

FUNDACIÓN MAPFRE

The Spanish Insurance Market in 2012

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Table of Contents

1. SUMMARY	5
2. SOCIAL AND ECONOMIC CONTEXT	10
2.1. Economic Context	10
2.2. Social and Economic Variables.....	13
3. EVOLUTION OF THE INSURANCE MARKET	17
3.1. International Insurance Activity.....	17
3.2. National Insurance Activity.....	19
4. EVOLUTION OF THE INSURANCE MARKET BY BRANCH	36
4.1. Life.....	36
4.2. Motor	39
4.3. Multi-peril	42
4.4. Health.....	47
4.5. Burial insurance	49
4.6. Third-party liability	50
4.7. Personal accident	52
4.8. Credit.....	53
4.9. Surety	54
4.10. Transport.....	55
4.11. Engineering.....	57
4.12. Multi-peril agricultural insurance.....	58
5. NEW LEGISLATION	61
6. METHODOLOGY	65
INSURANCE STATISTICAL ANNEX	66
INDEX OF FIGURES AND TABLES	67

1. Summary

1. SUMMARY

During the year 2012, the **global economic context** has been determined, mainly, by the negative evolution of the crisis in Europe and by the growing weakness of global growth estimates. This is particularly true of the fiscal adjustment policies applied in peripheral European countries, which caused a slowdown of their economic activity.

The Spanish economy closed last year with a GDP decrease of 1.4% and a disturbing unemployment rate of 26%. The main reason for the downturn is weak national demand, which decreased by 3.9%. This, in turn, was the result of lack of confidence and uncertainty among economic agents regarding the future, adjustments in the public and private sectors, the credit squeeze and the persistent deterioration of the job market. On the contrary, foreign demand performed positively, with a GDP contribution of 2.5 pp.

In the last Spanish Economy Direction Report, the Bank of Spain suggests that the most acute recession stage may have been overcome already, given the proper precautions. However, it also points out that not all doubts concerning the Euro crisis have been cleared up yet, and that the adjustment of the Spanish economy is still subject to multiple uncertainties.

In spite of the difficulties affecting the global economy in 2012, especially in the developed countries, the **world insurance market** increased its income by 2.4% in real terms, thanks to the positive performance of both segments, and reached a global premium volume of 4.6 billion US Dollars (3.6 billion Euros). After poor results in 2011, the life insurance market recovered its pattern of growth with a 2.3% increase in premium volume, thanks to the boost from emerging markets and the excellent results of the advanced markets of Asia and the United States. On the other hand, Non-life branches maintained the growing trend of the last two years and registered an increase of 2.6%, up to 2.0 billion US Dollars (1.5 billion Euros). This was also due to the drive of the emerging markets and the rates increase in some advanced markets.

The global insurance industry experienced substantial losses for the second straight year due to **natural disasters**, with costs of around 71 billion US Dollars (55 billion Euros). In North America, most of the losses were caused by Hurricane Sandy, which devastated the northeastern coast in the month of October. In Europe, the earthquake that hit the Italian region of Emilia Romagna in May had a significant effect. Spain, on the other hand, was affected by several serious weather phenomena, such as frosts, hail storms, floods and droughts, which caused high losses.

As regards the **Spanish insurance market**, it reached a direct insurance premium volume of 57,398 million Euros, decreasing by 5.2% compared to the volume reached the previous year. This reduction affected both Life and Non-life insurance, though it was more significant in the former.

In fact, the premium volume of **Life** insurance amounted to 26,282 million Euros, 9.0% lower than in 2011. The decrease differed depending on the type of product, and was higher in the Savings category (-9.9%) than in the Risk category (-2.7%). Long-Term Care insurance, which accumulates 2 million Euros in premiums, decreased by 18.9%. However, some categories reflected significant growth, such as the Systematic Individual Savings Plan (21.5%).

Rescues also performed poorly, reaching 14,697 million Euros. In spite of all this, the volume for technical provisions increased by 1.7%, to 156,402 million Euros.

Although its premiums dropped by 17.4%, annuity insurance continues to be the best established insurance formula within the branch, with 78,245 million Euros in provisions.

After two years of decline, the volume of assets managed by **Pension Plans** in 2012 increased by 4.1% compared to the previous year, valued at 86,536 million Euros by the end of the fiscal year. This represents the highest asset value of Pension Funds in its history. Pension Plans obtained sizeable profitability in all categories, with an average profitability of 6.6%, due to the good performance of the equity portfolio and public debt in the second half of the year. The Individual Plans of the Equity Portfolio and of the Mixed Equity Portfolio performed especially well, with profitability of 10.4% and 8.6% respectively, as well as Employment System Plans, which returned a profit of 8.0%.

Non-Life insurance registered a premium decrease of 1.9% and reached incomes of 31,116 million Euros. As in previous years, the persistent economic crisis, its tightening effects on household and corporate spending and the intense competition in some branches have contributed to this unfavorable result. However, not all branches have performed the same way. If we consider the five branches with the largest relative burden in the sector, that is, Motor, Health, Multi-peril, Death and Third-party liability, only the first and the last performed negatively, while the rest increased income by premium.

The premium volume of motor insurance fell by 5.9% in 2012, the fifth straight year of a decrease in volume. As in previous years, this is the result of the reduction in automobile sales and traffic intensity. It is also due to the decrease in available household income, which motivates a search for cheaper coverage and products. Health insurance grew by 3.2% in 2012, an increase of one tenth over 2011, due to the increase in premium amounts for annual insurance portfolio renewal. Multi-peril insurance also reflected increases, although lower than the previous year (0.7% in 2012, compared to 4.5% in 2011). Growth did not take place in all categories.

In the Household and Community branches, the premium volume increased in spite of the difficulties in the real estate sector. However, the Industrial and Commercial branches decreased due to the deterioration of the Spanish business sector. The Health, Multi-peril and Burial insurance branches also performed well in 2012.

In fact, the latter underwent the highest growth; 7.3%, a three-point increase compared to the previous year. One of the factors that influenced this growth was the modification of the VAT applied to funeral services, from the reduced tax rate (8%) to the general tax rate (21%). Companies transferred part of this increase to the customer, resulting in an exceptional issuance increase in the branch.

Third-party insurance has suffered a premium volume reduction for five straight years. In 2012 it decreased by 5.6%, due to the persistent economic crisis and the soft market cycle, where this branch has been immersed for several years, associated with strong price competition. Of the remainder, the only branch capable of growth in 2012 was electronic equipment insurance, which increased by 24.7%. Despite the uncertainties and difficulties of the economic context, the Spanish insurance industry obtained very good results **in fiscal year 2012. The profit** increased to 4,703 million Euros, 7.4% higher than the previous fiscal year. This was mainly because of the good results of the Life insurance technical account, which increased by 76.1% due to improved financial result and the release of provisions.

Moreover, the reduction in provisions is a logical consequence of the increase in surrenders, since the obligations presented by the provision disappear in the surrendered policies. Profitability of shareholders equity, or the ratio between fiscal year results and the shareholders funds of the sector (**ROE**), was 15.3%, a 4.1% increase over 2011.

The **solvency margin** increased, keeping within solid levels. The quotient of company equity over the minimum liable amount was 2.8 in 2012 (2.6 in 2011). The estimated value of **investments**¹ registered by the insurance industry was 212.4 billion Euros, a 4.9% increase over 2011. Broken down by business segments, 81.2% corresponded to Life portfolio investment and 18.3% to the Non-Life portfolio.

The remaining 0.4% affected the shareholders equity portfolio. During fiscal year 2012, 70% of the investments made by the insurance industry have been issued in Spain, which shows the extraordinary participation of the insurance industry as financial backer of the national public sector. The next preferred countries for investment by insurance companies were France (3.9%), Luxembourg (3.8%) and Germany (3.6%).

Contrary to 2011, during 2012 the global **reinsurance** market registered a slight premium increase and a strong increase in results and shareholder funds. The combined ratio improved by an average of 12 points due to less catastrophic claims (only Hurricane Sandy was registered as a great disaster) and the result before taxes increased by 20 billion compared to the previous year.

The **growth** estimates for the insurance industry during fiscal year 2013 are still subject to many uncertainties, although there are reasons to justify moderate optimism. Factors such as the complicated national and international economic situation, low interest types that limit investment results and regulatory changes have a negative effect on the insurance industry. However, it is worth mentioning that despite these uncertainties, the premium volume during the first three months of 2013 has increased 3.2%, compared to the same period of the previous year.

Life insurance in Spain cannot avoid being affected by the continuity of the fiscal consolidation processes and restructuring of the financial system, which indicates that 2013 will still be another difficult fiscal year. However, it is likely that Savings/Retirement products will gain market share within the group of instruments that channel household savings. On the other hand, these savings may increase if the economic downturn abates and the country takes up the growth path again.

Limitations of deposit retributions and interest-bearing accounts will allow the insurance industry to compete with attractive savings/investment products in the medium and long term. Thus, it is possible to expect an important boost in Life Annuity Insurance and Linked Savings Insurance.

In fact, data from the first quarter of 2013 show that the negative trend of the previous year may have changed. Life insurance premiums increased during said quarter by 10.9%, compared to the same quarter of the previous year (compared to a decrease of 19% in the same period in 2012).

¹ Data raised to 100% from a poll carried out by ICEA from model 8 (investments) of the Quarterly Statistical-Accounting Documentation of the DGSFP.

Non-life insurance is still affected by the sensitive economic situation of the country, with a high unemployment rate, a high level of household and company debt, and a strong credit squeeze. It is to be expected that 2013 will be another complicated year as long as the insurance companies continue facing lower insurance demand, a limited yield of financial investments and strong price competition.

2. Economic Context

2. SOCIAL AND ECONOMIC CONTEXT

2.1. ECONOMIC CONTEXT

In 2012, the financial market context was mainly determined by the evolution of the crisis in Europe and low global economic growth estimates. Other sources of uncertainty were added, such as the fiscal situation in the United States or the slowdown in certain emerging economies, which was greater than estimated.

In the first part of the year, tensions in the European markets tended to become moderate. The second injection of liquidity through an auction with full award performed by the European Central Bank in February contributed to this trend. This new 3-year auction, with an interest rate of 1%, contributed with a market liquidity of nearly half a billion Euros and was accompanied by an extension of the assets accepted as guarantee.

From May to July, a rise in the financial tensions was observed in the Euro Zone, which affected Italy and Spain especially and resulted in tightening of financing conditions. Additionally, agencies reduced their credit ratings, which affected the Spanish private and national debts and had a special impact on the financial institutions. This favored a search for refuge in assets perceived as more secure, the public debt of countries with greater credit ratings, but whose profitability resulted negative in the short term. The tensions were substantially aggravated by Greece, due to the uncertainty of the country's political scenario and the doubts concerning the compliance of its commitment to reduce the public deficit, and by Spain due to the distrust regarding public finances and the health of the financial system, especially after the Bankia bailout. The peripheral European countries continued with their restructuring and streamlining programs aimed at restoring the budgetary balance and competitiveness. In this context, the Spanish government requested financial assistance from European institutions in the month of June to recapitalize the weakest financial institutions. Eurogroup approved the funds and granted an amount of up to 100,000 million Euros. In parallel, the European Central Bank reduced the base rate for the main financial operations by 25 b.p. down to 0.75%.

However, tensions in the financial markets only abated after the end of July, following statements by the Chairman and CEO of the European Central Bank, Mario Draghi, emphasizing that he would be willing to do whatever it was necessary in order to preserve the Euro. Afterwards, the announcement of the creation of a program of unlimited purchase of the public debt in the secondary markets, accompanied by the conditionality for the requesting country, also contributed to an improvement of the markets situation. From a long term perspective, the European institutions took the first steps toward the creation of a sole banking supervisor in the Euro Zone and initiated negotiations to create a budget for the period 2014-2020, which, in the initial proposal, aimed at greater austerity than in previous years. Despite the improvement of the financial conditions, the situation of the markets remained far from being completely normalized and uncertainty continued to be high.

Emerging economies showed a gradual slowdown, which in cases such as Brazil and China was more intense than expected. To a large extent, this was the result of the exacerbation of the crisis in the Euro Zone, which had a significant impact on the external sector of these economies. In general terms, inflation continued to be moderate, which made it easier for some central

banks in these areas to continue with their interest rate reduction cycle or to apply other measures of monetary easing.

The activity upturn observed in developed economies during the first quarter of 2012 contributed to a generalized slowing in the following quarters. Outside the Euro Zone, the loss of dynamism was more noticeable in economies like Japan, the United Kingdom and the United States. In the United States, a slight upward trend in the job market was noticed by the end of the year, while the improvement was more evident in the real estate sector. After the presidential elections, which resulted in a new term of office for President Obama, the uncertainty focused on the budget, in view of the automatic application of fiscal reduction measures on January 1st, 2013. In this context of economic sluggishness and moderate inflation, monetary policies of the developed countries maintained a clear expansive trend, reinforced by non-conventional measures.

In Spain, significant initiatives were implemented in several areas. Among those most remarkable, two royal decrees affecting finances were passed in order to accelerate the restructuring process of the banking sector; on the one hand, regulations for the Fund for Orderly Bank Restructuring (FROB) to act as regards institutions with solvency issues and, on the other hand, legislation governing the operation of the Company for the Management of Assets Proceeding from Restructuring of the Banking System (SAREB). In the budgetary area, the Organic Law on Financial Sustainability and Budgetary Stability came into force with the purpose of strengthening the budgetary discipline for all Public Administrations.

On the other hand, another adjustment package was passed in July to comply with the commitments made to Europe. In a situation of weak growth, uncertainty about Southern European countries, lack of inflationary pressure and the support of the central banks, the fixed-income assets in countries with greater solvency margins showed a positive trend, while the debt of the peripheral countries became increasingly volatile. These, however, also showed a positive trend in the last part of the year. In this respect, the 10-year profitability spread between the Spanish and the German public debt, which exceeded the maximum level since the beginning of the European and Monetary Union by 630 p.p., dropped during the last quarter to under 400 points.

Stock exchange performance presented strong fluctuations and a marked discrepancy between the markets of the Southern European region and the countries less vulnerable to the crisis. The IBEX 35 suffered a severe punishment, accumulating a set-back close to 30% in the moments of greatest uncertainty. In the second part of the year, indexes regained a significant part of the lost ground, although this movement was accompanied by exceptionally reduced business volumes, which, on the other hand, were the prevailing keynote during the whole fiscal year.

In conclusion, 2012 was marked by tensions resulting from the crisis in Europe and by expectations of weak growth in the global economic cycle. The peripheral European countries made progress in their streamlining programs for the financial sector and in their structural reforms, though these policies brought with them a decline in economic activity. The table below shows Spanish GDP for 2011 and 2012.

The table provides annual GDP variation indexes and their components, based on the Spanish national accountancy report published by the National Institute of Statistics (INE) in February, 2013.

The figures in the Table clearly show an economic recession. In fact, many components of Spanish GDP registered decreases during 2012. GDP in 2012 was 1,051 million Euros, a 1.14% drop in nominal terms and 1.42% drop in volume, as compared to the GDP of the previous year. The main reason for the downturn was the extreme weakness of domestic demand, which fell by 3.9%. In turn, this resulted in lack of confidence, uncertainty of the economic agents regarding the future, adjustments to the public and private sectors, the credit squeeze and the persistent deterioration of the job market. In 2012, more than eight hundred thousand jobs were lost and the unemployment rate reached 26%. Moreover, the public sector underwent a significant fiscal adjustment, resulting in a reduction of public deficit of 7% from an initial level of 8.9% in 2011.

As regards supply, all sectors suffered a downturn, with the exception of Agriculture, Fishery and Livestock. As in previous years, the setback was more pronounced in the construction industry, which continues with its adjustment process.

But there are also some positive aspects. The squeeze in national demand has been compensated in part by the positive contribution of foreign demand, with a contribution to GDP of 2.5 p.p. The decline in employment and in remunerations of wage earners has resulted in a 3.4% reduction in unit labor costs, which has improved the competitiveness of the country. The trade deficit was substantially reduced, even resulting in a surplus in its non-energetic component. Moreover, Spain's financing requirements have fallen by 3 p.p. during 2012, representing 0.2% of the GDP.

According to the last projections of the IMF (World Economic Outlook Update, January 2013), the world economy will grow by 3.5% in 2013, led by emerging economies such as China (8.2%) and India (5.9%). Estimated growth in advanced economies is more modest, at 1.4%. The USA will grow at 2%, but the Euro Zone will experience a slight setback of -0.2%, mainly because of the problems in the peripheral countries. In the case of Spain, the IMF forecasts a downturn of -1.5% that will setback the recovery until 2014. In its last Spanish Economy Direction Report (Economic Newsletter of March, 2013), the Spanish Bank suggests that, with the proper precautions, the most acute recession stage may have been overcome already.

<i>Interannual variation rates in %</i>	2011	2012
DEMAND		
Final consumption expenditure	-0.8	-2.5
Final consumption expenditure by households	-0.8	-2.2
Final consumption expenditure by the NPISH	-8.9	-1.5
Final consumption expenditure by the Public Administrations	-0.5	-3.7
Gross Fixed Capital Formation	-5.3	-9.1
Tangible fixed assets	-5.8	-10.0
Intangible fixed assets	3.1	2.6
Domestic demand ¹	-1.9	-3.9
Exports of goods and services	7.6	3.1
Imports of goods and services	-0.9	-5.0
Foreign demand	2.3	2.5
SUPPLY		
Fishing and agricultural classes	8.2	2.2
Industrial classes	2.7	-2.9
Construction Multi-Peril	-5.9	-8.1
Services	1.4	-0.4
GDP at market prices	0.4	-1.4
GDP at current market prices ²	1,063.3	1,051.2

(1) Contribution to GDP growth at market prices

(2) Billions of €

Table1. GDP and its components

Source: INE. CNTR, fourth quarter of 2013

However, it also points out that all doubts concerning the Euro crisis have not been cleared up yet, and that the Spanish economy adjustment is still subject to multiple uncertainties. The Spanish Bank agrees with the IMF as regards the estimation of a drop of -1.5% in Spanish GDP in 2013. Moreover, both predict a slight growth (0.8% and 0.6%, respectively) in 2014. On the other hand, the Spanish government has recently changed its GDP forecast for 2013, lowering it from -0.5% to -1.3%.

2.2. SOCIAL AND ECONOMIC VARIABLES

This section contains information showing 2012 evolution of certain social and economic variables of interest for insurance companies, related to demography, automobiles, housing and business activities.

Demographics

According to data from the Municipal Population Census, the population residing in Spain on January 1st, 2012 was of 47,265,321 people, representing a slight annual increase of 0.16%, which is practically a standstill. A total of 5,736,258 of these were foreigners, or 12.1%. The foreign population has fallen for the first time (-0.26%) since the beginning of its strong growth at the end of the nineties, undoubtedly due to the country's economic crisis.

This situation has also motivated an increase in Spanish migration to foreign countries. According to the Register of Spanish Residents Abroad (PERE), the Spanish population residing abroad on January 1st, 2012 increased by 6.7% to 1,816,835 people. A year later, on January 1st, 2013, this number increased again by 6.3%, amounting to 1,931,248. The countries that register the greatest increase in Spanish residents have been Argentina, Brazil, Cuba, France and the United States.

Data on the natural movement of the population provided by the INE for 2012 show that the birth rate continued the downward trend that started in 2009. In fact, the number of births per thousand inhabitants (gross birth rate) fell to 10.2 as a result of the reduction in the number of women of child-bearing age, the increase in maternal age and a lower fertility rate. Average maternal age continued to increase to 31.5 years, and the average number of children per woman (fertility contextual indicator) was 1.36.

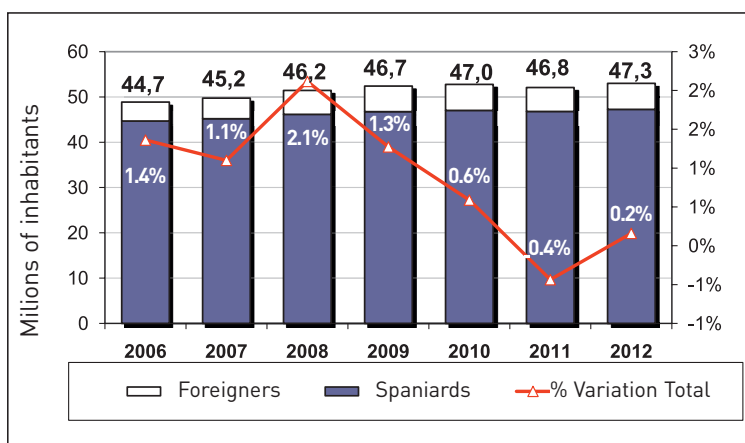


Figure 1. Evolution of Spanish Population

Source: INE

On the other hand, mortality in 2012 experienced a slight increase. Despite this, life expectancy at birth continued increasing in 2012 and exceeded the age of 82 (79.2 for men and 85.0 for women). Life expectancy for a 65-year-old was 18.5 years for men and 22.4 years for women.

