



FUNDACIÓN MAPFRE

**The Latin American
insurance market
2008-2009**

December 2009

**Instituto de
Ciencias del Seguro**

**THE LATIN AMERICAN
INSURANCE MARKET
2008-2009**

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1. PRESENTATION

FUNDACIÓN MAPFRE hereby presents the eighth edition of its report entitled “The Latin American insurance market”, which this time contains information on 2008 and a preview on the first half of 2009.

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

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

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

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

2. The Latin American insurance market. 2008-2009

2. THE LATIN AMERICAN INSURANCE MARKET. 2008-2009

2.1 MACROECONOMIC CONTEXT ¹

2008 was a good year for the economy of Latin America, although the effects of the international financial crisis led to more moderate growth, especially in the latter part of the year. According to figures from ECLAC, the GDP of Latin America and the Caribbean expanded 4.2% in 2008, compared to 5.8% the previous year.

It is worth noting that after six straight years of economic expansion, important structural progress has been made in the region, such as fiscal discipline, with primary surpluses and a declining level of public debt; inflation that is low and stable, with an orthodox monetary policy and a flexible exchange rate regime; and reforms which have allowed the region's institutions and markets to lure capital from developed countries with low risk-premiums. Thanks to this progress, one can state that Latin America is in a better position than in the past to confront an economic crisis like the current one.

Besides the international financial crisis, there were other factors more difficult to quantify that led to a slowing of growth in 2008, such as the destruction of wealth through a fall in asset prices and deterioration of expectations as to investment and private consumption. On the other hand, state-sector consumption did go up, a circumstance which stems from government fiscal policies designed to ease the effects of the crisis. In some cases, a decline in remittances sent by emigrants took a significant toll on private consumption.

The macroeconomic impact of the crisis is seen in a fall in exports, a decline in investment and a deceleration of private consumption. One factor in the drop in investment was an easing of foreign direct investment flows.

In most countries of the region, and in a reflection of the state of the economy, the level of job creation was steady until the last quarter of 2008, when a considerable worsening in the labour market was observed. It continued through the first quarter of 2009. A decline in the employment rate in these two quarters contrasted with an improvement in workplace indicators in the period 2004-2008, during which the regional jobless rate fell from 11% to 7.4%.

The inflation rate in 2008 increased to 8.4%, from 6.4% in 2007, affecting all the countries of the region. Inflation began to decelerate significantly in Sept. 2008 after a sharp fall in international prices for foodstuffs and fuel; also contributing to this deceleration was the negative impact that the international crisis has on domestic demand in the countries of the region.

As for the balance of goods and services, in 2008 one can observe two clearly differentiated phases; in the first three quarters, trade in goods rose significantly in exports and imports. Exports rose in value at an average rate of 26.5%, although in volume the pace of increase was lower. The performance by quarterly imports was similar, as they increased an average of 28.5%. However, starting in the fourth quarter, the effects of the international economic crisis started to take their toll, as exports fell 10.4% as a result of the decline in external demand, which affected both volume and prices. As expected, the effect of the contraction in external demand was greater in Central America and Mexico, the economies of which are relatively more open and export many of their goods to the United States.

¹ Remarks based on the publication "Economic survey of Latin America and the Caribbean, 2008-2009", by the Economic Commission for Latin America and the Caribbean (ECLAC).

According to ECLAC's forecasts, the GDP of the countries of Latin America and the Caribbean will contract 1.8% in 2009, ending six straight years of economic growth. This behaviour by the economy has to be seen in the context of the global crisis, which hit the region harder in the last quarter of 2008 and in early 2009. The repercussions of the crisis have manifested themselves mainly in a sharp drop in exports, a fall in prices for basic goods and in terms of trade, and a decline in revenue from remittances sent by emigrants and from tourism. However, in the second quarter of 2009, the first hint of recovery emerged and it spread in the second half of the year.

2.2 INSURANCE MARKET

In 2008 the insurance markets of Latin America continued to show signs of strength, with nominal and real-terms increases in local currency in premiums issued in all countries, except for Puerto Rico. This made for an average rise of 16.9%, two-tenths of a point less than in 2007. Average real growth in local currency was 6.8%, compared to 11.4% the previous year. Unlike what happened in 2007, the growth figure for Central America, 10.8%, was slightly higher than the one for South America (9.8%).

Nominal growth in local currencies

% Variation in premium volume. 2008			
COUNTRY	NON LIFE	LIFE	TOTAL
Argentina	31.7	12.8	26.2
Bolivia	23.1	32.8	24.9
Brazil	16.7	15.2	16.0
Chile	13.5	5.8	8.8
Colombia	10.4	43.5	19.4
Costa Rica	31.9	52.6	32.6
Ecuador	29.9	32.1	30.3
El Salvador	6.5	22.8	11.4
Guatemala	8.4	14.6	9.5
Honduras	12.5	20.1	14.3
Mexico	6.4	10.0	8.4
Nicaragua	11.9	25.9	14.0
Panama	30.0	21.7	27.5
Paraguay	22.6	40.8	24.0
Peru	6.7	1.8	16.7
Puerto Rico	1.7	-9.4	0.6
Dominican Republic	10.3	20.0	11.3
Uruguay	17.8	29.5	20.0
Venezuela	45.0	44.9	45.0
Overall total	18.5	13.9	16.9

Figure 1. Variation in premium volume in 2008 in Latin America.

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

Puerto Rico posted the highest premium per capita in the region, at 1,625 €/inhabitant, followed by Chile (270 €/inhab.), Venezuela (254 €/inhab.), Brazil (186 €/inhab.), Panama (156 €/inhab.), Argentina (130 €/inhab.) and Mexico (117 €/inhab.). Bolivia and Nicaragua, with 13 €/inhab., are the countries with the lowest premium per capita.

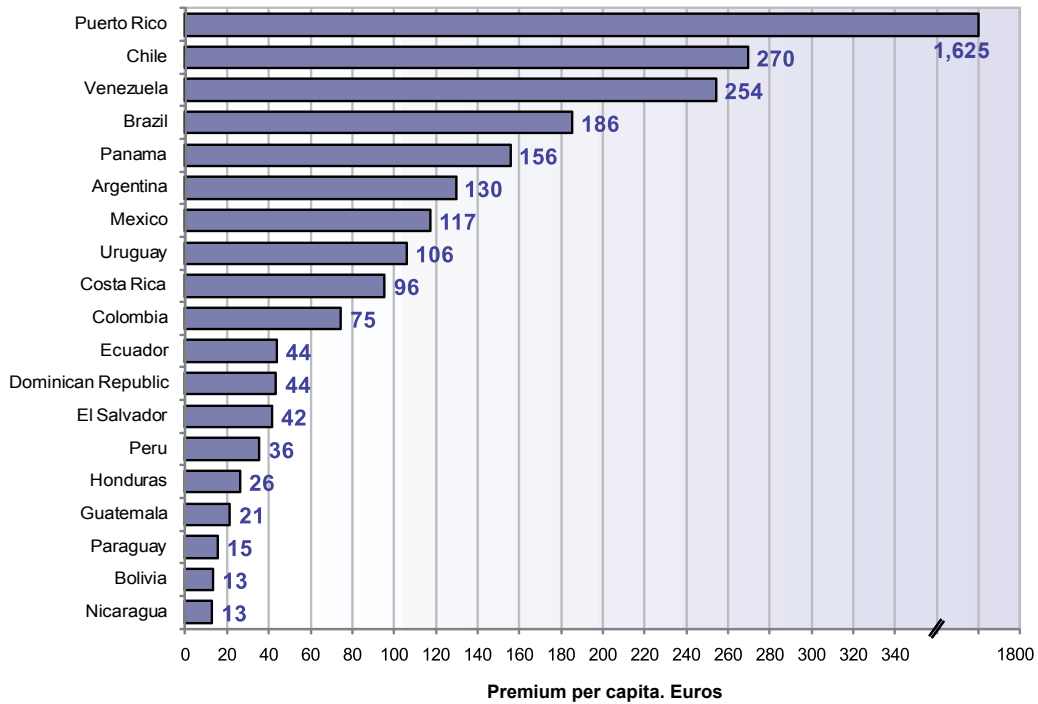


Figure 2. Latin America. Premium per capita in 2008

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

As for insurance penetration, (% premiums/GDP), again the figure for Puerto Rico stands out, with 15.5%, followed by Chile (3.9%), Panama, Brazil and Venezuela (3.3%), and Argentina (2.3%).

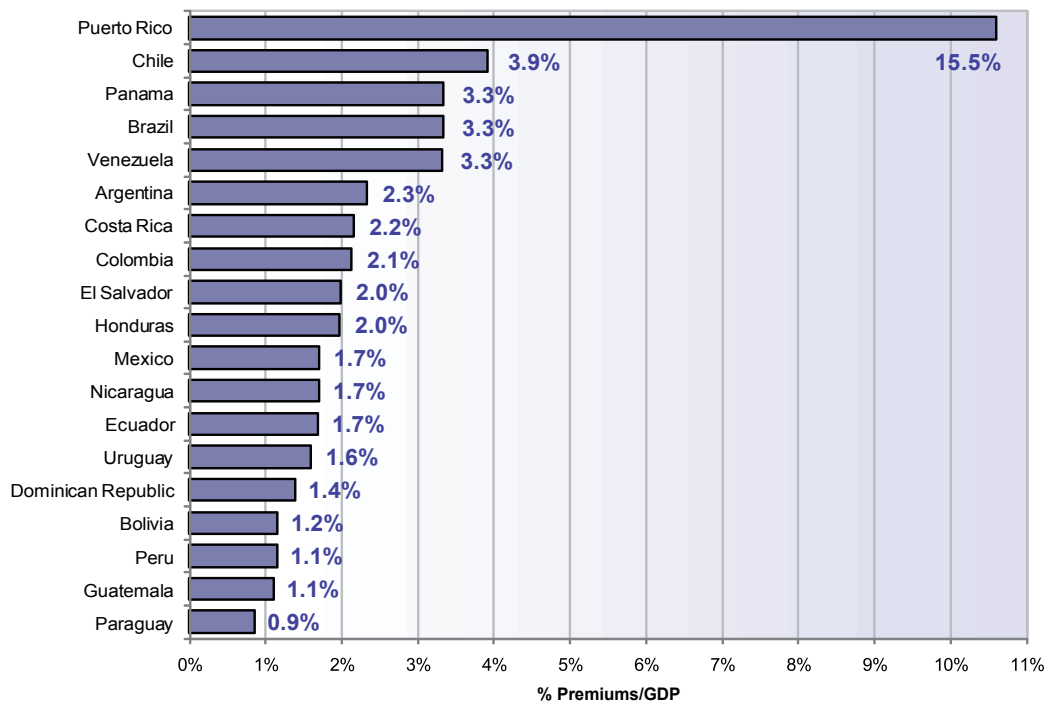


Figure 3. Latin America. Insurance penetration in 2008

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

Premium volume in Latin America in euros surpassed 69,000 million in 2008, for a nominal increase of 11% compared to 2007. The Non-Life class did better than Life, although a slower expansion of the economy and stiff competition on prices led to more moderate growth; the increase was 11.6%, a rate very similar to that of 2007 (12%). Meanwhile, Life insurance premiums issued in euros totalled 25,000 million, an increase of 10% compared to the previous year. The countries that saw the largest increases in premium volume in euros were Venezuela (36.3%), Paraguay (33.4%) and Uruguay (26.9%).

As happened the previous year, the rise in the euro against most local currencies did not favour converting the region's premium revenue into euros. However, the currencies of Bolivia, Paraguay and Uruguay rose.

Millions of euros. Nominal growth in euros

Premium volume. 2008						
COUNTRY	NON LIFE	%Δ	LIFE	%Δ	TOTAL	%Δ
Brazil	13,113	16.1	12,405	14.7	25,518	15.4
Mexico	6,956	-2.0	5,677	2.1	12,633	-0.2
Venezuela	6,923	36.3	176	36.2	7,099	36.3
Puerto Rico	5,850	-4.4	576	-14.7	6,426	-5.4
Argentina	3,810	14.9	1,343	-1.6	5,153	10.1
Colombia	1,819	15.6	2,704	7.7	4,522	10.7
Chile	2,351	7.7	1,136	40.0	3,487	16.4
Peru	622	19.2	380	11.7	1,002	16.2
Ecuador	507	22.2	96	24.3	604	22.5
Costa Rica	377	22.3	152	14.5	529	20.0
Dominican Republic	418	21.0	17	40.0	435	21.6
Panama	381	-0.6	49	8.2	430	0.3
Uruguay	282	24.5	73	36.9	355	26.9
Guatemala	201	0.2	99	15.5	300	4.8
El Salvador	239	3.6	54	9.6	293	4.6
Honduras	142	5.3	49	12.4	192	7.0
Bolivia	107	15.8	26	24.9	133	17.5
Paraguay	88	31.8	9	51.4	96	33.4
Nicaragua	61	-0.6	12	11.8	73	1.2
Overall total	44,247	11.6	25,032	10.0	69,279	11.0

Figure 4. Latin America. Premium volume in 2008 by country

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

Market concentration fell two-tenths of a point in 2008, with the seven largest insurance markets in the region accounting for 93.6% of premiums. Brazil and Mexico continue to be the two biggest markets by premium volume, while Venezuela rose to third place, ahead of Puerto Rico. Argentina, Chile and Colombia stayed in fifth, sixth and seventh place, respectively.

The performance of the region's main insurance markets can be summed up in the following points:

In **Argentina** there was a significant drop in the private pension plan line because Disability and Burial Expenses insurance were transferred to the State. Non-Life insurance continues to drive the market's development. The largest increases were in Automobile and Worker Compensation insurance.

The product known as Vida Gerador de Beneficio Livre (VGBL) remained the main source of growth in Life insurance in **Brazil**. Non-Life branches posted a higher growth rate, which came mainly from Automobile insurance, thanks to a big increase in vehicle sales, and insurance policies extending warranties on electronic gear and household appliances.

In **Chile**, growth in Life insurance slowed, mainly because of a fall in demand for Life Annuities. This stemmed from uncertainty over how financial markets would perform and a relative saturation of the market for group insurance policies. Except for Personal Accident insurance, all branches of Non-Life posted growth in premium volume.

For yet another year, Life insurance companies were the main engine of growth in the insurance sector in **Colombia**. This was seen especially in the group policy line, due to an increase in the number of people paying into them and the growing massification in this class of insurance, and in Life Annuities, because of growing demand from retired people. Growth in Non-Life insurance came mainly from Automobile insurance, thanks to a higher number of insured vehicles and higher rates, and from Worker Compensation insurance.

In **Mexico**, Life insurance grew 10% (in local currency), thanks to favourable tax terms and development of the bancassurance sector. Pensions kept up the growth trend of the previous year, rising 21.2%. The Non-Life sector was affected by low growth in Automobile insurance, which stemmed from a fall in vehicle sales, and a decline in damage insurance, due to the fact that policies that one large company issued in 2007 were not to be renewed until 2009.

The economic slowdown that began in 2005 ended up hitting the insurance industry in **Puerto Rico**. Life branches posted a nominal decline of 9.4% and 16% in real terms. This resulted from a reduction in benefits that companies offered their employees and fall in the savings capacity and confidence level of consumers, as a result of the economic crisis. Property/Casualty policies fell because of price competition and the weakness of the economy. Health insurance, which accounts for more than three-quarters of premiums in the Non-Life sector, posted the largest increase of any in the market, thanks to sales of Medicare.

Millions of euros

Latin America insurance market 2007-2008 Premiums by branch				
Branch	2007	2008	%Δ	% market share
Life	22,748	25,032	10.0	36.1
Individual and group life	19,505	21,603	10.8	31.2
Private pension plans	3,243	3,429	5.7	5.0
Non - Life	39,642	44,247	11.6	63.9
Automobile	15,008	17,151	14.3	24.8
Health	9,136	10,016	9.6	14.5
Fire and allied lines	3,846	3,854	0.2	5.6
Other guarantees	4,983	5,685	14.1	8.2
Transport	1,844	2,009	9.0	2.9
Third-party liability	1,100	1,108	0.7	1.6
Personal accident	1,719	1,982	15.3	2.9
Credit and/or Surety	760	947	24.5	1.4
Worker Compensation	1,246	1,495	20.0	2.2
Total	62,390	69,279	11.0	100.0

Figure 5. Latin America. Premium volume in 2008 by branch

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

Revenue in the insurance sector of **Venezuela** came mainly from the purchase of policies in the state-run sector and the adjustment of rates to reflect the rate of inflation, which reached 31%. Life insurance accounts for just 2.5% of premiums. Health and Automobile insurance are the main sectors fuelling the insurance market.

Among other **relevant events** that took place in 2008, the following should be noted:

- In December 2007, the agency that regulates insurance in Brazil released new rules for reinsurance. This replaced the monopoly held by IRB Brasil Re with a new free-market model. As scheduled, the opening of the reinsurance market took place on 17 April, 2008. In the first nine months of the year, IRB Brasil Re continued to account for 92% of the reinsurance premiums in that country.
- In Costa Rica, the Law Regulating the Insurance Market was published in July 2008. It eliminated the monopoly held for 84 years by the National Insurance Institute (INS) and opened the way for local and foreign companies to offer their products in Costa Rica.

The law established a General Superintendent of Insurance, tasked with overseeing compliance with the legislation and regulations issued by the National Council for Supervision of the Financial System (CONASSIF in Spanish). The INS remains as a government-owned insurance provider, but has to meet the same pre-requisites and comply with the same rules as any other insurer in Costa Rica.

The companies that have obtained permission to operate in the Costa Rican market include Aseguradora Mundial, which is Panamanian, Alico, the U.S. firm Pan American Life, and Seguros del Magisterio, which is Costa Rican.

- In November 2008, the Argentine Congress approved a Social Security Reform law. It eliminated the system of individual capitalization, which was run by private administrators, and transferred it to a single, integrated, pay-as-you-go system that is managed by the State.
- Some countries of Latin America focused on micro-insurance as a tool to improve the living standards of the poorest sectors of their populations. There were some legislative initiatives designed to introduce this product onto the market and encourage its development.
- As for corporate activity carried out in 2008, special mention should go to – because of the size of the deal – the merger of Itaú and Unibanco in Brazil, giving rise to the largest privately owned financial group in Latin America, and the acquisition of ING Seguros, Mexico's third-largest insurance company, by the AXA group.

In the **first half of 2009** the insurance markets of Latin America² continued to show signs of strength, posting nominal increases in premium volume in local currency in all countries except Chile (-12.3%). Chile and El Salvador saw decreases in Non-Life branches, while Argentina, Chile and Puerto Rico did so in Life insurance.

Premium revenue as expressed in euros totalled 35,774 million, for a nominal increase of 7.4% compared to the same period of the previous year. By sub-regions, Central America posted the highest nominal rise at 19.4%, as opposed to 7.3% growth in South

² Costa Rica is not included because of a lack of data.

America. The insurance sector in Mexico rose 0.5% in nominal terms, Puerto Rico's by 20.2% and in the Dominican Republic the increase was 13.2%. The rise in the U.S. dollar and other local currencies against the euro favoured converting premium revenue in some countries into the single European currency. However, the currencies of Argentina, Brazil, Chile, Colombia, Honduras, Mexico, Paraguay and Uruguay fell against the euro.

The biggest increase – 13.2% – came in Non-Life insurance, thanks to good performances in Health, Fire and Worker Compensation branches. Automobile insurance varied greatly from country to country, and grew 0.7% for the region as a whole. Life insurance fell 2.4% as a result of lower revenue in the insurance markets of Argentina, Chile, Mexico and Puerto Rico and slower growth in the rest of the countries of the region. In the case of Argentina, the fall stemmed in part from the transfer of private pension plans from the private sector to the state; in Chile, life annuities fell 29.5%; in Puerto Rico, the decline in Life insurance is linked to the economic situation on the island; Life insurance in Mexico expanded 9.6% in local currency, so its overall decline is due to the peso's fall against the euro.

Millions of euros. Nominal growth in euros

Premium volume. January - June 2009						
COUNTRY	NON LIFE	%Δ	LIFE	%Δ	TOTAL	%Δ
Brazil	5,993	-7.3	6,175	0.6	12,168	-3.4
Mexico	3,723	4.2	2,766	-4.0	6,489	0.5
Venezuela	4,583	57.8	117	50.7	4,699	57.6
Puerto Rico	3,242	23.8	271	-10.3	3,513	20.2
Argentina*	2,372	22.1	486	-20.1	2,858	12.0
Chile	847	-4.3	1,191	-19.2	2,038	-13.6
Colombia	1,204	6.2	523	13.3	1,727	8.3
Peru	397	36.2	211	19.0	608	29.7
Ecuador	318	24.6	53	34.2	371	25.9
Panama	201	21.0	87	29.4	288	23.4
Dominican Republic	198	9.4	32	44.0	231	13.2
Uruguay	141	24.6	44	51.1	186	30.1
Guatemala	135	19.0	30	22.7	164	19.6
El Salvador	100	9.0	58	38.1	158	18.2
Honduras	76	3.5	26	3.4	101	3.5
Bolivia	60	30.3	15	24.2	75	29.0
Paraguay*	53	22.3	5	16.3	58	21.7
Nicaragua	36	26.5	6	15.7	43	24.8
Overall total	23,679	13.2	12,096	-2.4	35,774	7.4

Figure 6. Latin America. Premium volume in 1st half 2009 by country

(*) Estimate.

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

In 2009 there were two major business deals involving two of the region's largest insurance groups, the holding company Itaú Unibanco and MAPFRE:

- In late August, Itaú Unibanco Holding and Porto Seguro announced they had signed an accord to merge their operation in Automobile and Homeowner's insurance. The deal will be implemented through a business restructuring.

- Late in the year, MAPFRE and Banco do Brasil announced they had signed a letter of intentions to negotiate a strategic alliance to develop jointly both groups' business in insurance for Persons, General Insurance and Automobile.

3. Analysis by regions and countries

3. ANALYSIS BY REGIONS AND COUNTRIES

3.1 MEXICO

Macroeconomic context

Mexico's economy was affected by the global crisis, weakening gradually until its GDP rose just 1.3%, two points less than in 2007. That translates into a rise of just 0.2 % in per capita GDP.

One major contributor to the slowdown in economic activity was a deceleration in domestic and external demand. Private consumption slowed gradually to 1.5% as a result of a decline in consumer credit, a drop in payroll in real terms and a fall in remittances. Gross fixed capital formation showed an uneven performance over the course of the year. In the first half of 2008 investment retained an upward trend, but starting in the third quarter it took a downward path, reflecting private investment tendencies.

The GDP of the primary sector posted a year increase of 3.2% in real terms. Production in the secondary (industrial) sector fell 0.7% as a result of drops in mining (2.2%), manufacturing (0.4%) and construction (0.6%). Within the manufacturing sector, the largest declines were in computers and electronic equipment (-13.6%).

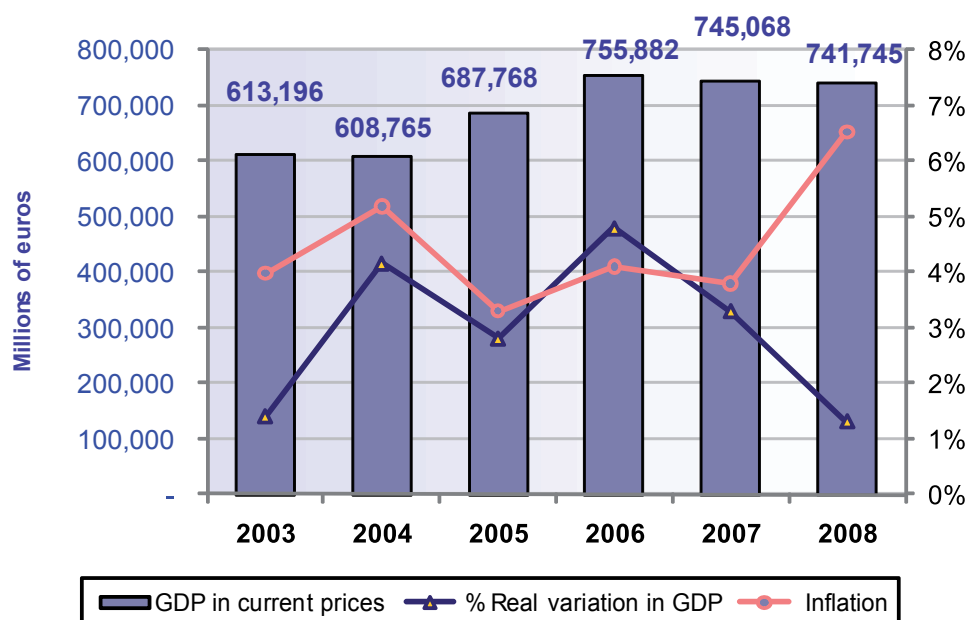


Figure 7. Mexico GDP in 2008

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

Sluggish private consumption was also seen in the gradual decline in labour market indices, with a decline in demand and a rise in the jobless rate, which went up to 4% (3.7% en 2007).

The annual inflation rate came in at 6.5%, 2.7 points higher than in 2007. The factors that contributed to this included a significant rise in international prices for a variety of food-related raw materials, and higher prices for fuels and metal, mainly steel and copper,

which had an effect on the cost of construction materials. Another factor in the rise in inflation was the drop in the peso as of September.

As a result of lower external demand, both from the United States and other trading partners, exports of goods and services saw a big decline in their rate of growth starting in the second half of the year. Meanwhile, although the rate of growth in imports went down, it was greater than that of exports, so the Mexican trade deficit rose.

Insurance market

In 2008, the Mexican insurance sector posted premium volume of 206,253 million pesos, or 12,633 million euros. That marked a nominal increase of 8.4% and real-terms expansion of 1.7%, compared to figures of 16.3% in nominal terms and 12.1% in real terms the previous year. This performance stems mainly from moderate growth 6.4% in revenue from the Non-Life segment in 2008, far below the 18.8% registered the previous year.

The Life insurance sector brought in 84,960 million pesos in revenue, or 5,204 million euros, for a rise of 10% over the previous year, thanks to favourable tax terms and development of the bancassurance sector. Meanwhile, Pension plans derived from Social Security Laws maintained the growth pattern of the previous year, increasing 21.2% and posting revenue volume of 7,728 million pesos (473 million de euros).

Premium volume ¹ 2008				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	206,253	12,633	8.4	1.7
Life	84,960	5,204	10.0	3.2
Individual life	49,632	3,040	10.6	3.8
Collective life	26,171	1,603	12.2	5.3
Group life	9,157	561	1.2	-5.0
Pensiones	7,728	473	21.2	13.7
Non-Life	113,565	6,956	6.4	-0.1
Automobile	47,290	2,896	6.9	0.3
Health ²	28,837	1,766	11.9	5.0
Earthquake and other catastrophic risks	8,373	513	12.5	5.6
Miscellaneous	8,030	492	20.4	13.0
Fire	6,470	396	-28.4	-32.8
Transport	5,091	312	-0.1	-6.2
Third-party liability	4,262	261	5.0	-1.4
Personal accident ²	3,140	192	2.9	-3.4
Third-party liability	1,585	97	75.6	64.8
Credit	487	30	18.4	11.2

Figure 8. Mexico. Premium volume in 2008 by branch

(1) Direct premiums

(2) Accident and Illness branch.

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

Non-Life branches had premium volume of 113,565 million pesos, or 6,956 million euros, which marks a decline of 0.1% in real terms compared to the previous year. This reflects low growth in Automobile insurance as a result of a fall in sales of vehicles and a decline in premium volume in Fire insurance. The branches that showed the most growth were Miscellaneous, Crop and Credit insurance.

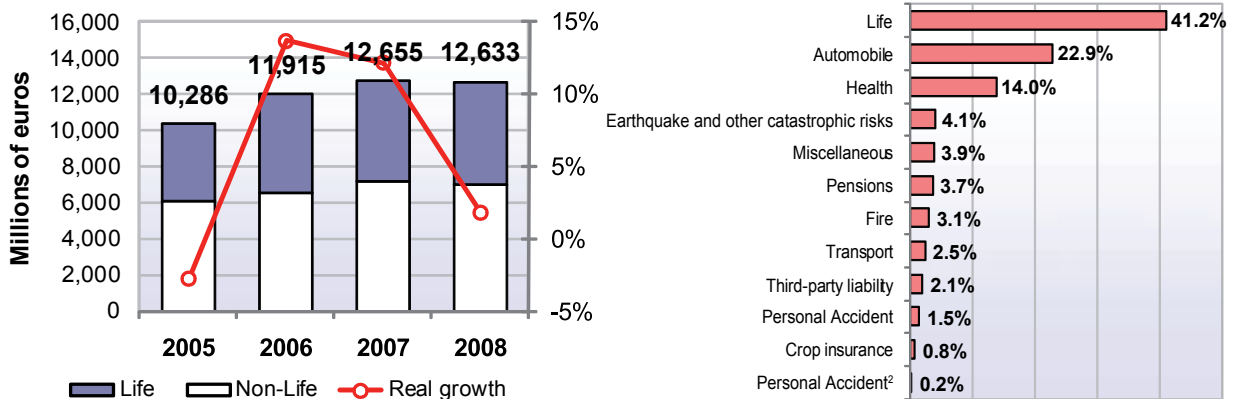


Figure 9. Mexico. Evolution of premiums and market share in 2008 by branch

As the close of 2008 the Mexican insurance sector was made up of 100 companies, five more than in 2007, 15 of which were linked to some financial group and 59 of which involved a majority of foreign capital (compared to 46 in 2007) and had authorization to operate as units of outside financial institutions.

In 2008 there were changes in the overall ranking of insurance groups. It was still led by Metlife México with a market share of 15%. The most important change was the entry of the French group Axa in the ranking, after its purchase of the Mexican insurance division of the Dutch company ING. This put Axa directly in third place in the ranking, with a market share of 11.7%. As for the other spots, BBVA Bancomer and Qualitas rose one and Banorte Generali and Inbursa dropped one.

