.4% (38.6% in 2018). Suramericana

Chart 3.2.1-w
Colombia: total ranking
(market shares, %)



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

Chart 3.2.1-x
Colombia: Life and Non-Life ranking
(market shares, %)



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

and Bolívar trail much further behind, with shares of 16.6% and 13.1% respectively. The ranking of these three groups has remained unchanged since 2015, while the other groups, with a market share ranging from 2.6% to 3.9% in 2019, have changed positions. The rise of state-owned companies Positiva and Previsora from tenth to fourth place was the biggest change in the ranking this year (see Chart 3.2.1-x).

Key regulatory aspects

With regard to the regulatory adjustments implemented in 2019, and throughout the first half of 2020, the following are the most relevant:

External Circulars issued by the Financial Superintendency

- External Circular 021 of 2020. Instructions related to insurance policy premiums, as a result of the changes in the dynamics of insured risks. Due to the preventive isolation measures decreed by the national government, there has been a decrease in the circulation of the vehicle fleet within the national territory and, in general, a change in the dynamics of the risks insured in different insurance products. Therefore, in light of the change in the expected loss ratio, insurers must comply with the provisions of Article 1065 of the Code of Commerce.

- External Circular 018 of 2020. Prudential instructions for converging with international solvency standards. It provides instructions for the implementation of the provisions contained in Decree 1,349 of 2019, in relation to the processing of extreme claims and elements of technical equity, as well as a format for the submission of information for monitoring compliance with the new guidelines framework.

- External Circular 017 of 2020. Instructions for increasing the availability of the provision of financial services.

- External Circular 009 of 2020. Instructions for focusing the efforts of the supervised companies on defining and implementing actions to mitigate the effects of the financial market situation and the emergency health crisis.

- External Circular 008 of 2020. Instructions related to strengthening operational risk management in the light of events arising from the financial market situation and the emergency health crisis.

- External Circular 034 of 2019. Update of the maximum rates for mandatory personal injury insurance for people involved in traffic accidents (SOAT — *Seguro Obligatorio de Daños Corporales causados a las Personas en Accidentes de Tránsito*).

- External Circular 033 of 2019. Instructions related to the solvency ratio of stockbroker companies, investment management companies, trust companies, pension fund and unemployment management companies, and insurance companies.

- External Circular 032 of 2019. Methodology for calculating the asset shortfall reserve.

- External Circular 031 of 2019. Instructions related to transactions with financial derivative instruments and structured products. In order to promote the development of the derivative financial instrument and structured product market through the adoption of the best international standards for the performance of these transactions by the companies monitored by the Financial Superintendency, the formula for calculating the credit exposure of operations with derivative financial instruments and structured products has been updated so that the calculation includes the recognition of the guarantees granted and/or other credit risk mitigators.

- External Circular 029 of 2019. Modification of the Basic Legal Circular on minimum safety and quality requirements for the performance of operations, providing access and information to the financial consumer and using biometric factors. The transformation of the financial systems and the regulatory and supervisory needs that this involves therefore entails enhancing the use of digital channels for the secure provision of financial services in compliance with international standards on this matter.

- External Circular 028 of 2019. Modification of External Circular 029 of 2014 to promote greater efficiency in procedures and to provide for greater regulatory rationalization.

- External Circular 025 of 2019. Instructions related to authorization schemes for insurance lines and the creation of the ten-year insurance line.

- External Circular 010 of 2019. In order to allow adequate supervision of operational risk exposure, basic guidelines were issued on aspects related to sufficient equity of third-party asset managers.

- External Circular 005 of 2019. In order to promote the use of cloud computing for financial service provision, responding to the digital transformation of services related to the storage, processing and use of information, instructions were issued on the use of this cloud computing service.

Decrees issued

- Decree 1349 (July 26, 2019). Amends the rules of Decree 2555 of 2010 related to technical equity, common ordinary equity and its deductions, additional common equity, additional equity and the adjustment plan for insurance companies' non-compliance with sufficient equity, in addition to the provisions related to the underwriting risk in general P&C insurance companies.

- Decree 211 (February 14, 2020). Amends Title 7, Part 12, Book 2 of Decree 1071 of 2015, the Sole Regulatory Decree of the Agriculture, Fishing and Rural Development Administrative Sector, in relation to Agricultural Insurance.

Draft decrees

- Investment schemes. Draft Decree (June 25, 2020), which amends Decree 2555 of 2010 with regard to the investment scheme of mandatory pension and unemployment funds, insurance companies and capitalization associations, and issues other provisions.

- Regulatory sandbox. Draft Decree (February 5, 2020), which adds Decree 2555 of 2010 in relation to the certificates for temporary operation of innovative technological development companies and controlled space for innovation testing by the companies supervised by the Financial Superintendency of Colombia.

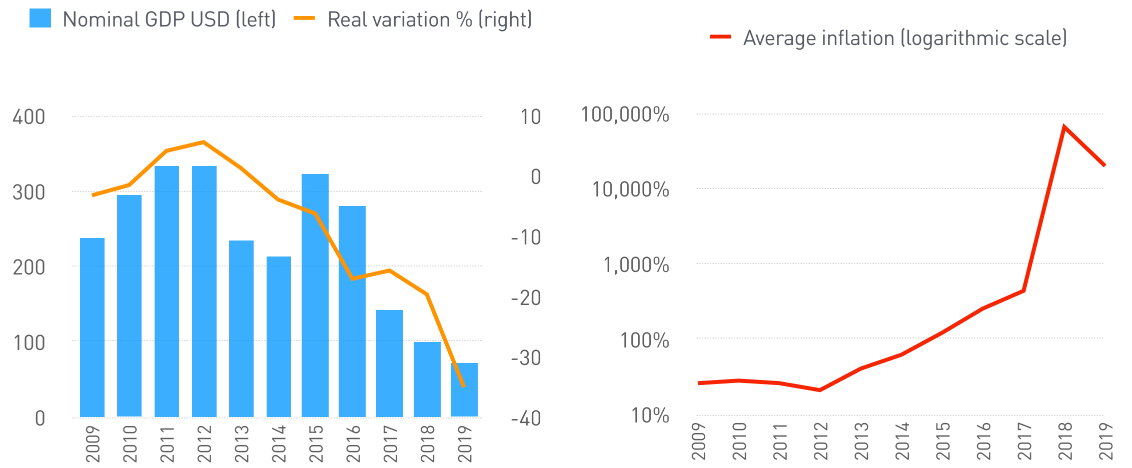
3.2.2 Venezuela

Macroeconomic environment

In the absence of official statistics, according to IMF estimates, the Venezuelan economy contracted by -35.0% in real terms (compared to -19.6% the previous year), the sixth consecutive year of economic decline (see Chart 3.2.2-a). The persistent decline in oil production with its consequent dollar shortage, hyperinflation due to the monetization of the deficit preventing the exchange rate from stabilizing, and the growing shortage of inputs continue to exacerbate the country's economic decline. In addition to this precarious situation, there are the limitations of the foreign sector given its exclusion from the international financial markets following the default, the sanctions imposed by the US government, and its increasingly compromised export capacity, the challenges of which are increasing due to decline in global demand for crude oil as a result of the effects of the COVID-19 pandemic and the consequent cuts by the Organization of the Petroleum Exporting Countries (OPEC) to stabilize oil prices.

In order to combat hyperinflation, a series of mechanisms were implemented throughout 2019 to provide greater liquidity to the markets, such as the establishment of foreign exchange desks for banking institutions, the credit indexing of the exchange rates or the increase of the bank reserve. However, confidence in the currency continues to fall to the detriment of the dollar in domestic transactions. In this context, in its April 2020 forecasts, the IMF revised its estimate of a decline in Venezuela's GDP for this year downward from -10.0% (pre-COVID-19) to -15.0%.

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 IMF data)

Insurance market

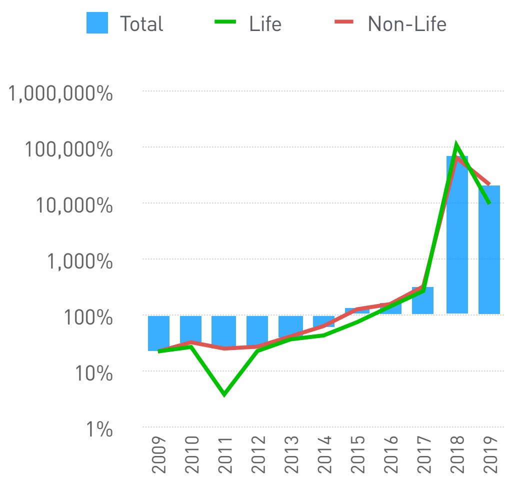
Growth

Premiums in the Venezuelan insurance market experienced nominal growth of 22.08% in 2019, reaching 5.78 trillion sovereign bolivars. However, when excluding the effect of inflation, this growth becomes a decrease of -88.9% in real terms. Non-Life insurance, which accounts for 99% of premiums, continued to fall, showing a decline of -88.8% in real terms (-92.5% the previous year). Meanwhile, Life insurance fell by -94.9% in real terms, compared to -92.2% in 2018 (see Table 3.2.2 and Chart 3.2.2-b). As such, the decrease in the Venezuelan insurance industry was almost entirely attributable to the Non-Life insurance segment (see Chart 3.2.2-c).

Balance sheet and shareholders' equity

Chart 3.2.2-d shows the Venezuelan insurance industry's aggregate balance sheet between 2009 and 2018 (the latest data available). The industry's total assets amounted to 609.7 billion sovereign bolivars, while equity amounted to 292.7 billion sovereign bolivars, up 170.03% compared to 2018, a quantitative effect of hyperinflation on the economy.

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)

Table 3.2.2
Venezuela: premium volume[1] by line, 2019

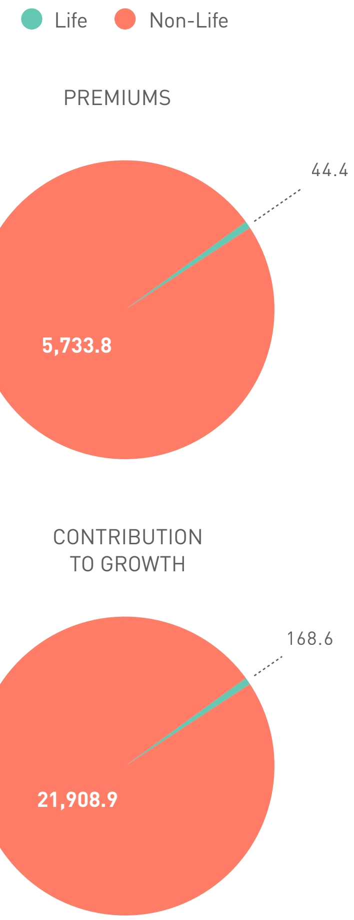
Line	Billions of sovereign bolivars	Millions of USD[2]	Growth	
			Nominal (%)	Real (%)
Total	**5,778.2**	**369.0**	**22,077**	**10.9**
Life	44.4	2.8	10,068	-49.2
Non-Life	5,733.8	366.1	22,282	11.9

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

1/ Net premiums collected. Direct insurance. The figures for the Life and Non-Life lines are estimates.

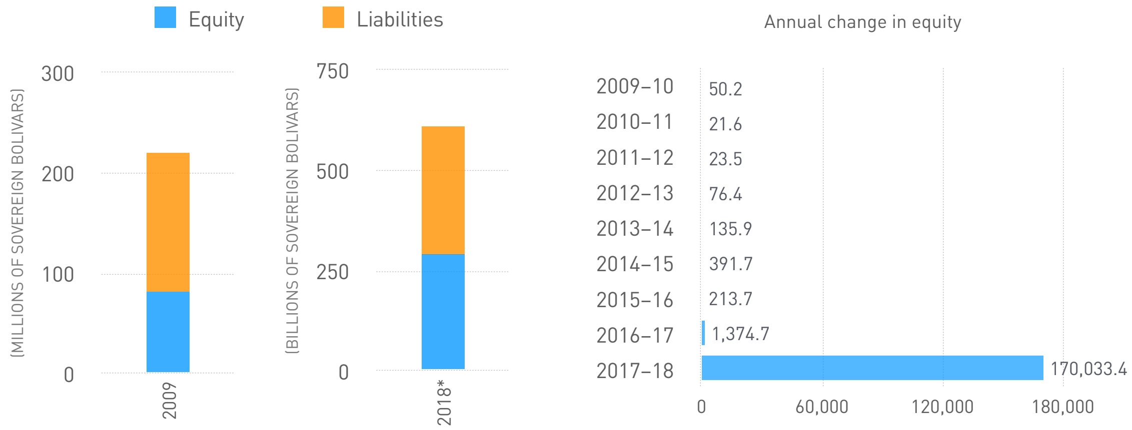
2/ The VEF/USD exchange rate has been interpolated based on the latest DICOM auctions available.

Chart 3.2.2-c
Venezuela: insurance market and contributions to growth, 2019
(premiums, billions of sovereign bolivars; percentage points, pp)



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

Chart 3.2.2-d
Venezuela: 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 Activity)
* Latest data available

The Venezuelan insurance industry saw aggregate capitalization levels (measured over total assets) of around 36% between 2008 and 2013, before increasing to 48% of total assets in 2018. 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.

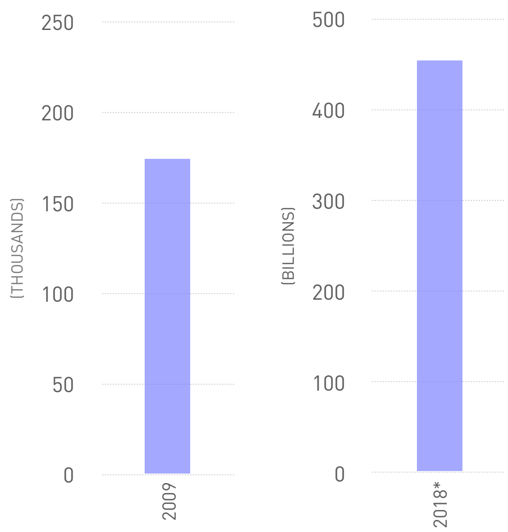
Investments

Chart 3.2.2-e shows the latest available data on investments in the Venezuelan insurance market in 2009 and 2018 for informational purposes. In the latter year, investments reached 453.8 billion sovereign 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

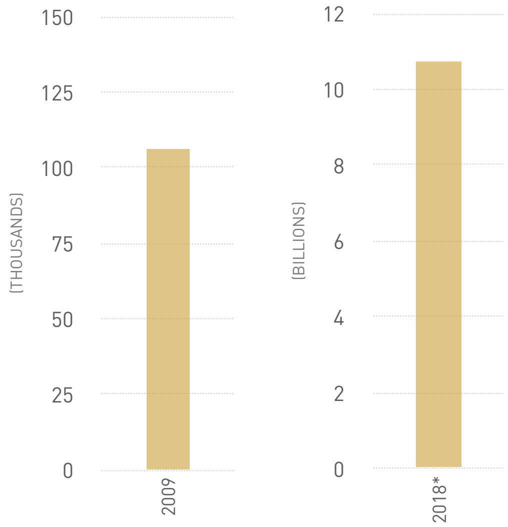
The volume and performance of the technical provisions, net of reinsurance, for the Venezuelan insurance industry over the period between 2009 and 2018 (latest available data) is shown in Charts 3.2.2-f, 3.2.2-g and 3.2.2-h for informational purposes. Technical provisions in 2018 amounted to 10.7 billion sovereign bolivars. Of the total technical provisions, 1.1% related to Life insurance, 64.9% to provisions

Chart 3.2.2-e
Venezuela: insurance market investments
(sovereign bolivars)



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

Chart 3.2.2-f
Venezuela: technical provisions of the insurance market
(sovereign bolivars)

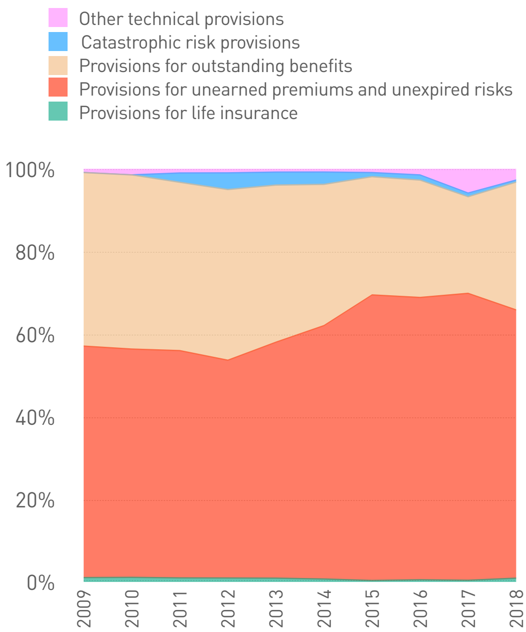


Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
*Latest data available

for unearned premiums and unexpired risks in Non-Life insurance, 30.9% to provisions for outstanding benefits, 0.5% to provisions for catastrophic risks and the remaining 2.6% to other technical provisions.

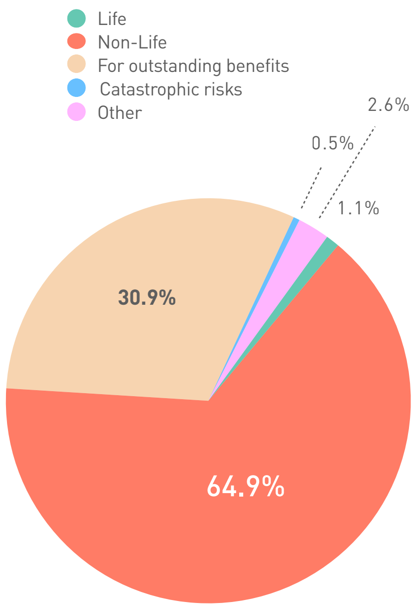
Throughout the 2009–2018 period, the reduced relative weight of the Life insurance provisions is notable, as this fell from representing 1.2% of total provisions in 2009 to 1.1% in 2018, with the average being 1% over the last decade. There was also a gradual increase over the period analyzed in the weight of provisions for unearned premiums and unexpired risks, from 56.0% of total provisions in 2009 to 64.9% in 2018. Meanwhile, provisions for outstanding benefits fell from around 40% during the 2009–2012 period to 30.9% in 2018.

Chart 3.2.2-g
Venezuela: structure of technical provisions
(%)



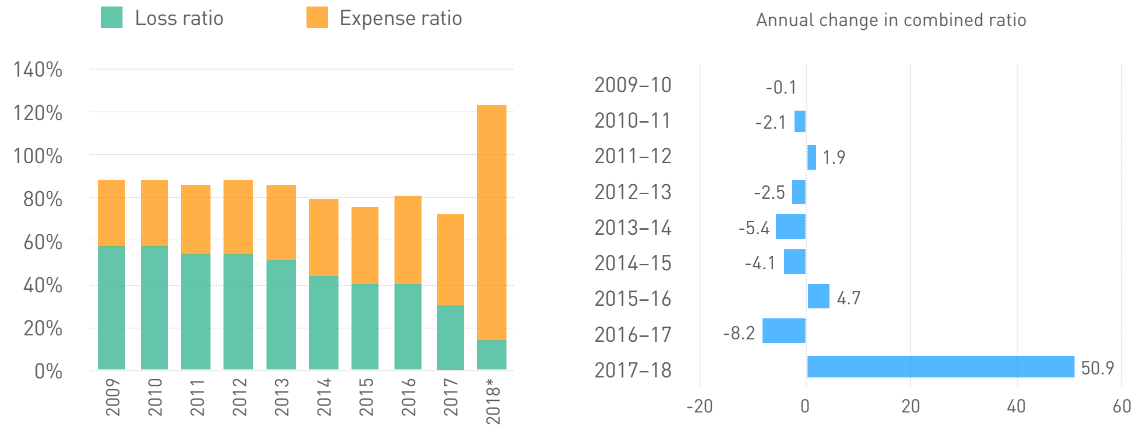
Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
* Latest data available

Chart 3.2.2-h
Venezuela: structure of technical provisions, 2018*
(%)



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

Chart 3.2.2-i
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)
* Latest data available

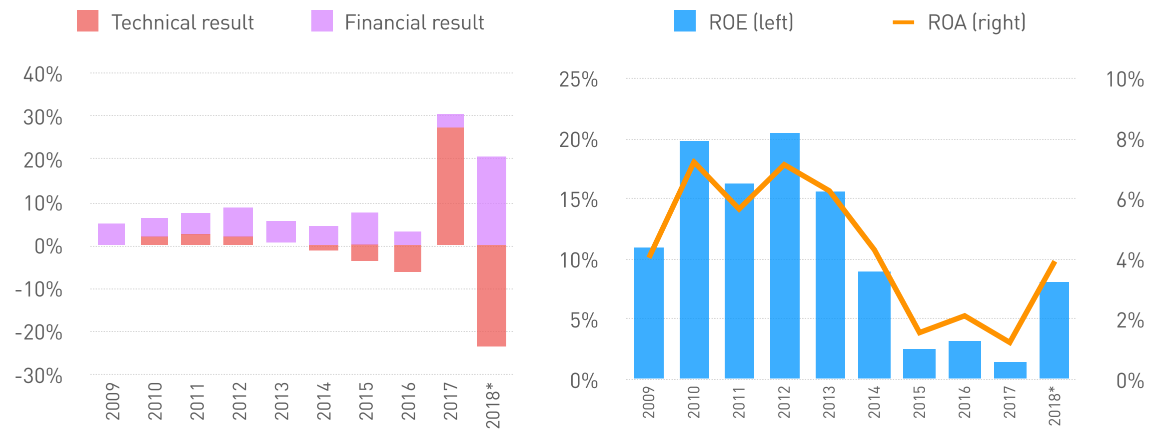
Technical performance

Based on the latest information available (2018), the Venezuelan insurance industry recorded a negative technical result, with a combined ratio of 123.5%, representing a deterioration of 50.9 pp compared to 2017. Despite a decline of 16.6 pp in the loss ratio, performance was strongly conditioned by the expense ratio, which increased 67.5 pp, leading to a deterioration of the combined ratio (see Chart 3.2.2-i).

Results and profitability

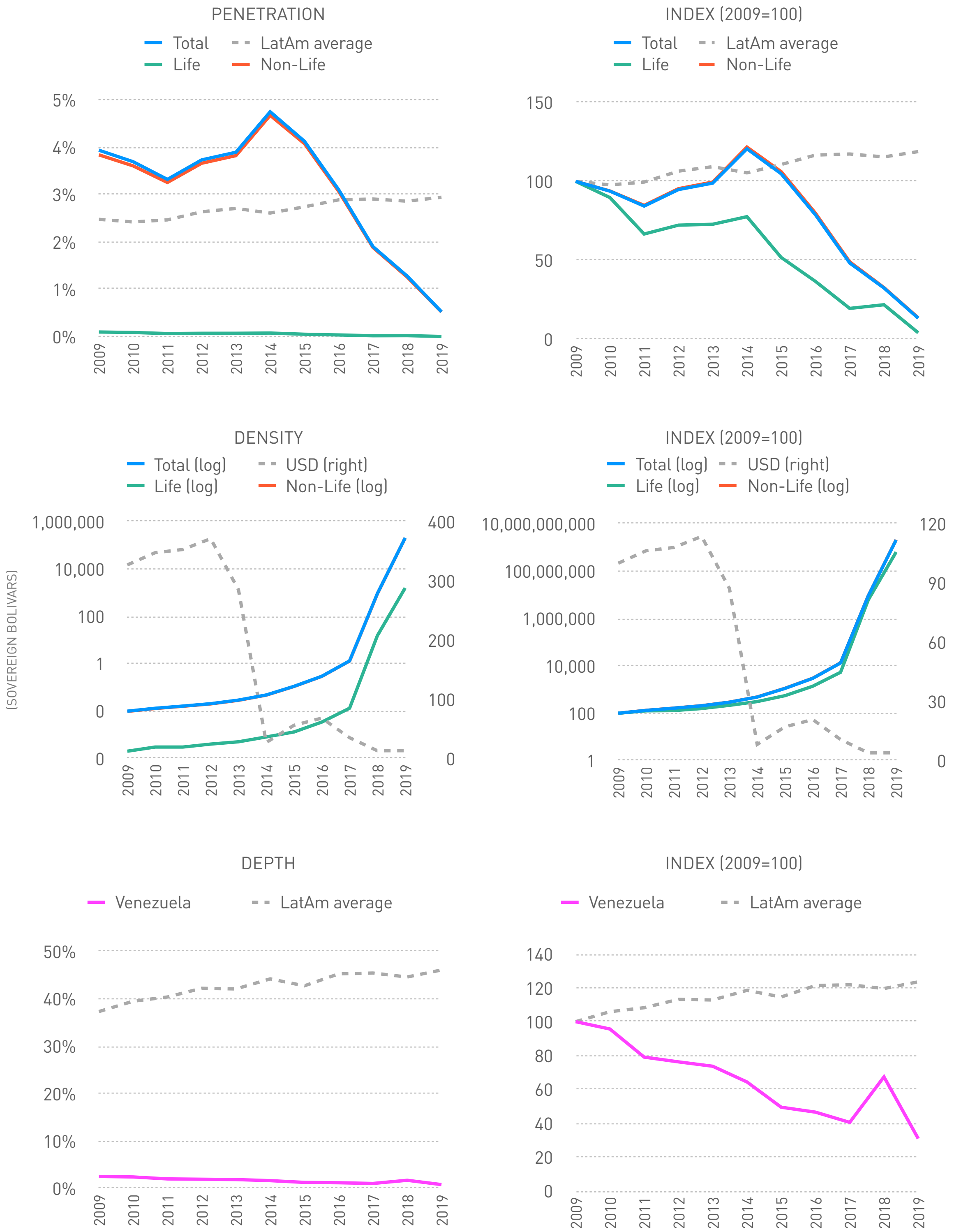
The Venezuelan insurance industry posted a consolidated result of 23.96 billion sovereign bolivars (341.6 million US dollars) in 2018. As there is no balance sheet data available for 2019, profitability indicators for that year could not be analyzed. However, the analysis in Chart 3.2.2-j shows a clear downward trend between 2008 and 2018 in the profitability of the Venezuelan insurance industry, which started in 2012, reaching the lowest level of the decade in 2017 and rebounding slightly in 2018 with a return on

Chart 3.2.2-j
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)
* Latest data available

Chart 3.2.2-k
Venezuela: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, sovereign bolivars and USD; Life premiums/total premiums, %, 2009 index=100)



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

equity (ROE) of 8.2% and return on assets (ROA) of 3.9%.

Insurance penetration, density and depth

Chart 3.2.2-k shows the main structural trends shaping the development of the Venezuelan insurance industry over the 2009–2019 period. The penetration index (premiums/GDP) stood at 0.5% in 2019, down 0.8 pp from 2018. As stated in our 2018 report, following a period of contraction between 2009 and 2011, the indicator showed an upward trend until 2014, only to then quickly fall again from that year on.

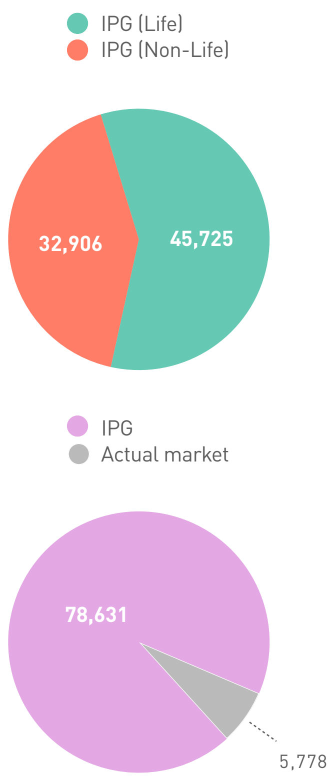
Meanwhile, insurance density in Venezuela (premiums per capita) reached 202,630.60 sovereign bolivars (12.90 US dollars), up by 22.37% from 2018 (901.9 sovereign bolivars). This performance was also influenced by hyperinflation in the general level of prices in the economy. As, density clearly decreased when calculating the rate in dollars to eliminate the aforementioned effect.

In terms of the depth level (Life insurance premiums in relation total premiums), the indicator stood at just 0.8% in 2019, 1.7 pp lower than in 2009 and the lowest record for all of the region's countries over the period analyzed. As such, 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.

Insurance Protection Gap estimate

Chart 3.2.2-l shows an estimate of the insurance gap for the Venezuelan insurance market in 2019. The IPG in 2019 amounted to 84.38 trillion sovereign bolivars, 14.6 times the size of the Venezuelan insurance market at the close of that year. The structure and performance of the IPG are largely attributable to the Life insurance segment. At the close of 2019, 54.2% of the IPG corresponded to this market segment, compared to 45.8% for Non-Life insurance. As such, the potential insurance market in Venezuela at the close of 2019 (estimated as the sum of the country's actual insurance market plus the IPG) would stand at 90.16 trillion sovereign bolivars, 15.6 times the size of the total insurance market that year.

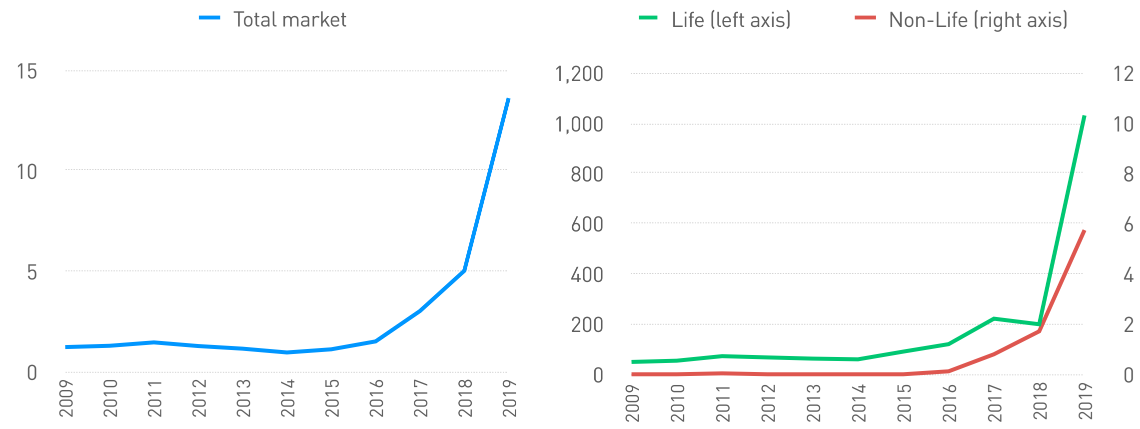
Chart 3.2.2-l
Venezuela: Insurance Protection Gap and potential market, 2019
(billions of sovereign bolivars)



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

Furthermore, Chart 3.2.2-m shows an estimate of the IPG as a multiple of the actual insurance market in Venezuela. This analysis shows that the insurance gap as a multiple of the market shows an increasing trend from 2009 to 2019, increasing from 1.4 to 14.6 times the size of the relative market. The situation is similar to that resulting from analyzing the trend of the Life and Non-Life segments.

Chart 3.2.2-m
Venezuela: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

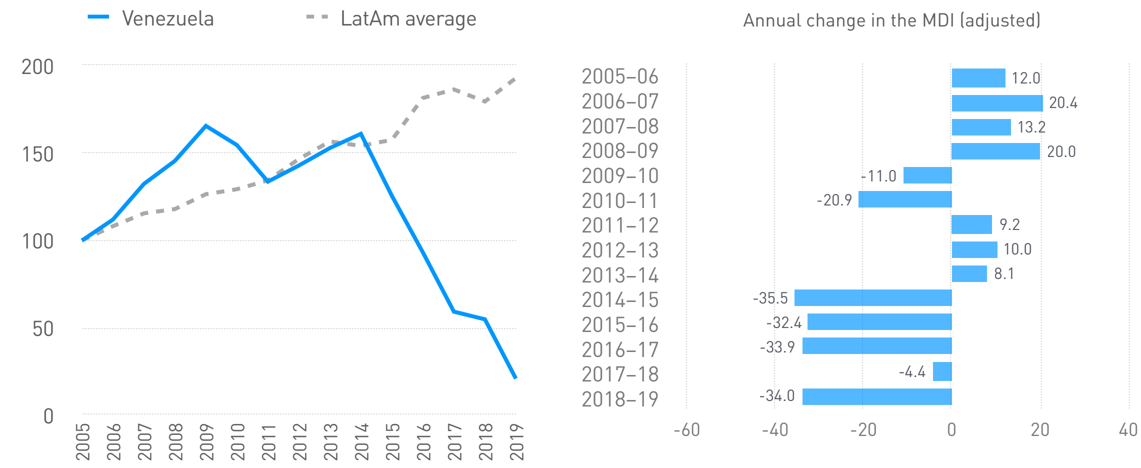
Market Development Index (MDI)

The deterioration in the development of the Venezuelan insurance market is confirmed when analyzing the Market Development Index (MDI) estimate shown in Chart 3.2.2-n. This data reveals that the indicator showed a trend in line with the Latin American average until 2014, from which point it showed a clear, sharp deterioration.

Comparative analysis of structural coefficients

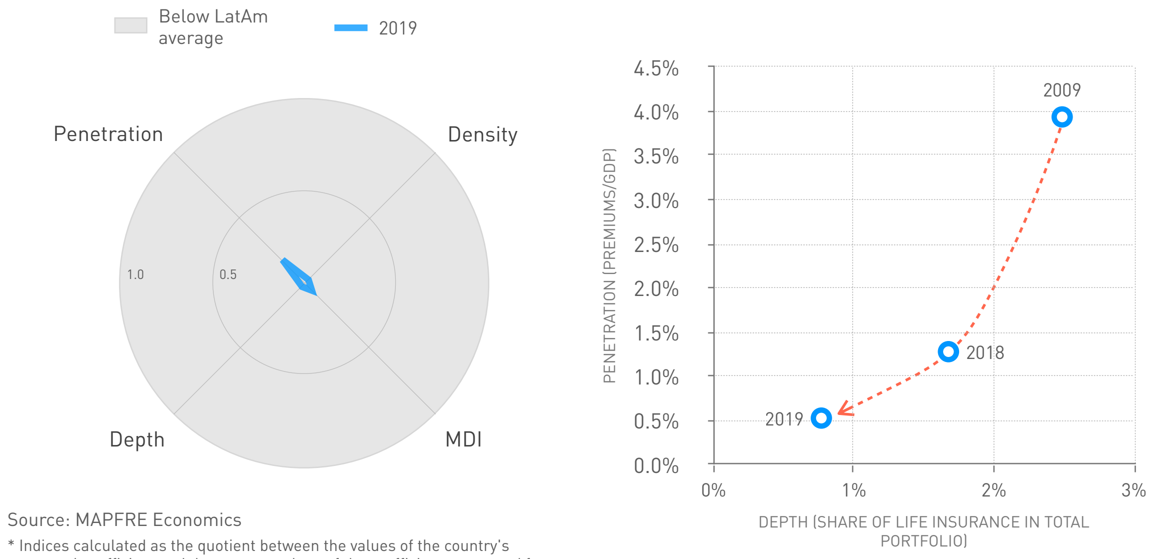
Lastly, Chart 3.2.2-o shows the Venezuelan insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural indicators analyzed. As indicated in previous versions of this report, the deterioration of the Venezuelan insurance market has caused all of its structural aspects to fall well below the

Chart 3.2.2-n
Venezuela: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.2-o
Venezuela: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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.

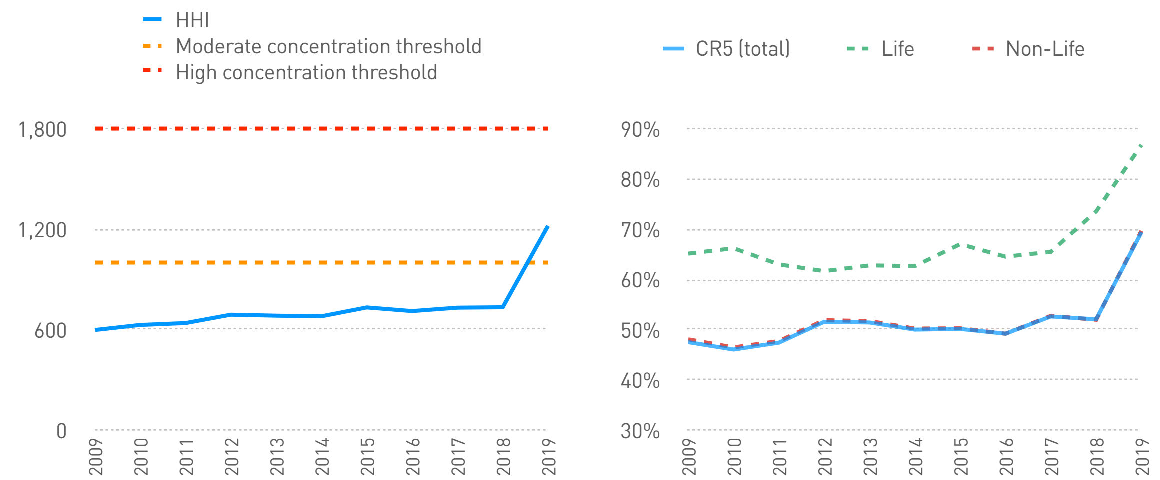
regional average. Similarly, the dispersion analysis shown in the aforementioned Chart 3.2.2-o confirms that, over the 2009–2019 period, the insurance industry in this country showed unbalanced development, with deterioration in both penetration levels and depth levels.

Insurance market rankings

Total ranking

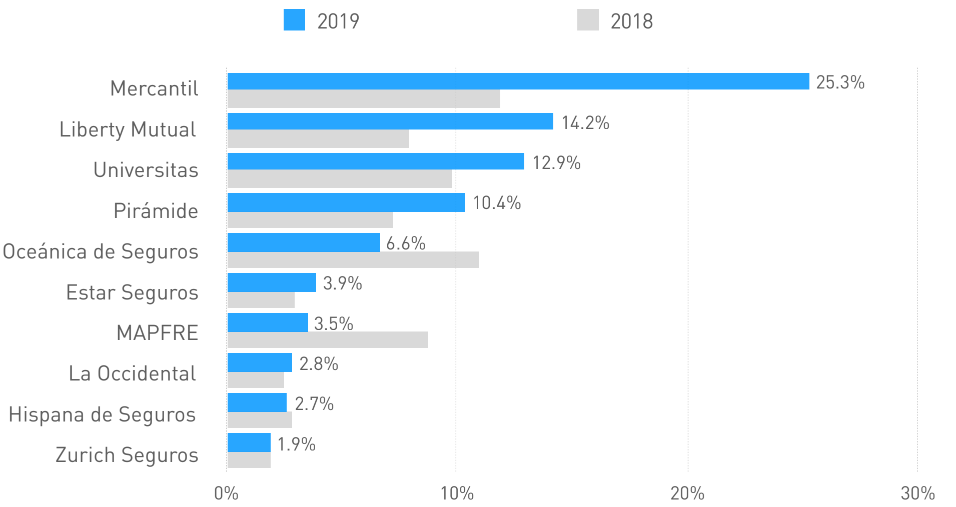
There were 48 insurance companies operating in Venezuela in 2019, 3 more than the previous year. Market concentration was generally low and stable over the 2009–2018 period, however,

Chart 3.2.2-p
Venezuela: insurance industry concentration
(Herfindahl index; CR5 index, %)



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

Chart 3.2.2-q
Venezuela: total ranking
(market shares, %)

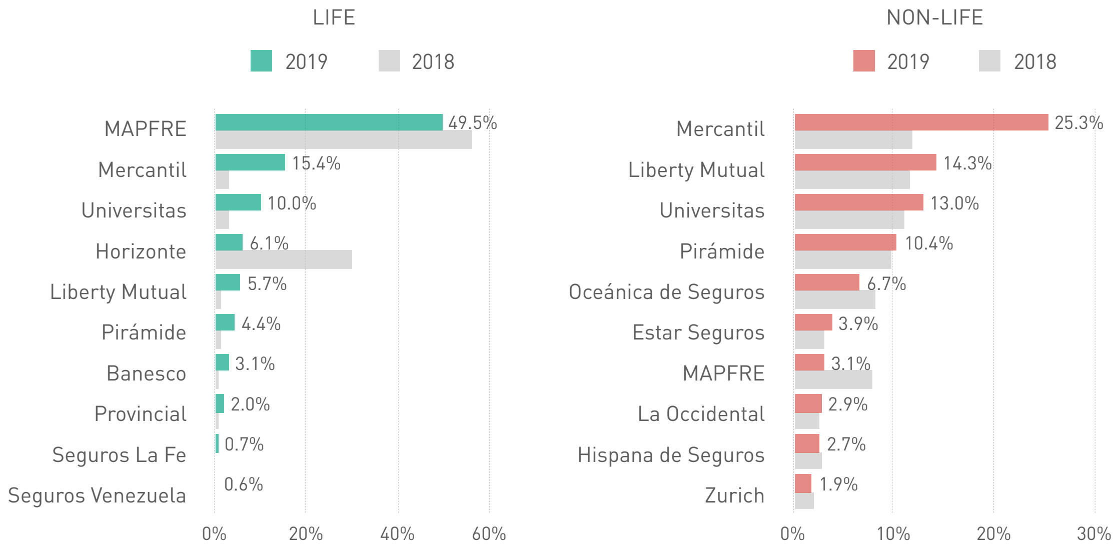


Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)

this trend negatively reversed in 2019 (see Chart 3.2.2-p). In the latter year, the Herfindahl index rose sharply to 1,219 points, exceeding the threshold toward moderate concentration, while the total CR5 index stood at 69.4%, 17.3 pp higher than in 2018 (13.2 pp higher in the Life segment and 17.7 pp higher in the Non-Life segment).

The total ranking of insurance groups in 2019 (shown in Chart 3.2.2-q) was led by Mercantil with a market share of 25.3% (13.4 pp more

Chart 3.2.2-r
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.

than in 2018), followed by Liberty Mutual (14.2%), Universitas (12.9%), Pirámide (10.4%), Oceánica (6.6%), Estar Seguros (3.9%) and MAPFRE (3.5%). Occidental (with a share of 2.8%), Hispania de Seguros (2.7%) and Zurich (1.9%) all fall in the lower part of the ranking.

Life and Non-Life rankings

Lastly, the 2019 Non-Life ranking was once again led by Mercantil with a market share of 25.3%, followed by Liberty Mutual (14.3%) and Universitas (13.0%). In terms of the Life insurance ranking, first place was held by MAPFRE with a share of 49.5%, followed by Mercantil (15.4%) and Universitas (10.0%) in second and third place respectively (see Chart 3.2.2-r).

Key regulatory aspects

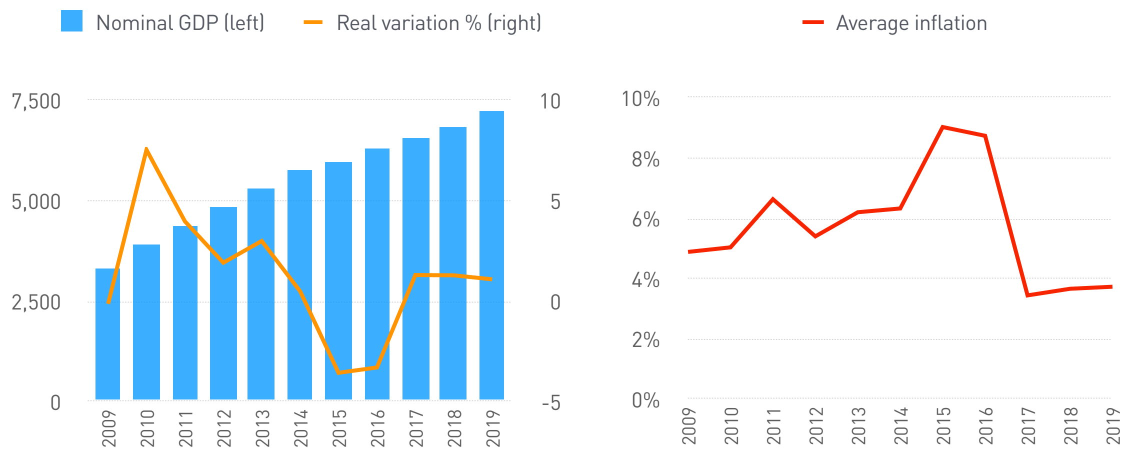
With regard to the main regulatory adjustments in the Venezuelan insurance market, two aspects stand out. First, Administrative Ruling No. AA-DL-2-3, which establishes the deadlines for submitting the monthly financial statements within 5 consecutive days of each month; and second, the amendment to Administrative Ruling No. FSAA-002684, which establishes the special contribution that regulated subjects must pay to the Superintendency of Insurance Activity, the supervisory body of the country's market.

3.2.3 Brazil

Macroeconomic environment

In 2019, the Brazilian economy experienced a slight slowdown, with real GDP growth estimated at around 1.1%, compared to 1.3% the previous year (see Chart 3.2.3-a). Domestic demand showed the most dynamism, with private consumption as its main contributor. Lower interest rates, applied in the second half of the year, contributed to the increase of personal credit, which bolstered the recovery of household consumption. Exports, however, fell compared to the previous year, while imports grew, resulting in a deterioration of the balance of payments current account deficit, which amounted to 2.7% of GDP at the close of 2019 (largely financed by direct foreign investment), compared to 2.2% in 2018. By sector, construction performed best, unlike in the previous year. For its part, the agriculture,

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 IMF data)

mining and manufacturing sector also experienced positive growth. The average unemployment rate stood at 11.9% in 2019, compared to 12.3% in 2018.

Various economic policy measures were implemented when Brazil's new government assumed office in January 2019. These measures included the approval of a major pension reform, tax reforms, the easing of regulations in order to eliminate possible restrictions on production activity, the privatization of state-owned enterprises and restrictions on public spending, with the aim of reducing the primary fiscal deficit, which is the Brazilian economy's main vulnerability and one of the main factors that keeps its credit rating below investment grade. The measures had an impact, as the fiscal deficit stood at 5.9% of GDP, a significant improvement compared to the previous year's figure of 7.1%. Gross public debt therefore accounted for 75.8% of Brazilian GDP at the close of 2019 (compared to 76.5% in 2018).

Meanwhile, the average inflation rate in 2019 stood at 3.7%, similar to the previous year yet still below the central bank's target of 4.5%. In this context, decisions on monetary policy came in response to the trend of low inflationary pressure, with an intervention rate of 4.5% at the close of the year (compared with 6.5% the year before). The real also depreciated and, in November 2019, the Brazilian currency reached its lowest nominal value since its creation in 1994, at 4.23 reais to the dollar, with an average fall of around -7.5% in 2019. Furthermore, the current economic crisis as a result of the lockdown and social distancing measures that have been implemented to tackle the COVID-19 pandemic has led to further depreciation in 2020.

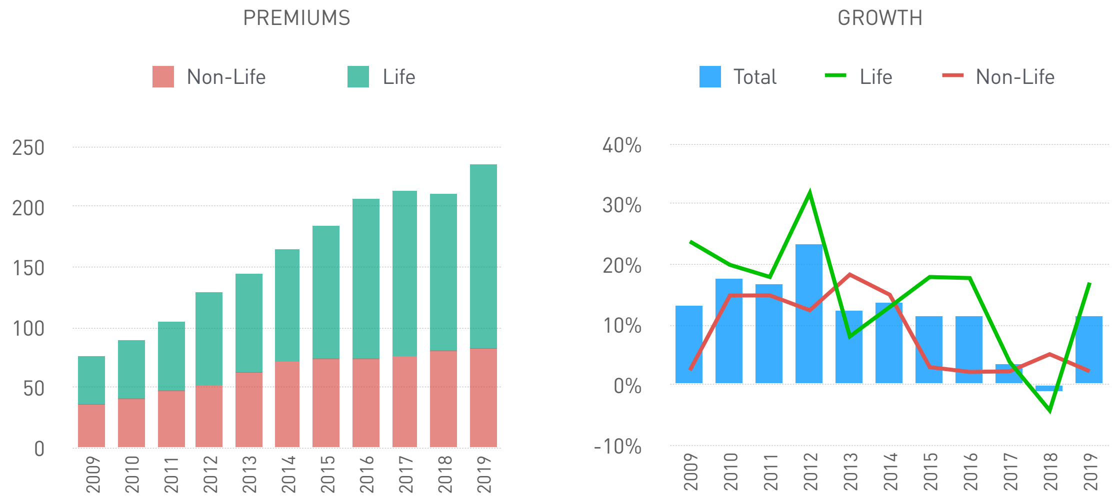
Based on the recent economic performance, and considering the effects of the pandemic, MAPFRE Economics has revised its forecast for Brazilian GDP growth for 2020, with a contraction of between -8.9% and -9.8%. The IMF and ECLAC estimate that the contraction could stand at -9.1% and -9.2% respectively.

Insurance market

Growth

Premium volume in the Brazilian insurance market grew by 11.4% in nominal terms and 7.4% in real terms in 2019, reaching

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, 2019

Line	Millions of reais	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**234,218**	**59,361**	**11.4**	**7.4**
Life	**152,049**	**38,536**	**17.0**	**12.8**
Life — individual and group	37,282	9,449	15.3	11.1
VGBL[2]	114,767	29,087	17.5	13.3
Non-Life	**82,169**	**20,825**	**2.3**	**-1.4**
Automobiles	38,092	9,654	-5.9	-9.3
Other lines	15,046	3,813	13.5	9.5
Accidents	5,995	1,520	7.0	3.2
Fire	6,251	1,584	6.3	2.5
Transport	3,831	971	7.7	3.8
Credit and surety	4,493	1,139	5.5	1.7
Agriculture	4,139	1,049	16.6	12.4
Third-party liability	2,161	548	22.8	18.4
Hull transport	816	207	15.1	10.9
Special risks[3]	677	172	-5.0	-8.4
Burials	667	169	14.2	10.1

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

1/ Written Premium (on funding basis) + Insurance Premium
2/ *Vida Gerador de Benefício Livre* (cash-value life insurance)
3/ Oil, nuclear risks and satellites

234.22 billion reais (59.36 billion US dollars). Following the drop in premiums experienced by Life insurance in 2018, there has been strong recovery in the sale of VGBL (*Vida gerador de benefício livre* — cash-value life insurance) products, meaning that the Life segment has become the main driver of growth in the Brazilian insurance market in 2019. This performance may also have been influenced by pension reform and Brazilians' increased awareness of the need to supplement their retirement pension. Overall, premiums in the Life line amounted to 152.05 billion reais (38.54 billion US dollars), an increase of 17.0% in nominal terms and 12.8% in real terms compared to 2018 (see Table 3.2.3-a and Chart 3.2.3-b).

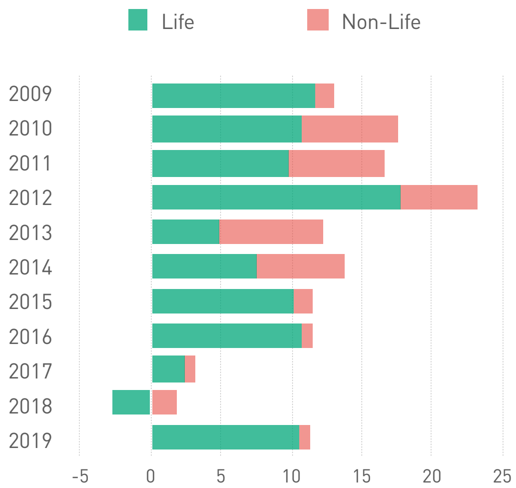
The Non-Life segment also performed positively in nominal terms in 2019, with an increase in premium volume of 2.3% to 82.17 billion reais; however, when excluding the effect

Table 3.2.3-b
Brazil: private insurance premiums and contributions, 2019

Line	Millions of reais	Millions of USD	Growth 2018–2019 (%)
Insurance	234,218	59,361	11.4
Private pension	13,936	3,532	1.9
Health insurance	45,791	11,605	7.2
Capitalization	23,879	6,052	13.4
Total	**317,825**	**80,550**	**10.4**

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance and the National Supplementary Health Agency, ANS)

Chart 3.2.3-c
Brazil: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	13.0	11.7	1.2
2010	17.6	10.8	6.8
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

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

of inflation, this actually results in a decrease of -1.4%. This performance is attributable to the decline in Automobile premiums of -5.9% in nominal terms (-9.3% in real terms), which was influenced by a -56% drop in the premiums of Insurance for Personal Damage caused by Land Motor Vehicles. The Life line therefore contributed 10.5 pp to the 11.4% growth of the industry in 2019, while Non-Life lines contributed 0.9 pp (see Chart 3.2.3-c).

If, in addition to the insurance premium volume, Private Pension contributions received by insurers, Health insurance premiums (under the control of the *Agência Nacional de Saúde Suplementar* [the National Supplementary Health Agency, or ANS]) and Capitalization premiums are taken into account, total revenue in 2019 amounted to 317.82 billion reais (80.55 billion US dollars), a nominal increase of 10.4% compared to the previous year (see Table 3.2.3-b).

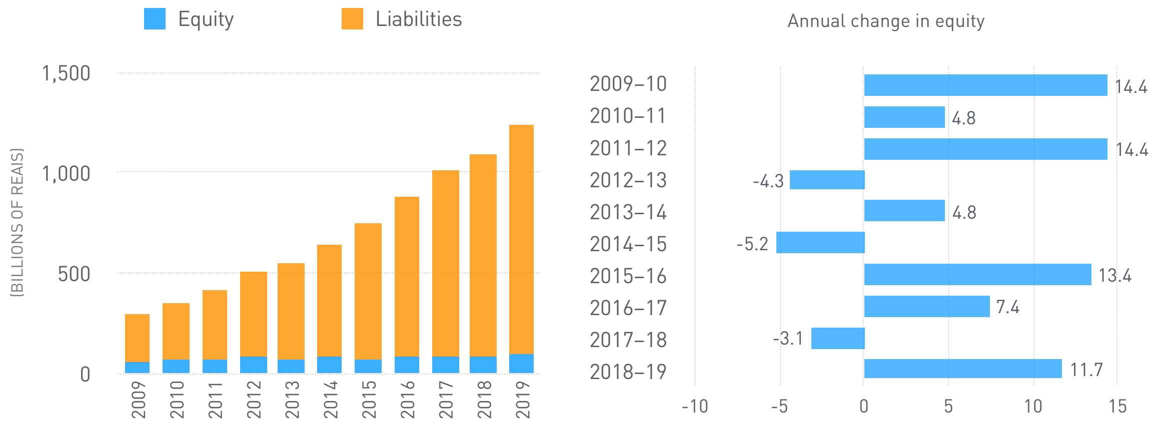
Balance sheet and shareholders' equity

Chart 3.2.3-d shows the change in the size of the aggregate balance sheet for all insurance companies operating in Brazil over the 2009–2019 period. Total assets stood at 1.23 trillion reais (306.08 billion US dollars), while equity stood at 94.45 billion reais (23.44 billion US dollars), up by 11.7% from 2018. Furthermore, aggregate capitalization levels within the Brazilian insurance industry (measured over total assets) have shown a downward trend since 2009, with relative values falling from around 19% of total assets to 7.7% of total assets in 2019.

Investments

Charts 3.2.3-e, 3.2.3-f and 3.2.3-g show the performance and structure of the aggregate investment portfolio at the sector level for the Brazilian insurance industry between 2009 and 2019. This data shows that investments in 2019 amounted to 1.11 trillion reais, (276.23 billion US dollars), mostly concentrated in mutual funds (88.4%) and, to a much lesser extent, in debt instruments (8.5%), equity (2.7%), cash (0.3%) and other financial investments (0.1%). When analyzing the Brazilian insurance industry's aggregate portfolio, the high percentage of investments managed through mutual funds is notable, as this increased both

Chart 3.2.3-d
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)

in absolute and relative values compared to other investments over the period analyzed, from 77.6% in 2009 to 88.4% in 2019.

Lastly, 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 94.2% of investments in 2019. The increase in the percentage of equity investments is also noteworthy, accounting for 5.3% of total investments, 1.2 pp higher than the previous year.

Technical provisions

Charts 3.2.3-h, 3.2.3-i and 3.2.3-j show the performance and relative structure of technical provisions in the Brazilian insurance industry between 2009–2019 and in 2019 specifically. In the latter year, technical provisions stood at 1.09 trillion Brazilian reais (269.71 billion US dollars), with the Life business accounting for around 92.7% of total provisions, if the percentage calculation includes the pension business.

It should be noted that, although VGBL insurance is included as an insurance product for regulatory and fiscal reasons, it is similar in nature to a pension product. Taking the foregoing into account, if provisions for this product are grouped with other pension products, these provisions can be seen to have increased over the 2009–2019 period, from 81.5% of the total in 2009 to 88.2% of the total in 2019.

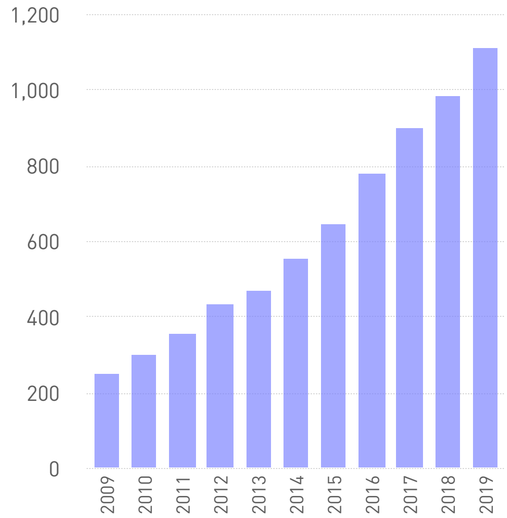
Technical performance

Chart 3.2.3-k shows data relating to the total combined ratio of the Brazilian insurance industry. This data shows that the indicator showed an improvement of 0.2 pp in 2019 compared to the previous year (91.6% compared to 91.8% in 2018). This is due to an improvement of 1.4 pp in the expense ratio, which stood at 51.5%, and an increase of 1.6 pp in the loss ratio, which stood at 40.0%.

Results and profitability

The good technical performance of the Brazilian insurance market, together with a positive investment contribution, resulted in a net result of 23.27 billion reais (5.9 billion US dollars) in 2019 insurers operating in this market. This represents a 23.6% increase compared to the previous fiscal year (see Chart 3.2.3-l).

Chart 3.2.3-e
Brazil: insurance market investments
(billions of reais)



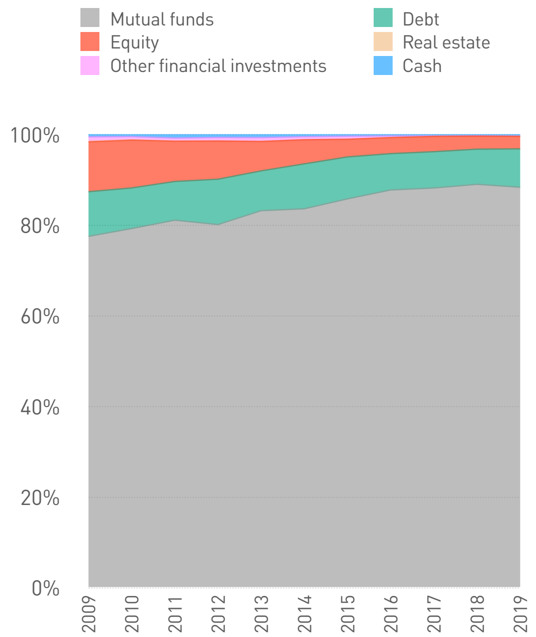
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Table 3.2.3-c
Brazil: changes in the structure of investments by underlying asset
(composition, %)

Year	Fixed income	Equity	Real estate	Other investments
2009	86.3%	12.3%	0.6%	0.8%
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%

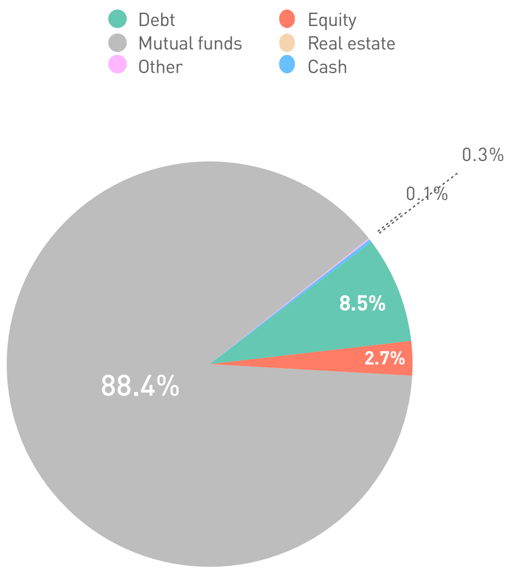
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-f
Brazil: structure of investments
(%)



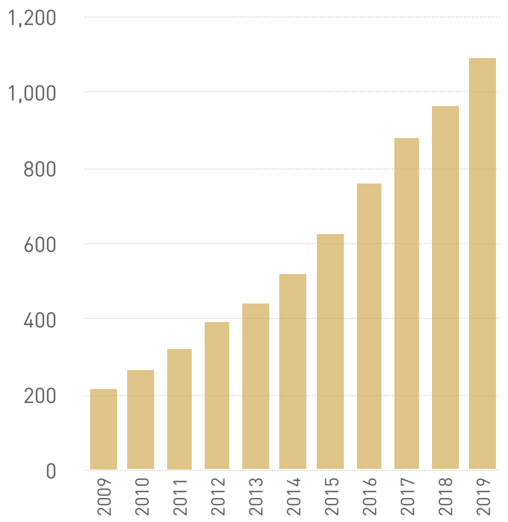
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-g
Brazil: structure of investments, 2019
(%)



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

Chart 3.2.3-h
Brazil: technical provisions of the insurance market
(billions of reais)



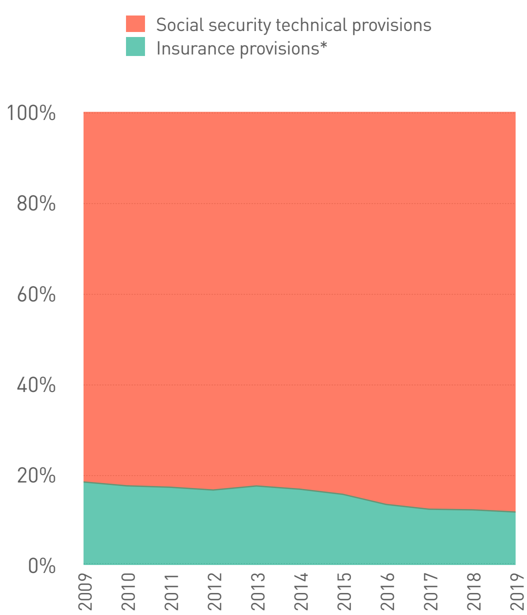
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

The profitability indicators of the Brazilian insurance industry therefore showed an improvement in 2019. Return on equity (ROE) stood at 24.6% compared to 22.3% in 2018, while return on assets (ROA) reached 1.9% in 2019, 0.2 pp higher than the previous year.

Insurance penetration, density and depth

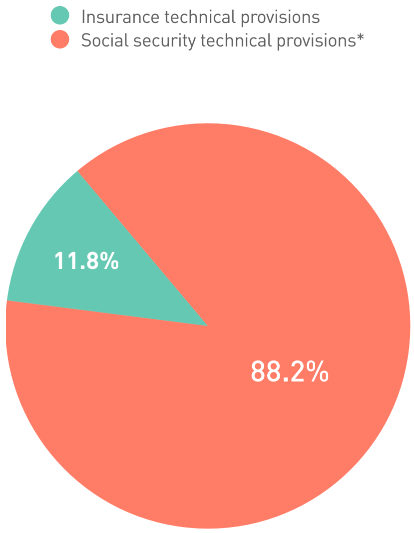
Chart 3.2.3-m shows the main structural trends shaping the development of the Brazilian insurance industry over the 2009–2019 period. This data shows that the penetration index (premiums/GDP) stood at 3.3% in 2019, 0.2 pp higher than in 2018 and one percentage point higher than in 2009, thanks to the positive performance of Life insurance. From a medium-term perspective, the penetration index for the Brazilian market (which only considers premiums from insurance activity) showed clear growth between 2009 and 2016, in line with the average trend recorded for the Latin American insurance market as a whole. However, the indicator fell over the next two years, increasing again in 2019.

Chart 3.2.3-i
Brazil: structure of technical provisions
(%)



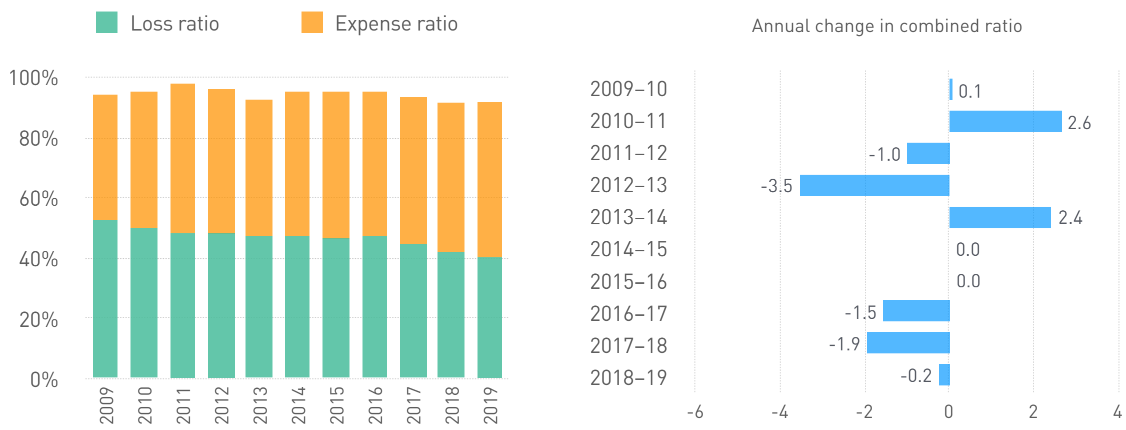
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
* Without VGBL

Chart 3.2.3-j
Brazil: structure of technical provisions, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
*Without VGBL

Chart 3.2.3-k
Brazil: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)

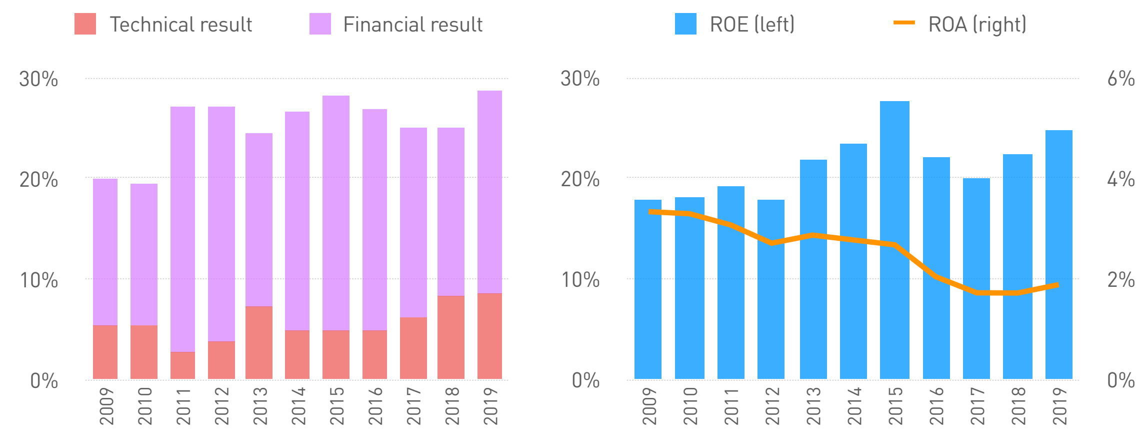


Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Meanwhile, the level of insurance density (premiums per capita) amounted to 1,110 reais (281 US dollars), 10.5% higher than in 2018 (1,004 reais). As with the penetration index, density in Brazil (measured in local currency) showed an upward trend over the decade, with a slight slowdown between 2016 and 2018.

