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Call Participants

EXECUTIVES

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Third Vice Chairman & Group CFO

**José Luís Jiménez Guajardo-
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Group Chief Investment Officer

Leandra Elizabeth Clark

Head of Investor Relations

Presentation

Leandra Elizabeth Clark

Head of Investor Relations

Good morning, and welcome to MAPFRE's activity presentation for the first half of 2024. This is Leandra Clark, Head of Investor Relations, and we want to thank you all for being here with us today. It is a pleasure to have here with us, Fernando Mata, Vice Chairman and Group CFO; José Luís Jiménez, Deputy CFO; as well as Felipe Navarro, Deputy General Manager in the finance area.

As a reminder, we report the IFRS financial information twice a year, and we reported the half year results to the CMB this morning. The information and this activity update is prepared under the accounting policies applicable in each country, unless stated otherwise. At the end of the presentation, we will go through the main IFRS KPIs. [Operator Instructions]

Let me turn the call over to Fernando, the floor is yours.

Fernando Mata Verdejo

Third Vice Chairman & Group CFO

Thank you, Leandra. Good morning, everyone, and thank you all for being here with us. The figures we released this morning confirm the strong trends that we saw in the first quarter which have gained momentum supported by our profitable growth strategy. We're growing strong in almost all markets and continue working to correct imbalances with visible improvements, especially in underperforming businesses. We're leveraging our proven business model with high levels of diversification, and we continue growing in the most profitable segments.

LatAm, especially Brazil, continues to be the largest contributor to earnings for the group with EUR 203 million. Regarding Lines business, life and General P&C are showing an excellent performance. There has been a strong turnaround in Motor in North America and across Latin America. However, in Iberia and EMEA, we are still seeing pressure on claims costs, although behavior in recent months suggests that we should begin to see a change in trend. Regarding main regions and business units, Iberia maintains leading market shares in the main line of business with a 37% increase in the result.

In North America, the result is up EUR 58 million, thanks to the already implemented technical measures. MAPFRE RE continues to grow its profit, supported by solid business growth and the absence of relevant Nat Cat impacts with increased prudence in our reserves. We're proud to say that all financial KPIs are in line with the target set at the AGM in March. Premiums are up 5.5% or 6% excluding life savings reaching more than EUR 15.1 billion, with solid growth in LatAm, Iberia and North America as well as reinsurance.

The net result which stands at EUR 462 million, is up 47%. This strong performance is based on first relevant improvement in Non-Life with a 1.3 point reduction in the combined ratio to 95.7%. Secondary business, especially in LatAm and Iberia, which continues to contribute very positively to profitability. Lastly, the growing contribution of financial income, which for Non-Life reached EUR 401 million, up 11.6% and is also an important driver for the Life business.

With the result, we have delivered an ROE of 10.6%, 11.6%, almost 12% excluding the 2023 goodwill write-down. Regarding Solvency II, the ratio was 197.7% at March 2024 and we are no longer including transitional measures.

That's all for me. Now I will hand the floor over to José Luís to run us through the main figures.

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Thank you, Fernando, and thank you all for being here today. First, I will like to go over the main premium figures. Non-life premiums are up 6.5% to nearly EUR 12 billion, with General P&C up over 4%. Accident & Health 8% and Auto 5.5%. Life premiums are growing around 2% with saving flood after a really strong

first half in Iberia last year. Life Protection is growing well over 10% with excellent performance in Mexico. The reinsurance segment is growing close to 9%.

As you can see on this chart, our business mix is well diversified with around 79% in Non-life and 21% in Life with important share in high-margin businesses like Life Protection and General P&C. The main figures for region are displayed on this slide, and I will comment on the main trends. In Iberia, net profit stand at EUR 168 million with a return on equity of 13.5%. This includes EUR 21 million for the sale of a property in Madrid due to the regular portfolio rotation. Non-life is up 6.4%, with the strong trends in homeowners, condominiums at health.

Life Savings premiums are down to an extraordinary 2023, while Protection is growing around 4%. LatAm continued to generate a large share of profit with EUR 203 million return on equity of 17%. Non-life profitability has improved across the region and the Life business and financial income continue performing very positively. Regarding Brazil, profitability has been exceptional with a return on equity of 23%, and the net result is up to EUR 121 million, including a EUR [6] million loss from the floods in Rio Grande do Sul.

In local currency, premiums are up 1% and in euros, reflect the slight depreciation of the Brazilian real. The Non-life combined ratio is down significantly to 77%, with Motor improving 2.5 points and General P&C at an excellent 68.6%. The Life protection business also had a strong contribution to results. The rest of the countries in LatAm maintained their strong profitability, contributing EUR 82 million. Regarding North America, the net result is up nearly EUR 60 million, reaching EUR 41 million compared to losses of EUR 80 million the previous year.