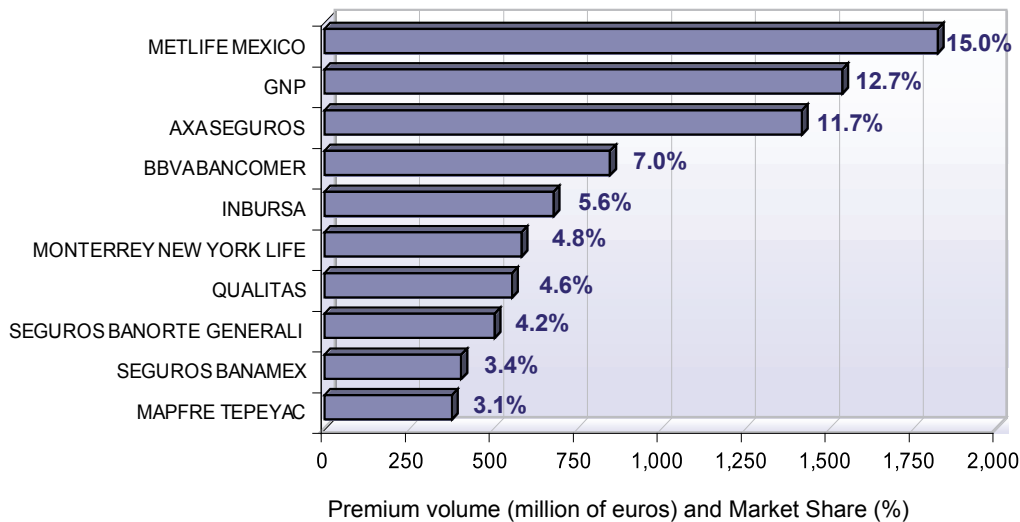


Figure 10. Mexico. Ranking 2008. Total

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

Note: does not include Pensions.

In Non-Life insurance, Axa led the ranking with a market share of 15.5%, sending Grupo Nacional Provincial (GNP) to second place. Qualitas, Metlife and Zurich rose on the list, while Inbursa fell one rung and Banorte Generali went down by two. The rest of the companies stayed where they were.

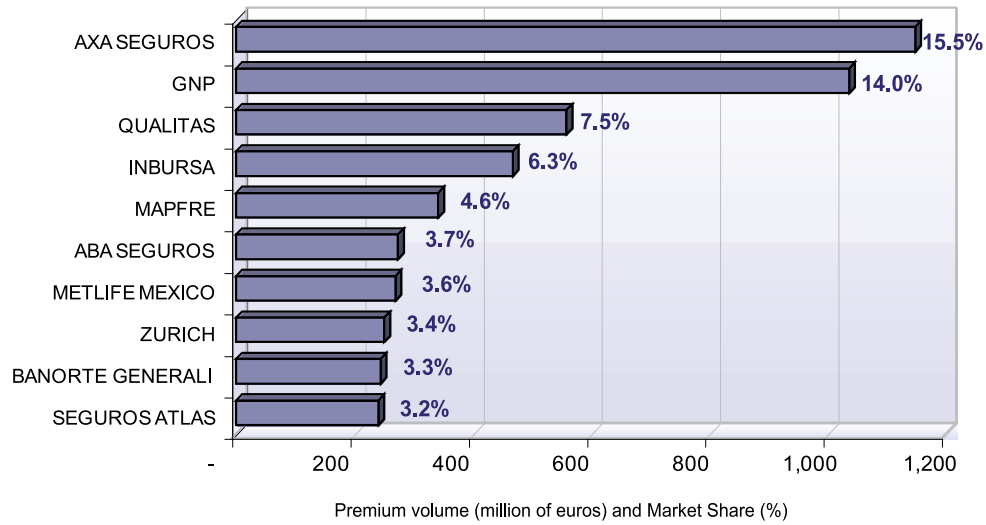


Figure 11. Mexico. Ranking 2008. Non-Life

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

In the Life insurance branch, the top 10 groups accounted for 95.4% of premiums. Metlife México continued to lead this ranking with a market share of 29.9%, followed by BBVA Bancomer and GNP. Seguros Santander joined the list in ninth place and Seguros Argos, which in 2007 was in that spot, dropped off the list.

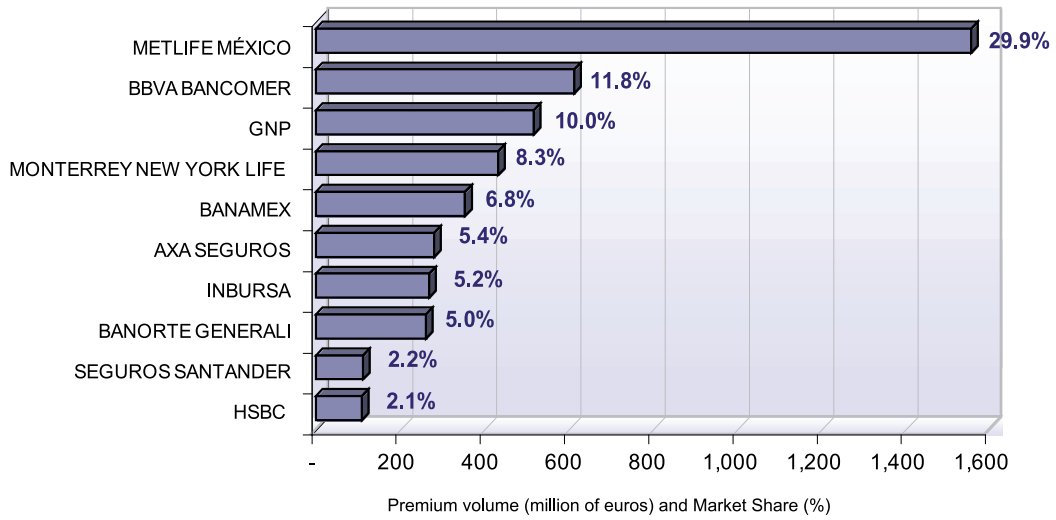


Figure 12. Mexico. Ranking 2008. Life

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

Note: does not include Pensions.

Results

The net result of insurance companies was 12,964 million pesos (794 million euros), for an increase of 3% over the previous year. This slight rise stems from a favourable financial result of 31,023 million pesos, since the technical result posted losses of 14,336 million pesos, causing a rise of 7 points in the combined ratio, which was 110%. The worsening of the technical result was due to an increase of five points in the claims ratio, as a result of a rise in the average claim cost and an increase of three points in the expense ratio. The result on premiums remained at 9%.

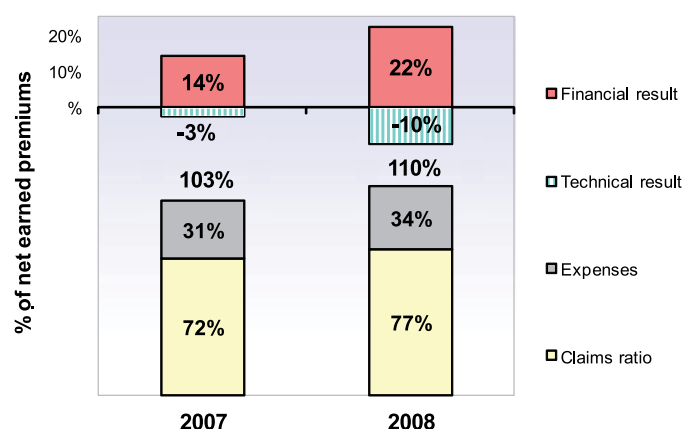


Figure 13. Mexico. Technical Account Result

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

Mergers and acquisitions

In July 2008, the sale of ING's insurance division to Axa was completed, after it received authorization from the Mexican authorities. With this acquisition the French group launched operations in Mexico, taking its place among the top groups in the insurance ranking.

In October 2008, Criteria CaixaCorp, an investment holding company controlled by Spain's La Caixa, completed its purchase of a 20% stake in Grupo Financiero Inbursa, having received the necessary authorization from Mexican and Spanish regulators. GF Inbursa administers Inbursa, Mexico's fifth-largest insurance company by premium volume.

First half of 2009

In the first half of 2009 the Mexican insurance sector posted premium volume of 120,682 million pesos (6,489 million euros), for a nominal increase of 14.8% and 13.4% in real terms.

Premium volume¹. 1st Half 2009				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	120,682	6,489	14.8	13.4
Life	51,441	2,766	9.6	8.2
No Life	69,241	3,723	19.0	17.5
Automobile	23,129	1,244	-4.2	-5.4
Health ²	14,856	799	5.0	3.6
Fires	12,321	663	239.6	235.4
Earthquake and other catastrophic risks	6,327	340	31.6	30.0
Miscellaneous	4,092	220	1.9	0.6
Other Branches	8,516	458	14.4	13.0

Figure 14. Mexico. Premium volume in 2009 by branch

(1) Direct premiums

(2) Accident and Illness branch.

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

The Life segment saw nominal growth of 9.6% and revenue of 51,441 million pesos (2,766 million euros). Growth in Non-Life was much higher, at 19%, due to a big rise in Fire insurance. This stemmed from a multi-year renovation of a policy held by Petróleos Mexicanos.

3.2 CENTRAL AMERICA, PUERTO RICO AND THE DOMINICAN REPUBLIC

3.2.1 CENTRAL AMERICA

Macroeconomic context

Global financial uncertainty and the slowdown of the U.S. economy had a negative impact on the economies of this region: average GDP growth was 4.3%, two points below the expansion registered in 2007. However, the fact that the region continued to grow in spite of the adverse conditions abroad is very positive.

The main driving forces of the economy continued to be private consumption, which was favoured by remittances sent by emigrant workers, exports and private construction, although their pace of growth was lower than that of 2007 due to the major changes on the global scene. In the first half of the year, the rise in international prices for basic grains and oil caused a significant increase in inflation. This trend changed in the second half of the year as a result of the deterioration in global economic conditions and the abrupt fall in prices of raw materials. The rates of inflation in the countries of Central America ranged at the end of the year from 5.5% in El Salvador to 13.9% in Costa Rica.

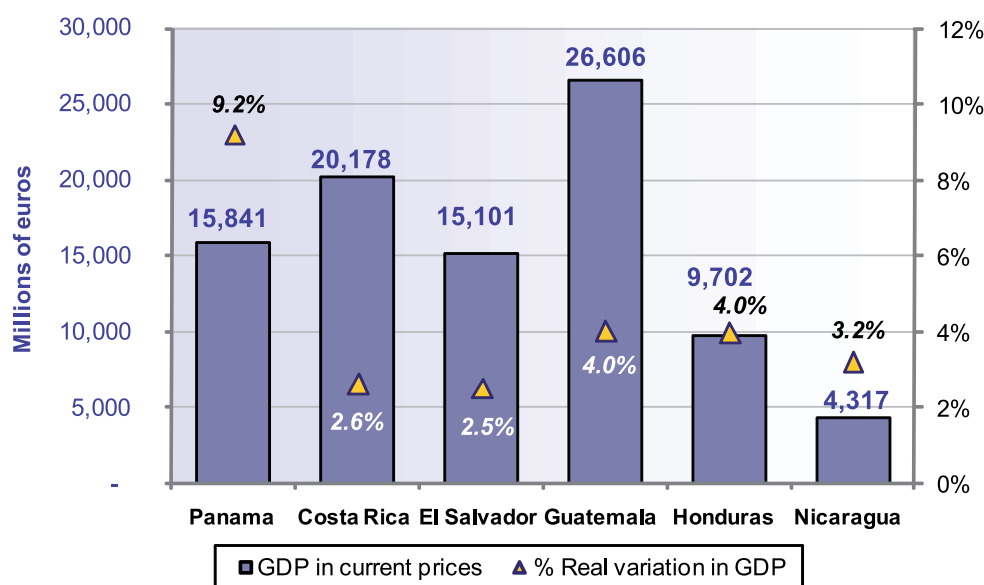


Figure 15. Central America. GDP in 2008

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

Despite the decline in international economic conditions, the economy of **Panama** performed well in 2008, with GDP growth of 9.2%, thanks to a rise in investment, especially in construction. The sectors with the largest expansion were construction (30%), transport, storage and communications (15.7%) and hotels and restaurants (9.3%).

The international crisis had a greater impact on **Costa Rica**. Its real GDP growth was 2.6%, four points less than in 2007. This deceleration was due mainly to a drop in exports and slacker consumption, which was influenced by a higher rate of inflation. Productive sectors saw their activity decline across the board, especially farming and manufacturing, which had negative growth. Only the services and insurance sector managed to post sig-

nificant growth (10.4%). As part of the implementation of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-RD), the Law Regulating the Insurance Market was approved, clearing the way for this sector to be opened up to competition.

In **El Salvador**, the economy expanded 2.5% in real terms, which was two points less than in 2007. One highlight was the farming and livestock sector, which expanded 7.3%. Consumption posted moderate growth of 4.1%, as a result of a slowdown of remittances and of the country's economic activity. Exports of goods and services rose 6.9% and 5.4% respectively, and per capita GDP edged up 0.9%, a third of the increase seen the previous year.

The economy of **Nicaragua** was driven by consumption (4%) and investment (11.1%), and registered the same level of growth as the previous year, which was 3.2%. The sector with the biggest growth was agriculture (5%) due among other things to a larger land area being planted and recovery of production after adverse weather conditions in 2007.

In **Guatemala**, GDP grew 4% in real terms, down a point and a half from 2007. This stemmed mainly from a drop in investment and a slowdown in private consumption. An added factor is a decline in remittances because of the economic crisis in the United States. Still, all sectors except construction saw modest growth.

The economy of **Honduras** grew 4%, two points less than in 2007. The sectors that performed best were financial mediation (up 18.1%) and communications (14.0%). Imports rose more than exports, so the overseas sector's contribution to GDP growth was negative.

Insurance market

In 2008 the Central American insurance sector continued to increase its pace of growth, with production totalling 1,821 million euros, for an average real-terms increase of 10.8%, compared to 9.7% in 2007.

The average premium per capita was 42 euros, ranging from 13 euros in Nicaragua to 156 euros in Panama.

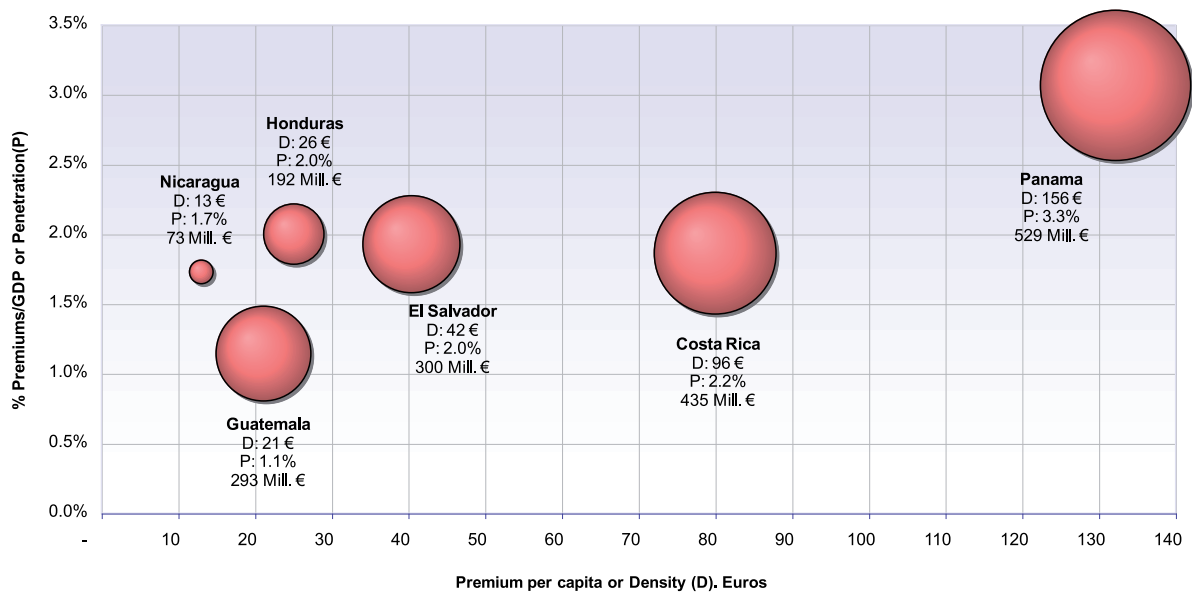


Figure 16. Central America. Penetration and Density in 2008

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

For yet another year, all the countries of the region saw growth in premium volume, led by Panama with a rise of 24.2% and Costa Rica at 20.1%. El Salvador and Nicaragua also posted rises, although at a slower pace, with growth of about 5.5%. But production in Guatemala and Honduras, which in 2007 grew about 10%, slowed slightly in 2008: they posted increases of 6.6 % and 8.9%, respectively.

In Life insurance there was double-digit growth in all countries of the region. This was fuelled by the push that insurance companies gave to bancassurance, such as in Guatemala and Nicaragua. In Non-Life insurance it was also a good year, with increases in all countries even though there was still stiff price competition.

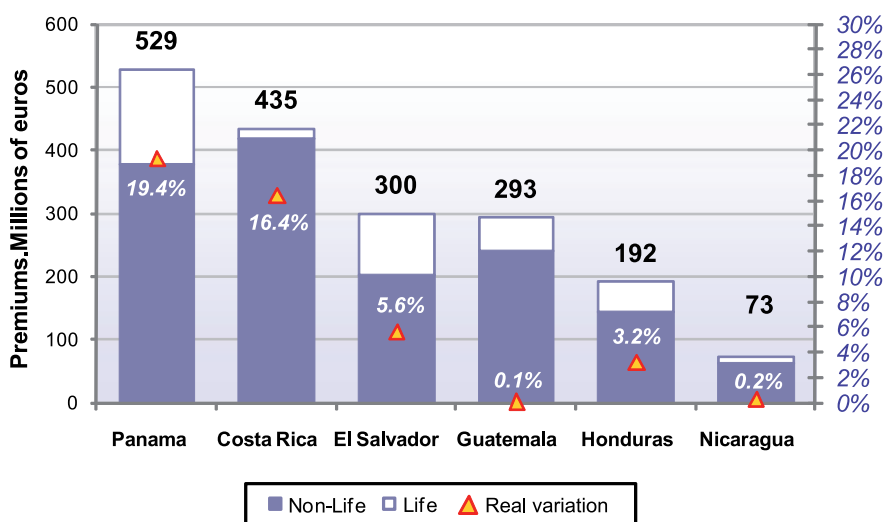


Figure 17. Central America. Premium Volume in 2008

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

Results were boosted by an across-the-board improvement in the claims ratio, which led to a better combined ratio. Expenses rose significantly in most of the countries, with the exception of Guatemala and Nicaragua. The net result rose in El Salvador and Guatemala and remained at double-digit levels in almost all countries, led by Costa Rica with a 22.5% increase.

% earned premiums net of reinsurance

Ratio (%)	Panama		Costa Rica		El Salvador		Guatemala		Honduras		Nicaragua	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Claims ratio	58.0	55.4	58.6	56.1	51.2	45.8	67.3	66.4	56.2	55.6	59.8	54.9
Expenses	39.7	41.2	26.5	30.5	28.7	29.8	34.5	33.9	34.8	37.2	43.6	42.1
Ratio combinado (%)	97.7	96.6	85.1	86.6	79.9	75.6	101.8	100.3	91.0	92.8	103.4	97.0
Financial result	14.2	11.0	20.3	17.7	7.7	5.6	8.3	8.1	13.4	14.5	9.3	10.6
Tech-Fin. Result	15.6	12.1	35.2	31.1	27.8	30.0	6.5	7.7	22.4	21.6	5.9	13.6
Net result	15.1	11.0	25.9	22.5	11.0	12.5	5.3	8.4	21.1	20.1	11.0	12.7
Average ROE	16.7	13.2	24.2	20.8	25.5	26.0	17.6	18.2	19.0	19.9	24.4	27.9

Figure 18. Central America. Results 2007-2008

Source: Fitch Ratings and FUNDACIÓN MAPFRE.

With premium volume of 529 million euros, the insurance market of Panama continues to be the largest in Central America. In 2008 it posted nominal growth of 27.5% and real growth of 17.3%. The expansion was driven mainly by the economic development the country is experiencing.

Except for Technical Risks³, all branches of Non-Life insurance registered significant increases in premiums, especially Fidelity⁴ and Transport. The latter was driven by sales of insurance policies for ship hulls. Automobile insurance continues to have the largest market share at nearly 20%. Life insurance rose 22%, thanks to robust sales of its different classes.

The claims ratio fell drastically to 55.4%, despite a high number of claims incurred in Hull (Airplane), Theft and Life (First Year) insurance. Meanwhile, net expenses rose 1.5 percentage points, giving rise to a slight improvement of one point in the combined ratio. However, the investment result was lower than in the previous year, making for a net result four points under the figure posted in 2007.

Despite the recent legal reforms and the opening up of the insurance market in Costa Rica, the **National Insurance Institute** still posted nominal growth of 32.6% and real growth of 16.4%. Premium volume rose to 336,000 million colones (435 million euros). The most active branches were Automobile and Worker Compensation, accounting for 32% and 30% of the total, respectively.

The claims ratio came down 2.5 points to 56.1% as a result of measures adopted to scrutinize the filing of claims. But the expense ratio rose four points to 30.5%, so the net result fell nearly 3.5 points to 22.5%, although it was the best of any country in Central America.

The publication of the Law Regulating the Insurance Market in July 2008 eliminated the monopoly held for 84 years by the National Insurance Institute and opened the way for local and foreign companies to offer their products in Costa Rica.

The law established a General Superintendent of Insurance, tasked with overseeing compliance with the legislation and regulations issued by the National Council for Supervision

³ Technical Risks covers damage to windows and glass, equipment, household appliances and machinery.

⁴ Insurance against disloyal employees

of the Financial System (CONASSIF). The INS remains as government-owned insurance provider, but has to meet the same pre-requisites and comply with the same rules as any other insurer in Costa Rica.

The companies that have obtained permission to operate in the Costa Rican market include Aseguradora Mundial, which is Panamanian, Alico of Chile, the U.S. firm Pan American Life, and Seguros del Magisterio, which is Costa Rican.

The insurance sector in **Guatemala** had premium volume of 3,249 million quetzales (293 million euros) in 2008, with a nominal increase of 9.5% and 0.1% in real terms, the region's lowest. Except for Technical Risks, all lines saw growth, which was favoured by bancassurance. The largest increases came in Fire, Theft and Allied Lines with a rise of 40%, Accident insurance with 28% and Life with 14.6%. The branch with the largest market share continued to be Automobile at 30%, followed by Health (19%) and Life (18%).

The net claims ratio was the highest in the whole region, even though it came down nearly one point from the previous year, to 66.4%. This stemmed from stiff competition, which in many cases caused companies to charge insufficient rates, and Guatemala's high crime rate. The branches most affected were Automobile, Accident and Illness, which were also hit by higher prices for spare parts, medicine and hospital services. For all of these reasons, the sector posted the worst combined ratio of any in Central America, at 100.3%.

As of December 2008 the insurance sector in **El Salvador** had issued premiums to the tune of USD439 million, or 300 million euros, for nominal growth of 11.4% and real growth of 5.6%. However, part of this increase came from a transaction in which two insurance companies took over an account from one of the two companies that manage pension funds in El Salvador. Without this one-time operation, the market's growth would have been much lower.

The branches that grew the most were Credit and Surety with a 30% expansion, Accident and Illness with 20.5% and Life (mainly private pensions) with 22.8%. Fire and Automobile lines barely grew at all, due to fierce competition on prices.

The net claims ratio improved more than five points to 45.8% thanks to a decline in claims incurred on damage insurance. This stemmed from more restrictive selection policies. Automobile claims fell because more vehicles are equipped with devices to track them down when they are stolen. Although the expense ratio went up nearly a point to 29.8%, the Salvadoran market posted the best combined ratio of the whole region, at 75.6%.

In 2008, the insurance sector of **Honduras** took in 5,344 million lempiras in premiums (192 million euros), which amounted to nominal growth of 14.3% and real growth of 3.2%. Automobile insurance, fuelled by a big rise in loans to finance car purchases, had the biggest expansion at 17.5%, surpassing even the Fire branch, which is traditionally the sector's strongest. The rest of the branches, with the exception of Occupational Hazards and Surety, posted positive results.

The net claims ratio went down six-tenths of a point to 55.6%, and expenses rose more than two points, making for a combined ratio of 92.8%, nearly two points higher than the previous year. The branches with the most claims incurred continued to be Automobile and Health. They were affected by higher costs for spare parts, hospitalization and medicine.

The region's smallest market, that of **Nicaragua**, saw premium volume of 2,090 million cordobas (73 million euros), which represented nominal growth of 14% and real growth of 0.2%. The branches that fared best were Fire (24.9%) and Automobile (15.1%). Between

the two of them, they accounted for 60% of the market. Life insurance rose 26%, driven by bancassurance.

The net claims ratio fell five points to 54.9%, while the expense ratio went down a point and a half, which improved the combined ratio by 6.5 points to 97%.

Concentration in the insurance sector in Central America remained at levels similar to those of 2007. The market share held by the top three companies rose in Guatemala and Nicaragua, went down in El Salvador and Panama, and was steady in Honduras. As stated earlier, in Costa Rica a law took effect in August 2008 that eliminated the state monopoly on insurance, so next year new insurance companies will start emerging in that country.

Country	Nº of companies	Market share of top 3 (%)	Leading company	Market share of leader (%)
Costa Rica	1	-	INSTITUTO NACIONAL DE SEGUROS	100
El Salvador	18	55	SEGUROS E INVERSIONES	21
Guatemala	17	58	SEGUROS G & T	26
Honduras	11	58	INTERAMERICANA	25
Nicaragua	5	77	INISER	35
Panama	22	52	ASEGURADORA MUNDIAL	19

Figure 19. Central America. Market concentration in 2008

Source: FUNDACIÓN MAPFRE.

3.2.2 PUERTO RICO

Macroeconomic context

During the fiscal year 2008 (July 2007-June 2008) the economy of Puerto Rico underwent a contraction that was deeper than that of fiscal 2007. Gross National Product, which represents the market value of economic production generated by the territory's residents, fell 2.5% at constant prices (compared to a decline of 1.9% in 2007). Gross Domestic Product went down 1.4% compared to the previous fiscal year.

These figures illustrate the economic recession that has affected the island since 2005 and continued in an even more acute fashion in 2008. The factors that contributed to this include a major decline in investment in construction for the fourth straight year, a significant reduction in public-sector spending and a fall in exports, which has also caused a rise in the trade deficit for goods and services.

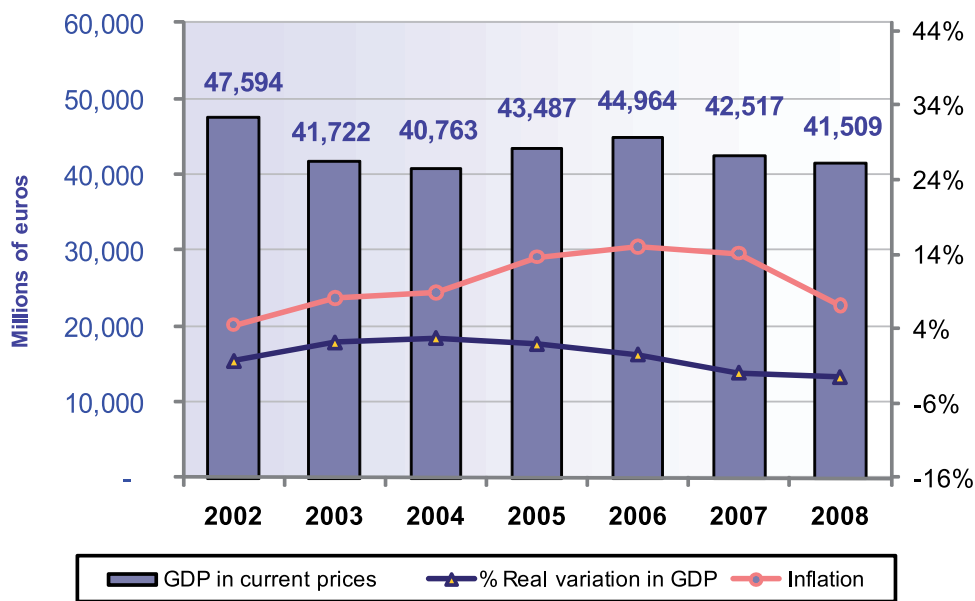


Figure 20. Puerto Rico. GDP in 2008

Source: Planning Board of Puerto Rico

Domestic demand fell 2.3%, with private consumption off 0.5% and public-sector consumption down 6.5%. For the second year in a row, gross domestic capital investment dropped 8.4%, affecting its two components: investment in construction and purchases of machinery and equipment. As for construction, the main factors holding it back were the government's fiscal problems, higher interest rates on mortgages, steeper prices for oil and the sustained increase for more than three years in prices for construction materials. All of these problems have existed for years.

The Consumer Price Index rose 7.1% in fiscal 2008 and 7.9% in the calendar year.

For fiscal 2009, the Puerto Rico Planning Board forecast a drop of 3.4% in Gross National Product and 1.5% in Gross Domestic Product.

Insurance Market

The economic slowdown that began in 2005 ended up hitting the insurance industry. As of December 2008, the sector had posted premium volume of USD9,410 million (6,426 million euros), which amounted to a nominal increase of 0.6% and a fall of 6.8% if one takes into account the effects of inflation.

Non-Life branches posted premium revenue of USD8,566 million (5,850 million euros), which represents a nominal increase of 1.7% compared to the previous year and a decline of 6.8% in real terms. Health insurance accounted for three-quarters of premium volume in this sector, with a 76.7% share. This line of insurance saw the highest growth of any in the market, due to the high level of penetration by Medicare.

