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FY 2014 Earnings Call Transcripts

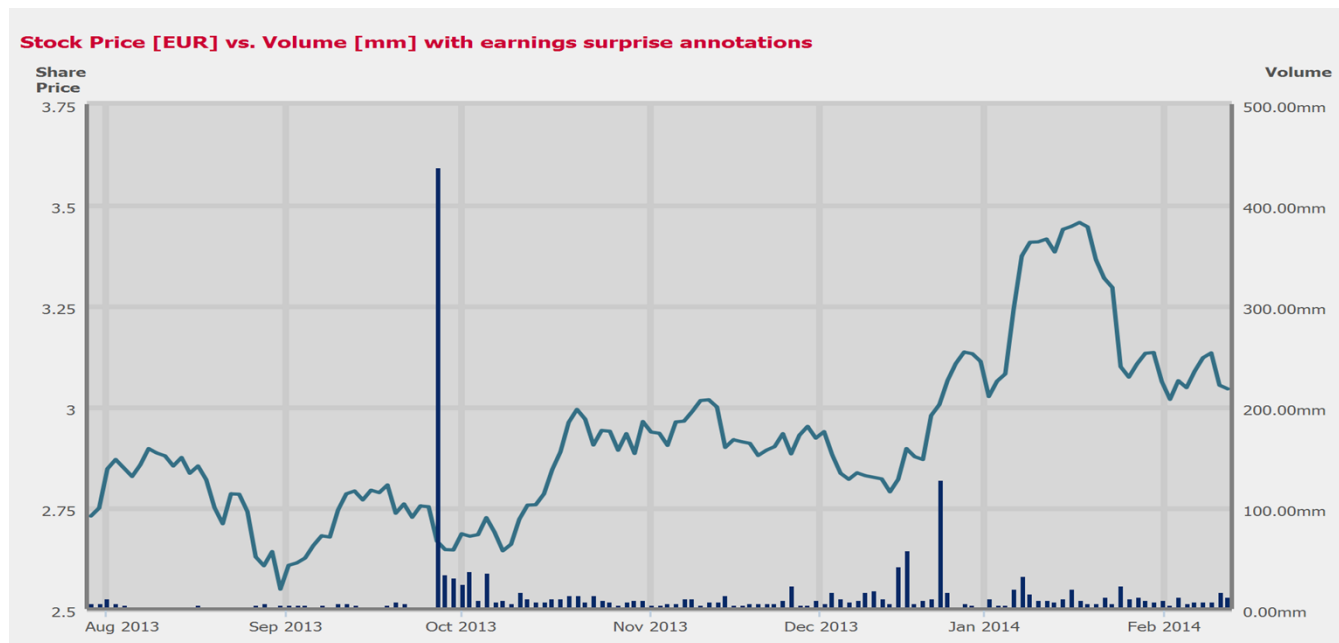
Wednesday, February 11, 2015 12:30 PM GMT

S&P Capital IQ Estimates

	-FQ4 2014-	-FY 2014-	-FY 2015-
	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.06	0.29	0.32
Revenue (mm)	5278.00	21982.40	23491.11

Currency: EUR

Consensus as of Feb-11-2015 8:38 AM GMT



Call Participants

EXECUTIVES

Esteban Tejera Montalvo

*Former First Vice Chairman,
Director General and Non
Executive Chairman of Mapfre Re*

Luigi Lubelli

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Avinash Singh

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Silvia Rigol

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Presentation

Operator

[Audio Gap]

2014 Results Presentation. We are pleased to introduce Mr. Esteban Tejera, first Vice Chairman of the Group, who will conduct the presentation. Please go ahead, sir.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

Good afternoon, ladies and gentlemen. Welcome to a presentation of MAPFRE's 2014 full year results. As usual, I'll give an overview of the results and the main business developments. And later, Mr. Lubelli will explain financials in detail. We will be happy to take your questions at the end as usual.