Under working measures and strong tariff increases are the main drivers with premiums up almost 5%, which continue feeding into P&L. The combined ratio is down over 8 points now under 100. In Puerto Rico, premium volume is slightly up with a net profit of nearly EUR 10 million. In EMEA, the losses have improved by EUR 6 million, down to EUR 8 million. In Turkey, financial income is boosting results with a profit of over EUR 50 million. On the other hand, Auto remains challenging in Germany and Italy. In MAPFRE RE, premiums are up 5.5%. The combined ratio is down to 95% supported by tariff, especially for Cat covers.

So reminder, this is a traditional formula ratio. Other reinsurers that are now reporting under IFRS may treat reinsurance commission differently, typically posting lower ratios. The flooding in Rio Grande do Sul had a EUR 41 million net impact. There has been no other relevant catastrophic events, but we are seeing an increase in secondary perils. Net profit is nearly EUR 140 million, up 50% and return on equity is over 12%. MAWDY continues growing and post a net result of EUR 3 million. I will also like to comment on 2 specific items. Hyperinflation had a EUR 36 million impact mainly from Argentina and positive tax adjustment from previous year had a EUR 25 million impact.

On the right, you can see the combined ratios by segment. General P&C had an extraordinary performance. Premiums are up over 4%, and the combined ratio is down almost 3 points to around 83%. The net result was nearly EUR 189 million, up EUR 54 million. In Brazil, premiums are down 2% with Agro temporary lower due to the subsidy allocation calendar. We expect premiums to catch up during the year. The net result of EUR 70 million reflects a limited impact from Rio Grande do Sul to them. The combined ratio stands at an excellent 68.6%.

In Iberia, premiums are up 7%, driven by homeowners and condominiums. The result is up 40% to almost EUR 74 million and the combined ratio is down 8 points to 95%. North America reported a result of EUR 21 million compared to EUR 2 million in 2023 with an excellent combined ratio of 89.7% on the back of tariff adjustments in homeowners. Other LatAm also increased its contribution to results by EUR 70 million.

In summary, General P&C, our largest line of business is highly profitable and diversified. In autos, we are starting to see some green shoots in motor with a strong reduction in net losses down from EUR 36 million last year to just EUR 19 million. Iberia is still experience volatility, while tariff increases are gradually feeding into results. The turnaround in the U.S. was noteworthy, with Brazil and North America now

reporting profits. Other markets in Latin America are performing quite well, mitigating the complicated situation in Germany and Italy. The group's strategy is to focus on profitable growth.

Premiums are up 5.5% with insured units down around 6% as a result of selective underwriting. In Iberia, premiums were up 5.7%. The portfolio stands at around 6 million vehicles, down under 3%. We are focusing more on retail than fleets in line with our risk appetite. There has been a relevant increase in the average premium, around 8.4%, with the market only up 7.8%. We are confident that we are now pricing above expected claim inflation.

In North America, premiums grew almost 8% with units down 5.6%. In Brazil, premiums are down 4.4%. The portfolio of vehicles is down 1% where we also have a lower appetite for fleets. The group auto combined ratio was 104.8% improving 1.4 percentage points. Iberia reached 106% in the first half of the year. We are seeing some pressure on claim costs, especially in bodily injury, while material damage claims are very well controlled. Premiums earned are up 4.5%, still below the 6% growth rate and will continue to catch up.

In North America, the RAT improved over 7.5 points and so we also continue to come down based on tariff. Just this quarter, we put through an additional 5% increase. Brazil's combined ratio is down 2.5 points to 101.6%. We are committed to continue adjusting pricing as much as necessary while defending our portfolio. Tariff still need to earn through P&L in certain markets. Brazil and the U.S. have already improved, while Spain and EMEA will need some time to reach optimal profitability levels.

Data in recent months make us more confident that we are on track. Now we move into the Life business, which is another relevant profit contributor. Direct insurance premiums are up nearly EUR 130 million. Savings is slightly down because of the extraordinary incidents of Iberia in 2023 but it still stands at over EUR 1.5 billion, while Protection is growing over 10%. In Iberia, Life protection is up 4%, outperforming the market with a combined ratio improvement over 1 point to 67.9%. The financial result was strong with net realized gains up from EUR 2 million to EUR 30 million due to the sale of our real estate as well as recurring financial game.

In Brazil, Life protection premiums are up over 6% in local currency, and the combined ratio stand at 82.4%, up 2 points, reflecting higher commission, but is still at excellent levels. In the rest of LatAm, Life insurance is up 36%, 35%. Mexico stands out with 60% growth in Life protection. Attributable result for the Life business reached EUR 167 million, up 37%.

Now I will hand the floor over to Felipe to discuss the main balance sheet.