Premium volume ¹ 2008				
Branch	Millions of USD	Millions of euros	% Δ	% Δ <i>real</i>
Total	9,410	6,426	0.6	-6.8
Kufe	844	576	-9.4	-16.0
Non-Life	8,566	5,850	1.7	-5.8
Health	6,573	4,488	5.4	-2.3
Other guarantees	765	522	-15.1	-21.4
Automobile	526	359	-9.0	-15.7
Fire and allied lines	320	219	1.1	-6.3
Third-party liability	226	155	-5.3	-12.3
Transport	132	90	1.7	-5.8
Accident and Illness	24	16	-14.9	-21.1

Figure 21. Puerto Rico. Premium volume in 2008 by branch

(1) Premiums issued direct insurance.

Source: FUNDACIÓN MAPRE with data bases from the various sectors.

Except for Fire and Transport, the rest of the branches fell compared to 2007. These figures are the result of stiff price competition among insurance companies and the territory's economic problems.

Life insurance lines posted a nominal decrease of 9.4% and 16% in real terms. This stemmed from a reduction in benefits that employers offer their workers and a decline in consumers' capacity to save and their confidence level as a result of the recession.

In general, the claims ratio rose in all of the sector's branches, as a result of Puerto Rico's hard economic times.

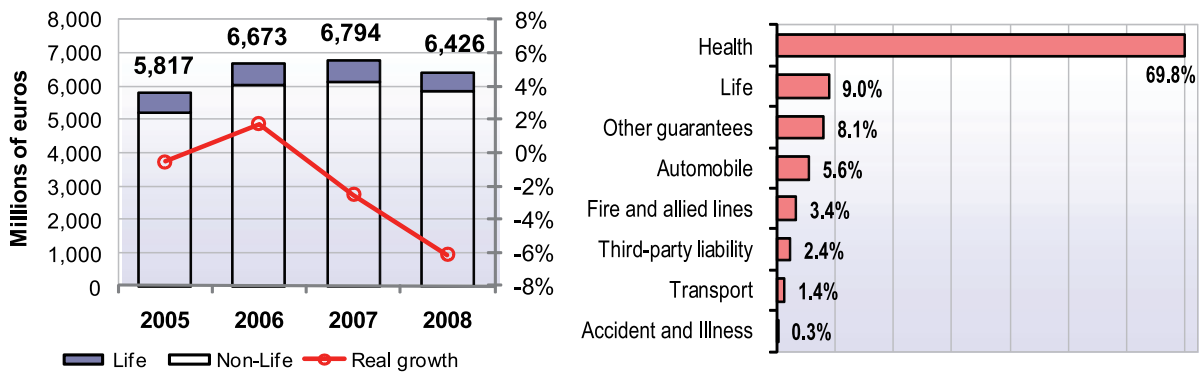


Figure 22. Puerto Rico. Evolution of premiums and market share in 2008 by branch

The top 10 insurance groups account for 75.9% of premiums, so the level of concentration in the industry is high. For yet another year Triple-S led the ranking in 2008 with a market share of 19.1%. The first changes are noted starting in the first spot in the ranking, where First Medical went up one rung, Universal fell by one and MAPFRE rose by two. American Health took the 10th spot for the first time, displacing Cosvi, which dropped out of the ranking.

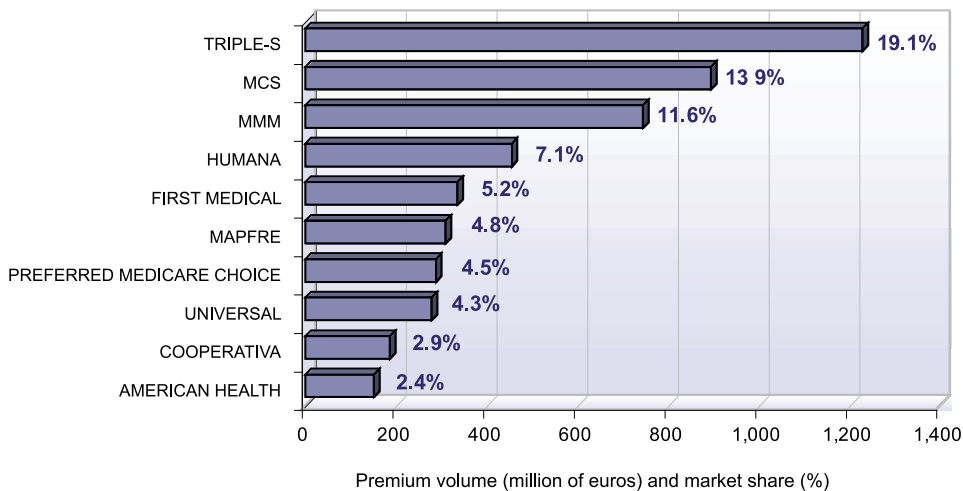


Figure 23. Puerto Rico. Ranking 2008. Total

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

In Non-life branches, the ten largest groups held a combined market share of 75.9%, three points higher than the previous year. Universal remained at the top, followed by MAPFRE Praico, which rose one position, and Cooperativa, which dropped by one.

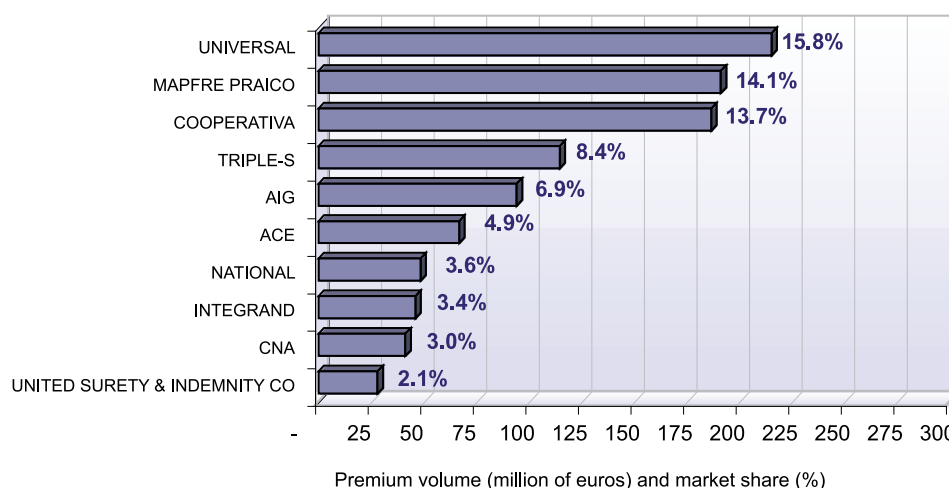


Figure 24. Puerto Rico. Ranking 2008. Non-Life

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

The ranking in Life and Health is still dominated by Health insurance companies, in which the top 10 accounted for 85.2%, one-tenth of a point more than in 2007. Yet again the market was dominated by Triple-S with a market share of 22%. As for the rest of the ranking, First Medial and MAPFRE Life climbed one spot. In July 2009, the Office of the Commissioner of Insurance liquidated the health insurance provider Preferred Health.

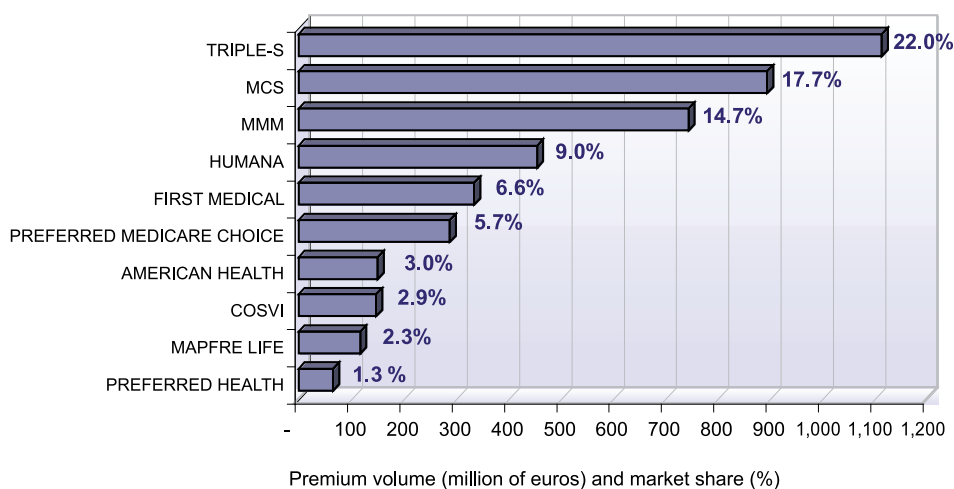


Figure 25. Puerto Rico. Ranking 2008. Life

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

New legislation

In August of 2008, Law No. 212 (PS 2401) came into effect, forcing all Health insurance companies to cover treatment of morbid obesity and metabolic syndrome with bariatric surgery.

Mergers, acquisitions and liquidations

In January 2009, Triple-S Salud, a unit of the Puerto Rican company Triple-S Management Corporation, signed a final agreement to acquire the health insurance provider La Cruz Azul de Puerto Rico. In doing so, Triple-S strengthened its leading position on the island.

In July 2009, at the request of the Office of the Commissioner of Insurance, the health insurance company Preferred Health, founded in 1987, was liquidated. In 2008 it held 10th place in the Life ranking, with premium volume of USD97 million (66 million euros).

First half of 2009

Forecasts for the first half of 2009 call for growth of around 4%, again fuelled by Medicare.

Miscellaneous (Non-Life) branches posted declines of around 9% due to the economic crisis on the island and fierce competition in the insurance market, with rates that are technically not enough to turn a profit. The Health branch, with an increase of 12.1%, continues to be supported by Medicare plans, although the saturation caused by these has slowed down the market's growth. Private Medical Plans suffered a slight decrease as a result of businesses shutting down and a fall in spending associated with employee benefits. Life insurance was stagnant and showed no growth. The instability of financial markets contributed to a reduction in equity products, as consumers moved toward ones with fixed annual yields or a guaranteed minimum interest rate.

In 2009, a system was introduced for Health insurers to measure solvency on the basis of risk (RBC, Risk-Based Capital). This will probably mean regulators will make greater capital requirements. In a sector that traditionally features low capitalization, this would lead to a decline in the level of solvency, and force companies to provide additional capital to boost their capacity to meet their commitments.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	4,692	3,513	4.0	-2.3
Life	362	271	-22.4	-27.1
No Life	4,329	3,242	7.1	0.5
Health	3,435	2,572	12.1	5.3
Miscellaneous risks	894	670	-8.8	-14.4

Figure 26. Puerto Rico. Premium volume in 2009 by branch

[1] Premiums issued direct insurance.

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

3.2.3 DOMINICAN REPUBLIC

Macroeconomic context

The Dominican Republic was not able to sustain the 9.5% average growth it posted over the past three years, with GDP expanding 5.3% in 2008. The decline was the result of a fall in exports, which was not offset by strong domestic demand. Growth in private consumption slowed to 7.1% because of restrictive measures applied by monetary authorities and a sharp drop in remittances.

Almost all sectors of the economy grew, among them communications (19.9%) and financial mediation services and insurance (13.7%) which retained the strong performance they have shown in recent years. But the mining sector declined 30.3% because of a temporary halt in activities at the country's main ferrous nickel company, and the construction industry slipped 0.4%.

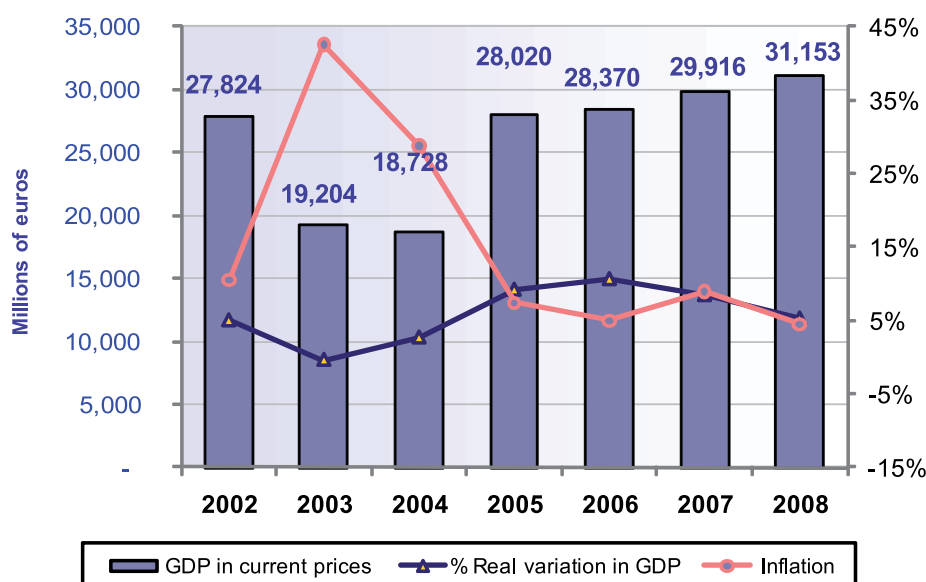


Figure 27. Dominican Republic. GDP 2008

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

As for prices, in the first six months of the year, the government's monetary policy focused on containing inflationary pressures stemming from higher international prices for oil and basic foodstuffs. In the second half of the year, the international financial crisis deepened. Oil and food prices fell steadily and then stabilized, allowing the Dominican Republic to end the year with an inflation rate of 4.5%.

In the overseas sector, the current account of the balance of trade registered a deficit as a result of the big rise in international oil and foodstuff prices. Exports dropped nearly 9%, due mainly to a decline in exports of ferrous nickel. .

Despite the turbulence on international markets, the financial sector did well in 2008. Growth in assets (11%) was fuelled by a rise in the loan portfolio, and the rise in liabilities (11.7%) stemmed from greater external financing.

Insurance market

The Dominican insurance market closed the year with premium volume of 21,768 million pesos, or 430 million euros, for nominal growth of 11.3% and real growth of 6.5%. Life insurance rose 20% thanks to strong growth in collective pension plans. This made up for a sharp drop in demand for products for individuals. The decline stemmed from a fall in people's capacity to save and from high tax rates.

Premium volume ¹ 2008				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	21,768	430	11.3	6.5
Life	2,467	49	20.0	14.8
Collective life	2,301	45	34.7	28.8
Individual life	166	3	-52.1	-54.2
Non-Life	19,301	381	10.3	5.5
Automobile	7,945	157	14.9	9.9
Fire and allied lines	7,148	141	7.2	2.5
Other branches	1,661	33	12.4	7.5
Health	906	18	-17.2	-20.8
Transport	836	17	24.3	18.9
Surety	594	12	28.0	22.5
Personal Accident	212	4	-0.2	-4.5

Figure 28. Dominican Republic. Premium volume in 2008 by branch

(1) Earned and returned premiums.

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

Non-Life branches saw growth levels that were more moderate than in the previous year, posting expansion of 10.3%. Automobile insurance, the main source of growth in this sector in earlier years, had a slower, 14.9% pace of increase because of higher costs for financing purchases of new vehicles. The Fire branch, which is second in size with a 37% share, grew 7.2%, thanks to an increase in rates and in the assessed value of insured assets.

Besides these lines, Transport and Surety were the ones that grew the most, with rates of 24.3% and 28%, respectively.

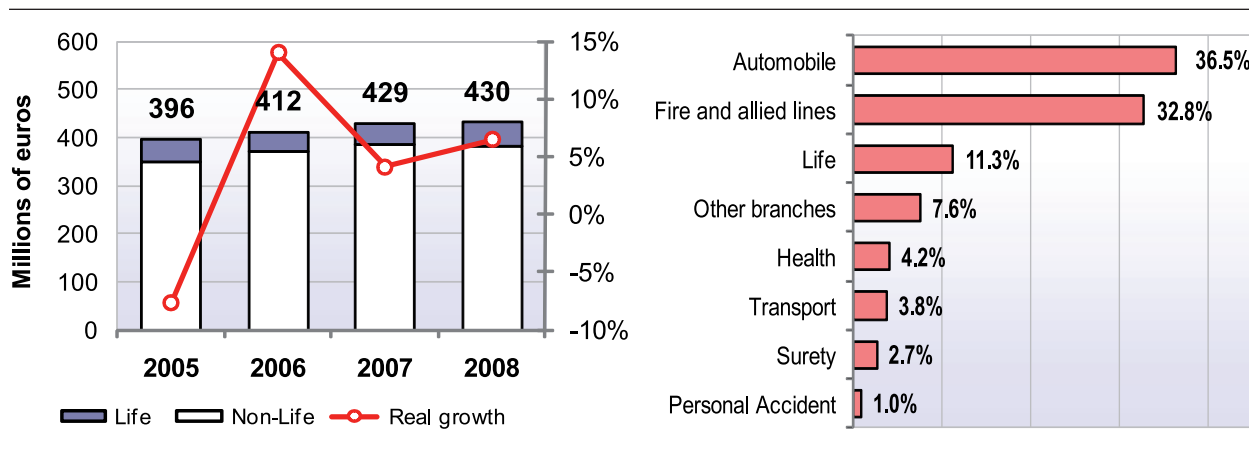


Figure 29. Dominican Republic. Evolution of premiums and market share in 2008 by branch

The Dominican insurance sector is made up of 33 companies, one more than in 2007. The level of concentration is high, with the top 10 companies accounting for 92.9% of premiums (92.8% in 2007). Universal, Banreservas (owned by the Dominican government) and MAPFRE BHD are the three leaders in the market, with market shares of 27.2%, 18.9% and 15.1%, respectively. These same three firms hold the top three spots in the Life and Non-Life rankings.

Results

The net result for the year was 1,113 million pesos (22 million euros), an increase of 10.7% from 2007. It represented a result on premiums of 8.4%. The combined ratio stayed at 96%, so the improvement in the net result was due mainly to the rise in the financial result. The claims ratio improved one-tenth of a point, thanks to a lower incidence of catastrophic events and improvements in management of automobile insurance. The net expense index was 45%, one point higher than the previous year.

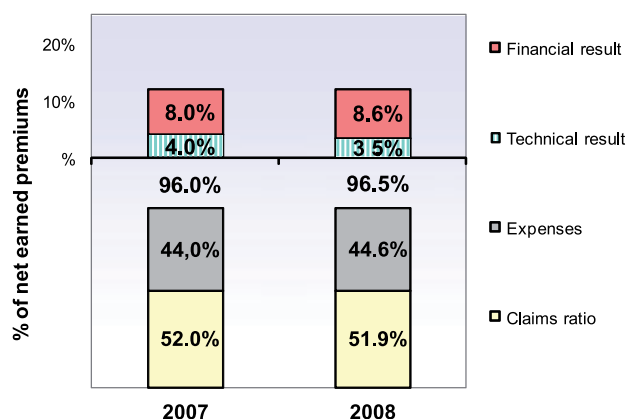


Figure 30. Dominican Republic. Technical Account Result

Source: FUNDACIÓN MAPRE with information from insurance oversight authorities.

First half of 2009

In the first six months of 2009 the insurance sector issued 11,063 million pesos (231 million euros), in premiums, for nominal growth of 3.6% compared to the same period of the previous year and real growth of 0.4%.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	11,063	231	3.6	0.4
Life	1,555	32	31.8	27.7
No Life	9,507	198	0.1	-3
Automobile	4,007	84	-2.1	-5.2
Fires and/ or allied lines	3,726	78	4.2	1.0
Other Branches	768	16	-13.8	-16.5
Transport	429	9	26.2	22.3
Health	308	6	5.4	2.1
Surety	270	6	-11.1	-13.8

Figure 31. Dominican Republic. Premium volume in 2009 by branch

(1) Earned and returned premiums.

Source: FUNDACIÓN MAPRE with information from insurance oversight authorities.

The Life insurance branch posted a major increase of 31.8%, thanks to collective insurance policies, which were heavily influenced by one-time operations.

In the Non-Life class, highlights were the growth levels seen in Fire (4.2%), Health (5.4%) and Transport (26.2%). On the negative side, one should note the declines in Automobile (-2.1%) and Personal Accident insurance (-15.3%).

3.3 SOUTH AMERICA

Insurance market

In 2008, the insurance markets of South America posted nominal growth in local currency of 21.2% compared to 2007, and real-terms expansion of 8.8% (12.5% in 2007). Highlights include the real growth seen in Ecuador (19.7%), due mainly to the incorporation of Mandatory Traffic Accident Insurance (SOAT in Spanish), Argentina (15.5%) and Chile (13.7%).

Production totalled 48,000 million euros, up 17.3% from 2007. The Life branch had revenue of more than 18,000 million euros and an increase of nearly 14%. The insurance markets of Brazil, Argentina and Chile were the main sources of growth. Non-Life branches took in nearly 30,000 million euros, up 19.5% from the previous year. The lines that contributed most to this increase were Automobile, Credit and/or Surety, and Worker Compensation.

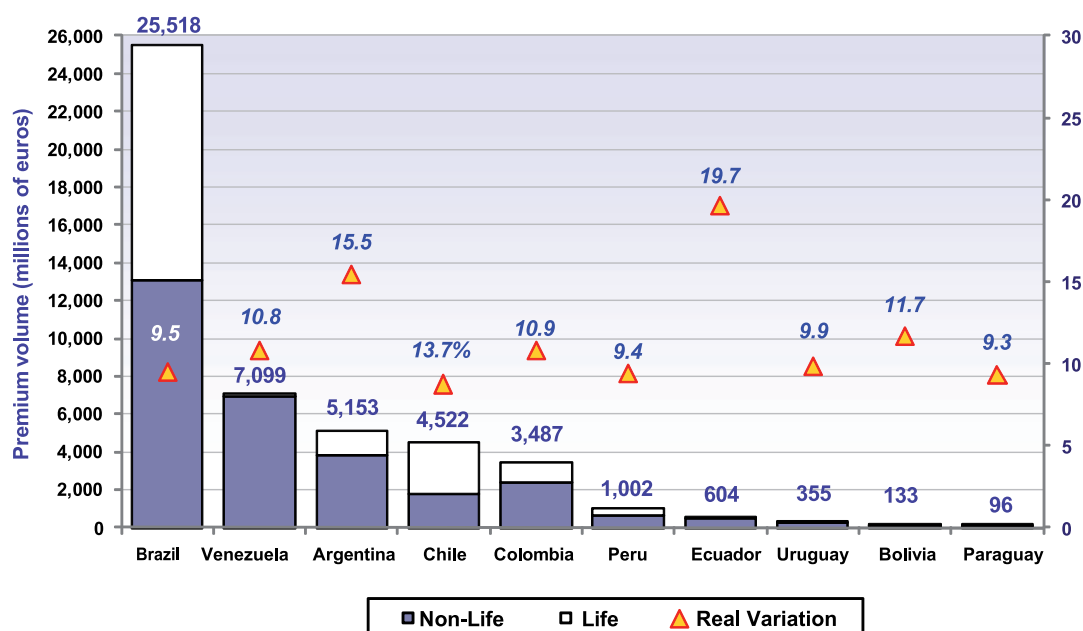


Figure 32. South America. Premium Volume in 2008 by country

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

The markets that are most developed as measured by premium volume are those of Brazil, Venezuela, Argentina, Chile and Colombia. As for density, the country that spends the most on insurance per inhabitant is Chile with 270 €, followed by Venezuela at 254 € and Brazil with 186 €. In terms of insurance penetration in the economy, the highest rates are in Chile with 3.9%, followed by Brazil and Venezuela, both with 3.3%.

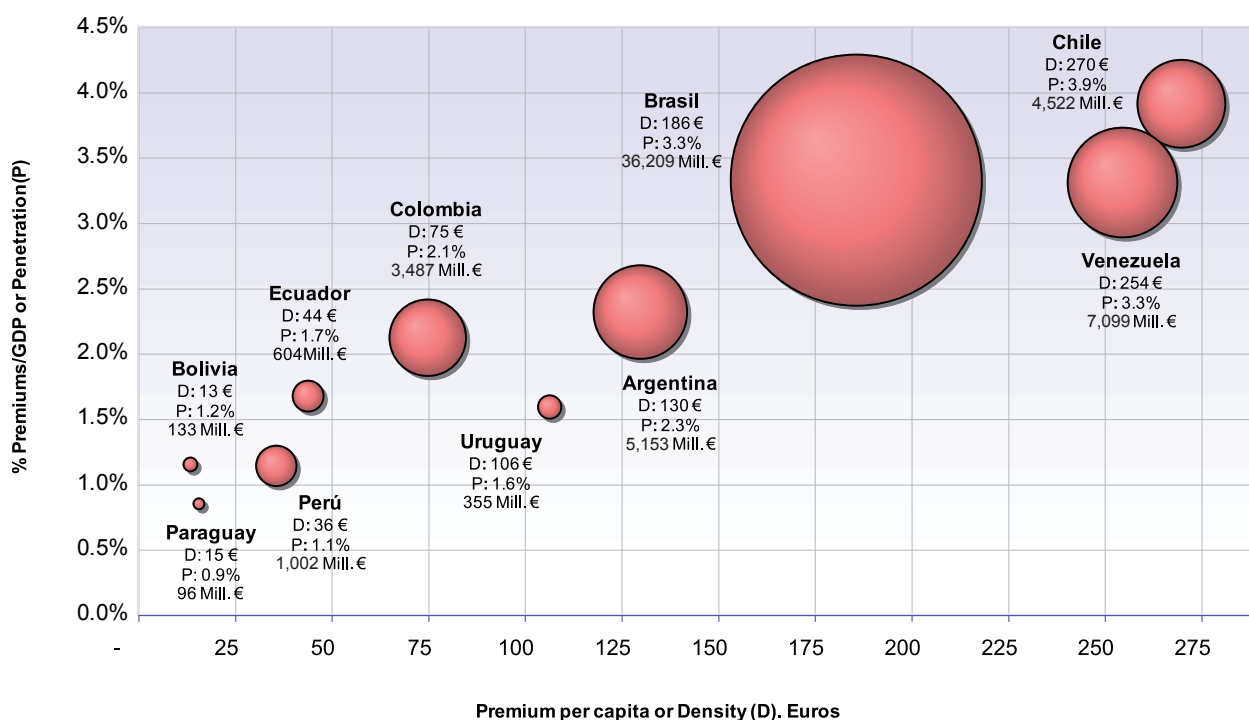


Figure 33. South America. Penetration and Density 2008 by country

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

The level of concentration in the region's insurance market is uneven: it is high in Peru, Uruguay, Paraguay, Bolivia and Brazil, where the top insurance group holds a significant market share (one should note that in Uruguay, the State Insurance Bank (Banco de Seguros del Estado) continues to hold a monopoly on Worker Compensation insurance). The concentration is lower in Argentina, Chile and Ecuador, where the top 10 companies account for just over half of premium production.

Country	Number of companies	Market share of top 5 groups	Market share of top 10 groups	Leading group	Market share of leading group
Brazil	119	57.5	79.0	BRDESCO SEGUROS	20.4
Venezuela	50	49.7	71.6	CARACAS LIBERTY MUTUAL	12.2
Colombia	45	57.4	78.1	SURAMERICANA	21.9
Chile	52	36.8	60.9	ING	8.8
Peru	13	92.5	100.0	RIMAC	34.1
Argentina	183	33.9	55.8	CAJA SEGUROS	7.9
Uruguay	17	90.0	99.2	BANCO DE SEGUROS DEL ESTADO	64.5
Bolivia	14	78.4	97.3	BISA	31.0
Ecuador	42	35.0	53.2	COLONIAL	11.4
Paraguay	31	52.9	71.8	MAPFRE PARAGUAY	23.0

Figure 34. South America. Market Concentration in 2008 by country

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

The result on premiums went down in nearly all the countries of the Southern Cone, except Colombia, where it rose two-tenths of a point thanks to an excellent financial result, and in Paraguay, where it went up two points because of an improvement in the technical result. In general, results were influenced by lower financial income and improvements in the technical result, which affected both expenses and claims.

Ratio (%)	Argentina		Bolivia		Brazil		Chile		Colombia	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Claims ratio	68.5	58.9	48.8	41.9	53.9	53.2	91.0	88.9	56.2	59.9
Expenses	41.7	42.5	64.3	51.8	44.0	43.4	32.0	30.0	47.9	49.1
Ratio combinado (%)	110.2	101.4	113.2	93.6	97.8	96.7	123.0	118.8	104.1	109.0
Financial result	17.5	7.5	26.6	9.9	18.6	14.5	36.1	15.7	10.8	20.0
Tech-Fin. Result	7.3	6.1	13.5	16.3	20.8	17.8	13.1	-3.1	6.7	11.0
Net result	8.8	5.7	20.7	20.3	29.2	25.2	8.8	-4.3	10.4	10.6

Ratio (%)	Ecuador		Paraguay		Peru		Uruguay		Venezuela	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Claims ratio	54.4	54.3	43.6	46.2	81.2	78.1	49.1	53.5	57.5	62.5
Expenses	30.0	26.3	54.6	48.4	53.7	48.7	48.6	48.5	35.4	36.1
Ratio combinado (%)	84.3	80.7	98.2	94.6	134.9	126.8	97.8	102.0	92.9	98.6
Financial result	6.1	4.9	0.4	-1.5	52.3	28.1	1.1	3.4	4.3	6.7
Tech-Fin. Result	21.8	24.2	2.2	3.9	17.4	1.3	3.4	1.4	11.4	8.1
Net result	11.1	10.6	2.2	4.0	20.4	3.7	-0.1	-1.7	6.5	6.4

Figure 35. South America. Results 2007-2008

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

The net result in euros of South America's insurance companies in 2008 declined 2.6% from the previous year, totalling 6,193 million euros. The result contributed by Brazil – 3,321 million euros – represents 54% of the total for the countries of the region. Losses in Chile stem from a sharp decline in return on equity in the Life branch and from the need to set aside provisions to cover falls in investment value.