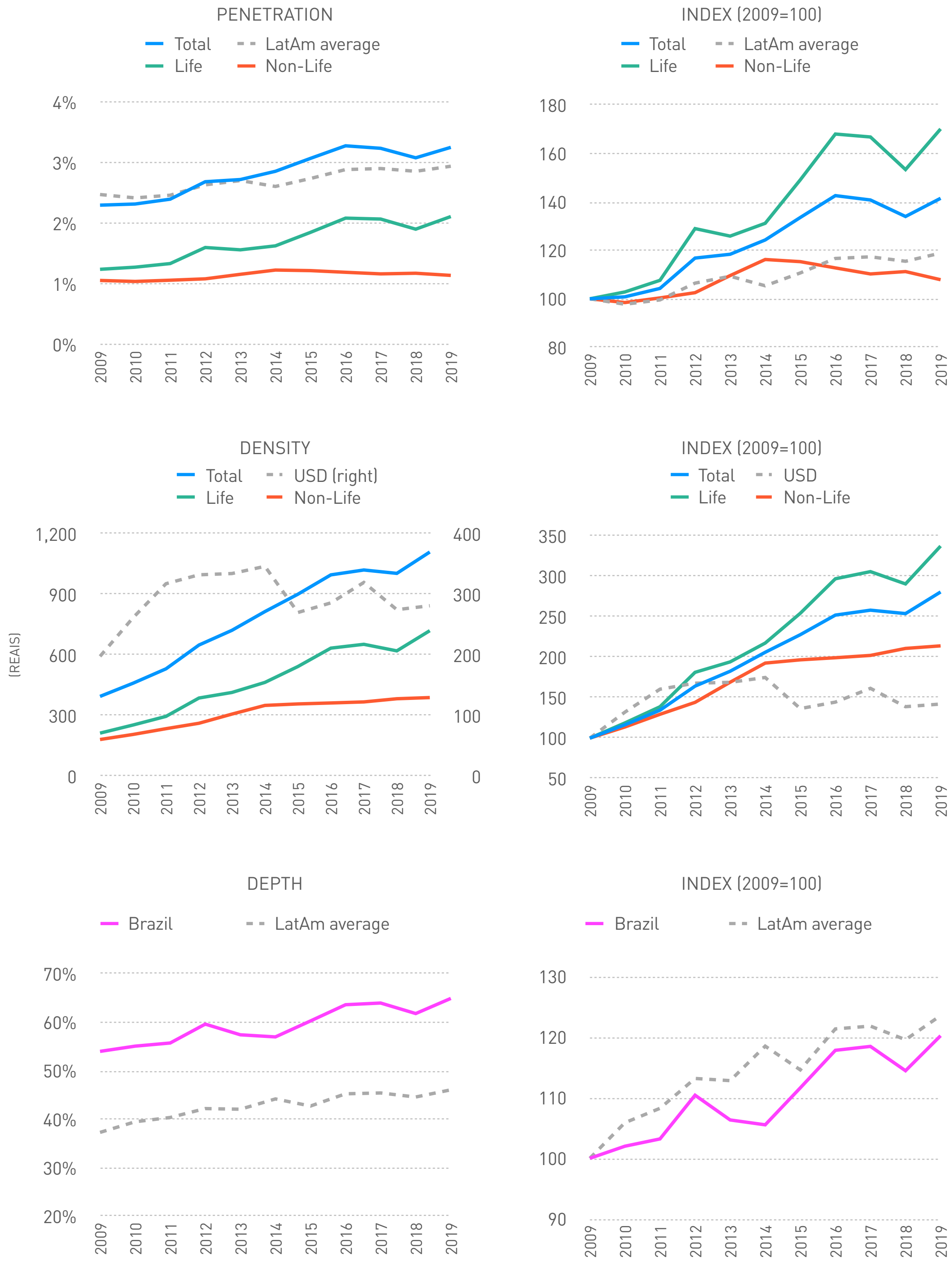
Lastly, in terms of depth (measured as Life insurance premiums in relation to total premiums), the indicator for 2019 stood at 64.9%, up 10.9 pp from the value observed in 2009, placing it above the average values recorded across the Latin American region and recovering from the fall observed in 2018.

Chart 3.2.3-l
Brazil: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



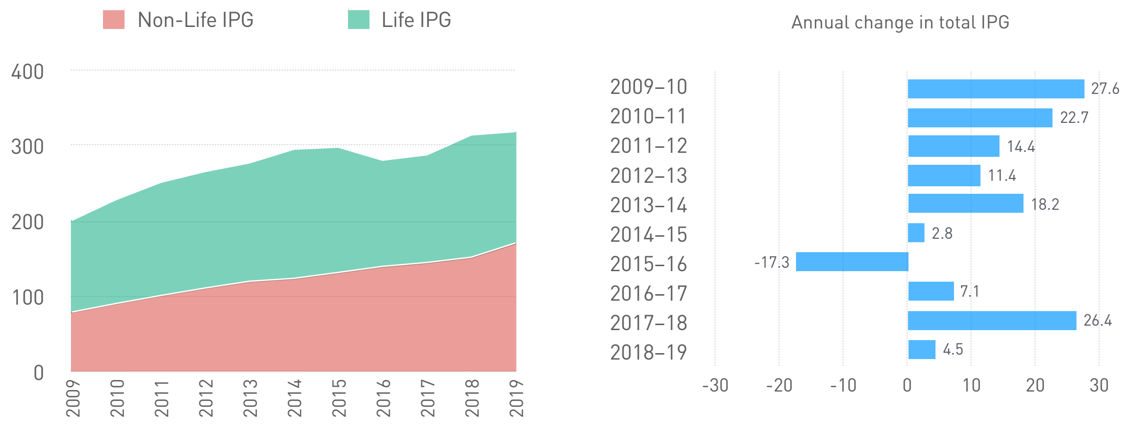
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

Chart 3.2.3-m
Brazil: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, reais and USD; Life premiums/total premiums, %, 2009 index=100)



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

Chart 3.2.3-n
Brazil: Insurance Protection Gap
(billions of reais)



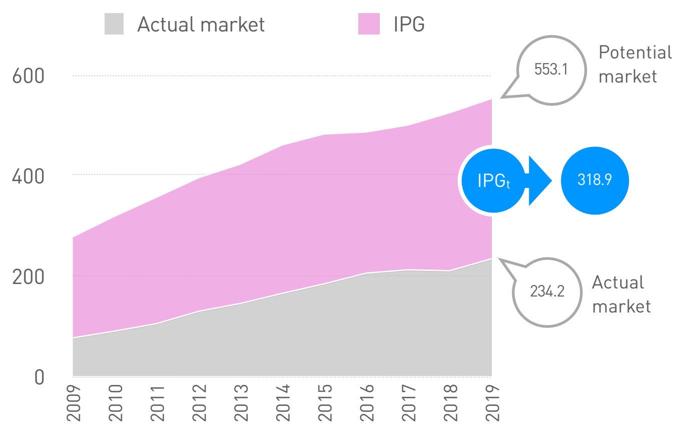
Source: MAPFRE Economics

Insurance Protection Gap estimate

Chart 3.2.3-n shows an update of the estimated insurance gap for the Brazilian insurance market over the last decade. This shows that the IPG came to 318.9 billion reais (80.81 billion US dollars) in 2019, equivalent to 1.4 times the size of the actual insurance market in Brazil at the close of 2019. Meanwhile, in terms of structure, 46.4% of the IPG related to Life insurance in 2019 (147.8 billion reais), while the Non-Life insurance segment accounted for the remaining 53.6% of the gap (171 billion reais). It should be noted that the share of Life insurance in the IPG fell by nearly 14.2 pp between 2009 and 2019. The potential insurance market in Brazil in 2019 (sum of the actual market plus the IPG) was therefore estimated at 553.1 billion reais (140.17 billion US dollars), 2.4 times the size of the total insurance market in Brazil in that year (see Chart 3.2.3-o).

Based on this analysis, Chart 3.2.3-p shows the estimate of IPG as a multiple of the actual

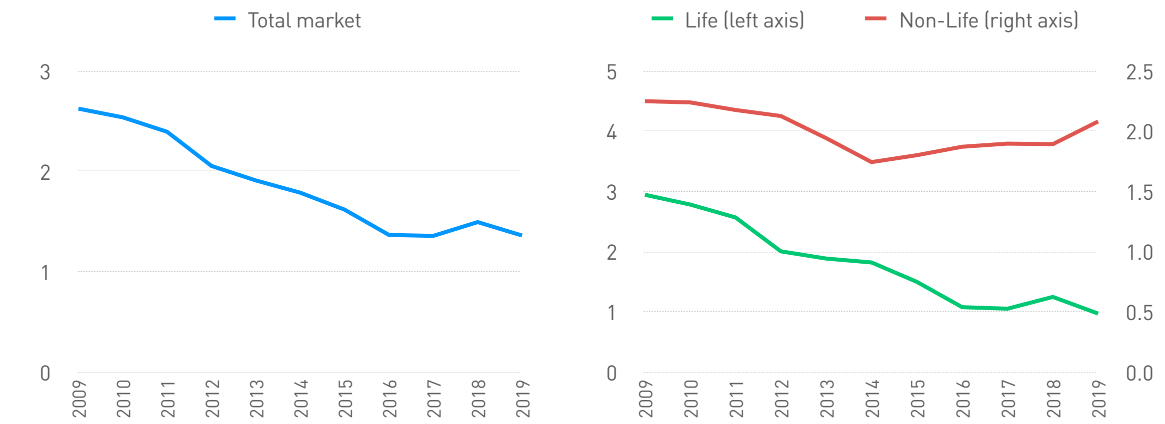
Chart 3.2.3-o
Brazil: Insurance Protection Gap and potential market
(billions of reais)



Variation	Actual market	IPG
2019–2009	205.7%	58.6%
2019–2018	11.4%	1.4%

Source: MAPFRE Economics

Chart 3.2.3-p
Brazil: IPG as a multiple of the actual market
(number of times, actual insurance market)



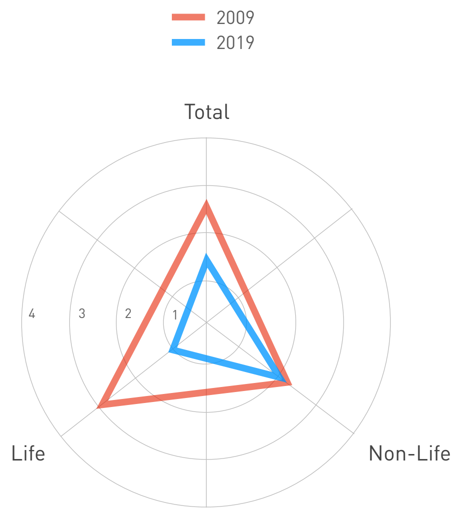
Source: MAPFRE Economics

market. The insurance gap as a multiple generally shows a downward trend over the period analyzed, although the Non-Life segment shows a rebound from 2014. From a medium-term perspective, the total IPG fell from 2.7 to 1.4 times the size of the actual market between 2009 and 2019, while the multiple for the Life market fell from 2.9 to 1.0, and the multiple for the Non-Life market fell (cumulatively) from 2.2 to 2.1 times.

Chart 3.2.3-q 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 Brazilian insurance market in 2009 and 2019. This chart shows that 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 only slightly.

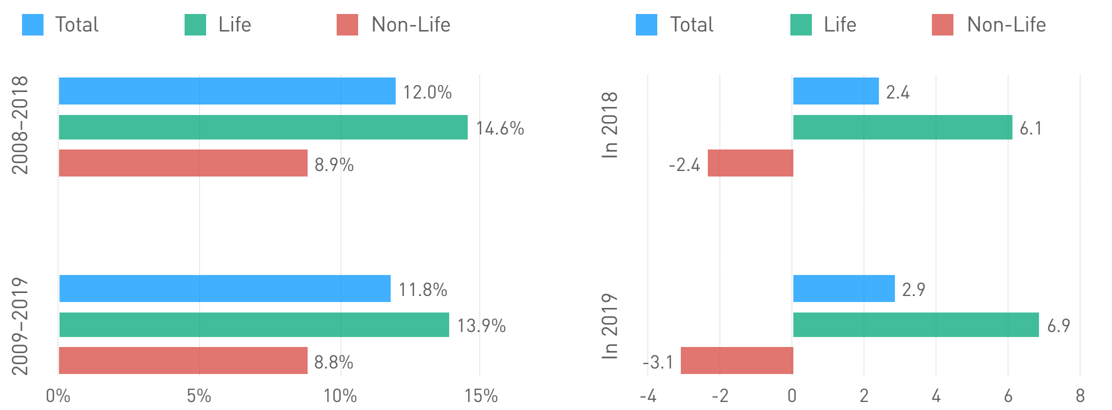
Lastly, Chart 3.2.3-r summarizes the Brazilian insurance market's capacity to close the insurance gap determined in 2019, based on a comparative analysis of the growth rates observed over the last ten years compared to the growth rates that would be required to close this gap over the next ten years. Between 2009 and 2019, the Brazilian insurance market expanded at an average annual growth rate of 11.8%: 13.9% in the Life insurance segment and 8.8% in the Non-Life segment. Based on the analysis conducted, were the same rate of growth to continue over the next ten years, the growth rate of the Brazilian insurance market

Chart 3.2.3-q
Brazil: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

Chart 3.2.3-r
Brazil: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



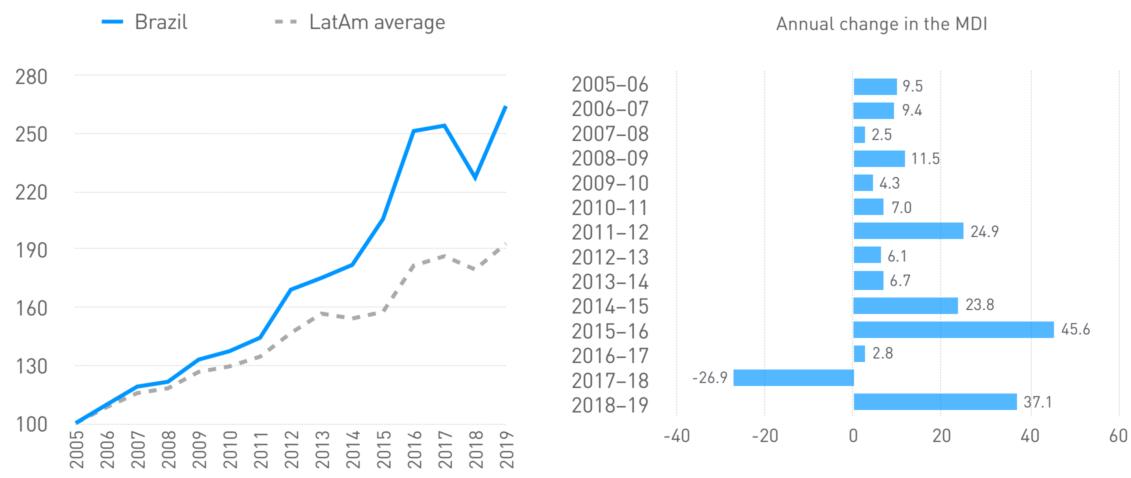
Source: MAPFRE Economics

would be sufficient to close the insurance gap in the Life segment, but not in the Non-Life segment, in which projected growth would fall 3.1 pp short of the rate needed to achieve this objective.

Market Development Index (MDI)

Chart 3.2.3-s shows an estimate of the Market Development Index (MDI) for the Brazilian insurance industry. As indicated previously in this report, the MDI is an indicator used to measure trends in the performance and maturity of insurance markets. In this case, the MDI shows a generally positive trend between 2009 and 2019, even showing the indicator's positive divergence from the average trend of Latin American insurance markets during this period. However, it should be noted that, in line with the performance of the market and the

Chart 3.2.3-s
Brazil: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

insurance gap, this index contracted between 2017 and 2018, but subsequently recovered in 2019.

Comparative analysis of structural coefficients

Lastly, Chart 3.2.3-t shows the Brazilian 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 stated in last year's report, the Brazilian market exceeds the regional average in all aspects, especially in terms of depth and MDI. Furthermore, the dispersion analysis shown in the aforementioned Chart 3.2.3-t confirms that, over the 2009–2019 period, the Brazilian insurance industry showed balanced development characterized by increases in both penetration levels (quantitative aspect) and depth levels (qualitative aspect).

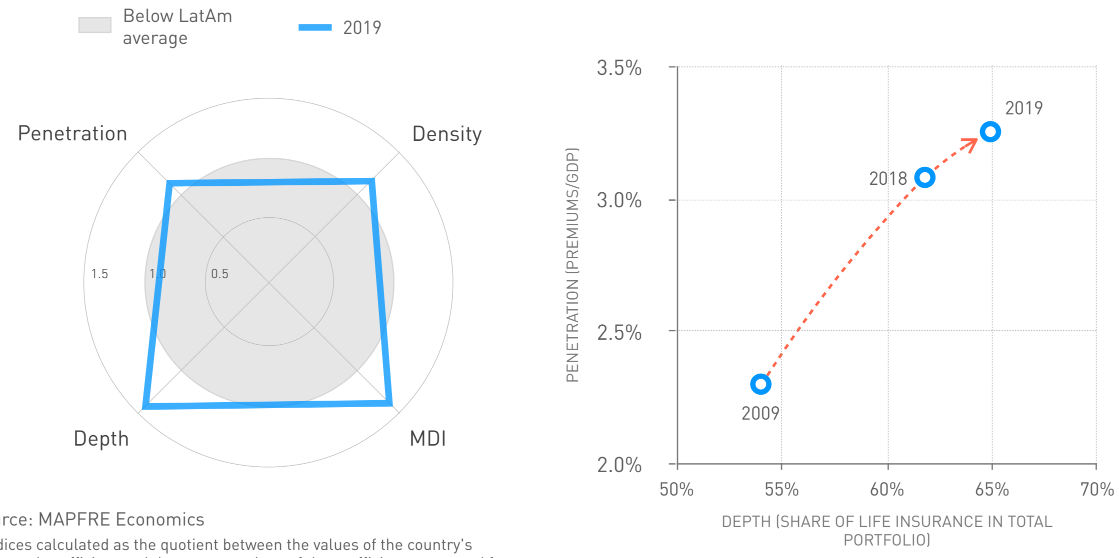
Insurance market rankings

Total ranking

There were 122 companies operating in the Brazilian insurance industry in 2019. As shown in Chart 3.2.3-u, although concentration levels in the industry decreased from 2017, they began to increase once again in 2019, with the Herfindahl index standing at 726.8 (675.5 in 2018), though still below the moderate concentration threshold. Meanwhile, the CR5 index stood at 52.1% (50.0% in 2018), with a higher concentration in Life (78.7%) than in Non-Life (35.4%).

The total ranking of groups in the Brazilian market in 2019 is once again led by Bradesco, with a share of 17.1% of the market's premiums. Brasilprev and Caixa follow behind and have increased their market shares by almost 2 pp to 16.7% and 12.2% respectively.

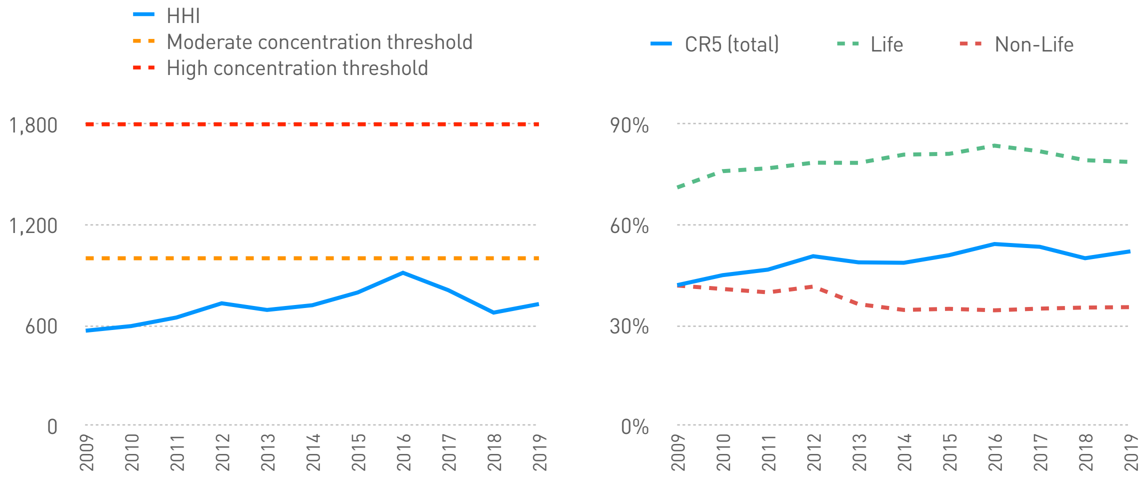
Chart 3.2.3-t
Brazil: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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 3.2.3-u
Brazil: insurance industry concentration
(Herfindahl index; CR5 index, %)



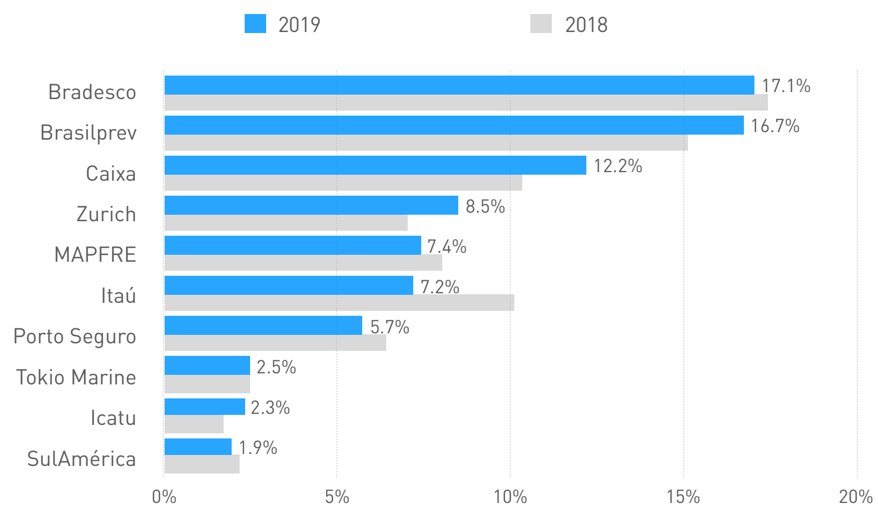
Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)

The Zurich group also experienced significant premium growth in 2019, reaching a share of 8.5% and therefore ranking fourth, overtaking MAPFRE (7.4%) and Itaú (7.2%). As far as the members of the ranking are concerned, the only change from 2018 ranking is the elimination of Talanx from the ranking and the entry of Icatú in ninth place (see Chart 3.2.3-v).

Life and Non-Life rankings

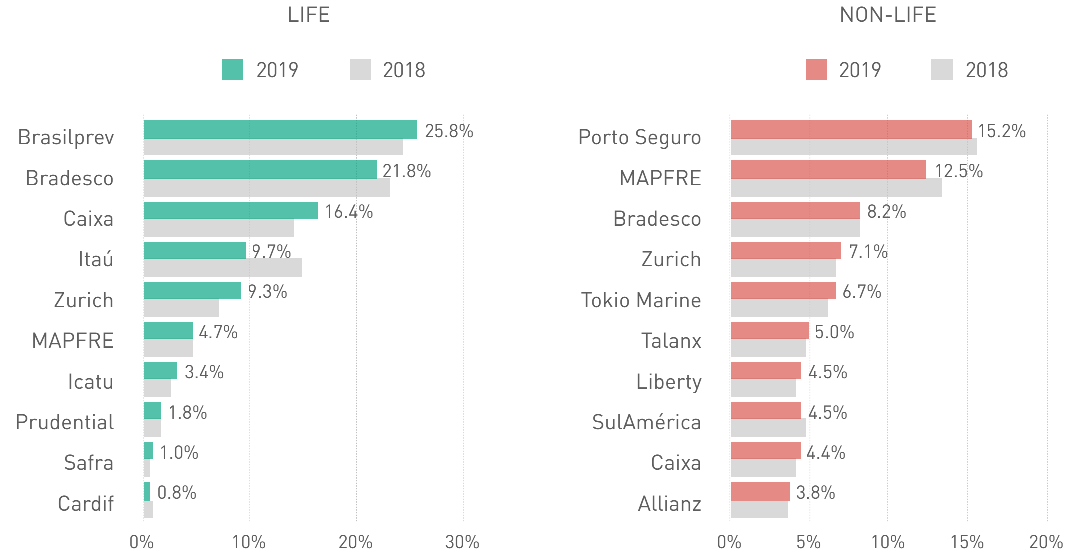
In terms of the Non-Life group ranking, Porto Seguro holds first place with 15.2% of market premiums, followed by MAPFRE with 12.5% and Bradesco with 8.2%. Zurich (7.1%) and Tokio Marine (6.7%) hold fourth and fifth place respectively. In the rest of the ranking, Talanx (5.0%) and Liberty (4.5%) jumped one position

Chart 3.2.3-v
Brazil: total ranking
(market shares, %)



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

Chart 3.2.3-w
Brazil: Life and Non-Life ranking
(market shares, %)



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

each as SulAmérica (4.5%) dropped to eighth place. The last places in the ranking are held by Caixa and Allianz, with a share of 4.4% and 3.8% respectively (see Chart 3.2.3-w). It should be noted that, in August 2019, Allianz announced the acquisition of SulAmérica's Automobile and Property insurance operations; this transaction was completed in July 2020 after receiving authorization from the supervisory body.

In the 2019 Life group ranking, Brasilprev once again ranked first with a market share of 25.8%, up by 1.3 pp compared to the previous year. Bradesco follows behind, dropping 1.3 pp of its share to 21.8%, as does Caixa (16.4%), which increased its premiums by 34.8% and jumped ahead of Itaú (9.7%) in the ranking after the latter lost more than 5 pp in its market share. For the rest of the ranking, a change only occurred in the last two places, where Safra (1.0%) and Cardif (0.8%) swapped.

Key regulatory aspects

With regard to the key regulatory aspects of 2019, the following are noteworthy:

- Short-term and intermittent insurance plans (SUSEP Circular 592/19). This regulation provides the market with a wide range of possibilities for the development and application of new products to suit consumer needs. It regulates the general conditions for customizing insurance plans with a reduced policy contracting deadline and an intermittent term. This measure is expected to develop new digital processes that can meet consumer market demand.

- Use of new or used parts in automobile insurance partial loss claims (Electronic Circular Letter No. 1/2019/SUSEP). It provides clarification to the supervised market that there is no regulatory restriction on use of new, original or non-original, domestic or imported parts, or even used parts within the scope of Law No. 12977/2014, in automobile insurance partial loss claims.

- Direct contracting of insurance products via ticket (Electronic Circular Letter No. 2/2019/SUSEP). This regulation aims to provide legal security to the market and, consequently, to expand competition and the offering of insurance products to consumers, making it clear that there is no obligation to recognize the brokerage commission in direct insurance policy contracting by ticket. According to the legal opinion of the Attorney General's Office of the Republic together with the Superintendency of Private Insurance (SUSEP), in cases of direct insurance policy contracting, the commission's fee is optional.

- Embargo and sanction clause by the supervised market for its insurance products. In this regard, SUSEP issued Circular Letter No. 6 of 2019 containing clarifications on the clauses contained in insurance contracts, which provide for the violation of laws or regulations on economic or commercial embargoes or sanctions and their consequences.

- Improvements to the regulation on open supplementary pension plans and personal insurance plans, with survival coverage. In this regard, improvements have been made to the texts, with the aim of providing greater clarity to the aforementioned regulation and, consequently, greater security to the policyholders/participants, always striving to promote the market for Life products and supplementary pension schemes.

Other standards relevant to market development that began in 2019 are related to the operation recording system, to open insurance, segmentation of the supervised market, the regulatory sandbox, greater automation in the regulation of brokers, flexibility in insurance policy contracting in foreign currency and overseas, and the improvement of standards for reinsurance activity, among others.

Furthermore, Brazil's President, Jair Bolsonaro, issued two provisional measures in November 2019 affecting the insurance industry: Provisional Measure No. 904/2019 provided for the termination of Insurance for Personal Damage caused by Land Motor Vehicles and of Mandatory Personal Damage Insurance for Ships or their Cargo; and Provisional Measure 905/2019 instituted the "green and yellow labor contract" and promoted other changes in Brazilian labor law.

As far as insurance is concerned, the measure repealed the relevant legal provisions concerning the profession of insurance brokers, deregulating activity. It should be noted that the Provisional Measures are rules that possess the force of the law issued by the President of the Republic in situations of importance and urgency that, despite having immediate legal effects, require approval by the Chambers (Congress and Senate) to definitively become law.

Provisional Measure 904/2019 was suspended by the Supreme Federal Court in December 2019, as it deemed the measure unconstitutional. Moreover, the Law was terminated in its passage through Congress, without having been discussed by members of parliament. Lastly, the federal government has established a measure of lower impact, setting price limits that can be applied to compulsory coverage.

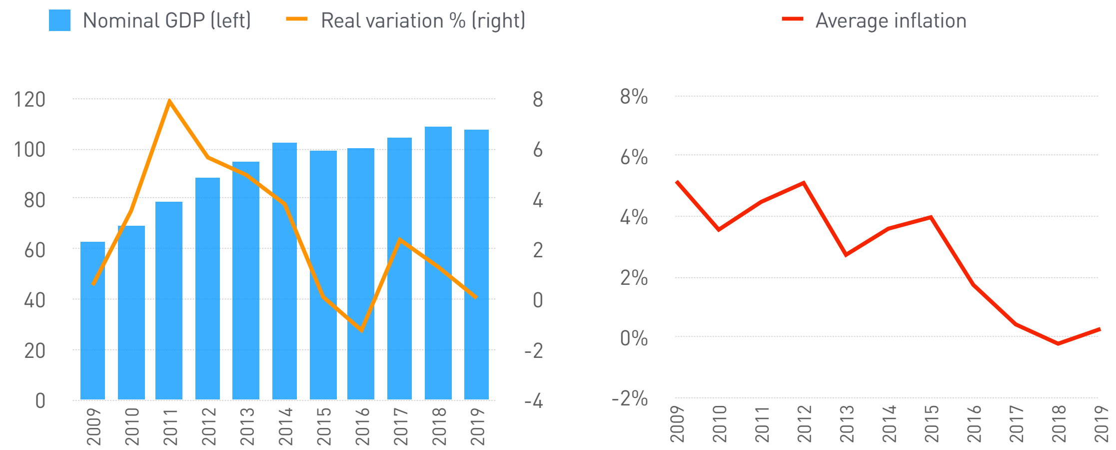
Meanwhile, Provisional Measure 905/2019 was not able to gather the necessary support in the Senate and therefore, in view of its imminent expiration and given that it was not voted on within the stipulated time limit, the Brazilian president decided to repeal it. Consequently, in April 2020, SUSEP restarted the registration process for insurance brokers, by creating a free online system to automate and simplify this procedure.

3.2.4 Ecuador

Macroeconomic environment

The Ecuadorian economy grew by 0.1% in real terms in 2019, compared to 1.3% in 2018 and 2.4% in 2017 (see Chart 3.2.4-a). This slowdown in growth was the result of the slowdown in domestic demand, especially of gross capital formation, coupled with an international context characterized by trade tensions, weakened global demand and the sustained downward outlook for oil prices, which is detrimental to Ecuador's exports given that it is a producer country. The most dynamic sectors

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 IMF data)

in 2019 were aquaculture and shrimp farming, as well as oil, mining, electricity and water. Construction, however, performed poorly. The unemployment rate in 2019 was 3.8% (3.7% in 2018).

The fiscal deficit in 2019 closed at 2.8% of GDP, compared to 3.1% the previous year, still far from the surplus targets agreed with the IMF as part of the aid package agreed upon in March. In this sense, in order to restructure public accounts, discussions are still being held regarding the controversial tax reforms and the decree on the targeting of fuel subsidies aimed at improving the situation of the fiscal deficit, which led to a wave of protests in October and even caused the government to declare a state of emergency due to the severity of the riots. Public debt stood at 49.6% of GDP at the close of 2019, compared to 46.0% in 2018. The balance of payments current account improved and remained balanced, surpassing the deficit of 1.4% of GDP at the close of 2018.

Meanwhile, the average inflation rate was weak, reaching 0.3%, leaving the deflationary territory that it entered the previous year, which stood at -0.2%. Interest rates, however, remained high as a result of the economy's high percentage of external debt in relation to GDP (38.4% in 2019).

The ECLAC estimates a contraction in the Ecuadorian economy of -9.0% in 2020, mainly due to the economic effects of the COVID-19 pandemic, which has hit the country particularly hard. For its part, the IMF's latest forecast for 2020 predicts an estimated contraction of -6.2%.

Insurance market

Growth

As shown in Chart 3.2.4-b and Table 3.2.4, premiums in the Ecuadorian insurance market in 2019 continued on the upward trend recovered in 2017, with an increase of 6.4% in nominal terms and 6.1% in real terms to reach 1.8 billion US dollars. Contrary to the previous year, this was primarily driven by Non-Life lines, with nominal growth of 6.9% (6.6% in real terms), while Life insurance increased by 5.1% (4.8% in real terms).

The Non-Life segment accounted for 76.0% of premiums in 2019, with positive performance in most lines. Automobile premiums remained unchanged and growth in the Transport insurance was notable at 23.7%. On the contrary, Accidents and Credit and Surety showed declines of -8.0% and -7.0%

Table 3.2.4
Ecuador: premium volume[1] by line, 2019

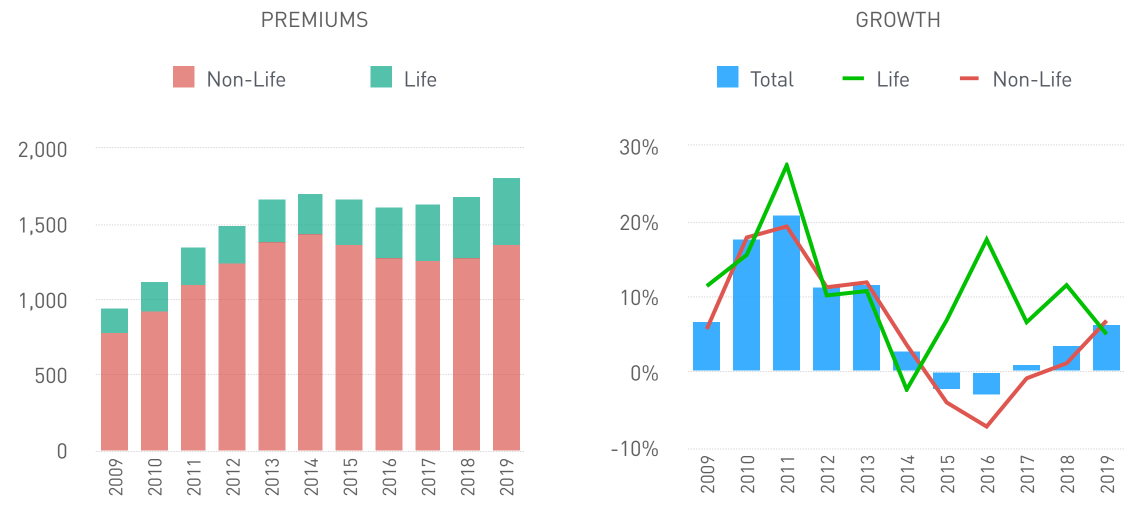
Line	Millions of USD	Growth	
		Nominal (%)	Real (%)
Total	**1,797**	**6.4**	**6.1**
Life	**434**	**5.1**	**4.8**
Individual Life	29	-4.4	-4.6
Group Life	405	5.8	5.5
Non-Life	**1,364**	**6.9**	**6.6**
Automobiles	401	0.3	0.1
Other lines	238	27.1	26.7
Fire, theft and allied lines	259	8.8	8.5
Transport	132	23.7	23.3
Personal accidents	91	-8.0	-8.2
Surety and credit	84	-7.0	-7.2
Health	82	2.2	1.9
Third-party liability	76	2.4	2.2

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)
1/ Written net premium (corresponds to direct and taken premium, less liquidations and rescues, and coinsurance premiums ceded)

respectively. In the Life segment, group insurance performed positively with an increase of 5.8%, while individual Life saw premiums fall by -4.4%.

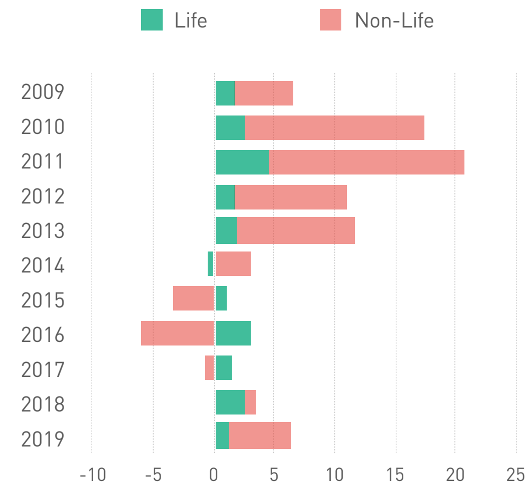
When analyzing the composition of the 6.4% growth recorded by the Ecuadorian insurance market in 2019, the Non-Life segment showed a positive contribution of 5.2 pp, exceeding the Life insurance segment's contribution of 1.2 pp.

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: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	6.6	1.8	4.8
2010	17.5	2.6	14.9
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

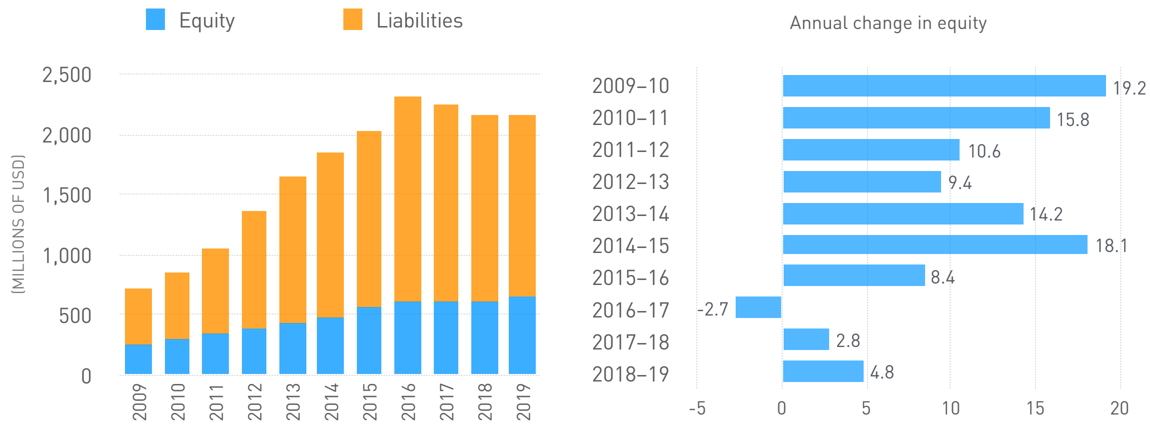
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

As shown in Chart 3.2.4-c, both segments have contributed positively to industry growth over the last two years.

Balance sheet and shareholders' equity

Chart 3.2.4-d shows the Ecuadorian insurance industry's aggregate balance sheet. This data shows that total assets in 2019 amounted to 2.16 billion US dollars, down 2.6 million US dollars from the previous year. Equity stood at 647 million US dollars, up 4.8% from the previous year. Furthermore, aggregate capitalization levels in the insurance industry (measured over total assets) exceeded 30% between 2009 and 2011. Thereafter, they slipped below this percentage, falling to a low

Chart 3.2.4-d
Ecuador: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



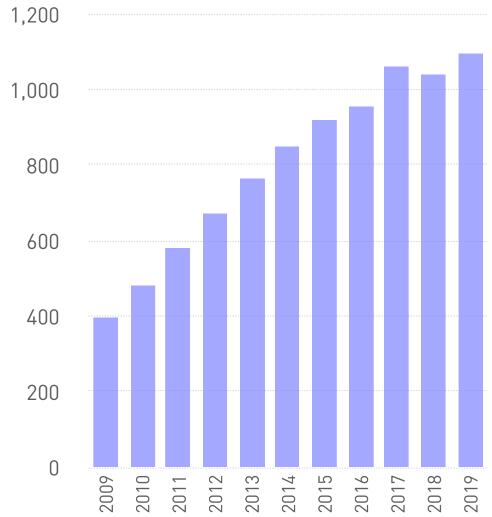
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

of 25.6% in 2013, recovering partially to 28.2% of total assets by 2015 and falling back to 26.6% of assets by the end of 2016. The level of capitalization has recovered over the last three years to 30% in 2019.

Investments

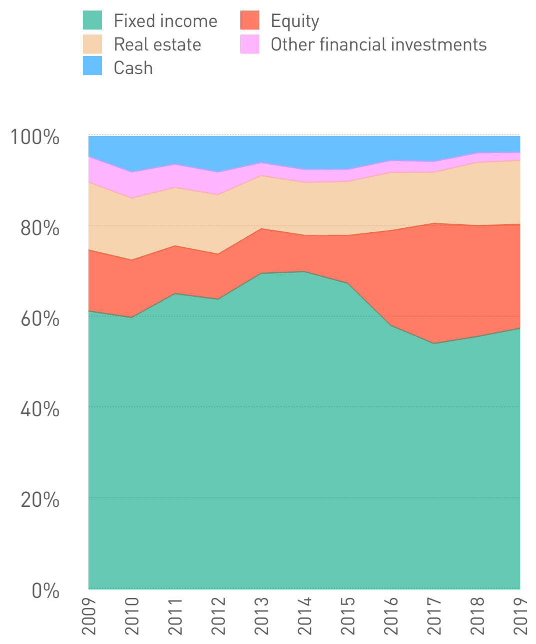
Chart 3.2.4-e shows the performance of the aggregate investment portfolio at the sector level in Ecuador between 2009 and 2019, while Charts 3.2.4-f and 3.2.4-g show changes in the relative composition of the portfolio over this period. This data shows that investment totaled 1.09 billion US dollars in 2019 (50 million US dollars more than in 2018), with an increase in investment in fixed income instruments (57.8% in 2019, versus 55.9% in 2018) and real estate (14.1%, versus 14.0% in 2018). This was to the detriment of equity instruments (22.9% of total investments, versus 24.5% in 2018).

Chart 3.2.4-e
Ecuador: insurance market investments
(millions of USD)



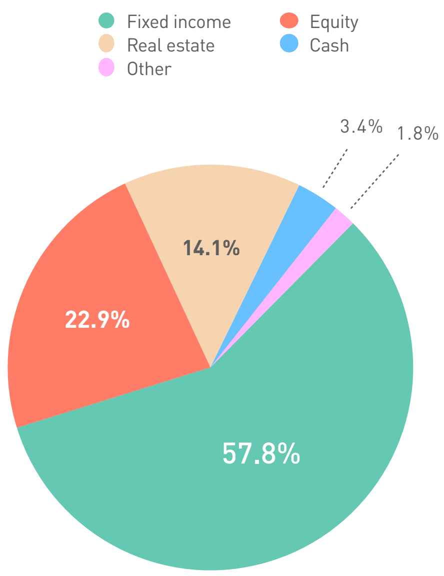
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-f
Ecuador: structure of investments
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-g
Ecuador: structure of investments, 2019
(%)



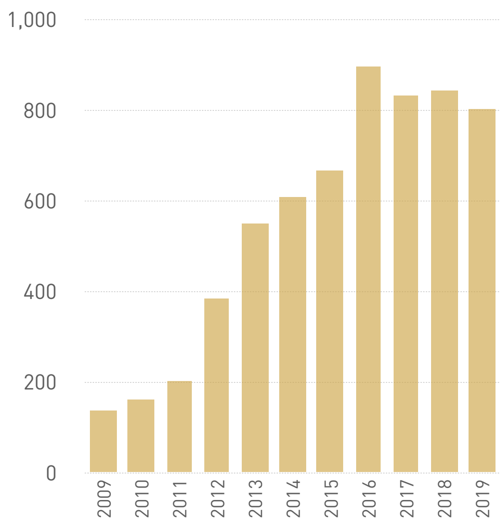
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Technical provisions

Charts 3.2.4-h, 3.2.4-i and 3.2.4-j show the evolution and relative composition of the Ecuadorian insurance industry's technical provisions over the 2009–2019 period. In the latter year, technical provisions amounted to 799 million US dollars (840 million US dollars in 2018). Provisions for Life insurance continued to grow in 2019 (after increasing significantly in 2017), to reach 15.7%. Of the total provisions, 26.2% related to provisions for unearned premiums and unexpired risks in Non-Life insurance, 54.4% to provisions for outstanding benefits, 1.4% to provisions for catastrophic risks, and the remaining 2.3% to other technical provisions.

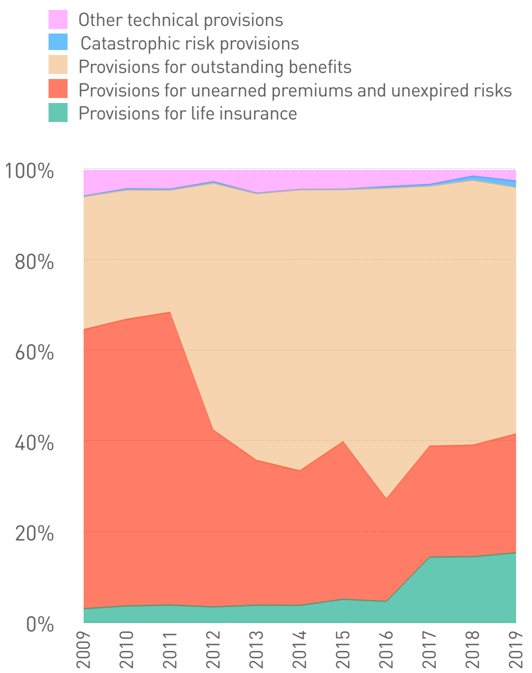
It is important to note that the change in the composition of technical provisions in 2012 was mainly due to the accounting effect of Resolution No. SBS-2012-0068 of February 7, 2012, which modified the treatment of provisions for outstanding benefits which, until 2011, were considered net of ceded reinsurance. These provisions are now presented in their gross

Chart 3.2.4-h
Ecuador: technical provisions of the insurance market
(millions of USD)



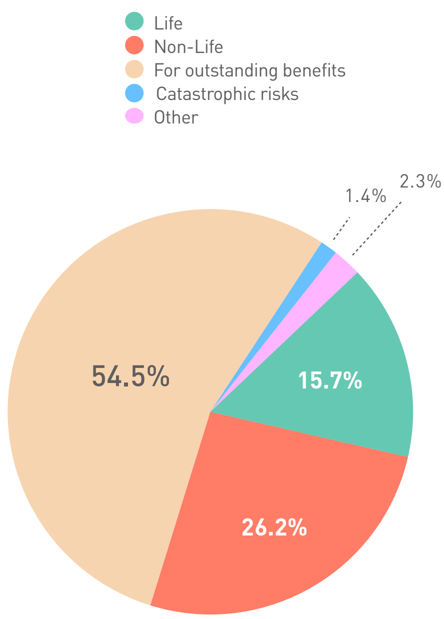
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-i
Ecuador: structure of technical provisions
(%)



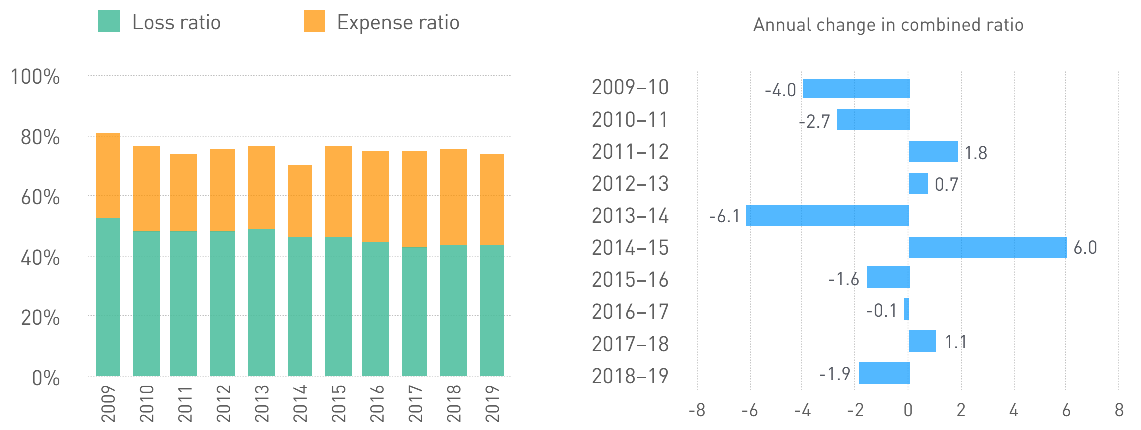
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-j
Ecuador: structure of technical provisions, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-k
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)

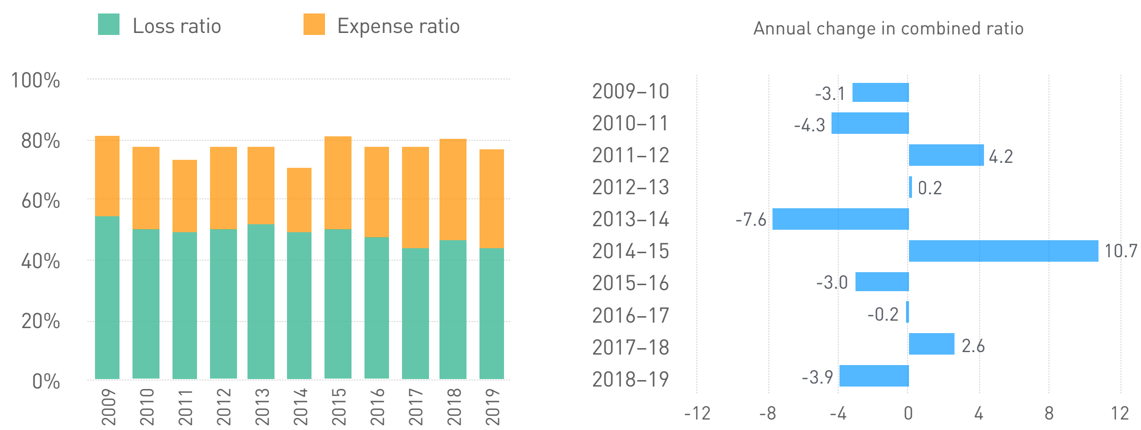
amount, while including under assets the amount receivable by the party corresponding to the reinsurer. The other major change was between 2015 and 2016, due to a relative increase in the provision for outstanding benefits as a result of the earthquake that struck the country in April 2016.

Technical performance

Chart 3.2.4-k shows the technical performance of the Ecuadorian insurance industry over the 2009–2019 period. In the latter year, the combined ratio increased by 1.9 pp to reach 74.0%. This performance was due to the decrease in the loss ratio by -0.6 pp and in the expense ratio by -1.3 pp, to 43.7% and 30.3% respectively. It is important to note that the total combined ratio stood well below the parameter of 100% throughout the decade under analysis.

Meanwhile, the Non-Life combined ratio (see Chart 3.2.4-l) also decreased to reach 76.3%, -3.9 pp less than in 2018. This improvement in

Chart 3.2.4-l
Ecuador: 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 Superintendency of Companies, Securities and Insurance)

the combined ratio is explained by the -2.3 and -1.5 pp drops in the loss ratio and the expense ratio respectively. As with the total combined ratio, the indicator for the Non-Life segment has remained at around 80% over the past decade. It should be noted, however, that the technical result indicated above does not include other revenue and non-operational expenses related, on the one hand, to other lines of business carried out by insurance companies in Ecuador and, on the other hand, to certain administration costs that are not counted as such in the country when calculating the expense ratio. This could explain the remarkably low combined ratio, both at the total level and the Non-Life insurance segment level.

Results and profitability

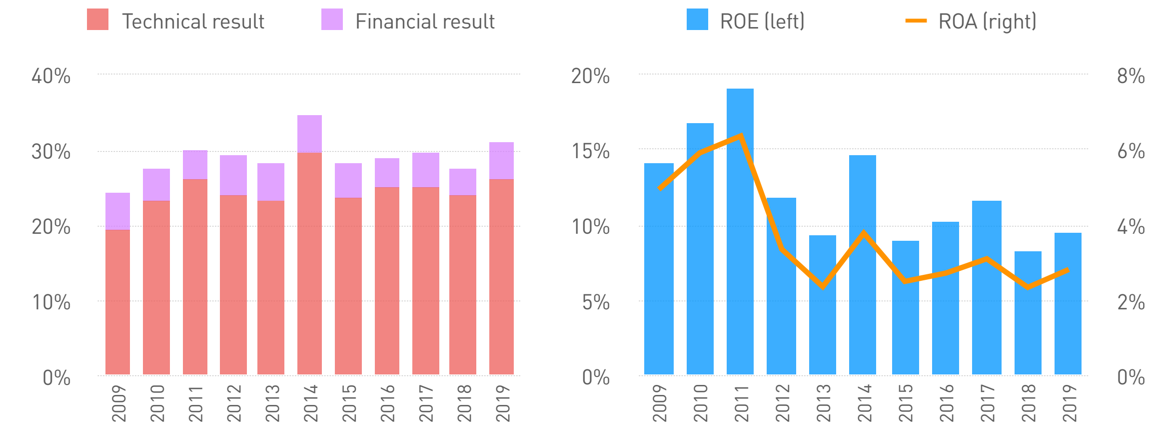
The Ecuadorian insurance industry posted a positive aggregate technical result of 290 million US dollars in 2019, up 9.3% from the previous fiscal year. In terms of the financial result, this increased significantly (45.3%) to 56.1 million US dollars. As such, the net result of the insurance industry increased by 20% to reach 61.2 million US dollars (see Chart 3.2.4-m). Return on equity (ROE) therefore increased by 1.2 pp in 2019 to 9.5%, while return on assets (ROA) stood at 2.8%, up 0.5 pp from the previous year.

Insurance penetration, density and depth

Chart 3.2.4-n shows the most relevant structural trends in the development of the Ecuadorian insurance industry between 2009 and 2019. The penetration index (premiums/GDP) in 2019 stood at 1.7% (0.4% in Life and 1.3% in Non-Life), 0.1 pp higher than the previous year. In the Life market, however, the penetration index is significantly below the Latin American average in terms of both the current level and general trend. It should be noted that penetration in the Non-Life business is closer to the average for Latin America, although it did change direction in 2015 and has been decreasing ever since, moving away from the average of the region's insurance markets.

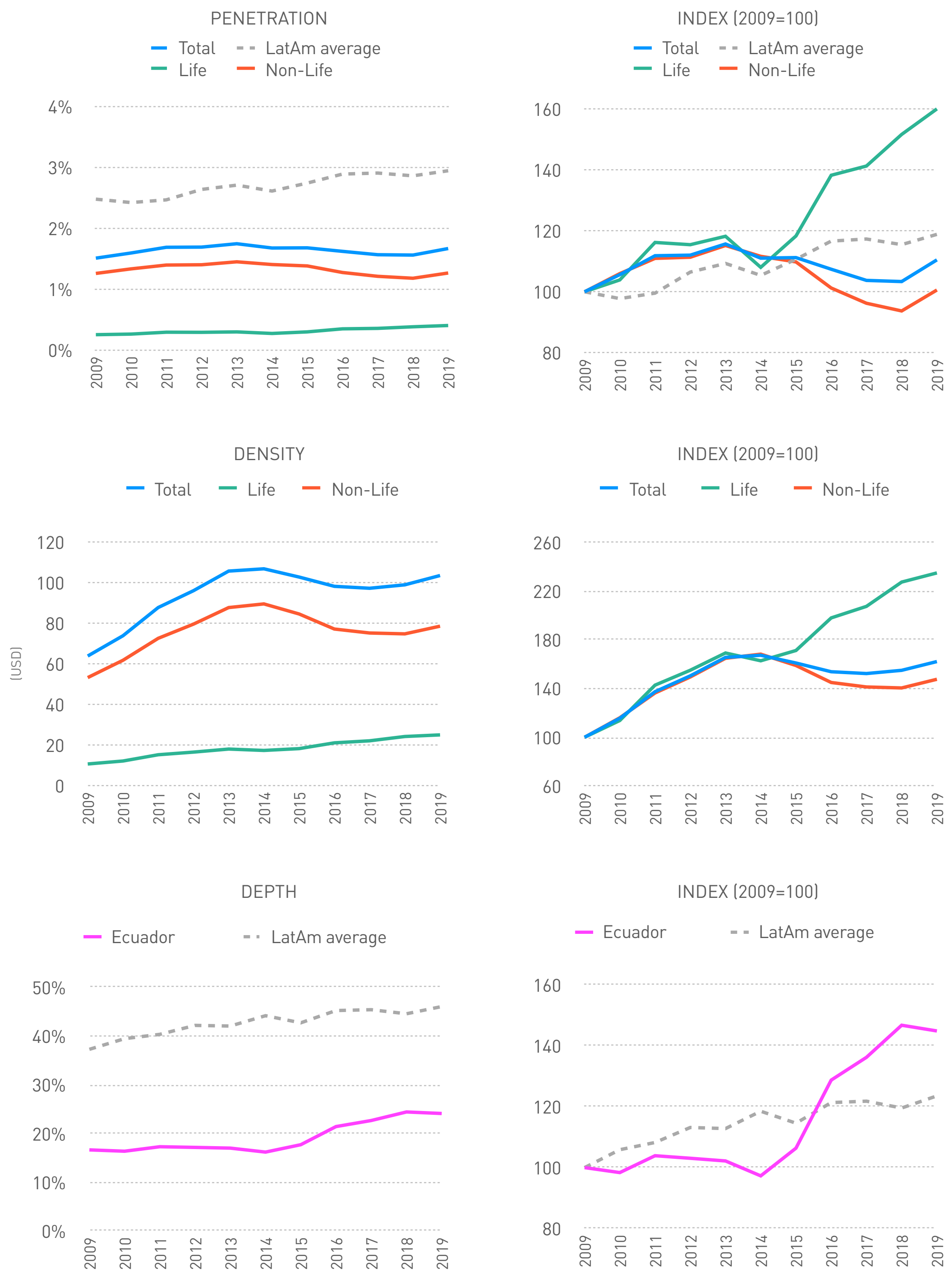
The density indicator (premiums per capita) stood at 103 US dollars in 2019, up 4.6% from 2018 (98.9 US dollars). Density in Ecuador showed an upward trend until 2014, but has been declining in recent years due to a

Chart 3.2.4-m
Ecuador: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



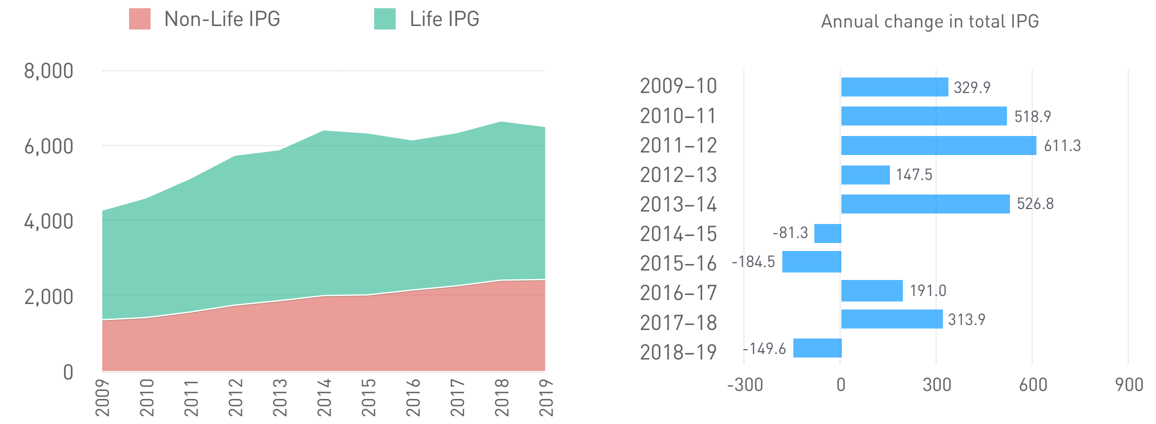
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-n
Ecuador: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, USD; Life insurance premiums/total premiums, %, 2009 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-o
Ecuador: Insurance Protection Gap
(millions of USD)



Source: MAPFRE Economics

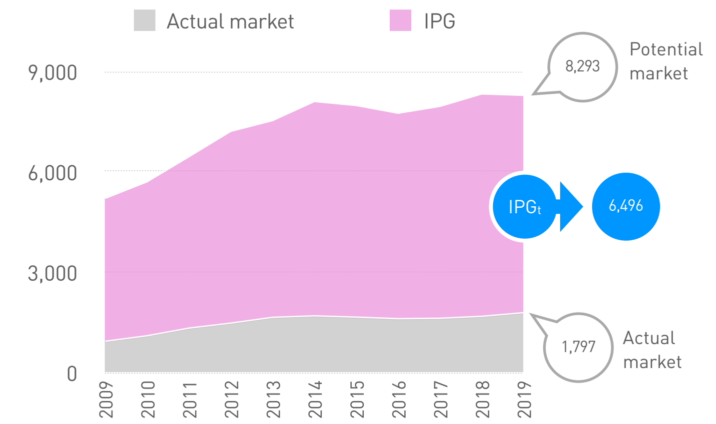
reduction in premiums as a result of the country's general economic situation, though it has once again shown a slight recovery since 2018.

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 2019, the rate stood at 24.1%, down by 0.3 pp from 2018. From a medium-term perspective, depth in the Ecuadorian insurance market has increased by 7.5 pp since 2009.

Insurance Protection Gap estimate

Chart 3.2.4-o shows an estimate of the insurance gap for the Ecuadorian insurance market between 2009 and 2019. The IPG in 2019 amounted to 6.5 billion US dollars, 3.6 times the size of the actual insurance market in Ecuador at the close of that year. The structure and performance of the IPG between 2009 and

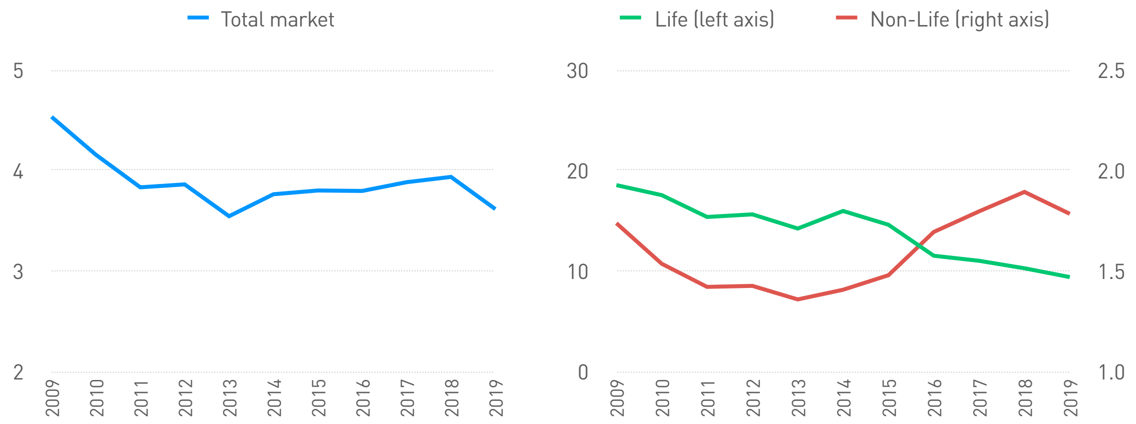
Chart 3.2.4-p
Ecuador: Insurance Protection Gap and potential market
(millions of USD)



Variation	Actual market	IPG
2019–2009	90.7%	52.1%
2019–2018	6.4%	-2.3%

Source: MAPFRE Economics

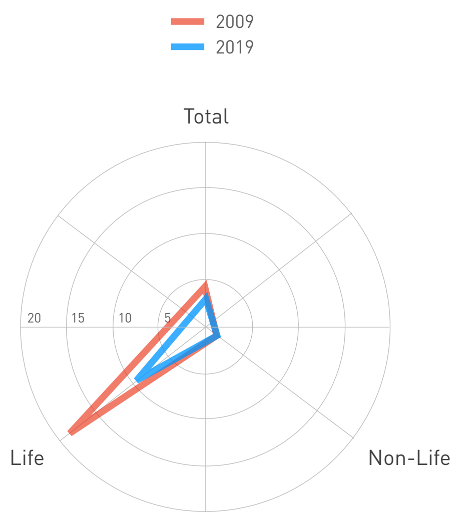
Chart 3.2.4-q
Ecuador: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

2019 are largely attributable to the Life insurance segment, as is the case in most Latin American markets. As such, at the close of 2019, 62.6% of the IPG was related to Life insurance (4.06 billion US dollars), down 5.5 pp from 2009. The remaining 37.4% of the insurance gap was related to the Non-Life insurance market (2.43 billion US dollars). The potential insurance market at the close of 2019 (measured as the sum of the actual market plus the IPG) was therefore estimated at 8.29 billion US dollars, 4.6 times the size of the total insurance market in Ecuador that year (see Chart 3.2.4-p).