Felipe Navarro de Chicheri

Thank you very much, José Luís. On the left of the slide, you can see our capital structure. Shareholders' equity is over EUR 8 billion, quite stable throughout the year. Currency conversion differences have been limited with the U.S. dollar and Latin American currency appreciation offsetting the 10% depreciation of Brazilian real. Leverage is stable at 23%. Regarding investments, the main changes in asset allocation are related to a reduction in government bonds in Brazil for a dividend upstreaming as well as currency depreciation and lower cash and equivalent instruments switching into short duration bonds.

Spanish sovereign debt continues to be the largest exposure with EUR 9.5 billion. We have more than EUR 13 billion in assets under management through pension and mutual funds, placing us among the leading nonbank players in Spain. As a reminder, a large share of our EUR 31 billion fixed income portfolio is immunized or matched. So we will focus on the actively managed portfolios, which are in the main contributors to the net income. The euro area portfolios have a market value of over EUR 12 billion. During the year, duration is down and yields are steadily increasing.

Yields on Iberia Non-Life and RE continue their upward trend, reaching 2.6% and 2.7%, respectively, with reinvestment rates still above the portfolio yields. The other main markets amounts to around EUR 7.6 billion. We have increased duration by 60 basis points in Brazil and 10 basis points in the U.S., although LatAm is down by 30 basis points. Yields are relatively unchanged in both North America and Northern LatAm. In Brazil, our portfolios are well positioned. Although yields are down by over 1 point. The market yield is of nearly 10% is now well above the current portfolio.

Non-Life financial income is up EUR 42 million, growing 12%. Iberia is up mainly due to the real estate gains that we already mentioned. MAPFRE RE and other LATAM will also continue growing when North America and Brazil has been stable. In EMEA, we have been tactically reducing our exposure to euro-denominated investments in Turkey, and we are now investing at higher rates while currency gains are down. We realized EUR 33 million net financial gains over the year, proof of MAPFRE's ability to generate alternative source of income.

Here, you can see the main KPIs under IFRS 17 and 9 compared to our local GAAP. Insurance revenue is up over 6%, in line with premium growth, excluding Life savings reaching EUR 12.7 billion. The net result stands at EUR 494 million, up 65% with an ROE of 10.4%. The main differences are related to the discounting impacts as well as changes in the interest rates. The combined ratio was 93.6%, down 2.5 points year-on-year. We are calculating both ratios under the same methodology of treating reinsurance commissions as a lower expense. Shareholders' equities amounts to over EUR 8.5 billion under IFRS and it's relatively stable under both standards.

The CSM was EUR 2.5 billion, down over 3%, mainly due to the currency depreciation with EUR 60 million total impact mainly from the real as well as a higher life protection commissions in Brazil. The CSM net of tax and minorities was EUR 1.5 billion, slightly up compared to the year-end.

I will now hand the floor to Fernando for a few closing remarks. Fernando?

Fernando Mata Verdejo

Third Vice Chairman & Group CFO

Thank you, José Luís. Thank you, Felipe, for your quite comprehensive presentations. To wrap up, we have now reported 2 quarters with excellent results that confirm that we are aiming for with our new strategic plan, and all financial KPIs are on track. We continue growing above inflation. Studies are being updated to the new economic context. The group is well focused on profitable growth, concentrated on high-margin businesses. Like, Life Protection and General P&C or other strategic segments I have.

We keep selling new premium and revenue records, and this should continue in the second half of the year. Once again, our proven business model based on high level of diversification, both by geographic and product mix allows us to face the challenges from the geopolitical context with a sustainable result. This puts us in a strong position to leverage growth opportunities and overcome any headwinds that come our way. The business is getting back on track in most countries, and we're turning around loss-making segments in the countries that are facing the biggest challenges.

We did it already in Brazil, the U.S. is now showing excellent performance, and we're sure in the near future, Iberia will do the same. We're managing our investment portfolio prudently, and as long as market rates stay above portfolio yields, we expect financial income to continue growing in the coming quarters. Finally, our financial strength will continue to underpin future growth and our commitment to value creation for shareholders. Thank you very much for your attention. I will now hand the floor over to Leandra to begin the Q&A session.

Question and Answer

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Fernando. Although most of you are already familiar with the process, just as a reminder, you can use the Q&A tool at the bottom of your screen, and we will organize the questions by topic and answer them as time allows. The first set of the questions that we have are regarding the business in Iberia. We received a question from Santander -- Banco Santander, where they're asking about the strong performance in Iberia Life profitability, especially in Life savings. Any reason, any one-offs, is this sustainable?

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Thank you, Juan Pablo. Yes, Life, I think is performing well. And we also expect the Life savings continue to do so on the second half of the year. The reason to say something like this is because there is not too much competition in terms of saving products. And I think that as Insurer, we have an important role to play. So we are working on that, and we expect to launch new products on the coming month.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you. Also just as a reminder, we did have one one-off in the financial income, which mainly affected the Life business, which was EUR 21 million from the sale of real estate for a property in Madrid. If you need further information, it's in the disclosure.