Net result (Millions of €)			
Country	2007	2008	Δ %
Argentina	290	221	-24.0
Bolivia	11	16	46.3
Brazil	3,451	3,321	-3.8
Chile	282	-156	-155.4
Colombia	233	258	10.7
Ecuador	20	22	10.4
Paraguay	1	3	142.5
Peru	99	21	-78.5
Uruguay	-0.3	-5	-16.8
Venezuela	244	328	34.2
Total	6,357	6,193	-2.6

Figure 36. South America. Net results 2008 by country.

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

3.3.1 ARGENTINA

Macroeconomic context

In 2008 the Argentine economy once again posted significant expansion, with GDP ending the year with 7% growth. International financial turbulence did not interrupt this strength, although over the course of the year there was a certain deceleration of activity. Domestic demand was the main factor driving the economy: private consumption rose in line with production, and investment, both in construction and equipment, once again grew more than GDP did.

With regard to the supply of goods, the highest growth came in manufacturing and construction, although in both sectors there was deceleration. Primary activity was flat in mining, and there was a slight decline in the farm sector because of weather factors and conflict between the government and farmers. The services sector remained strong, posting major increases in trade, transport and financial mediation.

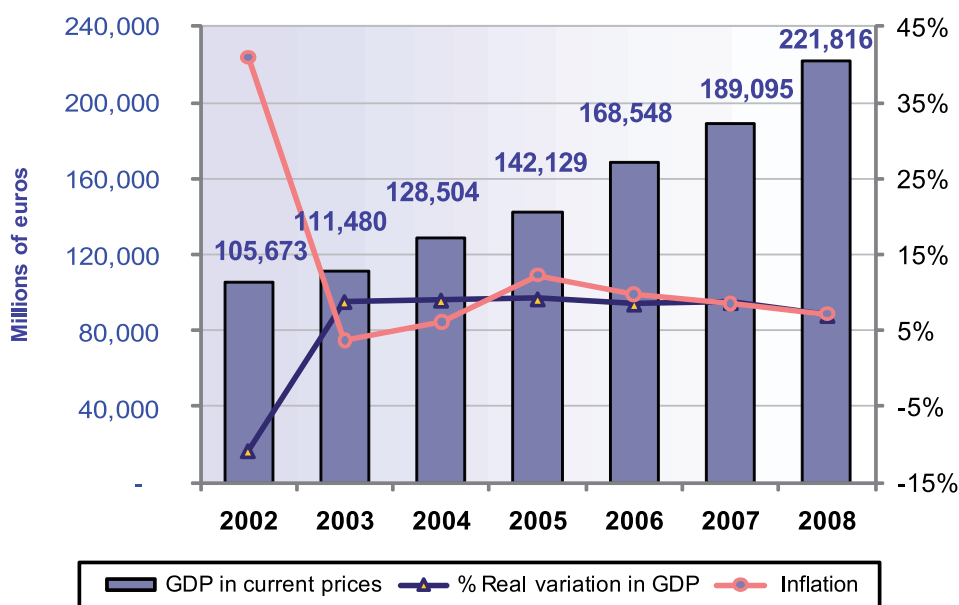


Figure 37. Argentina. GDP in 2008

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

In the first half of the year the rate of inflation was high as a result of the swift increase in demand and the increase in international prices. Toward the end of the year, the pace slowed and the CPI posted a yearly increase of 7.2%, compared to 8.5% in 2007.

The unemployment rate remained at historically low levels, although labour market conditions worsened, with declines in the number of people working in manufacturing toward the end of 2008.

As for the external sector, terms of trade for the year as a whole were 12.9% higher than in 2007. Thus, even though export volumes did not change and imports rose significantly, there was a trade surplus of USD14,500 million. However, there was major capital flight from the non-financial private sector.

Insurance market

The insurance market maintained high levels of growth in line with those seen in 2007. Premium volume in the period running from July 2007 to June 2008 was nearly 24,000 million pesos (5,153 million euros), for a nominal increase of 26.2% and 15.5% in real terms. Non-Life policies continued to be the primary source of growth. Highlights were the rises seen in Automobile and Worker Compensation insurance. These reflected the strength of the economy and the subsequent increase in demand.

Premium volume ¹ 2008				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ <i>real</i>
Total	23,935	5,153	26.2	15.5
Life	6,237	1,343	12.8	3.2
Collective life	2,515	542	43.6	31.4
Retirement	2,172	468	26.1	15.4
Private Pension Plan	910	196	-40.6	-45.7
Individual life	639	138	22.4	12.0
Non-Life	17,698	3,810	31.7	20.5
Automobile	7,730	1,664	34.5	23.0
Other Guarantees	1,824	393	37.6	25.9
Fire	996	214	19.6	9.4
Combined family	853	184	32.1	20.8
Transport	571	123	17.8	7.8
Credit and Surety	497	107	23.7	13.2
Third-party liability	470	101	11.7	2.2
Personal accident	461	99	32.9	21.6
Health	28	6	37.2	25.5
Worker Compensation	4,268	919	33.0	21.7

Figure 38. Argentina. Premium volume in 2008 by branch

(1) Premiums and surcharges issued.

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

The Life branch maintained a high level of growth at 12.8%, although there was a significant decline in private pension plans, as a result of Disability and Death insurance policies being transferred to the State. Law No. 26.222 of 2007 introduced important changes in the Integrated System of Retirement and Pensions, such as the possibility of workers who had been using the private pension capitalization regime shifting their contributions to the pay-as-you-go arrangement, administered by the State. Thanks to the incentives ushered in by the law, between July 2007 and October 2008 some 2.1 million people switched from the private system to the public one⁵.

Later, in November 2008, the Argentine Congress approved a reform that eliminated the system of individual capitalization, which was run by private administrators, and transferred it to a single, integrated pay-as-you-go system that is run by the state.

Due to the big expansion it has enjoyed in recent years, the Non-Life branch has come to hold a 74% share of the market. For yet another year, the nominal growth of all branches was double-digit. Leading it all, thanks to its larger premium volume, was Automobile insurance with a 34.5% rise, and Worker Compensation with 33%. The biggest increase

⁵ Figure taken from article by Carmelo Mesa-Lago "La ley de reforma de la previsión social argentina", published in the magazine Nueva Sociedad 219.

came in insurance against hail (66.1%). This was possibly due to the fact that in the last two seasons the capital that was insured grew more than the surface area that was insured, due to the rise in commodities prices. This caused a rise in the sums insured per hectare.

Spending on premiums per inhabitant was 130 €, higher than in 2007. But insurance penetration in the economy, measured as the percentage of GDP that is represented by premiums, went down two tenths of a point to 2.3%, as a result of greater growth in economic output.

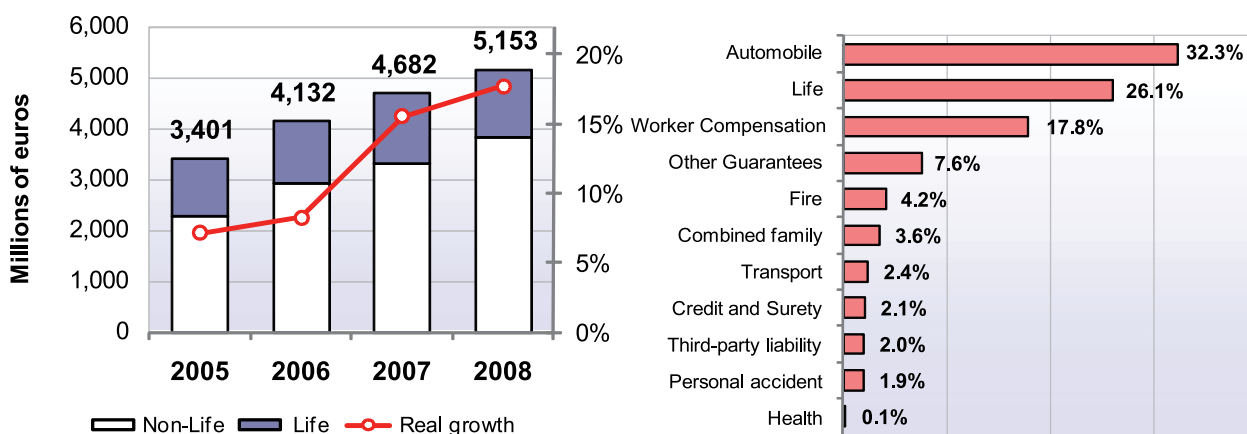


Figure 39. Argentina. Evolution of premiums and market share in 2008 by branch

The total number of insurance companies as of 30 June, 2008 was 183, one less than in 2007. Of these, 22 worked exclusively in Retirement, 44 in Life insurance and 14 in Occupational Hazards. The other 103 operated in Property Damage or were Mixed (offering both Property and Life insurance).

The top three spots in the Argentine ranking in 2008 remained unchanged. Caja Seguros, owned by the Generali group, continued to top the list and increased its market share from 7.5% to 7.9%. The MAPFRE group boosted its market share half a point to 7.1% and held on to second place. In third place was Sancor with a 6.9% share, compared to 6.5% in 2007.

The top 10 insurance groups accounted for 55.8% of premiums (56.2% in 2007).

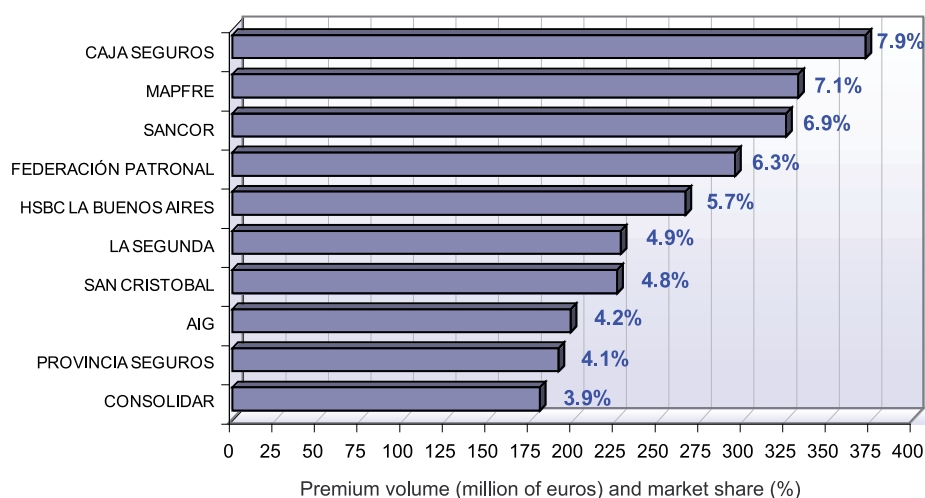


Figure 40. Argentina. Ranking 2008 Total

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

Note: does not include Retirement insurance.

For the third year in a row, MAPFRE Argentina led the Non-Life ranking with a market share of 8.5%. Next were Caja Seguros and Sancor with shares of 8.2% and 8.1%, respectively. The 10 largest companies in this segment of the industry accounted for 61% of the premiums issued (compared to 60.3% in 2007).

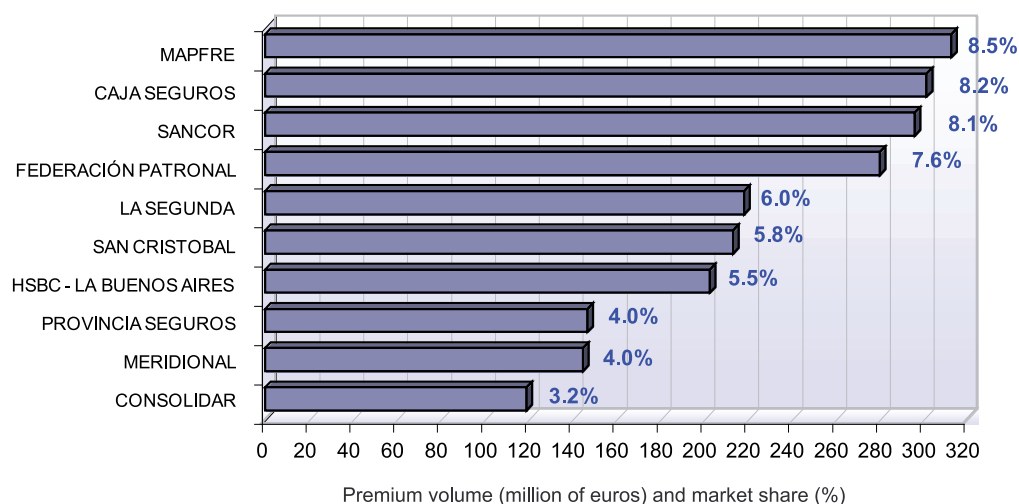


Figure 41. Argentina. Ranking 2008. Non-Life

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

Note: This ranking has been compiled with the branch divisions used in Argentina.

In the Life⁶ branch the top 10 groups issued 54.1% of all premiums. Caja Seguros, owned by the Generali group, led this list with a market share of 6.9%, followed by Nación and HSBC-La Buenos Aires.

⁶ Not including Retirement.

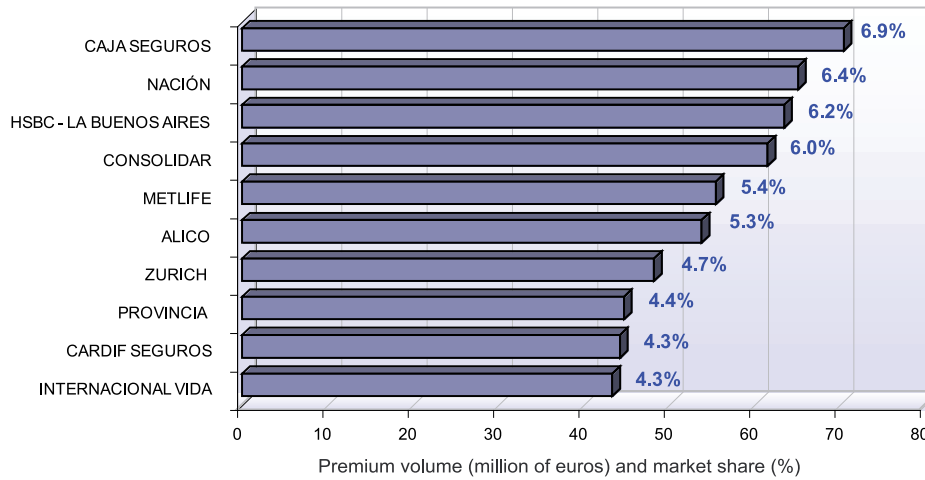


Figure 42. Argentina. Ranking 2008. Life

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

Note: This ranking has been compiled with the branch divisions used in Argentina.

Results

The net result for the year went down 18% to 1,028 million pesos (290 million euros), which represented 5.7% on premiums, three points less than in 2007. The fall stems mainly from a small financial result, which declined 45% to 1,353 million pesos. The technical result was negative, 259 million pesos (248 corresponded to insurance for persons), but it improved slightly to 80%, thanks to a decline in claims incurred on policies insuring persons.

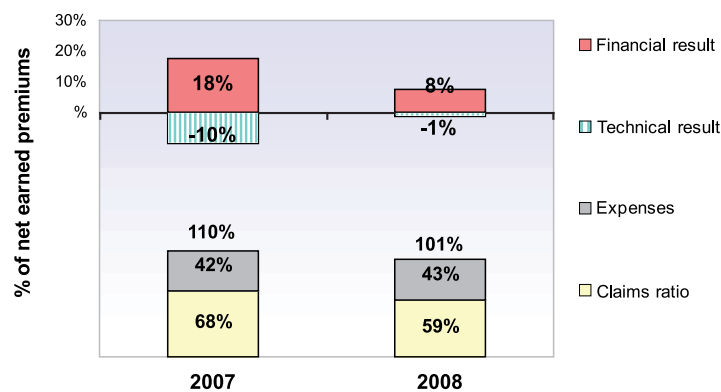


Figure 43: Argentina. Technical account result

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

First half of 2009

In the first two quarters of 2009 Argentine insurance companies issued 13,977 million pesos in premiums (2,858 million euros), for a nominal increase of 13.6% and real-terms expansion of 10.6%. Life insurance was down 19% as a result of changes introduced in the Argentine social security system. Within the Non-Life segment, Automobile, Homeowner's, Health, Fire and Worker Compensation posted growth levels of more than 20%.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	13,977	2,858	13.6	10.6
Life	2,376	486	-19.0	-21.1
No Life	11,601	2,372	23.8	20.6
Automobile	5,256	1,075	24.9	21.7
Other Branches	2,274	465	15.2	23.9
Combined family	562	115	27.2	20.0
Fires	542	111	23.3	20.7
Health	19	4	24.0	12.2
Worker Compensation	2,947	603	28.6	25.3

Figure 44. Argentina. Premium volume in 2009 by branch

(1) Premiums and surcharges issued.

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

3.3.2 BOLIVIA

Macroeconomic context

One should note that in January 2009, Bolivians voting in a referendum approved a new Constitution, which had been under discussion since 2006. In December 2009 presidential elections were held and Evo Morales won an absolute majority in Congress.

In 2008 Bolivia's GDP rose 6.1%, compared to 4.6% the previous year. The growth was fuelled by both domestic demand (especially private consumption and public investment) and the strength of the mining sector, in particular minerals. For the third straight year, there was a fiscal surplus because of higher revenue from hydrocarbon sales and domestic income. But external demand had a negative impact on GDP growth because imports surpassed exports.

From the supply standpoint, the sectors that grew the most were metallic and non-metallic minerals (56.3%), construction (9.2%), trade (4%) and financial establishments, insurance, real estate and services provided to businesses (4.7%). In the first half of 2008 the country was hit by the weather phenomenon known as La Niña, which impeded stronger growth in the agricultural sector. Still, it expanded 2.6%, compared to a decline of 0.5% the previous year.

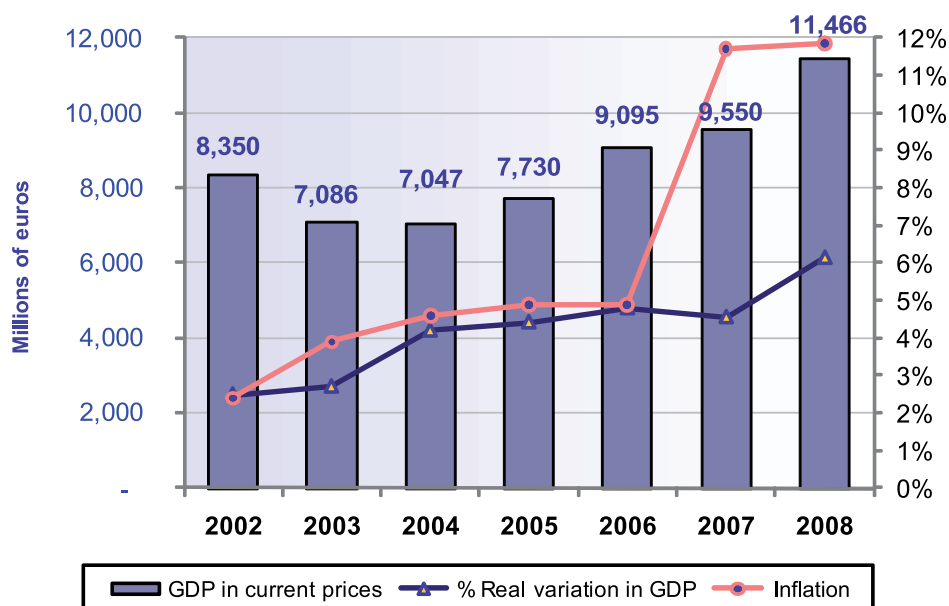


Figure 45. Bolivia. GDP 2008

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

The inflation rate was similar to that of 2007 at 11.8%, but uneven over the course of the year. In the first half of 2008 prices rose and the rate of inflation reached 17.3% in June. Then they started to come down gradually, due to various factors: a fall in the inflation that resulted from the international financial crisis and the falloff in world economic activity, the effect of economic policies applied by the government, favourable weather and expectations of lower inflation.

Insurance market

In 2007 the Bolivian insurance market saw its revenue decline because management of private pensions was transferred to Pension Fund Administrators. But in 2008 revenue rose 24.9%, or 11.7% in real terms, finishing the year with premium volume of USD195 million (133 million euros).

Premium volume ¹ 2008				
Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	195	133	24.9	11.7
Life	39	26	32.8	18.8
Mortgage repayment insurance	17	12	36.2	21.8
Individual life	12	8	36.4	21.9
Pensions	6	4	21.7	8.8
Collective life	3	2	24.5	11.3
No Life	156	107	23.1	10.0
Automobile	41	28	33.1	19.0
Fire and/or allied lines	36	24	18.5	6.0
Health	21	14	21.7	8.8
Transport	17	12	47.6	31.9
Surety	10	7	59.3	42.4
Technical risks	10	7	24.2	11.1
Third-party liability	8	5	5.0	-6.1
Personal accident	6	4	-4.3	-14.4
Other guarantees	5	4	-8.6	-18.3
Burial Expenses	0	0	4.1	-6.9
Worker Compensation	1	1	-58.6	-62.9

Figure 46. Bolivia. Premium volume in 2008 by branch

(1) Direct premiums.

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

Non-Life branches took in USD156 million in premiums (107 million euros), a rise of 23.1% from the previous year, thanks to strong performances in Transport, Fire and Allied lines, and Automobile insurance. The latter, including Mandatory Traffic Accident Insurance, continues to grow and increase its market share, which was 21.2% of the entire sector (19.9% in 2007). Surety insurance rose 59.3% but the impact of this was not major because of its low market share.

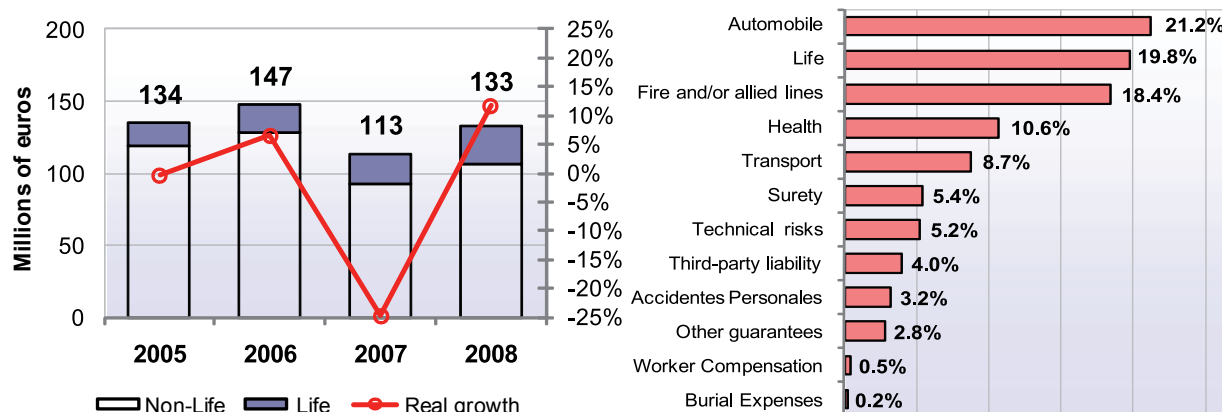


Figure 47. Bolivia. Evolution of premiums and market share in 2008 by branch

Life insurance maintained its growth trends of recent years and posted revenue of 39 million dollars (26 million euros), taking second place in terms of premium volume. All areas of this branch registered major increases.

Results

The sector's net result was 167 million bolivianos (16 million euros), an increase of 43% from the previous year, thanks to a considerable improvement in the technical result, as the financial result was lower than that of 2007. The claims and expense ratios improved both at General and Personal insurance companies, but it was the latter that posted the largest declines. The improvement stemmed mainly from the fact that smaller technical provisions were set aside as a result of the halt in private pension plan operations.

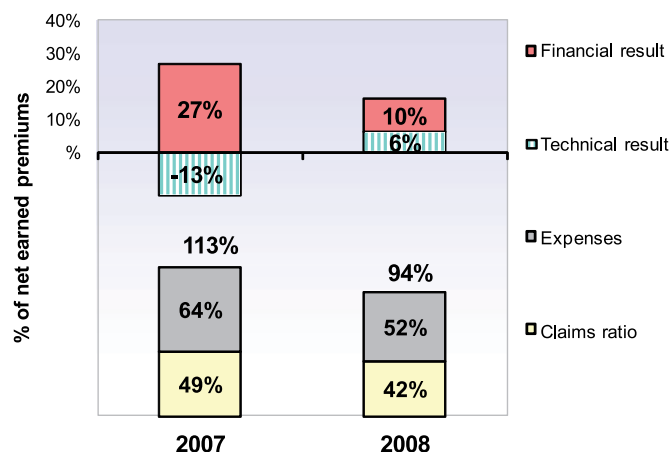


Figure 48. Bolivia. Technical Account Result

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

In the Bolivian market there are six companies offering insurance for Persons and eight General insurance companies. The Bisa group (Bisa Seguros and La Vitalicia) continues to lead the market with a 31% share, four points less than in 2007. Bisa Seguros and Alianza, in that order, posted the most revenue among General insurance companies, and La Vitalicia and Nacional Vida did so among the firms offering insurance for Persons.

First half of 2009

The Bolivian insurance sector posted income of USD100 million (75 million euros) in the first half of 2009, a rise of 11.6% from the same period of the previous year. Life insurance expanded 7.5% and Non-Life rose 12.7%, including increases in Third-Party Liability (24%), Surety (23.6%), Fire (17%) and Automobile (10,2%). Worker Compensation fell 28.9%.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	100	75	11.6	4.3
Life	20	15	7.5	0.4
No Life	80	60	12.7	5.3
Automobile	26	20	10.2	3.0
Other Branchs	22	16	19.0	20.0
Fires and/ or allied lines	13	10	17.0	9.2
Healht	11	8	7.2	0.2
Transport	7	5	9.7	2.5
Worker Compensation	1	0	-28.9	-33.6

Figure 49. Bolivia. Premium volume 2009 by branch

(1) Direct premiums.

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

3.3.3 BRAZIL

Macroeconomic context

The pace of the Brazilian economy had two different phases in 2008. The economy expanded at high rates in the first three quarters of the year, thanks to higher consumption and private investment, while in the last quarter the international financial crisis started to take its toll, both on the supply of credit and the expectations of economic agents. GDP fell 3.6% compared to the previous quarter. Still, thanks to the strength of the first nine months of the year, GDP posted an annual increase of 5.1%.

On the supply side, GDP had positive results in all of its components; as for demand, the strength of domestic demand had a greater impact than did the negative contribution made by the external sector.

Agricultural and livestock production expanded 5.8% thanks to good weather and investment stimuli which came from the evolution of market prices. Industrial activity grew 4.3%, posting increases in all of its sub-sectors. The services sector rose 4.8%, led by financial mediation services, insurance, complementary welfare and pension schemes and related services, with growth of 9.1%.

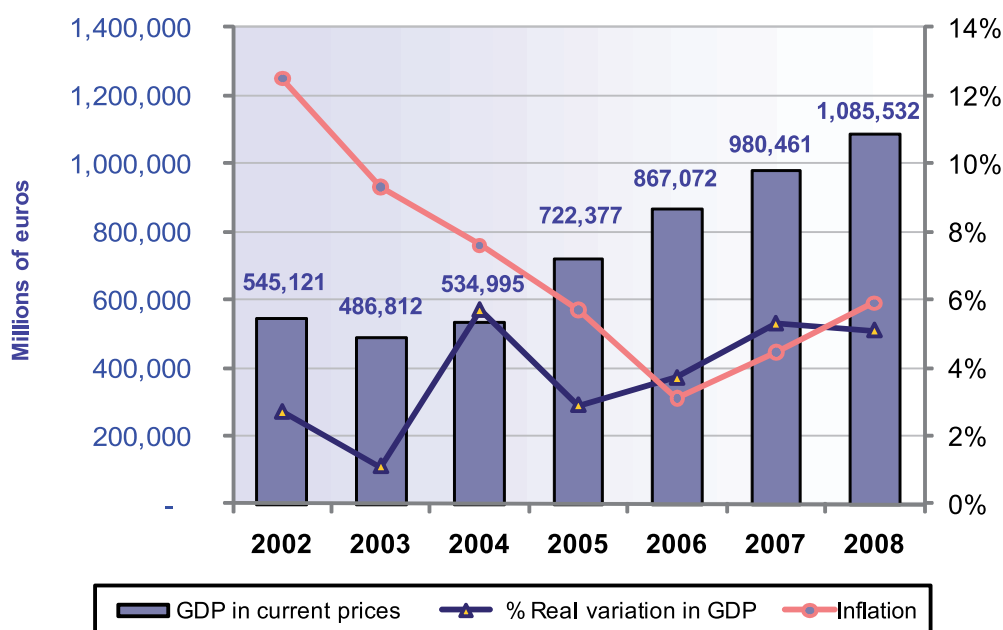


Figure 50. Brazil. GDP in 2008

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

The contribution made by domestic demand to GDP growth was 6.8 percentage points. Gross fixed capital formation expanded 13.8%, while public and household consumption rose 5.6% and 5.4%, respectively. However, the external sector made a negative contribution of 2.3 percentage points to GDP.

The Broad Consumer Price Index increased 5.9%, with a 3.3% rise in prices of goods and administered services and a 7.1% rise in free prices. The acceleration of free prices was associated with an intensification of the pace of economic growth and a rise in prices of foodstuffs.

The labour market performed well, with the unemployment rate standing at 6.8% in December 2008. That was the lowest level since 2002.

Insurance market

The Brazilian insurance sector posted income of 68,000 million reales in premiums in 2008 (25,500 million euros), which amounted to a nominal increase of 16% compared to the previous year and 9.5% in real terms. The Life insurance product known as Vida VGBL (Vida Gerador de Benefício Livre) was still one of the main engines driving the market, although in 2008 its rate of growth slowed, to 16.5% from 31.8% the previous year. In 2008 this product, distributed mainly through banks, benefited from tax incentives that lured resources from mutual funds and pensions. Individual life insurance fell 7%.

