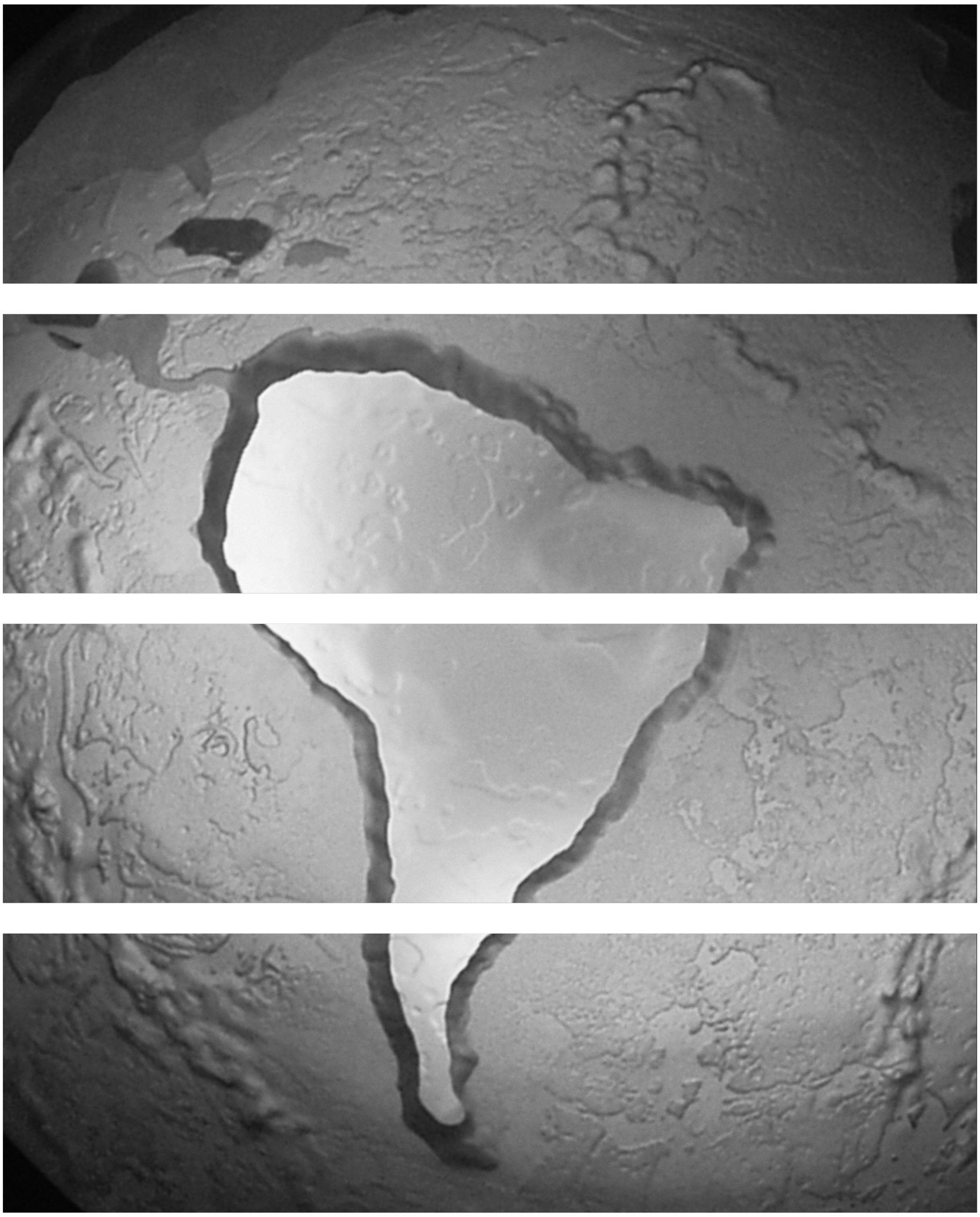
THE LATIN AMERICAN INSURANCE MARKET

2007-1st Half 2008



FUNDACIÓN MAPFRE

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THE LATIN AMERICAN INSURANCE MARKET 2007–1st Half 2008

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1. PRESENTATION

FUNDACIÓN MAPFRE hereby presents the seventh edition of its report entitled "The Latin American Insurance Market", which this time contains information from 2007 and the first half of 2008. The study broadens a preview that was published in April 2008.

The goal of the study is to provide a general overview of the current status of the insurance market in the countries of Latin America. In order to do this, as we did in previous editions, a summary is provided of the economic context in which the insurance market performed in each of the countries being reviewed. The performance of these markets is also analyzed through sector-specific information related to insurance production by branch, loss ratios, results, number of companies and the rankings of insurance groups.

As per custom, as sources of information for this study we have used publications issued by insurance supervisory authorities and insurance associations in each country. In order to facilitate comparison among countries, the criterion used in Spain for classifying Life and Non-Life classes has been applied. For this reason, Life, Burial Expenses and Worker Compensation insurance, which in some countries are considered branches of Life insurance, are classified as Non-Life insurance for the purposes of this report. It is important to note that we have continued to press on with the homogenization of classifying premiums by class, revising data from some countries.

Indices of nominal and real variation are used throughout the study. It is worth pointing out that, unless otherwise stated, the numbers used refer to nominal variation. The figures for average regional increases in premium volume are reached by adjusting for the size of the insurance market of each country relative to the aggregate figure in euros for each of the regions.

The descriptive ratios in the study (claims ratio, costs and combined ratio) were calculated using earned premiums net of reinsurance. Earned premiums correspond to the Spanish terms used in most Latin American countries, which are "primas devengadas netas" or "primas ganadas netas".

2. The Latin American Insurance Market. 2007-1st Half of 2008

2. THE LATIN AMERICAN INSURANCE MARKET. 2007-1ST HALF OF 2008

2.1 MACROECONOMIC CONTEXT[1]

The countries of Latin America and the Caribbean posted economic growth of 5.7% in 2007. The region's economic expansion came in a favourable external context, which was reflected in improved terms of trade, high levels of remittances from emigrant workers and abundant international liquidity. As a result of this, the current account of the balance of payments registered a surplus for the fifth straight year, reaching 0.5% of regional GDP in 2007.

In 2007 domestic demand grew by 7.1%, fueled by an increase in gross formation of fixed capital and private consumption. Growth in state-sector consumption remained at levels lower than those of private consumption. Since 2004, gross formation of fixed capital has been the most dynamic component of demand, not just because of an expansion in construction, but rather mainly due to investment in machinery and equipment, most of it imported. These levels of investment were financed entirely with national savings.

In recent years, employment has grown both in volume and quality, thanks to an increase in the jobs in the formal economy in most countries. Despite improvements in the labour market, real salaries again posted only a small increase in 2007.

A significant rise in international prices for oil, foodstuffs and raw materials, along with pressure from the increase in domestic demand, contributed to higher inflation. The yearly variation in the consumer price index was 6.4%, more than two points higher than the figure from 2006. Prices continued to rise in 2008, as a result of which the yearly inflation rate is forecast at 8.5%.

ECLAC estimates that GDP of the countries of Latin America and the Caribbean will grow 4.6% in 2008, a point less than in the previous year, although that would still mark the sixth straight year of economic expansion in the region.

As for the effect the current economic crisis might have on the region, several sources agree that Latin America has managed to lessen its vulnerability to economic fluctuations. However, there are several factors that might hurt these countries in the future: the global economic slow-down will lead to a reduction in the volume and price of exports, a drop in remittances and a fall in foreign direct investment. At the same time, these countries will have a harder time gaining access to external financing, and it will be more expensive.

2.2 THE INSURANCE MARKET

In 2007, the insurance markets of Latin America continued to post sustained growth, pressing on with a process which began four years earlier. With the exception of Bolivia, all markets in the region saw increases in premium volume, measured in local currencies and at current prices. This gave rise to average growth of 18.5%, two-tenths of a point more than in 2006. The average real growth was 11.4%, as all countries of the region enjoyed increased revenues, except for Bolivia and Paraguay. By sub-regions, standouts in average growth of South America, at 20.4%, compared to 18.5% for Central America.

[1] Comments based on the report "Economic Survey of Latin America and the Caribbean 2007-2008", by the Economic Commission for Latin America and the Caribbean (ECLAC).

Nominal growth in local currencies

% Variation in premium volume in 2007			
Country	**Non Life**	**Life**	**TOTAL**
Argentina	25.6	24.9	25.4
Bolivia	-21.5	21.5	-16.0
Brazil	9.9	24.7	16.7
Chile	14.0	13.5	13.7
Colombia	14.3	6.8	12.7
Costa Rica	23.8	-7.0	22.5
Ecuador	7.8	23.9	10.1
El Salvador	7.2	4.4	6.3
Guatemala	16.0	20.1	16.7
Honduras	23.0	24.3	23.3
Mexico	18.8	12.4	16.3
Nicaragua	18.4	26.3	19.5
Panama	27.1	12.3	22.3
Paraguay	5.0	14.6	5.7
Peru	6.7	1.8	4.7
Puerto Rico	10.4	19.3	11.2
Dominican Republic	12.6	20.0	13.3
Uruguay	10.2	18.5	11.6
Venezuela	46.5	55.6	46.7
Overall total	**18.2**	**19.3**	**18.5**

Figure 1. Variation in premium volume in 2007 in Latin America.

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country.

The **Mexican insurance sector** did well again in 2007, with a nominal increase of 16.3% and a real increase of 12.1%, although unlike the previous year, it was the Non-Life sector that turned in the best results. Despite economic contraction, the insurance sector of **Puerto Rico** registered a nominal increase of 11.2%, driven mainly by Health insurance and the annuities branch of Life insurance. Along with Automobile insurance, Life insurance was also one of the main engines of growth in the insurance industry of the **Dominican Republic**, which posted an increase of 13.3%.

Puerto Rico registered the highest premium per capita in the region at 1,733 €/inhabitant, followed by Chile (246 €/inhab.), Venezuela (190 €/inhab.), Brazil[2] (165 €/inhab.), Panama (132 €/inhab.), Argentina and Mexico (119 €/inhab.). Paraguay and Bolivia, at 12 €/inhab., had the lowest premium per capita.

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[2] In order to calculate insurance density and penetration, income was taken into account from all branches of private Brazilian insurance: Insurance, Health, Pension Plans and Capitalization.

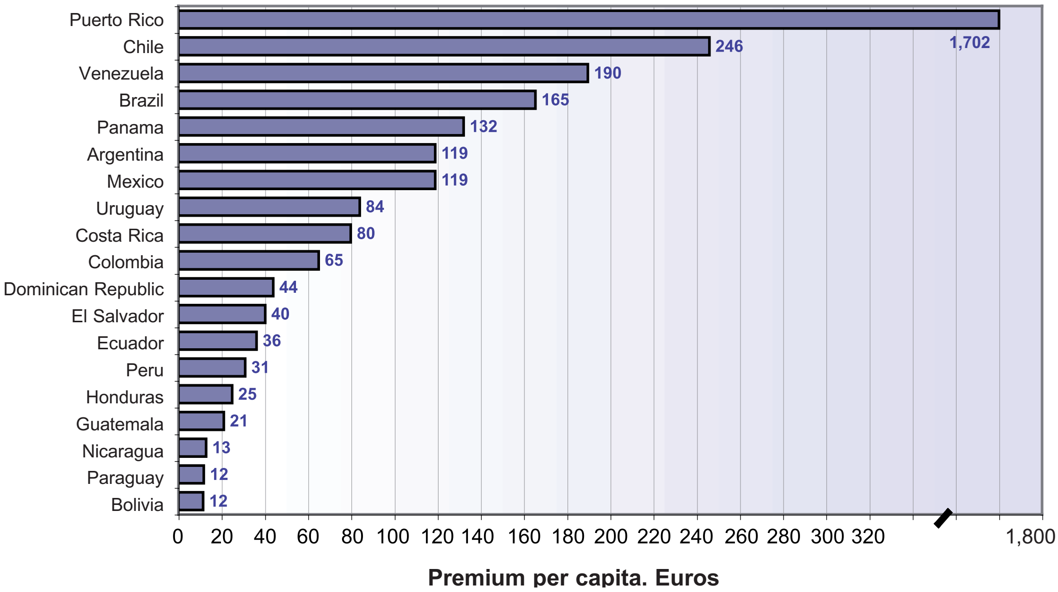

Figure 2. Latin America. Premium per capita in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country and by ECLAC.

As for insurance penetration, (% premiums/GDP), Puerto Rico again stands out with a rate of 15.9%, followed by Chile (3.4%), Brazil (3.3%), Venezuela (3.1%), Panama (3.1%) and Argentina (2.5%).

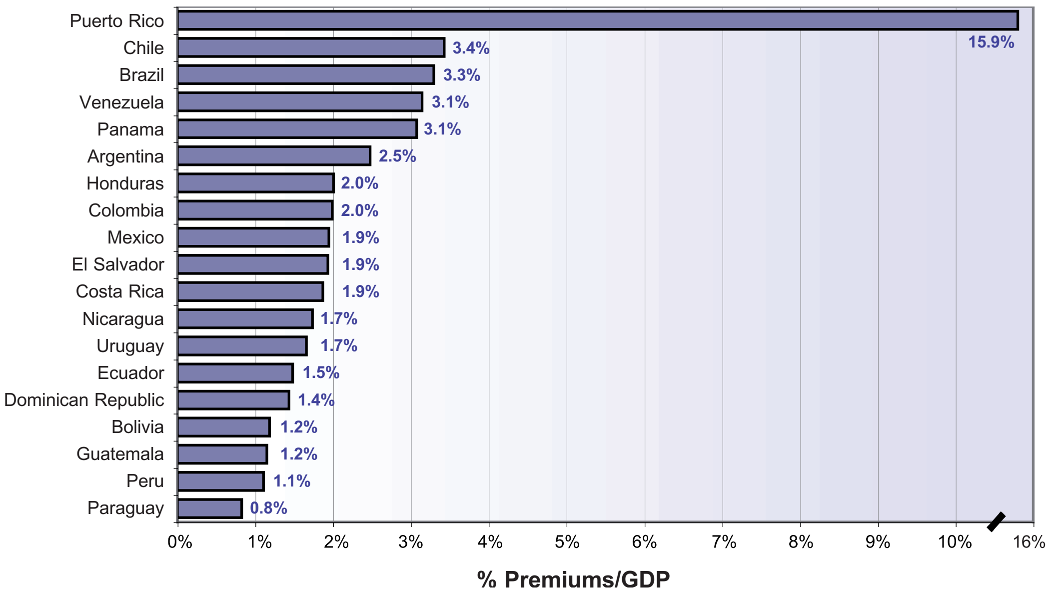

Figure 3. Latin America. Insurance penetration in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country and by ECLAC.

Analyzing growth in terms of euros, as of December 2007, premium volume in Latin America totaled 62,390 million euros, an increase of 13.5% with respect to 2006. The countries that experienced the strongest growth in premium volume measured in euros were: Venezuela (34.4%), Brazil (20.4%), Colombia (17.8%) and Argentina (13.3%). Meanwhile, in some countries the euro's rise against the dollar was evident: Bolivia (-23.1%) and El Salvador (-2.6%). In the case of Bolivia, besides the effect of the exchange rate (the government publishes the figures in U.S. dollars), the decline in premiums stemmed from the fact that Pensions, Common Risk and Professional Risk, which were managed in recent years by insurance companies, were transferred to Pension Fund Managers after a tender process in late 2006 elicited no bids.

Contrary to what occurred in previous years, the rise of the euro against most local currencies did not favor conversion of the region's revenues from premiums into euros. The opposite effect was observed in Brazil, Colombia and Paraguay because their currencies rose against the euro.

Millions of euros. Nominal growth in euros

Premium volume 2007						
Country	**Non-Life**	**%Δ**	**Life**	**%Δ**	**TOTAL**	**%Δ**
Brazil	11,291	*13.4*	10,818	*28.7*	22,109	*20.4*
Mexico	7,094	*8.5*	5,561	*3.4*	12,655	*6.2*
Puerto Rico	6,118	*1.1*	676	*9.2*	6,794	*1.8*
Venezuela	5,078	*34.2*	130	*42.5*	5,207	*34.4*
Argentina	3,317	*13.5*	1,365	*12.9*	4,682	*13.3*
Chile	1,574	*9.7*	2,510	*9.3*	4,084	*9.5*
Colombia	2,183	*20.2*	812	*11.6*	2,994	*17.8*
Peru	522	*1.8*	340	*-2.9*	862	*-0.1*
Ecuador	415	*-1.3*	77	*13.5*	493	*0.8*
Panama	308	*16.4*	132	*2.9*	441	*12.0*
Dominican Republic	384	*3.6*	45	*10.4*	429	*4.2*
Costa Rica	346	*12.7*	12	*-15.4*	357	*11.4*
El Salvador	201	*-1.8*	86	*-4.4*	286	*-2.6*
Guatemala	231	*5.0*	50	*8.7*	280	*5.7*
Uruguay	227	*4.5*	53	*15.3*	280	*6.4*
Honduras	135	*12.3*	44	*13.5*	179	*12.6*
Bolivia	92	*-28.1*	21	*11.3*	113	*-23.1*
Paraguay	67	*10.1*	6	*20.3*	72	*10.9*
Nicaragua	62	*2.7*	11	*9.5*	72	*3.6*
Overall total	**39,642**	***12.0***	**22,748**	***16.2***	**62,390**	***13.5***

Figure 4. Latin America. Premium volume in 2007 by country

Source: done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country.

Market concentration increased six-tenths of a percentage point in 2007, with the seven largest insurance markets in the region accounting for 93.8% of premiums. Brazil, Mexico and Puerto Rico remain the three biggest markets in terms of premium volume. Venezuela rose to fourth place, ahead of Argentina. Chile and Colombia remain in sixth and seventh place, respectively.

For the second straight year, Life insurance posted higher growth than all Non-Life branches combined, increasing its market share by nearly a percentage compared to the entire sector, to 36.5%. Direct premiums rose to 22,748 million euros, a rise of 16.2%. When expressed in euros, premium volume rose in all the countries of Latin America, except Peru, Costa Rica and El Salvador. Countries that stood out due to their greater role in the market were Brazil (growth of 28.7%), Argentina (12.9%) and Chile (9.3%). In Brazil, the insurance known as VGBL (*Vida Gerador de Benefício Livre*) was the new, main source of growth in the Life branch. In Argentina, all classes of Life insurance posted significant rises in premiums. In Chile, premiums from Life Annuities, which account for 58.5% of the Life branch, performed well, due mainly to a rise in sales of Retirement Annuities.

Millions of euros

Latin American insurance market 2006 - 2007
Premiums by branch

Branch	2006	2007	%Δ	*% market share*
Life	**19,580**	**22,748**	**16.2**	***36.5***
Individual and group life	16,641	19,505	*17.2*	*31.3*
Private pension plans	2,939	3,243	*10.4*	*5.2*
Non - Life	**35,394**	**39,642**	**12.0**	***63.5***
Automobile	13,351	15,038	*12.6*	*24.1*
Health	8,286	9,136	*10.3*	*14.6*
Fire and allied lines	3,441	3,846	*11.8*	*6.2*
Other guarantees	4,527	4,954	*9.4*	*7.9*
Transport	1,666	1,844	*10.7*	*3.0*
Third-party liability	999	1,100	*10.1*	*1.8*
Personal accident	1,443	1,719	*19.1*	*2.8*
Credit and/or Surety	631	760	*20.5*	*1.2*
Worker Compensation	1,050	1,246	*18.6*	*2.0*
Total	**54,974**	**62,390**	**13.5**	***100.0***

Figure 5. Latin America. Premium volume in 2007 by branch

Source: done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country.

Growth in the Non-Life branch was 12%. Automobile insurance was the undisputed leader, accounting for 38% of Non-Life insurance. Thanks to the major rise in car sales in recent years, this category of insurance posted growth rates in excess of 20% in 2005 and 2006. Although Automobile insurance also performed well in 2007, its growth slowed somewhat, to 12.6% on revenues of 15,038 million euros.

Health insurance also showed more moderate growth, with a rise of 10.3% in premium volume, compared to 21.3% in 2006. In Venezuela, this branch of insurance continues to do well, as a result of the purchase of Health policies by the state sector. In Puerto Rico, health care plans for retired persons (Medicare) kept growing in 2007, due in large part to a rise in the number of people signing up for plans known as *Medicare Advantage*.

Insurance against Fire and allied lines, the third largest category in terms of premium volume, posted premium revenues of 3,846 million euros, a rise of 11.8% with respect to the previous year.

Elsewhere, it is worth nothing that **two monopolies in the region disappeared**: the reinsurance monopoly in Brazil and the state insurance monopoly in Costa Rica. In December of 2006, Brazil's Chamber of Deputies approved a law that regulates the reinsurance market and opened it up to the private sector, both nationally and abroad. However, it was not until December 2007 that the insurance regulatory body published the rules governing the new model, replacing the monopoly held by IRB Brasil Re with a new, free-market based model.

In July 2008, Costa Rica published the Law Regulating the Insurance Market, which eliminated the state monopoly which had been held for 84 years by the National Insurance Institute (INS in Spanish). New rules were established for opening up the sector. Approval of the law meant that local and foreign companies could sell insurance products in Costa Rica, and the INS can operate abroad. It also involved the creation of an insurance regulatory agency within the government.

In the **first half of 2008** the insurance markets of Latin American continued to show signs of strength, with nominal and real increases, as measured in local currencies, in premium volume in all countries, with the exception of Puerto Rico (-0.3%). All this led to an average nominal increase of 17% and a real increase of 11.7%. By sub-regions, Central America had the largest nominal rise at 21.5%, followed by South America at 21.1%. However, as inflation is higher in Central America, real growth was higher in South America (15% compared to 14.7%). The Mexican sector posted nominal growth of 10% (7.8% in real terms) and the Dominican Republic's rose 12% (7.8% in real terms).

Millions of euros. Nominal growth in euros

Premium volume. January - June 2008

Country	Non-Life	%Δ	Life	%Δ	TOTAL	%Δ
Brazil	6,463	*17.1*	6,137	*30.0*	12,600	*23.1*
Mexico	3,573	*-5.3*	2,881	*3.7*	6,454	*-1.5*
Venezuela	2,904	*19.1*	77	*29.8*	2,981	*19.3*
Puerto Rico	2,620	*-14.6*	302	*-6.4*	2,922	*-13.8*
Argentina*	1,942	*12.1*	608	*-13.2*	2,551	*4.9*
Chile	885	*19.3*	1,473	*26.7*	2,358	*23.8*
Colombia	1,134	*8.1*	462	*20.6*	1,595	*11.5*
Peru	291	*6.4*	177	*10.1*	469	*7.8*
Ecuador	255	*15.9*	40	*5.4*	295	*14.3*
Panama	166	*15.6*	67	*10.3*	233	*14.0*
Dominican Republic	181	*-7.5*	23	*5.6*	204	*-6.2*
Costa Rica*	181	*10.6*	6	*10.6*	188	*10.6*
Uruguay	113	*19.7*	29	*18.6*	143	*19.5*
Guatemala	113	*-4.2*	24	*1.5*	137	*-3.3*
El Salvador	92	*-4.5*	42	*-1.3*	134	*-3.5*
Honduras	73	*10.5*	25	*18.1*	98	*12.3*
Bolivia	46	*-4.6*	12	*15.8*	58	*-1.0*
Paraguay*	43	*27.8*	4	*46.8*	47	*29.3*
Nicaragua	29	*-9.0*	5	*10.3*	34	*-6.4*
Overall total	**21,104**	***6.6***	**12,396**	***17.5***	**33,500**	***10.4***

Figure 6. Latin America. Premium volume in 1st half 2008 by country

(*) Estimate

Source: done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities of each country.

The largest increase came in Life, at 20.6%, favored by a rise in savings and development of mortgage repayment insurance. Stiff competition over rates and weaker economic expansion were reflected in slower growth in the Non-Life class, which rose 15.2% The fall in automobile sales that is being observed in the most developed economies is not showing up in the Automobile insurance class in Latin America: the data are positive in practically all markets that released statistical information on this.

The fall in local currencies against the euro meant that during this period premium growth in the region, as expressed in euros, was 10.4%, with premium volume of 33,500 million euros.

3. Analysis by regions and countries

3. ANALYSIS BY REGIONS AND COUNTRIES

3.1 MEXICO

Macroeconomic context

Mexican GDP expanded 3.3% in 2007, down from 4.8% the previous year. This weakening of economic growth stemmed mainly from lower external demand from the United States, although Mexican domestic spending also posted slower growth. Private consumption expanded at a small rate, but remained the category that made the largest contribution to the rise in real GDP, followed by gross capital formation.

Among the factors that contributed to this more moderate expansion of consumption, some worth pointing out are lower growth in consumer financing, a small increase in the masa salarial in real terms, a decline in revenue from remittances and a weakening of indices that measure consumer confidence and the business climate.

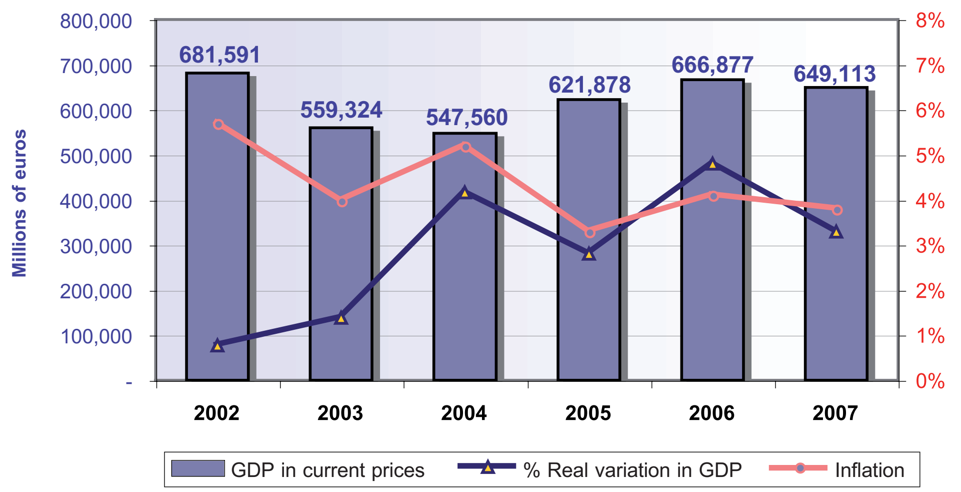

Figure 7. Mexico GDP in 2007.

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Bank of Mexico.

As for the foreign sector, non-oil exports posted a rise that was significant but still smaller than in 2006, a reflection of weaker demand from the United States. Exports to other markets remained strong, and were encouraged by the depreciation of the Mexican peso against other major currencies other than the U.S. dollar. Thanks to high oil prices, the value of petroleum exports hit a record, although this was surpassed by imports of oil products.

For the fourth straight year, investment grew at a faster pace than that of GDP, both in the state-run and private sectors.

On the supply side, it was the services sector that registered the strongest growth. But the industrial sector turned in only a modest expansion of 1.4%, due to slower growth in manufacturing as a result of the weakening of external demand. Slower growth in economic activity translated into a weakening of demand for labour, particularly in the formal sector of the economy.

The overall inflation rate at the close of 2007 was 3.76%, down from 4.1% in 2006. In the first eight months of the year, the average variation in the consumer price index was 4.1%, while in the final four months its went down to 3.8%.

Insurance market

Although somewhat slower than in 2006, the Mexican insurance sector posted strong growth in 2007, with premium volume reaching 190,330 million pesos (12,655 million euros). This marked a nominal increase of 16.3% and a 12.1% rise in real terms.

The Life class failed to surpass the strong increase it registered in 2006 as a result of heavy demand for savings products. Instead, the Life branch showed a more moderate increase of 12.4%. But the Pensions class expanded more than twice as much as it did the previous year, rising 25.8%, with revenue volume of 6,377 million pesos (424 million euros).

Premium volume[1] 2007

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**190,330**	**12,655**	***16.3***	***12.1***
Life	**77,257**	**5,137**	***12.4***	***8.3***
Individual Life	44,876	2,984	*15.3*	*11.1*
Collective life	23,329	1,551	*4.9*	*1.1*
Group life	9,051	602	*19.4*	*15.1*
Pensions	**6,378**	**424**	***25.8***	***21.2***
Non-Life	**106,696**	**7,094**	***18.8***	***14.5***
Automobile	44,244	2,942	*13.7*	*9.6*
Health[2]	25,782	1,714	*19.9*	*15.6*
Earthquake and other catastrophic risks	7,443	495	*12.9*	*8.8*
Miscellaneous	6,669	443	*27.8*	*23.1*
Fire	9,042	601	*56.2*	*50.5*
Transport	5,094	339	*17.0*	*12.7*
Third-party liability	4,059	270	*3.9*	*0.1*
Crop Insurance	903	60	*13.1*	*9.0*
Credit	412	27	*31.1*	*26.3*
Personal accident[2]	3,050	203	*26.6*	*22.0*

Figure 8. Mexico. Premium volume in 2007 by branch

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

The Non-Life segment was driven by Miscellaneous classes, which increased 24.6%, due among things to increases in rates after catastrophic claims of previous years. Automobile insurance grew 13.7% as a result of an increase in sales of new vehicles and higher prices.

The following graph shows the breakdown of the Mexican insurance sector at the close of 2007.