Chart 3.2.4-r
Ecuador: change in IPG as a multiple of the actual market

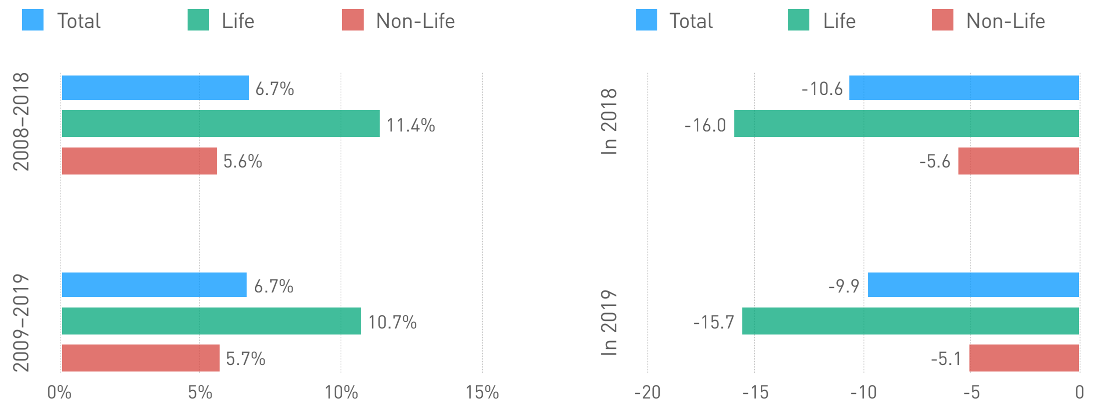


Source: MAPFRE Economics

Charts 3.2.4-q and 3.2.4-r show an estimate of the IPG as a multiple of the actual insurance market in Ecuador between 2009 and 2019. This data reveals that the gap for the Life insurance segment showed a sustained downward trend throughout the period under analysis (falling from 18.5 to 9.4 times), while the Non-Life insurance segment showed a downward trend until 2013 when it began to rise again, reaching 1.9 in 2018 to then drop to 1.8 in 2019.

Lastly, Chart 3.2.4-s shows a summary of the Ecuadorian insurance market's capacity to close the IPG determined in 2019, 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

Chart 3.2.4-s
Ecuador: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

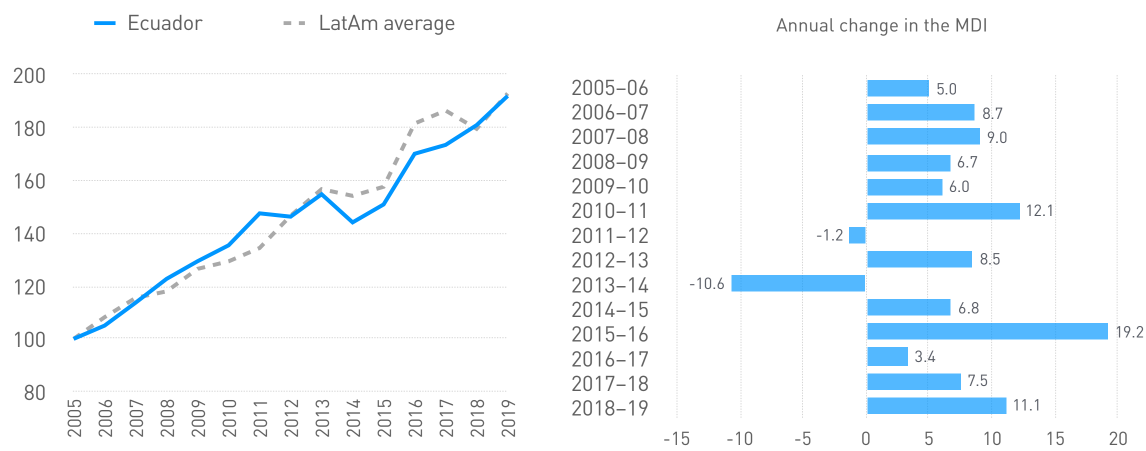
rate of 6.7%; the Life insurance market grew at an average annual rate of 10.7% and the Non-Life segment grew at an average annual rate of 5.7%.

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 -9.9 pp short of closing the IPG over that period. In terms of the insurance gap in the Life segment, the growth rate would fall -15.7 pp short of closing the gap, while the rate would fall -5.1 pp short in the Non-Life segment. It should be noted that these values are slightly lower than those recorded for the IPG measurement in 2018.

Market Development Index (MDI)

Chart 3.2.4-t shows the Market Development Index (MDI) for the Ecuadorian insurance industry. Overall, over the 2005–2019 period, the indicator has shown a trend consistent with

Chart 3.2.4-t
Ecuador: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

the average of the Latin American insurance markets, with significant increases from 2015.

Comparative analysis of structural coefficients

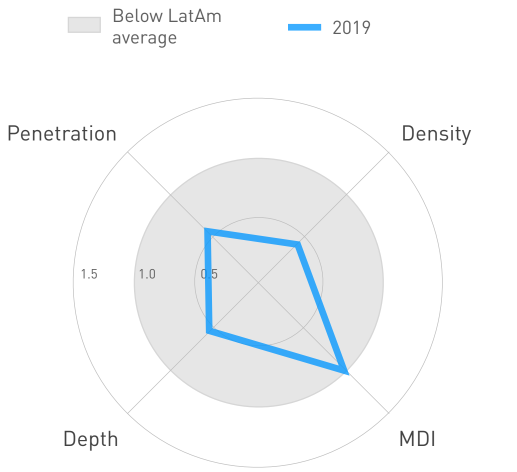
Chart 3.2.3-u shows the Ecuadorian insurance market's situation in comparison with the average for Latin America, measured in terms of the structural indicators analyzed for 2019. This data shows that the Ecuadorian market remained below the regional average in all aspects, except for the Market Development Index, which is close to the regional average. Similarly, the dispersion analysis shown in the aforementioned chart shows that, over the 2009–2018 period, the Ecuadorian insurance industry showed relatively balanced development characterized by slight increases in penetration levels and, more significantly, in depth levels. In 2019, however, this trend in the industry's development changed, showing greater penetration but with a slight loss in the scale of market insurance depth.

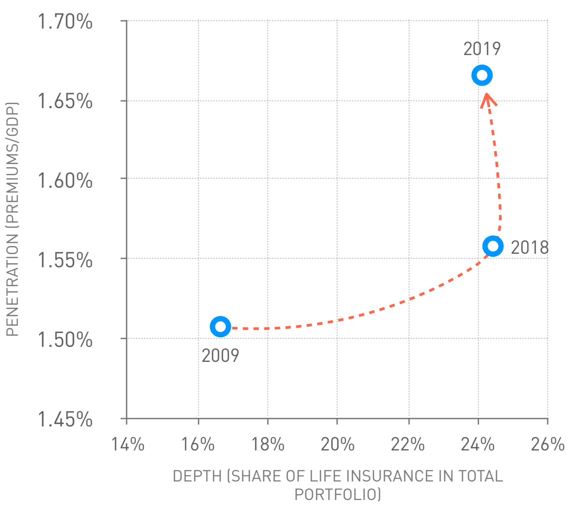
Insurance market rankings

Total ranking

There were 30 insurance companies operating in the Ecuadorian insurance industry in 2019. The top five institutions (CR5) accounted for 49.8% of total premiums, recording an increase in concentration compared to 2018, which affected both Life and Non-Life. The Ecuadorian market has generally seen an upward trend in concentration levels over the last decade, especially since 2011. This can be seen in Chart 3.2.4-v, which shows the performance of the Herfindahl and CR5 indices. However, the Herfindahl index is still below the moderate concentration threshold.

Chart 3.2.4-u
Ecuador: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)

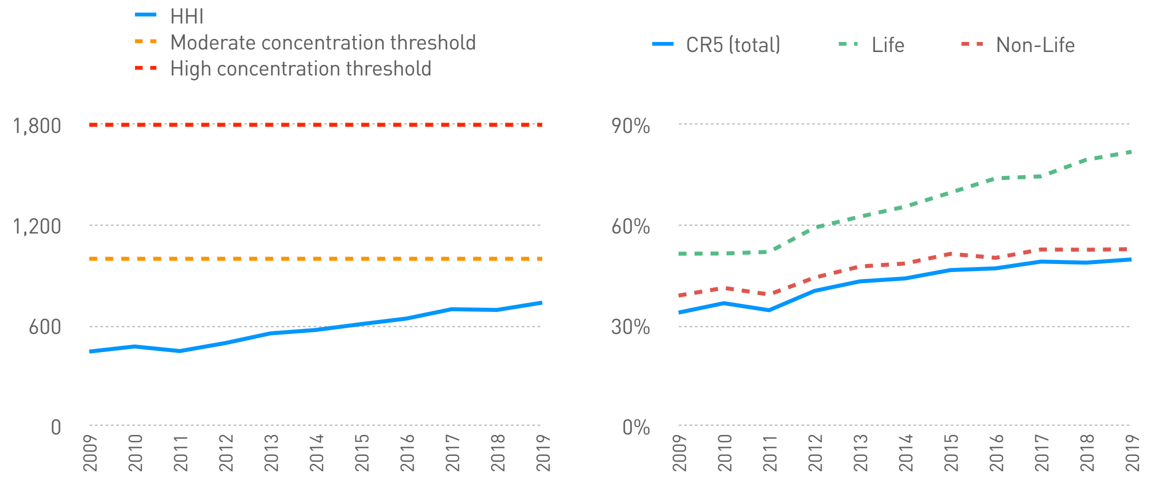




Source: MAPFRE Economics

* Indices 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-v
Ecuador: insurance industry concentration
(Herfindahl index; CR5 index, %)



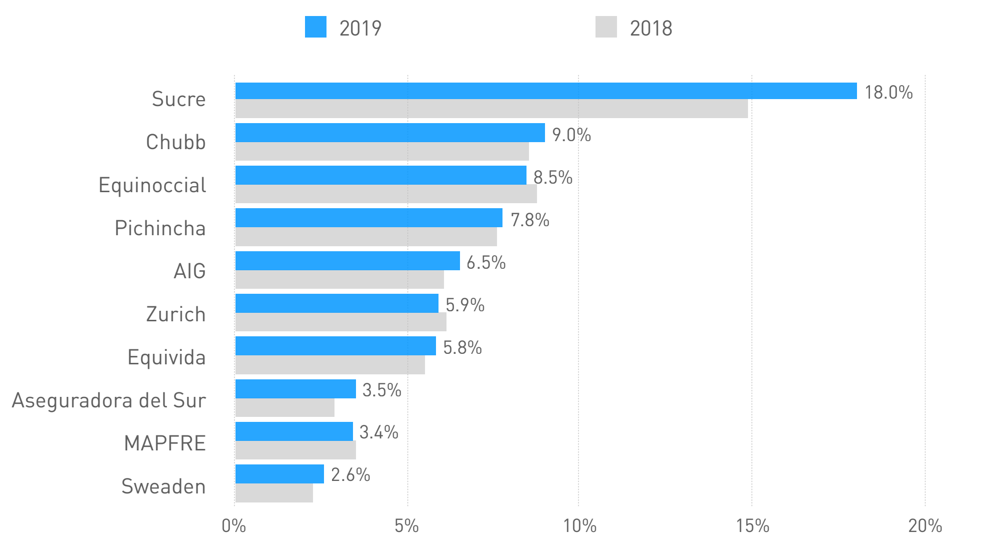
Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

The total ranking of insurance groups in the Ecuadorian market in 2019 (shown in Chart 3.2.4-w) is led by the state-owned company Seguros Sucre, which increased its market share by 3.2 pp to 18.0%. Chubb overtook Equinoccial to rank second with a share of 9.0%. AIG and Aseguradora del Sur also jumped up in the ranking, while Zurich and MAPFRE dropped downward. Lastly, Sweaden joined the ranking in tenth place, jumping from fifteenth place held in 2018.

Life and Non-Life rankings

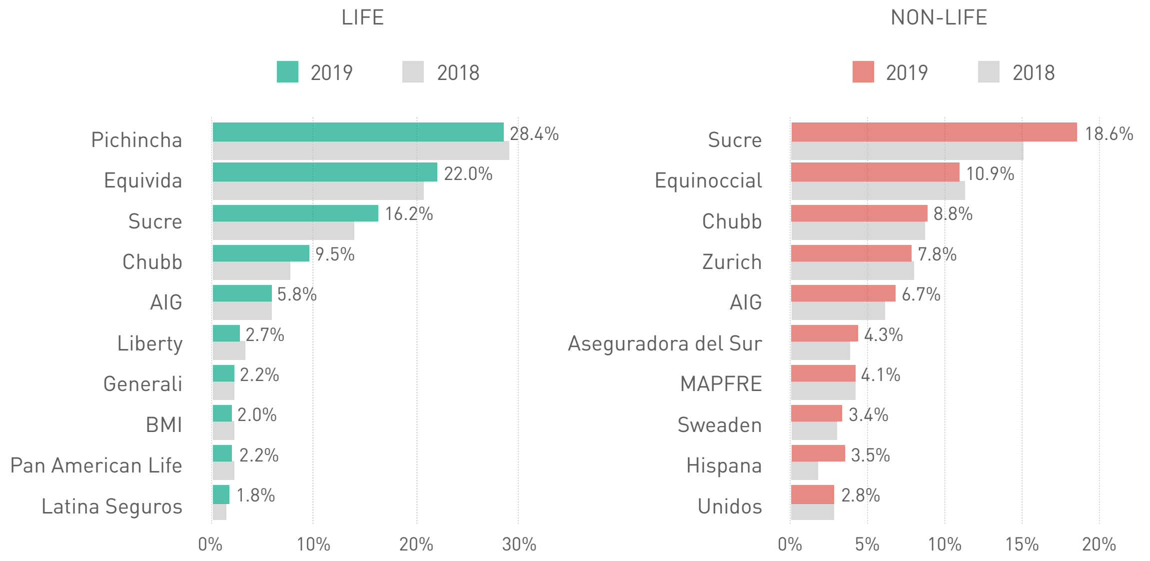
Seguros Sucre continues to lead the Non-Life ranking with a share of 18.6%, 3.5 pp higher than

Chart 3.2.4-w
Ecuador: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

Chart 3.2.4-x
Ecuador: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)

in 2018. Equinoccial (10.9%) and Chubb (8.8%) held the same positions as in 2018, followed by Zurich (7.8%) and AIG (6.7%). Hispana's jump from 17th place to 9th place and the elimination of Ecuatoriano Suiza from this ranking are particularly noteworthy. Lastly, the 2019 Life ranking is once again led by Pichincha with a share of 28.4%, although it lost four tenths of its market share, while the following groups in the ranking, Equivida (22.0%), Sucre (16.2%) and Chubb (9.5%) all increased their market share (see Chart 3.2.4-x).

Key regulatory aspects

With regard to the main regulatory adjustments related to the operation of the Ecuadorian insurance industry, the National Assembly, after 50 years since the last reforms, issued the Code of Commerce, published in Official Gazette No. 497 of May 29, 2019. It should be noted that books VI, titled "Insurance Contracts," and VII, titled "Transport Contracts," include changes to the insurance area, such as: the insurance contract is no longer solemn and has become consensual, and the statute of limitations for actions derived from the insurance contract has been extended to five years.

Meanwhile, the Board of Monetary and Financial Policy and Regulation issued the following reforms:

- Resolution 511-2019-S, which reformed the portfolio provision percentages and categorized risk.
- Resolution 522-2019-S, which amended the standard on the maximum segments and percentages of mandatory investment, in relation to premiums paid in advance; when their validity is greater than one year, they must be invested in full.
- Resolution 523-2019-S, which reformed the percentages of the net premium withheld from the insurance policy or insurance certificates for the constitution of unexpired risk reserves for policies in effect for longer than one year and less than one year.
- Resolution 553-2019-S, which set out the basic contribution that insurance companies must make to the *Corporación del Seguro de Depósitos, Fondo de Liquidez y Fondo de Seguros Privados* (COSEDE — deposit insurance, liquidity fund and private insurance fund corporation).

Furthermore, the Superintendency of Companies, Securities and Insurance (the supervisory body of Ecuador's insurance market) issued the following resolutions:

- Resolution SCVS-INS-2019-0004, which reformed regulations for registering reinsurers and reinsurance intermediaries not established in the country.

- Resolution SCVS-INS-2019-0006, which reformed regulations on the performance of activities by insurance product advisors, insurance appraisers, and reinsurance intermediaries.

3.2.5 Peru

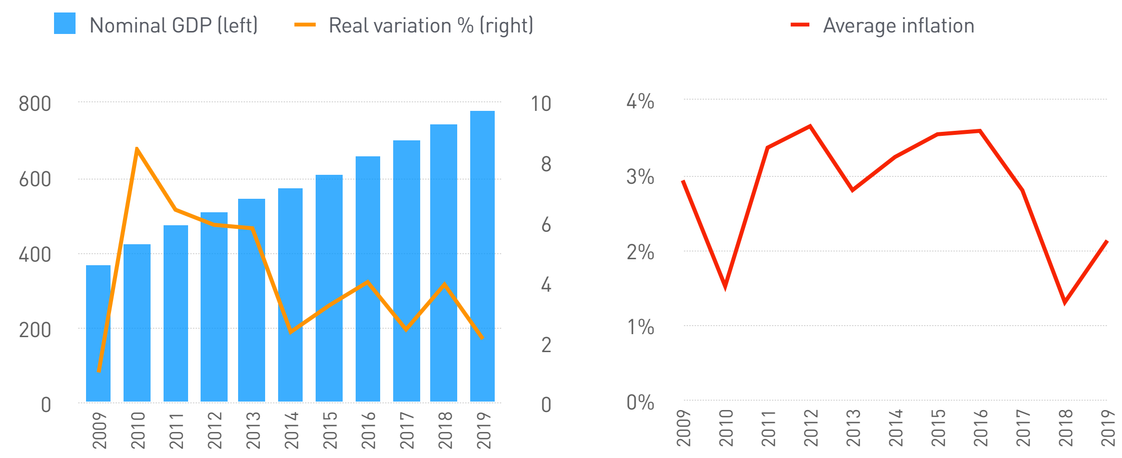
Macroeconomic environment

The Peruvian economy by grew 2.2% in real terms in 2019, compared to 4.0% in the previous year (see Chart 3.2.5-a). This slowdown in growth was driven by a slowdown in domestic demand, mainly in public and private consumption, and in exports, which have led to a contraction in the production of industries such as fishing, mining and commodity manufacturing. However, the positive performance of private investment, especially mining investment and construction, in addition to falling imports, helped to mitigate the economic slowdown experienced throughout the year. The fiscal deficit stood at 1.6% of GDP (2.3% in 2018) and public debt stood at 26.9% of GDP (compared to 25.8% in 2018). Moderation in public spending was the result of the decision to remain on the path of marked reduction, which is expected to achieve a deficit of 1.0% in 2021. For its part, the current account deficit fell by 0.2 pp, closing at 1.5% of GDP, largely financed by external flows of long-term debt and direct foreign investment.

Meanwhile, the average inflation rate increased, but remains moderate, reaching 2.1% in 2019 (1.3% in 2018), which allowed the central bank to implement an expansionary monetary policy to support the economy, with two rate cuts from 2.75% to 2.5% in August and to 2.25% in November.

The ECLAC estimates a severe contraction of -13.0% in the Peruvian economy in 2020, essentially as a result of the economic effects of the lockdown and social distancing measures

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 IMF data)

that have been implemented to tackle the COVID-19 pandemic, which has hit the country particularly hard. According to its most recent April forecasts, the IMF estimates that the Peruvian economy will contract by -4.5% in 2020.

Insurance market

Growth

The Peruvian insurance market closed the 2019 fiscal year with a strong nominal increase of 9.7% and a real increase of 7.4%, reaching 14.11 billion soles (4.23 billion US dollars), though this was slightly lower than the 13.6% achieved in the previous year (See Chart 3.2.5-b and Table 3.2.5-a). Both segments (Life and Non-Life) contributed positively to this market performance in 2019, but Life insurance was the main driver of growth for the second consecutive year.

All Life modalities experienced increases in their premium volumes to reach 6.35 million soles (1.9 billion US dollars), 11.7% higher than in 2018 (9.4% in real terms). The group Life line, with a nominal increase of 15.6%, grew more than the rest, followed by individual Life (12.0%) and Pensions (8.0%). Meanwhile, Non-Life insurance lines recorded a nominal growth in premiums of 8.1% (5.8% in real terms), reaching 7.77 billion soles (2.33 billion US dollars). Virtually all lines saw nominal increases, those with the highest volume being Health (13.5%) and Fire and allied lines (11.8%).

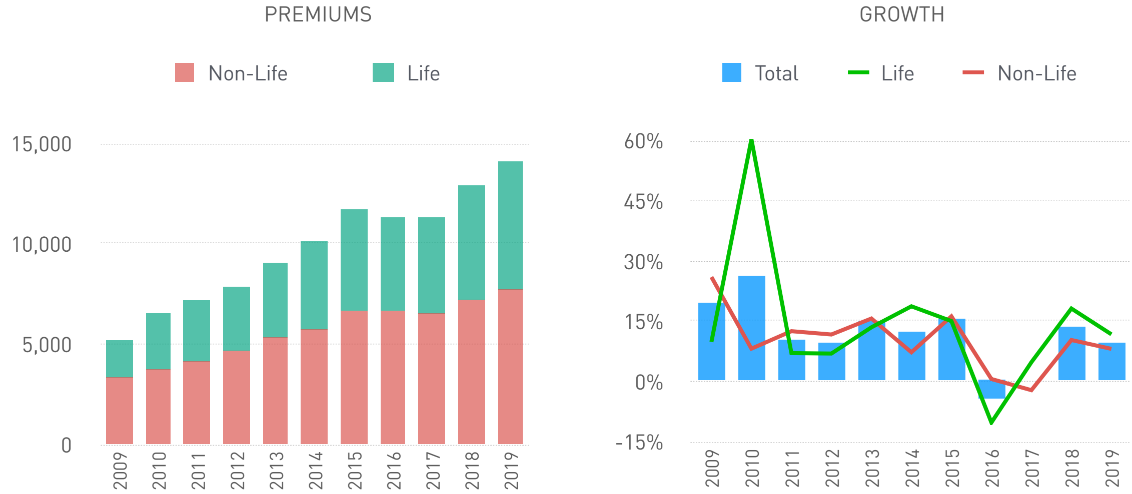
The nominal growth of 11.7% recorded by the Peruvian insurance market in 2019 was therefore a balanced product of all of its main comprising segments. Of this industry's total growth, 5.2 pp were contributed by the Life insurance segment,

Table 3.2.5-a
Peru: premium volume[1] by line, 2019

Line	Millions of soles	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**14,114**	**4,230**	**9.7**	**7.4**
Life	**6,347**	**1,903**	**11.7**	**9.4**
Individual Life	2,284	685	12.0	9.7
Group Life	1,939	581	15.6	13.2
Pensions	2,124	637	8.0	5.7
Non-Life	**7,766**	**2,328**	**8.1**	**5.8**
Automobiles	1,454	436	5.3	3.1
Fire and allied lines	1,619	485	11.8	9.4
Other lines	828	248	-2.1	-4.2
Health	1,227	368	13.5	11.1
Personal accident[2]	756	227	0.7	-1.4
Transport	202	60	0.8	-1.3
Third-party liability	307	92	33.8	31.0
Burials	148	44	3.6	1.4
Aviation	120	36	29.7	27.0
Multirisk	195	58	4.7	2.5
Sea - Hull	89	27	10.1	7.8
Credit and/or surety	379	114	25.9	23.3
Workplace accidents	443	133	-0.9	-3.0

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, %)



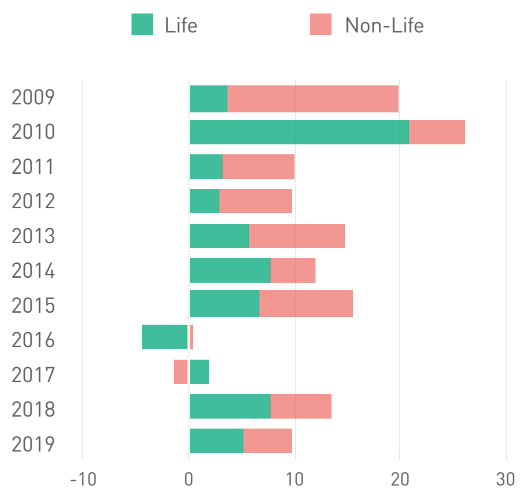
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

while the remaining 4.5 pp were contributed by the Non-Life segment (see Chart 3.2.5-c).

Balance sheet and shareholders' equity

Chart 3.2.5-d shows the performance of the Peruvian insurance industry's aggregate balance sheet at the sector level over the 2009–2019 period. This data shows that the industry's total assets amounted to 53.68 billion soles (16.2 billion US dollars) in 2019, while equity amounted to 8.71 billion soles (2.63 billion US dollars), up by 21% from the previous fiscal year. As such, aggregate capitalization levels in the Peruvian insurance industry (measured over total assets) have gradually declined from

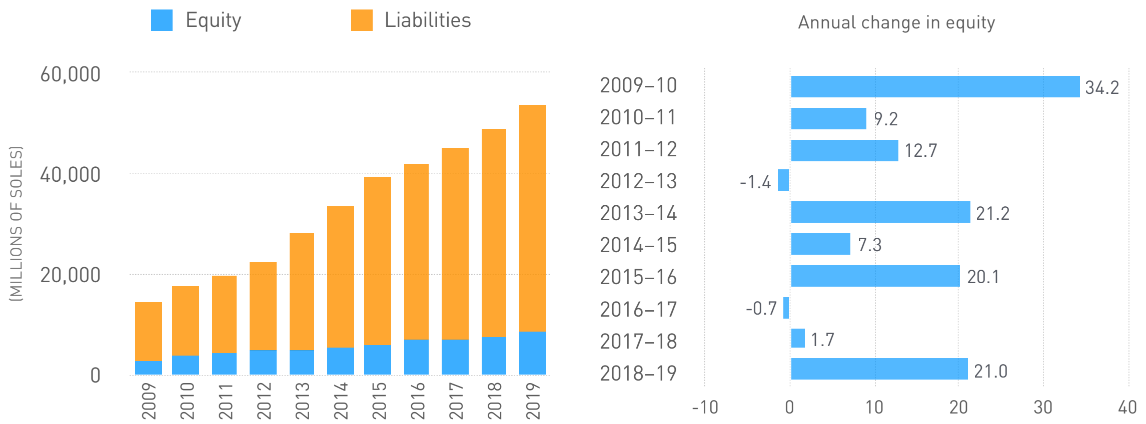
Chart 3.2.5-c
Peru: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	19.8	3.7	16.1
2010	26.2	20.9	5.3
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

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-d
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)

21.7% in 2010 to 14.7% in 2018. However, levels began to grow again in 2019, reaching 16.2%.

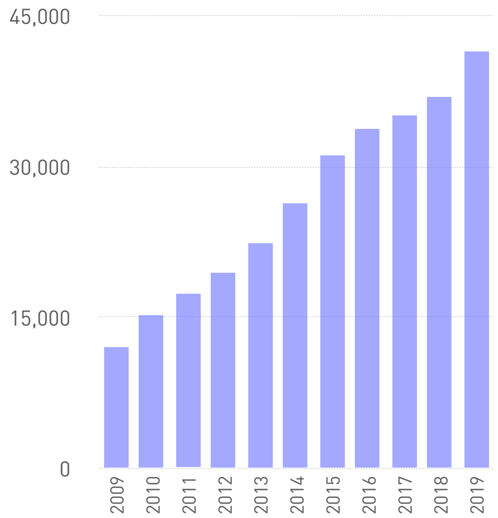
Investments

Charts 3.2.5-e, 3.2.5-f and 3.2.5-g show changes in investment over the 2009–2019 period, as well as the composition of the aggregate portfolio at the sector level for the Peruvian insurance industry during said period. Investment totaled 41.54 billion soles (12.54 billion US dollars) in 2019, most of which was concentrated in equities and fixed income financial securities. The composition of investment in 2019 was as follows: 86.7% concentrated in debt and equities, 6.1% in cash and the remaining 7.1% in real estate investments.

Technical provisions

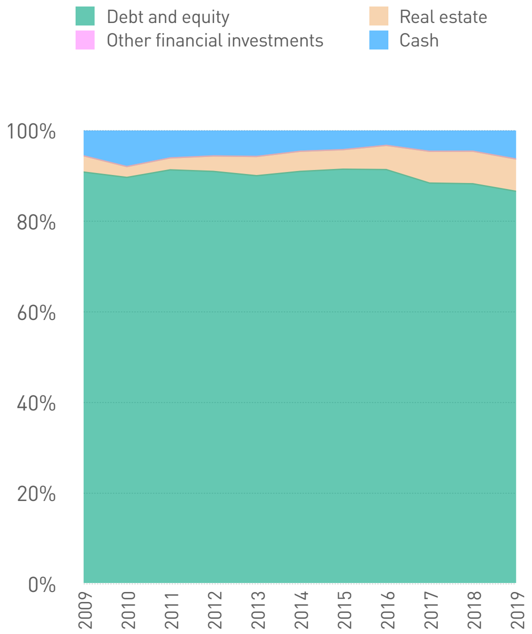
Charts 3.2.5-h, 3.2.5-i and 3.2.5-j show the performance and relative composition of technical provisions over the 2009–2019 period. This data shows that technical provisions amounted to 39.74 billion soles (11.99 billion US dollars) in 2019. Of this total, 75.6% related to Life insurance, 17.1% to provisions for outstanding benefits and the remaining 6.9% to provisions for unearned premiums and unexpired risks in Non-Life insurance. As

Chart 3.2.5-e
Peru: insurance market investments
(millions of soles)



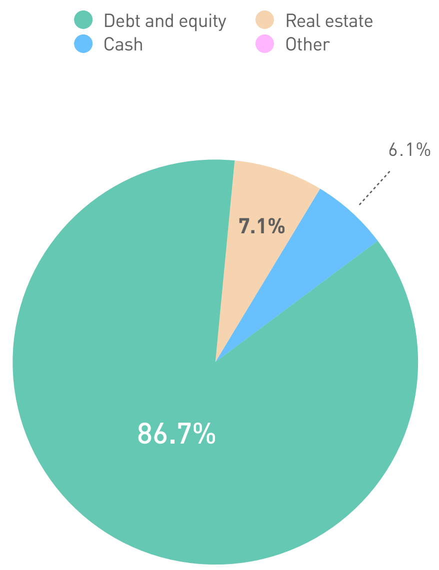
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-f
Peru: structure of investments
(%)



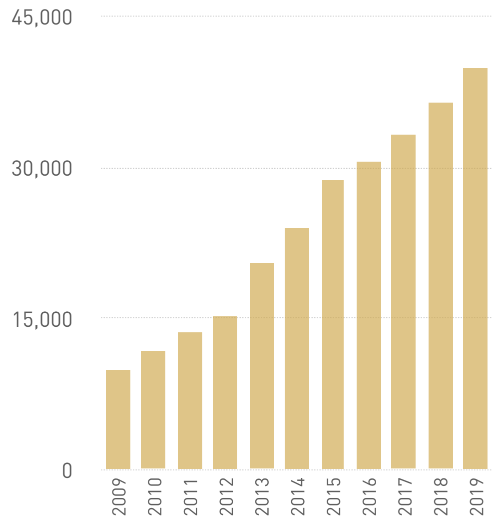
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-g
Peru: structure of investments, 2019
(%)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-h
Peru: technical provisions of the insurance market
(millions of soles)



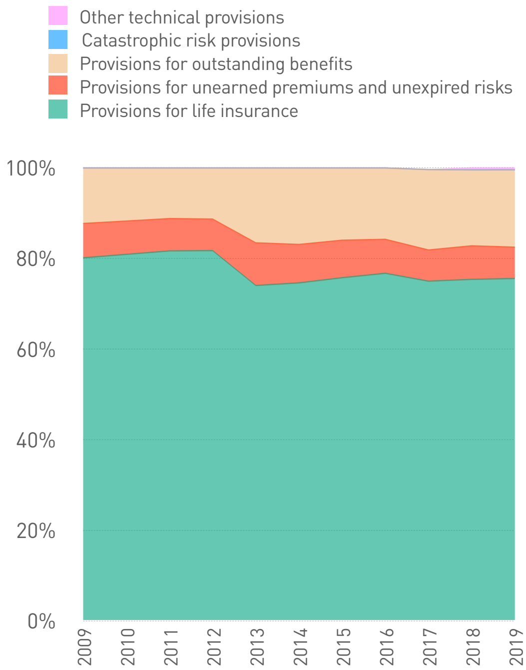
Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

indicated in previous versions of this report, the volume of technical provisions significantly increased in absolute values in recent years, in both the Life and Non-Life insurance segments. The composition of aggregate provisions remained relatively stable until 2013, when the proportion of Life insurance fell slightly, from values of around 80% to values closer to 76%. At the end of 2019, they accounted for 75.6% of total provisions.

Technical performance

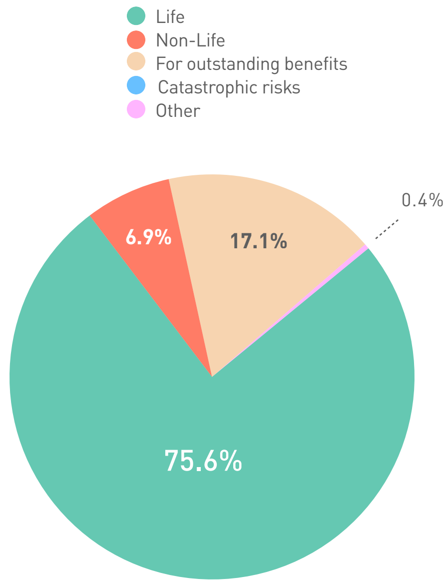
Chart 3.2.5-k shows developments in the technical performance of the Peruvian insurance market over the 2009–2019 period. In the latter year, the loss ratio fell by -2.6 pp to 56.3%, while the expense ratio increased by 10.1 pp over the same period to 57.3%, showing little change compared to 2018. The combined ratio therefore stood at 116.7% in 2019, a slight increase of 0.4 pp compared to the previous year.

Chart 3.2.5-i
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-j
Peru: structure of technical provisions, 2019
(%)

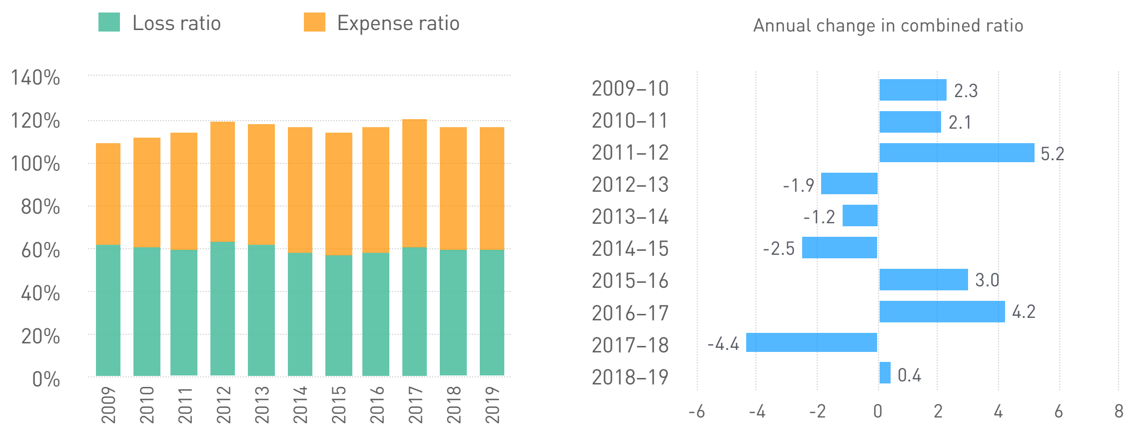


Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Results and profitability

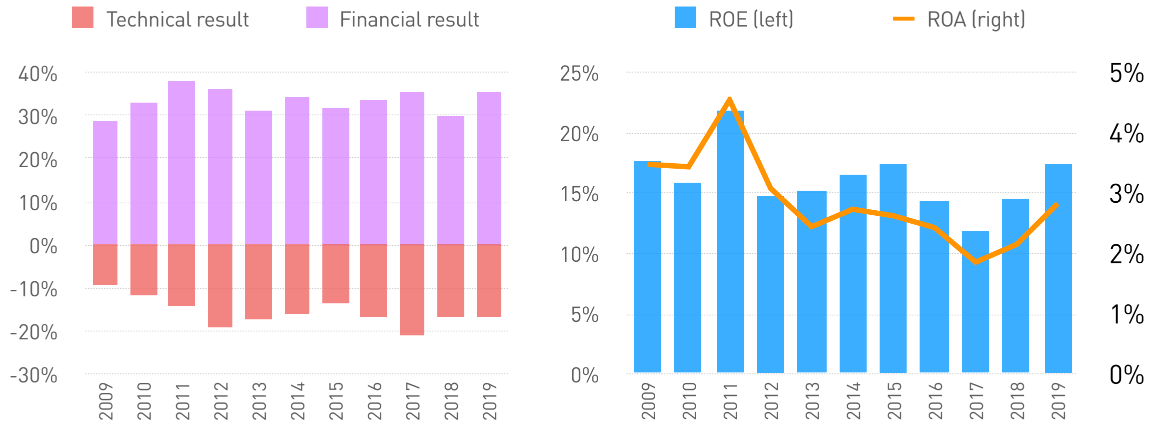
The net result for the 2019 fiscal year was 1.52 billion soles (455 million US dollars), an increase of 44.4% compared the previous year, mainly driven by a remarkable financial result, which increased by 27.5% compared to 2018. However, the technical result continued to make a negative contribution in line with the results of the last decade. Meanwhile, in terms

Chart 3.2.5-k
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)

Chart 3.2.5-l
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)

of profitability levels, return on equity (ROE) stood at 17.4% in 2019, up by 2.8 pp from the previous year. Return on assets (ROA) reached 2.8% in 2019, 0.7 pp higher than in 2018 (see Chart 3.2.5-l).

Insurance penetration, density and depth

Chart 3.2.5-m shows the main structural trends shaping the development of the Peruvian insurance industry over the 2009–2019 period. This data shows that the penetration index (premiums/GDP) in 2019 stood at 1.8%; i.e. 0.4 pp higher than in 2009 and 0.1 pp higher than in 2018, thus maintaining the indicator's recovering trend that began in 2017. From a medium-term perspective, the penetration index in the Peruvian market has grown steadily over the period under analysis, but it is still below the average absolute values of the region's other markets.

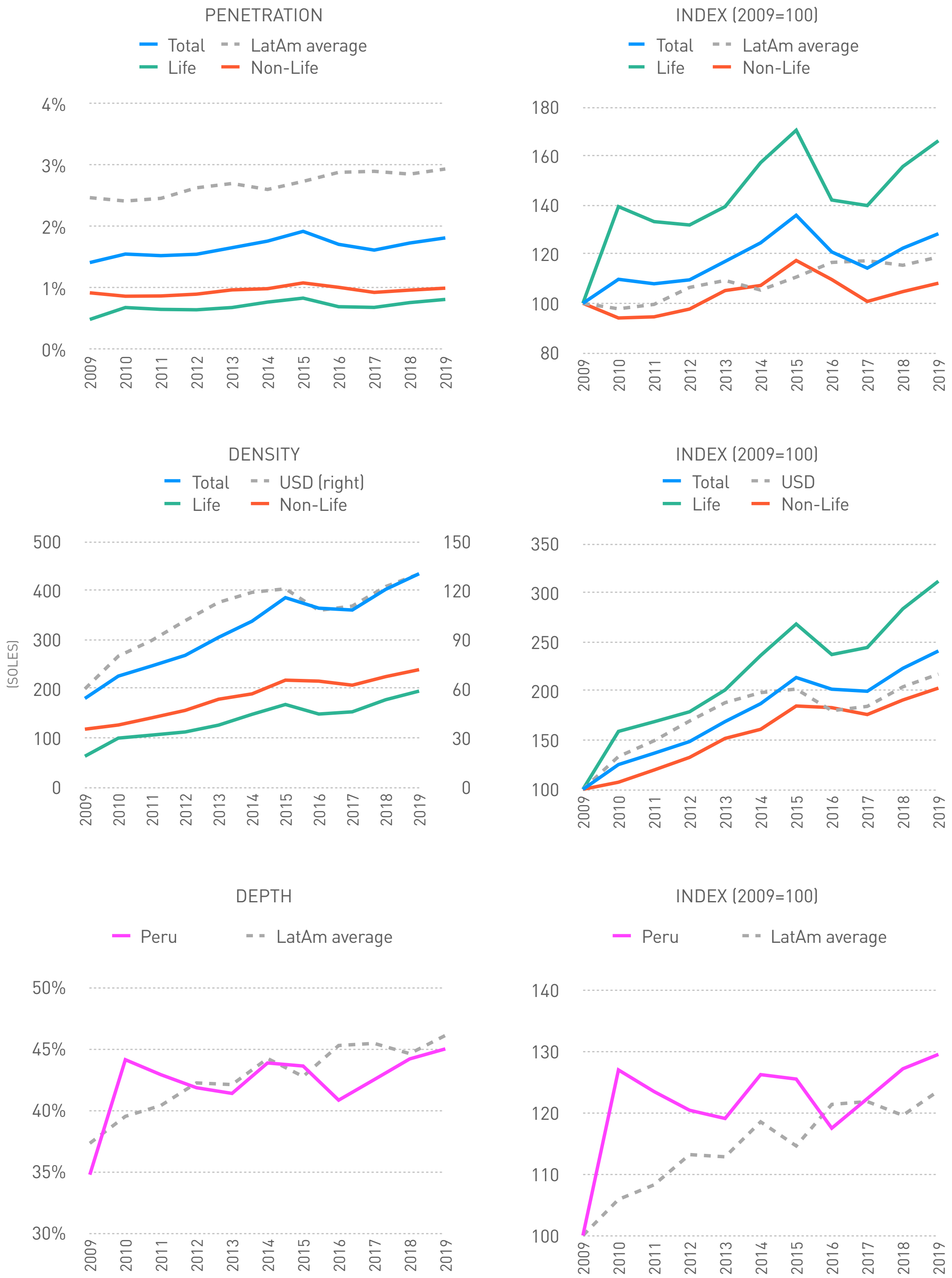
Meanwhile, insurance density in Peru (premiums per capita) stood at 434 soles (130 US dollars), 7.9% higher than in 2018. The density of the Peruvian market (measured in local currency) showed an increasing trend until 2015, from which point it began a slight decline that reversed in 2018 to grow over the last two years.

Lastly, insurance depth (Life insurance premiums in relation to total premiums) stood at 45.0%, up 10.2 pp from 2009 and 0.8 pp higher than the previous year. In general, depth growth in the Peruvian insurance market has fluctuated around the average values of the regional markets over the past decade.

Insurance Protection Gap estimate

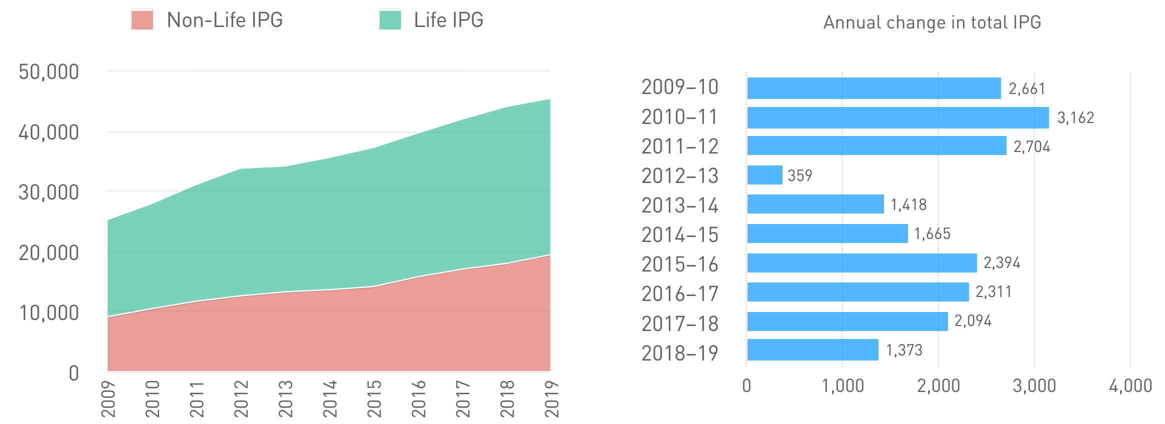
Chart 3.2.5-n shows an estimate of the insurance gap for the Peruvian insurance market between 2009 and 2019. The insurance gap in 2019 stood at 45.46 billion soles, 3.2 times the size of the Peruvian insurance market at the close of the year. The structure and performance of the IPG over the period analyzed are largely attributable to the Life insurance segment, though this has been reducing to a greater extent than Non-Life insurance. At the close of 2019, 57.1% of the insurance gap was attributable to Life insurance (25.96 billion soles), down by -6.6 pp

Chart 3.2.5-m
Peru: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, soles and USD; Life premiums/total premiums, %, 2009 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

Chart 3.2.5-n
Peru: Insurance Protection Gap
(millions of soles)



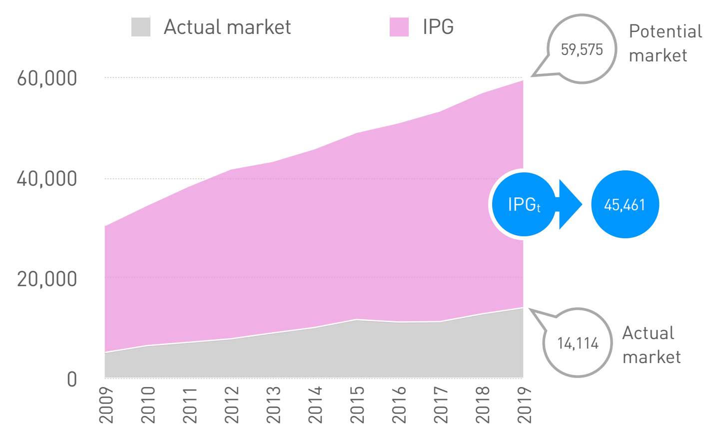
Source: MAPFRE Economics

from 2009. Meanwhile, the remaining 42.9% of the IPG in 2019 was attributable to the Non-Life insurance segment (19.51 billion soles). The potential insurance market in Peru at the close of 2019 (the sum of the actual market plus the IPG) was therefore estimated at 59.58 billion soles, 4.2 times the size of the total Peruvian insurance market that year (see Chart 3.2.5-o).

Chart 3.2.5-p shows an estimate of the insurance gap of the Peruvian market as a multiple of the actual insurance market. The IPG as a multiple of the market showed a sustained downward trend between 2009 and 2019, changing direction in 2016 and 2017 before correcting itself again in 2018. In terms of the Life insurance segment, the IPG as a multiple of the market fell from 8.9 to 4.1 times over the past decade, while in the Non-Life insurance segment, this fell from 2.7 to 2.5 times.

Furthermore, Chart 3.2.5-q shows changes in the IPG as a multiple of the actual market for

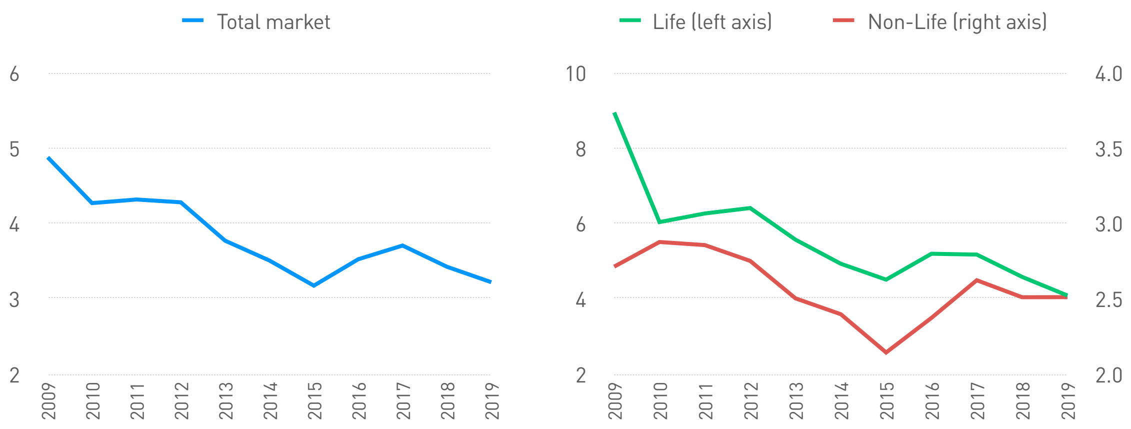
Chart 3.2.5-o
Peru: Insurance Protection Gap and potential market
(millions of soles)



Variation	Actual market	IPG
2019–2009	171.9%	79.5%
2019–2018	9.7%	3.1%

Source: MAPFRE Economics

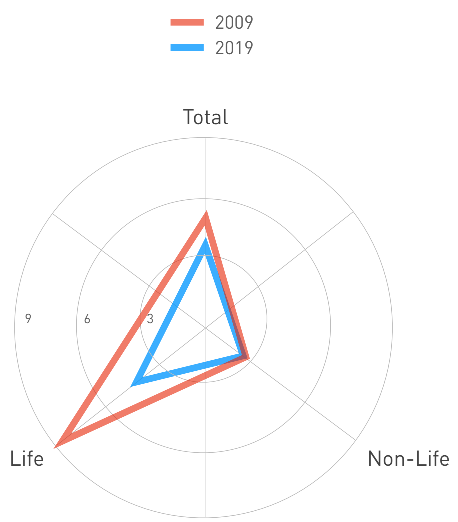
Chart 3.2.5-p
Peru: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

the Life and Non-Life segments and for the total Peruvian insurance market, comparing the situation in 2009 with that of 2019. The situation improved over this period in both the Non-Life line and, to a greater extent, in the Life line.

Chart 3.2.5-q
Peru: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

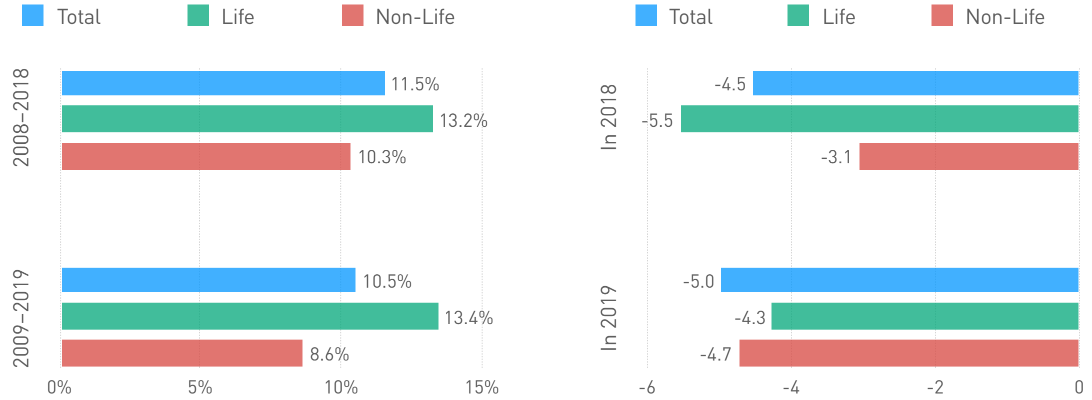
Lastly, Chart 3.2.5-r shows a summary of the Peruvian insurance market's capacity to close the insurance gap determined in 2019, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the gap determined in 2019 over the coming decade.

The Peruvian insurance market recorded an average annual growth rate of 10.5% between 2009 and 2019, which consisted of an annual growth rate of 13.4% in the Life insurance segment and of 8.6% 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 -4.3 pp short of closing the insurance gap estimated for 2019 in the Life segment and -4.7 pp short in the Non-Life segment. It should be noted that the measurement for the Life segment improved compared to the previous year, whereas the Non-Life business segment's insufficiency increased compared to the 2018 estimate.

Market Development Index (MDI)

Chart 3.2.5-s shows an estimate of the Market Development Index (MDI) for the Peruvian

Chart 3.2.5-r
Peru: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



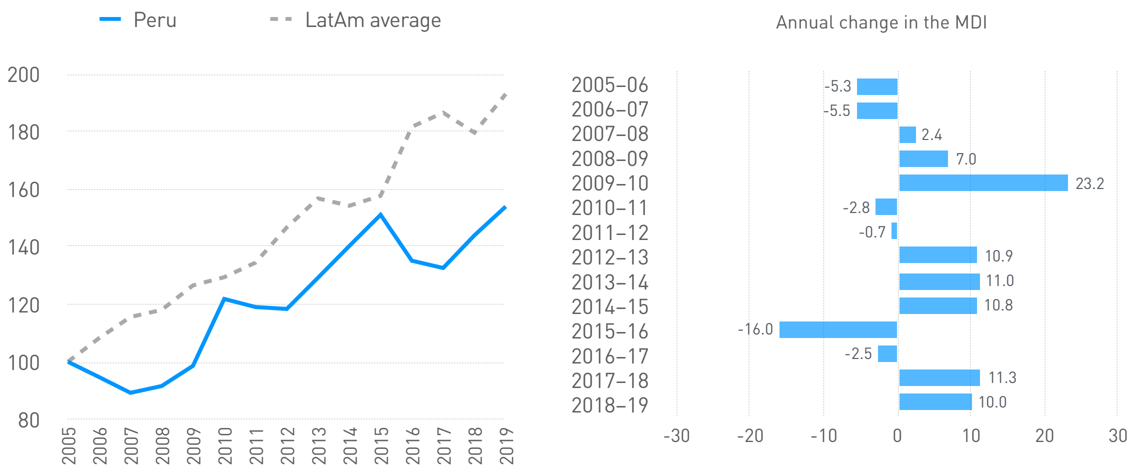
Source: MAPFRE Economics

insurance industry. This indicator, which is used to analyze trends in the performance and maturity of insurance markets, showed positive performance over the 2009–2019 period for the Peruvian insurance market, following contractions in 2011, 2012, 2016 and 2017. However, the indicator began to increase once again in the last two years, recovering the average trend observed in Latin American insurance markets.

Comparative analysis of structural coefficients

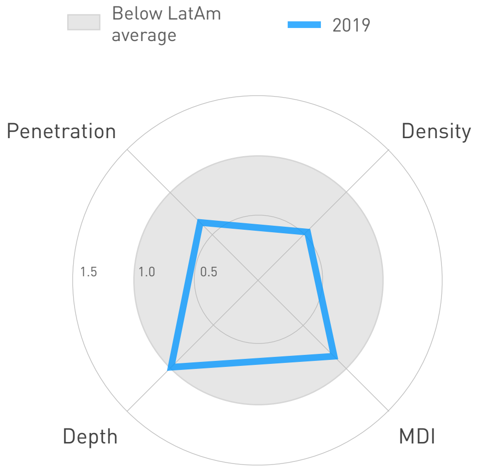
Chart 3.2.5-t shows the Peruvian insurance market's situation in comparison with the average for Latin America, measured in terms of the structural indicators analyzed in this report. This data shows that all aspects of the Peruvian insurance market remain below the regional average, with the notable exception of depth, which is in line with the regional

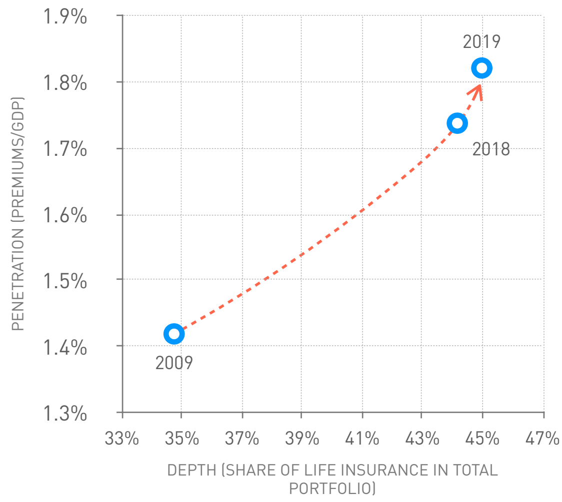
Chart 3.2.5-s
Peru: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.5-t
Peru: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)





Source: MAPFRE Economics
* Indices 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.

average. Said chart also shows the dispersion analysis intended to identify the development trend of the Peruvian insurance market over the past decade, based on the evolution of penetration indices (as an indicator of the quantitative growth of this activity) and of insurance depth (as a proxy of the level of maturity in market development). The dispersion analysis confirms that the Peruvian insurance industry generally shows balanced and consistently positive development over the 2009–2019 period.

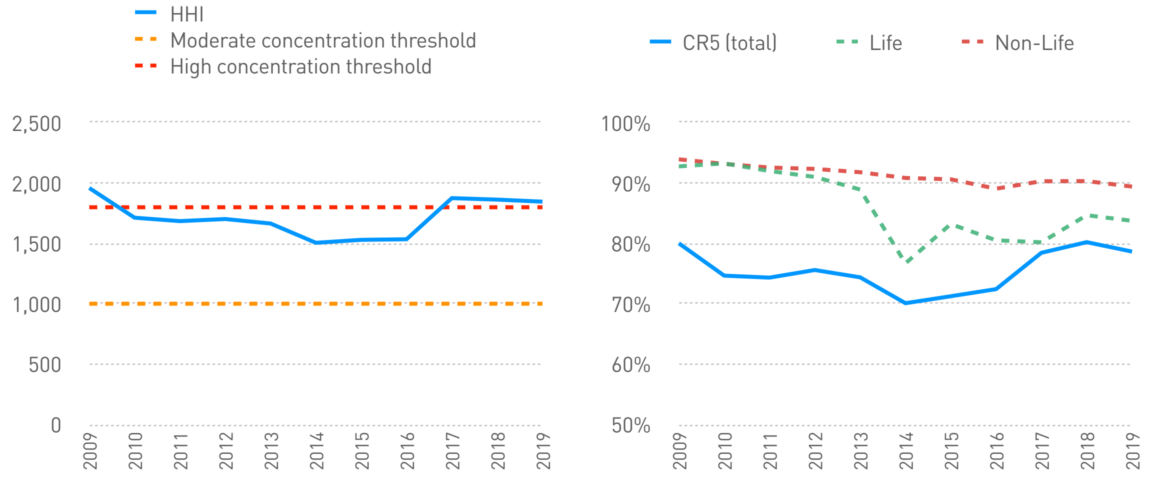
Insurance market rankings

Total ranking

There were 20 companies operating in the insurance industry at the close of 2019, of which five were dedicated exclusively to Life lines, eight to General P&C lines and seven to both lines. Market concentration is generally high and, although it showed a decreasing trend up until 2016, this trend reversed in 2017. The Herfindahl index, which in 2010 crossed over the theoretical threshold that predicts high concentration to stand within the band associated with moderate concentration, began to once again record high concentration levels from 2017. This situation is confirmed by analyzing the CR5 index (78.7%), which replicates this performance in both segments of the market, with Non-Life standing at 89.4% and Life standing at 83.8% (see Chart 3.2.5-u).

In terms of the total group ranking in 2019, Rimac and Pacífico Seguros once again hold the first two spots, with market shares of 30.7% and 25.9% respectively. MAPFRE follows in third with a market share of 13.2%. The first change in raking occurred in seventh place, with Cardif (2.4%) jumping up one place and Chubb (1.7%) falling down to eighth place. Ohio National Vida (1.4%) also jumped one spot, ranking ninth, followed by Crecer Seguros (0.7%), which joins the ranking after placing twelfth in 2018 (see Chart 3.2.5-v).

Chart 3.2.5-u
Peru: insurance industry concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

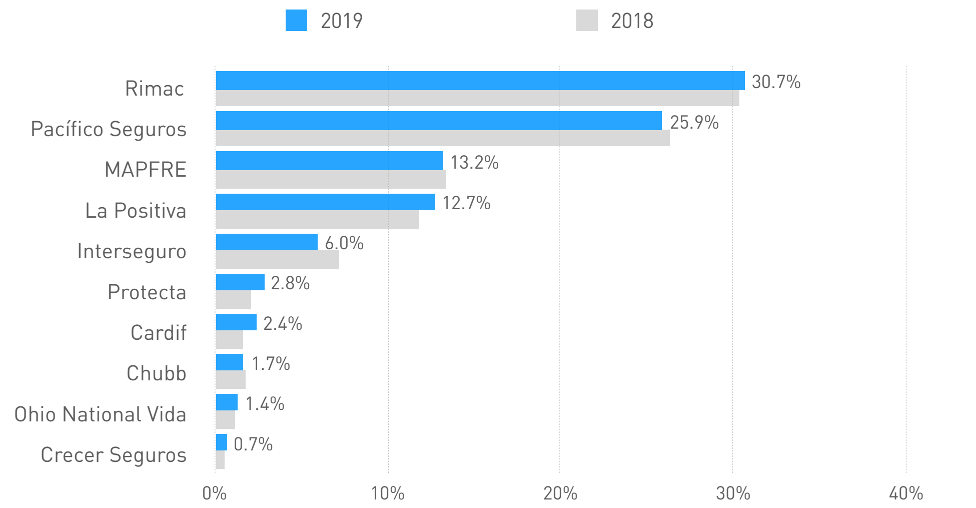
Life and Non-Life rankings

In the Non-Life group ranking for 2019, Rimac, Pacífico, MAPFRE and La Positiva hold the first four places, with market shares of 34.8%, 22.5%, 18.3% and 15.4% respectively. In terms of the Life ranking for 2019, shown in Chart 3.2.5-w, Pacífico Seguros remained in first place with a market share of 30.1%, followed by Rimac (25.6%), Interseguro (11.6%), La Positiva (9.4%) and MAPFRE (7.0%).

Key regulatory aspects

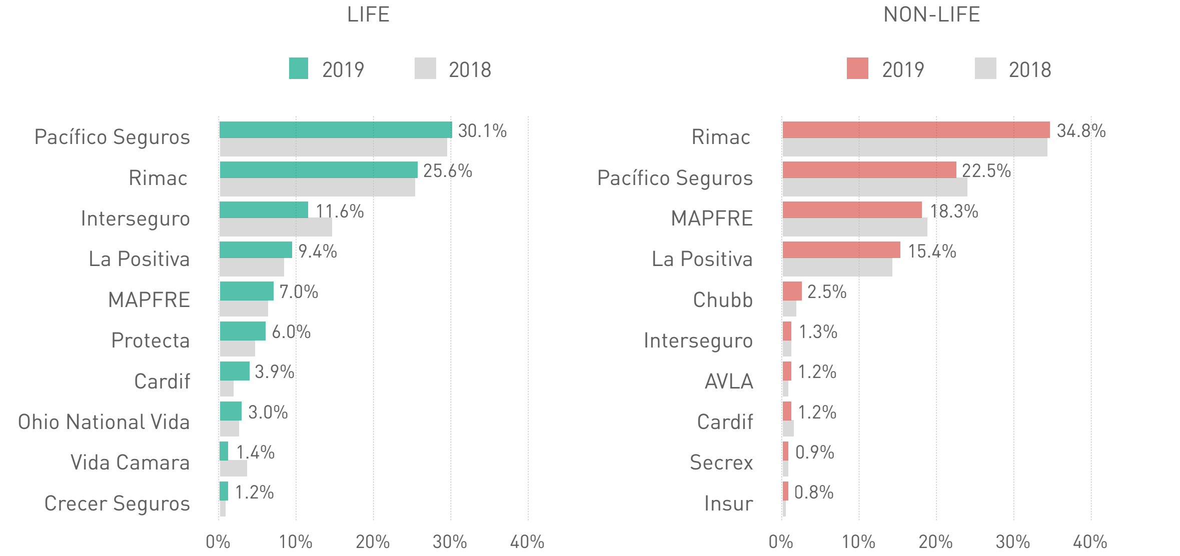
Lastly, Table 3.2.5-b shows the main legislative and regulatory adjustments in relation to the

Chart 3.2.5-v
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-w
Peru: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)

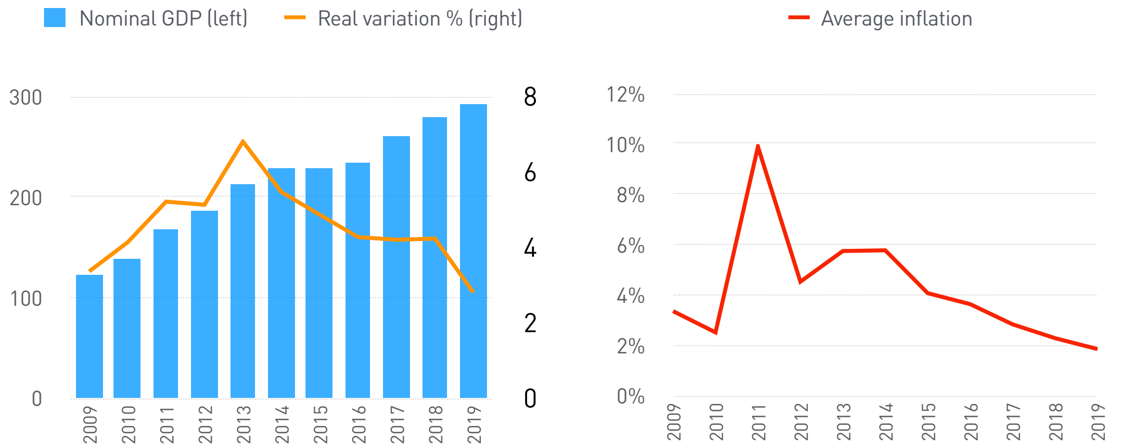
operation of the Peruvian insurance industry throughout 2019 and to-date in 2020.