Premium volume ¹ 2008				
Branch	Millions of reales	Millions of euros	% Δ	% Δ real
Total	67,929	25,518	16.0	9.5
Life	33,023	12,405	15.2	8.8
Individual and collective life	9,495	3,567	12.1	5.8
VGBL ²	23,528	8,838	16.5	10.0
Non- Life	34,906	13,113	16.7	10.2
Automobile	20,182	7,581	16.5	10.0
Other Guarantees	5,184	1,947	13.2	6.9
Fire	2,291	861	11.3	5.1
Accident	2,184	820	27.3	20.2
Transport	1,863	700	17.4	10.9
Credit and Surety	1,161	436	18.0	11.4
Crop insurance	718	270	59.9	51.0
Third-party liability	611	230	15.0	8.6
Transport of hulls	503	189	12.5	6.2
Special risks ³	209	78	-13.0	-17.8

Figure 51. Brazil. Premium volume in 2008 by branch

Source: Done by FUNDACIÓN MAPFRE with information published by the agency that oversees private insurance, known as SUSEP.

(1) Direct premiums.

(2) Vida Gerador de Benefício Livre.

(3) Oil, nuclear risks and satellites.

Non-Life branches enjoyed a higher rate of growth, thanks mainly to automobile insurance via a strong rise in sales of vehicles⁷ and insurance policies extending the warranties on electronic devices and household appliances. Premium volume rose to 34,900 million reales, which marked an increase of 16.7%, compared to 9.9% in 2007. The Accident branch did extremely well, posting a 27.3% jump in income, one of the highest in the sector.

Of the different kinds of coverage within automobile insurance, mandatory insurance for personal damage caused by vehicles, known in Brazil as DPVAT, saw income of 4,800 million reales (1,800 million euros) and growth of 28.6%.

⁷ According the National Federation of Auto Dealerships of Brazil, the effects of the crisis in the auto sector began to be felt in October. For the year as a whole, sales rose 14.1%, while in the first three quarters of the year the increases had been between 20 and 25%.

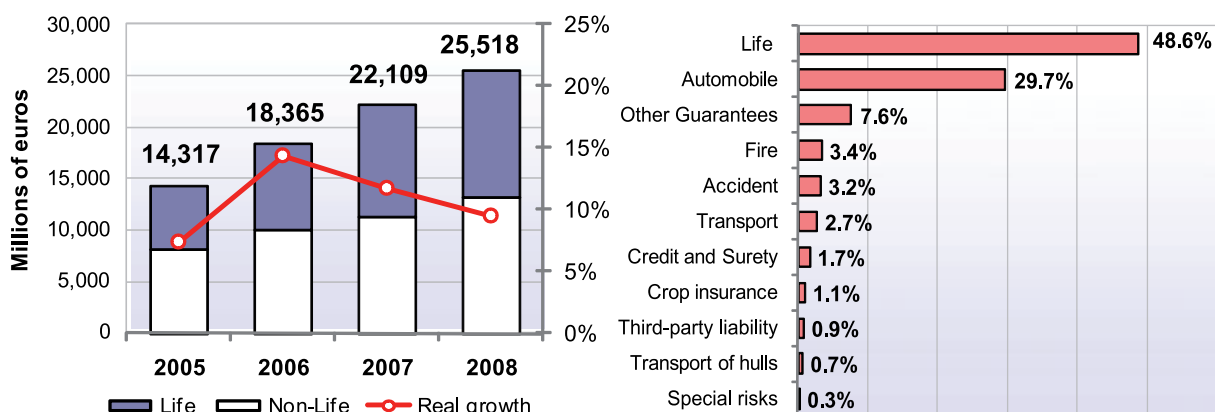


Figure 52. Brazil. Evolution of premiums and market share in 2008 by branch

Contributions to Private Pensions rose to 8,231 million reales (3,092 million euros), for growth of 3.8%, compared to 8.3% the previous year. Capitalization rose 15.1%, as opposed to 10.1% in 2007.

According to data from the agency that oversees companies offering health insurance, the Agência Nacional de Saúde Suplementar (ANS), income in this branch of the industry totalled 11,218 million reales (4,214 million euros) for an increase of 12%.

Adding up the revenue from all segments – Insurance, Health, Private Pensions and Capitalization – Brazil's private insurance sector had income of 96,390 million reales (36,209 million euros) in premiums and contributions, which amounted to an increase of 14.3%, very similar to that of the previous year.

Premiums and contributions from private insurance 2008

Branch	Millions of reales	Millions of euros	% Δ
Insurance	67,929	25,518	16.0
Health insurance	11,218	4,214	12.0
Capitalization	9,013	3,386	15.1
Private pension	8,231	3,092	3.8
Total	96,390	36,209	14.3

Figure 53. Brazil. Premiums from private insurance 2008

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

The top 10 insurance groups (not including Health) accounted for 79% of premiums (77.7% in 2007). Bradesco continued to top the overall ranking, although in 2008 its lead narrowed with regard to the next biggest group, the holding Itaú Unibanco, created through the merger of two financial entities (they held second and third place in the ranking in 2007). In November 2008 Unibanco bought the 50% stake that AIG holds in its insurance company, and that same month the merger of the banks Itaú and Unibanco was announced, forming the largest privately owned financial group in all of Latin America. Because of this merger, the next closest groups rose one spot in the ranking and MAPFRE took over fifth place after surpassing SulAmérica. The company created in 2007 to centralize management of the mandatory insurance for personal damage caused by vehicles – Seguradora Líder dos Consórcios do Seguro DPVAT – has taken eighth place in the ranking.

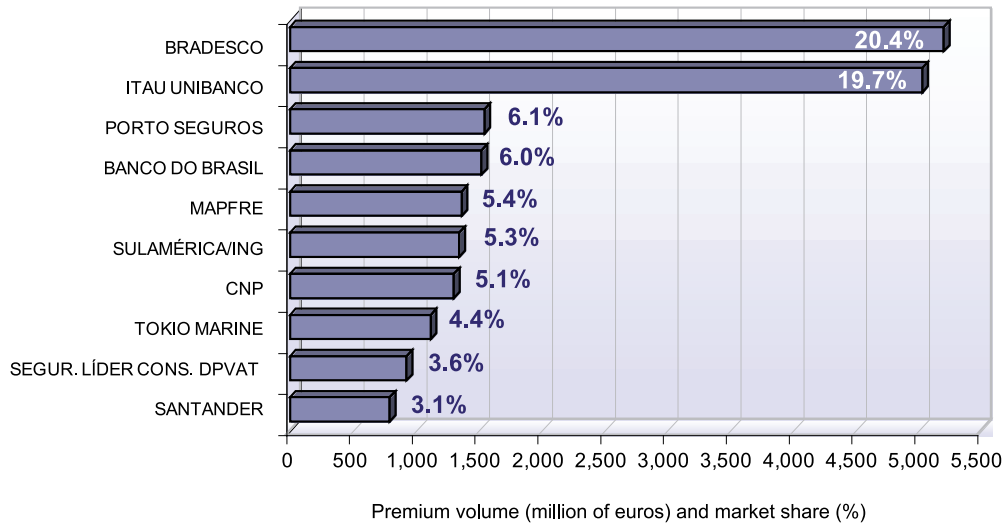


Figure 54. Brazil. Ranking 2008 Total.

Source: SUSEP

The Non-Life ranking has also seen major changes compared to 2007. Itaú Unibanco Holding is in first place with a market share of 17% (In 2007 Unibanco was in third place and Itaú was fifth). The next three companies moved up one, and Seguradora Líder dos Consórcios do Seguro DPVAT took over fifth. MAPFRE remained in sixth place and Allianz took over seventh from Tokyo Marine, which dropped to eighth. HDI replaced Caixa Seguros (CNP) in the ranking.

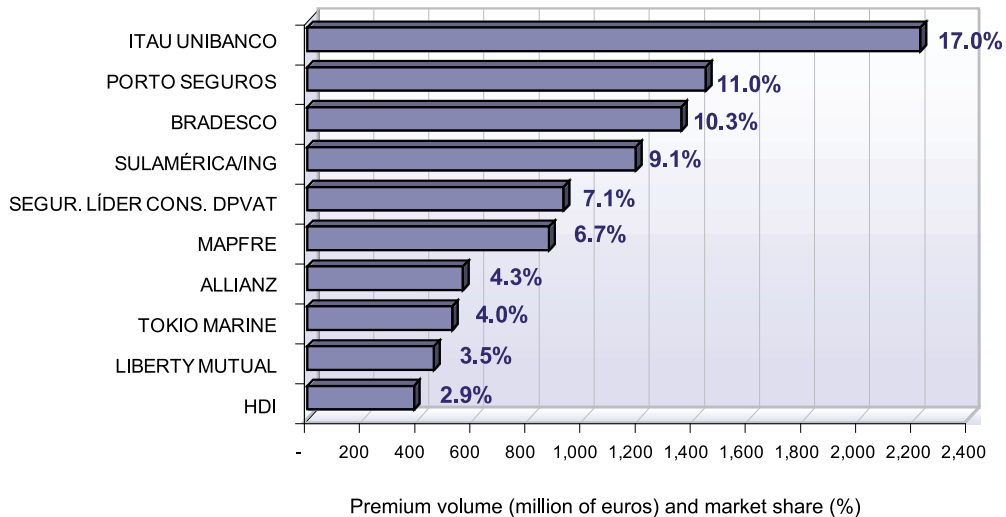


Figure 55. Brazil. Ranking 2008 Non-Life

Source: SUSEP

Bradesco remained the leader in the Life insurance ranking, with a market share of 31%, compared to 34.2% in 2007.

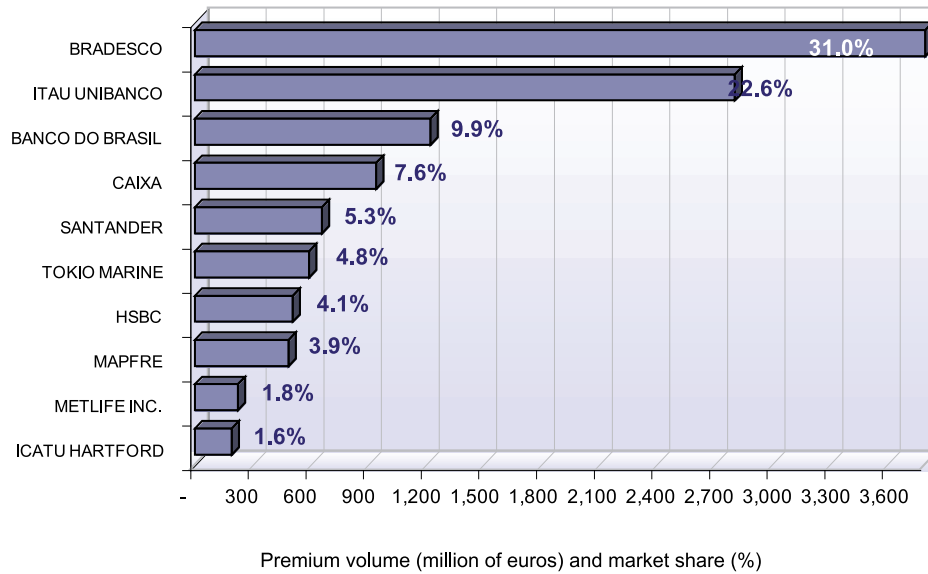


Figure 56. Brazil. Ranking 2008 Life

Source: SUSEP.

Nota: includes VGBL insurance but not Personal Accident.

Results

The net result of Brazil's insurance companies was 8,800 million reales (3,321 million euros), 3.3% less than the previous year. The result on premiums was 25.2%, a fall of four points from 2007.

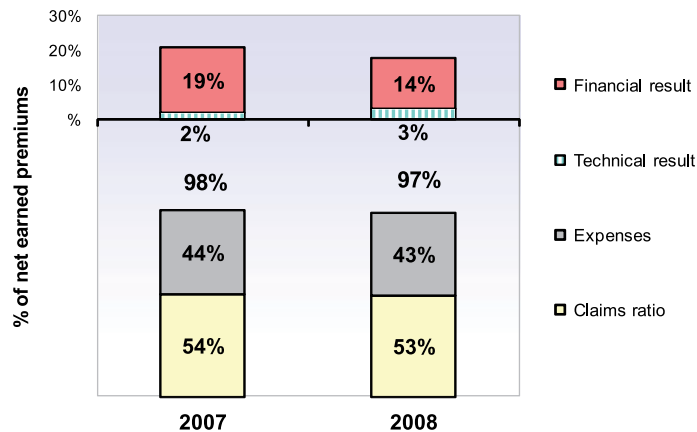


Figure 57. Brazil. Technical Account Result

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

As was the case the previous year, the fall in the result stemmed from lower financial income. However, the technical result improved again, posting a combined ratio of 97%, a point lower than in 2007, with a fall in both expenses and claims.

New legislation

In December 2007, insurance regulators published rules for the new model of Reinsurance in Brazil, replacing the monopoly held by IRB Brasil Re with a free market system. As scheduled, the reinsurance market in Brazil was opened up on 17 April, 2008. In the first nine months of the year IRB Brasil Re continued to dominate, accounting for about 92% of all reinsurance premiums in that country.

In July 2008 the government published Decree 6.499/08 which set limits on cession and re-cession of risk to sporadic re-insurers. This presidential decree established a maximum limit of 10% in the risk that insurance companies can cede to occasional reinsurers and 50% as the risk that local reinsurers can cede to occasional reinsurers.

In April 2008, the National Council of Private Insurance (CNSP) created a consultative board focusing on micro-insurance. It was led by the superintendent of SUSEP and made up of representatives of government institutions and from the insurance sector. The twin goals of the panel are to encourage studies on micro-insurance and advise the CNSP on its technical and operational details. The creation of this commission is the first step toward the formation of a regulatory structure that would allow the development of this insurance product, which caters to low-income people.

Mergers and acquisitions

- In November 2008, Unibanco and AIG announced they had reached agreement to buy back their cross-share holdings in the companies Unibanco AIG Seguros and AIG Brasil. Under this accord, Unibanco assumed full control of Uniseg, the new name for Unibanco AIG Seguros, and AIG will continue to distribute its insurance products in the Brazilian market through AIG Brasil. That same month, the merger of the banks Itaú and Unibanco was announced, creating the largest privately owned financial group in Latin America and Brazil's second largest insurance group.
- Brazil's insurance regulator authorized the acquisition of Vida Seguradora, the Brazilian unit of the U.S. group Nationwide, by the local division of the MAPFRE group.
- The Brazilian unit of Zurich acquired an 87% stake in Companhia de Seguros Minas Brasil and 100% of Minas Brasil Seguradora Vida e Previdencia. The deal included an exclusive, long-term bancassurance accord with Banco Mercantil for the distribution of Zurich Brasil's and the acquired companies' General and Life insurance products.
- The superintendent of insurance gave authorization for Banco do Brasil to acquire a 30% stake in Aliança do Brasil, of which it already owned the rest of the shares. Later, in November, Banco do Brasil announced the purchase of Nossa Caixa, controlled by the government of Sao Paulo state. The MAPFRE group holds 51% of the shares of the Nossa Caixa insurer that specializes in Life and Pensions.
- The Dutch group Aegon purchased a 50% stake in the Brazilian insurer Mongeral.

First half of 2009

From January to June of 2009, accumulated premiums totalled 35,467 million reales (12,168 million euros), an increase of 8% compared to the same stretch of 2008.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of reales	Millions of euros	% Δ	% Δ real
Total	35,467	12,168	8.0	5.3
Life	17,998	6,175	12.6	9.7
No Life	17,469	5,993	3.7	1.1
Automobile	9,617	3,299	-4.9	-7.3
Other Branchs	4,631	1,589	22.2	19.1
Personal Accident	1,240	425	21.8	8.8
Fire	1,185	407	7.7	5.0
Transport	796	273	-2.9	-5.3

Figure 58. Brazil. Premium volume in 2009 by branch

(1) Direct premiums.

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

The Life sector (individual, collective and VGBL) posted income of nearly 18,000 million reales (6,175 million euros). The product known as VGBL (Vida Gerador de Beneficio Libre), saw growth of 11.8%, a bit below the expansion seen in individual and collective Life (14.4%).

The automobile insurance branch, which has the biggest share within Non-Life, declined 4.9% in the first half of 2009.

3.3.4 CHILE

Macroeconomic context

The Chilean economy managed to keep growing despite all the external turbulence, achieving GDP expansion of 3.2% in 2008, down somewhat from 4.7% in 2007. The slower growth was due to a significant decline in demand, both domestic and external, starting in the last quarter of the year.

On the supply side, the sectors that contracted were mining (-5%), manufacturing (0%) and electrical utilities (-4%). On the other hand, the construction industry rose 9.7%.

The annual rate of inflation exceeded government forecasts and reached 8.7%. It was fuelled by major increases in external prices, in particular those of foodstuffs and fuel.

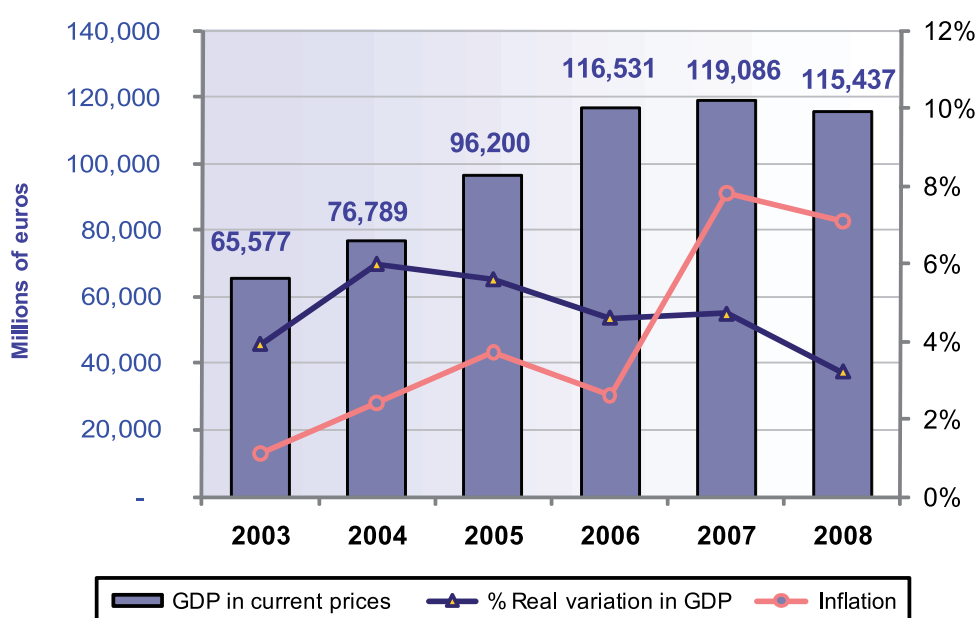


Figure 59. Chile. GDP 2008

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

The unemployment rate finished the year at 8%, compared to 7.2% the previous year. Although the makeup of the workforce evolved positively toward salary-based employment, job creation declined in the last quarter of 2008 and this trend continued in the first half of 2009.

For the first time in four years the current account posted a deficit, ending 2008 with a shortfall equivalent to 2% of GDP. This was due to a rise in volumes of imports in nearly all categories and a rise in prices for fuels and foodstuffs. On the other hand, exports were weak, and there were even declines in volume because of technical difficulties.

Insurance market

The Chilean insurance market slowed significantly because of the economic crisis. In 2008 it had premium volume of 170 million UF (4,522 million euros), which marked real growth of 8.8%, compared to 13.7% the previous year.

The fall in growth stemmed mainly from Life insurance, which posted premium volume of 101 million UF (2,704 million euros), an increase of just 5.8% compared to 13.5% the previous year. Non-Life branches maintained growth levels similar to those of 2007.

In the first half of 2008, Life Annuities grew 24.1%, but this tendency changed abruptly in the last six months due to financial turbulence, which lowered pension fund yields and thus made it harder for people to make such investments. Still, Life Annuities finished the year with premium volume of 59 million UF, which represented growth of 5.7%, thanks to higher sales of Lifetime Disability Annuities. Individual insurance policies increased 3.6% to reach volume of 18 million UF (491 million euros), and group insurance posted premium volume of 24 million UF (632 million euros), a rise of 7.9%.

Premium volume ¹ 2008				
Branch	Thousands of UF	Millions of euros	% Δ	% Δ real
Total	169,586	4,522	8.8	1.6
Life	101,390	2,704	5.8	-1.2
Pension plans	59,284	1,581	5.7	-3.2
Collective life	23,685	632	7.9	0.8
Individual life	18,421	491	3.6	-1.3
Non-Life	68,196	1,819	13.5	6.0
Fire and allied lines	19,063	508	18.8	10.9
Automobiles	14,027	374	4.3	-2.7
Other guarantees	11,573	309	20.0	14.1
Personal Accident ²	7,859	210	-1.7	-8.2
Health	6,669	178	9.4	2.2
Transport	4,391	117	32.7	23.9
Third-party liability	2,342	62	33.5	24.7
Credit and/or surety	1,912	51	18.5	10.6
Multi-peril	359	10	112.4	98.4

Figure 60. Chile. Premium volume in 2008 by branch

(1) Direct premiums.

(2) Includes Mandatory Personal Accident Insurance (SOAP).

Source: Done by FUNDACIÓN MAPFRE with data published by the Association of Chilean Insurers (AACH).

Thanks to an expansion of credit in Chile, premium volume for loan repayment insurance (providing coverage in the event of the loan-holder's death) has multiplied by four over the past decade. However, in 2008 the high interest rate established by the Bank of Chile, along with a loss of consumer confidence due to doubts over the intensity and duration of the crisis, led to more modest growth of 7.4% in this kind of Life insurance.

Non-Life insurance saw income of 68 million UF (1,819 million euros), an increase of 13.5% compared to the previous year (14% in 2007). Except for Personal Accident insurance, all branches posted growth, the best performances coming in Transport (32.7%), Fire (18.8%) and Third-Party Liability (33.5%).

Due to stiff competition on the market, Mandatory Personal Accident Insurance (SOAP in Spanish), which is included in the Personal Accident line, had modest growth of 6%, with income of nearly 2 million UF.

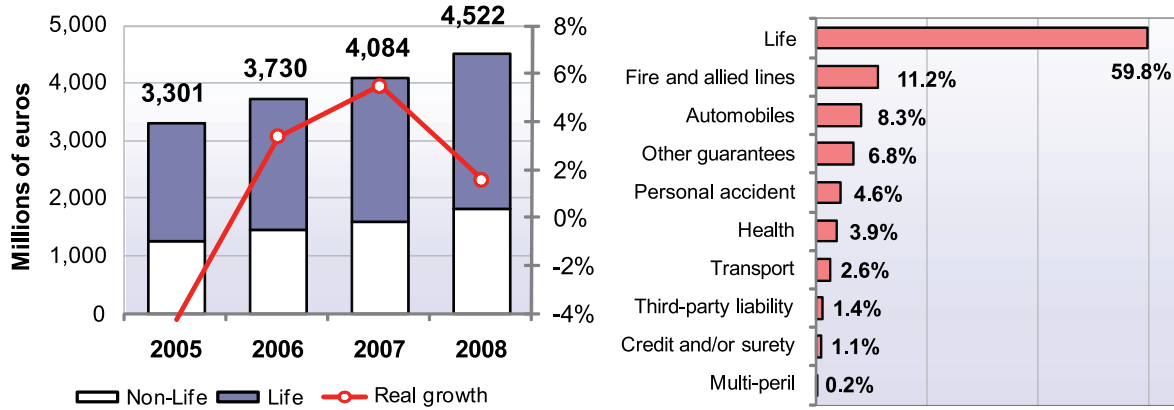


Figure 61. Chile. Evolution of premiums and market share in 2008 by branch

In 2008 there were 52 insurance companies operating in the sector (three more than in 2007), 23 of which specialized in General insurance and 29 in Life. The top 10 groups in Chile registered premium volume of 81 million UF (2,156 million euros) and had a market share of 60.9%, (63.1% in 2007). Although there have been important changes in the ranking as compared to 2007, the leader is still the Dutch group ING, which is followed by Metlife, Penta, Chilena and Consorcio.

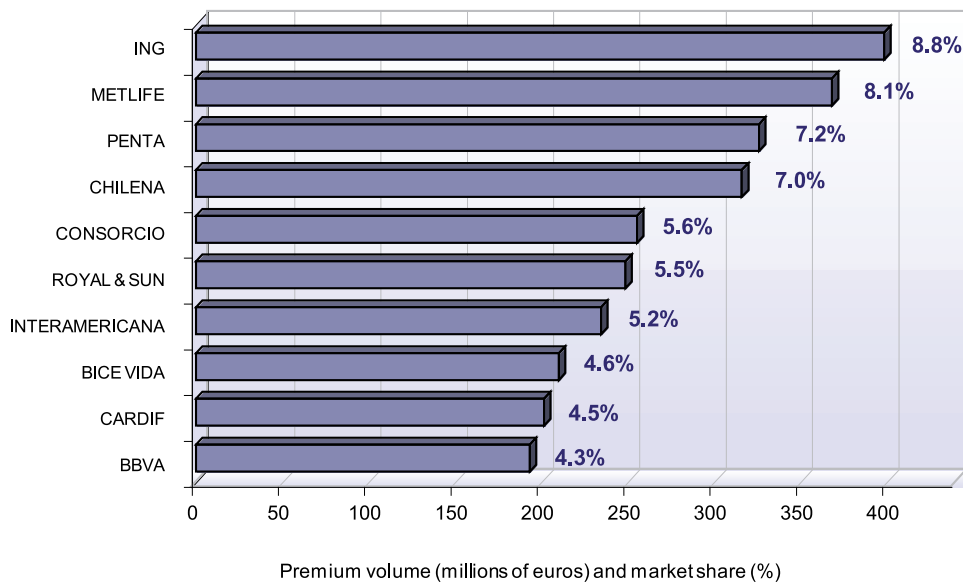


Figure 62. Chile. Ranking 2008 Total

Source: Chilean Securities and Insurance Supervisor.

The top 10 groups operating in General insurance have a total market share of 72.1%. First place is held by RSA Seguros, followed by Penta, MAPFRE and Chilena.

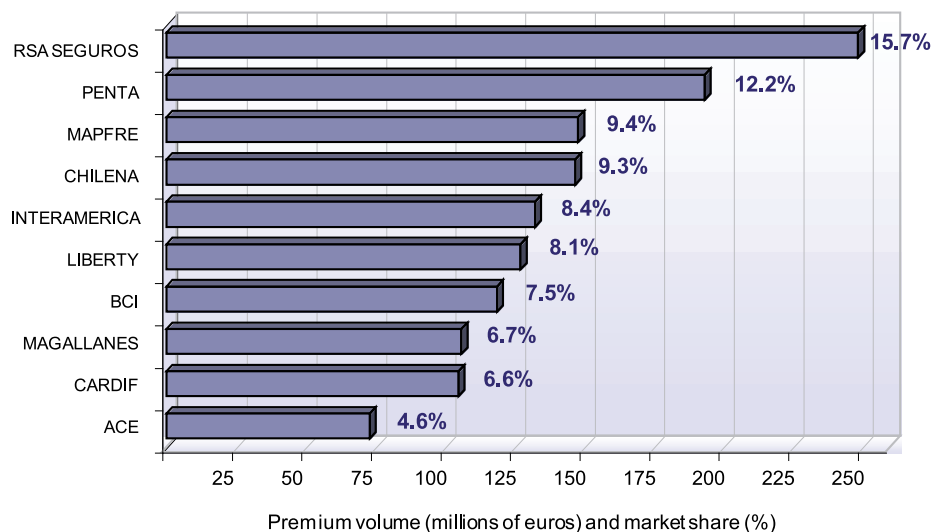


Figure 63. Chile. Ranking 2008. Non-Life

Source: Chilean Securities and Insurance Supervisor.

Note: This ranking has been compiled with the branch divisions used in Chile.

In Life insurance, the top spots are held by ING, Metlife, Consorcio and Bice Vida.

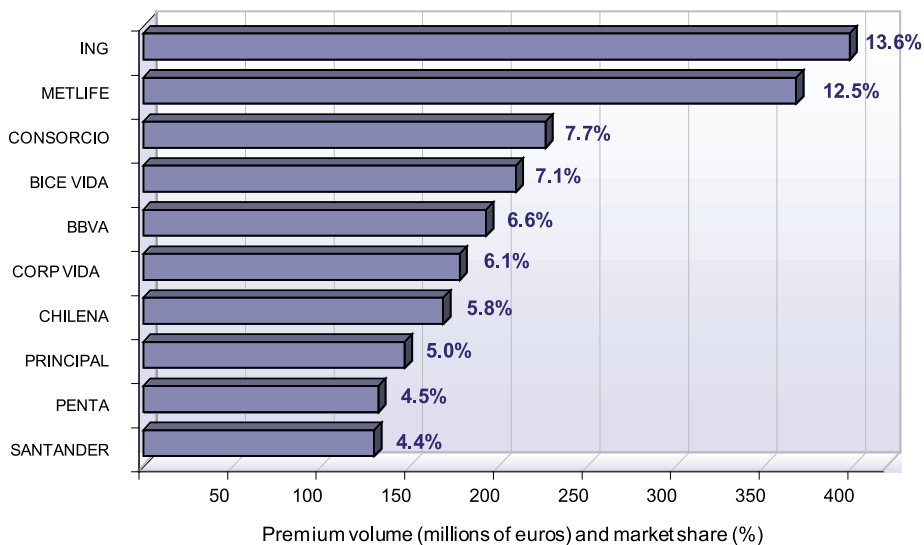


Figure 64. Chile. Ranking 2008. Life

Source: Chilean Securities and Insurance Supervisor.

Note: This ranking has been compiled with the branch divisions used in Chile.

Results

In 2008 the sector had a negative net result of 5.87 million UF (-156 million euros), which led to a major decline in the result on premiums. It went from 9% in 2007 to -4.3% in 2008.

