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Earnings Call

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Call Participants

EXECUTIVES

Antonio Huertas Mejias
Chairman & CEO

Felipe Navarro de Chicheri

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Leandra Elizabeth Clark
Head of Investor Relations

Unknown Executive

ANALYSTS

Unknown Analyst

Presentation

Leandra Elizabeth Clark
Head of Investor Relations

[Foreign Language] Good afternoon, and welcome to MAPFRE's full year 2023 activity update. This is Leandra Clark, Head of Investor Relations. We want to especially welcome those of you who've joined us here today in person and we would also like to thank those who have taken the time to connect online.

It's a pleasure to have here with us Antonio Huertas, MAPFRE's CEO. He will share some opening remarks and walk us through business trends. It's also a pleasure to have Fernando Mata, the Group CFO, who will go over the main financials. Felipe Navarro, Deputy General Manager of the Finance area, will give an update on capital and investments.

As you're aware, the new IFRS 17 & 9 accounting standards entered in force just January 1 of last year. Given the lack of a long track record in addition to the transition impacts, comparisons can still be quite challenging, which is why it's important to continue presenting our local homogenized figures as well.

We have reported very detailed disclosures of these different sets of accounts just this morning. They have very different sensitivities you'll see when you look at them. And that's why it's important that we continue giving this dual reporting in detail. And we're going to continue to do so in order to meet the different needs of all our stakeholders. Local accounting results will be presented first, and then Fernando will provide a deep dive of the IFRS 17 & 9 figures.

Before we begin, just a few reminders. Interpretation services are available, both here and at home. So feel free to choose the language you prefer, either English or Spanish. Some of the Q&A session, we'll be free to answer questions in Spanish, and it will be translated for those of you online.

And now let me turn the call over to Antonio. The floor is yours.

Antonio Huertas Mejias
Chairman & CEO

Thank you, Leandra. Good afternoon, everyone. It's a great pleasure to be here with you once again after the closing of accounting for 2023 year.

Let me begin by giving you a brief overview of last year. Overall, 2023 was an excellent year for MAPFRE. We are growing more than ever despite the high level of global uncertainty, thanks to diversification of our business, both by product and geography.

We closed the year with the highest level of premiums and revenue ever. This record is even more remarkable when considering how challenging 2023 was with wars, political and economical challenges and more issues, as you already know. Without a doubt, increasing prices had a lot to do with the higher premiums and earnings, but we are also seeing very solid underlying business growth.

Although inflation boosted revenue, it was also a headwind for technical profitability. Nevertheless, despite this challenge, we were able to substantially improve our results with relevant steps forward in most businesses and markets with life business, Brazil and Reinsurance leading the profitable growth.

Our main KPIs are further proof of these advantages. The net result, ROE and the combined ratio are improving, even though we are still working on returning to profitability in Auto. Furthermore, after so many years with low interest rates, financial income is now a tailwind.

And of course, I would like to highlight a fair commitment to MAPFRE's more than 200,000 shareholders with an attractive and sustainable dividend remuneration. We are especially proud to announce that this year we have raised the final dividend to EUR 0.09 to reach the highest level in the last 5 years.

Now I'll move on to look at the figures for the year. MAPFRE total premiums at the end of 2023 were just under EUR 27 billion, up nearly 10%, the highest figure ever. Revenues are growing at a similar rate, around 9%, reaching over EUR 32 billion, a historical record for MAPFRE. Also MAPFRE S.A. Group that manages its business with a focus on prudence and financial strength, I'd like to remind you that in the third quarter, we partially wrote down EUR 75 million of goodwill in the U.S. and totally strengthening our balance sheet.

Excluding the write-down, net income was an excellent EUR 767 million, an increase of more than 19%. Reported profit was EUR 600 million -- sorry, EUR 692 million, 7.7% higher than last year. This is a significant improvement given the challenging economic environment. This good result is a consequence of the improvement in the combined ratio, which stood at 97%, 1 point lower than last year. However, it's still higher than we would like.

The ROE is 9%, within our target range, up 1 point in the year. Excluding the goodwill write-down, it will be almost 10%. Finally, the Solvency II ratio was 198% in September, reflecting MAPFRE's strength and resilience.

Now let's look at some of the highlights of the year. Our diversification, the essence of well-managed insurance is helping us, again, thanks to the large profit contribution from life and general insurance in addition to Reinsurance and large commercial businesses. Life premiums grew by more than 14%, accompanied by a 12% improvement in the result and supported by a strong [credit card] performance robust in financial income, especially in Latin America.

In Non-life, premium growth exceeded 8%. The figure reflects diverging trends with technical margins under pressure and investment income growing strongly. Rising interest rates, particularly at America together with active investment management led to an increase in recurring financial income of EUR 160 million, up 26%.

On the writing side, the profitability of some lines of business is being constrained by higher frequency and cost inflation. We are gradually recovering the premium share falls, but it will take a few more months before this is reflected in the profit and loss account. This is the case for Auto, which is reporting high losses with a combined ratio of 106% despite ongoing tariff adjustments.

Quarterly developments continue to show volatility with positive trends in Brazil and the U.S., while rate increases in Spain will take more time. It's important to highlight that half of our operations have combined ratios below 100%. And most of them have improved during the year.

Brazil Reinsurance, Latin America, to a lesser extent, Spain also posted very positive results. So our territorial diversification also help us not to depend exclusively on one or 2 large operations, which enables us to consolidate our confidence in our global multi-branch, multichannel and geographically diversified model.

I'd like to highlight that some performance in Iberia levels the Group's growth with premiums up close to 16% as well as the excellent year for Latin America, which is now the main contributor to profit earning, over EUR 370 million.

It's also worth noting that Brazil contributed more than EUR 230 million, thanks to improvements in both the technical and financial results. MAPFRE RE, which includes the Reinsurance business as well as Global Risks, continued its consolidating positive trends with EUR 245 million result, up 70% despite the impact from the Turkish earthquake, Hurricane Otis and other weather-related events. It's important to say that we have recorded the highest level of Reinsurance premiums ever and even the highest profit figure.

Moving now to our dividend payment. I am proud to announce that MAPFRE's Board of Directors has decided to propose to general shareholder meetings at a final dividend of EUR 0.09 for 2023, EUR 0.05 higher than last year. Together with the interim dividend, the total will be EUR 0.15 per share. This increase is underpinned by our solid results and very strong financial position and reaffirms our commitment to shareholders by achieving a payout ratio of 67%. During 2023, MAPFRE had a dividend yield of 7.7%, one of the highest among largest European insurers.

Thank you, and I will now hand the floor over to Fernando, please.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Thank you, Antonio. Good morning, everybody. Now I will walk you through the key figures. Here we have on the screen, the breakdown of premiums. Non-Life premiums are up over EUR 1.6 billion with almost 11% growth in General P&C, 10% in Accidental Health and a little over 3% in Automobile.

Life premiums are up close to EUR 760 million, driven by savings, which is growing 35%, mainly in Spain, while protection over 7% on the back of strong trends in both Brazil and Mexico. As you can see on this chart on right, our business mix is well diversified with around 80% in Non-life and 20% in Life. Within the Life business, it is evenly split between savings and protection.

General P&C is our largest line of business with around 30% and which includes homeowners, commercial, agricultural and burial expenses. Motor represents 23% of total premiums, while Accident & Health, 3%, 7%.

Now I would like to discuss the key trends in our main business units. Net result reached EUR 692 million. I would like to comment on a few singular events during the year.

As Antonio said, there were 2 relevant cat events, the earthquake in Turkey and Hurricane Otis in Mexico with EUR 159 million combined impact mainly for MAPFRE RE. Additionally, the impact of attritional weather-related events, particularly in Europe, was EUR 115 million, EUR 1-1-5 million higher than in 2022. This storm affected the insurance units in Spain, Italy and Germany as well as Reinsurance.