Motor

The number of automobiles registered in 2012 was 31.4 million, a slight increase of 0.16% compared to 2010 (100,000 vehicles). On the other hand, new vehicle registrations decreased by 11.7% and dropped below one million units for the first time since 1998. The reduction in registration affected all types of vehicles.

Accident mortality in intercity roads fell by 12.1% in 2012, the ninth straight year of lower claims. By age groups, the greatest drop took place in young people between 15 and 24 years old, where mortality fell by 25%. Taking into account all age groups, the average number of deaths per day during 2012 was 3.6. It is interesting to compare this value with the average for 2000, which was 11.6: In 2000, there were eight deaths more each day compared to 2012. Moreover, fatal accidents and serious injuries also decreased in 2012 approximately in the same amount as the number of casualties.

Housing

The housing market in Spain is still immersed in the adjustment process that began in 2007. Although the (estimated) number of real estate transactions in 2012 increased compared to the previous year, due to the transactions registered in the fourth quarter, the other indicators clearly show that the adjustment is far from over.

- The price of free housing fell by 10% in annual terms during the fourth quarter of 2012.
- Compared to levels prior to the crisis, the price of housing has accumulated a setback of 27% in terms of nominal value.
- In the case of housing mortgages, the average amount dropped by 7.8%, to 103,192 Euros.

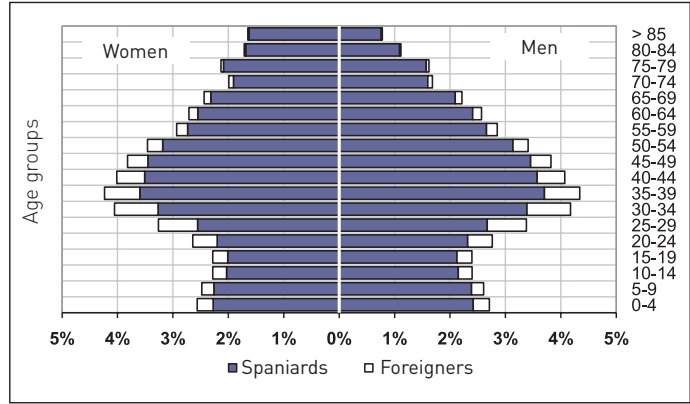


Figure 2. Distribution of the Spanish Population by age group and sex. Year 2012

Source: INE

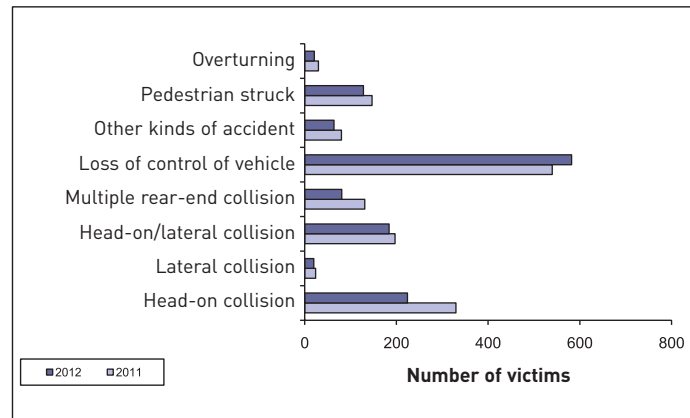


Figure 3. Distribution of fatalities by type of accident

Source: Interior Ministry

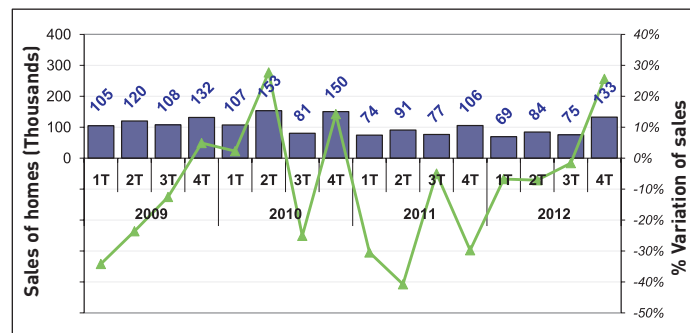


Figure 4. Home sales. Number of transactions and quarterly variation

Source: Housing Ministry

Corporate

According to the latest data published by the Central Directory of Companies (DIRCE), the total number of active companies on January 1st, 2012 was 3,199,617, showing a reduction of 1.6% compared to the value registered a year before. This is the fourth straight year registering a decrease in active companies. The sectors with the greatest company start ups were education, health, sports and IT. The “Services, excluding Trade” sector represented 54.6% of the total, followed by “Trade” (24.2%), “Construction” (14.5%) and “Industry” (6.7%). Most of the companies are small-sized: Of these, 55.2% of the companies did not hire any employees, while 27.1% only hired one or two wage earners.

During 2012, 87,066 trading companies started up, representing the highest figure in the last four years and a 2.7% increase regarding 2011. Communities with the highest new company start up rate were La Rioja (14.9%), Baleares (9.7%) and Aragón (8.3%). On the other hand, 22,568 companies were dissolved in 2012, 14.1% more than in 2011. The net balance in 2012 (64,498) was slightly lower than in 2011 (-0.8%). The average capital of companies that started up in 2012 was 87,167 Euros, lower than the figure for the two previous years and 65.4% lower than the figure for 2011.

The amount of unpaid commercial bills in 2012 was 7.067 billion Euros, the lowest figure in the last five years, and 3.1% lower than in 2011. The average amount in 2012 was 1,791 Euros, slightly above the value in 2011 (an increase of 0.4%). Furthermore, 3.7% of commercial bills due in 2012 were unpaid.

Summary of main variables	2012	% Var
Demographics		
Population residing in Spain (1)	47,265,321	0.2
Spanish population residing in Spain (1)	41,529,063	0.2
Foreign population residing in Spain (1)	5,736,258	-0.3
Spanish population residing abroad (2)	1,931,248	6.3
Gross birth rate (2)	10,2	-2.9
Gross death rate (2)	8,4	1.5
Average maternal age (2)	31,5	0.77
Fertility contextual indicator (2)	1,4	-1.45
Average maternal age for Spanish women (2)	32,1	0.62
Average maternal age for foreign women (2)	29,0	0.87
Life expectancy of population residing in Spain (2)	82,1	0.12
Automobile		
Number of registered vehicles	31,400,000	0.3
Newly registered vehicles	910,183	-11.7
Insured Vehicles FIVA	28,724,457	-0.7
Highway accidents involving casualties	1,179	-11.9
Highway accident casualties	1,304	-12.1
Serious injuries in highway accidents	6,161	-12.8
Housing		
Number of real estate transactions	361,631	4.1
Price of non-subsidized housing	1,531	-10.0
Number of mortgaged properties	459,679	-29.5
Average value of mortgages undertaken	112,875	-5.6
Companies		
Total number of companies in Spain	3,199,617	-1.6
Trading companies created	87,066	2.7

(1) Provisional data.

(2) Data from first half of 2012.

Figure 5. Summary of the key variables. 2012

Source: INE, DGT y CCS

3. Evolution of the insurance market

3. EVOLUTION OF THE INSURANCE MARKET

3.1. INTERNATIONAL INSURANCE ACTIVITY²

In spite of the difficulties in the global economy in 2012, especially in Western countries, the premium volume of **the world insurance market** increased by 2.4% in real terms, totaling 4.6 billion US Dollars (3.6 billion Euros). Growth was greater in emerging markets, 6.8% compared to 1.7% in advanced markets.

The **Life insurance** sector has recovered, increasing its global premium volume by 2.3% in 2012 (compared to a decrease of 3.3% the previous year), with a total of 2.6 billion US Dollars (2 billion Euros). However, the amount is still lower than the amount reached immediately before the economic crisis. Again, no differences are observed as regards the performance of the emerging and advanced markets (4.9% and 1.8%, respectively).

There are also differences within these groups. As regards advanced markets, Asian countries (Japan, South Korea, Hong Kong and Taiwan, mainly) grew by 8.8%, while the economic crisis affecting several Western European countries motivated a premium fall of 3.1% (less than in 2011, which registered a drop of 9.7%). This drop has not only affected the periphery but also central countries such as France, the United Kingdom and Germany. In USA, premiums increased by 2.3% as a result of the good performance of the collective life annuity.

As regards emerging markets, key countries like India and China have not yet solved the problems that appeared in 2011 caused by a tighter regulatory framework. The Chinese market has stalled (-0.2%) and India has shrunk by 6.9%. These results, however, are much better than those of the previous year. Latin America, Africa and Central and Eastern Europe experienced growth of 17%, 14% and 5.1%, respectively. Russia and Poland stand out in the latter group, with a growth of 46% in credit products, and 11% growth boosted by savings products, respectively.

The **Non-life insurance** branch increased by 2.6% as regards global premium volume in 2012, totaling 2.0 billion US Dollars (1.5 billion Euros). Compared to the previous year, when premiums increased by 1.9%, this shows a moderate but optimistic increase in growth. As in Life insurance, the growth was much greater in emerging countries (8.6%) compared to advanced markets (1.5%). However, it is the fourth straight year of growth in the latter, after the drop experienced in 2008. In general, this growth is due to price increases. The greatest problems in the advanced markets are still located in Western Europe, where important countries such as the United Kingdom, France, Holland, Italy and Spain have suffered downturns. However, premiums grew by 1.7% in the United States as a consequence of the increase in economic activity and the price increase in certain branches.

The **perspectives** from Swiss Re for 2013 are positive. As regards Life insurance, the slow recovery is expected to continue in developed countries, whose weak economic growth limits the demand for insurance. A growth boost is expected in emerging countries, especially after China and India recover positive growth. Non-life insurance estimates are also optimistic, and the current trend is expected to continue, especially as regards gradual tightening of premiums.

² Source: Swiss Re. Sigma No. 2/2013: Natural catastrophes and man-made disasters in 2012 and Sigma No. 3/2013: The World Insurance in 2012.

The premium volume **of the European insurance industry** in 2012 was 1.5 billion US Dollars (1.2 billion Euros), a reduction of 5.6% in real terms due to the poor performance of the Life segment, with a 9.5% decrease in income. In Non-life insurance, the market was at a standstill (+0.1%).

Compared to the ranking of the previous year, the **Spanish insurance industry** has fallen two positions in the global insurance market ranking and occupies the fourteenth place, surpassed by Taiwan and Brazil. Life insurance is sixteenth, as in 2011, and Non-life insurance gains one position, to twelfth place.

Country	Premiums (Billion USD)	Premiums/ Inhab. (USD)	Premiums/GDP
United States	1,270	4,047	8.2%
Japan	654	5,167	11.4%
Great Britain	311	4,350	11.3%
China	245	179	3.0%
France	242	3,544	8.9%
Germany	231	2,806	6.7%
Italy	144	2,222	6.7%
South Korea	139	2,785	12.1%
Canada	122	3,534	6.7%
Netherlands	100	5,985	13.0%
Taiwan	87	3,760	18.2%
Australia	86	3,922	5.6%
Brazil	82	414	3.7%
Spain	70	1,488	5.5%
India	66	53	4.0%
Europe	1,535	1,724	6.7%
EU 27	1,402	2,533	7.7%
World	4,612	656	6.5%

Table 2. Size of the world's largest insurance markets in 2012.

Source: Swiss Re

With an average insurance expense per inhabitant of 1,488 USD (1,214 Euros), Spain ranks twenty-fourth in the global premium insurance ranking per inhabitant, having gained one position compared to 2011. The average expense in Life insurance is 682 USD (556 Euros) and 807 USD (658 Euros) in Non-life insurance. As regards insurance market share, Spain continues twenty-sixth, with a rate of 5.5%.

The global insurance industry experienced substantial losses for the second straight year due to **natural disasters**, with costs of around 71 billion US Dollars (55 billion Euros). Although the damage was less than in 2011, it was higher than the average in recent years. North America was the worst affected area. Most of the damage was caused by Hurricane Sandy, which hit the North-East coast of the United States in October after leaving a trail of devastation in the Caribbean. Other events that led to major insurance losses in the United States were the summer drought affecting the most productive agricultural region in the country and the severe storms in March and April. In Europe, insured damage due to natural disasters amounted to approximately 5.5 billion dollars (4 billion Euros), most of which was the result of the earthquake that

hit the region of Emilia Romagna in the North of Italy in May, causing damages in numerous industrial facilities and historical buildings. The continent was also affected again by serious weather phenomena, such as the extremely low temperatures and intense snow that paralyzed a large part of Europe at the start of the year and the torrential rains that led to major losses due to flooding in the United Kingdom.

3.2. NATIONAL INSURANCE ACTIVITY

3.2.1. MAIN INDICATORS

Production

In 2012, the Spanish insurance market registered a direct insurance premium volume of 57,398 million Euros, which means a decrease of 5.2% compared to the volume of the previous year. This reduction affected both Life and Non-life insurance, though it was more significant in the former.

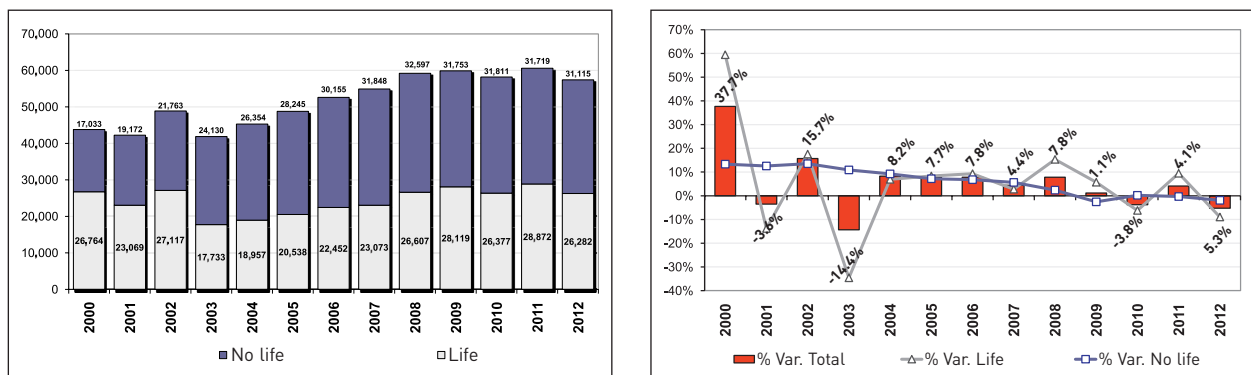


Figure 6. Evolution of the insurance market in Spain. Premium volume and variation

Source: ICEA

In fact, the premium volume in the **Life insurance** sector in 2012 decreased 9.0%, totaling 26,282 million Euros. The amount of the decline was different depending on the type of product: Long-term care insurance was reduced by 18.9%, Savings insurance by 9.8% and Risk insurance by 2.7%. Also, within the Savings insurance, almost all categories decreased in variable amounts, ranging from -1.1 % for Insurance Benefit Plans and -2.5% for Asset-Linked, to -14.1% for Deferred Capital and -17.4% for Life and Temporal Annuity. However, in this negative scenario, a contrast is observed in the 21.5% growth of the Individual Systematic Savings Plan (PIAS). As a whole, the percentage of Life insurance in the insurance industry drops one point, to 46.6%, compared to the previous year.

As regards **Non-life insurance**, the decrease in premium volume decrease in 2012 was 1.9%, totaling 31,116 million Euros. As in previous years, the contraction caused by the economic crisis and the intense competition existing in some branches have contributed to this unfavorable result. However, not all branches have performed equally. If we consider only the five branch-

es with greatest relative weight in the sector, that is, Motor, Health, Multi-peril, Death and Third-party liability, only the first and the last performed negatively, while the rest increased their income by premium volume.

The reduction in automobile sales and the decline in insured vehicles, together with the rotation of policy holders among the insurance companies and the subsequent competition in prices, have a negative influence on the evolution of Motor insurance. In 2012, the premium volume suffered a decline of 5.9% (6.2% in Third Party Liability and 5.5% in Other Guarantees), reaching a total 10,607 million Euros. Nevertheless, the relative participation of the Motor insurance in the insurance industry increased one tenth, up to 18.7%, and continues to be the highest among the Non-life insurance branch.

Health insurance increased its premium volume by 3.2%, one tenth higher than the previous year. Broken down by category, growth is observed in Healthcare Assistance, Expense Reim-

Millions of euros

	2011	2012	%Δ s/2011	% s/Total
Total	60,590	57,398	-5.3%	100%
Life	28,872	26,282	-9.0%	45.8%
Non Life	31,719	31,116	-1.9%	54.2%
Automobiles	11,270	10,607	-5.9%	18.5%
Third-Party Liability	5,848	5,485	-6.2%	9.6%
Other guarantees	5,422	5,122	-5.5%	8.9%
Health	6,597	6,806	3.2%	11.9%
Healthcare Assistance	5,663	5,887	4.0%	10.3%
Illness	933	919	-1.5%	1.6%
Multi-peril	6,579	6,626	0.7%	11.5%
Household	3,656	3,763	2.9%	6.6%
Industrial	1,421	1,367	-3.8%	2.4%
Commercial Premises	649	625	-3.6%	1.1%
Condominiums	794	815	2.6%	1.4%
Others	60	56	-5.9%	0.1%
Deaths	1,761	1,891	7.3%	3.3%
Third-Party Liability	1,531	1,446	-5.6%	2.5%
Other lines of business	939	917	-2.3%	1.6%
Accidents	897	850	-5.2%	1.5%
Credit	695	680	-2.2%	1.2%
Transport	487	461	-5.4%	0.8%
Hulls	276	256	-7.2%	0.4%
Goods	211	204	-3.0%	0.4%
Pecuniary losses	340	248	-27.0%	0.4%
Assistance	316	308	-2.3%	0.5%
Fire	102	90	-11.8%	0.2%
Legal defense	103	98	-4.2%	0.2%
Surety	78	66	-15.9%	0.1%
Theft	25	22	-13.3%	0.0%

Table 3. Distribution of the business by branches. Written premiums. Direct insurance

Source: ICEA

bursement and Rendering of Services, where the first one increases its premium volume to 86.5% of the total, four tenths more than in 2011. Only Subsidies and Compensations, greatly affected by the economic crisis, suffered a decrease in the number of policy holders as well as in premium volume.

Multi-peril insurance increased its premium volume in 2012, although only slightly and much less than the previous year (0.7% in 2012 compared to 4.5% in 2011). The increase did not take place in all categories. Despite the difficulties in the Real Estate sector, the premium volume increased in Household Multi-peril (2.9%) and in Condominiums (2.6%). However, the Industrial (-3.8%) and Commercial (-3.6%) categories decreased due to the deterioration of the Spanish business sector.

Together with Health and Multi-peril, the Burial insurance branch also registered an increase in 2012. In fact, it showed the greatest growth of the three; 7.3%, a three-point increase compared to the previous year, reaching a premium volume of 1,891 million Euros. To some extent, this behavior reflects a growing interest of society in long term provision.

Third-Party Liability insurance suffered a premium volume reduction for the fifth straight year. This year it was 5.6%, for a total of 1,446 million Euros. Among the reasons for this unfavorable performance, two factors stand out: The persistence of the economic crisis and the soft market cycle where this branch has been immersed for several years, associated with strong price competition.

In the rest of the branches, the only one which was able to grow in 2012 was Electronic Equipment, by 24.7%.