3.2.6 Bolivia

Macroeconomic environment

The Bolivian economy grew by 2.8% in real terms in 2019, a significant slowdown from the previous year's growth of 4.2%, straying from the trend of significant economic growth in recent years (see Chart 3.2.6-a). The loss of dynamism suffered by the Bolivian economy was due to the slowdown in domestic demand (which was its main driver of growth), and especially due to negative investment contribution, as well as to the fall in exports resulting from less extraction of natural gas as a result of the depletion of certain wells, which has led to lower production and even failure to fulfill supply contracts with Brazil. It should be

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 IMF data)

Table 3.2.5-b
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
Circular No. S-670-2019 (Published on 02/05/2019) - SCTR Information Center	The Circular regulates the obligation of insurance companies to periodically report information for the development of the database of "*Seguro Complementario de Trabajo de Riesgo*" (SCTR — Additional Occupational Risk Coverage) policies, which is mandatory insurance that provides health and economic benefits (disability or survivor's allowances) to those who carry out risky activities. This will provide information on the pool of insured workers, as well as on claims (workplace accidents and occupational illnesses) that this insurance covers in accordance with the SCTR Technical Regulations, approved by Supreme Decree No. 003-98-SA. The main aspects of the draft regulation are: a) The creation of annexes for reporting information on contracting parties, those exposed, beneficiaries, claims, technical reserves, policy terms, and other relevant SCTR information. b) The establishment of provisions on the first submission of these annexes containing historical information. c) The establishment of provisions for the correction and communication of errors in information reported to the SCTR Information Center.
SBS Resolution No. 401-2019 (Published on 02/07/2019) - Approving the Regulations on Technical Risk Management for AFOCATs	This regulation establishes the minimum requirements for the *Asociaciones de Fondos Regionales contra Accidentes de Tránsito* (AFOCAT — Regional Traffic Accident Fund Associations) to properly manage the technical risk, defined as the possibility of losses or the adverse change of commitments made under the *Certificados contra Accidentes de Tránsito* (CAT — Traffic Accident Certificates) issued. It stipulates that the Board of Directors of these entities is responsible for setting the objectives and defining the strategy for managing technical risks. Additionally, AFOCATs should also have an effective technical risk function, which is responsible for evaluating and providing recommendations on technical risks arising from its activities, evaluating and monitoring the calculation of the solvency fund, reviewing the quality and consistency of the data used to calculate the solvency fund and the preparation of the technical note, as well as technical risk indicators. This management is proportional to the nature, size and complexity of the risks inherent to their activities.
SBS Resolution No. 578-2019 (Published on 02/18/2019) - Approving the supplementary rules applicable to agricultural insurance	Bearing in mind that the agricultural insurance market has shown significant developments in recent years, through various public and private sector initiatives, including the National Financial Inclusion Strategy, which promotes the development of catastrophic agricultural insurance and commercial agricultural insurance; and that agricultural insurance has certain special characteristics that respond to the nature of its coverage, additional provisions were adopted for this type of insurance. In this sense, as part of these measures, regulations establish that the beneficiary must report the incident within ten days of its occurrence, unless the policy provides for a longer period of time. It should be noted that the normal period is three days. It is also indicated that, when an insurance company makes the acceptance of the insurance application conditional on a prior inspection, this must be communicated to the applicant within fifteen days of the application's submission. Insurance companies may also conduct periodic inspections when deemed necessary, recording the results of such assessments. The insurance policy must also include contracting dates based on insurable crops or how they are determined and the covered risks likely to cause direct, incidental, and unpredictable loss or damage to said insurable crops.
SBS Resolution No. 808-2019 (Published on 03/07/2019) - Approving the Regulations on the Register of Insurance Intermediaries and Auxiliaries, Foreign Reinsurance Companies and Cross-Border Insurance Activities	As a result of the experience acquired and in order to specify the administrative procedure for the Register of Insurance Intermediaries and Auxiliaries, in the framework of administrative simplification, establishing the requirements on the basis of the General Law, as well as defining the grounds for the suspension and cancellation of the Register, and including those that carry out cross-border insurance activities, the Regulations on the Register of Insurance Intermediaries and Auxiliaries, Foreign Reinsurance Companies and Cross-Border Insurance Activities were approved, replacing the Regulations on the Register of Insurance Intermediaries and Auxiliaries (SBS Resolution No. 1797-2011 as amended). This administrative procedure on the Register of Insurance Intermediaries and Auxiliaries and Cross-Border Insurance Activities includes the following aspects: i) the evaluation of competences for natural persons (insurance brokers and auxiliaries), ii) general aspects of the registration procedure, impediments, iii) requirement to update the information of those who are part of the Register, iv) the definition of grounds for the suspension and cancellation of the Register and its procedure, v) renewal of the Register.

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
SBS Resolution No. 809-2019 (Published on 03/07/2019) - Approving the Regulations on the Supervision and Control of Insurance Brokers and Auxiliaries	In order to ensure the transparency of information and adequate advice for users in the insurance industry, and based on Insurance Core Principle No. 18 "Intermediaries" of the International Association of Insurance Supervisors (IAIS), this new regulation was adopted, which raises the level of professionalization of insurance brokers and auxiliaries, introduces improvements in market conduct management and promotes best practices in insurance intermediation. It also requires a Code of Ethics and Conduct, which incorporates specific information about the advice and information that they must provide to users at all stages of the contracting process. Technical and moral fitness requirements are also established for natural persons acting as insurance brokers and auxiliaries, as well as for the directors and managers of legal entities. It also envisages measures for better supervision of insurance brokers and auxiliaries, such as the segmentation of those supervised according to their revenue volume. It also requires the development of a corporate governance framework, as well as the inclusion and definition of client referencing by insurance brokers.
SBS Resolution No. 810-2019 (Published on 03/07/2020) - Approving the Regulations on the Supervision and Control of Reinsurance Brokers	In order to specify the scope of operation for reinsurance brokers, as intermediaries in the contracting of reinsurance policies, between the insurance companies and their reinsurers, the Regulation on the Supervision and Control of Reinsurance Brokers was approved. As such, reinsurance brokers should provide advice to insurers for the proper contracting of their reinsurance policies, keep them informed about changes and trends in reinsurance markets internationally, and advise them on the disclosure, monitoring and collection of claim amounts by reinsurers. Standing out among the main regulatory changes are the definition of allowed and prohibited activities for reinsurance brokers, as well as the requirement to have a professional third-party liability policy that guarantees the proper fulfillment of responsibilities assumed.
SBS Resolution No. 1311-2019 (Published on 04/01/2019) - Amending the Regulations on Investments of Insurance Companies and the Regulations on the Constitution of Reserves for Mathematical Annuity Insurance and the Asset Sufficiency Analysis; incorporating the procedure into the Single Text of Administrative Procedures of the SBS	In order to provide more options for investments that support policyholders' interests, the Regulations on Investments of Insurance Companies were amended, incorporating new types of funds and trusts, and simplifying requirements, in line with market practices and requirements required by international regulations. These are incorporated as investment alternatives into the Securitization Trusts for Investment in Real Estate Income (*Fideicomisos de Titulización para Inversión en Renta de Bienes Raíces*, or FIBRA), and the Real Estate Income Mutual Funds (*Fondo de Inversión en Renta de Bienes Raíces*, or FIRBI); provided that they comply with the guidelines framework of the Superintendency of the Securities Market (*Superintendencia de Mercado de Valores*, or SMV). Investment in bond funds, equity funds, or a combination of both (mixed funds) is also permitted, when at least 80% of these assets meets the requirements stipulated in the regulations. The same will be true for mutual funds traded on centralized trading markets (exchange-traded funds, or ETF), when their strategy is to replicate eligible bond or equity indices. Furthermore, under more-stringent internal due diligence, insurers may invest in funds or trusts whose underlying assets correspond to operating leasing, factoring, commercial credit operations, loans granted by companies in the financial system, private equity, as well as forest funds. The funds may invest in derivatives only for risk hedging, and in no case for speculative purposes.
SBS Resolution No. 1825-2019 (Published on 05/03/2019) - Modifying the Regulations on the Register of Insurance Policy Models and Technical Notes and changing its name to the "Regulations on the Register of Policy Models and Minimum Technical Note Requirements"	The purpose of this amendment to the Regulations on the Register of Insurance Policy Models and Technical Notes is to simplify the procedure of registering insurance policy models, eliminate the requirement for the technical notes register, taking into account that the supervisory approach in Peru is not based on the pricing of insurance products but rather on the preservation of the solvency of insurance companies through adequate technical reserve constitution systems and equity requirements. The Regulations were renamed to the "Regulations on the Register of Policy Models and Minimum Technical Note Requirements."

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
SBS Resolution No. 2880-2019 (Published on 06/27/2019) - Amending the Regulations on the Marketing of Insurance Products	The Regulations on the Marketing of Insurance Products (SBS Res. No. 1121-2017) were amended in order to allow vehicle insurance to be marketed remotely. Prior to this amendment, only mass-market insurance was permitted to be marketed remotely.
SBS Resolution No. 3695-2019 (Published on 08/19/2019) - Approving additional provisions for third-party liability insurance, applicable to insurance companies and insurance brokers	Clauses (fully negotiated between the parties) may be incorporated into third-party liability insurance to establish one of the following assumptions: • Coverage of third-party claims filed during the term of the policy, due to harmful events that occurred prior to the beginning of the policy; provided that the insurance company is unaware of the impossibility of the harmful event occurring upon the conclusion of the contract, and the contracting party is unaware that such event has occurred, in accordance with Article 3 of the Insurance Contract Act. • Coverage of third-party claims that are filed during the term of the policy or in the additional period agreed upon since its expiration, due to harmful events that occurred during said period.
SBS Resolution No. 4143-2019 (Published on 09/12/2019) - Approving the Regulations on Market Conduct Management for the Insurance System	To ensure that insurance companies and insurance brokers, where applicable, demonstrate appropriate market conduct that is reflected in the practices they adopt in their relations with users, in their offering of insurance products, and in the transparency of information and claims management, the Regulations on Market Conduct Management for the Insurance System were approved, which will replace the Regulations on Transparency of Information and Contracting with Insurance System Users (SBS Resolution No. 3199-2013) and the Electronic Policy Regulations (SBS Resolution No. 3201-2013), once the established adaptation deadlines have elapsed. The new Regulations set out general guidelines regarding the practices to be implemented by the insurance company with its users; the use of electronic means in the contracting of insurance products and in the sending of information; the simplification of the information to be disclosed through various channels and in contractual formats; and the requirement to provide more information to the user, both when handling the coverage claim and settling the claim, and in subsequent stages; among other provisions related to the principles associated with business practices, information transparency, and claim management.
SBS Resolution No. 4838-2019 (Published on 10/21/2019) - Reverse Mortgage Regulation	Based on the provisions of the "Law Regulating Reverse Mortgage" (Law No. 30741) and its Regulations (Supreme Decree No. 202-2018-EF), the Superintendency developed the respective Regulations with the aim of regulating the prudential and accounting treatment of reverse mortgages, both for financial system companies and for insurance system companies; as well as the market conduct aspects applicable to this product. For insurance companies, it is indicated that they may grant credit, underwrite life annuity products or other annuity products, or a combination of the aforementioned options. In the case of annuities, these are governed by the existing regulations on mathematical reserves and equity requirements, while credit will be considered within transactions subject to credit risk. The draft also provides that reverse mortgage loans can support up to 1% of technical obligations.
Emergency Decree No. 013-2019 (Published on 11/19/2019) - Emergency Decree establishing prior control of business concentration operations	The purpose of the Emergency Decree is to establish a system for the prior control of business concentration operations with the aim of promoting economic efficiency in markets for the well-being of consumers. While INDECOPI is the authority responsible for evaluating business concentration operations, for companies under the supervision of the Superintendency, the business concentration operation will proceed if authorized by both institutions within the scope of their competences. In the case of business concentration operations that involve financial system companies accepting deposits from the public or from insurance companies, that pose relevant and imminent risks, that compromise the strength or stability of the companies concerned or the systems they incorporate, only the Superintendency's prior control is required.

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
Emergency Decree No. 044-2019 (Published on 12/31/2019) - Emergency Decree establishing measures to strengthen the health and life protection of workers	The second additional amending provision of this Emergency Decree amends Article 1 of Legislative Decree No. 688, the Law on the Consolidation of Social Benefits, indicating that the worker is entitled to life insurance at the expense of their employer, from the beginning of their working life. Prior to this amendment, the worker was entitled to life insurance after four years of service.
Supreme Decree No. 009-2020-TR (Published on 02/10/2020) - Supreme Decree approving the regulatory provisions of Emergency Decree No. 044-2019 concerning life insurance	The regulation provides for a progressive implementation of the provisions of Emergency Decree No. 044-2019 with regard to workers with less than four years of service with their employer, in accordance with the following: • From the entry into force of this Supreme Decree, life insurance grants, as a minimum, benefits for the death of the worker as a result of an accident and for the total and permanent disability of the worker as a result of an accident. • As on January 1, 2021, life insurance will provide benefits for the natural death of the worker, for the death of the worker as a result of an accident, and for the total and permanent disability of the worker as a result of an accident. With regard to workers who have completed four years of services with their employer before January 1, 2021, benefits are granted for the natural death of the worker, for the death of the worker as a result of an accident, and for the total and permanent disability of the worker as a result of an accident, once said time of service has been completed. The regulation also prohibits intermediation costs in the contracting of this mandatory insurance policy.
SBS Resolution No. 877-2020 (Published on 02/28/2020) - Approving the Regulations on Business Continuity Management	Regulations on business continuity management are updated through the approval of a supplementary regulation to the Regulations on Operational Risk Management, taking into account the results of the supervisory work and the sectoral business continuity exercises carried out in 2014 and 2017, as well as international standards and best practices in this regard, including the ISO 22301:2012 standard on business continuity management systems, and the Business Continuity Institute's Best Practice Guidelines.
SBS Resolution No. 1259-2020 (Published on 03/20/2020) - Suspension of administrative deadlines related to the functions and responsibilities of this Superintendency, within the framework of the National State of Emergency (Supreme Decree No. 044-2020-PCM)	The calculation of administrative deadlines related to the functions and responsibilities of the Superintendency shall be suspended for 15 calendar days. The legally established deadlines for the virtual submission of required information to the Superintendency, as well as the deadlines for the determination of administrative offenses and the limitation periods for the fines imposed, are also suspended.
SBS Resolution No. 1268-2020 (Published on 03/29/2020) - Extending the suspension of the calculation of deadlines established by SBS Resolution No. 1259-2020	The suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 is extended until April 12, 2020.
SBS Resolution No. 1280-2020 (Published on 04/14/2020) - Extending the suspension of the calculation of deadlines referred to in SBS Resolution No. 1259-2020	The suspension of the calculation of deadlines referred to in SBS Resolution No. 1259-2020 is extended until April 26, 2020.
SBS Resolution No. 1311-2020 (Published on 04/27/2020) - Extending the suspension of the calculation of deadlines provided for by SBS Res. No. 1259-2020	The suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 is extended until May 10, 2020.
SBS Resolution No. 1356-2020 (Published on 05/12/2020) - Extending the suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 until May 24, 2020	The suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 is extended until May 24, 2020.

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
SBS Resolution No. 1407-2020 (Published on 05/26/2020) - Extending the suspension of the calculation of deadlines established by SBS Resolution No. 1259- 2020	The suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 is extended until June 10, 2020.
SBS Resolution No. 1537-2020 (Published on 06/08/2020) - Extending the suspension of the calculation of deadlines established by SBS Resolution No. 1259- 2020	The suspension of the calculation of deadlines provided for by SBS Resolution No. 1259-2020 is extended until June 30, 2020.
SBS Resolution No. 1545-2020 (Published on 06/10/2020) - Establishing the suspension of calculation of deadlines set out in Official Letter No. 11159-2020-SBS	It is established that the suspension of the calculation of deadlines set out in Official Letter No. 11159-2020-SBS, referring to claims-handling processes at the national level, regulated in SBS Resolution No. 3202-2013, is in force until June 30, 2020. The period for the calculation of provisions is extended to one hundred and eighty (180) calendar days, calculated from March 16, 2020, for the establishment of the provisions for impairment referred to in Article 17 of the Regulations on the Payment of Insurance Policy Premiums, approved by SBS Resolution No. 3198-2013.
Official Letter No. 11158-2020-SBS (Issued on 03/16/2020) - Clarifications on business continuity and the submission of information	Communication addressed to insurance intermediaries and auxiliaries, as well as to foreign reinsurance company representatives. They are required to adopt the following measures: • To implement greater hygiene and disinfection measures in the workplace. • To be prepared for large-scale remote work. • To ensure the technical and technological capabilities to address a possible increase in cyberattacks and increased demand for remote, digital and call-center channels. The following exceptional measures were also stipulated: • The suspension of the submission of financial information, annexes, reports or any other information requested by the Superintendency. • The suspension of sending follow-ups to the recommendations made by this Superintendency as part of its supervisory functions. • The non-application of the suspension of registration in the SBS Register for having outstanding contributions owed to the Superintendency overdue by more than seven days
Official Letter No. 11159-2020-SBS (Issued on 03/16/2020) - Clarifications on business continuity and the submission of information	Communication addressed to insurance companies requiring them to adopt the following measures: To implement greater hygiene and disinfection measures in the workplace. To be prepared for large-scale remote work. To ensure that the defined strategies consider the potential unavailability of subcontracted service providers identified as significant. To ensure the technical and technological capabilities to address a possible increase in cyberattacks and increased demand for remote, digital and call-center channels. To inform the Superintendency immediately of difficulties in proceeding with operations in a reasonable manner. The following exceptional measures were also stipulated: To suspend the application of the deadlines for handling claims at the national level. To also give priority attention to the processes related to the management and payment of claims, with special emphasis on health care insurance and other insurance policies that provide health or death coverage. An extension of 180 calendar days is granted for the creation of provisions for premiums to be collected from policyholders. In addition, the power to offset outstanding premiums to be paid by the contracting party and/or insured against the compensation due to the policyholder or beneficiary of the insurance in the event of a claim.

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
	The suspension of the submission of financial information, annexes, reports or any other information requested by the Superintendency. The suspension of sending follow-ups to the recommendations made by this Superintendency as part of its supervisory functions. The suspension of the deadline for sending comments on draft regulations for consultation.
Official Letter No. 11163-2020-SBS (Issued on 03/17/2020) - Clarifications on the 2020 Annual Mandatory Shareholders' Meeting	In accordance with the regulations in force, the 2020 Annual Mandatory Shareholders' Meeting was to be held by 03/31/2020 at the latest. Considering the national state of emergency, the Superintendency specifies that in the event that the meeting cannot be held in a timely manner, the companies may hold the Annual Mandatory Shareholders' Meeting after 03/31/2020. Likewise, for the duration of the state of emergency, companies may hold the Annual Mandatory Shareholders' Meeting by alternative remote means, provided that the right of information and participation of all shareholders is guaranteed within the framework of the regulations in force.
Official Letter No. 11167-2020-SBS (Issued on 03/19/2020) - Emergency measures regarding the handling of requests and claims	Communicates supplementary measures in relation to the deadlines established for handling users' requests and claims, taking into account the suspension of deadlines established in SBS Resolution No. 1259-2020, issued due to the national state of emergency. It is specified that as long as the National State of Emergency is maintained, the deadlines for providing a response to users' requests and claims are suspended. Once the State of Emergency comes to an end, the calculation of the respective deadlines for their handling will resume. Under the same terms, there will also be a suspension of the deadline for responses to microinsurance claims. Notwithstanding the foregoing, in order to provide a timely response to the users mentioned above, companies are urged to carry out an individual evaluation of each case and ensure that they provide a response as soon as possible, depending on their operational capacity and the availability of resources, prioritizing those claims that entail an economic impact on users.
Official Letter No. 11217-2020-SBS (Issued on 03/25/2020) - Clarifications regarding the payment of insurance premiums due to the state of national emergency declared (COVID-19)	It is specified that the extension of the period to 180 days for the constitution of provisions for impairment due to a delay in the payment of premiums is applicable in all cases. In the case of outstanding premiums for which provisions were to be constituted during the state of emergency, the period indicated above should be considered, counted from the date of non-payment. Provisions previously constituted by 50% of unpaid premiums should not be returned. With regard to the payment of premiums and the difficulties that insurance contractors may be experiencing, it is relevant to note that their representative is authorized to amend the originally agreed-upon payment schedules, in accordance with the regulations in force. Furthermore, any suspension of coverage shall be subject to the time limit and formalities provided for to that end, without proceeding in cases where the contractor has paid, proportionally, a premium equal to or greater than the period covered by the contract. Lastly, considering the current state of emergency, the Superintendency is of the opinion that its representative must evaluate the relevance of rescheduling payment agreements with as many contracting parties as possible.
Official Letter No. 11233-2020-SBS (Issued on 03/20/2020) - Emergency measures relating to investment management in the insurance system	The Superintendency informs the companies of the following exceptional measures on investment management: 1. Temporary increase in the individual investment limit per counterparty in the case of financial institutions. a) The limit for the sum of eligible investments issued or backed by the same financial institution is increased from 7% to 9.5% of technical obligations. If the financial strength of a local financial institution is classified as "A," the limit increases from 10% to 12.5% of technical obligations. In the event that the financial institution loses the above risk classification, the insurance company must submit an adjustment plan. b) The limit for the sum of eligible investments in current account deposits in the same financial institution is increased from 5% to 10% of technical obligations.

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

<table>
<tr><th>Regulation</th><th>Main aspects</th></tr>
<tr><td></td><td>2. Temporary suspension of the accounting record for the value impairment of financial instruments, taking into account the current and unusual volatility of local and international financial markets. However, the company must conduct the impairment assessment and the results must be made available to this Superintendency.

3. Temporary exemption from restrictions for accounting reclassifications and sales of instruments classified as held-to-maturity. Considering that the change in the accounting classification and the subsequent sale or transfer of certain instruments classified as held-to-maturity could help insurance companies to meet liquidity needs under better conditions in the current scenario, compared with other investments with lower liquidity in the markets, it is specified that such operations can be carried out without the penalty provided for in current regulations, assuming that the current scenario corresponds to an isolated, uncontrollable and unexpected event. If the company generates profit at the end of the fiscal year, any earnings resulting from the application of this provision, due to the change in the accounting classification or the sale or transfer of instruments currently classified as held-to-maturity, shall be capitalized.

4. Temporary suspension of the accounting update of the valuation of real estate investments valued under the discounted cash flows (DCF) methodology, taking into account the current and unusual volatility of local and international financial markets. For the purpose of fair value monitoring, insurance companies must apply methodologies to update the fair value of these real estate investments and their results must be made available to this Superintendency.</td></tr>
<tr><td>Official Letter No. 13128-2020-SBS (Issued on 05/15/2020) - Measures on information transparency for life insurance with investment elements</td><td>Measures are established for companies operating in life insurance with an investment element and whose financial risk is fully assumed by the policyholder or beneficiary. Within the framework of the proper management of market conduct and based on the principle of information transparency, companies are subject to the following:

• Prior to taking out insurance, clear, sufficient, specific and timely information relating to said insurance should be provided to the contracting party, with emphasis on the investment element, including information on the expected return, the categories and projections of associated portfolios or mutual funds, considering scenarios relevant to the contracting party's decision-making and including a pessimistic scenario. Additional charges not related to insurance coverage, the redemption value, and applicable limitations or penalties should also be reported.

• In the case of policies already sold and in force, and to the extent that the conditions of these policies allow requests for redemptions, partial withdrawals or full withdrawals from the associated mutual fund or portfolio, the requesting party (contracting party or policyholder) must be provided with clear, sufficient, specific and timely information on the historical evolution of the value of said portfolio or mutual fund and its projections for the future, considering scenarios similar to those described above. Emphasis should also be placed on the implications of the financial results that the requesting party would assume in the event of exercising the aforementioned option of redemption or withdrawal.</td></tr>
<tr><td>Official Letter No. 13537-2020-SBS (Issued on 05/26/2020) - Exceptional measures and specifications on real estate investments due to the COVID-19 crisis</td><td>The following exceptional and temporary measures are established in relation to real estate investments:

1. Temporary amendment of the "months of arrears" criterion to determine adjustment factors for flows generated by lease or usufruct contracts, used in the Asset Sufficiency Analysis (ASA). Considering that, due to the current scenario, insurance companies could experience delays in the collection of income from of lease or usufruct contracts, which correspond to cash flows included in the ASA, the following temporary, exceptional provisions are made:

a) Instead of the table in Annex No. 1 of the ASA Regulations, the following table of "adjustment factors for flows generated by lease or usufruct contracts, according to the months of arrears of the first outstanding payment," should be used until 12/31/2020:

<table><tr><th>Months of arrears</th><th>% permitted</th></tr><tr><td>0–6 months</td><td>95.0%</td></tr><tr><td>> 6 months</td><td>0.0%</td></tr></table></td></tr>
</table>

Table 3.2.5-b (continued)
Peru: recent regulatory developments in insurance matters

Regulation	Main aspects
	b) The process provided for in the preceding paragraph does not apply to all cases where the first outstanding payment occurred prior to the start of the National State of Emergency. c) The company's Risk Unit is responsible for supervising and monitoring the correct application of the exceptional measure, as well as for analyzing the overall impact of this measure on the ASA. 2. Maximum term for the registration of real estate assets with a registration block in favor of the company. Considering the effects of the National State of Emergency on registration processes in the Real Estate Registry and in the Property Registry, the calculation of the maximum period of sixty (60) working days stipulated in the second paragraph of Article 25(g) of the Investment Regulations is temporarily suspended. This suspension shall be effective for the entire duration of this National State of Emergency, as well as for the thirty (30) calendar days following the date on which this State of Emergency is lifted.

Source: Superintendency of Banking, Insurance and Pension Fund Administrators

noted that there was also a halt in activity in several areas of the country in the last quarter of 2019, due to the climate of violence following the election, which had repercussions on the implementation of public and private investment. Furthermore, reduced production in natural gas meant a significant loss of tax revenue from gas sales. The fiscal deficit, based on preliminary data from the ECLAC, increased to around 7.9% of GDP.

Meanwhile, the average inflation rate stood at 1.8% in 2019, compared to 2.3% 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.

The ECLAC estimates a contraction of -5.2% in the Bolivian economy in 2020, mainly as a result of the economic effects of the COVID-19 pandemic. According to the IMF's most recent forecast for 2020, this contraction is estimated to be -2.9%.

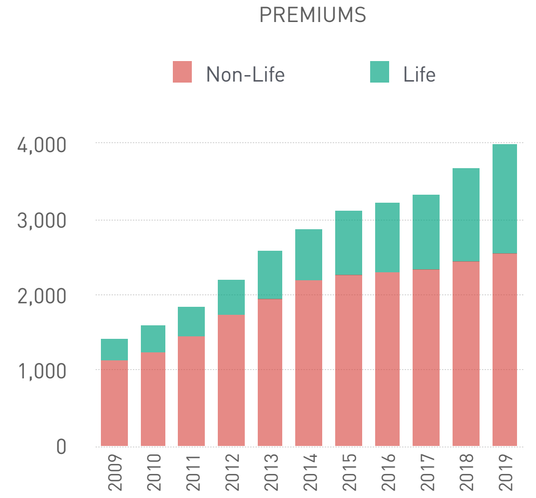
Insurance market

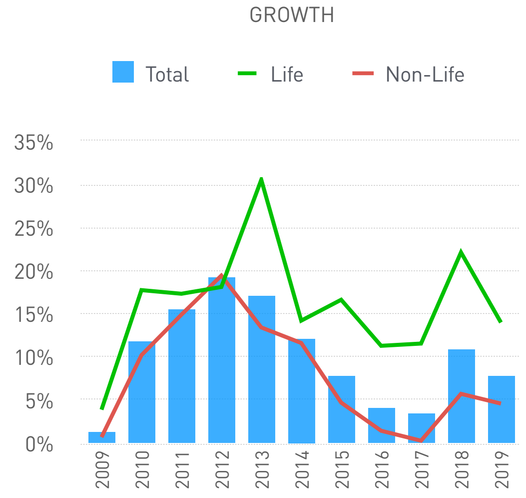
Growth

Premiums in the Bolivian insurance market in 2019 amounted to 3.99 billion bolivianos (577 million US dollars), representing nominal growth of 7.8% and real growth of 5.8% 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 (10.7% in nominal terms and 8.2% in real terms). Of these 2019 premiums, 64% related to Non-Life insurance, with the remaining 36% relating to Life insurance (see Table 3.2.6 and Chart 3.2.6-b).

Life insurance continued on its upward trend (which has remained uninterrupted for more than a decade), accounting for 36% of premiums (20.0% in 2009). The Life insurance premium volume amounted to 1.42 billion bolivianos (206 million US dollars), a nominal increase of 14.0% and a real increase of 11.9%. Although the largest increase occurred in the Life Annuity line (34.6% in nominal terms and 32.1% 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 91% of the Life premiums and increased by 13.8% (11.7% in real terms) in 2019. Meanwhile, Non-Life insurance premiums (which made up 64% of premiums in 2019) saw a nominal growth of 4.6%, or 2.7% 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)

real terms, reaching 2.57 billion bolivianos (371 million US dollars). The most significant modality is Automobiles, which includes Compulsory Traffic Accident Insurance (SOAT — *Seguro Obligatorio de Accidentes de Tráfico*) and which saw a premium increase of 2.7% in nominal terms (0.8% in real terms) in 2019, which contrasts with the nominal -2.5% decrease of the previous year (-4.8% in real terms).

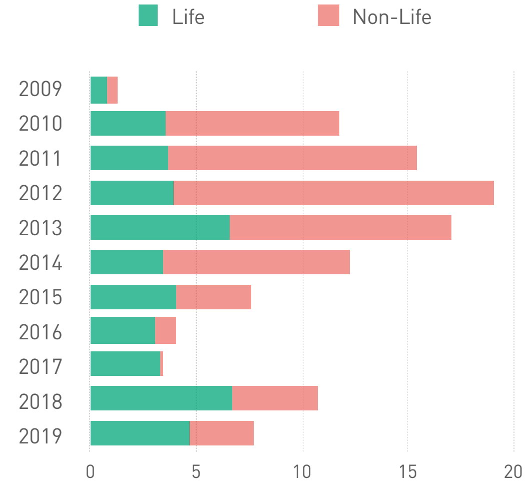
As shown in Chart 3.2.6-c, Life insurance contributed 4.7 pp to the 7.8% growth recorded by

Table 3.2.6
Bolivia: premium volume[1] by line, 2019

Line	Millions of bolivianos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**3,985**	**577**	**7.8**	**5.8**
Life	**1,420**	**206**	**14.0**	**11.9**
Group Life	114	17	14.6	12.6
Individual Life	1,294	187	13.8	11.7
Life annuity	13	2	34.6	32.1
Non-Life	**2,565**	**371**	**4.6**	**2.7**
Automobiles	744	108	2.7	0.8
Other lines	276	40	21.4	19.2
Fire	354	51	-4.4	-6.1
Third-party liability	112	16	14.7	12.6
Transport	205	30	5.5	3.6
Technical risks	169	25	-4.7	-6.5
Surety	158	23	-9.4	-11.1
Health	441	64	15.4	13.3
Personal accidents	106	15	1.7	-0.2

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
1/ Direct premiums

Chart 3.2.6-c
Bolivia: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	1.3	0.8	0.6
2010	11.7	3.6	8.1
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

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

the Bolivian insurance market in 2019, while the Non-Life insurance segment contributed 3.0 pp.

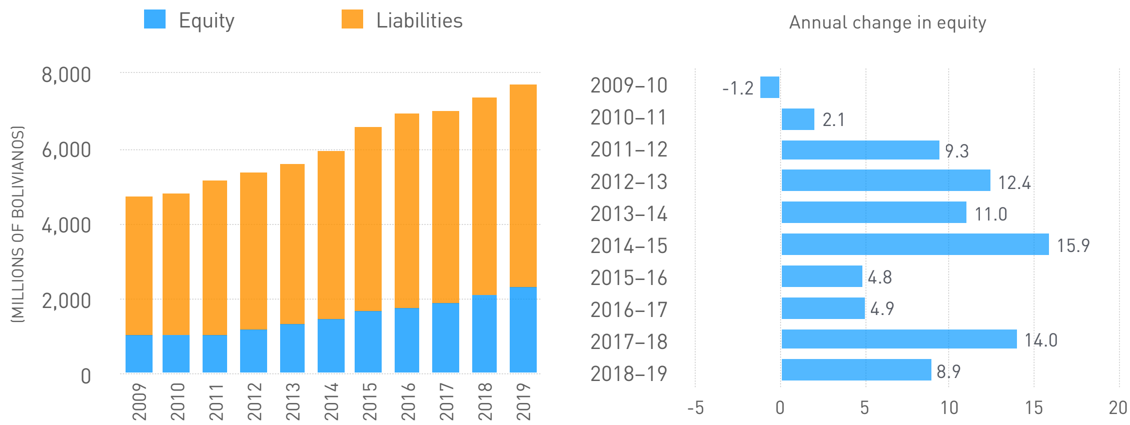
Balance sheet and shareholders' equity

Chart 3.2.6-d shows the Bolivian insurance industry's aggregate balance sheet at the sector level. This data shows that the industry's total assets amounted to 7.74 billion bolivianos (1.12 billion US dollars) in 2019, while equity totaled 2.33 billion bolivianos (337 million US dollars), up 8.9 pp from 2018. Furthermore, the Bolivian insurance industry maintained aggregate capitalization levels (measured on total assets) of over 20% between 2009 and 2019, representing 30.1% of total assets in 2019.

Investments

Chart 3.2.6-e shows changes in investments for the Bolivian insurance industry over the 2009–2019 period. Investments in the industry

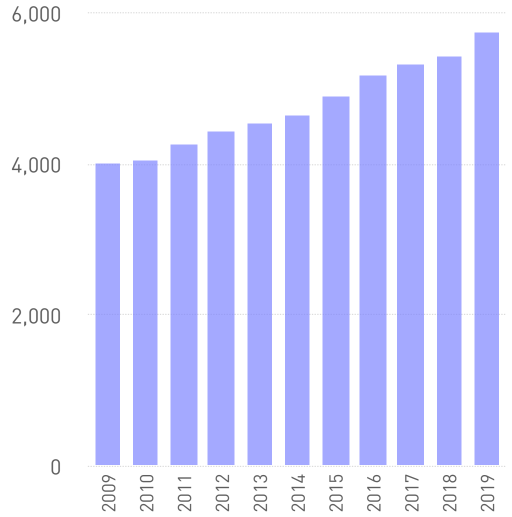
Chart 3.2.6-d
Bolivia: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

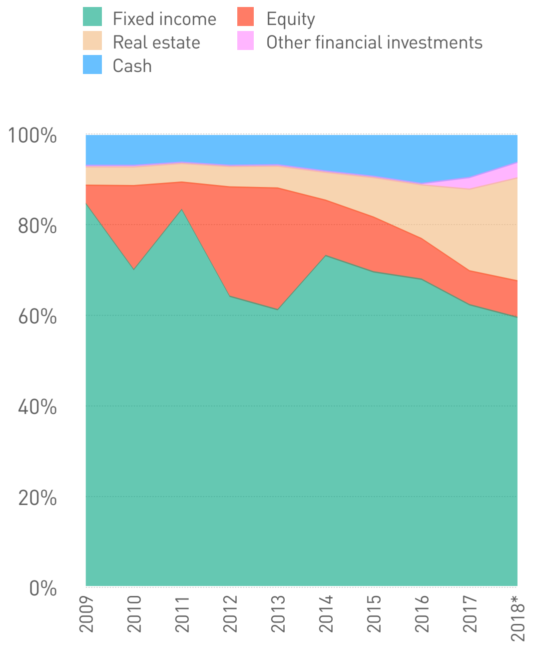
amounted to 5.73 billion bolivianos (829 million US dollars) in 2019. Meanwhile, Charts 3.2.6-f and 3.2.6-g show changes in the structure of the investment portfolio at the sector level in the Bolivian insurance market between 2009 and 2018 (the last year for which disaggregated data is available). In 2018, the investment portfolio was concentrated in fixed income (59.7%) and, to a significantly lesser extent, in equity instruments (8.0%), real estate (22.7%), and cash and other investments (6.1% and 3.4% 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 8.0% by 2018. Meanwhile, the weight of real-estate assets has increased from 4.1% in 2009 to 22.7% in 2018.

Chart 3.2.6-e
Bolivia: insurance market investments
(millions of bolivianos)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

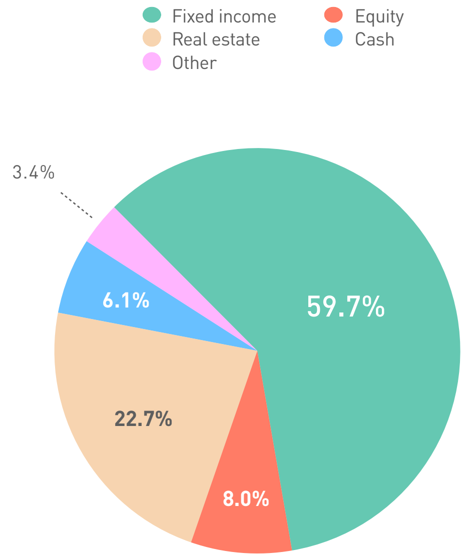
Chart 3.2.6-f
Bolivia: structure of investments
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

* Latest data available

Chart 3.2.6-g
Bolivia: structure of investments, 2018*
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

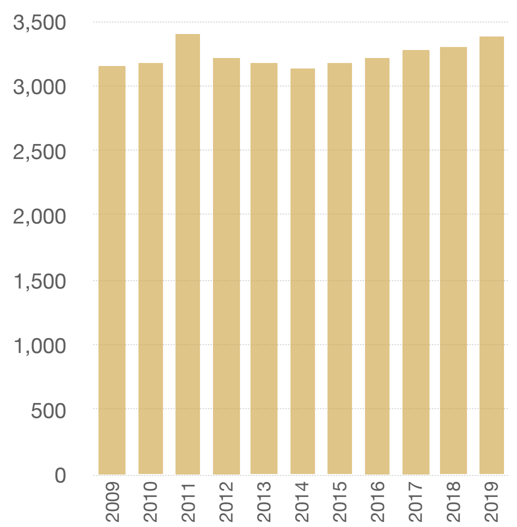
*Latest data available

Technical provisions

The performance and relative composition of technical provisions within the Bolivian insurance industry are shown in Charts 3.2.6-h, 3.2.6-i and 3.2.6-j. This data shows that technical provisions amounted to 3.39 billion bolivianos (490 million US dollars) in 2019. According to the latest data available at the close of 2018, 77.9% of total technical provisions related to Life insurance, 12.2% to provisions for unearned premiums and unexpired risks in Non-Life insurance, and 9.7% to provisions for outstanding benefits.

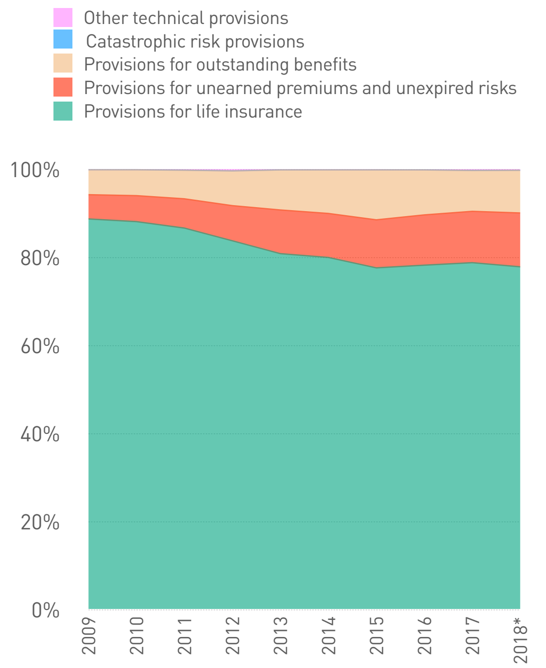
The weight of provisions for Life insurance decreased steadily over the 2009–2015 period, falling from 88.8% of total provisions in 2009 to 77.7% in 2015, at which point it increased slightly over the next two years, reaching 78.9% in 2017 to then fall back down to 77.9% in 2018. This also holds true for the absolute values, which fell from 2.8 billion bolivianos (405 million US dollars) in 2009 to 2.47 billion

Chart 3.2.6-h
Bolivia: technical provisions of the insurance market
(millions of bolivianos)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

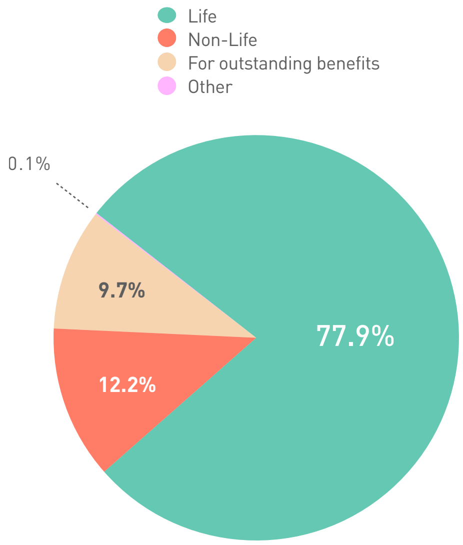
Chart 3.2.6-i
Bolivia: structure of technical provisions
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

* Latest data available

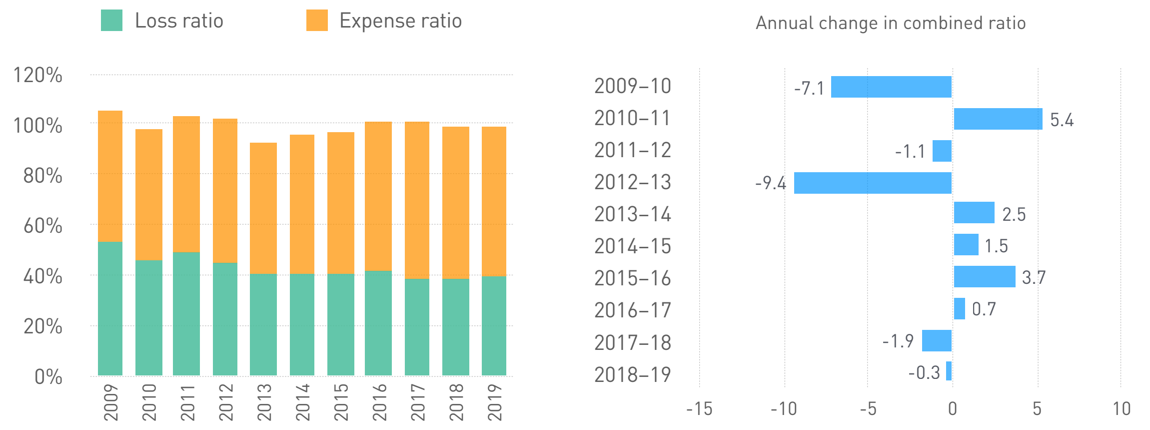
Chart 3.2.6-j
Bolivia: structure of technical provisions, 2018*
(%)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

*Latest data available

Chart 3.2.6-k
Bolivia: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



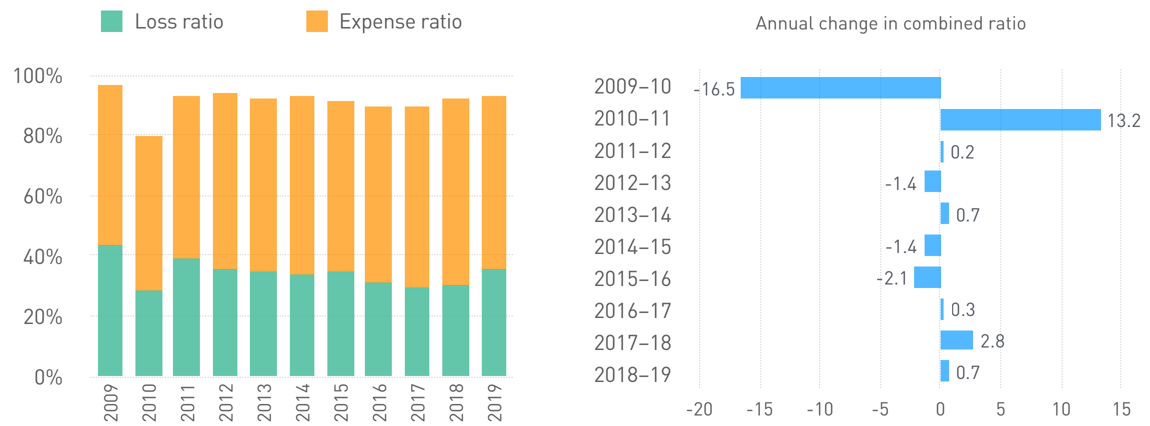
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

bolivianos (358 million US dollars) in 2015, before climbing to 2.58 billion bolivianos (372.7 million US dollars) in 2018. During the same period (2009–2018), provisions for unearned premiums and unexpired risks in Non-Life insurance doubled in value from 173.3 million bolivianos (25 million US dollars) in 2009 to 404 million bolivianos (58 million US dollars) in 2018. With regard to provisions for outstanding benefits in Non-Life insurance, there was an increase of 5.2% in 2018, following the declines shown the previous two years.

Technical performance

As regards the technical performance of the Bolivian insurance market, as shown in Chart 3.2.6-k, the total combined ratio improved by -0.3 percentage points in 2019 to reach 99.1%, due to a decrease of -0.4 pp in the expense ratio, while the loss ratio increased slightly (0.1 pp). Meanwhile, the combined ratio for Non-Life insurance companies in 2019 fell by 0.7 pp to 93.1%. This performance was due to an improvement of -4.5 pp in the expense ratio,

Chart 3.2.6-l
Bolivia: 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 Pension and Insurance Tax and Control Authority)

which failed to offset the increase of 5.2 pp in the loss ratio, thus altering the performance seen over the previous four years whereby expenditure increased, while the loss ratio remained stable (see Chart 3.2.6-l).

Results and profitability

The Bolivian insurance industry posted a financial result of 280 million bolivianos (40.6 million US dollars) in 2019, up 25.0% from the previous year (see Chart 3.2.6-m). This good financial result, combined with the positive technical result and a positive adjustment in inflation, resulted in an increase of 15.8% in the net result for the 2019 fiscal year, amounting to 285 million bolivianos (41 million US dollars).

In terms of profitability, return on equity (ROE) stood at 12.2% in 2019, up 0.7 pp from 2018. A similar situation can be seen for return on assets (ROA), which reached 3.7% in 2019, up 0.3 pp from 2018. As indicated in previous versions of this report, the profitability of Bolivian insurance activity remained stable over the period under analysis, mainly supported by the financial result, the contribution of which is more consistent than that of the technical result.

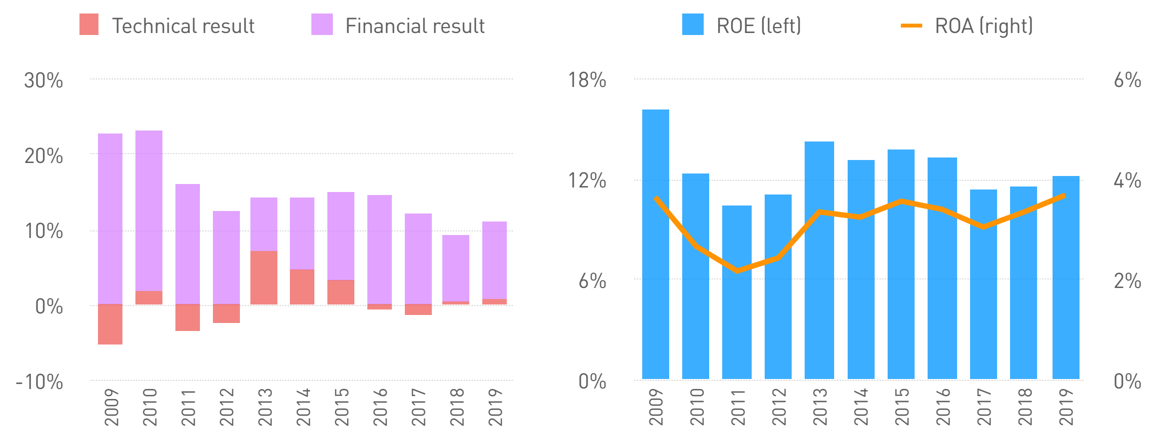
Insurance penetration, density and depth

Chart 3.2.6-n shows the main structural trends shaping the development of the Bolivian insurance industry over the 2009–2019 period. First, the penetration index (premiums/GDP) stood at 1.4% in 2019, with an increase of just 0.2 pp compared to 2009, still well below the average values observed in the Latin American region.

In terms of insurance density (premiums per capita), the indicator stood at 346 bolivianos (50 US dollars) in 2019, following an upward trend over the decade under analysis, showing growth of 140% since 2009, when density stood at 144 bolivianos.

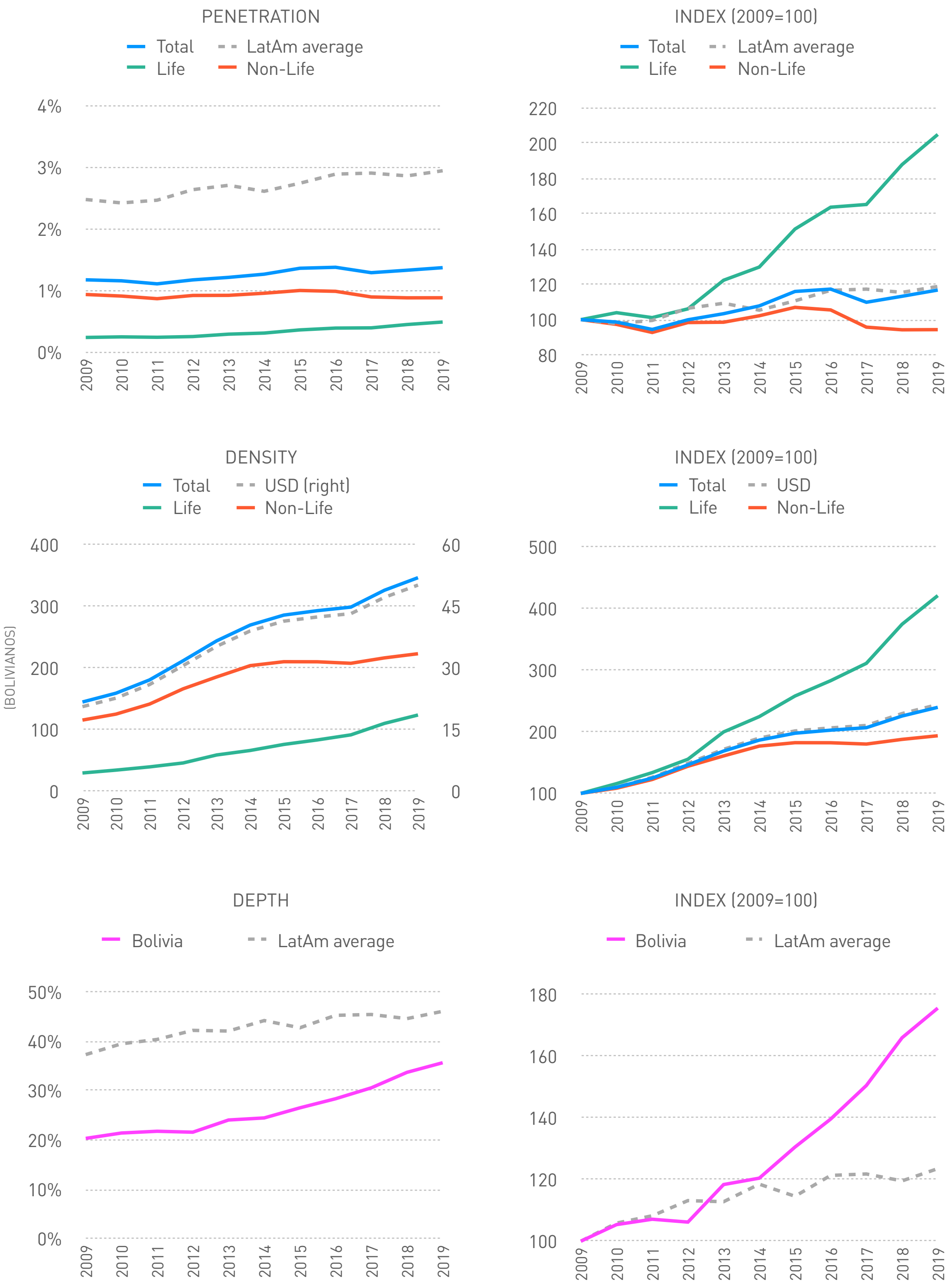
Lastly, with regard to depth (Life insurance premiums in relation to total premiums), the indicator for 2019 stood at 35.6%, up 15.3 pp from 2009. In this case, depth has increased steadily in the Bolivian insurance market during the period under analysis and, although it is

Chart 3.2.6-m
Bolivia: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



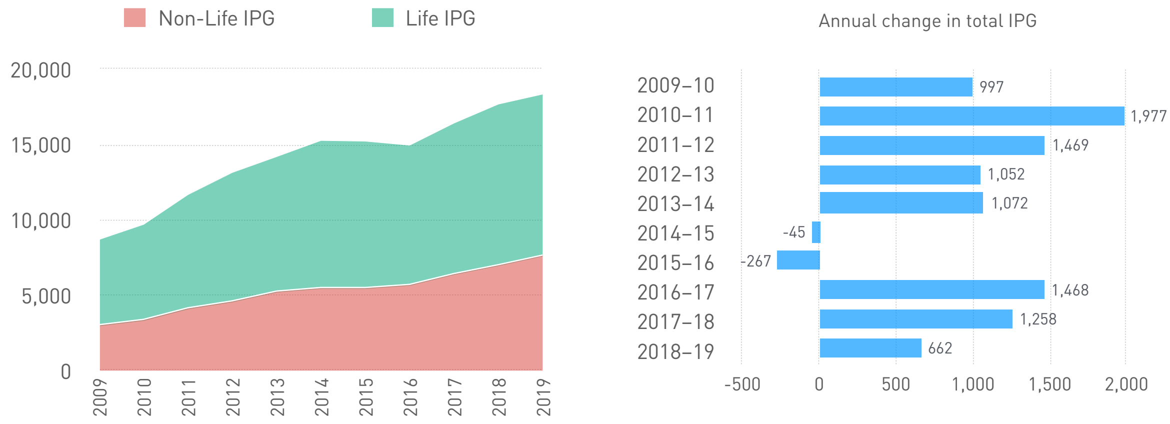
Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-n
Bolivia: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, bolivianos and USD; Life premiums/total premiums, %, 2009 index=100)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-o
Bolivia: Insurance Protection Gap
(millions of bolivianos)



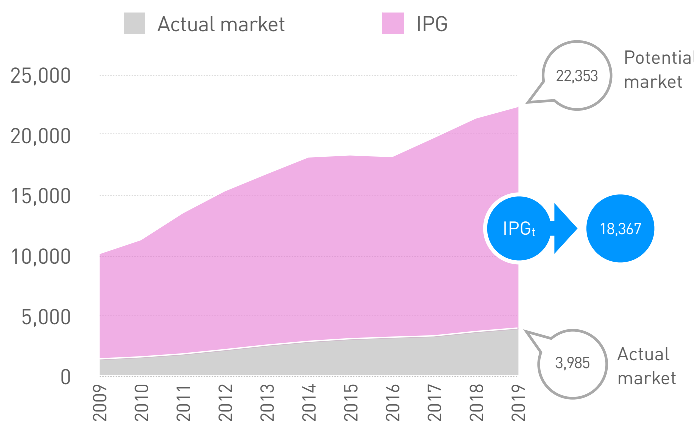
Source: MAPFRE Economics

still below the average values observed across Latin America, it has shown a converging trend in recent years with higher growth than the regional average.

Insurance Protection Gap estimate

Chart 3.2.6-o shows an estimate of the insurance gap for the Bolivian insurance market between 2009 and 2019. The IPG stood at 18.37 billion bolivianos (2.66 billion US dollars) in 2019, 4.6 times the size of the country's actual insurance market at the close of that year. As in other Latin American insurance markets, the structure and performance of the insurance gap over the last decade are largely attributable to the Life insurance segment. As such, 65.1% of the IPG in 2009 related to Life insurance, which amounted to 5.68 billion bolivianos. By 2019, this percentage had fallen to 58.3% (10.7 billion bolivianos). The potential insurance market in Bolivia in 2019 (the sum of the actual market

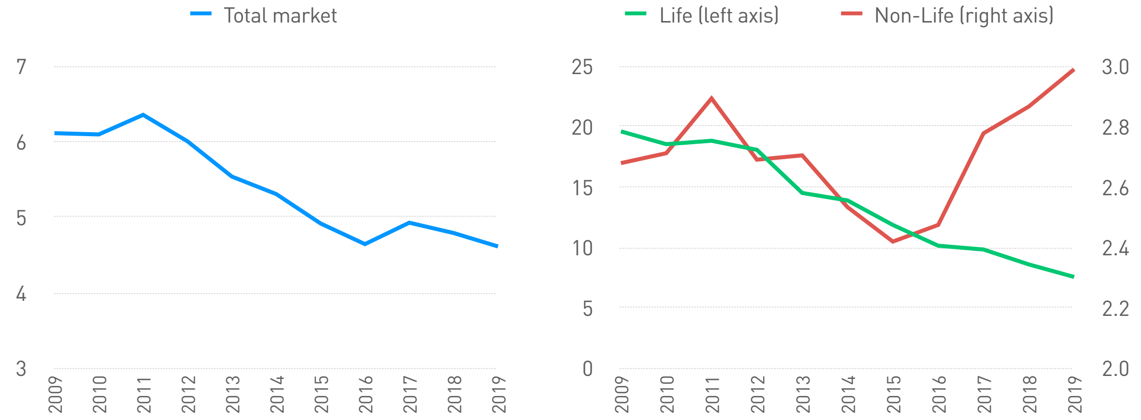
Chart 3.2.6-p
Bolivia: Insurance Protection Gap and potential market
(millions of bolivianos)



Variation	Actual market	IPG
2019–2009	179.1%	110.5%
2019–2018	7.8%	3.7%

Source: MAPFRE Economics

Chart 3.2.6-q
Bolivia: IPG as a multiple of the actual market
(number of times, actual insurance market)

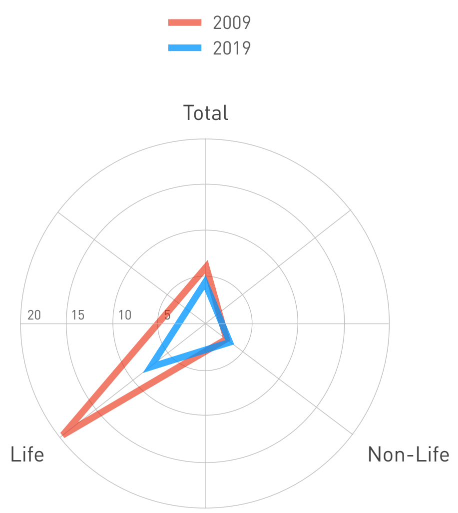


Source: MAPFRE Economics

plus the insurance gap) was estimated at 22.35 billion bolivianos (3.24 billion US dollars), 5.6 times the size of the country's total insurance market that year (see Chart 3.2.6-p).

Chart 3.2.6-q shows an estimate 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 4.6 times in 2019. The Non-Life insurance segment, for its part, has shown an upward trend since 2016, meaning that the indicator has increased from 2.7 to 3.0 times over the 2009–2019 period. Lastly, in the Life insurance segment, the IPG as a multiple of the actual market shows a clearly declining trend between 2009 and 2019, falling from 19.6 to 7.5 times over that period.

Chart 3.2.6-r
Bolivia: change in IPG as a multiple of the actual market

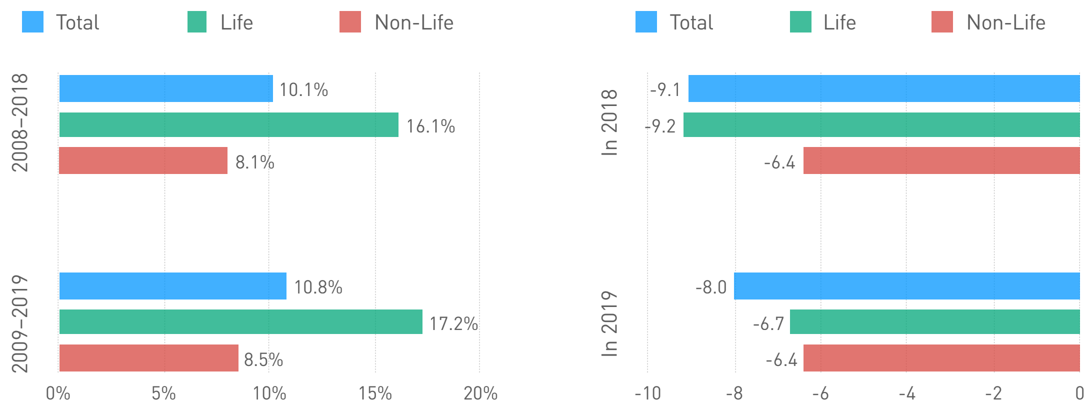


Source: MAPFRE Economics

Additionally, Chart 3.2.6-r 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 2009 and 2019. As can be seen, only the Life insurance segment showed signs of improvement during this time.

Lastly, Chart 3.2.6-s shows the changes in the Bolivian insurance market's capacity to close the IPG determined in 2019, 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 10.8% between 2009 and 2019, which consisted of an average rate of 17.2% in the Life 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 Bolivian market as a whole would fall -8.0 pp short of closing the IPG determined

Chart 3.2.6-s
Bolivia: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



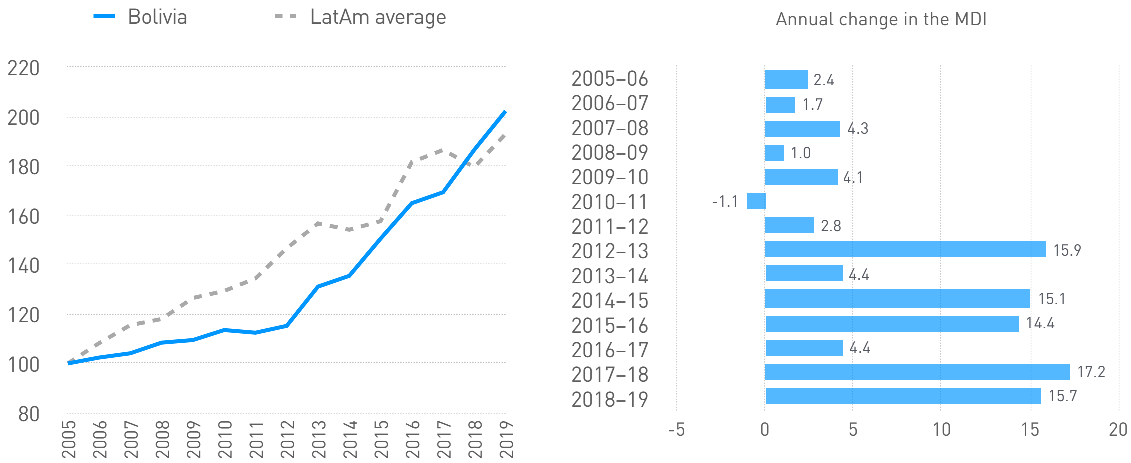
Source: MAPFRE Economics

in 2019. The same would apply to both the Life insurance segment (short by -6.7 pp) and the Non-Life segment (short by -6.4 pp). This means that in order to close the insurance gap estimated for 2019, the Bolivian insurance market would require annual growth rates substantially higher than those observed over the last decade: 18.8% for the total market, and 23.9% and 14.8% for the Life and Non-Life segments respectively.

Market Development Index (MDI)

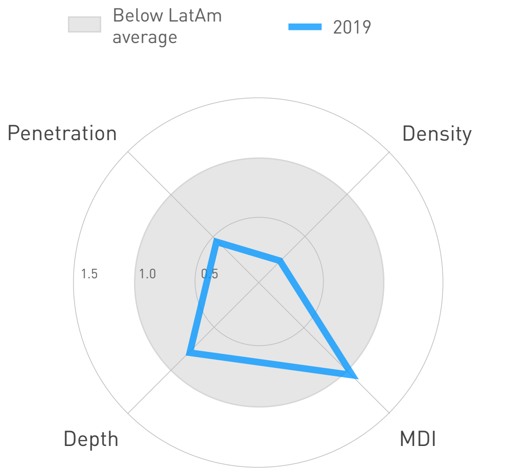
Chart 3.2.6-t shows an estimate of the Market Development Index (MDI) for the Bolivian insurance industry. This indicator is intended to

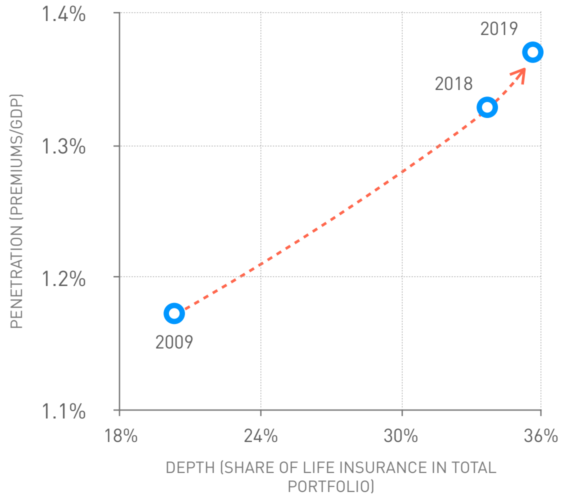
Chart 3.2.6-t
Bolivia: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.6-u
Bolivia: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)





Source: MAPFRE Economics

* Indices 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.

summarize the trend in the performance and maturity of insurance markets. In the case of the Bolivian insurance industry, the indicator showed a positive trend between 2005 and 2019, 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.

Comparative analysis of structural coefficients

Chart 3.2.6-u shows the Bolivian insurance market's situation in comparison with the average for Latin America, measured in terms of the various structural coefficients analyzed in this report. This data shows 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-u confirms that, over the 2009–2019 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).

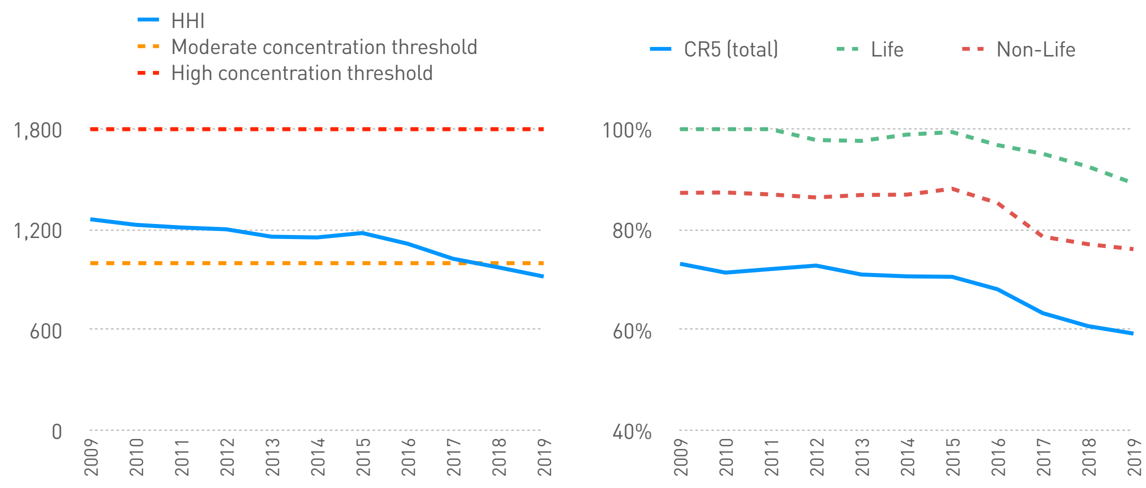
Insurance market rankings

Total ranking

There were 19 insurance companies operating in the Bolivian insurance market in 2019, one more than in 2018. Ten of these companies operated exclusively in the People line, while the remaining nine operated in General P&C and Bonds insurance. In February 2018, the Santa Cruz Financial Group Investment Company decided to engage in insurance activity, forming the company Santa Cruz Vida y Salud Seguros, which received its operating authorization in January 2019 and began operations in April 2019.