As a reminder, in the third quarter, we recorded a EUR 46.5 million net gain as a result of the positive arbitration, the result of the arbitration from the end of the Bankia agreement in Iberia. The EUR 75 million goodwill write-down of insurance operations in the United States in the third quarter had no impact. It's a very good reminder on cash generation, solvency or the group's capacity to pay dividends. Realized gains were around EUR 90 million compared to EUR 100 million last year.

And finally, the hyperinflation adjustments in the 3 countries, Venezuela, Argentina and Turkey had a EUR 47 million net impact compared to EUR 41 million in 2022.

Let's move to the units. In Iberia, we're growing above the market in our main lines of business. We are also proud of our continuous transformation with more than 2.4 million digital clients, up over 25% during the year. The Non-life business is growing nearly 8% with General P&C and Accident & Health growing at higher rates than Motor. The result and combined ratio have been affected by Auto and General P&C, which I will explain later.

Finally, the Life business is up 40% and continues to perform well. The Protection business had an excellent combined ratio of 69%. The financial results continues improving and the net result stands all in all at EUR 361 million.

Let's move to LATAM. Businesses consolidated strong trends with a result of EUR 373 million, the largest contributor to group earnings. Brazil continues showing strong growth and its result was up over 60%. Premiums are growing almost 6%, driven by Agro business and Life Protection, which grew 7% and 5% respectively.

The combined ratio is down significantly to 78.6% with Motor and General P&C both improving. The Life Protection business also had a solid combined ratio of 79%. Obviously, high interest rates have been a tailwind, but reinvestment rates are expected to trend downward. The rest of LATAM showed strong trends with relevant contributions from Mexico and Peru, our core business, core countries, with premiums up 43% and 8% respectively.

Regarding North America, premiums have increased 3.6% despite some dollar depreciation and on the back of relevant Motor and Homeowners tariff increases, which should start to feed into P&L. The Auto combined ratio stood at 107%, down 2.5% with better performance during the second half of the year.

In General P&C, the combined ratio stands at 100%, affected by several weather-related events during the year as well as the relevant increase in the cost of reinsurance cat protection.

The North America region recorded a EUR 2 million net loss aggregated due to the challenges in Motor and lower realized gains. Puerto Rico, which is included in this region is growing at 10.8%, reaching over EUR 400 million in premiums and contributing is pretty relevant for the -- sorry, EUR 28 million to results.

In EMEA, premiums reached nearly EUR 1.3 billion with a 2% decrease due to the fall as we reported in previous quarters in the multi-life business. The region recorded EUR 47 million in losses concentrated in Italy and Germany as a result of the complicated auto environment and also the weather-related events.

In Turkey, the positive performance of the euro-denominated financial investments has offset the impact of the first quarter earthquake, allowing the country to report profits. And Malta finally continued with a stable contribution to earnings.

Let's move to MAPFRE RE. MAPFRE RE includes the Reinsurance and Global Risks business. Both operational consolidated excellent growth and profitability trends. Premiums were up nearly 9%, reaching EUR 7.9 billion. The combined ratio was down 1.2 points to 95.6% supported by improving tariffs, especially for cat covers. The 2 relevant cat events as already mentioned has a combined impact of EUR 153 million. In any case, we had other events included the storms in Europe were offset by the absence, thank goodness, of Atlantic hurricanes during the year.

The financial results also grew with EUR 128 million gross contribution to the Non-life result on the back of higher realized gains and also ordinary income. All in all, the net result reached EUR 245 million, up 71%.

MAWDY, formerly ASISTENCIA, continues to focus on its strategic markets for the assistant business with a focus on digital. On the right, you can see main ratios combined and also ROE.

Now let's move on to the Motor business. Given the current context, we focus on adapting tariffs and protecting our current portfolio. We already mentioned that in previous presentation and I had to remind, this is an ongoing process. As a result, during the year, premiums are up over 3% group-wide and insured units are down over 3%. So 3% plus, 3% minus.

In Iberia, premiums increased 5.3%. The portfolio is pretty stable standing at over 6.1 million, basically same level of vehicles that we had in June. And the reduction in terms of percentage at 1.8 reduction and duty rates solution measures.

In Brazil, the Auto business is up 0.9% and the portfolio of insured vehicles is down over 10%, a significant reduction in units which is related to less appetite, particularly in fleets.

In North America, premiums grew 3.1%, with insured units also down over 5%. The Motor segment is still reporting a net loss of around EUR 57 million and mainly coming from the U.S. On the other hand, Brazil is consolidating the positive trends in profitability, supported by high investment yields and an improving combined ratio.

The group's Auto combined ratio was 106%, similar to 2022. Brazil's combined ratio is down 12 points year-on-year to 102%. Iberia were hit by an uptick in the combined ratio in the fourth quarter was due to weather-related events, reaching 105% in the fourth quarter standalone and 103.6% for the full year.

North America, the ratio improved by 2.6%. The frequency is stable, but stability still raising. The already implemented tariff increases, more than 29% since January 2022 in Massachusetts, should offset expected claims inflation over the time. Other markets in Latin America performing quite well in mitigating the complicated situation in Italy and Germany.

Conclusion, we're committed to adapt in tariffs as much as necessary because the group is pretty clear. Brazil is already performing while the measures taken in the U.S. and Spain will need some time to bear their fruits.

And let's move on to General P&C. In that case, this line is just the opposite, which shows extraordinary performance. Premiums growing, up almost 11%, with a solid combined ratio of 87.6%, down 3 points.

We'll make a few comments on the most relevant geographies for this segment, Brazil and Iberia, which represents over 2/3 of premiums and 85% of the net result. In Brazil, premiums are growing 7.6% and the net result is up EUR 27 million. The combined risk stood at an excellent 70%, 70%, 7-0, down over 5 points, supported by Agro with a lower level of weather-related events during the year. Remember that last year we got the drought season in the Parana River.

In Iberia, premiums are up 9.5%, driven by commercial lines, but results were affected as well by the heavy storms in Spain in the second half of the year, especially homeowners and condominiums. I have to remind you that only 1/3 of these claims were covered by the consortium. So in the end, a lot of events, they went to the insurance private entities.

As you know, we're discussing with the consortium in order to increase its coverages due to significant events that are hitting the Spanish insurance entities. So the combined ratio stood at 100%, up more than 6 points from the previous year. In that situation, tariffs, particularly MAPFRE have been updated in order to offset this, we call it, the new paradigm or weather-related losses, call it, global warming or whatever, but the reality is the new paradigm on those attritional weather-related events.

In conclusion, despite the complicated context, the well-diversified General P&C is performing well with a significant contribution to MAPFRE's net result.

Let's move to the other extraordinary line of business. I want to comment now on the Life business, which is the relevant profit contributor. Premiums at insurance unit are up close to EUR 890 million, driven by sales in Spain. The Protection business as well is growing well over 7% and with a very good performance in Latin America.

In Iberia, volumes are up 40%, reaching nearly EUR 2.7 billion, of which EUR 2.3 billion corresponds to life savings. Profitability trends continue as the Protection business boasts an excellent 69% combined ratio.

In Brazil, the Life Protection business also had a solid combined ratio standing at 79%, 7-9. The financial results also improved, supported by the high interest deals. The rest of LATAM, the Life business and financial income continue improving and contributing very, very positively.

In general, the Life result reflects both solid technical performance and also a strong financial income with the total Protection combined ratio at an excellent level and at 83% and a 12% improvement in the technical financial result included in [indiscernible] reinsurance business and up over 10% at insurance units before tax and minority interest, minority results.

Now I will hand the floor over to Felipe to discuss our financial and capital position and also the investment portfolio.