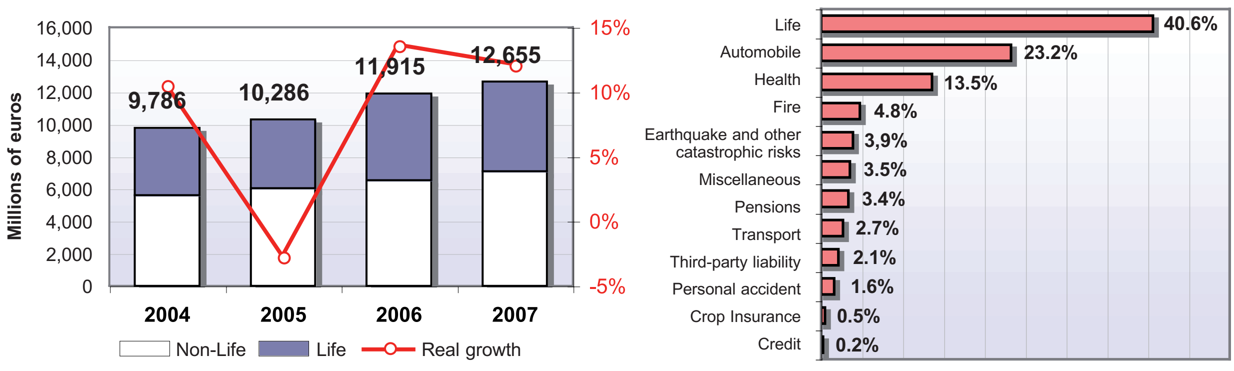

Figure 9. Mexico. Evolution of premiums and market share in 2007 by branch

Of the 95 companies that operate in the Mexican market (compared to 91 en 2006), six are linked to some foreign group and 46 are of mainly foreign capital (43 in 2006), with authorization to operate as units of financial institutions based abroad. At the same time, 53 companies operated in the Life insurance sector and the other 62 in Non-Life.

At the close of 2007, the 10 largest insurance groups accounted for 74.6% of premiums[3]. Metlife overtook Grupo Nacional Provincial (GNP) at the top of the ranking in terms of premiums, with a market share of 14.6%.

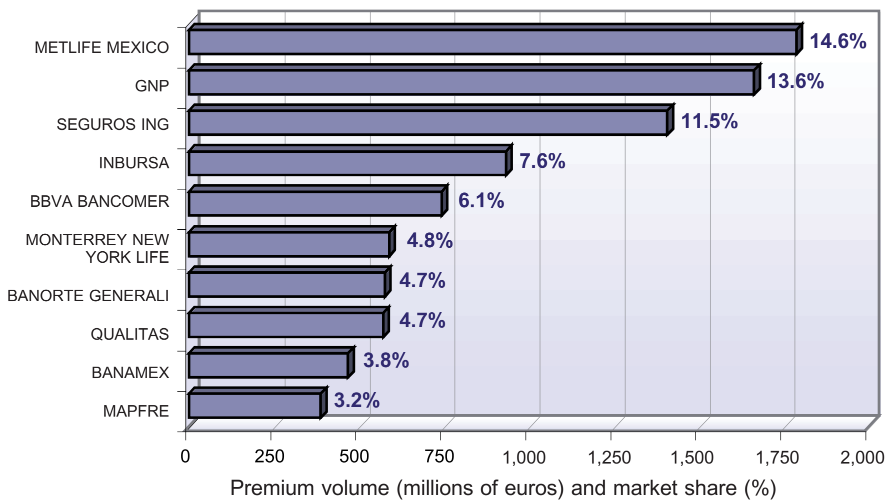

Figure 10. Mexico. Ranking 2007. Total

Source: Done by FUNDACIÓN MAPFRE with data published by the National Insurance and Finance Commission.
Note: does not include Pensions.

GNP continued to top the ranking in Non-Life, although its market share fell from 19.6% in 2006 to 15.8% in 2007.

[3] This does not include insurance companies authorized to sell pension plans.

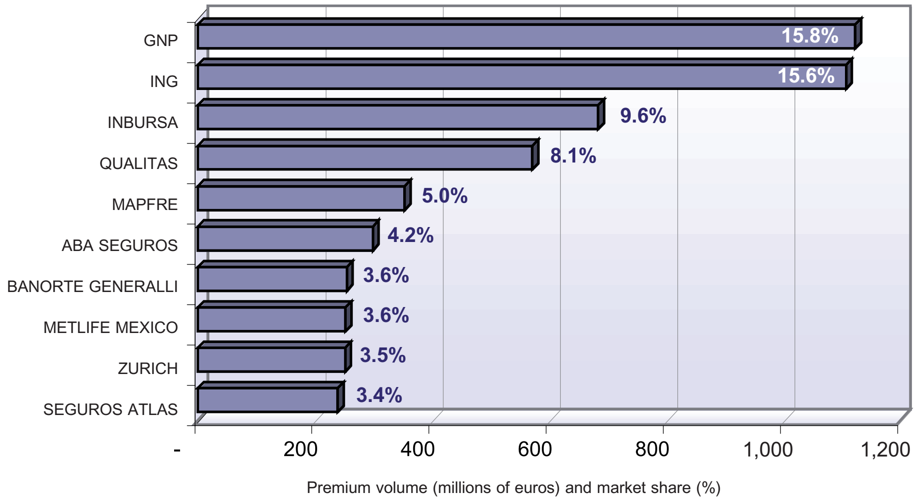

Figure 11. Mexico. Ranking 2007. Non-Life

Source: Done by FUNDACIÓN MAPFRE with data published by the National Insurance and Finance Commission.

Metlife México continues to lead in the ranking in Life with a 32.1% share, nearly two points more than the previous year. In the rest of the ranking, the only change was that ING moved from eighth to seventh position, and Inbursa went down to eighth.

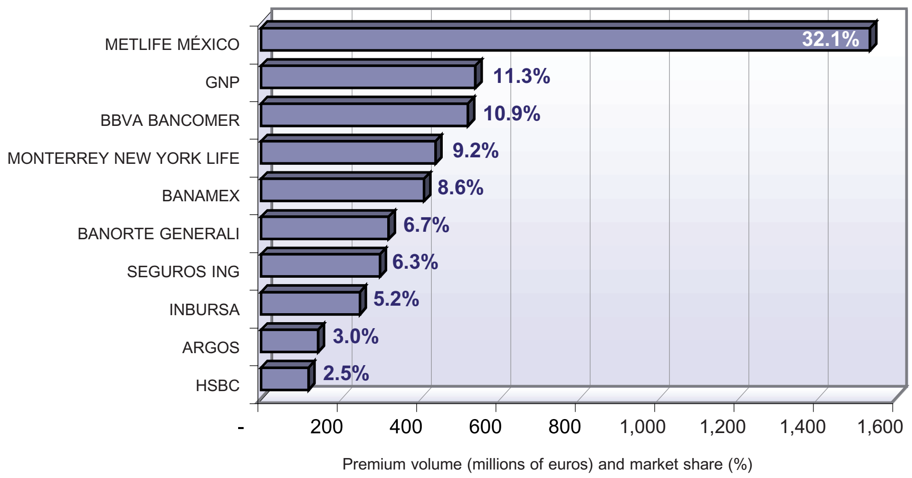

Figure 12. Mexico. Ranking 2007. Life

Source: Done by FUNDACIÓN MAPFRE with data published by the National Insurance and Finance Commission.
Note: does not include Pensions.

Results

The net result for the year was 12,570 million pesos (836 million euros), 21.1% more than in 2006. The ratio of profits on premiums remained at 9%. The financial result worsened, but was offset by an improved technical result, the negative numbers of which declined.

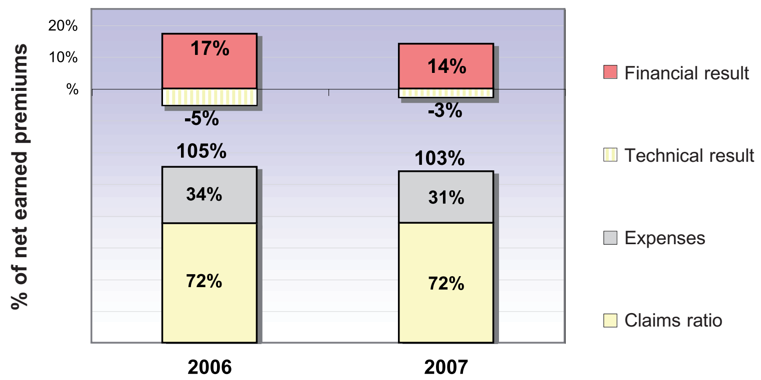

Figure 13. Mexico. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with data published by the National Insurance and Finance Commission.

The improvement in the technical result stemmed from the fact that the expense ratio fell nearly three points to 30.9%, while the claims ratio rose a tenth of a point compared to the previous year, reaching 71.8%. So the combined ratio fell 2.5 points to 102.7%.

First half of 2008

In the first half of 2008 the Mexican insurance sector posted total premium volume of 105,109 million pesos (6,454 million euros), a nominal increase of 10% and a real increase of 7.8%.

Premium volume[1]. 1st Half 2008

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**105,109**	**6,454**	***10.0***	***7.8***
Life	**46,925**	**2,881**	***15.7***	***13.4***
Non-Life	**58,184**	**3,573**	***5.7***	***3.6***
Automobile	24,134	1,482	*12.8*	*10.6*
Health[2]	14,154	869	*10.9*	*8.7*
Earthquake and other catastrophic risks	4,807	295	*15.9*	*13.6*
Miscellaneous	4,016	247	*30.1*	*27.5*
Fire	3,628	223	*-43.5*	*-44.6*

Figure 14. Mexico. Premium volume in 2008 by branch

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

Growth in the Life class (15.7%) was larger than that of Non-Life (5.7%) due mainly to premiums from Pensions, which expanded 21%, with revenue of 3,619 million pesos (222 million euros). Individual Life insurance had the largest share, with premium revenue of 26,106 million pesos (1,600 million euros) through June 2008.

In the Non-Life segment, growth was weaker due to a 43.5% fall in premiums from Fire insurance. It should also be noted that Transport insurance classes dropped 11% and Third-

Party Liability was off 4.7%. However, Automobile, Health, Earthquake and Miscellaneous – which account for an important share of the market – saw premium increases of more than 10%.

3.2 CENTRAL AMERICA, PUERTO RICO AND THE DOMINICAN REPUBLIC

1.1.1 CENTRAL AMERICA

Macroeconomic context

Although they were hit hard by the slowdown in the U.S. economy, most of the economies in the region posted higher growth than they did the previous year. Thus, average GDP growth was 6.3%, three-tenths of a point higher than in 2006. Only Costa Rica and Nicaragua reported slower growth.

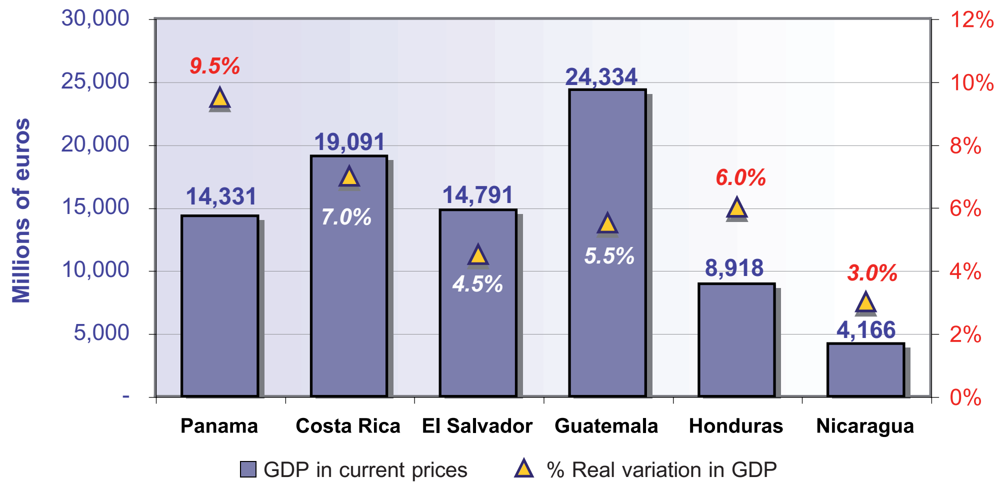

Figure 15. Central America. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with data published by ECLAC.

In general, the driving forces of the economy were private consumption, which was fuelled by a high volume of remittances and an increase in bank credit, as well as exports and private construction. Inflation rose sharply because of the rise in international prices for energy and food, and varied from 5 to 16%.

In **Panama**, the main engine of growth was gross capital formation stemming from construction work to enlarge the Panama Canal. The sectors with the greatest growth were transport, storage and communications, construction and mining. The growth rate in **Costa Rica**, while a point and a half lower than in 2006, remained solid, and higher than the average of the past ten years. This was due mainly to a rise in gross fixed investment and exports. It is noteworthy that in October a referendum was held that culminated in the approval of the Free Trade Agreement among the Dominican Republic, Central America and the United States (CAFTA-RD). This has important repercussions for the insurance business, as we will discuss further on. The year 2007 also stood out because it marked the first time in 30 years that the state sector presented a positive result. In **El Salvador**, remittances to families (this accounted for 18% of GDP) helped stimulate private consumption and mitigate the negative effects of the rise in international oil prices on the current account of payments, which registered a deficit equal to 5.5% of GDP. In **Nicaragua**, the economy was supported by a rise in gross internal investment and exports. Still, economic deceleration continued for a third straight year. In 2007 the economy was harmed by cuts in electricity supplies, a low level of execution of public investment projects and major damage caused by Hurricane Felix and tropical rains. The economy of **Guatemala** posted its strongest growth in a decade, thanks mainly to robust private consumption, which was driven by remittances. The same thing happened in **Honduras**, which for the fourth straight year saw economic growth of more than 6%.

The worsening of the international economic situation in 2008 will also take its toll on the economy of the Central American region, as slowdowns are predicted in most countries. For Panama, the forecast is GDP growth of 8%, 1.5 points less than in 2007. In Costa Rica growth will fall nearly three points to 4.3%. El Salvador GDP's it will slip half-a-point to 4% and in Guatemala it will decline and a point-and-a-half to 4.3%. In Honduras, economic growth will fall about a point to between 4.5 and 5.5%, while Nicaraguan growth will stay at 3%.

Insurance market

In 2007, the region's insurance market continued to boost its rate of growth. Premium volume rose real-term average of 9.7% (7% in 2006), reaching 1,616 million euros. Still, the insurance sector's contribution to the economy remained at the same level: 1.9% of GDP on average. This reflected a lack of insurance-buying tradition and low incomes. The average per capita premium was 40 euros, varying between 13 euros in Nicaragua and 132 euros in Panama.

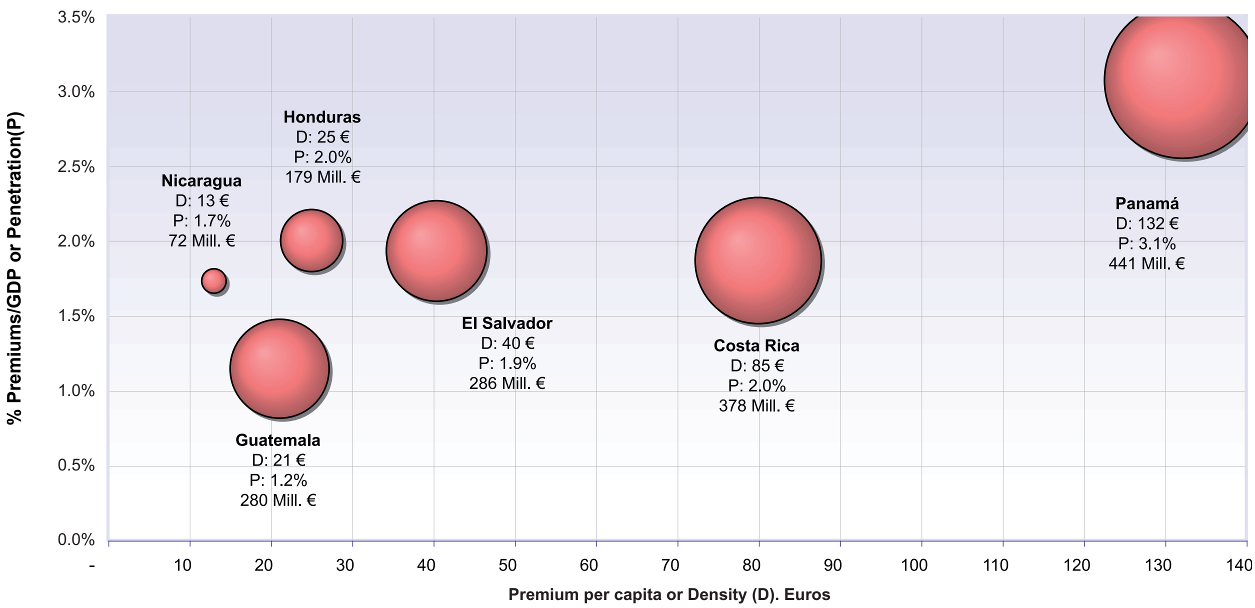

Figure 16: Central America. Penetration and Density in 2007

Source: Done by FUNDACIÓN MAPFRE with data published by the insurance oversight authorities and national statistics institute of each country.

All the countries of the region saw growth in premium volume and the highlights were Panama (14.9%), Costa Rica (10.5%) and Honduras (13.3%). Production in El Salvador and Nicaragua, which grew around 7 percent in 2006, slowed significantly in 2007, rising 1.4% and 2.3%, respectively.

In the Non-Life sector, all countries posted increases, despite continued, stiff competition over rates. Life insurance increased its share of the total market in Guatemala, Honduras and Nicaragua, while in Panama, El Salvador (countries in which the sector is more developed) and Costa Rica it experienced a slight slowdown. This was due to higher growth in Non-Life classes in Panama, a fall in premiums from private pension plans in El Salvador and a decline in the overall Life business in Costa Rica.

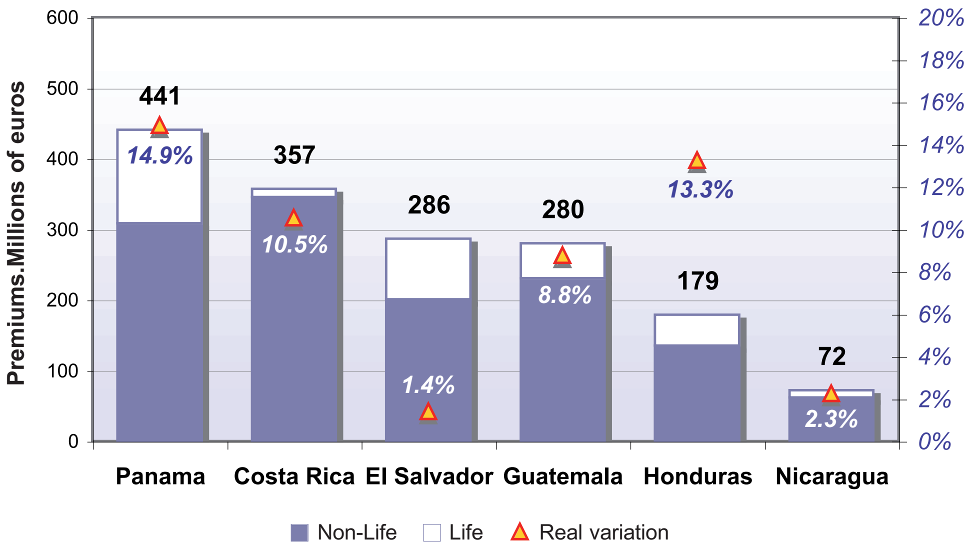

Figure 17. Central America. Premium Volume in 2007

Source: Done by FUNDACIÓN MAPFRE with data published by the insurance oversight authorities of each country and ECLAC.

As for results, claims incurred rose in Guatemala, Honduras and Nicaragua, while they were down sharply in Costa Rica and El Salvador. In Automobile insurance, claims stemmed mainly from a rise in theft and accidents. Expenses declined in most countries, except for Nicaragua, which on the other hand was the only country that improved its financial result. The net result rose significantly in Costa Rica, and to a lesser extent in El Salvador. In the rest of the countries of South America it fell.

% earned premiums net of reinsurance

Ratio (%)	Panama		Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Claims ratio	39.6	38.8	70.6	61.8	55.2	51.2	63.9	67.3	49.8	56.2	52.4	56.0
Expenses	-	-	31.4	23.6	29.2	28.7	36.8	34.5	36.9	34.9	45.0	47.7
Financial result	-	-	13.5	8.9	7.1	7.7	8.6	8.3	15.2	13.4	11.3	13.7
Tech-Fin. Result	-	-	11.5	23.6	22.7	27.8	7.9	6.5	28.5	22.3	13.9	10.0
Net result	-	-	6.5	18.4	9.7	11.0	5.8	5.3	13.1	10.2	6.2	5.8
Average ROE	-	-	-	-	23.9	25.5	18.2	17.6	22.4	18.9	26.6	23.6

Figure 18. Central America. Results 2006-2007

Source: Fitch Ratings and FUNDACIÓN MAPFRE.

As of June 2008, premium volume totalled 824 million euros, with average year-on-year growth of 21.5% (14.7% in real terms). The best performers were Panama with a 31.8%

(24.2% in real terms) and Costa Rica, 28% (20.1% in real terms). Real growth in the rest of the countries of the region varied from 9-10% in Honduras to 5.4% in El Salvador.

The insurance market in **Panama**, which is the largest in Central America, was also the one that posted the strongest growth in 2007 – 22.3% in nominal terms and 14.9 in real terms, with premium revenue of USD 607 million (441 million euros). Panama's strong economy contributed to the growth of the insurance sector.

All classes of insurance registered growth, and Automobile insurance stood out with a rise of 36.8%, thanks to an increase in car sales. Another factor was the entry into force, starting 1 January, 2007, of Executive Decree Nº 640, which made it mandatory for all vehicle owners to take out third-party liability insurance covering losses and damage in traffic accidents.

Also favoured by the good performance of the economy, the insurance sector in **Costa Rica**, the region's second largest, did well in 2007, with a nominal increase of 22% and growth in real terms of 10.5%. The level of insurance penetration is above the regional average, due to higher income levels and more of an insurance-minded mentality among people compared to others in the region. Another factor is that rates tend to be higher because there is no competition in the market.

Premium volume stood at 254,000 million colones, or 357 million euros, most of which corresponded to Non-Life classes, which posted growth of more than 15%. The Individual Life and Accident and Illness branches suffered declines of 16% and 15%, respectively.

The claims ratio in Costa Rica stood at 62%, making it the second highest in the region, after that of Guatemala. It should be noted that the rate came down nearly nine points as the result of the adoption of corrective measures in controlling the filing of claims. Expenses also fell, with the ratio down to 23.6%, the lowest in all of the region.

As of June 2008, premiums posted real growth of 28%, well above the regional average of 18%. The loss and cost ratios remained stable.

Finally, it is important to note that in July 2008 the Insurance Market Regulatory Law took effect. It eliminated the state's monopoly on insurance, which had been administered by the National Insurance Institute for 84 years, and established rules for opening up the sector. With the law's approval, local and foreign companies can sell insurance in Costa Rica and the National Insurance Institute can operate in other countries. It also meant the creation of an Insurance Oversight Agency. The opening up of the insurance market is one of the commitments that stems from the free trade agreement among Central America, the Dominican Republic and the United States. Costa Rica signed the accord in 2005.

The insurance sector in **El Salvador** posted premium volume of USD 394 million, or 286 million euros in 2007, with a real increase of 1.4% (compared to 6.9% in 2006), the lowest in the region. Insurance production accounts for nearly 2% of the country's GDP, and the per capita premium is 40 euros.

The market is made up of 17 companies, which over the past two years have been targeted in numerous foreign buy-outs. So 80% of premiums are in the hands of foreign capital. The three largest groups account for 57% of all premiums.

Fire and allied lines was the class that grew the most in 2007, 10.2% (5.2% in real terms), while Health insurance declined 4.1% (-8.5% in real terms), due mainly to stiff pricing competition, which also affected the Automobile line of insurance.

Despite slower growth, management improved and this meant better results. The loss ratio fell four points compared to 2006, ending up at 51.2%. The insurances branches with the most claims incurred were Automobile, due mainly to a rise in accidents and thefts, and Accident and Illness. The cost ratio fell a point to 28.7%.

As of June 2008, year-on-year growth of 11.7% (8.4% in real terms) seems to provide evidence of significant improvement. The market is driven by the insurance lines that grew the least in 2007: private pension plans (up 26%) and Health insurance that was part of Non-Life (27 percent growth). Automobile insurance also posted strong expansion of 9.7% (6.5% in real terms). The claims ratio remained stable at 51.3% and improved significantly in Non-Life, thanks to the adoption of stricter policies on underwriting and rates. In Automobile insurance, the claims ratio declined three points to 70% due to better control of average repair costs and a reduction in the average frequency of claims in theft insurance.

As of December 2007, the insurance sector in **Guatemala** had issued 2,968 million quetzales (280 million euros) in premiums, a rise of 16.7% from the previous year (7.3% if we take into account the effects of inflation). All lines of insurance posted growth and were driven by a strong economy. Highlights were the classes with the largest market shares, Health and Automobile, with increases of 18.4 and 16.3%, respectively. The Automobile line was also boosted by growth in loans for purchasing vehicles, a transaction which requires the borrower to take out an insurance policy. Life insurance also grew significantly, due to a rise in mortgage lending and efforts by insurance companies to strengthen the bancassurance business.

The net claims ratio was 67.3%, the highest in the region, and 3.5 points more than in 2006. The cause of this high ratio was mainly the application of loss-making rates due to intense price competition in the market and also the high crime rate in Guatemala. The Automobile, Accident and Illness lines were also affected by higher costs for vehicle replacement parts, and for medicine and hospital services. The cost ratio fell 2.5 percentage points, offsetting to a large extent the rise in the loss ratio. So the net result slipped only half a point to 5.3% (164 million quetzales), which was the lowest ratio in the Central American region.

Data from June 2008 show growth of 10.3% (6.6% in real terms), led by personal lines of insurance (Health and Life).

In 2007 the insurance sector of **Honduras** took in 4,674 million lempiras (179 million euros) in premiums, which represented a nominal rise of 23.3% and a real one of 13.3%.

The net claims ratio rose more than four points, going from 47.7% in 2006 to 52.1%. Automobile and Health insurance were the lines that incurred the most claims. The net result for the year was 477 million lempiras (18 million euros), down 4.2% from the previous year.

Nicaragua has the region's smallest market, with premium volume of 1,834 million cordobas (72 million euros). In 2007, revenue rose 19.5% in nominal terms and 2.3% in real ones, with double-digit increases in all lines of insurance. Automobile insurance, the line with the largest volume, posted one of the biggest increases, at 22.4%.

The net claims ratio rose 3.7 points to 59.8%. The Automobile and Fire lines posted the biggest increases in claims. Costs also went up, making for a negative technical result, but this was offset by financial revenue so the net result was 106 million cordobas.

Concentration in the insurance sector of Central America remained at levels similar to those of the previous year. In 2007, the market share held by the three largest companies in each country rose in El Salvador and Guatemala, fell in Honduras and Nicaragua and remained stable in Panama. As stated earlier, in 2007 a law was passed in Costa Rica that eliminated the state's monopoly on insurance.

Country	Nº of companies	Market share of top 3 (%)	Leading company	Market share of leader (%)
Costa Rica	1	-	INSTITUTO NACIONAL DE SEGUROS	100
El Salvador	17	57	SEGUROS E INVERSIONES	22
Guatemala	17	57	SEGUROS G & T	26
Honduras	11	58	INTERAMERICANA	25
Nicaragua	5	76	INISER	36
Panama	20	53	ASEGURADORA MUNDIAL	19

Figure 19. Central America. Market Concentration in 2007

Source: FUNDACIÓN MAPFRE.

1.1.2 PUERTO RICO

Macroeconomic context

In fiscal 2007 (July 2006-June 2007) Gross National Product, which represents the market value of economic production generated by residents of Puerto Rico, decreased 1.8% at constant prices, compared to a rise of 0.5% in fiscal 2006. Gross Domestic Product declined 1.6%, a reflection of the economic recession this U.S. territory is enduring.

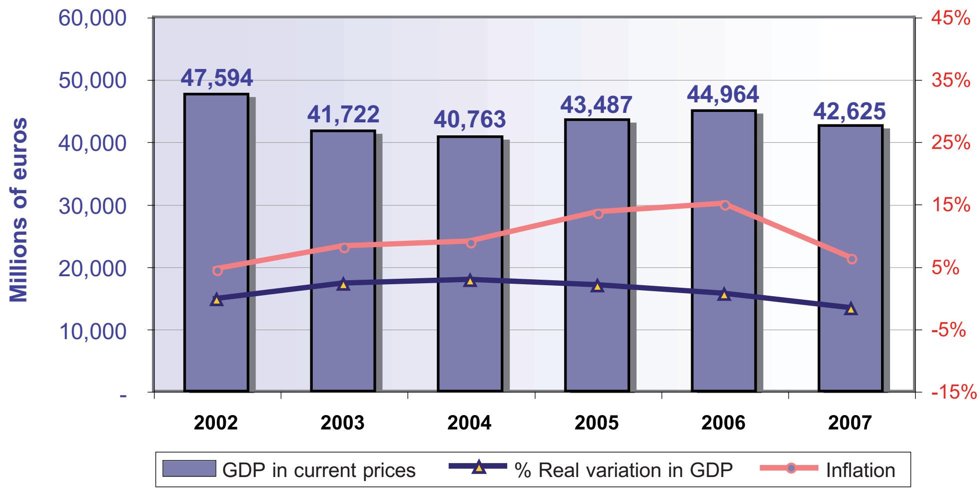

Figure 20. Puerto Rico. GDP in 2007

Source: Planning Board of Puerto Rico.