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 below the threshold

Chart 3.2.6-v
Bolivia: insurance industry concentration
(Herfindahl index; CR5 index, %)

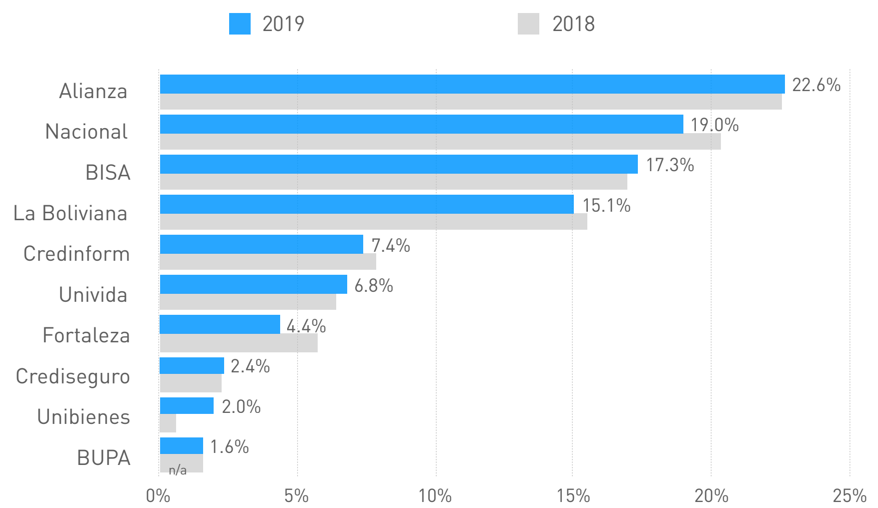


Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

indicating a moderate concentration level and stayed below this threshold in 2019. In the same vein, the top five insurance companies (in terms of individual companies) accounted for 59.3% of total premiums between them, 1.5 pp less than in 2018. It should be noted that the concentration trend is higher when measured in group terms, and is also higher in the Life segment (see Chart 3.2.6-v).

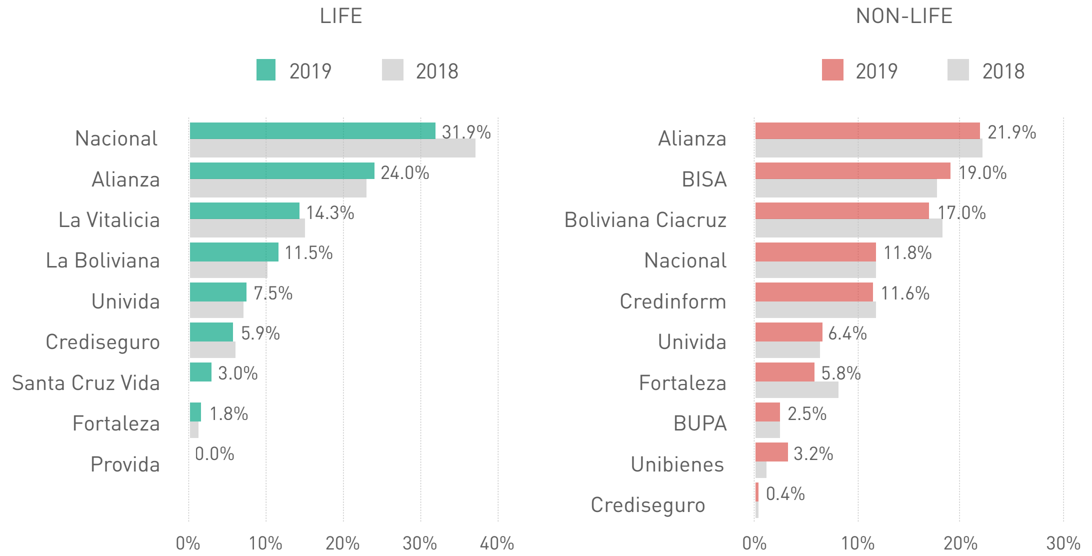
In 2019, the total ranking was topped by Alianza Seguros with a market share of 22.6%. Following

Chart 3.2.6-w
Bolivia: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

Chart 3.2.6-x
Bolivia: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)

behind were Nacional Seguros with 19.0% and BISA Seguros with 17.3%. Fourth place was held by La Boliviana Ciacruz, with a market share of 15.1% in 2019 (see Chart 3.2.6-w).

Life and Non-Life rankings

The Non-Life Ranking in 2019 was also topped by Alianza Seguros with a market share of 21.9%, followed by BISA with 19.0%, which gained one place compared to the 2018 ranking, bumping Boliviana Ciacruz down to third with a share of 17.0%. The Life ranking for 2019 was topped by Nacional Seguros with a premium market share of 31.9%, followed by Alianza Seguros with 24.0% and BISA (La Vitalicia + BISA) with 14.3% (see Chart 3.2.6-x).

Key regulatory aspects

In terms of regulations relating to the operation of the Bolivian insurance industry, the most relevant regulations issued in 2019 and so far in 2020 are detailed below:

- Law No. 1155 of March 12, 2019 on *Seguro Obligatorio de Accidentes de la Trabajadora y el Trabajador en el Ámbito de la Construcción* (SOATC — Compulsory Insurance for Construction Workplace Accidents). It should be noted that any worker who provides, executes or performs work directly in any construction activity falls within the scope of this Law. Thus, the SOATC Single Policy covers medical expenses and indemnification for death and/or total permanent disability for any workers in the construction industry who suffer an accident when providing, executing or performing a job directly.

- Administrative Resolution APS/DJ/DS No. 516/2019 of March 29, 2019. Approves the single uniform texts of Surety policies in which public entities, public companies or companies where the State has a majority shareholding are beneficiaries.

- Administrative Resolution APS/DJ/DS No. 960/2019 of June 12, 2019. Approves the Regulations on Conciliation before the *Autoridad de Fiscalización y Control de Pensiones y Seguros* (APS — supervisory and control authority for pensions and insurance). It aims to regulate the conciliation process before the APS, as an alternative means of resolving disputes arising from a contractual insurance relationship, the amount of which may not exceed 100,000 *Unidades de Fomento de Vivienda* (Housing Development Units), or its equivalent in national or foreign currency.

- Administrative Resolution APS/DJ/DS No. 1026/2019 of June 28, 2019. Clarifies and amends the Regulations on Conciliation before the APS.

- Administrative Resolution APS/DJ/DS No. 1738/2019 of October 11, 2019. Approves an authorization system for the management and marketing of Compulsory Traffic Accident Insurance (SOAT).

- Supreme Decree No. 4058 of October 15, 2019. Approves the Regulations of Law No. 1155 of March 12, 2019 on SOATC. This insurance will be managed and marketed by a state-owned insurance company established for this purpose, which may market this insurance together with other legally established insurance companies in the country, mitigating the risk under coinsurance, reinsurance and/or any legal modality permitted, assuming full control of the entire process. The insurer authorized to manage and market SOATC must offer and market this insurance in a continuous and uninterrupted manner.

- Administrative Resolution APS/DJ/DS No. 1820/2019 of October 30, 2019. Approves the SOATC Operational Regulations. Governs the technical requirements for this insurance and the requirements for its authorization, management and marketing by the state-owned insurance company and insurance companies operating under coinsurance, reinsurance and/or any legal modality permitted.

- Administrative Resolution APS/DJ/DS No. 025/2020. Approves the single uniform text of the SOATC policy.

- Supreme Decree 4217 of April 14, 2020. Authorizes insurance policy contracting for healthcare professionals and workers in contact with coronavirus (COVID-19). Exceptionally authorizes the Bolivian Ministry of Health to proceed, on its own behalf and on behalf of short-term social security companies, to directly take out an annual group insurance policy for total and permanent disability or death, for a period of one year, for health professionals and workers employed at healthcare facilities, clinics or other facilities of the public sub-sector, short-term social security sub-sector and the private healthcare system, who were infected as a result of providing care or services to patients infected with the coronavirus (COVID-19).

- Administrative Resolution APS/DJ No. 468/2020 of April 30, 2020. Approves the operational insurance regulations for healthcare professionals and workers in contact with the coronavirus (COVID-19). It is intended to govern the application of Supreme Decree 4217 of April 14, 2020.

Other regulations issued in connection with the COVID-19 pandemic that affect the insurance industry involve the suspension of administrative deadlines, the suspension of referral to the regulator of Financial Statements and Investment Reports, the maintenance of the validity of credit life insurance and guaranteed loan policies with subsequent payment of the premium, and the suspension of the deadline for the payment of claims by insurers for said policies, among other matters.

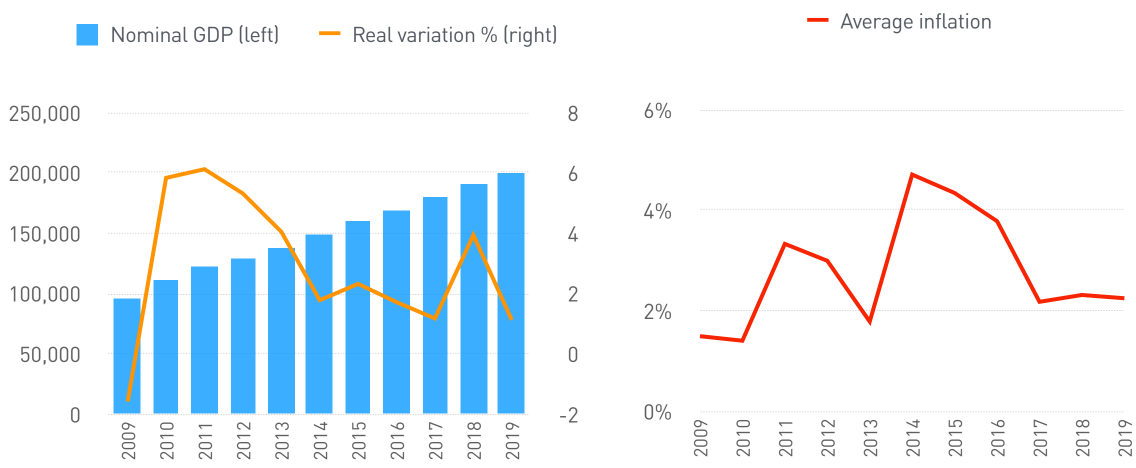
3.2.7 Chile

Macroeconomic environment

The Chilean economy grew by 1.1% in real terms in 2019, compared to 3.9% in 2018, a significant slowdown compared to the previous year (see Chart 3.2.7-a). The more complex international economic context (with underlying trade tensions between China and the United States) led to a fall in the price of raw materials, particularly copper. This led to a decline in exports that negatively affected Chile's industrial and mining industries. Private consumption and investment slowed, especially in the last quarter of the year, as social tensions increased in October.

The public deficit closed at 2.8% of GDP (1.6% in 2018). As a result, the growth of public debt

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 IMF data)

to GDP increased to 27.9% (25.6% in 2018). According to the ECLAC's preliminary report, following social protests, the Chilean government faced costs of repairing damaged infrastructure and saw its revenues reduced, which resulted in its fiscal position deteriorating. It also established its so-called social agenda, which includes improved pensions, insurance for catastrophic illnesses and an increase in the minimum wage guaranteed by the State, among other measures. This is expected to have a negative impact on its fiscal situation in the coming years. With regard to the foreign sector, the deficit of the balance of payments current account also increased, reaching 3.9% in 2019 compared to 3.6% in the previous year.

For its part, the average inflation rate remained controlled and stable at 2.3%, similar to the previous year and below the central bank's target of 3%, while unemployment stood at 7.3%, similar to the previous year. Controlled inflation allowed the central bank to implement an expansionary monetary policy in order to stimulate the economy, reducing the intervention rate by 50 basis points in June and September and by 25 basis points in October to 1.75%. This, together with the international context and internal conflicts, led to a sharp depreciation of the Chilean peso during the year (close to 20% at some points), closing the year with a fall of -7.7% (-8.7% annual average).

With regard to growth forecasts for 2020, the ECLAC estimates a contraction of up to -7.9% in the Chilean economy as a result of the situation caused by the lockdown and social distancing measures that have been implemented to tackle the COVID-19 pandemic. In its April forecasts, the IMF estimated that Chile will see a -4.5% fall in GDP in 2020.

Insurance market

Growth

The Chilean insurance market recorded slight growth in 2019, reaching a premium volume of 8.97 trillion pesos (12.76 billion US dollars). This was 0.8% higher than the previous year in nominal terms, though -1.4% lower after excluding the effect of inflation (see Table 3.2.7 and Chart 3.2.7-b).

The performance of the Chilean insurance market in 2019 was significantly influenced by negative performance in the Life segment, which saw a nominal decline of -3.2% and a real decline of -5.3% in premium revenue. This decrease is explained by both Pension

Table 3.2.7
Chile: premium volume[1] by line, 2019

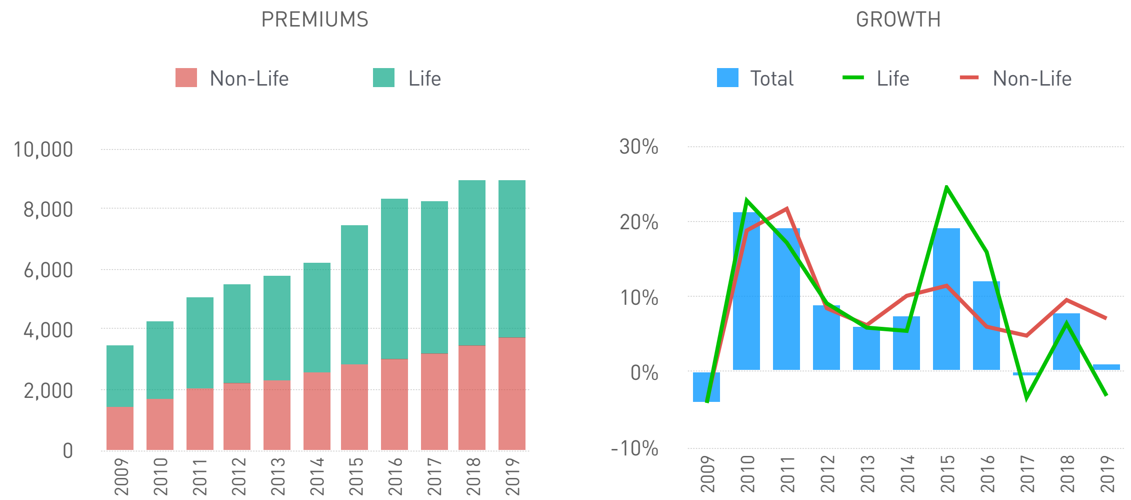
Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**8,973,076**	**12,762**	**0.8**	**-1.4**
Life	**5,235,631**	**7,446**	**-3.2**	**-5.3**
Individual Life	687,617	978	-5.2	-7.3
Group Life	936,251	1,332	6.5	4.1
Pension insurance	3,611,762	5,137	-5.0	-7.1
Non-Life	**3,737,445**	**5,315**	**7.1**	**4.7**
Fire and allied lines	981,167	1,395	13.3	10.8
Automobiles	861,334	1,225	2.9	0.6
Other lines	553,450	787	2.7	0.4
Health	614,825	874	7.9	5.5
Personal accidents[2]	306,571	436	2.4	0.1
Transport	134,997	192	13.7	11.2
Third-party liability	135,817	193	13.3	10.8
Credit and/or surety	149,284	212	6.0	3.7

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)

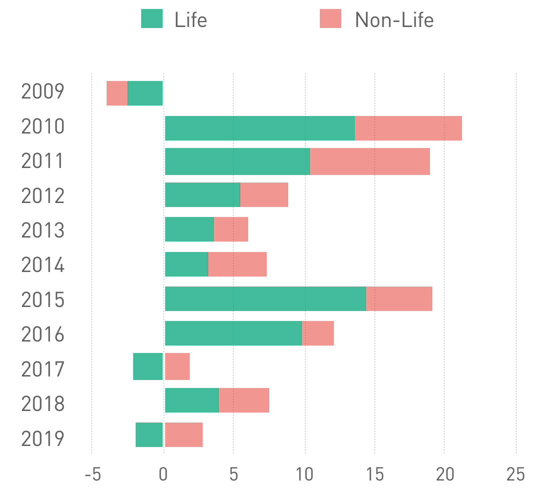
insurance (-5.0% in nominal terms and -7.1% in real terms), which represents 68.9% of the Life line, and by the decrease in individual Life (-5.2% in nominal terms and -7.3% in real terms); the only line to perform positively was group Life (6.5% in nominal terms and 4.1% in real terms). Non-Life insurance also contributed positively to the industry's growth, posting 3.74 trillion pesos in premium revenue (5.32 billion US dollars), up 7.1% from 2018 (4.7% in real terms). It should be noted that all Non-Life insurance modalities recorded increases, both in nominal and real terms, led by the main line of this segment, Fire (13.3% in

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)

Chart 3.2.7-c
Chile: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	-4.0	-2.5	-1.6
2010	21.1	13.6	7.6
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

Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

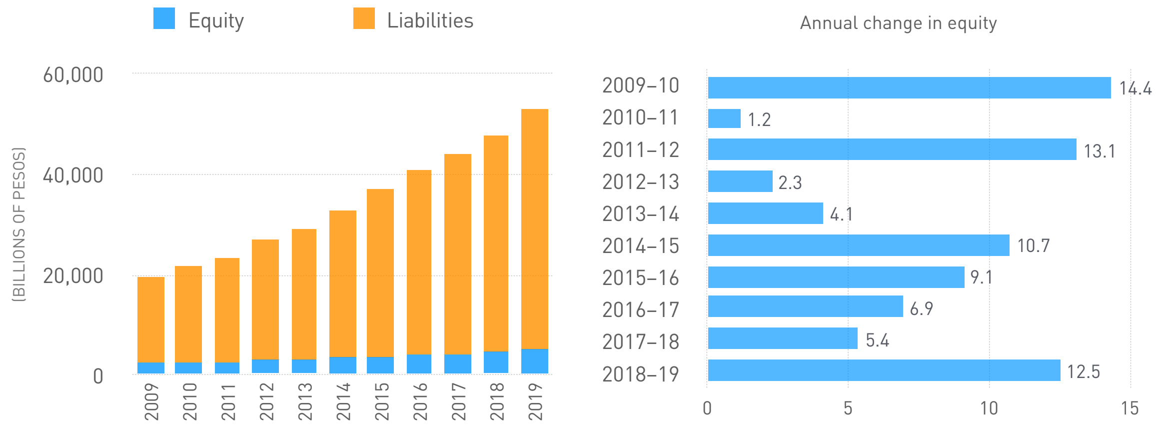
nominal terms and 10.8% in real terms). Significant increases were also seen in Transport and Third-Party Liability with nominal increases of 13.7% and 13.3% (11.2% and 10.8% in real terms) respectively.

As shown in Chart 3.2.7-c, Life insurance negatively contributed -1.9 pp to the growth of the Chilean insurance industry in 2019, while Non-Life insurance contributed the remaining 2.8 pp, totaling growth of 0.8% that year.

Balance sheet and shareholders' equity

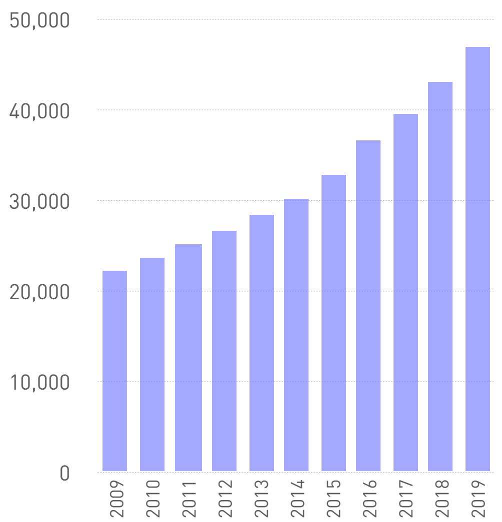
Chart 3.2.7-d shows the Chilean insurance industry's aggregate balance sheet at the

Chart 3.2.7-d
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)

Chart 3.2.7-e
Chile: insurance market investments
(billions of pesos)



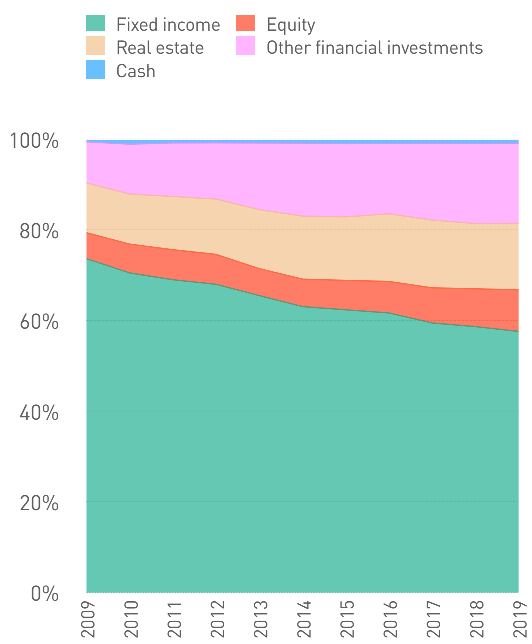
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

sector level over the 2009–2019 period. This data shows that the industry's total assets at the end of 2019 amounted to 53.16 trillion pesos (70.71 billion US dollars), while equity stood at 5.14 trillion pesos (6.83 billion US dollars), resulting in growth of 12.5% compared to 2018. It should be noted that the Chilean insurance industry's capitalization level grew steadily in absolute terms over the period analyzed. However, in relative terms, the capitalization ratio (capital to total assets) began to fall in 2010, dropping from values of over 12% in that year to 9.7% in 2019.

Investments

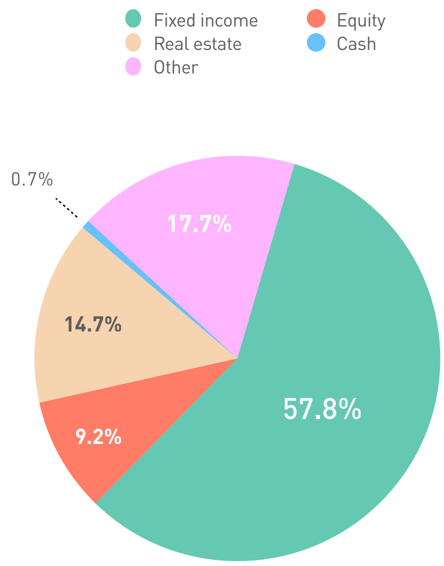
Charts 3.2.7-e, 3.2.7-f and 3.2.7-g show the performance and composition of the Chilean insurance industry's aggregate investment portfolio at the sector level between 2009 and 2019. This shows that total industry investments reached 46.91 trillion pesos (62.4 billion US dollars) in 2019, most of which was concentrated in fixed income (57.8%) and, to a much lesser extent (9.2%), in equities.

Chart 3.2.7-f
Chile: structure of investments
(%)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-g
Chile: structure of investments, 2019
(%)



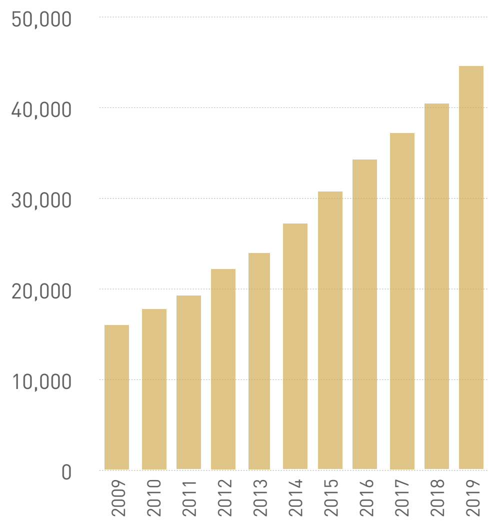
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

As noted in previous versions of this report, investments in fixed income instruments lost relative weight in total investments over the period analyzed, dropping from 73.8% in 2009 to 57.8% in 2019. By contrast, the weight of real estate investment and other types of financial investments grew during the period, climbing in each case from around 10% of the portfolio in 2009 to 14.7% and 17.7% respectively in 2019.

Technical provisions

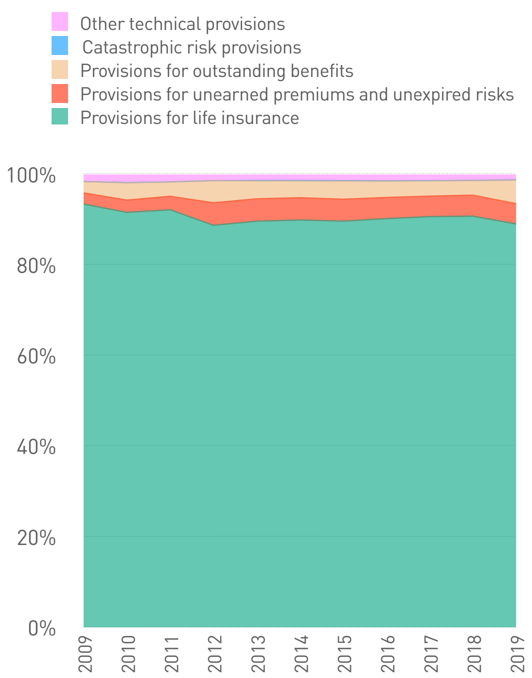
Charts 3.2.7-h, 3.2.7-i and 3.2.7-j show the relative composition and performance of the Chilean insurance industry's technical provisions over the 2009–2019 period. This data shows that technical provisions amounted to 44.81 trillion pesos (59.61 billion US dollars) in 2019. Of these total technical provisions, 89.2% related to Life insurance, 4.5% to provisions for unearned premiums and unexpired risks in Non-Life insurance, 5.2% to provisions for outstanding benefits, 0.03% to provisions for catastrophic risks, and 1.1% to other technical provisions. It should be noted that over the

Chart 3.2.7-h
Chile: technical provisions of the insurance market
(billions of pesos)



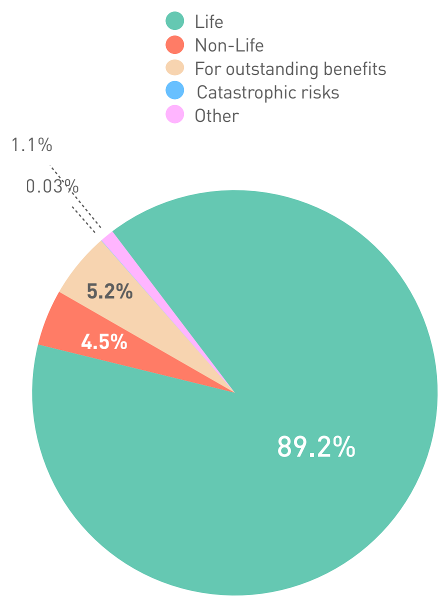
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-i
Chile: structure of technical provisions
(%)



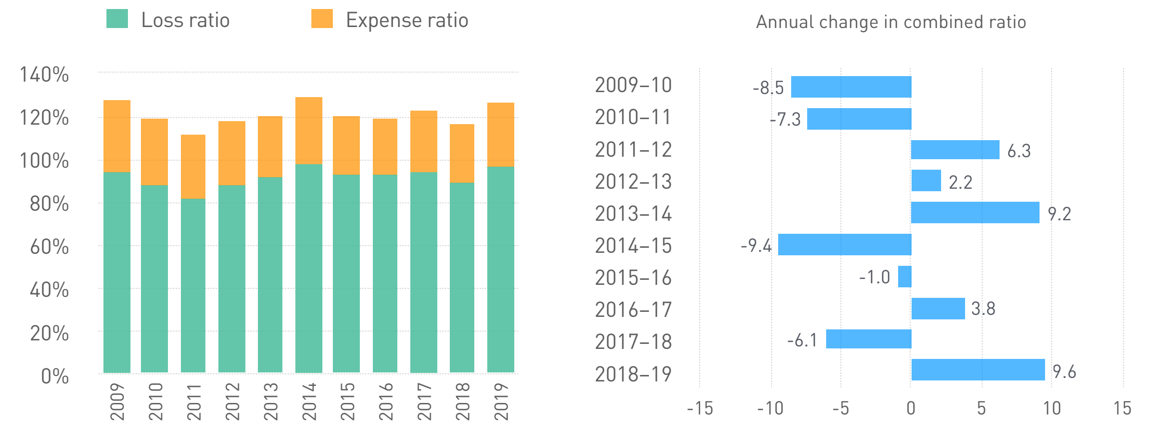
Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-j
Chile: structure of technical provisions, 2019
(%)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market)

Chart 3.2.7-k
Chile: changes in market technical performance
(total combined ratio, %; annual change in combined ratio, percentage points)



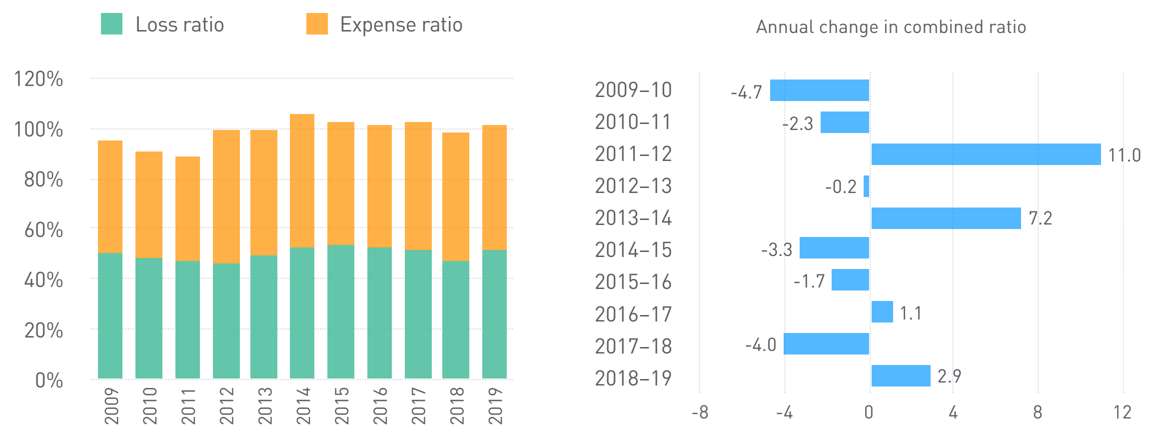
Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

period under analysis, the relative weight of Non-Life insurance provisions increased from 2.5% in 2009 to 5.2% in 2019, 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.

Technical performance

In 2019, the consolidated technical result of the Chilean insurance industry remained in negative territory, with a significant deterioration of 9.6 pp in the combined ratio to 126.3% (see Chart 3.2.7-k). This technical deterioration occurred due to both the loss

Chart 3.2.7-l
Chile: 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 Chilean Insurance Association)

ratio, which increased by 7.1 pp, and to a higher expense ratio, which rose by 2.4 pp. A similar situation occurred in the technical performance of the Non-Life segment, which suffered a deterioration of 2.9 pp compared to the previous year, standing at 100.9% in 2019 (see Chart 3.2.7-l). Despite a lower expense ratio (-1 pp), this performance was affected by the increase in the loss ratio (+4 pp).

Results and profitability

Although the consolidated technical result of the Chilean insurance industry deteriorated in 2019, the industry posted a positive net result of 402.63 billion pesos (573 million US dollars), due to a higher financial result during the year. However, it should be noted that, although positive, the industry's net result was -21.3% lower than that obtained the previous year. Chart 3.2.7-m confirms that the positive net result achieved by the Chilean insurance industry over nearly the entire period under analysis was a product of financial results that were able to offset the negative technical results.

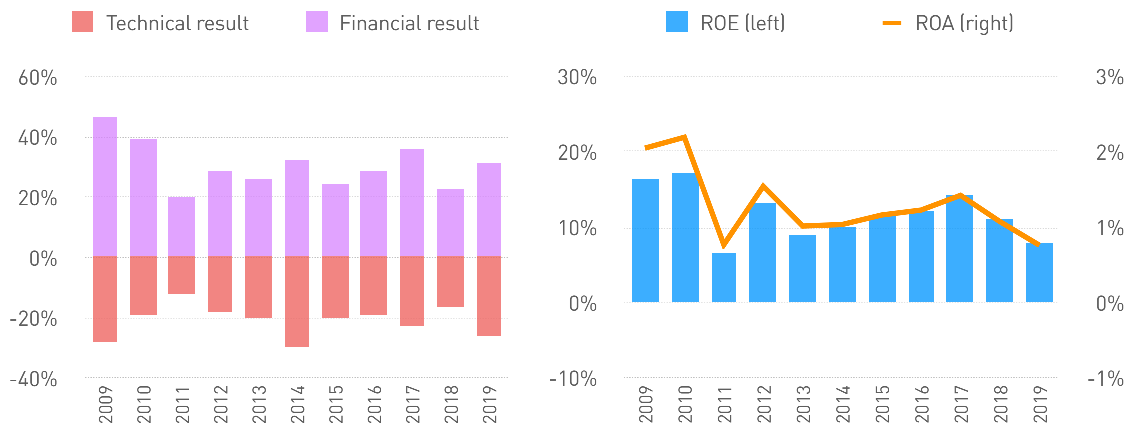
In terms of the profitability of the Chilean insurance industry, return on equity (ROE) stood at 7.8% in 2019, down 3.4 pp from the previous year. Similarly, return on assets (ROA) saw a slight decrease of -0.3 pp from the previous year, standing at 0.8% in 2019.

Insurance penetration, density and depth

Chart 3.2.7-n shows the main structural trends shaping the development of the Chilean insurance industry over the past decade. After Puerto Rico, Chile's penetration index (premiums/GDP) remains the highest in Latin America; however, the indicator fell -0.2 pp from the previous year to 4.5%, which is, in aggregate terms, 0.9 pp higher than in 2009. Said chart confirms that the penetration index for the Chilean market showed a growing trend from 2009 to 2016, in line with the average trend recorded by the Latin American insurance market as a whole and above the region's absolute average values; however, this trend seems to have reversed from 2017.

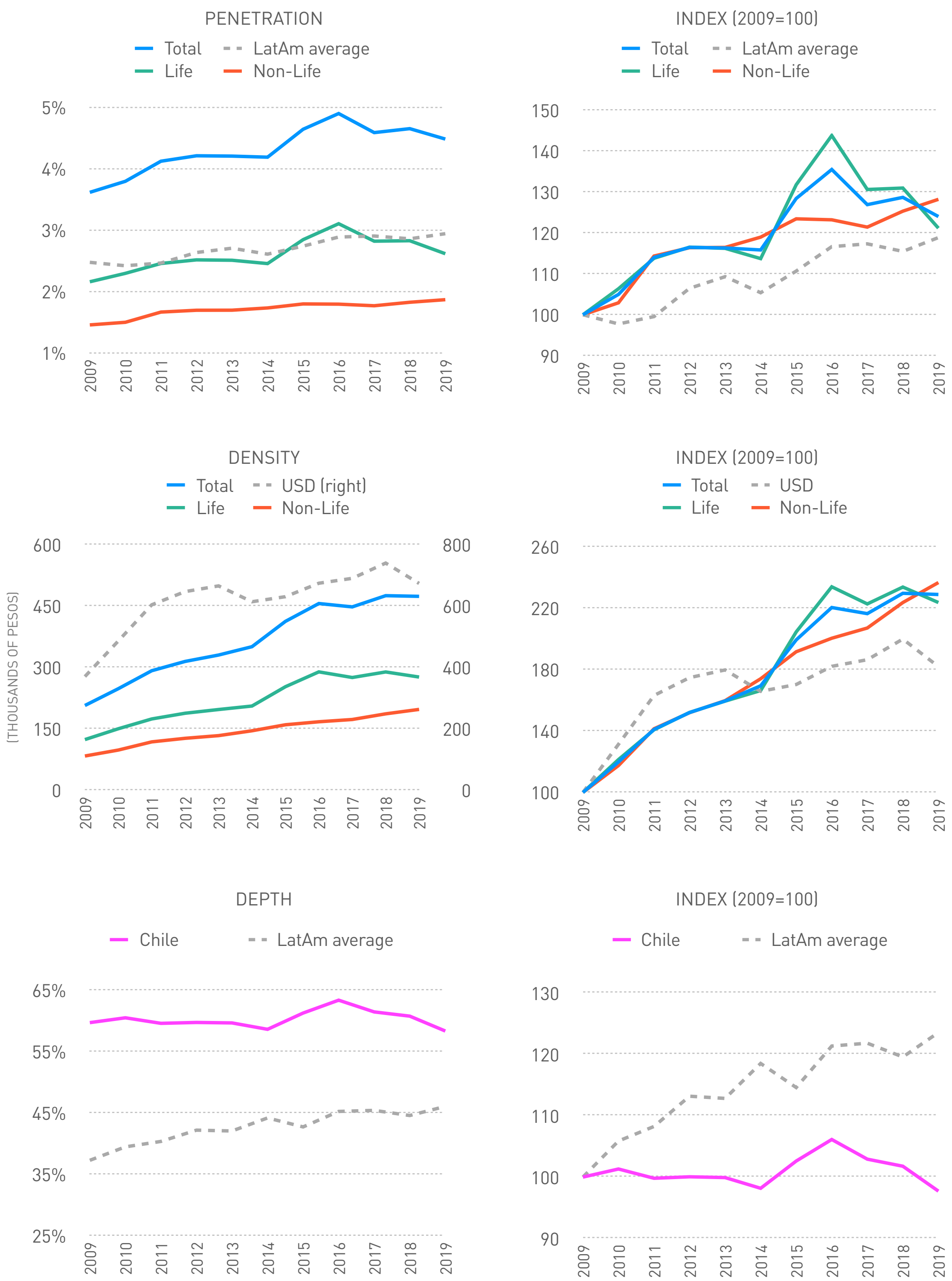
The insurance density index (premiums per capita) in Chile also recorded a slight decline in 2019 to reach 473,462 pesos (673 US dollars), -0.3% lower than in 2018 (475,967 pesos). The density of the Chilean insurance market (measured in local currency) shows a growing trend over the 2009–2018 period, recording slight declines only in 2017 and again in 2019. It

Chart 3.2.7-m
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-n
Chile: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



Source: MAPFRE Economics (based on data from the Commission for the Financial Market and the Chilean Insurance Association) should be noted 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.

Lastly, depth (Life insurance premiums in relation to total premiums) recorded a decline of -2.4 pp to 58.3% in 2019, due to both the growth of the Non-Life segment and to the contraction of the Life segment. This is still well above the average of the Latin American insurance markets and is only surpassed by Brazil. However, as in the case of penetration, the depth coefficient shows a declining trend from 2017, when it diverges from the average of the region's insurance markets.

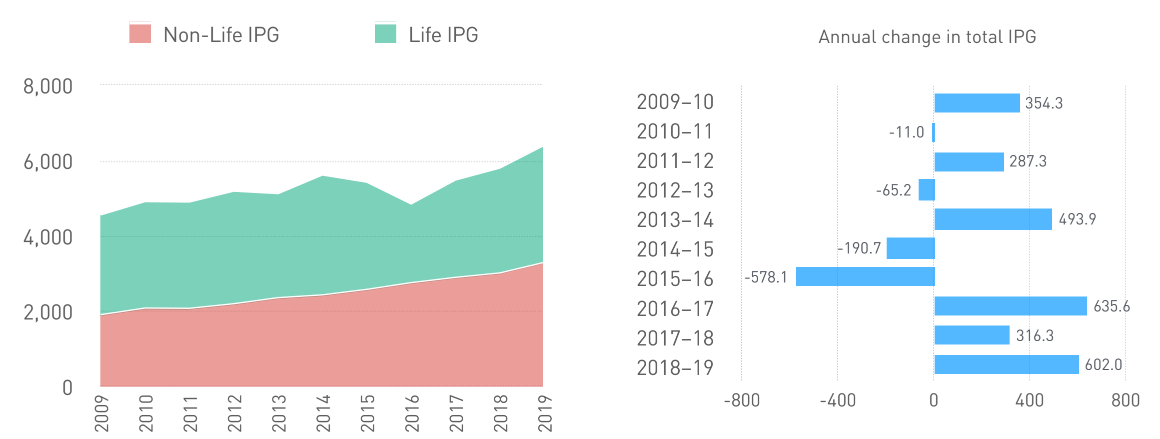
Insurance Protection Gap estimate

Chart 3.2.7-o shows an update of the estimated insurance gap for the Chilean insurance market over the 2009–2019 period. The insurance gap in 2019 stood at 6.4 trillion pesos (9.1 billion US dollars), 0.7 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. As such, 48.4% of the IPG related to Life insurance (3.1 trillion pesos) at the close of 2019, -9.6 pp lower than in 2009. The remaining 51.6% related to the gap in the Non-Life insurance segment (3.3 trillion pesos).

As such, the potential insurance market in Chile at the close of 2019 (measured as the sum of the actual market plus the IPG) was estimated at 15.38 trillion pesos (21.87 billion US dollars), 1.7 times the size of the total Chilean insurance market that year (see Chart 3.2.7-p).

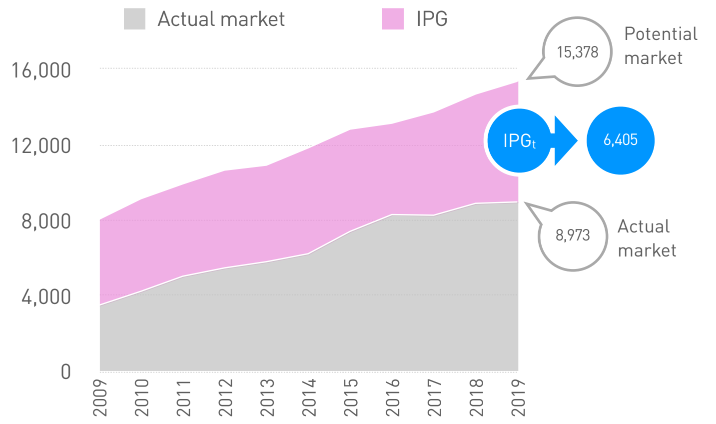
Chart 3.2.7-q shows an estimate of the insurance gap as a multiple of the actual Chilean insurance market. This data shows that the IPG generally showed a decreasing trend throughout the period under analysis. As such, the total insurance gap fell from 1.3 to 0.7 times the size of the actual market during this time. However, the change in trend from 2017 is once again noteworthy, as the indicator increased from 0.6 to 0.7 times during the 2016–2019 period. A similar situation arose with the multiple for the Life market, which, although it fell from 1.3 to 0.6 times in aggregate terms during the period analyzed,

Chart 3.2.7-o
Chile: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

Chart 3.2.7-p
Chile: Insurance Protection Gap and potential market
(billions of pesos)



Variation	Actual market	IPG
2019–2009	157.0%	40.4%
2019–2018	0.8%	10.4%

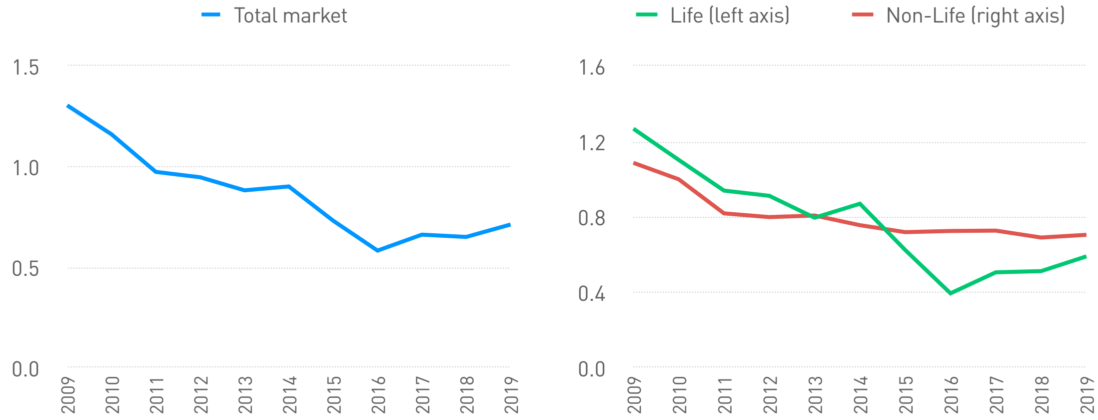
Source: MAPFRE Economics

rose from 0.4 to 0.6 times between 2016 and 2019. In the case of the Non-Life insurance segment, the trend has been clearly declining over the period analyzed, falling from 1.4 times in 2009 to 0.9 times in 2019.

Chart 3.2.7-r summarizes the changes in the IPG as a multiple of the actual market for the Life and Non-Life segments and for the total Chilean insurance market, comparing the situation in 2019 with that of 2009. In this regard, improvements can be seen in both the Non-Life and Life lines during this period.

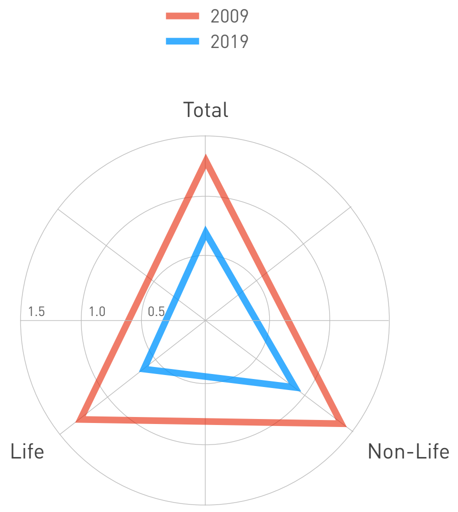
Lastly, Chart 3.2.7-s summarizes the Chilean insurance market's capacity to close the insurance gap determined in 2019, based on a comparative analysis of the growth rates observed over the last ten years compared to the growth rates that would be required to close the IPG over the next decade. This confirms that the country's insurance market

Chart 3.2.7-q
Chile: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

Chart 3.2.7-r
Chile: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

grew at an average annual growth rate of 9.9% between 2009 and 2019, while the Life and Non-Life segments grew at a rate of 9.6% and 10.3% respectively. Given the relative development of the Chilean insurance market, the analysis 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 both the Life and Non-Life insurance segments.

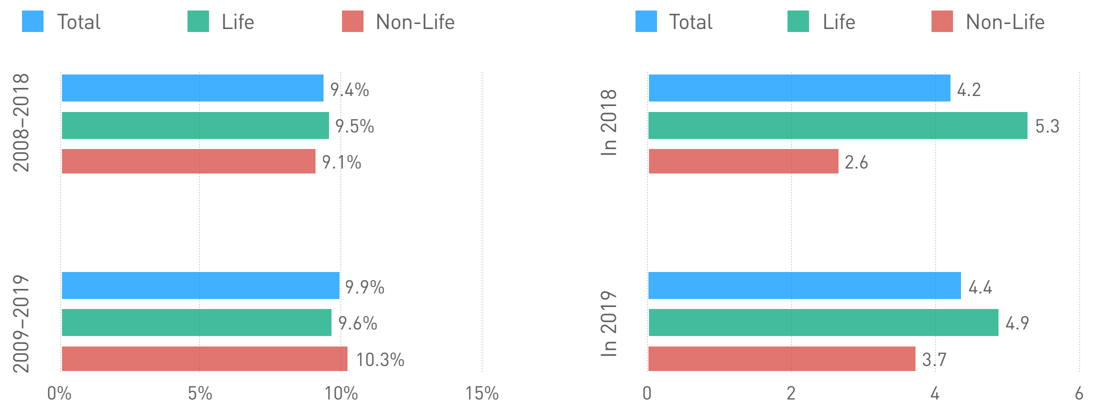
Market Development Index (MDI)

Chart 3.2.7-t shows an estimate of the Market Development Index (MDI) for the Chilean insurance industry. The MDI, which is used as an indicator of the general trend shaping the performance and maturity of insurance markets, shows a positive trajectory that, until 2016, had exceeded the average of the region's markets, the year from which it began to reverse and fall below it.

Comparative analysis of structural coefficients

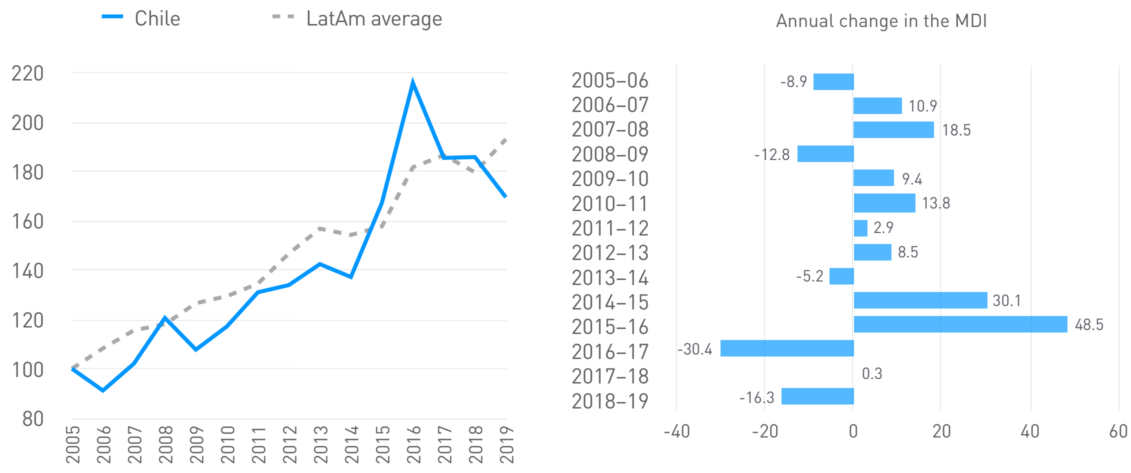
Chart 3.2.7-u shows the Chilean insurance market's situation in comparison with the average for Latin America, measured in terms of the four structural coefficients analyzed above. This therefore confirms that the situation of the Chilean market remains above

Chart 3.2.7-s
Chile: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

Chart 3.2.7-t
Chile: Market Development Index (MDI)
(2005 index=100; annual change)

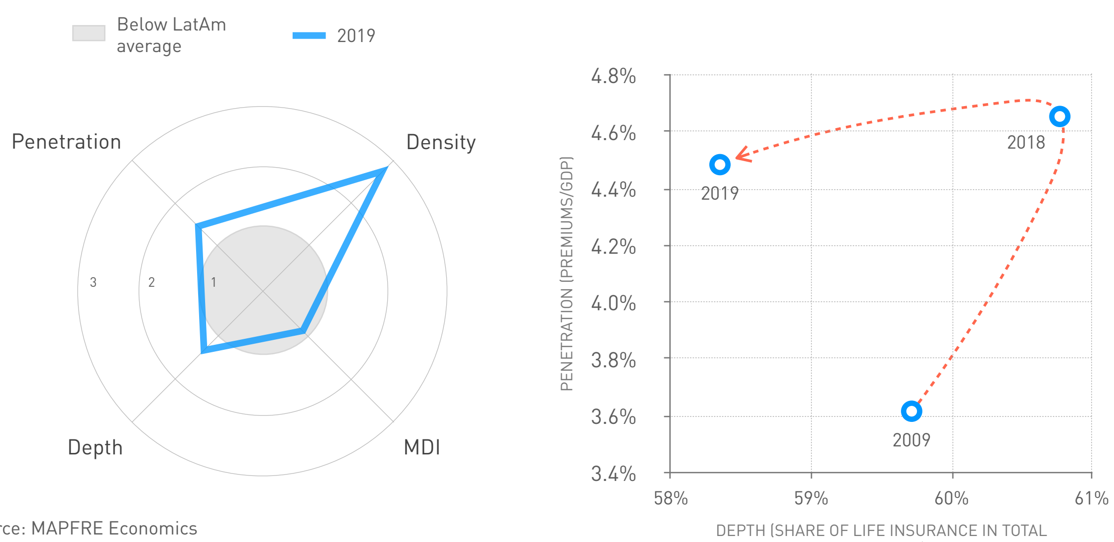


Source: MAPFRE Economics

the Latin American average for all coefficients except the MDI, the deterioration in the last year of which has placed it below the average of the region's insurance markets.

The dispersion analysis shown in the aforementioned chart shows that, over the 2009–2018 period, the Chilean insurance industry had been showing balanced development, characterized by improvements in both penetration levels and depth levels. However, this trend reversed in 2019, when both indicators saw a contraction.

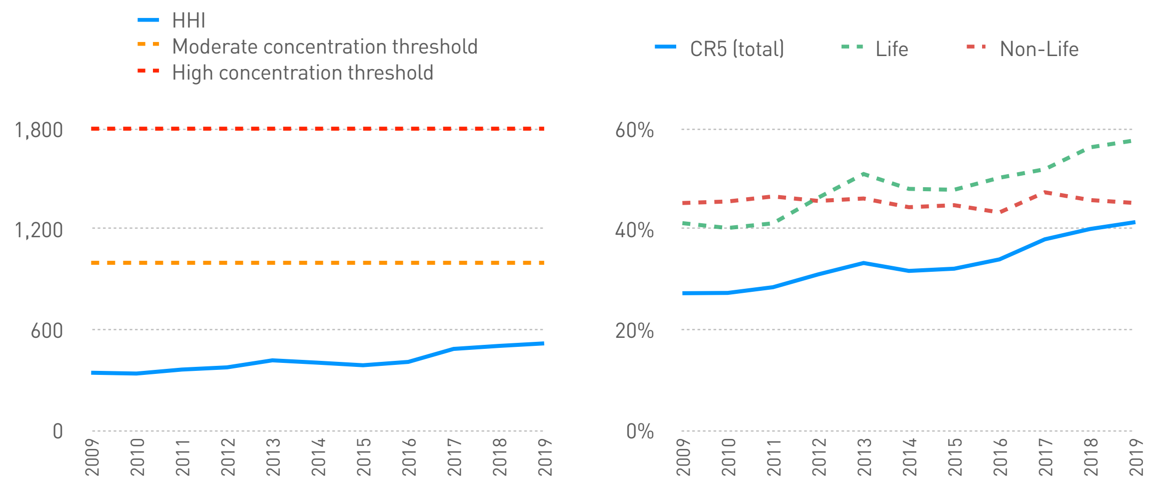
Chart 3.2.7-u
Chile: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

* Indices 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 3.2.7-v
Chile: insurance industry concentration
(Herfindahl index; CR5 index, %)



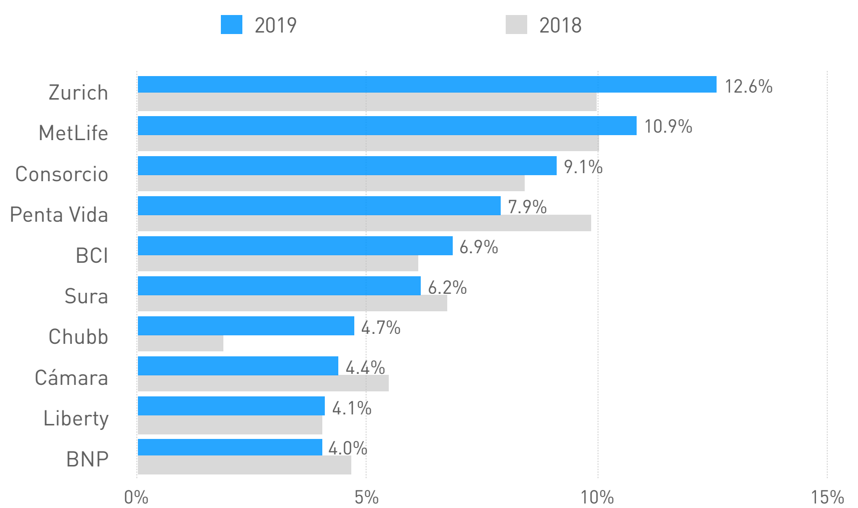
Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

Insurance market rankings

Total ranking

There were 47 General P&C insurance companies and 30 Life insurance companies operating in the Chilean insurance market in 2019. Chart 3.2.7-v shows the concentration indicators for the Chilean insurance industry over the decade under analysis. The Herfindahl index indicates a low level of concentration in the industry, falling below the theoretical threshold indicating moderate concentration, though showing an increasing trend from 2016. 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

Chart 3.2.7-w
Chile: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

business saw lower levels of concentration, falling below the Life line from 2013 onwards.

With regard to the total ranking of insurance groups in 2019, only its composition changed compared to the previous year, with more changes in rankings (see Chart 3.2.7-w). This year, Zurich topped the ranking with a 12.6% share of total premiums, having overtaken MetLife which held a 10.9% market share. Third place is held by Consorcio (9.1%), after overtaking Penta Vida (7.9%), followed by BCI (6.9%), which in turn jumped ahead of Sura (6.2%). In seventh place is held by Chubb (4.7%), consolidating its expansion with the purchase of Banchile Seguros Vida and SegChile Seguros Generales, followed by Cámara (4.4%), Liberty (4.1%) and BNP (4%).

Life and Non-Life rankings

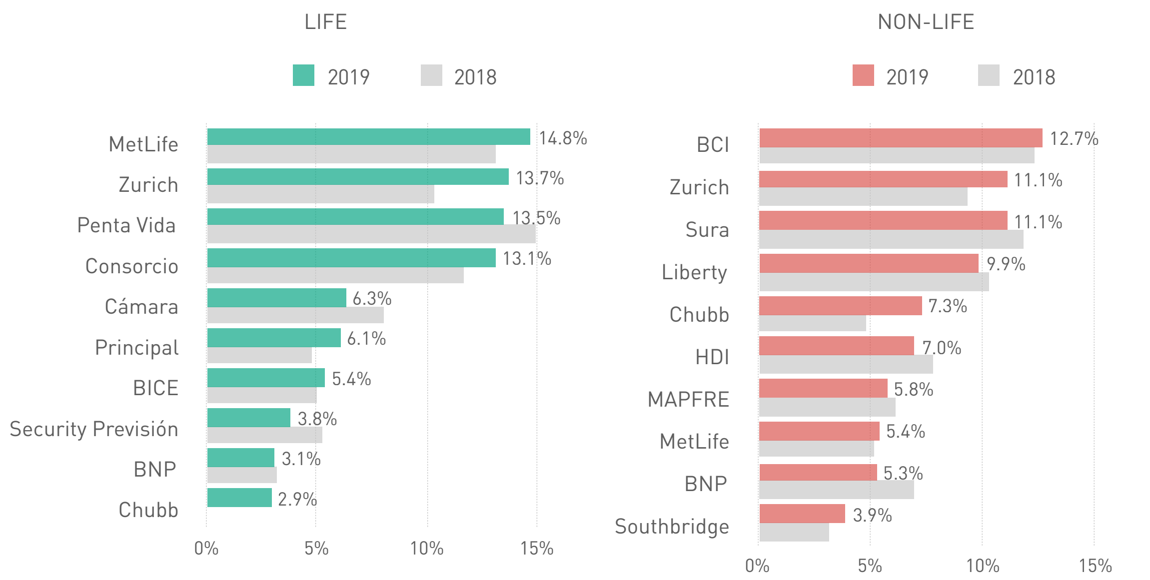
With regard to the Non-Life ranking in 2019, its comprising groups remained practically the same as in 2018, with the exception of Southbridge and the aforementioned Chubb after undertaking its expansion process by purchasing insurance companies from Banco de Chile. BCI (12.7%) once again ranks in first place, followed by Zurich (11.1%), which overtook Sura and Liberty (11.1% and 9.9% respectively). Chubb (7.3%) holds fifth place and HDI (7%) holds sixth, followed by MAPFRE (5.8%) and MetLife (5.4%), both of which overtook BNP (5.3%). Lastly, Southbridge rounds out the ranking with a market share of 3.9% (see Chart 3.2.7-x).

Meanwhile, the groups that comprise the 2019 Life ranking saw little variation, with the exception of BNP and Chubb replacing EuroAmerica and Sura, recording the biggest changes in relative positions. MetLife (14.8%), Zurich (13.7%) and Penta Vida (13.5%) lead the ranking, followed by Consorcio (13.1%), Cámara (6.3%) and Principal (6.1%). BICE and Security Previsión hold seventh and eighth place (5.4% y 3.8% respectively). New entries BNP and Chubb complete the ranking with total premium shares of 3.1% and 2.9% respectively in this segment.

Key regulatory aspects

The *Comisión para el Mercado Financiero* (CMF — Commission for the Financial Market), the body responsible for the prudential supervision

Chart 3.2.7-x
Chile: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Chilean Insurance Association)

and regulation of the Chilean insurance market, has continued to work on the development and implementation of Pillar 1 (regulatory) and Pillar 2 (supervision) of the new Risk-Based Supervision (RBS) 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.

It is important to note the five methodological RBC documents that the CMF has published to date, with seven industry impact studies (QIS) already being carried out. In this regard, a new methodological document is being published in 2021 and a new impact exercise is being carried out. This, in combination with the Risk Matrix audits that have been completed to date by insurers, has allowed the CMF to gain further experience in implementing the model while fine-tuning its methodologies and the scope of its work.

Furthermore, the following is a list of the main regulations issued in 2019 and so far in 2020:

- Circular No. 2242: 12/20/19. Circular amending Circular No. 1928, which establishes the obligations of Life insurance companies in relation to the Solidarity Pensions System and the child allowance for women. The main objective of the regulatory amendment is to implement, in a timely and appropriate manner, the changes introduced by Law No. 21,190, which improves and establishes new benefits in the Solidarity Pensions System, given the increases in the amount of the *Pensión Básica Solidaria* (PBS — Basic Solidarity Pension) and the *Pensión Máxima con Aporte Solidario* (PMAS — Maximum Pension with a Solidarity Contribution) by age group. The regulatory amendment also instructs insurance companies to implement a series of actions in order to ensure that a greater number of beneficiariesof the Solidarity Pillar, who have not yet applied for their benefits, become aware that they are potential beneficiaries of the *Aporte Previsional Solidario* (APS — Solidairty Pension Contribution). As such, the obligations of the *Administradoras de Fondos de Pensiones* (AFP — Pension Fund Managers) and the *Instituto de Previsión Social* (IPS — Social Security Institute) in this area are matched.

- General Regulation No. 433: 10/30/2019. Regulation amending *Norma de Carácter General* (NCG — General Regulation) No. 209, which provides instructions for the analysis of the adequacy of assets supporting life annuity obligations in Life insurance companies. The regulatory change modifies the way in which the VTD (*vector de tasas de descuento* — discount rate vector) currently used in the TSA (*Test de Suficiencia de Activos* — asset sufficiency test) applied by the CMF, in accordance with NCG No. 209, is calculated in order to analyze and control the reinvestment risk of Life insurance companies. Specifically, the amendment extends the calculation window for the zero curve and spread of the AAA corporate bonds that comprise the VTD; this is extended from 3 months of observations to 12 months. The objective of this change is to reduce vector volatility and thus reduce the variance of TSA requirements for insurance companies. The aim is to ensure that insurers can better manage their assets and any additional technical reserve requirements that may arise from the TSA, promoting adequate financial and capital planning by reducing the variance in the capital requirements they may have to address. This proposal also seeks greater methodological consistency in the CMF's monitoring tools, by matching the calculation method used to obtain the discount rate applied normatively in the TSA with the RBC exercise methodology applied by the CMF to the insurance industry since 2013. It should be noted that this change is part of the agenda of regulatory amendments that the CMF is studying in order to progressively incorporate into the regulatory framework the RBC standards that have been developed in the seven capital exercises performed to date.

- General Regulation No. 441: 05/13/2020. Amendment to General Regulation (NCG) No. 234 on rules for disability and survivor's insurance policy contracting. The main changes concern: increasing the number of maximum sections to be tendered from 14 to 25; adjusting the annual premium rate adjustment mechanism; and reducing the deadlines of some stages of the bidding process to provide the possibility of a third bidding process in case not all sections can be awarded in a second process.

- General Regulation No. 440: 05/13/2020. Rule amending General Regulation (NCG) No. 243 on instructions concerning the establishment of technical reserves in disability and survivor's insurance. It amends the risk classification requirement from A+ to A international for foreign reinsurers and from A+ to A local for domestic reinsurers, for new disability and survivor's insurance contracts.

- General Regulation No. 437: 04/09/2020. Rule amending General Regulation (NCG) No. 200 on financial risk hedging transactions, investments in financial derivatives and stock lending operations for insurance and reinsurance companies. It amends the award limit of assets as collateral or hedging transaction margin, under the following terms: (i) increase the maximum limit for granting assets as guarantees or margin for hedging transactions authorized in the regulation, measured on the basis of the book value of the assets, from 4% currently to 6% of the technical reserves and risk capital; and (ii) allow, subject to the fulfillment of certain conditions, that when the fair value of the coverage contracts is negative, and they are derivative contracts concluded under a bilateral compensation framework agreement recognized by the Central Bank of Chile, this amount may be deducted from the calculation of the limit of the guarantees or margins constituted. This is because the current situation is having significant effects on global financial markets and also on Chile, which, in the case of derivative contracts concluded by insurance companies to cover their investments abroad, has generated high associated volatility, among other matters, in exchange-rate movements, which affect the amount of the guarantees constituted by such derivative transactions.

- General Regulation No. 436: 04/01/2020. Provides transitional instructions on the SCOMP (*Sistema de Consultas y Ofertas de Montos de Pensión* — pension amount consultation and quotation system) established by Article 61 bis of Decree Law No. 3,500 of 1980. The transitional regulation, issued in the context of the current pandemic, allows all pension procedures carried out through the AFP or a Life insurance company to be carried out completely remotely through the SCOMP platform.

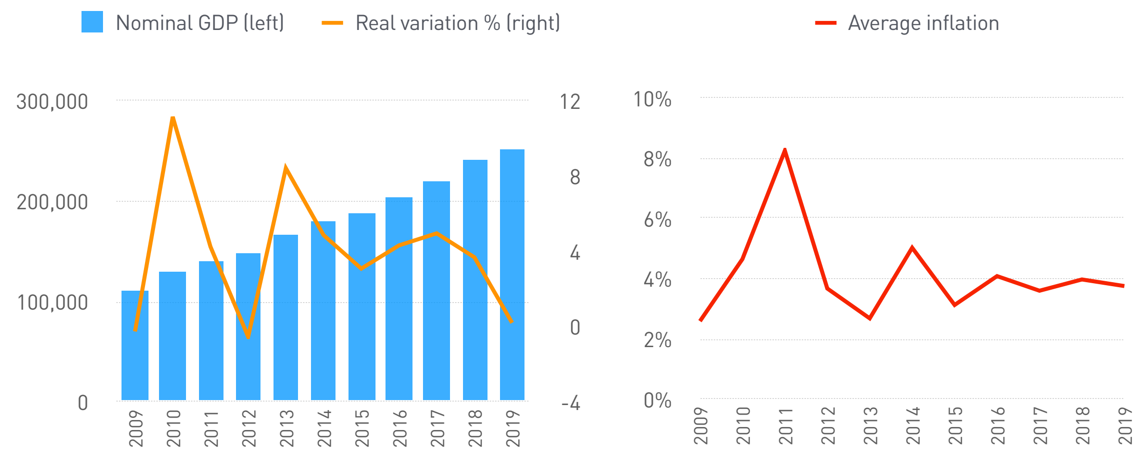
3.2.8 Paraguay

Macroeconomic environment

In 2019, the growth of the Paraguayan economy stood at 0.2% in real terms, exacerbating the slowdown that began the previous year, in which it experienced growth of 3.7%. This performance has been strongly influenced by the situation of its main trading partners, particularly Argentina and, to a lesser extent, by the slowdown in the Brazilian economy (see Chart 3.2.8-a). According to the ECLAC, an important factor that also influenced the notable slowdown in the Paraguayan economy was climatological factors, with droughts affecting agricultural production and electrical energy, followed by heavy rains that caused flooding, which affected livestock production and the construction industry. In order to stimulate growth, the country's government has developed policies of reactivation through public investment; an initiative supported by an expansionary monetary policy. As a result, the fiscal deficit in 2019 rose to 2.4% of GDP, compared to 1.3% the previous year, and public debt closed at 22.9% of GDP (19.7% in 2018).

