

**FUNDACIÓN MAPFRE**

# The Spanish Insurance Market in 2011

July 2012

**Instituto de  
Ciencias del Seguro**



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# 1. Summary

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## 1. SUMMARY

In 2011, the **world economic context** was marked by the sovereign debt crisis in the euro zone, the deleveraging of the banking sector because of greater solvency-level requirements and the needs for fiscal consolidation in developed economies, which were offset by the strength of emerging economies.

Although Spain tended to stand apart from the countries most affected by market tensions, and although it saw a change of government through elections, it could not dodge market pressure stemming from reduced economic growth expectations and doubts about whether it could achieve deficit-reduction goals. The **Spanish economy** ended 2011 with GDP growth of 0.7%, although with a downward trend in the second half of the year and a fall of 0.3% in the fourth quarter.

Premium volume in the **world insurance market** rose to \$4.6 trillion (3.3 trillion euros) in 2011, with a nominal rise of 6% compared to the previous year. This stemmed to a large extent from the appreciation of major currencies against the U.S. dollar. But in real terms, direct premiums fell by 0.8%. Life insurance was the main cause, as its premiums fell by 2.7%, despite rises in the markets of some wealthy countries. On the other hand, the **rise in rates** in Non-Life branches boosted this sector, which ended the year a 1.9 increase in premium volume.

The year 2011 had the second-highest number of **natural disasters** since 1970, claiming nearly 35,000 lives and causing economic losses in excess of \$370,000 million. For the insurance industry, expenses were more than \$116,000 million. Most insured damage took place in the earthquakes in Japan and New Zealand, flooding in Thailand and a series of major tornadoes in the United States.

In Spain, one should note the earthquake measuring 5.1 on the Richter scale that struck in May, affecting mainly the town of Lorca in the Murcia region. This natural disaster alone involved claims costs of 432.6 million euros and the processing of nearly 31,000 case files. .

The **Spanish insurance market** posted direct premium volume of 60,592 million euros in 2011, a rise of 4.1% from the previous year. If one adds to this production at **Mutual Provident Societies**, which was 2,630 million euros, total volume in the sector was 63,222 million euros, an increase of 5.2% from 2010.

The main cause of the growth was **Life** insurance, where production rose 9.4% (compared to -8.4% in 2010) and premium volume totaled 28,869 million euros. Also contributing to this good result was an 11.3 drop in surrenders compared to 2010. Therefore, the volume of technical provisions rose 4.9% to 153,860 million euros.

Taken together, Savings/Retirement, unlike what happened the previous year, posted a strong rise of 11.8% in premiums. The products that did best were Insured Pension Plans (known as PPA's in Spanish), thanks to the lure of guaranteed yields, and Annuity Insurance. But insurance limited exclusively to coverage of death fell 4.5%, as a result of the major drop in the real estate market and the smaller number of home purchases.

The current situation of volatility in the financial markets has triggered a change in the risk level of people taking part in **Pension Plans**. As far as individual system pension plans are concerned, a greater wariness of risk caused participants in 2011 to seek out or transfer

their savings to guaranteed-yield products. These were the only ones that posted a gain (18.4%).

**Non-life** insurance experienced a slight decline of 0.3 percent in premiums to 31,724 million euros. For yet another year, slower industrial activity as a result of the economic crisis, a fall in demand and stiff competition in most lines of insurance made a negative contribution to this result. As was the case in 2010, Multi-Peril, Health and Burial insurance managed to overcome the difficult circumstances and posted revenue increases of about 3 percent each. This partially offset the declines seen in other sectors with major relative weight in the Non-Life industry, such as Motor and Third-Party Liability.

For the fourth year running, Motor insurance suffered a decline in premiums, this time by 2.3%. For yet another year, the branch suffered greatly from a drop in the number of vehicles insured and shifts by policy-holders to coverage and products that are cheaper. Health grew 3.0%, due mainly to a rise in premiums in the yearly renewal of the portfolio. Multi-Peril insurance rose 3.3%, three-tenths of a point more than in 2010. All sections within this branch, except for Commercial Premises Multi-Peril, posted increases. Burial insurance rose 3.1% to 1,756 million euros, surpassing Third Party Liability for the second year in a row. The latter saw a premium decline of 5.5%, due mainly to the soft market cycle that the sector is going through and the tough economic situation. As for other branches, the only ones to post positive growth compared to the previous year were Assistance (2.7%), Legal Defense (1.7%) and Electronic Equipment (5.6%).

Despite the difficulties that exist, the Spanish insurance sector is showing signs of strength, with adequate solvency levels and margins in its balance sheets. The sector's **result** totaled 4,381 million euros, which represents an increase of 3.7% compared to the previous year. The improvement in the overall result is due to the combined growth of the result of the Life and Non-Life technical account. The **solvency margin** remained solid, at levels similar to those of 2010. The ratio of non-committed equity over the minimum required amount reached 2.6 times the value mandated under Spanish law.

The earnings reports presented by **reinsurance companies** at the end of the year feature major losses and in only one case a slightly positive result. We should add that financial results were not sufficient to compensate for negative underwriting results due to the worsening of the financial crisis and the crisis of confidence that affects major markets, and the fall in the interest rate. Still, the reinsurance market was able to cope with these problems without its solvency being affected, due to the strength of its balance sheets and to diversification and improved risk management, a lesson it learned in 2005 with Hurricane Katrina.

Growth **prospects** for the sector in 2012 again depend on the delicate international situation, especially in the euro zone, modest earnings from investments, which will continue to be affected by low interest rates, and legal changes that will be pose a major challenge for insurance companies.

The year 2012 will be a tough one for the **Life insurance** sector in Spain, especially because of the difficulties that the banking industry is enduring. Bancassurance agreements, which in 2011 accounted for 70% of premium volume, will undergo a transformation at the same time as the financial system is restructured, and they will be affected by the requirements that the sector must embrace in order to shore up its solvency. Lifetime Annuities will continue to be popular as they take advantage of the long-term interest rates of debt auctions.

At the same time, policy-holders will continue to focus their appetite on guaranteed-yield products, such Individual Systematic Savings Plans or Insured Pension Plans (PPAs) and, when the occasion arises, on insurance products that offer attractive yields.

In **Non-Life** insurance, the prospects for 2012 are not promising either, because of the tough economic situation that Spain is enduring, with a high level of unemployment, a high level of household and business debt and scant access to financing. In this recessionary context, which is worsened by austerity measures designed to cut the budget deficit sharply over a short period of time, insurers will have to continue to confront lower demand for insurance due to lower household income and more sluggish business activity; stiff pricing competition in most Non-Life branches; and low financial yields due to low interest rates.

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## **2. Socio-economic context**

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## 2. SOCIO – ECONOMIC CONTEXT

### 2.1. ECONOMIC CONTEXT

The persistence of extreme tension characterized the evolution of financial markets throughout 2011. The main factors behind this include the worsening of the sovereign debt crisis in the euro zone, financial entities' difficulty in obtaining access to credit and dimmer prospects for economic growth.

**In Europe**, the crisis escalated to the point where Portugal joined Greece and Ireland in seeking a financial assistance program. Meanwhile, disagreement on reaching terms for a restructuring of Greece's debt and a new aid program for this country revealed sharp differences on key issues such as the role of the private sector in refinancing Greece, the size, financing and features of the future European Financial Stability Fund or the role of the European Central Bank in the crisis. Delay in adopting new agreements and in the application of existing ones triggered new speculative attacks on sovereign debt. These were not limited just to relatively small economies such as that of Greece, Portugal and Ireland, but rather spread with considerable intensity to other, larger economies, especially those of Spain and Italy, even affecting France and Belgium.

In line with the orthodox position maintained by the ECB with regard to controlling inflation, the bank felt that the recovery of economic activity as seen in the first half of the year and the rise in prices for raw materials warranted two interest rate increases carried out by the ECB, taking the benchmark rates to 1.5%. But the escalation of the financial crisis in Europe and renewed doubts over economic growth caused chairman Mario Draghi to trim the repo rate to 1.25% in his first meeting as chairman of the central bank. The U.S. Federal Reserve, more inclined to follow growth-oriented policies, kept interest rates at 0.25 %, although it abstained from launching a third round of asset purchases.

As for imbalances in public finances, Germany imposed its demand for discipline by requiring application of fiscal consolidation plans. Even though Spain had tended to distance itself from the countries hardest hit by market tensions, and although it stood out by changing governments at the polls, it could not escape market pressures because of expectations for slacker economic growth and doubts over whether it could achieve deficit reduction goals.

Meanwhile, the downside risks over growth increased significantly. The confluence of austerity plans aimed at bringing public finances back into order, the deleveraging of the financial sector to achieve new solvency requirements, reduction of the level of household debt or the cleaning up of the aftermath of burst real estate bubbles (in the US, Spain and Ireland) led to expectations of weak growth. On the other hand, emerging economies kept up high levels of growth, although their rate of expansion declined as monetary stimulus measures and growth fell off in developed economies.

In this context, the prospect of weak economic growth and the search for safe assets led to a fall in yields down to historic levels in the long-term debt of countries such as the United States and Germany. The flip-side of this was that yields on sovereign debt

of countries of southern Europe hit historic highs, and the spread between those yields and the yield on German bonds hit record levels.

In stock markets, share prices fell broadly in a reflection of the context of acute aversion to risk, although companies in the financial sector were hit harder.

All in all, 2011 was marked by the sovereign debt crisis in the euro zone. In 2011, the deleveraging of the banking sector because of greater solvency-level requirements and the need for fiscal consolidation in developed economies, which was offset by the strength of emerging economies and extremely lax monetary policies.

The latest **forecasts from the IMF** say world economic growth will fall to 3.5% in 2012 (from 4% in 2011), heralding a slight recession in the euro zone as a result of sovereign debt crisis, the effects of bank deleveraging in the real economy and the impact of fiscal consolidation in response to market pressures. This situation will have repercussions on advanced economies, in which GDP is expected to grow 1.5%. But in emerging economies, meanwhile, output is expected to soar 5.7% thanks to the application of laxer macroeconomic policies and the strengthening of external demand.

The intensification of tensions in the sovereign debt market in the euro zone in the second half of 2011 caused a weakening of growth, especially in the peripheral economies. Such was the case of **Spain**, which finished 2011 with average growth of 0.7%, although the year-on-year rate of growth in the fourth quarter was half a point less than in the previous quarter. For yet another year, the fall in domestic demand continued (an accumulated 12% since the crisis began). This was cushioned to some extent by the strength of the overseas sector.

With regard to internal demand, private consumption and that of government bodies fell 0.1% and 2.2%, respectively. Governments -- central, regional and local -- missed their deficit-reduction targets by a large margin. The overall deficit came in at 8.5% compared to the 6% initially forecast. This had a huge effect on the planning of economic policy for the current year and the following one.

The darkest spot continued to be the deteriorating job market. In 2011, 600,000 jobs were lost, causing the unemployment rate to rise to 22.8%, the highest in the last 20 years.

<i>Interannual variation rates in %</i>	2010	2011
<b>DEMAND</b>		
Final consumption expenditure	0.6	-0.7
Final consumption expenditure by households	0.7	-0.1
Final consumption expenditure by the NPISH	2.6	0.1
Final consumption expenditure by the Pub. Admin.	0.2	-2.2
Gross Fixed Capital Formation	-6.3	-5.1
Tangible fixed assets	-6.4	-5.4
Intangible fixed assets	-4.8	0.0
Domestic demand <sup>1</sup>	-1.0	-1.8
Exports of goods and services	13.5	9.0
Imports of goods and services	8.9	-0.1
Foreign demand	1.1	2.5
<b>OFERTA</b>		
Fishing and agricultural classes	-1.1	0.6
Industrial classes	0.6	1.9
Construction	-7.8	-3.8
Servicess	1.4	1.1
<b>GDP at market prices</b>	<b>-0.1</b>	<b>0.7</b>
<b>GDP at current market prices<sup>2</sup></b>	<b>1,065.8</b>	<b>1,073.4</b>

(1) Contribution to GDP growth

(2) Billions of €

**Table 1. GDP and its components**

Source: INE. CNTR, first quarter of 2012

On the supply side, construction fell 3.8% and the services sector rose 1.1% (1.4% in 2010). The agricultural and fishing and industrial sectors posted slight rises of 0.6% and 1.9%, respectively.

Housing prices continued to fall, and did so at a quicker pace. The drop was 11%, The cumulative drop over the past four years is 20%.

The **evolution of 2012** will depend on the international economic context, especially in the euro zone, severe cuts in public spending, deleveraging in the private sector, stabilization of the property sector and the restructuring of the financial system. All of this comes in a context of serious difficulties in obtaining liquidity and serious dependence on outside financing. Taking into account all of these factors, the government forecasts a real decline in GDP of PIB del 1.7% in 2012.

## 2.2. SOCIO-ECONOMIC VARIABLES

### Population

The resident population of Spain as 1 January, 2011 was 47.2 million, a yearly increase of 0.4%<sup>1</sup>. Breaking this down by gender, women accounted for 50.7% of the population.

Due to the crisis and deteriorating economic situation, the Spanish population residing abroad had risen as of 1 January, 2012 by 6.7% and surpassed 1.8 million people. Argentina, France, Venezuela and Germany are the countries with the largest numbers of residents with Spanish nationality.

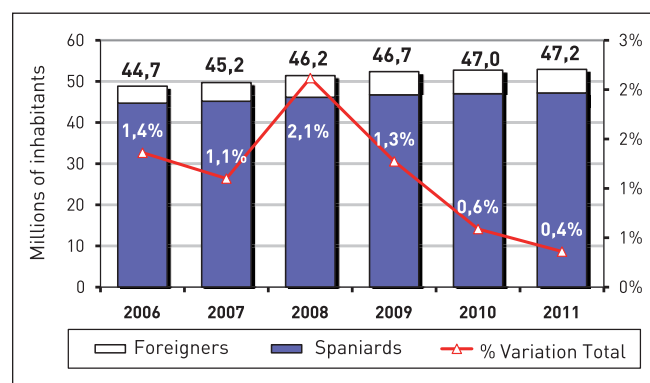


Chart 1. Evolution of Spanish Population

Source: INE

Data on the natural movement of the population<sup>2</sup> show that the gross birth rate (the number of births per thousand inhabitants), fell to 10.53 in the first half of 2011 and that the decline that started in 2009 continues, due to the combined effect of a gradual reduction in the number of women of child-bearing age and to women having fewer children on average.

The Short-Term Fertility Indicator (average number of children per woman) remained stable at 1.38. The average age at which women have their first child kept rising (31.3 years in the first half of 2011).

In the first half of 2011, the number of deaths was 3.8% greater than that of the same period of 2010. The gross mortality rate (deaths per thousand inhabitants) was 8.4, up from 8.2 in 2010. Under the current mortality rate, a person who reaches age 65 can on average

<sup>1</sup> Provisional figures.

<sup>2</sup> Provisional figures for the first half of 2011.

expect to live 18.3 more years if the person is a man and 22.3 more in the case of a woman.

In the first six months of 2011, the continued fall in the birth rate and the rise in the number of deaths accentuated a downward trend in vegetative growth<sup>3</sup>, which was 29,015 people, 25.6% less than in the same period of 2010.

### Motor

As of the end of 2011, the **number of registered vehicles** was 31.4 million, an increase of 0.8% compared to 2010. Spain's economic woes had a particularly hard impact on auto sales, which finished the year with 1.1 million new registrations, a fall of 16.8% compared to 2010. Breaking this down by kind of vehicle, registrations of Cars were down -19.2%, Trucks and Vans (-9.3%) and Motorcycles (-11.6%). The only increases were in Buses and Mini-buses (9.7%) and Industrial Tractors (46.7%).

Over the course of 2011 traffic intensity again dropped, as can be deduced from the figure for gasoline and diesel fuel consumption, which went down 4.5%, or the figure for traffic on toll roads, which fell 5.5%.

As for **the highway accident rate**, in 2011 there were 1,338 fatal accidents<sup>4</sup>, a drop of 13.5% from 2010. The number of victims also dropped compared to the previous year, with 1,479 deaths and 7,069 people seriously injured. These numbers represent declines of 14.4% and 9.8%, respectively.

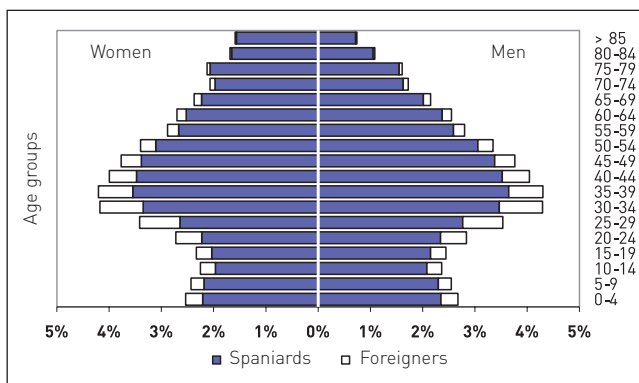


Chart 2. Distribution of the Spanish Population by age group and sex. Year 2011

Source: INE

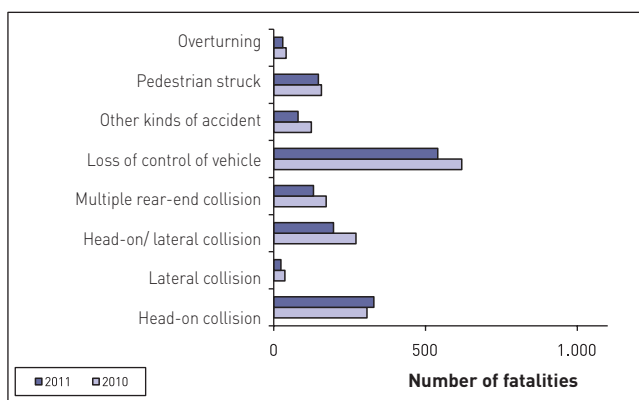


Chart 3. Distribution of fatalities by type of accident

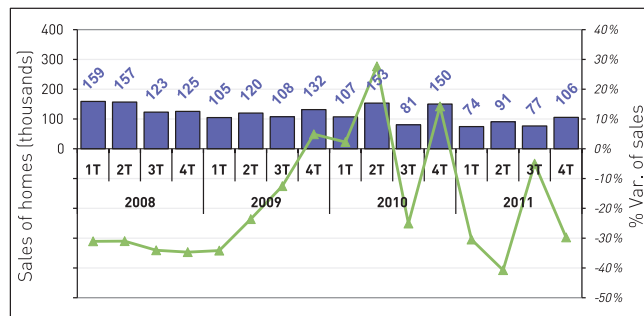
Source: Interior Ministry

<sup>3</sup> Vegetative growth is the difference between the number of births from mothers who reside in Spain and the number of deaths of residents of the country.

<sup>4</sup> Fatal highway accidents are those in which there are deaths within 24 hours of the accident.

## Housing

The housing market continues to undergo the process of adjustment that began in mid-2007. In 2011 the main indicators related to the housing market again declined.



**Chart 4. Home sales. Number of transactions and quarterly variation**

Source: Housing Ministry

- In the fourth quarter of 2011, the year-on-year rate of the Housing Price Index (IPV in Spanish) fell four points and settled at -11.2%, the lowest since the first quarter of 2007. By kind of home, the annual rate for new home prices declined 3.5 points to -8,5%, while that of second-hand homes went down more than four point in its annual rate to -13,7%.
- In 2011 there were 347,000 real estate transactions carried out, compared to 491,000 the previous year. The biggest drops came in the first, second and fourth quarters of the year, with year on year declines of more than 39%.
- The price of non-subsidized housing dropped for the fourth year in a row, to 1,702 euros per square meter in the final quarter of the year, compared to 1,825 euros per square meter in the previous one. In the first quarter of 2012, prices continued to fall, hitting 1,649 euros per square meter.
- In 2011, 654,000 mortgages on urban and rural properties were registered, a fall of 32% from the previous year. The average home mortgage registered was 112,000 euros, 4.3% less than in 2010.