The factors that contributed to the decline in economic activity included these: higher oil prices, a fall in investment in construction, a rise in inflation, a decline in confidence among the private sector and job losses in the manufacturing sector.

Domestic demand rose 0.8%, with a 1.8% increase in private consumption and a 0.1% expansion in consumption by the state sector. Gross domestic investment fell 3.2%, after contracting 2.1% in the previous fiscal year. As for investment in construction, in recent years several factors led to a decline, including the following: fiscal problems with the government which triggered a decline in public investment; higher interest rates on mortgages; the rise in oil prices, which raised t he cost of energy; and a sustained increase in prices of construction materials.

In the first six months of the fiscal year 2008 (July 2007-December 2007), the total number of people employed fell 4.5% compared to the same period of fiscal 2007. The unemployment rate reached 10.5%, an increase of one percentage point.

The Consumer Price Index rose 6.3% in the calendar year 2007 (January-December), and in the first half of 2008 the price index increased 6.5%.

Forecasts for the economy of Puerto Rico for fiscal 2008, which were done by the Planning Board, call for a drop of 2.1% in Gross National Product and 1.9% in Gross Domestic Product.

Insurance market

Despite the phase of economic contraction that Puerto Rico has experienced since early 2006, its insurance industry has turned in relatively stable results. The latest data available show that, as of December 2007, premium volume stood at USD 9,358 million (6,794 million euros). This marked a nominal increase of 11.2%, similar to the 11% rise of the previous year, and a real increase of 4.6%. The rise stems mainly from growth of 19.3% in Life insurance, thanks mainly to the Annuities line of business, and an 11.4 increase in Health insurance, which came principally from *Medicare Advantage*. It is worth noting that in 2007 the Annuities line saw the incorporation of local companies which had until then focused on Health and Miscellaneous branches.

Premium volume[1] 2007

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**9,358**	**6,794**	***11.2***	***4.6***
Life	**931**	**676**	***19.3***	***12.2***
Non-Life	**8,427**	**6,118**	***10.4***	***3.8***
Health	6,233	4,525	*11.4*	*4.8*
Automobile	578	419	*-9*	*-14.0*
Third-party liability	239	174	*3*	*-2.7*
Fire and allied lines	317	230	*5*	*-1.4*
Transport	130	94	*15*	*8.3*
Accident and Illness	28	20	*-1*	*-6.7*
Other guarantees	901	654	*23*	*15.7*

Figure 21. Puerto Rico. Premium volume in 2007 by branch

(1) Premiums issued. Direct insurance.
Source: FUNDACIÓN MAPRE with data bases from the various sectors.

Within the Health class, health care plans for retired persons *(Medicare)* continued to grow in 2007 due largely to an increase in the number of persons signing up for *Medicare Advantage*. According to some sources, the number of people who left the traditional *Medicare* plan to join *Advantage* plans is close to 30,000, although at the end of 2007 there were still a reasonable number of people still using the traditional plan. Meanwhile, it is possible that new legislation will be passed that would force all Health insurers to cover surgery that deals with cases of obesity. If the bill is approved, rates would go up and thus premiums underwritten in this branch would also increase.

The rest of the Non-Life branches, including Automobile, posted a slight increase of 2.1% from the previous year. This was the result of a continued drop in prices and a slowing in underwriting of personal lines of insurance (Auto and Home insurance, mainly). This stagnation was also caused by a 16% decline in sales of new cars and a drop in consumption as a result of the economic situation in Puerto Rico.

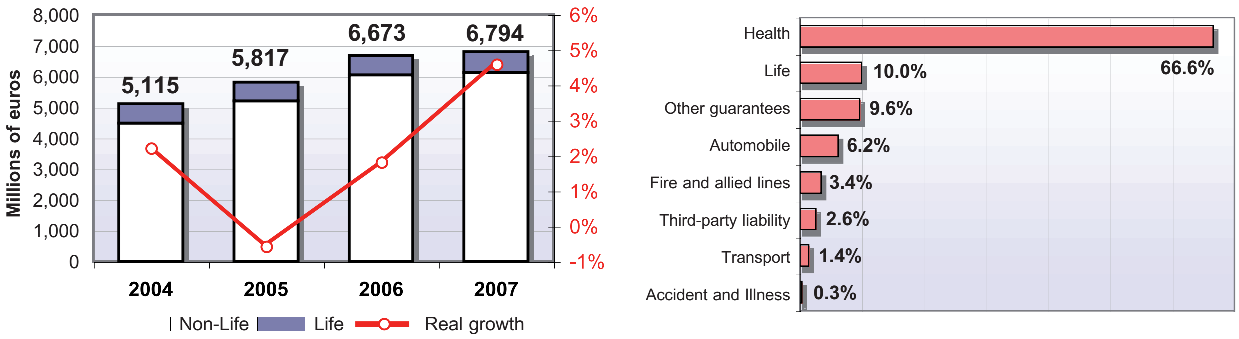

Figure 22. Puerto Rico. Evolution of premiums and market share in 2007 by branch

The 10 largest insurance groups account for 74.1% of premiums (compared to 71.4% in 2006) and they are still led by Triple-S, the main insurer in the Health line. The importance of the Health insurance business is seen in the fact that the six largest insurance groups deal mainly in this branch.

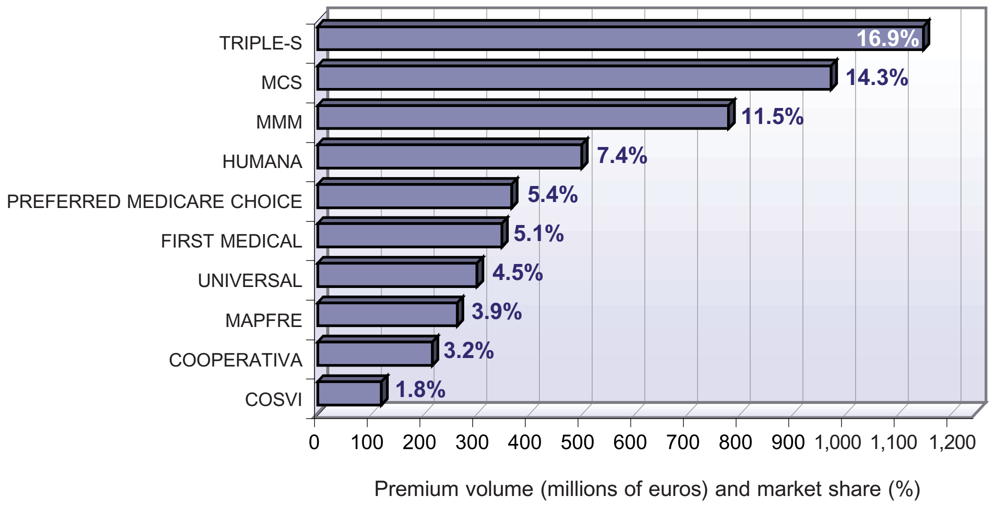

Figure 23. Puerto Rico. Ranking 2007. Total

Source: FUNDACIÓN MAPFRE with information published by sectorial data bases.

In the Miscellaneous (Non-Life) lines, the 10 largest groups account for 72.2% of premiums, down from 75.7% in the previous year. The top spots in the ranking remained unchanged from 2006, with the Universal group in first place, followed by Cooperativa and MAPFRE PRAICO.

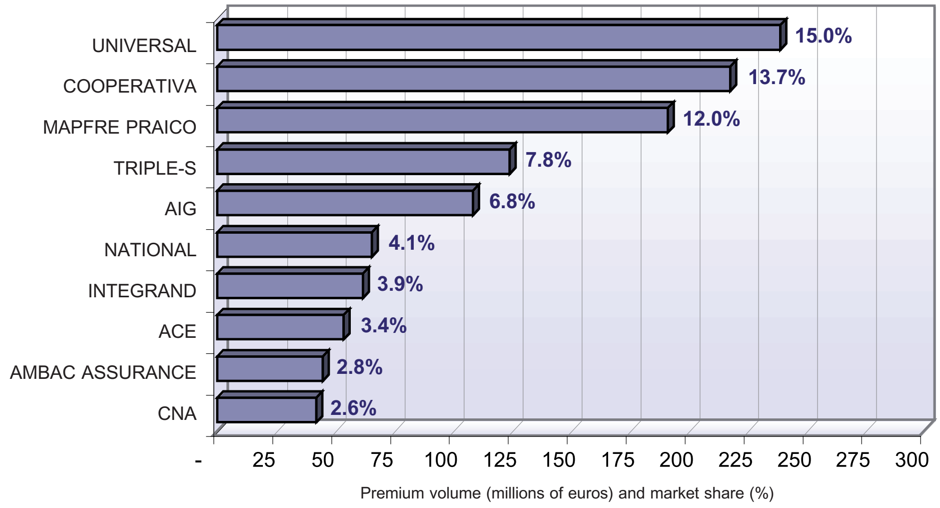

Figure 24. Puerto Rico. Ranking 2007. Non-Life

Source: FUNDACIÓN MAPFRE with information published by sectorial data bases.

The ranking in Life and Health continued to be dominated by Health insurers. The market share held by the 10 largest groups was 84.4%, down a tenth of a point from 2006.

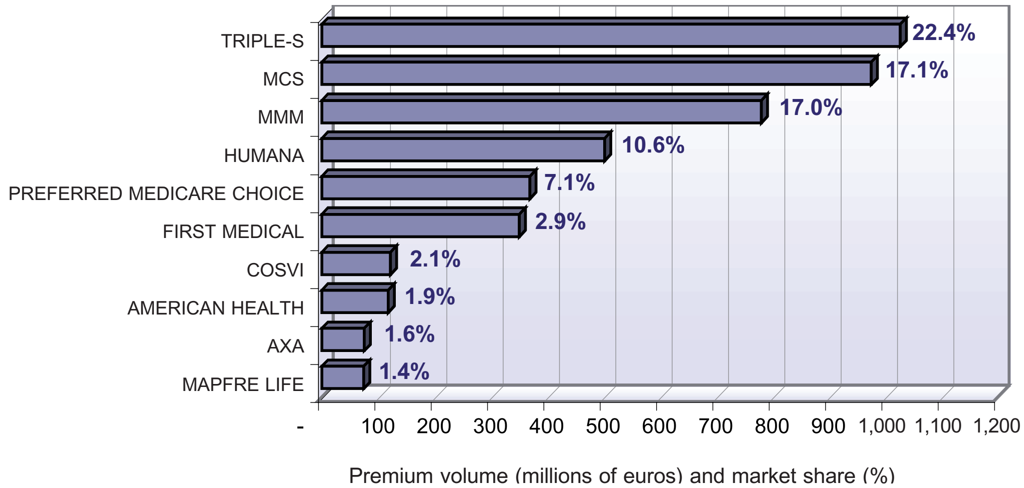

Figure 25. Puerto Rico. Ranking 2007. Life

Source: FUNDACIÓN MAPFRE with information published by sectorial data bases.

First half of 2008

In the first six months of 2008, the effects of the economic crisis started to take their toll on the insurance sector in Puerto Rico. According to provisional figures, revenue from premiums was USD 4,500 million, down 0.3% from the same period of the previous year (-6.4% in real terms). Life and Health lines grew 8.3% and 1%, respectively, while Miscellaneous lines slipped 7.3%.

Among the factors that contributed to lower growth in the Life and Health lines, the following should be noted: on one hand, high penetration in the Medicare program hindered growth in the Health line; at the same time, the economic crisis is leading to a reduction in companies' marginal profits and as a result of this premiums from them have fallen off. Finally, the lower growth is also the result of a decline in consumers' ability to save money and in their confidence in certain Life insurance products.

Premium volume[1]. 1st Half 2008

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**4,511**	**2,922**	***-0.3***	***-6.4***
Life	**467**	**302**	***8.3***	***1.7***
Non-Life	**4,044**	**2,620**	***-1.2***	***-7.2***
Health	3,063	1,984	*1.0*	*-5.2*
Miscellaneous	981	635	*-7.3*	*-13.0*

Figure 26. Puerto Rico. Premium volume in 2008 by branch

(1) Premiums issued. Direct insurance.
Source: FUNDACIÓN MAPRE with information published by sectorial data bases.

As for results, they are expected to be flat or lower than in 2007. This would be due mainly to a fall in financial revenue as a result of low interest rates in the U.S. market and the possible impact of the exposure of shares hardest hit by the crisis.

1.1.3 DOMINICAN REPUBLIC

Macroeconomic context

The economy of the Dominican Republic has kept up the process of economic recovery that began in early 2005, with its GDP growing 8.5% in 2007. On the spending side, private consumption jumped 12.3% as a result of a significant improvement in labour market indicators, exchange rate stability and moderate inflation. Other factors were a 31.4% increase in bank lending to the private sector and a rise in imports of consumer goods.

Nearly all sectors of the economy grew, especially Financial Intermediation, Insurance and related activities (25.6%), thanks to growth in loans by multi-purpose banks, one highlight of which was financing of the private sector. Meanwhile, declines were observed in mining (-1.4%) and duty-free zones (-10%).

As of December 2007, inflation stood at 8.9%, remaining in single digits, in line with the goals of the Monetary Program of 2007, despite an international context made adverse by persistent rises in international prices for oil and primary goods such as corn, sorghum and wheat. A key factor that fueled inflation in the last two months of the year was the damage caused by tropical storms Noel and Olga, which affected the agricultural sector.

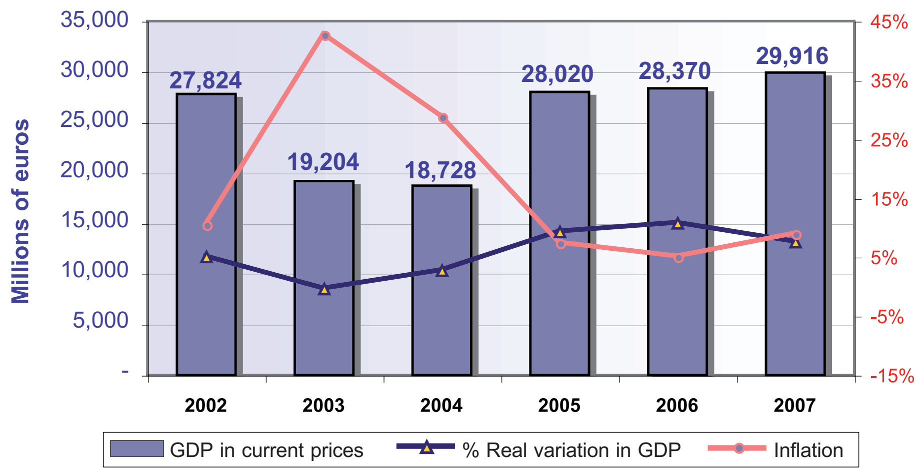

Figure 27. Dominican Republic. GDP 2007

Source: done by FUNDACIÓN MAPFRE with data published by ECLAC and the Central Bank.

In the external sector, the current account balance was negative. This stemmed mainly from an increase in the trade deficit in goods, which was a result of a significant increase in imports. Export growth was fuelled by a rise in those of general goods (45.2%), due to a rise in world demand for nickel, and growth in non-traditional minor goods. But exports from duty-free zones fell 2.5%.

In the January-June period of 2008, the Dominican economy posted growth of 7.5%, which was driven mainly by a rise in private consumption and state-sector spending. Financial intermediation, Insurance and related activities posted the highest growth, at 19%, again thanks to an increase in lending to the private sector. The expansion of domestic demand, along with higher prices for oil and foodstuffs, led to accumulated inflation of 7.6% as of the end of June.

Insurance market

Premium volume as of the end of 2007 stood at 19,562 million pesos, or 429 million euros, which represented nominal growth of 13.3% and real growth of 4.1%. The Life branch registered the biggest increase at 20%, mainly because of a rise in Collective Life, the branch with the largest market share.

Non-Life lines showed more moderate growth compared to the previous year, ending the year with an increase of 12.6%.

Premium volume[1] 2007

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**19,562**	**429**	***13.3***	***4.1***
Life	**2,056**	**45**	***20.0***	***10.2***
Individual life	347	8	*8.9*	*0.0*
Collective life	1,709	37	*22.6*	*12.6*
Non-Life	**17,506**	**384**	***12.6***	***3.4***
Automobile	6,916	152	*23.0*	*13.0*
Fire and allied lines	6,670	146	*5.8*	*-2.8*
Other branches	1,478	32	*18.8*	*9.1*
Health	1,094	24	*-7.2*	*-14.7*
Transport	672	15	*19.2*	*9.4*
Surety	464	10	*5.3*	*-3.3*
Personal Accident	212	5	*9.4*	*0.4*

Figure 28. Dominican Republic. Premium volume in 2007 by branch

(1) Earned and returned premiums.
Source: Done by FUNDACIÓN MAPFRE with data published by insurance oversight authorities.

The Automobile line posted a robust increase of 23% as a result insurance rates that rose to compensate for the elimination of the VAT tax deduction, part of a fiscal reform approved in 2006. The rise in rates only served to offset the impact of this reform, inasmuch as this line of insurance is still subject to stiff competition in prices and its technical result is negative. Automobile insurance is now the main branch of insurance in the Dominican Republic, with a market share of 35.4%, followed by Fire insurance, with a market share of 34.1%.

After Automobile, Construction and Transport of Merchandise were the branches that expanded most. This stemmed from strong economic growth in general and in the construction sector in particular.

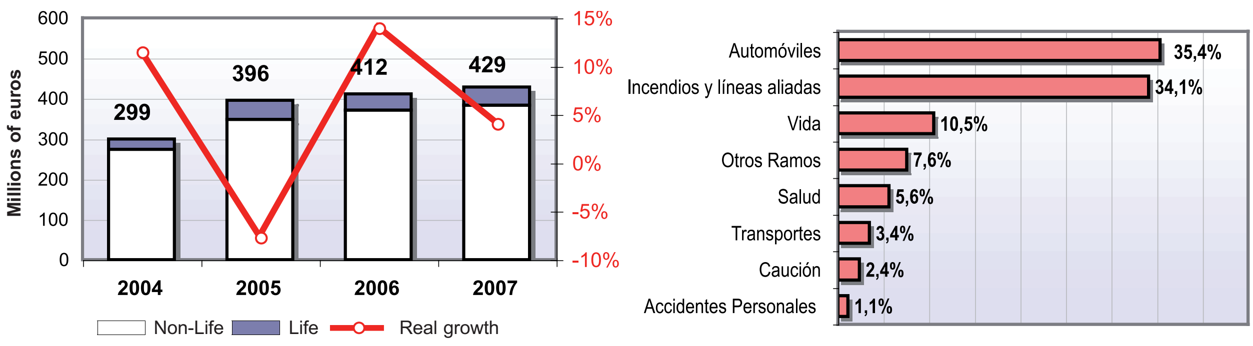

Figure 29. Dominican Republic. Evolution of premiums and market share in 2007 by branch

The market is made up of 32 insurance companies, down two from 2006. The market is highly concentrated, with the 10 largest firms accounting for 92.8% of premiums (91.1% in 2006). Seguro Universal, Banreservas and MAPFRE BHD are the leaders, with market shares of 28.5%, 17.3% and 14.1%, respectively. These same companies occupy the top three spots in Life and Non-Life rankings.

Results

After-tax earnings were 716 million pesos (16 million euros), down 3.7% from the previous year. This meant a two-point reduction in profits on premiums, down to 7.3%. The combined ratio stayed at 96%. So the decline in results stemmed from the drop in the financial result and from a rise in costs as a consequence of the tax reforms. The latter replaced a general and deductible sales tax that insurance companies paid with a selective and non-deductible consumption tax.

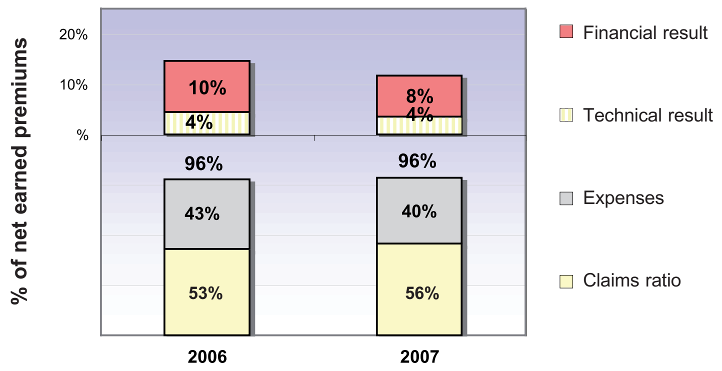

Figure 30. Dominican Republic. Technical Account Result

Source: FUNDACIÓN MAPRE with information from insurance oversight authorities.

The claims ratio rose nearly four points, going from 52.7% to 56.2%, due in part to heavy losses from two floods late in the year (in late October and early December). Initial estimates are that the sector will have to pay out between USD 50 million and USD 70 million because of these two catastrophes. An improvement in the expense ratio offset the effect of the rise in claims in the combined ratio.

First half of 2008

In the first six months of 2008, the insurance sector issued 10,676 million pesos (204 million euros) in premiums, which represents nominal growth of 12% compared to the same period of the previous year and real growth of 4.1%.

Premium volume[1]. 1st Half 2008				
Branch	**Millions of pesos**	**Millions of euros**	**% Δ**	**% Δ *real***
Total	**10,676**	**204**	***12.0***	***4.1***
Life	**1,180**	**23**	***26.1***	***17.2***
Non-Life	**9,496**	**181**	***10.5***	***2.7***
Automobile	4,094	78	*21.7*	*13.1*
Fire and allied lines	3,576	68	*2.5*	*-4.7*
Other branches	784	15	*37.8*	*28.1*
Transport	340	6	*-0.5*	*-7.5*
Surety	303	6	*32.2*	*22.9*

Figure 31. Dominican Republic. Premium volume in 2008 by branch

(1) Earned and returned premiums.
Source: FUNDACIÓN MAPRE with information from insurance oversight authorities.

The Life class of insurance posted robust growth of 26.1%, thanks to a rise in collective insurance, inasmuch as individual Life fell 17.4%.

In the Non-Life branches, Automobile insurance expanded 21.7%, while Health dropped 41.8%.

3.3 SOUTH AMERICA

Macroeconomic context

In 2007 the economies of the countries of South America posted GDP growth of 6.7%, compared to 5.8% the previous year. The biggest rise was in Peru at 9%, and the smallest in Ecuador, at 2.7%. To a large extent this period of growth reflects an improvement in terms of trade and the strength of domestic demand. It is estimated that the terms of trade rose around 69% in South America, when one compares the figures from 2008 with the average from the 1990s, a figure far higher than those of other sub-regions. This is due to these countries' specializing in the production and export of raw materials and basic products, demand for which has increased in recent years, and imports of manufactured goods, the supply of which has also risen.

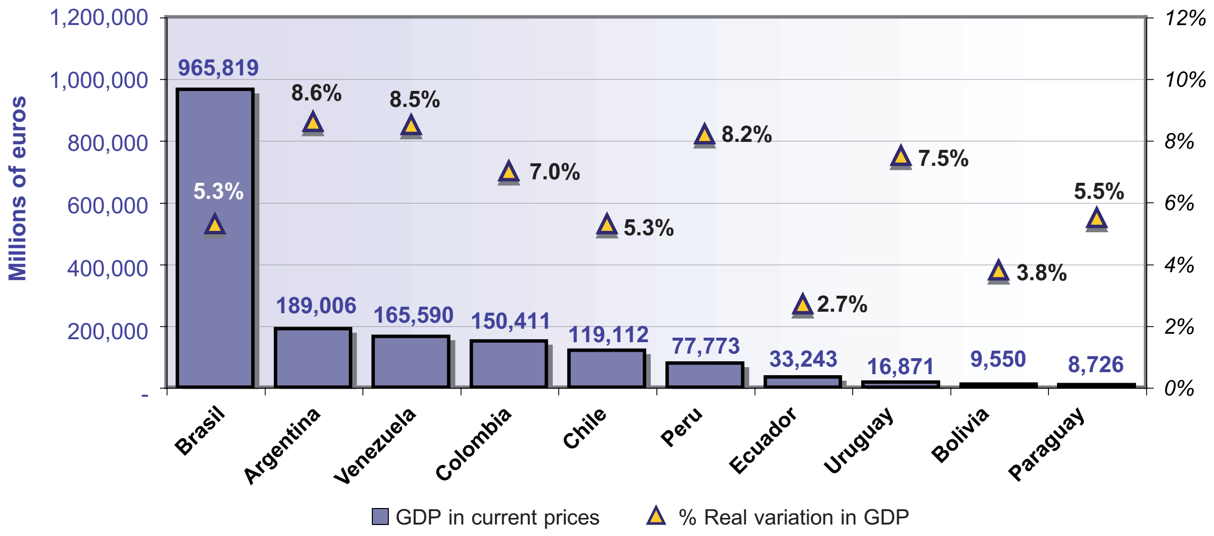

Figure 32. South America. GDP in 2007 by country

Source: FUNDACIÓN MAPFRE with information published by ECLAC.

For 2008, growth is estimated at 5.9%, the highest rate in Latin America. For yet another year, a rise in prices of basic products, mainly foodstuffs and hydrocarbons, helped the countries of South America and Mexico with regard to terms of trade. In the first half of 2008 there was a continuation of external conditions which in recent years have encouraged a rise in export revenue, which in most countries also meant strong tax revenues. This process also came in a context of strong domestic demand, both in terms of consumption and investment.

In 2007, inflation declined in Argentina and Paraguay and rose in the rest of the countries. Venezuela still has the highest inflation rate in the region at 22.5%, followed by Bolivia's 11.7% and Argentina at 8.5%. Peru posted the smallest rise in prices, at 3.9%.

Insurance market

In 2007 the insurance markets of the region benefited from this economic situation, posting nominal growth in local currencies of 20.4% compared to 2006, and real growth of 12.5% (compared to 13.6% in 2006).

Production in euros rose to 40,900 million, up 18.6% from 2006. The insurance markets of Brazil, Argentina and Chile were the main sources of growth in the Life class, which posted revenue of 16,100 million euros, an increase of 22%. Non-Life branches reported revenue of 24,800 million euros in 2007, a rise of 16.5% compared to the previous year. The lines that contributed most to this growth were Health, Automobile and Worker Compensation.

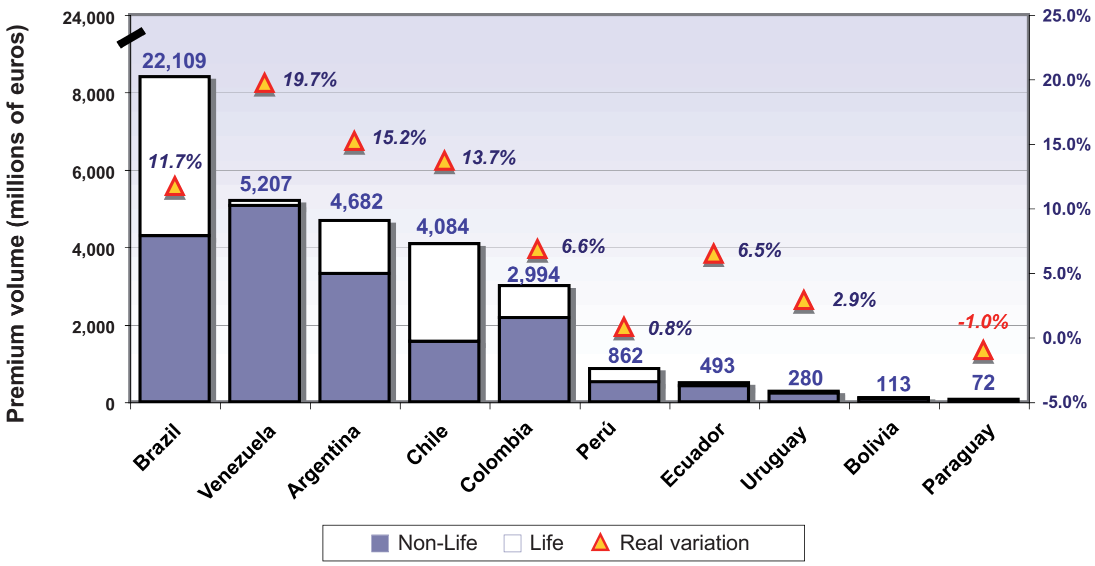

Figure 33. South America. Premium Volume in 2007 by country

Source: Done by FUNDACIÓN MAPRE with information published by the insurance oversight authorities in each country and ECLAC.

The most developed markets as measured by premium volume were those of Brazil, Venezuela, Argentina, Chile and Colombia. As for density, Chile was the country that spent the most on insurance per inhabitant, at 246€, followed by Venezuela at 190€ and Brazil at 165€. In terms of insurance penetration in the economy, the highest rates were found in Chile and Brazil, with 3.4% and 3.3%, respectively.