We also received another set of questions for the Non-Life business overall, Carlos Peixoto from CaixaBank would like to know about the drivers for the uptick in the P&C combined ratio in Iberia and our outlook for 2025. [Pat Ojeda] has a similar question and would like to know the reasons for the different trend in our ratio compared to other market players in particular, in General P&C.

Felipe Navarro de Chicheri

Okay. Carlos, Pat. I mean, the main reasons for this uptick in the general P&C is related with -- mainly with commercial lines that were -- that had an excellent performance during the first quarter. In any case, I mean taking into account this kind of business, I think that we need to look on a half year basis since there could be some volatility and some changes between one quarter and the other. The general trend is still positive, and we think that is going to continue, and it's going to be underpinning the good performance of business in Iberia overall.

Leandra Elizabeth Clark

Head of Investor Relations

There's Pat also has another question regarding the health business. She notes that the seasonal improvement in the health business that we usually see in 2Q has been less than other quarters? Or is there anything we need to comment specifically regarding the health business?

Felipe Navarro de Chicheri

I think that it's mainly come to the same trend as we had in previous years, is showing a better second quarter than the first quarter, and we will continue improving during the year because of the way this business has been accounted and how the premiums are earned by the beginning of the year. So we expect that it's going to continue improving during the rest of the year and we don't see no special threats on this line of business.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. Pat also has one more question on the Spanish business regarding the tax rate in the second quarter stand-alone. The rate in Spain was quite low. Could you explain this, please? And can we extrapolate this to the rest of the year?

Felipe Navarro de Chicheri

I think that we cannot extrapolate this for the rest of the year. This is the -- I mean there was this allocation of this review of the taxes that usually happens in the month of July and happened in the month of June. This is the main -- is just a calendar adequation is just for this year. There is nothing that is going to change the tax rate in Spain and is going to continue quite stable during the rest of the year.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. We can also give you more specific data regarding the tax impacts after the analyst call. We have another question from Carlos Peixoto and actually several analyst regarding the general P&C business in Brazil. David Barma, also and Ivan Bokhmat would like to know if the current levels of profitability are sustainable over the medium term. What would be needed for this to be reversed? And what are the drivers of the outperformance in this line of business in general P&C in agro business in Brazil?

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Well, we have to say that the performance of the business in Brazil has been outstanding, and we will keep those levels of profitability that will be great. But it should that at some point, it could deteriorate a bit, but not too much. So we are confident that the levels in Brazil will continue for the time being.

Felipe Navarro de Chicheri

Just for the sake of -- I mean, just repeating something that was already said during the presentation is that there was a certain mismatch or between the moment that different tax -- sorry, the different allowances were made on the Brazil agro business. So we expect that it's going to catch up during the rest of the year. So nothing to be scared of or nothing to be -- and it's nothing to be threatening the increase of the levels of premiums in the business in Brazil for General P&C.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. I think the next question from [Pat Ojeda] was asking about the sharp slowdown in the second quarter of -- in premiums. And again, like Felipe said, it was regarding the calendar of subsidy allocation for the Agro business. Thank you. Carlos Peixoto from CaixaBank has a question regarding the auto business in Brazil. He noticed a slight uptick on the quarter and would like to know whether we could expect it to fall below 100% this year. And what is our outlook for 2025?

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Well, I would say in the case of Brazil, the combined ratio is very close to 100%. We also bear in mind that rates in Brazil as well are around 10%. This is a rate that we would like to see in the rest of the market as well. But as we are doing in the case of Spain, we are trying to be more selective in -- on the customer base. We are reducing our exposure to fleets and putting more focus on customers. So we expect that, that the ratio will continue improving in the coming quarters as well.

Leandra Elizabeth Clark

Head of Investor Relations

We're going to move on to another business region. We have questions regarding EMEA. Ivan Bokhmat would like -- has commented that the business has turned around quite nicely. Should we assume a positive result moving forward? Or have there been any one-offs in the second quarter?

José Luís Jiménez Guajardo-Fajardo*Group Chief Investment Officer*

Well, in the case of EMEA, we have 4 countries. Turkey is performing extremely well. The profit during the first half of the year has been around EUR 50 million. It is true that we have one one-off in the selling of the Life unit in Turkey. But the company is performing extremely well. And once again, I mean, with rates around 50% in our reinvestment, I think the financing contribution is great. So in Turkey, we expect as well that the outlook for the country will improve in the second half of the year.

If inflation continues going down, as everybody are seen in the country right now, we see that the performance of the unit will continue. Malta is performing well. I mean selling overall life-saving products. We also spent a better second half of the year with new products on the self. And Italy is performing in line with our expectation. The main issue has been Germany, but we are putting all the focus trying to reduce the combined ratio in autos.