## Creation of Companies

According to the latest data in the Central Business Directory (Directorio Central de Empresas, or DIRCE in Spanish, for 2010), as of 1 January, 2011, the total was 3.2 million. Of these, so-called micro-companies (with 9 or fewer employees) accounted for 95.2% of the business sector; small businesses (10 to 49 employees) represented 4.0%, medium-size companies (50 to 249 employees) made up 0.6% and large companies just 0.1%.

In 2011 a total of 84,781 companies were created, 6.0% more than in 2010, and 19,743 folded, an increase of 6.7% from the previous year. The capital underwritten to create companies reached almost 21,500 million euros. This marked an increase of 167.3% from the previous year. The average amount of capital underwritten was 252,000 euros, an increase of 152.2% from 2010. Madrid, Catalonia and Andalusia were the regions that saw the largest numbers of companies created.

The number of late payments involving commercial debt fell 4.1%. The total was 7,284 million euros and the average amount was 1,783 euros. Meanwhile, 4.0% of commercial debt that matured went unpaid, one-tenth of a point less than in 2010.

Summary of main variables	2011	% Var
<b>Demographics</b>		
Resident population of Spain (1)	47,190,493	0.4
Spanish population residing in Spain (1)	41,439,006	0.4
Foreign population residing in Spain (1)	5,751,487	0.1
Spanish population residing abroad (1)	1,816,835	6.7
Gross birth rate (2)	10.5	-1.1
Gross death rate (2)	8.4	1.8
Average age at which women have first child (2)	31.3	0.03
Fertility rate (2)	1.4	0.00
Average first maternity age for Spanish women (2)	32.0	0.03
Average first maternity age for foreign women (2)	28.8	0.04
Life expectancy of population residing in Spain (2)	81.9	-0.10
<b>Automobile</b>		
Number of registered vehicles	31,400,000	0.8
Newly registered vehicles	1,080,257	-16.8
Insured Vehicles FIVA	28,913,319	0.7
Highway accidents involving fatalities	1,338	-13.5
Highway accident fatalities	1,479	-14.4
Serious injuries in highway accidents	7,069	-9.8
<b>Housing</b>		
Number of real estate transactions	347,305	-29.3
Price of non-subsidized housing	1,702	-7.2
Number of mortgaged properties	653,824	-32.0
Average value of mortgages undertaken	111,950	-4.3
<b>Companies</b>		
Total number of companies in Spain	3,246,986	-1.3
Trading companies created	84,782	6.0

(1) preliminary data

(2) data from the first half of 2011

**Chart 5. Summary of main variables for 2011**

Source: INE, DGT y and CCS

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### **3. Evolution of the insurance market**

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### 3. EVOLUTION OF THE INSURANCE MARKET

#### 3.1. INTERNATIONAL MARKETS<sup>5</sup>

Premium volume in the **global insurance market** totaled \$4.6 trillion (3.3 trillion euros) in 2011, posting a nominal rise of 6% compared to the previous year under the strong influence of the appreciation of major currencies against the U.S. dollar. But in real terms, direct premiums slipped by 0.8%. Life insurance was the main cause of the decline, as premiums in this sector fell by 2.7%, despite increases in markets in some wealthy countries. However, a rise in rates in Non-Life branches boosted this branch, which finished the year with premium volume up by 1.9%.

**Life insurance** took in \$2.6 trillion (1.9 trillion euros) in revenue. A more detailed analysis of the evolution of the various markets reveals important differences. This line of business was particularly affected in Western Europe, where premiums fell by 9.8%, while in the United States they rose 2.9% thanks to the recovery of savings-oriented products. In Asian markets, premium volume rose in Japan thanks to sales of individual whole-life products and annuities, and this was also the case in Hong Kong and Singapore. However, in South Korea and Taiwan insurance production fell as variable-yield products declined. Life insurance premiums dropped significantly in China because of the introduction of strict rules to regulate bancassurance, and in India they declined because of the fall of unit-linked products. However, other regions maintained strong growth, such as the Middle East (9.4%) and Latin America (5%).

Premium volume in **Non-Life** insurance rose to \$2.0 trillion (1.4 trillion euros), an increase of 1.9% from 2010. A gradual increase in rates in certain markets and branches encouraged premium growth. The European debt crisis and slight growth in the United States caused advanced economies to boost premiums by 0.5%, while in emerging economies the rise was 9.1%, thanks mainly to strong economic growth in these countries. The major natural disasters that took place in Japan, New Zealand and Australia caused significant rises in rates on property/casualty insurance and took the combined ratio up to 106% (compared to 102% in 2010).

Swiss Re's **forecasts** for 2012 are positive, within an extremely tough economic context. A slow recovery is expected in developed markets, while in emerging markets growth will be solid, albeit slightly less so than in 2011 as world demand slackens. The European sovereign debt crisis will continue to be a major risk for insurance companies because their balance sheets are heavily exposed to banks and government debt.

The **European insurance sector** in 2011 posted premium volume of \$1.5 trillion (1.1 trillion euros), a fall of 5.8% in real terms, due mainly to Life insurance, where revenue fell 9.8% compared to a rise of 0.7% in Non-Life branches.

The **Spanish insurance sector** rose one position to 12<sup>th</sup> in the ranking of world insurance markets, behind the Netherlands and Australia. In Life insurance it was in 16<sup>th</sup> place, falling

<sup>5</sup> Source: Swiss Re. Sigma n°2/2012: Natural catastrophes and man-made disasters in 2011 and Sigma n°3/2012: World Insurance in 2011.



one rung compared to 2010, although it gained in market share (1.5%). In Non-Life it held 13<sup>th</sup> place (compared to 11<sup>th</sup> in 2010).

Country	Premiums (thousand million USD)	Premiums/ inhabitant (USD)	Premiums/GDP
United States	1,162	3,846	8.1%
Japan	571	5,169	11.0%
Great Britain	300	4,535	11.8%
France	283	4,041	9.5%
Germany	235	2,967	7.2%
China	215	163	3.0%
Italy	174	2,530	7.0%
South Korea	115	2,661	11.6%
Canada	114	3,529	7.0%
Netherlands	102	6,647	13.2%
Australia	80	4,094	6.0%
Spain	78	1,729	5.6%
Taiwan	76	3,371	17.0%
<b>Europe</b>	<b>1,615</b>	<b>1,886</b>	<b>7.1%</b>
<b>EU 27</b>	<b>1,499</b>	<b>2,757</b>	<b>7.9%</b>
<b>World</b>	<b>4,336</b>	<b>661</b>	<b>6.6%</b>

Table 2. Size of the world's largest insurance markets in 2011

Source: Swiss Re

With average insurance expenditure per inhabitant of \$1,729 (1,312 euros), Spain held 25<sup>th</sup> place in the world ranking of premiums per inhabitant, thus rising two spots compared to 2010. In Life insurance the average expenditure was 687€, compared to 625€ in Non-Life. As for insurance penetration in the economy, Spain held 26<sup>th</sup> place with a rate of 5.6%.

The year 2011 had the second-largest number of **catastrophes**<sup>6</sup> since 1970, with nearly 35,000 lives lost and economic losses of more than \$370,000 million. For the insurance industry, expenditure surpassed \$116,000 million. Most of the insured damage was caused in the earthquakes in Japan and New Zealand, flooding in Thailand and a major string of tornadoes in the United States.

In Europe, the natural disasters caused monetary damage of \$9,000 million. The cost for the insurance industry was \$4,000 million. The single most costly event for the insurance industry was torrential rain that hit Copenhagen in July. Damage totaled \$800 million. Winter storms Joachim and Dagmar caused additional damage of \$700 million.

<sup>6</sup> Includes natural and man-made disasters.

## 3.2. THE SPANISH INSURANCE MARKET

### 3.2.1. MAIN INDICATORS

#### Production

The Spanish insurance market in 2011 posted direct insurance premium volume of 60,592 million euros, an increase of 4.1% compared to the previous year.

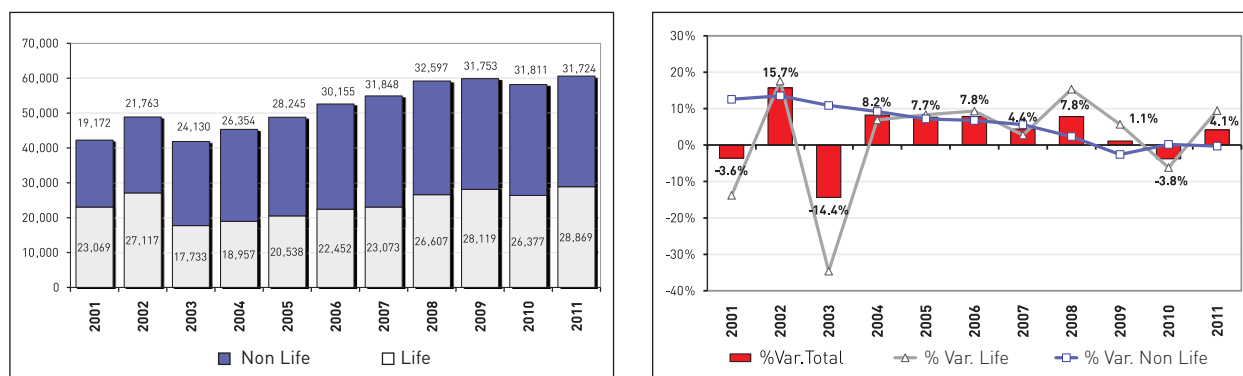


Chart 6. Evolution of the insurance market in Spain. Premium volume and variation

Source: ICEA

The main cause of growth was development of **Life insurance**, the production of which rose 9.4% (compared to -8.4% in 2010), achieving premium volume of 28,869 million euros. Risk and Savings products within the branch behaved in different ways. While Savings products posted growth of 11.8%, Risk-based products fell 4.5%, basically because fewer loan repayment insurance policies were taken out. Within Savings products, the ones that grew the most were Insured Pension Plans (PPAs) at 49.1% and Lifetime Annuities, which increased 31.1% and accounted for 52.8% of Savings product provisions. Unit-Linked insurance product premiums fell 11.8%, mainly because policy-holders shunned risk as a result of the volatility of financial markets.

Life insurance continues to make up an increasing share of the insurance sector with a market share in 2011 of 47.6% of the total market, nearly three points more than in 2010.

**Non-life insurance** premiums slipped 0.3% to 31,724 million euros. For yet another year, factors contributing to this result included weaker industrial activity because of the economic crisis, slacker demand and intense competition in most lines of insurance.

As was the case in 2010, of the five branches with the greatest relative weight in the Non-Life sector (Motor, Health, Multi-Peril, Burial and Third-Party Liability) only three (Multi-Peril, Health and Burial insurance) managed to increase their premium volume.

Premiums from Motor insurance fell 2.3%. For another year they were hurt by a major drop in vehicle sales, a drop in the number of insured vehicles and declining disposable income among families, which kept causing policy-holders to move to cheaper kinds of

*Millions of euros*

	2010	2011	%Δ s/2010	% s/Total
<b>Total</b>	58,189	60,592	4.1%	100%
<b>Life</b>	26,377	28,869	9.4%	47.6%
<b>Non Life</b>	31,811	31,724	-0.3%	52.4%
<b>Motor</b>	<b>11,535</b>	<b>11,270</b>	<b>-2.3%</b>	<b>18.6%</b>
Third party liability	5,964	5,848	-1.9%	9.7%
Other guarantees	5,571	5,422	-2.7%	8.9%
<b>Health</b>	<b>6,396</b>	<b>6,589</b>	<b>3.0%</b>	<b>10.9%</b>
Healthcare Assistance	5,461	5,651	3.5%	9.3%
Illness	935	938	0.3%	1.5%
<b>Multi-Risk</b>	<b>6,297</b>	<b>6,508</b>	<b>3.3%</b>	<b>10.7%</b>
Househol	3,505	3,661	4.4%	6.0%
Industrial	1,328	1,344	1.2%	2.2%
Commercial Premises	650	649	-0.2%	1.1%
Condominiums	755	794	5.2%	1.3%
Others	59	60	2.0%	0.1%
<b>Burial expenses</b>	<b>1,703</b>	<b>1,756</b>	<b>3.1%</b>	<b>2.9%</b>
<b>Third party liability</b>	<b>1,624</b>	<b>1,535</b>	<b>-5.5%</b>	<b>2.5%</b>
<b>Other lines os business</b>	<b>1,058</b>	<b>938</b>	<b>-11.3%</b>	<b>1.5%</b>
<b>Personal accidents</b>	<b>922</b>	<b>899</b>	<b>-2.4%</b>	<b>1.5%</b>
<b>Credit</b>	<b>719</b>	<b>696</b>	<b>-3.2%</b>	<b>1.1%</b>
<b>Transport</b>	<b>498</b>	<b>487</b>	<b>-2.3%</b>	<b>0.8%</b>
Hulls	289	278	-4.0%	0.5%
Goods	209	209	0.1%	0.3%
<b>Pecuniary losses</b>	<b>351</b>	<b>340</b>	<b>-3.1%</b>	<b>0.6%</b>
<b>Assistance</b>	<b>310</b>	<b>319</b>	<b>2.7%</b>	<b>0.5%</b>
<b>Fire</b>	<b>183</b>	<b>182</b>	<b>-0.8%</b>	<b>0.3%</b>
<b>Legal defence</b>	<b>100</b>	<b>102</b>	<b>1.6%</b>	<b>0.2%</b>
<b>Surety</b>	<b>84</b>	<b>78</b>	<b>-7.3%</b>	<b>0.1%</b>
<b>Theft</b>	<b>31</b>	<b>26</b>	<b>-16.5%</b>	<b>0.0%</b>

Table 3. Distribution of premium volume by classes. Written premiums, direct insurance

Source: ICEA

coverage and products. The Motor line continued to hold the largest market share out of the total of all branches (18.6%), although the factors described above triggered a decline of four-tenths of a point with respect to 2010.

Health insurance rose 3.0%, and while it posted one of the largest rises of Non-Life branches, it was the lowest growth figure of the last 12 years. The increase in revenue in this line of business was due mainly to a premium increase as insurers carried out their annual portfolio renewal, as the number of policy-holders grew less than premiums did. Health-care assistance continues to be the line that accounts for most premium volume at 86.1%, nearly two points more than in 2010. Since the main buyers of unemployment insurance, self-employed people, were particularly hard hit by the economic crisis, this line was the only one that declined.

Multi-Peril insurance grew 3.3%, three-tenths of a point more than in 2010. All lines within this branch of insurance, except for Commercial Premises Multi-peril, registered growth. Despite stagnation in the building of new homes, tough restrictions on the granting of loans and the elimination of tax breaks for housing purchases, Home and Condominium multi-peril insurance posted rises of about 5%. This offset smaller increases in other kinds of insurance.

Burial insurance grew 3.1% to 1,756 million euros, surpassing Third-Party Liability for the second year in a row. The very nature of Burial insurance explains that it is one of the few lines that continue to increase in premium volume as it is conceived for long-term planning.

The Third-Party Liability branch saw its premiums decline for the fourth year in a row, this time by 5.5%. This was mainly because of the soft market cycle that line is going through, which triggers tremendous competition (both among companies and intermediaries), and because of the difficult economic situation in Spain.

As for the rest of the lines of insurance, the only ones that grew compared to the previous year were Assistance (2.7%), Legal Defense (1.7%) and Electronic Equipment (5.6%).

**Insurance penetration** in the economy (the percentage of GDP that is made up by premiums) rose one tenth of a point to 5.6%, as insurance activity grew faster than the economy did. **Density** (premiums per inhabitant) rose 6%, as the combined effect of a rise in the average Life (687€) and Non-Life (625€).

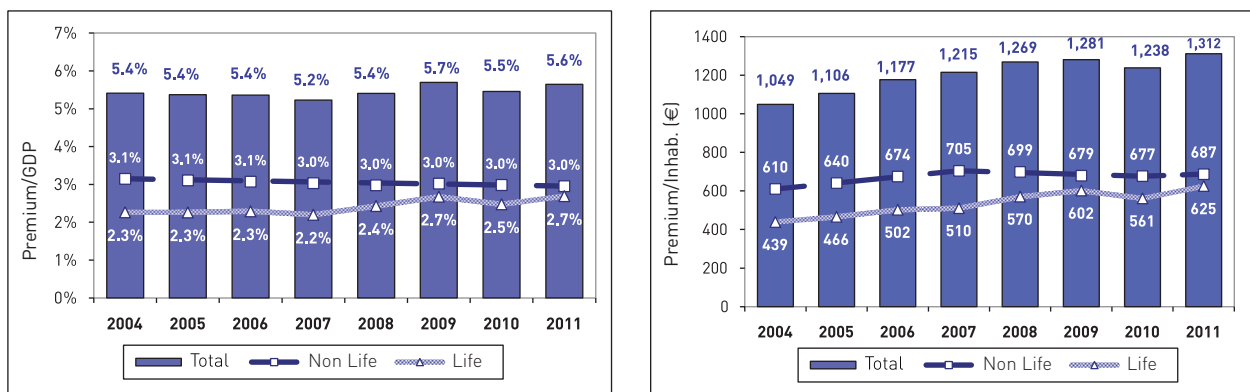


Chart 7. Penetration and Density

Source: FUNDACIÓN MAPFRE with data from ICEA and INE

## Results

Despite the difficulties involved in the current economic context, the Spanish insurance sector continues to show signs of strength, and has adequate levels of solvency and margins in its yearly earnings.

Results	2010	2011	% Δ
Technical account	4,769	5,254	10.2%
Life	1,666	1,848	10.9%
Non Life	3,103	3,406	9.8%
Non Technical account	4,225	4,381	3.7%
ROE (%)	15.7%	14.7%	-6.4%

Table 4. Insurance sector results

Source: ICEA

The result of the non-technical account rose 3.7 percent from 2010 to 4,381 million euros. The improvement in the overall result was due to combined growth of the result of the Life and Non-Life technical account.

The result of the Life insurance technical account grew 10.9% and accounted for 1.3% of Life provisions, a figure very similar to that of 2010. If one looks at the aggregate result of this account by sectors, one sees an increase in revenue, especially from fixed assets and investments. This had a favorable effect on the financial result.

The result of the Non-Life technical result rose 9.8% and came to account for 11.4% of earned premiums in this line of business, almost half a point more than in 2010. This result stems from an improvement in the net claims ratio, which in aggregate terms dropped 1.6 points, since the financial result worsened slightly as earnings from investments were affected by the difficult economic climate.

The sector's return on equity (ROE) was 14.7%, and while that was down slightly from 2010 it continues to be very positive.

The solvency margin remained solid, at levels similar to those of 2010. In 2011 the **ratio of uncommitted assets** reached a value 2.6 times the minimum required by law. In Life insurance the ratio was 1.9 (1.8 in 2010), while in Non-Life it was 3.6 (3.4 in 2010).

## Prospects for 2012

Data from the first quarter of 2012 (ICEA) show an 11 percent decline in premium volume compared to the same period of 2011. The insurance sector's growth prospects for 2012 again depend on the delicate international economic situation, especially in the euro zone, modest results from investments, which continue to be affected by low interest rates, and legislative changes, which will pose a major challenge for insurers, especially in Life insurance.