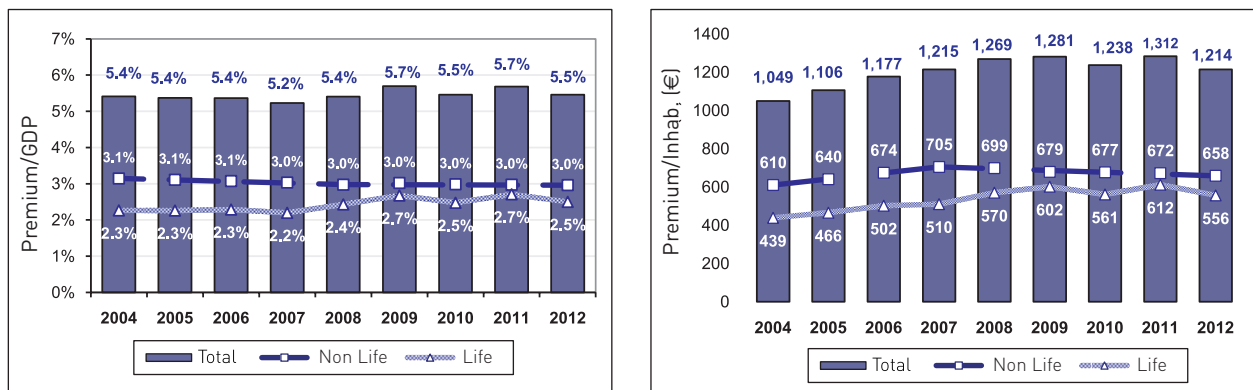


Figure 7. Evolution of Penetration and Density of the Spanish Insurance Industry.

Source: Based on data from ICEA and INE

The **insurance penetration** defined as the premium quotient over GDP, decreased two tenths, down to 5.5%, because the premiums decreased more than the GDP, proportionally. Insurance density, defined as the premium per inhabitant, decreased 7.4% to 1,214 Euros, of which 556 Euros correspond to Life (687 Euros in 2011) and 658 Euros to Non-Life (625 Euros in 2011).

Millions of euros

Results	2011	2012	% Δ
Technical account	5,254	6,177	17.6%
Life	1,857	3,270	76.1%
Non Life	3,397	2,907	-14.4%
Non Technical account	4,377	4,703	7.4%
ROE (%)	14.7%	15.3%	4.1%

Table 4. Insurance sector results

Source: ICEA

Basic indicators (% of premiums)*	2011	2012
Increase in premiums (1)	31,719	31,116
% Variation in premium volume	-0.3%	-1.9%
Retention	88.6%	88.6%
Gross claims ratio	68.4%	68.0%
Gross expenses ratio	21.4%	22.1%
Net claims ratio	70.5%	70.0%
Net combined ratio	92.0%	92.3%
Financial result	4.0%	2.9%
Technical -Financial result	11.4%	9.7%

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

(1) Millions of euros

Table 5. Basic indicators. Non life

Source: FUNDACION MAPFRE with data from ICEA

Results

Despite the 2012 recession in the economic environment, the Spanish insurance industry continued having positive results. The result of the Non-technical account increased to 4,703 million Euros, 7.4% more than the previous fiscal year.

The result of the technical account of life insurance increased by 76.1% compared to the value in 2012, despite the decrease in the premium volume and the rise in claims. The improvement on the results is mainly due to the freeing of provisions for Life insurance. In this sense, the reduction is a logical consequence of the increase of surrenders because in the surrendered policies the obligation represented by the provision disappears. Additionally, the regulatory changes under Order ECC/335/2012, by which requirements for financial immunization are made more flexible, have influenced the reduction of provisions, allowing a higher discount rate for these products with the subsequent decrease in the level of provision.

Life provisions index of results was 1.9%, six tenths greater than that obtained in the previous fiscal year.

On the contrary, the technical account of Non-life decreased by 14.4% because of the fall in demand and the strong competition in several branches. Premiums issued decreased by 1.9%, and the result index of the technical account over the premiums was 9.7%, dropping more than one and a half points compared to the value obtained in the previous fiscal year. This result is due to the decline in the financial result by just over one point, down to 2.9%, and to the slight increase in the combined ratio as a consequence of an expenditure increase. This is because the claims ratio has improved half a point thanks to the reduction of this ratio in the Motor, Commercial and Community Multi-peril, Third-party Liability, Health and Transport branches.

Profitability of shareholders equity, or the relation between the fiscal year results and the shareholders funds of the sector (ROE), was 15.3%. It is a very positive value which increased by 4.1% compared to the previous fiscal year.

The solvency margin increased, remaining within solid levels. The quotient of the company equity over the minimum liable amount was 2.8 in 2012 (2.6 in 2011). In Life insurance the quotient was 2.2 (1.9 in 2011), and in Non-life, 3.7 (3.6 in 2011).

Investment

The situation of the financial markets, and especially, the volatility experienced by the risk premium of the debt instruments belonging to the Euro Zone countries in recent years have influenced decisions taken by insurance companies in terms of investment, further conditioning the design of their policies and investment portfolios.

In 2012, the estimated volume of investments³ shown by the insurance industry was 212,4 billion Euros, 4.9% higher than in 2011. If broken down by business segments, 81.2% corresponds to the Life portfolio investment and 18.3% to the Non-life portfolio. The remaining 0.4% affected the shareholders equity portfolio.

The structure of the investment portfolio is broken down as follows:

- The portfolio of fixed-income assets accounts for 67.2% and in 2012 there was an increase of 2.3 points compared to 2011. The gradual reduction of the participation of private income in favor of public income mainly due to relaxation on the risk premium of Spain is to be noted.
- Deposits and Credits follow with 7.5% each of total investment portfolio. The Investment Funds portfolio represents 4.9% of the total, where Mutual Investment Funds represent the most important subcategory.
- As regards the real estate portfolio, its relative participation continues descending to 4.1%, which implies -0.3% less than in 2011. The downward trend between the market value and book value relationship continues, which reveals a drop in appraisal values due to the real estate crisis.
- Finally, Derivatives and Structured commodities and Equities represent 3.0% and 2.5%, respectively, of the total investment portfolio. These products are also suffering a gradual downgrade due, primarily, to the volatility of stock markets.

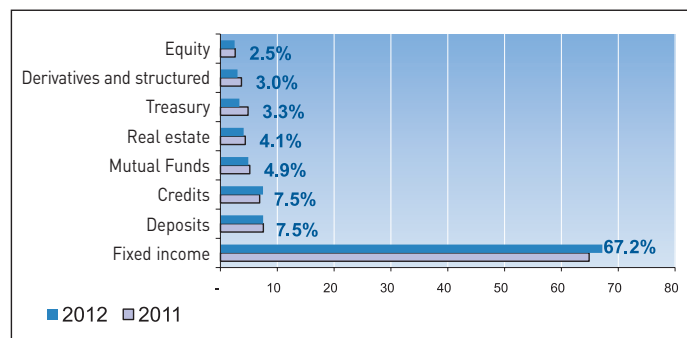


Figure 8. Distribution of the Total Sector Investment. Year 2012

Source: ICEA

At the closing of fiscal year 2012, the average accounting revenue was 4.2% and the average duration of the portfolio was 6.5 years in the Life portfolio and 3.5 years in Non-life (5.9 and 3.4 respectively in 2011).

During 2012, 70% of the investments made by the insurance industry were issued in Spain, which highlights the extraordinary participation of the insurance industry as a financier of the national public sector. The next preferred countries for investment by insurance companies were France (3.9%), Luxembourg (3.8%) and Germany (3.6%). Total investment made in Ireland, Portugal and Greece, countries with a high risk premium, was 1.6% (2.3% in 2011). It should be noted that investment in Greece is practically 100%-provisioned throughout the industry.

³ ICEA. Report 1,281 April 2013. Investments of the insurance companies. Statistics year 2012.

During 2012, due to the uncertainty that has overwhelmed the financial markets, various harmonized initiatives have been launched within the European Union. This has been done mainly through the creation of the European Financial Stability Facility and measures that have been taken to reduce the budget deficit in certain countries in order to restore confidence in the markets. In addition, following the recommendations made by the G-20 and the Financial Stability Board, most of the countries are adopting technical amendments to reduce the exposure to economic cycles and encourage active and independent risk management.

In accordance with these guidelines, on February 22nd this year Order ECC/335/2012 was enacted, which includes the international recommendations prior to the prudential regulation on financial immunization of insurance operations and adapts the reduction coefficients for credit risk in insurance operations immunized to the situation of public debt markets. Furthermore, Order ECC/2150/2012, which was enacted on September 28th, aims at adapting the investments rules of insurance companies to the reality of the financial markets, loosening the rating requirements of financial investments to counteract the sovereign debt crisis.

Despite the fact that the insurance companies uphold their investments in public debt following criteria deemed appropriate to implement financial immunization processes, due to the current economic and financial situation, they are exposed to volatility of the credit ratings, which operates to the detriment of stable management of investment operations. In this sense, the bad prospects for the Spanish economy for 2012 caused rating agencies to downgrade the Spanish sovereign debt from A to BBB, leaving it only two steps above junk bonds, which caused the rating of approximately 65% of fixed-income securities to be downgraded to medium-quality (BBB).

Outlook for 2013

Growth estimates for the insurance industry during fiscal year 2013 continue subjected to many uncertainties, although there are reasons to be moderately optimistic. The serious national and international economic problems persist, especially in the Euro Zone; likewise, certain policies with a negative impact on the insurance industry, such as low-interest rates and regulatory changes, are maintained. However, it is worth mentioning that despite these uncertainties, the premium volume during the first three months of 2013 has increased 3.2% compared to the same quarter the previous year.

In relation to the **Life insurance branch**, the persistence of the economic and financial crisis in Spain during 2013 and the increase in the tax burden will result in an expected further fall in the level of household savings, which will no doubt have a negative effect on the Savings insurance prospects this year. Risk insurance will probably continue suffering the consequences of its close relationship with the granting of credits and the real estate trade. It is expected, however, that during the second half of the year the economy will stop its fall and will start to grow again, thus changing the household savings trend, and contributing to the reactivation of credit grants. On the other hand, new legislation introduced in 2012, such as the limitation of the profitability of bank deposits, will increase the attraction of other alternative forms of savings, such as Savings/Retirement insurance. In addition, predictable reforms affecting public pensions in the future will increase the demand for supplementary social security systems.

Data from the first quarter of 2013 show that the negative trend compared to the previous year may have changed. Life insurance premiums increased during said quarter by 10.9% as compared to the same quarter the previous year (compared to a decrease of 19% in the same period in 2012), while provisions grew 1.4% (compared to 0.7% for the first quarter of 2012). There was a growth in Savings insurance (14.7%), since the risk insurance premiums have decreased by 5.3%.

Unlike the Life insurance branch, there has been a reduction in **Non-Life insurance** of 2.9%, compared to the same quarter of 2012. In general, Non-life insurance is still affected by the sensitive economic situation, which decreases its demand, and by the existing competitiveness in markets. The Motor branch continues the downward trend of recent years, decreasing by 6.9% in the first quarter (compared to the decline of 4.5% in the same period in 2012). Multi-peril Insurance, which attained positive growth of 2.6% in the first quarter of 2012, decreases by 2.2% in 2013, with the exception of Household and Communities, the only categories that have shown increases. Health insurance continues to grow in 2013, at 1.4% (2.4% in 2012). Compared to the rest of branches, increase is only observed in Burial insurance (9.4%), Monetary Losses (3.8%) and Transport (0.1%).

3.2.2. MUTUAL PROVIDENT SOCIETIES

Mutual Provident Societies are non-profit private insurance institutions that exert a voluntary insurance modality, complementary to the compulsory Social security system, and can also be alternatives to the Social security regime of self-employed workers.

At the end of 2012, 388 Mutual Provident Societies that are members of the Spanish Confederation of Mutual Welfare Societies received 2,832 million Euros in premiums, which represents a growth of 7.40% compared to the previous year. The volume of assets managed reached 34,835 million Euros, compared to 33,000 million the previous fiscal year.

3.2.3. MARKET STRUCTURE

Insurance Industry

As of December 31st, 2012 the number of entities registered in the Administrative Registry of Insurance Companies was 294, of which 270 are operating: 183 Public Limited Companies, 32 Mutual Insurers, 53 Mutual Provident Societies and 2 Specialized Reinsurance Companies. During 2012, three new entities have been authorized; two Public Limited Companies and one insurance Mutual Insurers, and 15 entities have been canceled in the

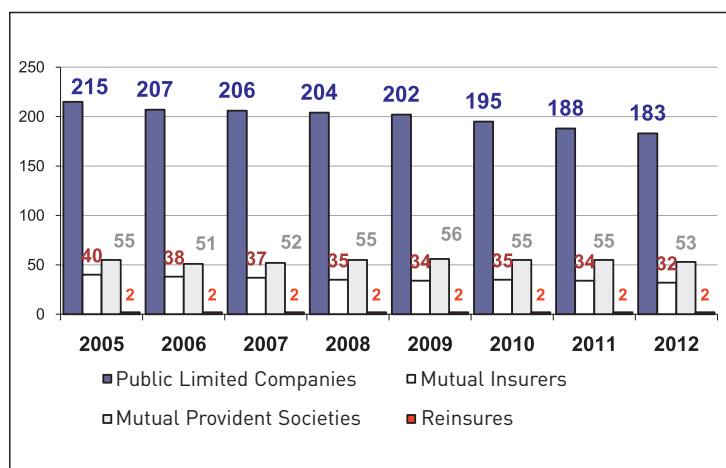


Figure 9. Evolution of the number of operating entities by type

Source: General Directorate of Insurance and Pension Funds (DGSFP)

Administrative Registry, 9 of them because of merger cases, 5 liquidated by the Consorcio de Compensación de Seguros, and 1 because of annulment of the administrative authorization to operate as a mutual insurance company.

Insurance distribution

According to the latest data published by the DGSFP in 2012, its annual report indicates that in 2012 Spain had 92,912 insurance and reinsurance intermediaries (91,682 in 2011), broken down in the following manner: 89,607 exclusive agents and operators; 3,017 brokers; 245 linked banking-insurance agents and operators; and 43 reinsurance brokers. Of the total number, 78,403 are legal persons and 14,575 are legal entities. The latest data from the report refer to 2011.

The data state that 40.8% of the total production of the insurance business was carried out by Banking-Insurance operators, followed closely by Agents and Brokers, with 39.8%.

The performance of these channels is quite different depending on the type of business, because when analyzing the Life business, the main insurance sales channel is the banking channel, with 71.4%, while Non-life insurance is distributed mainly between Agents and Brokers, with a share of 28.1% and 36.9%, respectively.

The activity carried out by Banking-Insurance operators in the Non-life branches is focused on Household Multi-peril. Agents and Brokers focus their activity on the Motor branch and, the Life insurance business mainly distributes individual policies. The offices and employees of the insurance companies accumulate most market share in the Non-life branches, especially in the Healthcare Assistance and Motor insurances.

The implementation of insurance procurement through the Internet continues, with 0.9% of the total portfolio premiums and 0.6% of new production, indicating that it is still not implemented as an alternative to the traditional procurement channel. Its activity focuses mainly on the Motor branch.

International presence of the Spanish insurance companies and foreign capital in the Spanish insurance industry

As discussed in another chapter of this report, the Spanish trade deficit was substantially reduced during the years of crisis, and especially in 2012, with an important increment in exports and a decline in imports. Although the latter is due to the reduction in domestic demand, the increase in sales to the rest of the world, especially in the context of a slowdown in global trade, is mainly attributed to the increase of competitiveness in export services and goods.

The insurance industry is among the sectors that have contributed to this take-off. In fact, exports of insurance-related services have considerably increased since the beginning of the crisis. An analysis of the Spanish balance of payments in 2012 confirms that the income for insurance-related services amounted to 1.251 billion Euros⁴ and that these presented the sec-

⁴ The total value of the insurance services is derived from the calculation of the margin between the written amounts by the companies (that is, premiums, contributions and supplements) and the written amounts by the holder of the policies (that is, compensations and services).

ond highest growth among all the components of the balance of services, 23.1%, only surpassed by the growth in royalties and annuities incomes of intangible property. Insurance income growth in 2012 was greater than that registered in 2011 (21%) and greater than that obtained by the European Union as a whole (14.6%). On the other hand, payments decreased by 1.4%.

Also, there are five Spanish groups with direct investments abroad in the insurance industry: BBVA, Catalana Occidente, CESCE, MAPFRE and Santander. The main destination for their investments is Latin America, because of the cultural affinity and the economic growth potential.

BBVA has insurance companies established in several Latin American countries. Its largest market is Mexico, where it operates through its subsidiary BBVA Bancomer Insurance.

The Catalana Occidente group operates in more than forty countries through its subsidiary Atradius, of which it directly or indirectly controlled 83.2% of its capital by the end of 2012. Atradius is one of the leading global companies specialized in credit insurance with a market share of approximately 31%. During the fiscal year 2012, incomes of the Spanish group grew in the international markets, reducing the Spanish market burden from 65.9% in the fiscal year 2011 to 64.5%.

The Export Credit Insurance Spanish Company (CESCE) is specialized in trade risk management and operates in eleven European and Latin American countries. Its principal shareholder is the Spanish state, although it is currently being privatized.

In September 2012, the Government authorized the privatization of 50.25% of state-owned CESCE capital. The operation was entrusted to the Government Corporation of Industrial Holdings (SEPI) which was appointed as its 'management agent'. To initiate this process, it was necessary for the Royal Decree Law 20/2012 to abolish the legal restriction which forced the State to be a majority shareholder in the capital of the company. The administration will keep control of Government Account activity, managed by CESCE.

MAPFRE business is structured in three major divisions which, since January 1st 2013, are called Spain and Portugal Insurance, International Insurance and Global Business. Premiums from MAPFRE's international direct insurance grew by 23.3% in 2012, amounting to 10,834 million Euros, 55.1% of total premiums, compared to 49.7% in 2011. Global businesses (Reinsurance, Assistance and Global Risk) registered a premium volume of 4,723 million Euros, with a growth of 12.4%, where the increase of the MAPFRE ASISTENCIA business stands out as a consequence of organic growth, especially in the United States, China, the United Kingdom and France.

At the end of the 2012 fiscal year, MAPFRE occupied the sixth position in the European Non-life insurance ranking, and the first position in this segment in Latin America, where it is the second global insurance group.

In February 2011, Santander Bank and Zurich insurance company came to an agreement to create a strategic alliance to promote the Banking-Insurance business in five key markets for the Santander Group in Latin America: Brazil, Chile, Mexico, Argentina and Uruguay.

Once the corresponding authorizations were obtained from the different regulating authorities, Zurich acquired 51% of Zurich Santander Insurance America capital (holding that inte-

grates the insurance business of the Group in Latin America), thus controlling said company and being in charge of its management. Santander holds 49% of the capital of the holding and has entered into a distribution agreement for the sale of insurance products in each of the countries in the agreement for 25 years. In 2012, both groups continued consolidating their alliance.

On the other hand, as regards the foreign capital participation in the Spanish insurance industry, data from the General Directorate of Insurance and Pension Funds show that there were 46 entities with participation of foreign capital in Spain in 2012. The endorsed amount totaled 1,313 million Euros, 29% less than the previous year, representing 16.2% of the total capital of the sector.

Right of Establishment and Freedom to provide services

At the end of 2012, there were 39 branch offices operating under the right of establishment in the countries of the European Economic Area, corresponding to 21 Spanish insurance entities. As in 2011, the country with the most registered branch offices was Portugal, with 17. On the other hand, the United Kingdom was the country with the highest number of Spanish entities with free rendering of services, followed by Portugal, France and Germany.

In 2011, the premium volume of direct and accepted insurance carried out by the Spanish entities in other countries of the European Economic Area decreased by 2% compared to the previous year, for a total of 2,110 million Euros. Unlike previous years, the premium volume of the entities operating in right of establishment decreased because of the bad performance of the Life branch (growth was observed in Non-life).

Moreover, there has been a considerable increase (28.5%) in the premium volume of the entities of free rendering of services, also due to Non-life growth. The premium volume of accepted and direct insurance performed by the entities of other countries of the European Economic Area in Spain fell by 7% compared to the previous year, with a value of 4,114 million Euros. The decrease took place in the regime of free rendering of services (-10.6%) as well as in of right of establishment (-5.5%), and affected both Life and Non-life.