Meanwhile, the average inflation rate stood at 3.8% in 2019, compared to 4.0% a year earlier, falling within the established monetary policy limit (4%). In this context, the central bank cut the monetary policy reference rate five times throughout the year, from 5.25% to 4.0%. The unemployment rate also increased to 7.2% (compared to 6% in 2018).

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 IMF data)

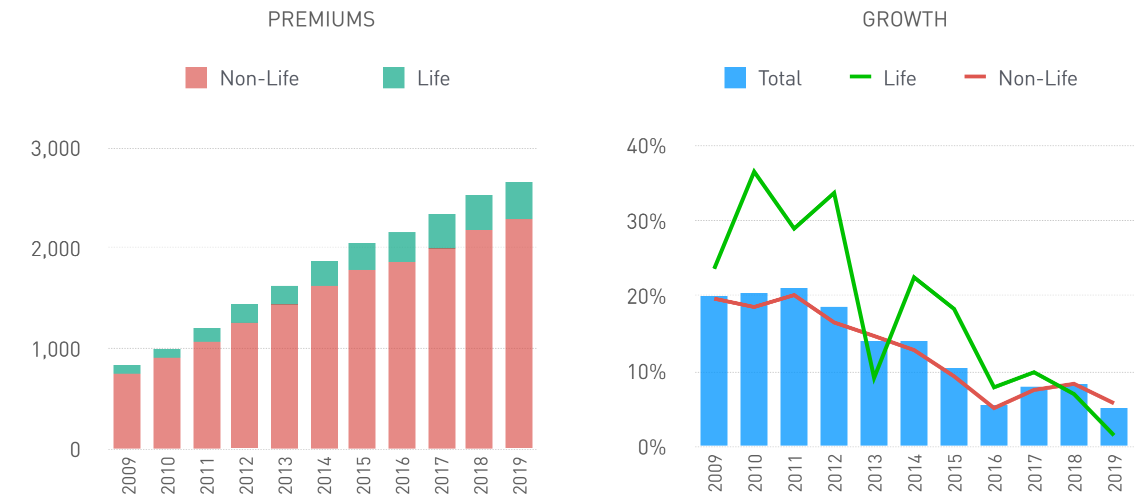
With regard to growth forecasts, the ECLAC estimates that the Paraguayan economy will contract by around -2.3% in 2020, mainly as a result of the situation caused by the COVID-19 pandemic. In its April forecasts, the IMF estimated that the Paraguayan GDP will fall by around -1.0% in 2020.

Insurance market

Growth

Premiums in the Paraguayan insurance market (annualized as of December of this year) amounted to 2.66 trillion guaranies (426 million US dollars), representing nominal growth of 5.1% and real growth of 1.3% (see Chart 3.2.8-b

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)

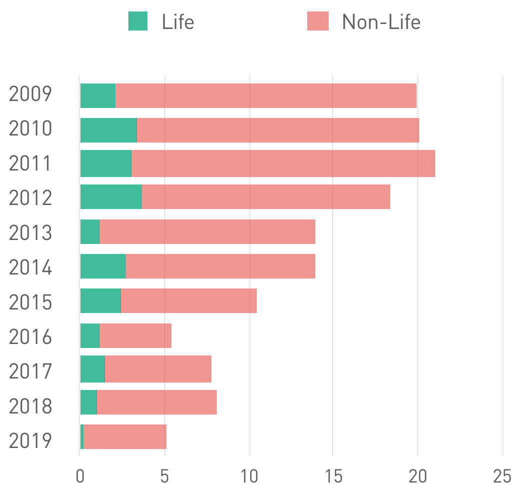
Table 3.2.8-a
Paraguay: premium volume[1] by line, 2019

Line	Millions of guaranies	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**2,657,159**	**426**	**5.1**	**1.3**
Life	**359,584**	**58**	**1.5**	**-2.2**
Non-Life	**2,297,575**	**368**	**5.7**	**1.9**
Automobiles	1,241,578	199	4.3	0.5
Other lines	181,327	29	1.9	-1.8
Fire	202,152	32	6.8	2.9
Miscellaneous risks	225,045	36	7.8	3.9
Transport	106,777	17	9.9	5.9
Theft	66,944	11	-3.9	-7.4
Surety	107,604	17	15.7	11.5
Third-party liability	94,705	15	16.1	11.9
Personal accidents	71,443	11	9.2	5.3

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)
1/Direct premiums net of cancellations plus administrative surcharges

and Table 3.2.8-a). Life insurance premiums, which account for 13.5% of the total market, grew by 1.5% in nominal terms (-2.2% in real terms) to 359.58 billion guaranies (58 million US dollars), while Non-Life insurance premiums, which represent the remaining 86.5%, grew by 5.7% in nominal terms (1.9% in real terms) to 2.3 trillion guaranies (368 million US dollars). All insurance modalities grew in nominal terms, with the exception of Theft, which decreased by -3.9% in nominal terms. The lines that saw the greatest increases were Third-Party Liability (16.1% in nominal terms and 11.9% in real terms) and Surety (15.7% in nominal terms and 11.5% in real terms). Automobile insurance, which accounts for 54%

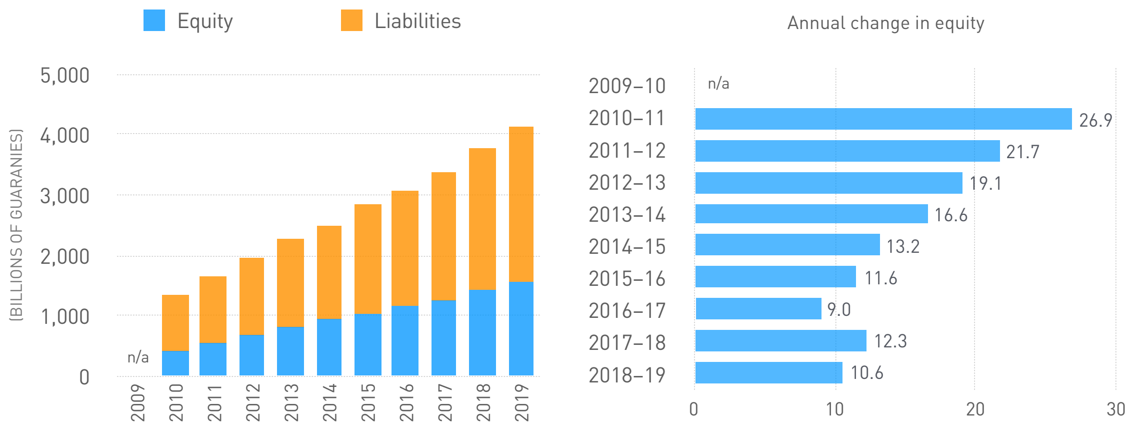
Chart 3.2.8-c
Paraguay: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	20.0	2.1	17.9
2010	20.1	3.3	16.8
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

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-d
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)

of Non-Life premiums, also performed well in 2019, with nominal growth of 4.3% (0.5% in real terms).

The Non-Life insurance segment made a strong contribution of 4.9 pp to the 5.1% nominal growth recorded by the Paraguayan insurance industry in 2019, while the Life insurance segment only contributed 0.2 pp (see Chart 3.2.8-c).

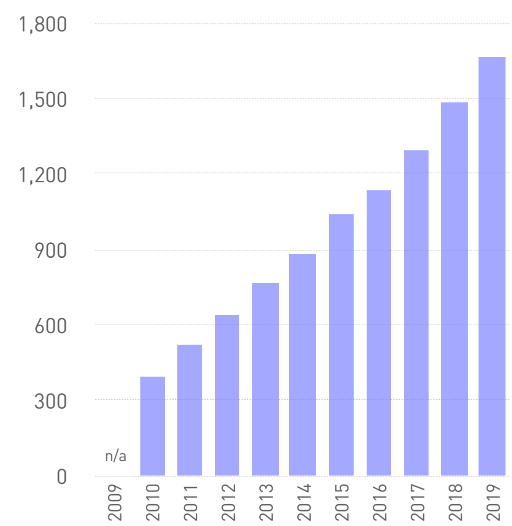
Balance sheet and shareholders' equity

Chart 3.2.8-d 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 2019 stood at 4.12 trillion guaranies (637 million US dollars), while equity stood at 1.58 trillion guaranies (244 million US dollars), 10.6% higher than in 2018. It should be noted that aggregate capitalization levels in the Paraguayan insurance industry remained high throughout the period. In 2010, equity stood at 32.6% of total assets, a figure that has risen gradually to reach 38.3% in 2019.

Investment and technical provisions

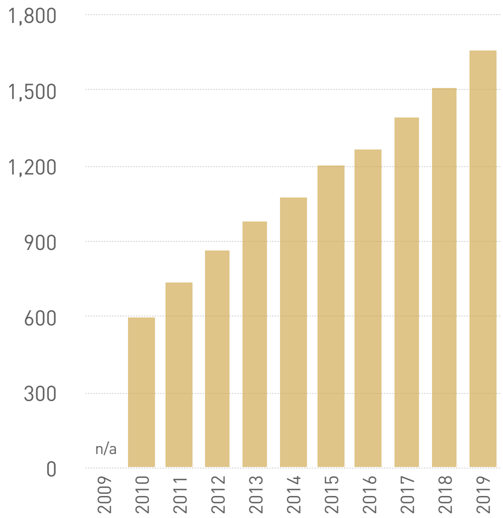
Charts 3.2.8-e and 3.2.8-f show changes in investments and technical provisions for the

Chart 3.2.8-e
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-f
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)

Paraguayan insurance industry between 2009–2019. This shows that investments totaled 1.67 trillion guaranies (258 million US dollars) in 2019, up 12% from the figure reported in 2018. Meanwhile, technical provisions in 2019 amounted to 1.66 trillion guaranies (257 million US dollars), up 10.3% 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.

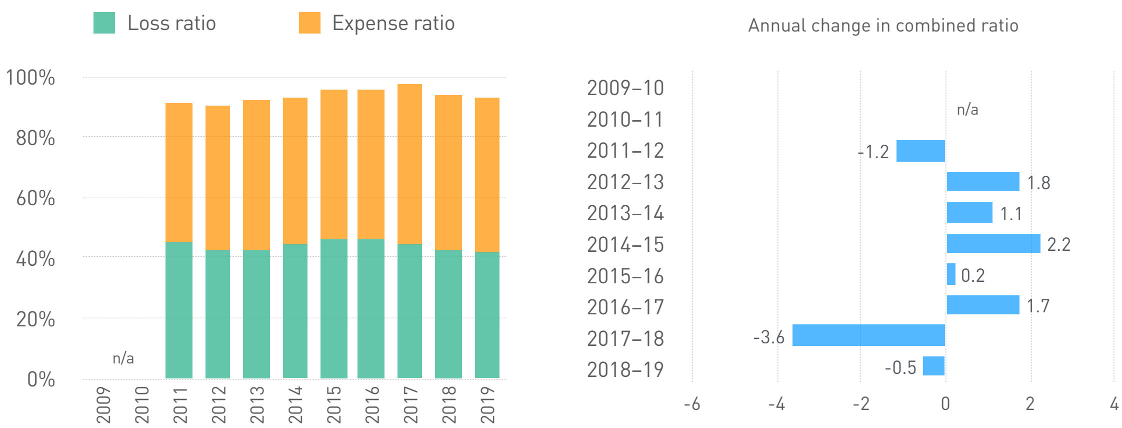
Technical performance

As shown in Chart 3.2.8-g, the technical result of the Paraguayan insurance industry (with data annualized as of December 2019) remained positive. The total combined ratio recorded in 2019 was 93.1% (compared to 93.7% in 2018), which implied an improvement of -0.5 pp, as a result of a slight increase in operating expenses (+0.1 pp) and an improvement in the loss ratio (-0.6 pp). Accordingly, this kept the combined ratio in a decline for the second consecutive year following five years of increases (2013–2017).

Results and profitability

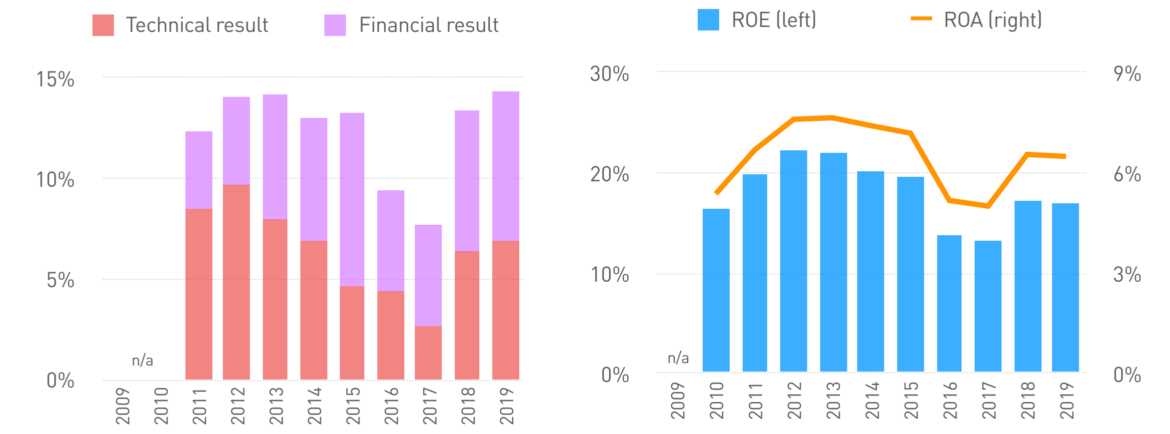
The net result of the Paraguayan insurance business at December 2019 was 267.85 billion guaranies, up 8.7% from the previous year. The positive technical performance of 2019, together with the result of investments, influenced that fiscal year's positive results

Chart 3.2.8-g
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-h
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)

(see Chart 3.2.8-h). In terms of profitability, the industry achieved a return on equity (ROE) of 17.0% in 2019, down -0.3 pp from 2018. A similar situation emerges in return on assets (ROA), which reached 6.5% in 2019, dropping -0.1 pp compared to the previous year.

Insurance penetration, density and depth

Chart 3.2.8-i shows the main structural trends shaping the development of the Paraguayan insurance industry over the 2009–2019 period. The penetration index (premiums/GDP) stood at 1.1% in 2019, meaning that this figure has remained virtually unchanged since 2015. As can be seen, the penetration index for the Paraguayan market grew steadily between 2009 and 2015, to then stabilize after that year, lagging behind the average absolute values of the other insurance markets in the region throughout the decade.

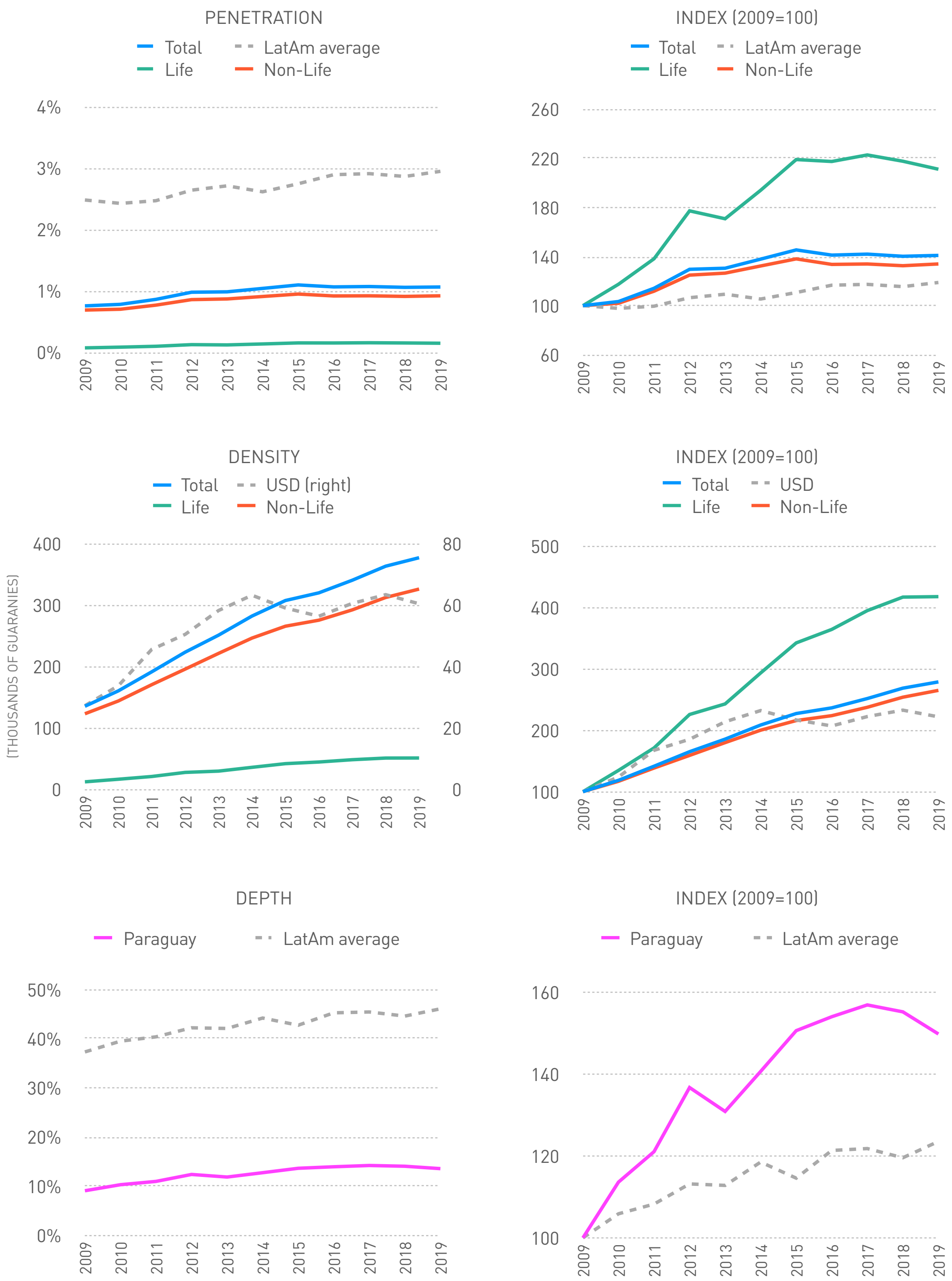
Meanwhile, insurance density (premiums per capita) stood at 377,189 guaranies (60.4 US dollars), 3.8% higher than in 2018 (363,390 guaranies). Density showed a growing trend over the period under analysis, with cumulative growth of 179% between 2009 and 2019.

Lastly, insurance depth in the Paraguayan market (Life insurance premiums in relation to total premiums) came to 13.5%, up 4.5 pp from 2009 and -0.5 pp lower than in 2018. It should be noted that the depth of the Paraguayan insurance market is well below the average of the Latin American insurance markets and shows a slightly divergent trend from 2017.

Insurance Protection Gap estimate

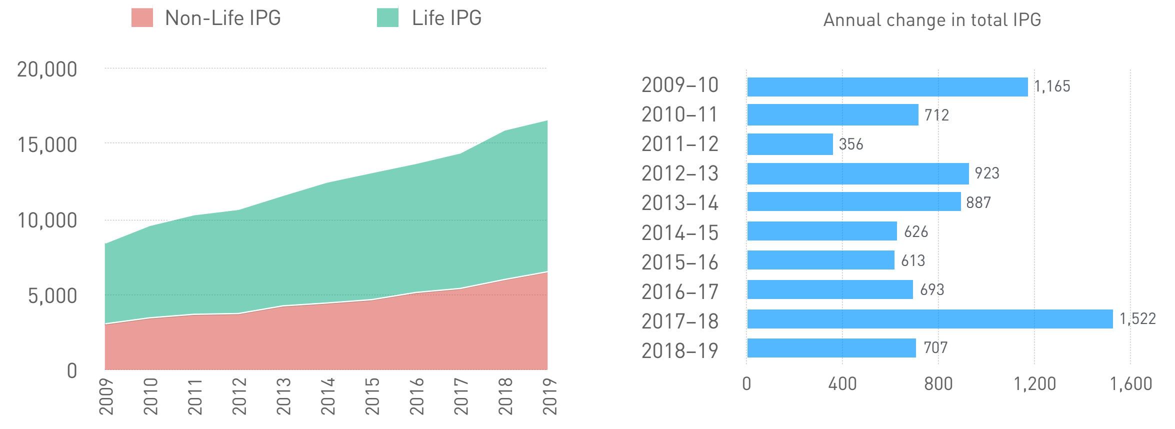
Chart 3.2.8-j shows an estimate of the IPG for the Paraguayan insurance market between 2009 and 2019. This data shows that the insurance gap in 2019 amounted to 16.63 trillion guaranies, 6.3 times the size of the Paraguayan insurance market at the close of that year. As in many of the region's insurance markets, the structure and performance of the insurance gap over the period under analysis are largely attributable to the Life insurance segment. At the close of 2019, 60.7% of the IPG was related to Life insurance (10.1 trillion guaranies), 3.0 pp less than the share recorded for this segment in 2009. The remaining 39.3% of the insurance gap was related to the Non-Life insurance segment (6.53 trillion guaranies). As such, the potential insurance

Chart 3.2.8-i
Paraguay: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, guaranies and USD; Life premiums/total premiums, %, 2009 index=100)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-j
Paraguay: Insurance Protection Gap
(billions of guaranies)



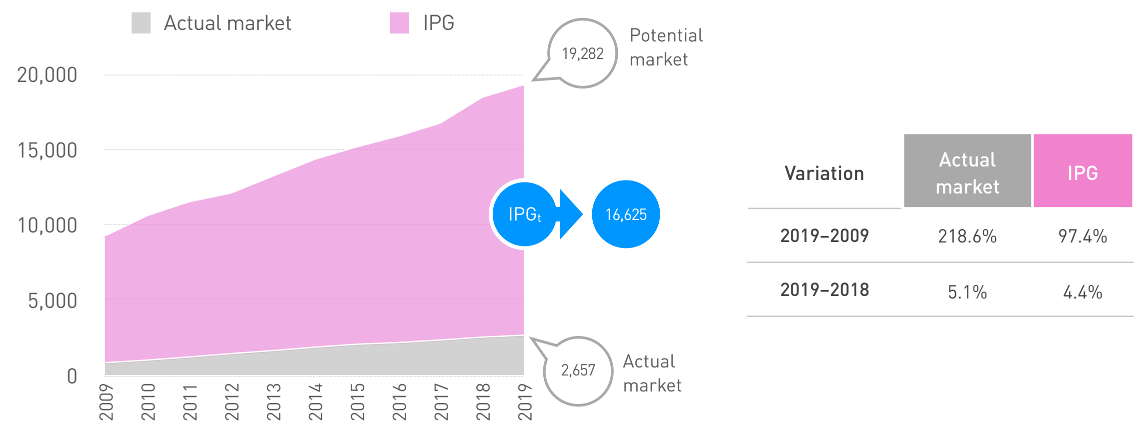
Source: MAPFRE Economics

market in Paraguay at the close of 2019 (the sum of the actual insurance market plus the IPG) was estimated at 19.28 trillion guaranies, 7.3 times the size of the total insurance market that year (see Chart 3.2.8-k).

Charts 3.2.8-l and 3.2.8-m show an estimate of the insurance gap as a multiple of the actual insurance market in Paraguay. The IPG as a multiple of the market showed a downward trend between 2009 and 2019, both for the Life insurance segment (falling from 71.2 to 28.1 times) and for the Non-Life insurance segment (from 4.0 to 2.8 times). It should be noted, however, that this downward trend eased until stabilizing from 2017.

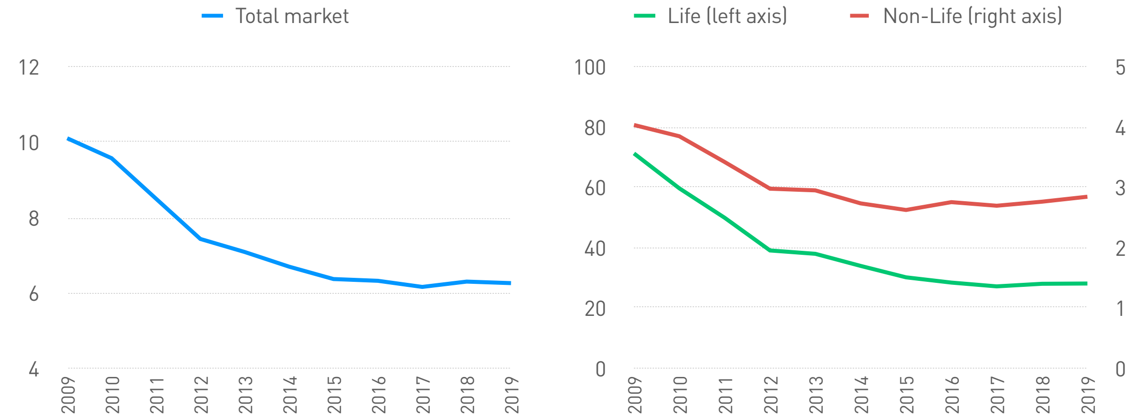
Lastly, Chart 3.2.8-n shows a summary of the Paraguayan insurance market's capacity to close the insurance gap determined in 2019, based on a comparative analysis between the growth rates observed over the last ten years and the growth rates that would be required to close the IPG over the coming decade. This

Chart 3.2.8-k
Paraguay: Insurance Protection Gap and potential market
(billions of guaranies)



Source: MAPFRE Economics

Chart 3.2.8-l
Paraguay: IPG as a multiple of the actual market
(number of times, actual insurance market)



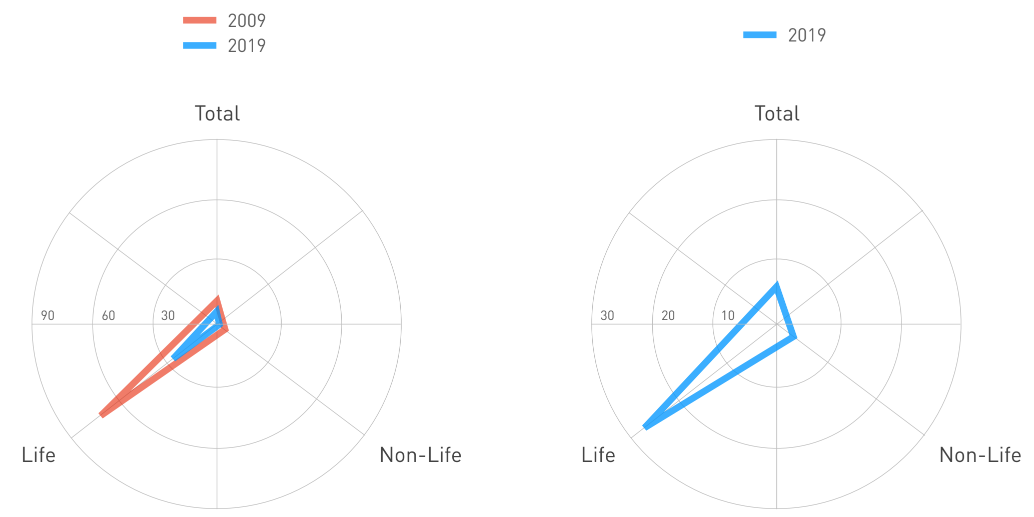
Source: MAPFRE Economics

analysis shows that the Paraguayan insurance market grew at an average annual rate of 12.3%, underpinned by an annual growth rate of 16.9% in the Life insurance segment and 11.7% 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 Paraguayan insurance market would fall -2.7 pp short of closing the gap in the Non-Life insurance segment, and -23.2 pp short in the Life insurance segment.

Market Development Index (MDI)

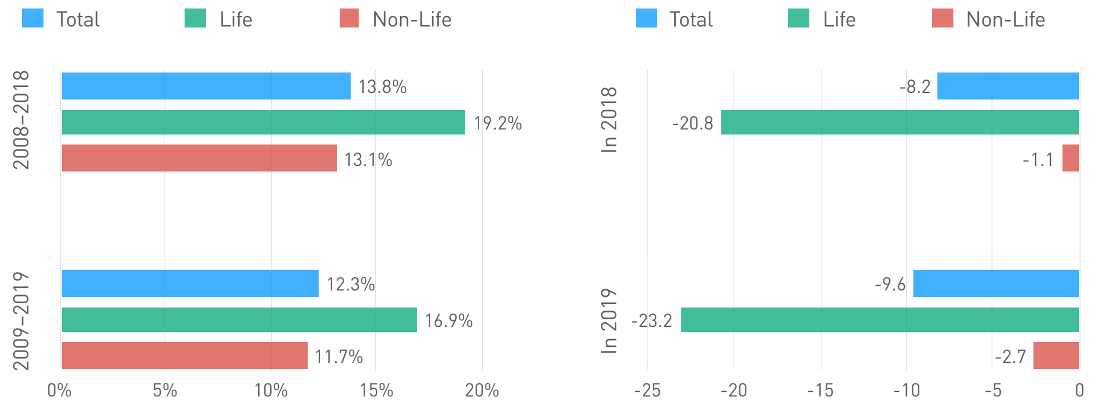
Chart 3.2.8-o shows an update of the estimate of the Market Development Index (MDI) for the Paraguayan insurance industry between 2005

Chart 3.2.8-m
Paraguay: change in IPG as a multiple of the actual market



Source: MAPFRE Economics

Chart 3.2.8-n
Paraguay: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



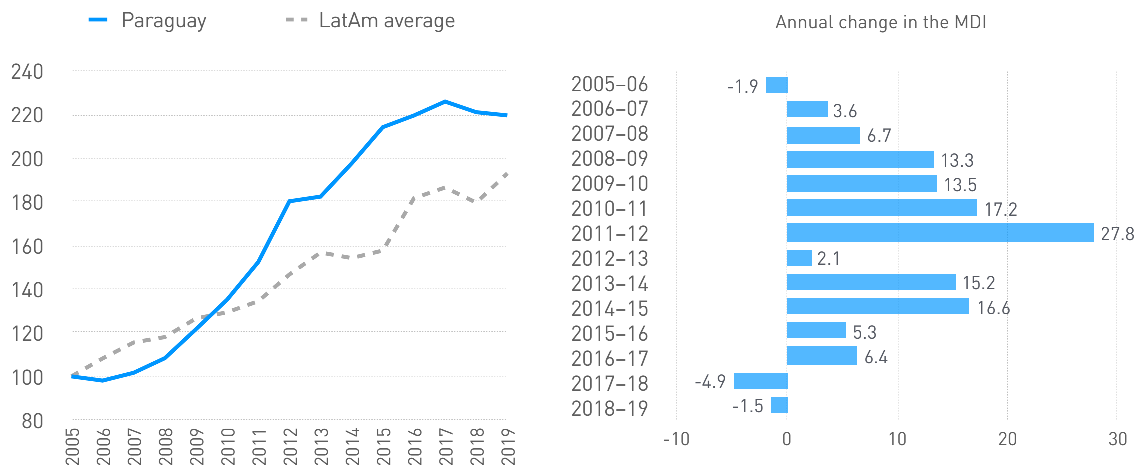
Source: MAPFRE Economics

and 2019. As indicated previously in this report, the MDI is used as an indicator to monitor the performance and maturity of the markets analyzed. The Paraguayan market performed positively, generally exceeding the average level recorded across all Latin American insurance markets. However, it should be noted that the indicator began to contract once again from 2018.

Comparative analysis of structural coefficients

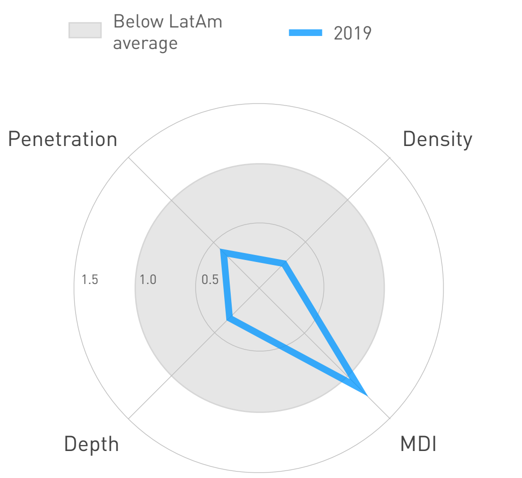
Chart 3.2.8-p shows the Paraguayan insurance market's situation in comparison with the average for Latin America, measured in terms of the four structural indicators analyzed: penetration, density, depth and MDI. As can be seen, the Paraguayan insurance market falls well below the regional average, with the

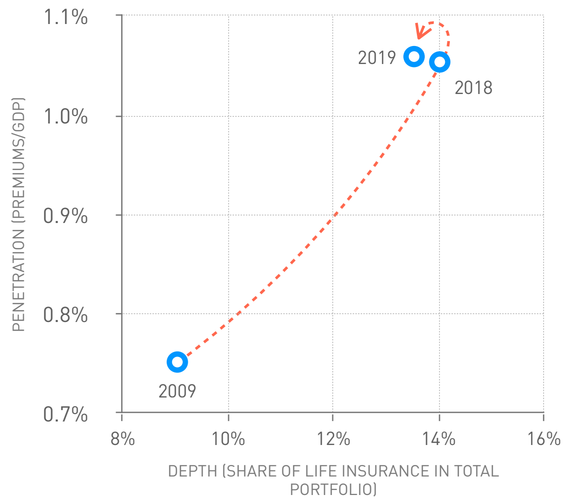
Chart 3.2.8-o
Paraguay: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.8-p
Paraguay: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)





Source: MAPFRE Economics

* Indices 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.

exception of the MDI, which exceeded the regional market average in 2019. Furthermore, the dispersion analysis shown in the aforementioned Chart 3.2.8-p reveals that, over the 2009–2018 period, the Paraguayan insurance industry had been showing relatively balanced development, characterized by slight improvements in penetration levels and depth levels. However, the trend reversed in 2019 with a clear contraction in the insurance depth indicator and a marginal increase in terms of penetration.

Insurance market rankings

Total ranking

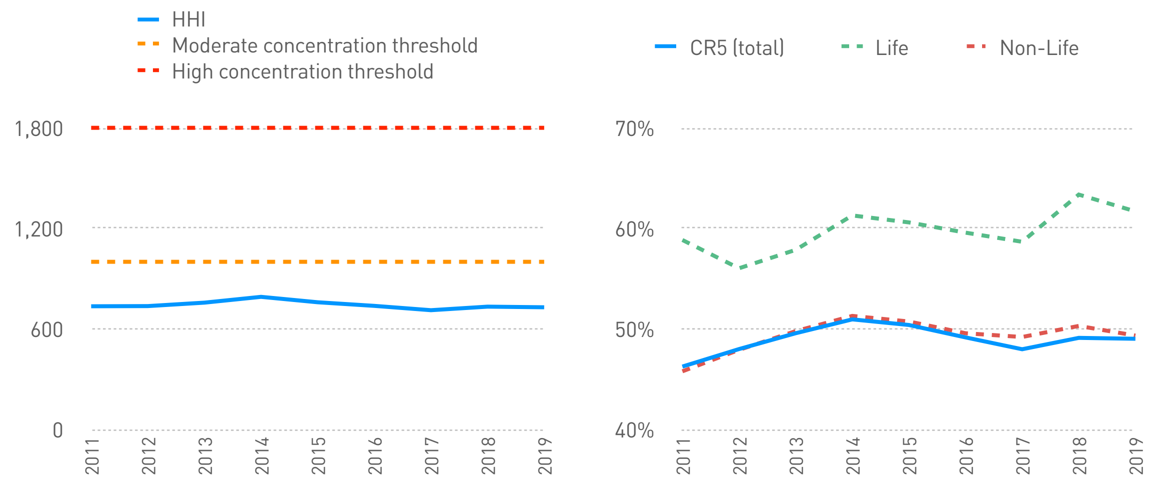
There were 35 insurance companies operating in the Paraguayan market in 2019; 25 authorized to offer property insurance and 10 operating in Life and property insurance. As can be seen in Chart 3.2.8-q, the industry is not highly concentrated. The Herfindahl index declined very slightly in 2019, reaching 728.5 points compared to 732.3 in 2018, still below the moderate concentration threshold. In terms of the CR5 index, the top five companies accounted for 49.0% of total premiums in 2019, 0.1 pp less than the figure recorded in 2018. Decreased concentration was observed in both the Life and Non-Life segments in 2019.

For 2019, the total ranking of insurance groups in the Paraguayan market is once again led by MAPFRE, with a market share of 18.0%, followed some way behind by Aseguradora del Este (12.0%) and La Consolidada (8.8%). Patria jumped from sixth to fourth place with a share of 5.1%, while Alianza Garantía (3.0%) and Aseguradora Paraguaya (2.9%) joined the ranking in ninth and tenth place respectively. This year, Cenit and Grupo General were bumped out the ranking (see Chart 3.2.8-r).

Life and Non-Life rankings

With regard to the 2019 Non-Life ranking, this shows little change from last year. MAPFRE once again tops the table, with 20.2% of the market's premiums, followed some distance

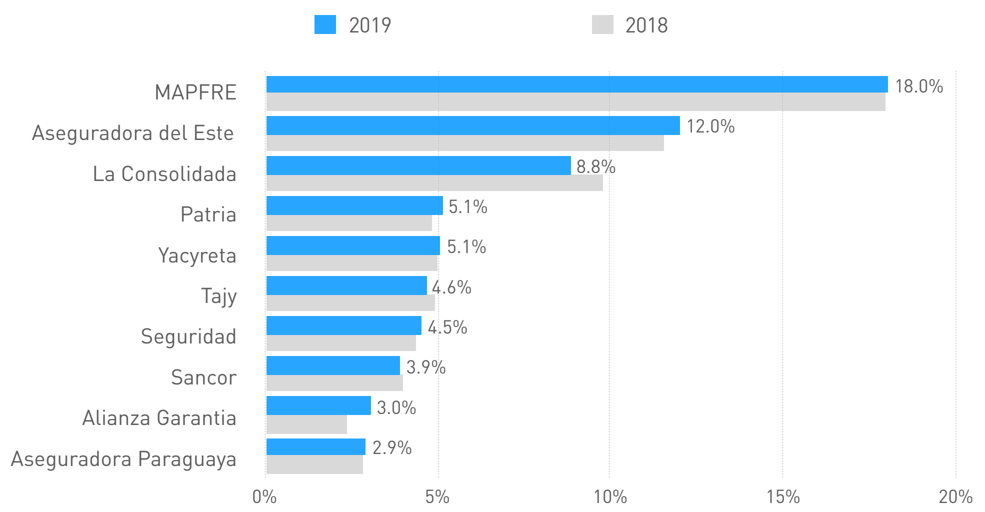
Chart 3.2.8-q
Paraguay: insurance industry concentration
(Herfindahl index; CR5 index, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

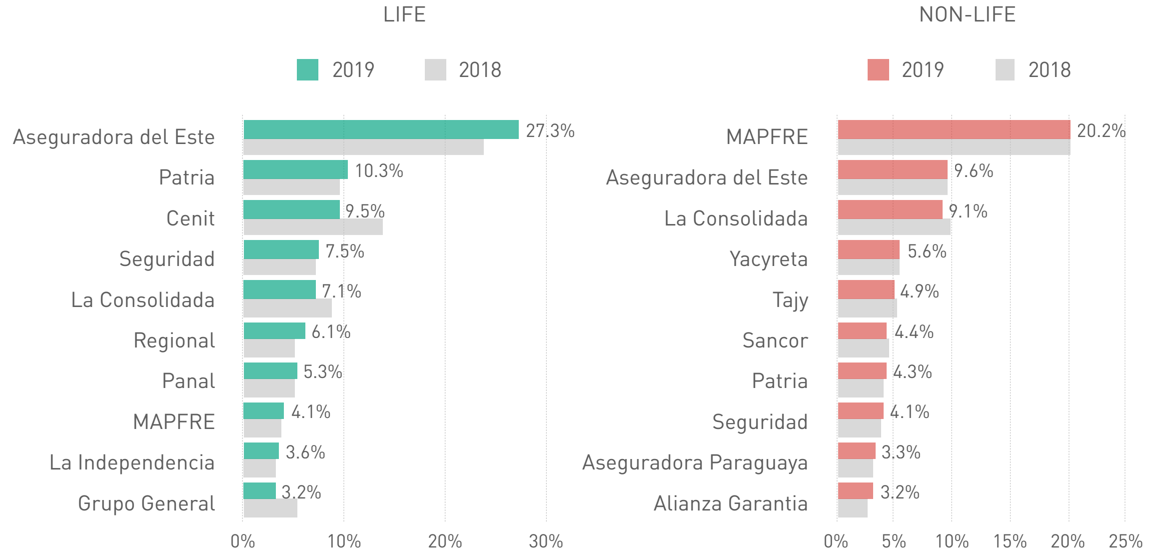
behind by Aseguradora del Este (9.6%), which jumped one place from the 2018 ranking, bumping La Consolidada down to third place with a share of 9.1%. The ranking of the other groups remains unchanged from the previous year. The 2019 Life ranking is once again topped by Aseguradora del Este, which accounts for 27.3% of premiums. Following behind are Patria (10.3%) and Cenit (9.5%), which swapped places compared to the previous year's ranking, with Patria jumping to second place. The same holds true for Seguridad (7.5%) and La Consolidada (7.1%), with Seguridad rising one place in this case.

Chart 3.2.8-r
Paraguay: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Chart 3.2.8-s
Paraguay: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)

Regional (6.1%), Panal (5.3%) and MAPFRE (4.1%) each rose one spot, while Grupo General (3.2%) fell four places. It should be noted that La Independencia (3.6%) features in the 2019 ranking, while Tajy is no longer ranked among the top ten Life insurers (see Chart 3.2.8-s).

Key regulatory aspects

In 2019, seeking efficiency in regulation, the Superintendency of Insurance focused on updating three main insurance market regulations. An amending regulation was issued concerning the risk retention scheme. In this sense, the formula used to calculate the loss ratio was modified, breaking down the variables according to the sections of property insurance and long- and short-term Life insurance. This regulation is intended to provide greater clarity and accuracy to calculations, preventing the results obtained through the improper application of formulas from being distorted when insurers operate with large figures in group Life insurance.

The requirements on the preparation of the technical notes have also been temporarily adjusted, incorporating the option of an analysis of the combined ratio and the use of the premium rates provided under the technical and economic support of reinsurance. This option has been provided due to the qualitative and quantitative deficit in statistical data currently faced by insurers in this market. The final deadline for delivering technical notes for insurance plans that are already registered but lack said notes has therefore been extended.

Lastly, seeking the appropriate and timely processing of information sent by insurers to the Superintendency of Insurance, the collection of data in electronic books to be sent to the Information Center has been consolidated, thus contributing, among other aspects, to the decreased use of paper.

In addition to the main regulations, under the Superintendency of Insurance's role of consumer protection, emphasis was placed on the independence of the insurance agent/broker as a requirement for the exercise of their intermediation functions, and the insurance consumer was provided with audiovisuals related to microinsurance, insurance auxiliaries and Life insurance.

Table 3.2.8-b lists the main general regulations issued by the Superintendency of Insurance in

Table 3.2.8-b
Paraguay: recent regulatory developments in insurance matters

Regulation	Main aspects
SS.SG Res. No. 240/19 - Risk retention scheme (11/22/2019)	To provide greater clarity and precision to the calculations to be performed for risk retention by those supervised.
SS.SG Res. No. 238/19 - Insurance plan registration and hedging instrument issuing – General guidelines (11/22/2019)	The need for temporary flexibility in the requirements for the preparation of technical notes, taking into account the current lack of statistical data from those supervised.
SS.SG Res. No. 165/19 - New data supply scheme for the Superintendency of Insurance's electronic book module. (07/30/2019)	The need to streamline and strengthen the processing of information required for the operation of the SIS.

Source: Superintendency of Insurance, Central Bank of Paraguay

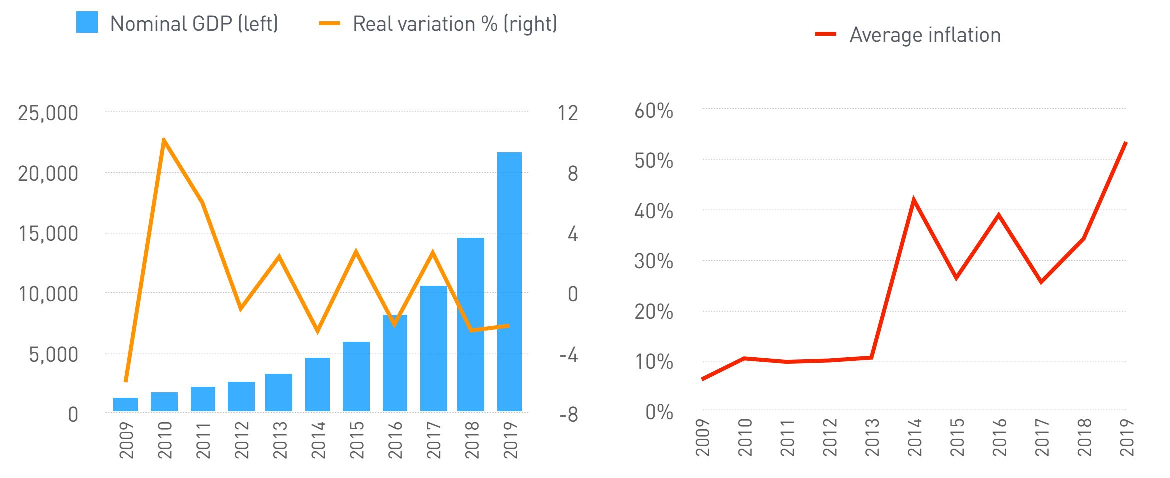
2019. With regard to 2020, the regulations are essentially aimed at adapting to the situation caused by the COVID-19 pandemic in order to mitigate the effects on the insurance market.

3.2.9 Argentina

Macroeconomic environment

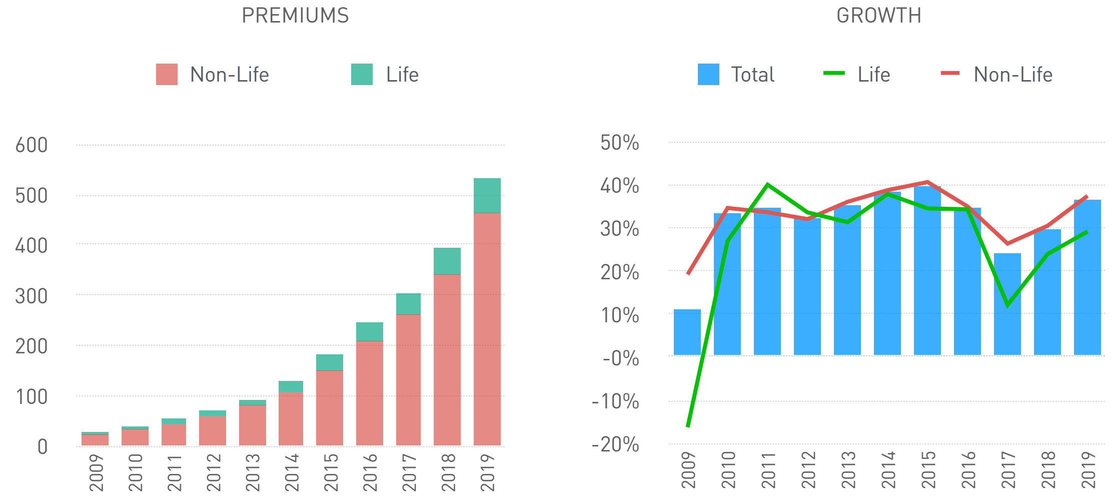
The Argentine economy contracted once again in 2019, experiencing a -2.2% fall in GDP (-2.5% in 2018), resulting from the sharp contraction in domestic demand, both in private investment and consumption (see Chart 3.2.9-a). The foreign sector performed well due to the significant growth in exports and, to a greater extent, to the fall in imports, which helped to mitigate the economic contraction. In this regard, the balance of payments current account deficit improved substantially in 2019 to 0.8% of GDP (compared to 5.0% in 2018), due in part to the sharp fall in imports coupled with improved exports.

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)

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)

Meanwhile, the average inflation rate stood at 53.5% (52.2% in the last quarter of the year). The labor market also felt the effects of situation and the unemployment rate remained high, though showed a slight improvement compared to last year, reaching 8.9% in the last quarter (9.1% in 2018). The fiscal deficit stood at 3.8% of GDP, lower than in 2018 (5.0%), as a result of the contractionary fiscal policy. Meanwhile, gross public debt accounted for 90.2% of GDP at the close of 2019 (86.1% in 2018).

There was a change of government in December 2019 following the election of Alberto Fernández as the new president, who faces a difficult economic situation exacerbated by the COVID-19 crisis due to the strict lockdown and social distancing measures that have been implemented in order to control the spread of the virus. By 2020, MAPFRE Economics expects that the Argentine economy will contract further in a range of between -9.5% and -10.4% in real terms due to the strict lockdown implemented in light of the pandemic and to the deteriorating credit situation with which the country has been grappling. The ECLAC, for its part, estimates that this contraction will be -10.5%, while the IMF puts its forecast at -9.9% for 2020.

Insurance market

Growth

Premium volume in the Argentine insurance market (annualized as of December 2019) amounted to 533.67 billion pesos (11.07 billion US dollars), up by 36.3% in nominal terms but down by -11.2% in real terms when compared to the same period of the previous year (see Chart 3.2.9-b and Table 3.2.9). Life insurance premiums, which account for 12.8% of the total market, grew by 29.1% in nominal terms (-15.9% in real terms) to reach 68.11 billion pesos (1.41 billion US dollars). All modalities saw nominal increases, led by Individual Life insurance; however, progress was negative for all modalities in real terms. For its part, Non-Life insurance premiums, which account for 87.2% of the market, grew by 37.4% in nominal terms (-10.5% in real terms) to reach 465.56 billion pesos (9.65 billion US dollars). All lines recorded positive growth throughout 2019, however, in real terms, only the Fire (12%) and Third-Party Liability (3.7%) lines maintained positive rates.

Thus, of the 36.3% nominal growth recorded by the Argentine insurance market in 2019, the

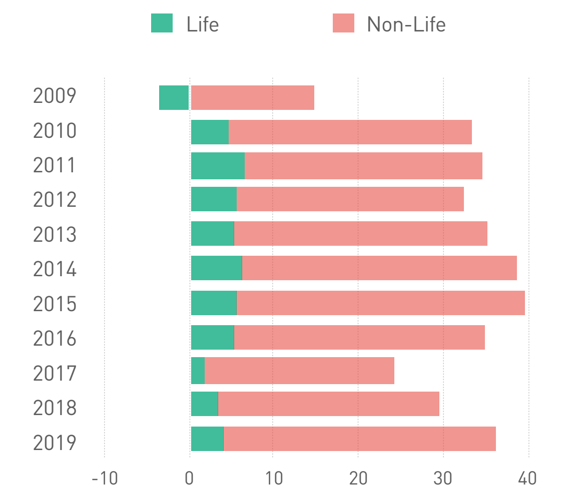
Table 3.2.9
Argentina: premium volume[1] by line, 2019

Line	Millions of pesos	Millions of USD	Growth Nominal (%)	Growth Real (%)
Total	**533,673**	**11,066**	**36.3**	**-11.2**
Life	**68,113**	**1,412**	**29.1**	**-15.9**
Group Life	41,385	858	21.8	-20.7
Individual Life	18,563	385	53.2	-0.2
Retirement	8,165	169	22.5	-20.2
Non-Life	**465,559**	**9,654**	**37.4**	**-10.5**
Automobiles	202,740	4,204	36.5	-11.1
Other lines	27,287	566	29.3	-15.8
Fire	25,436	527	71.9	12.0
Combined Family	25,116	521	43.6	-6.5
Agricultural insurance	12,666	263	51.6	-1.3
Personal accidents	11,627	241	31.7	-14.2
Third-party liability	9,997	207	59.2	3.7
Transport	8,348	173	47.0	-4.3
Credit and surety	8,492	176	40.0	-8.8
Health	1,116	23	36.3	-11.2
Workplace accidents	132,735	2,752	31.6	-14.3

Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)
1/ Premiums and surcharges issued

Non-Life insurance segment contributed the most with 32.4 pp, while the Life insurance segment contributed only 3.9 pp. As shown in Chart 3.2.9-c, this situation has been characterizing the Argentine insurance market over the past decade, whereby the Life insurance segment has been losing relative weight, rather significantly, in the overall market structure.

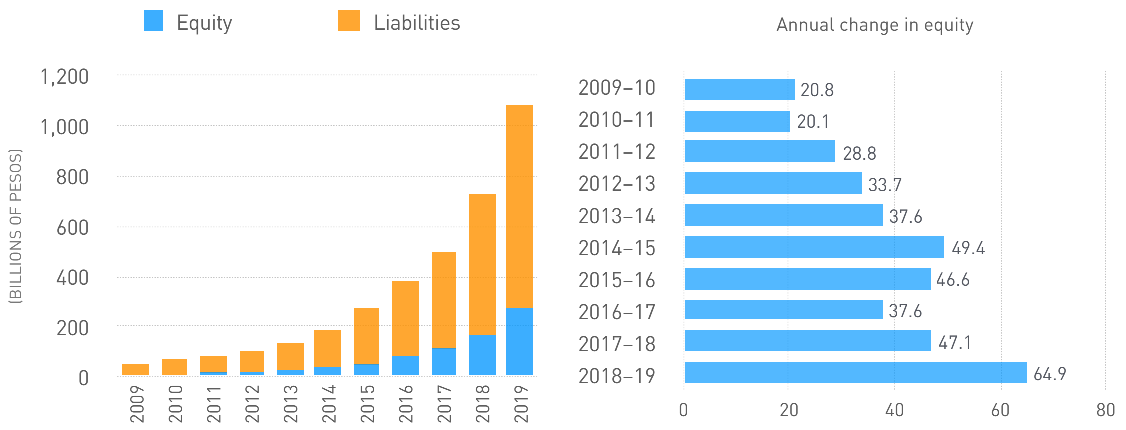
Chart 3.2.9-c
Argentina: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp) Life	Contribution to growth (pp) Non-Life
2009	11.2	-3.6	14.9
2010	33.3	4.5	28.8
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

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

Chart 3.2.9-d
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)

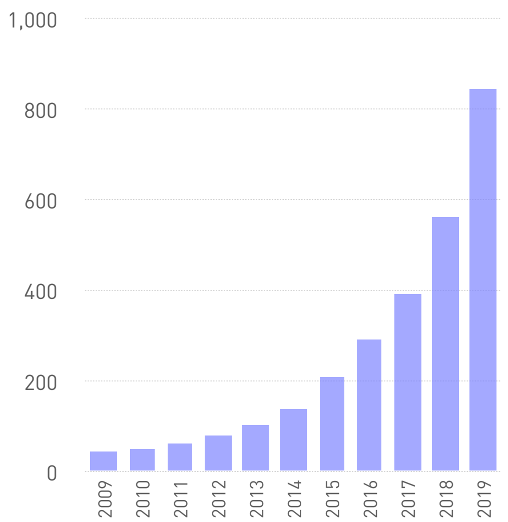
Balance sheet and shareholders' equity

Chart 3.2.9-d shows the performance of the Argentine insurance industry's aggregate balance sheet between 2009 and 2019. Assets reached 1.09 trillion pesos (18.14 billion US dollars), and equity stood at 270.09 billion pesos (4.51 billion US dollars). Aggregate capitalization levels within the Argentine insurance industry (measured over total assets) stood at around 20% between 2009 and 2019, the highest value being in 2019 with 24.9% over total assets.

Investments

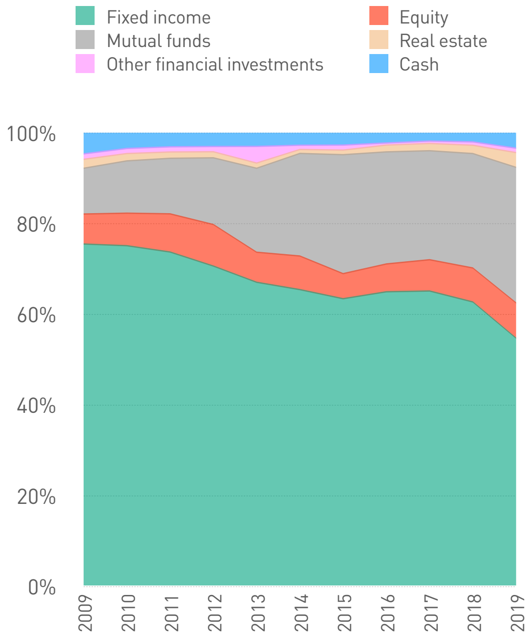
Charts 3.2.9-e, 3.2.9-f and 3.2.9-g show the performance, structure and composition of the aggregate investment portfolio of the Argentine insurance industry at the sector level between 2009 and 2019 and for 2019 specifically. In the latter year, investment totaled 845.32 billion pesos (14.12 billion US dollars), concentrated in fixed income (54.9%), mutual funds (29.9%), and, to a significantly lesser extent, equity instruments (7.8%). Particularly noteworthy in the aggregate investment portfolio analysis is the gradual increase in amounts managed through mutual funds, which increased in relative values from 2009, growing from 10.1% of total investments in that year to 29.9% by the end of 2019.

Chart 3.2.9-e
Argentina: insurance market investments
(billions of pesos)



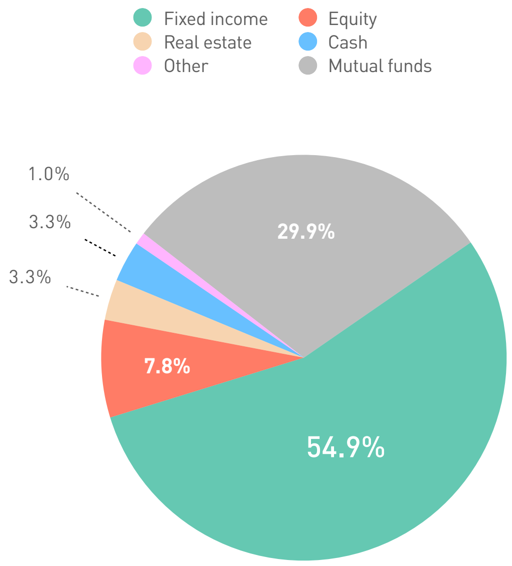
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-f
Argentina: structure of investments
(%)



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

Chart 3.2.9-g
Argentina: structure of investments, 2019
(%)



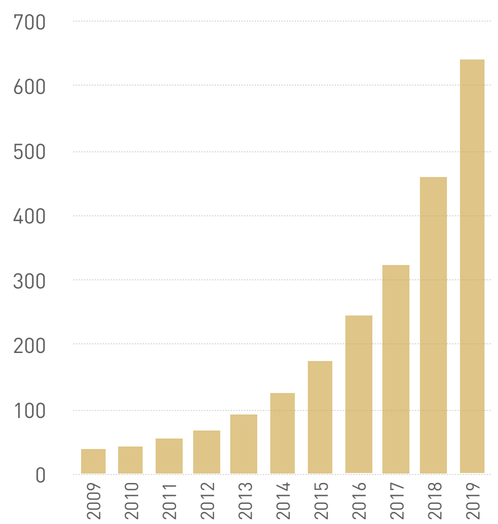
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Technical provisions

Charts 3.2.9-h, 3.2.9-i and 3.2.9-j show the evolution and relative composition of the Argentine insurance industry's technical provisions over the 2009–2019 period. Technical provisions in 2019 amounted to 638.97 billion pesos (10.67 billion US dollars). Of this total, 33.1% related to Life insurance, 13.8% to provisions for unearned premiums and unexpired risks in Non-Life insurance and the remaining 53.0% to provisions for outstanding benefits.

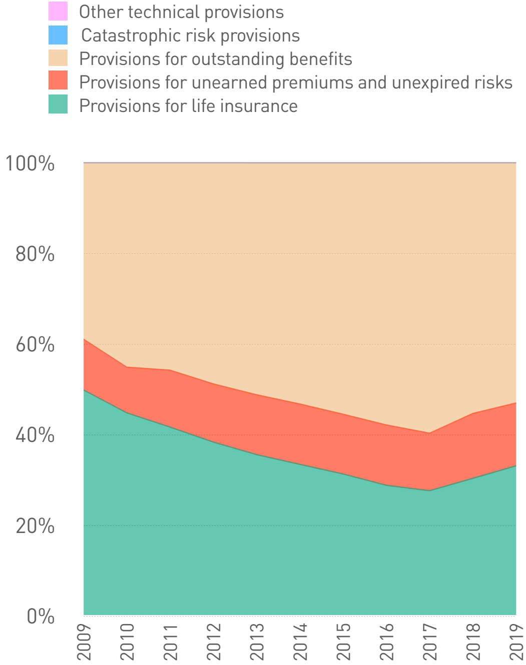
Aforementioned Chart 3.2.9-i shows that, over the period analyzed, there was a significant reduction in the weight of provisions for Life insurance, which fell from representing 49.9% of total provisions in 2009 to 33.1% in 2019. This indicates, as previously mentioned, the relative loss in the weight of this insurance segment within the structure of the Argentine market.

Chart 3.2.9-h
Argentina: technical provisions of the insurance market
(billions of pesos)



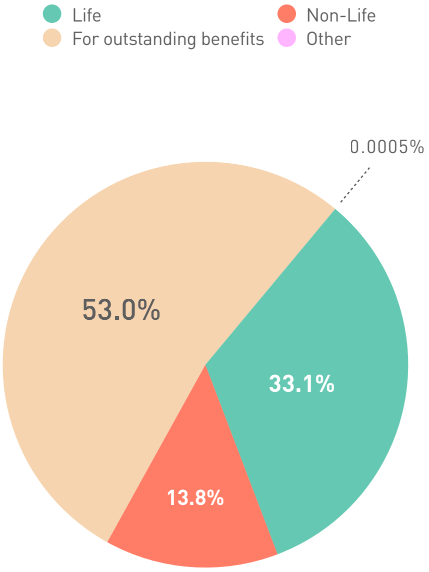
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-i
Argentina: structure of technical provisions
(%)



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

Chart 3.2.9-j
Argentina: structure of technical provisions, 2019
(%)

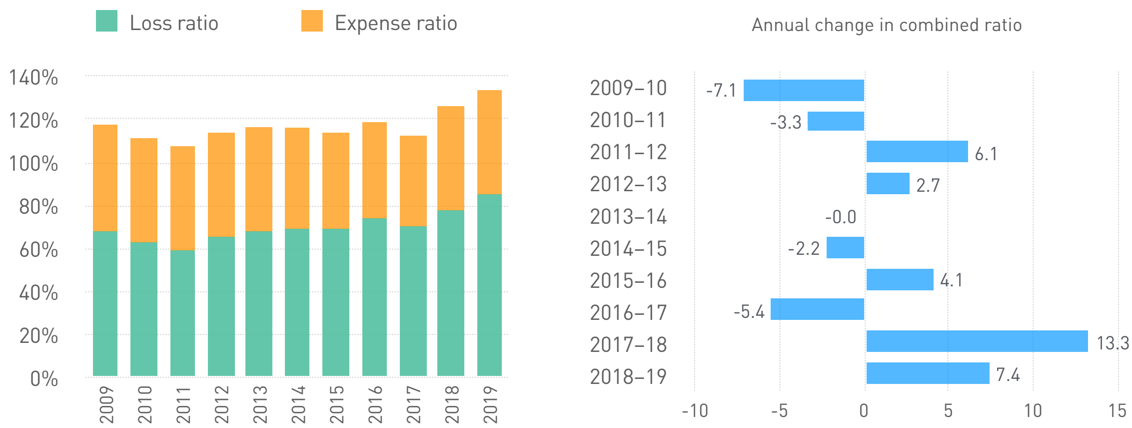


Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Technical performance

The technical result of the Argentine insurance business was negative for yet another year. The combined ratio in 2019 was 133.4%, 7.4 pp higher than the previous year. The increase of 0.5 pp in operating expenses and, to a greater extent, the increase of 6.9 pp in the loss ratio led to the deterioration of the industry's technical performance, which continues to show levels above 100% (see Chart 3.2.9-k).

Chart 3.2.9-k
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)

Results and profitability

The net result of the Argentine insurance industry (with data annualized up to December 2019) amounted to 75.04 billion pesos (1.56 billion US dollars), showing nominal growth of 60.4% compared to the previous fiscal year. This was due to the positive effect of the financial result and despite the poor technical performance discussed in the previous paragraph. In terms of profitability, return on equity (ROE) stood at 27.8% in 2019, down by 0.8 pp from 2018. However, given the performance of capitalization in the industry, return on assets (ROA) reached a value of 6.9% in 2019, up by 0.5 pp compared to 2018 (see Chart 3.2.9-l).

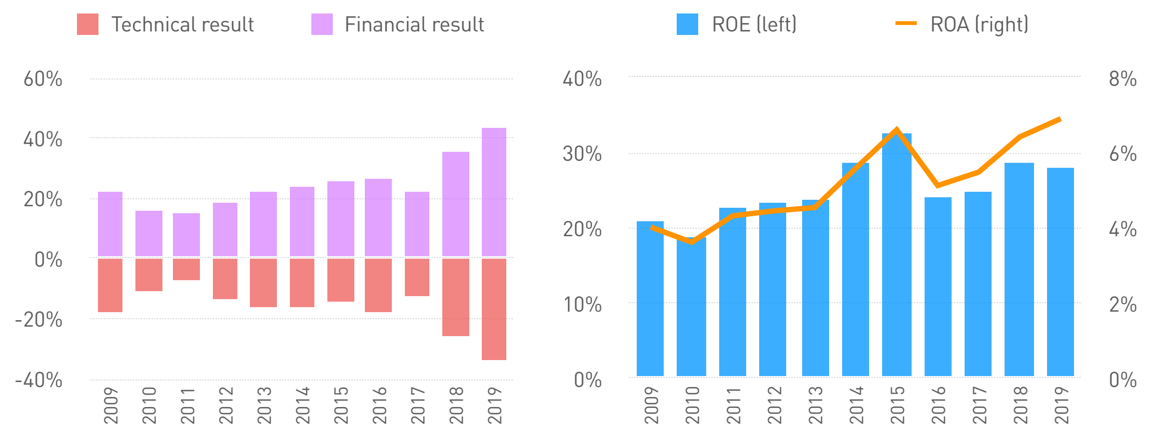
Insurance penetration, density and depth

Chart 3.2.9-m shows the main structural trends shaping the development of the Argentine insurance industry over the 2009–2019 period. This shows that the penetration index (premiums/GDP) stood at 2.5% in 2019. After a period of expansion between 2009 and 2015, the indicator began to show a clear downward trend from 2016, diverging from the general trend observed in Latin America as a whole. This is in addition to the fact that the production cycle within the insurance industry reversed and products were priced based on the estimate of a cost to be incurred in the future rather than an incurred cost. In this case, the most important component of that future cost is the loss ratio, which (especially in Non-Life insurance) is strongly determined by the general price level of the economy. Estimating penetration therefore entails comparing the expected cost of the following year against the production flow of the current year's economy, which, in high-inflation scenarios such as in the Argentine economy, can lead to a certain overestimation of the penetration indicator.