The combined ratio, although it had a considerable technical loss, went down four percentage points to 119%. The high claims ratio in Life insurance, due to provisions to cover losses in investment value, reached 101.3%. In Non-Life insurance, the claims ratio was 46.8%. It was influenced by stiff competition over prices and, in the automobile sector, higher prices for spare parts because of the evolution of the peso.

As a result of the decline in return-on-equity in Life insurance, the financial result dropped 52%, representing 16% of premiums (20 points less than in 2007). The decline in profits in Life insurance stemmed mainly from the fact that financial income achieved insufficient returns that were below the required minimum. This was due to heavy losses in equity and international portfolios held by some of the larger insurers, which consumed much of the returns in their fixed-yield portfolios and even had to use additional asset resources.

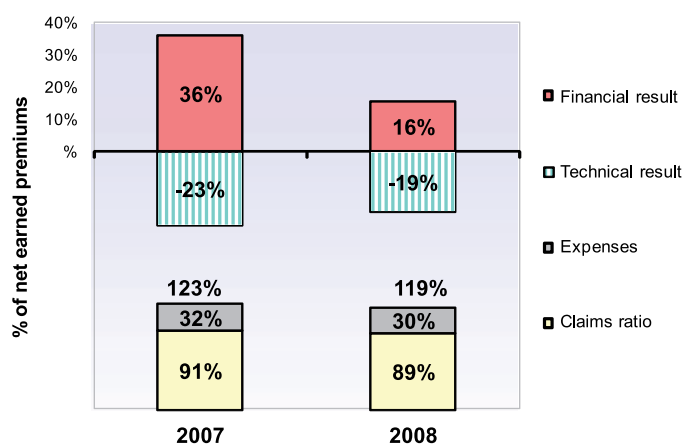


Figure 65. Chile. Technical Account Result

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

New legislation

The Superintendent of Stocks and Insurance made the following legal modifications in 2008:

- In 2007 the Superintendent issued General Rule N° 207, which created new mortality tables for calculating the reserves of Life Annuities for beneficiaries and the disabled (MI-2006 and B-2006). Circular 1857, issued in December 2007, gave instructions for the rule to be applied to policies taking effect as of February 2008, and introduced the possibility of gradually adjusting the impact of the new tables on existing policies. This Circular was modified by Circular 1874 of April 2008, incorporating the option of applying a procedure for gradual recognition of tables B-2006 and MI-2006, which considers a fixed amount of annual accumulative increase of technical reserves.
- Rules for investing assets apt for covering technical reserves and capital requirements: incorporate new tools, modify joint limits, by tool and by issuer, and raise investment limits for Single Investment Accounts (Cuentas Únicas de Inversión, or CUI).

- The Superintendent authorizes insurance companies and brokers to offer Mandatory Personal Accident Insurance over the Internet, broadening access to this kind of insurance.
- Value at Risk (VaR): modifies the pending issues in the previous circular, such as the variation in timetables for remitting information, the creation of fields that have FECU, or Uniform Codified Statistical Files (Ficha Estadística Codificada Uniforme) and a more detailed breakdown of certain sections.

Mergers and acquisitions

In 2008, the following transactions took place in the sector:

- CESCE Chile Aseguradora, a unit of the Spanish company CESCE, began operations in March 2008.
- RBS Chile Seguros de Vida, a unit of the Royal Bank of Scotland, began operations in April 2008.
- Itaú Chile Compañía de Seguros de Vida, a unit of the Brazilian group Banco Itaú Holding Financiera, began operations in September 2008.
- Orión Seguros Generales, began operations in December 2008.
- Faf Internacional Seguros Generales, a unit of First American Corporation, began operations in October 2008.
- Regulators gave authorization for the German group HDI to transfer all the shares it holds in ISE Chile Compañía de Seguros Generales (which it owns), to its unit in Chile, Inversiones HDI Limitada, in December 2008.

First half of 2009

As of June 2009, the Chilean insurance market had posted direct premium volume of 75 million UF (2,038 million euros), an increase of 12.3% compared to the same period of the previous year. This mainly reflected a slowdown in Life insurance, which had income of 44 million UF (1,191 million euros), a decline of 18%. The drop was concentrated in Life Annuities, which were down 29.5%.

Premium volume ¹ . 1 st Half 2009			
Branch	Thousands of UF	Millions of euros	% Δ
Total	75,027	2,038	-12.3
Life	43,842	1,191	-18.0
No Life	31,185	847	-2.9
Other Branches	8,388	228	-7.9
Fires and/ or allied lines	7,775	211	-1.9
Automobile	7,303	198	-2.6
Personal Accident	4,328	118	0.1
Health	3,391	92	3.6

Figure 66. Chile. Premium volume in 2009 by branch

(1) Direct premiums.

Source: Done by FUNDACIÓN MAPFRE with information published by the Association of Chilean Insurers.

Non-Life insurance slipped nearly 3% to 31.2 million UF (847 million euros). Except for Health and Personal Accident insurance, which went up 3.6% and 0.1% respectively, the rest of the branches contracted. Automobile insurance was off 2.6% as demand for new vehicles fell.

The Superintendent of Stocks and Insurance made the following legislative changes in 2009:

- Disability and survivorship insurance: the sector responded well to changes in the government subsidy for voluntary pension savings in its two varieties, APV and the new APVC, improvements in the calculation of programmed retirement and the new institutional structure of the SIS.
- General Rule 251: provides instructions on the formation of and changes in the shareholder make-up of insurance and reinsurance companies in Chile, and for the establishment of branches by companies based in other countries.

In the first half of 2009 the following business transactions took place:

- The company Zenit Seguros Generales was created. Its main shareholder is the Chilean group BCI.
- Interamericana Compañía de Seguros Generales changed its corporate name to Chartis Chile Compañía de Seguros VIDA.
- Corp Group acquired ING Seguros de Rentas Vitalicias.
- Compañía de Seguros de Vida Cámara acquired the Chilean insurer RBS Seguros de Vida.

3.3.5 COLOMBIA

Macroeconomic context

In 2008 Colombia's economy slowed down considerably, in contrast with the strong pace of growth in the previous six years. GDP expanded 2.5%, five points less than the previous year. The main factor in this deceleration was without a doubt the worsening of the financial crisis starting in September. In the last quarter of the year, Colombia's exports plummeted and remittances sent from abroad also suffered a major decline.

As for demand, private consumption and investment also slowed down significantly, as a result of a decline in consumer confidence and their buying power. Domestic demand rose 4.1%, far below the 8.9% increase seen in 2007.

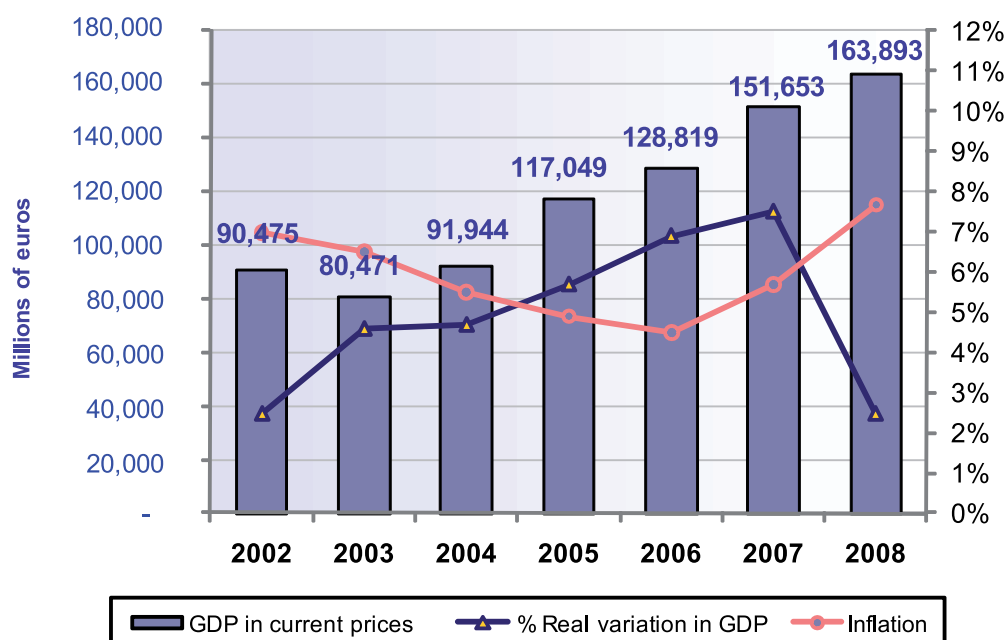


Figure 67. Colombia. GDP in 2008

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

The slowdown in the economy was uneven across sectors, with industry the hardest hit, as prices of raw materials rose and increased production costs. The weaker economy was also reflected in the unemployment rate, which rose to 10.5%.

Inflation did not meet the target set by the Bank of the Republic, and ended the year at 7.7% as a result of higher prices for foodstuffs and regulated goods (fuel, transport and public services), which went up 10%.

Insurance market

Premium volume in 2008 again reflected acceleration in its rate of growth, reaching 10,200 billion pesos (3,487 million euros), for a nominal increase of 19.4% and real increase of 10.9%. Although the sector suffered because of the global economic crisis, General insurance companies got a boost by insuring major projects to explore for and exploit deposits of oil, coal and gold.

Premium volume ¹ 2008				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	10,176,419	3,487	19.4	10.9
Life	3,315,793	1,136	43.5	33.3
Collective life	1,708,132	585	48.6	38.0
Life annuities	690,383	237	171.0	151.7
Private pensions ²	550,298	189	-2.8	-9.7
Individual life	366,980	126	7.7	0.0
Non-Life	6,860,626	2,351	10.4	2.5
Automobile	1,634,626	560	3.4	-4.0
Other branches	1,077,905	369	5.8	-1.7
SOAT ³	803,561	275	20.0	11.5
Health	550,226	189	16.3	8.0
Fire	363,286	124	5.2	-2.3
Earthquake	362,560	124	14.9	6.7
Third-party liability	326,957	112	6.1	-1.5
Personal Accident	304,805	104	23.6	14.8
Transport	229,521	79	0.5	-6.6
Theft	207,393	71	13.6	5.5
Aviation	83,789	29	10.3	2.4
Worker Compensation	915,997	314	19.0	10.5

Figure 68. Colombia. Premium Volume in 2008 by branch

(1) Premiums issued.

(2) Group life insurance sold by Pension Fund Managers.

(3) Spanish acronym for Mandatory Insurance for Transit Accidents.

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

Once again, the main source of growth in the market was Life insurance. Premiums rose 43.5% to 3,300 billion pesos (1,136 million euros). The increase stemmed mainly from a major rise in collective Life insurance, which was affected by the growing level of massification of this kind of insurance and a rise in the number of people contributing. Life Annuities also increased thanks to growing demand from retired people.

In Non-Life branches, premiums totalled 6,800 billion pesos (2,351 million euros) and all branches expanded. Highlights include a 20% rise in Mandatory Traffic Accident Insurance as a result of a rise in the number of vehicles insured and an increase in rates, and a 19% increase in Worker Compensation insurance. Here it is worth noting that in September business activities carried out by ARP Seguro Social (Administradora de Riesgos Profesionales) were transferred to state-run insurer, La Previsora Vida, the name of which later changed to Positiva.

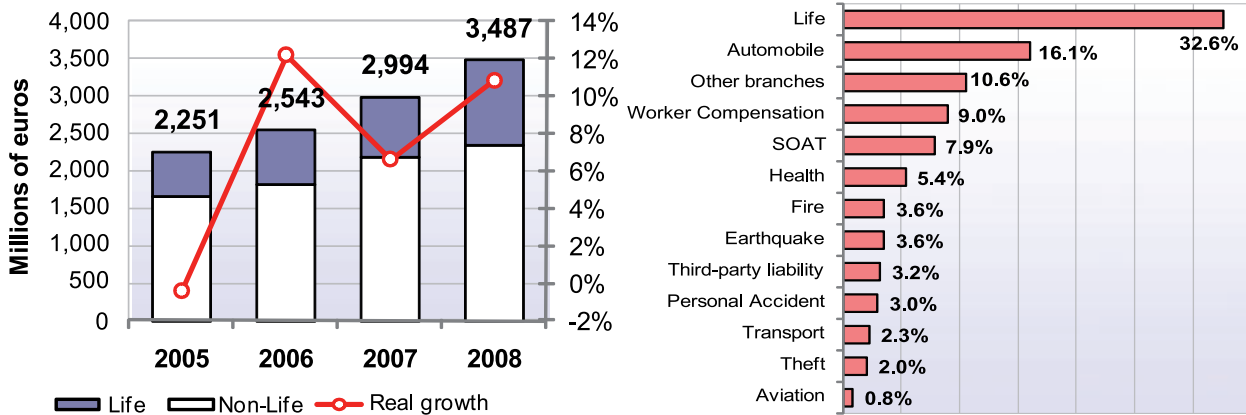


Figure 69. Colombia. Evolution of premiums and market share in 2008 by branch

As of December 2008, there were 25 General insurance companies operating in Colombia and 20 offering Life insurance. The level of concentration is high, with the top 10 groups accounting for 78.1% of premiums.

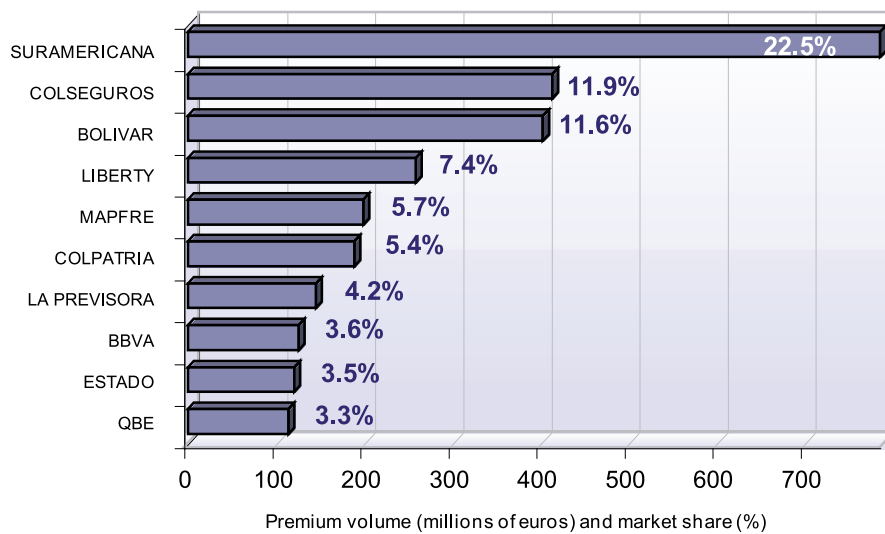


Figure 70. Colombia. Ranking 2008 Total

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

Once again Suramericana consolidated its leadership in the ranking with a market share of 21.9%, followed by Colseguros, the Colombian unit of the Allianz group, with an 11.5% share. The Spanish companies MAPFRE and BBVA rose to fifth and eighth place, respectively.

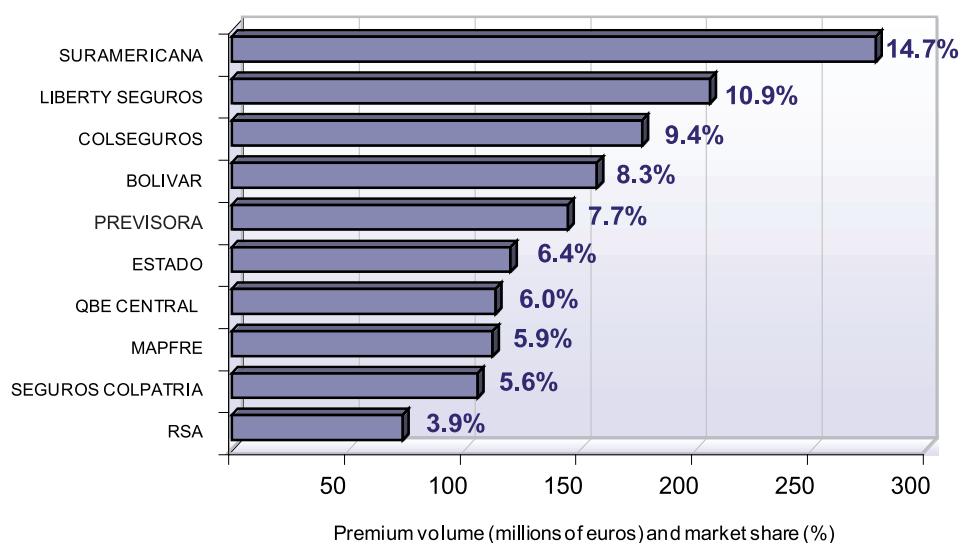


Figure 71. Colombia. Ranking 2008 Non-Life

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

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

The ranking of General insurance companies remained practically the same as in 2007, with the exception of Bolívar and Previsora, which traded places on the list, and Royal & Sun Alliance which joined the ranking in 10th place.

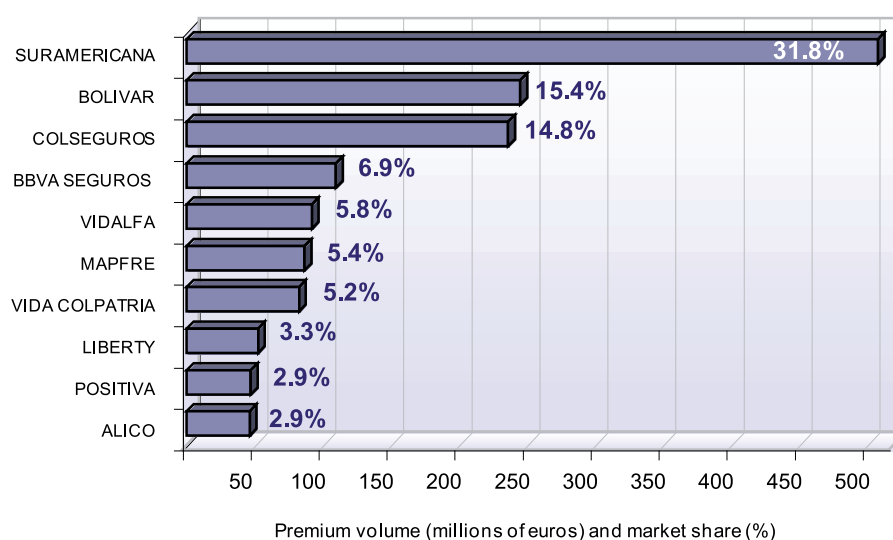


Figure 72. Colombia. Ranking 2008 Life

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

As for the ranking of Life insurance companies, including those which offer Worker Compensation insurance, the top 10 companies accounted for 94% of premiums. The first changes appear starting in the third spot on the list: Colseguros rose two rungs, and BBVA and MAPFRE one each.

Results

The net result for the year was 753,396 million pesos (258 million euros), an increase of 10.7% over 2007. This was a very good figure if one takes into account the worsening of the technical result, which was offset by an excellent financial result.

The combined ratio worsened by five points due to a fall in rates for Fire and Surety insurance and an increase in the claims ratio, especially in Non-Life branches. In this segment there was a higher frequency of weather-related claims and a rise in the cost of replacement parts in automobile insurance. The result on premiums was only two-tenths of a point higher than in 2007 and totalled 10.6%.

The technical-financial result was 11%, an increase of four points from the previous year. The result stems in large part from a significant increase in the financial result as a result of strong income from premiums and returns on investments. These doubled in 2008 thanks to an unexpected circumstance: increase in the value of public debt in line with lower interest rates encouraged by the Bank of the Republic and strong yields from investment of reserves for earthquakes. By law these funds have to be invested abroad.

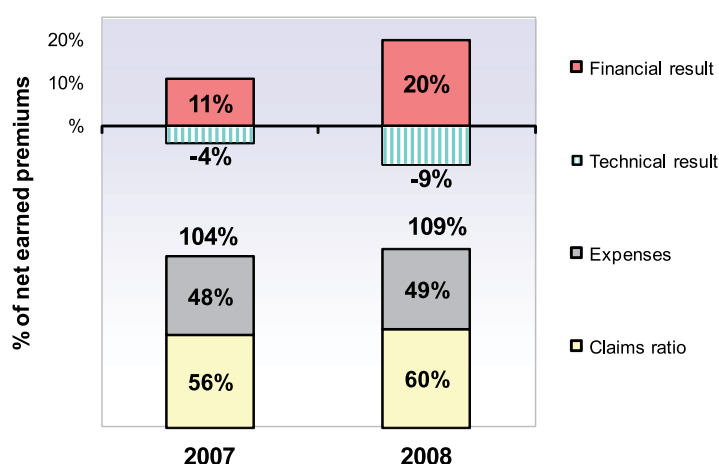


Figure 73. Colombia. Technical Account Result

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

New legislation

Although it did not amount to an overall or structural reform of the financial system, on 15 July, 2009 Law 1328 was passed. Known as the Financial Reform Law, it introduced changes to create a system for protecting financial consumers, a multi-fund system in pensions and unemployment payments, and the liberalization of financial services.

One of the new features ushered in by the law is a Single Insurance Registry. Its goal is to provide the public with specific, accessible and reliable information on people who have taken out insurance policies, those who are insured by these policies and their beneficiaries.

First half of 2009

Altogether, the premiums issued from January to June of 2009 totalled 5,400 billion pesos (1,727 million euros), a nominal increase of 17.3% compared to the same period of 2008 and a real increase of 14.8 %.

Life insurance premiums came in at 1,600 billion pesos (523 million euros), a rise of 24.6%. One highlight was growth in Life Annuities, which soared 122.3% due to the higher number of Colombians of retirement age and the transfer of pension funds to this form of Life insurance administered by insurance companies.

Non-Life branches issued premiums to the tune of 3,800 billion pesos (1,204 million euros), for an increase of 14.5%. The biggest increases came in Fire (26.1%), Third-Party Liability (22.2%), Personal Accident (21.4%) and Worker Compensation (43.3%).

Premium volume ¹ . 1 st Half 2009				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ <i>real</i>
Total	5,430,037	1,727	17.3	14.8
Life	1,644,261	523	24.6	21.9
No Life	3,785,777	1,204	14.5	12.0
Other Branches	1,639,251	522	12.7	-1.5
Automobile	779,262	248	0.7	11.7
SOAT ²	432,881	138	14.1	14.5
Health	301,681	96	17.1	10.2
Worker Compensation	632,703	201	43.3	40.2

Figure 74. Colombia. Premium volume in 2009 by branch

(1) Premiums issued

(2) Mandatory Insurance for Transit Accidents.

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

3.3.6 ECUADOR

Macroeconomic context

In 2008 the Ecuadorean economy enjoyed a faster rate of growth, with GDP expanding 8.8% from the previous year (compared to 2.5% in 2007). The growth was fuelled by strong domestic demand, in which the rise in private consumption (7%) and in gross capital formation (16.1%) were the main sources of expansion. High prices for basic exported goods, mainly for oil (which represents 19% of Ecuador's economic output), produced a fiscal stimulus and thus an increase in tax revenue.

Under these circumstances, conditions on the labour market improved: the real minimum wage went up an average of 8.5% for the year and the average unemployment rate came down slightly to 6.9% (7.4% en 2007).

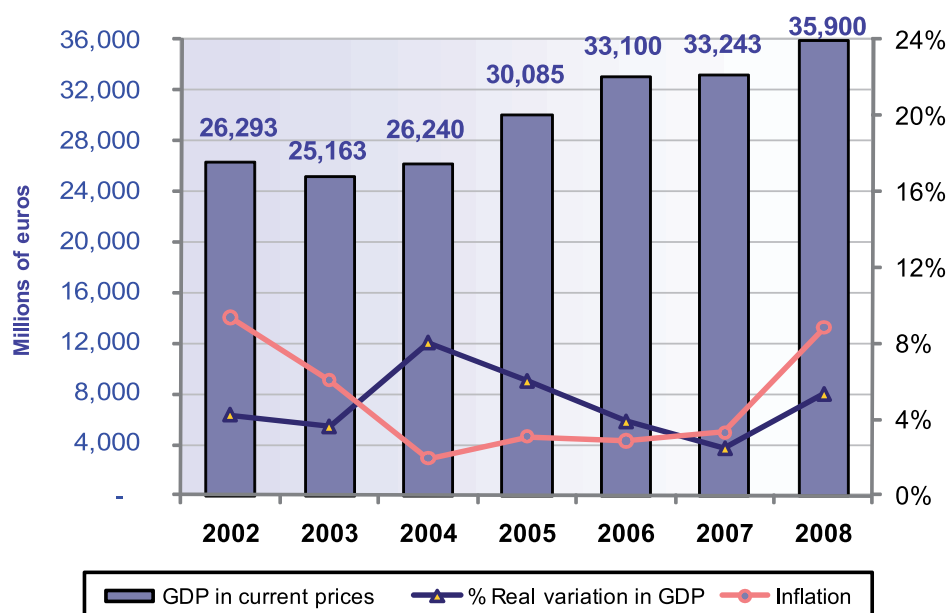


Figure 75. Ecuador. GDP in 2008

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

The rise in GDP was caused by an across-the-board expansion of all of its components, particularly the construction sector (13.8%), government services (14%) and manufacturing (11.3%).

As for the external sector, the balance of the current account in 2008 was a surplus of USD1,194 million, mainly as a result of a rise in international oil prices. They went from an average of USD59.9 a barrel in 2007 to USD83 in 2008. This increase in oil prices affected exports, which rose 29.3% (12.7% in 2007). The value of imports expanded 35.1%, driven by higher international prices for various goods, such as intermediate ones, and the rise in external demand.

After an inflationary spiral in early 2008, prices rose 8.8% from December 2007 to December 2008.

Insurance market

The Ecuadorean insurance market posted premium volume of USD884 million (604 million euros), which amounts to a nominal rise of 30.3% and 19.7% in real terms.

This big rise in the rate of growth stemmed from a series of special circumstances: the introduction of Mandatory Traffic Accident Insurance (SOAT) starting in March 2008, which accounts for half of the market's expansion; the renewal in 2008 of policies with the state sector which had expired in 2007; and a strong push from road construction, which boosted Transport and Comprehensive Construction Insurance.

Life branches had income of USD141 million (96 million euros), an increase of 32.1%. Group Life saw the largest volume at USD126 million in premiums (86 million euros). This branch accounted for 14% of all insurance production.

Premium volume ¹ 2008				
Branch	Millions of USD	Millions of euros	% Δ	% Δ real
Total	884	604	30.3	19.7
Life	141	96	32.1	21.4
Collective life	126	86	31.6	20.9
Individual life	15	10	36.8	25.7
Non-Life	743	507	29.9	19.4
Automobile	289	197	46.0	34.2
Other guarantees	114	78	16.3	6.8
Transport	88	60	23.4	13.4
Credit and Surety	77	52	90.4	75.0
Fire, theft and allied lines	73	50	-6.7	-14.2
Personal accident	54	37	30.7	20.1
Third-party liability	27	19	1.6	-6.7
Health	21	14	17.4	7.9

Figure 76. Ecuador. Premium Volume in 2008 by branch

(1) Net earned premiums.

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

With a market share of 84%, Non-Life branches remained the most representative in terms of premium volume, posting a nominal increase of 30% and a real one of 19.4%. These insurance lines had income of USD743 million (507 million euros).

Except for Fire, Theft and Allied Lines, and Third-Party Liability, all lines posted double-digit growth. One should note the 46% increase in automobile insurance, which was caused by the introduction of the SOAT, which has given a new push to the country's insurance sector.

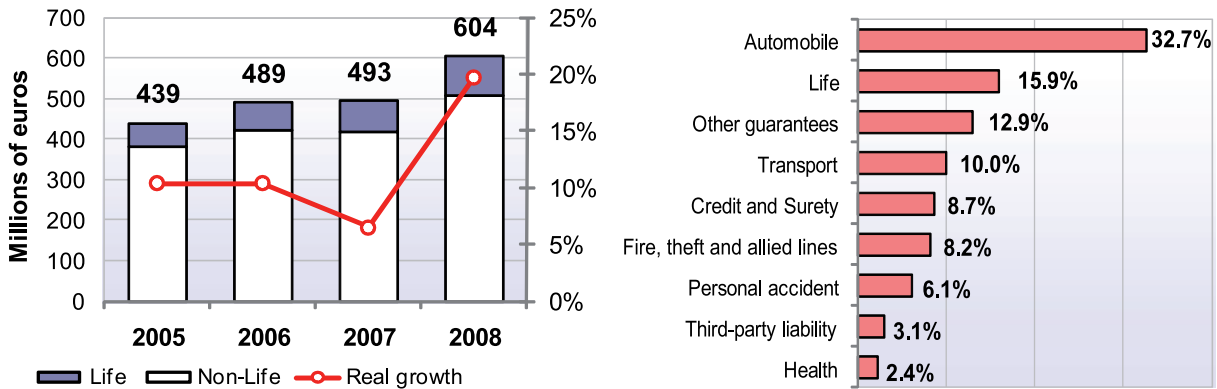


Figure 77. Ecuador. Evolution of premiums and market share in 2008 by branch

As of December 2008 there were 42 companies operating in Ecuador, of which 13 worked exclusively in General insurance, 6 in Life, and 23 in both Life and Non-Life. The only change in the sector was the liquidation of the company Fénix in April 2008.

The 10 largest insurance groups in Ecuador hold a combined market share of 53.2% (54.4% in 2007). In 2008 there were no changes in the top positions of the ranking, so Colonial and Equinoccial continued to lead the overall list and that of Non-Life, while Seguros Pichincha headed the Life ranking.

Results

The after-tax result for the year was USD32.4 million (22.1 million euros), an increase of 10% from 2007. A total of 78% of that came from General insurance companies. The combined ratio was 80.7%, the best of any country in South America, thanks to a major drop in operating expenses which went down four points to 26%. However, the result on premiums fell five-tenths of a point to 10.6%, as a result of a lower financial result.