Leandra Elizabeth Clark*Head of Investor Relations*

Thank you, José Luís. We have another question moving on to North America. Max from JB Capital would like to know if we could get the 100% combined ratio in North America motor ahead of a 4Q year-end?

José Luís Jiménez Guajardo-Fajardo*Group Chief Investment Officer*

Yes, we are working on that to be below 100. Probably we are just around the corner. And if we see the trend continue we have seen in the last months, I'm sure that we will be below 100.

Leandra Elizabeth Clark*Head of Investor Relations*

Thank you, José Luís. I think moving on to the next set of questions. Ivan Bokhmat has commented on the impact in the group from the losses from the flooding in Brazil. Given the industry estimate, it seems that we had a low impact. What is our expectation going forward?

Felipe Navarro de Chicheri

I think that we are excellently protected from the direct insurance point of view. I think that we've been booking the maximum loss that we can have from this event that is under EUR 6 million. From the reinsurance perspective, I think that we already been commenting on how is our policy, how retention is limited in this kind of business. And I think that we've been extremely prudent with the reserves that we are putting on this event.

And it in any case, it's not higher than EUR 40 million. I think that we are accounting on a EUR 37 million. So I think that we are quite confident that it's going to be a limit that we have -- a limited impact on the numbers of the group. In any case, I think that we can -- we need to continue seeing the development of the claim, but we are quite confident that our reserves are more than enough.

Leandra Elizabeth Clark*Head of Investor Relations*

Thank you, Felipe. We have some questions regarding North America and the rest of Latin America especially in the P&C business. Juan Pablo from Banco Santander would like to know what was behind the significant drop in the combined ratio? Was there anything extraordinary? Is the improvement in other LatAm and North America sustainable?

Felipe Navarro de Chicheri

I think that we need to divide this in between the 2 regions. I think that North America is -- has experienced an excellent first half of the year. It was related with main 2 drivers. First one was related with increasing premiums that's what we were doing since last year. And together with this, there was

quite a benign weather during this first half of the year. So that put us in a very, very nicely situation for the General P&C and mainly the homeowners business in North America.

LatAm is still performing well and moves in swiftly into the profitability for the General P&C and this combined ratio should be totally adequate for the -- for running for this line of business. So nothing extraordinary that we need to mention on the combined ratios in LatAm, North America. Apart from these 2 comments that we've been announcing from since the beginning of the year. I think that what we are doing is that collecting the fruits that we've been planting during last year.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. Going back to Brazil. We received a question from Max at JB Capital regarding if we have any actions in place in order to protect ourselves from future depreciation of the Brazilian real.

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Not yet. I mean the real depreciation probably has been a stock during the last obviously, 2 months, which in most of the cases is related about 2 issues. One is the fiscal adjustment from the government. And the second one is the new potential candidate to run the Central Bank in Brazil. But we are confident that one of these 2 events could be resolved in the coming months. And probably, we will see some improvements on the FX from now until the end of the year.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, José. Felipe, I don't know if...

Felipe Navarro de Chicheri

Yes, there's something that we need to mention as well, I think that the way we are protecting the -- our exposure to this kind of the position is that we are distributing dividends as frequently and as often as we can in order to bring back the different monies to the -- into the euros as fast as possible. And this is the best way to protect from the regular business into this devaluation.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. We've received some questions regarding the outlook for the Life business for the rest of the year and for next year from Carlos Peixoto at CaixaBank BPI. He would like to know specifically the outlook for premium volumes in Iberia and in Brazil.

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Well, in Life in Iberia, we have -- in terms of savings that we will continue with the trend last year, during the first half, we have some kind of extraordinary policies around EUR 400 million. So we have to catch up from now until the rest of the year. We need to improve our figures and savings. But in terms of risk, we think that we will continue with a positive trend and growth will be from now until the end of the year.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, José Luís.

Felipe Navarro de Chicheri

Just to comment on the kind of performance of the Life business in Brazil. As we mentioned during the first quarter, there was a change in the commissions for the Life Protection business in Brazil. And it was related with performance of this line of business during the COVID. You might remind -- remember that during the COVID, the performance of the Life Protection business in Brazil was extremely poor.

And there was a decision to reduce and to reshape the performance of design of business in order to compensate for this period of time. Now we are going back to normal business, and we are moving into higher commissions for this line of business. So what we should expect is that will be an excellent performance on this kind of business in the future. This change in commission to reduce and to reshape the performance of this line of business in order to compensate for this period of time. Now we are going back to normal business, and we are moving into higher commissions to this -- for this line of business. So what we should expect is there will be an excellent performance on this kind of business in the future. This change in commission has already been done. So the -- what we are seeing right now, the trend that we are seeing right now, in the combined ratios for the Life Protection business should continue and it's going to be maintained during the future quarters.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. Now we're going to move on to the motor business in Iberia. We've received quite a few questions. So first, we'll start with the evolution of insured units and policyholders. Juan Pablo Lopez from Banco Santander has mentioned that he's seen a fall in the number of units in the year and how are we seeing competition. And David Barma would also like to know if we're comfortable losing more volume going forward and what are our expectations for retention in general for the year?