Felipe Navarro de Chicheri

Thank you very much, Fernando. Here, we have the capital position and credit metrics. I mean, so on the left, you can see the breakdown of our financial resources. Shareholders' equity increased by EUR 780 million during the year, reaching over EUR 8 billion. This strong improvement was driven by the fall in interest rates, which led to an unrealized gains over EUR 560 million on the available-for-sale portfolio during the year.

The largest improvements were in Iberia, followed by LATAM and MAPFRE RE. Currency conversion differences were stable with the depreciation of the Brazilian real offsetting the dollar depreciation.

Leverage decreased to 22.7%, just below the lower limit of our reference framework. The fall is driven by the increase in our equity base and the reduction of bank financing, with a total debt down over EUR 200 million. The solvency ratio remains close to the midpoint of our reference framework, nearly 190% when excluding transitional measures, which is always an excellent level.

Now I will take some time to comment on the cash flow upstreaming to MAPFRE Group, which was over EUR 630 million in 2023. The decrease is mainly due to the extraordinary dividends that Iberia in 2022 distributed related to the sale of Bankia.

As you can see, Iberia continues to be the most important contributor with EUR 345 million. LATAM contributed with EUR 148 million, adding a new layer of diversification to the group's strength as is less dependence on Spanish entities. MAPFRE RE upstreamed EUR 86 million this year. These cash flows were allocated to pay EUR 447 million in 2023 dividends as well as to cover overhead payments, interest expenses and other capital needs.

Regarding the investment portfolio, we reduced our equity and mutual funds position during the year to reduce the volatility in the P&L related to IFRS 9, while at the same time allocation more to fixed income. We also lower duration of assets covering Non-Life insurance liabilities. The changes on the quarter also reflect higher fixed income valuation from lower interest rates.

Spanish sovereign debt continues to be the largest exposure with EUR 9.7 billion. A large share of those positions are allocated to immunize portfolios, mitigating the interest rate risk.

Regarding asset management, we are confident moving forward with strong growth during the year. Pension funds are up over 12% and mutual funds nearly 20% during the year. We have now reached around EUR 30 billion in assets under management, placing us among the leading non-bank players in Spain.

On the screen, you have information regarding our EUR 31 billion fixed income portfolio. First of all, I would like to remind you that a large share of our portfolio is immunized or matched. So we will focus on the actively managed portfolios, which is the main contributor to the net income.

At the top, there are details on the euro area portfolios with a market value of over EUR 12 billion. Duration overall is down and yields are increasing at a steady space -- at a steady pace, sorry. The accounting yields in Iberia, Non-Life and RE are both around 2.5% up during the year. On the bottom, there are other main markets amounting around EUR 8 billion.

During -- duration is slightly down in Brazil and North America, but up over 1 point in the rest of LATAM, to close the duration gap in long-tail liabilities in runoff Life business.

Regarding portfolio yields. In North America, they are slightly up, while Latin America, they have come down a little. Non-Life financial income is at EUR 80 million, impacted by the goodwill write-down in the United States. Excluding this, the financial income is growing 26% over EUR 160 million. The largest improvement is MAPFRE RE, up EUR 48 million from higher gains in ordinary income.

LATAM, including Brazil is up EUR 39 million. EMEA is up almost EUR 28 million with an important share coming from positive exchange rate impacts in Turkey, where 70% to 80% of the assets were in euro. And the EUR 28 million fall in North America is due to the lower realized gains.

As a reminder, the goodwill write-down is reflected on the consolidation and corporate area lines. Gross realized gains in Non-Life are up EUR 30 million due to the sale of an important property in Iberia. Gains in financial assets in MAPFRE RE are up on the year with help to offset the fall in North America.

I will now hand back the floor to Fernando.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

Thank you, Felipe. We're going to discuss the new accounting standards, the IFRS. Our approaches are aligned with what we reported in our June accounts. Here, you can see the main KPIs under IFRS 17 & 9 compared to local GAAP figures. I will comment on the most relevant ones.

Insurance revenue, we reached a little under EUR 25 billion, up over 9%, in line with premium growth. The net result stand at EUR 677 million under the new IFRS, slightly down EUR 15 million compared to local GAAP. Shareholders' equity amounts to EUR 8.4 billion under IFRS, EUR 400 million higher than local GAAP. It means that there is an early recognition of income in IFRS when we compare to GAAP obviously.

The new concept, CSM, contractual service margin, was EUR 2.6 billion and the 96.6% combined ratio under IFRS similar to local GAAP. Finally, the ROE stood at 8.3% under IFRS, mainly due to a different equity base higher in case of IFRS.

Here, you can see the main figures by region and further details of P&L can be found in the annual accounts, the consolidation of accounts we released this morning and they're available in our web and also at the CNMV. The figures are not fully comparable because there are some changes in financial assets that we implemented in 2022. So there is some changes in the results, particularly in results by units.

Just to comment because of this Iberia and the Holding and elimination line were the main areas affected by the 2022. This is a technicality, the overlay approach that impact open transaction. This approach was applied to avoid P&L volatility in total from the application of the new IFRS 9, which entered in force January 1, 2022.

So IFRS 9 adjustment were playing full in 2022 in each region's accounts. That's why so many difference while the overlay adjustments was supplying the Holding combined line. So in the year-end total, there is neutral effect, but there is a change, significant change in the units and compensated with an adjustment in the Holding, elimination and other.

The total of these adjustments for 2022 was around EUR 150 million, of which around EUR 100 million were from the unrealized losses in mutual funds, around EUR 44 million from realized gains in equities and an additional EUR 5.6 million from expected losses in fixed income.

Here you can see the reconciliation of the net result between both accounting standards. As you can see, the impact of the risk margin and loss component were negative. So there is a minor results under IFRS, but were offset by the discounting effect on other adjustments.

So in the end, if you put together the discount, the loss component and also the adjustment to criteria, that's the -- sorry, the fixed margin and the adjustment to total criteria, this is the net effect regarding discount and criteria.

And finally, IFRS 9 had 2 significant impacts in realized capital gains on equity that were recorded under OCI, while changes in the value of mutual funds were booked in P&L. On the right, you have the evolution of the IFRS shareholders' equity. Main movements are the EUR 680 million change in the market value of financial assets, which is largely BBA fixed income portfolios as well as our own funds portfolio.

This was partially offset by the EUR 320 million impact from discount rates on BBA insurance liabilities, mainly for the Life Savings and Burial business. Currency conversion differences were positive in the year as positive trends in the Brazilian real and other Latin American currencies offset the fall in the dollar.

On the right, you have the reconciliation of net equity between the 2 accounting standards. I would like to give some economic sense to the movements instead of focusing on specific accounting line items. The total impact resulted in the recognition of an additional nearly EUR 400 million in shareholders' equity, reaching nearly EUR 8.5 billion. On the asset side, the impact from IFRS is pretty small and on the other hand, impact from IFRS 17 are relevant.

The first main impact is from the different valuation of provisions, showing a positive adjustment of EUR 769 million due to the reserve discounting together with different criteria for the pattern of profit recognition through the season affecting particularly Life business and also Burial expenses.

Under IFRS, there are also 2 new liability concepts, the risk margin and the loss component, which had a negative impact of EUR 256 million and EUR 212 million respectively, which I will cover in the next slide. The last component reflects the present value of future losses from onerous loss-making contracts or portfolios, which amounts to EUR 287 million.

As you can see, the largest share is in PAA in value geographies, which is largely related to the Motor business. BBA portfolios in over LATAM also have a relevant share with EUR 92 million, mainly corresponding to annuity runoff portfolios mainly booked in 2023.