Origin of activity	Millions of euros		
	2010	2011	% Δ
Spanish companies in other EEA states	2,150	2,110	-2%
Freedom to provide of services	119	153	28.5%
Right of establishment	2,031	1,956	-3.6%
Companies from other EEA states in Spain	4,442	4,114	-7%
Freedom to provide of services	1,636	1,463	-10.6%
Right of establishment	2,806	2,651	-5.5%

Table 6. Premiums in 2010 and 2011 by activity

Source: General Directorate of Insurance and Pension Funds (DGSFP)

Evolution of Insurance by spanish autonomous region

The data presented below was provided by ICEA and does not refer to the entire market but to a sample of 88 insurance institutions which represent 82% of the total business volume of the sector.

In 2012, Catalonia and Madrid were the autonomous communities with the highest premium volume, 10,078 and 9,896 million Euros, respectively. However, premiums in both communities decreased by 7.1% and 3.6% respectively, compared to 2011. Following these communities came Andalusia (5,717 million Euros) and the Valencia Community (4,096 million Euros). The communities with the lowest premium volume were the autonomous cities of Ceuta and Melilla (95), La Rioja (365) and Cantabria (494).

The premium volume decreased in 2012 in almost all the autonomous communities, with Galicia (-16.15%) and Aragon (-14.47%) decreasing the most. Growth was only observed in Asturias (3.19%), Castile-La Mancha (2.76%), Canary Islands (1.93%) and Ceuta and Melilla (0.48).

Premium volume Spanish autonomous region				
Autonomous Communities	2012	% var 2011 / 2012	% cuota 2012	Prima per cápita
Catalonia	10,078	-7.1%	22%	1,345
Madrid	9,896	-3.6%	21%	1,540
Andalusia	5,717	-6.3%	12%	682
Valencia	4,096	-2.8%	9%	819
Basque country	2,428	-2.7%	5%	1,115
Castile-Leon	2,330	-1.2%	5%	923
Galicia	2,225	-16.2%	5%	805
Castile-La Mancha	1,708	2.8%	4%	813
Aragon	1,679	-14.5%	4%	1,253
Canary Islands	1,268	1.9%	3%	606
Total for top 10	41,425	-	90%	-

Table 7. Premium volume by spanish region

Source: ICEA, Report The insurance market by province. Statistics.

Premiums in Catalonia and the Madrid Community represented 43% of the total for the country, and the first ten communities accumulated 90% of the premiums. In the Life branch, Catalonia was the community with the highest premium volume (5,065 million Euros, and a share of 27.3%), followed by Madrid (3,525 million Euros, 19% of the total). The order is inverted in the Non-life branches, where Madrid takes the first place in premiums (6,371 million Euros, 22.5% of the total), followed by Catalonia (5,013 million Euros, 17.7% of the total).

In 2012, Madrid and Catalonia were also the communities with the highest premium per capita with 1,540 and 1,345 Euros, respectively, followed by Aragon (1,253 Euros), Basque country (1,115 Euros) and La Rioja (1,112 Euros). On the opposite end are Andalusia (682 Euros), Canary Islands (606 euros) and Ceuta and Melilla (568 Euros).

Mergers and acquisition

As regards corporate movements performed in 2012, the following facts are worth mentioning: As regards corporate movements performed in 2012, the following facts are worth mentioning:

- In June 2012, the Catalana Occidente group entered an agreement with Groupama for the purchase of 100% of the Spanish subsidiary Groupama Insurance and Reinsurance. The operation materialized in September 2012 and the company was named Plus Ultra Insurance.
- In August 2012, CaixaBank purchased 50% of the Banca Cívica Life business from Aegon. The entity joined the Catalanian bank in the restructuring framework of the Spanish banking sector. Moreover, at the beginning of 2013 CaixaBank purchased the following shares from the Caser insurance company: Cajasol Life and Pensions, Caja Canarias Life Insurer, Cajasol General Insurance and Caja Canarias General Insurance, thus taking control of almost the entire insurance portfolio of Banca Cívica.
- In December 2012, Bankia and Aviva reached an agreement under which the bank was bound to purchase from Aviva 50% of Aseval, the former Bancaja insurance company. The operation took place in April 2013. Bankia now owns 100% of Aseval securities.
- In December 2012, the Santander Bank and Aegon entered into an agreement for the creation of two insurance companies, one of Life insurance and the other of Non-life insurance, where Aegon shares 51%. The remaining 49% belongs to Santander, which is in charge of selling the products through its commercial networks.
- Unnim Banc, from the BBVA group, has entered into an agreement with Reale and Aegon to acquire 50% of Unnim Protection and Unnim Life, and gets control over 100% of both insurance companies.
- At the beginning of 2013, Bankinter General Insurance started to operate as a society devoted to the Non-life business jointly created by MAPFRE and Bankinter, where the insurance company owns 50.1% of the capital and the bank the remaining 49.9%.

Ranking of insurance groups

As in previous years, MAPFRE leads the total ranking of insurance groups, with a market share of 13.9%. Caixa Group is still positioned in second place, with a share of 9.0%, mainly boosted by the growth of VidaCaixa in the Life business, while Mutua Madrileña remains in third place, with a share of 6.4% thanks to the leadership of its subsidiary SegurCaixa-Adeslas in Health insurance.

The first changes in the ranking come from the fourth position onwards, where Santander and Generalli climb two positions to fourth and seventh place, respectively, due to the strong increase of their Life business. The novelty is that the BBVA group is ranked eighth, thanks to the significant activity performed in Individual Savings Life, particularly in the business of Insured Annuities and PIAS.

As regards the rest of the companies, Axa and Caser fall one position, while Allianz and Catalana Occidente stay the same.

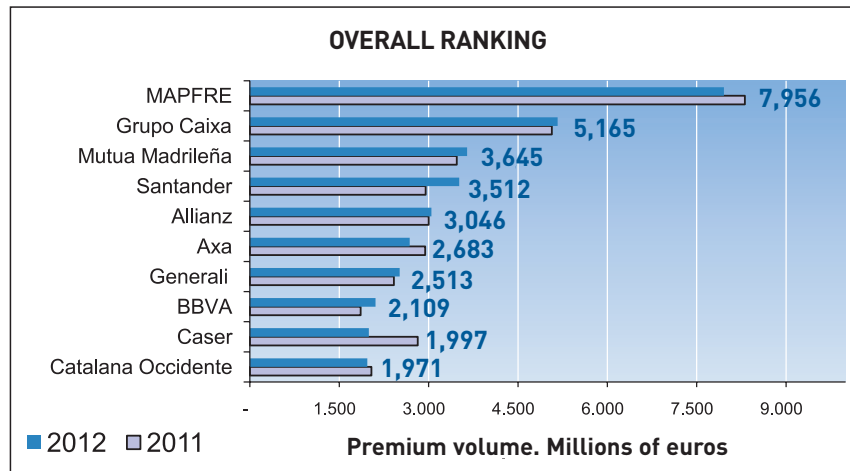


Figure 10. Ranking of insurance groups by premium volume. TOTAL

Source: ICEA

Caixa Group leads the Provisions ranking as well as the **Life ranking**, the latter with a market share of 19.5%, followed by Santander Insurance (12.8%) and MAPFRE (11.3%), which exchange their positions compared to the previous year. BBVA, Ibercaja and Generali gained three positions thanks to the good performance of their products of Insured Annuities and PIAS. Allianz directly takes the eighth place of the ranking, boosted by the significant growth experienced by its market of Insured Benefit Plans (PPA). The movements mentioned have caused Caser and Aegon to fall three and two positions, respectively.

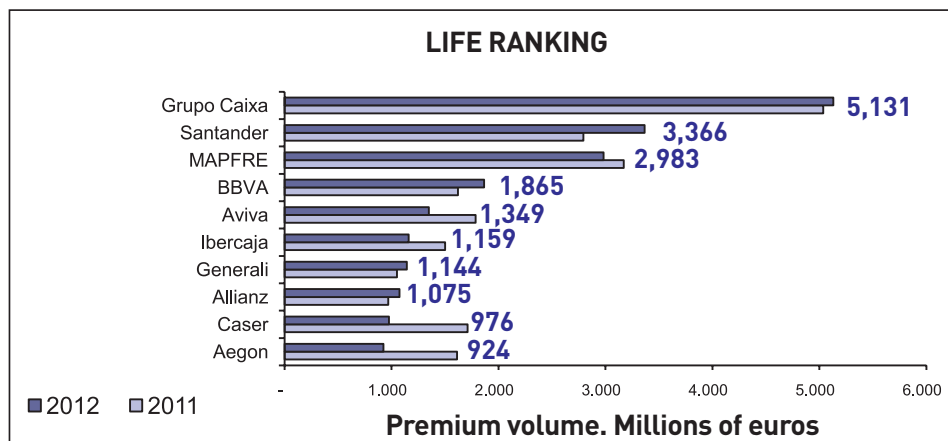


Figure 11. Ranking of insurance groups by premium volume. LIFE

Source: ICEA

For one more year, the **Non-life ranking** continues to be led by MAPFRE, with a market share of 16.0%, followed by Mutua Madrileña (11.4%) and Axa (6.8%). As regards the rest of the companies, Generali, Sanitas and Santa Lucía climb positions, Allianz stays the same and Catalana Occidente, Zurich and Caser lose positions.

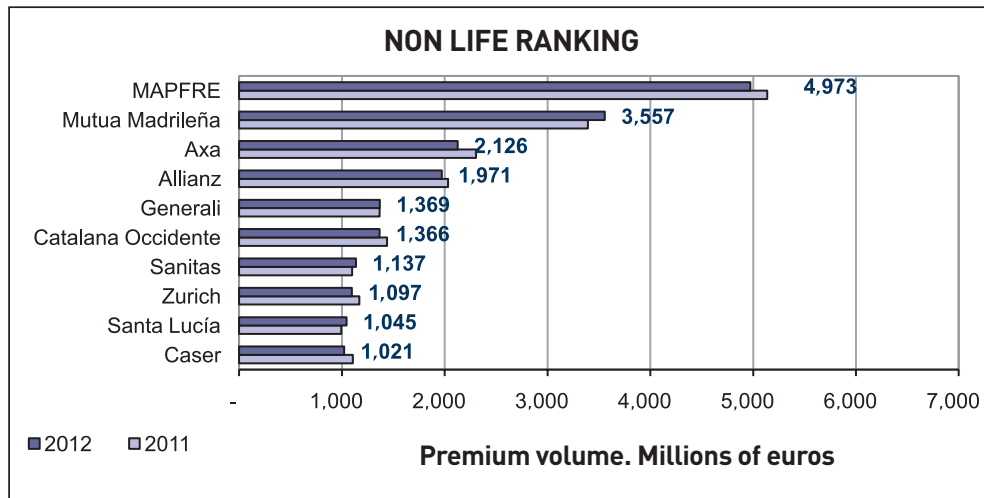


Figure 12. Ranking of insurance groups by premium volume. NON LIFE

Source: ICEA

3.2.4. REINSURANCE

The year 2012 represents a shift in the market compared to what happened in 2011. The reinsurance market experienced a slight increase in premiums and a strong increase in results and shareholders' funds. According to the information published by different sources, premiums grew 7% due to rate increases in the regions affected by major claims in 2011 and to special operations. The combined ratio improved by an average of 12 points due to less catastrophe claims and earnings before taxes increased 20 billion compared to the previous year. In conclusion, greater market capitalization and a return of almost 10% were achieved in 2012, which only records Hurricane Sandy as a great disaster. This has transformed the insurance industry into one of the most solid industries and the one that has best dealt with crises in recent years.

However, though 2012 was a good year for reinsurance, a series of more volatile factors and concerns for the market are reinforced.

Reinsurers are reacting selectively to the occurrence of major disasters. There are no more general cyclical reactions of the market to large claims, only partial and local adjustments, allowing coexistence of hard and soft markets. At the same time, some reinsurers are directing capabilities into emerging markets as vehicles for growth.

Lower interest rates and financial volatility have been used by certain investors to enter into the reinsurance business, without creating or participating in traditional reinsurance companies as occurred in 2001 and 2005, but through catastrophe bonds and instrumental companies that allow investors to enter and exit the world of reinsurance markets in a more flexible way and in more defined risks or markets, which increases volatility and price pressure. In addition, the financial market has not achieved stability.

Depending on the country, currency and investment type, this encourages notable fluctuations that are reflected in balance sheets and profit and loss accounts either positively or negatively. In this context, only a great claim or a series of catastrophic claims or a sudden disruption of the financial market could change the situation.

3.2.5. CONSORCIO DE COMPENSACIÓN DE SEGUROS

Unlike recent years, during which the most significant claims covered by the Consorcio de Compensación de Seguros were related to cyclonic storms, earthquakes (Lorca) and volcanic eruptions (El Hierro), 2012 was marked by the high level of claims in agricultural insurance (the worst in history, which represented a reinsurance cost of 213 million Euros) and by the September flooding in South-Eastern areas of the peninsula (at an estimated cost of over 220 million Euros).

Earned premiums have not showed large variations. They increased 2.2% in the General Activity of Extraordinary Risks, and decreased 2.6% in Agricultural Activity due to adjustments in reinsurance surcharges and premiums of the Multi-peril agricultural insurance. They also decreased by 4.6% in the General Activity of Traffic Risks, because of the decrease in the number of vehicles insured by the Consorcio and the evolution of premiums in the insurance industry.

Millions of euros

General activity	Net earned premium		Net claims	
	2011	2012	2011	2012
Extraordinary risks	673	688	609	281
Property	605	619	542	294
Persons	23	24	3	1
Loss of benefits	44	45	63	-14
Traffic risks	129	123	112	71
Guarantee Fund	114	109	92	55
Private vehicles	6	3	6	2
Official vehicles	9	11	13	14

Table 8. Activity of the Consorcio de Compensación de Seguros

Source: Annual report of the Consorcio de Compensación de Seguros

Both claims on Extraordinary Risks and Traffic Risks decreased considerably in comparison to the previous year. The first reached 40.9% of premiums, compared to 90.5% in 2011. Claims in Motor Guarantee Fund represented 50.8% of premiums (81.2% in 2011), and Third-Party Liability in Private Vehicles was 56.5% (98.4% in 2011). For Official Vehicles, claims reached 129.1% as a result of the inclusion of claims from previous years. On the other hand, claims in Agricultural Activity have increased greatly, up to 228.4% of premiums, as a result of the cost of the reinsurance of Multi-peril agricultural insurance .

Overall, the Consorcio de Compensación de Seguros had a profit of 395,7 million Euros in the fiscal year 2012, 15.8% more than in 2011.

3.2.6. SOLVENCY II

Solvency II is an ambitious project that aims at establishing a regulatory framework for the supervision of the insurance sector in the European Union, based on the control of the global solvency of insurance companies. Its starting point is the “market-consistent” evaluation of

all assets and liabilities, so that any adjustments to the balance sheet impact on the global solvency of the entity. The monitoring system must be sensitive to risk and is based on three pillars, which provide the quantitative, qualitative and information requirements that insurance companies and national supervisors must take into consideration.

In January 2011, the European Commission proposed a Directive called “Omnibus II” to amend the Solvency II Directive and adapt it to certain changes in the European supervisory framework. Among other things, the Directive incorporates the role of EIOPA derived from the creation of the European supervisory system. In Omnibus II, matters that shall be regulated by technical standards developed by EIOPA (European Insurance and Occupational Pensions Authority) are specified, as well as its ability to develop binding standards in the implementation of Solvency II. During the year 2012, several discussions and meetings were held between the European Parliament, the Commission and the Council (the “Trialogue”); partial agreements were reached on Omnibus II and also disagreements on certain matters were observed. Among these, the one that stands out is related to the design of the risk-free rate curve, a technical issue of great importance when using “market-consistent” evaluation to value insurance products in the long term, especially problematic when financial markets are subject to significant current tensions. Finally, it was agreed to entrust the development of an Impact Study to EIOPA in order to evaluate the consequences of the various alternatives proposed to solve this problem (see EIOPA, “Technical Findings on the Long-Term Guarantees Assessment”, June 2013).

In September 2012 the effective date for Solvency II was delayed and moved from November 1st, 2012 to January 1st, 2014. But the continuous delay in the adoption of Omnibus II predicts further delays in the effective date of Solvency II beyond 2014, most probably for 2016 or 2017.

Besides, in March 2013, EIOPA published guidelines for a partial implementation of Solvency I, as of January 1st, 2014, based on four elements: Corporate government, ORSA, report to the supervisor and pre-application of internal models. These guidelines have been subject to public consultation until the end of June 2013, and their final publication is scheduled for October.

4. Evolution of the insurance market by branch

4. EVOLUTION OF THE INSURANCE MARKET BY BRANCH

4.1. LIFE

During 2012, Life insurance reached a premium volume of 26,282 million Euros, which means a significant decrease of 9% compared to the previous year (+9.4% in 2011). On the other hand, the unfavorable performance in the surrender section (14,697 million Euros) must be noted, especially in Annuity Insurance with an increase of 98% (4,167 million Euros). In spite of this, and although to a lesser extent compared to last year, the volume for technical provisions increased 1.7%, reaching 156,402 million Euros.

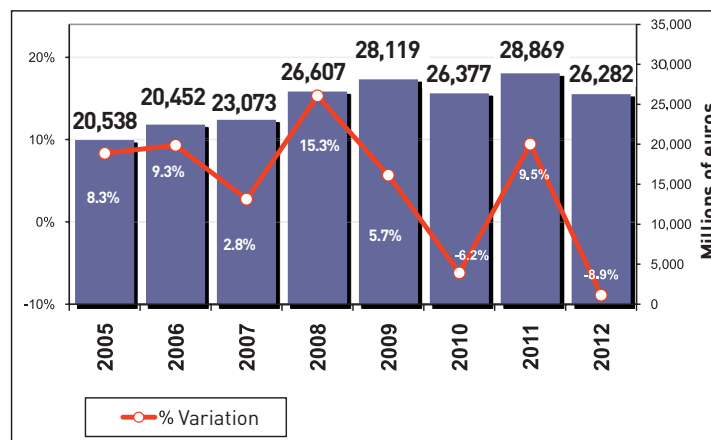


Figure 13. Evolution of Life. Written premiums. Direct insurance

Source: ICEA

Again, as in the previous year, the role of Life insurance in the group of Savings-Provisions industry in our country is worth mentioning. Its growth has only been surpassed by the Pension Funds (4.1%) while the Investment Funds closed the year 2012 with a decrease in equity managed of -4.2%.

As regards the penetration of Life insurance, the number of policy holders by the end of the fiscal year was greater than 31.5 million, while representing a decrease of 1.3% compared to the slight increase of 0.5% registered the previous year.

Class	Insured. Year 2012	
	Number	% Variac.
Risk	21,848,185	-2.8%
Long-term insurance	20,667	5.9%
Savings/ Retirement	9,719,983	0.4%
Total	31,588,835	-1.3%

Table 9. Composition of Life insurance by class

Source: ICEA

Categories

By categories, insurance with exclusive coverage for death continued representing more than two thirds of the total insured, with 21.8 million policies, despite the decrease by 2%

in the last 12 months. As regards the amount of premium issuance of this kind of product, it continued decreasing in 2012 (-2.7% compared to -4.5% the previous year) as a consequence of the deep recession of the Real Estate market and the credit drop in financial institutions.

Unlike the previous year, the category group of Savings/Retirement, experienced a sharp decrease of premium issuance by -9.9%. This time, the Individual Systematic Savings Plans (PIAS) were the only category that registered a positive performance in the analyzed period, with an increase of 21.5%.

On the other hand, PPA broke the excellent performance of recent years when the premium volume decreased by -1.1%, far from the growth of 49% the previous fiscal year. Nevertheless, the amount of savings managed was greater than 10,000 million Euros for the first time, thanks to the increase of 28% (11,194 million Euros).

Class	Millions of euros			
	Premiums		Provisions	
	2012	% Variac.	2012	% Variac.
Individual	18,715	-11.5%	96,680	3.8%
Group	3,809	0.1%	41,100	-3.2%
Unit Linked	3,759	-2.5%	18,623	3.0%
Total	26,282	-8.9%	156,402	1.7%
Risk	3,508	-2.7%	5,275	-3.7%
Long-term insurance	2	-18.9%	6	13.2%
Savings/ Retirement	22,772	-9.9%	151,121	1.9%
Insured Pension Plans	3,528	-1.1%	11,194	28.1%
Deferred capital	6,389	-14.1%	39,887	-2.1%
Annuity	7,519	-17.4%	78,245	0.1%
Individual Systematic Savings Plans	1,577	21.5%	3,172	22.3%
Unit Linked	3,759	-2.5%	18,623	3.0%
Total	26,282	-8.9%	156,402	1.7%

Table 10. Composition of Life insurance by class

Source: ICEA

Despite a premium decrease of -17.4% in Annuity Insurance, it should be noted that the amount of technical provisions was maintained, with consolidation as the most settled insurance formula of the branch, with 78,245 million Euros, half the total savings managed by sector.