**In Life** insurance, the prospects for 2012 point to a difficult year, especially because of the difficult situation facing Spain's banks. Among Savings-Retirement products, Lifetime Annuities will continue to be popular because they take advantage of long-term interest rates that come out of government debt auctions. In the same way, policy-holders will continue to focus on products with guaranteed yields such as Individual Systematic Savings Plans or Insured Pension Plans, and when the circumstances arise, those insurance policies which offer attractive yields.

In terms of taxes, one should point out the increase imposed in the tax on capital income, applied since February 2012 and which directly affects bank deposits. In comparable terms this increase benefits both Mutual Funds (in which payment of the tax can

Basic indicators (% of premiums)*	2010	2011
Increase in premiums (1)	31,811	31,724
% Variation in premium volume	0.2%	-0.3%
Retention	85.2%	88.6%
Gross claims ratio	70.9%	68.4%
Gross expenses ratio	21.6%	21.4%
Net claims ratio	72.1%	70.5%
Net combined ratio	93.8%	92.0%
Financial result	4.6%	4.0%
Technical -Financial result	10.9%	11.4%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 5. Basic indicators. Non life**

**Source:** FUNDACION MAPFRE with data from ICEA

be deferred over time), and Pension Funds (where tax breaks are more attractive in this context).

Interest rates will remain low, probably for a long time. This will lead policy-holders to seek out products that protect them from risk, rather than savings products with guarantees over the long term.

In contrast with how well the sector did in 2011, data from the first quarter of 2012 show that premiums fell 19.0%. Breaking this down by category, Savings premiums declined 21.4% compared to a 6.5% drop in Risk-based premiums. However, savings managed by Life insurance through technical provisions showed a slight rise of 0.7%.

In **Non-Life** prospects for 2012 are also very challenging due to the weakness of the economy, with a high jobless rate, a high level of household and business debt, and serious problems in gaining access to financing. Within this recessionary context, made even harder by austerity policies designed to restore a balanced budget over a short period of time, insurance companies will continue to face weaker demand for insurance because of lower household income and slacker business activity, lower rates because of stiff pricing competition in most lines of Non-Life insurance, and low financial yields because of low interest rates.

Data from the first quarter of 2012 in the Non-Life sector show a decline in premiums of 2.3%. By branches, Motor insurance fell 4.5% and Multi-Peril insurance rose 2.6%, with Home and Condominium the only classes that boasted increases. Growth in Health insurance slowed by a point-and-a-half to 2.4%. As for other lines, the only increases were in Assistance (4.6%), Burial insurance (2.7%) and Electronic Equipment (29.0%).

### 3.2.2. MUTUAL PROVIDENT SOCIETIES

These are private, not-for-profit insurers which act voluntarily and in a way that complements the mandatory social security system. They can also be an alternative to the social security system that exists for self-employed persons.

As of the end of 2011, the 402 Mutual Provident Societies that belong to the Spanish Confederation of Mutual Provident Societies had premium volume of 2,630 million euros, a rise of 3.8% from the previous year. The volume of assets under management was 33,000 million euros, compared to 31,000 million the previous year.

### 3.2.3. STRUCTURE OF THE MARKET

#### Insurance sector

As of 31 December, 2011 there were 279 companies registered in the Administrative Registry of Insurance Entities: 188 Public Limited Companies, 34 Mutual Insurers, 55 Mutual Provident Societies<sup>7</sup> and two specialized Reinsurance companies. Over the course of the year 20 companies ceased operating and three new ones were registered. All were public limited companies operating in Non-Life.

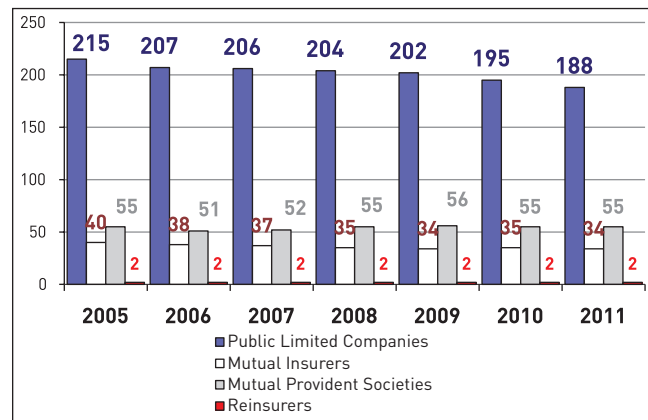


Chart 8. Evolution of number of companies operating, by kind of entity

Source: DGSFP

#### Spanish insurers' international presence and foreign capital in the Spanish insurance sector

According to data from the General Directorate of Insurance and Pension Funds, in 2011 there were 49 companies in Spain in which foreign investors held a stake, one more than the previous year. The amount underwritten totaled 1,827 million euros, which represented 21.6% of the total capital in the sector.

As for the internationalization of Spanish insurers, we have not been able to find aggregate data on direct investment by Spanish insurance companies abroad. So it was decided to include in this edition of the study a brief analysis of the international activity of Spanish insurance companies in 2011 as per the information that is featured in their yearly reports.

There are five Spanish groups with direct investments abroad in the insurance industry, two of them bancassurers: BBVA, Catalana Occidente, CESCE, MAPFRE and Santander. For most of the groups the main destination of these investments is Latin America, both because of the countries' cultural affinity with Spain and the growth potential of their markets.

BBVA has insurance companies established in Argentina, Chile, Colombia, Mexico and Venezuela. In these countries the group's subsidiaries took in premium revenue of 1,419 million euros<sup>8</sup> in 2011. Their biggest market is Mexico, where BBVA operates through its unit Seguros BBVA Bancomer -- the country's fifth largest insurance group as measured by premium volume, with revenue of 915 million euros in 2011.

<sup>7</sup> It should be noted that the Administrative Registry of Insurance Entities features only companies that operate at the national level. The rest fall under the supervision of the corresponding regional government. The Spanish Confederation of Mutual Provident Societies includes practically all of these companies and has 403 members.

<sup>8</sup> Corresponds to the sum of the premium volume of each of its units in the region, as published by the oversight bodies of each country. Does not include revenues from pension managers.

The Catalana Occidente group operates in more than 40 countries through its Atradius unit, one of the world's largest sellers of Credit insurance, with a market share of approximately 31%. The Spanish group began the process of acquiring Atradius in 2003, taking a 7.14% stake. It has gradually increased this and as of the end of 2011 held an economic stake of 76.72%. The restructuring of the company's share stakes in 2008 gave Catalana Occidente control of Atradius and its affiliated companies, giving the group an international dimension. In 2011 Atradius provided the group with 999 million euros in revenue. Its business was highly concentrated in the countries of the European Union, where its largest markets are, in decreasing order, Germany, France, the Netherlands, Italy and the United Kingdom.

The Compañía Española de Seguros de Crédito a la Exportación (CESCE) was created in 1971 and its main shareholder is the Spanish government with a stake of 50.25%. It operates on its own in Non-Life insurance and, on behalf of the state and on an exclusive basis, it manages risk-coverage assumed by the state in relation with foreign trade. It is active in 11 countries of Europe and Latin America. It has branch offices in France and Portugal under the Right of Establishment regime and operates sporadically in some EU countries in the Free Rendering of Services regime.

With the goal of developing credit and surety insurance in the Latin American market, CESCE Internacional was created, with units in Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela. Premium revenue in the region in 2011 totaled 21.5 million euros.

MAPFRE operates in more than 45 countries, and boasts more than 25 years of experience outside Spain. Its initial interest in the Latin American market has led it to become a global group with presence on the five continents. Its international expansion began in 1984 with the purchase of a minority stake in Seguros Generales de Colombia. It now features a strong presence in 18 countries of the region and since 2005 has topped the Non-Life insurance ranking<sup>9</sup>. In 2011 its premium volume in the region totaled 6,874 million euros.

In recent years, the group's international scope has broadened with the acquisition of the U.S. insurer Commerce, which represented the largest transaction in the group's history; with an agreement with Brazil's largest financial entity (Banco Do Brasil); through an agreement with Grupo Mundial in Central America, and with the acquisition of Turkish insurers Genel Sigorta and Genel Yasam. Altogether, in 2011 more than 60% of the group's revenue came from outside Spain.

The international insurance activity of Banco Santander<sup>10</sup> focuses mainly on the countries of Latin America, where it has units in Brazil, Chile, Mexico, Argentina and Uruguay. The units in these countries achieved premium volume of 3,005 million euros<sup>11</sup> in 2011. In Ireland it is present through the reinsurance company Darep, in Portugal it operates through Santander Totta Seguros, and in other countries of continental Europe it carries out insurance transactions through its unit Santander Consumer Finance.

<sup>9</sup> Source: FUNDACIÓN MAPFRE. "Ranking of Latin American Insurance Groups."

<sup>10</sup> Besides its pension fund management and insurance distribution activity.

<sup>11</sup> Does not include pensions. Data obtained from publications issued by insurance oversight bodies in these countries.



In July 2011, Banco Santander reached an agreement with the Zurich group that called for the latter to acquire a 51 percent stake in the holding company that would bring together its insurance units in Latin America. Under this accord, Zurich will take charge of managing the companies and the bank will distribute insurance products in each of the five aforementioned markets for 25 years through its network of offices. Over the course of the second half of 2011 Santander sold Zurich 51% of the holding company. Once the necessary authorizations were obtained, the insurance companies of the various countries were incorporated into the holding company.

### Right of Establishment and Freedom to provide services

The main destination in Europe of Spanish insurance activity in the right of establishment regime is Portugal, with 16 branch offices, compared to 35 registered in the whole of the European Economic Area. Meanwhile, the United Kingdom is the country with the most activity by Spanish countries operating under the free rendering of services regime, followed by Portugal, France and Germany.

According to the latest data published, in 2010 the volume of premiums from direct and accepted insurance involving Spanish companies operating in other countries of the European Economic Area rose 22% from the previous year to 2,150 million euros. For the second year in a row, we must highlight the rise in premiums from branch offices operating under the Right of Establishment regime, both in Life and Non-Life.

Origin of activity	Millions of euros		
	2009	2010	% Δ
<b>Spanish companies in other EEA states</b>	<b>1,756</b>	<b>2,150</b>	<b>22.4%</b>
Freedom to provide services	129	119	-7.3%
Right of establishment	1,627	2,031	24.8%
<b>Companies from other EEA states in Spain</b>	<b>4,080</b>	<b>4,442</b>	<b>8.9%</b>
Freedom to provide services	2,746	1,636	-40.4%
Right of establishment	1,334	2,806	110.4%

**Table 6. Premiums in 2008 and 2009 by activity**

Source: General Directorate of Insurance

The volume of premiums from direct and accepted insurance involving companies from other states of the European Economic Area in Spain grew at a more moderate pace to reach 4,442 million euros, an increase of 9 percent from 2009. Branch offices operating under the Right of Establishment regime doubled their premiums issued compared to the previous year, with extraordinary growth by Irish offices in Non-Life insurance. The Non-Life segment accounted for 71% of premiums, down 10 points from 2009, with a major drop in revenue from free rendering of services activities and a significant rise in premiums issued by branch offices.

## Evolution of insurance by Spanish autonomous region<sup>12</sup>

We must first point out that the following data do not refer to the market as a whole but rather refer to a sample representing 81% of the sector's business volume. As these are non-raised sample data, the information published from year to year is not comparable. So the variation numbers published by ICEA have been respected.

Catalonia was the region with the highest premium volume in 2011, with revenue of 11,226 million euros and an increase of 9.9%, as the Life insurance branch grew 29.2%. This allowed it to overtake the Madrid region, which had revenue of 10,179 million euros and growth of 0.9%. Next came Andalusia with 5,982 million euros in premiums and Valencia with 4,222 million euros.

The regions with the smallest premium volumes were Cantabria, La Rioja and the autonomous cities of Ceuta and Melilla, which took in 462, 381 and 94 million euros, respectively.

As for growth, the best performers were Ceuta and Melilla with 16.8%, Aragon with 16% and the Basque region, which expanded 10.5%. The regions that grew the least were Madrid at 0.9%, and Andalusia and the Canary Islands at 0.6%.

Premium volume by Spanish region						
Spanish regions	2010	% var 2009 / 2010	2011	% var 2010 / 2011	% share 2011	Premium per capita
<b>National Total</b>	<b>46,913</b>	<b>-3.8%</b>	<b>49,296</b>	<b>4.1%</b>	<b>100%</b>	<b>1,045</b>
Catalonia	9,942	0.3%	11,226	9.9%	23%	1,489
Madrid	10,217	-0.2%	10,179	0.9%	21%	1,568
Andalusía	5,966	-3.9%	5,982	0.6%	12%	710
Valencia	4,061	-5.6%	4,222	3.2%	9%	825
Galicia	2,501	-0.2%	2,616	5.8%	5%	936
Basque country	2,268	-0.1%	2,477	10.5%	5%	1,134
Castille-Leon	2,224	-6.0%	2,393	6.3%	5%	935
Aragon	1,655	0.2%	1,916	16.0%	4%	1,423
Castille - La Mancha	1,582	4.6%	1,647	4.9%	3%	779
Balearic Islands	911	-0.9%	1,246	5.2%	3%	1,120
<b>Total for top 10</b>	<b>41,326</b>	<b>-</b>	<b>43,903</b>	<b>-</b>	<b>89%</b>	<b>-</b>
Rest of regions	5,587	-	5,393	-	11%	-

Table 7. Premium volume by Spanish region

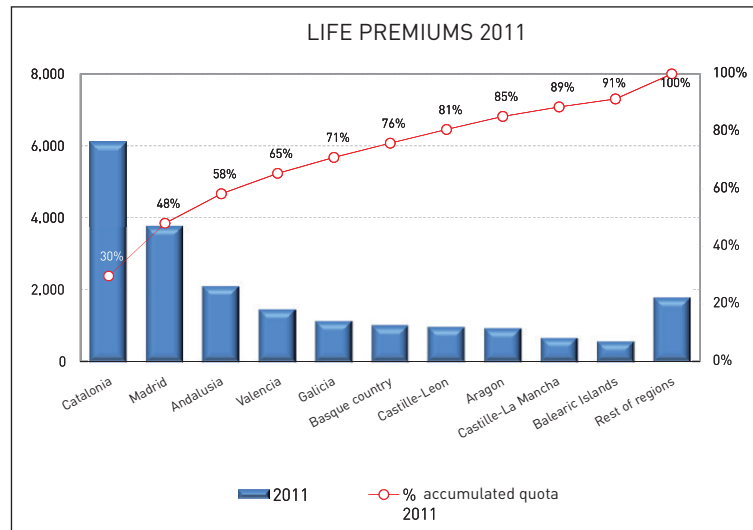
Source: Icea, Report "The insurance market by provinces. Statistics for 2011"

The premiums issued in Catalonia and Madrid accounted for 44% of the national total, and the top ten regions accounted for nearly 90% of all premiums.

Meanwhile, the regions in which the most money was spent on insurance were Madrid with 1,568 euros in premiums per capita, and Catalonia and Aragon with 1,489 and 1,423 euros, respectively. At the other end of the spectrum are Andalusia with 710 euros, Extremadura at 608 euros and Ceuta and Melilla with 587 euros per capita in premiums.

<sup>12</sup> Source: ICEA. "The insurance market by province. Statistics from 2011". Data obtained from 88 insurance companies and groups that represent 81% of all premiums in the sector.

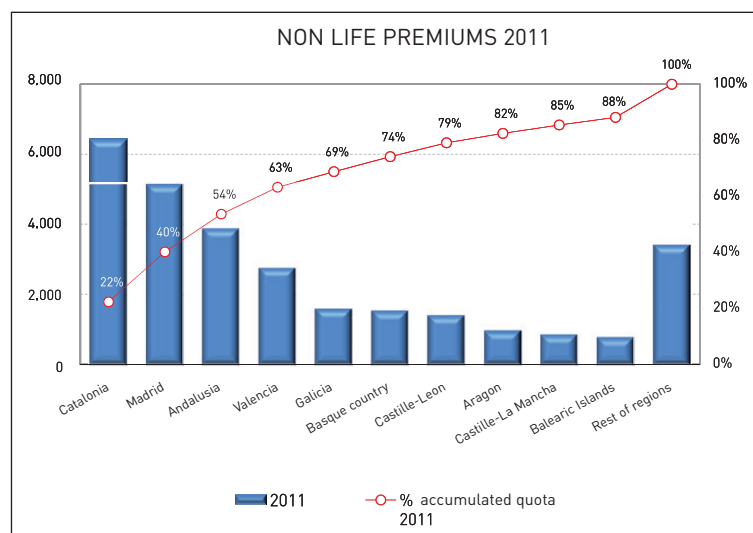
In the Life insurance line, Catalonia experienced a significant increase of 29.2%, which allowed it to consolidate its status as the region with the highest premium volume at 6,082 million euros. Next came Madrid with 3,755 million euros and growth of just 1.6%. The two regions accounted for 48% of all premiums. The highest rate of growth was in the Balearic Islands, which increased its premium volume by 140%, followed by Ceuta and Melilla which expanded 86.1%.



**Chart 9. Premium volume by Spanish region. LIFE**

Source: Icea, Report "The insurance market by provinces. Statistics for 2011"

In Non-Life branches, only three regions posted growth of more than 1%: Cantabria, Ceuta and Melilla, and the Basque region. Again, Madrid with 6,423 million euros and Catalonia with 5,145 million were the regions with the highest premium volumes.



**Chart 10. Premium volume by Spanish region. NON LIFE**

Source: Icea, Report "The insurance market by provinces. Statistics for 2011"

## Mergers and acquisition

Highlights of the mergers and acquisitions which took place in 2011 and 2012 include the following:

- In July 2011, Mutua Madrileña and La Caixa reached an agreement under which Mutua bought from CaixaBank 50% of VidaCaixa-Adeslas Seguros Generales and they created a new company, Segurcaixa-Adeslas, which will be owned by Mutua Madrileña (50%) and VidaCaixa Grupo (49.9%), which is part of the insurance group of La Caixa, now part of CaixaBank.
- In July 2011, Unnim sold 50% of the company Caixa Sabadell Vida to the Dutch multinational AEGON, which has owned 50% of Caixa Terrassa Vida since 2008.
- In June 2012, Grupo Catalana Occidente reached an agreement with Groupama to acquire 100% of its Spanish unit Groupama Seguros. The transaction needs to obtain regulatory authorization.

## Ranking of insurance groups

For yet another year, the **Overall ranking** of insurance groups was led by MAPFRE with a market share of 13.7%. In second place was Grupo Caixa, thanks mainly to a strong thrust from its Life insurance business, especially Life-Savings products. Mutua Madrileña was in third place thanks to the incorporation of SegurCaixa-Adeslas. With this operation, Mutua Madrileña took over second place in the Non-Life insurance ranking and first in the Health line. The Santander group also managed to climb one position thanks to a major increase in its Life insurance business. These increases caused Zurich, Axa, Caser, Generali and Catalana Occidente to fall in the ranking compared to the previous year.