In terms of insurance density (premiums per capita), the indicator stood at 11,917 pesos (247 US dollars), 35% higher than the value observed in 2018 (8,827 pesos). In this regard, density showed an increasing trend over the last decade, though when measured in local currency, it is influenced by general price increases (which have accelerated in recent years and show no signs of slowing down).

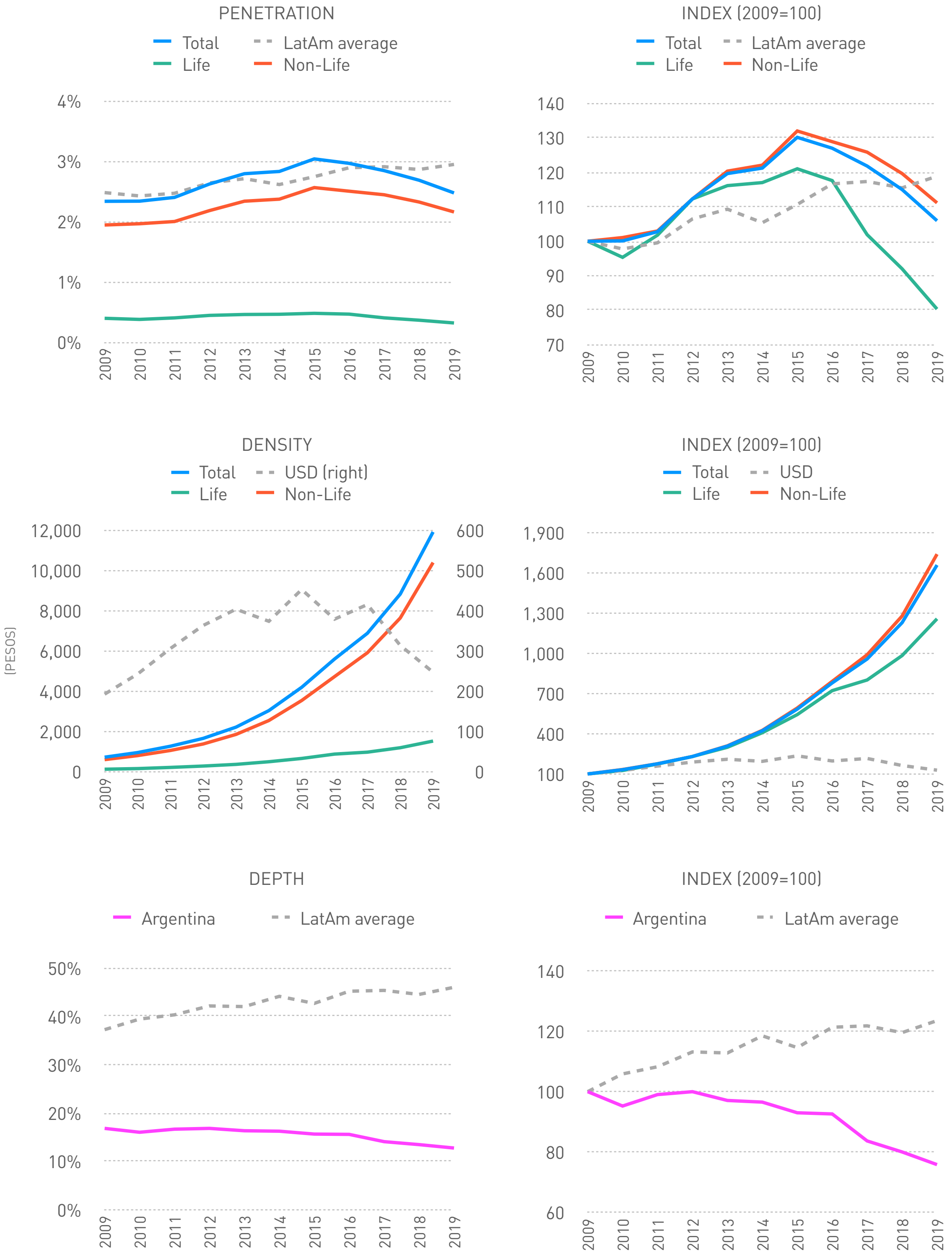
Lastly, with regard to depth levels (Life insurance premiums in relation to total premiums), the indicator for 2019 stood at 12.8%, -4.1 pp below the value observed in 2009. In this case, the Argentine insurance market's depth trend diverges substantially

Chart 3.2.9-l
Argentina: changes in results and profitability
(technical and financial results over net earned premium, %; ROE, %; ROA, %)



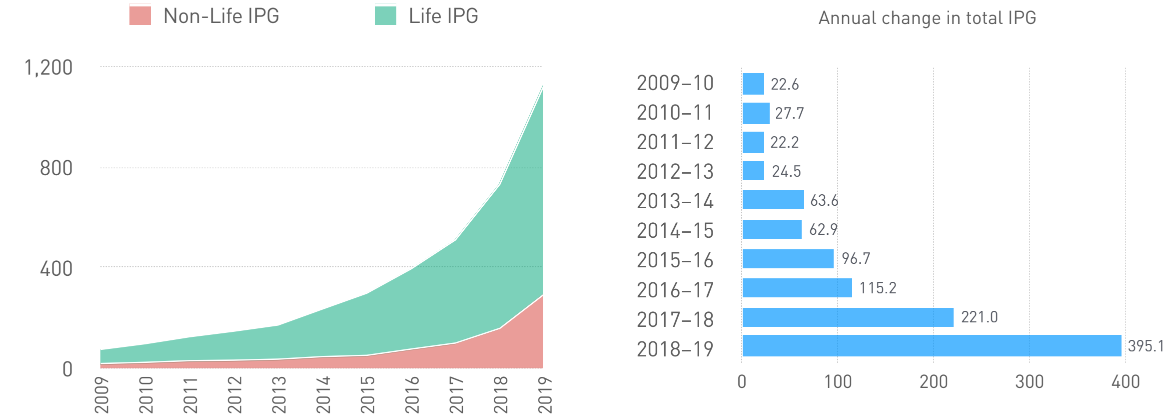
Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

Chart 3.2.9-m
Argentina: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



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

Chart 3.2.9-n
Argentina: Insurance Protection Gap
(billions of pesos)



Source: MAPFRE Economics

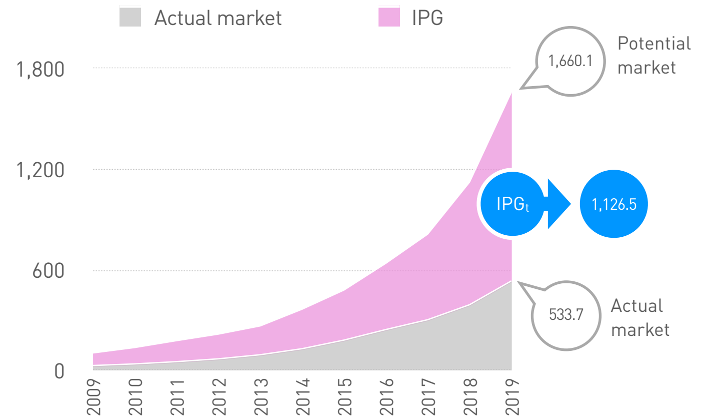
from the average trend observed in the Latin American region, showing once again the structural weakening of the Life segment within Argentina's insurance market.

Insurance Protection Gap estimate

Chart 3.2.9-n shows an update of the estimated IPG for the Argentine insurance market over the 2009–2019 period. This data shows that the IPG stood at 1.13 trillion pesos in 2019, equivalent to 2.1 times the actual insurance market at the close of that year.

The structure and performance of the IPG between 2009 and 2019 shows the significant role Life insurance had in shaping the IPG. In 2009, 75.0% of the IPG related to Life insurance, which amounted to 56.26 billion pesos. By 2019, however, this percentage had dropped to 73.9% (832.07 billion pesos). By contrast, the contribution of Non-Life insurance to the IPG

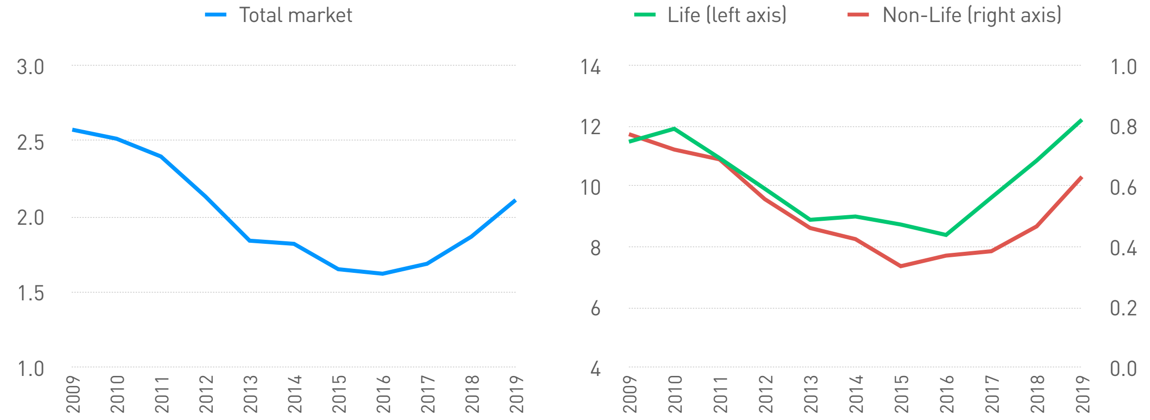
Chart 3.2.9-o
Argentina: Insurance Protection Gap and potential market
(billions of pesos)



Variation	Actual market	IPG
2019–2009	1,734.1%	1,402.4%
2019–2018	36.3%	54.0%

Source: MAPFRE Economics

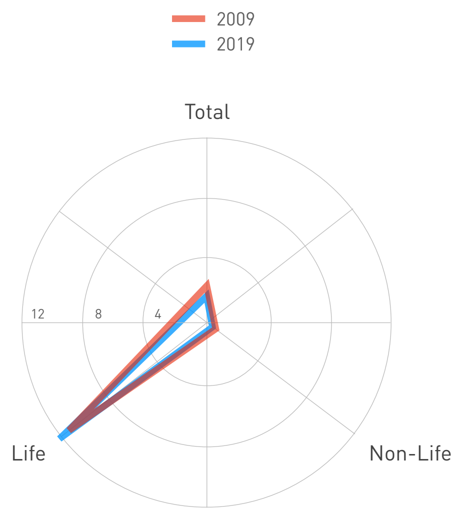
Chart 3.2.9-p
Argentina: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

increased from 25.0% to 26.1% over the period (increasing from 18.72 billion pesos to 294.4 billion pesos in that time). As such, the potential insurance market in Argentina in 2019 (the sum of the actual market plus the IPG) amounted to 1.66 trillion pesos, almost 3.1 times the size of the country's market that year (see Chart 3.2.9-o).

Chart 3.2.9-q
Argentina: change in IPG as a multiple of the actual market



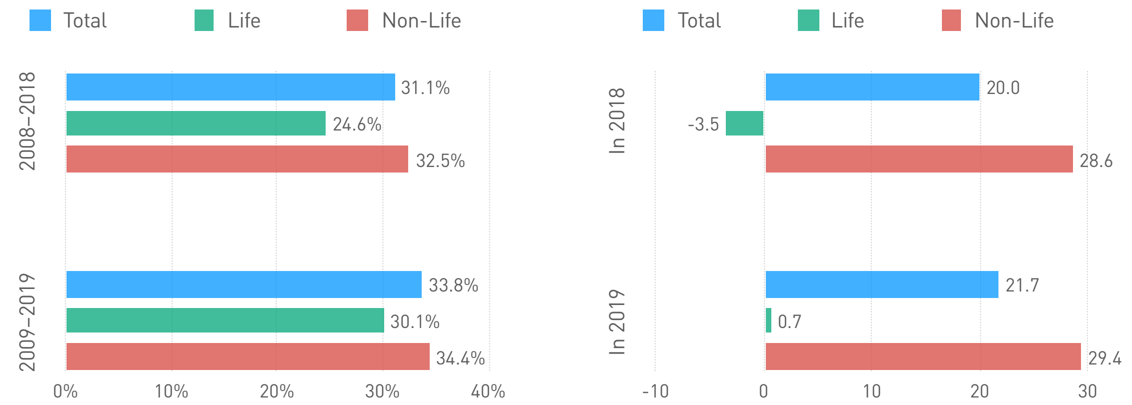
Source: MAPFRE Economics

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. As shown in Chart 3.2.9-p, the IPG as a multiple showed a downward trend between 2009 and 2016, whereby it fell from 2.6 to 1.6 times the size of the actual market. However, this trend reversed from 2017 to grow to 2.1 times in 2019.

A similar situation can be seen with the Life and Non-Life segments. For the former, the IPG as a multiple of the respective market dropped from 11.5 to 8.4 times between 2009 and 2016, before beginning to grow again to stand at 12.2 times in 2019. For the latter (Non-Life), the trend reversed even earlier; between 2009 and 2015, the IPG as a multiple of the respective market fell from 0.8 to 0.3 times, before growing again from 2016 to stand at 0.6 times in 2019. As revealed in Chart 3.2.9-q, the IPG has therefore shown virtually no market-related changes over the past decade.

Lastly, Chart 3.2.9-r summarizes 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

Chart 3.2.9-r
Argentina: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)



Source: MAPFRE Economics

required to close the IPG determined in 2019 over the next decade. The Argentine insurance market posted an average annual growth rate of 33.8% over the 2009—2019 period. This was underpinned by an average growth of 30.1% in the Life insurance segment and of 34.4% in the Non-Life insurance 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 2019 as far as both Non-Life and Life insurance are concerned. However, it should also be noted that, in the case of Argentina, 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)

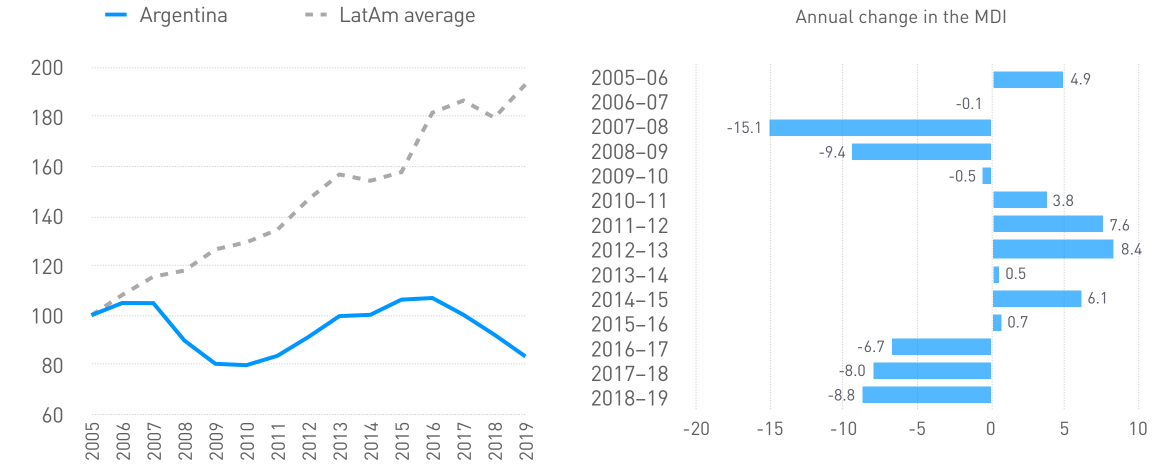
Chart 3.2.9-s shows an update of the estimate of the Market Development Index (MDI) for the Argentine insurance industry. The MDI, as noted earlier in this report, is used to summarize the trend in the performance and maturity of insurance markets. In terms of the Argentine insurance industry, the indicator showed two moments when the trend diverged substantially from the Latin American average trend. The first is in the 2008–2010 period, while the second is from 2017; this performance was strongly influenced by the performance of the structural trends noted above.

Comparative analysis of structural coefficients

Chart 3.2.9-t 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. This shows that both depth and the MDI were well below the regional average; however, penetration and density were in line with the average, although both indicators fell from the relative measurement of 2018.

Similarly, the dispersion analysis shown in the aforementioned chart shows that, over the 2009–2018 period as a whole, the Argentine insurance industry had been showing unbalanced development where, despite some accumulated increases in penetration,

Chart 3.2.9-s
Argentina: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

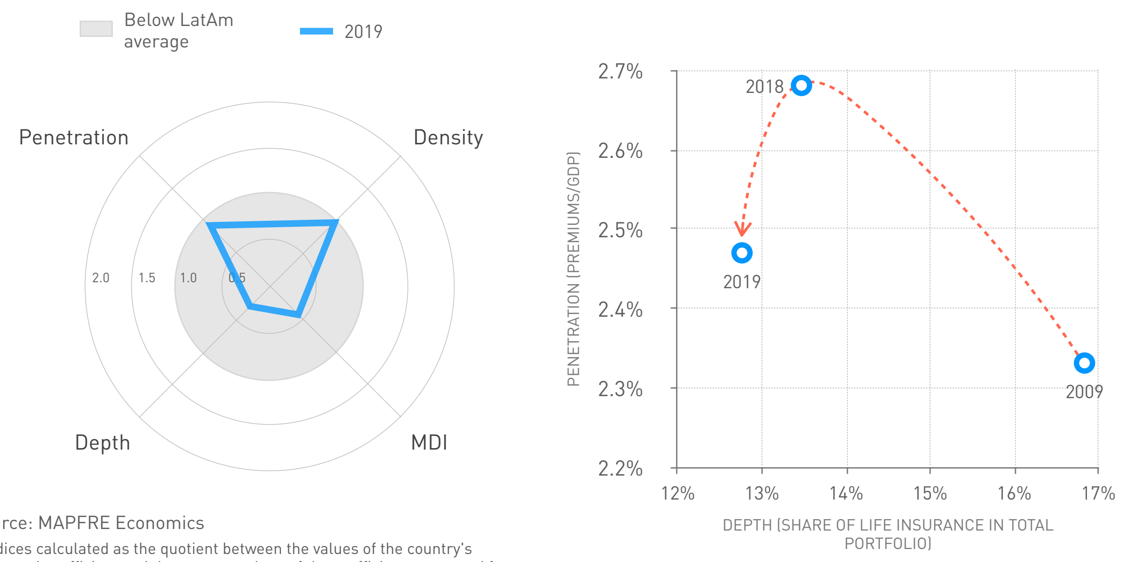
there was a clear decline in terms of depth. Since 2019, the trend toward this unbalanced development has been accentuated, with a deterioration in insurance penetration in the economy adding to the losses in depth.

Insurance market rankings

Total ranking

There were 195 insurance companies operating in Argentina in 2019. Based on this significant number of market participants, the Herfindahl and CR5 indices generally show low

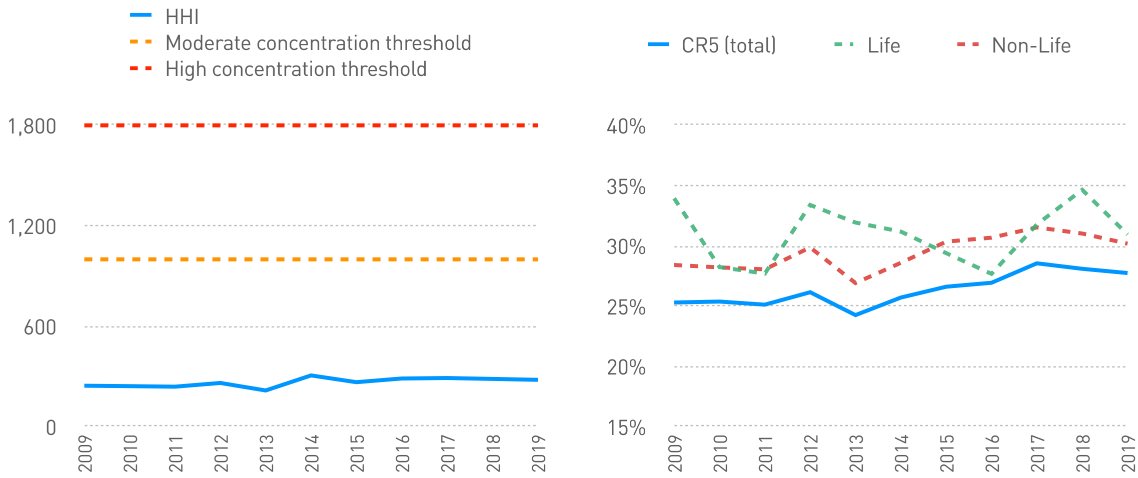
Chart 3.2.9-t
Argentina: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)



Source: MAPFRE Economics

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

Chart 3.2.9-u
Argentina: insurance industry concentration
(Herfindahl index; CR5 index, %)

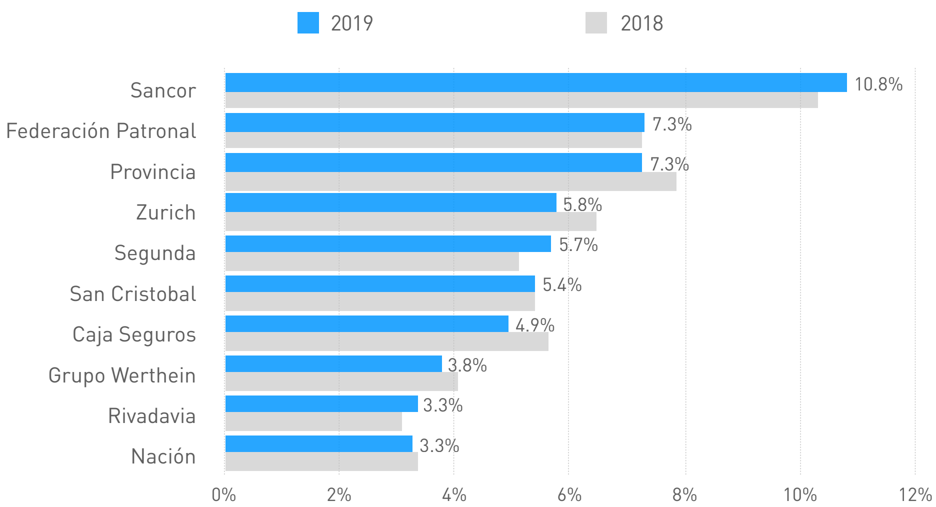


Source: MAPFRE Economics (based on data from the National Superintendency of Insurance)

concentration, though they showed a slight upward trend between 2014 and 2017 (see Chart 3.2.9-u).

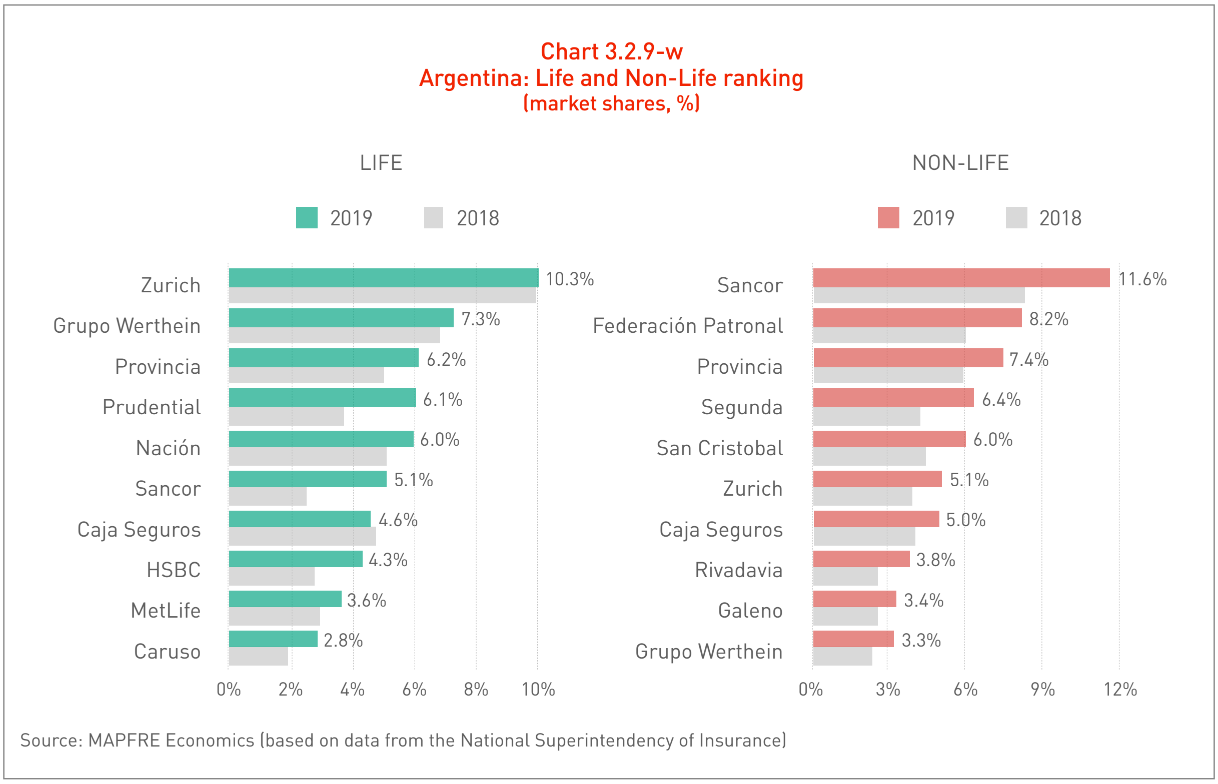
With regard to the ranking of the top insurance groups in Argentina in 2019, which is shown in Chart 3.2.9-v, the ranking is once again topped by Sancor (10.8%) and Federación Patronal (7.3%), which overtook Provincia (7.3%). Following behind were Zurich (5.8%), Segunda (5.7%), and San Cristóbal and Caja Seguros with 5.4% and 4.9% respectively. Next in the ranking were Grupo Werthein (3.8%), Rivadia, taking the penultimate place with a 3.3% share, and Nación (3.3%).

Chart 3.2.9-v
Argentina: total ranking
(market shares, %)



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

Chart 3.2.9-w
Argentina: Life and Non-Life ranking
(market shares, %)



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

Life and Non-Life rankings

Given the importance of Non-Life insurance in Argentina, the companies that form the ranking for this segment in 2019 are virtually the same as those in the total ranking (see Chart 3.2.9-w). Sancor topped the ranking with 11.6% of market premiums. Following behind were Federación Patronal (8.2%), Provincia (7.4%) and Segunda (6.4%), which overtook San Cristóbal (6.0%), and Zurich (5.1%) after overtaking Caja Seguros (5.0%). Lastly, Rivadavia (3.8%), Galeno (3.4%) and Grupo Werthein (3.3%) remained in the same positions.

In terms of the Life ranking, the top two companies maintained their positions from 2018: Zurich, with 10.3% of premiums, followed by Grupo Werthein, with a share of 7.3%. These companies are followed by Provincia, Prudencial and Nación, with shares of 6.2%, 6.1% and 6.0% respectively. Rounding out the 2019 ranking in this market segment are Sancor (5.1%), Caja Seguros (4.6%), HSBC (4.3%), MetLife (3.6%) and Caruso (2.8%), which joined this year's ranking and bumped out Cardif Seguros.

Key regulatory aspects

As regards the regulatory aspects relevant to the Argentine insurance market, the Argentine Superintendency of Insurance (*Superintendencia de Seguros de la Nación Argentina*, or SSN) issued Resolution SSN 93/2019 amending Point 33.2 of the General Regulations on Insurance Activity concerning the Reserve for Premium Insufficiency. This resolution adjusted the criterion for determining the outstanding technical and claim reserves in order to mitigate the effect that issuances could cause with premiums that do not cover claims and expenses in a given period, and the requirement for the Technical Reserve for Premium Insufficiency became necessary. Furthermore, the formula for assigning results has been modified in order to weigh them according to the investment and management policy of each company.

In addition, Resolution 408/2019 standardized the calculation formulas for the entire market (as Occupational Risk Insurers had a different calculation formula until then) and modified the formula for assigning results in order to weigh them according to the investment and management policy of each company.

Lastly, a transitional provision stipulated that insurers operating with Occupational Risk coverage may count up to a maximum of 10% of the Reserve for Negative Results for the purpose of calculating Eligible Capital up until the accounting statement closes on June 30, 2021.

3.2.10 Uruguay

Macroeconomic environment

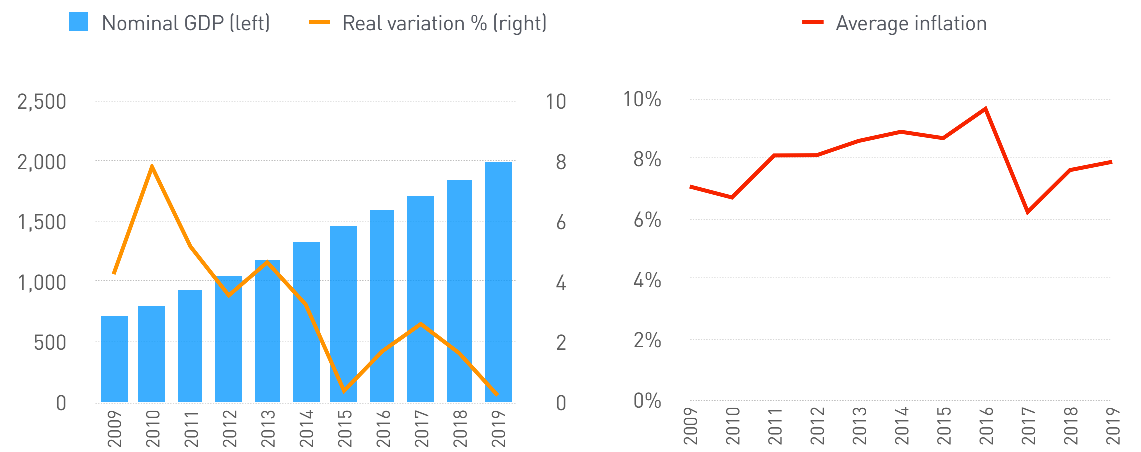
The Uruguayan economy suffered a significant slowdown in 2019, with growth of 0.2% in real terms, compared to 1.6% the previous year (see Chart 3.2.10-a). It therefore continues on the downward trend initiated in 2018, influenced by the context of uncertainty (which affected international trade) and by the situation of its main trade partners (particularly the economic recession affecting Argentina and the slowdown in the Brazilian economy).

From a structural perspective, the slowdown in economic growth in Uruguay was driven by the slowdown in domestic demand and, in particular, private consumption. Exports, however, performed better than in the previous year and grew above import growth, which helped to prevent a more drastic slowdown in the economy in 2019. Tourism revenue suffered, mainly due to the loss of Argentine tourists' purchasing power, due to the sharp depreciation in Argentina's currency. By sector, transport and telecommunications, as well as primary, energy, gas and water activities, made a positive contribution.

However, the structural problems as a result of the aging population persist, leading to increases in public spending on pensions and health care. Uruguay saw a change of government in 2019, whereby Luis Lacalle Pou was elected as the new president and subsequently announced reforms in an attempt to reduce the fiscal deficit, which stood at 4.6% of GDP (4.2% in 2018). Gross public debt to GDP closed the year at 63.4%.

Meanwhile, average inflation stood at 7.9% in 2019 (7.6% in 2018), above the target range set by monetary policy (between 3% and 7%). This led the central bank to become moderately restrictive during the year. The unemployment rate increased to stand at 9.4% (8.4% in 2018).

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)

Table 3.2.10
Uruguay: premium volume[1] by line, 2019

Line	Millions of pesos	Millions of USD	Growth	
			Nominal (%)	Real (%)
Total	**54,800**	**1,554**	**19.7**	**10.9**
Life	**24,192**	**686**	**32.9**	**23.2**
Pension	17,178	487	44.8	34.3
Non-Pension	7,013	199	10.7	2.6
Non-Life	**30,608**	**868**	**10.9**	**2.8**
Automobiles	11,461	325	6.1	-1.6
Other lines	2,940	83	27.0	17.7
Fire	2,300	65	-0.8	-8.1
Transport	989	28	1.8	-5.6
Third-party liability	733	21	15.1	6.7
Theft	855	24	29.9	20.4
Surety and credit	1,284	36	111.7	96.2
Workplace accidents[2]	10,046	285	8.2	0.3

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.

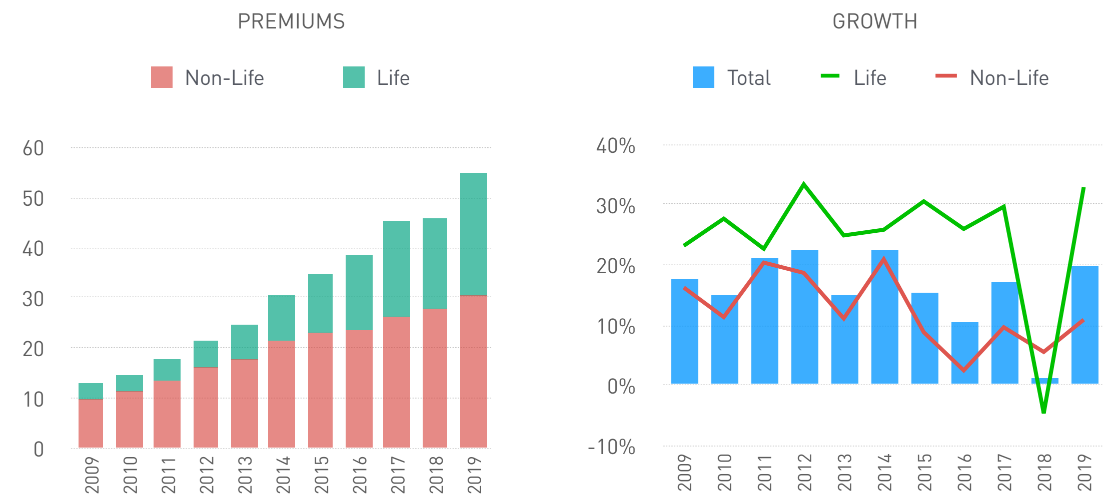
With regard to growth forecasts, the ECLAC estimates that the Uruguayan economy will contract by around -5.0% in 2020, strongly influenced by the situation caused by the COVID-19 pandemic. According to its April forecasts, the IMF estimates a drop in GDP of around -3.0% in 2020.

Insurance market

Growth

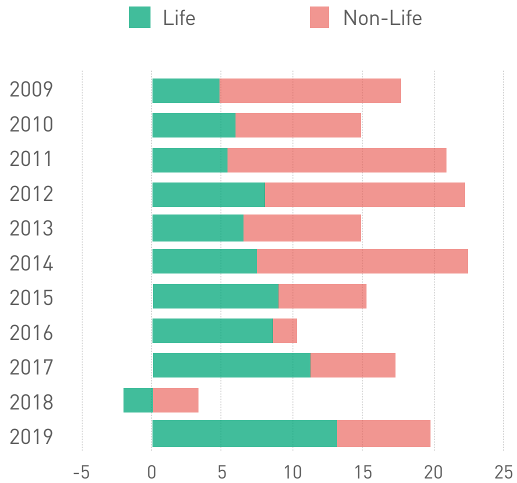
The Uruguayan insurance market recovered its two-digit growth trend in 2019, achieving a premium volume of 54.8 billion pesos (1.55 billion US dollars), representing nominal

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)

Chart 3.2.10-c
Uruguay: contribution to insurance market growth
(percentage points, pp)



	Annual growth (pp)	Contribution to growth (pp)	
		Life	Non-Life
2009	17.7	4.7	12.9
2010	14.9	5.9	8.9
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

Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

growth of 19.7% and real growth of 10.9% compared to the previous year (see Chart 3.2.10-b and Table 3.2.10). In contrast to the fall experienced in 2018, Life insurance recorded a premium volume of 24.19 million pesos (686 million US dollars) in 2019, representing a nominal increase of 32.9% and a real increase of 23.2%, driven mainly by Pension insurance, which, with 17.18 million pesos in premiums, saw a nominal increase of 44.8% (34.3% in real terms), with Banco de Seguros del Estado accumulating almost all of this business.

Meanwhile, premiums for the Non-Life line totaled 30.61 billion pesos (868 million US dollars), up 10.9% in nominal terms and 2.8% in real terms compared to the previous year. All modalities of this insurance segment, with the exception of Fire (-0.8% in nominal terms and -8.1% in real terms), showed increases in nominal terms, whereas, in real terms, the Automobile (-1.6%) and Transport (-5.6%) lines also recorded contractions.

Thus, as shown in Chart 3.2.10-c, the 19.7% nominal growth experienced by the Uruguayan insurance market in 2019 is attributable to a positive contribution of 13.1 pp from the Life insurance segment and 6.6 pp from the Non-Life insurance segment.

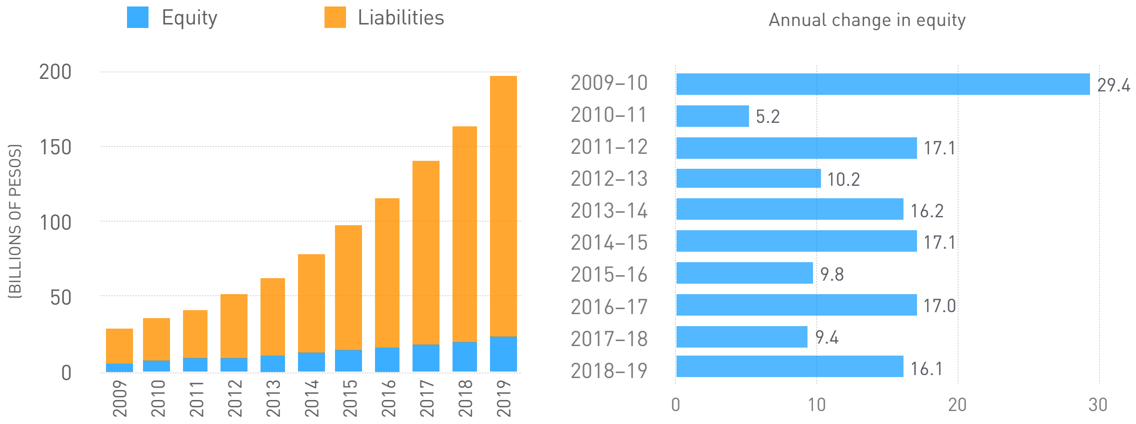
Balance sheet and shareholders' equity

Chart 3.2.10-d shows the performance of the Uruguayan insurance industry's aggregate balance sheet between 2009 and 2019. This data shows that the industry's total assets in 2019 amounted to 196.77 billion pesos (5.27 billion US dollars), while equity stood at 23.42 billion pesos (627 million US dollars), 16.1 pp higher than in 2018. With regard to the performance of the Uruguayan insurance industry's aggregate capitalization levels (measured over total assets), the gradual decline from 21.4% in 2009 to 11.9% in 2019 is noteworthy.

Investments

Charts 3.2.10-e, 3.2.10-f and 3.2.10-g show changes in investments, as well as the composition of the aggregate portfolio at the sector level during 2009–2019 for the Uruguayan insurance industry. In this regard, total investment in the industry amounted to 177.35 billion pesos (4.75 billion US dollars),

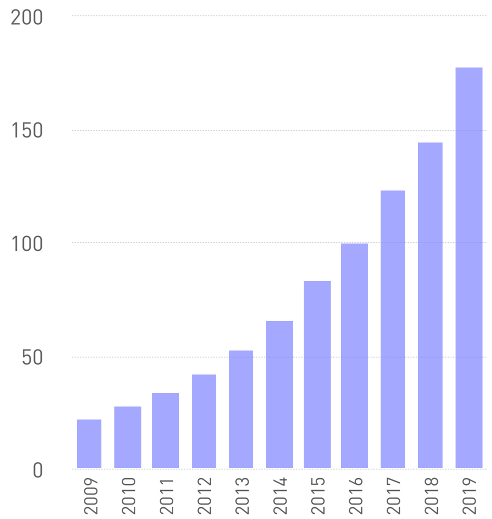
Chart: 3.2.10-d
Uruguay: changes in the insurance industry's aggregate balance sheet
(amounts in local currency; change in equity, percentage points)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

with 88.4% concentrated in fixed income and equity instruments, 0.3% in real estate investments, 0.02% in cash, and the remaining 11.3% in other financial investments (mainly bank deposits). It is also worth noting the change in the relative weight of real estate investments in the aggregate portfolio, as this fell from 4.0% of the portfolio in 2009 to just 0.3% in 2019.

Chart 3.2.10-e
Uruguay: insurance market investments
(billions of pesos)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

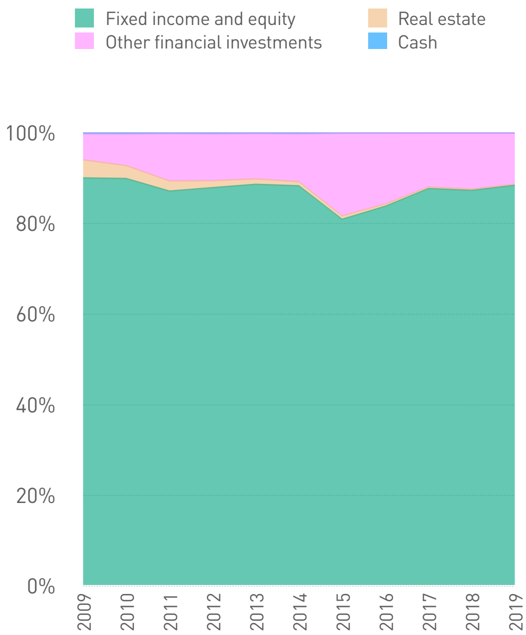
Technical provisions

Charts 3.2.10-h, 3.2.10-i and 3.2.10-j show the performance and relative composition of technical provisions in the Uruguayan insurance industry between 2009 and 2019. This data shows that technical provisions amounted to 162.78 billion pesos (4.36 billion US dollars) in 2019. Of these total technical provisions, 68.1% related to Life insurance, 4.9% to provisions for unearned premiums and unexpired risks in Non-Life insurance and the remaining 27.0% to provisions for outstanding benefits. The relative weight of Life insurance technical provisions grew steadily over the period analyzed from 48.8% of total provisions in 2009 to 68.1% in 2019.

Technical performance

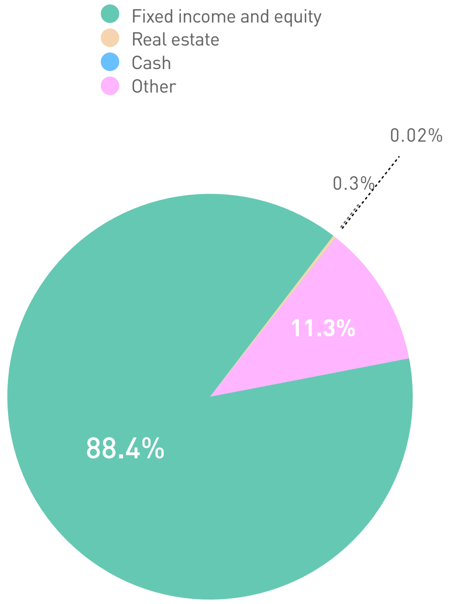
As shown in Chart 3.2.10-k, the combined ratio of the Uruguayan insurance market in 2019 improved by 1.4 pp to 106.4% thanks to an improvement of 4.3 pp in the expense ratio, whereas the loss ratio deteriorated by 2.9 pp. From a medium-term perspective, a slight downward trend in expenses and a slight upward trend in the loss ratio were observed over the 2009–2019 period.

Chart 3.2.10-f
Uruguay: structure of investments
(%)



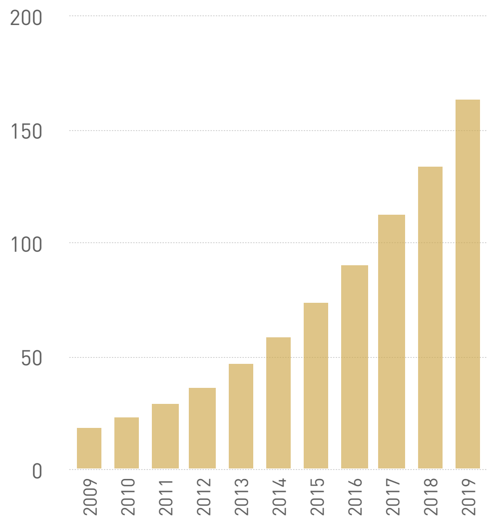
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-g
Uruguay: structure of investments, 2019
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-h
Uruguay: technical provisions of the insurance market
(billions of pesos)



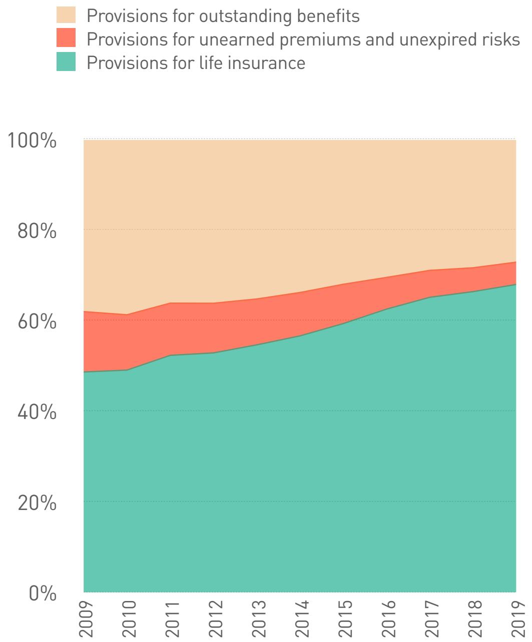
Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Results and profitability

The Uruguayan insurance industry posted a net result of 3.43 billion pesos (97 million US dollars) for the 2019 fiscal year, a significant increase of 498% compared to the previous year. This performance was due not only to the aforementioned technical improvement (to which an increase of 12.9% in the financial result must be added), but also to the fact that, unlike in the previous fiscal year, no losses due to monetary devaluation were observed in 2019 and the effect of the income tax on economic activities has been much lower.

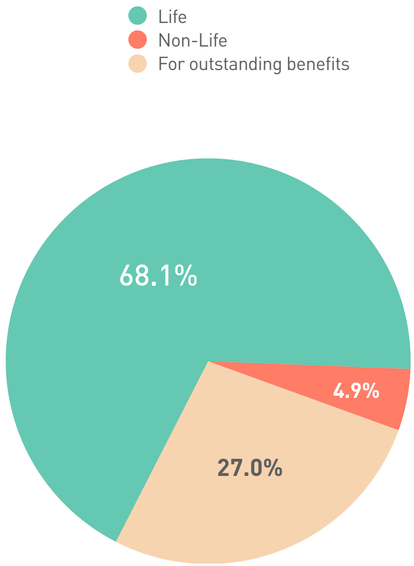
Meanwhile, from a profitability perspective, return on equity (ROE) in Uruguay's insurance market stood at 14.7% in 2019, a significant increase of 11.8 pp compared to 2018. A similar situation can be seen with return on assets (ROA), which reached 1.7% in 2019, up by 1.4 pp compared to 2018 (see Chart 3.2.10-l).

Chart 3.2.10-i
Uruguay: structure of technical provisions
(%)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-j
Uruguay: structure of technical provisions, 2019
(%)

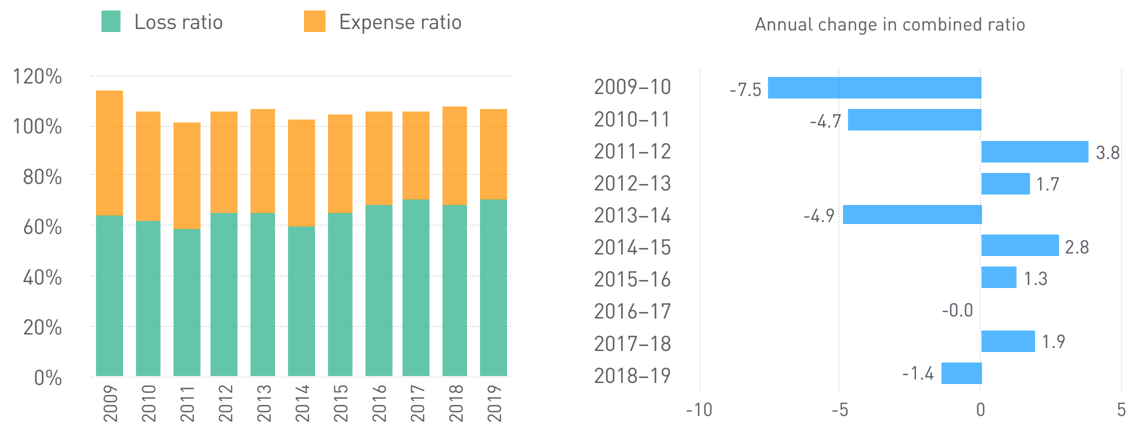


Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Insurance penetration, density and depth

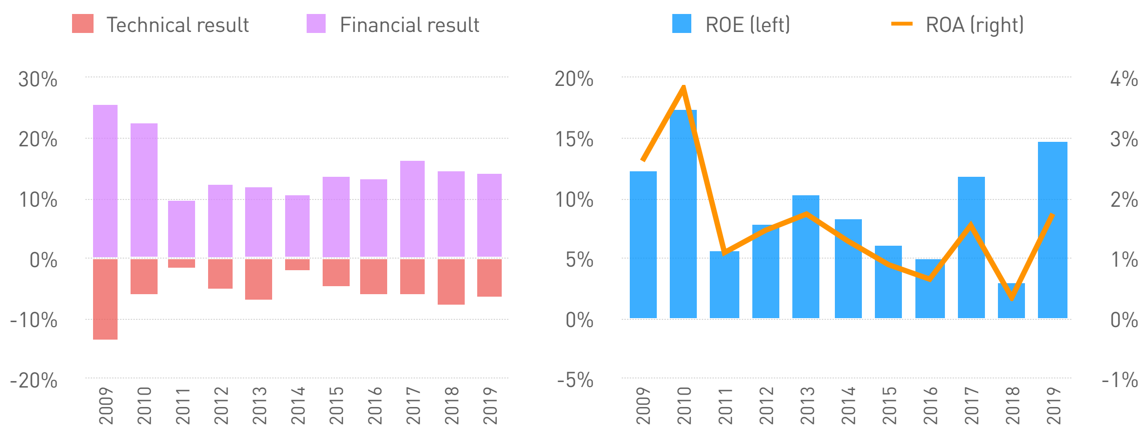
Chart 3.2.10-m shows the main structural trends shaping the development of the Uruguayan insurance industry over the 2009–2019 period. The penetration index (premiums/GDP) stood at 2.7% in 2019, one percentage point higher than in 2009 and 0.2 pp higher than the indicator's figure in the previous year, with a particularly significant contribution from the Life insurance segment. From a medium-term perspective, the penetration index in the Uruguayan market has shown a clear upward trend during the period under analysis,

Chart 3.2.10-k
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)

Chart 3.2.10-l
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)

although it is still below the average absolute values of the region's other markets.

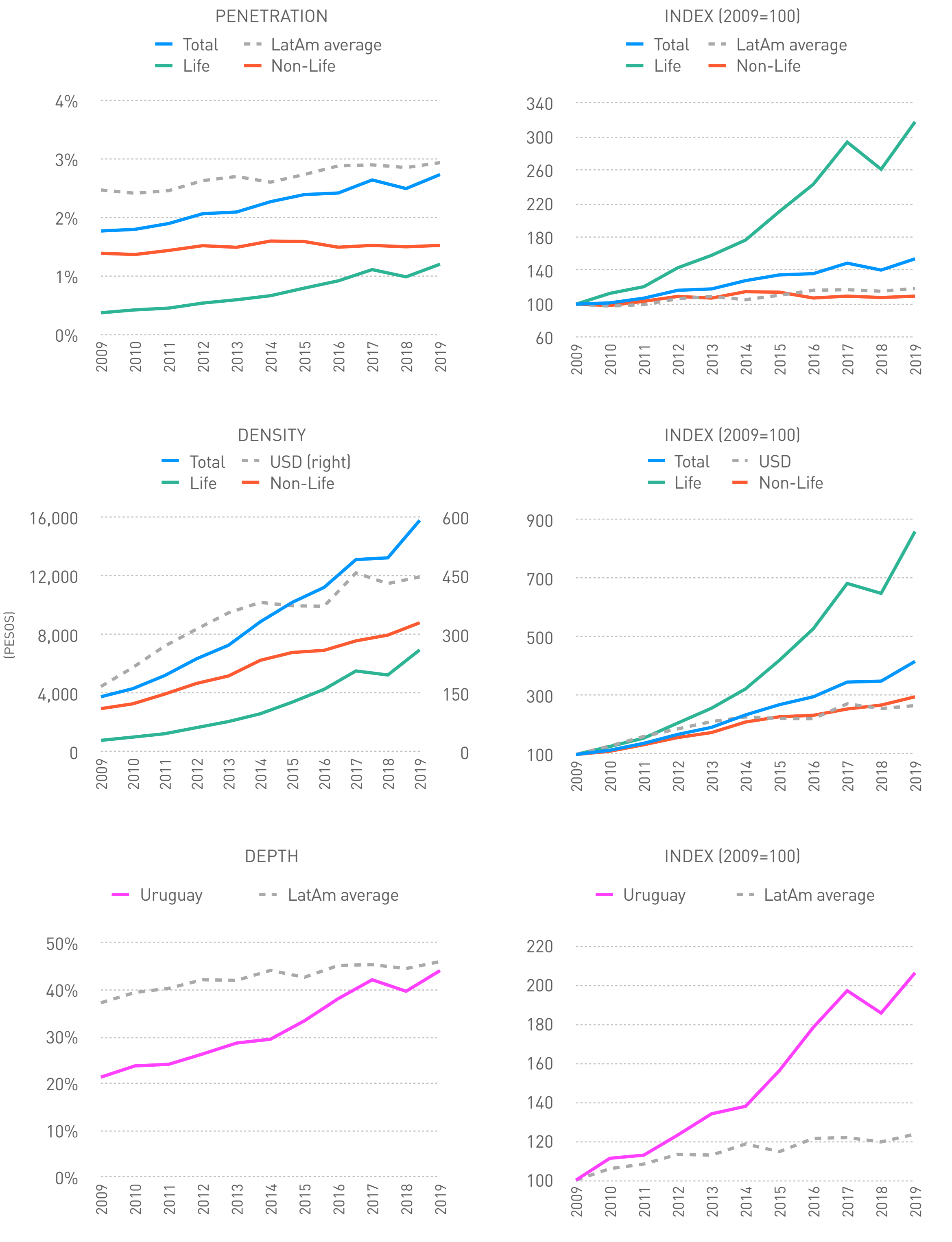
Insurance density in Uruguay (premiums per capita) stood at 15,830 pesos (449 US dollars), up by 19.3% compared to 2018 (13,274 pesos). Density (measured in local currency) showed an upward trend over the period under analysis, recording cumulative growth of 319% between 2009 and 2019 in both the Life and Non-Life segment.

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 44.1%, 22.7 pp higher than in 2009. Additionally, it should be noted that the growth in Uruguayan market depth has shown a clearly convergent trend toward the average observed across all of the Latin American insurance markets.

Insurance Protection Gap estimate

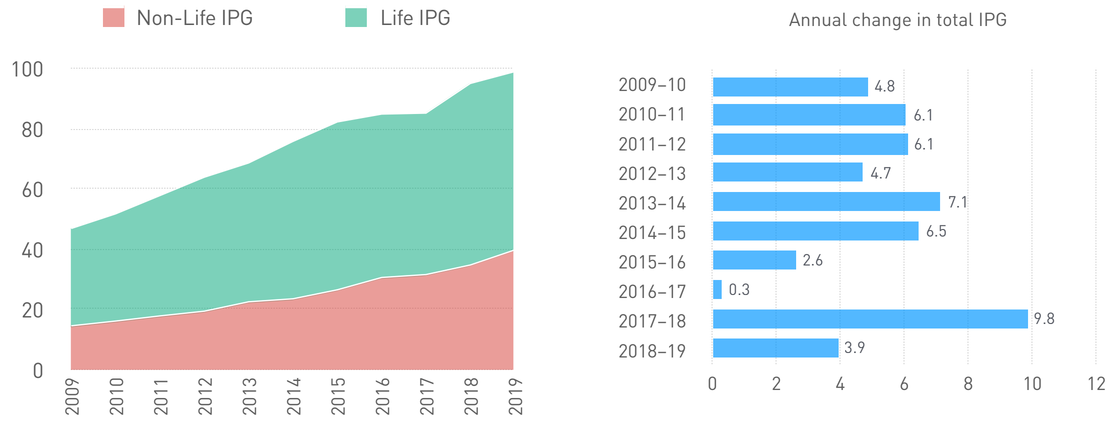
Chart 3.2.10-n shows an estimate of the insurance gap for the Uruguayan insurance market between 2009 and 2019. This shows that the IPG stood at 98.92 billion pesos (2.81 billion US dollars) in 2019, 1.8 times the size of the Uruguayan insurance market at the close of that year. The structure and performance of the IPG over the period under analysis have been mainly shaped by the Life insurance segment. Thus, Life insurance accounted for 59.8% of the IPG (59.16 billion pesos) at the close of 2019, 9.1 pp below the share of this segment in 2009. The remaining 40.2% of the 2019 insurance gap is attributable to the Non-Life insurance segment (39.76 billion pesos). As such, the potential insurance market in Uruguay at the close of 2019 (the sum of the actual market plus the IPG) was estimated at 153.72 billion pesos (4.36 billion US dollars), 2.8 times the size of the total insurance market that year (see Chart 3.2.10-o).

Chart 3.2.10-m
Uruguay: changes in penetration, density and depth
(premiums/GDP, %; premiums per capita, pesos and USD; Life premiums/total premiums, %; 2009 index=100)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-n
Uruguay: Insurance Protection Gap
(billions of pesos)

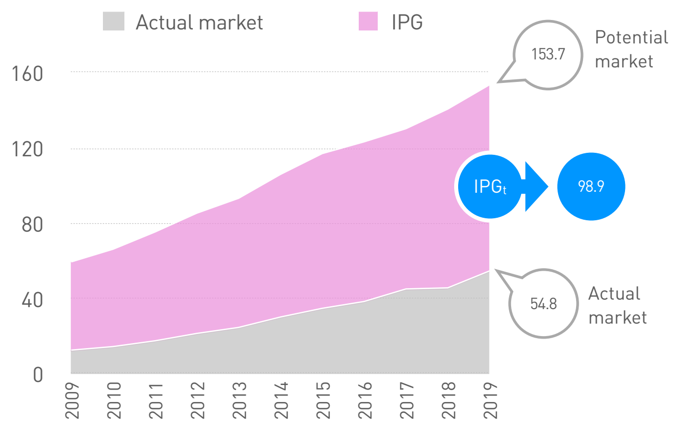


Source: MAPFRE Economics

Chart 3.2.10-p shows an estimate of the Uruguayan market's insurance gap as a multiple of the actual insurance market. The IPG as a multiple of the market fell steadily between 2009 and 2019, both in the Life insurance segment, which fell from 11.9 to 2.4 times, and in the Non-Life insurance segment to a lesser extent, falling from 1.5 to 1.3 times. However, it should be noted that, in terms of the indicator for the Non-Life insurance segment, the trend reversed from 2015, meaning that the insurance gap as a multiple of this market rose from 1.1 times in 2014 to 1.3 times in 2019.

Additionally, Chart 3.2.10-q summarizes 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 2019 with that of 2009. This shows that the situation of the Uruguayan insurance market improved substantially in the Life line, while the Non-Life segment hardly improved in terms of the gap as a multiple of the actual market, as previously mentioned.

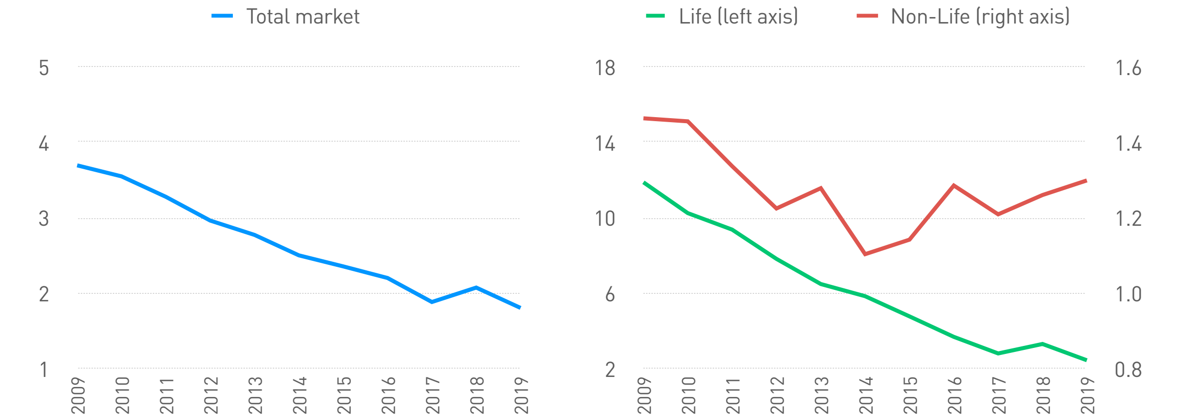
Chart 3.2.10-o
Uruguay: Insurance Protection Gap and potential market
(billions of pesos)



Variation	Actual market	IPG
2019–2009	331.7%	110.9%
2019–2018	19.7%	4.1%

Source: MAPFRE Economics

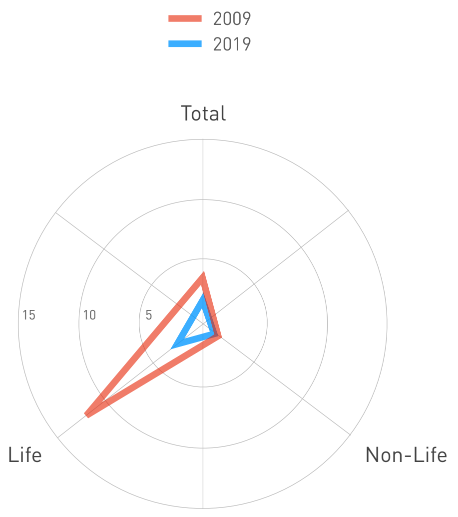
Chart 3.2.10-p
Uruguay: IPG as a multiple of the actual market
(number of times, actual insurance market)



Source: MAPFRE Economics

Lastly, Chart 3.2.10-r shows an update of the Uruguayan insurance market's capacity to close the insurance gap determined in 2019, 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. Accordingly, the Uruguayan insurance market grew at an average annual rate of 15.8% over the period analyzed; this growth was comprised of an annual growth rate of 24.4% in the Life insurance segment and 11.9% 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 Uruguayan insurance market would prove sufficient to close the insurance gap estimated for 2019 over this period.

Chart 3.2.10-q
Uruguay: change in IPG as a multiple of the actual market

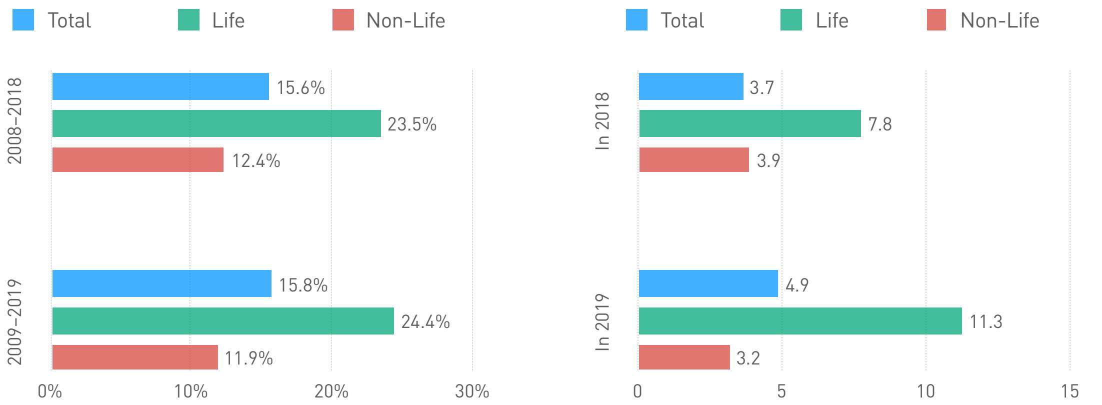


Source: MAPFRE Economics

Market Development Index (MDI)

Chart 3.2.10-s shows an estimate of the Market Development Index (MDI) for the Uruguayan insurance industry between 2005 and 2019. The MDI generally showed a positive trend throughout the period under analysis and, from 2013, onwards surpassed the average performance of the Latin American insurance markets. As shown in the aforementioned chart, the indicator fell in 2018 in line with overall market performance, but began to recover again in 2019.