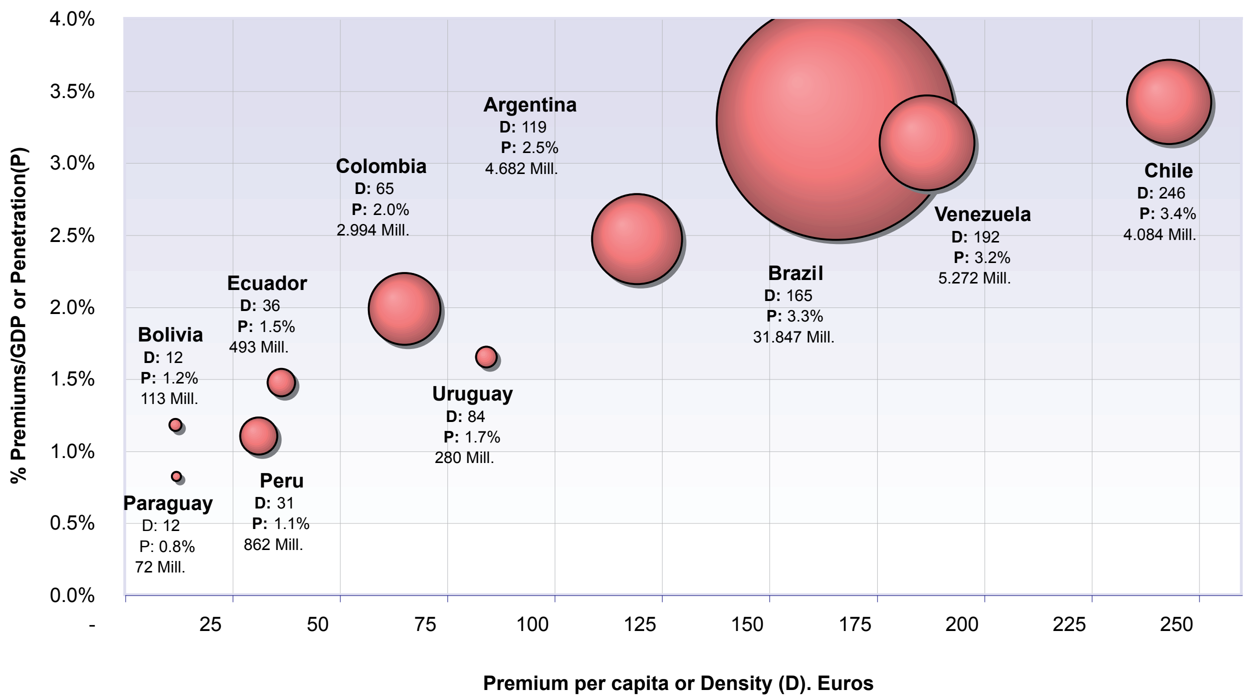

Figure 34. South America. Penetration and Density 2007 by country

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and Central Bank in each country.

The level of concentration in the insurance sector in this region is not homogenous; it is high in some markets, such as Uruguay, Bolivia, Peru and Brazil, countries in which the leading insurance groups hold a significant share of the market (it should be noted that in Uruguay, Banco de Seguros del Estado, or State Insurance Bank, continues to hold a monopoly on Worker Compensation insurance). Concentration is lesser in Argentina and Ecuador, where the top 10 groups account for a bit more than half of all premiums.

Country	Number of companies	Market share of top 5 groups	Market share of top 10 groups	Leading group	Market share of leading group
Brasil	113	64.3	90.7	BRADESCO SEGUROS	26.3
Venezuela	50	48.4	70.2	CARACAS LIBERTY MUTUAL	12.2
Colombia	43	53.5	76.1	SURAMERICANA	20.4
Chile	49	36.8	63.1	ING	9.5
Perú	14	91.9	100.0	RIMAC	34.1
Argentina	184	32.8	56.2	CAJA SEGUROS	7.5
Uruguay	16	91.7	98.7	BANCO DE SEGUROS DEL ESTADO	65.8
Bolivia	14	88.9	99.2	BISA	35.0
Ecuador	43	36.3	54.2	COLONIAL	11.5
Paraguay	33	51.7	70.5	MAPFRE PARAGUAY	23.6

Figure 35. South America. Market Concentration in 2007 by country

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and Central Bank in each country.

1.1.4 ARGENTINA

Macroeconomic context

The year 2007 saw a continuation of the phase of economic expansion that followed the crisis which hit Argentina in the first years of this decade. 2007 ended with GDP growth of 8.7%. International financial turmoil did affect the economy, but did not interrupt its growth. Domestic demand rose 10% and investment increased significantly at a rate of 13.6%, although this was lower than in 2006 (18.2%). The slowdown in investment was concentrated in the construction sector, which had been growing at very high rates, although the increase was still significant. Investment in equipment rose 22.6%, up from 17.7% the previous year.

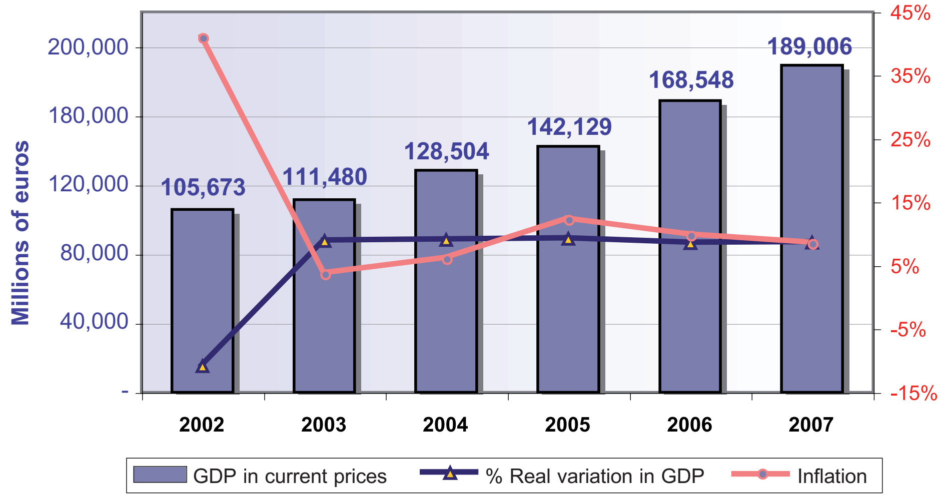

Figure 36. Argentina. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

On the supply side, highlights were growth in some services, such as financial intermediation, transport and communications, trade and related activities. Meanwhile, growth in industrial production had a major impact on the auto industry, which was boosted by robust domestic and external demand.

Argentina's methodology and system for compiling data on prices stirred public controversy throughout the year. The inflation rate, measured as the variation in the Consumer Price Index in the greater Buenos Aires area, was 8.5%, down 1.3 points from December 2006. But the variation in prices at the consumer level in other parts of the country was much higher than in the Buenos Aires metropolitan area, and this was more in line with the perception of many segments of public opinion.

The employment rate reached a level that was high from a historical perspective, hitting 46.1% (as the average for 2007) and the jobless rate fell to 7.5% in the fourth quarter of 2007. Wage hikes also continued, with an average rise of nearly 23%.

As for the external sector, exports of services performed well, in particular tourism and business and computer services. Growth in exports of goods was strong both in terms of price and volume, except for fuel and energy, in which higher prices did not offset a tendency toward lower volumes. External factors exerted pressure on prices of foodstuffs, while at the same time controversy arose over tax and regulatory policy toward farm exports, due to its effect on distribution of revenue and production incentives. Imports rose 31%, due in particular to a rise in fuel purchases, while in other categories the increase was around 30%.

Interest rates went up significantly, although returns on deposits stayed below the average, forecast levels of inflation.

Preliminary data for the second quarter of 2008 show GDP rising 7.5% in comparison with the same period of the previous year. On the supply side, some service branches grew well, such as financial intermediation, transport and communications. As for demand, gross fixed domestic investment rose 12.4%, with greater investment in equipment and a fall of 1.8% in exports of goods and services. Private consumption increased 7.5% and in the state sector there was an 8.5% rise.

Insurance market

Thanks to sustained economic recovery and a positive trend with regard to credit, most insurance lines continued to post major growth. Responding to growing demand, there was a sustained rise in production of Surety, Transport and Combined Family insurance, as a result of expansion in the construction sector and overseas trade; in Automobile insurance, due to increased sales of vehicles; and Life and Retirement as an alternative for families to invest their savings.

Premium volume in the period running from July 2006 to June 2007 was nearly 19,000 million pesos (4,682 million euros), a nominal rise of 25.4% compared to the previous year and a real increase of 15.2%. Both branches – Life and Non-Life – grew 25%.

As was the case in the previous year, all branches of Life insurance except Retirement posted increases of more than 30% in premiums issued in 2007. The Retirement class grew 10.8%, compared to a decrease of 24.1% in 2006.

All lines of Non-Life insurance registered double-digit rises in 2007, and those that stood out because of their larger volume were Worker Compensation and Automobile, with increases of 33.1% and 21.9%, respectively. In both cases the factors that contributed to the increases were high levels of employment and wage increases in the Worker Compensation line, and in the Automobile class an increase in the number of vehicles insured and in the average in the range of coverage provided.

Premium volume[1] 2007

Branch	Millions of pesos	Million of euros	% Δ	% Δ real
Total	**18,964**	**4,682**	***25.4***	***15.2***
Life	**5,530**	**1,365**	***24.9***	***14.8***
Individual life	522	129	*31.2*	*20.6*
Collective life	1,752	433	*30.0*	*19.5*
Group life	1,533	379	*36.2*	*25.2*
Retirement	1,722	425	*10.8*	*1.8*
Non-life	**13,434**	**3,317**	***25.6***	***15.4***
Automobile	5,748	1,419	*21.9*	*12.0*
Other Guarantees	1,325	327	*40.0*	*28.7*
Fire	832	206	*10.9*	*2.0*
Combined family	646	159	*21.2*	*11.4*
Transport	485	120	*18.4*	*8.8*
Third-party liability	421	104	*15.6*	*6.3*
Credit and Surety	402	99	*31.7*	*21.0*
Personal accident	347	86	*40.3*	*29.0*
Health	21	5	*12.5*	*3.4*
Worker Compensation	3,208	792	*33.1*	*22.3*

Figure 37. Argentina. Premium volume in 2007 (July 2006-June 2007) by branch

(1) Premiums and surcharges issued.
Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and the magazine Estrategas.

Despite the major increase in premiums, Automobile insurance ended up with a negative technical result in the period July 2006-June 2007 as a result of an increase in claims, both in frequency and average claims cost. Other lines of insurance that posted technical losses were Passenger Transport, Credit, Worker Compensation and Third-Party Liability.

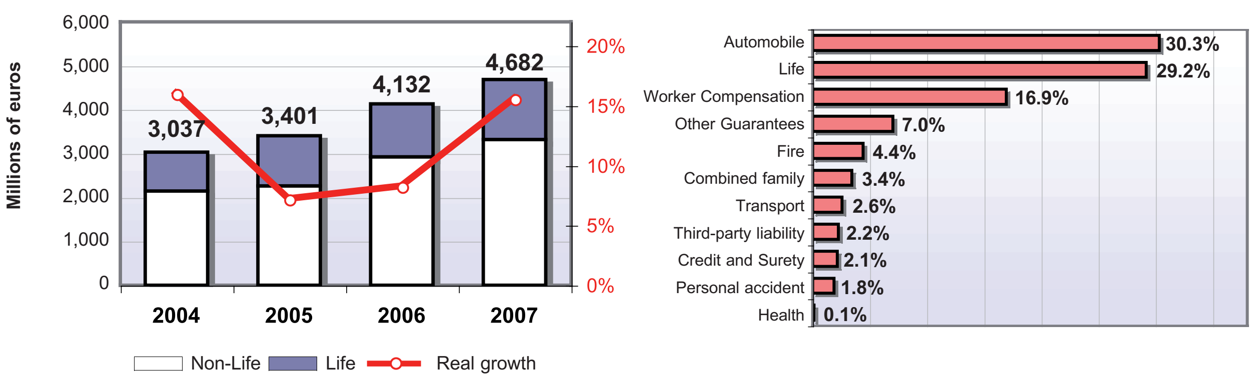

Figure 38. Argentina. Evolution of premiums and market share in 2007 by branch

The number of insurance companies operating as of 30 June, 2007 was 184, down five from 2006. Of this total, 23 worked exclusively in Retirement, 45 in Life and 14 in Worker Compensation insurance. The other 102 operated in Property Damage or were Mixed (working in both Property Damage and Life).

With a market share of 7.5%, Caja Seguros was ranked first in 2007 among insurance companies in Argentina. MAPFRE remained in second place with a 6.6% share, followed by Sancor. The top 10 insurance groups, excluding Retirement insurance, accounted for 56.2% of premiums (compared to 53.5% in 2006).

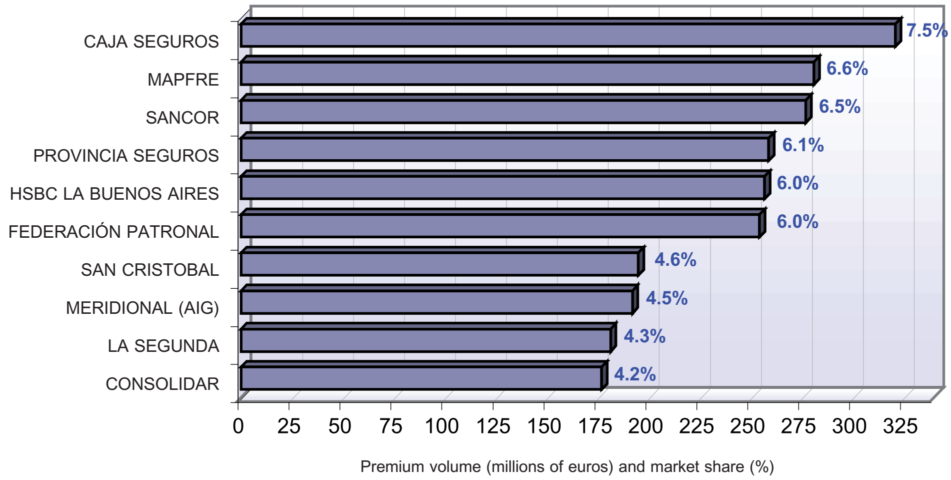

Figure 39. Argentina. Ranking 2007 Total

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and the magazine Estrategas.
Note: does not include Retirement insurance

For the second straight year MAPFRE Argentina led the ranking in Non-Life, with production of 1,092 million pesos (270 million euros) and a market share of 8.5%. Next came Caja Seguros and Sancor with shares of 7.9% and 7.8%, respectively. The 10 largest groups in Non-Life accounted for 60.3% of premiums (58.8% in 2006).

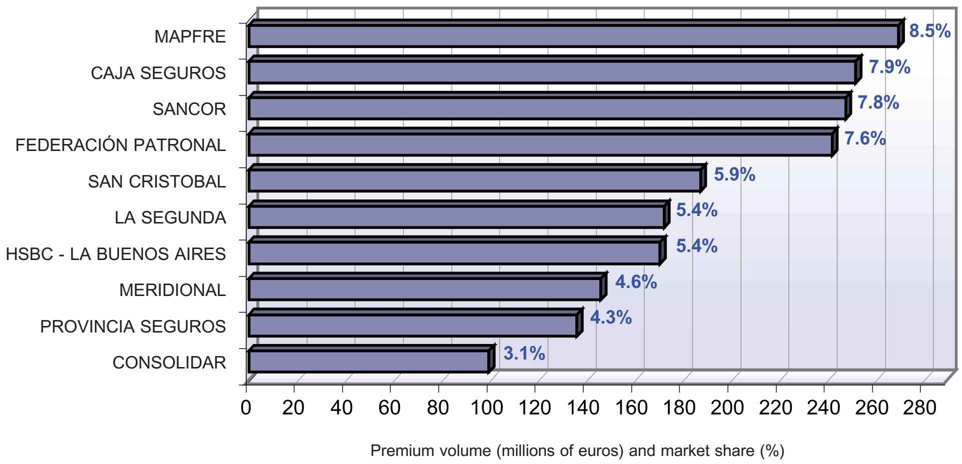

Figure 40. Argentina. Ranking 2007. Non-Life

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and the magazine Estrategas.
Note: This ranking has been compiled with the branch divisions used in Argentina

In Life insurance, the top 10 largest groups sold 68.6% of all premiums issued. HSBC Provincia Vida held the first spot with premium volume of 497 million pesos (123 million euros). Next came Metropolitan Life with a market share of 9.1%. In late 2007, that U.S. company received authorization from the government to merge its Life insurance assets in Argentina –Metropolitan Life and Siembra– into one brand, called Metlife Seguros de Vida.

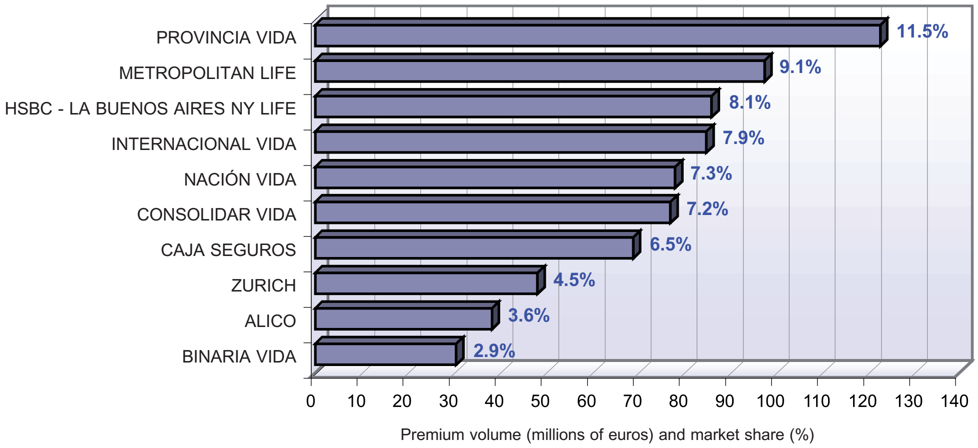

Figure 41. Argentina. Ranking 2007. Life

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities and the magazine Estrategas.
Note: This ranking has been compiled with the branch divisions used in Argentina

Results

The net result for the year was 1,242 million pesos (307 million euros), a jump of 81.6% from the previous year. That marked an increase of 2.5 points in profits on premiums, which rose to 8.8%.

The improved result reflects a fall in technical losses, which in 2007 totaled 888 million pesos, and a good financial result, which contributed 2,449 million pesos. The decline in losses led to a fall of 9 points in the combined ratio, due mainly to a significant decline in the claims ratio, which has been stabilizing in the past four years and in 2007 stood at 68%. Expenses dropped slightly, representing 42% of premiums.

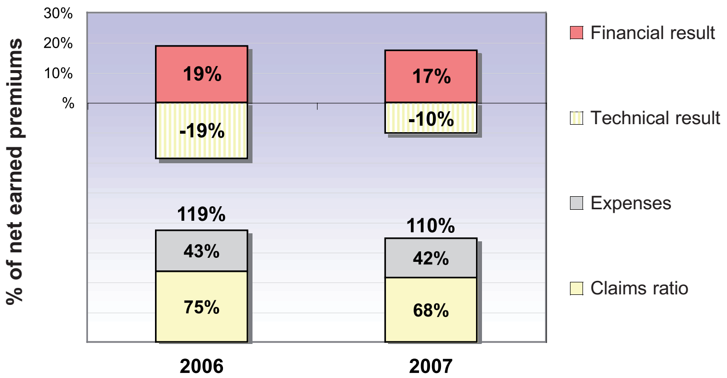

Figure 42: Argentina. Technical account result

Source: Done by FUNDACIÓN MAPFRE with information published by the insurance oversight authorities.

New legislation

In order to improve the market's technical results, the government's insurance oversight agency, the Superintendencia de Seguros de la Nación, decreed a rule change that has prompted insurance companies to modify their rates. The decree also stipulates that insurers who post negative results in their balances as of 30 September, 2007 must present the agency with a report detailing the causes of such results and the measures they will take to correct them.

Meanwhile, legal uncertainty remains over the constitutionality of the Worker Compensation insurance rules.

First half of 2008

In the first two quarters of 2008, Argentine insurance companies issued more than 12,000 million pesos (2,500 million euros) in premiums, a nominal increase of 22.5% from the previous year. Unlike the results of previous years, Retirement insurance posted major growth while Pensions decreased. Within the Non-Life class, Automobile and Worker Compensation insurance continued to grow, with increases of more than 30%.

1.1.5 BOLIVIA

Macroeconmic context

Although with lower growth than in 2006, the Bolivian economy did expand in 2007, with GDP rising 4.6% (compared to 4.8% in 2006). In recent years the economy has benefited from higher prices for some of the basic products that it exports. But at the same time, two weather phenomena, El Niño in 2007 and La Niña in 2008, had negative effects on some sectors, mainly agriculture.

The sectors that posted the strongest growth were construction, (14.3%), mineral production (10%), financial institutions, insurance, real estate, services provided to businesses (6.3%) and manufacturing (6.1%). However, agriculture and fishing slipped 0.5% because of damage in the livestock and farming sectors as a result of floods caused by El Niño in the first quarter of 2007.

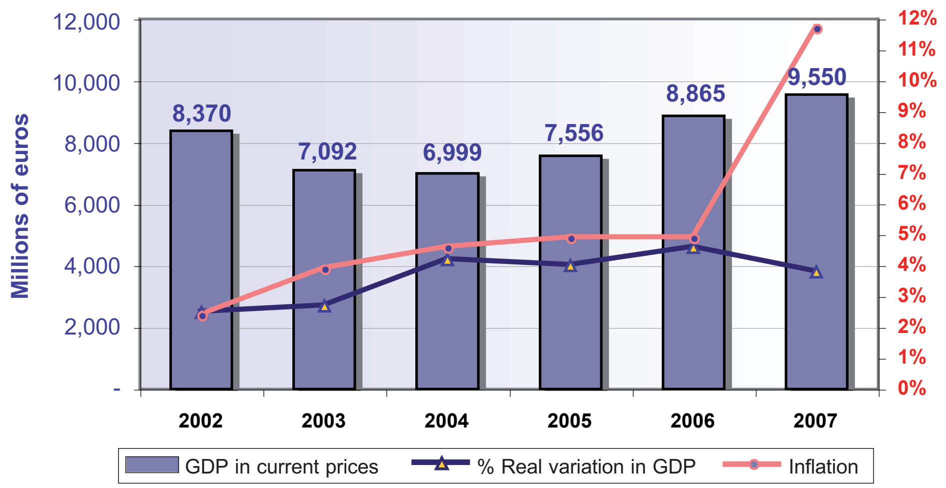

Figure 43. Bolivia. GDP 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

Household consumption made the biggest contribution to GDP growth, rising 4.1%. Gross capital formation rose 11.1%, although by international standards it remained low as a proportion of GDP.

Inflation surpassed the government's goal, coming in at 11.7%, up 6.8 percentage points from 2006. The biggest rise was in foodstuffs and beverages.

According to preliminary data from Bolivia's government statistics institute, the economy grew 6.5% in the first half of 2008 compared to the same period of the previous year. The sectors that grew most were mining (63%) and construction (9%), while the farming and fishing sector declined 2.4% because of the damaging effects that La Niña inflicted on agriculture.

Insurance market

The Bolivian insurance market concluded 2007 with premium volume of USD 156 million (113 million euros), a decline of 16% compared to the previous year and 24.8% after taking in account the effects of inflation. The decline is due mainly to the fact that Pensions, Common Risk (classified as part of Personal Accident) and Professional Risk have come under management of Pension Fund Managers through a decision by the government, after a tender process in late 2006 elicited no bids. Excluding revenue from these branches over the past two years, the sector posted nominal growth of 14.9% and real growth of 2.8%.

Premium volume[1] 2007

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**156**	**113**	***-16.0***	***-24.8***
Life	**29**	**21**	***21.5***	***8.7***
Individual life	9	7	*22.8*	*9.9*
Collective life	3	2	*13.5*	*1.6*
Mortgage repayment insurance	13	9	*20.8*	*8.1*
Pensions	5	3	*26.0*	*12.7*
Non-Life	**127**	**92**	***-21.5***	***-29.8***
Personal accident[2]	7	5	*-77.6*	*-79.9*
Automobile	31	23	*11.6*	*-0.1*
Fire and/or allied lines	30	22	*26.5*	*13.2*
Health	17	12	*7.8*	*-3.5*
Other guarantees	6	4	*-9.8*	*-19.2*
Technical risks	8	6	*10.3*	*-1.3*
Third-party liability	7	5	*-16.6*	*-25.3*
Transport	12	8	*-1.8*	*-12.1*
Surety	7	5	*25.7*	*12.5*
Burial Expenses	0	0	*-4.7*	*-14.7*
Worker Compensation	2	2	*-91.5*	*-92.4*

Figure 44. Bolivia. Premium volume in 2007 by branch

Source: done by FUNDACIÓN MAPFRE with data published by authorities that oversee pensions, stocks and insurance.
(1) Direct premiums.
(2) Includes Common Risk insurance, a mandatory insurance against accidents and illnesses that take place outside the workplace.

Premiums in Non-Life branches totaled USD 127 million (92 million euros), down 21.5% from the previous year. If we exclude Common Risk and Professional Risk, the Non-Life line of business rose 9.7%. The lines within this class which grew the most were Fire, Surety and Automobile. Due to a decline in Personal Accident premiums for the reason stated earlier, Automobile insurance took over the largest market share, at 19.9%.

Life insurance kept growing, as it has in recent years, rising 21.5%. Although its weight in the sector as a whole remains small, its market share compared to the whole sector has posted a significant increase, going from 12.9% to 18.6%.

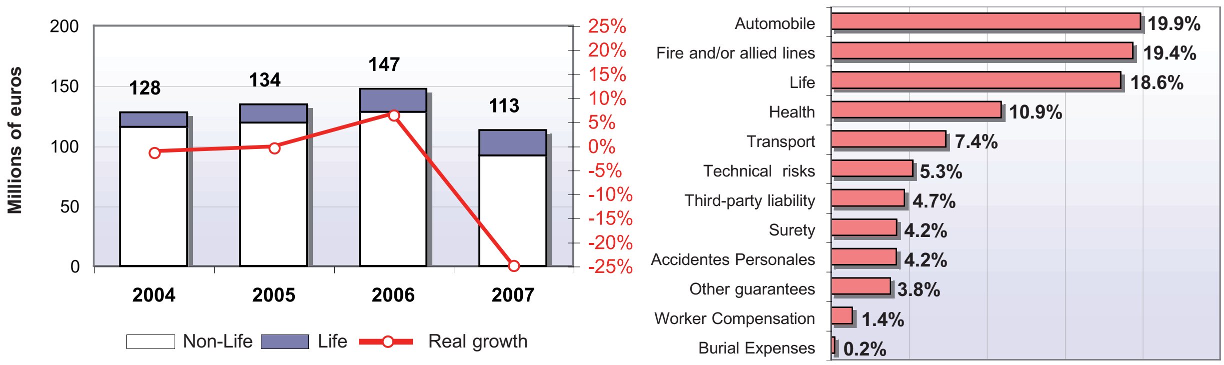

Figure 45. Bolivia. Evolution of premiums and market share in 2007 by branch

In the Bolivian insurance market there are six companies selling Personal Insurance and eight which operate in General Insurance. In 2007 the general insurance company Adriática was placed in administration and Latina Seguros Patrimoniales began operations.

The Bisa group (Bisa Seguros and La Vitalicia) remains the market leader with a 35% share. Among companies which operate in General insurance, Bisa Seguros and La Boliviana Ciacruz posted the largest production in 2007. In Personal insurance, La Vitalicia and Provida control the largest market share.

Results

The net result for the year was 117 million bolivianos (11 million euros). Even though this marked a drop of 2.5% from the previous year, the result fell less than premiums did (down 16%), as a result of which the ratio of profits on premiums rose slightly to 20.7%.

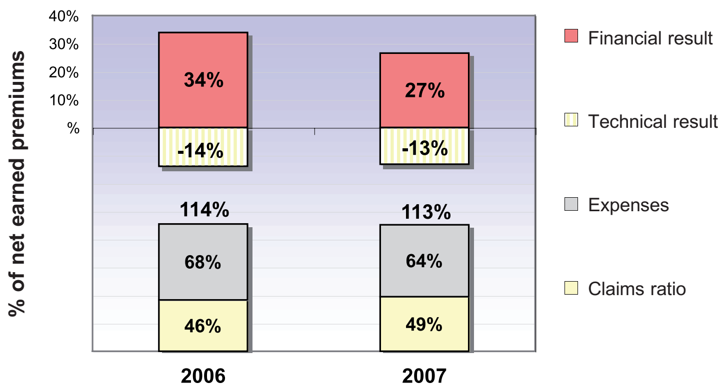

Figure 46. Bolivia. Technical Account Result

Source: done by FUNDACIÓN MAPFRE with information published by authorities that oversee pensions, stocks and insurance.

The combined ratio improved one point but continues to represent a technical loss of 13% of premiums, mainly from the Life insurance line, since the Non-Life combined ratio was 99%. The claims ratio rose three points to 49%, but costs went down four points to 64%.

Pre-tax results for General and Guarantee insurance companies totaled 24 million bolivianos (2 million euros). Among companies that operate in Personal insurance, the financial result offset losses in the technical result and the year ended with a result of 93 million bolivianos (9 million euros).

First half of 2008

The Bolivian insurance sector posted revenues of USD 89 million (58 million euros) in the first half of 2008, an increase of 14.6% compared to the same period of the previous year. Life insurance rose 34% although its share of the market is very small. Non-Life branches grew 10.4%, with significant increases in the Automobile and Transport lines and declines in Third-Party Liability, Personal Accident, Burial Expenses and Worker Compensation insurance. The decline in Personal Accident and Worker Compensation is due to the fact that again in 2008, no tender was opened up for Pension.

Premium volume[1]. 1st Half 2008

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**89**	**58**	***14.6***	***5.3***
Life	**19**	**12**	***34.0***	***23.1***
Non-Life	**71**	**46**	***10.4***	***1.4***
Automobile	24	16	*23.7*	*13.6*
Fire and/or allied lines	11	7	*7.0*	*-1.7*
Health	11	7	*16.9*	*7.4*
Transport	6	4	*26.4*	*16.1*
Worker Compensation	1	0	*-63.5*	*-66.5*

Figure 47. Bolivia. Premium volume 2008 by branch

(1)Direct premiums.
Source: done by FUNDACIÓN MAPFRE with information published by authorities that oversee pensions, stocks and insurance.

