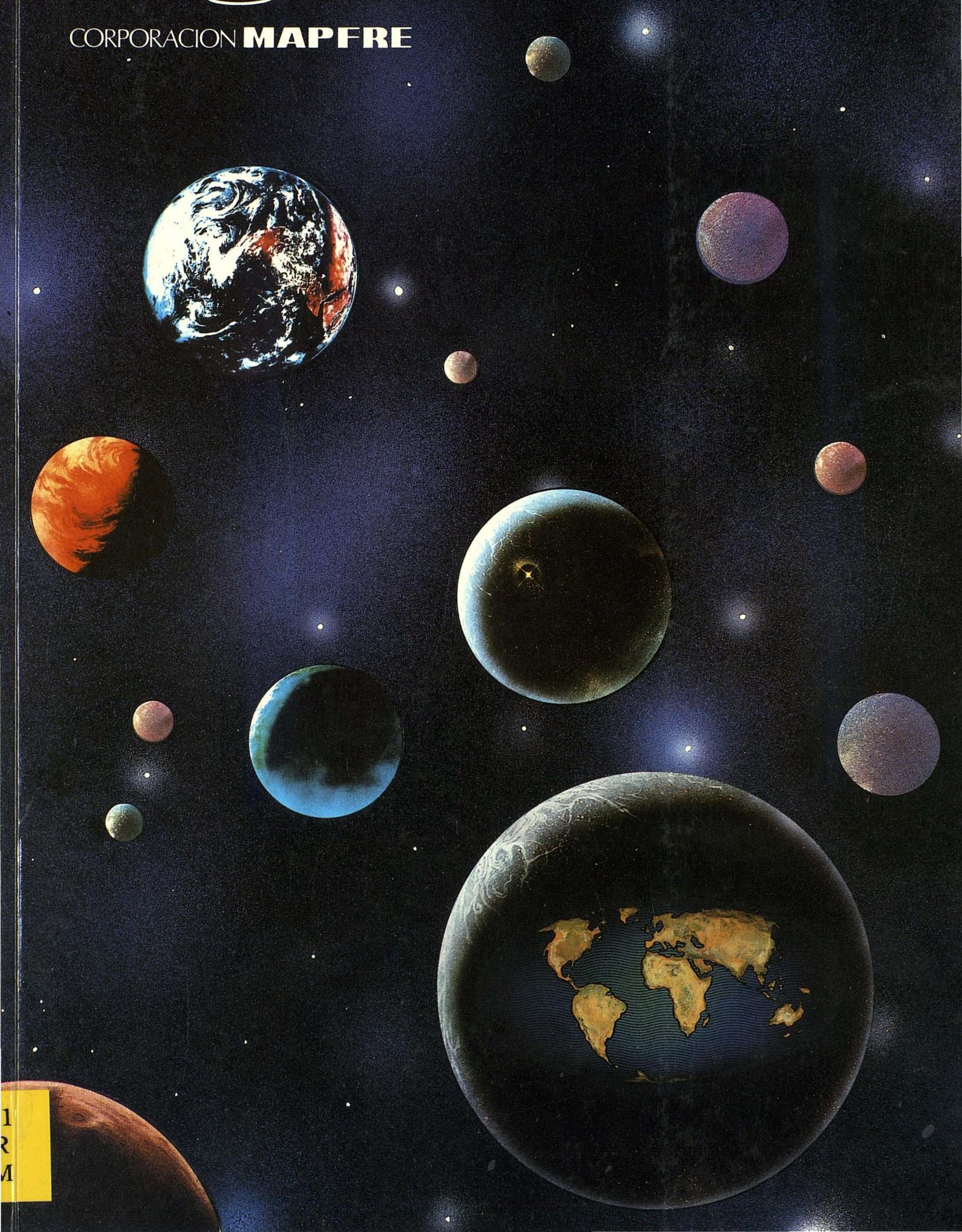




Memoria 1986

CORPORACION **MAPFRE**



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INFORMATION ON THE MAPFRE SYSTEM.

The “System” is made up by **Mapfre Mutualidad** and the companies linked to it, which operate in three distinct sectors of activity: Insurance and Reinsurance, Financing and Prevention and Safety.

The basic sector is Insurance and Reinsurance, in which the following companies operate: **Mapfre Mutualidad**, specializing in motor insurance; **Corporación Mapfre**, an international reinsurance company; **Mapfre Industrial** and five territorial companies (Andalucía, Cataluña and the Balearic Islands, Northern Spain, Northeastern Spain and the Eastern region) which operate in the sector of property and casualty insurance; and **Mapfre Caución y Crédito**, specializing in surety insurance.

Two new companies joined the "System" in 1986: **Mapfre Agropecuaria** (formerly called Mutualidad General Agropecuaria), which by virtue of a collaboration agreement signed with **Mapfre Mutualidad** has now become the company specialized in agricultural and livestock insurance; and **Mapfre XL**, Compañía Internacional de Reaseguros, created to underwrite non-proportional reinsurance.

The Financing sector, mainly for automobiles and consumer goods is covered by one national company (**Mapfre Finanzas**) and five companies of a multiprovincial scope. This structure is the result of the consolidation process of the provincial Consumer Credit companies carried out in recent years and completed in 1986.

The Prevention and Safety Sector is basically represented by **Fundación Mapfre**, which develops its activities directly as well as through two subsidiaries: the Mapfre Technological Safety Institute (ITSEMAP), and Editorial Mapfre.

The 1986 consolidated income of the companies making up the "System" reached 70,000 million pesetas, with a 55% increase over 1985, and its before-tax consolidated profit totalled 4,148 million pesetas, as compared to 2,336 million pesetas in the previous year.

pesetas, as compared to 2,850 million pesetas in the previous year.

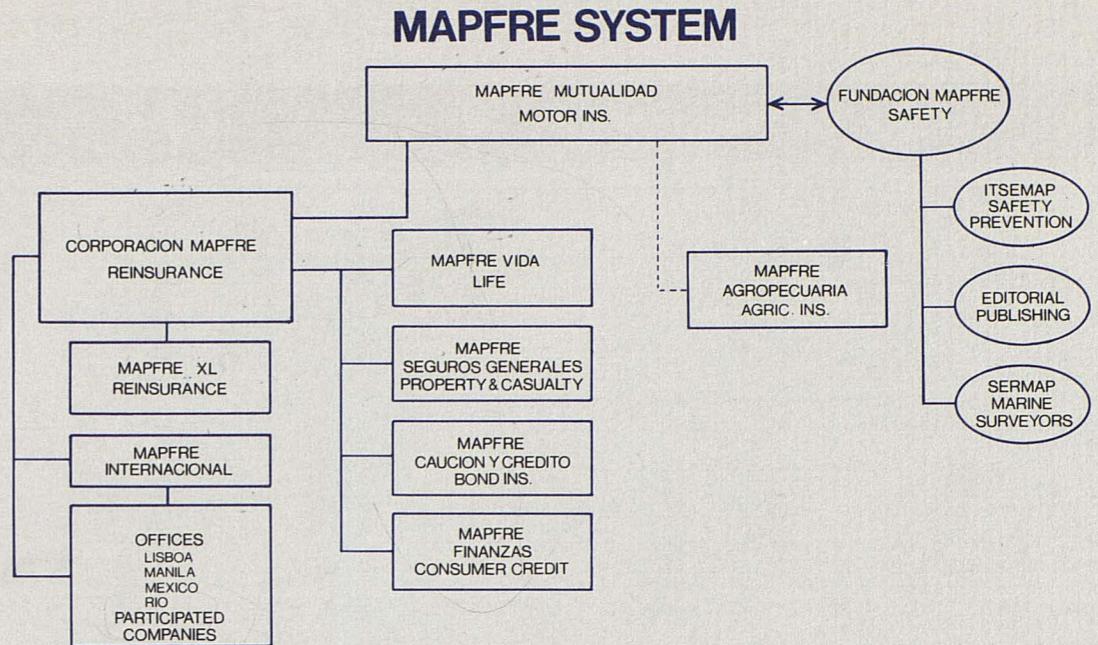
Consolidated own resources of the System's companies at the end of 1986 totalled 19,920 million pesetas, compared to 10,730 million pesetas in 1985. Total assets exceeded 117,500 million pesetas, of which 15,174 million correspond to cash and liquid assets, 24,752 million to real estate investment and 39,779 million to financial investments, items which have increased by 50%, 28% and 73% respectively.

At the end of 1986, the staff and management of the "System" numbered 2,323 compared to 1,936 at the end of 1985.

Mapfre Mutua Patronal de Accidentes de Trabajo, is a Workmen's Compensation Organization, historically related to **Mapfre Mutualidad**. Workmen's Compensation premium (not included in the above "Mapfre System" data) amounted to 24,031 million pesetas.

It is the leading organization in its sector with 1,237 employees and 923,694 workers insured.

Mapfre Mutua Patronal de Accidentes de Trabajo, together with **Mapfre Mutualidad de Seguros**, are the promoters of **Fundación Mapfre**.



DOMESTIC ACTIVITY

INSURANCE PREMIUMS (Million Pesetas)		
	1985	1986
Motor	15,900	23,317
Life	8,167	17,241
Property of		
Casualty	6,607	8,295
Surety	771	856
Workmen's		
Compensation ...	19,685	24,031

SAFETY AND PREVENTION

In its tenth year of operation, **Fundación Mapfre** increasingly developed scientific and training activities, for which purpose it has set up a 52 million pesetas budget. Practically the entirety of these funds are dedicated to these services, with no administrative costs.

Following along the lines of previous years, **Fundación Mapfre** substantially enlarged its presence in Latin America and Portugal, by sponsoring a total of 13 Courses and Seminars in Argentina, Brazil, Colombia, Costa Rica, Chile, Mexico and Uruguay. Besides, it has drawn up several collaboration agreements with other institutions, including an important agreement reached with the Instituto Nacional de Seguridad e

REPRESENTATIVE OFFICES OF CORPORACION MAPFRE

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CORPORACION MAPFRE, S. A. 1986 SUMMARY OF ANNUAL REPORT.

Corporación Mapfre and its subsidiary companies recorded excellent results in the 1986 fiscal year. Consolidated income reached 39,796 million pesetas, showing a 60% increase over 1985. Of this total figure 31,094 million pesetas corresponded to insurance and reinsurance premiums, 3,784 million pesetas to income of the Consumer Credit Companies and 4,918 million pesetas to financial income.

Consolidated capital assets totalled 56,942 million pesetas, this being a 53% increase over the previous year. The breakdown of said assets is the following: 33,711 million pesetas in financial investments; 13,328 million pesetas in fixed assets and 9,903 million pesetas in cash and bank balances. Two noteworthy items are the marked increase in financial investments, which rose from 16,278 million pesetas in 1985 to 28,249 million pesetas in 1986, and the increase in real estate investments from 10,329 to 13,328 million pesetas.

Corporación Mapfre's investment in insurance subsidiaries grew substantially in 1986, the capital of these subsidiaries being increased in proportion to their growth in operations: **Mapfre Vida** increased its capital from 800 to 2,500 million pesetas; **Mapfre Industrial** from 725 to 1,500 million pesetas; **Mapfre Caución** from 500 to 1,000 million pesetas and **Mapfre Internacional**, our international holding company, increased its capital from 50 to 250 million pesetas.

In addition, 92% of the shares of **Mapfre Finanzas** were acquired, and the capital of the Consumer Credit companies was increased; with this, Corporación Mapfre's investment in the financial sector rose from 532 million to 2,073 million pesetas.

Three capital issues were carried out in 1986. These capital increases permitted the company to augment its equity capital by 6,858 million pesetas, of which 5,723 million were directly allocated to reserves. The Company's consolidated equity at the end of the year totalled 15,777 million pesetas.

The company's shares experienced a very favourable evolution on the stock exchange in 1986, with their quoted value rising from 1,074% (last listing in 1985) to 2,000% at the end of 1986.

Consolidated before-tax profits of **Corporación Mapfre** and its subsidiaries rose to 1,580 million pesetas, showing a 57% increase over the previous year.



Consolidated Balance Sheets at December 31, 1986 and 1985. Audited by Arthur Young.