And now I would like to turn to Slide #3. 2014 was a year of growth in the regions in which we operate, both in Life and Non-Life, and despite adverse exchange rate developments during most of the year. The combined ratio decreased a further 40 basis points, maintaining a very good level. I would like to remark this because last year, we had a combined ratio of 96.1%, which was very good. And according to the target we have established for -- in 2015, we are -- certainly [ph], we have reached our target after being under 96%. Funds under management reached EUR 40.8 million for the first time ever, and our solvency margin strengthened to nearly 260%. And equity per share went up by almost 17%. Lastly, profits grew almost 7% and includes a write-down in our Cattolica stake. Excluding that, we would have grown more than 12% up to EUR 890 million. I would like to explain this write-down in Cattolica stake. As you know very well, we have some participation in Cattolica that we keep from the time we had a joint venture. We have the facility we're developing, again we mentioned, with them in Italy. And we had this stake at the price that we thought impressionable according to the future cash flows in the company. But now after the right issue of EUR 500 million, we established the huge decrease in the price of the stock in the stock market since we sold to put this stake in accounting mark-to-market. So there is a deterioration of this that is roughly EUR 45 million in the net attributable result this year.

Please let's turn to the next slide. In Slide 4, you can see the highlights of the results, the business growth in all the business lines in countries with significant contribution of Life Assurance and Spain's return to growth. This is a matter also. There's a tendency of consistent growth in Spain. That is new. But it's now happening and it's remarkable for these 6 quarters.

As I mentioned before, we have a combined ratio that is very good, and then the improvement on the combined ratio comes thanks to the improvement of the expense ratio mainly in Brazil and in reinsurance. We have a remarkable increase in the net financial income, driven by the rise in the market value of the portfolio. And due to the same reason and the evolution of the rate of the foreign exchange, equity grew by EUR 1,576,000,000 since year-end 2013. Hopefully the results of the period have a role also in this increase.

At constant exchange rates, the premiums would have grown 7.7%, and the attributable result is -- will grow nearly 12%.

On Slide 5, you can see how MAPFRE continues to have strength position in the markets where we operate. In 2014, one of the most remarkable developments was the recovery of the growth in Spain with a further increase in market share. Growth was strong in many Latin American countries as well and most notably among them Brazil, although we cannot just show you the 2014 market shares. In the United States, the proportion of business written outside of Massachusetts rose from 24% to 26%.

Moving on to Slide #6. As I mentioned before, Spain is showing consistent evidence of a sound recovery and is now one of the best-performing economies in the EU. As we indicated in previous calls and meetings in the past, MAPFRE has tended to record above-market growth in comparable operating environments. And then, as we can see on the next slide, MAPFRE business has returned to growth,

outperforming the market. It might not come as a surprise that the premium volume reached a turning point in 2013 and returned to growth in 2014, outperforming the market during 2 quarters.

On Slide 8, we show how the business model retained its leading position in terms of growth and profitability. This slide contains many figures, which I will not go through in detail. What is more relevant is that in Non-Life, we are growing more than the market. We have better ratios and have cut our tariffs less than our competitors. So MAPFRE is well positioned to take advantage of the market recovery. In Life, we had a great year. It is true that we were supported by the latest agreement with Bankia. But in any case, we outperformed the market. It was also an outstanding year for mutual and pension funds in Spain. All of this had led to what we have already seen, larger market shares.

On Slide 9, you can see how MAPFRE is making excellent progress towards its 2015 goals. We are already there in terms of expense and combined ratios. And as we have shown and will see in greater detail later, we're also making very good progress towards our business volume target. This has all been achieved while increasing value creation for our shareholders, as we can see on the next slide.

Our commitment with long-term value creation for shareholders is shown by our policy of dividends. We maintained our dividend policy aligned with the results growth. In this sense, the dividend paid in 2014 increased nearly 17% with respect to the previous year. We will continue with our management focused on provisioned returns above the cost of capital and commensurate in -- with the risks -- and according with the risks taken, in line with our strategy target of creating value.

The solvency stood at levels of nearly 260%. The equity increased by more than EUR 1.5 billion in the year -- during the year, and the rating is -- shows clearly the strength of our capital position.

On Slide 11, you can see that the board is proposing at the Annual General Meeting to raise the dividend 7.7% to EUR 0.14 per share.

On Slide 12, we continue making progress in the development of our multichannel sales network through our own branches, the tight [ph] agents, the brokers, the bank branches, as you can see in the figures that are contained in the slide.