Regarding the risk margin, it has been estimated in line with Solvency II capital requirements and industry standards and also are disclosed on the left of the slide. During 2023, it increased over 20%, with the ratio of risk margin of the provision quite stable year-on-year. The increase is due to higher technical provisions resulting from the fall on interest rates, which increased the base for calculating the risk margin.

On the screen, you can see the variation of the CSM, the contractual service margin, during the year, which amounted to EUR 296 million, equivalent to 10% of the CSM. Before the release, the CSM increased by EUR 650 million, the main contributors being new business and changes in experience and assumptions, bringing the CSM to EUR 2.98 billion.

Regarding the EUR 222 million positive variation from changes in experience and assumptions. This is the result of lower expense assumptions in BBA, particularly Spain and Brazil as well as a better evolution of motility -- mortality, sorry, affecting Life Protection and Burial business. Just for reference, these changes were around 1% of the total liability.

And finally, the release in the year amounted to EUR 355 million, around 12% of the CSM pre-release. And the main contributors to the CSM and the release of the years are Iberia and Brazil, which are basically the regions that are running those business.

Now let me hand the floor back to Antonio.

Antonio Huertas Mejias
Chairman & CEO

Yes. Thank you, Fernando. Before the Q&A session, I'd like to make some additional comments about our performance. The close of 2023 marks the end of a cycle and the beginning of another one. In 2024, we have just implemented structural changes to simplify and improve the efficiency of the group, renewing leadership positions and preparing the group for a new phase that we'll continue to focus on growth and results.

As a result of this and having considered the current context and MAPFRE's potential, we are reviewing our current strategic plan ahead of time. Although we have been able to meet most of our commitments, some minor changes we were clearly necessary to adapt to the changing market reality. An updated 3-year plan for 2024 to 2026 will be presented to the General Shareholders Meeting in March, which will allow us to increase technical efficiency, productivity and flexibility, making the most of MAPFRE's potential in all the markets in which we operate.

We are very satisfied with the fulfillment of the targets in the current plan, including financial transformation and ESG KPIs despite the tremendous volatility and uncertainty that we have faced. Just to give you an idea, we presented this plan at the AGM in 2022, just days before the beginning of the Ukraine war. You can see, we have met all of our main financial targets with the exception of the combined ratio, which was heavily impacted by inflation.

We had updated the target to 96%, which we still expect to achieve, but it will take longer that we initially anticipated. We are continuing to adjust tariffs and it will take more time to this to feed through to the P&L.

Premiums have grown by almost 10%, which is well above the target of 5% to 6% for 2023 to 2024. And ROE, excluding the goodwill impairment in the U.S. reached 9.9%. Even excluding the impact of this one-off, ROE was 9%, still within the target range.

In terms of ESG targets, we have already achieved our goal of reducing the gender gap pay -- the gender pay gap, sorry, to below 1% and we have significantly exceeded the target of having 90% of our MAPFRE AUMs investment portfolio rated according to ESG criteria with 96.6% of the portfolio currently ESG-rated.

Regarding our reference framework, as you can see, our solvency ratio is comfortable at the midpoint of the range, even excluding transition as we mentioned. The payout was 67% and our leverage is still below the reference rate.

The current scenario remains highly unstable and volatile. The next few years will be challenging, but we are optimistic. In this difficult context, MAPFRE continues to hold leading positions in most of our markets. We have a solid profitable business model that allows us to grow consistently, supported by a sound financial position allow that. The return to profitability in the Auto business is definitely among the most notable challenges due to the sharp rise in inflation.

For a group like MAPFRE providing quality service to clients in Non-Life and health sectors require a very efficient and powerful infrastructure and human and material logistics. In inflationary period, same tariffs are calculated long before the service is provided. This leads to significant deviations in the claims experience if rising costs persist.

That is what happened in 2023 and we faced the situation with strength and determination, applying strategies to contain costs and adapt tariffs at a different pace in each country, depending of our market position, the type of product and distribution channel and also depending on the need for supervisory approval like in the U.S.

This is where the results show varying degrees of success with a significant improvement in Brazil, the positive development in Spain and the slow but steady improvement in the U.S. We still have room to increase organic growth and as always, we will continue to be on the lookout for any opportunities that could arise in the market.

MAPFRE is a resilient and solvent company with the strength and flexibility to face today's global challenges. We will continue working to transform the company as much as possible with an even more resilient and diversified business model. The recent increase in 2023 dividend to EUR 0.15 is a strong demonstration of MAPFRE's commitment to our shareholders and our confidence in our ability to continue generating value for them in the future. We will provide you more color at the General Shareholders' Meeting on March 15.
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, Antonio. Most of you are familiar with the process. But just as a reminder, those who are here, you can please raise your hand and introduce yourself and we'll give you the floor. Feel free to ask your questions in Spanish. And for those of you at home, you can send your questions with the ask a question button. [Foreign Language]

Unknown Analyst

[Interpreted] Well, first question about the combined ratio in Spain, 104% in Q4, it sounds like too big a leap for the type of weather events you've mentioned. So I wonder if you could give us a bit more color about this trend. In the quarter, what has happened and your certainty that you haven't been under-provisioning in the year and having to catch up now. And in this context, can you give us some guidance about the combined ratio for 2024 and update where you are in tariffs and inflation costs for claims, particularly Auto?

And then I have a second question. Should I wait until you answer this first one? To you , [Paco].

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] Well, there hasn't been any change with regards to tariffs. We've continued in Q4 to apply some tariff increases. The premiums are still feeding right into our P&L. We had 7% earned premiums by risk, let's say, in December. It's the same, so pretty stable. And what we've had is a slight increase in the frequency and obviously, also higher costs, higher insurance costs, which were a bit unexpected. That's true. But there hasn't been any change in reserves or in that catch-up you referred to or premiums.

As for our guidance, we will continue to raise tariffs. Clearly at 103% combined ratio, the goal is to keep bringing it down. And the goal is to be at 100%. We're not going to grow the expense of reducing our profitability. That's very clear. And as for 2024, the guidance and inflation, what we're assuming, inflation will be more under control, but this is a sector, transport and auto shops and parts as well as wage increases here in Spain, will mean increasing costs between 3% and 5%. So the only way to have that catch up with inflation at that rate will be to raise tariffs on average above that as well.

We are optimistic in the sense that we've done our homework, perhaps we need to accelerate a bit, but to have 7% growth in premiums, which will continue in 2024, makes us feel quite hopeful. If inflation is at 4%, 4.5%, and our premiums increase by 7%, we will, of course, clearly improve. But there's not been any change other than the usual update in provisions.

We've had an increasingly -- we've increased the BI claims which are the ones that affect the scales, or the tables and as we do every year. Clearly, weather events have been significantly more frequent. As Antonio will probably discuss in more detail and only about 1/3 were covered by the consortium. And we're talking to them to see how we might improve the level of coverage by them.

Ultimately, it's raining more. We're having more floods and more hailstorms and that is a new paradigm, which means we're going to get more attritional claims. And the only way is to increase tariffs and also to get more strict underwriting criteria for these risks. But I think we should be optimistic about 2024.

The digital channels will provide additional savings, not huge, but definitely additional savings. We're working on data processing and artificial intelligence tools and everything that comes out, we test and if they work, we deploy them. But of course, here, we're talking about tariffs mostly and about catching up with inflation.

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] Yes. In any case, if I may, Fernando, it's important to consider that since we are the biggest auto insurer, also home insurer, one of the top in health insurance and many other segments, insurance clients are not clients that have just one policy with us. They are in many segments. And our sensitivity analysis is clear to protect the client, not just the auto client. So when we raise tariffs, we have to consider how many products a client has with MAPFRE and the profitability overall of that client, even if we to have less profitability in some segments.