ASSETS	1986 USA \$	1986 Ptas.	1985 Ptas.
NET FIXED ASSETS			
Deferred expenses and other intangible assets	1.0	138.4	106.7
Furniture, fixtures and data processing equipment	7.2	942.2	725.7
	8.2	1,080.6	832.4
INVESTMENTS			
Real estate			
Real estate property net of depreciation.....	101.9	13,328.1	10,328.6
Financial			
Securities.....	216.1	28,249.1	16,278.1
Non-mortgage loans and advance payments on policies.....	3.1	401.3	388.8
Accepted reinsurance deposits	12.4	1,621.2	1,574.8
Other investments	26.4	3,439.6	1,040.3
	359.9	47,039.3	29,610.6
TECHNICAL PROVISIONS FOR CEDED REINSURANCE.....	66.8	8,723.0	8,319.9
RECEIVABLES (net of provisions)			
Notes receivable of the financial entities	134.0	17,526.2	7,270.8
Deferred income from notes receivable	(30.4)	(3,979.0)	(1,619.2)
	103.6	13,547.2	5,651.6
Insurance and reinsurance pools and entities	7.9	1,038.0	620.5
Amounts due from policyholders and agents.....	40.7	5,316.4	3,582.4
Other receivables	17.7	2,312.0	1,380.2
Receivables from shareholders	7.3	954.0	—
	177.2	23,167.6	11,234.7
PREPAID EXPENSES	7.3	955.4	649.2
CASH AND BANKS (and other financial accounts).....	75.8	9,902.9	7,546.2
Total Assets.....	695.2	90,868.8	58,193.0

Consolidated Statements of Profit and Loss for 1986 and 1985. Audited by Arthur Young.

	1986 USA \$	1986 Ptas.	1985 Ptas.
Premiums acquired by insurance entities.....	191.3	25,002.3	14,306.2
Technical expenses	(159.6)	(20,865.6)	(11,219.9)
Commissions and other net operating expenses	(59.4)	(7,771.8)	(5,748.2)
Income applied to mathematical provisions and policyholders' participation in the return on these investments.....	25.8	3,380.4	2,217.2
Technical loss.....	(1.9)	(254.7)	(444.7)
Net financial income	37.6	4,918.6	3,420.5
Income applied to mathematical provisions and policyholders' participation in the return on these investments.....	(25.9)	(3,380.4)	(2,217.2)
Pension Plan provision	(0.9)	(125.0)	—
Insurance entities' profit.....	8.9	1,158.5	758.6
Income of the financial entities	28.9	3,784.2	1,865.1
Interest expenses.....	(12.2)	(1,595.7)	(774.7)
Other operating expenses.....	(11.5)	(1,501.0)	(759.1)
Financial entities' profit.....	5.2	687.5	331.3
Income before income tax.....	14.1	1,846.0	1,089.9
Income tax	(2.0)	(265.5)	(83.5)
Net income	12.1	1,580.5	1,006.4
Minority shareholders' participation in the profits of the subsidiaries	(0.6)	(82.5)	(97.9)
Net income, less minority shareholders' participation.....	11.5	1,498.0	908.5

* (1 USA \$ = 130,70 ptas. at 31-12-86). Figures in millions.

LIABILITIES	1986 USA \$	1986 Ptas.	1985 Ptas.
SHAREHOLDERS' EQUITY			
Subscribed and paid-up capital.....	36.8	4,809.0	3,673.9
Reserves and accumulated profit.....	68.2	8,908.6	2,986.0
Net income, less minority shareholders' participation	11.4	1,498.0	908.5
	116.4	15,215.6	7,568.4
MINORITY INTEREST	4.3	561.7	924.2
SHAREHOLDERS' EQUITY AND MINORITY INTEREST.....	120.7	15,777.3	8,492.6
TECHNICAL PROVISIONS FOR DIRECT INSURANCE AND ACCEPTED REINSURANCE	382.2	49,947.1	33,665.8
RESERVE FOR PENSION PLAN.....	0.9	125.0	—
DEPOSITS FOR CEDED REINSURANCE AND RETROCEDED.....	48.9	6,393.7	6,249.9
LIABILITIES			
Loans payable of financial entities	88.6	11,577.7	4,889.1
Insurance and reinsurance pools and entities	14.8	1,929.5	1,506.8
Due to agents	1.9	251.4	239.0
Due to policyholders	2.9	384.6	174.1
Commissions due	3.7	485.6	522.0
Pension plans of third parties	7.2	942.1	246.6
Other liabilities	20.8	2,722.6	2,066.6
	139.9	18,293.5	9,644.2
ACCRUED LIABILITIES			
Accrued liabilities	2.6	332.2	140.5
Total Liabilities.....	695.2	90,868.8	58,193.0

REINSURANCE ACTIVITY

These last five years have witnessed the successful completion of the three initial objectives we had set forth: to attain a balanced portfolio of operations, basically in Spanish-speaking countries; to initiate worldwide implantation of the company by means of opening representative offices; and to develop our ability to offer reinsurance and services by drawing on the experience of our insurance companies.

These objectives were met through a strict selection of risks, direct knowledge of markets and stable relations with the ceding companies. In addition, **Corporación Mapfre** has gained prestige as a professional reinsurance company as a result of the advice it furnishes to ceding companies in different fields, and the speed in which claims are settled, this being the first and foremost obli-

gation of a professional reinsurance company.

Reinsurance premiums recorded in 1986 by **Corporación Mapfre** totalled 9,346 million pesetas, with a 42% increase over 1985.

The most significant growths in premiums were recorded in Spain (66%), the Far East (27%) and Europe-Mediterranean countries (24%). The limited growth in Latin America (7%) is due to an important reduction in the exchange value of the peseta, as a result of the devaluation undergone by the currencies of some of the countries in that area.

The fire and related coverages hold a predominant position in our portfolio, as it represents 68% of the premiums. This is a positive factor, due to the balanced loss ratio of this branch, in which it is possible to more precisely determine the provision for pending claims, thus reducing the risk of

deviations in later years.

No growth was recorded in the branches of Marine insurance or Surety; in the case of the former, as a consequence of the difficulties that the branch is undergoing in Hulls; in the latter case, the lack of growth was due to a general decrease in rates.

Retained premiums, which amounted to 67% of the accounted premiums totalled 6,214 million pesetas. This figure represents a 106% increase over the previous year.

This increase in premium retention reflects our confidence in the business being underwritten, and is justified by the balance derived from the greater size of the portfolio and by the important increase in equity capital, which represent 222% of the premiums retained. This all contributes to the high level of solvency offered.

Technical provisions corresponding to the net retention totalled 4,580 million pesetas, representing 74% of the premiums, as compared to 70% in 1985. This percentage can be considered as correct, keeping in mind that the company's reserves are the accumulation of only five years of operations. Our portfolio of "Long-tail" business whose claim settlements stretch over time is quite limited; in addition, there are no important deviations in the loss ratio of those countries where our presence is most significant. When setting up the composition of the technical provisions, consideration was made of the claims reported by the ceding companies as well as additional provisions for deviations due to increase in their cost or in the appearance of unreported claims.

The earthquakes of Chile and Mexico in 1985 were followed by yet another natural catastrophe in 1986, the earthquake in El Salvador. The epicentre of that earthquake was located in the capital city, causing serious damage; the cost of this catastrophe for **Corporación Mapfre** was estimated at 200 million pesetas. Here it should be stressed that when private insurance companies assume the coverage for catastrophic risks, they should estimate sufficient technical margins to offset these in time.

The global results of our reinsurance operations shows a profit of 242 million pesetas, including 354 million from financial income attributable to the activity.

Premiums written for 1987 amounted to 11,250 million pesetas, with an increase of 20% over the previous year.

Important reinforcement has been given to the Technical Services through the creation of five Underwriting Departments, each specialized by branch: Property Damage, Marine, Life and Accidents, Third Party Liability and Surety. We trust that this new structure will improve the service provided to our ceding companies.

In accordance with our policy of creating specialized functional units with legal and managerial autonomy, **Mapfre XL, Compañía Internacional de Reaseguros, S. A.**, was constituted at the

end of 1986. In 1987, it began operations as a company special-

izing in the acceptance of non-proportional reinsurance.

Assumed Reinsurance Premiums by Branches and Geographical Areas.

BRANCH	1983	1984	1985	1986
Fire.....	2,422	3,511	4,126	6,337
Marine	561	777	827	794
Motor.....	134	154	138	269
Personal Accidents	180	273	301	713
Others	360	936	1,183	1,233
Total.....	3,657	5,651	6,575	9,346
AREA				
Spain	2,072	3,118	3,626	6,011
Portugal	174	207	286	298
Latinamerica	932	1,368	1,498	1,608
Europe	321	634	850	1,043
U.S.A.....	85	185	135	146
Far East	70	129	155	196
North Africa, Middle East and others	3	10	25	44
Total.....	3,657	5,651	6,575	9,346

Figures in millions of pesetas.

INTERNATIONAL ACTIVITY

The policy of worldwide company implantation which was initiated in 1985 by opening offices in Mexico and Rio de Janeiro, continued in 1986 with the creation of an office in Manila to manage operations in the Far East.

At the beginning of 1987, a new representative office was opened in Lisbon in a building owned by **Mapfre Vida**.

The acquisition of an important share in the Argentinian insurance company Aconcagua was formalized in August of 1986. Major changes are being carried out in the structure of the company, with the objective of adapting it to our business systems and concepts. The company's capital was increased up to 1,000,000 Australs in order to finance its future expansion.

August of 1986 also witnessed, in Santiago, Chile, the signing of the incorporation deed of the insurance company "Compañía de Seguros Generales Euroamérica, S. A.", of whose capital we own 45%.

As part of the policy of approx-

imation to the Mediterranean countries of Northern Africa, a 5% share of Maghrebia, a Tunisian Company, was acquired.

In addition, conversations were held in 1986 which in 1987 gave rise to the acquisition of a 6% share in the capital of the Italian company Universo Assicurazioni.

Board of Directors.

MAPFRE
CENTRO
DE
DOCUMENTACION

Chairman

Ignacio Hernando de
Larramendi y Montiano

Vice-Chairman

Rafael Galarraga Solores

Managing Director

Filomeno Mira Candel

Directors

Carlos Alvarez Jiménez

Francisco Cailá Mestre

Julio Castelo Matrán

Dewey P. Clark

Julio Caubín Hernández

Juan Fernández-Layos Rubio

Carlos Guilherme Ivens

Ferraz de Mesquita

Manuel J. Lagares Calvo

Luis Leguina Cebreiros

Gregorio Martín Rodríguez

Manuel Ocón Terrasa

Director and General Manager

José Manuel Martínez
Martínez

Director and Secretary

of the Board

Alberto Manzano Martos

Executive Commission

Chairman

Ignacio Hernando de
Larramendi y Montiano

Rafael Galarraga Solores

Manuel J. Lagares Calvo

José Manuel Martínez

Martínez

Filomeno Mira Candel

Domingo Sugranyes Bickel



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Assumed Reinsurance Premiums by Branches and Geographical Areas		1982	1983	1984	1985	1986
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Portugal	140	174	207	286	298	
Latinamerica	1,496	932	1,368	1,498	1,608	
Europe	457	321	634	850	1,043	
U.S.A.	70	85	185	135	146	
Far East	52	70	129	155	196	
Other countries	—	3	10	25	44	
Total	3,941	3,657	5,651	6,575	9,346	

Figures in millions of pesetas.

The earthquakes of Chile and Mexico in 1985 were followed by yet another natural catastrophe in 1986, the earthquake in El Salvador. The epicentre of that earthquake was located in the capital city, causing serious damage; the cost of this catastrophe for **Corporación Mapfre** was estimated at 200 million pesetas. Here it should be stressed that when private insurance companies assume the coverage for catastrophic risks, they should estimate sufficient technical margins to offset these in time. In addition, both ceding companies and reinsurers should control and analyze their accumulations and the maximum liabilities they may incur.

The global results of our reinsurance operations shows a pro-

fit of 242 million pesetas, including 354 million from financial income attributable to the activity.

Premiums written for 1987 amounted to 11,250 million pesetas, with an increase of 20% over the previous year.