In summary, on this slide, we can see how we continue to enlarge our worldwide presence both in terms of points of selling as well as in the number of agents and brokers. However, the Direct business is growing as well, as we can see on the next slide. As you already know, MAPFRE agreed to buy Direct Line's operations in Germany and Italy. These companies are well run and hold leading positions in fact in growing segments [ph] of their markets. And in addition to that, VERTI has continued to consolidate its position as the undisputed leader in online insurance sales in Spain. MAPFRE will use this combination of know-hows to accelerate the development of this Direct business in the countries where it operates. That will lead to Slide #14 in which you can see the new organizational chart of the Group.

As you can see here, a simpler and more efficient corporate governance model will allow us to better coordinate our traditionally decentralized management approach within our common operational framework. And as a consequence, we will be able to improve the sharing of best practices across the Group and foster innovation.

I will now hand the call to Mr. Lubelli, who will comment upon our financials in greater detail.

Luigi Lubelli

Thank you, Esteban. Good afternoon to all those following this conference call today. Please let's turn Slide #16.

On this slide, we find the consolidated income statement for the year by broadline, by accounts. In the Non-Life account, we can see that in 2014, premiums continued to grow across countries and business lines, and that made up for the negative impact of depreciation of the euro and the intense competition we had to face in commercial insurance and in reinsurance. The figure for net premiums earned in the Non-Life account remained stable as the growth in many companies was still offset by the lingering impact of the crisis in Spain. The combined ratio improved, and that was driven by a reduction in the expense ratio.

We saw, as you remember from previous quarters, a significant increase in financial income, which was primarily due to larger realized gains in Spain as well as higher interest rates and lower mark-to-market adjustments in Brazil. Excluding realization gains, we would still see an underlying growth of 6%, which mainly reflects a larger volume of business.

The Life account was the main driver of premium and bottom line growth this year. Volumes grew especially strongly in Brazil, but I must note also Spain and reinsurance, which were large contributors to this performance. The technical result improved considerably in Brazil while financial results grew especially strongly in Spain, and they included realization gains of about EUR 48 million. I think it's worth noting that Brazil, I must say, before tax and minorities contributed 60% of the total result of the Life account.

We see a reduction in both revenues and expenses in other activities, and that's easily explained because some subsidiaries, which formerly were fully consolidated, are now equity accounted, as well as a transition in the air systems business where we're seeing that service contracts are being converted into insurance contracts. So they're leaving these accounts to go into the Non-Life account. The strong variation in other income and expenses comes from the write-down of Cattolica, which Mr. Tejera already talked about. We have a larger negative inflation adjustment in Venezuela. It's EUR 30 million more than it was a year ago. With all this, we see a strong increase in pretax profit of nearly 17%.

On the tax side, we see an increase compared to a year ago, and I must remind you that a year ago, we had a very large item coming from an agreement that the whole economy, I should say, and especially insurance industry reached with the Brazilian tax authorities and that lowered the tax rate significantly a year ago. If you remove that amount, we'll see that the tax rate is basically unchanged. The average tax rate is basically unchanged year-on-year, and it's around 27.5%. In the last quarter of the year, we've had a positive impact in all the companies based in Spain because the corporate tax rate has been lowered, and that has led to the recognition of a decrease in net deferred tax liabilities.

Finally, we see that minority interest went up more than profits because the results grew comparatively faster in bancassurance subsidiaries in Brazil and in Spain.

Please let's move to the next slide, #17, where we have the Non-Life account on both a full year and a quarterly basis. During the year, insurance growth in Spain, Latin America and the U.S.A. made up for the impacts, as I said, of intense competition in commercial lines and reinsurance. The combined ratio falls and takes into account an increase in the loss ratio in Iberia due to higher frequency and severity in motor insurance as well as larger claims frequency in third-party liability. In Brazil, we saw increases in general insurance. And in North America, we had the impact of severe weather, a higher frequency of fire damages in homeowners' insurance and an increase in severity.

The expense ratio performed exceptionally well, and that was mainly driven by Brazil through the -- due to a decrease in the average acquisition cost and also in MAPFRE RE due to the growth of the non-proportional business.