1.1.6 BRAZIL

Macroeconomic context

Brazil's economy intensified its pace of growth in 2007, with GDP rising 5.4% (3.7% in 2006). The growth was fueled by a strong domestic demand as a result of a significant rise in investment and continued expansion of household consumption. In this context, labor market conditions improved, with a robust increase in employment and a drop in the average rate of unemployment, which ended the year at 9.3% (compared to 10% in 2006).

As a consequence of the strong rise in domestic demand, the external sector made a negative contribution of 1.4 percentage points to GDP, with a 6.6 increase in exports of goods and services and a rise of 20.7% in imports. Supply of goods manufactured in Brazil failed to keep pace with domestic demand, which to a growing extent is being met through imports.

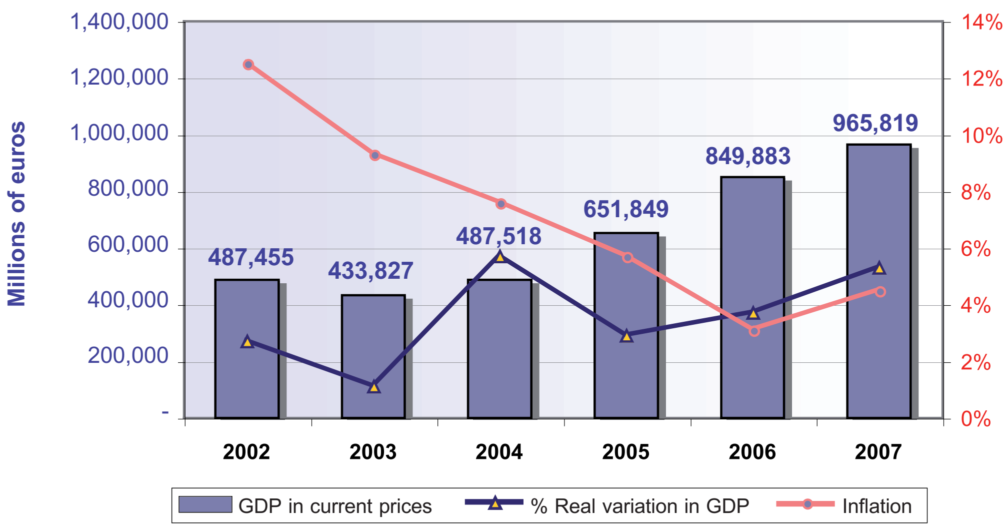

Figure 48. Brazil. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

The rise in GDP was caused by an across-the-board expansion of all of its components: agricultural and livestock production increased 5.3%; industrial activity rose 4.9%, with increases in all of its subsectors; the services sector expanded 4.7%, with generalized increases in its subsectors, in particular financial intermediation services (13%).

Inflation as measures by the consumer price index (IPCA) was 4.5% compared to 3.1% the previous year. This increase stemmed mainly from a rise in free-floating prices as a result of a faster pace of economic growth and a rise in food prices.

In the first half of 2008, GDP expanded 6% in comparison with the same period of the previous year, with strong performances in all sectors of the economy: a 6.3% rise in industry, 5.3% in services and 5.2% in agriculture and livestock. In the industrial sector, civil construction (9.4%) posted the biggest rise while in the service sector it was financial institutions and transport (14%).

The accumulated inflation rate in the first six months of 2008 was 3.6%, a rise of 1.5 points compared to the same period of 2007.

Insurance market

The Brazilian insurance sector posted premium revenues of 58,576 million reales (22,109 million euros) in 2007, which represents an increase of 16.7% from the previous year and 11.7% when one discounts the effects of inflation. Once again, VGBL (*Vida Gerador de Benefício Livre*) was the main engine of this growth, with revenues of 20,190 million reales (7,621 million euros), an increase of 31.8% from 2006. Meanwhile, as a result of expanded domestic credit, mortgage insurance took in 41.7% more in revenue than in 2006.

Premium volume[1] 2007

Branch	Millions of reales	Millions of euros	% Δ	% Δ real
Total	**58,576**	**22,109**	***16.7***	***11.7***
Life	**28,662**	**10,818**	***24.7***	***19.4***
Individual and collective life	8,472	3,198	*10.6*	*5.9*
VGBL[2]	20,190	7,621	*31.8*	*26.2*
Non-Life	**29,914**	**11,291**	***9.9***	***5.2***
Automobile	17,325	6,539	*6.5*	*1.9*
Fire	2,058	777	*5.3*	*0.8*
Transport	1,587	599	*6.0*	*1.5*
Accident	1,716	648	*24.2*	*18.9*
Other Guarantees	4,577	1,728	*16.8*	*11.8*
Credit and Surety	984	372	*18.5*	*13.4*
Transport of hulls	447	169	*29.8*	*24.3*
Third-party liability	532	201	*9.8*	*5.1*
Crop insurance	449	170	*31.2*	*25.6*
Special risks[3]	240	90	*25.1*	*19.8*

Figure 49. Brazil. Premium volume in 2007 by branch

Source: Done by FUNDACIÓN MAPFRE with information published by the agency that oversees private insurance, known as SUSEP.
(1) Direct premiums.
(2) Vida Gerador de Beneficio Livre.
(3) Oil, nuclear risks and satellites.

Non-Life insurance lines also rose, at a rate of 9.9%, compared to 12.6% in 2006. Despite an increase of nearly 30% in sales of new vehicles, stiff competition over rates limited growth in the Automobile branch to just 6.5%, compared to 15.5% the previous year. However, mandatory insurance for personal injury caused by vehicles, known in Brazil as DP-VAT, rose 27.6%.

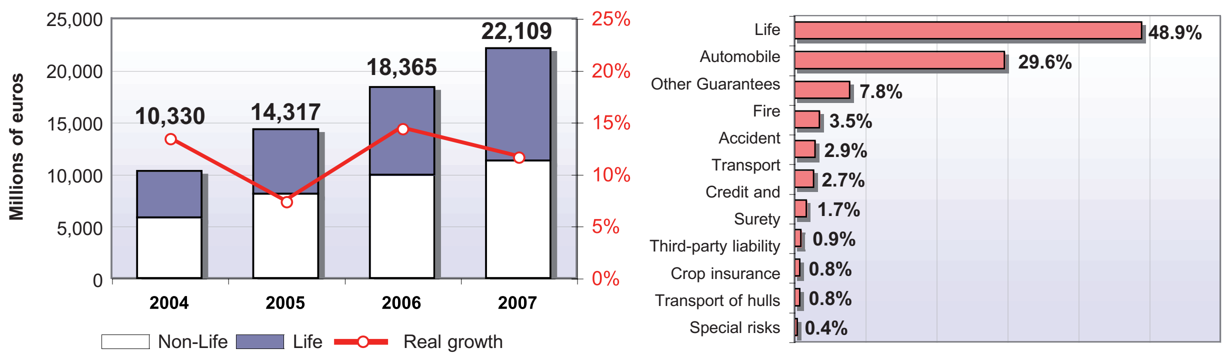

Figure 50. Brazil. Evolution of premiums and market share in 2007 by branch

Accident insurance performed very well, with revenues up 24.2%. Among lines with smaller premium volume, Agricultural and Hull Transport insurance are the ones that grew the most.

The Private Pension sector had revenues of 7,933 million reales, an increase of 8.3% from 2006, ending the downard trend of the past two years. Capitalization insurance grew 10.1%, with premium volume of 8,828 million reales.

According to data from the agency that oversees companies that sell Health insurance, the National Supplementary Health Agency, income in this line rose to 10,038 million reales (3,789 million euros), an increase of 9.9% compared to the previous year.

Taking into account income from all lines -- Insurance, Health, Private Pensions and Capitalization, Brazil's private insurance sector posted an increase of 15%, with income of 84,376 million reales in 2007.

Premiums and contributions from private insurance 2007

Branch	Millions of reales	Millions of euros	% Δ
Insurance	58,576	22,109	*16.7*
Private pension	7,933	2,994	*8.3*
Health insurance	10,038	3,789	*9.9*
Capitalization	7,828	2,955	*10.1*
Total	**84,376**	**31,847**	***15.0***

Figure 51. Brazil. Premiums from private insurance 2007

Source: Information published by the SUSEP and National Agency for Supplementary Health (ANS).

The 10 largest insurance groups (not including Health) accounted for 90.7% of premiums (compared to 77.7% in 2006). Bradesco led the ranking with a market share of 26.3%, and maintained its top spot in Life insurance with a 42.7% share. After selling its stake in the company Indiana to Liberty, Bradesco lost the top ranking in Non-Life, being overtaken by Porto Seguros.

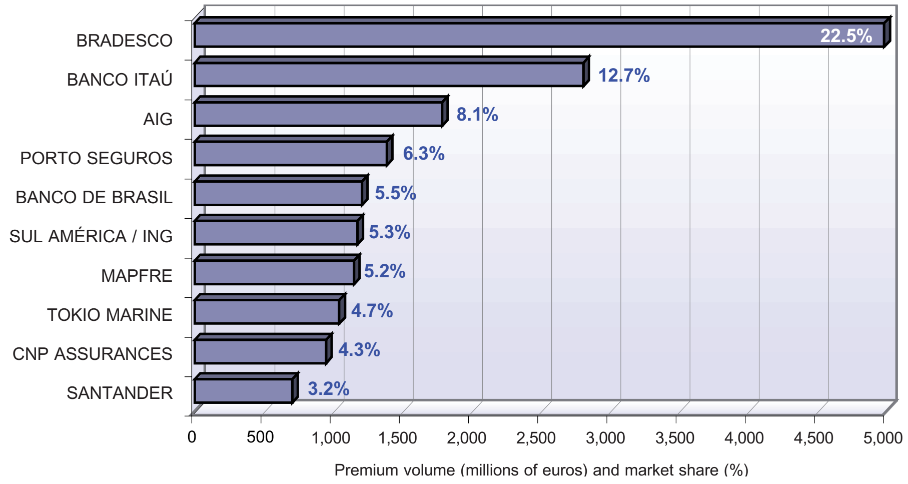

Figure 52. Brazil. Ranking 2007 Total

Source: SUSEP

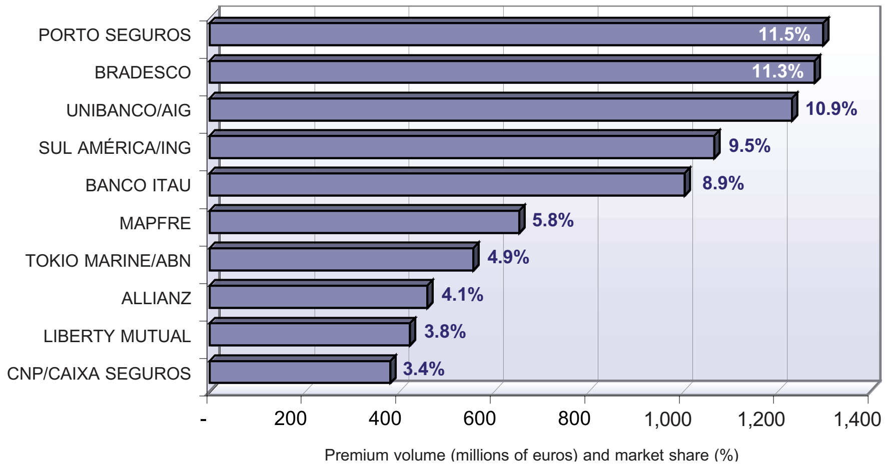

Figure 53. Brazil. Ranking 2007 Non-Life

Source: SUSEP

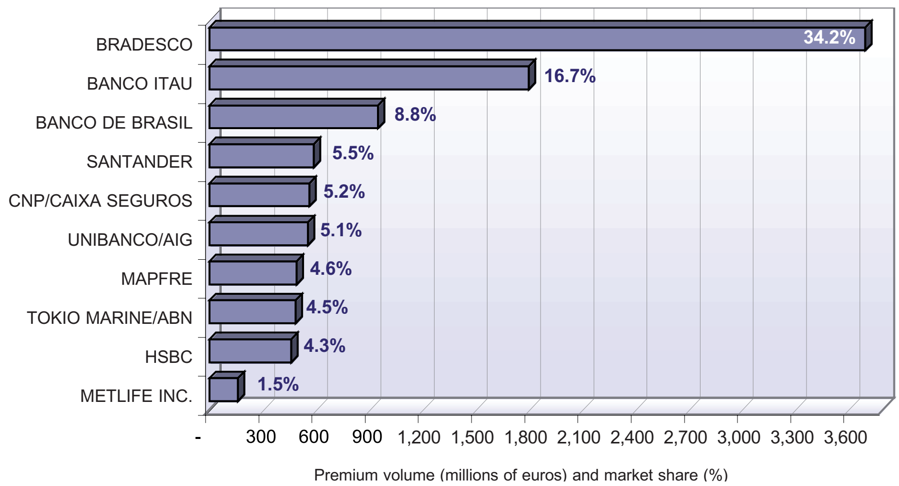

Figure 54. Brazil. Ranking 2007 Life

Source: SUSEP.
Note: includes VGBL insurance but not Personal Accident.

Results

The net result of Brazilian insurance companies totaled 9 trillion reales (nearly 3,500 million euros), with an increase of 5.6% compared to the previous year. But this still marked a drop of two points in profits on premiums, which was 29%.

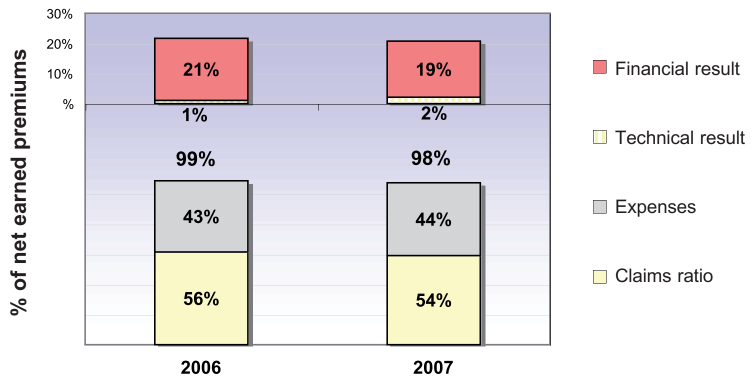

Figure 55. Brazil. Technical Account Result

Source: done by FUNDACIÓN MAPFRE with information published by SUSEP.

The decline in the result was due to a small contribution from the financial result, which declined, although to a lesser extent than in most countries of the region. But the technical result rose 137%, causing the combined ratio to go down 1.15 points, from 99% to 97.8%. The improvement stems from the fact that the claims ratio fell two points (mainly in Group Life and Property Damage) to 53.9%, while expenses rose slightly (less than one percentage point).

New legislation

As highlights, we should mention the opening of the Reinsurance market and insurance companies' adapting to new rules approved by insurance regulators in late on 2006 concerning capital requirements and solvency. The new rules require companies to adjust their solvency levels in the next four years starting in January 2008.

In December 2007, Brazil's insurance oversight body published the new rules for Reinsurance, replacing the monopoly held by IRB Brasil Re with a new free-market model. These new rules concern admission of reinsurers, diversification of risk, operational and technical details, etc. The reinsurer can be local, admitted or temporary. Local reinsurers must set up a reinsurance company inside the country and follow the local rules. Up until January 2010, these reinsurers are guaranteed a preferential offer by the assignors of 60% of the transactions, and 40% after that date. An admitted reinsurer, besides needing authorization from SUSEP, must possess net worth of more than USD 100 million, make a deposit as a guarantee in Brazil and have a certain level of international rating. The temporary reinsurer needs only to prove its international rating level and have a net worth of more than USD 150 million. So far, the market boasts six local reinsurers (IRB Brasil Re, J. Malucelli, XL RE, Münchener Rück, MAPFRE RE and Royal & SunAlliance). SUSEP has authorized 15 admitted reinsurers and 22 temporary ones.

The Insurance Superintendent's Office has established new internal control rules designed to fight against insurance fraud. Insurance companies must designate an executive to do a study on the probability of the company's being a victim of fraud, and develop measure to prevent, detect and correct this. Companies must send an independent auditor's report on the measures they have taken to fight against fraud.

Mergers and acquisitions

Liberty Mutual signed an agreement in October 2007 to acquire Indiana Seguros, in which Grupo Bradesco and Afif held stakes.

French insurer Coface took control of the Brazilian company that insures export credits, Seguradora Brasileira de Crédito à Exportaçao, in which it already held a 27.5% stake.

SulAmérica, in which ING holds a 49% stake, reached an agreement with the Gerling-Kozern group to acquire its share of Gerling SulAmérica, which specializes in industrial insurance, thus taking over complete control of the company.

In late 2007 regulators approved the creation of a new company called Seguradora Líder dos Consórcios do Seguro DPVAT. Its goal is to centralize management of mandatory insurance for personal injury caused by vehicles (DPVAT). The company is made up of the main firms offering such insurance in the Brazilian market.

First half of 2008

From January through June of 2008, accumulated premiums totaled 32,830 million reales (12,600 million euros), an increase of 18.6% compared to the same period of 2007.

Premium volume[1]. 1st Half 2008

Branch	Millions of reales	Millions of euros	% Δ	% Δ *real*
Total	**32,830**	**12,600**	***19***	***14***
Life	**15,991**	**6,137**	***25***	***21***
Non-Life	**16,839**	**6,463**	***13***	***9***
Automobile	10,110	3,880	*16*	*12*
Other Guarantees	2,497	958	*1*	*-2*
Fire	1,100	422	*9*	*5*
Accident	1,018	391	*22*	*18*
Transport	820	315	*4*	*1*

Figure 56. Brazil. Premium volume in 2008 by branch

(1) Direct premiums.
Source: done by FUNDACIÓN MAPFRE with information published by SUSEP.

Growth in Life insurance (individual, collective and VGBL) was 25.3% and stands out among other branches, with nearly 16,000 million reales in revenues (6,137 million euros) compared to 12,000 million reales in June 2007. The greatest share of this line pertains to the product known as VGBL (Vida Gerador de Beneficio Libre). Its 32.3% growth is much larger than the rises posted in individual and collective life insurance.

Within Non-Life lines, Automobile insurance accounts for 60% of the total and as of June 2008 it had posted revenues of 10,110 million reales (3,880 million euros). In the first half of 2008 it grew 16.3%.

1.1.7 CHILE

Macroeconomic context

In 2007 Chilean GDP expanded 5.1% (compared to 4.3% in 2006), with the economy surging around the middle of the first half of the year and weakening in the second. After a poor performance in 2006, domestic demand showed signs of recovery and grew 7.8%, led by an 11.9% rise in investment. Chilean exports also picked up pace (15.7%), thanks to sustained world demand for its main export goods. Imports also rose (22.7%) due to an appreciation in real terms of the Chilean peso and a major boost in imports of machinery and equipment. There was also a significant increase in foreign direct investment linked to investment projects.

On the supply side, Chile saw a 10.7% drop in the aggregate value of the electricity, gas and water sectors as a result of a restriction on shipments of natural gas from Argentina, along with high prices for fuel used to rune thermoelectric plants. However, the construction sector kept expanding at a good rate, especially engineering projects, since tighter credit terms contributed to a fall in sales of new homes.

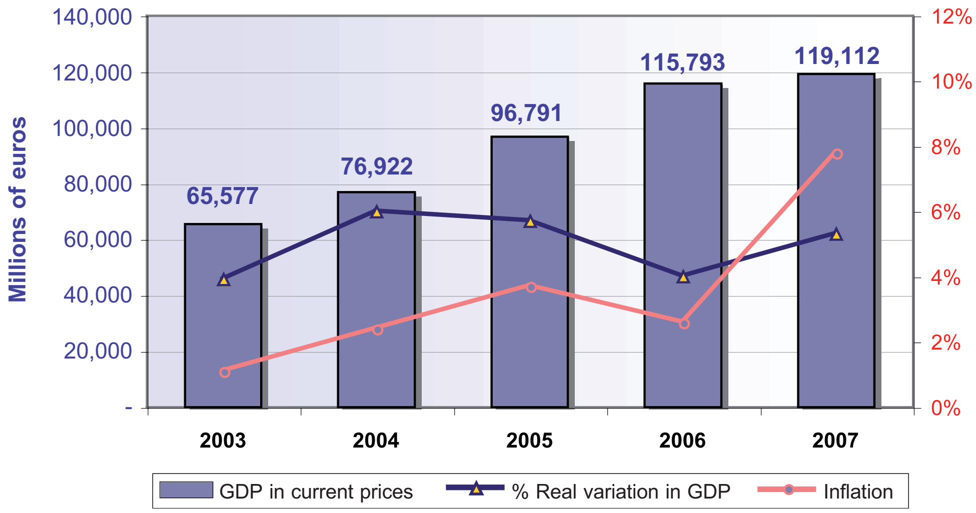

Figure 57. Chile. GDP 2007

Source: done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

The annual inflation rate 7.8% came in well above the tolerance range of the goal set by the government, and was triple the figure for 2006. The factors that contributed to this rise included a significant increase in the prices of some foodstuffs, the effect of frost on prices of fruits and vegetables, higher prices for fuel, and the effect of these higher prices and of a shortage of natural gas on electricity rates. In the first six months of 2008, the yearly inflation rate stood at 9.5%

In the labour market, the second half of 2007 saw an increase in the unemployment rate as a result of a larger workforce and slower pace of job creation. However, for the year the average unemployment rate dropped 0.6 percentage points and finished at 7.1%.

The Chilean economy expanded 3.8% in the first half of 2008 and for the year 4% growth is forecast.

Insurance market

In 2007 the Chilean insurance sector posted premium volume of 156 million UF, which represents real growth of 13.7%[4], a result of growth in both Life and Non-Life.

Growth in Life insurance has been affected in recent years by changes introduced in 2004 in rules regarding annuities. The new rule toughens conditions for receiving a pension, raises the requirements for receiving the minimum pension, and introduces modifications in the mortality tables of holders and beneficiaries of pensions. This trend has gradually been mitigated with the development of other product lines.

Premium volume[1] 2007

Branch	Thousands of UF	Millions of euros	% Δ
Total	**155,888**	**4,084**	***13.7***
Life	**95,821**	**2,510**	***13.5***
Individual life	17,774	466	*12.4*
Collective life	21,942	575	*10.5*
Pension plans	56,106	1,470	*15.1*
Non-Life	**60,067**	**1,574**	***14.0***
Fire and allied lines	16,045	420	*10.0*
Automobiles	14,558	381	*25.0*
Other guarantees	8,532	223	*-2.5*
Personal Accident[2]	7,992	209	*18.5*
Health	6,096	160	*8.7*
Transport	3,308	87	*57.5*
Third-party liability	1,754	46	*-1.8*
Credit and Surety	1,614	42	*31.1*
Multi-peril	169	4	*-33.3*

Figure 58. Chile. Premium volume in 2007 by branch

Source: Done by FUNDACIÓN MAPFRE with data published by the Association of Chilean Insurers (AACH).
(1) Direct premiums.
(2) Includes Mandatory Personal Accident Insurance (SOAP).

Life insurance posted premium revenues of 96 million UF, or 2,510 million euros, which amounts to real growth of 13.5% compared to 2006. Traditional life insurance grew 11.4%, while premiums from life annuities, which account for 58.5% of the Life branch, posted a big rise of 15.1%, due mainly to greater sales of old-age annuities. The main challenge for companies operating in this line of insurance is still to be able to compete with the programmed retirement plans of Pension Fund Managers and banks. This product has lured a large segment of demand by offering higher interest rates and greater short-term flexibility.

Non-Life insurance posted premiums of 60 million UF, or 1,574 million euros, a rise in real terms of 14%. The line that contributed most was Earthquake insurance, with a rise of 27.1%, followed by Automobile insurance at 23.6%. Automobile insurance continues to show sustained growth, thanks to which it has a 24.2% share of Non-Life insurance. The rise is due mainly to an increase in the number of insured vehicles within the total number of vehicles in the country.

[4] La Unidad de Fomento (UF) is an accounting unit that can be adjusted according to the rate of inflation, so the variations calculated with Unidades de Fomento are considered real.

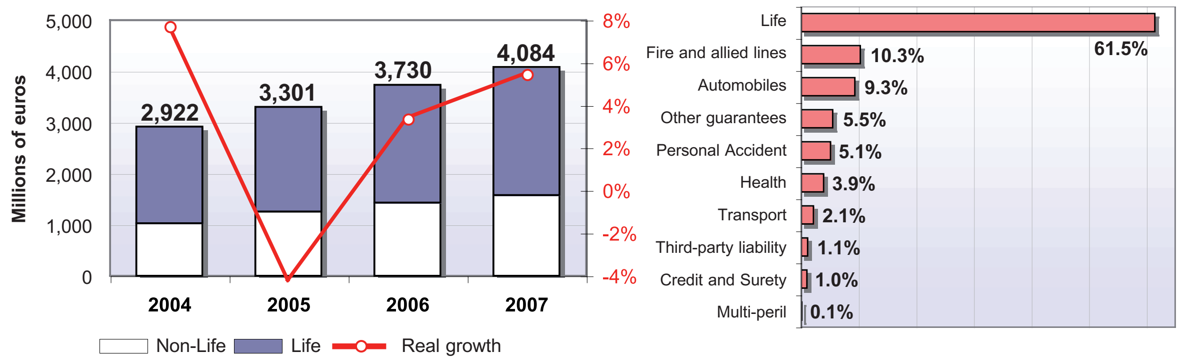

Figure 59. Chile. Evolution of premiums and market share in 2007 by branch

In 2007, there were 49 insurance companies operating in Chile (compared to 51 in 2006), 28 of them specializing in Life and 21 in General insurance. The top 10 insurance groups accumulated premium volume of 98 million Unidades de Fomento (2,575 million euros) and a market share of 63.1%. The company at the top of the ranking continued to be ING.

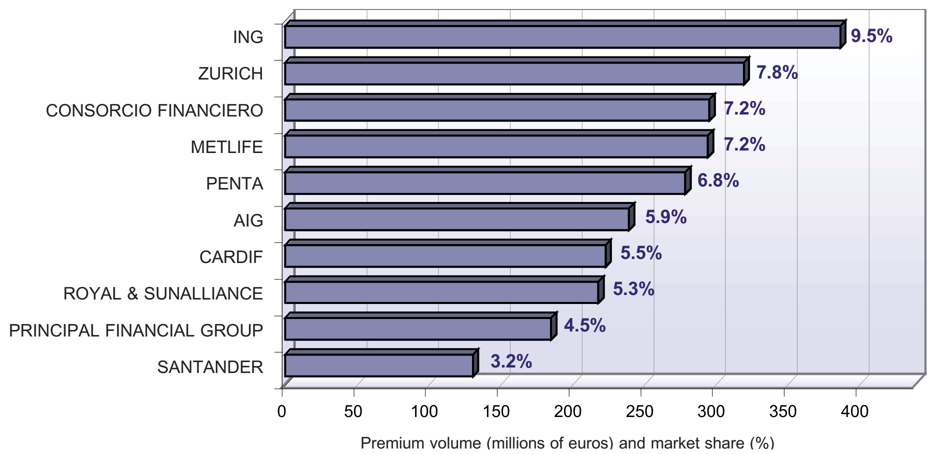

Figure 60. Chile. Ranking 2007 Total

Source: Chilean Securities and Insurance Supervisor.

In General insurance, the top spots were held by Royal & Sun Alliance, Chilena Consolidada (part of the Zurich group), Penta, Interamericana (AIG) and MAPFRE.

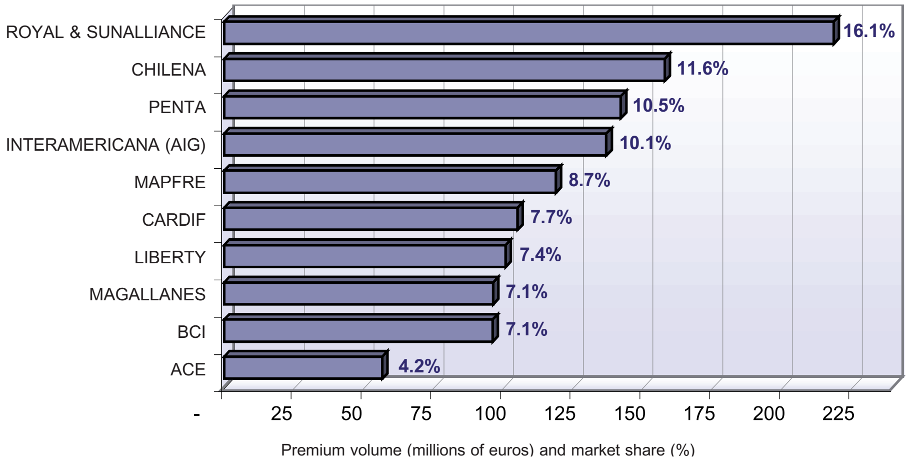

Figure 61. Chile. Ranking 2007. Non-Life

Source: Chilean Securities and Insurance Supervisor.
Note: This ranking has been compiled with the branch divisions used in Chile.

In Life insurance the leading companies were ING, Metlife, Consorcio and Principal.