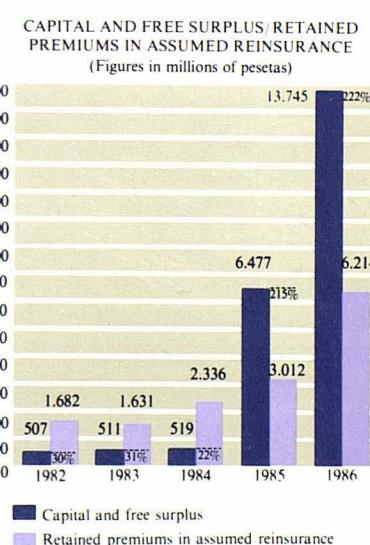
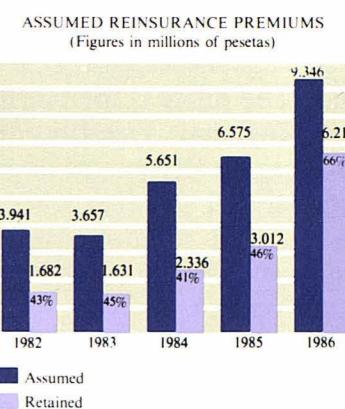
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In accordance with our policy of creating specialized functional units with legal and mana-

gerial autonomy, **Mapfre XL, Compañía Internacional de Re-seguros, S.A.** was constituted at the end of 1986. In 1987, it began operations as a company specializing in the acceptance of non-proportional reinsurance. Mr. Andrés Jiménez Herradón was appointed General Manager of this company, and was joined by the staff who up to this time had been managing our non-proportional business.

INTERNATIONAL ACTIVITY

The policy of worldwide company implantation which was initiated in 1985 by opening offices in Mexico and Rio de Janeiro, continued in 1986 with the



creation of an office in Manila to manage operations in the Far East. The office is managed by our Regional Vice-President, Mr. Luis La O, a person of great professional prestige who has been linked to that insurance and reinsurance market for many years.

At the beginning of 1987, a new representative office was opened in Lisbon in a building owned by **Mapfre Vida** located at Avenida da Liberdade no. 40. Mr. Carlos Guilherme Ivens Ferraz de Mesquita, former Chairman of the Managerial Board of an important insurance group of Portugal, was appointed Manager of this office, as well as **Mapfre** General Delegate for Portugal.

An excellent fiscal year was recorded by Seguros Caribe in Colombia, a company in which we hold a 25% share; it achieved a 100% increase in its premium volume and a profit equivalent to 50% of its capital stock.

The acquisition of an important share in the Argentinian insurance company Aconcagua was formalized in August of 1986. The company's General Manager is Mr. Santiago Gayarre Bermejo, a former Territorial Manager of **Mapfre**. Under this leadership, major changes are being carried out in the structure of the company, with the objective of adapting it to our business systems and concepts. The company's capital was increased up to 1,000,000 Australs in order to finance its future expansion.

BALANCE SHEET (*)

(Figures in millions of pesetas)

ASSETS	1986	1985
FIXED ASSETS	152.8	117.5
INVESTMENTS	14,818.9	6,636.9
RETROCEDED REINSURANCE TECHNICAL PROVISIONS	2,312.8	2,729.2
OTHER ASSETS	2,863.9	1,614.2
CASH AND BANK BALANCES	3,068.4	2,596.9
TOTAL ASSETS	23,216.8	13,694.7
BALANCING ITEMS (1)	413.6	649.4
GENERAL TOTAL	23,630.4	14,344.1

(*) Unconsolidated

LIABILITIES	1986	1985
PAID-IN CAPITAL	4,809.0	3,673.8
CAPITAL RESERVES	8,056.9	2,333.7
AFTER-TAX YEAR RESULTS	878.6	469.9
TECHNICAL PROVISIONS	6,893.2	4,890.0
REINSURANCE DEPOSITS	979.8	1,126.2
OTHER LIABILITIES	1,599.3	1,201.1
TOTAL LIABILITIES	23,216.8	13,694.7
BALANCING ITEMS (1)	413.6	649.4
GENERAL TOTAL	23,630.4	14,344.1

(1) Letters of Credit covering claims reserves all ready included in liabilities.

August of 1986 also witnessed, in Santiago, Chile, the signing of the incorporation deed of the insurance company "Compañía de Seguros Generales Euroamérica, S.A.", of whose capital we own 45%, totalling 312 million Chilean Pesos (175 million pesetas). The company began operations in the month of November, and information received on its first quarter of 1987 shows an excellent development with respect to the fulfilment of the initial production objectives and results.

As part of the policy of approximation to the Mediterranean countries of northern Africa, a 5% share of Maghrebia, a Tunisian Company, was acquired. Said company ranks third in the Tunisian insurance market as regards premium volume, and its management holds a prestigious place among the African and Arab countries.

In addition, conversations were held in 1986 which in 1987

gave rise to the acquisition of a 6% share in the capital of the Italian company Universo Assicurazioni.

At December, 1986 our total investments abroad (including those carried out through **Mapfre Internacional**) amounted to 401 million pesetas, which represent 2% of the liquid assets of **Corporacion Mapfre**.

In the area of international activities, we should also point out the organization of 14 seminars on safety and prevention matters, in collaboration with prominent local institutions in Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Portugal and Uruguay.

SUBSIDIARIES IN SPAIN

The 1986 fiscal year produced excellent results for the insurance and consumer credit subsidiaries of **Corporación Map-**

PROFIT AND LOSS ACCOUNT (*)

(Figures in millions of Pesetas)

DEBIT	1986	1985
CLAIMS AND EXPENSES	2,616.2	1,614.5
COMMISSIONS	1,946.4	996.6
OPERATING EXPENSES	541.7	282.3
FINANCIAL EXPENSES	216.3	134.8
CORPORATION TAX	27.6	0.3
AFTER-TAX PROFIT	878.6	469.9
TOTAL DEBIT	6,226.8	3,498.4

CREDIT

NET PREMIUMS EARNED	4,943.9	2,734.4
FINANCIAL INCOME	1,282.9	764.0
TOTAL CREDIT	6,226.8	3,498.4

(*) Unconsolidated.

fre, these being the best asset of our company.

Mapfre Vida direct insurance premiums rose to 17,241 million pesetas, this representing a 111% increase over 1985. Of this figure 7,915 million pesetas correspond to single payment pre-

mium insurance, and the rest to regular operations, which experienced a 32% increase. The net financial income of this subsidiary totalled 4,665 million pesetas, with a 32% increase over that of the previous year. Its

balance shows a before-tax pro-

fit of 725 million pesetas, 443 million of which have been allocated to dividends.

Mapfre Industrial, S.A. reached 8,295 million pesetas of direct insurance premiums, this representing a 26% increase over 1985. This subsidiary recorded

a 47% loss ratio as compared to 56% of the previous year, and its balance shows a before-tax profit of 462 million pesetas of which 254 million have been allocated to dividends.

The new regional General Insurance Companies devoted the 1986 year to prepare their structure in order to start up activities in 1987.

Mapfre Caución y Crédito, S.A. issued premiums in the amount of 856 million pesetas, which represent an 11% increase over the previous year. This subsidiary's before-tax profit totalled 101 million pesetas, of which 55 million pesetas have been distributed as dividends.

The **Mapfre Finanzas** Consumer Credit Companies recorded 19,784 million pesetas of loans in force, this being a 52% increase over those of the previous year. After transferring 340 million pesetas to the provision for bad debts, the total profit amounted to 543 million pesetas; this has enabled these companies to pay out 100 million pesetas in dividend and transfer 277 million to capital reserves.

Corporación Mapfre's investment in insurance subsidiaries grew substantially in 1986, the capital of these subsidiaries being increased in proportion to their growth in operations: **Mapfre Vida** increased its capital from 800 to 2,500 million pesetas; **Mapfre Industrial** from 725 to 1,500 million pesetas; **Mapfre Caución** from 500 to 1,000 million pesetas and **Mapfre Inter-**

nacional, our international holding company, increased its capital from 50 to 250 million pesetas.

In addition, 92% of the shares of **Mapfre Finanzas** were acquired, and the capital of the Consumer Credit companies was increased; with this, **Corporación Mapfre's** investment in the financial sector rose from 532 million to 2,073 million pesetas.

EQUITY CAPITAL EVOLUTION

Three capital issues were carried out in the months of January, June and December of 1986 in the following ratios: one new share for each 10 old shares, one new share for each 50 old ones, and one new share for each 6 old ones. In all three cases, the new shares were issued at 600% of par value.

These capital increases permitted the company to augment its equity capital by 6,858 million pesetas, of which 5,723 million were directly allocated to reserves. The Company's equity at the end of the year totalled 12,866 million pesetas.

The company's shares experienced a very favourable evolution on the stock exchange in 1986, with their quoted value rising from 1,074% (last listing in 1985) to 2,000% at the end of 1986.

Company shares were traded on the Madrid Stock Exchange 202 days out of the year, which represents a frequency index of

83%, and the volume of transactions rose to 12,951 million pesetas.

RESULTS

1986 profits amounted to 906,286,764 pesetas, which, when joined to unappropriated profits brought forward, produce a liquid total of 920,400,625 pesetas.

By agreement of the Board of Directors, an interim dividend of 55 pesetas gross was advanced to share numbers 1 to 7,347,666; 50.40 pesetas gross to share numbers 7,347,667 to 8,082,433 and 27.50 pesetas gross to share numbers 8,082,434 to 8,244,082. The Board of Directors has proposed that a total dividend equivalent to 20% of the par value of the shares be paid out, which represents a supplementary gross dividend of 45, 41.27 and 22.50 pesetas, respectively, for each one of the above mentioned groups of shares.

The proposed distribution is the following:

- Corporation tax 27,678,485
- Dividend 810,205,141
- Donation to the Fundación Mapfre 9,673,500
- Balance brought forward 72,843,499

APPOINTMENTS AND TERM-ENDS

The Board of Directors elected Mr. Rafael Galarraga Solóres as its Vice-Chairman at its

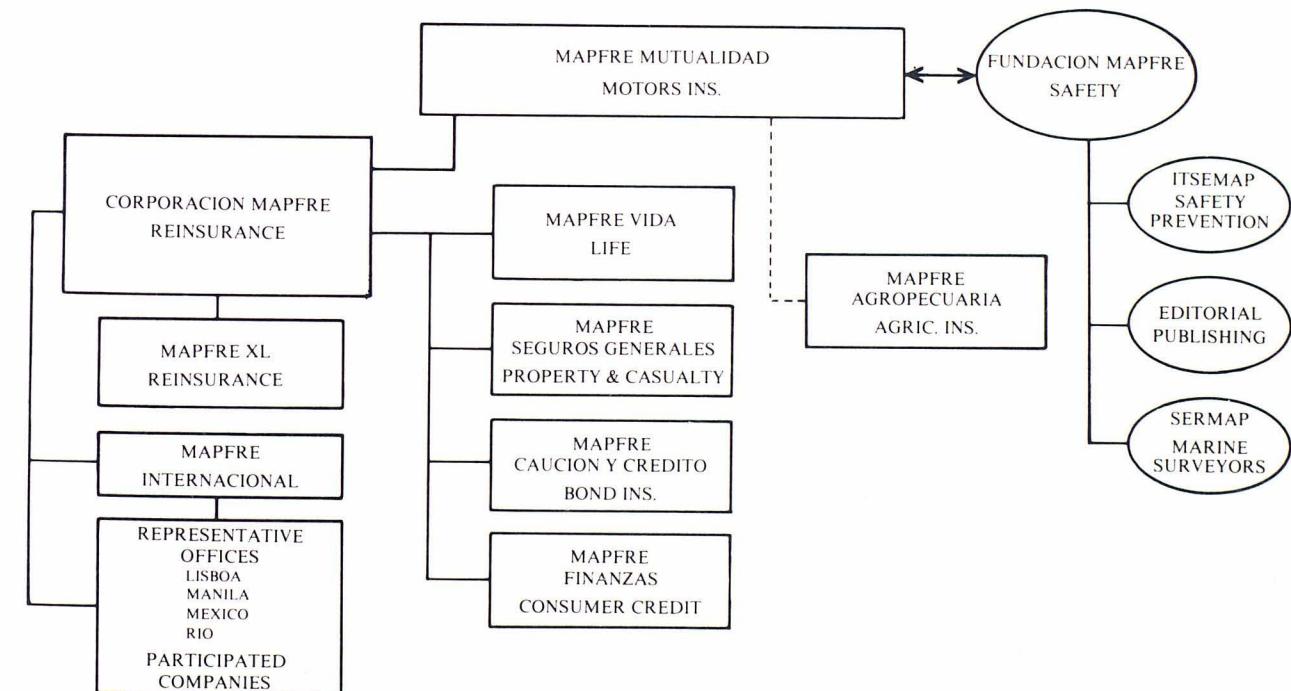
meeting held on February 19, 1987.