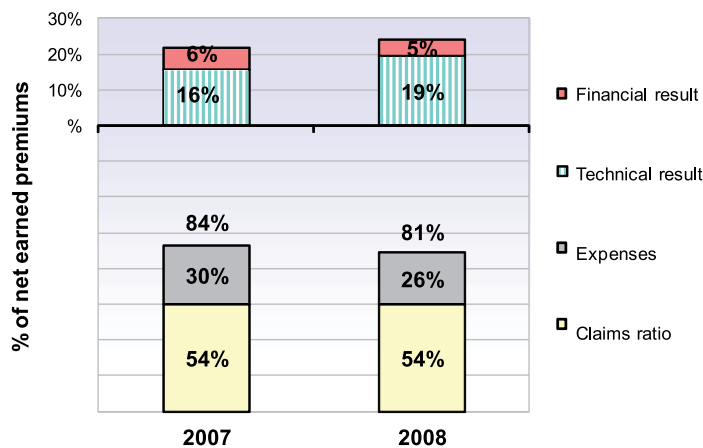


Figure 78. Ecuador. Technical Account Result

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

The claims ratio remained steady at 54%. It was influenced by stiff price competition.

First half of 2009

As of June 2009 total production in this market reached USD495 million (371 million euros), a rise of 8.9% compared to the same period of the previous year.

Life insurance issued USD71 million (53 million euros) in premiums for an increase of 15.5% with respect to June 2008. Non-Life branches posted income of USD425 million (318 million euros), up 7.8%. All lines registered double-digit growth, except for Automobile and Third-Party Liability, which fell 14.9% and 56%, respectively.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions de USD	Millions de euros	% Δ	% Δ <i>real</i>
Total	495	371	8.9	5.8
Life	71	53	15.5	12.3
No Life	425	318	7.8	4.8
Other Branchs	158	119	22.2	-17.3
Automobile	128	96	-14.9	15.4
Transport	51	38	18.7	8.0
Fires and/ or allied lines	47	35	11.1	38.8
Credit and Surety	40	30	42.8	18.8

Figure 79. Ecuador. Premium Volume in 2009 by branch

(1) Net earned premiums.

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

3.3.7 PARAGUAY

Macroeconomic context

Despite the international crisis, Paraguay's economy continued to grow as it had done for six years. GDP expanded 5.8% and GDP per capita rose 3.9%. The only deceleration in growth came during the third quarter.

The sector that performed best was the primary one, with agriculture and livestock contributing 2.4 percentage points to the GDP growth. It was also a good year for the services sector, driven largely by a rise in financial services and to a lesser extent transport, hotels and restaurants, communications and commerce. There was also a major recovery seen in the industrial sector thanks to strong activity in important parts of the manufacturing sector.

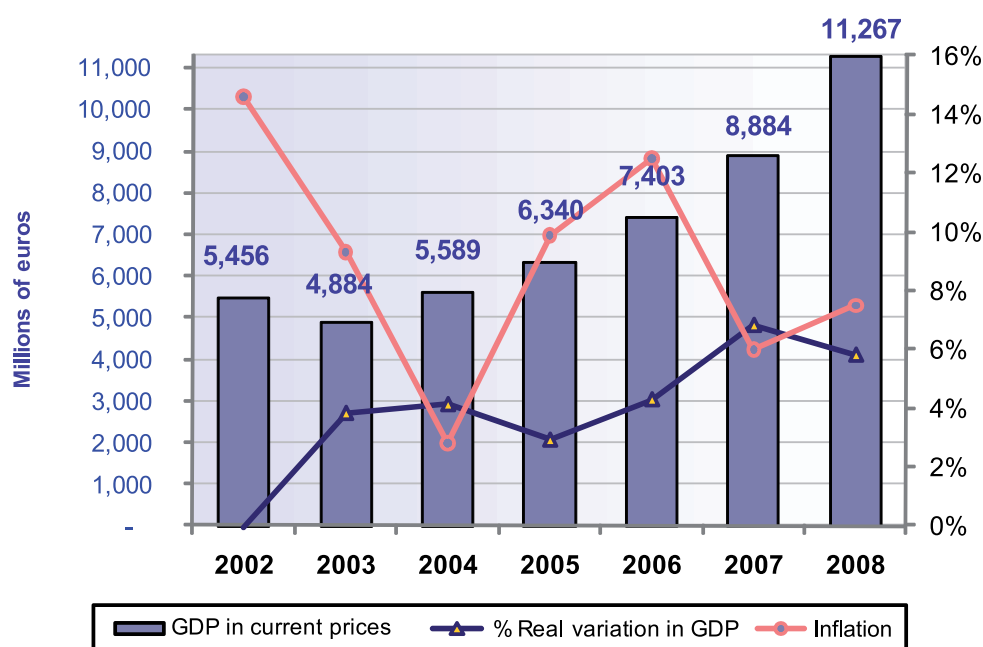


Figure 80. Paraguay. GDP in 2008

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

Trade posted record numbers in both exports and imports. The export sector grew thanks to a good year of harvests and high prices for the main products sold abroad (soybeans, grain and meat). A rise in domestic consumption and investment fuelled strong domestic demand. Remittances from workers maintained a net positive flow of 2.1% but posted a significant fall from the previous year.

As in most countries of Latin America, inflation was uneven over the course of the year. In early 2008, prices maintained the upward trend that began in the second half of 2007. But inflationary pressure eased in the second half because of lower prices for foodstuffs and fuel. The annual inflation rate was 7.5%, up from 6% in 2007.

Insurance market

In the fiscal year 2008, which ran from 1 July, 2007 to 30 June, 2008, the insurance market posted direct premium volume of 620,943 million guaraníes (96 million euros), for a nominal rise of 24% and a real one of 9.3%.

Non-Life premiums totalled 565,252 million guaraníes (88 million euros), an increase of 22.6% from the previous year. This higher rate of growth was due mainly to automobile insurance, which expanded steadily thanks to a rise in vehicle sales, and Crop insurance, due to an increase in imports of agricultural products.

Non-Life insurance rates came down in Automobile insurance because of stiff competition, and rose in Fire, Transport and Theft as a result of a toughening of reinsurance rates and terms.

Premium volume ¹ 2008				
Branch	Millions of guaraníes	Millions of euros	% Δ	% Δ real
Total	620.943	96	24,0	9,3
Life	55.691	9	40,8	24,1
No Life	565.252	88	22,6	8,1
Automobile	320.071	50	21,6	7,2
Fire	58.134	9	7,4	-5,3
Miscellaneous risks	44.004	7	26,3	11,4
Other guarantees	32.547	5	94,5	71,5
Transport	28.539	4	26,7	11,7
Theft	26.889	4	21,9	7,5
Surety	23.413	4	24,4	9,7
Third-party liability	19.099	3	4,1	-8,2
Personal Accident	12.518	2	20,0	5,8
Health	38	0	44,4	27,3

Figure 81. Paraguay. Premium Volume in 2008 by branch

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

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

Although Life insurance plays a small part in the sector, in 2008 it did post strong growth of 24%, compared to 14.6% in 2007. The branch that contributed most to the expansion was Group Life, in which there was a rise in the granting of credit backed by loan repayment insurance.

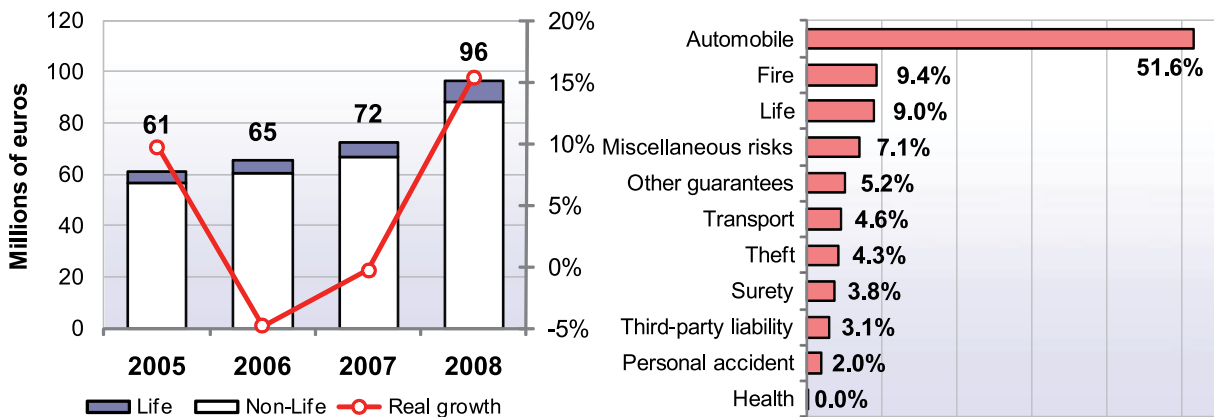


Figure 82. Paraguay. Evolution of premiums and market share in 2008 by branch

In 2008 there were 31 insurance companies operating in Paraguay, two fewer than in 2007. Of them, only two were authorized to offer individual Life insurance. Two companies stopped being operational over the course of the year: Real Paraguaya de Seguros was absorbed by MAPFRE Paraguay, and Universo de Seguros was seized by regulators. In late December 2008, Sancor Seguros del Paraguay, part of the Argentine group Sancor, entered the market.

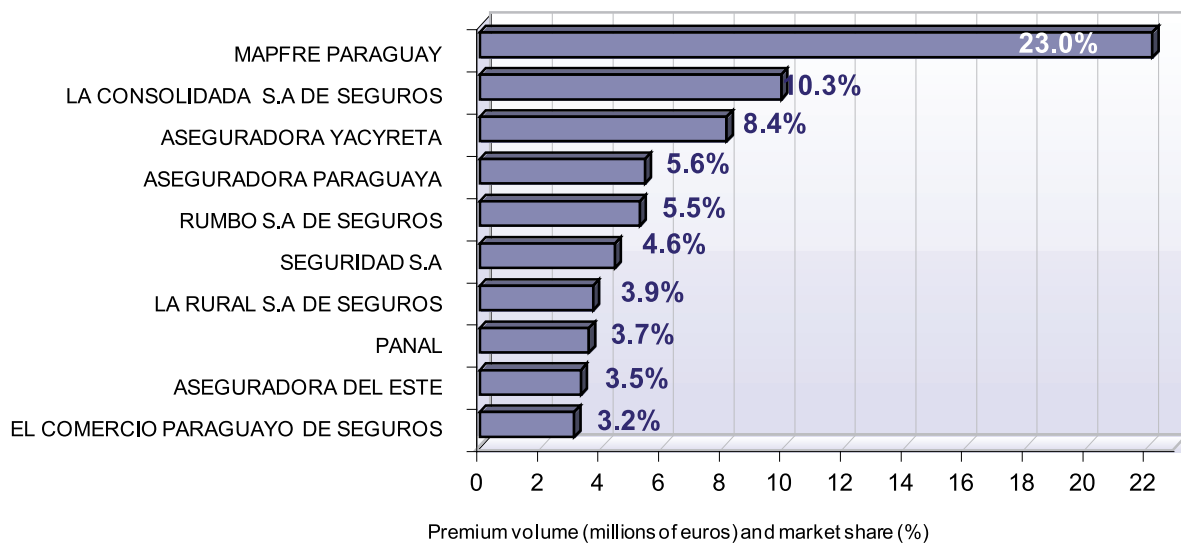


Figure 83. Paraguay. Ranking 2008 Total

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

MAPFRE Paraguay continued to lead the rankings with a market share of 23%, followed by La Consolidada and Aseguradora Yacyretá, with shares of 10.3% and 8.4%, respectively. Comercio Paraguayo de Seguros joined the list for the first time, taking the 10th spot with a market share of 3.2%.

Results

The result for the year was 19,886 million guaraníes (3.2 million euros), up 121% from 2007. This amounted to a result on premiums of 4%, an increase of two points from 2007.

The financial result fell significantly, posting losses of 7,578 million guaraníes (1.2 million euros). But the technical result improved, totalling 26,789 million guaraníes (4.3 million euros), compared to 7,489 million in 2007. This caused the combined ratio to come down three points from 98% to 95%. The improvement came because the expense ratio fell six points, due mainly to a rise in the account known as “other income through reinsurance ceded abroad” (commissions from proportional reinsurance, while claims rose slightly.

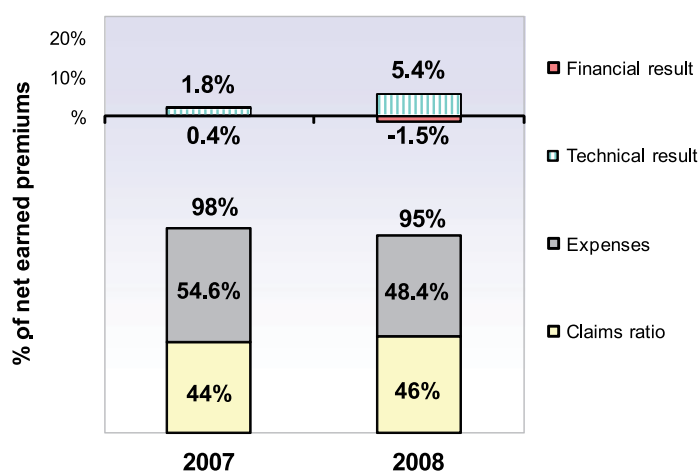


Figure 84. Paraguay. Technical Account Result

Source: Done by FUNDACIÓN MAPFRE.

Mergers and acquisitions

As for company news, in July 2008 the Spanish group MAPFRE concluded the process of merger through absorption of Real Paraguaya de Seguros, the country's third-largest insurer by premium volume.

First half of 2009

In the fiscal year July 2008-June 2009, the Paraguayan insurance sector had premium income of 778,518 million guaraníes, or 121 million euros, for an increase of 25.4%. The sector was driven by Automobile, Crop and Life insurance, which saw growth of 24%, 134% and 18%, respectively. These were boosted by a rise in sales of vehicles, higher demand for crop insurance from large companies which store foodstuffs, process them and prepare them for export and agro-export cooperatives, and a rise in the granting of credit backed loan repayment insurance.

3.3.8 PERU

Macroeconomic context

The Peruvian economy continued to grow at a good pace in 2008, expanding 9.8% compared to 2007, its highest rate in the last 14 years. This strong performance was fuelled by robust domestic demand, which rose 12.3%. There was an across-the-board increase in all of its components, highlighted by a 28% jump in gross fixed investment. Contributing to this were both private investment and (25.6%) and state-sector investment (41.9%).

All sectors of the economy grew more than 6%, led by construction (16.5%), mining (7.6%) in which there was record production of copper, zinc, silver, iron, lead and natural gas; and the agriculture and livestock sector (6.7%), which was favoured by good weather and larger land areas that were farmed and harvested.

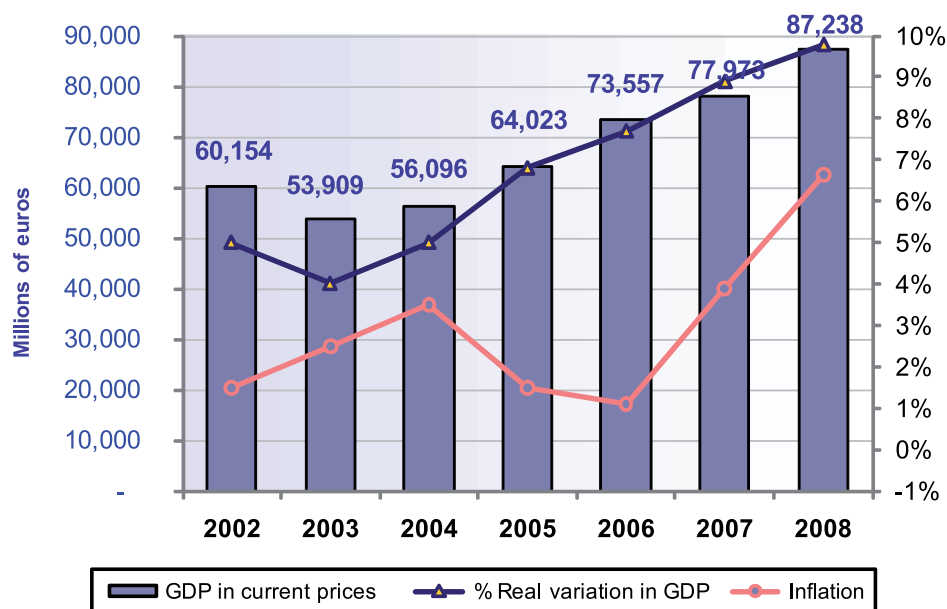


Figure 85. Peru. GDP in 2008

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

The rate of inflation, driven by higher international prices for hydrocarbons and foodstuffs, surpassed the government forecast and ended up at 6.7% (3.9% en 2007).

Exports weakened somewhat compared to the previous year as a result of higher international prices, rising 8.2% (17.5% in 2007), while imports, which were fuelled by strong domestic demand, rose 45.1%.

Peru's economic growth increased demand for labour, which led to an 8.3% rise in above-board employment and a 4.6% in average income.

Insurance market

In 2008 the Peruvian insurance sector saw premium volume of 4,331 million soles (1,002 million euros), which represented a nominal increase of 16.7% and a real-terms one of 9.4%.

Life branches had premium volume of 1,642 million soles (380 million euros), posting growth similar to that of 2007. For the second year in a row, premiums in the Pension line fell, due to the decline seen in the main version of it, Retirement Annuities, because of the termination of the special early retirement regime known in Spanish as Régimen Especial de Jubilación Anticipada (REJA). The other Life lines did very well, mainly loan repayment insurance, which was favoured by higher demand for credit.

Premium volume ¹ 2008				
Branch	Millions of nuevos soles	Millions of euros	% Δ	% Δ <i>real</i>
Total	4,331	1,002	16.7	9.4
Life	1,642	380	1.8	-4.6
Pensions	923	214	-14.3	-19.6
Individual life	374	86	59.3	49.4
Collective life	345	80	18.5	11.1
No Life	2,689	622	6.7	0.1
Automobile	509	118	20.0	12.5
Fire and allied lines	487	113	3.4	-3.1
Personal accident ²	349	81	-2.7	-8.8
Other guarantees	346	80	16.1	8.8
Health	336	78	5.0	-1.5
Transport	137	32	17.1	9.8
Third-party liability	107	25	30.9	22.8
Maritime-Hulls	79	18	-4.1	-10.1
Credit and/or Surety	55	13	39.0	30.3
Aviation	54	13	-19.4	-24.5
Multi-peril	41	9	41.1	32.3
Burial expenses	22	5	-68.4	-70.4
Worker Compensation	168	39	28.1	20.1

Figure 86. Peru. Premium volume in 2008 by branch

(1) Net premiums

(2) Includes Mandatory Insurance for Transit Accidents.

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

Non-Life branches posted premium income of 2,689 million soles (622 million euros), a rise of 6.7% from the previous year. Among the branches with the highest volume, highlights include Automobile, up 20% on higher sales of vehicles; Transport, el 17.1%, thanks to growing overseas trade; and Worker Compensation, which expanded 28% on stronger economic growth.

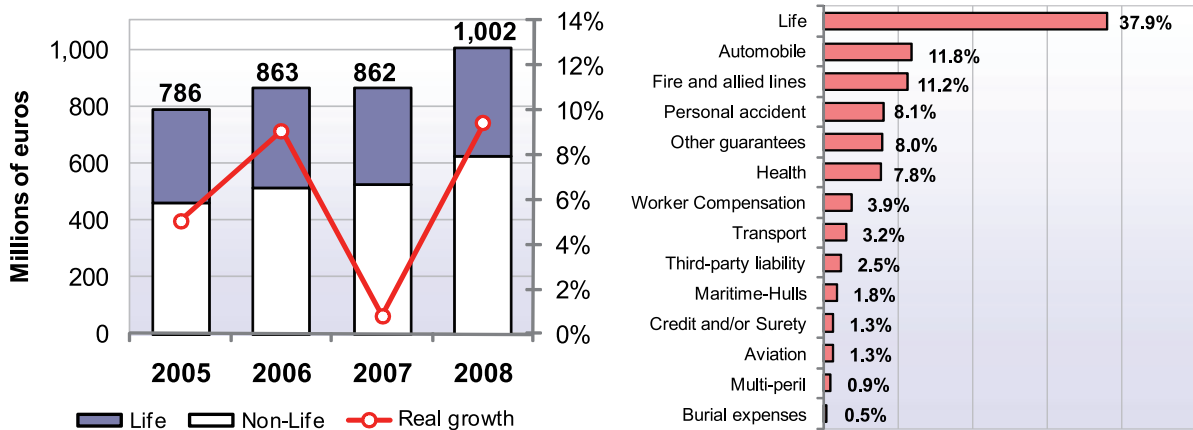


Figure 87. Peru. Evolution of premiums and market share in 2008 by branch

As of December 2008 the insurance market was made up of 13 companies (one less than in 2007 due to the acquisition of Latina Seguros by MAPFRE Perú). Of these, four operate exclusively in General insurance, five only in Life and four in General and Life. The market is highly concentrated, with the top five companies controlling 92.5% of the market.

Rimac and Pacifico continued to be Peru's two largest insurance groups, with market shares of 34.1% and 31.7%, respectively. Both lead the Non-Life and Life rankings. Grupo MAPFRE is in third place, after its acquisition of Latina Seguros in May 2007. As for the rest of the companies, La La Positiva moved up one rung and InVita dropped one.

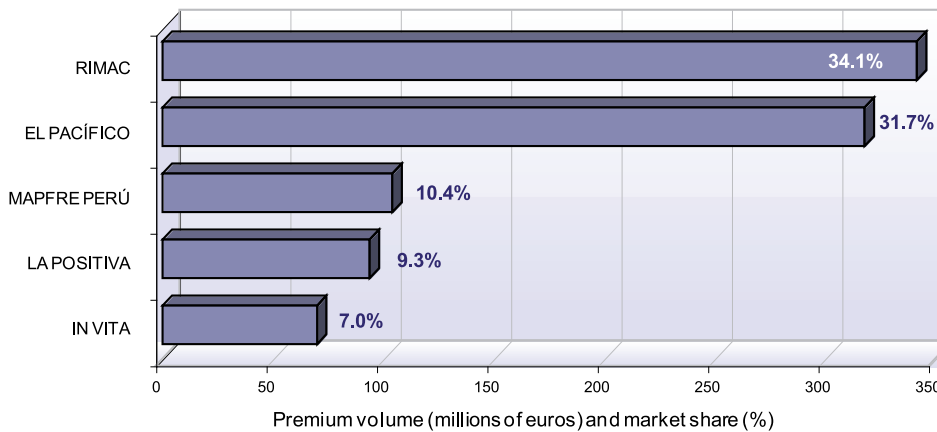


Figure 88. Peru. Ranking Total

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

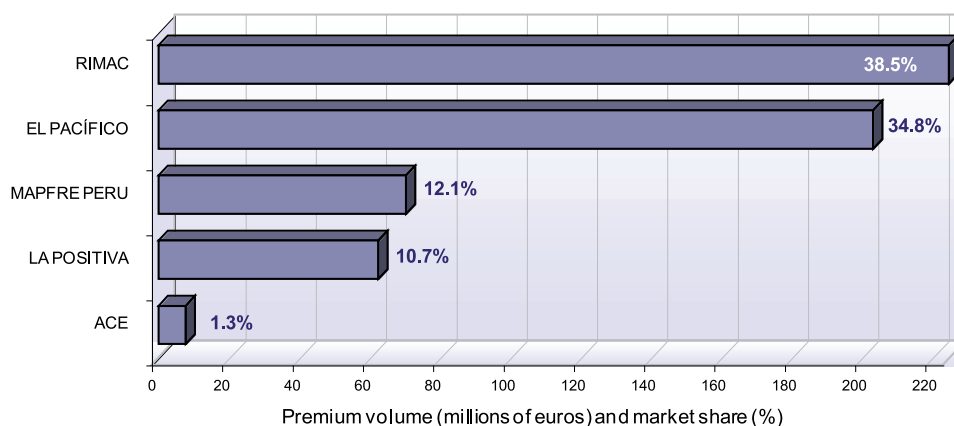


Figure 89. Peru. Ranking 2008 Non-Life

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

Note: Does not include Burial Expenses or Worker Compensation, which are classified as part of the Life branch.

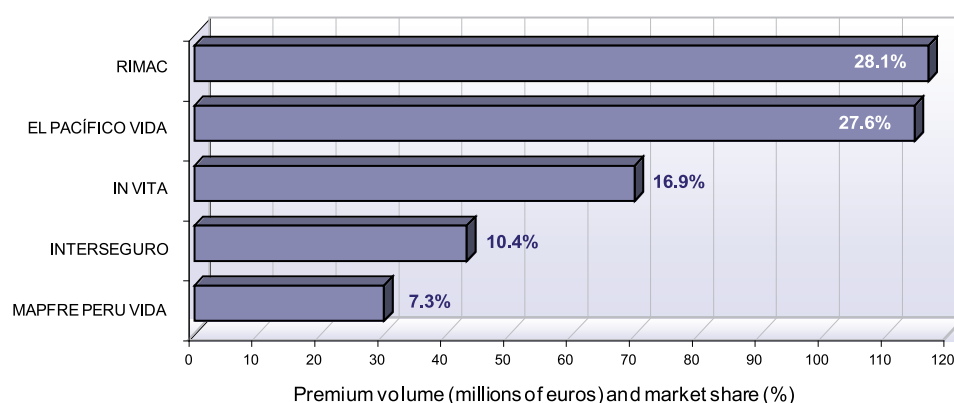


Figure 90. Peru. Ranking 2008. Life

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

Note: includes Burial Expenses and Worker Compensation.

Results

The net result for the year was 92 million new soles (21 million euros), 78% lower than in 2007. This meant a 16-point drop in the result on premium, which was 3.7%. The change in the result stemmed mainly from the performance of the financial result, which fell 54%. The technical result improved substantially from the previous year, although it still had a negative balance, to the tune of 671 million new soles (-155 million euros).

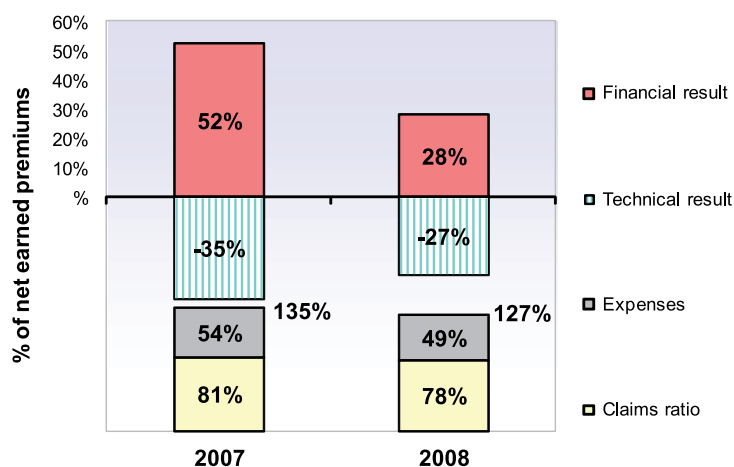


Figure 91. Peru. Technical Account Result

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

Despite a considerable technical loss, the combined ratio improved eight points due to a significant drop in the expense ratio and an improvement in the claims ratio, thanks mainly to the lack of major natural disasters. Still, the claims ratio remained high, reaching 78% because of an increase in frequency of vehicle theft, higher repair costs in automobile insurance and higher average costs for Health care benefits and for claims frequency.

New legislation

- Resolution SBS 12687 – 2008, which modified asset requirements (solvency margin) in operations involving private pensions (disability, survivorship and burial expenses) and complementary occupational hazard insurance.
- Resolution SBS 14283 -2009, which approved new regulations on micro-insurance. The text defines micro-insurance as that which provides low-income people with protection against losses stemming from human or asset-related risks. Coverage will be granted by a company authorized by the SBS and purchased either individually or as a group.
- Resolution SBS 37 - 2008, which approves the Regulation on Integrated Risk Management. This establishes that companies must carry out integrated risk management commensurate with their size and the complexity of their operations and services.

First half of 2009

Premium volume totalled 2,519 million new soles (608 million euros) as of the end of June 2009, growing 21.6% compared to June of the previous year.

Life insurance grew 11.5% as it posted premium volume of 875 million new soles (211 million euros). Retirement annuities recovered, making for an increase of 10% in Pension insurance, with premium revenue of 491 million new soles (118 million euros). Loan repayment insurance continued to register a major increase (34.7%), driven by strong demand for credit.

Non-Life insurance expanded 27.7%, with premiums as of June 2009 totalling 1,644 million new soles (291 million euros). Top performers included Automobile (47.2%), which benefited from a rise in vehicle sales and rate adjustments, Multi-peril (33.2%), Health (27.3%) and Burial Expenses (265%). Branches which fell included Aviation and Transport, which were off 5.8% and 8%, respectively.

Premium volume¹. 1st Half 2009			
Branch	Millions of nuevos soles	Millions of euros	% Δ
Total	2,519	608	21.6
Life	875	211	11.5
No Life	1,644	397	27.7
Other Branches	717	173	25.8
Automobile	354	85	47.2
Fires and/ or allied lines	283	68	24.3
Personal Accident ²	199	48	17.8
Worker Compensation	92	22	13.2

Figure 92. Peru. Premium volume in 2009 by branch

(1) Net premiums.

(2) Includes Mandatory Insurance for Transit Accidents.

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

3.3.9 URUGUAY

Macroeconomic context

For the fifth straight year the economy of Uruguay intensified its rate of growth, with GDP expanding 8.9% in 2008 (compared to 7.4% in 2007). This growth was fuelled by demand, both domestic and external, as a result of a significant acceleration in investment and growth in household consumption.

Almost all sectors of the economy expanded, led by manufacturing (17.3%) and transport and communications (27.1%). The only sector to decline was that of utilities (electricity, gas and water), which fell -38.4%.