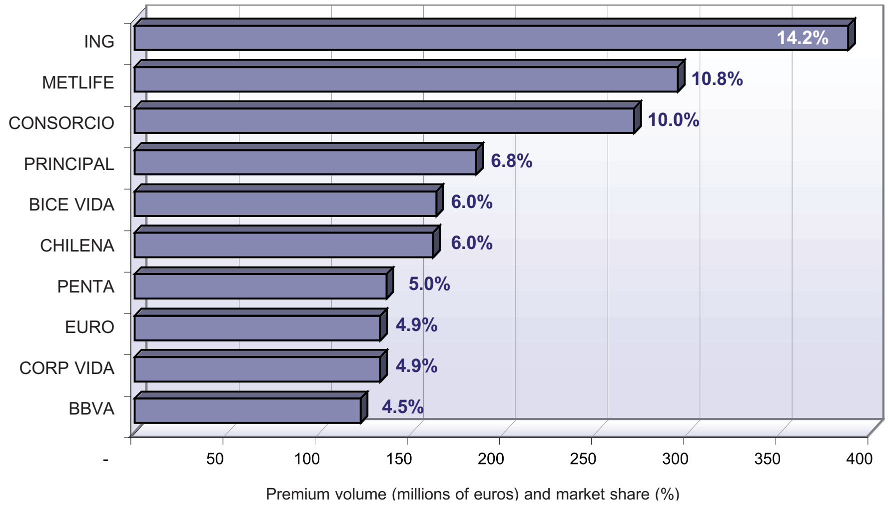

Figure 62. Chile. Ranking 2007. Life

Source: Chilean Securities and Insurance Supervisor.
Note: This ranking has been compiled with the branch divisions used in Chile.

Results

In the 12 months of 2007, the sector's net result declined 24.8% to 10.8 million UF, in contrast to the favorable performance of the previous year. This meant a drop of three points in profits on premiums, which slipped to 9%, due mainly to a decline in the return on equity of the Life insurance industry, where profits fell 26%. Profits posted by Non-Life companies slipped 0.3%. The combined ratio, although it represents a considerable technical loss, rose five points to 123%.

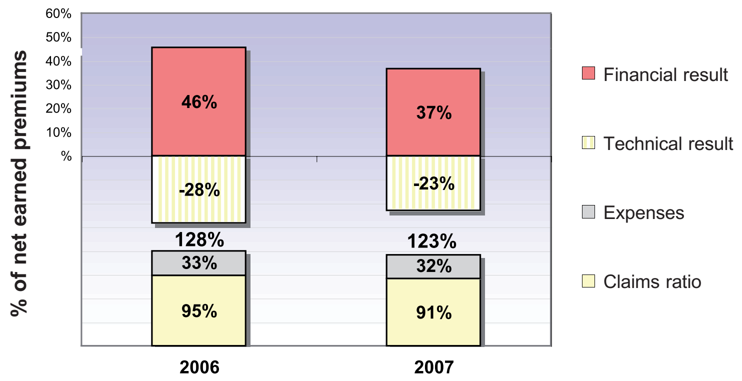

Figure 63. Chile. Technical Account Result

Source: done by FUNDACIÓN MAPFRE with information published by the Chilean Securities and Insurance Supervisor.

The fall in profits in the Life branch stemmed mainly from a decline in return on investments, which in turn was caused largely by a sluggish stock market and the foreign investment portfolio. This was linked to international financial turmoil and the rising strength of the local currency. However, one should also note other factors such an increase in the costs of annuities, associated with a strong expansion of that line of business, or adjustments due to monetary corrections and differences in exchange rates, as a result of the rise in the Chilean peso and higher inflation.

In Non-Life insurance, the combined ratio grew just under a point to reach 92%, the result of a slight decline in the loss ratio, which was 46.4%, and a one-point increase in costs. Most insurance companies managed to keep their results at relatively stable levels, highlighted by a consolidation of business and operations at most larger insurers. The losses reported by some companies were attributed to sustained growth in large-scale business linked to the financial and retail sectors[5]. These required hefty operational and commercial investments, and the accounting of conservative technical reserves which, in some cases, meant capital increases.

New legislation

As for new legislation, in 2007 the authorities approved a rule that classifies consumer loans granted by insurance companies as valid investments for backing up technical reserves and risk capital. The goal of this change was to broaden opportunities for investment and profitability within certain margins of risk.

Also, the Chilean Securities and Insurance Supervisor (SVS), along with the Superintendent of Pension Funds Managers, published new mortality tables (MI – 2006 and B – 2006) to be applied to all policies as of 1 February, 2008. In a complementary rule, the SVS introduced the possibility of gradually adjusting the impact of the new tables on the portfolio of existing policies, over a maximum of 20 years.

In terms of oversight, the SVS created the Report on Claims in the Insurance Market. It provides information on claims received by Life and General insurance companies, meas-

[5] Retail banking: Financial services aimed at private clients. In recent years, it has developed significantly, due mainly to the concession of new banking licenses to commercial houses and multi-stores; this has generated stiff competition and strategic alliances between big banks and retail banks.

uring the claims rate on direct premiums and with respect to the number of claims filed and annuities sold by insurance companies.

Mergers and Acquisitions

The year 2007 saw the following corporate moves in the sector:

- The insurance company CLC began selling Life insurance.
- Altavida changed its name to Santander Seguros de Vida.
- Vida Security Previsión absorbed Rentas seguros de Vida and Cigna in June and December of 2007.
- Liberty merged with ING Seguros Generales.
- Royal & Sun Alliance acquired Empresa Cruz del Sur in its entirety.
- The insurance company Santander Seguros Generales was created.
- The SVS assigned the annuities portfolio of Le Mans, which went into receivership in 2003, to Euroamérica.

First half of 2008

As of June 2008, the Chilean insurance market had posted direct premium volume of 85.6 million Unidades de Fomento, or 2,358 million euros, which represented an increase of 16.4% compared to the same period of the previous year.

Direct premiums from Life insurance totaled 53 million Unidades de Fomento (nearly 1,500 million euros), a yearly increase of 19.1%. The relative weight of Life insurance in the sector as a whole rose slightly thanks to an expansion of Annuities, which grew 26% and posted revenues of 32 million Unidades de Fomento in premiums (889 million euros).

A rise in rates of return on fixed-income investments over the medium and long term, starting in March, created a margin for applying higher insurance rates. Meanwhile, the application of new tables to the calculation of the programmed retirement plans also reduced the asymmetries in costs between the two products. Finally, the rate-determining mechanisms of insurance companies themselves have been adjusted to new cost and competitiveness scenarios. The sum of these factors led to improvements in the returns offered by Annuities compared to other savings products. The greater risk that is perceived in the short and mid-term performance of pension funds can also affect demand for pension insurance.

Premium volume[1]. 1st Half 2008			
Branch	**Thousands of UF**	**Millions of euros**	**% Δ**
Total	**85,596**	**2,358**	***16.4***
Life	**53,473**	**1,473**	***19.1***
Non-Life	**32,123**	**885**	***12.2***
Fire and allied lines	7,925	218	*14.1*
Automobile	7,498	207	*5.3*
Other guarantees	5,029	139	*29.6*
Personal accident[2]	4,323	119	*3.9*
Health	3,273	90	*8.5*

Figure 64. Chile. Premium volume in 2008 by branch

(1) Direct premiums.
(2) Includes Mandatory Personal Accident Insurance (SOAP).
Source: Done by FUNDACIÓN MAPFRE with information published by the Association of Chilean Insurers.

Sales of Non-Life insurance rose 12.2% compared to the first half of 2007, reaching 32 million Unidades de Fomento (885 million euros). This branch grew in all of its lines, and highlights were Fire and Earthquake insurance (14.1%), Transport (21.1%) and mainly Multi-Risk (107%).

To a large extent, the increases in Fire/Earthquake stem from rises in prices of risks associated with mortgage portfolios, new products created by the financial and retail sectors, and others more broadly focussed businesses. In the engineering line, growth was concentrated mainly in a local insurer, which with insurance purchased in the first half of the year grew to lead the market.

With regard to corporate changes or new companies, in 2008 the Chilean insurance sector saw the entry of a new insurer, of Spanish origin, CESCE Chile. It is 85% owned by CIAC, or Consorcio Español de Aseguradoras de Crédito, with the rest held by URESPA, a local investor. With this creation, the branch has four companies competing for a portfolio of around 41 million euros a year, if one includes the guarantee segment.

The SVS carried out the following legal changes in 2008:

- Rules on investing assets adequate for covering technical reserves and risk capital: they feature new instruments, modify joint limits, by instrument and issuer, and extend investment limits for so-called Cuentas Únicas de Inversión (CUI), a kind of investment-linked life insurance.
- The SVS authorizes insurance companies and brokers to offer Mandatory Personal Accident Insurance (SOAP in Spanish) over the Internet, providing greater access for purchases of this kind of insurance.
- Value at Risk (VaR): modifies pending aspects of the old circular, such as the variation in the frequency of submission of information, the creation of fields that contain a FECU (Uniform Codified Statistical File) and a greater breakdown of some sections.

1.1.8 COLOMBIA

Macroeconomic context

In 2007 the cycle of economic expansion that began in Colombia 2002 continued, with GDP growing 7.5%[6]. The brisk pace of economic activity was fuelled by robust domestic demand, which was strengthened by growth in consumption and investment, and by increased sales abroad as a result of the healthy economic situation of Colombia's trading partners and favourable terms of trade. The growth in private consumption stemmed from a rise in households' disposable income as a result of the favorable terms of trade, an expansion in employment and high levels of remittances. The growth in investment was due to an increase in civil works and purchases of machinery and equipment, including that used in transport.

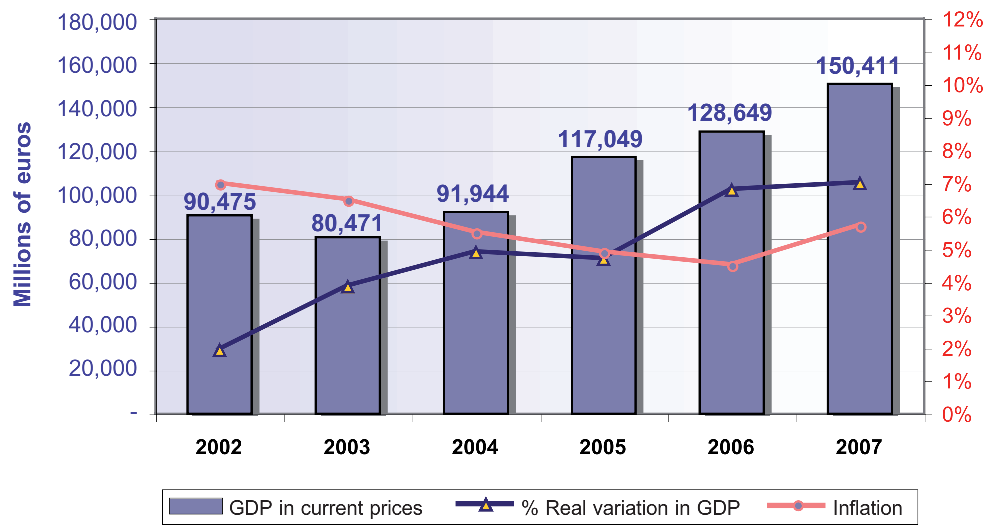

Figure 65. Colombia. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

The sectors that posted the largest growth were construction, manufacturing, transport and commerce, all with rises of more than 10%. The year also saw an increase in inflation to 5.7%, well above the goal established by the government. The main causes of this were higher prices for foodstuffs and oil. In the first half of 2008 inflation rose to 7.2%, far surpassing the 3.5-4.5% range set by the Colombian Central Bank.

In the first half of 2008 GDP rose 4.1%, which was a slower pace of expansion than in the first half of 2007. Among the factors that contributed to this one should mention monetary policy, which sought to moderate the expansion of aggregate demand through increases in interest rates and in minimum reserve requirements. Another factor was the hefty increase in prices for foodstuffs, fuel and other basic products in the first half of the year.

[6] Under the method for measuring GDP, the most recent figures of the National Department of Statistics show that GDP grew 8.2% in 2007.

Insurance market

Premiums issued in 2007 totaled 8.5 trillion pesos, or nearly 3,000 million euros, for a nominal increase of 12.7% and a real increase of 6.6% compared to the previous year. In Non-Life as a whole, premiums totaled 6.2 trillion pesos (2,183 million euros), with major increases in Personal Accident and Professional Risk (Worker Compensation) insurance. Automobile insurance, the line with the largest premium volume, posted a big increase of 16.5% as a result of a rise in sales of new vehicles.

Premium volume[1] 2007

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**8,526,256**	**2,994**	***12.7***	***6.6***
Life	**2,311,011**	**812**	***6.8***	***1.0***
Individual life	340,780	120	*9.0*	*3.1*
Collective life	1,149,317	404	*-6.1*	*-11.2*
Life annuities	254,756	89	*47.1*	*39.2*
Pensions[2]	566,158	199	*24.8*	*18.1*
Non-Life	**6,215,245**	**2,183**	***14.3***	***8.1***
Automobile	1,581,483	555	*16.5*	*10.3*
Other branches	1,018,929	358	*16.8*	*10.5*
SOAT[3]	669,364	235	*18.7*	*12.3*
Health	473,185	166	*17.4*	*11.1*
Fire	345,300	121	*5.0*	*-0.6*
Earthquake	315,665	111	*1.9*	*-3.6*
Third-party liability	308,150	108	*11.0*	*5.1*
Transport	228,281	80	*5.2*	*-0.5*
Personal Accident	246,671	87	*23.2*	*16.5*
Theft	182,636	64	*16.4*	*10.2*
Aviation	75,997	27	*-4.3*	*-9.4*
Worker Compensation	769,585	270	*20.9*	*14.4*

Figure 66. Colombia. Premium Volume in 2007 by branch

(1) Premiums issued.
(2) Group life insurance sold by Pension Fund Managers
(3) Spanish acronym for Mandatory Insurance for Transit Accidents
Source: Done by FUNDACIÓN MAPFRE with information published by Superintendency of Banks.

In Life branches, premiums totaled 2.3 trillion pesos (812 million euros), which marked an increase of 6.8%. Growth in Life Annuities was particularly strong.

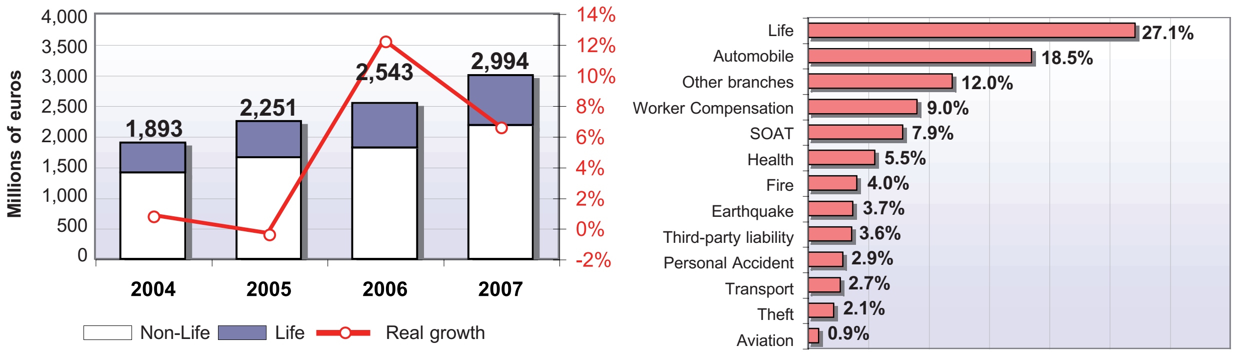

Figure 67. Colombia. Evolution of premiums and market share in 2007 by branch

As of late 2008, the Colombian insurance sector featured 23 companies authorized to operate in Property Damage lines and another 20 in Personal insurance. The level of concentration in the industry is high because the top 10 insurance groups account for 76% of premiums. Nearly 51% of the industry's capital is local, while the rest is divided between foreign companies and joint ventures. Suramericana is the largest insurance Group, with a market share of 20.4%, followed by Bolívar and Liberty with shares of 11.5% and 8.5%, respectively.

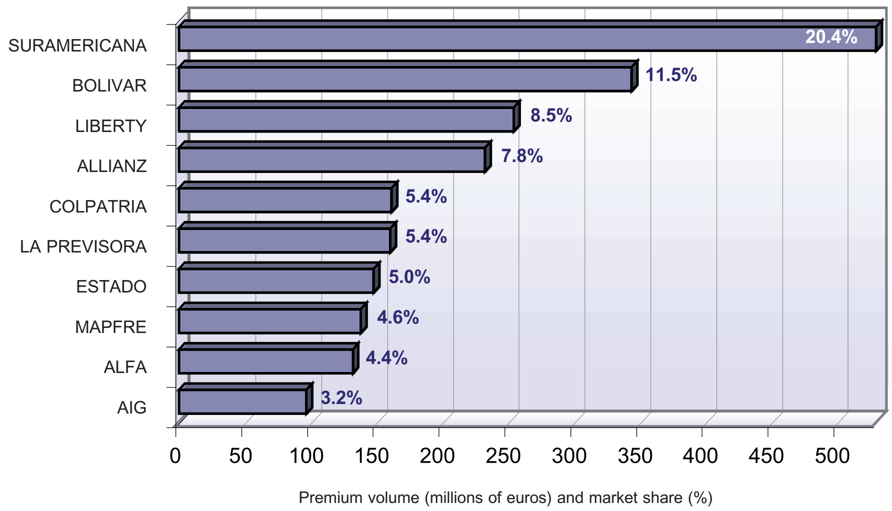

Figure 68. Colombia. Ranking 2007 Total

Source: Done by FUNDACIÓN MAPFRE with information published by Superintendency of Banks.

The ranking of companies operating in General insurance changed with respect to the previous year and came to be led by Suramericana, with a market share of 12.5%, overtaking Liberty, which dropped to second place. In mid-2007, Suramericana took over the business of Compañía Agrícola de Seguros, the acquisition of which it had announced in late 2006. It is also important to note the consolidation of Global Education Alliance (GEA) in Colombia, after the acquisition of the Life unit of Royal & Sun Alliance. GEA is part of the conglomerate Global Tuition & Education Insurance Corporation, a pioneer in pre-payment of university tuition in the United States, Latin America and the Caribbean. In Colombia, they started by selling education-linked insurance and annuities, but over the short term they plan to operate in all Life branches of insurance. The top 10 insurers in this sector account for 76% of premiums.

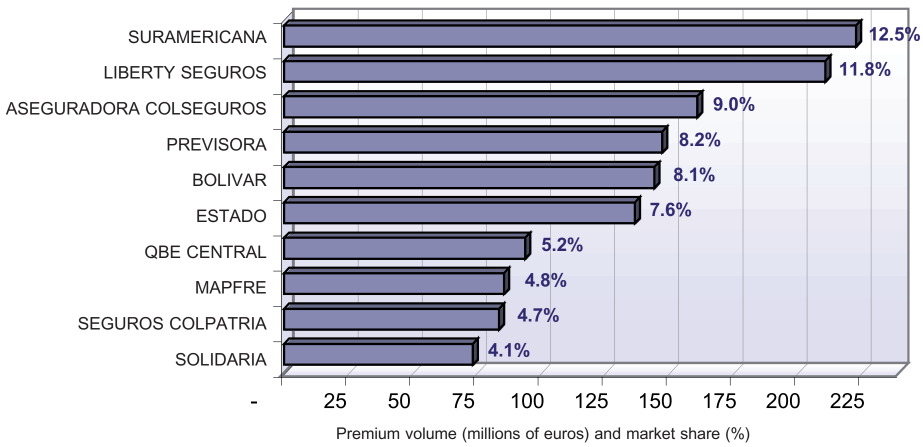

Figure 69. Colombia. Ranking 2007 Non-Life

Source: Done by FUNDACIÓN MAPFRE with information published by Superintendency of Banks.
Note: This ranking has been compiled with the branch divisions used in Colombia.

The ranking of insurers that operate in Life insurance, which include those active in Worker Compensation insurance, was once again led by Suramericana, with a market share of 32.1%. The top 10 groups in this ranking account for 91.7% of premiums.

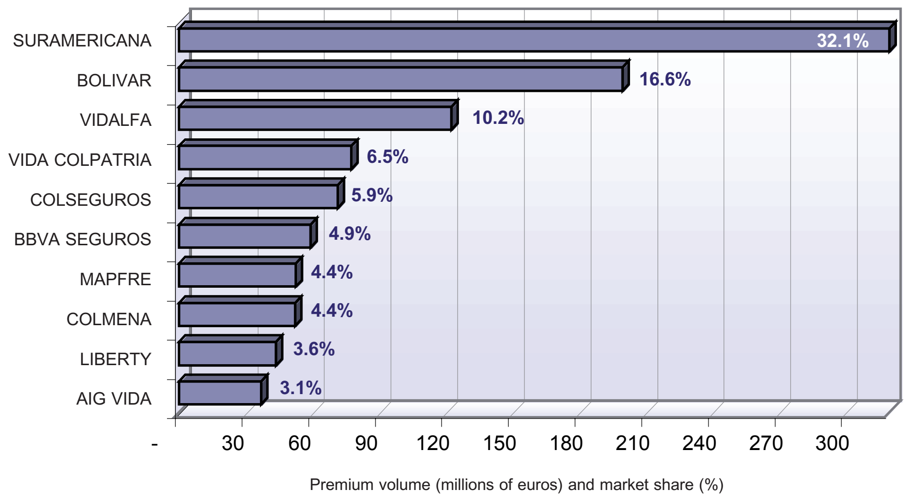

Figure 70. Colombia. Ranking 2007 Life

Note: This ranking has been compiled with the branch divisions used in Colombia.
*Includes Suratep.

Results

The net result for the year was 664,000 million pesos (233 million euros), an increase of 21.7% from 2006. Fifty-five percent corresponded to Non-Life companies. The technical-financial result fell three points, but this was offset by a rise in the extraordinary results, so profits on premiums stayed at 10%.

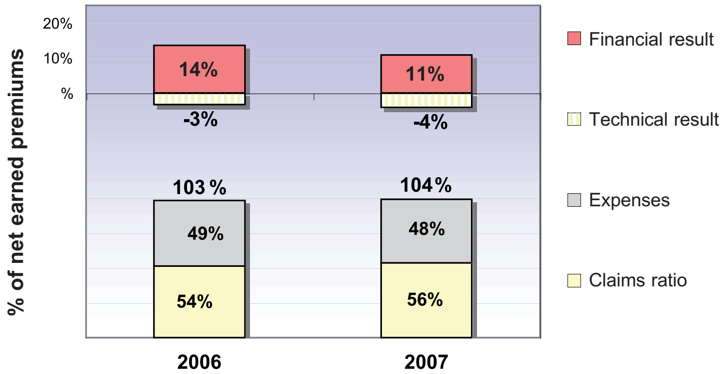

Figure 71. Colombia. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with information published by Superintendency of Banks.

The fall in the technical-financial result stemmed from a one-point rise in the combined ratio and weaker results from investments as a result of the crisis in international markets. The rise in the combined ratio was due mainly to an increase in the claims ratio, which in general insurance companies was of more than four percentage points, reaching 51.1%. Costs for Life insurance companies declined one percentage point and two points for general insurance firms.

New legislation

Colombia's Congress of the Republic is debating a reform of the country's financial system to allow the option of multiple investment funds in the pension system and a strengthening of institutions for the protection of financial consumers.

First half of 2008

Premiums issued from January to June of 2008 totaled 4.6 trillion pesos (1,595 million euros), which amounted to a nominal increase of 14.3% compared to the first half of the previous year and a rise of 7.8% in real terms.

Life premiums reached 1.3 trillion pesos (462 million euros), an increase of 23.7%. The lines that did best were Life Annuities, which soared 94%, followed by collective insurance at 20%. The latter account for 49% of Life premiums.

Altogether, Non-Life premiums totaled 3.2 trillion pesos (1,134 million euros), nearly 11% more than in the same period of the previous year. The largest increases were posted in Mandatory Transit Accident Insurance (19.4%), Personal Accident (21.2%) and Worker Compensation (20.3%).

Premium volume[1]. 1st Half 2008				
Branch	**Millions of pesos**	**Millions of euros**	**% Δ**	**% Δ real**
Total	**4,570,680**	**1,595**	***14.3***	***7.8***
Life	**1,322,259**	**462**	***23.7***	***16.7***
Non-Life	**3,248,421**	**1,134**	***10.8***	***4.6***
Automobile	773,947	270	*6.4*	*0.4*
Other branches	524,318	183	*8.9*	*2.8*
SOAT[2]	379,242	132	*19.4*	*12.6*
Health	257,708	90	*12.7*	*6.3*
Worker Compensation	441,598	154	*20.3*	*13.5*

Figure 72. Colombia. Premium volume in 2008 by branch

(1) Premiums issued.
(2) Mandatory Insurance for Traffic Accidents.
Source: Done by FUNDACIÓN MAPFRE with information published by Superintendency of Banks.

1.1.9 ECUADOR

Macroeconomic context

In 2007 Ecuador's economy grew at a slower pace than in previous years, with GDP rising 2.5% (compared to 6% in 2005 and 3.9% in 2006). This deceleration was due mainly to a fall in oil production as a result of a lack of investment in earlier years and repeated work stoppages in Amazon provinces. Crude oil exports were down 9.2%, but this was offset by price increases.

The most active sectors were those of services and manufacturing, while the construction industry declined.

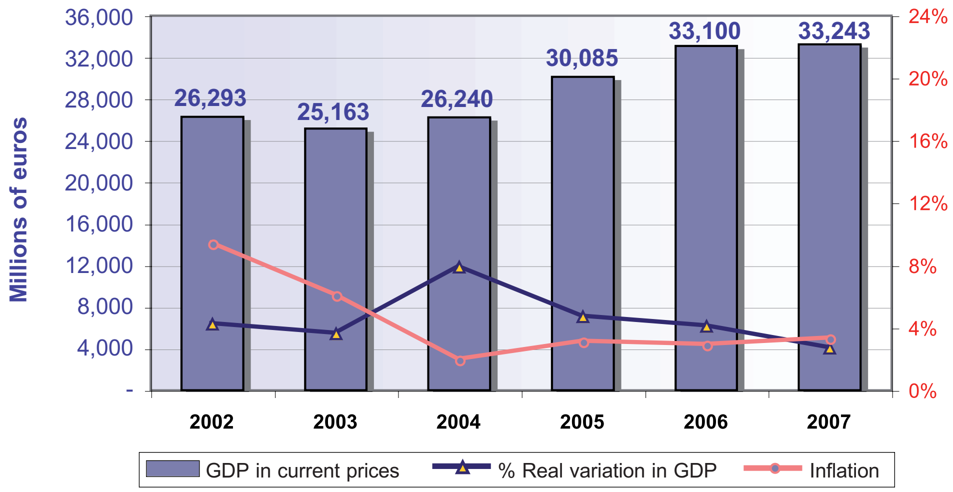

Figure 73. Ecuador. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

Practically all components of aggregate demand performed better than they did in 2006, except exports, which fell significantly compared to previous years. Imports jumped 7.3%, due mainly to the greater value of imports of raw materials as a result of an increase in intermediate products at the international level.

Starting in the second half of 2007 inflationary pressure grew, taking the rate for the year to 3.3%. Prices kept rising in the first half of 2008 and the inflation rate hit 7.1%. This was due mainly to such factors as the increase in international prices for foodstuffs and the fall of the dollar against the currencies of Ecuador's trading partners.

Growth forecasts for 2008 are more optimistic. They see stronger consumption and public-sector investment, and a reactivation of oil production via greater extraction capability as a result of investments made in 2007.

In the first half of 2008, remittances sent by immigrants rose just 1.6% compared to the same period of 2007. This was due to problems with the U.S. economy and the slowdown seen in Spain in 2008. These two countries account for nearly 90% of all the remittances that Ecuadorans send home.

Insurance market

In 2007 the Ecuadoran insurance sector expanded at a slower pace than in 2006, with production totalling USD 678 million (493 million euros), which represents a nominal increase of 10.1% and a real rise of 6.5%, compared to 13.5% and 10.3%, respectively, the previous year.

Larger revenues from Life insurance in recent years has increased the line's share of the total to 15.7% in 2007 (14% in 2006), with premium volume of USD 107 million (77 million euros), or 23.9% more than in 2006.

Premium volume[1] 2007

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**678**	**493**	***10.1***	***6.5***
Life	**107**	**77**	***23.9***	***19.9***
Individual life	11	8	*-14.6*	*-17.4*
Collective life	96	70	*30.5*	*26.3*
Non-Life	**572**	**415**	***7.8***	***4.3***
Automovile	198	144	*10.0*	*6.5*
Other guarantees	98	71	*14.9*	*11.2*
Transport	72	52	*-6.4*	*-9.4*
Fire, theft and allied lines	78	57	*10.7*	*7.1*
Personal accident	41	30	*6.4*	*3.0*
Third-party liability	27	19	*-15.1*	*-17.9*
Health	18	13	*35.8*	*31.5*
Credit and Surety	40	29	*16.1*	*12.4*

Figure 74. Ecuador. Premium Volume in 2007 by branch

(1) Net earned premiums.
Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance and Banks.

Non-Life branches posted USD 572 million in premiums (415 million euros), which marked an increase of 7.8%. Automobile insurance, which had the largest share of the total, saw its sales rise 10%, far below the 24% increase posted the previous year.