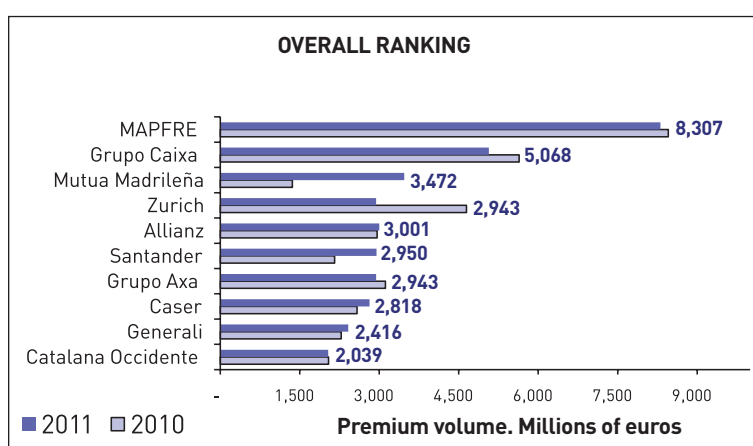


Chart 11. Ranking of insurance groups by premium volume. OVERALL

Source: ICEA

The **Life** ranking was led by Grupo Caixa, which also leads the ranking in provisions. It was followed by MAPFRE and Santander, which rose one spot and sent Zurich down to fourth place. The rest of the positions remained unchanged except for BBVA and Generali, which joined the list at the seventh and tenth spots, respectively. BBVA's entry is due to the

major business it has carried out in individual Life Savings, in particular in the insured annuities, PIAs and group pensions.

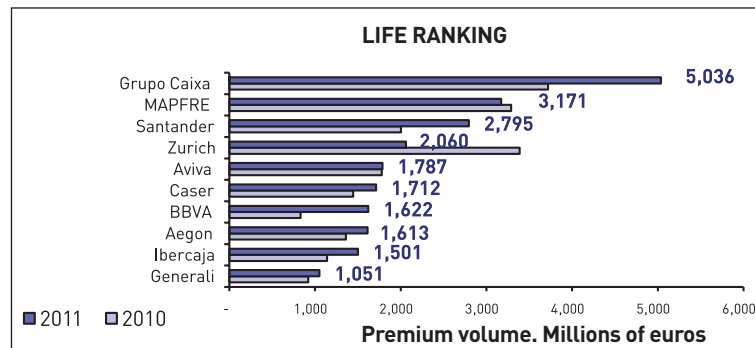


Chart 12. Ranking of insurance groups by premium volume. LIFE

Source: ICEA

The **Non-Life** ranking was led for yet another year by MAPFRE, which had a market share of 16.2%. In second place was Mutua Madrileña, which climbed five positions due to its new unit Segurcaixa-Adeslas. As for the rest of the companies, Catalana Occidente and Generali stayed where they were, while the rest dropped one rung. As a novelty, this year Santa Lucía joined the ranking in tenth position.

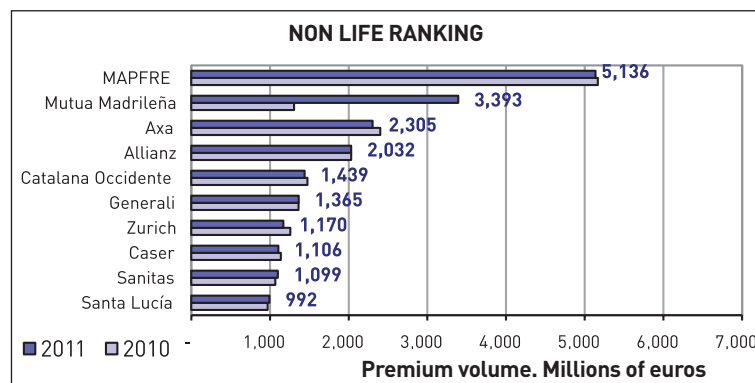


Chart 13. Ranking of insurance groups by premium volume. NON-LIFE

Source: ICEA

### 3.2.4. REINSURANCE

In 2011, the worst omens announced in the report from the previous year proved to be true. The year 2011 became the second worst of the last 40 in terms of natural disasters, surpassed only by 2005, when Hurricane Katrina hit. According to the data that have been published, fatalities stemming from natural disasters in 2011 surpassed 34,000, and losses were approximately \$370,000 million, of which \$115,000 million will be covered by insurers and reinsurers.

The results reported by reinsurance companies at year's end showed major losses and only in a few cases, a slightly positive one. We should add that the financial results were not enough to compensate for the negative underwriting results, due to the worsening of the

financial crisis and lack of confidence sweeping through the main markets and the fall in interest rates. Despite all of this, the reinsurance market has been able to handle these disasters without its solvency being jeopardized thanks to the strength of its balance sheets, greater diversification and better risk management -- the lesson learned in 2005 from Hurricane Katrina.

For this reason, reinsurers are confronting 2013 with notable asset strength and more experience in risk management, higher premiums in regions prone to natural disasters and greater requirements in terms of control of aggregates. What is more, the economic situation in developed countries, which are home to the big reinsurance companies, does not herald financial yields that would offset deviations in the claims ratio from natural disasters. So in order to achieve positive results, companies will have to focus on rigorous underwriting, as volatility, low interest yields and possible losses from the value of invested assets do not suggest any other alternative. All of this comes with the pressure of credit ratings agencies on insurance companies and reinsurers based in the euro zone. We should note that this year one detects an increase in reinsurance capacity offered by financial markets through cat bonds, sidecars and collateralized reinsurance coverage. All of these are formulas which contribute greater capacity to the market.

Finally, one should note that regulatory risk and adaptation of administrative, computer and actuarial processes to the requirements that will stem from Solvency II carry a significant burden, both in terms of management time and use of resources.

### 3.2.5. CONSORCIO DE COMPENSACIÓN DE SEGUROS

In 2011 one should note the strong earthquake that measured 5.1 on the Richter scale and hit in May, affecting mainly the town of Lorca in the Murcia region. This earthquake alone cost 432.6 million in claims and involved the processing of 31,000 case files. There was also frequent flooding throughout the year in much of Spain. They were most intense in the Basque region, Catalonia, Andalusia and Galicia, and generated 21,400 claims for damages. But claims from atypical cyclonic storms, which were very high in previous years, numbered just 619 in 2011.

Earned premiums from the general activity of the Consorcio fell 0.3%, due to a decline in surcharges from the motor guarantee fund and a fall of almost 21% in premium revenue from mandatory, direct third-party-liability motor insurance. The decline is justified because the role of the Consorcio is not to compete with insurance companies. Rather, it serves as a complement to the insurance sector so that all motor vehicle owners comply with their obligation to hold insurance.

*Millione of euros*

Actividad General	Net earned premium		Net losses	
	2010	2011	2010	2011
<b>Extraordinary risks</b>	<b>656</b>	<b>673</b>	<b>659</b>	<b>609</b>
Property	591	605	645	542
Persons	24	23	3	3
Loss of benefits	41	44	10	63
<b>Traffic risks</b>	<b>148</b>	<b>129</b>	<b>169</b>	<b>112</b>
Guarantee Fund	129	114	145	92
Private vehicles	9	6	11	6
Official vehicles	9	9	13	13

**Table 8 . General Activity of the Consorcio de Compensación de Seguros**

Source: Consorcio de Compensación de Seguros

In 2011 the claims ratio for coverage of extraordinary risks and that of the motor guarantee fund improved significantly compared to the previous year and came in at 90.5% and 81.2%, respectively (compared to 100.4% and 112.3% in 2010). However, the claims ratio for mandatory, direct third party liability motor insurance remained practically unchanged from the previous year, at 128.1%. A high claims ratio of 146.6% in direct coverage of official vehicles forced a 50% rate increase in 2012 for 1st Category vehicles.

In July 2011, the Spanish Parliament approved the Law on Electronic Money, which introduced important changes in coverage provided by the Consorcio de Compensación de Seguros. The goal was to bring Spanish rules into line with the interpretation which European Commission makes of cases of stolen vehicles. This law stipulates that the Consorcio will pay compensation for damage caused to persons or property in another state of the European Union by vehicles that are usually parked Spain, are insured and have been stolen, in those cases where the national guarantee fund of that state does not perform this function. At the same time, coverage is extended to any accident caused in Spain by a vehicle that is insured and has been stolen, regardless of whether it is normally parked in Spain.

Finally, as for new legislation, in October 2011 Royal Decree 1386/2011 was passed. It modified rules on extraordinary risks and lowered the speed threshold for what is to be deemed extraordinarily strong wind, from 135 to 120 kilometers/hour. This new measure went into force on 15 October, 2011.

### 3.2.6. SOLVENCY II

The “Omnibus 2” directive was proposed in January 2011 and aims to introduce the changes needed in the Solvency II Directive in order to adapt it to the new European regulatory framework. Adoption of the “Omnibus 2” directive by the European Council and the European Parliament was a necessary legal step for the European Commission to be able to propose Level 2 measures. Therefore, this adoption is key for complying with the schedule for Solvency II to come into effect.

What is more, the Omnibus II directive features critical regulatory measures. For instance, it specifies the technical elements in which the EIOPA must spell out binding standards, establishes transitional rules for the application of Solvency II, designs the rate curve for discounting technical provisions, etc.

The European Parliament is expected to approve the directive sometime in September or October of 2012, and in that case it will be published in November. Once it gets the green light from the Parliament, member states have until 30 June, 2013 to transpose Directive 2009/138/CE ("Solvency II") onto their national legislation, with the modifications introduced by Omnibus II. In the case of Spain, the Bill on Regulating and Supervising Private Insurance is at an advanced stage of its processing by Parliament and it will be accompanied by a regulation that will develop the more specific issues in the directive.

The European Commission has prepared a draft delegated Regulation (which develops the Solvency II Directive) which must also be approved by the European Parliament and does not need to be incorporated into countries' legal codes. There are also Binding Standard drafts prepared by the EIOPA which develop certain technical details. Although the overall consensus in the insurance industry is that there is simply not time for Solvency II to go into effect in January 2014, as it stands that is the official starting date for the directive.

Some important issues in relation to each of the pillar on which Solvency II are based are:

- ✓ **Pillar 1** – Contains everything related to assessment of assets and liabilities and the calculations of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR). Unlike Solvency I, the new calculation is related to the risk profile assumed by the entity.
  - The criterion for evaluating assets and liabilities is that of the "market or consistent with the market." These days, what with the problems besetting financial markets (high credit spread of assets in which insurance companies have invested as opposed to the risk-free rate), the problem has emerged of what curve should be used to assess liabilities in a way consistent with assets. With the idea of trying to resolve this problem, when it comes to writing off liabilities what has been proposed is the idea of adding to the risk-free curve additional premiums that are called the 'counter-cyclical premium' and the "Matching premium". These are still under discussion.
  - Profits from future premiums in the Life insurance business that are in force at the time of calculation are considered TIER1 (maximum-quality capital to cover SCR and MCR). Another thing that has been spelled out are the limits of contracts that must be forecast in calculating the result of Solvency II.
  - Over the course of this year, with regard to QIS5 (the last standard formula tested), the risk factors for underwriting Non-Life and catastrophic Non-Life insurance have been recalibrated. The risk spread has also been changed and recalibrated. Other risks have also been changed but to a lesser extent.
  - One important issue for the Spanish market is the issue of Burial insurance. It is a branch that is very typical of Spain, and is classified as Non-Life. As of now there is no clear position on how this line of business should fit into the standard formula, i.e. as



Non-Life or Life. There is a working group which is analyzing this issue along with UNESPA and the DGS.

- ✓ **Pillar 2** – It establishes a system of governance that insurance companies must have, including four key functions: an actuarial function, a risk function, a regulatory compliance function, and an internal auditing function. Furthermore, companies must have an internal control system and a risk management system. Companies must devise written policies in relation to the risks to which they are exposed: underwriting and the establishment of reserves, management of assets and liabilities, management of investments, management of liquidity and concentration risk, operational risk management, reinsurance risk management, etc. They must define a risk appetite and establish tolerance limits for assuming risk. What is more, companies must carry out a self-evaluation of risk (ORSA) beyond the calculation of the SCR according to the one-year standard formula. In other words, the self-evaluation of risk must feature a timeframe of more than a year and be in line with the company's business plan. It must include the risks to which the company is or might be exposed (even if they are not mentioned in the standard formula), the level of confidence can be one other than the 99.5% defined for the standard formula, etc.
- ✓ **Pillar 3** – This refers to the information that is to be reported to regulators and markets. Two reports have been defined: one for oversight authorities, the Regular Supervisory Report (RSR), and another for the general public, the Solvency and Financial Condition Report (SFCR). Although the content of these reports has not been definitively decided on, they must feature content on business and activities, the governance system, the risk profile, the earnings assessment, capital management, etc. Meanwhile, companies will have to report annually, and in other cases on a yearly basis, quantitative information in what are called Quantitative reporting templates (QRTs). There are 52 QRTs that affect individual companies and groups and another 12 which are specifically for groups. The information ranges from earnings, assets and liabilities by currency, by country, investments, technical provisions, SCR and MCR modules, reinsurance, etc.

The General Directorate of Insurance and Pension Funds has sent insurance companies a thorough questionnaire which they had to complete and return by 30 June so as to determine how they are addressing the project of adapting to Solvency II. Altogether it poses 25 questions, such as: whether the company has a Solvency II adaptation plan approved by its board of directors; whether the plan has a timetable and assigns human resources for the task; if the firm has adequate and documented policies that ensure that all the people who run it or carry out a key function are in fact the right people; if the company has data bases adapted to the quantitative and qualitative requirements of Solvency II; whether it has a risk function, etc.

The General Directorate of Insurance and Pension Funds, along with UNESPA, is spearheading the devising of a QIS5 Bis based on the draft delegated Regulation of the European Commission. Work is under way to develop an Excel spreadsheet and supplementary sheets to fill it out. This is expected to be completed in October and November. Only two countries -- Germany and the Netherlands -- have carried out similar exercises.

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## **4. Evolution of the insurance market by branch**

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## 4. EVOLUTION OF THE INSURANCE MARKET BY BRANCH

### 4.1. LIFE

Life insurance posted premium volume of 28,869 million euros in 2011, a major increase of 9.4% over the previous year, when it had fallen 8.4%. Factors contributing to this improvement included surrenders (12,264 million euros), which were down 11.3% compared to 2010. As a result, the volume of technical provisions rose 4.9% to 153,860 million euros.

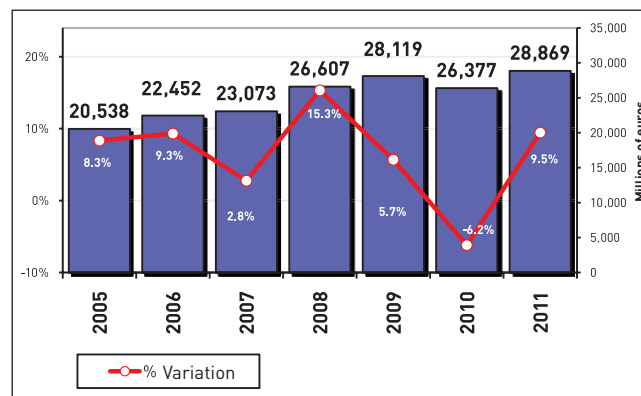


Chart 14. Evolution of Life. Written premiums. Direct insurance

Source: ICEA

Therefore, in 2011 Life insurance enhanced its role in the whole of the savings-retirement industry in Spain. Its growth stands in contrast to declines in assets managed by Pension Funds (-2.1%) and in particular by Mutual Funds (-7.4%, which represents a drop in asset value of more than 10,200 million euros in 2011).

As for Life insurance penetration, the number of policy-holders at year's end surpassed 33.1 million, a slight rise of 0.5%. Still, that was better than the 0.2 percent increase posted in 2010.

Class	Insured persons 2011	
	Number	% Variac.
Risk	23,324,398	-0.9%
Long term insurance	19,266	4.4%
Savings/ Retirement	9,827,733	4.2%
<b>Total</b>	<b>33,171,397</b>	<b>0.5%</b>

Table 9. Composition of Life insurance by class

Source: ICEA

### Categories

By category, insurance with strictly death coverage continued to account for more than two-thirds of all policies, with 23.3 million policy-holders, despite a 1% decline in the past 12 months. In terms of premium volume, it contracted 4.5% as a result of the major recession in the real estate market and the smaller number of home purchase transactions carried out.

Unlike the previous year, altogether savings-retirement insurance lines grew by 11.8% in premiums issued. The products that did best were without a doubt Insured Pension Plans (PPA's in Spanish) and Annuity Insurance.

PPA premiums grew 49%, as a result of which assets under management in this category rose to 8,702 million euros (41% more than in 2010). The main cause of this outstanding performance is the lure of guaranteed yields regardless of the ups-and-down and results of financial markets in the current situation. Wariness of variable-yield products led to an increase of more than 271,300 policy-holders, 41.5% more than the previous year.

Class	Premium		Provisions	
	2011	% Variac.	2011	% Variac.
Individual	21,154	11.9%	93,182	7.5%
Group	3,806	22.7%	42,477	0.8%
Unit Linked	3,909	-11.8%	18,201	4.5%
<b>Total</b>	<b>28,869</b>	<b>9.5%</b>	<b>153,860</b>	<b>4.9%</b>
Risk	3,605	-4.5%	5,445	11.9%
Long term insurance	3	29.5%	5	2.2%
Savings/ Retirement	25,260	11.8%	148,410	4.7%
Insured Pension Plans	3,553	49.1%	8,702	41.2%
Deferred capital	7,392	-3.9%	40,582	-3.5%
Annuity	9,103	31.1%	78,328	5.8%
Individual Systematic Savings Plans	1,303	9.3%	2,597	24.5%
Unit Linked	3,909	-11.8%	18,201	4.5%
<b>Total</b>	<b>28,869</b>	<b>9.5%</b>	<b>153,860</b>	<b>4.9%</b>

Table 10. Composition of Life insurance by class. Written premiums. Direct insurance

Source: ICEA

Annuities insurance behaved the opposite way from last year and posted a premium increase of 31%, causing technical provisions to expand 5.8% and surpass 78,000 million euros in savings -- just over half of the total managed by the sector.

The products known as PIAS had provision volume of 2,600 million euros, which marked growth of 24.5%, similar to that of 2010. The increase in premiums was 9.3%, nearly four times more than the previous year.

Finally, differentiating between individual and group Life insurance, one should note the larger growth in the latter (21.1%), although assets under management were practically unchanged from the previous year (0.1%). Individual life insurance saw similar rises in premiums (7.8%) and provisions (7.0%).

### Pension plans and funds

Pension plans finished the year with a volume of assets under management of 82,991 million euros, a decline of 2.1% compared to 2010. The number of pension plan members dropped to 10.6 million, the level seen in 2008 after posting a fall of 1.8%. The only positive component was from contributions to employment system plans, which rose 1.3%.

Despite the turbulence that rocked debt markets in 2011, fixed-yield instruments did well toward the end of the year. This changed the direction of the yields of the most

conservatively-oriented products in the Individual System, and all of them ended the year with positive yields (1.38% in short-term fixed yield, 1.39% in long-term fixed yield and 1.36% in guaranteed funds). But Mixed products (fixed yield and equities) and Equities closed out the year with falls of more than 2%, due to the poor performance of stock markets.

The current situation of volatility in financial markets has caused a change in the level of risk investors will take on. As for individual system pension plans, a greater sensitivity to risk caused participants to purchase or transfer their savings to guaranteed products, which made up the only category that turned in a positive performance (18.4%). This increase, along with the weight they carry (30%) within the system, managed to buffer the system's negative balance (-2.8%).

### **Mutual funds**

As for Mutual Funds, 2011 saw a continuation of the fall that began four years ago and which has been sustained by the liability battle among banks, ups and downs on the stock market and investor wariness. The industry closed the year at levels below those of 1997, with a 7.4 percent drop in assets and a loss of nearly 400,000 investors. Managed assets stood at 127,772 million euros. Negative net subscriptions to the tune of 8,432 million euros were down 65% from the previous year.