Felipe Navarro de Chicheri

Thank you very much for the question. I think that is something that we would like to mention. And that is something that we need to bear in mind when you're looking at these kind of figures, I think that we've mentioned already that our appetite is to perform better. And in this -- following this idea, what we are doing is to try to affect the lines of business or the part of the business that is less performing. So what we are seeing right now is that on this reduction of the number of units, 2/3 of it account for nonperforming fleets that are being restructured or adapted to the profitability that we need on the market.

And only 1% is coming from individual risks. So it is totally compatible with which we've been mentioning in the past. We are quite comfortable with these levels. And with this, if we will continue in this trend, we are going to see a much better performance on the motor business in the future quarters.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. Regarding Motor, we've received from -- I'm not going to name the analyst because I think we've received from all the analysts that cover us for questions. The first one is what were the drivers for the quarter-on-quarter deterioration in the motor combined ratio. Number two, what do we expect and what have we seen in average tariff increases? And do we expect it to continue at the same rate in coming quarters? And three, what is the outlook for the combined ratio for next year?

José Luís Jiménez Guajardo-Fajardo

Group Chief Investment Officer

Regarding the different questions, I mean, coming back to the first one. Regarding the Q-on-Q deterioration, it's quite difficult to guess what's going to happen in next quarter. But the important thing here is that we know how to sort it out. I mean, as well as we did in Brazil and afterwards in the U.S. now is the time for Spain. In the Spain, we know that as our Chairman has said, probably by the end of the year, there will be 1 month where we will reach 100 or even below. So that's what we are working on right now. In terms of the relevant increase in the average premium is around 8.4% with the market only up 7.8% and there is another -- the third one, I can't remember.

Leandra Elizabeth Clark

Head of Investor Relations

What is our outlook on tariffs for -- going forward and the outlook for the combined ratio for year-end and 2025.

José Luís Jiménez Guajardo-Fajardo*Group Chief Investment Officer*

Well, I think we have to adjust the tariff to the inflation. If the inflation continues high, and we are seeing a trend in bodily injury that is increasing, we have no doubt that we will continue rising tariff in order to try to balance the new situation. So looking forward, what we say we will try to adapt to the market conditions in order to try to make it profitable.

Felipe Navarro de Chicheri

Just -- if I may, I would like just to mention a couple of things. I mean, just to give you some depth on this kind of how the inflation is behaving during this first half of the year. There was -- it is mainly driven by this what was -- what José Luís was mentioning that was bodily injuries that were really very -- with a very high increase year-on-year. And it was above 20%. And you have to bear in mind that it means that it accounts for more than 30% of the cost of our claims.

The rest of the material damage and the systems business is with really, really moderate inflation. So that moves in the right way. So what we can see in the future and taking into account that probably this impact is already been adopted in this first half because there was a reinforcement of reserves that was done during the first half of the year. The evolution of the combined ratio during the rest of the year should be better moving on the rounds of 103%.

What we mentioned this first -- in the first quarter was that we would probably be hitting this below 100% combined ratio on the last -- on the 1 month of the last quarter this year. And I think that we already saw in the month of June this level. So we are quite confident that, that is there a lot of signs that could -- there should be a change in trend on the motor business in Spain in the rest of the year. So that puts us in a quite solid position to improve the combined ratios in the interim business.

Leandra Elizabeth Clark*Head of Investor Relations*

Thank you, Felipe. We've received 2 questions on the reinsurance business. The first one from Ivan Bokhmat, what would be our view on a potential impact from a hurricane that reaches USD 50 billion at an industry level. And Carlos Peixoto from CaixaBank would like to know our outlook on the evolution of the combined ratio in reinsurance for the second half of the year and going forward.

Felipe Navarro de Chicheri

On the impact of hurricane in the U.S. of USD 50 billion. I mean -- it depends very much on where does it impact? How does it impact? And how does it -- is our exposure. As you know that we've been reducing very much our direct exposure in the U.S. in the south part. I mean Florida is a region that we are not present anymore. We have indirect exposure for groups that we've been reinsured globally in the U.S. And that will be -- I mean, there will be no main concern from us on a face value for this -- for impact in this region.

What could be more important for us, will be an impact of a heavy wind or a hurricane impacting in the Northeast, where we have presence in direct insurance and the reinsurance covers are higher. Obviously, because of our exposure in this region. And there will be higher impacts. In any case, we need to evaluate how it is going to impact how it's going to affect the regions and how it's going to move. What I can say is that MAPFRE RE is much better prepared for of all those kind of events. The reserves are still high for those kind of events. The premiums have been adapted and are adequate to the risk of the market.