The terms for which Messrs. Gregorio Martín Rodríguez and Dewey P. Clark were elected

have drawn to an end, and the Board has proposed their reelection. Furthermore, it proposes the appointment of Messrs. Carlos Guilherme Ivens Ferraz de

Mesquita, José Manuel Martínez Martínez and Alberto Manzano Martos as new members of the board. ■

MAPFRE SYSTEM



Information on subsidiaries.

MAPFRE VIDA



In 1986, **Mapfre Vida** once again obtained very satisfactory results in all aspects.

Direct insurance premiums reached the figure of 17,241 million pesetas, which represents a 111% increase over the previous year. After excluding single payment premium operations, the increase totalled 32%. As is customary in this company, individual insurance continued to make up the main volume of operations, generating 93% of the total.

Financial yield rose to 4,665 million pesetas, which represents 29% of the year's collected premiums; this has enabled policyholders to obtain a 12.4% return on all insurances with participation in profits. The return on Pension Funds managed was 13.4%.

The year's profits totalled 725 million pesetas, of which 443 million were allocated to dividends. This profit was reached after having transferred 43.3 million pesetas to a provision for covering the entire actuarial cost accrued up to December 31, 1986 for the company's future

obligations with respect to compensation settlements and retirement supplementary benefits, both for retired staff and those currently employed.

In view of the company's operations growth and its prospects for future development, it was decided that two capital increases were called for, in April and December of 1986, in the amounts of 700 and 1,000 million pesetas, respectively. After these increases were carried out, the company's issued capital now totals 2,500 million pesetas, of which 2,000 million pesetas are paid up.

Three noteworthy real estate acquisition were carried out in 1986:

- The purchase of a building with 20,400 m² of offices and 12,200 m² of shopping centre space and 749 parking spaces, in the Centro Azca of Madrid. The total investment involved amounts to 5,734 million pesetas. The building is currently under construction and will be finished in November, 1987.
- The purchase of another offi-

ce building, also currently under construction, in the Avenida de Burgos of Madrid. It will have a surface of 13,402 m², will contain 228 parking spaces, and represents a total anticipated investment of 1,803 million pesetas. It is estimated that the building will be finished in December, 1987.

- The purchase of a building in the best area of Lisbon, in the Avenida de Liberdade. This 477 million pesetas investment made by **Mapfre Vida** constitutes the first real estate investment abroad.

The securities investment policy followed by the company continued along lines similar to those of previous years, obtaining satisfactory returns with maximum security and low investment percentages in stocks, dedicating the greatest volume of funds to fixed income securities.

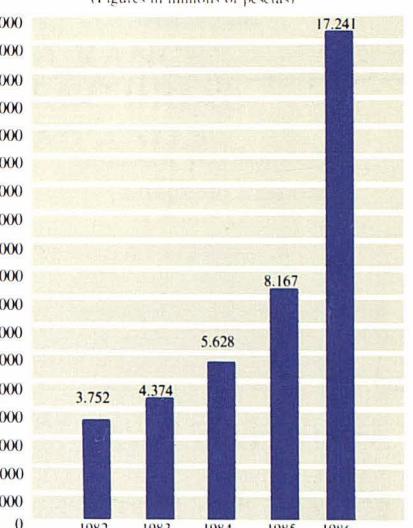
Continued structuring and reinforcing of the Pension Funds Department has been carried out and it now has a highly-specialized technical team employed. This will enable our company to participate actively in this sector beginning with the coming year, if as we expect, the Bill on Pensions Funds presently under parliamentary debate has come into force by that time.

A Medical Check-up Centre has been created in order to better serve our clients and, also to provide coverage for new risk policies introduced by the com-

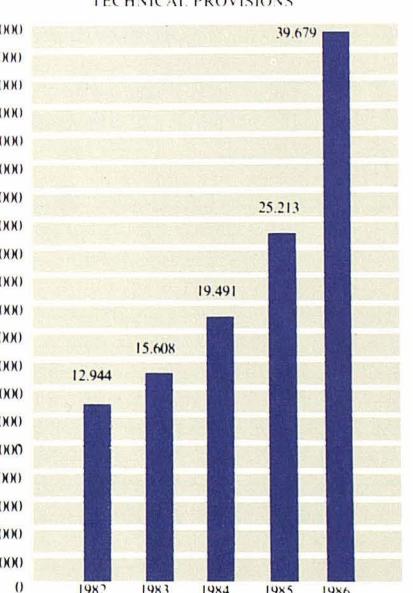
pany. This centre plays an important role in the practice of preventive medicine, which is on the upswing in the whole world. Its creation was made possible by the technical level reached in recent years by our Medical Service, which presented two papers at the International Congress on Life Insurance Medicine, held in Tokyo in October, 1986.

Negotiations are under way for the opening of a new General Agency in Portugal, a country which in our opinion offers excellent prospects for developing life insurance operations, by drawing on the experience of our company.

TOTAL AMOUNT OF PREMIUMS ISSUED
(Figures in millions of pesetas)



TECHNICAL PROVISIONS



BRANCHES	YEARS	PREMIUMS ISSUED		CLAIMS		
		AMOUNT	% INCREASE	NUMBER	VALUATION	% CLAIMS RATIO
Individual Life Insurance Periodical premiums	1982	3,062	1	220	448	15
	1983	3,460	13	193	461	13
	1984	4,169	20	248	450	11
	1985	5,728	37	283	479	8
	1986	7,779	36	293	597	8
Individual Life Insurance Single Payment premiums	1984	300	—	—	—	—
	1985	1,100	—	1	1	—
	1986	7,915	—	13	155	2
Group Life Insurance	1982	643	10	548	412	71
	1983	808	26	590	558	71
	1984	1,034	28	633	724	73
	1985	1,100	6	657	621	59
	1986	1,242	13	589	634	56
Individual accident	1982	47	2	35	16	32
	1983	104	121	40	24	37
	1984	123	18	52	54	58
	1985	187	52	126	142	84
	1986	197	5	102	98	64
Health	1983	2	—	2	—	29
	1984	2	—	6	—	25
	1985	52	—	62	6	44
	1986	108	108	163	14	35
General Total	1982	3,752	3	803	876	25
	1983	4,374	17	825	1,043	25
	1984	5,628	29	939	1,228	23
	1985	8,167	45	1,129	1,249	16
	1986	17,241	111	1,160	1,498	9

Figures in millions of pesetas.

Loss ratio figures as per individualized valuation by year of occurrence.

The loss ratio percentage in Group Life Insurance, Individual Accident and Health includes an adjustment due to an increase in provisions for current in force.

In accordance with the programme set down in Plan SM/85, 1986 witnessed the completion of the process authorizing the General Insurance regional companies. Their operations were also started up, although on a small scale, owing to the fact that the preparation of all the necessary administrative and accounting systems had not yet been concluded. Once said processes were finalized, activities have fully commenced during the month of March, 1987.

Each of the new companies increased their capital to 250 million pesetas, 50% paid up.

In their respective areas, these companies will gradually take on the business of **Mapfre Industrial**, which retains its national scope in order to operate in the Central zone and in those geographic areas where no territorial company exists.

In 1986, **Mapfre Industrial** once again showed very favourable results. Direct insurance issued (net premium plus additional charges) rose to 8,295 million pesetas, which represent a 26% increase over 1985. Growth recorded in the following sectors should be highlighted: Homeowner's Multi-Peril (41%), Comprehensive Insurances (37%) and General Third Party Liability (33%).

The loss ratio to earned premiums was 47%, 9 points lower than that of the previous year. Except for Hull all sectors showed favourable results.

Management costs represented 39.6% of the premiums issued, this coefficient being 2.2 points lower than that of the previous year, as a result of the separation of structures at the time the new territorial companies were established.

Regular financial yield totalled 436 million pesetas, which represent 5.3% of the premiums issued, as compared to 6.1% in 1985. To that figure we must add 79 million pesetas in net profits from conversions, originated to a large extent from the sale of securities.

Net investments carried out in 1986 rose to 219 million pesetas, basically in the area of fixed income securities. At December 31, 1986, the book value of the real estate and stock investments totalled 3,801 million pesetas.

On the whole, the company obtained a before-tax profit of 462 million pesetas, after having transferred 43 million pesetas to a provision for covering the entire actuarial cost of accrued reserve up to December 31, 1986 for future obligations with respect to compensation settlements and supplementary retirement benefits, both for retired staff and those currently employed.

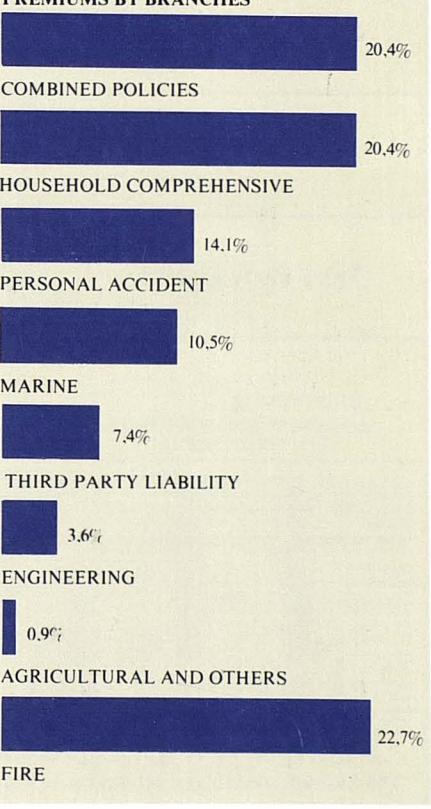
Coverage of provisions showed a surplus of 1,218 million pesetas and the solvency margin was more than three times what is required by law.

In view of the marked growth of the company and its prospects for future development, at the

MAPFRE INDUSTRIAL AND GENERAL INSURANCE TERRITORIAL COMPANIES



BREAKDOWN OF INSURANCE PREMIUMS BY BRANCHES



Extraordinary General Assembly held on November 26, 1986,

it was agreed to increase the company's capital to 1,500 million pesetas, of which 1,000 million pesetas are totally paid up. ■

BRANCHES	YEARS	PREMIUMS ISSUED			CLAIMS	
		AMOUNT	% INCREASE	NUMBER	VALUATION	% CLAIMS RATIO
Fire	1984	1,126	32	1,010	417	40
	1985	1,407	25	1,734	1,029	76
	1986	1,718	22	2,710	560	35
Multiperil Policy	1984	1,947	33	30,855	832	46
	1985	2,436	25	43,869	1,110	49
	1986	3,385	39	60,450	1,410	46
Individual accident	1984	861	12	5,471	501	61
	1985	970	13	5,074	545	59
	1986	1,169	20	4,468	499	45
Cargo	1984	371	12	1,078	195	53
	1985	435	17	996	171	40
	1986	529	22	1,387	214	42
Hull	1984	391	71	771	221	62
	1985	357	(9)	766	302	84
	1986	345	(3)	771	469	134
Third Party Liability	1984	387	27	3,341	148	41
	1985	461	19	4,140	200	46
	1986	614	33	5,049	245	43
Engineering	1984	188	31	383	87	49
	1985	234	24	497	97	44
	1986	303	29	530	98	34
Agricultural and other branches	1984	377	(32)	3,396	145	34
	1985	307	(9)	3,553	157	46
	1986	232	(24)	3,479	136	54
Total	1984	5,648	22	46,305	2,546	48
	1985	6,607	17	60,629	3,611	56
	1986	8,295	26	78,844	3,631	47

Figures in millions of pesetas.
Loss ratio figures as per individualized valuation by year of occurrence.
The loss ratio percentage includes an adjustment due to an increase in provisions for risk in force.

Up to the present, **Mapfre Caución y Crédito** has been carrying out its activities exclusively in Surety Insurance, this being an area in which it already has four years of experience, and the Mapfre Group more than ten years.

The volume of premiums issued in 1986 (767 million pesetas) was practically identical to that of the previous year, although in this period the company recorded a 9% increase in the total of amounts guaranteed. Including reinsurance, the total figure for accounted premiums amounted to 856 million pesetas. The relative stagnation in premiums is a reflection of the tough competition regarding rates which continues to affect the Surety market, in which this company competes with other specialized insurers, banks and saving banks.

Given this prevailing situation, **Mapfre Caución y Crédito** has chosen to follow a policy of cautious restraint by operating with the traditional type of bonds while excluding pure financial guarantees and, at the same time carrying out a strict selection of the classified clients. Among the types of risks covered, worthy of note are those bid and performance bonds, and supply bonds (65% of the insured capitals) and customs bonds (12%).