The increase in financial income year-on-year reflects growth in business volumes, the larger net investment realization gains mainly in Spain and, as I said before, higher interest rate and absence of negative mark-to-market adjustments in Brazil. All of this help make up for the significant fall in interest rates in the Eurozone.

When we look at the quarter, I'm saying fourth against the third, we see that the growth was positive in Spain, especially in motor business, we are particularly pleased with that; but also in Venezuela due to seasonality; and in Chile in -- thanks to the renewal of large corporate accounts. We also had a positive impact from the appreciation of the U.S. dollar in the quarter. These positive developments were somehow compensated for by the lower premium in MAPFRE RE. It's due to ordinary timing differences as well as intense competition and the impact of the economic slowdown in Brazil. There were basically no differences in the combined ratio in this quarter compared to the previous one. And financial income was smaller due to a comparatively lower amount of realized capital gains net of write-downs.

Let's now move to Slide #20, please, where we have the Life account. On a yearly basis, we see larger volumes, especially in Brazil, Spain and reinsurance, as I said. Although it is not mentioned in these figures, I wish to mention also the significant growth in new mutual and pension funds business in the agents channel in Spain because we were -- we are very pleased with that.

The improvement in the underwriting and financial result during this year was driven by the significant increase in the volume of funds under management, along with, also in this account in Brazil, higher interest rates and absence of negative mark-to-market. We do have EUR 48 million of investment realization gains in Spain, and I must remember that a year ago, it was the reverse, we had extraordinary impairments on intangible assets of about EUR 150 million. So there's a large swing in Spain year-on-year.

If we look against the previous quarter, we see a considerable jump in premiums that was driven by Brazil. Banco do Brasil had a very successful sales campaign. And in Spain, we had good sales of Life-Protection and a minor contribution from the consolidation of ASEVAL and LAIETANA, and we also had successful sales campaigns in Malta. The technical financial result, if we compare this quarter with the previous one, is smaller because we have a larger volume of new business and smaller realized gains.

Please move to Slide 22, where we have the other business activities. I basically already talked about the reasons for the decrease in operating revenues and expenses, and I will not repeat that. And the variation in the last line, in financial income and other, is, as Mr. Tejera already explained, due to Cattolica.

On Slide 24, we have the bottom line. Year-on-year, the most relevant developments are the growth in business volumes, the improvement in the underwriting results and larger investment gains net of impairments. I already explained the movements in minorities and in the tax rate.

Compared to the previous quarter, we see a decrease in pretax profits, which is due to -- quarter-on-quarter, I'm talking, due to fewer realization gains, so basically a very little amount of them, and the mentioned write-down in Cattolica. And also, we have a lower tax expense because it was in this quarter that we recorded the impact of the lower corporate tax rate in Spain.

On Slide 26, we have the balance sheet. There's basically no main difference with respect to what we were seeing as of September. We have larger business volumes. We have the strong revaluation of the investment portfolio in Spain. We have the impact of the U.S. dollar, which was especially strong in the last quarter. And we consolidated ASEVAL, LAIETANA VIDA and LAIETANA SEGUROS GENERALES in the last quarter of the year that basically brings around EUR 3 billion roughly.

On Slide 27, we have the breakdown of the investment portfolio. The main variations if we compare with the previous year are a reduction in the exposure to fixed income issued by financial institutions matched by an increase in public debt; a higher weight of European and especially Spanish paper because, as you know, of the fall of risk premia; a reduction of the weight of assets in Latin America because of the depreciation of the currencies in the region; and, for the opposite reason, a higher weight of United States paper.

The changes in equity are shown on Slide 28. Shareholders' equity has gone up EUR 1.3 billion and total equity EUR 1.6 billion. This reflects the strong increase in the value of the Spanish portfolio as a result of the decline in spreads, which, as you know, traditionally is offset to a large extent by shadow accounting. We have translation adjustments, which this year play in our favor. And of course, we have the distribution of results and dividends, as tends to be the case this time of the year. The other change is, you will notice, a variation compared to the previous quarter, and that is due to the consolidation of ASEVAL and LAIETANA.