Of the different kinds of Mutual Funds, only fixed-yield guaranteed funds, with an increase of 33%, managed to retain their business volume. The rest all saw negative net balances, from a 1.4% fall in monetary funds to a 25.3% decline in mixed fixed-yield ones.

### **Prospects for 2012**

2012 will be a tough year for the Life insurance business in Spain, especially because of the troubles the banking sector is enduring. Bancassurance agreements, which in 2011 accounted for 70% of premium volume, will undergo a transformation as the financial sector is overhauled. And they will be affected by the requirements the sector must take on to shore up its solvency.

Life-Risk insurance will continue to suffer from the drop in credit available, so long as it does not manage to delink itself from the granting of loans.

As for Savings-Retirement products, Lifetime Annuities will continue to be popular because they take advantage of long-term interest rates that come from debt auctions. In the same way, policy holders will continue to focus their preferences on products with guaranteed interest such as Individual Systematic Savings Plans (PIAs) or Insured Pension Plans, and, when circumstances warrant it, on insurance products that offer attractive yields.

As for Pension Funds, from the new government the sector is expecting an improvement in tax regulations and in contributions, as the Popular Party stated in its electoral program, so as to tap the huge potential for growth that exists in complementary pensions systems.

From a tax standpoint another positive factor for the sector in 2012 is the increase in taxes on capital income, which went into force 1 February. This rise directly affects bank deposits and in comparative terms benefits both Mutual Funds, where tax payments can be deferred over time, and Pension Funds, whose tax breaks become more attractive in this context.

For Mutual Funds the start of 2012 held much economic, financial and political uncertainty. So it is to be expected that markets will continue to be unstable and volatile. And investors will remain cautious and very wary of risk, leaning more toward liquidity and other safe-haven assets until the situation becomes clearer.

Acting in favor of stocks are assessments that are far below their historic averages, which makes them more attractive than other assets. Stock indexes have room to improve, but they could continue to be pressured over the short term by doubts over the economic cycle and over financial entities.

## 4.2. MOTOR

Motor insurance posted premium volume of 11,270 million euros in 2011, the fourth straight year of declining revenue, this time by 2.3%.

In 2011 the factors that have exerted downward pressure on premiums since the start of the crisis persisted: a steep drop in sales of vehicles, a decrease in driving, fewer insured vehicles and a drop in families' disposable income, which causes policy-holders to seek out cheaper coverage and products. This last factor continues to trigger stiff pricing competition: the nominal value of the average premium dropped 3% to 390€.

Despite these negative factors, the line's technical-financial result was 8.3%, down slightly from 8.9% in 2010. This is due to the fact that the financial result went down by one point to 4.9%, and this could not be offset by the improvement in the combined ratio, which improved three-tenths of a point to 96.7%, because of the fall in the net claims ratio, possibly because of less exposure to risk and a drop in Comprehensive classes of insurance.

Basic indicators [% of premiums] *	2010	2011
Increase in premiums (1)	11,535	11,270
% Variation in premium volume	-0.9%	-2.3%
Retention	87.5%	94.5%
Gross claims ratio	77.4%	77.2%
Gross expenses ratio	17.7%	18.0%
Net claims ratio	79.5%	78.5%
Net combined ratio	97.0%	96.7%
Financial result	5.9%	4.9%
Technical -Financial result	8.9%	8.3%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 11. Basic indicators for Motor insurance**

Source: FUNDACIÓN MAPFRE with data from ICEA

Year	Insured vehicles (1)		Premiums. Direct insurance (2)		Average premium		
	Million	% Var.	Million €	% Var.	€	% Variation	
						Nominal	Real
2000	21.7	3.0%	7,996	17.9%	368	14.4%	10.0%
2001	22.0	1.1%	9,034	13.0%	411	11.7%	8.8%
2002	22.4	2.0%	9,990	10.6%	446	8.4%	4.2%
2003	23.3	4.2%	10,669	6.8%	457	2.5%	-0.1%
2004	24.6	5.4%	11,288	5.8%	459	0.4%	-2.7%
2005	25.7	4.7%	11,703	3.7%	455	-1.0%	-4.5%
2006	27.1	5.2%	12,261	4.8%	453	-0.4%	-3.0%
2007	28.3	4.7%	12,593	2.7%	444	-1.9%	-5.8%
2008	28.8	1.7%	12,356	-1.9%	428	-3.6%	-4.9%
2009	28.8	-0.2%	11,662	-5.6%	405	-5.5%	-6.2%
2010	28.7	-0.3%	11,554	-0.9%	403	-0.6%	-2.4%
2011	28.9	0.7%	11,270	-2.3%	390	-3.0%	-6.0%

(1) FIVA

(2) Direct insurance premium from insurance companies, plus premiums from the Consorcio

**Table 12 . Evolution of average Motor premium**

Source: FIVA, ICEA, Consorcio de Compensación de Seguros and FUNDACIÓN MAPFRE

Claims activity continued to improve in 2011 for the reasons stated above: continuous road safety improvements and less exposure to risk through less frequent use of vehicles.

Guaranty	Frequency(%)			Average cost (euros)		
	2010	2011	% Dif.	2010	2011	% Var.
Third-party liability	10.0%	9.2%	-0.77%	1,773	1,777	0.2%
Bodily injury	2.1%	2.1%	-0.08%	4,978	4,763	-4.3%
Property	8.5%	7.8%	-0.69%	828	835	0.8%
Own damage	43.7%	44.4%	0.69%	741	726	-1.9%
Broken Windows	8.4%	7.2%	-1.26%	282	290	2.7%
Theft	1.5%	1.4%	-0.17%	966	962	-0.5%
Legal defense	2.1%	2.0%	-0.13%	282	286	1.4%
Occupants	0.4%	0.3%	-0.11%	972	1,291	32.8%
Fire	0.08%	0.06%	-0.02%	3,211	3,225	0.4%
Revocation of driven license	0.03%	0.02%	-0.01%	1,930	1,619	-16.1%

**Table 13. Average frequencies and costs by coverage class**

Source: ICEA

For yet another year, Own Damage had the highest frequency ratio at 44.4%, Other guarantees were below 10%.

As for average claims cost, there were increases in Occupants (32.8%), Broken Windows (2.7%), Legal Defense (1.4%), Third-Party Liability for property damage (0.8%) and Fire (0.4%). The impact of the increase in VAT tax has raised the cost of claims for all classes of guarantee, especially Broken Windows and Third- Party Liability for property damage. The major increase in cost of Occupants claims is related to the automatic inclusion of this coverage in some packages offered by insurance companies and the increase in the insurance sum for this coverage by some companies.

The classes of coverage in which costs fell were Revocation of Driver's license (-16.1%), Third-Party Liability for personal injury (-4.3%), Own Damage (-1.9%) and Theft (-0.5%). It is worth noting that these declines are in line with a lesser exposure to risk. But the variations

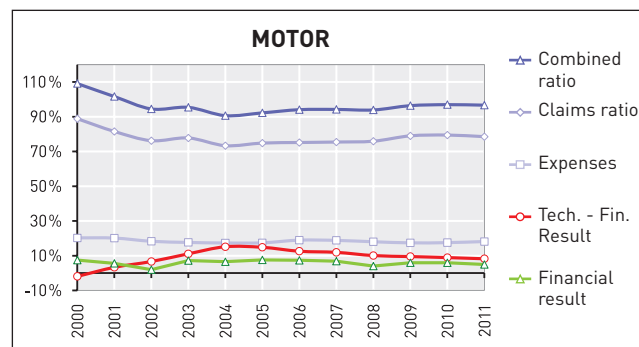


Chart 15. Evolution of results of Motor Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

in Fire and Revocation of driver's license are related to the low frequency of each, so there is greater volatility in the average cost of claims.

Coverage of Third-Party Liability for personal injury, although down slightly from the previous year, continues to be the guarantee with the highest average cost per claim, at 4,763€, followed by fire at 3,225€, where 2nd category vehicles (farm, industrial...) are the ones that had the highest ratios because of peak claims. As for claims incurred, Own Damage had the highest rate (96.7%) as a result both of higher claims frequency and the higher component of deductibles in Comprehensive policies.

## Prospects for 2012

Because of the bad economic situation, all signs are that vehicle sales will continue to drop. This will cause stagnation in the number of insured vehicles and a rise in the average age of vehicles. This, in turn, will probably lead to a drop in premium revenue because of reduced coverage, especially for motorcycles and scooters.

The level of exposure to risk is also expected to keep going down, as fuel prices stay high and households' disposable income drops. As a result of this the market could be tempted to carry out with its price war. A fall in financial yields, and in the final ratio of the technical-financial result, is also expected.

As for new legislation, it is unlikely that the new Automobile Scale will be introduced in 2012. In terms of solvency, companies will gradually adapt to the needs imposed by the new framework imposed by Solvency II. And the consequences of the application of directive 2004/113/CE (Test-Achats) will manifest themselves in 2013, as the deadline for introducing them is 21 December, 2012.

There is also uncertainty over how the sector's results might be affected by changes in tax laws, not just because of their influence on rate policies but because of the immediacy of the introduction of the measures and the annual duration of contracts. Such is the case of the expected change in VAT, where, if the introduction is immediate, it will be reflected in costs. However, as contracts are annual, premiums cannot be updated until policies come up for renewal.



Data from the first quarter of 2012 (ICEA) show a year-on-year variation in Premium volume of -4,5% compared to -2,2% the previous year. Breaking it down by category, Third-Party Liability dropped 5.0% compared to 3.9% in Other categories. The technical-financial result went down just over two points compared to March of 2011, settling in at 4.1%.

### 4.3. MULTI-PERIL

Despite a difficult economic context characterized by stagnation in the building of new homes, stiff restrictions on the granting of loans and the end to tax deductions for homebuyers, the Multi-Peril line posted premium volume of 6,508 million euros, an increase of 3.3% compared to the previous year. Except for Commercial Premises, all lines saw growth that was above the average for Non-Life branches. At the close of 2011, a total of 79 insurance companies were operating in this sector.

For yet another year, the category with the largest premium volume was Home Multi-Peril (56.2%), followed by Industrial (20.7%), Condominium (12.2%), Commercial Premises (10.0%) and Other Multi-Peril (0.9%). Premium revenue saw variations of 4.4% in Home, 1.2% in Industrial, -0.22% in Commercial Premises, 5,2% in Condominium and 2.01% in Other Multi-Peril.

Data published by the ICEA show the number of policies grew 1.6% thanks to Home and Condominium, while the cancellation rate was practically unchanged, standing at 20% for Commercial Premises Multi-Peril, Industrial and Other Multi-Peril and 10% for Home and Condominium.

The technical-financial result rose seven points to 14.3% due to an improvement in the combined ratio. It fell to 89.0% thanks to a major drop in the claims ratio, due in large part to lower incidence of weather-related phenomena. The expense ra-

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	6,297	6,508
% Variation in premium volume	3.3%	3.3%
Retention	79.1%	81.7%
Gross claims ratio	71.4%	57.0%
Gross expenses ratio	28.7%	28.5%
Net claims ratio	66.9%	58.8%
Net combined ratio	97.1%	89.0%
Financial result	4.2%	3.3%
Technical -Financial result	7.1%	14.3%

\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 14. Basic indicator for Multi-Peril insurance

Source: FUNDACIÓN MAPFRE with data from ICEA

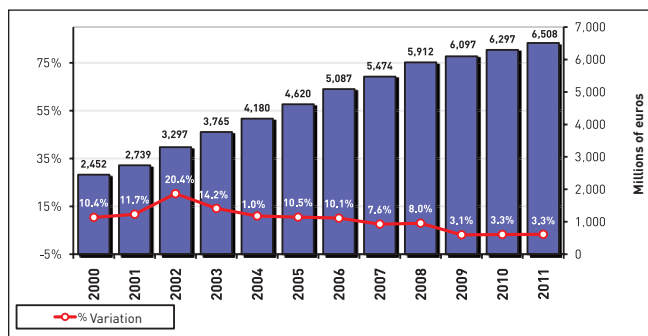


Chart 16. Evolution of Multi-Peril Insurance. Written premiums. Direct insurance

Source: ICEA

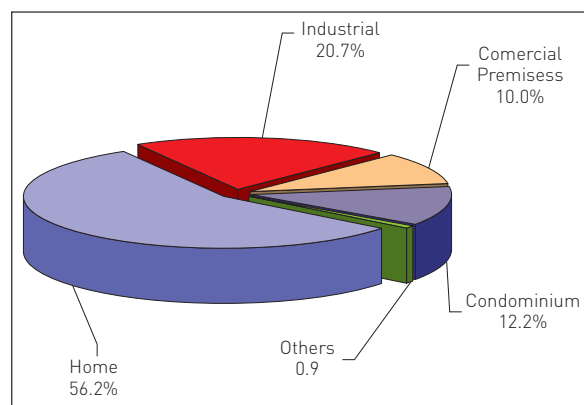


Chart 17. Distribution of Multi-Peril premiums by class of insurance

Source: ICEA

tio continued to be one of the highest among Non-Life insurance branches, with a rate of 28.5%.

Finally, the financial result went down nearly a percentage point to 3.3%. This indicator is in effect a mirror of the financial crisis that is sweeping Europe and, to a large extent, determines how insurance companies invest their money.

## Prospects for 2012

Data from the first quarter of 2012 show premium growth of 1.8% compared to the same period of the previous year (2.7% in 2011), due to increases in Home (3.2%) and Condominium (3.5%). The rest of the categories all posted declines. The technical financial result was 9.7%, down nearly two points from 2011.

### 4.3.1. HOME MULTI-PERIL

Home Multi-Peril had premium volume of 3,661 million euros, which marked growth of 4.4%. The number of policies rose by 1% and the cancellation rate was about 12.3%. These data confirm that that sector faces in terms of growth.

The main guarantees covered by Home Multi-Peril insurance continued to be water damage and glass. These are also the ones that have the greatest claims frequency and highest average cost per policy.

As for new kinds of coverage that companies offer to clients, there continued to be a trend toward incorporating assistance guarantees, such as guarantees for repair of generic brand appliances in the event of mechanical, electrical or electronic breakdowns.

As for sales channels, the dominant one continued to agents and brokers. The bancassurance channel kept falling because of the decline in mortgages granted and fewer sales of homeowner's insurance stemming from such loans.

The technical-financial result rise considerably to 12.8% as a result of an improvement in the combined ratio in particular, because of a significant drop of eight points in the claims ratio to 57.7%. This was mainly because it was not a difficult year in terms of weather-related phenomena. The expense ratio was stable at 32.1%.

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	3,505	3,661
% Variation in premium volume	5.1%	4.4%
Retention	88.8%	91.5%
Gross claims ratio	65.1%	56.6%
Gross expenses ratio	32.2%	32.1%
Net claims ratio	66.5%	57.7%
Net combined ratio	98.8%	89.9%
Financial result	3.1%	2.7%
Technical -Financial result	4.4%	12.8%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Tabla 15. Basic indicator for Home Multi-Peril insurance**

**Source:** FUNDACIÓN MAPFRE with data from ICEA

### 4.3.2. INDUSTRIAL MULTI-PERIL

Premium volume was 1,344 million euros, an increase of 1.2 % over the previous year. Although this figure points to a slight rise, the economic and financial situation of the Spanish business sector has a particularly acute effect on this kind of insurance.

The number of policies grew by 0.2% and the cancellation rate was 18.9%.

The kind of coverage with the highest average cost per claim was Business Interruption and the one with the highest average cost per policy was Fire. The latter also posted the highest number of claims and total claim amount.

As for results, one highlight was the major reduction in the gross claims ratio, which went from 94.4 % in 2010 to 57.4% in 2011. That meant the net claims ratio also went down, causing the combined ratio to decline by 8.5% and return to levels seen in 2010. The drop in the combined ratio, along with the slight rise in premium volume, led to a significant increase in the financial technical result (nearly seven percentage points), which was 15.2%.

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	1,328	1,344
% Variation in premium volume	0.5%	1.2%
Retention	56.0%	56.0%
Gross claims ratio	94.4%	57.4%
Gross expenses ratio	21.6%	21.0%
Net claims ratio	71.6%	64.0%
Net combined ratio	98.5%	90.0%
Financial result	7.2%	5.3%
Technical -Financial result	8.7%	15.2%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 16. Basic indicator for Industrial Multi-Peril insurance**

Source: FUNDACIÓN MAPFRE with data from ICEA

### 4.3.3.COMMERCIAL PREMISES MULTI-PERIL

Premium volume was 649 million euros, a decline of 0.2%. The number of policies grew by 0.5% and the cancellation rate was 22.9%.

The kind of coverage generating the most premiums was Theft, which also had the largest overall cost in claims. Its overall result improved compared to the previous year due to a fall in frequency and average cost. The current economic situation has reduced the amount of stock held at commercial premises, which in turn has an effect on average cost.

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	650	649
% Variation in premium volume	-0.7%	-0.2%
Retention	81.2%	84.6%
Gross claims ratio	62.2%	57.0%
Gross expenses ratio	29.7%	29.3%
Net claims ratio	64.0%	58.4%
Net combined ratio	93.5%	87.3%
Financial result	4.8%	3.8%
Technical -Financial result	11.4%	16.4%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 17. Basic indicator for Commercial Premises Multi-Peril insurance**

Source: FUNDACIÓN MAPFRE with data from ICEA

In general, what is most noteworthy is the across-the-board improvement in claims figures in all categories of coverage. Despite the fall in premiums, 2011 was not impacted by weather-related phenomena, and this absence had an effect on the claims ratio.

From an economic standpoint, bars and restaurants continued to be the main customers for this kind of insurance, accounting for the largest premium amount and also the highest

number of claims and overall claims cost. However, in line with other kinds of insurance, one detects an improvement in these data with respect to 2011. There was also a considerable increase in insurance of unoccupied commercial premises.

The economic situation is forcing companies to adapt products to the specific needs of customers, both in new and existing policies. Retaining customers is the top priority of companies, which stress the advantages of kinds of coverage and services which are very useful in the current situation, such as pressing claims for unpaid bills, consulting on security systems, legal and workplace-issue defense, etc., and the possibility of purchasing value-added services with attractive terms, such as installing alarm systems. This also has a positive effect on the claims ratio for Theft.

The technical-financial result improved significantly to 16.4%, thanks to an improvement of more than 5.5 points in the net claims ratio and a half-point drop in gross expenditure.

#### 4.3.4. CONDOMINIUM MULTI-PERIL

Premium volume was 794 million euros, an increase of 5.2%, the highest of any class of Multi-Peril insurance. The number of policies grew 0.2% and the cancellation rate was 10.7%.

Coverage for Water Damage continued to have the highest claims frequency and average cost per policy, especially in buildings between 31 and 40 years old.

Stagnation in the construction sector and stiff restrictions on the granting of credit have reduced the potential market for this kind of insurance, prompting companies to continue offering coverage innovations to provide more added-value to their policies. Examples include coverage related to third-party liability of the boards that manage condominium facilities and the members of these boards, and coverage designed to ease possible deficiencies in common areas through pest control.

This kind of insurance had the highest technical-financial result of all kinds of Multi-Peril insurance, at 21.0%, due to a major improvement of more than 10 points in the net claims ratio to 54.9%.