The company's net retention increased from 12.6% in the previous year to 22.2% of the premiums issued in 1986. ■

The loss ratio for the year, totalling 31% of the earned premiums, can be considered as satisfactory, although it does exceed the average of previous years. Management expenses and production costs represented 29.7% of the premiums issued. Financial income rose to 80 million pesetas, representing 9.4% of the premiums.

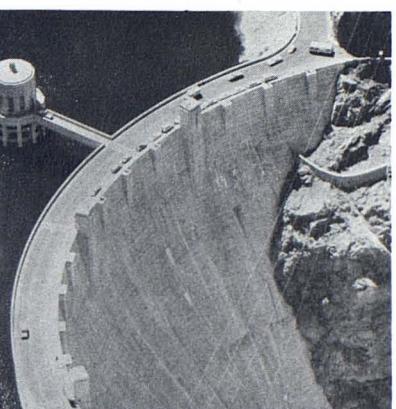
The before-tax profit totalled 101 million pesetas, after having transferred 14.7 million pesetas to a provision for covering the entire actuarial cost of the reserve accrued up to December 31, 1986 for future obligations with respect to compensation settlements and supplementary retirement benefits, both for retired staff and those currently employed.

During the year, the company's capital was increased to 1,000 million pesetas, with 50% being paid up.

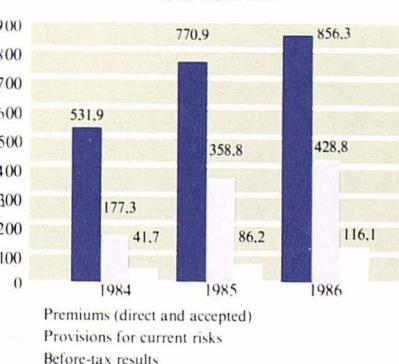
Improvement in the construction sector and important prospects for public investment in infrastructure in upcoming years gives reason to expect a growth in the volume of activity as well as good results, thanks to maintaining a strict selection of risks.

In 1986, a policy of international expansions through investments and reinsurance assumed in Bond branch was initiated, which should contribute to an increase in the business volume in future years. ■

MAPFRE CAUCIÓN Y CRÉDITO



PREMIUMS, TECHNICAL PROVISIONS AND RESULTS



COMPANY	YEAR	PREMIUMS ISSUED		CLAIMS (1)		
		Amount	% Increase	Number	Valuation	% Loss ratio earned premiums
Mapfre Industrial	1982	505	61	34	11	2
	1983	407	—	83	69	16
	1984	202	—	41	52	21
	1985	138	—	33	57	34
Mapfre Caución y Crédito	1983	215	—	—	—	—
	1984	532	147	9	513	120
Direct Insurance	1985	771	45	15	87	15
	1986	767	—	18	225	30
Assumed Reinsurance	1986	89	—	7	41	38
Total	1982	505	61	34	11	2
	1983	622	23	83	69	12
	1984	734	18	50	565	83
	1985	909	24	48	144	19
	1986	856	(6)	25	266	31

Figures in millions of pesetas.
(1) Updated individual valuation by year of occurrence, after having deducted the collected amounts. The loss ratio percentage includes an adjustment due to the increase in the provision for risks in force.

The execution of the plan of mergers of Consumer Credit Companies was completed in 1986; said companies are now integrated into one company of national scope and five companies of inter-provincial scope which thus cover the whole of the national territory.

In accordance with the policy of reinforcing their own resources, capital increases were carried out in all these companies, so that at the end of 1986 consolidated funds reached the figure of 2,206 million pesetas.

Satisfactory growth was obtained in the different numbers that are indicative of the activity, in spite of the difficulties posed by a market in which other firms, formerly absent from the Consumer Credit sector, have emerged with increasing force.

Current loans totalled 19,784 million pesetas at the end of 1986, representing a 52% increase over 1985. New production of the year amounts to 19,082 million pesetas, which represents a 55% increase over the previous year.

A total of 38,754 operations were carried out, this figure exceeding by 85% of those made in 1985. The figure is undoubtedly influenced by the introduction of the new product "Finhogar", dedicated to the small consumer's market.

Devolutions have been substantially reduced through the strict application of rigorous standards for selecting operations. This policy has also ena-

bled the companies to maintain a high percentage of recoveries, giving rise to a loss ratio which is greatly reduced with respect to earlier years.

Following along the lines of the previous year, funds have been transferred to complete the provision for bad debts (required by the Ministerial Order of June 3, 1985) without exceeding the five-year period granted by said regulation. Funds transferred to this provision in 1986 rose to 340 million pesetas.

The cost of external funds is subject to ongoing supervision, thus allowing for the ratio of financial costs to financial income in 1986 to decrease from 51.4% to 47.8%. It has also enabled us to continue reducing the rates we apply to our clients.

The combined net profit of the Consumer Credit companies, after making the necessary funds provisions and amortizations, totalled 543 million pesetas. This figure represents 24.6% of own resources, as compared to 19% in 1985, in spite of the capital increases carried out at the end of the year.

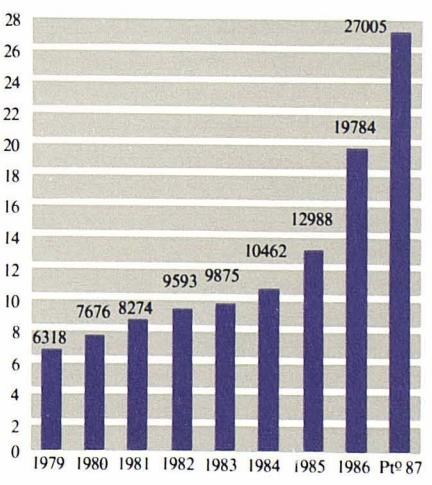
In 1986, the companies' staff was increased by ten employees, giving a total of 183 employees. This increase is due to the expansion of the territorial network, as part of the objective of bringing services closer to our clients.

As previewed in the 1985 Annual Report, four Consumer Credit Companies were connected to the **Mapfre System** tele-processing network in 1986, and

CONSUMER CREDIT COMPANIES "MAPFRE FINANZAS"



LOANS IN FORCE
From 1979 to 1986 and Budget for 1987
(in millions)



Information on the Mapfre System.

the connection was completed with the remaining companies in the first months of 1987. ■

Main Data of the Balance Sheet						
ITEMS	1984	1985	1986	% Variation		
				85/84	86/85	
Own Resources	1,348.1	1,366.8	2,206.2	1.4	61.4	
Current loans	10,461.7	12,985.6	19,783.9	24.1	52.4	
Production	9,668.0	12,338.6	19,082.1	27.6	54.7	
Number of operations (in thousands)	17.7	20.9	38.8	18.3	85.2	

Most significant ratios						
ITEMS	1984	1985	1986	% Variation		
				85/84	86/85	
% Financial costs/financial income	54.79	51.43	47.87	(6.1)	(6.9)	
% Dilatory debtors/current loans	6.07	3.30	1.01	(45.6)	(69.4)	
% Results/own resources	13.06	18.97	24.10	45.3	27.0	

Aggregated Profit and Loss Account								
ITEMS	1984	(1)	1985	(1)	1986 (2)	(1)	% Variation	
	Amount	%	Amount	%	Amount	%	85/84	86/85
Financial products	2,421.9	100.—	2,675.6	100.—	3,442.3	100.—	10.5	28.7
Other income	94.9	3.92	190.7	7.13	211.2	6.13	100.9	10.7
Financial costs	1,327.0	54.79	1,376.0	51.43	1,647.7	47.87	3.7	19.7
Commercial Cost	145.0	5.99	169.2	6.32	286.3	8.32	16.6	69.2
Personnel	398.6	16.46	430.8	16.10	566.9	16.47	8.1	31.6
Other expenses	185.2	7.65	256.1	9.57	259.1	7.53	38.3	1.2
Taxes	103.1	4.26	125.5	4.69	27.6	0.80	21.8	(78.0)
Amortizations	22.9	0.95	34.0	1.27	18.1	0.53	48.3	(46.7)
Provision for bad debts	165.6	6.84	223.5	8.35	340.4	9.89	35.0	52.3
Additional results	6.5	0.27	8.1	0.30	35.4	1.03	23.6	338.5
Profit	176.0	7.27	259.3	9.69	542.7	15.77	47.3	109.3

Figures in millions of pesetas.
(1) % to financial products.
(2) Adjusted to the report drawn up by ARTHUR YOUNG.

The "System" is made up by **Mapfre Mutualidad** and the Companies linked to it, which operate in three distinct sectors of activity: Insurance and Reinsurance, Financing and Prevention and Safety.

The basic sector is Insurance and Reinsurance, in which the following companies operate: **Mapfre Mutualidad**, specializing in motor insurance; **Corporación Mapfre**, an international reinsurance company; **Mapfre Industrial** and five territorial companies (Andalucía, Cataluña and the Balearic Islands, Northern Spain, Northeastern Spain and the Eastern region) which operate in the sector of property and casualty insurance; and **Mapfre Caución y Crédito**, specializing in surety insurance.

Two new companies joined the "System" in 1986: **Mapfre Agropecuaria** (formerly called Mutualidad General Agropecuaria), which by virtue of a collaboration agreement signed with **Mapfre Mutualidad** has now become the company specialized in agricultural and livestock insurance; and **Mapfre**

XL, Compañía Internacional de Reaseguros, created to underwrite non-proportional reinsurance.

The Financing sector, mainly for automobiles and consumer goods is covered by one national company (**Mapfre Finanzas**) and five companies of a multi-provincial scope (Andalucía, the Atlantic, the East, Navarra and the South). This structure is the result of the consolidation process of the provincial financing companies carried out in recent years and completed in 1986.

The Prevention and Safety Sector is basically represented by **Fundación Mapfre**, which develops its activities directly as well as through two subsidiaries: the Mapfre Technological Safety Institute (ITSEMAP), and Editorial Mapfre.

The 1986 consolidated income of the companies making up the "System" reached 70,000 million pesetas, with a 55% increase over 1985, and its before-tax consolidated profit totalled 4,148 million pesetas, as compared to 2,336 million pesetas in the previous year.



Consolidated own resources of the System's companies at the end of 1986 totalled 19,920 million pesetas, compared to 10,730 million pesetas in 1985. Total assets exceeded 117,500 million pesetas, of which 15,174 million correspond to cash and liquid assets, 24,652 million to real estate investment and 39,779 million to financial investments, items which have increased by 50%, 28% and 73% respectively.

At the end of 1986, the staff of the "System" number 2,323 managers and employees, as compared to 1,936 at the end of 1985.

INSURANCE COMPANIES

In 1986, the insurance companies of the "System" issued 50,232 million pesetas of direct insurance, this being a 60% increase over the previous year. In addition, were recorded assumed reinsurance premiums in the amount of 9,590 million pesetas, of which 4,955 million correspond to cessions among the companies of the "System" themselves.

Of the direct insurance premiums issued, Motor insurance accounts for 46.1% (23,184 million pesetas); Life insurance for 34.4% (17,264 million pesetas); Property for 16.8% (8,428 million pesetas); Surety insurance for 1.7% (832 million pesetas) and Agricultural insurance for 1% (524 million pesetas).

The following figures are cited as among the most important of these companies in 1986:

- Financial yield rose to 10,279 million pesetas, representing a 76% increase over 1985.
- Territorial network was expanded in 1986 with 191 new offices open to the public, thus giving rise to a total of 1,006 offices, as compared to 815 offices at the end of the previous year.
- At December 31, 1986, consolidated investments totalled 62,108 million pesetas, and their cash and liquid assets amounted to 14,500 million pesetas.
- Among the real estate investments carried out in 1986, the following acquisitions are pointed out as the most important:
 - 45,500 m² of land in Majadahonda for the purpose of building a new central office and computer centre for **Mapfre Mutualidad**.
 - 4,207 m² office building in Las Rozas in which part of the Central Services of **Mapfre Mutualidad** are temporarily located.
 - A building under construction in the Azca Commercial Centre in Madrid, purchased by **Mapfre Vida**, with 20,400 m² of offices, 12,200 m² of shopping centre and 749 parking spaces. The building is expected to be completed in late 1987.
 - A building at Avenida de Liberdade, 40 in Lisbon purchased by **Mapfre Vida** and covering 2,871 m² above ground level.
 - A building under construc-

tion at Avenida de Burgos, 12 in Madrid with 13,402 m² of offices and 228 parking spaces. This building was also purchased by **Mapfre Vida**.