On the other hand, when Life business is considered as individual or collective, slight growth of the collective categories (0.14%) is to be noticed, despite the reduction of managed savings (-2.7%). On the other hand, individual Life insurance moved in the opposite direction, with a decrease in premium volume (-10.4%), but an increase in provisions volume (3.4%). Therefore, the performance of the exits was more positive in individual insurance than in collective insurance. In the latter, the slight income increase could not compensate for the increase of surrenders (+141%), especially in the Annuity category (collect phase) which represented 80% of the anticipated provisions, with a volume over 1,800 million Euros and an increase five times greater than in 2011.

Pensions Plans and Funds

After two years of decline, the volume of Pension Plans closed the fiscal year with a managed asset volume of 86,536 million Euros, representing an increase of 4.1% compared to 2011. This is the highest historical amount of assets of the Pension Funds since its beginnings. The number of participant accounts decreased to 10,300 million, a figure similar to that of 2007, with a decrease by 2.7%. The only positive performance was in the Employment System Plans, which kept practically the same number as the previous year.

The good performance of the financial markets, both in equity portfolio and debt, in the second part of the year 2012 allowed Pension Plans to obtain excellent profitability in all categories and systems. As regards the Individual System, both Equity portfolio and Mixed Equity portfolio stand out, with annual profitability of 10.4% and 8.6%, respectively. As regards Employment System Plans, these reached a profitability of 8.0% in 2012.

Among the Pension Plans of the Individual System, the current situation continues to motivate changes to the risk level chosen by participants who, have tended toward more conservative products for yet another year. Therefore, the increase by 14% (2,163 million Euros) in the equity of the Guaranteed Plans could neutralize the almost -1,600 million Euros which Mixed and Long Term Fixed-Income Funds had as a whole.

Mutual Funds

In 2012, the activity of the Mutual Funds sector continued the decrease initiated five years ago, which has been sustained all this time because of the liability war between the banking institutions, stock market fluctuations and investor mistrust. The industry closed the fiscal year with an equity drop of -4.2% and a loss of 442,000 participants, with managed equity at 122,328 million Euros, less than half the maximum volume reached in 2006 (254,332 million Euros).

Average annual profitability for the total funds was 5.15%, the best result since 1999, with very satisfactory values for all categories, especially as regards the International Equity Portfolio Funds (15%). The profitability reached by the Guaranteed Funds of Fixed Return (5%) and Variable Return (4.3%) should also be mentioned, because of their participation in total equity.

Negative net subscriptions, amounting 10,263 million Euros, represented 22% more compared to the previous year, 57% of which corresponding to two categories: Short-Term Fixed Income (30%) and Guaranteed of Variable Return (27%).

Of all the Investment Fund categories, more than half increased their business volume, while the rest, with greater participation in the sector, decreased their equity between -6% and -23%. Noteworthy is the performance of Passively-Managed Funds and Long Term Fixed Income Funds, with an increase of 65% and 13%, respectively. Among the families with less favorable evolution were Absolute Return funds (-23%), Short-Term Fixed Income funds (-18%, nearly 5,000 million Euros less) and Guaranteed Funds of Variable Return (-15%) all of which headed the downturn of the sector.

Preview 2013

The year 2013 will still be another difficult fiscal year for Life insurance in Spain, affected by the country's need to continue with the fiscal consolidation process and the financial system restructuring.

As regards Life-Risk Insurance, the slowdown in credits to families will reduce the insurance activity associated to them. At the same time, the new directive on nondiscrimination by gender will make addressing customers simpler and easier to explain. In relation to the Savings-Retirement products, and despite the 2012 relapse, Life Insurance will continue its good performance within family savings instrument, nearly 10% of which will be channeled through different categories thanks to their certainty and profitability.

On the other hand, the known limitations of deposit retributions and interest-bearing accounts will allow the insurance industry to compete with attractive savings/investment products in the medium and long term. Thus, it is possible to expect an important boost in Life Annuity Insurance and Linked Savings Insurance.

Throughout last year, it was seen that the savings capacity of Spaniards decreased significantly as a consequence of the crisis, negatively affecting the Pension Funds. It is unlikely that the national economic situation will change visibly in the first half of this year, although a less negative performance of the macroeconomic context is expected by the end of 2013, which could help to improve the savings trend of Spanish families.

Spanish society was more concerned about saving for retirement, the future changes affecting retirement and the predisposition of the Social Security Administration to provide in 2014 information to workers about their future right to an ordinary retirement. This obligation will also affect the complementary instruments that consider retirement commitments and will increase the demand for complementary Social Security Systems. In this sense, the last report prepared by Inverco about Spanish Families' Savings is a reminder that only 5.4% of savings are destined to Pension Funds, compared to 50.4% destined to other callable assets, such as banking deposits.

As regards Investment Funds, global growth will recover some strength in 2013, with net positive balances at a global level and growth in most categories. However, the level of fiscal austerity of the countries will continue being a focus of concern for the markets. The Stock Exchange will still be benefit from attractive valuations, especially compared to other assets, resulting in a source of support. However, new episodes of volatility and instability should not be disregarded if the situation of the sovereign debt markets worsens.

4.2. MOTOR

Motor insurance reached a premium volume of 10,607 million Euros in 2012, registering an income decrease for fifth straight year. The fall this year (5.9%) has been greater than the four previous years. Nevertheless, Motor insurance continues to be the most elevated in the Non-life insurance sector, being 34.1% of the total, significantly distant from the rest of the insurances.

The main cause of this continuous premium volume decrease lies in the persistent economic crisis, the following negative effects of which are worth mentioning: A strong reduction in vehicle sales (the data previously mentioned, concerning a decrease in new vehicle registrations of

15.9%, especially affecting industrial vehicles is to be remembered), a decrease in the number of insured vehicles (0.7%), a reduction in vehicle traffic intensity (gasoline and diesel oil consumption registered a drop of 6.3% in 2012, the greatest since the beginning of the crisis) and a decrease in available family income (incomes in families dropped by 3.8% in 2012, according to INE), increasing the demand for cheaper products with less coverage. All these factors have caused a strong competition in premiums, which has led to a new fall of the average premium (by 5.3%) for the eighth straight year and a value of 370 Euros in 2012.

Basic indicators (% of premiums) *	2011	2012
Increase in premiums (1)	11,270	10,607
% Variation in premium volume	-2.3%	-5.9%
Retention	94.5%	94.9%
Gross claims ratio	77.2%	77.1%
Gross expenses ratio	18.0%	18.9%
Net claims ratio	78.5%	78.3%
Net combined ratio	96.7%	97.3%
Financial result	4.9%	3.3%
Technical -Financial result	8.3%	5.9%

(*) An explanation of how these indicators are calculated is provided in the Methodology section.

Table 11. Basic indicators of Motor insurance

Source: Based on data from ICEA

Despite these negative factors, the technical-financial result of the branch was positive (5.9%), although lower than the result reached the previous year (8.3%). This result is due to the decrease of almost one and a half points as regards the financial result (which goes from 4.9% to 3.3%) and to the increase by six tenths of the combined ratio, which goes from 96.7% to 97.3%. The latter is due to an increase of expenses by almost one point, which could not be compensated by the slight improvement of the claims of the branch.

Year	Insured vehicles (1)		Premiums. Direct insurance (2)		Average premium		
	Million	% Var.	Million €	% Var.	€	% Variation	
						Nominal	Real
2000	21,7	3.0%	7,996	17.9%	368	14.4%	10.0%
2001	22,0	1.1%	9,034	13.0%	411	11.7%	8.8%
2002	22,4	2.0%	9,990	10.6%	446	8.4%	4.2%
2003	23,3	4.2%	10,669	6.8%	457	2.5%	-0.1%
2004	24,6	5.4%	11,288	5.8%	459	0.4%	-2.7%
2005	25,7	4.7%	11,703	3.7%	455	-1.0%	-4.5%
2006	27,1	5.2%	12,261	4.8%	453	-0.4%	-3.0%
2007	28,3	4.7%	12,593	2.7%	444	-1.9%	-5.8%
2008	28,8	1.7%	12,356	-1.9%	428	-3.6%	-4.9%
2009	28,8	-0.2%	11,662	-5.6%	405	-5.5%	-6.2%
2010	28,7	-0.3%	11,554	-0.9%	403	-0.6%	-2.4%
2011	28,9	0.7%	11,285	-2.3%	390	-3.0%	-6.1%
2012	28,7	-0.7%	10,622	-5.9%	370	-5.3%	-7.5%

(1) FIVA

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

Table 12. Evolution of average Motor premium

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

For one more year, claim performance continues improving, favored by the improvements introduced in road safety and by less use of vehicles, which still results in the reduction of the general frequencies. Again, the Own Damage Guarantee has the highest frequency ratio, with 46.0%, while the rest of the guarantees are below 10%,

Guaranties	Frequency(%)			Average cost (Euros)		
	2011	2012	% Dif.	2011	2012	% Var.
Third-party liability	9.3%	9.1%	-0.14%	1,853	1,794	-3.2%
Bodily injury	2.0%	2.0%	-0.05%	5,050	4,979	-1.4%
Property	8.1%	7.6%	-0.50%	864	867	0.4%
Own damage	47.4%	46.0%	-1.34%	704	693	-1.6%
Broken Windows	7.2%	6.7%	-0.50%	292	286	-2.1%
Theft	1.4%	1.3%	-0.07%	961	921	-4.2%
Legal defense	1.9%	1.8%	-0.08%	302	285	-5.6%
Ocupants	0.4%	0.4%	-0.01%	930	948	2.0%
Fire	0.07%	0.06%	-0.01%	3,243	3,150	-2.9%
Revocation of driven license	0.03%	0.03%	0.00%	1,577	1,554	-1.5%

Table 13 . Average frequencies and costs by guarantees

Source: ICEA

As regards the average cost of the claims, slight decreases are observed in almost all guarantees. Information on the average cost uses the VAT increase of September 1st, 2012, and although it only affected the last four-month period, it has involved a direct increase of three points as regards compensations to repair property damages.

Frequency decrease in most guarantees are in line with lower risk exposure. In own damages coverage there is a greater procurement of products with exemptions, lower frequency and average cost. On the contrary, variations in guarantees for Fires and Revocation of driver license are related to the low frequency of both, causing greater volatility in average costs for specific claims.

Third-party Liability guarantee for physical damages continues to be the guarantee with the highest average cost by claim, at 4,979 Euros, followed by Fire at 3,150 Euros. Second category vehicles represent the highest ratios because of peak claims.

As regards the claims ratio, guarantee for Own Damages is the one reaching the highest rate, at 100.7%. Procurement of exemptions and reduced use of vehicles have not compensated for the high level of claims and the cost increase due to VAT.

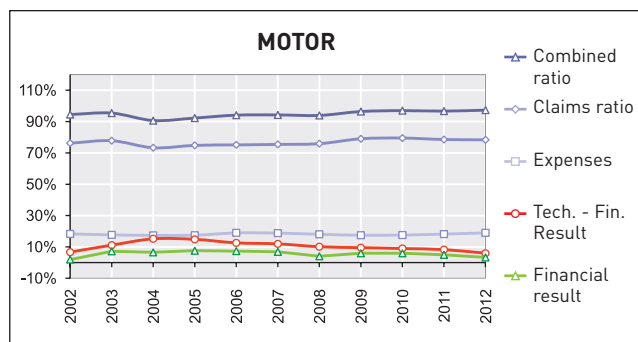


Figure 14. Evolution of results of Motor Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Preview 2013

Predictions for next year suggest that the gradual premium fall trend initiated in 2008 will not improve. The same influencing parameters as in 2012 will be repeated, (decrease in registrations, reduction of household expenditure, reduction of coverage, price war).

Concerning the claims ratio, the current frequency ratios are expected to stay the same, because of their correlation with less vehicle use, but with a moderate increase of average costs due to the effect of increased VAT. Therefore, if the frequency ratio stops falling, there may be a slight rebound in claims throughout the year. This, together with the increase of costs derived from the fall in premiums should result in an increase of the combined ratio. An improvement in the final result of the sector due to the evolution of financial performance is not to be expected.

As regards regulations, on December 21st, 2012, the Directive 2004/113/CE (Test-Achats) came into force, which was implemented by the sector without any relevant impact. The update of the Cars Scale and the new framework imposed by Solvency II is still in progress; at the same time, other aspects are also in progress, such as the improvement in functionality related to the Insured Vehicles Computer File (FIVA) and the extension of the Extraordinary Risks insurance of the Consortium as associated to SOA.

The information for the first quarter of 2013 (ICEA) shows a year-on-year variation in the premium volume of -6.9% compared to -4.5% from the previous year. The Third-party Liability category as well as Other categories are deteriorating in this identical proportion. However, the technical-financial result of the branch increased by just over three points, reaching 7.6%.

4.3. MULTI-PERIL

Some of the effects of the economic crisis such as the inactivity in construction and in house sales, lack of credit and lower consumption in general, have a clear unfavorable influence in the Multi-peril branch. However, despite the difficulties in the economic environment it is worth mentioning that these insurances have increased their issued premium volume in 2012, although the increase has been small and much lower than the previous year (0.7% in 2012 compared to 4.5% in 2011).

Within Non-life insurance, Multi-peril insurance is third in order of importance, behind Motor and Health, with a market share of 21.3%.

For yet another year, the highest premium volume corresponds to the Home category (56.8%), followed by Industrial (20.6%), Condominiums (12.3%), Commercial (9.4%) and Other Multi-peril (0.8%), with percentages similar to the previous year. Income for premiums registered variations of 2.9% in Home; 2.6% in Condomin-

Basic indicators (% of premiums) *	2011	2012
Increase in premiums (1)	6,579	6,626
% Variation in premium volume	4.5%	0.7%
Retention	81.7%	79.9%
Gross claims ratio	57.0%	57.2%
Gross expenses ratio	28.5%	28.0%
Net claims ratio	58.8%	59.8%
Net combined ratio	89.0%	90.2%
Financial result	3.3%	2.4%
Technical -Financial result	14.3%	12.2%

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

(1) Millions of euros

Table 14. Basic indicators of Multi-peril insurance

Source: FUNDACIÓN MAPFRE with data from ICEA

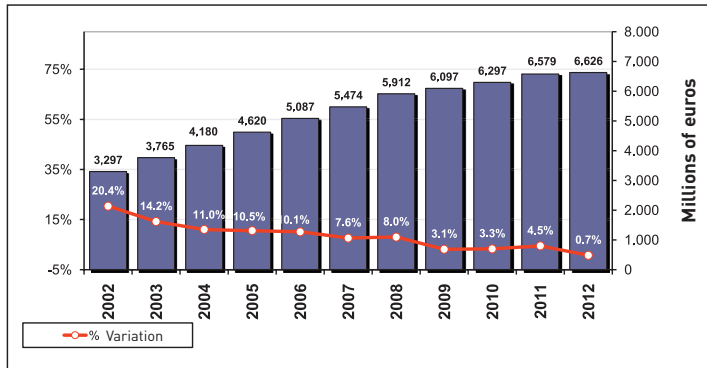


Figure 15. Evolution of Multi-Peril Insurance. Written premiums. Direct insurance

Source: ICEA

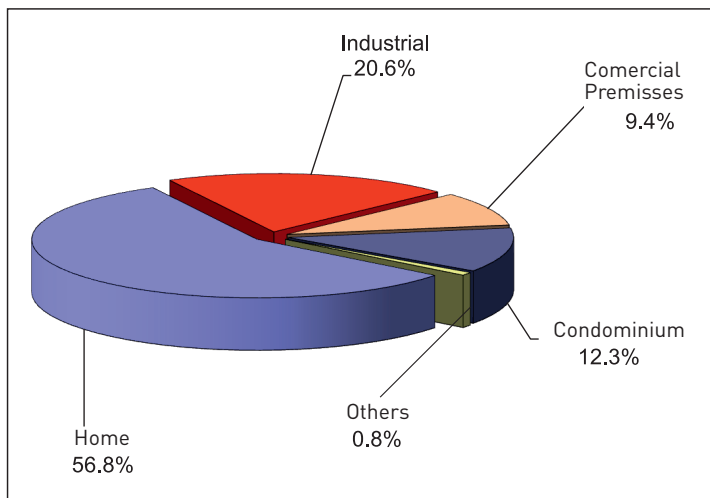


Figure 16. Distribution of Multi-Peril premiums by class of insurance

Source: ICEA

iums; -3.8% in Industry; -3.6% in Commercial and -5.9% in Other Multi-peril.

According to the data published by ICEA, the number of policies grew by only 0.39%, and cancellations have stayed at 2011 levels: Around 10% for Home and Condominiums and around 20% for the rest of the categories. Finally, the relative importance of channels does not vary, where insurance agents and brokers continue being the main sale channels.

The technical financial results of the branch fell to 12.2%, a decrease of two points compared to the previous year. This was due to lower financial results and a deterioration of the combined ratio, which increased just over one point due to an increase in the claims ratio. The considerable worsening of Industrial claims stands out by category. This has caused its combined ratio to increase to 98.8%.

Preview 2013

For the first time, the information for the first quarter of 2013 shows a drop of -2.2% in premiums compared to the same period the previous year, and earnings of 11.3% (13.0% in 2012). This decrease is caused by the reduction in premium volume registered in the Commercial (-4.9%), Industrial (-9.2%) and Other Multi-peril (-8.4%) categories. Only Condominiums and Home have registered a growth of 1.6% and 0.6%, respectively, but they could not compensate for the reduction in the rest of the branches because of their limited increase.

These decreases as regards premium issuance are caused by several reasons: There is strong competition in the sector in new policies, with very restrictive underwriting conditions. In portfolio policies, customers adjust their policies toward new products and coverage that are cheaper, eliminating coverage or reducing insured amounts, which results in a lower premium when expiries are issued. In addition, due to lower household income, some customers are choosing the self-insurance formula (in non-mandatory insurance), without transferring the risk to the companies.

In view of the previous outlook, the scenario will again be of intense competition and less customer loyalty, which means that companies will have to continue betting on differentiating strategies based on quality and services with customers who are more demanding and have more technological know-how.

4.3.1. HOME MULTI-PERIL

The category of Home Multi-peril presents a premium volume of 3,763 million Euros, with an increase of 2.9%.

As regards new coverage offered by the companies to their customers, the trend continues toward incorporating assistance guarantees, such as medical orientation guarantees to customers, do-it-yourself coverage, electrical appliance repair guarantees and the new Home Assistance included in some policies by which the company provides contact with a professional to perform the Energetic Certification required by law in case the real estate is sold or rented.

As regards the distribution channels, the agency channel continues to be the most important one. The Banking Insurance channel and the Brokers channel present losses in their market share, especially the latter, which has been greatly affected by the decrease in public expenditure and, therefore, by the business from Administrations. The Internet channel maintains high growth ratios in new production, but also suffers a high cancellation rate because of the search for cheaper policies.

Technical financial results suffered a decrease of just over one point, to 11.6%, because of a six tenths drop in financial results and an increase of net claims of one point. Guarantees with the greatest claim frequency and average cost by policy continue to be Damages for Water and Glass.

4.3.2. INDUSTRIAL MULTI-PERIL

The premium volume of the Industrial Multi-peril category decreased by 3.8%, totaling 1,367 million Euros. This reduction is related to the negative effects of the economic crisis on the Spanish business sector, mainly affecting this type of insurance. This involves a significant effort by insurance companies to adjust premiums, which is increasing claims, especially in new production.

Basic indicators (% of premiums) *	2011	2012
Volume of premiums issued (1)	3,656	3,763
Variation in premiums	4.3%	2.9%
Retention	91.5%	91.6%
Gross claims	56.6%	57.7%
Gross expenses	32.1%	31.8%
Net claims	57.7%	58.8%
Net combined ratio	89.9%	90.5%
Financial result	2.7%	2.1%
Technical-Financial result	12.8%	11.6%

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

(1) Millions of euros

Table 15. Basic indicators of Home Multi-peril insurance

Source: Based on data from ICEA

Basic indicators (% of premiums) *	2011	2012
Volume of premiums issued (1)	1,421	1,367
Variation in premiums	7.0%	-3.8%
Retention	56.0%	50.4%
Gross claims	57.4%	59.1%
Gross expenses	21.0%	19.7%
Net claims	64.0%	70.9%
Net combined ratio	90.0%	98.8%
Financial result	5.3%	3.4%
Technical-Financial result	15.2%	4.5%

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

(1) Millions of euros

Table 16. Basic indicators of Industrial Multi-peril insurance

Source: Based on data from ICEA

It should be noted that premium volume grew in 2011 mainly due to the increase of the CPI compared to 2010, which did not occur in 2012.