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	755	794
% Variation in premium volume	5.8%	5.2%
Retention	80.5%	86.8%
Gross claims ratio	62.0%	53.8%
Gross expenses ratio	27.8%	27.6%
Net claims ratio	65.1%	54.9%
Net combined ratio	91.4%	82.5%
Financial result	4.4%	3.4%
Technical -Financial result	13.0%	21.0%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 18. Basic indicator for Condominium Premises Multi-Peril insurance**

Source: FUNDACIÓN MAPFRE with data from ICEA

Historical series results

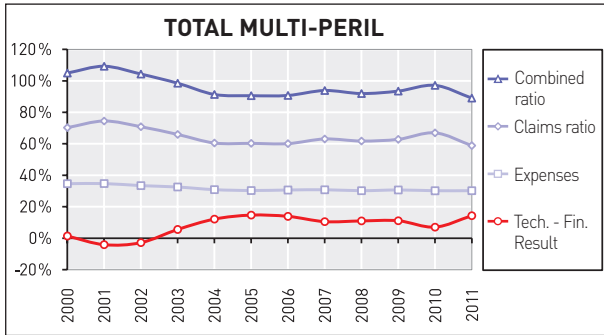


Chart 18. Evolution of results of Multi-Peril Insurance. % of net earned premiums

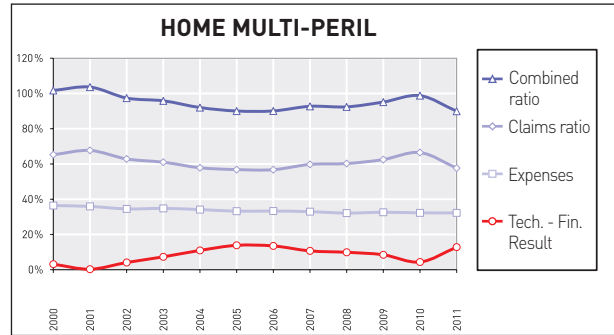


Chart 19. Evolution of results of Home Multi-Peril Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

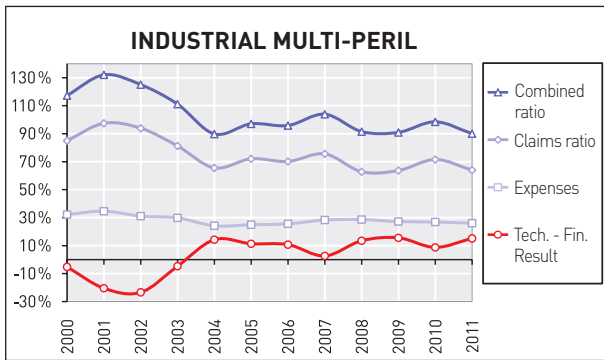


Chart 20. Evolution of results of Industrial Multi-Peril Insurance. % of net earned premiums

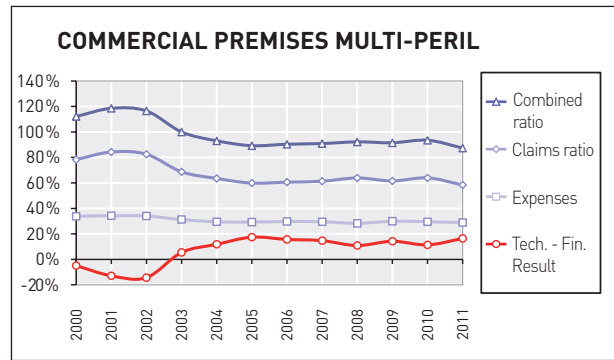


Chart 21. Evolution of results of Commercial Premises Multi-Peril Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

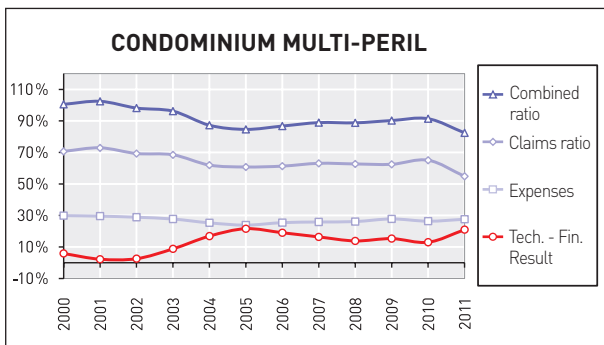


Chart 22. Evolution of results of Condominium Multi-Peril Insurance. % of net earned premiums

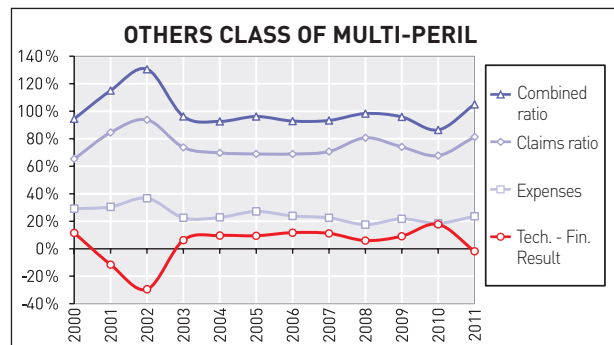


Chart 23. Evolution of results of Others class of Multi-Peril Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

#### 4.4. HEALTH

Health insurance posted premium volume of 6,589 million euros in 2011, an increase of 3.0% compared to the previous year.

Health was one of the few Non-Life branches that achieved positive growth, along with Multi-Peril, Burial insurance and Legal Defense. This was due mainly to a rise in premiums as companies carried out their yearly portfolio renewal, as the number of policy-holders grew less than premiums did (0.43%).

By class, Health-care assistance and Reimbursement of expenses saw rises of 3.5% and 2.6% respectively, while Benefits fell again, this time by 4.6%. The decline was influenced by the fact that this kind of insurance is aimed mainly at self-employed persons, who have been particularly hard hit by the crisis, with many small businesses shutting down and thus cancelling their insurance.

Providing of Services<sup>13</sup> (Health-care assistance + Reimbursement of expenses) rose 3.9% to 6,281 million euros, accounting for 96.0% of premiums and 84.1% of the number of policy-holders. The Benefits class accounted for 15.9% of policy-holders and 4% of premiums.

Toward the end of 2011, Grupo Mutua Madrileña acquired 50% of SegurCaixa Adeslas (formerly VidaCaixa Adeslas), the Non-Life insurance company of La Caixa group. The transaction put Grupo Mutua Madrileña atop the Health ranking and raised the market share of the top five groups by 2.5 points to 70.8%.

We should note the sentence issued in March 2012 by the EU Court of Justice barring insurance companies from taking a policy-holder's gender into account in calculating insurance premiums, dismissing this practice as discriminatory.

The ruling stated this ban must be applied starting 21 December, 2012. Therefore, starting on that day Health insurers will have to modify new-production rates to adapt to the European rules, charging men and women the same rates.

The result of the technical account in the Health insurance line improved more than half a point to 5.6%, as the combined ratio fell seven-tenths of a point to 95.4%. The

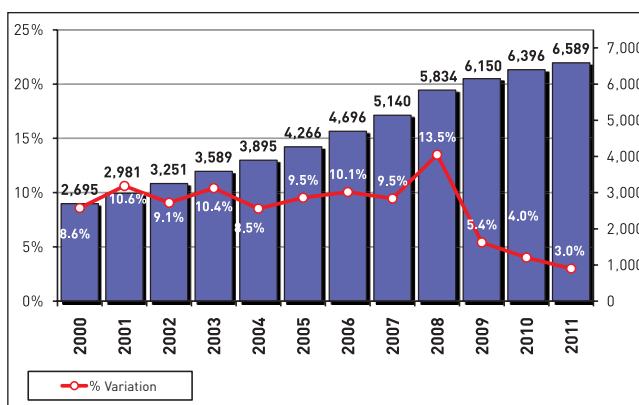
Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	6,396	6,589
% Variation in premium volume	4.2%	3.0%
Retention	98.1%	97.8%
Gross claims ratio	84.5%	82.8%
Gross expenses ratio	10.4%	11.5%
Net claims ratio	85.7%	83.9%
Net combined ratio	96.1%	95.4%
Financial result	1.1%	1.1%
Technical -Financial result	5.0%	5.6%

(\* ) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

**Table 19. Basic indicators for Health insurance**

Source: FUNDACIÓN MAPFRE with data from ICEA



**Chart 24. Evolution of Health Insurance. Written premiums. Direct insurance**

Source: ICEA

<sup>13</sup> Source: ICEA. Health Insurance. Statistical Year 2011.

improvement was caused by a drop of nearly two points in the claims ratio to 83.9%. The financial result was stable at 1.1%.

### Prospects for 2012

In 2012 Health insurance is expected to continue its downward trend. In this an important role will be played by Benefits insurance, whose main customers (self-employed persons) have been particularly hard hit by the economic crisis. Data from the first quarter of 2012 (ICEA) show year-on-year premium growth of 3.2%, compared to 3.9% as of March 2010.

The technical-financial result in the first quarter of 2012 was 1.9%, half a point lower than the figure from March of 2011. The combined ratio was 87.6%, almost a point higher than in the same period of 2011.

### 4.5. BURIAL INSURANCE

Burial insurance in 2011 had premium volume of 1,756 million euros, an increase of 3.1% over the previous year. The very nature of burial insurance explains that it is one of the few lines of insurance that saw its premiums continue to increase, due to its conception as a tool for long term planning.

New kinds of coverage were incorporated in 2011, such as eco-funerals (which include biodegradable urns, death notices printed on recycled paper, coffins made of certified Wood or the use of funeral homes certified as being environmentally friendly) and the inclusion of health and wellbeing coverage that feature alternative health and medical treatments.

As of the end of 2011, 58 insurance companies were operating in this line of insurance. The level of concentration is high: the top 10 companies account for 87.6% of premiums.

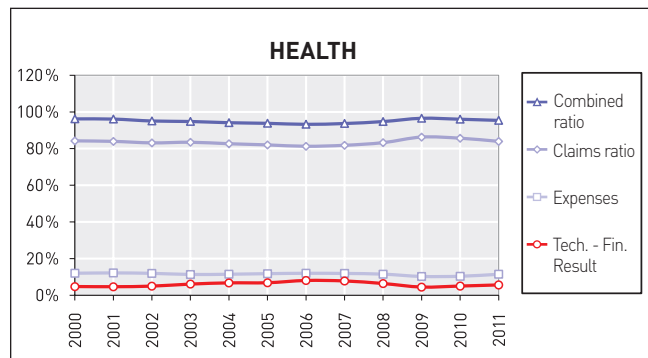


Chart 25. Evolution of results of Health Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	1,703	1,756
% Variation in premium volume	1.8%	3.1%
Retention	99.2%	100.6%
Gross claims ratio	52.5%	40.4%
Gross expenses ratio	38.1%	37.8%
Net claims ratio	52.8%	50.7%
Net combined ratio	90.9%	87.9%
Financial result	5.6%	5.7%
Technical -Financial result	14.6%	17.8%

(\* ) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 20. Basic indicator for Burial insurance

Source: Source: FUNDACIÓN MAPFRE with data from ICEA

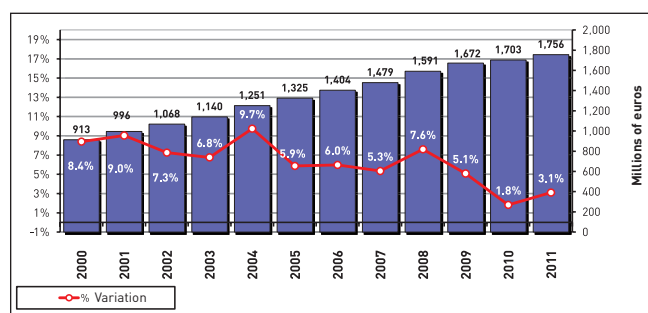


Chart 26. Evolution of Burial Insurance. Written premiums. Direct insurance

Source: ICEA

The sector is undergoing a major review of its solvency due to the future requirements of Solvency II and as it waits to learn how the new Law on Funeral Services will affect how the sector is run.

The technical-financial result rose more than three points to 17.8%, mainly because the net claims ratio fell, to 50.7% (one of the lowest, along with Motor and Third-Party Liability). Gross expenses, although they improved by three-tenths of a point, remain among the highest in the sector. This is because of the heavy burden of acquisition expenses due to the administrative work that the network of agencies carries out.

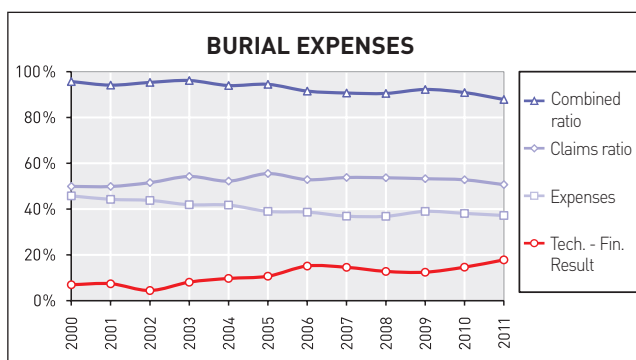


Chart 27. Evolution of results of Burial Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

### Prospects for 2012

Figures for the first quarter of 2012 (ICEA) show a decline in the result, down to 11.7% from 20.1% in the same period of the previous year, because of higher claims incurred. Premiums rose 2.7% year-on-year.

### 4.6. THIRD-PARTY LIABILITY

As predicted in last year's report, in 2011 the soft-market cycle has continued. This has again triggered a decline in premium volume, this time by 5.5%. The year 2007 was the last in which Third-Party Liability grew. Its volume then totaled 1,892 million euros. Since then it has fallen steadily, and hit 1,535 million euros in 2011. That means 300 million euros less in premium revenue in five years.

This downward trend in premiums -- caused by extraordinary competition in the insurance market (both because of companies and intermediaries) and by the economic crisis, will begin to ease gradually for the following reasons, among others:

- A significant rise in claims, both gross and net, which ended the year at 51%, which influenced the rise in the net combined ratio to 74.6%, nearly eight points more than in 2010.
- More caution in the economic assessment of claims, a circumstance that is particularly sensitive in Third-Party Liability policies because of the importance that coverage time

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	1,624	1,535
% Variation in premium volume	-5.1%	-5.5%
Retention	73.5%	73.9%
Gross claims ratio	42.3%	54.8%
Gross expenses ratio	23.3%	22.8%
Net claims ratio	42.6%	51.0%
Net combined ratio	66.9%	74.6%
Financial result	12.9%	12.5%
Technical -Financial result	46.0%	37.7%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 21. Basic indicators for Third - Party Liability insurance

Source: FUNDACIÓN MAPFRE with data from ICEA



limits have in that line of business, due to the size of claims for personal injury and cases going to court.

- Toughening of terms for reinsurance so as to offset the impact on its earnings from claims stemming from natural disasters and other causes.
- Inclusion of new kinds of coverage as a result of legislative changes, the evolution and result of which will be developed in coming years: bankruptcy administrators, data protection, ex-delicto Third-Party Liability for legal entities after the reform of the legal code introduced by Organic Law 5/2010 of 22 June.

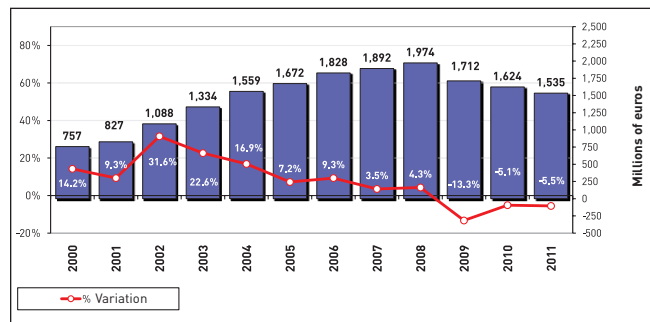
After a big rise in the technical-financial result in 2010, last year it went down more than eight points to 37.7%, due to a major increase of 8.4 points in the claims ratio. This big jump in the claims ratio makes it necessary to consider curbing the decline in premiums through:

- Finding sectors with greater growth potential (new technologies, the services sector, legislative requirements, etc.) as opposed to traditional ones such as construction and metallurgy.
- Providing services that keep customers loyal and make a company stand out, as opposed to using traditional calculation methods that rely on billing volume and staff size.
- Revising coverage to suit it to real risks, a change which will be reflected in a rise in premiums.

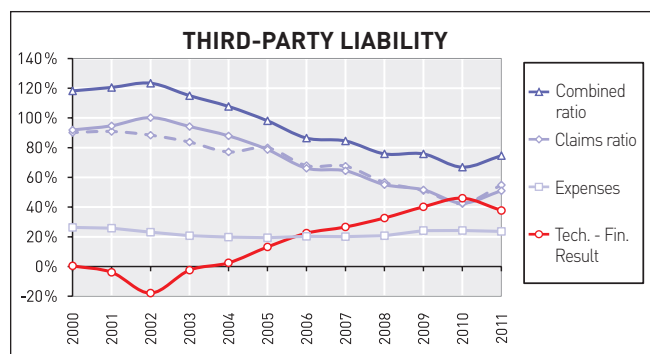
As for legislative changes, Royal Decree 8/2001 of 1 July modified Law 26/2007 on environmental responsibility. The law spells out exemptions from the purchase of mandatory financial coverage, specifying that exceptions will not be centered exclusively on damage caused by pollution but rather will extend to other events.

Another new law was Royal Decree 5/2012 of 5 March on mediation in civil and commercial disputes. It stipulates that the intermediary must take out insurance or an equivalent guarantee that covers their third-party liability stemming from how they handle the disputes in which they intervene. This decree could be of great interest to the insurance sector in resolving third-party liability disputes, facilitating their resolution and lower claims costs.

Finally, we should point out the important precedent established in Sentence 37/2012 of the Provincial Court of Valencia, which forced the Health Department of the Valencia



**Chart 28. Evolution of Third-Party Liability Insurance. Written premiums. Direct insurance**  
Source: ICEA



**Chart 29. Evolution of results of Third-Party Liability Insurance. % of net earned premiums**

Source: FUNDACIÓN MAPFRE with data from ICEA

regional government to disburse a large amount of punitive interest in paying the premiums for the liability insurance that covered the Valencia region’s health public health system.

### Prospects for 2012

Results from the first quarter of 2012 show a technical-financial result of 41.9%, down from 53.1% in 2011, mainly because of a worsening of the combined ratio, in which the claims ratio rose more than 7.5 points. Premium volume fell 5.7% year-on-year, compared to a drop of 8.4% the previous year.

### 4.7. PERSONAL ACCIDENT

Premium volume in 2011 was 899 million euros. For the third straight year this line of insurance posted a decrease, this time by 2.4% although this was half a point less than in 2010.

The net claims ratio continued the upward trend that began in 2010, and rose by another three points to 38.5%, due mainly to the soft market conditions the sector finds itself in. This translates into more aggressive underwriting policies, downward pressure on rates and high retention rates. For the second year, the rise in the claims ratio stems more from lower revenue from premiums than from (especially in Group Accident insurance) than from a rise in the number of claims.

Although the technical-financial result was excellent at 27.6%, it was nearly 6 points lower than the figure from 2010. Deterioration of the technical and financial margins contributed to this result.

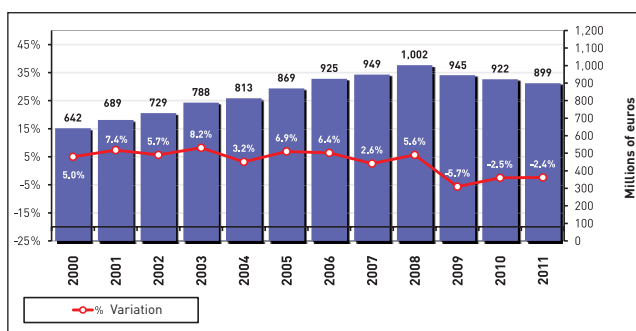
### Prospects for 2012

Data from the first quarter of 2012 show a technical account result of 30.2%, similar to that of the first quarter of 2011, and premiums down 4.8% compared to the same period of the previous year.