- A plot of land in Barcelona covering the block formed by the streets General Mitre, Via Augusta and Ganduxer, suitable for the construction of a 21,700 m² office building and shopping centre. This land was purchased by **Corporación Mapfre**.

In addition, the forecasted rate of progress continues in the building of Mapfre's new headquarters for Catalonia, located on the Avenida Diagonal in Barcelona.

As part of the Computer Plan which was mentioned in the previous year, in 1986 the existing teleprocessing system was enlarged with more than 75 new installations. At the end of the year, the 123 structural offices which make up the basic territorial network were all equipped with teleprocessing, with a total of more than 600 direct terminals connected to the main computer for processing operations in real time.

The capacity of the main computers and minicomputers were also greatly increased in 1986 in order to improve and simplify operations in real time.

Execution of the Office Automation Plan has likewise continued, with more than 150 personal computers.

Within the policy of international expansion being develop-

ped through **Corporación Mapfre**, one should point out the formalization of participation in the Argentinian company Aconcagua, mentioned in the 1985 Annual Report, the acquisition of minority participation in the insurance companies Euroamérica of Chile (45%), and Maghrebia of Tunisia (5%), and the opening of Representative Offices in Manila (for reinsurance operations in Asia) and Lisbon which has been coordinated with several projects presently underway introducing different Mapfre companies in Portugal.

CONSUMER CREDIT COMPANIES

Current loans of these companies at December 31, 1986 totalled 19,784 million pesetas, this representing a 52% increase over 1985.

New production reached the figure of 19,082 million pesetas, which is a 55% increase over the previous year. A total of 38,754 operations were carried out, this figure exceeding that of the previous year by 85%.

The combined before-tax profit of these companies totalled 543 million pesetas, this being a 110% increase over the previous year. The figure also represents 24.6% of own resources, as compared to 19% in 1985. Independently of this profit, 340 million pesetas were transferred to the provision for bad debts, as required by the Ministerial Order

of June, 1985, without exceeding the period granted by said regulation.

Following the policy of financial reinforcement, the capital of all these companies was substantially increased during the year; at the end of 1986, they recorded consolidated own resources of 2,206 million pesetas, as compared to 1,367 million pesetas at the end of 1985.

SAFETY AND PREVENTION

In its tenth year of operation, **Fundación Mapfre** increasingly developed scientific and training activities, for which purpose it has set up a 52 million pesetas budget. Practically the entirety of these funds are dedicated to these services, with no administrative costs.

Following along the lines of previous years, **Fundación Mapfre** substantially enlarged its presence in Latin America and Portugal, by sponsoring a total of 13 Courses and Seminars in Argentina, Brazil, Colombia, Costa Rica, Chile, Mexico and Uruguay. Besides, it has drawn up several collaboration agreements with other institutions, including an important agreement reached with the Instituto Nacional de Seguridad e Higiene en el Trabajo (The National Institute for Occupational Health and Safety) in Spain.

ITSEMAP continues to gain consolidation as a highly specialized company in the field of

safety. In 1986, it organized 115 Courses and Seminars in which 2,596 specialists participated, and published 15 new Fire Technical Instructions, 19 training videos and 32 Technical Bulletins and Technical Reports.

DIRECT INSURANCE COMPANIES

I. Balance sheet figures

	1982	1983	1984	1985	1986
Capital and capital reserves	5,230	8,836	10,485	12,126	19,532
Cash and liquid assets	2,759	4,600	5,716	6,512	15,815
Securities and financial investments	13,856	17,697	21,215	25,606	36,187
Real estate investments	10,103	12,308	16,263	18,841	23,208
Receipts pending and agency balances	2,301	2,978	3,801	5,358	8,436
Furniture, installations and equipment	329	512	710	1,709	2,257
Technical provisions	21,893	27,699	34,621	43,662	65,349

II. Direct insurance results

	1982	1983	1984	1985	1986
Premiums issued	16,030	20,190	25,138	31,437	50,232
Premiums retained	12,507	15,611	22,016	27,711	43,604
Financial income	2,004	2,893	3,861	4,981	8,924
Claims and recoveries	7,127	8,928	11,515	14,231	18,745
Internal management expenses	3,383	4,360	5,436	6,901	9,349
Commission expenses	1,889	2,258	2,740	3,410	4,735

III. Direct insurance ratios (% to premiums)

	1982	1983	1984	1985	1986
Capital and reserves	33	44	42	39	39
Cash and investments	167	171	172	162	150
Internal management expenses	21	22	22	22	19
Commission expenses	12	11	11	11	9
Financial income	12	14	15	16	18
Receipts pending and agency balances	14	15	15	17	17
Technical provisions	137	137	138	139	130
Premiums retained	78	77	88	88	87

Figures in millions of pesetas.

IV. Personnel

Number of employees	Central Services	Territorial Offices	1982	1983	1984	1985	1986
			217	221	235	283	412
			900	983	1,113	1,308	1,611
Total	1,117	1,204	1,348	1,591	2,023		
Premiums per employee	14.4	17.1	19.0	20.2	24.8		

V. Distribution of premiums issued by operating sector

	1982		1983		1984		1985		1986	
	Mill.	%								
Motor	8,053	50.2	10,376	51.4	12,567	50.0	15,363	48.9	23,184	46.1
Property and Casualty	3,270	20.4	4,421	21.9	5,646	22.5	6,790	21.6	8,428	16.8
Life	3,718	23.2	4,282	21.2	5,518	21.1	7,947	25.3	17,264	34.4
Surety	526	3.3	622	3.1	733	2.9	909	2.9	832	1.7
Agricultural	463	2.9	489	2.4	674	2.7	428	1.3	524	1.0
Total	16,030	100	20,190	100	25,138	100	31,437	100	50,232	100

VI. Territorial data

Subcentral services	Issue						Personnel Number of employees	
	1982		1983		1984			
	Millions	%	Millions	%	Millions	%		
Western Andalucia	1,026	6.4	1,232	1,458	1,877	2,712	5.4	107
Eastern Andalucia	1,330	8.3	1,688	2,061	2,543	3,667	7.3	124
Asturias	657	4.1	795	955	1,226	1,859	3.7	67
Canary Islands	785	4.9	929	1,106	1,339	1,808	3.6	67
Castilla	689	4.3	852	1,056	1,349	2,210	4.4	78
Cataluña	2,340	14.6	2,897	3,645	4,530	7,534	15.0	282
Centre	4,088	25.5	5,257	6,687	7,991	13,010	25.9	337
Extremadura	224	1.4	269	327	456	753	1.5	36
Galicia	802	5.0	1,020	1,257	1,606	2,461	4.9	80
East	721	4.3	943	1,181	1,537	2,562	5.1	102
Northcentre	930	5.8	1,150	1,408	1,782	2,964	5.9	85
North	1,716	10.7	2,221	2,740	3,412	5,827	11.6	133
Southeast	722	4.5	937	1,257	1,789	2,865	5.7	113
Total	16,030	100	20,190	100	25,138	31,437	50,232	100

VII. Market share (*)

	% to total premiums					Order number				
	1982	1983	1984	1985	1986 (*)	1982	1983	1984	1985	1986 (*)
Motor (*)	5.8	6.5	6.7	8.4	9.9	2	2	2	1	1
Property and Casualty	3.1	3.5	3.9	4.1	4.9	5	4	4	4	4
Life	8.1	8.9	9.2	10.1	4.9	2	1	1	1	5
Surety	20.5	21.9	26.1	24.9	21.9	3	3	2	2	2
Agricultural	11.4	11.4	9.0	7.0	6.8	3	1	2	1	1
Total	4.2	4.8	5.2	5.8	5.6	2	2	1	1	3

(*) According to premium figures published by UNESPA (provisional estimate in 1986).

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Consolidated financial statements and auditors' report

VIII. Evolution of basic figures

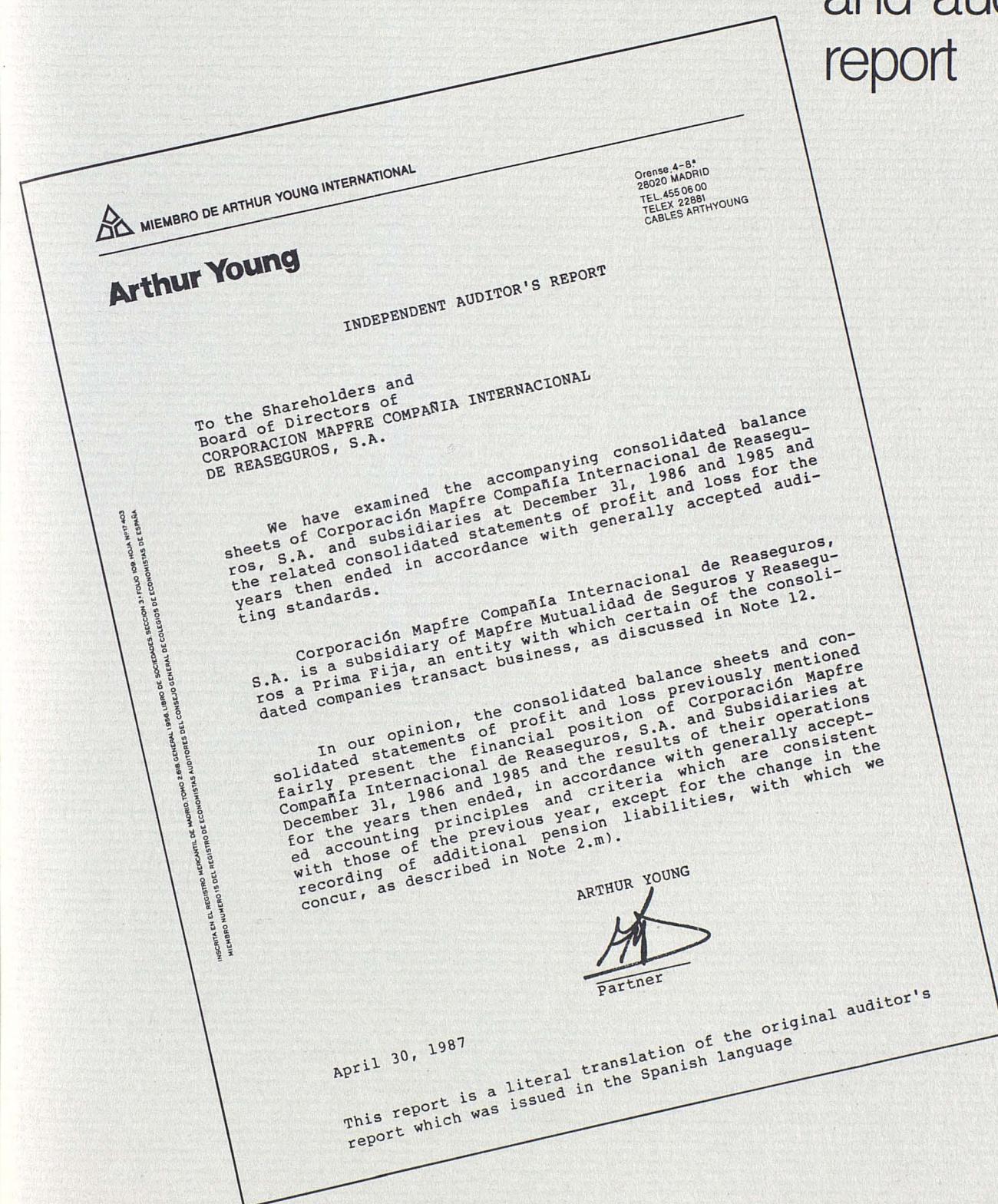
Years	ISSUE		CLAIMS		% Loss ratio	Market Share (%)	Employees
	Amount	% Increase	Number	Valuation			
1956	12	33	1,477	5	42	0.31	n. a.
1957	14	27	1,430	4	31	0.28	n. a.
1958	20	43	1,833	5	28	0.38	n. a.
1959	25	25	2,440	9	40	0.42	n. a.
1960	32	28	3,100	11	39	0.55	125
1961	44	37	4,200	22	59	0.59	133
1962	67	52	6,133	21	36	0.71	195
1963	95	42	9,324	40	48	0.87	198
1964	137	44	12,826	58	46	1.05	232
1965	216	58	17,268	86	46	1.21	309
1966	292	35	24,362	115	40	1.24	452
1967	363	24	28,377	182	53	1.35	409
1968	490	35	29,503	233	51	1.61	454
1969	658	34	45,556	334	54	1.85	521
1970	733	11	53,938	434	63	1.78	561
1971	977	33	71,338	580	63	1.83	634
1972	1,271	30	84,761	706	59	2.25	717
1973	1,673	32	88,971	882	54	2.46	776
1974	2,149	28	90,240	926	45	2.62	822
1975	2,957	38	106,357	1,229	44	2.95	894
1976	3,922	33	123,800	1,614	43	3.29	905
1977	5,235	33	135,632	2,237	46	3.42	896
1978	7,006	34	152,018	2,821	42	3.56	904
1979	8,928	27	172,274	4,273	51	3.77	926
1980	11,198	25	175,610	5,331	52	3.85	987
1981	14,192	27	174,268	6,044	44	4.22	1,045
1982	16,030	13	180,720	7,161	47	4.23	1,117
1983	20,190	26	212,446	9,546	51	4.75	1,204
1984	25,138	26	265,223	12,800	54	5.17	1,348
1985	31,437	25	313,456	14,924	50	5.84	1,591
1986	50,232	60	423,907	20,340	44	5.64 (*)	2,023

Figures in millions of pesetas.