As regards new coverage, All Risk insurance is incorporated more frequently, as well as more complete Third-party Liability insurance for the Industrial sector (Third-party Liability for Products, Works in third-party facilities, Environment, etc.).

The guarantee with the highest number of claims, claims amount, frequency and average cost by policy is Fire. However, the guarantee for Loss of Benefits has the highest average cost per claim.

The technical-financial result suffered a fall of more than ten points, to 4.5%, mainly because of an increase in net claims of almost seven points, which has increased the combined ratio to 98.8%. The financial result was also affected and decreased by nearly two points, to 3.4%. These negative results contrast with the good performance that all these variables had in 2011.

4.3.3. COMMERCIAL MULTI-PERIL

The premium volume of the Commercial Multi-peril category decreased by 3.6%, to 625 million Euros.

Water damage guarantee in 2012 yielded a greater claims frequency and frequency, while Robbery obtained most claim amount and average amount per policy. From the point of view of economic activity, bars and restaurants continue showing a greater number of claims and loss amount, as well as tobacconist's economic activity, which showed the lowest indexes of claims frequency and average costs.

Basic indicators (% of premiums)*	2011	2012
Volume of premiums issued (1)	649	625
Variation in premiums	-0.2%	-3.6%
Retention	84.6%	86.1%
Gross claims	57.0%	53.6%
Gross expenses	29.3%	30.1%
Net claims	58.4%	54.7%
Net combined ratio	87.3%	84.4%
Financial result	3.8%	2.6%
Technical-Financial result	16.4%	18.2%

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

(1) Millions of euros

Table 17. Basic indicators of Commercial Multi-peril insurance

Source: Based on data from ICEA

The trend in new features for Commercial insurance is focusing on including value-added services in policies and adapting certain guarantees focused on specific activities such as electronic prescription coverage in pharmacies or temporary replacement of equipment (machinery).

Spain has nearly 2 million self-employed workers who do not belong to trading corporations, cooperatives or other corporate entities and are not family collaborators or registered as part of a special group

of workers. Therefore, specific products are being designed to target this segment and to provide comprehensive coverage of Non-life risks for self-employed workers.

The combined ratio in the branch fell just over three and a half points, to 84.4%, due to the reduction of net claims, which declined by about four net points and compensated the rise in gross expense and lower financial incomes. Consequently, the technical-financial result increased by nearly two points, up to 18.2%.

4.3.4. CONDOMINIUMS MULTI-PERIL

The premium volume of the Condominiums Multi-peril category increased by 2.6% amounting to 815 million Euros.

Innovative types of coverage are being incorporated to this branch, such as coverage against jamming, traditionally excluded in such insurance, or coverage against non-payment of community fees.

As in the Home branch, the Communities are adjusting the price of premiums through discounts, adjustment of insured amounts or reductions in coverage. As a result, the average premium of new production has fallen about 8% in relation to 2012.

Water damages guarantee still represents the largest amount of declared claims, the largest claim frequency and average cost per policy, especially in buildings between 31 and 40 years old.

The technical-financial result improved by one point to 22.0% thanks to a reduction in claims of almost two and a half points. The financial result decreased seven tenths.

Basic indicators [% of premiums]*	2011	2012
Volume of premiums issued (1)	794	815
Variation in premiums	5.2%	2.6%
Retention	86.8%	86.7%
Gross claims	53.8%	51.2%
Gross expenses	27.6%	28.0%
Net claims	54.9%	52.5%
Net combined ratio	82.5%	80.7%
Financial result	3.4%	2.7%
Technical-Financial result	21.0%	22.0%

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

(1) Millions of euros

Table 18. Basic indicators of Condominiums Multi-peril insurance

Source: Based on data from ICEA

Results historical series

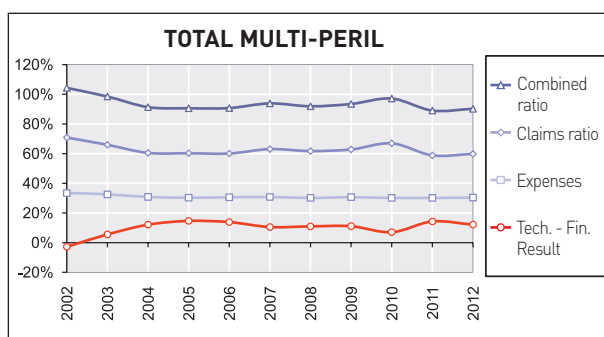


Figure 17. Evolution of the result in the Multi-peril branch. % over net earned premiums

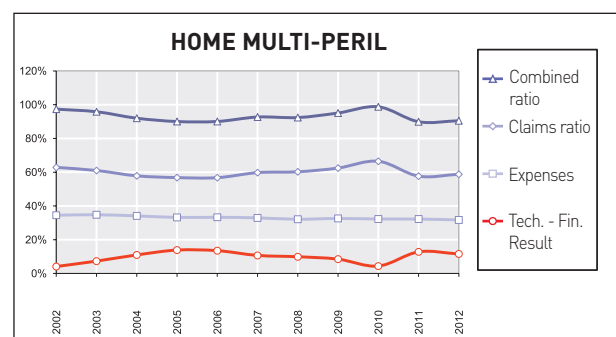


Figure 18. Evolution of the result of the Household Multi-Peril branch. % over net earned premiums

Source: Based on data from ICEA

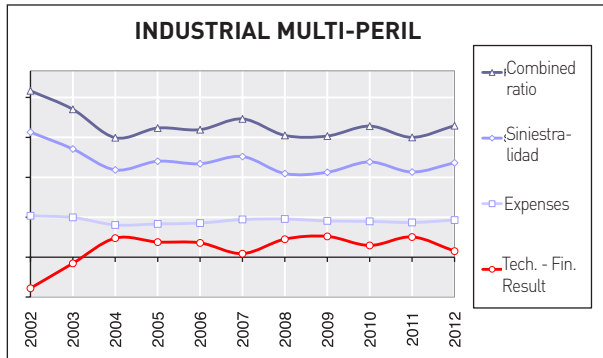


Figure 19. Evolution of the result of the Industrial Multi-Peril branch. % over net earned premiums

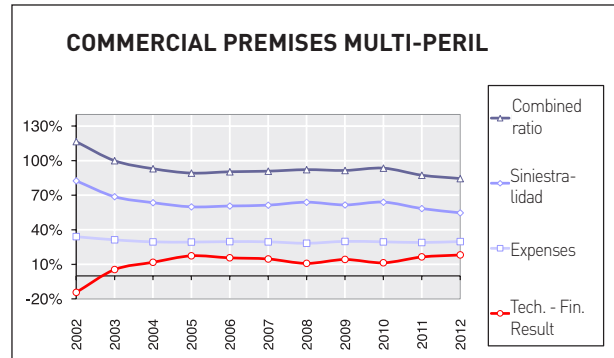


Figure 20. Evolution of the result of the Commercial Multi-Peril branch. % over net earned premiums

Source: Based on data from ICEA

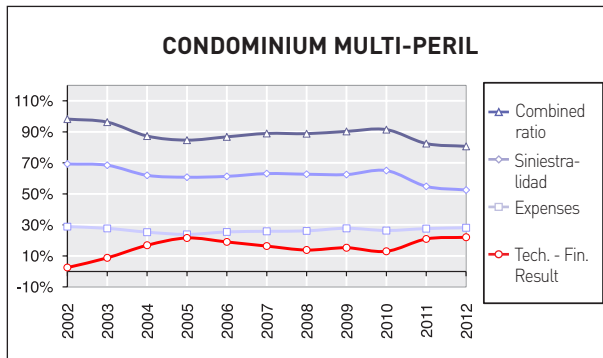


Figure 21. Evolution of the result of the Communities Multi-Peril branch. % over net earned premiums

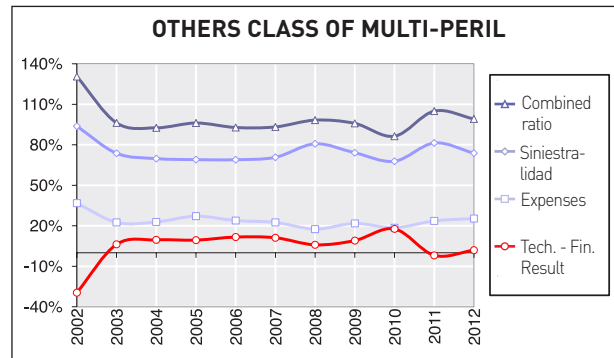


Figure 22. Evolution of the result of the Other Multi-Peril branch. % over net earned premiums

Source: Based on data from ICEA

4.4. HEALTH

The premium volume of the Health branch increased by 3.2% during 2012, reaching the amount of 6,806 million Euros. Growth was one tenth higher than in 2011. This is obviously a good result during a year when the economic crisis caused a significant downturn in economic activity.

Growth is mainly the result of the premium amount increase in annual insurance portfolio renewal, because the number of policy holders remained stable at 10.4 million.

If disaggregated by category, Healthcare Assistance obtained an increase of 3.8% up to 5,851 million Euros, representing 77.8% of the policy holders. Collective policies are still attracting a higher number of holders, registering an increase of 3.7% (collective insurance not belonging to Mutual companies), compared to the

Basic indicators (% of premiums)*	2011	2012
Volume of premiums issued (1)	6,597	6,806
Variation in premiums	3.1%	3.2%
Retention	97.8%	97.7%
Gross claims	82.8%	82.7%
Gross expenses	11.5%	11.4%
Net claims	83.9%	83.8%
Net combined ratio	95.4%	95.2%
Financial result	1,1%	0,8%
Technical-Financial result	5,6%	5,5%

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

(1) Millions of euros

Table 19. Basic indicators of Health insurance

Source: Based on data from ICEA

slight increase of 0.4% registered in the amount of insured individuals.

The category of Rendering of Services (Healthcare Assistance + Expense Reimbursement) obtained an increase of 3.6% up to 6,506 million Euros, and accumulates 96.2% of the premiums and 84.7% of the number of policy holders. In the Expense Reimbursement category, the premium volume increased 1.5% up to 655 million Euros, but the number of insured decreased by 3.7%. Finally, the Subsidies and Compensations category, closely linked to self-employed workers and, therefore, greatly affected by the economic crisis, slightly decreased and accumulated 3.8% of premiums and 15.3% of insured.

As regards claims paid, almost 90% belong to Healthcare Assistance. As a whole, the total of paid services rose to 5.2 million Euros, with an increase of 2.5% compared to the previous year.

Madrid was the Autonomous Community with the greatest number of insured (20.8%) and the highest premium volume (24.4%), followed by Catalonia (with 20.3% of the total amount of insured and a premium volume of 20.9%).

The technical financial result has remained practically stable, improving one tenth up to 5.5%, because of the improvement of two tenths in the combined ratio, which managed to compensate financial result losses. Improvement in the technical account was mainly due to the Illness branch, which increased from 4.1% to 9.3%, because of a six-point decrease in its combined ratio, which dropped to 93%.

This is the first year new unisex rates have been implemented in new Health insurance, as result of the sentence by the European Union Court of Justice that requires all member countries to balance out premiums for both genders as from December 21st, 2012. Although it is still too soon to study the effects of this change, it already involved a premium increase in men of certain ages, with the corresponding premium decrease in women between the ages of 25 and 45. An increase has also been observed in new productions for women of child-bearing age. The effect on the branch results will be seen in future fiscal years.

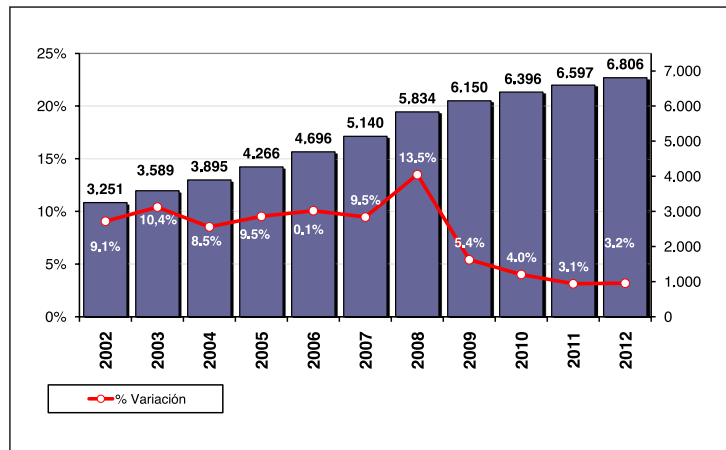


Figure 23. Evolution of Health Insurance. Written premiums. Direct insurance

Source: ICEA

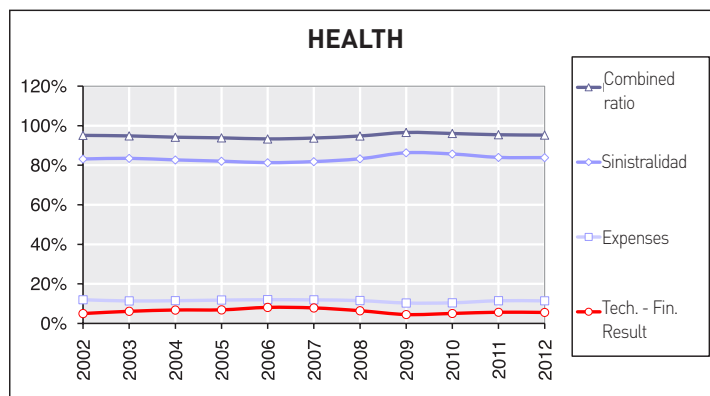


Figure 24. Evolution of results of Health Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Preview 2013

By June 2013, growth in premium volume was 1.5 %, compared to 3.2% registered the same period the previous year. Estimates for this year, as in previous years, is that growth will remain within the current figures, or even slightly above. Although a decrease is observed compared to 2012, within the current negative progress scenario in premiums of the Non-life branches, Health is one of the few branches that is still growing. On the other hand, insured volume may maintain its trend toward stabilization, hence the branch would only grow through new administrative concessions.

Finally, it is worth mentioning that the current situation of the economic crisis made the entities lower rates to capture new productions. Predictably, this will slightly reduce the technical result in this fiscal year..

4.5. BURIAL INSURANCE

Among Non-life branches, Burial insurance has been the one with the greatest growth, reaching a premium volume of 1,891 million Euros, which implies an increase of 7.3% (3.4% in 2011). This is due to the very nature of this type of insurance and its anticipation philosophy on a long term basis. However, the main factor that has influenced the evolution of this branch has

Basic indicators(% of premiums)*	2011	2012
Volume of premiums issued (1)	1,761	1,891
Variation in premiums	3.4%	7.3%
Retention	100.6%	98.9%
Gross claims	51.3%	55.2%
Gross expenses	37.8%	37.5%
Net claims	50.1%	55.5%
Net combined ratio	87.9%	93.0%
Financial result	5.7%	6.8%
Technical-Financial result	17.8%	13.8%

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

(1) Millions of euros

Table 20. Basic indicators of Burial insurance

Source: Based on data from ICEA

been the reclassification of VAT applied to funeral services (from the reduced tax (8%) to the general rate (21%). As a result companies have transferred part of this increase to the customer and caused an exceptional issuance increase in the branch.

VAT reclassification applied to funeral services in September 2012 required many companies to adjust their death capital in October to adapt to the new situation, which demanded an increase of the sum insured by 13%. This caused an exceptional increase in issued premiums that continued in January 2013 when the rest of the entities have remained the same.

The technical-financial result fell four points to 13.8% because of an increase in net claims of almost five and a half points, until reaching 55.5%. The origin of this increase is greater allocation to the specific provision of the branch, a factor exogenous to branch management, and which occurs as a result of the modification of the reference interest rate set by DGSFP. Despite this, it remains one of the lowest in the industry along with Accidents and Third-Party Liability branches. Gross expense fell three tenths to 37.5%, but remains among the highest in the sector because of the marked influence of acquisition costs due to the management of the administration performed by the agency network. The financial result increased by just over one point, which improved the final result. Only Burial and Surety Insurances, among all non-life insurances, have improved the financial result.

Preview 2013

The figures for the first quarter of 2013 (ICEA) show a year-on-year growth in premium volume of 9.4% and a lower result of the technical account branch derived from lower financial incomes.

The growth rates at the end of the year will fall slightly compared to that 9.4%, since part of the entities implemented VAT increase in October 2012.

4.6. THIRD-PARTY LIABILITY

For the fifth straight year the premium volume of the Third-party liability branch continues to decrease at rates similar to those of previous years, registering in 2012 a decrease of 5.6%, reaching 1,446 million Euros.

The current situation in the branch is a reflection of the general economic situation in Spain, strongly affected by the decline of business and, in particular, by the crisis in the construction sector that generated a significant premium volume in this branch of insurance. Also, the difficulties in collecting the premiums resulted in an increase of cancellations.

The Third-party Liability branch presents the lowest claim ratio in the Non-life sector, although it should be noted that the volatility of this branch is very high and conditioned by the reinsurance policy. Compared to the decrease in the premium volume, the branch has an extraordinarily favorable technical-financial result, despite the declining financial results, which greatly influence this branch due to the high volume of provisions generated.

The combined ratio decreased considerably due to the strong reduction in

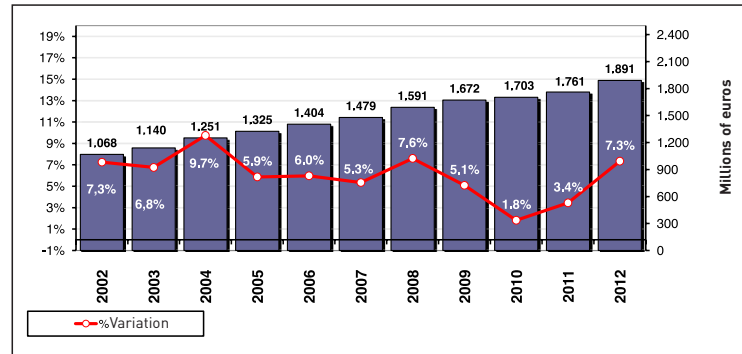


Figure 25. Evolution of Burial Insurance. Written premiums. Direct insurance

Source: ICEA

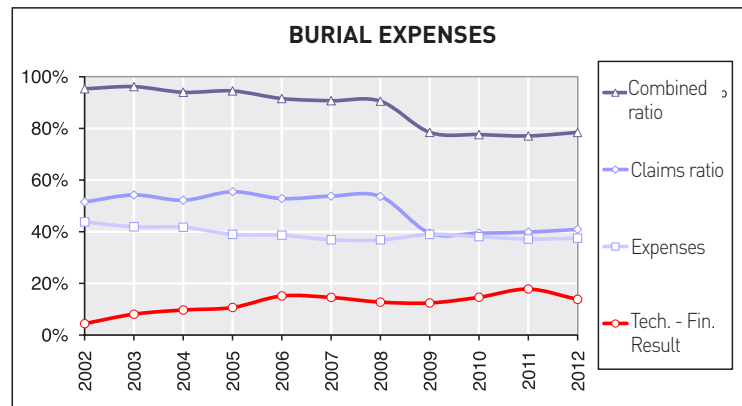


Figure 26. Evolution of results Burial Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Basic indicators (% of premiums) *	2011	2012
Increase in premiums (1)	1,531	1,446
% Variation in premium volume	-5.7%	-5.6%
Retention	73.9%	72.5%
Gross claims ratio	54.8%	39.1%
Gross expenses ratio	22.8%	24.8%
Net claims ratio	51.0%	37.3%
Net combined ratio	74.6%	63.6%
Financial result	12.5%	7.1%
Technical - Financial result	37.7%	42.8%

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

(1) Millions of euros

Table 21. Basic indicators of Third-party Liability insurance

Source: Based on data from ICEA

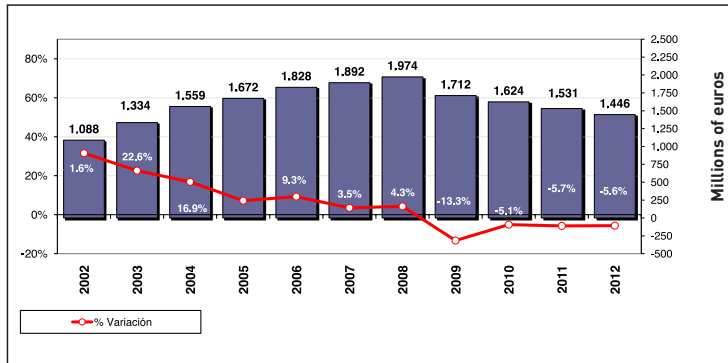


Figure 27. Evolution of Third-Party Liability Insurance. Written premiums. Direct insurance

Source: ICEA

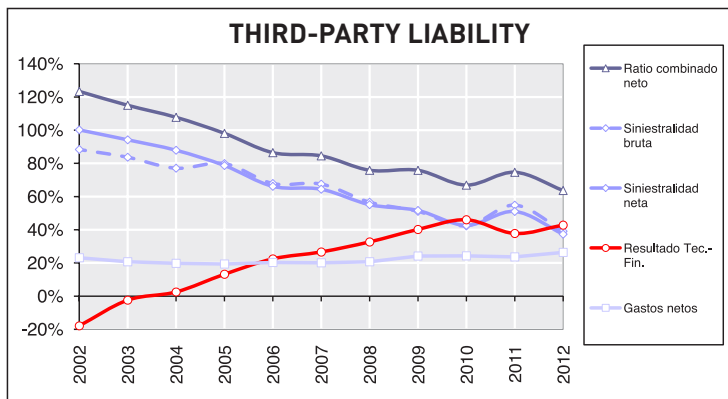


Figure 28. Evolution of results of Third-Party Liability Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

claims by almost 14 points. This significant reduction, from 51% in 2011 to 37.3% in 2012, has helped maintain the premium reduction trend. This information must be considered with caution, since the reduction in claims is partly motivated by a decline in business activity resulting from the economic crisis. Therefore, the industry must be aware of possible upturns in claims once the macroeconomic situation has stabilized, after which the conditions of contracts will probably start to become more restrictive.