On Slide 30, we have our capital structure and our coverage ratios. There's really nothing to report here if not improvements. The weight of equity has increased slightly, just 1%, but it grew up. And we have improved our coverage and leverage ratios, which are very much into the AAA category.

Lastly, we have debt on Slide 31. Some of you may know, it was reflected in the press, we replaced the existing syndicated line, revolving syndicated line of EUR 750 million for a new one, which is EUR 1 billion and matures a year later. To date, this facility is undrawn.

On Slide 33, we have the breakdown by regions of premiums and profits. Really no meaningful change in premiums, same compared to 2013 and the previous quarter. In profits, we see the basically 2 box of regions. Iberia is the one that records the strongest increase, 5.4 percentage points. MAPFRE RE is up 2.4 percentage points. EMEA and LatAm North are up 1.2. And APAC -- also, APAC is up nearly 1 percentage point. Conversely and basically due to the impact of the tax agreements of a year ago, Brazil has fallen 2.3 percentage points; North America, due to severity related to the main loss ratio, has fallen 4.6 percentage points; and LatAm South also fell 4 percentage points.

The reasons for that we'll see now. Let's first look at premiums. Once again, because a year ago it was the same case, we see Brazil as the main contributor to premiums growth, and that came mainly from Life, but I also must mention the agricultural business, industrial risks and motor insurance. In the last quarter, Life sales went extremely well. We had a very good campaign at Banco do Brasil, and that made up for a decrease in Non-Life due to competition and the economic slowdown.

Clearly, the success story of the year is Spain. And especially in the last quarter, we saw the motor business resuming its growth. Nonetheless, Life also went well. So overall, a very good year in which we increased our market share in the country.

The third largest contributor was LatAm North, driven by Mexico, which grew in motor, life and health insurance. MAPFRE RE had a very good year in Life, and that's the explanation of its growth. And in the last quarter, its premiums were lower just basically due to seasonality.

EMEA went well. Good development of the Life business in Malta as well as the GLOBAL RISKS and our systems businesses in Europe, and that applies to both the quarter and the year.

And lastly, LatAm South saw a contraction in the year basically driven by the cancellation of Life contracts in Colombia, the depreciation in Argentina. However, the last quarter was very good in Chile in GLOBAL RISKS especially and in Venezuela due to seasonality.

And finally, we have the variations of regions in terms of profits. The biggest contribution by far came from Iberia because here this year, we have realized capital gains and last year we had write-downs. The combination of this, some sway -- swing of about EUR 340 million year-on-year. So that clearly is a big change. And the last quarter compared to the previous one was -- saw smaller contribution. We had fewer capital gains and a higher loss ratio.

As I say, Brazil last year had an extraordinary gain of EUR 54 million. Adjusting for that, we saw a significant increase in profits, driven by considerable drop in the expense ratio and a very strong year in Life. The Life business also drove the improvement in the last quarter.

LatAm South suffered a fall in profits. In 2013, we saw industry and extraordinary gains in Colombia and Venezuela. In 2014, we have a worse loss experience in the systems business, depreciation in Venezuela. And we saw also the Chilean profit impacted by the Iquique earthquake. And the last quarter, the fall in profits was due to a worse loss experience in Venezuela and the systems.

I already spoke about North America, weather, fire severity. And -- however, last quarter was better in terms of underwriting results. EMEA did much better because last year, it had losses in GLOBAL RISKS, while this year the GLOBAL RISKS business did very well and it also improved in the quarter. LatAm North shows a major improvement year-on-year because a year ago, we wrote down EUR 22 million of intangibles there and that really creates in this region a big swing year-on-year. If we exclude that, we see a fall, and that's because we had Hurricane Odile in Mexico.

APAC improved strongly, had cat losses this year. And this year, it's very much the reverse, plus an improvement in the Philippines in the last quarter.

And finally, MAPFRE RE improved its profit both on a yearly and a quarterly basis due to a very benign loss experience and also an improvement in the expense ratio.

And that's all on my side, and I'll hand the call back to Mr. Tejera.

Esteban Tejera Montalvo

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Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

Thank you, Luigi. I think that we have summarized the main highlights of the results of 2014. And now as usual, we are available for taking your questions.