Loss ratio figures as per individualized valuation by year of occurrence.

The loss ratio percentage includes an adjustment due to increase in provisions for risk in force.

(*) 1986 figures are influenced by the high volume of single payment premium life insurance which was underwritten with an exceptional character in said year by some companies. If we exclude this insurance, MAPFRE shares are 8.52% in Life Insurance and 6.48% in all branches; the order number is 1 both for Life insurance and in the rest of the branches.



**CORPORACION MAPFRE
COMPAÑIA INTERNACIONAL
DE REASEGUROS, S.A.
AND SUBSIDIARIES**

**Consolidated Statements of Profit
and Loss for 1986 and 1985
(Note 2)**

(Expressed in millions of pesetas)

	1986	1985
Premiums acquired by insurance entities (Note 10)	25,002.3	14,306.2
Technical expenses (Note 11)	(20,865.6)	(11,219.9)
Commissions and other net operating expenses	(7,771.8)	(5,748.2)
Income applied to mathematical provisions and policyholders' participation in the return on these investments	3,380.4	2,217.2
Technical loss	(254.7)	(444.7)
Net financial income	4,918.6	3,420.5
Income applied to mathematical provisions and policyholders' participation in the return on these investments	(3,380.4)	(2,217.2)
Pension Plan provision (Note 2.m)	(125.0)	—
Insurance entities' profit	1,158.5	758.6
Income of the financial entities	3,784.2	1,865.1
Interest expenses	(1,595.7)	(774.7)
Other operating expenses	(1,501.0)	(759.1)
Financial entities' profit	687.5	331.3
Income before income tax	1,846.0	1,089.9
Income tax (Note 13)	(265.5)	(83.5)
Net income	1,580.5	1,006.4
Minority shareholders' participation in the profits of the subsidiaries	(82.5)	(97.9)
Net income, less minority shareholders' participation (Note 1.n)	1,498.0	908.5

The attached notes 1 to 14 form an integral part of these consolidated statements of profit and loss.

**Notes to the Consolidated Balance Sheets
and Consolidated Statements of Profit and Loss
at December 31, 1986 and 1985**

Note 1

**NATURE AND BUSINESS
OF THE COMPANY**

CORPORACION MAPFRE Compañía Internacional de Reaseguros, S.A. (the Company) is an affiliate of MAPFRE MUTUALIDAD de Seguros y Reaseguros a Prima Fija (MAPFRE MUTUALIDAD), the parent Company to the

MAPFRE Insurance Group. On its own, the Company has controlling interest in other companies of the Group, which are those which have been included in the accompanying consolidated accounting statements (see Note 2).

Note 2

**BASIS OF CONSOLIDATION
AND ACCOUNTING PRINCIPLES
AND CRITERIA USED**

Basis of consolidation

The accompanying consolidated balance sheets and the consolidated statements of profit and loss have been prepared from the accounting records of the Company and of its consolidated subsidiaries, with the necessary adjustments and reclassifications for an appropriate presentation.

The consolidation includes all the subsidiary companies in Spain in which the Company participates directly or indirectly in more than 50%, which are dedicated to insurance, financial and investment activities, which are disclosed in the detail schedule accompanying these notes.

All significant balances and transactions among consolidated entities have been eliminated in consolidation. The interests of third parties in the equity and in the net income of the consolidated entities are included in the consolidated balance sheets and statements of profit and loss as minority shareholders.

Accounting principles and criteria

The consolidated balance sheets and consolidated statements of profit and loss are presented in accordance with the accounting principles and criteria established by current legislation in Spain and with the specific standards which regulate the insurance activity, following, in general, the accrual basis of accounting.

a) Securities portfolio

Public funds and fixed interest securities are presented at their purchase price or at the last quoted price if lower, the limit in both cases being their par value.

The consolidated insurance entities and the Company have availed themselves of the revaluation permitted by the Budget Law 9/1983 of July 19, and detailed in Decree 382/1984 of February 22 (Note 4). Consequently, stocks included in the portfolios of said entities are shown valued in the following manner:

- Quoted shares are presented at their purchase price or the revalued amount, where applicable, without exceeding in either case, the final market quotation at the close of the period.
- Non-quoted shares are presented at their purchase price or the revalued amount, without exceeding in either case the net equity amount obtained from the latest balance sheet available from the issuing entities.

In order to cover the losses generated from the previously mentioned valuation criteria, a provision is made at the end of each period. At December 31, 1986 and 1985, the provisions charged were 299 and 85 million pesetas, respectively, and are presented as a deduction from the balances shown in the caption "Securities" in the consolidated balance sheets.

b) Real estate investments

Property is valued at its purchase price, and was revalued in accordance with the Budget Laws of 1979, 1981 and 1983 (Note 3). The purchase price includes those expenses and taxes related to the purchase and incorporates work and improvements made for its use.

Depreciation is calculated on the straight-line method based on the estimated useful lives and in accordance with applicable legislation in force. The annual depreciation

rate applied is to each investment 2% over its total value less the estimated value of the land.

Depreciation charged to 1986 and 1985 income was 170 and 168 million pesetas, respectively.

c) Fixed assets

Installations, furniture and fixtures and data processing equipment are valued at their purchase price and are presented in the consolidated balance sheets net of the accumulated depreciation. Depreciation is calculated on the straight-line method based on the estimated useful lives of the different assets. The annual depreciation rates were:

Installations 6%
Furniture 10 to 15%
Fixtures and data processing equipment 15 to 20%

Depreciation charged in 1986 and 1985 was 162 and 74 million pesetas, respectively.

d) Deferred expenses

Deferred expenses, which basically correspond to start-up expenses, capital increases and portfolio acquisitions, are presented at cost, less accumulated amortizations. Their amortization period is 10 years. Amortization charged in 1986 and 1985 amounted to 25 and 42 million pesetas, respectively.

e) Life insurance acquisition expenses

Commissions and expenses related to the production of new life insurance policies are charged as expenses in the period in which they are incurred.

f) Technical provisions

• Direct insurance

Provisions for outstanding claims represent the estimated valuations of the claims which are pending settlement or payment at the close of the period, less payments made on account. In addition, they also include a provision to cover accidents occurred and not yet reported as of the close of the period. In the evaluation of claims which entail a long duration, possible changes have been taken into account, in accordance with the experience of the Company.

Provisions for unearned premiums were calculated in accordance with the technical bulletins authorized by the "Dirección General de Seguros".

Mathematical provisions for life insurance were calculated policy by policy, based on the technical bulletins approved by the "Dirección General de Seguros" for each type. The mortality rate tables used are the usual ones of the sector, and the rate of technical interest applied varied between 3.5% and 6%, depending on the type of insurance.

• Ceded reinsurance

On the asset side of the balance sheets, technical provisions for cessions to reinsurers are presented using, as a basis of calculation, the same criteria as for direct insurance, based on the premiums ceded and in accordance with reinsurance contracts.

g) Accepted and ceded reinsurance

The accepted reinsurance operations are recorded based on the accounts received from the companies underwriting said reinsurance.

Provisions for unearned premiums are calculated using the accrual basis of the premiums reported at the end of the period by the ceding companies, based on the different acceptance contracts in force.

Provisions for claims of accepted reinsurance include not only those claims reported by the ceding companies but also a provision to cover accidents which have occurred but were not yet reported at the close of the period.

Ceded reinsurance operations are determined under the same criteria as those of accepted reinsurance.

h) Policyholders' participation in the return on investment affected by the mathematical provisions

Those life insurance policies written by MAPFRE VIDA, S.A. with revaluation clauses, in force at the end of each period, participate, in proportion to their mathematical provisions, in 90% of the net return obtained from the investments which are subject to the coverage of said provisions. The sum of this participation is recorded in the "Policyholders' revaluation fund" until it is incorporated into the mathematical provisions. In 1986 and 1985 the provisions to the Fund for returns on investments were 2,058 and 1,411 million pesetas, and the transfers to mathematical provisions amounted to 1,860 and 1,256 million pesetas, respectively.

The future rights of policyholders to participate in legal revaluations carried out by MAPFRE VIDA, S.A. (see Note 14) are accrued based on the remaining useful lives of the revalued properties.

i) Partial premiums for direct insurance

Premiums with partial payments are annualized, with the unpaid premiums at the end of the period recorded as issued premiums. Annualized premiums are also used as a basis for the calculations for determining provisions for unearned premiums, mathematical provisions and cessions to reinsurance.

j) Provisions for unpaid premiums and surcharges

To cover the potential cancellation of unpaid premiums and surcharges for the various types of life insurance, the consolidated insurance entities, at the end of each year, make a corresponding provision based on their experience over the preceding three years. The provisions so created

are net of the amount for the Technical provision for unearned premiums which correspond to the estimated unpaid premiums and surcharges that will be cancelled.

At December 31, 1986 and 1985, the provision created for this concept amounted to 302 and 214 million pesetas, respectively. They are included in the consolidated balance sheets, deducted from the amounts shown in the account "Amounts due from policyholders and agents".

k) Transactions and balances in foreign currency

Transactions and balances in foreign currencies related to reinsurance operations have been converted to pesetas using the official exchange rates in force at the end of the period, with the corresponding adjustments being debited or credited to income.

In total, the effect of the differences in exchange rates in 1986 and 1985 resulted in a debit of 195 and 77 million pesetas, respectively.

l) Accrual of income and expenses for financial operations

The consolidated financial entities accrue the income earned from financing contracts and write-off the discount expenses throughout the period from the date that the contracts were issued up to the maturity date of the related notes.

m) Pension plan

In accordance with the Collective Labor Agreement for the companies of the MAPFRE Insurance Group and with those contracts signed by personnel excluded from the Agreement, certain determined obligations exist as complements to the pensions that will be received by the retirees from Social Security. In addition, if the employees request retirement in the month in which they reach 65 years of age, they will receive a one-time payment equal to one month's salary for every five years of service up to a maximum of ten months' salary, which is reached upon attaining thirty years of service.

In 1986, in basis of an actuarial study, the Company and its consolidated insurance entities have charged results with 125 million pesetas, which represents the entire amount of the accrued liability for these concepts at the end of 1986.

n) Contribution to FUNDACION MAPFRE

Certain of the consolidated entities make contributions to finance the scientific and educational activities of FUNDACION MAPFRE. These contributions, which are done by distributions of net income, approximated 37 million pesetas in 1985 and the proposed distribution of the 1986 net income includes contributions of 49 million pesetas.

Note 3

REAL ESTATE INVESTMENTS

At December 31, 1986 and 1985, the net value of the investment in real estate of the consolidated entities is as follows:

	Millions of pesetas			
	1986	1985	1986	1985
Revalued cost	Accumulated depreciation	Net book value	Net book value	
Insurance entities	14,030.1	(763.8)	13,266.3	10,267.8
Other entities	72.6	(10.8)	61.8	60.8
	14,102.7	(774.6)	13,328.1	10,328.6

The cost of the property and its accumulated depreciation have been revalued in accordance with the Budget Laws 1/1979 of July 19, 74/1980 of December 29 and 9/1983 of July 13. The amount of said revaluations increased the net value of the property by approximately 2,400 million pesetas.

The affiliate MAPFRE VIDA, S.A. has contractual agreements relating to certain real estate investments in progress which will be finalized in the proximate years. The amount of these agreements, which have not been included in real estate investments, was 6,385 million pesetas at December 31, 1986.