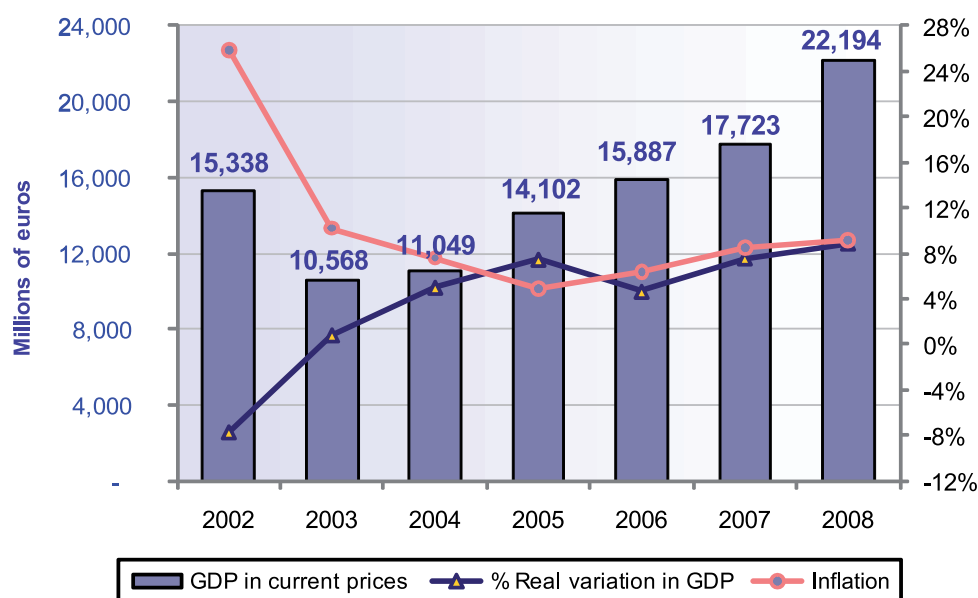


Figure 93. Uruguay. GDP in 2008

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

As a result of the economy's strong performance, the average unemployment fell two points with respect to 2007 and settled at 7.9%, a historic low. Wages rose 3.3% in real terms.

The Consumer Price Index rose 9.2% (8.5% in 2007) because of higher prices for foods and beverages.

In the external sector, the balance of the current account was negative, although it was offset by a surplus in the capital and financial balance, mainly as a result of a significant increase in private sector investment. Exports rose 31.8%, thanks to higher demand for beef, grains, rice and wood derivatives, while imports of goods increased 58.7%. Crude oil accounted for 27% of all overseas purchases of goods.

Insurance market

The insurance sector got a boost from the country's economic growth and finished 2008 with premium volume of 10,784 million pesos (355 million euros), which represents nominal growth of 20% and real growth of 9.9%.

Life insurance retained the steady growth it has posted since 2005, thanks to a rise in the workforce and in wages. Premium volume was 2,206 million pesos (73 million euros). That made for real growth of 18.6%.

Premium volume ¹ 2008				
Branch	Millions of pesos	Millions of euros	% Δ	% Δ real
Total	10,784	355	20.0	9.9
Life	2,206	73	29.5	18.6
Non-pension	1,406	46	29.3	18.5
Pensions	800	26	29.7	18.8
Non-Life	8,578	282	17.8	7.9
Automobile	3,204	105	12.8	3.3
Other branches	936	31	35.6	24.2
Fire	552	18	9.7	0.5
Transport	502	17	25.7	15.1
Theft	330	11	-2.5	-10.7
Third-party liability	228	7	20.6	10.4
Surety and credit	123	4	8.0	-1.1
Worker Compensation ²	2,704	89	22.5	12.2

Figure 94. Uruguay. Premium volume in 2008 by branch

(1) Premiums issued net of cancellations.

(2) The entire volume of Worker Compensation premiums corresponds to the Banco de Seguros del Estado.

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

Non-Life branches posted premium income of 8,578 million pesos (282 million euros), for real growth of 7.9% with respect to 2007. All branches except Theft expanded, led by Transport (25.7%), thanks to increased trade with other countries; Automobile (12.8%), because of growth in vehicle sales; and Agriculture and Livestock, due to higher prices for raw materials. These latter two branches were affected by intense competition over rates.

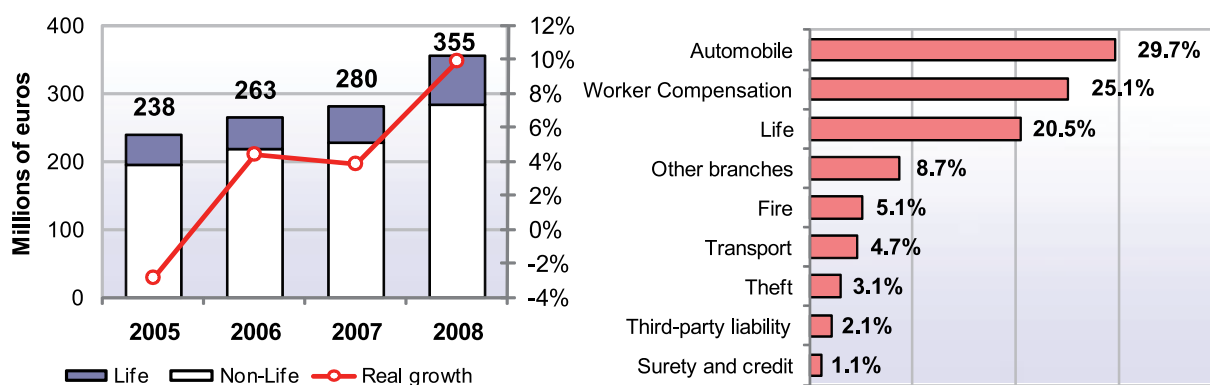


Figure 95. Uruguay. Evolution of premiums and market share in 2008 by branch

Once again the ranking of insurance groups was led by Banco de Seguros del Estado, which is owned by the government, with a market share of 64.48% (65.8% in 2007). Banco de Seguros del Estado also led the Life and Non-Life rankings, with shares of 60.5% and 65.5%, respectively.

Results

In late 2008 the net result of the insurance industry fell, giving a negative balance of 153 million pesos (-5.03 million euros). That marked a drop of 16.8% compared to 2007.

The expense ratio stayed at 49%, while claims worsened four points due mainly to intense frost and drought, which mainly hurt agriculture and livestock insurance. So the combined ratio worsened four points compared to the previous year and settled at 102%, giving rise to a negative technical result of 178 million pesos (5.85 million euros).

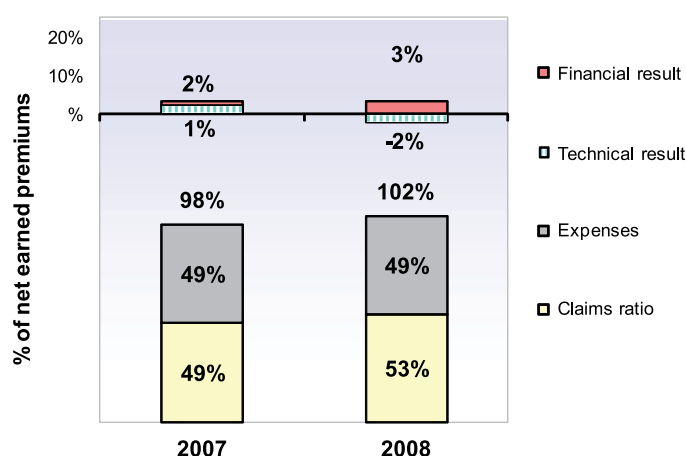


Figure 96. Uruguay. Technical Account Result

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

The financial result on net premiums improved by one point compared to 2007, generating a profit of 299 million pesos (9.85 million euros) and making for technical-financial result of 121 million pesos. However, results from negative monetary devaluations to the tune of 371 million pesos left a net negative result of 153 million pesos.

New legislation

- Law 18.401 of 13 November, 2008, which modified the charter of the Central Bank of Uruguay and created, as of 1 March, 2009, the Superintendent of Financial Services. This was done by merging the Superintendent of Mediation Institutions, the Superintendent of Insurance and Reinsurance, and the Directorate of Stocks and AFAP Control.
- Law 18.412 of 24 November 2008, on Third-Party Liability for bodily damage caused to persons by certain land vehicles and machinery. This law establishes mandatory insurance covering personal damages (injury or death) to third parties as a result of accidents caused by motor vehicles and trailers pulled by them. The law went into force in August 2009.

First half of 2009

From January to June of 2009, Uruguay's insurance companies took in premium revenue of 5,803 million pesos (186 million euros), for a nominal increase of 30.7% and a real one of 27.1% compared to the same period of the previous year.

The Life branch grew 51.8%, with premium volume of 1,388 million pesos (44 million euros). Contributions to this expansion came from both private Pensions with growth of 58.4% and non-Pension insurance, which rose an also robust 48%.

Altogether, Non-Life branches issued premiums worth 4,415 million pesos (141 million euros), up 25.2% from the same period of the previous year. Except for Transport, which fell 7.2%, all lines posted double-digit growth. They were led by Automobile insurance with a 27.3% increase, thanks to higher sales of dealership-owned vehicles, and the entry in force of mandatory auto insurance in August.

Premium volume ¹ . 1 st Half 2009				
Branch	Millions de pesos	Millions de euros	% Δ	% Δ <i>real</i>
Total	5,803	186	30.7	27.1
Life	1,388	44	51.8	47.6
No Life	4,415	141	25.2	21.8
Automobile	1,801	58	27.3	23.8
Other Branchs	609	20	53.5	62.0
Fires	302	10	66.5	-9.7
Transport	220	7	-7.2	33.3
Theft	179	6	37.0	49.2
Worker Compensation ²	1,303	42	11.8	8.8

Figure 97. Uruguay. Premium Volume in 2009 by branch

(1) Premiums issued net of cancellations

(2) The entire volume of Worker Compensation premiums corresponds to Banco de Seguros del Estado.

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

3.3.10 VENEZUELA

Macroeconomic context

Even though oil prices fell sharply in the second half of 2008, the Venezuelan economy saw annual growth of 4.8%. This was lower than the rate seen in the previous four years, when GDP expanded an average of 9.7%.

The cause of the smaller rise in GDP was a deceleration in growth in non-oil activities, which went from 9.5% in 2007 to 5.1% in 2008. The slowdown affected the manufacturing sector (1.4%), construction (4.2%), trade (4.7%), and financial institutions and insurance firms, which contracted 1.7%. A deceleration of aggregate demand and a slower pace of credit in relation to deposits were the main factors behind the fall in credit mediation in 2008.

After three years of contraction, the oil sector grew 3.2% in 2008. The recovery stemmed mainly from higher oil and natural gas production. Among other things, this was the result of greater investment by the state-run firm Pdvsa on crude oil extraction. Another factor was a higher oil production quota that was decreed by OPEC for Venezuela in late 2007 and in force until September 2008. Following the completion of nationalization processes involving associations involved in the Orinoco Oil Belt, the weight of the state in the aggregate value of the sector rose to 94.7%, compared to 81.4% in 2007.

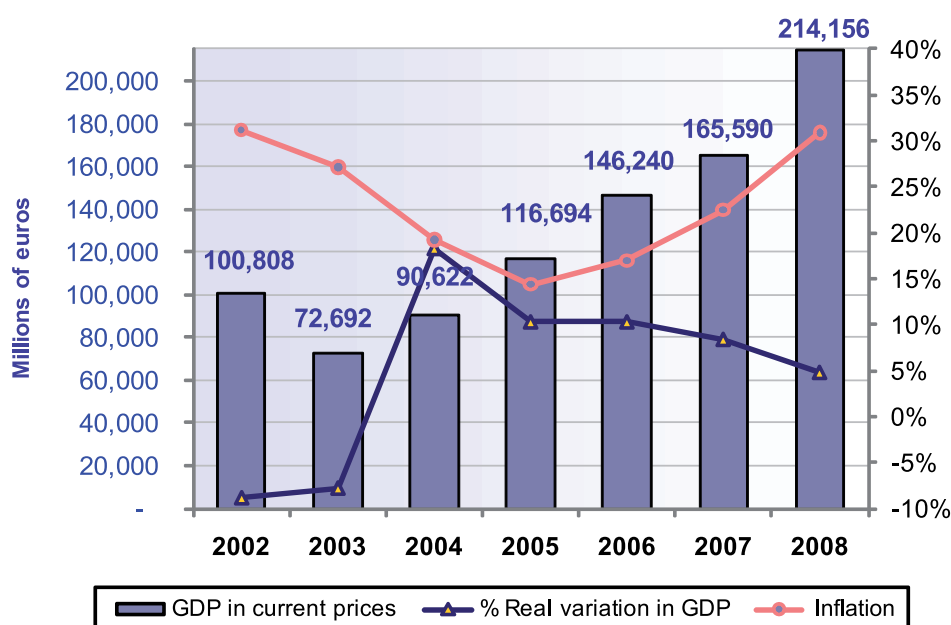


Figure 98. Venezuela. GDP in 2008

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

Domestic demand contracted as a result of a 2.4% fall in fixed capital formation and a decline in private consumption, which went from 18.7% in 2007 to 7.1% in 2008. The volume of exported goods and services continued to go down (-2.8%), while the volume of imports rose 2.8%, compared to increases of more than 30% between 2004 and 2007.

Exports of goods increased 35.2% due to higher prices for oil on international markets, while imports slowed to a rise of 5.8% in line with the fall in domestic demand and restric-

tions imposed on imports of vehicles, radios, television sets and communications equipment.

Prices at the consumer level rose 30.9%, mainly because of higher prices for food, beverages, leisure activities (restaurants and hotels), health care services and household appliances.

The economy's performance allowed the labour market to posts its fifth straight yearly decline in unemployment, this time to 7.8% annual (compared to 9.3% in 2007). Wages rose 25% compared to 2007; the increase was 23.7% in the private sector and 27.6% in the public sector. This meant a year-on-year decline in real terms, because the increase in prices was even larger.

Insurance market

Premium volume as of the close of 2008 was 22,334 million strong bolívares (7,099 million euros), which represented a nominal increase of 45% from the previous year. Allowing for inflation, the real growth rate was 10.8%, down nearly nine points from 2007. The largest revenues came mainly from sales of policies in the state sector.

Premium volume ¹ 2008				
Branch	Millions of 'strong bolívares'	Millions of euros	% Δ	% Δ real
Total	22,334	7,099	45.0	10.8
Life	555	176	44.9	10.7
Individual life	291	92	51.1	15.4
Collective life	264	84	38.6	5.8
Non-Life	21,779	6,923	45.0	10.8
Health	9,498	3,019	44.5	10.4
Automobile	8,242	2,620	50.3	14.8
Multi-peril	890	283	110.2	60.6
Fire	602	191	16.0	-11.4
Credit and Surety	573	182	64.0	25.3
Transport	460	146	12.1	-14.4
Accident	369	117	27.8	-2.3
Other branches	338	108	30.2	-0.5
Third-party liability	308	98	11.2	-15.1
Burial Expenses	244	77	58.2	20.8
Earthquake	233	74	-8.2	-29.9
Pecuniary Losses	22	7	-3.2	-26.1

Figure 99. Venezuela. Premium Volume in 2008 by branch

(1) Net earned premiums. Direct Insurance. The breakdown of premiums by branch is an estimate.

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

Non-Life insurance accounted for 97.5% of the sector and posted revenue of 21,779 million strong bolívares (6,923 million euros), for an increase of 45% compared to 2007. Health and automobile insurance, which account for nearly 80% of the sector's total production, grew 44.5% and 50.3%, respectively, even though vehicle sales were down 45% compared to the previous year, according to data from the Venezuelan Automobile Association.

Except for Pecuniary Losses and Earthquake insurance, the rest of the branches all rose. Highlights include Multi-peril (110%) and Credit and Surety (64%).

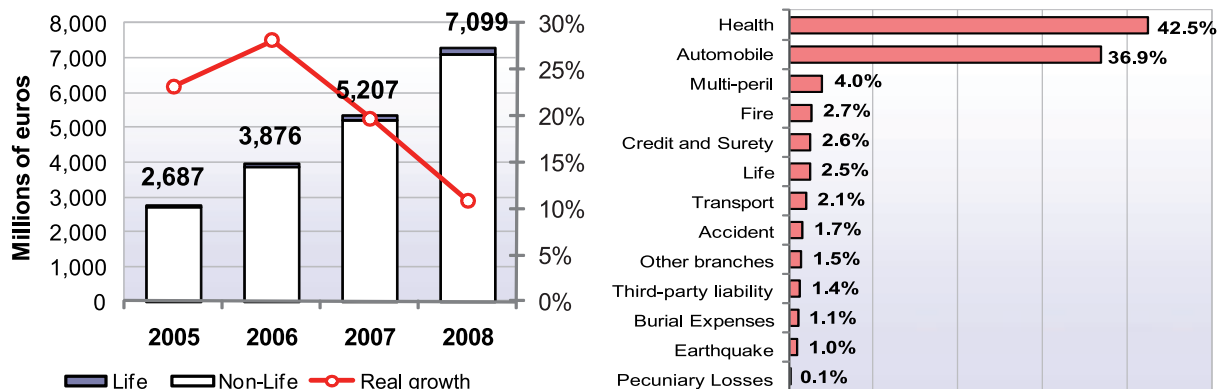


Figure 100. Venezuela. Evolution of premiums and market share in 2008 by branch

In 2008 the Venezuelan insurance sector was made up of 50 companies, of which 40 were authorized to operate in General and Life, seven only in General insurance, two in Life and one in Burial Expenses.

The 10 largest insurance groups hold a combined market share of 71.3%. For yet another year, first place was held by Seguros Caracas with a 12.2% share; holding second place for the first time was Seguros Horizonte, which is owned by the state and had a share of 11.5%, unseating Banvalor, which dropped out of the ranking. The same insurance groups make up the Non-Life ranking, holding the same spots and with market shares virtually unchanged from the previous year.

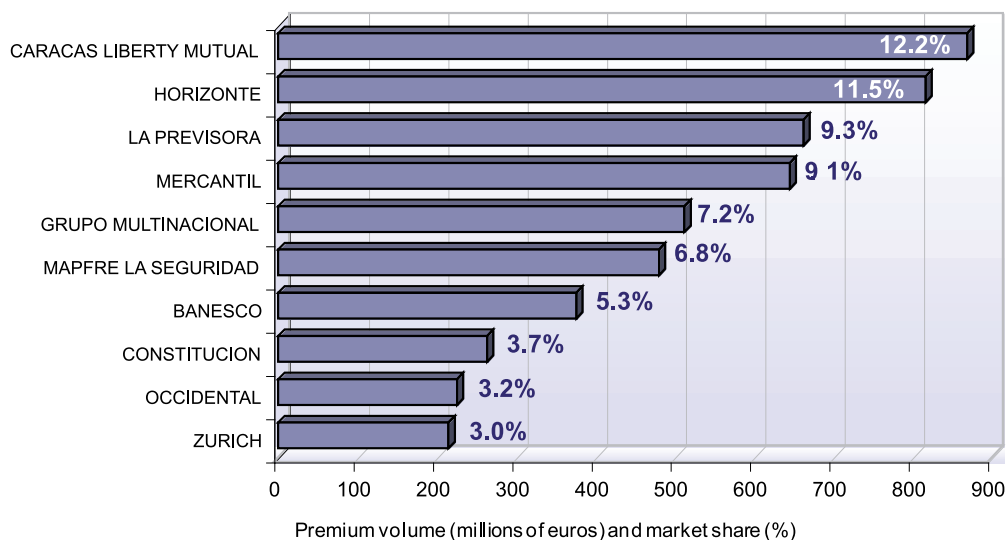


Figure 101. Venezuela. Ranking Total

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

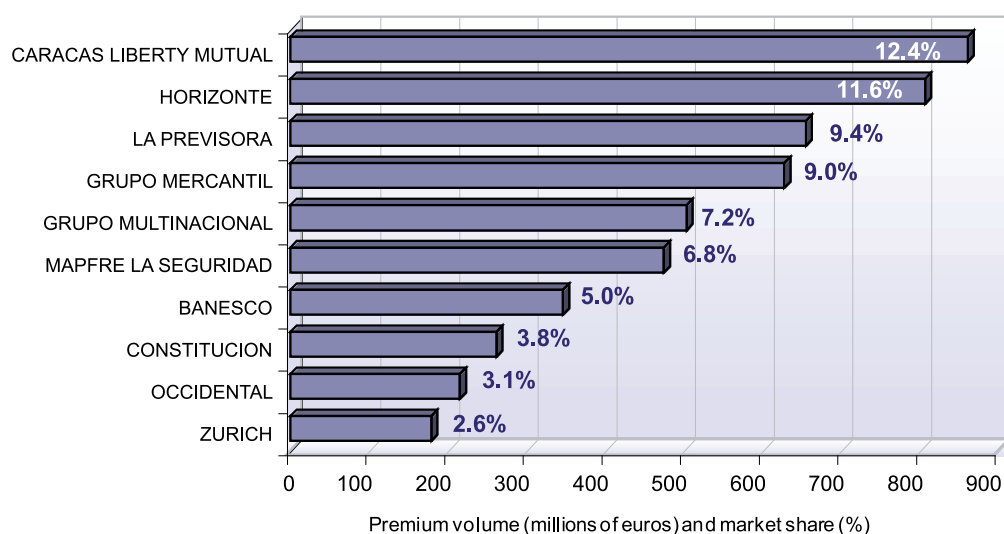


Figure 102. Venezuela. Non-life ranking

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

The ranking of insurers operating in Non-Life is led once again by Zurich, which has a market share of 21.7%. The top 10 groups in the ranking account for 91.6% of premiums.

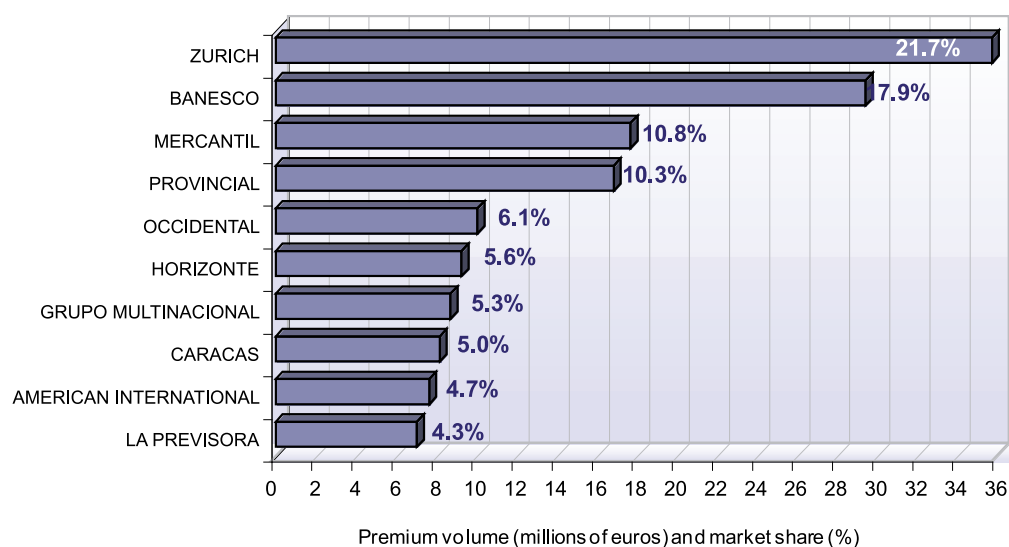


Figure 103. Ranking Life

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

Results

The sector's result for the year was 1,031 million bolívares (327 million euros), an increase of 42.8% from the previous year, and a result on premiums of 6.4% (6.5% en 2007). The improvement in the result stems from a positive financial result, which rose 128% and contributed 1,085 million bolívares (345 million euros) to the sector.

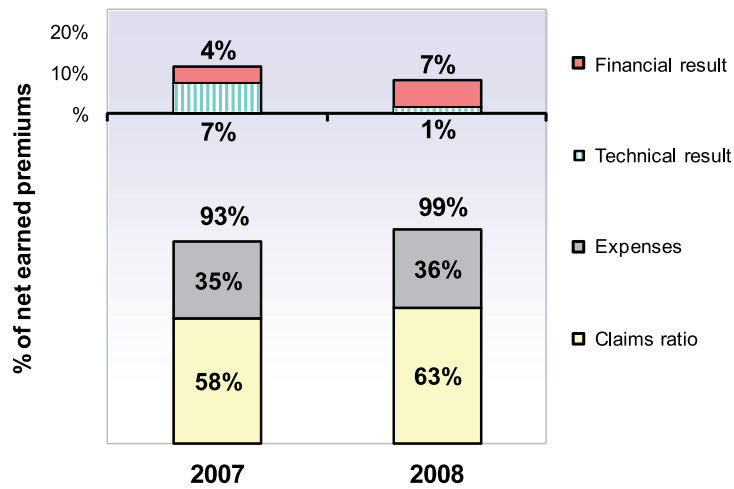


Figure 104. Venezuela. Technical Account Result

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

The combined ratio worsened six points due mainly to the rise in the claims ratio, which was 63% and mainly affected Automobile insurance, as a result of higher costs for replacement parts, as well as Hospitalization, Surgery and Maternity, due to higher rates in the private health care system. Operating expenses also went up slightly, by one point.

First half of 2009

Preliminary figures published by the Superintendent of Insurance show premium revenue of 13,494 million strong bolivares (4,699 million euros) in the first half of 2009. That marked a nominal increase of 36.5% compared to the same period of the previous year. Allowing for inflation, the increase was 23.2%.

STATISTICAL ANNEX

Premium volume by branch in 2008

Branch	Argentina	Bolivia	Brazil ¹	Chile	Colombia
Life	1,343	26	12,405	2,704	1,136
Individual and group life	679	22	12,405	1,123	711
Private pension plans	664	4		1,581	425
Non-Life	3,810	107	13,113	1,819	2,351
Automobile	1,664	28	7,581	374	560
Health	6	14	-	178	189
Fire and allied lines	214	24	861	508	249
Other guarantees	576	11	2,295	318	440
Transport	123	12	889	117	107
Third-party liability	101	5	230	62	112
Personal accident	99	4	820	210	380
Credit and/or Surety	107	7	436	51	-
Worker Compensation	919	1	-	-	314
Total	5,153	133	25,518	4,522	3,487

Branch	Costa Rica	Ecuador	El Salvador	Guatemala	Honduras
Life	17	96	99	54	49
Individual and group life	17	96	56	54	49
Private pension plans	-	-	43	-	-
Non-Life	418	507	201	239	142
Automobile	140	197	42	87	42
Health	40	14	37	55	28
Fire and allied lines	39	50	63	48	42
Other guarantees	66	78	52	17	15
Transport	-	60	-	20	6
Third-party liability	-	19	-	6	3
Personal accident	-	37	-	6	3
Credit and/or Surety	-	52	7	-	4
Worker Compensation	134	-	-	-	0
Total	435	604	300	293	192

Branch	Mexico	Nicaragua	Panama	Paraguay	Peru
Vida	5,677	12	152	9	380
Individual and group life	5,204	12	152	9	166
Private pension plans	473	-	-	-	214
No Life	6,956	61	377	88	622
Automobile	2,896	26	104	50	118
Health	1,766	5	81	0	78
Fire and allied lines	909	18	39	13	122
Other guarantees	589	9	61	12	85
Transport	312	-	26	4	62
Third-party liability	261	-	21	3	25
Personal accident	192	2	9	2	81
Credit and/or Surety	30	2	35	4	13
Worker Compensation	-	-	-	-	39
Total	12,633	73	529	96	1,002

Branch	Puerto Rico	Dominican Republic	Uruguay	Venezuela	Total
Vida	576	49	73	176	25,032
Individual and group life	576	49	46	176	21,603
Private pension plans	-	-	26	0	3,429
No Life	5,850	381	282	6,923	44,247
Automobile	359	157	105	2,620	17,151
Health	4,488	18	-	3,019	10,016
Fire and allied lines	219	141	29	265	3,854
Other guarantees	522	33	31	475	5,685
Transport	90	17	17	146	2,009
Third-party liability	155	-	7	98	1,108
Personal accident	16	4	-	117	1,982
Credit and/or Surety	-	12	4	182	947
Worker Compensation	-	-	89	-	1,495
Total	6,426	430	355	7,099	69,279

Source: Done by MAPFRE with information provided by the regulatory agency of each country.

(1) Health insurance premiums in Brazil have not been included, as this sector is overseen by an agency other than the Private Insurance Directorate.

Population

Population (millions)

COUNTRY	2007	2008
Argentina	39.4	39.7
Bolivia	9.8	10.0
Brazil	192.6	195.1
Chile	16.6	16.8
Colombia	46.1	46.7
Costa Rica	4.5	4.5
Ecuador	13.6	13.8
El Salvador	7.1	7.2
Guatemala	13.3	13.7
Honduras	7.2	7.3
Mexico	106.4	107.7
Nicaragua	5.6	5.7
Panama	3.3	3.4
Paraguay	6.1	6.2
Peru	27.9	28.2
Puerto Rico	3.9	4.0
Dominican Republic	9.7	9.9
Uruguay	3.3	3.3
Venezuela	27.5	27.9

Exchange rates used

Annual average exchange rate. Local currency/1€

COUNTRY	Local currency	2007	2008
Argentina	Peso	4.297	4.656
Bolivia	Boliviano	10.786	10.527
Brazil	Real	2.649	2.662
Chile	UF	0.038	0.038
Colombia	Peso	2,847.543	2,918.735
Costa Rica	Colón	709.812	773.791
Ecuador	USD	1.377	1.464
El Salvador	USD	1.377	1.464
Guatemala	Quetzal	10.586	11.075
Honduras	Lempira	26.108	27.889
Mexico	Peso	15.040	16.327
Nicaragua	Córdoba	25.361	28.562
Panama	Balboa	1.377	1.464
Paraguay	Guaraní	6,923.729	6,310.509
Peru	Nuevo Sol	4.306	4.322
Puerto Rico	USD	1.377	1.464
Dominican Republic	Peso	45.602	50.595
Uruguay	Peso	32,119	30,381
Venezuela	Bolívar	2,957	3,146

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