Question and Answer

Operator

[Operator Instructions] First question comes from Niccolo Dalla Palma from Exane BNP Paribas.

Niccolo Cornelis Modesto Dalla-Palma

Exane BNP Paribas, Research Division

I -- just 2 questions from my side. On the debt capacity, I was just curious to hear your views in terms of one thing, to increase the use of debt or not over time. And especially on the EUR 1 billion senior that is maturing next year, whether you would -- and is that having subordinated replacing that given the current very low cost of debt across Europe? Is that something possible? Or would you rather -- and is that again another senior issuance? Then I had a very practical question, one on the disclosure. We are now getting both the disclosure by MAPFRE FAMILIAR, MAPFRE EMPRESAS, et cetera, and the one by region. Will we keep getting both in the future? Or should we be ready to move just to the regional one just to make sure that we have our models aligned with that? Sorry for the simple technical question.

Luigi Lubelli

For -- beginning with the end, so far no, no, we are not planning any changes in disclosure. We have adopted the disclosure to the new regional structure, and that's why we explain -- actually, the fact that we are retaining the previous one is to facilitate your work really. But clearly, as you know, MAPFRE now is managed by regions. In terms of debt capacity, as I said, we have the EUR 1 billion that is unused. Really, we have not yet got to the point of deciding what to do with the bonds that you're rightly saying mature in November. And all options are open. Clearly, they can be replaced with other bonds. We could even retire them if need be. But as I say, no decision has yet been taken in that respect. And clearly, if there were non-issuance, it could very well be a happy [ph] conditions. It's a possibility that's open.

Operator

Next question comes from Avinash Singh from Nomura.

Avinash Singh

Nomura Securities Co. Ltd., Research Division

Two questions. My first question is around your adjusted profit for this year. You had about EUR 45 million net loss from Cattolica stake impairment, but you had a higher-than-normal realized gains in Spain. You also had about EUR 34 million exchange gains in Venezuela. So these were kind of the positive or one-offs offsetting that EUR 45 million net negative that is from Cattolica stake impairment. And you are already within your 2015 targets for expense ratio and combined ratio. So if I had to set a target, profit target for next year, 2015, what are the areas of improvement where -- that can see your profit increasing on the base of this Non-Life 2014 results? And my second question would be in Venezuela, you had this EUR 34 million of exchange gains this year. At the same time, you also had a higher-than-normal adjustment for inflation. So can you just elaborate a bit on that?

Luigi Lubelli

Okay, let's see how we can answer your questions. Well, the impact of Venezuela in the accounts, you -- as I say, we have a EUR 30 million additional negative impact for inflation and that's recorded in the P&L. Then as you say, there are gains because that -- they're not stricter sense gains. They are the fact that we received coupons in dollars and they increase value in local currency clearly as the currency depreciates. That's what we have. Well, we do have variations in equity. In equity, we have a positive variation because of inflation and a negative variation because of foreign exchange. And the net is negative, is a small negative impact relative to the equity of MAPFRE. As you know, we do not have projections. So we do not have a profit forecast for the year. In the Appendix to the presentation, you will find a detailed breakdown of the extraordinary items for -- that are included in the figures for every one of the main companies. So, I mean, that's -- and you're right, we're giving you the amount in Venezuela, which is EUR 65 million before

tax and roughly EUR 45 million after tax. And in the comments of each company and country, we explain what items are nonrecurring. In terms of trends in the business going forward, perhaps Mr. Tejera can elaborate on that.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

I would like to remark that there is a new situation in Spain. And for several quarters now, we are taking advantage of the new situation of the economy. And as usual, MAPFRE is outperforming the market once the recovery started. And another thing I would like to underline is that the impact of the exchange rates during 2014 was very, very important. And will continue during 2015, but I think that's just the opposite way. As you know, we evaluate mark-to-market, and this includes also exchange rates in the balance sheet. They include mark-to-market of the rates. But in terms of profit and loss accounting, we use the moving average of the last year. In this sense, I would think that there is a -- underlying movement of the revenues and results coming from outside of the Eurozone that will reduce the -- a positive impact during the year, according to this scheme of the moving average of the exchange rates in our accounting.