Note 7 RESERVES AND ACCUMULATED PROFITS

At December 31, 1986 and 1985, the composition of this caption in the consolidated balance sheets is as follows:

	Millions of pesetas	
	1986	1985
Reserves:		
Share premium	3,068.0	827.0
Legal	961.8	79.2
Free	2,599.4	—
Differences due to the revaluation of assets - Budget Law of 1983	961.5	998.3
Accumulated consolidation results	1,317.9	1,081.5
	8,908.6	2,986.0

The movements in the reserves during 1986 were as follows:

	Millions of pesetas		
	Share premium reserve	Legal reserve	Free reserve
Balance at December 31, 1985	827.0	79.2	—
Distribution of 1985 income	—	47.0	—
Application of share premium during 1986 (Note 6)	2,241.0	835.6	2,599.4
Balance at December 31, 1986	3,068.0	961.8	2,599.4

The Legal reserve, created as required by Article 106 of The Corporate Law, is not distributable, except in case of liquidation, but may be used to compensate losses.

Corporación Mapfre Compañía Internacional de Reaseguros, S.A. and certain of the consolidated companies have revalued their assets under the Budget Law of 1983. The balances resulting from this revaluation enjoy fiscal consideration as reserve funds, and are not subject to the payment of the corporation tax, unless they are distributed or made available in a non-

authorized manner. After they are reviewed and accepted by tax inspection, they may be used for capital increases of the corporation, for compensating accumulated losses or losses which may occur in the future, or transferred to non-distributable reserves, once the capitalization period has elapsed, in the part pending application. The period prescribed by the Budget Law of 1983 for reviewing the revaluation accounts ended in December 1986.

Note 8 TECHNICAL PROVISIONS

The following is the detail at December 31, 1986 and 1985 of the technical provisions for direct insurance and accepted reinsurance made by the consolidated insurance entities:

	Millions of pesetas			
	1986		1985	
	Direct Insurance	Accepted Reinsurance	Total	Total
Mathematical provisions	37,212.1	41.8	37,253.9	23,336.0
Provisions for unearned premiums	3,078.3	2,136.3	5,214.6	4,040.1
Provisions for outstanding claims (including policyholders' fund for participation in the return on investment)	5,105.8	2,315.5	7,421.3	6,252.0
Other provisions	57.3	—	57.3	37.7
	45,453.5	4,493.6	49,947.1	33,665.8

The consolidated balance sheet includes, within the caption of investments, accepted reinsurance deposits which are determined in relation to the technical provisions for accepted reinsurance.

Technical provisions for ceded reinsurance have the following breakdown:

	Millions of pesetas	
	1986	1985
Mathematical provisions	5,456.4	5,313.7
Provisions for unearned premiums	1,301.4	1,198.7
Provisions for outstanding claims	1,965.2	1,807.5
	8,723.0	8,319.9

The liability side of the consolidated balance sheets includes deposits made to the ceding companies for these technical provisions.

Note 9 LOANS RECEIVED BY THE FINANCIAL ENTITIES

These loans were obtained from banking entities and individuals, with interest rates which fluctuate between 11% and 15.5% annually (12% and 16% annually in 1985).

The loans with banking entities have due dates not exceeding 12 months. Those loans obtained from private individuals are of an indefinite duration, each of the parties being entitled to

cancel them at the end of any twelve-month period, with 30 days' advance notice. The Company promissory notes do not have due dates of more than one year.

A portion of the loans received from banking entities are guaranteed by notes receivable (Note 5).

Note 10 NET PREMIUMS ACQUIRED BY THE INSURANCE ENTITIES

The premiums acquired have been determined by adding up the premiums and surcharges of direct insurance, net of cancellations, and the reinsurance-accepted premiums, and then deducting the premiums ceded to the reinsurers. These amounts have been corrected by variations in the provisions

for unearned premiums and for the cancellation of pending premiums constituted at the opening and closing of the 1986 and 1985 accounting periods. The detail of this caption follows:

	Millions of pesetas				
	1986			1985	
	Direct Insurance	Accepted Reinsurance	Ceded Reinsurance	Net Amount	Net amount
Premiums and surcharges, net of cancellations	26,304.8	4,789.0	(4,932.6)	26,161.2	14,959.6
Variation in provision for unearned premiums	(615.0)	(529.0)	72.0	(1,072.0)	(606.6)
Variation in provision for cancellation of pending premiums	(86.9)	—	—	(86.9)	(46.8)
	25,602.9	4,260.0	(4,860.6)	25,002.3	14,306.2

Note 11 TECHNICAL EXPENSES

Technical expenses include, in addition to those related to claims, the variations in the mathematical provisions. These were determined by accumulating those expenses correspon-

ding to the direct insurance and accepted reinsurance, and then deducting from that amount those expenses related to ceded reinsurance. The detail of this caption follows:

	Millions of pesetas				
	1986			1985	
	Direct Insurance	Accepted Reinsurance	Ceded Reinsurance	Net Amount	Net Amount
Claims paid	6,037.3	2,075.3	(2,057.6)	6,055.0	5,335.9
Variations in provision for outstanding claims	1,034.9	27.5	(50.8)	1,011.6	674.8
Variation in mathematical provisions	13,904.8	13.1	(142.7)	13,775.2	5,189.6
Variation in other provisions	23.8	—	—	23.8	19.6
	21,000.8	2,115.9	(2,251.1)	20,865.6	11,219.9

Note 12 TRANSACTIONS AND BALANCES WITH MAPFRE MUTUALIDAD

At December 31, 1986 and 1985, the Company and certain of its affiliates had balances with MAPFRE MUTUALIDAD for the following reasons and amounts:

- Reinsurance business:
 - Current account
 - Deposit account
- Promissory notes issued by the financing entities

	Millions of pesetas	
	1986	1985
Current account	(25.4)	(61.1)
Deposit account	(33.3)	20.9
Promissory notes issued by the financing entities	278.1	—

In addition, the following significant transactions occurred for these years:

	Millions of pesetas	
	1986	1985
— Ceded reinsurance:		
Ceded premiums	(168.8)	(134.1)
Reimbursed claims	42.4	92.2
Cession commissions	23.3	24.9
— Accepted reinsurance (catastrophe coverage):		
Accepted premiums	38.7	8.0
Reimbursed claims	(50.0)	(200.0)
— Agreement of participation in common expenses	271.6	285.9
— Rents collected	(137.1)	(177.1)
— Dividends paid by:		
CORPORACION MAPFRE Compañía Internacional de Reaseguros, S.A	371.5	275.1
MAPINCO Sociedad de Inversión Mobiliaria, S.A.	—	43.9
MAPFRIDA, S.A. de Inversión Mobiliaria	—	10.0
— Interest on current accounts	(8.2)	(19.9)

Note 13 TAX SITUATION

The consolidated affiliates file separate returns for those taxes to which they are subject.

The Company has availed itself of the possibility of filing consolidated corporation income tax returns since 1985 with those affiliates which meet the legal requirements established for this purpose. In addition, in accordance with the terms of the Corporate Income Tax Law relating to tax transparency, the taxable income of those consolidated affiliates which comply with those terms are included in the consolidated taxable income.

The consolidated statements include the provision for income tax for 1986 and 1985. In determining this provision, the deduction for investments and double taxation have been considered and, in 1985, the use of previous year's tax loss carryforwards.

Additionally, in 1985, MAPFRE VIDA, S.A. and MAPFRE INDUSTRIAL, S.A. reduced their taxable income by 275

million pesetas for their investment in data processing equipment made between May 9 and December 31, 1985 by having taken advantage of the freedom of depreciation allowed under Royal Decree-Law 2/1985 of April 30. At December 31, 1986, the deferred tax for this freedom of depreciation is 78 million pesetas, after deducting 18 million pesetas for its effect on the 1986 income tax provision for the depreciation corresponding to this year.

The taxes to which the Company and its consolidated entities are subject are open to inspection by the tax authorities with respect to years 1981 through 1986 inclusive, except MAPFRE VIDA, S.A. whose returns have been inspected through 1983.

In the opinion of the tax consultants of the Group, any tax liabilities which could arise that would significantly affect the consolidated financial positions at December 31, 1986 and 1985 are remote.

Note 14

**COMMITMENTS WITH
POLICYHOLDERS**

By virtue of the participation of the life insurance policyholders in the return on investment of their mathematical provisions, when transferring property of MAPFRE VIDA, S.A., which has been revalued in accordance with the 1979, 1981 and 1983 Budget Laws, 90% of the difference between the purchase values and the revalued amount will be attributed to said policies, in the period in which the transfer of property takes place. At December 31, 1986 and 1985, the future right of these policies to said revaluations is estimated to be 1,251.5 and 1,241.8 million pesetas respectively, of which approximately 20 million pesetas of the revaluation of these rights have been charged against the consolidated profits (see Note 2.h).

**Corporación Mapfre Compañía Internacional
de Reaseguros**

FINANCIAL OWNERSHIP

ENTITIES	CAPITAL AT 31.12.86		% PARTICIPATION (1)	
	Subscribed	Paid in	1985	1986
SPANISH INSURANCE ENTITIES				
Mapfre Vida, S.A.	2,500	2,000	97.8	97.4
Mapfre Industrial, S.A.	1,500	1,000	98.2	97.2
Mapfre Caución y Crédito, S.A.	1,000	500	100.0	96.5
Mapfre Andalucía, S.A.	250	125	98.2	94.0
Mapfre Cataluña y Baleares, S.A.	250	125	98.2	97.2
Mapfre Levante, S.A.	250	125	98.2	96.4
Mapfre Noroeste, S.A.	250	125	98.2	96.0
Mapfre Norte, S.A.	250	125	98.2	95.6
Mapfre XL, S.A.	1,000	500	—	100.0
FOREIGN INSURANCE ENTITIES (*)				
Euroamérica Cía. Seguros Generales (Chile)	312	312 (2)	—	45.0
Companhia Seguros de Macau (Macao)	10	10 (3)	4.0	4.0
Maghrebia, S.A. (Túnez)	2	2 (4)	—	5.0
Seguros Caribe, S.A. (Colombia)	100	84 (5)	23.4	24.5
Reaseguradora Nuevo Mundo (Panamá)	5	3 (6)	2.0	2.5
Aconcagua Cía de Seguros, S.A. (Argentina)	1	1 (7)	—	49.0
Scor. Re Asia (Hong Kong)	8	8 (6)	—	1.0
FINANCIAL ENTITIES				
Mapfre Finanzas, Entidad de Finanzas, S.A.	600	600	—	91.7
Mapfre Finanzas del Sur, S.A.	119	119	69.7	93.3
Mapfre Finanzas de Navarra, Aragón y Rioja, S.A.	106	106	67.0	76.4
Mapfre Finanzas del Atlántico, S.A.	135	135	70.4	95.7
Mapfre Finanzas de Andalucía, S.A.	150	150	95.4	96.7
Mapfre Finanzas de Levante, S.A.	300	300	89.6	94.8
Mapfre Finanzas Servicios, S.A.	5	5	100.0	100.0
Salmantina de Crédito, S.A.	25	25	100.0	100.0
INVESTMENT COMPANIES				
Mapfrida, S.A. de Inversiones Mobiliarias	—	—	68.2	—
Mapinco, Sociedad de Inversión Mobiliaria, S.A.	—	—	70.9	—
Mapfre Pensiones, Sociedad de Inversión Mobiliaria, S.A.	320	320	70.9	81.2
Mapfre Internacional, S.A.	250	250	97.5	99.5
Mapfre Inmuebles, S.A.	400	400	38.5	43.8
Servicios Financieros Mapfre, S.A.	150	150	72.7	97.4
Gesmapfre, S.A.	65	65	—	97.4
Promotora Carima, S.A. (Colombia) (*)	37.5	37.5 (5)	70.0	70.0
OTHERS (*)				
Mapfre Servicios de Informática, S.A.	50	50	9.8	9.7
Mapfre Servicios de Caución, S.A.	5	5	98.2	96.5
Mapfre Servicios de Reaseguro, S.A.	10	5	100.0	100.0
Edicoes Mapfre do Brasil, S.A.	1.4	1.4 (8)	—	100.0
Instituto Tecnológico de Seguridad Mapfre	400	400	—	6.1
Mapfre Servicios Marítimos (SERMAP)	25	25	—	6.1

Data in millions of pesetas.

(*) Not included in consolidation.

(1) Direct or indirect ownership.

(2) Chile pesos.

(3) Patacas.

(4) Tunisian dinars.

(5) Colombian pesos.

(6) USA dollars.

(7) Austral.

(8) Cruzados.

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