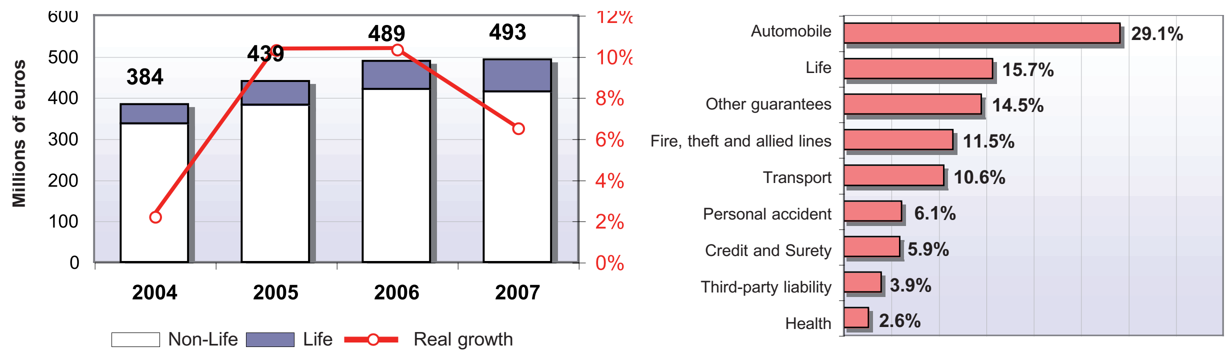

Figure 75. Ecuador. Evolution of premiums and market share in 2007 by branch

The 10 largest insurance groups in Ecuador account for 54.4% of the market. In 2007 the overall ranking and the Non-Life ranking were led by Colonial, followed by Equinoccial. Atop the Life ranking was Seguros Pichincha.

Results

The yearly result increased to USD 27.6 million, a rise of 6.1% from 2006, thanks to improvement in both the technical result and the financial result. Profits on premiums dropped one point to 11%.

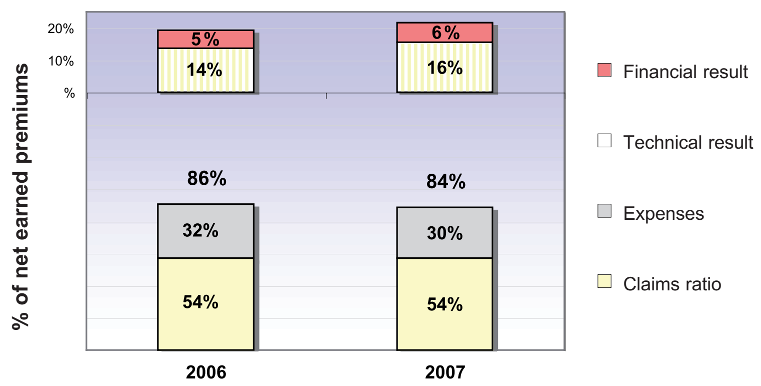

Figure 76. Ecuador. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance and Banks.

The loss ratio remained at 54% while operating costs fell two points due to the fact that the intermediation result had a positive balance of USD 25.8 million: commissions received surpassed commissions paid out (the percentage of premium retention was 40.6%). As a result of this, the combined ratio came in at 84%, down two points from the previous year.

First half of 2008

As of June 2008, the market's total production was USD 455 million (295 million euros), a rise of 32.3% compared to the same period of the previous year.

Life insurance issued premiums worth USD 61 million (40 million euros), which marked a 22% rise compared to June 2007. One highlight was the strong role of collective Life insurance policies within the Life sector, which posted USD 54 million (35 million euros in premiums).

Non-Life lines posted USD 394 million in premiums (255 million euros), an increase of 34%, greater than that of Life. The significant increase in the Automobile line stemmed from the enactment of a rule making it mandatory for motorists to take out transit accident insurance (SOAT in Spanish). In the first six months of 2008, this kind of insurance posted premium volume of USD 57 million (37 million euros).

Premium volume[1]. 1st Half 2008

Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	**455**	**295**	***32,3***	***23,6***
Life	**61**	**40**	***22,0***	***13,9***
Non-Life	**394**	**255**	***34,1***	***25,2***
Other guarantees	73	47	*23,3*	*15,2*
Automobile	151	98	*51,0*	*41,0*
Transport	43	28	*31,4*	*22,7*
Fire, theft and allied lines	42	27	*16,2*	*8,5*
Surety and credit	28	18	*56,2*	*45,8*

Figure 77. Ecuador. Premium Volume in 2008 by branch

(1) Net earned premiums.
Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance and Banks.

1.1.10 PARAGUAY

Macroeconomic context

The Paraguayan economy expanded 6.8% in 2007, compared to 4.3% in 2006. It was driven by an excellent farming year, in particular a soybean harvest that was up more than 50% from the previous year. However, the livestock sector suffered from the loss of some markets, certain adverse natural conditions and an excessive slaughter of animals the previous year, all of which reduced stocks of animals.

As in previous years, the manufacturing sector's most dynamic areas were those involved in the manufacture of machinery and equipment. However, the industrial sector as a whole shrank 1.2%. The services sector remained strong and expanded 5.6%, led by communications and transport.

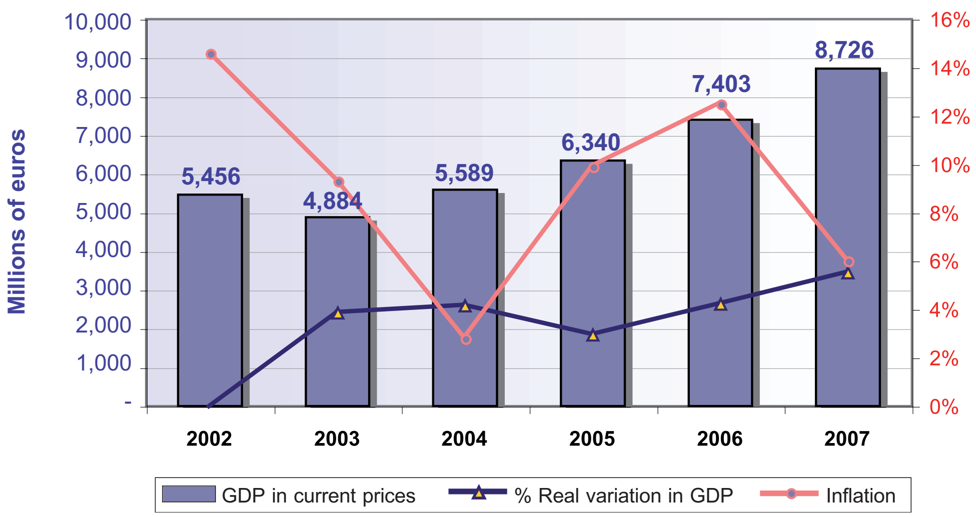

Figure 78. Paraguay. GDP in 2007

Source: done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

State-sector and private consumption both grew at a rate of 6%, and gross capital formation was up significantly. Exports rose 9.6% thanks to a recovery of soybean exports, while imports rose 10.8%, a figure lower than that of the previous year. That helped trim the country's overseas trade deficit in goods.

Inflation came in at 6%, far below the 12.5% rate seen in 2006. In the first half of 2008, prices for foodstuffs and fuel started to exert pressure and in June the inflation rate stood at 13.4%.

In 2008 the Paraguayan economy is expected to maintain a high rate of growth (5%), being fuelled by the farm sector, a recovery in the livestock sector and another strong performance in the services sector.

Insurance market

In the fiscal year 2006-2007, which ran from 1 July, 2006 to 30 June, 2007, total premium volume increased 5.7% and totalled 500,750 million guaraníes, or 73 million euros. If we eliminate the effect of inflation, income actually dropped 1%.

Premium volume[1] 2007

Branch	Millions of guaraníes	Millions of euros	% Δ	% Δ real
Total	**500.750**	**72**	***5,7***	***-1,0***
Life	**39.560**	**6**	***14,6***	***7,3***
Non-Life	**461.190**	**67**	***5,0***	***-1,7***
Automobile	263.297	38	*7,6*	*0,8*
Miscellaneous risks	34.845	5	*-26,0*	*-30,8*
Fire	54.115	8	*1,1*	*-5,3*
Theft	22.059	3	*1,4*	*-5,1*
Transport	22.522	3	*2,0*	*-4,5*
Miscellaneous risks	18.342	3	*7,2*	*0,3*
Surety	18.817	3	*11,2*	*4,2*
Personal accident	10.432	2	*-5,6*	*-11,6*
Other guarantees	16.734	2	*229,3*	*208,3*
Health	27	0	-	-

Figure 79. Paraguay. Premium Volume in 2007 by branch

(1) Direct premiums net of cancellations, plus administrative surcharges.
Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

Automobile insurance accounts for more than half of premium volume, with a 52.6% share, up 7.6% in 2007. In this regard, and according to figures from the Automobile and Machinery Distributors Chamber (CADAM in Spanish), there was a big rise in imports of vehicles (both new and used). This was encouraged by the rise in the guaraní against the U.S. dollar.

It is worth noting that the fiscal year which ended 30 June, 2007 was the first since the new Accounting Plan and Manual came into effect. It introduced important changes in calculations and accounting methods for technical provisions, and this had a major effect on the results of companies that operate in the sector.

According to the Superintendent of Insurance, as of December 2007 there were 33 insurance companies operating, the same as the previous year. Of these only two are authorized to operate in individual Life. The board says that in the same period 499 insurance intermediaries – persons or companies – were in business.

MAPFRE PARAGUAY, with a market share of 23.6%, continues to lead the sector in Paraguay in terms of premium volume, distancing itself from its main competitor, La Consolidada.

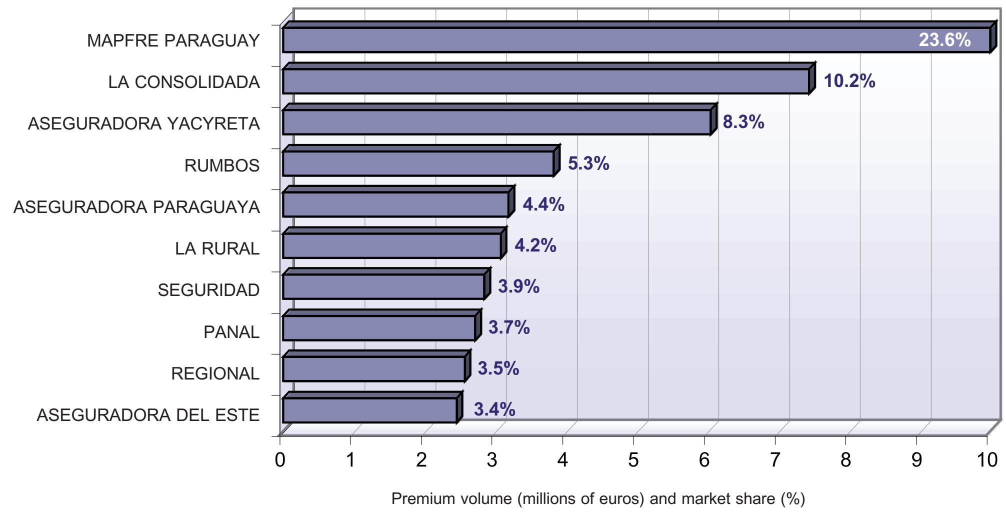

Figure 80. Paraguay. Ranking 2007 Total

Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

Mergers and acquisitions

Here one should note that MAPFRE bought out Real Paraguaya de Seguros, the country's third largest insurer as measured by premium volume.

First half of 2008

The health of the economy was seen in the performance of the insurance sector in the fiscal year running from July 2007-June 2008, with revenue from premiums totaling 621,000 million guaraníes, equivalent to 95 million euros. The sector's growth, which was 9.3% after taking into account inflation, was driven by Automobile, Agriculture and collective Life insurance.

Automobile insurance has posted sustained growth for years thanks to a rise in imports of vehicles and greater demand in the auto market. Agricultural insurance registered the largest increase in all of the sector in 2008, due mainly to greater demand from large companies which store foodstuffs, process them and prepare them for export[7] and agro-export cooperatives which work in the major rural areas of the country. Growth in collective Life insurance was linked directly to a rise in the granting of loans by private banks, with backing from the Financial Development Agency (AFD in Spanish). The boost in Life insurance was also favored by a major rise in financing with credit cards.

[7] These service companies are known in Paraguay as 'acopiadoras.'

Premium volume[1]. 1st Half 2008				
Branch	**Millions of guaraníes**	**Millions of euros**	*% Δ*	*% Δ real*
Total	**620,943**	**95**	***24.0***	***9.3***
Life	**55,691**	**9**	***40.8***	***24.1***
Non-Life	**565,252**	**86**	***22.6***	***8.1***
Automobile	320,071	49	*21.6*	*7.2*
Miscellaneous risks	44,004	7	*26.3*	*11.4*
Fire	58,134	9	*7.4*	*-5.3*
Theft	26,889	4	*21.9*	*7.5*
Transport	28,539	4	*26.7*	*11.7*

Figure 81. Paraguay. Premium Volume in 2008 by branch

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

1.1.11 PERU

Macroeconomic context

Peru's economy continued to grow at a good pace in 2007 – 9% to be exact – due mainly to the strength of the internal market. Optimistic expectations over the future of the economy, along with an increase in employment levels and disposable national income, fuelled both investment and private consumption. Domestic demand rose 11.6%, with increases across the board in its various components, in particular state-sector investment (19.7%) and private sector investment (23.2%). One of the factors that made the increase in consumption possible was a 36.8% rise in loans granted by the financial system.

The growth in GDP was seen in all sectors. Non-primary activities, those with a higher aggregate value and job-creating component, expanded 10.8%, while primary activities increased at a slower pace of 2.3%.

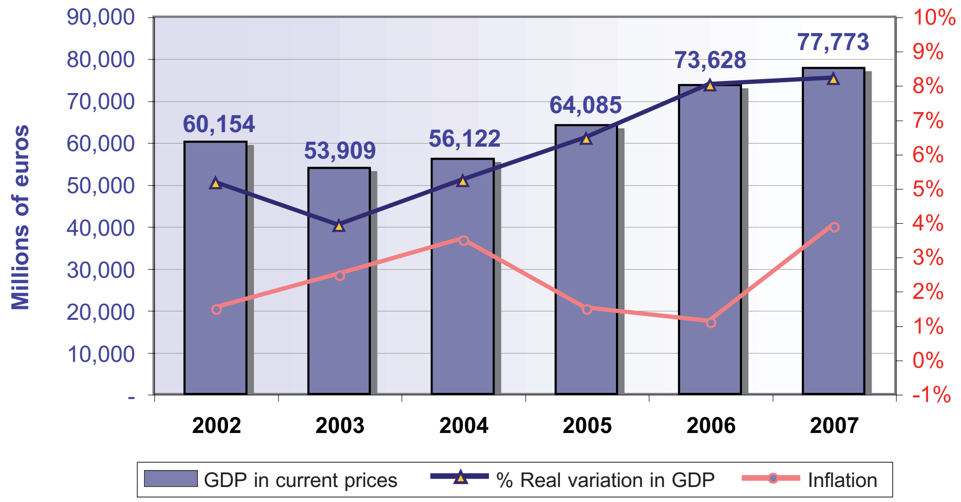

Figure 82. Peru. GDP in 2007

Source: done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

Exports jumped 17.5% thanks to high prices for minerals on the international market and demand from Peru's trading partners, especially in Asia and Latin America. One should note the growing role of non-traditional exports, which rose 8% in volume. Imports soared 31.8% in nominal terms, chief among them imports of capital goods and inputs.

The rate of inflation in 2007 was 3.9% compared to 1.1% in 2006. This increase stems from higher international prices for fuels and foodstuffs. The same factors led to an annual inflation rate of 6.2% as of September 2008.

Although the international outlook is worsening because of the crisis in the financial markets, Peru's economy continues to show high rates of growth. In the second quarter of 2008, GDP expanded 10.9%, with across-the-board rises in all components of spending. The rise in private consumption (9%) continues to be linked to factors such as greater purchasing power among consumers and growth in employment. GDP grew 10.3% in the first half of 2008.

Insurance market

In 2007, nominal growth in business volume in Peru's insurance sector was 4.7% and in real terms it was 0.8%, with premium revenues of 3,712 million 'nuevos soles' (862 million euros). This performance is due among other factors to a low 1.8% rise in Life insurance. Revenues from the Private Pension System insurance declined as a result of the suspension of the Early Retirement Plan (REJA in Spanish). However, the other lines of Life insurance posted significant expansion, mainly insurance taken out to pay off mortgages in the event the debtor dies. This line rose 34.7% increase.

Premium volume[1] 2007

Branch	Millions of nuevos soles	Millions of euros	% Δ	% Δ real
Total	**3,712**	**862**	***4.7***	***0.8***
Life	**1,465**	**340**	***1.8***	***-2.0***
Individual life	351	81	*59.3*	*53.3*
Collective life	249	58	*18.5*	*14.0*
Pensions	865	201	*-14.3*	*-17.5*
Non-Life	**2,247**	**522**	***6.7***	***2.7***
Fire and allied lines	443	103	*3.4*	*-0.5*
Personal Accident[2]	324	75	*-2.7*	*-6.4*
Automobile	346	80	*20.0*	*15.5*
Health	301	70	*5.0*	*1.1*
Other guarantees	270	63	*16.1*	*11.7*
Maritime-Hulls	92	21	*-4.1*	*-7.7*
Transports	112	26	*17.1*	*12.7*
Third-party liability	99	23	*30.9*	*26.0*
Aviation	56	13	*-19.4*	*-22.5*
Burial expenses	19	4	*-68.4*	*-69.6*
Credit and/or Surety	42	10	*39.0*	*33.8*
Multi-peril	29	7	*41.1*	*35.8*
Worker Compensation	114	26	*28.1*	*23.3*

Figure 83. Peru. Premium volume in 2007 by branch

(1) Net premiums.
(2) Includes Mandatory Insurance for Transit Accidents.
Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance (SBS).

Of the total premium volume, 60.5% corresponded to Non-Life and the rest to Life insurance. Non-Life policies posted a bigger increase at 6.7%, although this was below the 12.5% rise seen in 2006. Within branches with higher volume, it is worth pointing out that Automobile insurance expanded 20%. In other lines, important increases were registered in Multi-risk (41.1%), Surety (39%) and Third-Party Liability (30.9%).

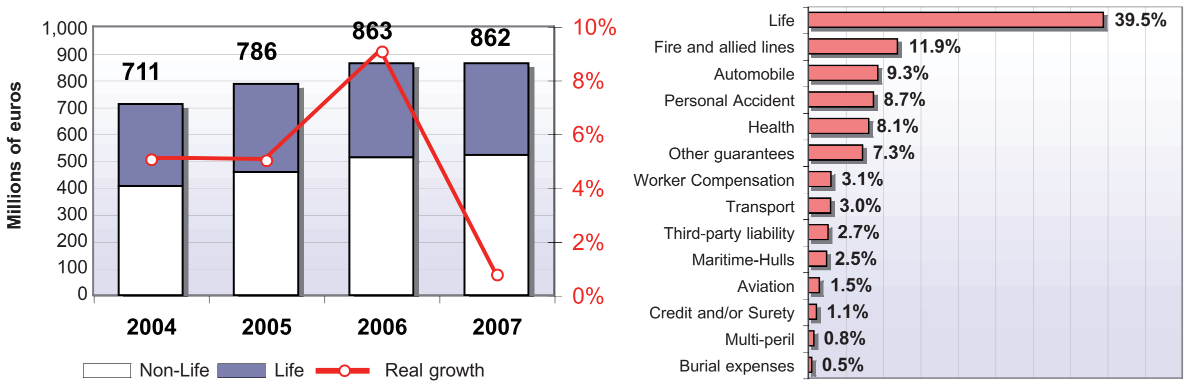

Figure 84. Peru. Evolution of premiums and market share in 2007 by branch

As of December 2007, 14 insurance companies were operating, one more than in 2006. Of these, four worked in General insurance and Life branches, four in General insurance only and six in Life branches only. Almost all of the companies have foreign shareholders, and they had a majority stake in five companies.

The two largest insurance companies in Peru, Rímac and Pacífico, account for 65.3% of total premiums. The former is ranked first in Non-Life and the latter in Life. After acquiring Latina, the MAPFRE Group is in third place both in the overall ranking and in the Non-Life ranking.

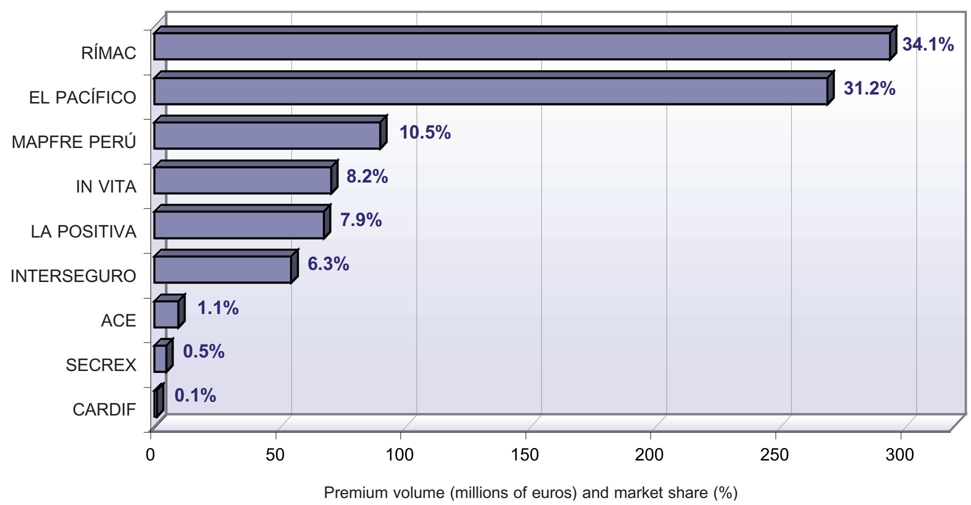

Figure 85. Peru. Ranking Total

Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance.

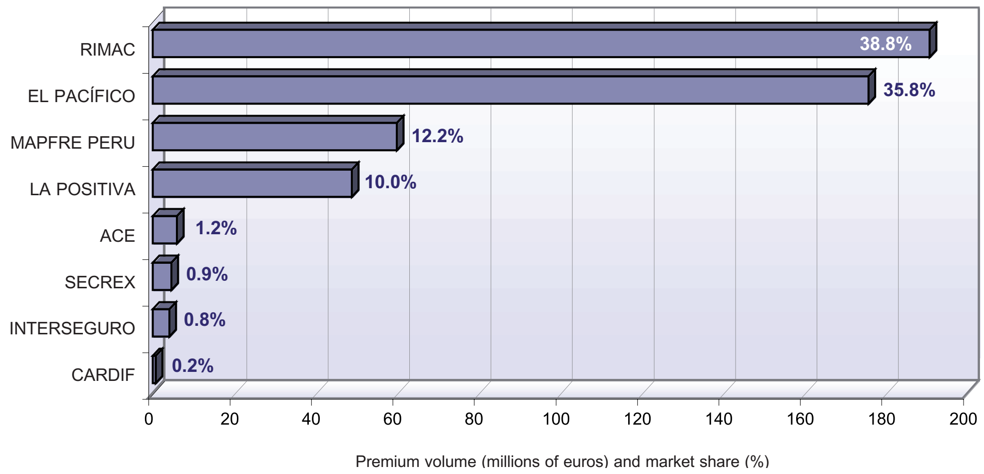

Figure 86. Peru. Ranking 2007 Non-Life

Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance.
Note: Does not include Burial Expenses or Worker Compensation, which are classified as part of the Life branch.

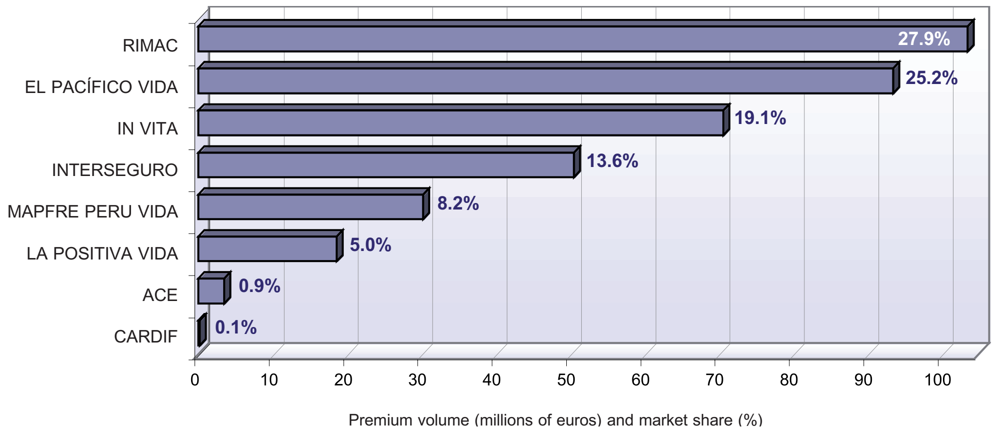

Figure 87. Peru. Ranking 2007. Life

Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance.
Note: includes Burial Expenses and Worker Compensation.

Results

The yearly result was 427 million nuevos soles (99 million euros), up 7% from 2006, which represents 20% of premiums, one point less than the previous year. The performance stemmed mainly from a significant rise in the financial result, which soared 64%, the largest increase in any country of the region. As for the technical result, losses increased for both Life and Non-Life companies. The combined ratio rose 11 points to 126.4%.

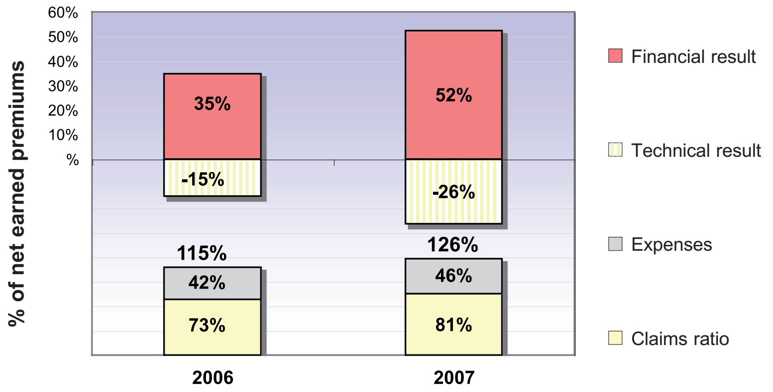

Figure 88. Peru. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance.

This increase was due to the fact that the net claims ratio increased nearly 8 percentage points to 80.8%. As a result of an earthquake on 15 August, the industry had acknowledged, as of 30 November, 2007 losses totaling USD 114.4 million only in the Earthquake line of insurance. Of this, approximately 10% was retained by local companies and the 90% was transferred to reinsurers. In Automobile insurance, the increase stemmed mainly from a rise in thefts of certain makes and models. The net cost index was 45.5%, an increase of more than three points.

Mergers and Acquisitions

In May 2007, the MAPFRE group, through its MAPFRE PERÚ unit, signed a preliminary contract to purchase 98.55% of the capital of Latina Seguros y Reaseguros. MAPFRE PERÚ thus became the country's third largest company in terms of premium volume.

New legislation

- Resolution SBS 215-2007, which approved Micro-Insurance Regulations. The bill defines micro-insurance as being broadly aimed, low-cost and with limited coverage. The idea is to provide effective protection for individual persons and small-scale entrepreneurs against risks to their person or assets. The following limits were set: coverage cannot exceed 10,000 'nuevos soles' or the equivalent in foreign currency, and the monthly premium cannot go above 10 'nuevos soles' or the equivalent in foreign currency.

- Resolution SBS 685-2007, which approved new Regulations on the Negotiable Mortgage Loan Title (Titulo de Crédito Hipotecario Negociable, or TCHN in Spanish). The earlier rules needed to be changed because of coordinated actions by Superintendent of Banks, Insurance and Private Pension Funds Manageres, with agents and institutions linked to the sector, with the aim of promoting the use of Negotiable Mortgage Loan Titles issued by companies in the national financial system or other authorized entities. The new regulations feature many information requirements that are very useful for the issuing, endorsement or transfer of these titles.

- Resolución SBS 1782-2007. Approved Regulations on Infractions and Sanctions for money-laundering and financing of terrorism.

First half of 2008

Premiums totalled 2,072 million ‘nuevos soles’ (469 million euros) at the end of June 2008, which marked nominal growth of 12.4% compared to June of the previous year and real growth of 8.6%.

Life insurance lines posted an increase of 14.7%, with premium volume of 785 million nuevos soles (177 million euros). Recovery was seen in retirement annuities, giving rise to a 13.1% increase in Pension Insurance, with premium revenue of 446 million ‘nuevos soles’ (101 million euros). Collective Life insurance continued to register significant growth, rising 27%, thanks to expansion of insurance taken out to pay off a mortgage when the debtor dies.

Non-Life insurance grew 11%, with premiums as of June 2008 totalling 1,288 million ‘nuevos soles’ (291 million euros). Leading the way were Worker Compensation insurance (up 58%), Surety (45.6%), Automobile (42.9%) and Transport (33.5%). Among branches that dropped most were Aviation and Maritime-Ship Hulls, which declined 50% and 39%, respectively.

Premium volume[1]. 1st Half 2008

Branch	Millions of nuevos soles	Millions of euros	% Δ	% Δ real
Total	**2,072**	**469**	***12.4***	***8.6***
Life	**785**	**177**	***14.7***	***10.9***
Non-Life	**1,288**	**291**	***11.0***	***7.2***
Automobile	240	54	*42.9*	*38.0*
Fire and/or allied lines	228	51	*-1.0*	*-4.4*
Other guarantees	176	40	*19.0*	*15.0*
Personal accident[2]	169	38	*4.0*	*0.5*
Worker Compensation	81	18	*58.0*	*52.7*

Figure 89. Peru. Premium volume in 2008 by branch

(1) Net premiums.
(2) Includes Mandatory Insurance for Transit Accidents (SOAT).
Source: done by FUNDACIÓN MAPFRE with information published by the Superintendent of Banking and Insurance (SBS).