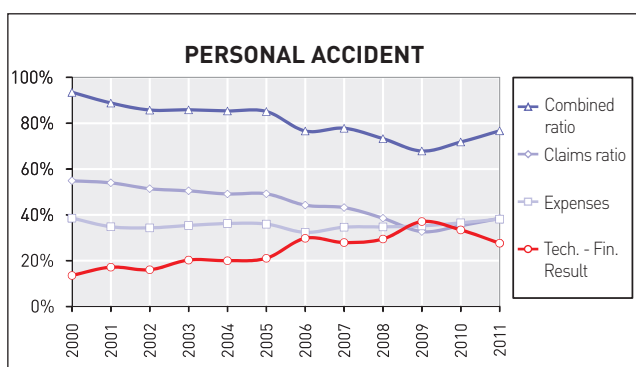
Basic indicators [% of premiums] *	2010	2011
Increase in premiums (1)	918	899
% Variation in premium volume	-2.9%	-2.4%
Retention	89.5%	89.5%
Gross claims ratio	34.2%	37.3%
Gross expenses ratio	35.4%	37.2%
Net claims ratio	35.3%	38.5%
Net combined ratio	71.8%	76.7%
Financial result	5.3%	4.3%
Technical -Financial result	33.4%	27.6%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology  
 (1) Millions of euros

**Table 22. Basic indicator for Personal Accident insurance**  
 Source: FUNDACIÓN MAPFRE with data from ICEA



**Chart 30. Evolution of Personal Accident Insurance.**  
 Written premiums. Direct insurance  
 Source: ICEA



**Chart 31. Evolution of results of Personal Accident Insurance.**  
 % of net earned premiums  
 Source: FUNDACIÓN MAPFRE with data from ICEA

### 4.8. CREDIT

Premiums from Credit insurance fell for the third straight year compared to the previous year, this time by 3.2%. The lack of economic recovery maintains the negative factors that affect this kind of insurance: lower sales figures and a drop in credit transactions.

The tough economic context and in particular the euro zone sovereign debt crisis in the second half of 2011 caused a rise in the gross claims ratio, which in 2011 hit 78.3%, 27.4 points more than in 2010. The net claims ratio grew by the same amount as the gross ratio, which caused an increase in the combined ratio, which reached 99.0%. As a result of the small technical result, the technical-financial result came down by more than 22 points, practically to the level of the financial result.

#### Prospects for 2012

Data from ICEA as of the end of April reveal that the downward trend seen in premiums continued, with a fall of 4.2%. So one can expect the year to end with another decline, in line with that of 2011 (around 3%-4%).

As for claims, the persistence of a weak economy and provisional data from major companies at the close of the first quarter of 2012 augur a gross claims ratio greater than that of 2011; around 90%.

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	719	696
% Variation in premium volume	-10.0%	-3.2%
Retention	54.3%	54.6%
Gross claims ratio	50.9%	78.3%
Gross expenses ratio	19.3%	20.4%
Net claims ratio	56.6%	84.1%
Net combined ratio	74.1%	99.0%
Financial result	4.8%	6.2%
Technical -Financial result	30.7%	7.1%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 23. Basic indicator for Credit insurance

Source: FUNDACIÓN MAPFRE with data from ICEA

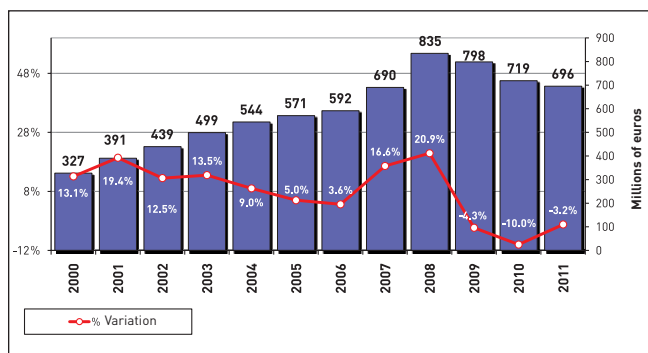


Chart 32. Evolution of Credit Insurance. Written premiums. Direct Insurance

Source: ICEA

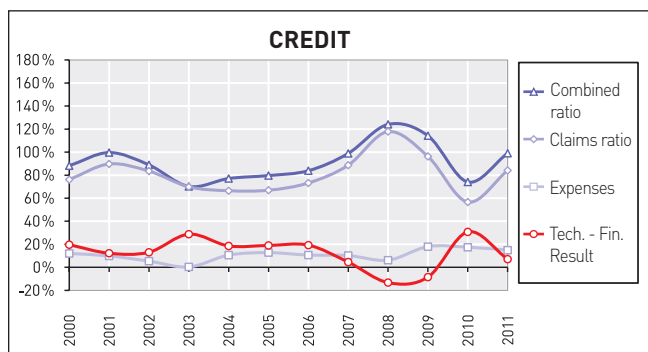


Chart 33. Evolution of results of Credit Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

## 4.9. SURETY

Premium volume fell 7.3% to 78 million euros. Public works contracts remain paralyzed, and the sector's traditional activity is now aimed mainly at providing coverage that major contractors need in projects overseas.

The gross claims rate was 97.7%, and although this was 25 points less than that of 2010, it is still quite high given the features of this sector, which is still suffering from the effects of the crisis in the real estate sector. The net claims ratio worsened, raising the combined ratio to 104.7%. Expenses remained stable, and the technical-financial result dropped to 3,5%.

### Prospects for 2012

The first four months of 2012 saw premiums fall by 2.0% compared to the previous year, and the premium numbers at the close of December 2012 will presumably be similar to those of 2011. Total market volume was quite stable in recent years in absolute terms.

In 2012, claims ratios are expected to be at high levels because of the influence of reserves that affect the real estate activity carried out by some companies. Given this sector's small size in terms of premiums, it has very high exposure to major changes in trend from a small number of individual claims. Therefore, it is very difficult to establish claims forecasts running through the end of the year.

## 4.10. TRANSPORT

The Transport sector finished 2011 with a drop of 2.3% in premiums. But the fall was smaller than those posted in the two previous years. The branch closed out the year with 487 million euros in premiums issued, compared to 498 million in 2010.

Hull insurance premiums fell 4.0% because of Aviation insurance, which dropped 13.8%. However, insurance for Goods rose slightly, by 0.1%.

Basic indicators [% of premiums] *	2010	2011
Increase in premiums (1)	84	78
% Variation in premium volume	3.8%	-7.3%
Retention	44.4%	40.1%
Gross claims ratio	123.3%	97.7%
Gross expenses ratio	24.9%	25.2%
Net claims ratio	63.3%	80.2%
Net combined ratio	88.7%	104.7%
Financial result	5.1%	8.2%
Technical -Financial result	16.4%	3.5%

(\*) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 24. Basic indicator for Surety insurance

Source: FUNDACIÓN MAPFRE with data from ICEA

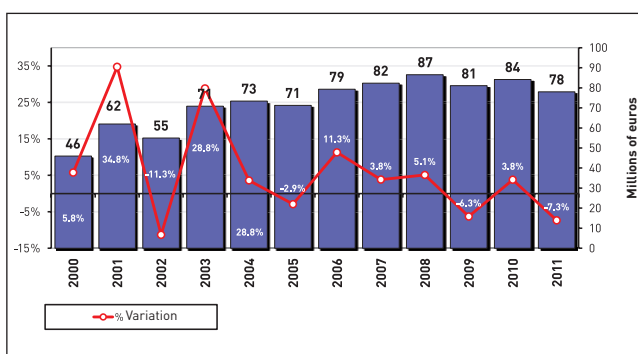


Chart 34. Evolution of Surety Insurance. Written premiums. Direct insurance

Source: ICEA

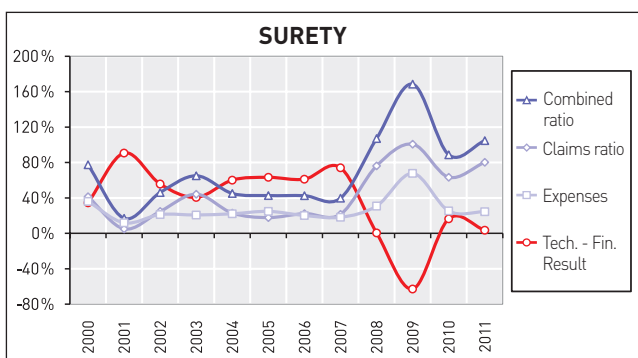


Chart 34. Evolution of results of Surety Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

### 4.10.1.HULLS

A total of 57% of premiums issued in the Transport sector correspond to Hulls, which in 2011 had premium volume of 278 million euros. The decline is easing with respect to the previous years, when the fall was 14%.

Companies' capacity translated into an increase in the retention rate, up four points from 2010.

Despite a small increase in gross expenses, good figures for the claims ratio (it fell six points) took the net combined ratio to 93.8%, an improvement of five points from the previous year.

However, the financial result dropped two points because of the financial crisis affecting Spain. Even so, the technical-financial result improved over 2010, to 11.6%.

### 4.10.2.GOODS

A total of 43% of premiums issued in the Transport sector correspond to Goods, which ended 2011 with premium volume of 209 million euros. This slight increase of 2.5% compared to 2010, while small, marked a change in direction for this variable.

Gross expenses were stable. But unlike what happened with the Hulls line, in Goods the claims ratio was up sharply, by nearly 13 points. This had a negative effect on the net combined ratio, which went from 77.9% in 2010 to 90.9% in 2011. Although the financial result remained stable, the worsening of the claims ratio affected the technical-financial result, which was off 10 points from the previous year.

### Prospects for 2012

The current economic situation makes it hard to estimate what might happen in the Transport sector over the course of 2012.

In Hulls, premiums are not expected to rise given the stagnation of the naval construction sector, which is a major source of revenue for this line of business.

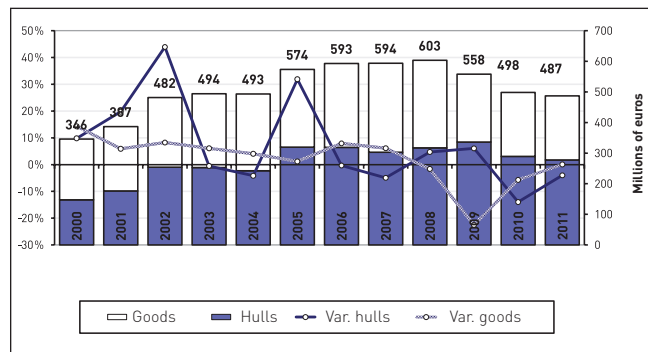


Chart 36. Evolution of Transport Insurance. Written premiums. Direct insurance

Source: ICEA

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	289	278
% Variation in premium volume	-14.0%	-4.0%
Retention	44.0%	49.4%
Gross claims ratio	59.1%	50.5%
Gross expenses ratio	16.1%	17.8%
Net claims ratio	73.6%	67.4%
Net combined ratio	98.9%	93.8%
Financial result	7.5%	5.4%
Technical -Financial result	8.6%	11.6%

(\* ) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 25. Basic indicators for Transport insurance, Hulls category

Source: FUNDACIÓN MAPFRE with data from ICEA

Basic indicators (% of premiums) *	2010	2011
Increase in premiums (1)	209	209
% Variation in premium volume	-5.7%	0.1%
Retention	69.6%	69.1%
Gross claims ratio	36.0%	54.1%
Gross expenses ratio	25.3%	25.5%
Net claims ratio	48.9%	61.2%
Net combined ratio	77.9%	90.9%
Financial result	5.7%	5.4%
Technical -Financial result	27.8%	14.5%

(\* ) An explication of how these indicators are calculated is provided in the section on Methodology

(1) Millions of euros

Table 26. Basic indicators for Transport insurance, Goods category

Source: FUNDACIÓN MAPFRE with data from ICEA

The Goods sector is shaping up as having even greater difficulties because it is more vulnerable to the scenario of international crisis. The market is still very soft in terms of premiums and because of slacker activity in the domestic market. Improvement can come only if international trade picks up, which seems unlikely given the current economic panorama.

The first four months of 2012 have shown a premium reduction of 6.4% compared to the same period of the previous year. By categories, Aviation and Goods are down -26.1% and -6.5%, respectively, while Maritime insurance is up 5.7%.

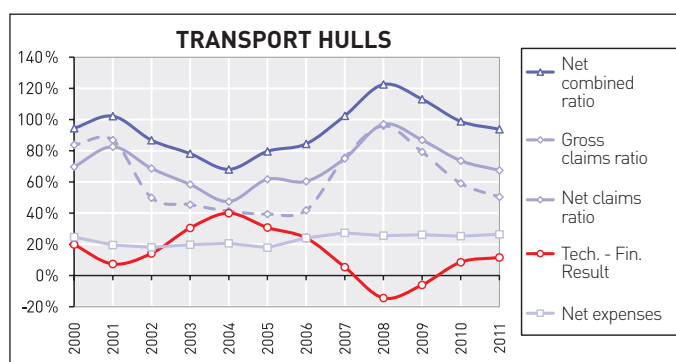


Chart 37. Evolution of results of Transport Insurance, Hulls category. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

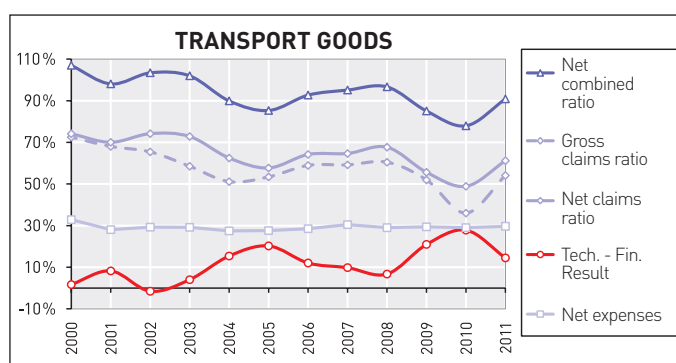


Chart 38. Evolution of results of Transport Insurance, Goods category. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

#### 4.11. ENGINEERING

The Engineering sector, which encompasses 10-year Construction Insurance, Construction Multi-Peril, Machinery Breakdown, Erection and Electronic Equipment, had Premium volume in 2011 of 335 million euros, a decline of 21.4% from 2010.

The data reflect the economic crisis that Spain continues to go through. The negative trend of recent years is nowhere near reversing itself. Rath-

Class	Millions of euros	
	Premium	% Variac.
10-year construction	57	-41.7%
Construction Multi-Peril	113	-28.3%
Machinery breakdown	126	-4.8%
Erection	16	-5.2%
Electronic equipment	24	5.5%
<b>Total Engineering</b>	<b>335</b>	<b>-21.4%</b>

Table 27. Distribution of Engineering insurance by class

Source: ICEA

er, the fall in premiums grows, especially because of the two lines directly related to construction, a sector hard hit by the crisis. In this two classes the declines in premiums continue to worsen, reaching 41.7% in **10-year Construction Insurance** and 28.3% in **Construction Multi-Peril**. But in the rest of the lines the situation seems to be holding steady with declines smaller than those of 2010 in **Machinery Breakdown** (-4.8%) and **Erection** (-5.2%), and a rise of 5,5% en **Electronic Equipment**. For these reasons, the relative weight of the different lines continues to change. Machinery Breakdown insurance is taking on a greater quota within the Engineering sector, with 37.7 % of the total.

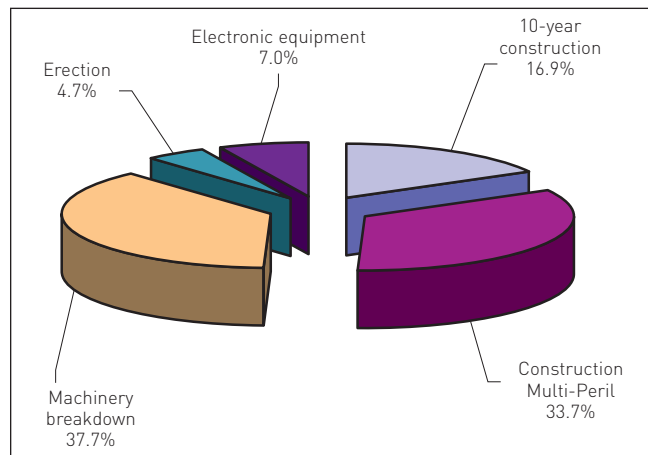


Chart 39. Distribution of Engineering by category

Source: ICEA

### Prospects for 2012

The steep falls in 10-year Construction Insurance are turning out to be particularly significant this year. The halt in new construction as mentioned earlier is compounded by the fact that fewer and fewer risks underwritten in earlier years remain with premiums still to be issued. All of this means that even if the sector comes back to life in 2012, which is quite unlikely, the fall in premium volume will continue in the coming years, due mainly to the weight carried by the risk-initiation premiums.<sup>14</sup>

In the rest of the lines, except for what was stated earlier, it does not seem either that the trend is going to reverse itself this year. Aside from certain sporadic, relatively important operations, there are no data pointing to significant changes.

To all of this one must add the internationalization of most construction companies. That means an increasingly important part of the business is no longer insured in Spain.

### 4.12. MULTI-PERIL AGRICULTURAL INSURANCE

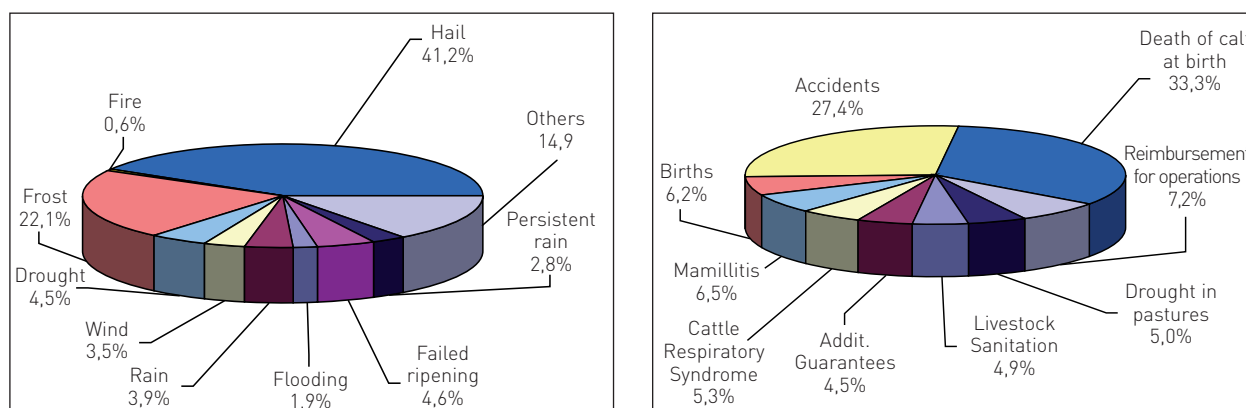
The Spanish System of Multi-Peril Agricultural Insurance is a model of coverage for damage caused to agricultural, livestock, aquacultural and forest facilities, in which private and public institutions participate jointly. Insurance companies support the risk of this activity by pooling resources in a co-insurance arrangement known as AGROSEGURO, in which Spain's central and regional governments subsidize part of the premiums and the Consorcio de Compensación de Seguros acts as director insurer and mandatory underwriter of some lines of business, although not in an exclusive way.

<sup>14</sup> In 10-year Construction insurance, upon the signing of the supplement in which the coverage takes effect (when the document stating the reception of the project is signed), the policy-holder must pay the portion of the premium that is pending.