And I think that in a long-term business that we need to look the Cat business as a long-term business, we are in a much healthier position than we were in the past. Regarding the evolution of the combined ratio in the second half of 2024 on the reinsurance business is that we've been quite prudent for the first half of the year. I think that looking at our confidence intervals on the reserves, we are on the high side, and we are very well equipped for the second half.

In any case, it will depend very much on the behavior of strong winds and hurricanes in the second half. We need to wait, wait and see and to see if the hurricane season is going to be as bad as is said and

where the hurricanes are going to hit land if they ever happen. So that is -- I would be prudent. I think that the levels of combined ratio that MAPFRE RE has are totally compatible for a good performance during the second half of the year. And those levels should be seen in the rest of the year.

If you compare a little bit on the combined ratios, as we mentioned, between MAPFRE RE and other insurance companies is that we are mentioning the combined ratios under local accounting GAAPS. And that makes us why we show or post higher combined ratios than in other lines of business. If you -- if we were looking on a like-for-like basis with other competitors we'll be at least 5 points lower than we are showing right now. So under IFRS, sorry, so we are quite positive from this line of business. I think that the expansion on the capital base of this unit, was the right decision that was made at 2 years ago.

And we continue being very, very confident that this line of business is going to contribute on the profitability on the combined ratio and on the ROE of the group for the rest of -- in the next 1.5 years. Yes, of course.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you. Max from JB Capital, has another question moving on to solvency and excess capital. Given this excess solvency, could you consider inorganic opportunities to deploy it?

Felipe Navarro de Chicheri

I mean, we are -- I think that our Chairman already said that we are happy with the footprint that we have. In any case, I think that we are strategically looking at certain opportunities that could be built in the -- not in the next 6 months, but in the future in the different areas. We want to rebuild our bancassurance in distribution in Spain that is mainly driving the new business in -- for Life. We want to enforce and reforce certain regions. I think that Brazil is an area where we could grow if we find something compatible with the agreement with Banco do Brasil. Mexico being an economy that is very much linked to the U.S. could be an excellent opportunity to reinforce our capabilities.

And this -- the last acquisition that we made was in the Life business in Mexico. And Mexico is -- has an excellent potential growth in the near future. We could see U.S. with other lines of business and other states, something very limited with no exposure in the full country. And if we want to look at European markets, I think that on top of Spain, Germany, where we have a presence only in motor business and direct motor business, could be a good fit for complementing other insurance companies. So those are the main areas where we could see some inorganic growth. In any case, there is nothing on the table right now that should be mentioned. And we are -- as we -- as I said, very, very happy with the footprint that we have at present. So we don't want to expand to other regions, other countries or to other areas.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. We've received a few follow-up questions on the motor business in Iberia from David Barma, I think they're very much related. The first one is, can you explain the comparison of your loss ratio and its evolution compared to your peers. And is this possibly explained by a different geographical footprint in Spain compared to them and regarding claims frequency?

Felipe Navarro de Chicheri

There, I think that the different things that we need to bear in mind when we are looking peers against our company. And I don't like to speak about how the different companies are putting in place or moving or behaving. I mentioned that we have policy that is taking into account how we are reducing or adapting the fleet business in Spain that is going to change a little bit how we are exposing in the future.

Second is that if we look into the IFRS evolution is going to be totally different from the local GAAP in this case is taking more time in order to show the evolution under IFRS which we see a quarterly improvement that is faster and has been adopted on a faster way. And definitely, I mean, the portfolio is changing a little bit and adapting to the new situation. The gain of the premiums that are going to be allocated

during the second half of the year are higher than the ones that we had in previous year. We are quite comfortable on the level of tariffs that we have already been -- we are posting renewals and new business.

And we are very much confident that this is going to be changing in a medium term, the shape of the Motor business. As I said, we -- there were some extra reserves during this first half of the year related mainly to bodily injuries and the behavior of this kind of claims is -- unfortunately, it's not going to change. I mean this is something that has been partly because of the changes in the Baremo partly because of some kind of social inflation related with how the magistrates regard to the look at the different bodily injury claims. And in any case, it's going to be there and for the future.

But on the other hand, we are quite confident that we are putting into renewal premiums that are going to be providing us with a much better combined ratio for the rest of the year. And of course, for 2025.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you. We have 2 final questions. The first one from [Pat Ojeda], a follow-up on the outlook for insured vehicles in Spain. Is the portfolio cleaning already done? And what -- when can we expect a return to growth?

Felipe Navarro de Chicheri

The portfolio cleaning is something that is ongoing. As I explained, very -- a lot of times, I mean this is a question of how the behavior of the premiums or the renewals are happening. We changed -- I mean, most part of the portfolio is automatically renewed. I mean, the levels of renewal in our portfolio is over the 84%, 85% so that means that we are putting into the market every year, around 1 million cars that are -- needs to be renewed.