Chart 3.2.10-r
Uruguay: capacity to close the IPG
(average annual growth rate, %; sufficiency or insufficiency, pp)

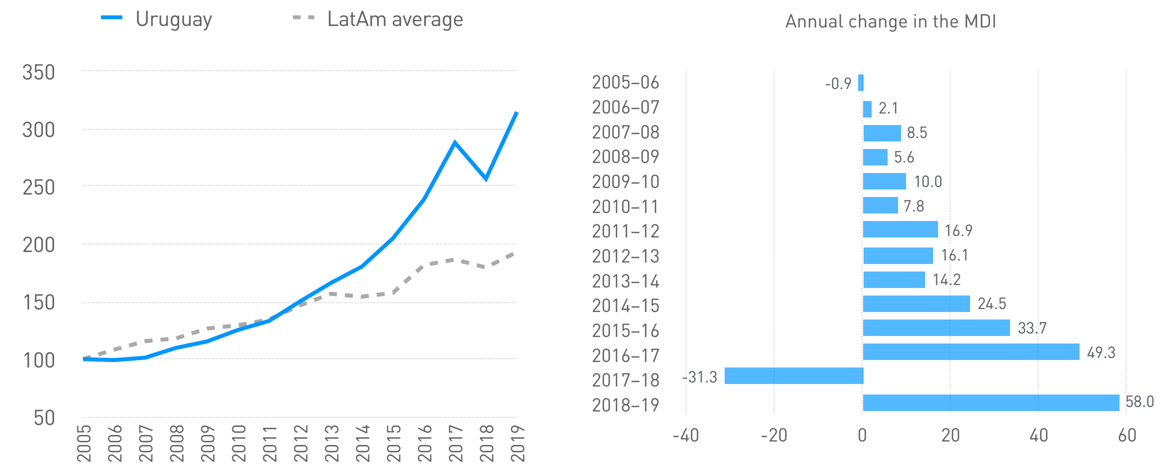


Source: MAPFRE Economics

Comparative analysis of structural coefficients

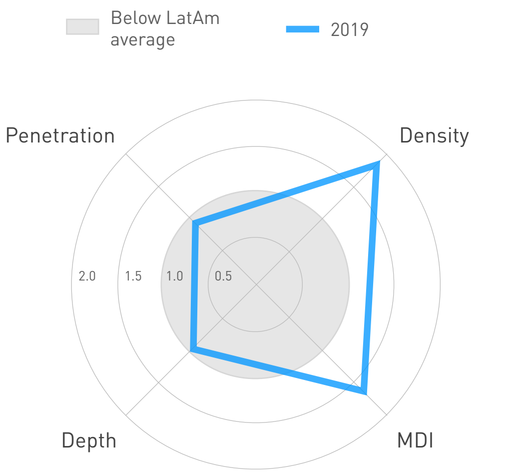
Chart 3.2.10-t shows the Uruguayan insurance market's situation in 2019 in comparison with the Latin American average, measured in terms of the four structural indicators analyzed in this report: penetration, density, depth and MDI. This shows that, while penetration and depth are still slightly below the regional average, the Uruguayan market exceeds the regional averages for density and the estimated MDI. Moreover, the dispersion analysis shown in Chart 3.2.10-t confirms that, over the 2009–2019 period, the Uruguayan insurance industry showed balanced development characterized by improvements in both penetration levels (quantitative aspect of market development) and depth levels (qualitative aspect).

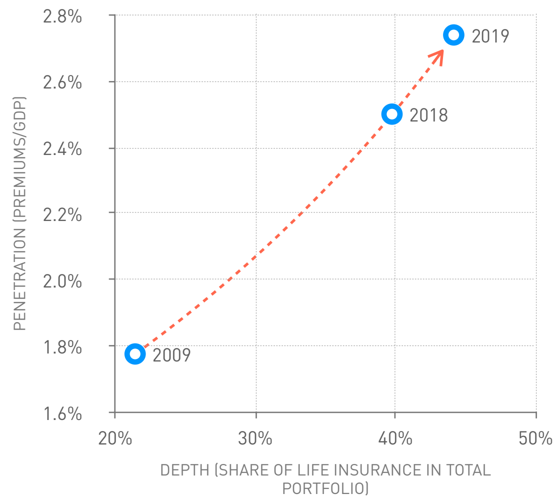
Chart 3.2.10-s
Uruguay: Market Development Index (MDI)
(2005 index=100; annual change)



Source: MAPFRE Economics

Chart 3.2.10-t
Uruguay: comparative structural coefficient index* vs. average for Latin America (2019) and medium-term changes in the insurance market (2009–2019)





Source: MAPFRE Economics

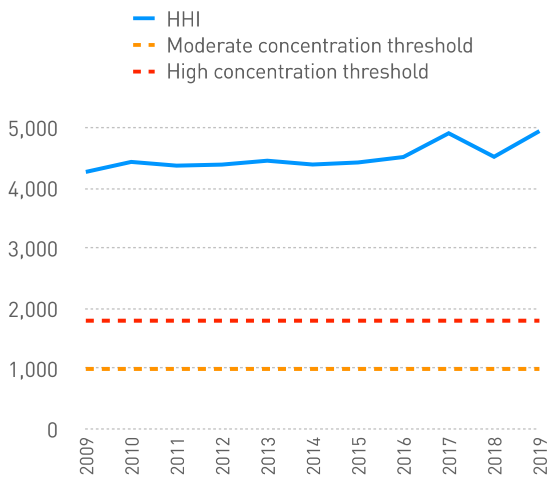
* Indices calculated as the quotient between the values of the country's structural coefficient and the average values of the coefficient concerned for the Latin American market as a whole. The unit represents a performance equivalent to the region's average.

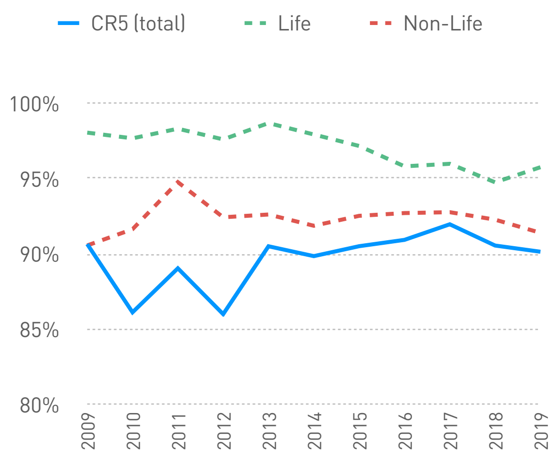
Insurance market rankings

Total ranking

There were 16 insurance companies operating in Uruguay in 2019: 15 private companies and one state-owned company (Banco de Seguros del Estado, or BSE), which monopolizes the Occupational Accidents line. This fact conditions the existence of a concentrated insurance market, with high values in the Herfindahl and CR5 indices over the years. It

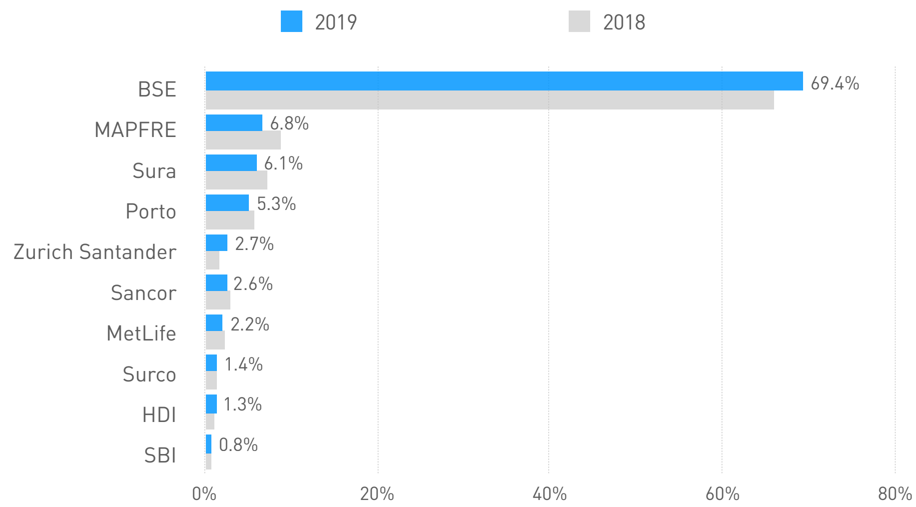
Chart 3.2.10-u
Uruguay: insurance industry concentration
(Herfindahl index; CR5 index, %)





Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

Chart 3.2.10-v
Uruguay: total ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

should be noted, however, that while the trend toward higher concentration prevailed in the Life insurance segment, the Non-Life market showed a slightly downward trend from 2018 onwards (see Chart 3.2.10-u).

Accordingly, BSE led the total ranking of the Uruguayan insurance market in 2019 with 69.4% of total premiums (3.5 pp more than 2018), with growth of 44.8% in pension Life insurance. Following behind are MAPFRE, with a share of 6.8% and Sura, with 6.1%. Porto (5.3%) held fourth place, and Zurich Santander (2.7%) jumped from seventh to fifth place following premium growth of 83% in 2019. The other companies comprising the ranking remained the same as the previous year, though their relative positions changed due to the aforementioned rise of Zurich (see Chart 3.2.10-v).

Life and Non-Life rankings

With regard to the Non-Life ranking in 2019, BSE held 63.1% of the market share (1.8 pp more than the previous year), followed by Sura (9.9%) and Porto, which overtook MAPFRE to rank third with a share of 7.2%. In relation to the other changes, seventh place is held by SBI (1.5%) which jumped ahead of Surco (1.4%), while Zurich Santander (1.0%) joined the ranking in tenth place. BSE also leads the Life ranking, with an increase in its market share following the significant rise in the sale of pension insurance, reaching 77.2% of premiums (4.7 pp higher than in 2018). MAPFRE held second place with a share of 6.2%, while Zurich Santander (4.9%) overtook MetLife (4.7%) to rank third. The composition and order of the other groups remains unchanged from the 2018 ranking (see Chart 3.2.10-w).

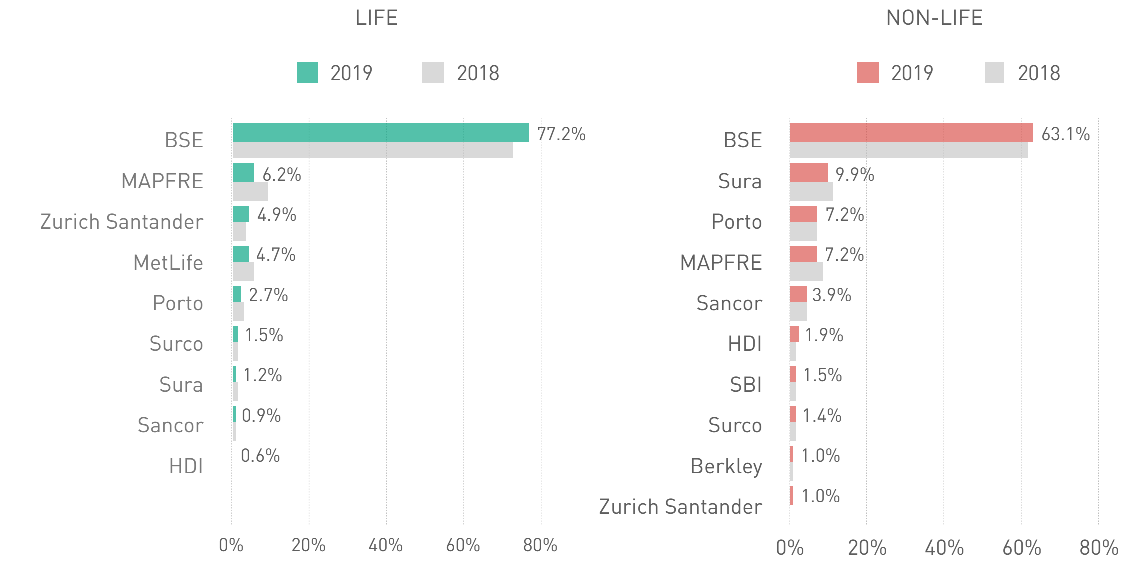
Key regulatory aspects

Lastly, the main regulations concerning the Uruguayan insurance market issued by the country's Superintendency of Financial Services (*Superintendencia de Servicios Financieros*, or SSF) in 2019 and 2020 are summarized below. The most relevant ongoing projects related to this market are also detailed.

Regulations issued in 2019

In the interest of strengthening protection for financial services users, Circular No. 2318 was issued, which obliges insurance companies operating in the pension annuities market to

Chart 3.2.10-w
Uruguay: Life and Non-Life ranking
(market shares, %)



Source: MAPFRE Economics (based on data from the Central Bank of Uruguay)

keep an up-to-date pension income quoting tool on their website. The aforementioned quoting tool must provide information on the income offered, which will facilitate informed decision-making by the potential policyholder. Concurrently, Circular No. 2319 establishes the information that the pension saving fund managers must provide to their affiliates, prior to choosing the insurance company responsible for providing their income.

On another note, it should be highlighted that on October 28, 2018, Law No. 19678 was passed, which filled many of the regulatory gaps faced by the Uruguayan insurance industry. Said Law lays down general provisions relating to the insurance (and reinsurance) contract, and includes certain specificities on the different types of insurance that are sold in the local market, among other matters. The SSF is currently involved in the regulation of articles that it is instructed to regulate by said Law, while still waiting for what, as set out in its Articles, must be regulated by the Executive Office.

With regard to this Law, only Circular No. 2325 has been issued so far, which, together with Communication No. 2019/117, refers to the creation of a Register for Life Insurance Policies, which the Law has ordered to be created under the Central Bank of Uruguay. The objective of creating this Register is to provide accurate and complete information to Life insurance beneficiaries who so require and who are able to prove their status. In turn, it establishes an obligation for insurance companies to provide historical data to the SSF regarding the Life insurance policies that they maintain in their portfolio.

Circular No. 2330, also issued during this period, redefines the risk rating categories applicable to the instruments in which insurance companies invest (which are key to determining whether they are eligible for coverage purposes), and includes the distinction between ratings applicable to short-term securities and those applicable to issuers and long-term securities. The new categories that are incorporated are equivalent to those used in the regulatory framework for pension saving fund managers.

Lastly, at the end of 2019, Circular No. 2333 was issued, which sets the criterion established by

IAS 29 (according to which readjustments are to be made when the cumulative inflation rate over three years approaches, or exceeds, 100%) as the starting and ending criteria to adjust for inflation in the financial statements of insurance and reinsurance companies.

Regulations issued in 2020

In January 2020, Circular No. 2339 was issued, which introduced amendments to the authorization system for the outsourcing of services, to which insurance companies are subject. The new system makes a distinction according to the type of service to be provided and the location in which said outsourcing is carried out. After evaluating these two main aspects, the services requiring express authorization have been defined, as have those to which tacit authorization applies, subject to certain conditions. It also provides that the SSF may establish that certain services shall not require authorization for their contracting.

Main projects in progress

With regard to projects in progress, the SSF is currently involved in the regulation of the new insurance law no. 19678, within the scope of its powers. In turn, it is developing regulations on three aspects.

First, the updating of the regulations on the technical reserves that insurance companies must maintain. The main objective is to align existing regulations on technical reserves with international best practices. The main changes introduced by the draft regulation are as follows: (i) the Reserve for Unexpired Risk is being reformulated, introducing the concept of a Reserve for Unearned Premiums and a Reserve for Insufficient Premiums; (ii) in the case of the Mathematical Reserve, the criteria to be considered for its calculation are detailed; and (iii) alternatives are established for the calculation of the Reserve for Claims Incurred but Not Reported corresponding to Property insurance and Non-Pension Life insurance, the application of which will depend on the loss experience recorded by the company and whether or not it has a sufficient critical mass of claims, it being specified that it must include the component of claims incurred that were not sufficiently reported.

Secondly, improvements are being made to the assignment of coverage to insurance lines. This project includes definitions for the current insurance lines, defines lower-level openings for some of the existing lines, introduces changes to the list of coverage similar to the various different lines, and establishes assignment criteria for insurance that includes different kinds of coverage and for additional coverage. The main objective is to standardize the assignment of products and coverage to the insurance lines offered by the various different insurance market agents.

Lastly, progress is being made in the legislation of the Counter Terrorist Financing Act. Law No. 19749 of May 15, 2019 requires the immediate freezing of funds and other economic resources of natural or legal persons linked to the financing of terrorism and the financing of the proliferation of weapons of mass destruction. To this end, amendments are therefore being made to regulations in the area of insurance, reinsurance and mutual insurance companies.

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1/ See: MAPFRE Economics (2020), *2020 Economic and industry outlook: third quarter perspectives*, Madrid, Fundación MAPFRE.

2/ The G7 consists of Germany, Canada, France, Italy, Japan, the United Kingdom and the United States.

3/ Source: Swiss Re. (It should be noted that, unlike in previous versions of this report, data from the United States insurance market includes premiums from the "monoline" companies of the health line).

4/ See: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects 2019*, Online Edition.

5/ It is important to note that this measurement is further influenced by the new calculation criterion applied by Swiss Re as of this year to its global collection of insurance premiums, including premiums for US health insurance monolines in the Non-Life business, which reduces Latin America's share of the global Non-Life business.

6/ Penetration, density and depth data, as well as data on the measurement of the Insurance Protection Gap (IPG) and the Market Development Index (MDI), relating to 2018 and prior years may differ from the data presented in our report for the previous year (MAPFRE Economics [2018], *The Latin American insurance market in 2018*, Madrid, Fundación MAPFRE). This is due to updated premium figures for the Latin American market reported by supervisory bodies, to adjustments in gross domestic product data published by the relevant entities in each country, and to adjustments to the parameters for penetration in insurance markets used to estimate the IPG as a result of updates to the figures for insurance premiums and gross domestic product.

7/ Methodologically, the IPG can be estimated in two ways. The first, in an *ex-post* approach, is based on observed losses. In this case, the IPG is the difference between recorded economic losses in a specific period and the portion of said losses that were covered through the mechanism of insurance compensation. The *ex-ante*approach analyzes optimal coverage amounts which are estimated as the difference between socioeconomic amounts suitable to cover risk compared to true coverage. 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 indices 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).

8/ The Market Development Index (MDI) is an indicator that summarizes the trend in the performance and maturity of insurance markets. The MDI 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). For the purposes of this report, the indicator is also used as a comparison parameter when analyzing individual development trends in each of the region's insurance markets.

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10/ See: https://www.bbseguros.com.br/seguradora/seguros/quem-somos/

11/ See: https://alnavio.com/noticia/19467/delared/el-gigante-asegurador-allianz-se-lanza-a-laconquista-de-mercados-emergentes.html

12/ See: https://www.biobiochile.cl/noticias/economia/negocios-y-empresas/2019/09/14/controlador-del-banco-de-chile-vende-su-division-de-seguros-a-multinacional-chubb.shtml

13/ See: https://lexlatin.com/noticias/estadounidense-chubb-expansión-compra-aseguradoras-banco-chile

14/ See: https://www.fundssociety.com/es/noticias/negocio/euroamerica-vende-al-grupo-zurich-su-negocio-de-seguros-y-agf-en-chile

15/ See: http://www.todoriesgo.com.ar/el-grupo-werthein-lanza-experta-seguros/

16/ See: http://www.laprensa.com.ar/481740-Presentaron-una-nueva-empresa-de-Sancor-Seguros.note.aspx

17/ See: https://100seguro.com.ar/nace-un-nuevo-operador-solvencia-seguros-de-retiro/

18/ See: https://www.eldinero.com.do/95684/scotiabank-firma-alianza-con-seguros-crecer/

19/ See: https://www.seguros.press/axa-equitable-holdings-vende-determinadas-actividades-en-run-off-a-heritage-life-insurance/535/

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21/ See: https://www.larepublica.co/finanzas/se-aprueba-la-fusion-entre-las-companias-de-seguros-zurich-colombia-y-zls-2961091

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24/ MAPFRE Economics growth forecasts can be viewed at: MAPFRE Economics (2020), *2020 Economic and industry outlook: third quarter perspectives*, Madrid, Fundación MAPFRE.

25/ Economic Commission for Latin America and the Caribbean (ECLAC) growth forecasts are available at: https://www.cepal.org/sites/default/files/pr/files/table_press_gdp_projections-2020_15july-eng.pdf

26/ See: MAPFRE Economics (2019), *The Latin American insurance market in 2018*, Madrid, Fundación MAPFRE.

27/ See: http://boletines.latinoinsurance.com/cancelacion-de-seguros-metlife-para-funcionarios-del-gobierno-pegara-al-crecimiento-de-todo-el-sector-asegurador/

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Table A.1. Mexico: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	234,774	103,896	130,878	13.6%	7.9%	590,308	460,415	498,970	444,101	91,338	108.3	-12,678	35,126	17.9%	2.8%
2010	243,041	113,033	130,008	3.5%	-0.6%	653,738	520,469	549,120	493,603	104,618	109.1	-14,616	38,030	14.4%	2.3%
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	14.3%	2.3%
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	18.2%	2.9%
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	16.9%	2.5%
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	17.9%	2.4%
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	14.1%	1.8%
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	20.8%	2.9%
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	23.4%	3.2%
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	22.1%	3.1%
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	24.7%	3.5%

Year	Penetration (premiums/GDP)			Density (premiums per capita, pesos)			Depth index[4]	Insurance Protection Gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2009	1.9%	0.9%	1.1%	2,088	924	1,164	44.3%	779,574	492,168	287,407	3.3	4.7	2.2
2010	1.8%	0.8%	1.0%	2,130	991	1,139	46.5%	854,053	532,853	321,200	3.5	4.7	2.5
2011	1.9%	0.9%	1.0%	2,394	1,083	1,311	45.2%	917,477	574,318	343,159	3.3	4.6	2.3
2012	1.9%	0.9%	1.0%	2,629	1,218	1,411	46.3%	990,012	618,800	371,212	3.2	4.3	2.2
2013	2.1%	1.0%	1.1%	2,873	1,339	1,534	46.6%	948,498	575,338	373,159	2.8	3.6	2.0
2014	2.0%	1.0%	1.1%	2,970	1,406	1,564	47.3%	1,035,416	633,965	401,451	2.9	3.7	2.1
2015	2.1%	1.0%	1.1%	3,210	1,493	1,718	46.5%	1,101,561	676,568	424,993	2.8	3.7	2.0
2016	2.2%	1.0%	1.2%	3,595	1,696	1,900	47.2%	1,118,374	663,350	455,024	2.5	3.2	1.9
2017	2.2%	1.0%	1.2%	3,881	1,722	2,159	44.4%	1,187,379	716,512	470,867	2.5	3.3	1.7
2018	2.2%	1.0%	1.2%	4,152	1,924	2,227	46.3%	1,284,239	764,383	519,856	2.5	3.1	1.8
2019	2.4%	1.1%	1.3%	4,564	2,120	2,444	46.5%	1,297,129	748,602	548,527	2.2	2.8	1.8

Source: MAPFRE Economics (based on data from the National Insurance and Bond Commission)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.2. Guatemala: main insurance market figures and indicators
(millions of quetzales)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	3,543	667	2,876	9.1%	7.1%	4,279	3,054	2,968	2,552	1,311	100.9	-21	208	17.5%	5.3%
2010	3,805	745	3,060	7.4%	3.4%	4,665	3,276	3,254	3,005	1,410	98.1	48	230	18.0%	5.4%
2011	4,718	923	3,796	24.0%	16.8%	6,662	4,277	4,737	3,366	1,925	95.3	135	283	21.2%	6.1%
2012	4,646	952	3,694	-1.5%	-5.1%	6,671	4,591	4,543	3,340	2,128	94.5	170	310	21.2%	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	24.6%	8.2%
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	23.2%	8.1%
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	21.7%	7.7%
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	19.7%	7.2%
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	21.0%	7.6%
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	22.9%	8.4%
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	23.5%	8.5%

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
2009	1.2%	0.2%	0.9%	247	47	201	18.8%	22,141	14,425	7,715	6.2	21.6	2.7
2010	1.1%	0.2%	0.9%	260	51	209	19.6%	23,535	15,351	8,184	6.2	20.6	2.7
2011	1.3%	0.2%	1.0%	316	62	254	19.6%	25,500	16,776	8,723	5.4	18.2	2.3
2012	1.2%	0.2%	0.9%	304	62	242	20.5%	27,751	18,053	9,698	6.0	19.0	2.6
2013	1.2%	0.2%	1.0%	335	68	267	20.3%	28,309	18,032	10,277	5.4	17.1	2.5
2014	1.2%	0.3%	1.0%	354	75	280	21.1%	30,554	19,682	10,872	5.4	16.6	2.4
2015	1.2%	0.2%	1.0%	367	72	295	19.7%	33,312	21,413	11,899	5.6	18.2	2.5
2016	1.2%	0.2%	1.0%	381	77	304	20.1%	34,198	21,360	12,838	5.4	16.8	2.5
2017	1.2%	0.3%	1.0%	402	84	318	20.8%	35,618	22,217	13,401	5.2	15.7	2.5
2018	1.2%	0.2%	0.9%	406	85	321	20.9%	38,354	23,804	14,550	5.5	16.3	2.6
2019	1.2%	0.3%	0.9%	428	93	335	21.6%	41,160	24,772	16,388	5.5	15.2	2.8

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

[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.3. Honduras: main insurance market figures and indicators
(millions of lempiras)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	5,353	1,441	3,912	0.2%	-5.0%	8,782	5,905	5,568	3,970	3,214	89.7	353	480	22.1%	8.1%
2010	5,693	1,505	4,187	6.3%	1.6%	9,132	6,554	5,546	3,962	3,586	89.0	361	406	20.8%	8.2%
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	19.5%	7.7%
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	19.7%	8.1%
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	17.1%	6.5%
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	15.7%	5.7%
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	19.0%	6.8%
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	19.3%	7.1%
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	17.5%	6.5%
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	21.4%	7.5%
2019	11,244	3,845	7,398	0.8%	-3.4%	16,420	10,572	10,152	7,316	6,267	84.6	839	721	20.7%	7.9%

Year	Penetration (premiums/GDP)			Density (premiums per capita, lempiras)			Depth index[4]	Insurance Protection Gap			IPG as a multiple of the actual market		
	Total	Life	Non-Life	Total	Life	Non-Life		Total	Life	Non-Life	Total	Life	Non-Life
2009	1.9%	0.5%	1.4%	657	177	480	26.9%	17,634	12,067	5,567	3.3	8.4	1.4
2010	1.9%	0.5%	1.4%	684	181	503	26.4%	18,872	12,957	5,916	3.3	8.6	1.4
2011	1.9%	0.5%	1.3%	735	212	523	28.8%	21,051	14,183	6,867	3.4	7.9	1.5
2012	1.9%	0.6%	1.3%	799	234	564	29.3%	22,755	15,373	7,383	3.3	7.6	1.5
2013	2.0%	0.6%	1.4%	852	263	589	30.9%	22,339	14,674	7,665	3.0	6.3	1.5
2014	1.9%	0.6%	1.3%	889	270	619	30.4%	25,090	16,637	8,453	3.2	6.9	1.5
2015	1.9%	0.6%	1.3%	958	306	651	32.0%	28,321	18,513	9,808	3.2	6.6	1.7
2016	1.9%	0.7%	1.3%	1,034	355	679	34.3%	28,918	18,220	10,698	3.0	5.5	1.7
2017	1.9%	0.6%	1.3%	1,099	337	762	30.7%	31,060	19,900	11,160	3.0	6.3	1.6
2018	1.9%	0.6%	1.3%	1,164	378	786	32.5%	32,892	20,916	11,976	2.9	5.8	1.6
2019	1.8%	0.6%	1.2%	1,154	395	759	34.2%	35,700	21,609	14,091	3.2	5.6	1.9

Source: MAPFRE Economics (based on data from the National Banking and Insurance Commission)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.4. El Salvador: main insurance market figures and indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	441	153	288	0.4%	-0.1%	567	427	287	188	280	85.1	35	18	18.1%	8.9%
2010	453	159	295	2.8%	1.6%	625	475	298	200	327	85.9	36	12	14.2%	7.4%
2011	478	171	307	5.4%	0.2%	629	479	323	216	305	87.3	35	14	15.0%	7.3%
2012	503	187	315	5.2%	3.5%	663	497	340	228	323	90.0	30	19	14.2%	6.9%
2013	546	210	336	8.6%	7.8%	724	561	381	254	343	90.6	31	19	13.8%	6.6%
2014	572	225	347	4.7%	3.5%	775	600	410	282	365	92.8	25	20	12.9%	6.1%
2015	609	233	376	6.4%	7.2%	841	645	461	295	380	98.7	5	22	9.7%	4.4%
2016	621	216	405	2.0%	1.4%	817	607	448	299	369	98.8	5	25	8.1%	3.7%
2017	616	215	401	-0.8%	-1.8%	855	632	476	307	380	97.6	9	24	9.3%	4.1%
2018	658	219	438	6.7%	5.6%	891	648	496	317	396	98.8	5	27	9.2%	4.1%
2019	702	237	465	6.8%	6.7%	932	651	532	323	400	100.9	-4	24	8.9%	3.8%

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
2009	2.5%	0.9%	1.6%	72	25	47	34.7%	1,027	710	317	2.3	4.6	1.1
2010	2.5%	0.9%	1.6%	73	26	48	35.0%	1,061	733	328	2.3	4.6	1.1
2011	2.4%	0.8%	1.5%	77	28	49	35.8%	1,174	797	378	2.5	4.7	1.2
2012	2.4%	0.9%	1.5%	81	30	51	37.3%	1,252	842	410	2.5	4.5	1.3
2013	2.5%	1.0%	1.5%	87	33	54	38.4%	1,196	783	414	2.2	3.7	1.2
2014	2.5%	1.0%	1.5%	91	36	55	39.4%	1,229	813	416	2.1	3.6	1.2
2015	2.6%	1.0%	1.6%	96	37	59	38.2%	1,277	852	425	2.1	3.7	1.1
2016	2.6%	0.9%	1.7%	98	34	64	34.9%	1,254	831	423	2.0	3.8	1.0
2017	2.5%	0.9%	1.6%	96	34	63	34.9%	1,287	845	442	2.1	3.9	1.1
2018	2.5%	0.8%	1.7%	102	34	68	33.3%	1,346	897	449	2.0	4.1	1.0
2019	2.6%	0.9%	1.7%	109	37	72	33.8%	1,363	883	480	1.9	3.7	1.0

Source: MAPFRE Economics (based on data from the Superintendency of the Financial System)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.5. Nicaragua: main insurance market figures and indicators
(millions of cordobas)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	2,255	359	1,897	7.9%	4.1%	3,272	2,170	2,458	1,823	814	91.9	110	150	30.8%	7.7%
2010	2,478	367	2,110	9.9%	4.2%	3,667	2,530	2,646	1,949	1,021	94.5	82	180	26.6%	7.4%
2011	2,765	418	2,347	11.6%	3.3%	4,193	3,003	2,929	2,217	1,264	99.5	8	174	22.7%	6.8%
2012	3,255	514	2,741	17.7%	9.8%	4,944	3,486	3,490	2,598	1,453	94.4	103	166	17.8%	5.2%
2013	3,878	668	3,210	19.1%	11.2%	5,793	4,096	4,190	2,997	1,603	89.6	236	178	22.3%	6.2%
2014	4,615	823	3,792	19.0%	12.2%	6,795	4,788	4,820	3,450	1,975	87.2	350	213	22.8%	6.6%
2015	5,198	916	4,282	12.6%	8.3%	7,857	5,533	5,521	3,916	2,336	86.6	431	269	23.6%	7.0%
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	21.4%	6.3%
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	27.4%	8.5%
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	24.0%	8.7%
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	18.4%	7.4%

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
2009	1.3%	0.2%	1.1%	393	62	330	15.9%	11,821	7,913	3,908	5.2	22.1	2.1
2010	1.3%	0.2%	1.1%	425	63	362	14.8%	12,875	8,671	4,204	5.2	23.6	2.0
2011	1.3%	0.2%	1.1%	468	71	398	15.1%	15,087	10,038	5,049	5.5	24.0	2.2
2012	1.3%	0.2%	1.1%	544	86	458	15.8%	17,099	11,427	5,672	5.3	22.2	2.1
2013	1.4%	0.2%	1.2%	640	110	529	17.2%	17,639	11,583	6,056	4.5	17.3	1.9
2014	1.5%	0.3%	1.2%	751	134	617	17.8%	19,969	13,352	6,617	4.3	16.2	1.7
2015	1.5%	0.3%	1.2%	835	147	688	17.6%	22,781	15,175	7,606	4.4	16.6	1.8
2016	1.5%	0.3%	1.2%	928	176	751	19.0%	23,672	15,380	8,292	4.0	13.8	1.8
2017	1.6%	0.3%	1.3%	1,037	203	834	19.6%	25,142	16,401	8,741	3.8	12.7	1.6
2018	1.7%	0.4%	1.4%	1,093	224	868	20.5%	24,757	16,276	8,481	3.5	11.2	1.5
2019	1.6%	0.3%	1.3%	1,034	209	825	20.2%	25,137	15,932	9,205	3.7	11.7	1.7

Source: MAPFRE Economics (based on data from the Superintendency of Banks and other financial institutions)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.6. Costa Rica: main insurance market figures and indicators
(millions of colones)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	353,823	32,879	320,944	5.2%	-2.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	377,750	33,235	344,515	6.8%	1.0%	1,155,893	n/a	689,849	545,786	466,044	101.8	-4,378	61,717	9.2%	3.7%
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	8.4%	3.3%
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	6.0%	2.5%
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	6.3%	2.5%
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	6.8%	2.8%
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	6.4%	2.6%
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	7.5%	3.1%
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	7.1%	3.0%
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	5.0%	2.2%

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
2009	2.0%	0.2%	1.8%	78,267	7,273	70,994	9.3%	1,107,393	825,779	281,614	3.1	25.1	0.9
2010	1.9%	0.2%	1.8%	82,526	7,261	75,265	8.8%	1,230,741	913,723	317,019	3.3	27.5	0.9
2011	1.9%	0.2%	1.7%	86,593	9,158	77,435	10.6%	1,339,410	977,053	362,356	3.3	23.0	1.0
2012	2.0%	0.2%	1.8%	99,436	11,848	87,588	11.9%	1,452,091	1,069,770	382,321	3.1	19.3	0.9
2013	2.1%	0.3%	1.8%	109,230	14,682	94,548	13.4%	1,452,069	1,052,054	400,015	2.8	15.1	0.9
2014	2.3%	0.3%	2.0%	129,831	15,978	113,853	12.3%	1,547,727	1,174,797	372,930	2.5	15.3	0.7
2015	1.9%	0.2%	1.7%	116,354	14,890	101,464	12.8%	1,792,110	1,282,841	509,269	3.2	17.8	1.0
2016	2.1%	0.3%	1.8%	133,633	20,795	112,839	15.6%	1,762,442	1,248,456	513,986	2.7	12.3	0.9
2017	2.3%	0.3%	1.9%	151,381	22,462	128,919	14.8%	1,771,137	1,293,125	478,011	2.4	11.6	0.7
2018	2.2%	0.4%	1.9%	154,398	24,788	129,610	16.1%	1,895,486	1,361,905	533,581	2.5	11.0	0.8
2019	2.4%	0.4%	2.0%	165,000	26,444	138,556	16.0%	1,816,458	1,303,064	513,394	2.2	9.8	0.7

Source: MAPFRE Economics (based on data from the General Superintendency of Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.7. Panama: main insurance market figures and indicators
(millions of balboas)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	847	239	608	9.5%	6.9%	1,339	960	893	600	444	95.4	22	64	15.0%	5.0%
2010	919	233	686	8.5%	4.8%	1,390	1,099	921	655	468	95.5	24	51	11.8%	4.0%
2011	1,053	234	819	14.6%	8.2%	1,588	1,157	984	673	604	94.9	31	56	10.4%	4.0%
2012	1,139	255	884	8.2%	2.3%	1,899	1,374	1,143	689	756	96.5	21	79	12.1%	4.8%
2013	1,244	280	965	9.3%	5.1%	2,389	1,549	1,483	982	906	98.5	11	68	8.0%	3.0%
2014	1,343	312	1,032	7.9%	5.2%	2,602	1,679	1,513	1,080	1,089	97.6	18	75	7.5%	3.1%
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%	3.2%
2016	1,396	346	1,050	0.5%	-0.2%	2,888	1,869	1,715	1,209	1,173	92.5	66	75	10.3%	4.2%
2017	1,471	378	1,093	5.4%	4.5%	3,172	2,068	1,855	1,356	1,317	91.2	84	102	13.0%	5.4%
2018	1,570	392	1,178	6.7%	5.9%	3,195	1,858	2,024	1,435	1,171	89.9	99	65	12.0%	4.4%
2019	1,568	406	1,162	-0.1%	0.2%	3,335	n/a	2,042	n/a	1,293	90.1	102	104	15.2%	5.9%

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
2009	3.1%	0.9%	2.2%	237	67	170	28.2%	1,414	1,090	324	1.7	4.6	0.5
2010	3.1%	0.8%	2.3%	252	64	188	25.3%	1,498	1,190	307	1.6	5.1	0.4
2011	3.0%	0.7%	2.4%	284	63	221	22.2%	1,772	1,421	352	1.7	6.1	0.4
2012	2.8%	0.6%	2.2%	302	68	234	22.4%	2,180	1,692	488	1.9	6.6	0.6
2013	2.7%	0.6%	2.1%	324	73	252	22.5%	2,369	1,778	591	1.9	6.4	0.6
2014	2.7%	0.6%	2.1%	344	80	264	23.2%	2,636	1,983	653	2.0	6.4	0.6
2015	2.6%	0.6%	2.0%	350	81	269	23.3%	2,964	2,180	784	2.1	6.7	0.7
2016	2.4%	0.6%	1.8%	346	86	260	24.8%	3,103	2,167	936	2.2	6.3	0.9
2017	2.4%	0.6%	1.8%	358	92	266	25.7%	3,284	2,272	1,012	2.2	6.0	0.9
2018	2.4%	0.6%	1.8%	376	94	282	25.0%	3,432	2,394	1,038	2.2	6.1	0.9
2019	2.3%	0.6%	1.7%	369	96	274	25.9%	3,699	2,450	1,249	2.4	6.0	1.1

Source: MAPFRE Economics (based on data from the Superintendency of Insurance and Reinsurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.8. Dominican Republic: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	23,194	3,378	19,816	6.5%	5.0%	25,614	12,603	17,194	9,718	8,422	96.3	454	874	18.3%	6.0%
2010	24,797	3,506	21,291	6.9%	0.5%	28,273	14,318	19,094	10,973	9,179	97.3	353	894	16.5%	5.4%
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	18.0%	5.7%
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	16.6%	5.0%
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	15.6%	4.7%
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	16.4%	4.8%
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	19.7%	5.7%
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	18.1%	5.2%
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	20.0%	5.6%
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	24.7%	7.0%
2019	69,230	10,766	58,464	16.2%	14.2%	77,946	41,899	53,867	30,362	24,079	93	2,200	2,484	26.4%	8.2%

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
2009	1.3%	0.2%	1.1%	2,422	353	2,069	14.6%	121,588	81,701	39,888	5.2	24.2	2.0
2010	1.3%	0.2%	1.1%	2,558	362	2,196	14.1%	137,981	92,326	45,656	5.6	26.3	2.1
2011	1.2%	0.2%	1.0%	2,734	403	2,331	14.7%	153,189	101,480	51,709	5.7	25.6	2.3
2012	1.2%	0.2%	1.0%	2,940	450	2,491	15.3%	166,636	110,420	56,215	5.7	24.7	2.3
2013	1.2%	0.2%	1.0%	3,074	498	2,577	16.2%	176,705	113,197	63,508	5.7	22.6	2.5
2014	1.1%	0.2%	1.0%	3,267	524	2,743	16.0%	200,004	129,145	70,859	6.0	24.2	2.5
2015	1.1%	0.2%	0.9%	3,465	614	2,851	17.7%	222,320	142,031	80,289	6.2	22.5	2.7
2016	1.2%	0.2%	1.0%	3,904	717	3,187	18.4%	230,136	143,786	86,350	5.7	19.3	2.6
2017	1.3%	0.2%	1.1%	4,695	807	3,888	17.2%	240,954	153,269	87,685	4.9	18.1	2.1
2018	1.4%	0.2%	1.2%	5,605	895	4,709	16.0%	266,110	171,897	94,213	4.5	18.1	1.9
2019	1.5%	0.2%	1.3%	6,447	1,003	5,444	15.6%	280,440	178,836	101,604	4.1	16.6	1.7

Source: MAPFRE Economics (based on data from the Superintendency of Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.9. Puerto Rico: main insurance market figures and indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	9,805	706	9,098	5.5%	5.2%	6,912	n/a	4,533	n/a	2,378	n/a	n/a	n/a	16.5%	5.7%
2010	10,428	801	9,626	6.4%	3.8%	7,135	5,752	4,732	3,275	2,403	n/a	n/a	n/a	16.3%	5.5%
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	15.0%	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	12.8%	4.5%
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	12.0%	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	4.8%	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	4.6%	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	12.9%	3.6%
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	5.4%	1.4%
2019	14,815	1,466	13,349	6.3%	5.5%	10,227	7,933	7,275	4,338	2,952	n/a	n/a	n/a	12.9%	3.7%

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
2009	10.2%	0.7%	9.4%	2,726	196	2,530	7.2%	4,018	4,018	-	0.4	5.7	-
2010	10.6%	0.8%	9.8%	2,913	224	2,689	7.7%	3,952	3,952	-	0.4	4.9	-
2011	11.0%	0.9%	10.1%	3,107	252	2,854	8.1%	3,889	3,889	-	0.4	4.3	-
2012	10.4%	1.0%	9.4%	2,991	277	2,714	9.3%	3,910	3,910	-	0.4	4.0	-
2013	10.3%	1.0%	9.2%	3,002	301	2,701	10.0%	3,569	3,569	-	0.3	3.4	-
2014	9.7%	1.2%	8.5%	2,886	358	2,528	12.4%	3,472	3,472	-	0.3	2.8	-
2015	11.7%	1.2%	10.5%	3,582	370	3,212	10.3%	3,532	3,532	-	0.3	2.8	-
2016	12.3%	1.2%	11.1%	3,920	385	3,535	9.8%	3,260	3,260	-	0.3	2.6	-
2017	12.3%	1.1%	11.2%	4,039	364	3,675	9.0%	3,282	3,282	-	0.3	2.8	-
2018	13.8%	1.3%	12.4%	4,586	446	4,140	9.7%	2,975	2,975	-	0.2	2.2	-
2019	14.8%	1.5%	13.4%	5,050	500	4,551	9.9%	2,697	2,697	-	0.2	1.8	-

Source: MAPFRE Economics (based on data from the Puerto Rico Insurance Commissioner's Office and the National Association of Insurance Commissioners, NAIC)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.10. Colombia: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	11,436,694	3,535,050	7,901,643	9.2%	4.8%	27,176,830	21,178,434	20,506,159	17,479,795	6,670,671	113.5	-1,080,246	2,442,565	18.1%	4.5%
2010	11,849,969	3,344,106	8,505,863	3.6%	1.3%	30,723,343	23,910,276	22,887,250	19,540,989	7,836,093	110.4	-889,033	2,131,454	15.4%	3.9%
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	7.7%	1.8%
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	12.1%	2.9%
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	10.9%	2.3%
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	10.8%	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	14.9%	2.9%
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	14.5%	2.7%
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	12.7%	2.2%
2019	30,087,537	9,329,143	20,758,394	10.3%	6.6%	86,054,031	61,916,603	70,667,652	62,744,057	15,386,379	111.3	-2,431,053	4,659,640	14.4%	2.6%

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
2009	2.3%	0.7%	1.6%	255,568	78,995	176,573	30.9%	30,410,819	21,055,906	9,354,914	2.7	6.0	1.2
2010	2.2%	0.6%	1.6%	262,036	73,948	188,088	28.2%	32,734,198	22,903,679	9,830,518	2.8	6.8	1.2
2011	2.2%	0.6%	1.6%	297,432	83,646	213,785	28.1%	36,762,746	25,667,482	11,095,258	2.7	6.7	1.1
2012	2.4%	0.7%	1.7%	346,490	103,396	243,094	29.8%	38,688,700	27,297,622	11,391,075	2.4	5.7	1.0
2013	2.6%	0.9%	1.7%	405,059	143,903	261,156	35.5%	37,716,271	25,506,620	12,209,652	2.0	3.8	1.0
2014	2.5%	0.7%	1.8%	405,303	120,423	284,880	29.7%	41,776,550	29,408,934	12,367,617	2.2	5.2	0.9
2015	2.7%	0.8%	1.9%	452,623	132,868	319,755	29.4%	43,241,833	30,923,908	12,317,921	2.0	4.9	0.8
2016	2.8%	0.9%	1.9%	495,058	154,890	340,167	31.3%	43,207,439	29,999,238	13,208,202	1.8	4.0	0.8
2017	2.8%	0.9%	1.9%	531,655	172,498	359,157	32.4%	44,247,659	30,704,287	13,543,373	1.7	3.6	0.8
2018	2.8%	0.9%	1.9%	549,089	171,982	377,107	31.3%	47,961,522	33,364,931	14,596,594	1.8	3.9	0.8
2019	2.9%	0.9%	2.0%	597,693	185,325	412,368	31.0%	50,738,276	34,497,271	16,241,006	1.7	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
(billions of sovereign bolivars)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	0.000276	0.000007	0.000269	23.4%	-2.1%	0.000219	0.000174	0.000139	0.000106	0.000081	88.4	-0.000000	0.000012	11.0%	4.0%
2010	0.000369	0.000009	0.000360	34.0%	4.6%	0.000331	0.000258	0.000210	0.000144	0.000121	88.3	0.000006	0.000013	19.8%	7.2%
2011	0.000465	0.000009	0.000456	25.9%	-0.2%	0.000426	0.000338	0.000278	0.000186	0.000147	86.2	0.000010	0.000019	16.4%	5.7%
2012	0.000597	0.000011	0.000586	28.4%	6.1%	0.000520	0.000411	0.000338	0.000231	0.000182	88.0	0.000011	0.000031	20.4%	7.1%
2013	0.000856	0.000016	0.000841	43.4%	2.0%	0.000801	0.000649	0.000480	0.000331	0.000321	85.6	0.000004	0.000038	15.7%	6.3%
2014	0.001424	0.000023	0.001401	66.3%	2.6%	0.001575	0.001312	0.000818	0.000572	0.000756	80.2	-0.000010	0.000055	9.0%	4.3%
2015	0.003300	0.000041	0.003259	131.7%	4.5%	0.005839	0.004784	0.002119	0.001326	0.003720	76.1	-0.000103	0.000210	2.5%	1.6%
2016	0.008715	0.000101	0.008614	164.1%	-25.6%	0.017972	0.014608	0.006304	0.003036	0.011668	80.8	-0.000396	0.000216	3.3%	2.1%
2017	0.038201	0.000384	0.037817	338.3%	-18.5%	0.201182	0.184028	0.029109	0.014156	0.172073	72.6	0.008187	0.000936	1.4%	1.2%
2018	26.054	0.436	25.618	68,102.8%	4.2%	609.707	453.831	316.954	10.738	292.753	123.5	-3.180	2.808	8.2%	3.9%
2019	5,778.181	44.373	5,733.807	22,077.5%	10.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Year	Penetration (premiums/GDP)			Density (premiums per capita, thousands of 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
2009	3.9%	0.1%	3.8%	0.000000	0.000000	0.000000	2.5%	0.000336	0.000336	-	1.2	49.1	-
2010	3.7%	0.1%	3.6%	0.000000	0.000000	0.000000	2.4%	0.000474	0.000474	-	1.3	54.0	-
2011	3.3%	0.1%	3.3%	0.000000	0.000000	0.000000	2.0%	0.000676	0.000659	0.000017	1.5	72.1	0.037
2012	3.7%	0.1%	3.7%	0.000000	0.000000	0.000000	1.9%	0.000759	0.000759	-	1.3	67.1	-
2013	3.9%	0.1%	3.8%	0.000000	0.000000	0.000000	1.8%	0.000977	0.000977	-	1.1	62.3	-
2014	4.7%	0.1%	4.7%	0.000000	0.000000	0.000000	1.6%	0.001356	0.001356	-	1.0	59.5	-
2015	4.1%	0.1%	4.1%	0.000100	0.000000	0.000100	1.2%	0.003662	0.003662	-	1.1	90.3	-
2016	3.1%	0.0%	3.1%	0.000300	0.000000	0.000300	1.2%	0.013099	0.012086	0.001014	1.5	119.9	0.118
2017	1.9%	0.0%	1.9%	0.001300	0.000000	0.001300	1.0%	0.115173	0.085070	0.030103	3.0	221.3	0.8
2018	1.3%	0.0%	1.3%	0.901900	0.015100	0.886800	1.7%	130.682864	86.871765	43.811104	5.0	199.1	1.7
2019	0.5%	0.0%	0.5%	202.631	1.556	201.075	0.8%	78,630.917	45,725.0149	32,905.9017	13.6	1,030.5	5.7

Source: MAPFRE Economics (based on data from the Superintendency of Insurance Activity)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.12. Brazil: main insurance market figures and indicators
(millions of reais)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	76,611	41,368	35,243	13.0%	7.7%	291,557	249,732	236,625	217,379	54,932	94.6	2,171	5,854	17.7%	3.3%
2010	90,089	49,616	40,473	17.6%	12.0%	345,903	300,020	283,074	262,680	62,829	94.7	2,413	6,366	18.1%	3.3%
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	19.1%	3.1%
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	18.0%	2.7%
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	21.8%	2.9%
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	23.4%	2.8%
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	27.7%	2.7%
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	22.0%	2.0%
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	19.8%	1.7%
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	22.3%	1.7%
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	24.6%	1.9%

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
2009	2.3%	1.2%	1.1%	395	213	182	54.0%	201,101	121,825	79,276	2.6	2.9	2.2
2010	2.3%	1.3%	1.0%	460	254	207	55.1%	228,697	138,061	90,636	2.5	2.8	2.2
2011	2.4%	1.3%	1.1%	532	296	235	55.7%	251,440	150,259	101,181	2.4	2.6	2.2
2012	2.7%	1.6%	1.1%	649	387	262	59.6%	265,830	154,710	111,120	2.1	2.0	2.1
2013	2.7%	1.6%	1.2%	722	415	308	57.4%	277,275	157,177	120,098	1.9	1.9	1.9
2014	2.9%	1.6%	1.2%	815	464	351	57.0%	295,429	171,469	123,960	1.8	1.8	1.7
2015	3.1%	1.9%	1.2%	901	543	358	60.3%	298,215	166,412	131,804	1.6	1.5	1.8
2016	3.3%	2.1%	1.2%	997	634	363	63.6%	280,878	140,980	139,898	1.4	1.1	1.9
2017	3.2%	2.1%	1.2%	1,021	653	368	64.0%	287,993	142,955	145,038	1.4	1.1	1.9
2018	3.1%	1.9%	1.2%	1,004	620	384	61.8%	314,394	162,309	152,085	1.5	1.2	1.9
2019	3.3%	2.1%	1.1%	1,110	720	389	64.9%	318,853	147,844	171,009	1.4	1.0	2.1

Source: MAPFRE Economics (based on data from the Superintendency of Private Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.13. Ecuador: main insurance market figures and indicators
(millions of USD)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	943	157	786	6.6%	1.4%	720	395	468	135	252	80.7	66	17	14.2%	5.0%
2010	1,108	181	926	17.5%	13.5%	849	480	548	162	301	76.7	96	18	16.7%	5.9%
2011	1,337	231	1,105	20.7%	15.5%	1,045	583	697	199	348	74.0	130	21	19.1%	6.4%
2012	1,485	255	1,230	11.1%	5.7%	1,356	674	970	384	385	75.8	147	31	11.9%	3.4%
2013	1,659	282	1,377	11.7%	8.8%	1,645	761	1,223	546	422	76.6	164	33	9.3%	2.4%
2014	1,703	276	1,427	2.6%	-0.9%	1,853	847	1,372	607	482	70.5	214	37	14.6%	3.8%
2015	1,665	295	1,370	-2.2%	-6.0%	2,017	919	1,448	663	569	76.5	208	41	8.9%	2.5%
2016	1,618	347	1,271	-2.8%	-4.5%	2,321	952	1,704	895	617	74.9	250	40	10.3%	2.7%
2017	1,631	370	1,261	0.8%	0.4%	2,247	1,059	1,647	831	600	74.8	254	44	11.7%	3.1%
2018	1,689	413	1,276	3.6%	3.8%	2,158	1,043	1,541	840	617	75.9	265	39	8.3%	2.4%
2019	1,797	434	1,364	6.4%	6.1%	2,156	1,093	1,509	799	647	74.0	290	56	9.5%	2.8%

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
2009	1.5%	0.3%	1.3%	64	11	53	16.6%	4,271	2,907	1,364	4.5	18.5	1.7
2010	1.6%	0.3%	1.3%	74	12	62	16.4%	4,601	3,180	1,422	4.2	17.5	1.5
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%	97	22	75	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%	6,645	4,230	2,415	3.9	10.2	1.9
2019	1.7%	0.4%	1.3%	103	25	79	24.1%	6,496	4,063	2,432	3.6	9.4	1.8

Source: MAPFRE Economics (based on data from the Superintendency of Companies, Securities and Insurance)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.14. Peru: main insurance market figures and indicators
(millions of soles)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	5,190	1,803	3,388	19.8%	16.4%	14,137	12,041	11,335	9,933	2,803	109.4	-288	872	17.5%	3.5%
2010	6,552	2,889	3,663	26.2%	24.3%	17,359	15,259	13,598	11,852	3,761	111.7	-393	1,107	15.9%	3.4%
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	21.9%	4.5%
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	14.8%	3.1%
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	15.1%	2.4%
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	16.4%	2.7%
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	17.4%	2.6%
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	14.4%	2.4%
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	11.8%	1.9%
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	14.6%	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	17.4%	2.8%

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
2009	1.4%	0.5%	0.9%	180	63	118	34.7%	25,321	16,127	9,194	4.9	8.9	2.7
2010	1.6%	0.7%	0.9%	226	100	126	44.1%	27,981	17,442	10,540	4.3	6.0	2.9
2011	1.5%	0.7%	0.9%	246	106	141	42.9%	31,144	19,373	11,770	4.3	6.3	2.9
2012	1.6%	0.6%	0.9%	268	112	156	41.8%	33,848	21,189	12,659	4.3	6.4	2.8
2013	1.7%	0.7%	1.0%	305	126	179	41.3%	34,207	20,890	13,317	3.8	5.6	2.5
2014	1.8%	0.8%	1.0%	337	148	190	43.8%	35,625	21,946	13,679	3.5	4.9	2.4
2015	1.9%	0.8%	1.1%	385	168	217	43.6%	37,289	23,081	14,208	3.2	4.5	2.1
2016	1.7%	0.7%	1.0%	364	148	215	40.8%	39,683	23,865	15,818	3.5	5.2	2.4
2017	1.6%	0.7%	0.9%	360	153	207	42.5%	41,994	24,898	17,096	3.7	5.2	2.6
2018	1.7%	0.8%	1.0%	402	178	225	44.2%	44,088	26,044	18,043	3.4	4.6	2.5
2019	1.8%	0.8%	1.0%	434	195	239	45.0%	45,461	25,956	19,505	3.2	4.1	2.5

Source: MAPFRE Economics (based on data from the Superintendency of Banking, Insurance and Pension Fund Administrators)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.15. Bolivia: main insurance market figures and indicators
(millions of bolivianos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	1,428	290	1,138	1.3%	-2.0%	4,752	4,019	3,684	3,147	1,069	105.2	-48	208	16.2%	3.6%
2010	1,595	341	1,254	11.7%	9.0%	4,902	4,052	3,788	3,167	1,056	98.1	20	220	12.4%	2.7%
2011	1,841	400	1,441	15.4%	5.0%	5,176	4,251	4,097	3,395	1,078	103.4	-41	193	10.5%	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	11.1%	2.4%
2013	2,569	617	1,952	17.1%	10.8%	5,624	4,543	4,294	3,165	1,326	92.9	130	133	14.2%	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	13.2%	3.2%
2015	3,103	822	2,281	7.6%	3.4%	6,600	4,895	4,893	3,179	1,707	96.8	64	237	13.8%	3.6%
2016	3,228	915	2,313	4.0%	0.4%	6,953	5,183	5,164	3,214	1,789	100.5	-11	290	13.2%	3.4%
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	11.3%	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	11.5%	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	12.2%	3.7%

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
2009	1.2%	0.2%	0.9%	144	29	115	20.3%	8,724	5,676	3,048	6.1	19.6	2.7
2010	1.2%	0.2%	0.9%	159	34	125	21.4%	9,721	6,321	3,400	6.1	18.5	2.7
2011	1.1%	0.2%	0.9%	180	39	141	21.7%	11,698	7,530	4,168	6.4	18.8	2.9
2012	1.2%	0.3%	0.9%	211	46	166	21.6%	13,167	8,539	4,629	6.0	18.1	2.7
2013	1.2%	0.3%	0.9%	244	59	185	24.0%	14,219	8,941	5,278	5.5	14.5	2.7
2014	1.3%	0.3%	1.0%	269	66	203	24.4%	15,292	9,775	5,517	5.3	13.9	2.5
2015	1.4%	0.4%	1.0%	285	76	210	26.5%	15,246	9,730	5,516	4.9	11.8	2.4
2016	1.4%	0.4%	1.0%	293	83	210	28.3%	14,979	9,257	5,722	4.6	10.1	2.5
2017	1.3%	0.4%	0.9%	298	91	207	30.5%	16,447	10,004	6,443	4.9	9.8	2.8
2018	1.3%	0.4%	0.9%	326	110	216	33.7%	17,705	10,677	7,029	4.8	8.6	2.9
2019	1.4%	0.5%	0.9%	346	123	223	35.6%	18,367	10,700	7,667	4.6	7.5	3.0

Source: MAPFRE Economics (based on data from the Pension and Insurance Tax and Control Authority)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.16. Chile: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	3,491,354	2,084,863	1,406,491	-4.0%	-5.4%	19,416,520	22,256,545	17,009,252	16,209,583	2,407,269	127.5	-721,408	1,221,828	16.5%	2.0%
2010	4,228,291	2,558,164	1,670,127	21.1%	19.4%	21,417,926	23,766,697	18,665,080	17,813,497	2,752,846	119.0	-609,520	1,269,471	17.0%	2.2%
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	13.1%	1.5%
2013	5,799,279	3,460,278	2,339,001	6.0%	4.1%	28,983,911	28,463,050	25,762,739	24,171,607	3,221,172	120.2	-926,618	1,190,212	9.1%	1.0%
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	10.1%	1.0%
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	11.6%	1.2%
2016	8,301,283	5,260,639	3,040,644	12.1%	8.0%	40,583,576	36,493,884	36,532,471	34,358,555	4,051,105	119.0	-1,240,876	1,870,502	12.3%	1.2%
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	14.4%	1.4%
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	11.2%	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%

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
2009	3.6%	2.2%	1.5%	206,758	123,466	83,292	59.7%	4,560,264	2,646,529	1,913,735	1.3	1.3	1.4
2010	3.8%	2.3%	1.5%	247,811	149,929	97,883	60.5%	4,914,583	2,824,469	2,090,114	1.2	1.1	1.3
2011	4.1%	2.5%	1.7%	291,724	173,866	117,858	59.6%	4,903,555	2,820,322	2,083,232	1.0	0.9	1.0
2012	4.2%	2.5%	1.7%	314,427	187,848	126,579	59.7%	5,190,899	2,986,114	2,204,784	0.9	0.9	1.0
2013	4.2%	2.5%	1.7%	330,039	196,925	133,113	59.7%	5,125,686	2,760,026	2,365,661	0.9	0.8	1.0
2014	4.2%	2.5%	1.7%	350,430	205,440	144,990	58.6%	5,619,606	3,180,274	2,439,333	0.9	0.9	0.9
2015	4.6%	2.8%	1.8%	412,276	252,622	159,655	61.3%	5,428,875	2,843,172	2,585,702	0.7	0.6	0.9
2016	4.9%	3.1%	1.8%	455,887	288,902	166,985	63.4%	4,850,771	2,086,712	2,764,059	0.6	0.4	0.9
2017	4.6%	2.8%	1.8%	447,653	275,122	172,532	61.5%	5,486,393	2,582,011	2,904,382	0.7	0.5	0.9
2018	4.7%	2.8%	1.8%	475,067	288,705	186,362	60.8%	5,802,646	2,781,358	3,021,288	0.7	0.5	0.9
2019	4.5%	2.6%	1.9%	473,462	276,257	197,205	58.3%	6,404,609	3,102,656	3,301,953	0.7	0.6	0.9

Source: MAPFRE Economics (based on data from the Commission for the Financial Market)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.17. Paraguay: main insurance market figures and indicators
(millions of guaranies)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	833,972	75,340	758,632	20.0%	16.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2010	1,001,832	102,823	899,009	20.1%	14.8%	1,321,113	389,444	890,240	594,659	430,874	n/a	n/a	n/a	16.5%	5.4%
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	20.0%	6.7%
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	22.2%	7.6%
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	21.9%	7.7%
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	20.1%	7.4%
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	19.7%	7.2%
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	13.7%	5.2%
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	13.4%	5.0%
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	17.3%	6.6%
2019	2,657,159	359,584	2,297,575	5.1%	1.3%	4,120,265	1,665,168	2,542,861	1,661,780	1,577,403	93.1	135,864	148,626	17.0%	6.5%

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
2009	0.8%	0.1%	0.7%	135,298	12,223	123,075	9.0%	8,420,028	5,362,610	3,057,418	10.1	71.2	4.0
2010	0.8%	0.1%	0.7%	160,344	16,457	143,887	10.3%	9,585,458	6,130,172	3,455,286	9.6	59.6	3.8
2011	0.9%	0.1%	0.8%	191,374	20,928	170,446	10.9%	10,297,711	6,608,855	3,688,855	8.5	49.9	3.4
2012	1.0%	0.1%	0.9%	223,367	27,589	195,779	12.4%	10,653,533	6,914,024	3,739,507	7.4	39.0	3.0
2013	1.0%	0.1%	0.9%	251,093	29,687	221,406	11.8%	11,576,237	7,328,580	4,247,658	7.1	37.9	2.9
2014	1.0%	0.1%	0.9%	282,187	35,857	246,330	12.7%	12,463,735	8,023,829	4,439,907	6.7	33.9	2.7
2015	1.1%	0.1%	0.9%	307,476	41,834	265,641	13.6%	13,089,645	8,430,730	4,658,913	6.4	30.1	2.6
2016	1.1%	0.1%	0.9%	319,977	44,519	275,458	13.9%	13,702,822	8,564,863	5,137,959	6.3	28.4	2.8
2017	1.1%	0.2%	0.9%	340,504	48,263	292,241	14.2%	14,395,351	8,991,915	5,403,435	6.2	27.1	2.7
2018	1.1%	0.1%	0.9%	363,390	50,951	312,438	14.0%	15,917,589	9,920,300	5,997,289	6.3	28.0	2.8
2019	1.1%	0.1%	0.9%	377,189	51,044	326,145	13.5%	16,624,642	10,095,642	6,529,000	6.3	28.1	2.8

Source: MAPFRE Economics (based on data from the Superintendency of Insurance, Central Bank of Paraguay)
[1] Estimated with respect to net earned premiums; [2] Return on equity; [3] Return on assets; [4] Life insurance premiums/Total premiums

Table A.18. Argentina: main insurance market figures and indicators
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	29,097	4,898	24,198	11.2%	4.7%	56,132	43,780	45,386	38,042	10,746	117.7	-4,004	4,897	21.0%	4.0%
2010	38,784	6,218	32,566	33.3%	20.7%	67,612	52,114	54,630	42,329	12,982	110.7	-3,290	4,758	18.9%	3.6%
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	22.8%	4.3%
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	23.3%	4.5%
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	23.6%	4.5%
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	28.6%	5.6%
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	32.5%	6.6%
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	24.1%	5.1%
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	24.7%	5.5%
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	28.6%	6.4%
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	27.8%	6.9%

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
2009	2.3%	0.4%	1.9%	719	121	598	16.8%	74,978	56,259	18,719	2.6	11.5	0.8
2010	2.3%	0.4%	2.0%	948	152	796	16.0%	97,608	74,079	23,528	2.5	11.9	0.7
2011	2.4%	0.4%	2.0%	1,264	211	1,053	16.7%	125,264	95,245	30,019	2.4	10.9	0.7
2012	2.6%	0.4%	2.2%	1,654	278	1,376	16.8%	147,450	115,388	32,062	2.1	9.9	0.6
2013	2.8%	0.5%	2.3%	2,213	362	1,852	16.3%	171,940	135,807	36,133	1.8	8.9	0.5
2014	2.8%	0.5%	2.4%	3,035	493	2,542	16.3%	235,589	189,435	46,154	1.8	9.0	0.4
2015	3.0%	0.5%	2.6%	4,194	657	3,538	15.7%	298,467	247,266	51,202	1.7	8.7	0.3
2016	3.0%	0.5%	2.5%	5,599	873	4,726	15.6%	395,164	318,865	76,299	1.6	8.4	0.4
2017	2.8%	0.4%	2.4%	6,881	969	5,911	14.1%	510,348	410,206	100,142	1.7	9.6	0.4
2018	2.7%	0.4%	2.3%	8,827	1,189	7,638	13.5%	731,366	572,780	158,586	1.9	10.9	0.5
2019	2.5%	0.3%	2.2%	11,917	1,521	10,396	12.8%	1,126,471	832,071	294,400	2.1	12.2	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
(millions of pesos)

Year	Premiums			Premium growth		Assets	Investments	Liabilities	Technical provisions	Equity	Combined ratio[1]	Technical result	Financial result	ROE[2]	ROA[3]
	Total	Life	Non-Life	Nominal	Real										
2009	12,693	2,719	9,975	17.7%	9.9%	28,006	22,027	21,999	18,592	6,007	113.5	-1,452	2,733	12.2%	2.6%
2010	14,581	3,472	11,109	14.9%	7.7%	35,109	28,237	27,334	23,547	7,775	106.0	-743	2,801	17.3%	3.8%
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	5.5%	1.1%
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	7.8%	1.5%
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	10.3%	1.7%
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	8.2%	1.3%
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	6.1%	0.9%
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	4.8%	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	11.8%	1.6%
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	2.8%	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	14.7%	1.7%

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
2009	1.8%	0.4%	1.4%	3,789	812	2,978	21.4%	46,897	32,298	14,598	3.7	11.9	1.5
2010	1.8%	0.4%	1.4%	4,340	1,034	3,307	23.8%	51,745	35,576	16,170	3.5	10.2	1.5
2011	1.9%	0.5%	1.4%	5,235	1,265	3,971	24.2%	57,813	39,931	17,882	3.3	9.4	1.3
2012	2.1%	0.5%	1.5%	6,382	1,682	4,700	26.4%	63,896	44,450	19,446	3.0	7.8	1.2
2013	2.1%	0.6%	1.5%	7,302	2,095	5,207	28.7%	68,626	46,064	22,562	2.8	6.5	1.3
2014	2.3%	0.7%	1.6%	8,906	2,628	6,278	29.5%	75,773	52,216	23,557	2.5	5.8	1.1
2015	2.4%	0.8%	1.6%	10,232	3,421	6,811	33.4%	82,237	55,699	26,538	2.4	4.8	1.1
2016	2.4%	0.9%	1.5%	11,253	4,295	6,958	38.2%	84,841	54,214	30,626	2.2	3.7	1.3
2017	2.6%	1.1%	1.5%	13,154	5,551	7,604	42.2%	85,154	53,557	31,597	1.9	2.8	1.2
2018	2.5%	1.0%	1.5%	13,274	5,275	7,999	39.7%	94,999	60,227	34,772	2.1	3.3	1.3
2019	2.7%	1.2%	1.5%	15,830	6,988	8,842	44.1%	98,921	59,161	39,760	1.8	2.4	1.3

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

Other MAPFRE Economics reports

MAPFRE Economics (2020), _2019 Ranking of insurance groups in Latin America_, Madrid, Fundación MAPFRE.

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