Luigi Lubelli

This quarter especially. And have we answered your questions?

Avinash Singh

Nomura Securities Co. Ltd., Research Division

Yes.

Operator

Next question comes from Silvia Rigol from BBVA.

Silvia Rigol

BBVA Research SA

I have 2 questions. The first is if you can give us more information about the latest purchase that you made in the U.S. with MiddleOak, the portfolio premiums in the Non-Life? And my second question is the high combined ratio, above 100%, that we have seen in the motor business in Spain in the last quarter. My question is, this is an issue of high provision. So is this an issue you have suffered more claims, more frequency and so on?

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

I will take your first question on the [indiscernible] of our portfolio in the U.S.A. It's true that in local terms, it is -- it sounds we're part of the news, but it's only the position of the renewal rights of the -- our portfolio in Non-Life really of roughly \$120 million. So it's a small operation in terms of quantity. But this is interesting extremely because it's an opportunity of entering the new -- in 2 new states and is part of the policy we are following. But -- and as in our position in motor insurance and home loan insurance, step by step, and we have proven approach in states that are closer to the states where we have a position. And...

Luigi Lubelli

The combined ratio, Silvia, no, there's no larger provisions. What we saw in the last quarter was a higher frequency in motor insurance and then the larger volume of, let's say, serious claims, the larger claims. You live in Spain. You know, for instance, that we had an increase for the first time in a long time in the number of people dying on the roads in the month of January. And the fact is this, that MAPFRE's ratio is the first one to come out of -- about the Spanish market. So I'm afraid you will see something similar from the rest of the market once figures are published, and that's due to market and -- basically economic and weather conditions.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

In any case, we are -- I would like to remark that this year, the seasonality of the Christmas holidays have affected a lot the frequency and mostly due to the fact that, as you know well this year, the position of the holidays have increased the number of people traveling due to the fact that our...

Luigi Lubelli

The holidays were very long.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

The holidays were very long and very long weekends. And we have suffered these. And those days of December is affecting the figures of the quarter.

Operator

[Operator Instructions] Next question comes from Maria Ojeda from JB Capital Markets.

Maria Paz Ojeda Fernandez

JB Capital Markets, Sociedad de Valores, S.A., Research Division

I have a follow-up question regarding your motor insurance business in Spain because according to your answer, should we -- seeing that your combined ratio for the following quarters would be above 100% if the normal run rate for the full quarter stand-alone is projected because at the end, if there is no reserve increase in the fourth quarter, it means that your underwriting result is in the red now with the current level of rates in your policies?

Luigi Lubelli

The -- I wouldn't worry too much. I think that if there is something for which MAPFRE is known, it's technical approach to underwriting, and I think we have a long track record to that. This was -- we had a spike in this quarter, and if the spike continues to -- continues going forward, MAPFRE, as usual, will revise its tariffs and its selection criteria. So you can rest assured that, that is something we take very seriously. And I imagine everyone else in the market will do the same if they face that situation.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

In any case, from my experience, this kind of good news [ph], seasonality, as I've said before, is very, very important. And I think that I don't foresee an increase in the combined ratio of these characteristics in the quarters coming.

Operator

Next question comes from Javier Echanove from Santander.

Javier Echanove

Grupo Santander, Research Division

You've already partly answered my -- the question I was going to ask, but I will ask it anyway. It's on the motor business in Spain and the combined ratio. You have said that -- if you implied that you expect to see a similar spike in the combined ratio for the rest of the sector, if that is the case and given the level of interest rates, I'd like to know what your view is regarding potential price increases or price increases, say, in 2015, and whether you're seeing any evidence of that already.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

Yes, Javier. Well, it -- I think that the situation is likely easily -- usually. And we have a better combined ratio than our competitors, and I am sure this will be the case. What is true is that they are a part of the market that is in a position where it's impossible to think about world price. Or same thing along terms, it is likely to see an increase in the tariffs, in the marketing spend.

Operator

There are no more questions. Thank you.

Esteban Tejera Montalvo

Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re

Okay. If there is no more questions, thank you for attending our presentations. And as usual, I hope to -- that you are there in a quarter time. Thank you. Thank you very much.

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