We're not going to apply sudden sharp increases in tariffs for those types of clients, but only to gradually improve profitability, which might explain why you see a slower increase in tariffs in Spain than in Brazil or the U.S. or other markets where we have been able to increase tariffs more quickly because clients don't tend to have as many different products with us.

Here, we try and maintain, of course, the sufficiency of the tariff, which is our responsibility as insurers, but also to maintain customer loyalty and we have been successful. We are managing to retain more customers than we expected. And that short, medium term, it has a positive impact, although, of course, in the very short term, it's negative because we haven't been able to offset the excess or the increase by raising tariffs more.

But I think since the pandemic, we have had worse traffic figures, more accidents, higher costs. And therefore, in every segment, Fernando mentioned, connected to Auto, but also the health and auto shops, everything, all of these costs have increased and it's hard to pass them on to tariffs. Beforehand, you have to do it afterwards, which means there's always a delay.

But we haven't changed anything just to [indiscernible] trust that we have the sufficient knowledge and tools so that within a reasonable time span, we can catch up with the tariffs to a reasonable sufficiency level. It will take longer to have a highly profitable level with the Auto business, so we don't lose competitiveness.

Unknown Analyst

[Interpreted] Perfect. And my second question, also for Antonio. In spite of the combined ratio, which is still high, you've increased your payout for the first time in many years, which, of course, sends a positive sign to the markets of your confidence in the future. In contrast with the price, the share is trading at today, down 5%. Can you give us some indication about the sustainability of your profit and your ROE? You're saying that in the AGM, you're going to present a new strategic plan. But could you tell us, at least qualitatively, what your outlook is?

And also, I've noticed that when you adjust by one-offs in '23, it was just the impairment of the goodwill in the U.S., but there were also some positive impacts like the Bankia capital gains or some real estate in Spain. So could you give us a bit more color on the sustainability of the profits?

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] Well, in that sense, I have to say that discussions in the Board are very focused. We're all familiar with the situation of the group and the sustainability of our profit and our payout ratio. For a global multinational like MAPFRE working in every segment, it's hard, not impossible, to have every year all segments perform excellently or poorly. Diversification is precisely about that, about offsetting losses with profit.

Before with the pandemic, we had significant -- before COVID, we had significant issues with financial assets. Then we have the low interest rate environment, which hit us hard and we survived, thanks to our technical excellence. And during the pandemic, we had huge impacts on Life insurance and Health too and Burial insurance, which were offset by the excellent performance of Auto, not just because people are not using their cars during the lockdowns, but also because we've had gone through process and lowering our combined ratios overall in Spain.

And now of course, we're seeing exactly the opposite. Interest rates, much higher. Our portfolios have mostly been repriced and are generating not just short, but also medium term. It's very significant yields.

There's also been a substantial improvement in the profitability of Life risk insurance with combined ratio at about 82%, which is excellent certainly.

And we're also obtaining and seen very good growth and excellent profitability from commercial insurance. Lower, but also very good in retail for P&C, but all of it offsets everything else.

So what can we expect for the next few years? Well, first of all, this revised plan is not going to mean we're going to downgrade our forecast. Quite the opposite. We're going to revise upwards those where we think there's a more positive outlook. And we will give a bit more color on the elements or drivers that we will be using -- or levers that we'll be using to manage that result.

And if Auto within the next 3 to 12 months starts contributing more profit to the P&L instead of a loss of EUR 17 million, a reasonable profit, not what we had, of course, in the previous years, but as long as we assume that everything else continues to perform as it has for commercial and the results will not just be sustainable, but actually even better than they have been.

And as for the dividend, as earnings improve, so will the dividend as we have done and we discussed in the Board.

And as for one-offs, just a couple of comments. MAPFRE generally, what we have is the goodwill. And it's true that we have been gradually provisioning. And if there was a macro impact in any of the regions, we modify that. But for capital gains, we usually earn between EUR 90 million and EUR 100 million, EUR 90 million last year, EUR 100 million this year. And depending on the markets, we're more into real estate or more into equity.

This year, approximately it was 50% more or less, roughly. That's where it is. And next year, we will continue to rotate assets and there will be some capital gains or we'll do something with equities as we do every year. And as for positive impact, it's true that this year, we've had the Bankia, which has come in very handy. We had earned it in previous years. Let me put it that way.

But the cash flow one-offs are always positive generally for MAPFRE. You can't really find negative ones. And next year we'll have another luckily. We appealed the [Montero law] and the rule of the constitutional court will mean we'll get a few millions. And so we're always very prudent -- I won't tell you how many -- but we're always very prudent for one-offs. We won't book them until they actually happen. So next year, you can be sure that there will be some one-offs as well and we will realize those capital gains, depending on the markets, more into equities or real estate.

But with our exposure at MAPFRE, we do need to manage our assets very actively.

Leandra Elizabeth Clark
Head of Investor Relations

Maybe we can do a few of the questions that we have online. [Foreign Language] [Interpreted] Okay. We're going to switch to the questions that have come in through the platform. And so first, we're going to talk about the Auto business. And I think that someone from Barclays is asking, Mr. Huertas spoke about the possibility of returning to a 100% combined ratio within the next 6 to 12 months and whether you would be satisfied with that goal?

Antonio Huertas Mejias
Chairman & CEO

Well, yes, absolutely. Because of the analysis of customers that I've just mentioned, we cannot just penalize our customers who are highly loyal and with many products with us and raise their tariffs too quickly or too sharply simply to improve the profitability of the Auto segment because customers may have health insurance with us, home insurance as well as Auto.

And in the past, there have been other segments where we had losses with those clients when Auto is so profitable. But I think we're comfortable to think that between now -- 6 and 12 months from now the combined ratio for Spain should be below 100%.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Okay. Thank you. And [Carlos] is also asking about the impact of the tables, whether you've provisioned everything in the last quarter of 2023 or you'll have to provision something more in 2024?

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] Well, thank you for asking that question. What we have done, as always, is our best estimate. Based on the tables that are already available, we have updated all claims that have happened in previous years to those tables and we expect an increase in line with the hike in pensions, which is what applies in Spain with some small adjustments based on certain characteristics.

Deviations, well, let's hope not many. When we do those estimations, we hope for 0 deviations, but we have, of course, updated our provisions as we always do, closing with the new tables. And as for the amount, I don't have it on hand, but I can look for it and let you know.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you. And [Max] from JB Capital would like to know what we are seeing with the customer numbers and vehicles insured for 2024, what kind of average premium raises are we applying in Iberia Auto?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] Okay. Well, since this whole inflationary crisis started, we said we would protect our portfolio and not make the mistake of the previous crisis where we lost 700,000 vehicles. As Antonio has said, we raised tariffs looking at profitability for that segment, but also of the customer overall. We have lost maybe 100,000 units, that's 6.1 million, 1.5%, 1.7%. Given that the sector has grown 1.5%, there is a piece of the pie that we've decided we didn't want to protect that portfolio. We will continue to monitor developments in the units. Luckily, we are seeing growth in new vehicles, which is always the most attractive part of the business and where we have a higher market share.

And well, we wouldn't be too sad if we lost a similar number this year, but we improved the points to reach the combined ratio we want because we're focused on profitability. So we will retain for loyal customers who have many products with MAPFRE and we will price appropriately, given inflation, but we might have to sacrifice part of the growth, clearly, in order to return to the right level of profitability.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you, Fernando. We have other questions. Ivan Bokhmat from Barclays about we're -- still about Auto, but about other geographies. And basically, he'd like to know about increases in combined ratios -- well, Iberia, which you've already answered, but also Brazil and North America.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] If we're not mistaken, it's not an increase, it's a decrease in both. Brazil, it's stable. 101% something, the Brazilian sector. We always try to reach technical equilibrium part in Latin America. Well, after this underwriting cash flow because you place premiums at 10%, the industry feels very comfortable being at levels slightly above 100%. But we're satisfied with our performance in Brazil.