And we need to capture those 1 million cars from other companies from new business from new cars. And that is something that is continually happening. So I cannot say that there is a portfolio of cleaning except for the fleet business, which has already been addressed. But for the rest, I think that we are participating in the portfolio. We are placing our renewals and renewal rates at levels that are very compatible with the levels that we have right now. And as why as I was saying, I mean, there is only 1% of affection for the individual business.

So I think I'm quite confident that this -- whenever we are going to be profitable again. We can be turning around this level of losing units in the future. So it's something that is already built. It's already in the strategy, but it's going to take as much as it needs in order to make this main line of business profitable again.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you, Felipe. The last question is a follow-up on the non-motor General P&C business in Brazil. And specifically, he would like to know what gives us the confidence that profitability will continue or putting it another way, what do you see as a trigger or a catalyst from margin normalization or an increase in competition?

Felipe Navarro de Chicheri

It's quite a difficult question. I mean traditionally, General P&C in Brazil is mainly driven by agro business. Agro business is moving ahead quite profitably. There are things that may happen that could affect part of the agro business. As I mentioned in the past, Agro business is basically 1/3 related to Life Protection for the owner. 1/3 is on the Protection of what is built on the premises on the farms and 1/3 is fitted with the crop business.

What we are seeing is that we're still managing a leading position in the Brazilian market. This is not changing or not dramatically change in the short term. The capacity that MAPFRE has together with Banco do Brasil in the distribution way is still very high. The way the market is behaving is very compatible with an extremely good profitability. What what will happen or what happened in the last year and the first

half of this year is that there were no big events that were affecting this line of business that could be hindering this profitability.

The -- to give you an idea on the floods in the Rio Grande do Sul, there was already 70% of the crops that were collected. So that was a very limited impact in the farms on this line of business should be normal that the combined ratio would grow a little bit to higher levels, that should be normal. But for this, we need to have first lower prices because of much higher competition. And we don't see big changes in this line of business. And the second one is a much higher loss ratio coming from any of the 3 areas that I already mentioned. And I don't see main changes for the Life Protection side.

And the others will depend very much on the weather and the climate -- on the climate impacts in this moment. So for the moment, so far, so good, it is -- Brazil is an excellent contributor to the profitability of the group. And we hope that it's going to continue for the second half of the year and thereon.

Leandra Elizabeth Clark

Head of Investor Relations

Thank you. We have no further questions. Just before I hand the floor over to Fernando for some closing remarks. As a reminder, we will be holding a virtual meeting with analysts and investors on next Monday, July 29, at 12:30 CET. If you haven't received the invitation, please let us know and the team will be available after the call if you have any further questions or need help finding the information on our website. I also want to -- I want to thank you all for being here with us today and also Fernando, José Luís and Felipe for joining the call.

Fernando Mata Verdejo

Third Vice Chairman & Group CFO

Thank you, Leandra. A couple of minutes just to wrap up. First, to -- thanks for your questions and I guess, the answers given by Felipe and José Luís. We appreciate Felipe and José Luís, quite clear and very helpful, hopefully, for you. Just a couple of things.

One is a reminder. As Felipe said, when we compare with our peers, it's important to move to IFRS figures, which, by the way, we're pretty satisfied the extraordinary combined ratio stands at 93.6%. And net results practically is hitting EUR 500 million. The difference between both accounting standards are mainly a valuation on insurance liabilities. So for us, the local figures are pretty important that those reflects in a better way cash generation. Regarding other question, just to clarify, Brazil. I mean the flood in Rio Grande do Sul is going to be my view, a long tail claim or single claim or perhaps different claims, but MAPFRE is very well reserved and very well prepared.

And so far, most of the other cost is due to IBNR and very few reports -- claims has been reported. But Brazil and also MAPFRE RE, both operation, they performed extraordinary well. We consider both as a state of the art operations, and we're pretty proud of the way that they're performing. We know that auto in Spain is your main concern. We know that we're doing what we had to do. We focus in previous quarters on rates. Unfortunately, we focus as well in 2024 in underwriting measures. And we chopped some of the fleet that was heavily impacted by badly in your claims as Felipe said. And this is the main reason for the drop in units that we presented.

In any case, we increased the prudence level in our reserves because there are some uncertainties in the near quarters due to the expected inflation on the Baremo mainly. But all in all, in a nutshell, we are quite satisfied with the results presented, the new strategic plan, the update that we made at the AGM is giving fruits -- is bearing fruit. And our view is that the outlook for the coming quarters is pretty positive. So for those that are taking some days off in August, hopefully, take a rest and enjoy your holidays. Thank you, and bye-bye.

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