In regulatory terms, Law 5/2012, of July 6th, on Civil and Commercial Mediation, deals with the implementation of new alternative dispute resolutions in order to provide practical and cost effective solutions to certain disputes between parties. It has been established as an alternative to trial or arbitration, from which it clearly has to differentiate itself. Article 11.3 also requires the mediator to subscribe an equivalent insurance or guarantee covering third-party

liability arising from his/her performance in the conflicts where he/she is involved, as set out in the mandatory insurance required in Law 11/2011 of May 20th which amends the Arbitration Act.

Regarding environmental claims, having analyzed the legal proceedings that started 14 years ago due to the collapse of the dam containing polluting wastes from the Aznalcollar mine, Order 9/2012 of the Special Chamber of Conflicts under Supreme Court Jurisdiction has ruled that the dossier must be completed declaring the Lower Court competent to resolve the matter, and thus returning the case to the same court that was initially inhibited.

Finally, it should be noted that the Prosecution has raised the total and final cost of the loss caused by the oil tanker Prestige to 4,442 million Euros. The Public Prosecutor's office quantifies that "only" the Spanish State, which also assumes the representation of France as an accusation in the process, is entitled to 4.328 billion in compensation for losses caused by the huge 2002 oil slick that dyed 1,600 km of the coast, from the mouth of river Miño, between Galicia and Portugal, to the French Atlantic coast.

Preview 2013

The figures for the first quarter of 2013 show a year-on-year variation of -8.5% compared to -5.7% from the previous fiscal year. However, the technical-financial result is higher than in 2012, reaching 44.8% as a consequence of an improvement in the technical result.

4.7. PERSONAL ACCIDENT

In 2012, the premium volume from the Accidents branch of insurance was 850 million Euros, representing a decrease by 5.2% compared to the previous year and a decrease in premium volume for the fourth straight year.

The branch, and especially the Collective Accidents category, continues in a soft market situation. Strong competition in premiums and the excellent technical-financial results facilitate a favorable response by insurers to the constant demand for premium reduction in the different risks; with the exception of particularly dangerous activities and reinsurable risks, where contracting requirements, although affected by these reductions, continue with rates closer to those of previous years.

Despite the poor result of premiums, a significant improvement in some indicators can be observed. Thus, both gross and net claims fell nearly five points, improving by 4.5 p.p. in the combined ratio to 72.2%. However, the financial result worsened five tenths, down to 3.8%. Consequently, the technical-financial result increased four points, up to 31.6%, compared to the previous year.

Indicadores básicos [% sb. primas]*	2011	2012
Volume of premiums issued (1)	897	850
Variation in premiums	-2.6%	-5.2%
Retention	89.5%	89.7%
Gross claims	37.3%	32.7%
Gross expenses	37.2%	37.7%
Net claims	38.5%	33.7%
Net combined ratio	76.7%	72.2%
Financial result	4.3%	3.8%
Technical-Financial result	27.6%	31.6%

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

Table 22. Basic indicators of Personal Accidents Insurance

Source: Based on data from ICEA

Preview 2013

Data corresponding to the first quarter of 2012 (ICEA) show a year-on-year growth in premium volume of -4.2% compared to 4.8% for 2011, and a technical account result of 30.1%, a figure similar to that of the same quarter of the previous year. Claims, however, increased just over three points, mainly because it is absorbing the favorable effects of the improvements in traffic and labor safety risk.

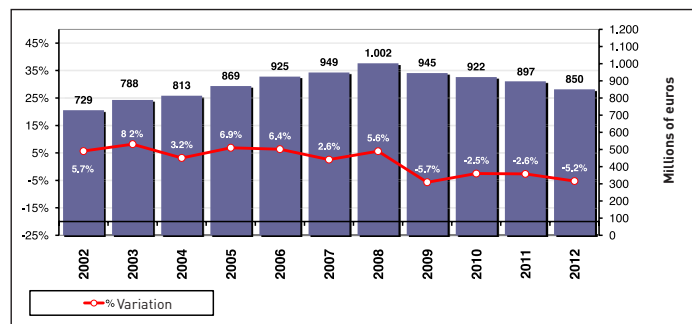


Figure 29. Evolution of Personal Accident Insurance. Written premiums. Direct insurance

Source: ICEA

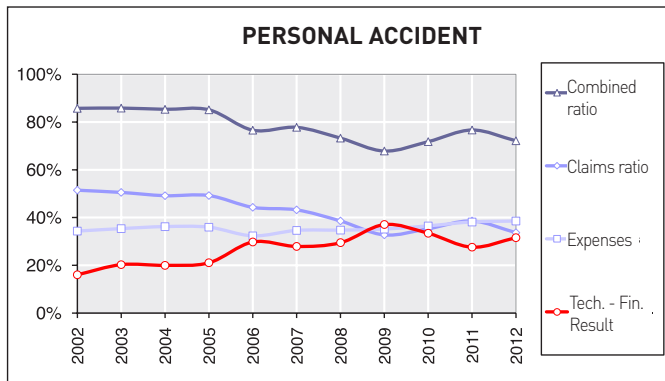


Figure 30. Evolution of results of Personal Accident Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

However, it must be contrasted with descending premium volumes, so the percentages of this ratio will tend to worsen. Slight increases in contracts are starting to be noticed but are yet insufficient to compensate reductions in the portfolio produced both by cancellations and reductions in policy conditions.

4.8. CREDIT

For the fourth straight year, Credit insurance premiums have experienced a setback compared to the previous fiscal year, amounting to 2.2% in 2012. The lack of economic recovery maintains negative insurance aspects, such as a lower amount of insured sales and a reduction in the number of signatures.

Basic indicators (% of premiums) *	2011	2012
Volume of premiums issued (1)	695	680
Variation in premiums	-3.3%	-2.2%
Retention	54.6%	53.2%
Gross claims	78.3%	81.4%
Gross expenses	20.4%	20.9%
Net claims	84.1%	87.8%
Net combined ratio	99.0%	107.0%
Financial result	6.2%	5.8%
Technical-Financial result	7.1%	-1.2%

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

(1) Millions of euros

Table 23. Basic indicators of Credit insurance

Source: Based on data from ICEA

In 2012, the continuing difficulties in the economic environment have led to an increase of 32% in the number of insolvent companies in our country, according to the National Statistics Institute. In this scenario, the gross claims of the Credit insurance branch increased by 4% compared to 2011, up to 81.4%. The net claims ratio has increased in equal measure to the gross claims and has caused a considerable increase in the combined ratio. Fiscal year 2012 ended with a negative technical result (-1.2%) for the sector.

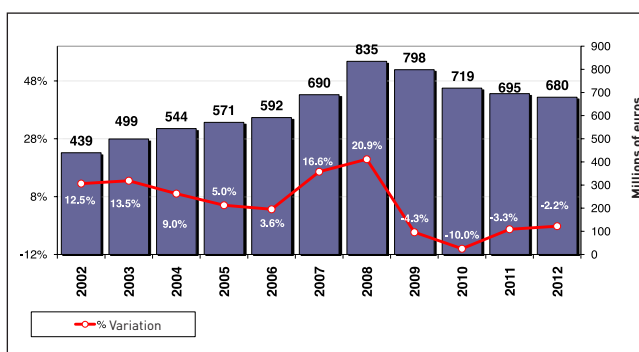


Figure 31. Evolution of Credit Insurance. Written premiums. Direct insurance

Source: ICEA

Preview 2013

By the end of April, information provided by ICEA shows that the premium reduction trend continues, with a decrease of 3.4%. Therefore, the year is expected to close with a further reduction, in line with that of 2012 (between 2% and 4%).

As for claims, the persistence of an unfavorable economic environment and provisional data of the first quarter closing of

2013 from the main operators, foretell a gross claim ratio higher than in 2012.

4.9. SURETY

Surety branch premiums in 2012 fell by 15.9%. This represents a major decrease that places the branch at the lowest levels since fiscal year 2002. This fact is mainly due to the sharp contraction of public investment and to near inactivity of the real estate business.

If premiums performed poorly, the performance of results was even worse. The gross claim ratio is 283%, possibly the highest in history, and the net claim ratio is almost 200%. These figures come mostly from “advanced sums for the purchase of housing”. The poor economic situation in Spain also translates into an increase in claims in one of the most important products in the branch: “Bidding and foreclosure guarantees before the Public Administration”, historically with a high level of claims. The high claim rate of these products triggers the combined ratio to 215.4%, although gross expenses remain at levels similar to those in 2011.

Preview 2013

The first five months of 2013 continue showing a weak market and difficulties in obtaining growth figures, although the reduction in premiums by the end of the fiscal year is not expected to be as sharp as that registered in 2012.

Regarding claims, foreclosure proceedings with public beneficiaries are still being executed, especially with local entities. Although it is not likely that the figures will be as bad as those in the previous fiscal year, the continuing economic crisis leads to a complicated 2013 in terms of results.

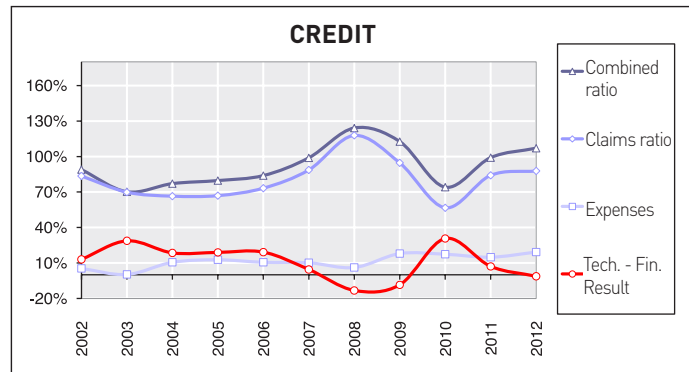


Figure 32. Evolution of results of Credit Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Basic indicators [% of premiums] *	2011	2012
Volume of premiums issued (1)	78	66
Variation in premiums	-7.3%	-15.9%
Retention	40.1%	47.1%
Gross claims	97.7%	283.4%
Gross expenses	25.2%	25.7%
Net claims	80.2%	199.3%
Net combined ratio	104.7%	215.4%
Financial result	8.2%	9.8%
Technical-Financial result	3.5%	-105.7%

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

(1) Millions of euros

Table 24. Basic indicators of Surety insurance

Source: Based on data from ICEA

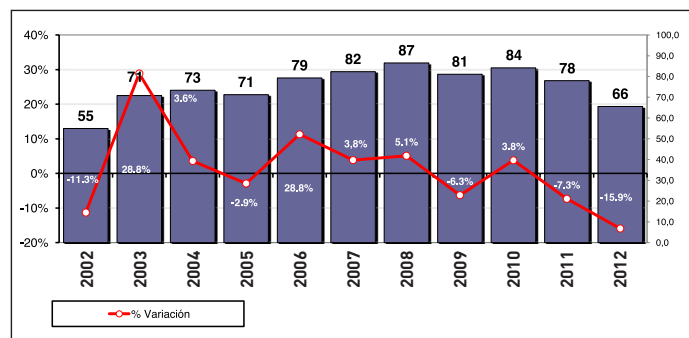


Figure 33. Evolution of Surety Insurance. Written premiums. Direct insurance

Source: ICEA

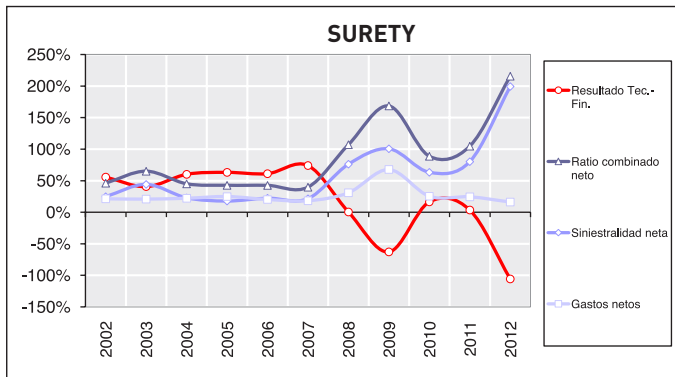


Figure 34. Evolution of results of Surety Insurance. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

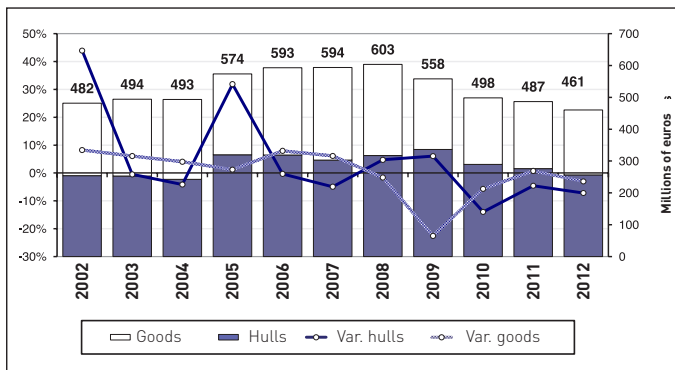


Figure 35. Evolution of Transport Insurance. Written premiums. Direct insurance

Source: FUNDACIÓN MAPFRE with data from ICEA

Indicadores básicos [% sb. primas]*	2011	2012
Volume of premiums issued (1)	276	256
Variation in premiums	-4.6%	-7.2%
Retention	49.4%	54.8%
Gross claims	50.5%	72.6%
Gross expenses	17.8%	19.8%
Net claims	67.4%	73.4%
Net combined ratio	93.8%	99.9%
Financial result	5.4%	3.9%
Technical-Financial result	11.6%	4.0%

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

(1) Millions of euros

Table 25. Basic indicators for Transport Insurance. Hulls

Source: Based on data from ICEA

claim showed significant increases. The financial result has lost almost two points. In conjunction with poor claims performance, this has resulted in a worsening of the technical-financial result by more than 7 points compared to 2011.

4.10. TRANSPORT

The Transport branch ended the fiscal year with the same trend of recent years: a decline in premium volumes collected. This time the decline was 5.4%, slightly higher than the percentage in 2011, with a premium volume of 461 million Euros, compared to 487 million Euros for the previous year.

By category, Hulls insurance premiums registered a decrease of 7.2% due to the significant decrease of 18.8% in Aviation insurances. On the other hand, the Goods branch decreased by 3% due to the general slowdown in the Spanish economy, which continues causing a decline in the activity in road transport operations.

4.10.1. HULLS

The premium volume of the Hulls branch decreased by 7.2% to 256 million Euros in 2012. The decline has been greater than in 2011 (-4.6%), but lower than in 2010 (-14.0%), and the recreational boats segment was the most affected by the economic situation (-5.0%). As usual, the Aviation branch presented very volatile behavior and showed a decrease in premiums of 18.8%.

Gross expense shows a slight increase in 2012. Together with the worsening of claims, this places the net combined ratio at 99.9%. It should be noted that the claims ratio has increased in almost all segments, particularly affecting ships, fishing boats and merchant ships. In the Aviation branch, both claim amounts and average cost per

4.10.2. GOODS

Premium volume registered in the Goods branch ended the fiscal year with 204 million Euros, representing 3% less than the previous year. This year, the decrease contrasts with the small increase of 0.7% that was observed in 2011.

Gross expenses were maintained. However, contrary to the Hulls branch, a decrease in claims in the Goods branch is. The net combined ratio improved by 1.6% compared to 2011. Despite this, the slight drop in the financial result affects the technical-financial result, which decreases just over one point compared to the previous year.

Preview 2013

The current economic situation does not allow reliable predictions regarding what may happen in the Transport sector during 2013, although export growth this year may encourage the growth of the branch. An increase in the volume of contracts is not likely to occur in the Hulls branch.

The lack of activity in the shipbuilding sector, together with the shortage of potentially insurable new units, does not indicate a difference. The Goods branch is affected by the context of the international crisis and the reduced activity of the domestic market. Possible improvements can only come through a rebound in international trade activity, but for now this is not possible in the short term.

The evolution of the first three months of 2013 (ICEA) shows a variation of 0.1%. Broken down by categories, Maritime and Goods experience declines of -3.3% and -1.5%, respectively, while Aviation achieved an increase of 26.8%.

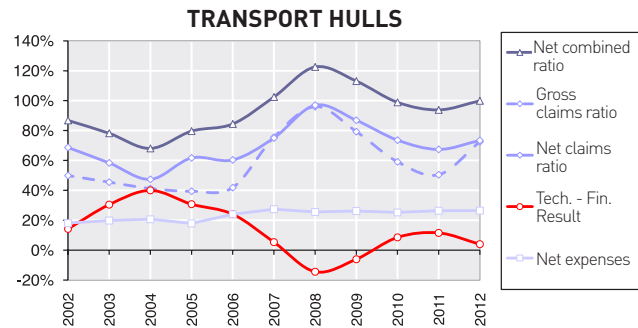


Figure 36. Evolution of results of Transport Insurance, Hulls category. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

Basic indicators [% of premiums]*	2011	2012
Volume of premiums issued (1)	211	204
Variation in premiums	0.7%	-3.0%
Retention	69.1%	65.4%
Gross claims	54.1%	50.5%
Gross expenses	25.5%	25.6%
Net claims	61.2%	58.5%
Net combined ratio	90.9%	89.3%
Financial result	5.4%	2.7%
Technical-Financial result	14.5%	13.4%

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

(1) Millions of euros

Tabla 26. Basic indicators for Transport insurance, Goods category

Source: FUNDACIÓN MAPFRE with data from ICEA

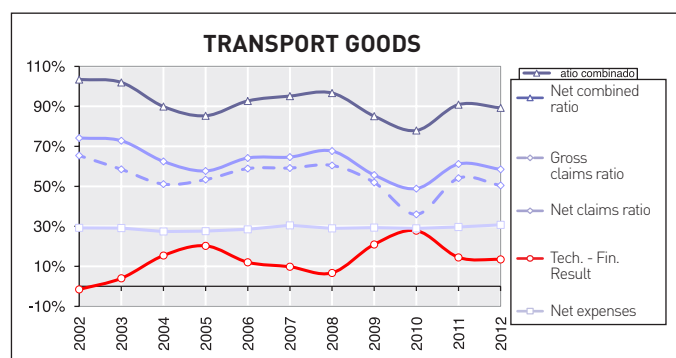


Figure 37. Evolution of results of Transport Insurance, Goods category. % of net earned premiums

Source: FUNDACIÓN MAPFRE with data from ICEA

4.11. ENGINEERING

The Engineering sector, which includes the Damages to Construction (Decennial), Construction, Machinery Loss, Mounting and Electronic Equipment branches, reached a premium volume in 2012 of 264 million Euros, which implies a decrease of 21.2% compared to the previous year.