In the U.S., we're very optimistic. A few years ago, we said it was very difficult because of the regulation and authorizations in some states. Now after 2 years, we've seen an increase of 30% in tariffs, more than 30%. The non-consumer premiums at the end of the year has grown 18% compared to the beginning of the year. So that's going to go into the P&L. So inflation has to be really, really high so as not to have a very significant reduction of the combined ratio because it's, as I say, plus 18%. And this is possible in very dynamic markets.

In Brazil, we lost 10% of the fleet. We cannot do that in Spain. Obviously we're leaders. We have -- clients have many products in the U.S. They also separate between lines of business, you can segregate by risks better. But in Brazil and the U.S., we're more than pleased in the reaction of our executives there and how the market is performing.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you, Fernando. We also received several questions on IFRS figures. The first one is from [David Barman] from Bank of America. And the question is, if we look at the underlying components, excluding exchange rate movements and other variables, the CSM hasn't grown that much during 2023. How do you expect the CSM to develop in the future?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] Well, it's -- what you're saying is right, David. We'll be very prudent in our assumptions, especially mortality. The calculation base is very large. So 1 point in variation is more than 2 million difference in the CSM. Obviously, we would like the business that is coming into our portfolio. We wish it were as profitable as in previous years, but the scenario is very different now. Now there's more focus on savings products and burial products that we sold 10 years ago in a different context.

They're still the outstanding and it gave rise to a very high CSM. I think we will continue with these volumes of new business in the contribution of the CSM. But I have not been surprised. Of course, if we compare new business with new business in 2022, the figure would be more similar because the margins that we're selling at now are not what they were 10 years ago. Felipe?

Felipe Navarro de Chicheri

[Interpreted] Yes, I would like to call your attention on what we're letting go of CSM during the year. Apparently, it's more than what we create during the year, but we must take into account that in that CSM release, there is a part of the components that we mentioned earlier. So we mustn't see it on a like-for-like basis, but of all this creation, which is more than 600, 325 have developed this year.

The important thing at the end is to see the growth of volume of the total CSM and what release we can expect in future years because it's quite -- it's a very stable business with a very long tail.

There's a similar metric that we've been publishing from some years now. It's reinvestment value. And unless there are changes in the perimeter, I haven't really seen any change in the embedded value. So we have had very good performance in our CSM margins.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you to the both of you. We have 2 questions, one from Carlos Peixoto from CaixaBank. He ask if we're going to continue to report under local accounting standards in 2024 or only IFRS.

Unknown Executive

[Interpreted] I think we mentioned this at the beginning of the presentation. We will continue to report under both standards.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] And the second question is from Ivan Bokhmat from Barclays who asks, are we going to focus in the future more in IFRS or local accounting in terms of targets, guidance and a more detailed disclosure?

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] This is a very intense debate that we've had with the management and at Board level as well. The apparent complexity brought about by the IFRS perhaps doesn't make the drivers visible, the drivers that the managers have to take into account every day in managing the business. The vision IFRS 9 & 17 are more financial than insurance-related and both complement each other and both are necessary at least in the midterm.

MAPFRE's Board will continue to receive both and will analyze the information mainly under local standards in order to understand what is happening in each one of our markets because it's MAPFRE S.A. that consolidates under IFRS standards, but each of our operations has this local management principles.

We have homogenized this so that there aren't too many differences in the interpretation in the differences that exist between different countries. So we will keep it this way. And we will continue to maintain our targets and goals of the group in terms of homogenized standards.

Of course, we will also refer to IFRS in consolidated terms.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] If I may, Antonio, I have to say that MAPFRE has a very similar structure. We don't have a huge insurance company with subsidiaries. What we have at the top is a holding company with no activity. The activity is to look for money and finance and make those investments and bring in those dividends. And the dividends of the subsidiaries are based on the financial situation and the results of every institution under the local principles. So we don't want to forget that. That is the only guarantee that dividends will flow towards the holding.

So if there are merchant laws in Spain that are different from IFRS, we will have to look at the different companies based on the local standards. All our information is based on nominal accounting. And now in part of market value principle, but it is absolutely necessary to have both.

Will we make them public? That will depend on you. When we talk to retail investors, they tell us, don't tell me, don't talk to me about IFRS. I don't understand it. So this is why we -- that is -- we have to do it in both.

In the holding, in the solvency balance, it was at market value. Now we have a different one. When assessing everything and have no noncash profit because it changes in value, we need to use both criteria to make the right decisions, otherwise we might get lost.

Unknown Executive

[Interpreted] And just to add to that, Fernando, we are aware moreover that the implementation of IFRS standards in Europe, in every country, different criteria have been followed for some of the concepts. So not even to homogenize and compare the information of MAPFRE with that of other European groups that have international operations, it is useful because they have been interpreted especially in Reinsurance differently in every country, depending on their own local standards that the market supervisor uses in that market.

So it's not really that relevant how this is homogenized in Europe and for comparison purposes.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Ivan has a question on the intervals of confidence, especially for the Non-Life business vis-a-vis the risk margin. Is it the same that is used to make your trial forecast? And why is it much lower in Reinsurance than in Life insurance?

Unknown Executive

[Interpreted] Well, no. For reserves, we use other intervals based on different factors, macro actuarial, specific situations in every market and we use different data. That there's a range doesn't mean -- well, the range means that I apply the higher end and lower end for different operations. One can be at 62.5% or 67.5% for Reinsurance, the same thing applies. And they're based on Solvency II, as I mentioned earlier.

Unknown Executive

[Interpreted] And just to add to that, the confidence intervals have to do with the commitments of the different companies. Non-Life business are shorter term in general, so these intervals are a bit lower. When we talk about Life insurance, which is longer term business, the interval -- or we use a much higher percentage to give more certainty to the business and in Reinsurance business, which is capital, the quality of reinsurance when covering risk, that is where we have a maximum level of confidence.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] The next question from David Barman is on Life results in Iberia. We've seen an increase in financial results that were better than expected during the fourth quarter standalone.

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] I would like to add that the quarter was affected by capital gains, selling of the property. And regarding the sustainability of the Life business, perhaps Fernando would like to respond to that.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] We have a real estate unit. We don't know -- well, you know we had the CPD in sale. We closed the sale in December. Half of the not realized gains were real estate and the other half was equity, so it was a very good deal. We think we did it at the right time. There was a lot of appetite for data centers and we closed that in December. Sustainable, we always have 3 or 4 units, which is the usual process of turnover of a business because we keep them at acquisition price. And therefore, when we sell, we have capital gains. And this year, probably we'll also sell some property and there will be a contribution from that.

In equities, we are opportunistic, as we've always said. We didn't mention this, but it is important we lower our exposure. In other presentations, we thought that [IFRS 7 & 19] were not going to change our risk appetite. We were wrong and we made some relevant changes in fixed income and the mutual funds. We sold more than EUR 500 million. Mutual funds, the nonrealized gains changes go through the P&L because investments in equity don't go through equity, but a mutual fund in equities and nonrealized gains have to go through the P&L, but that's IFRS rules. And we've sold lots of mutual funds. We had a very strong exposure to mutual funds.

And a classification of the portfolio. You know that liabilities for [LIC], for the liability for incurred claims, we need to be discounted and we do it at a free risk curve plus spread. So this year, just to give you an idea, the curve in the 2-year tenure lowered -- when 3-year lowered 70 points. If we don't match assets that can offset that movement, we lose. So there's a lot of volatility in the P&L.

So we did an allocation, if you will, of a portfolio of EUR 7 billion in fixed income with a tenure similar to the liabilities that have to be paid. And as rates move up or down, that will have an effect on the combined ratio that will go up or down and I will explain this, but I will have the same results of movements in the opposite direction in financial assets. That's very important.