In 2011, Spanish agricultural insurance was also affected by the overall performance of the economy, which was hit by the deep crisis that began in 2008. Still, despite this difficult context, in 2011 the sector posted premium volume of 642 million euros, a slight rise of 1.1% compared to 2010.

**Premium revenue** in the various lines of this business was the following: experimental lines, 322 million euros, a rise of 3%; viable lines 178 million euros, a decline of 3.8% mainly because of fewer contracts in two major groups of crops, which were citrus fruits and grapes used to make wine, and finally, removal and destruction of animals that die on farms, 142 million euros, for a fall of 6.1%, caused mainly by a drop in removal rates (€/kg) in several regions.

As for underwriting, insured production in the farm sector totaled nearly 32 million tons, an increase of 6.1% from the previous year. The value of insured production was 11,500 million euros, or 3.9% more than in 2010.



**Figura 40. Agricultural and Livestock insurance. Distribution of losses by risk in 2008. Farm risks (left) and Livestock risks (right)**

Source: Agroseguro

The agrometeorological year was extremely warm, with an average estimated temperature of 16 degrees Celsius, 1.4 degrees above the average for the past 30 years. It was also a dry year, with average precipitation 13% below normal.

Agricultural revenue was 22,000 million euros, a fall of 4.5% compared to the previous year. The figure was back to levels of the year 2000. But livestock production rose 11.8% compared to 2010. The biggest problem in these sectors was the 12.1% rise in prices of production means, highlighted by fertilizer (21.3%), energy (18.1%) or animal feed (15.4%), among others.

In 2011 nearly 1.1 million **claims** were filed (6.8% fewer than in 2010), of which nearly 80% were for the removal and destruction of animals that died on farms. Claims incurred (payments plus reserves) reached 525.5 million euros, below the figure of 554 million euros in 2010. Adverse weather affected nearly 562,000 plots of land. Damaged, insured surface area totaled 878,000 hectares. All told, the Spanish System of Multi-Peril Agricultural Insurance had an overall claims ratio of 81.9%, down nearly five points from 2010.



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## **5. New legislation**

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## 5. NEW LEGISLATION

The following is a summary of the status of legislative bills that are of particular interest to the insurance industry and relevant events that took place in 2011 and 2012.

### ***Bill on oversight of private insurance and royal decree that develops the law partially***

In July 2011, the proposed bill on oversight of private insurance was approved by the Council of Ministers. But the dissolving of Parliament to make way for general elections in November caused this bill to expire.

Therefore, using the approved bill as a starting point, a new process has begun with the aim of transposing the Solvency II directive, and during this process the content of the Spanish bill will be revised and clarified.

One of the novelties introduced with respect to the earlier process of transposing the directive consists of dividing the content into a law that features the essential aspects and a royal decree that develops it partially. The goal is to systematize and give greater clarity to the content of the new legislation.

### ***Preliminary Bill on insurance contracts***

In May 2011, the preliminary bill drafted by the Justice Ministry was presented to the Consultative Board on Insurance and Pension Funds, thus launching its administrative processing.

The basic goal of the preliminary bill is to bring Spanish regulation of insurance contracts into line with the new social reality, linking certain rules, recognizing branches and products which have been devised and consolidated by the insurance industry, and simplifying and harmonizing legal terms and making their content easier to understand. The ultimate purpose of all this is to enhance the protection of policy-holders and those who are insured.

On 19 July, 2011 the preliminary bill was presented to the Council of State for it to issue a ruling. But as general elections were convened for November 2011 and Parliament was thus dissolved, the Council of State returned the bill without issuing a ruling, at the request of the Justice Ministry. Thus, the process will begin anew. The idea is to review the bill's content and introduce element deemed necessary for the procedure to apply insurance contracts to be developed in an orderly and clear way.

### ***Reform of the System of Assessing Personal Injury in traffic accidents***

The Justice Ministry and the General Directorate of Insurance and Pension Funds have prompted the creation of a commission of experts to reform the system for evaluating personal injury stemming from traffic accidents. The goal is to bring damages paid out for traffic accidents in line with the new social reality.

***Ministerial order regarding procedures for filing complaints with the Bank of Spain, the National Stock Market Commission and the General Directorate of Insurance and Pension Funds.***

This order establishes the procedure to be applied in the presentation of queries, complaints and appeals to the corresponding offices of the three realms of financial activity: banking, stocks and insurance. The rule does the following things:

- Resurrects regulation after the abolishment of officials known as commissioners for the defense of users of financial services.
- Incorporates options that enhance the efficiency of the working of Complaints Offices.
- Adapts the working of Complaints Departments to the principles of independence, transparency, comparison, efficiency, legality, freedom and representation.
- Encourages effective application of rules on protecting users of financial services and good practices in the financial sector.
- Encourages legal security in relations between companies and customers.

***Ministerial order on reform of financial crisis protection measures***

The modifications introduced by this order are aimed at incorporating the recommendations made by the Financial Stability Board and the G-20 to reduce pro-cyclicality and create incentives for independent and active management of risks. It incorporates international recommendations on prudent regulations regarding financial immunization of insurance transactions and adapts the reduction coefficients for credit risk in immunized insurance operations to the situation of markets for public debt. This regulation was published in the Official State Gazette on 25 February, 2012 and is now in force.

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## **6. Methodology**

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## 6. METHODOLOGY

### Sources of information

In the preparation of this study, we have relied on official and other reputable sources of information. The main one, on which much of the report is based, is the reports published by the ICEA.

### Calculation

The calculation of most of the descriptive ratios in this study, especially those related to Non-Life insurance, was done with earned premiums, gross premiums or premiums net of reinsurance, depending on the case. Earned premiums comprise written premiums plus the variation of the provision for premiums receivable and the variation of the technical provision for unearned premiums and for unexpired risks.

The following is an outline of how the ratios are calculated:

- Retention:  $\text{Net Earned Premiums} / \text{Gross Earned Premiums (Direct + Assumed)}$ .
- Gross Claims Ratio:  $\text{Claims Incurred (Direct + Assumed) + Variation from other technical provisions} / \text{Gross Earned Premiums (Direct + Assumed)}$ .
- Net Claims Ratio:  $\text{Claims Incurred (Direct + assumed-ceded) + Variation from other technical provisions} / \text{Net Earned Premiums (Direct + Assumed-ceded)}$ .
- Gross expenses:  $\text{Operating costs (Direct + Assumed) + Profit-sharing and returned premiums + Other technical expenses - Other technical income} / \text{Gross earned premiums}$ .
- Operating costs:  $\text{acquisition expenses + administrative expenses (Direct + Assumed)} / \text{gross earned premiums (Direct + Assumed)}$ .
- Net expenses:  $\text{Operating expenses (Direct + Assumed-ceded) + Profit-sharing and returned premiums + Other technical expenses - Other technical income} / \text{Net earned premiums}$ .
- Net Combined Ratio:  $\text{Net claims ratio} + \text{net expenses}$ .
- Financial result:  $\text{income from investments - expenses on investments} / \text{net earned premiums}$ .
- Technical-financial result:  $\text{technical account result} / \text{net earned premiums}$



## STASTICIAL ANNEX

### Premium volumen by province, 2008 - 2011

	Premium volumen											
	2008			2009			2010			2011		
	Life	Non Life	Total	Life	Non Life	Total	Life	Non Life	Total	Life	Non Life	Total
<b>Total</b>	<b>14,714</b>	<b>29,062</b>	<b>43,776</b>	<b>17,023</b>	<b>28,202</b>	<b>45,225</b>	<b>17,824</b>	<b>29,089</b>	<b>46,913</b>	<b>20,472</b>	<b>28,824</b>	<b>49,296</b>
<b>Andalusia</b>	<b>2,088</b>	<b>3,936</b>	<b>6,024</b>	<b>2,197</b>	<b>3,703</b>	<b>5,900</b>	<b>2,051</b>	<b>3,914</b>	<b>5,966</b>	<b>2,099</b>	<b>3,884</b>	<b>5,982</b>
Almeria	257	334	591	261	307	568	148	322	470	205	319	524
Cadiz	270	496	765	281	470	751	436	513	949	260	509	769
Cordoba	181	354	535	213	334	546	154	361	515	218	362	580
Granada	181	420	601	188	391	579	180	417	597	202	410	613
Huelva	85	217	303	76	203	278	77	216	293	87	215	302
Jaen	138	274	412	158	263	421	121	271	393	147	271	418
Malaga	611	814	1,425	639	760	1,399	549	808	1,357	577	808	1,385
Sevilla	364	1,028	1,392	382	976	1,358	386	1,007	1,392	402	990	1,391
<b>Aragon</b>	<b>702</b>	<b>786</b>	<b>1,489</b>	<b>838</b>	<b>767</b>	<b>1,605</b>	<b>864</b>	<b>791</b>	<b>1,655</b>	<b>1,136</b>	<b>780</b>	<b>1,916</b>
Huesca	137	135	271	162	137	299	172	138	310	224	134	357
Teruel	70	70	141	92	69	160	108	73	181	121	72	193
Zaragoza	495	581	1,076	584	561	1,146	583	581	1,164	792	574	1,366
<b>Asturias</b>	<b>156</b>	<b>568</b>	<b>725</b>	<b>186</b>	<b>579</b>	<b>765</b>	<b>194</b>	<b>593</b>	<b>787</b>	<b>239</b>	<b>596</b>	<b>835</b>
Asturias	156	568	725	186	579	765	194	593	787	239	596	835
<b>Balearic Islands</b>	<b>184</b>	<b>676</b>	<b>860</b>	<b>241</b>	<b>644</b>	<b>886</b>	<b>237</b>	<b>674</b>	<b>911</b>	<b>570</b>	<b>677</b>	<b>1,246</b>
Balearic Islands	184	676	860	241	644	886	237	674	911	570	677	1,246
<b>Canarias</b>	<b>310</b>	<b>844</b>	<b>1,154</b>	<b>327</b>	<b>847</b>	<b>1,174</b>	<b>374</b>	<b>860</b>	<b>1,234</b>	<b>373</b>	<b>867</b>	<b>1,241</b>
Las Palmas	160	456	616	159	453	612	165	452	617	168	458	627
Tenerife	151	388	538	168	395	563	209	408	617	205	409	614
<b>Cantabria</b>	<b>100</b>	<b>318</b>	<b>418</b>	<b>132</b>	<b>319</b>	<b>451</b>	<b>144</b>	<b>328</b>	<b>471</b>	<b>122</b>	<b>339</b>	<b>462</b>
Cantabria	100	318	418	132	319	451	144	328	471	122	339	462
<b>Castille-La Mancha</b>	<b>375</b>	<b>1,006</b>	<b>1,381</b>	<b>497</b>	<b>954</b>	<b>1,451</b>	<b>592</b>	<b>990</b>	<b>1,582</b>	<b>673</b>	<b>974</b>	<b>1,647</b>
Albacete	59	200	259	86	181	267	110	187	297	119	183	302
Ciudad Real	106	236	342	121	228	349	121	237	358	169	235	404
Cuenca	21	104	124	41	97	138	58	101	158	63	98	162
Guadalajara	76	129	205	99	122	221	96	129	225	116	128	244
Toledo	113	337	450	151	326	477	208	336	543	206	329	535
<b>Castille-Leon</b>	<b>634</b>	<b>1,401</b>	<b>2,035</b>	<b>887</b>	<b>1,387</b>	<b>2,274</b>	<b>790</b>	<b>1,433</b>	<b>2,224</b>	<b>971</b>	<b>1,422</b>	<b>2,393</b>
Avila	83	97	180	68	94	161	48	100	148	56	97	153
Burgos	79	215	294	210	216	425	98	221	320	138	221	359
Leon	109	272	381	137	268	404	170	267	437	180	266	446
Palencia	37	83	121	55	83	138	64	89	152	69	88	157
Salamanca	68	182	250	102	188	290	88	194	282	96	196	292
Segovia	57	88	145	44	85	129	41	91	132	83	91	174
Soria	28	54	82	42	54	96	34	60	94	88	58	146
Valladolid	130	319	449	177	309	485	187	316	502	203	310	513
Zamora	44	91	135	53	92	145	60	96	156	59	95	154

Premium volumen												
	2008			2009			2010			2011		
	Life	Non Life	Total	Life	Non Life	Total	Life	Non Life	Total	Life	Non Life	Total
<b>Catalonia</b>	<b>3,581</b>	<b>5,313</b>	<b>8,893</b>	<b>4,556</b>	<b>5,230</b>	<b>9,786</b>	<b>4,708</b>	<b>5,234</b>	<b>9,942</b>	<b>6,081</b>	<b>5,145</b>	<b>11,226</b>
Barcelona	3,008	4,146	7,154	3,884	4,092	7,976	3,869	4,055	7,924	4,838	3,962	8,800
Girona	205	435	640	270	427	697	353	448	801	473	452	925
Lerida	175	297	472	162	285	447	195	294	489	294	290	585
Tarragona	193	434	627	240	426	666	292	437	729	476	440	916
<b>Comunidad Valenciana</b>	<b>1,059</b>	<b>2,885</b>	<b>3,944</b>	<b>1,182</b>	<b>2,655</b>	<b>3,837</b>	<b>1,266</b>	<b>2,795</b>	<b>4,061</b>	<b>1,456</b>	<b>2,766</b>	<b>4,222</b>
Alicante	265	957	1,222	340	848	1,187	386	939	1,325	422	953	1,375
Castellon	130	328	458	156	303	459	168	308	476	194	300	494
Valencia	665	1,599	2,264	686	1,505	2,191	711	1,548	2,259	840	1,513	2,353
<b>Extremadura</b>	<b>175</b>	<b>479</b>	<b>654</b>	<b>261</b>	<b>479</b>	<b>739</b>	<b>236</b>	<b>500</b>	<b>736</b>	<b>174</b>	<b>500</b>	<b>674</b>
Badajoz	133	294	427	204	294	498	178	306	484	110	308	418
Caceres	42	185	227	56	185	241	58	194	252	64	192	256
<b>Galicia</b>	<b>668</b>	<b>1,539</b>	<b>2,207</b>	<b>586</b>	<b>1,564</b>	<b>2,150</b>	<b>883</b>	<b>1,618</b>	<b>2,501</b>	<b>1,014</b>	<b>1,602</b>	<b>2,616</b>
La Coruña	256	656	912	249	666	915	330	690	1,021	358	689	1,047
Lugo	81	183	264	71	183	255	103	188	291	90	188	277
Orense	50	153	203	46	166	213	66	172	237	74	169	243
Pontevedra	282	547	829	220	548	768	384	568	952	492	556	1,048
<b>Madrid</b>	<b>3,264</b>	<b>6,499</b>	<b>9,763</b>	<b>3,399</b>	<b>6,373</b>	<b>9,772</b>	<b>3,695</b>	<b>6,522</b>	<b>10,217</b>	<b>3,755</b>	<b>6,423</b>	<b>10,179</b>
Madrid	3,264	6,499	9,763	3,399	6,373	9,772	3,695	6,522	10,217	3,755	6,423	10,179
<b>Murcia</b>	<b>239</b>	<b>742</b>	<b>981</b>	<b>333</b>	<b>643</b>	<b>976</b>	<b>334</b>	<b>705</b>	<b>1,038</b>	<b>378</b>	<b>709</b>	<b>1,087</b>
Murcia	239	742	981	333	643	976	334	705	1,038	378	709	1,087
<b>Navarra</b>	<b>399</b>	<b>359</b>	<b>758</b>	<b>421</b>	<b>362</b>	<b>783</b>	<b>456</b>	<b>366</b>	<b>822</b>	<b>263</b>	<b>357</b>	<b>619</b>
Navarra	399	359	758	421	362	783	456	366	822	263	357	619
<b>Basque Country</b>	<b>556</b>	<b>1,484</b>	<b>2,040</b>	<b>668</b>	<b>1,472</b>	<b>2,140</b>	<b>745</b>	<b>1,522</b>	<b>2,268</b>	<b>933</b>	<b>1,544</b>	<b>2,477</b>
Alava	66	186	251	69	186	255	86	187	273	105	193	297
Guipuzcoa	141	460	601	174	458	632	232	469	700	263	460	723
Vizcaya	349	838	1,188	425	828	1,253	427	867	1,294	565	891	1,456
<b>La Rioja</b>	<b>194</b>	<b>177</b>	<b>371</b>	<b>292</b>	<b>176</b>	<b>468</b>	<b>239</b>	<b>179</b>	<b>417</b>	<b>206</b>	<b>174</b>	<b>380</b>
La Rioja	194	177	371	292	176	468	239	179	417	206	174	380
<b>Ceuta and Melilla</b>	<b>29</b>	<b>50</b>	<b>79</b>	<b>20</b>	<b>47</b>	<b>67</b>	<b>15</b>	<b>66</b>	<b>81</b>	<b>28</b>	<b>67</b>	<b>94</b>
Ceuta	20	29	49	10	25	35	9	34	43	8	35	43
Melilla	9	21	30	11	22	32	6	31	38	20	31	51

Source: ICEA. "The Insurance market by provinces. Statistical year 2011". Data obtained from 88 insurance companies and groups representing 81% of all premiums in the sector.

## Basic indicators by line of insurance

	Increase in premiums (1)	% Variation in premium volume	Retention	Gross claims ratio	Gross expenses ratio	Net claims ratio	Net combined ratio	Financial result	Technical -Financial result
Non Life	31,724	-0.3%	88.6%	68.4%	21.4%	70.5%	92.0%	4.0%	11.4%
Motor	11,270	-2.3%	94.5%	77.2%	18.0%	78.5%	96.7%	4.9%	8.3%
Multi- Risk	6,508	3.3%	81.7%	57.0%	28.5%	58.8%	89.0%	3.3%	14.3%
Househol Multi- Risk	3,661	4.4%	91.5%	56.6%	32.1%	57.7%	89.9%	2.7%	12.8%
Industrial Multi- Risk	1,344	1.2%	56.0%	57.4%	21.0%	64.0%	90.0%	5.3%	15.2%
Commercial Premises Multi- Risk	649	-0.2%	84.6%	57.0%	29.3%	58.4%	87.3%	3.8%	16.4%
Condominiums Premises Multi- Risk	794	5.2%	86.8%	53.8%	27.6%	54.9%	82.5%	3.4%	21.0%
Others Multi- Risk	60	2.0%	89.1%	84.8%	24.2%	81.3%	105.0%	3.1%	-1.9%
Health	6,589	3.0%	97.8%	82.8%	11.5%	83.9%	95.4%	1.1%	5.6%
Third party liability	1,535	-5.5%	73.9%	54.8%	22.8%	51.0%	74.6%	12.5%	37.7%
Trasnpport	498	-10.7%	53.2%	44.2%	19.0%	62.6%	89.1%	6.7%	17.6%
Hulls Transport	278	-4.0%	49.4%	50.5%	17.8%	67.4%	93.8%	5.4%	11.6%
Goods Transport	209	0.1%	69.1%	54.1%	25.5%	61.2%	90.9%	5.4%	14.5%
Burial expenses	,756	3.1%	100.6%	40.4%	37.8%	50.7%	87.9%	5.7%	17.8%
Credit	696	-3.2%	54.6%	78.3%	20.4%	84.1%	99.0%	6.2%	7.1%
Surety	78	-7.3%	40.1%	97.7%	25.2%	80.2%	104.7%	8.2%	3.5%
Personal accidents	899	-2.4%	89.5%	37.3%	37.2%	38.5%	76.7%	4.3%	27.6%

Source: ICEA



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