However, not all branches have decreased equally. The decline has been pronounced in the branches related to the real estate sector, strongly affected by the economic crisis: -61.9% in Decennial and -32.3% in Construction. Consequently, their relative importance decreased from 16.9% in 2011 to 8.4% in 2012 for Decennial and from 33.7% to 28.3% for Construction.

Millions of euros

Class	Premium	
	2012	% Variac.
10-year construction	22	-61.9%
Construction Multi-Peril	75	-32.3%
Machinery breakdown	125	-1.2%
Erection	11	-27.8%
Electronic equipment	31	24.7%
Total Engineering	264	-21.2%

Table 27. Distribution of Engineering insurance by categories

Source: ICEA

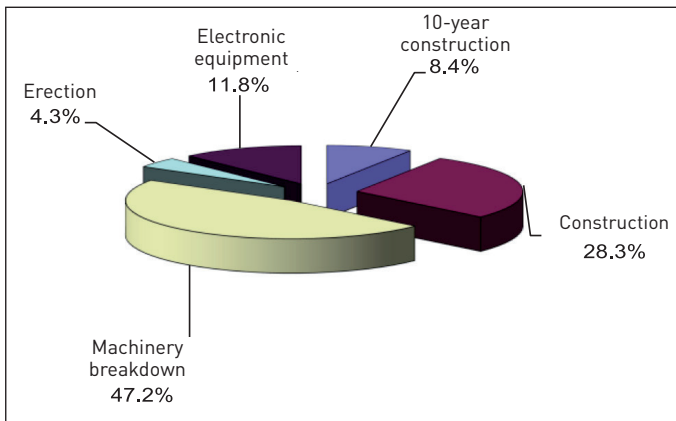


Figure 38. Distribution of Engineering by category

Source: ICEA

The fall has been lower in the most important branch, Machinery Loss, only -1.2%, lower than -4.8% in 2011. The relative importance of this branch increases ten points, up to 47.7%. The decrease is emphasized in Mounting, -27.8%, much higher than in 2011 (-5.2%), although it is a branch with little burden in the industry. Finally, it is important to highlight the growth in Electronic Equipment, 24.7%. This branch has grown steadily in recent years and its relative importance increased up to 11.8% in 2012.

The importance of the different branches within the engineering industry continues changing and is balanced by the branches not related to construction, representing the Machinery Loss Insurance 47.2%, which together with the Electronic Equipment insurance amount to 59% of the total.

Preview 2013

There are no significant signs of improvement in the industry, not to mention the Construction industry, which will predictably continue to influence the decline in the engineering sector. There are expectations that specific projects awards (Madrid Olympic Games, Eurovegas, railroad infrastructure) could soften the fall experienced by the construction industry. In any case, even if the sector is reactivated by the end of 2013, the decline in premium volume is expected to continue and there will be no upturn until future fiscal years.

In addition, the internationalization of Spanish companies, not only construction companies, keeps growing. Therefore, since businesses are not ensured from Spain, future growth does not seem feasible. However, the branches not related to the construction industry are showing slight signs of recovery.

4.12. MULTI-PERIL AGRICULTURAL INSURANCE

The Spanish System of Multi-peril Agricultural Insurance is a system of coverage for damage to agricultural crops, livestock, aquaculture and forestry, which jointly involves public and private institutions. Insurance institutions are grouped to manage risk in a coinsurance group called "AGROSEGURO", in which the state and regional authorities subsidize part of the premium and the Consorcio de Compensación de Seguros acts as direct insurer and non exclusive and compulsory reinsurer.

Despite the economic crisis and the fall of Spanish GDP in 2012, agricultural income in current terms increased in this period by 2.4% compared to the previous year, with an estimated total of 22,722 million Euros. Despite the decline in the quantity produced, the value of crop production increased 1% due to the rise of prices. Moreover, this rise in prices caused a 10% increase in the value of livestock production. As in 2011, in 2012 there was a general rise of prices of intermediate consumption (energy, feed, fertilizer, seeds, etc.) but the amount was less than the previous year.

In this context, the **premium volume** of earned agricultural insurance during the fiscal year 2012 grew by 5.0%, amounting to 675 million Euros. Differentiating by lines of business, the ones included in group A (experimental lines) grew by 14.4%, amounting to 369 million Euros, group B (viable lines) decreased slightly by 0.1% amounting to 177.9 million Euros, and group C (removal and destruction of dead animals in farm) fell 10%, amounting to 128 million Euros, due to the decline in collection prices.

As regards procurement, the insured production value decreased by 2.64%, amounting to 11,200 million Euros. 70% of this figure corresponded to the agricultural industry.

The performance of claims throughout 2012 has been extremely unfavorable, surpassing for the first time in history the 800 million Euros, due to claims from experimental lines or group A.

Claims in this group have risen to the unusual amount of 563 million Euros, which has exhausted its equalization reserve and led to the need for compensation of reinsurance. This value has represented 152% of earned premiums. On the contrary, the claim level of groups B and C has decreased compared to 2011, with ratios of 75% and 80%, respectively.

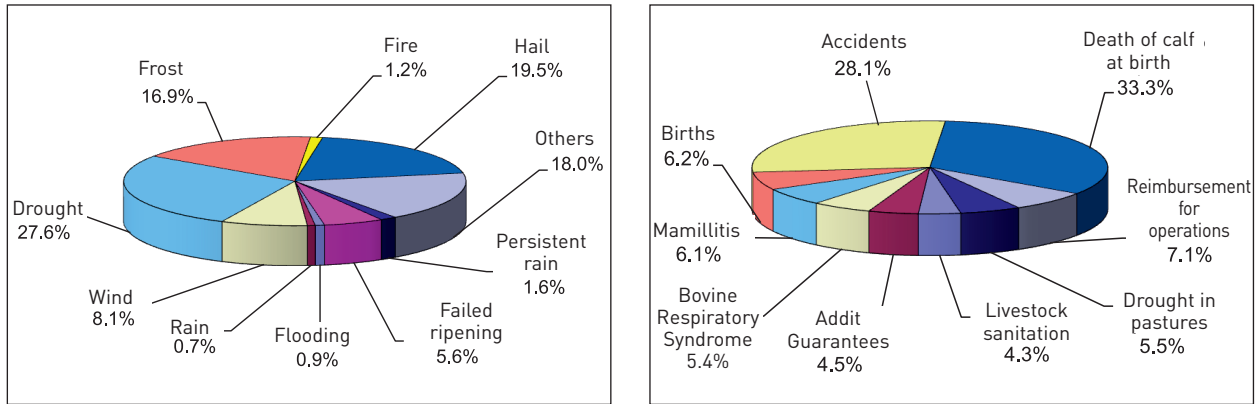


Figure 39. Agricultural Insurance. Distribution of claims in 2012. Agricultural Risks (left) and Livestock Risks (right)

Source: Agroseguro

Several adverse weather events have caused these results. Among the most important were the frosts of February in Levante and the South, affecting citrus, fresh fruit and vegetables; hail storms of July in areas of Catalonia and Aragon, affecting fruit production; the cold front of September in Levante and Andalusia; the prolonged drought, etc. As a consequence, there have been almost 128 thousand insurance claims, 34% more than in 2011.

The fluctuation of the claim ratio has improved, thankfully, during the first quarter of 2013, despite the spring flooding.

5. New legislation

5. NEW LEGISLATION

Below, there is a summary of the situation of the regulatory projects with significant relevance to the insurance industry and the news which took place during 2012 and 2013.

Order ECC/335/2012 enacted on February 22nd, which develops certain requirements of the private insurances regulation

The object of this Order is to incorporate the recommendations for the international organizations led by the G-20 and the Financial Stability Board concerning a prudential regulation on financial immunization of insurance operations, and to adapt the reduction coefficients by risk of credit in immunized insurance operations to the situation of public debt markets.

Order ECC/2150/2012 enacted on September 28th, which develops certain requirements of the private insurances regulation

With the same suggestion as in the previous Order, this Order expands the previous provisions to the general debt markets, with the object of adapting the investment regime of the insurance entities to the reality of the financial markets.

The DGSFP Disposition of July 6th, 2012, which modifies the Insurance Companies Accountability Plan approved under R.D. 1317/2008 of July 24th

This Disposition ends the transient application of GKM-95 and GKF-95 mortality tables to calculate premiums for death guarantees in the private insurance sector and to calculate the actuarial magnitudes associated to the coverage of death services in the Pension Plans sector. It also declares the PASEM 2010 mortality tables acceptable.

The DGSFP Disposition of December 12th, 2012, which publishes the updated amount of the guarantee fund and the limits to determine the minimum amount of the solvency margin in EEAA.

This Disposition announces the new update of the minimum amount in the Guarantee fund, which consists of 3.7 million Euros for companies operating in any of the Life, Surety or Credit branches and any of the branches that cover the Third-party Risk, as well as 2.5 million Euros for those operating in the rest of the branches. The minimum amount of the guarantee fund is fixed generally at 3.4 million Euros and at 1.2 million Euros for captive reinsurance companies. Finally, the updated amounts to determine the minimum amount of the solvency margin in Non-life insurance are published. The limits for the application of percentages to determine the minimum amount are fixed at 61.3 million Euros based on the premiums and 42.9 million Euros based on claims.

Law 17/2012 of December 27th on the State General Budget for the year 2013.

The ninth final provision of this Law, effective on January 1st, 2013, modifies Article 8.6 of the combined text of the Pension Funds and Plans Regulation Law. Said Law establishes that in the case of a participant without possibilities of obtaining retirement, such contingency shall be deemed produced as from 65 years of age. On the other hand, it establishes the possibility of anticipating service collection of the plan corresponding to retirement due to termination of the labor relation and despite being unemployed. Thus, the previous requirement is abolished, which stated that the termination of the labor relation and the status of unemployment derive from the "employment regulatory file approved by the labor authorities".

Preliminary Draft of the Law on Supervision of Private Insurance and Royal Decree Law of partial development of the Law.

In July, 2011, the preliminary draft of the Law on supervision of private insurance was approved by the Board of Ministers as a Bill. However, the dissolution of the General Courts as a consequence of the call for general elections caused the project to expire. Based on the text approved as Preliminary Draft of the Law, the transposition process of the Solvency II Directive started again in 2012, and the opportunity will be used to review and clarify the regulation contents. One of the changes introduced as regards the previous transposition process is to divide the content of the regulation into a new law which includes the substantial aspects, and a Royal Decree for partial development, with the purpose of organizing and providing greater clarity to the content of the new regulation.

However, due to negotiations in the framework of the proposal to change the Solvency II Directive for the Ómnibus II Directive, the initial dates for transposition and effective date of Solvency II Directive were postponed to June 30th, 2013 and January 1st, 2014. Given the complexity of Ómnibus II proposal, the co-legislators have agreed to assess the impact on long term guaranties, in order to estimate the effect that the application of the different measures may have on the insured, beneficiaries, supervising authorities and on the financial system as a whole. The result of such assessment shall be used to take measures in Solvency II, which means that the transposition date and effective date could be postponed again. The previous events caused the inactivity of the Solvency II Directive transposition project until an agreement is reached to adopt the Ómnibus II Directive.

Preliminary Draft of the Law on Insurance Contract

The main objective of the Preliminary Draft of the Law is to adequate the regulation of the insurance contract to a new social reality, placing some rules within context, recognizing the branches and products renowned in sector practice, as well as to simplify and unify legal terms and make its content more understandable, all of this with the purpose of strengthening the protection of the policy holder and the insured.

In May 2011, the administrative process began with the submission of the Preliminary Draft of the Law prepared by the Ministry of Justice to the Advisory Committee of Insurance and Pension Funds. On July 19th 2011, the Preliminary Draft of the Law was submitted under the State Council to report. However, as a consequence of the call for general elections and the dissolution of the General Courts, the Preliminary Draft was returned to the State Council without rendering judgment as required by the Ministry of Justice.

In 2012, the process of the Preliminary Draft started again, with the decision to perform partial modification of the work performed in previous years in collaboration with the Ministry of Justice, as it was a joint project with the Ministry of Economy and Competitiveness. The entire previous regulatory approach was completely overhauled on June 20th 2013.

The General Committee of Coding presented a complete text which updates the Commercial Code in force since 1885, integrating all the existing commercial legislation in a single text. Thus, the insurance contract, of unequivocal commercial nature, is framed within the fifth book, "*Of commercial contracts in particular*".

The proposal presented in this new Code consists of more than 1,900 articles and has been divided into seven books and one preliminary section. Some matters, which until now have been excluded from the legal regulation, have been included therein, such as the electronic, distribution or financial-commercial contracts, which were not by backed by any law. The text of the future Insurance Contract Law is regulated under Section IX, "*Of Insurance Contracts and Insurance Mediation*". In order to analyze the writing of the expected Insurance Contract Law, we should wait until the code is finally brought to light.

6. Methodology

6. METHODOLOGY

Sources of information

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

Calculation

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

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

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



STASTICIAL ANNEX

Basic indicators of insurance by branches 2012

	Vol. of issued premiums	Variation in premiums	Retention	Gross claims ratio	Gross expenses ratio	Net claims ratio	Net combined ratio	Financial result	Technical-Financial result
Non-life	31,116	-1.9%	88.6%	68.0%	22.1%	70.0%	92.3%	2.9%	9.7%
Motor	10,607	-5.9%	94.9%	77.1%	18.9%	78.3%	97.3%	3.3%	5.9%
Multi-peril	6,626	9.0%	41859*%	57.2%	28.0%	59.8%	90.2%	2.4%	12.2%
Home multi-peril	3,763	2.9%	91.6%	57.7%	31.8%	58.8%	90.5%	2.1%	11.6%
Industrial multi-peril	1,367	-3.8%	50.4%	59.1%	19.7%	70.9%	98.8%	3.4%	4.5%
Commercial multi-peril	625	-3.6%	86.1%	53.6%	30.1%	54.7%	84.4%	2.6%	18.2%
Condominium multi-peril	815	2.6%	86.7%	51.2%	28.0%	52.5%	80.7%	2.7%	22.0%
Other multi-peril	56	-5.9%	89.2%	73.1%	25.2%	73.8%	99.2%	1.1%	1.9%
Health	6,806	3.2%	97.7%	82.7%	11.4%	83.8%	95.2%	0.8%	5.5%
Third-Party Liability	1,446	-5.6%	72.5%	39.1%	24.8%	37.3%	63.6%	7.1%	42.8%
Transport	256	-7.2%	54.8%	72.6%	19.8%	73.4%	99.9%	3.9%	4.0%
Transport hulls	204	-3.0%	65.4%	50.5%	25.6%	58.5%	89.3%	2.7%	13.4%
Transport goods	1,891	7.3%	98.9%	55.2%	37.5%	55.5%	93.0%	6.8%	13.8%
Burial	680	-2.2%	53.2%	81.4%	20.9%	87.8%	107.0%	5.8%	-1.2%
Credit	66	-15.9%	47.1%	283.4%	25.7%	199.3%	215.4%	9.8%	-105.7%
Surety	850	-5.2%	89.7%	32.7%	37.7%	33.7%	72.2%	3.8%	31.6%
Accidents									

Source: ICEA

ÍNDICE DE FIGURAS Y TABLAS

FIGURAS

Figure 1. Evolution of the Spanish Population.....	13
Figure 2. Distribution of the Spanish Population by age group and sex. 2012	14
Figure 3. Distribution of casualties by type of accident	14
Figure 4. Home Sales. Number of transactions and quarterly variation	14
Figure 5. Summary of the key variables. 2012.....	15
Figure 6. Evolution of the insurance market in Spain. Premium volume and variation	19
Figure 7. Evolution of Penetration and Density of the Spanish Insurance Industry.....	21
Figure 8. Distribution of the Total Sector Investment. Year 2012.....	23
Figure 9. Evolution of the number of operating entities by type	25
Figure 10. Ranking of insurance groups by premium volume. TOTAL	31
Figure 11. Ranking of insurance groups by premium volume. LIFE	31
Figure 12. Ranking of insurance groups by premium volume. NON-LIFE	32
Figure 13. Evolution of Life. Written premiums. Direct insurance.....	36
Figure 14. Evolution of the result in the Motor branch. % over net earned premiums	41
Figure 15. Evolution of Multi-peril. Written premiums. Direct insurance.....	43
Figure 16. Distribution of Multi-peril premiums by category.....	43
Figure 17. Evolution of the result in the Multi-peril branch. % over net earned premiums	46
Figure 18. Evolution of the result of the Household Multi-Peril branch. % over net earned premiums	46
Figure 19. Evolution of the result of the Industrial Multi-Peril branch. % over net earned premiums	47
Figure 20. Evolution of the result of the Commercial Multi-Peril branch. % over net earned premiums.....	47
Figure 21. Evolution of the result of the Communities Multi-Peril branch. % over net earned premiums.....	47
Figure 22. Evolution of the result in Other Multi-perils branch. % over net earned premiums	47
Figure 23. Evolution of Health. Written premiums. Direct insurance	48
Figure 24. Evolution of the result in the Health branch. % over net earned premiums	48
Figure 25. Evolution of Burial insurance. Written premiums. Direct insurance	50
Figure 26. Evolution of the result in the Burial insurance. % over net earned premiums.....	50
Figure 27. Evolution of Third-Party Liability. Written premiums. Direct insurance	51
Figure 28. Evolution of the result of the Third-party Liability branch. % over net earned premiums.....	51
Figure 29. Evolution of Personal Accidents. Written premiums. Direct insurance.....	52
Figure 30. Evolution of results of Personal Accident insurance. % of net earned premiums	53
Figure 31. Evolution of Credits. Written premiums. Direct insurance.....	53
Figure 32. Evolution of the result in the Credit branch. % over net earned premiums	54
Figure 33. Evolution of Surety. Written premiums. Direct insurance	54
Figure 34. Evolution of the result in the Surety branch. % over net earned premiums	55
Figure 35. Evolution of Transport. Written premiums. Direct insurance	55
Figure 36. Evolution of the result in the Transport Hulls branch. % over net earned premiums.....	56
Figure 37. Evolution of the result in the Transport Goods branch. % over net earned premiums.....	56
Figure 38. Distribution of the Engineering premiums by category.....	57
Figure 39. Agricultural Insurance. Distribution of claims in 2012. Agricultural Risks (left) and Livestock Risks (right)..	59

TABLES

Table 1.	GDP and its components	12
Table 2.	Size of the world's largest insurance markets in 2012.....	18
Table 3.	Distribution of the business by branches. Written premiums. Direct insurance	20
Table 4.	Insurance sector results	22
Table 5.	Basic indicators. Non-Life Insurance	22
Table 6.	Premiums in 2011 by activity.....	28
Table 7.	Premium volume by Spanish region	29
Table 8.	Activity of the Consorcio de Compensación de Seguros.....	33
Table 9.	Composition of Life insurance by class.....	36
Table 10.	Composition of Life insurance by class.....	37
Table 11.	Basic indicators of Motor insurance.....	40
Table 12.	Evolution of average Motor premium.....	40
Table 13.	Average frequencies and costs by guarantees.....	41
Table 14.	Basic indicators of Multi-peril insurance.....	42
Table 15.	Basic indicators of Home Multi-peril insurance	44
Table 16.	Basic indicators of Industrial Multi-peril insurance	44
Table 17.	Basic indicators of Commercial Multi-peril insurance.....	45
Table 18.	Basic indicators of Condominium Multi-peril insurance.....	46
Table 19.	Basic indicators of Health insurance.....	47
Table 20.	Basic indicators of Death insurance.....	49
Table 21.	Basic indicators of Third-party Liability insurance	50
Table 22.	Basic indicators of Accidents insurance	52
Table 23.	Basic indicators of Credit insurance.....	53
Table 24.	Basic indicators of Surety insurance	54
Table 25.	Basic indicators for Transport Insurance. Hulls.....	55
Table 26.	Basic indicators for Transport Insurance. Goods.....	56
Table 27.	Distribution of Engineering insurance by category	57

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