The other fixed income assets that are matched with Life products or equity follow changes in equity. And we will continue to adapt to IFRS, which is important to have symmetry in movements in our insurance operations and prevent mismatches that we have in our P&L. You didn't ask about that, but it's something I wanted to add.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] The next question is from David Barman from Merrill Lynch and we're going to go now from the motor business to other lines of business. He asked about general insurance or P&C, property and casualty throughout the year. What were the drivers, the causes for this impairment in the second half of the year and when do you expect things to go back to normal?

Unknown Executive

[Interpreted] Well, this is not an excuse, but mainly it's due to the increase in frequency that we've seen in weather-related events, or to say -- put it more bluntly -- to put it more bluntly. So what we're doing are changes in tariffs before they were because of inflation. And now we have these anomalous impacts, but these are becoming more frequent, these adverse weather-related events. But that's not only happening in Iberia, also in Italy and Germany, where there was a seasonality effect.

Are they sustainable or not? Well, we'll try to factor this in the calculation of the tariff. This new paradigm has to relate to new revenue. They're becoming more recurrent. And well, welcome to the world of insurance. That's what we need to deal with, volatility and trying to get more information to factor into our models.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] And Maksym from Capital is asking about atmospheric-related events and asks whether we can say what the impact in the motor combined ratio and in C&P is going to be of these impacts?

Unknown Executive

[Interpreted] We don't have the data. We're talking about EUR 115 million excess in the P&L compared to 2022 in Europe. And we said about 2/3 would correspond to direct insurance operations, most of it in Iberia and the remaining, MAPFRE RE. We have the data. So we can give you the data on a one-on-one basis because I don't want to get the figures wrong, but we have broken that down. We do have the figures and we can let you know.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Carlos Peixoto from CaixaBank asks about target motor combined ratio in Iberia. Antonio already mentioned that, but he asked about the total Non-Life ratio.

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] Our target so far was to reach 96%. We are reviewing this. Now bear in mind something, Carlos. When we said 96% was going to be our target and we had that target for many years, interest rates were at a very different level than they are now. So a group such as ours where 2/3 of its business is in emerging markets, usually with combined Non-Life ratios of more than 100%, despite the fact that our target, even in those markets, is always not to go over 100%. And in these countries, in many of these markets, there are still very high interest rates.

I'm not saying we have to relax underwriting policy, but we need to protect our competitiveness. So in some of these markets, we may think that the requirement levels are not the same as in Europe or the U.S., taking into account that despite everything else, Europe and the U.S. are still going to have reasonably high levels that can help us to offset. We are reviewing those figures. In any case, we're not going to make our forecast worse in our main markets. But we need to wait until the AGM to see what ratio for Non-Life we expect for '24, '25, and '26.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you, Antonio. We received several questions on the business in Brazil. Carlos Peixoto from CaixaBank asked about combined ratio targets for Brazil. And Thomas Bateman from Berenberg ask about our prospects regarding interest rates, which is the first time that we've seen a change, a turning point in the return of the portfolios.

Unknown Executive

[Interpreted] It is very difficult to say what the Brazil combined ratio is going to be without catastrophic events, the one we had this year and we hope this will be repeated in future years. And when we've had natural disasters, droughts, et cetera, it's been below 90%. Of course -- then we have, of course, losses in MAPFRE RE because we have a very important reinsurance coverage. But Brazil, it's very difficult to say where we will stand because it depends on the weather events.

Expectations regarding interest rates, we're still optimistic. We think that the recurrent yield will grow in fixed income in 2024. Although the [indiscernible] have fallen, we have a slight reduction in the accounting yield in Brazil, also in Mexico. In MAPFRE RE, the accounting yield is very far from the market yield.

So there are basis points that we need to improve. Now at least in the first quarter, we will see the financial income grow. On the midterm, it's difficult to tell, but we're not too pessimistic. In the duration tenures, we haven't seen huge reductions and we're very well placed because we did it when we needed to. So '24-'25, we don't think we're going to see a fall in financial income.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Moving on to the Reinsurance business, Max from JB Capital has a doubt on the possibility of extraordinary results in 2023 and what increase in premiums do we expect for 2024?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] Extraordinaries, we haven't had anything, natural ones. We increased our tariffs a lot. As we announced in London, we're riding the top part of the wave. So we assigned a lot of capital at the beginning of the year. We did 95.5%. And the question is, what did you expect? We expected less than that. With the increase in tariffs, we should have had a combined ratio of 94%-93%. At the end, with all these average-sized events, we've had an excess of EUR 100 million. It's been a record year in the frequency.

Yes, we had about EUR 100 million more in claims in MAPFRE RE. 95.5%, it could have been 93%-94%. Yes, maybe. We've had an increase in the frequency though. But in capital gains, we haven't done practically anything because MAPFRE RE has no property, real estate property. And what we sold -- the mutual funds that we sold, we sold at acquisition price at the beginning of 2023 and we got very little in capital gains.

2024, the tariffs, we were in the good market and the territories that have suffered claims, there's been a significant increase in the rates. I'm referring to Italy. We've always said that Europe was a bit underpriced. In Italy, as well as in Greece, in Turkey with the earthquake, we had significant increases.

The average, well, some are going up 5, others 15. But when we finish the renewal, if we stay from 10 to -- 8 to 10, which is not premiums. It's a risk-adjusted increase of business, which is how we call it. If we stay at 10, we will be satisfied and we will cover that increase in the level of claims related to weather-related events. But we're in a new paradigm, that's the truth. That's happening in Europe more frequently.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you. We have a question from [Pat Ojeda] on the U.S. business. You mentioned increases in tariffs, almost 50% and the average premium is going up only 8% for the time being, bearing in mind the fall in the number of insured vehicles. There's still very strong competition. Is it because of this? Can you please tell us how you think the situation will evolve in 2024?

Unknown Executive

[Interpreted] Yes. That's true. We had increases in tariffs approved in the U.S., mainly in Massachusetts, which is the main state for our business and increases in tariffs. These have been recurrent increases. You know that the increases in tariff in Massachusetts need to be approved by the supervisor. So there's a time lag of about 2 months.

This time around, it happened much faster because we were able to react and we got those relevant increases in 2 years. But applying that to the actual tariff takes longer. But where we can see it better is a nonaccrued premium, where we see increases of 18%, the nonconsumed premium, which does reflect those increases that are being applied. And these are accrued premiums and will improve results in coming months in the U.S.

Our forecast, well, car insurance in the U.S. is having the greatest crisis in the past 50 years. There's been states where we pulled out. We made the decision of not continue to underwrite if the tariffs were not the right ones. What is going to happen in the U.S. in terms of the economy and inflation? One thing is the average inflation.

Another thing is actual inflation, which affects the motor industry, spare parts, supply chains, workshops and there it's greater. And I think increases -- further increases that we can ask for are going to be much smaller because there is enough premium that must be consumed, that must be accrued in these next 12 months and that will significantly help us to improve those results.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you. We have more questions on the U.S., this time related to home insurance. Max from JB Capital asks about the performance of the combined ratio in home insurance in the last quarter of the year. Have there been any extraordinary elements?

Unknown Executive

[Interpreted] Max, after the call, we will give you the data for the standalone fourth quarter. But just to say that in general insurance or P&C, in the home insurance, it ended the year with 100% compared to 108.3% the previous year. Would you like to add anything to that?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] Well, in winter, it's always colder and it snows in Massachusetts. But bear in mind that as of June, tariffs started to go up and we can tell as quarters -- in the future quarters. Yes, there's been the reinsurance contract, the increase in tariffs has been happening since June the 1. So for a few quarters, we will be lagging behind the cost.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Perfect. We have a question on capital from [Palos Toscas] from [West Markets]. Your solvency ratio, which is in the average range of your target, how do you see that ratio if central banks start to cut interest rates? What is your sensitivity to movements of 100 basis points in rates?