As for new legislation in the period analyzed, Resolution SBS 37-2008 was announced. It approved Regulations on Comprehensive Risk Management, which stipulate that companies must provide risk management commensurate with their size and the complexity of their operations and services.

1.1.12 URUGUAY

Macroeconomic context

In 2007 the Uruguayan economy again performed well, with GDP rising 7.4%, thanks to a favourable regional and international context and domestic conditions that fuelled growth. High prices for commodities led to a rise in prices of exports of Uruguayan products. That stimulated domestic demand, but was also a factor in pushing the consumer price index higher. However, sharply higher oil prices meant that on average for the year, the balance of terms of trade for Uruguay was slightly negative.

Highlights of this economic growth were domestic demand and, to a lesser extent, exports of goods and services. Domestic demand, in turn, was driven by spending on consumer goods and fixed investment in the private sector. Investment rose 11.2% and private consumption expanded 7.8%.

The sectors that contributed most to GDP growth were transport and communications, manufacturing, commerce, restaurants and hotels. At the same time we should point out the poor performance of the agricultural and livestock sector and construction, with growth of just 2.5% in both cases.

In this context of economic expansion, the unemployment rate continued a downward trend, reaching a record low of 8.1%.

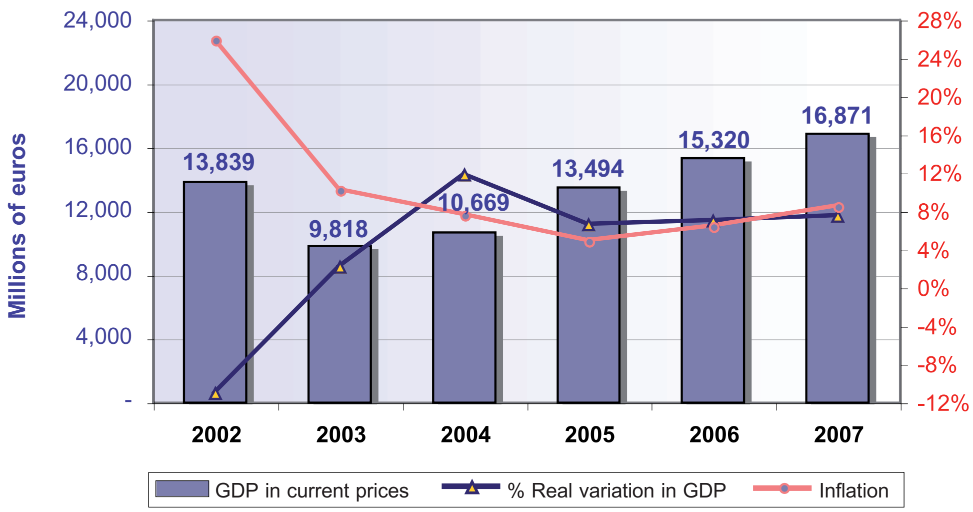

Figure 90. Uruguay. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

The Consumer Price Index rose 8.5% in 2007, well above the range set by the government as its goal (4.5-6.5%). Supply and demand factors had a role in this. On the supply side, as we said earlier, there was the increase in international prices for commodities. Adverse weather also led to higher prices for fruit, vegetables, meat and related products. As for demand, the unemployment rate fell in a context of higher unit costs for manpower and bigger-than-expected wage hikes.

It is forecast that the rate of GDP growth for 2008 will be similar to that of 2007, somewhere between 6.5% and 7.5%, so long as real revenues and employment continue to grow and interest rates in foreign currencies remain low. In such a scenario, the projection is for capital to continue flowing in to the private sector, which would help finance the expansion of domestic spending. Both private consumption and gross capital formation would continue to rise at a good pace.

Insurance market

In line with the country's economic recovery, Uruguay's insurance market posted 8,987 million pesos in premiums in 2007 (280 million euros), an increase of 11.6% compared to the previous year, and 2.9% when inflation is taken into account.

The growth was driven by the Life branch of insurance which, as has been the case since 2005, has achieved sustained development. In 2007 the increase was 18.5%, reflecting growth in the workforce and wages.

The Non-Life branch ended the year with growth of 10.2% thanks to good numbers in Worker Compensation and Automobile insurance, the lines with the largest volume. Declines in Fire, Theft and Third-Party Liability can be attributed to the depreciation of the U.S. dollar against the Uruguayan peso, a 10% drop compared the exchange rate in force in December 2006. It should be noted that most Non-Life premiums in Uruguay are issued in dollars.

Premium volume[1] 2007

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**8,987**	**280**	***11.6***	***2.9***
Life	**1,704**	**53**	***18.5***	***9.2***
Pensions	617	19	*29.8*	*19.6*
Non-pension	1,087	34	*18.1*	*8.9*
Non-Life	**7,283**	**227**	***10.2***	***1.5***
Automobile	2,842	88	*7.7*	*-0.7*
Other branches	690	21	*18.1*	*8.8*
Fire	503	16	*-9.3*	*-16.4*
Theft	339	11	*-1.5*	*-9.2*
Transport	399	12	*7.6*	*-0.9*
Third-party liability	189	6	*-9.0*	*-16.1*
Surety and credit	114	4	*16.0*	*6.9*
Worker Compensation[2]	2,208	69	*23.7*	*14.0*

Figure 91. Uruguay. Premium volume in 2007 by branch

(1) Premiums issued net of cancellations.
(2) The entire volume of Worker Compensation premiums corresponds to the Banco de Seguros del Estado.
Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

It is also worth noting that there was very strong growth in two insurance lines related to Social Security: Pensions and Worker Compensation. In both cases this was driven by higher wages, a fall in unemployment and a greater formalization of the economy.

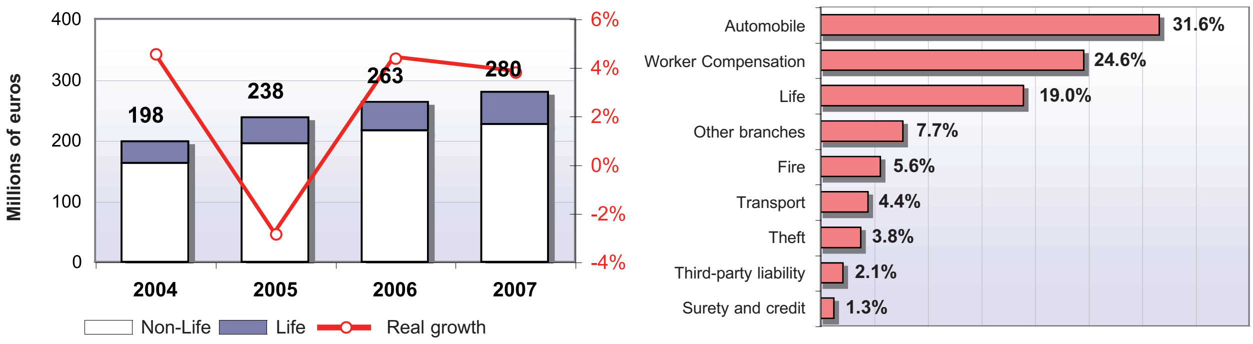

Figure 92. Uruguay. Evolution of premiums and market share in 2007 by branch

Banco de Seguros del Estado, which is owned by the state, remained atop the ranking with a market share of 65.8%, down a point from 2006. It is also the leading company in term of premium volume in Life and Non-Life insurance, with quotas of 66.7% and 65.6%, respectively.

Results

The net result yielded losses of 9 million pesos, after suffering a fall of 103%, even though the combined ratio improved four percentage points to 97.8%, with a positive technical result of 173 million pesos. The financial result made a much lower contribution. This, along with adjustments for currency depreciation and negative extraordinary results, explains how the sector slipped into red numbers.

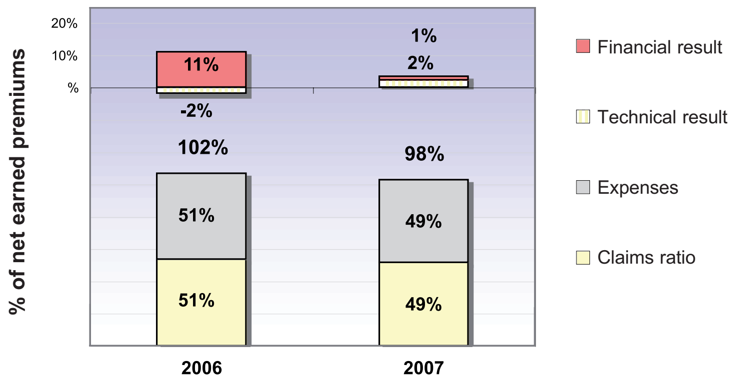

Figure 93. Uruguay. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

The improvement in the combined ratio is due to a two-point fall in the loss ratio and costs, both of which ended up at 49%.

Mergers and Acquisitions

MAPFRE acquired Real Uruguaya de Seguros from ABN AMRO.

First half of 2008

From January to June of 2008, Uruguayan insurance companies took in 3,835 million pesos in premiums (143 million euros), for a nominal increase of 15.8% and a real increase of 9.9% compared to the same period of the previous year. 2008 features performances similar to those of 2007, with strong growth in the two branches linked to Social Security, which were Pensions and and Worker Compensation insurance, and declines in Fire and Theft. Automobile insurance posted a significant rise of 12.7%.

Premium volume[1]. 1st Half 2008

Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	**4,441**	**143**	***15.8***	***9.9***
Life	**914**	**29**	***14.9***	***9.0***
Non-Life	**3,526**	**113**	***16.0***	***10.1***
Transport	237	8	*28.3*	*21.8*
Theft	131	4	*-11.3*	*-15.9*
Third-party liability	80	3	*16.5*	*10.5*
Other branches	252	8	*34.4*	*27.5*
Worker Compensation[2]	1,165	37	*23.9*	*17.5*

Figure 94. Uruguay. Premium Volume in 2008 by branch

(1) Premiums issued net of cancellations.
(2) The entire volume of Worker Compensation premiums corresponds to Banco de Seguros del Estado.
Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

1.1.13 VENEZUELA

Macroeconomic context

Venezuela's economy posted sustained growth for the fourth year in a row, with GDP expanding 8.4%. The growth was based mainly on a boost in non-oil activities (9.5%) because petroleum-related ones declined 4.2%.

All non-oil sectors grew, with the biggest rises in communications (20%), and financial institutions and insurance (17%). The state-run sector, which expanded more than the private one, was influenced by levels of activity in communications and electrical utilities starting in the second half of the year, after the government nationalized Compañía Anónima de Teléfonos de Venezuela and Electricidad de Caracas.

The oil sector's weaker performance stemmed from a drop in activities linked to extraction of oil and natural gas (4.5%), and refining (2.9%). The decline in production was in accordance with decisions by OPEC, and also reflected scheduled halts in plants that upgrade extra heavy crude oil and the process of transferring joint venture companies operating in the Orinoco Oil Belt to state-run concerns.

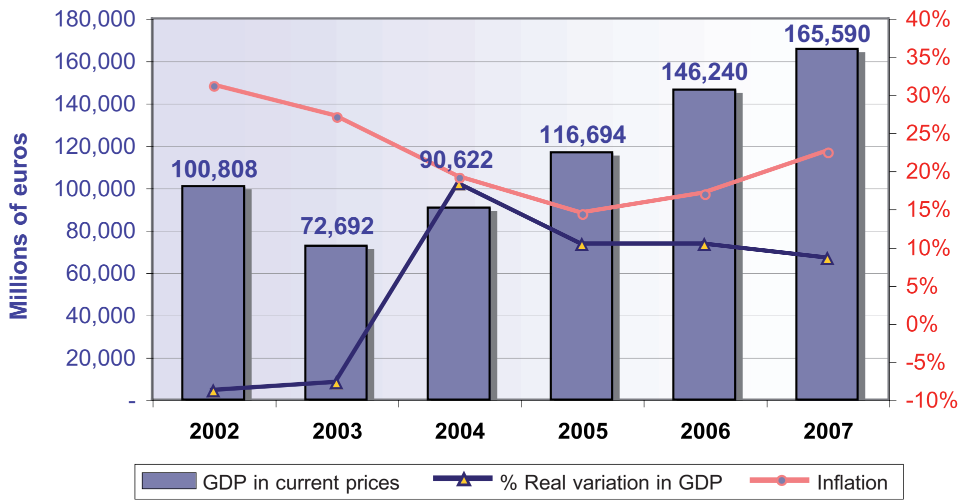

Figure 95. Venezuela. GDP in 2007

Source: Done by FUNDACIÓN MAPFRE with information published by ECLAC and the Central Bank.

Domestic demand continued to be the engine that drove the economy, soaring 19.3%. At the same time, this result stemmed from a nearly 19% rise in private consumption and an increase of about 25% in gross formation of fixed capital.

In the second half of 2007 the unemployment rate stood at 7.5%, down 1.8 points compared to the same period of the previous year. Wages rose 4% in real terms – 8.9% in the public sector and 1.6% in the private sector.

The current account of the balance of payments posted a surplus of USD 20,001 million, which was down from the previous year, due to a fall in non-oil exports (2.4%) and a significant increase in imports of goods (39.9%).

At the end of 2007, inflation as measured by the Integrated Consumer Price Index for the Caracas metropolitan area stood at 22.5%, up from 17% in 2006. Among the factors behind this increase was sustained growth in aggregate domestic demand. In January 2008, the Venezuelan Central Bank and the National Statistics Institute began publishing the new National Consumer Price Index. Besides being national in scope, it features changes in methodology and a change in the base year (2007). In the period running from January to June of 2008, this index rose 15.1% compared to December 2007.

Preliminary estimates for the third quarter of 2008 show GDP growth of 4.6% compared to the same quarter of 2007. This rise was driven by a significant expansion in oil activity, which rose 6%, and in non-oil activities, which were up 4.5%.

Insurance market

The Venezuelan insurance market posted premium volume of 15,400 million 'bolívares fuertes'[8] (5,200 million euros) in 2007, for a nominal rise of 46.7%, down 3.4 points from the previous year. Allowing for the inflation rate of 22.5%, the real growth rate was 19.7%, down 8.5 points from 2006. The sector has been fuelled by a strong increase in purchases of Health care policies in the state sector and a rise in sales of vehicles.

Premium volume[1] 2007

Branch	Millions of 'strong bolivars'	Millions of euros	% Δ	% Δ *real*
Total	**15,399**	**5,207**	***46.7***	***19.7***
Life	**383**	**130**	***55.6***	***27.0***
Individual life	192	65	*55.3*	*26.7*
Collective life	191	64	*56.0*	*27.4*
Life annuities	0	0	*-97.9*	*-98.3*
Non-Life	**15,016**	**5,078**	***46.5***	***19.6***
Health	6,573	2,223	*46.3*	*19.4*
Automobile	5,484	1,855	*58.5*	*29.4*
Other branches	260	88	*21.5*	*-0.8*
Third-party liability	277	94	*47.6*	*20.5*
Fire	519	175	*15.4*	*-5.8*
Multi-peril	423	143	*25.6*	*2.5*
Accident	289	98	*40.1*	*14.4*
Transport	410	139	*21.0*	*-1.2*
Credit and Surety	349	118	*31.4*	*7.3*
Earthquake	254	86	*38.4*	*13.0*
Burial Expenses	154	52	*49.6*	*22.1*
Pecuniary Losses	22	8	*55.7*	*27.1*

Figure 96. Venezuela. Premium Volume in 2007 by branch

(1) Net earned premiums. Direct Insurance. The breakdown of premiums by branch is an estimate.
Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

All insurance lines registered increases in premiums in nominal terms, and only three showed declines after allowing for inflation. Life grew more than Non-Life, although its contribution to the sector as a whole is less, given its small market share (2.5%).

[8] On 1 January, 2008 Venezuela introduced a change that lopped three zeros from the face value of the national currency, the bolivar, and adapted this new scale to any amount expressed in that currency. During a transitional period this currency is to be known as the "bolívar fuerte", or strong bolivar.

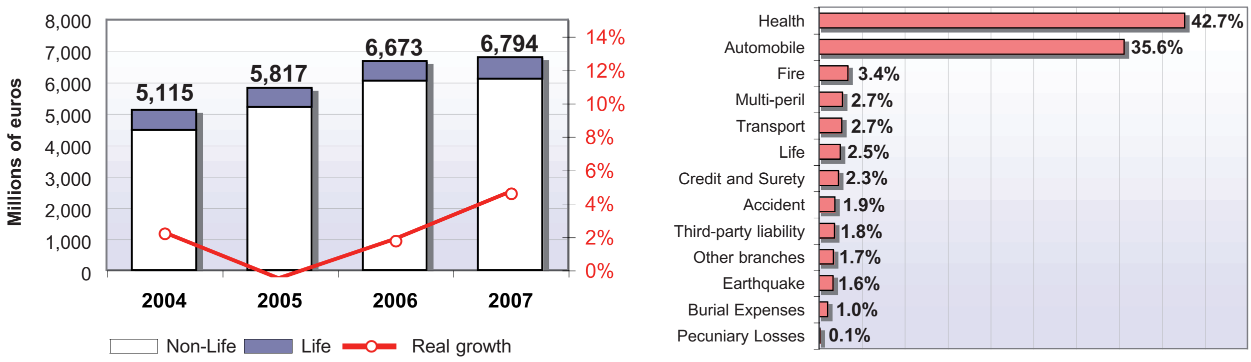

Figure 97. Venezuela. Evolution of premiums and market share in 2007 by branch

Non-Life insurance took in 15,000 million ´strong bolivars´ in premiums (5,078 million euros), 46.5% more than in the previous year. The Health and Automobile branches, which represent more than 78% of the sector, grew 46.3% and 58.5%, respectively.

The Venezuelan insurance sector comprises 50 companies, of which 40 are authorized to operate in General and Life insurance, seven only in General insurance and two in Life and one in Burial Expenses insurance.

The top 10 insurance groups accounted for 70.2% of all earned premiums, a proportion similar to that of 2006. Seguros Caracas is Venezuela's largest insurer with a market share of 12.2%. Seguros BanValor is second, with a 10.2% share, thanks to expansion of its Health insurance sales. The Non-Life ranking is also led by these two groups, with market shares similar to the ones they control in the sector as a whole. In Life insurance, the top company is the Zurich group with a market share of 21.9%.

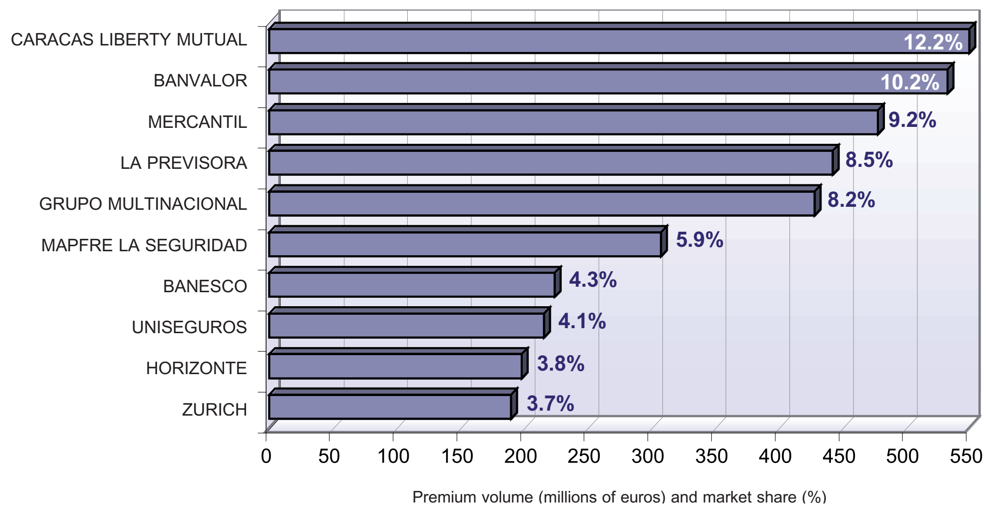

Figure 98. Venezuela. Ranking Total

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

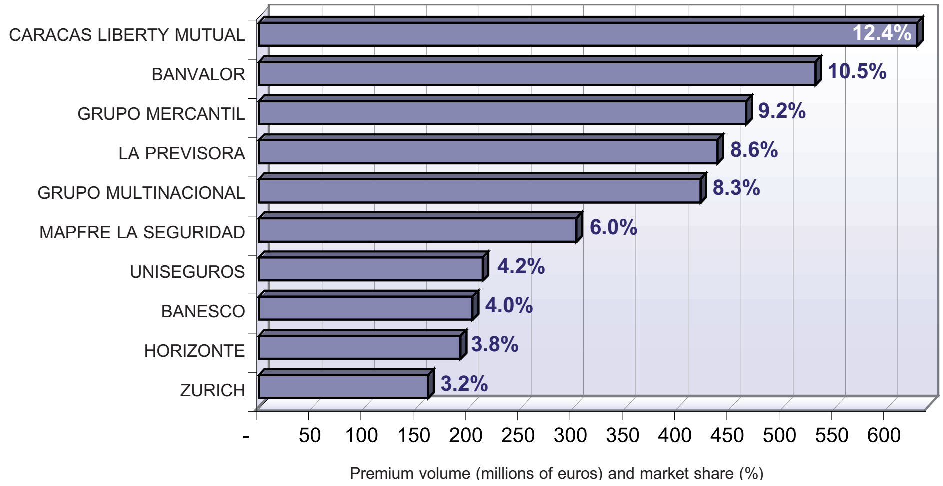

Figure 99. Venezuela. Non-life ranking

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

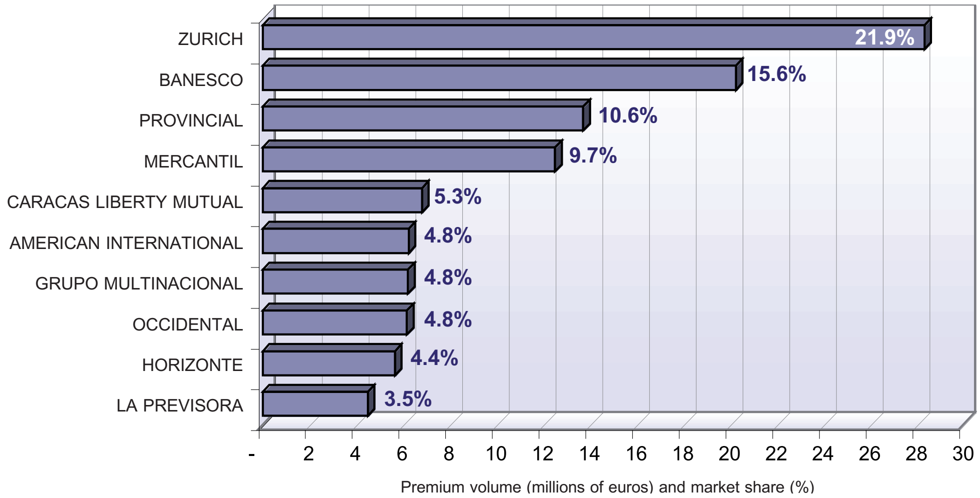

Figure 100. Ranking Life

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

Results

The sector's before-tax results stood at 722 million bolivars (244 million euros), up 25.5% from 2006. Nevertheless, this marks a drop in profit on premiums (which grew 46.7%), due to a decline in the technical and financial results.

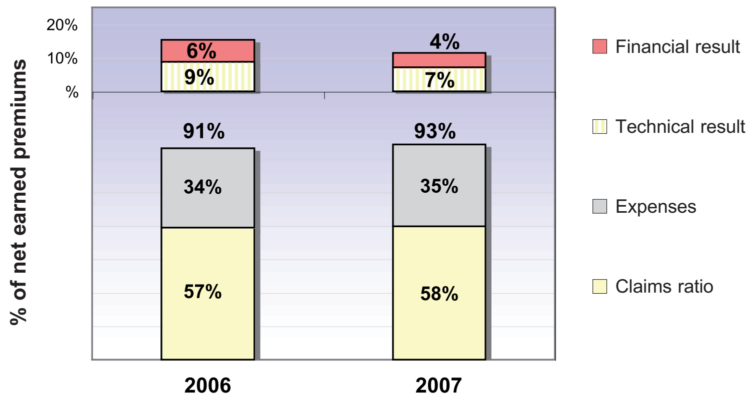

Figure 101. Venezuela. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE with information published by the Superintendent of Insurance.

The combined ratio rose nearly two points to 92.9%, compared to 91.2% the previous year, because of higher claims and cost ratios. The net loss ratio increased 0.5 percentage points compared to 2006 and costs rose 1.5 points, ending up at 57.5% and 35.4%, respectively. This deterioration of the technical result came in a context of high inflation, higher medical costs and high management costs in the Automobile branch, while rates remained stable.

First half of 2008

Preliminary figures from insurance oversight authorities show a certain slowing in the sector. In the first six months of 2008 it posted 9,990 million strong bolivars in premiums (2,981 million euros), with nominal growth of 38.2% compared to 56.3% as of June 2006. When inflation is taken into account, the increase was 18.8%.

Statistical annex

Premiums volume by branch 2007

Branch	Argentina	Bolivia	Brazil [1]	Chile	Colombia
Life	**1,365**	**21**	**10,818**	**2,510**	**812**
Individual and group life	562	18	10,818	1,040	523
Private pension plans	804	3		1,470	288
Non-Life	**3,317**	**92**	**11,291**	**1,574**	**2,183**
Automobile	1,419	23	6,539	381	555
Health	5	12		160	166
Fire and allied lines	206	22	777	420	232
Other guarantees	487	11	1,988	228	422
Transport	104	8	767	87	107
Third-party liability	120	5	201	46	108
Personal accident	86	5	648	209	322
Credit and/or Surety	99	5	372	42	
Worker Compensation	792	2			270
Total	**4,682**	**113**	**22,109**	**4,084**	**2,994**

Branch	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras
Life	**12**	**77**	**86**	**50**	**44**
Individual and group life	12	77	52	50	44
Private pension plans			34		
Non-Life	**346**	**415**	**201**	**231**	**135**
Automobile	139	144	45	87	38
Health	29	13	33	51	26
Fire and allied lines	58	57	66	42	40
Other guarantees	34	71	52	21	14
Transport		52		20	6
Third-party liability		19		5	2
Personal accident		30		5	3
Credit and/or Surety		29	6		5
Worker Compensation	86				0
Total	**357**	**493**	**286**	**280**	**179**

Branch	Mexico	Nicaragua	Panama	Paraguay	Peru
Life	**5,561**	**11**	**132**	**6**	**340**
Individual and group life	5,137	11	132	6	139
Private pension plans	424				201
Non-Life	**7,094**	**62**	**308**	**67**	**522**
Automobile	2,942	23	70	38	80
Health	1,714	4	81	0	70
Fire and allied lines	1,096	14	33	11	110
Other guarantees	503	17	33	7	67
Transport	339		30	3	60
Third-party liability	270		25	3	23
Personal accident	203	2	8	2	75
Credit and/or Surety	27	2	29	3	10
Worker Compensation					26
Total	**12,655**	**72**	**441**	**72**	**862**

Branch	Puerto Rico	Dominican Republic	Uruguay	Venezuela	Total
Life	**676**	**45**	**53**	**130**	**22,748**
Individual and group life	676	45	34	130	19,505
Private pension plans			19	0	3,243
Non-Life	**6,118**	**384**	**227**	**5,078**	**39,642**
Automobile	419	152	88	1,855	15,038
Health	4,525	24		2,223	9,136
Fire and allied lines	230	146	26	261	3,846
Other guarantees	654	32	21	291	4,954
Transport	94	15	12	139	1,844
Third-party liability	174		6	94	1,100
Personal accident	20	5		98	1,719
Credit and/or Surety		10	4	118	760
Worker Compensation			69		1,246
Total	**6,794**	**429**	**280**	**5,207**	**62,390**

Source: Done by MAPFRE with information provided by the regulatory agency of each country.
(1) Health insurance premiums in Brazil have not been included, as this sector is overseen by an agency other than the Private Insurance Directorate.

Population

Population (millions)

COUNTRY	2006	2007
Argentina	39.0	39.4
Bolivia	9.6	9.8
Brazil	190.1	192.6
Chile	16.4	16.6
Colombia	45.5	46.1
Costa Rica	4.4	4.5
Ecuador	13.4	13.6
El Salvador	7.0	7.1
Guatemala	13.0	13.3
Honduras	7.0	7.2
Mexico	105.3	106.4
Nicaragua	5.5	5.6
Panama	3.3	3.3
Paraguay	6.0	6.1
Peru	27.6	27.9
Puerto Rico	4.0	4.0
Dominican Republic	9.6	9.7
Uruguay	3.3	3.3
Venezuela	27.0	27.5

Exchange rates used

Annual average exchange rate. Local currency/1€

COUNTRY	Local currency	2006	2007
Argentina	Peso	3.883	4.297
Bolivia	Bolivano	10.088	10.786
Brazil	Real	2.733	2.649
Chile	UF	667.894	718.985
Colombia	Peso	2,975.674	2,847.543
Costa Rica	Colón	645.768	709.812
Ecuador	USD	1.262	1.377
El Salvador	USD	1.262	1.377
Guatemala	Quetzal	9.584	10.586
Honduras	Lempira	23.830	26.108
Mexico	Peso	13.732	15.040
Nicaragua	Córdoba	21.981	25.361
Panama	Balboa	1.261	1.377
Paraguay	Guaraní	7,060.236	6,923.729
Peru	Nuevo Sol	4.109	4.306
Puerto Rico	USD	1.262	1.377
Dominican Republic	Peso	41.939	45.602
Uruguay	Peso	30.340	32.119
Venezuela	Bolívar	2,708.828	2,957.114

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