Also regarding our level of leverage, which is slightly below the reference framework, are you thinking of using this margin to decrease your solvency ratio?

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] The solvency ratio at MAPFRE after 5 or 6 years has proven to be terribly stable, regardless of the macro situation and the sensitivity is not too high. At present, we have nothing to say regarding what the indicator is going to be. It's 198%, 190% without transitionals. We will probably converge to 190%.

We've lowered the leverage, we're outside the lower end of the range, but we've done it because of the increase of cost of the debt. It's as simple as that. And that proves the flexibility that we have in the movements. And when rates are low, we use syndicated and we did very good arbitration with fixed income. And when we increased it, we left and syndicated right now is at EUR 200 million, I believe.

So really very small, and we have no intention for now to do any new issues. We're comfortable with the maturities. We'll start to talk about it in 2025, right, Felipe? And for now stable, both leverage and Solvency II ratios. That's my conclusion.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Great, Fernando. And I'm going to group several questions that have just come in about the dividend from Thomas Bateman, Max and David Barman. And the first question is, what was the rationale underlying the Board's decision to raise this payout? And what would be the impact on future dividend payments? Is this a one-off or has there been a change in the payout policy? Should we assume that these EUR 0.15 will be the new floor for my first dividend?

Antonio Huertas Mejias
Chairman & CEO

[Interpreted] Well, we have to think that we've always stated our commitment to pay a consistent dividend that would grow based on the growth of the company's earnings. And that's what we've done, basically. Now that we have exceeded a particular earnings target with over EUR 700 million net profit, clearly that demonstrates how solid and resilient our earnings are.

And that means we can take on, although knowing that the payout is quite high, that we can afford to take that next step and expect even better results next year. Whether it's a floor or not, it will depend on the earnings we obtain over the next 3 years.

Our confidence in our ability to improve the earnings from Auto and considering the benefits of our diversification, which always helps to balance our P&L, make us feel that those earnings will be better still and therefore, the dividend will be able to grow, not just in absolute terms if our earnings grow, but also the Board will be open to improving the payout if there's sufficient profit growth without endangering our solvency ratios within the target ranges that the Board has approved. So it's not a one-off. It's a firm, well-thought-out decision. And so also, as I was saying, we're starting a new cycle with a dividend if earnings continue along these lines.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Thank you, Antonio. We have a few questions about the investments. Ivan Bokhmat is asking about the outlook for 2024, and Carlos Peixoto wants more details about the ones that have been done in the quarter.

Fernando Mata Verdejo
Third Vice Chairman & Group CFO

[Interpreted] I can actually give you some general figures and then after the call, Carlos, you can call us and we can give you all the details you want. To September, we had EUR 22 million in accumulated capital gains, which in December went up to EUR 91 million after taxes and minorities. And the main change is in Iberia from EUR 10 million to EUR 74 million and that's the divestment of that real estate asset we mentioned.

And as for the outlook for 2024, we cannot, of course, give you a list of the real estate that's for sale because that would make the price go up. You know how the market works here in Spain. But it's the usual rotation of real estate assets we own and so there will be 2 or 3 units that are always up for sale. And the plan is to gradually, as we realize more capital gains in real estate, we'll do fewer in equities.

Although we do look for opportunities in equity, too, when there's a good opportunity and we think the market might be about to correct, we do sell. But in the pipeline right now we do have a couple of large units. Well, the CPD, it took us a year to do. So the fact that it's in the pipeline doesn't mean we're going to sell it in 2024. They're in the market. Generally, these are off-market transactions. But anyway, if we announce them, then they'll get harder.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Great, Fernando. There's 2 more questions about repatriation of dividends from subsidiaries. First, from Pat Ojeda in Sabadell. You've had a pretty stable level of repatriation, EUR 630 million, EUR 650 million per year between '21 and '23. Are you planning to optimize capital in the subsidiaries and increase the rate of repatriation? I'll talk about this another second.

Thomas Bateman from Berenberg is asking or saying that there was a low level of repatriation by MAPFRE Spain this year, EUR 65 million in comparison with a long-term average of EUR 250 million. Could you explain the reason why there's been this drop in the payout?

Unknown Executive

[Interpreted] Okay. I think we need to explain the philosophy for dividend repatriation within the group. MAPFRE S.A. is not an insurance company. It's a holding with different insurance companies. And so it does not benefit the solvency and the ability to underwrite business, if we bring up a lot of capital to the holding level. And so what we generally do is to let the companies themselves that are under the MAPFRE S.A. or MAPFRE International umbrella build up enough capital to operate and work -- and grow their own business in a solid and solvent fashion.

Capital repatriations or dividend payouts up to the holding company are based on the holding's needs. That is, we need to pay the costs of the holding and service the debt we have at that level and pay out the dividend that we've approved to shareholders and acquisitions, if any, when there are any. And we saw that last year, parts of the surplus capital or the capital gains from the Bankia sale, we transferred part of that from MAPFRE Spain and MAPFRE Life to MAPFRE RE.

And that way, we, depending on the capacity of each of the units and the individual results of each of them, we redistribute the company's capital, allocating it depending on needs. But without any desire to build up capital at the MAPFRE S.A. level, the holding level, or to accumulate liquidity at that level, because we are able to move capital pretty quickly if we need to, or cash from one to another if we need to.

Leandra Elizabeth Clark
Head of Investor Relations

[Interpreted] Perfect. Thank you very much. Unless there are some final questions from the room, then that would be that.

Antonio Huertas Mejias
Chairman & CEO

Okay. Well, there are no more questions, it seems. So I just want to say to close, well, I want to thank you for your attending and for wanting to hear more about the company and its results.

I think we're probably at a turning point, as I said at the beginning. We're beginning a new cycle in which we expect that the economic impacts of the post-COVID period are now finished and have not really caused any significant scars upon MAPFRE. We have been able to gradually recover profitability for most of our business segments. Not for Auto as yet, in general.

Half MAPFRE's Auto businesses already have very good combined ratios, but not all and 2 of the most important, U.S. and Spain, are not yet there. But the work is being done, and work well-done will bring about an improvement in the profitability of the Auto business. There's one thing that MAPFRE has proven it can do in the last 20 years before the pandemic was having an Auto combined ratio globally of around 100%. And in Spain, it had consistently and recurrently been at 94%, 95%. And in other markets like the U.S. 98%.

And in Latin American countries with higher interest rates, also close to 100%. So we have the ability to do that. We can fix it. And it's just about being a bit more patient. And we are in MAPFRE and we hope that investors will also because it's not going to take us very long. And it's part of this natural process of managing our clients and improving profitability.

Because just like you have to adjust tariffs upwards in Auto, you also have to adjust tariffs downwards in other segments where the good performance is helping us do that. So you have to balance all these things out in order to get the right profitability and derive the greatest benefit from our diversification.

I think our commitment to our shareholders has been proven once again. We have consistently paid out significant dividends based on our earnings and as those earnings grow, we will also continue to grow the dividend. We're optimistic. We're confident, hugely confident in our business management model and have very solid businesses in the countries that are really about over 90% of our business and our turnover which are obviously not many, but very solid and with wonderful management quality because of our teams and the tools and the expertise we have.

So with that, I hope that 2024 will confirm these results and that in the next AGM on March 15, we'll announce these objectives and these upward revisions of our strategic targets for the next 3 years. In this new cycle which starting from Spain we're calling a cycle of opportunities. So let's see if we can really materialize those opportunities to the fullest. Thank you for attending and we'll see you soon. Bye. [Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]