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Fernando Mata Verdejo
Group CFO & Director

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Presentation

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Hello, everyone. This is Natalia Núñez, Head of Investor Relations. We will -- of MAPFRE. We would like to welcome you to MAPFRE's results presentation for the first 9 months of 2019. As in previous quarters, our CFO, Fernando Mata, will take you through the main trends and figures of the year. [Operator Instructions]

Afterwards, the IR team will be available to answer any pending questions you may have. With no further ado, let me hand the call over to Fernando.

Fernando Mata Verdejo
Group CFO & Director

Hello, everyone. It is a pleasure to be here with you for the presentation of our third quarter results. Looking at the key figures for the period, our top line is growing at a good pace. Revenue is up 6.5%, mainly due to the rising premiums and higher financial income on the back of the rally in financial markets as well as positive change rate differences.

Overall, premiums are up 2.5%, with Non-Life growing nearly 4%; and Life premiums down around 1%. Our combined ratio has improved 170 basis points. The net result of almost EUR 463 million has fallen 12.5%, largely driven by goodwill write-downs at MAPFRE ASISTENCIA. Excluding these write-downs, the net result is in line with last September.

Before we move on, I would like to take a few minutes to comment on what we're doing in the assistance business. As a result of the performance in our units in the U.K., affected by the current socioeconomic context in this country and the business restructuring in the U.S., we wrote off close to EUR 66 million of goodwill from companies in both countries. In addition, we will be restructuring our operations in 6 countries. And these expenses have also been fully booked this quarter, with a negative impact on attributable result of EUR 11 million.

Shareholders' equity is up 12%, mainly as a result of the falling interest rates as well as currency appreciation. The ROE, excluding the goodwill write-downs, will have been slightly over 8%. And our capital position continues to be strong with the Solvency II ratio at 198% at the close of June in line with our target.

Just as a reminder, the goodwill write-downs booked this quarter will have no impact on our cash position nor on regulatory solvency ratios maintaining our strong capacity to pay dividends.

On the next slide, we will take a look at the key figures by unit. On the right side, you can see the main figures regarding attributable result. I would like to highlight the contribution from our insurance units that reached EUR 568 million, up nearly 8%. Iberia continues to be the largest profit contributor, with a net result of close to EUR 350 million, very much in line with last year's results. There were strong improvements in Brazil, up EUR 31 million, with the implementation of our new business model and the absence of extraordinary impacts.

In North America, profit is up nearly EUR 44 million on the back of improved underlying performance after the exit from 5 states. LATAM North and South continue contributing to results, which is reflected in their combined ratios and all countries contributing positively to the group's results.

Lastly, EURASIA continues facing profitability challenges in Turkey, where we are managing the business with a defensive approach. MAPFRE RE continues to be an important profit contributor, with a net result of EUR 102 million. Results have been affected by Typhoon Faxai and the drought in Brazil as well as 2 industrial planes, which had a large impact on the global reach segment, while the insurance business has been proven resilient.

In the assistance business, excluding extraordinary items, there was a net loss of EUR 9 million. Regarding premiums, growth is very strong in Brazil and LATAM North, the latter fueled by a large multi-year policy in Mexico, which we already mentioned in last quarter's presentation.

In Iberia, premiums are slightly up, with strong performance in Non-Life, offsetting the fall in the Life business. In addition, appreciation of the U.S. dollar and other Latin American currencies have also supported premium growth, while the Brazilian real is still a drag on premiums but to a much lesser extent than previously.

On Slide 4, we will look at the adjusted attributable result. Let's look at the extraordinary events. Regarding weather-related and NatCat claims this quarter, Iberia was affected by the heavy rain and storms in Spain, with a net impact of around EUR 10 million, while the insurance business was affected by Typhoon Faxai, with an attributable impact of EUR 30 million. There have been few -- a few other large events, both in MAPFRE RE as well as the impact of the drought in Brazil, but we consider these events business as usual.

The reorganization of our U.S. operations has had a positive net impact of EUR 5 million this year compared to a EUR 7 million loss in 2018. And there were 2 important real estate transactions last year for approximately EUR 30 million, but we have not completed any transaction this year. But some units are currently in the final stage of sales. As for the actively managed portfolios in Europe, gains have been quite stable. The adjusted attributable result, excluding all these impacts, is up by around EUR 4 million.

Regarding the Life business, we've seen a strong performance in Iberia. The result is up over EUR 21 million, stemming from Life Savings due to higher realized gains, driven by asset sales from surrenders. Life Protection premiums are up 8%, with improving combined ratios.

As we already commented in June, we have been gradually provisioning for the new actuarial table for longevity based on an estimated impact of around EUR 50 million. Excluding prudence margin at the end of September, the outstanding provision is negligible. Nevertheless, the Spanish supervisory body is currently carrying out an impact study based on more prudent actuarial tables. The result of this study and the decision regarding the final tables to be enforced and the transitional period, if any, will be announced by year-end.

The fall in Brazil is explained by the nonrecurring reversal of a provision in 2018. There has also been an increase in acquisition expenses this year in the bancassurance channel in order to boost sales.

And in LATAM South, the fall is mainly driven by the gains realized in September 2018 from the sale of our property in Chile with a EUR 10 million pretax gain. There were negative adjustments in Colombia affecting annuity runoff portfolios, which were offset by the strong performance in Peru and Uruguay.

Please turn to the next slide. On the left, you can see the breakdown of the capital structure, which amounted to EUR 13.3 billion. Our credit metrics remain quite strong, with leverage around 22%, which we feel comfortable with. Interest coverage is around 18x earnings before interest and tax, quite stable as well.

And on the next slide, we'll take a look at our equity position. Shareholders' equity is up over 12%, reaching nearly EUR 9 billion. The most relevant changes are, first, an almost EUR 891 million increase of unrealized gains on available-for-sale portfolio, net of shadow accounting, driven by the sharp fall in rates in Europe. Second, the appreciation of the U.S. dollar and, to a lesser extent, the Mexican peso, which have helped offset the fall in the Brazilian real. And finally, the decrease of EUR 447 million corresponds to the 2018 final dividend already paid in June as well as the 2019 interim dividend to be paid in December.

On the bottom right, you can see the details of the available-for-sale portfolio in Iberia, which represents 3/4 of MAPFRE's total available-for-sale portfolio. There are currently EUR 4 billion of unrealized gains in these portfolios, practically the entire amount at group level.

The largest share of unrealized gains are in immunized portfolios, which, with a EUR 2 billion, followed by the actively managed and conditioned portfolios, which are mainly products with profit-sharing elements. Net of shadow accounting adjustments, and after taking into account policyholder's participation, there are

EUR 1 billion of net unrealized gains, and the majority are in actively managed and free portfolios. This is new information and we -- hopefully, we -- that you consider quite interesting.

Please turn to the next slide to take a look at the investment portfolio. On the right side, you can see that assets under management are up over 10%, driven by improvements in stock and debt markets after important correction at the end of 2018 as well as currency effects. The breakdown of the investment portfolio is on the left. Asset allocation has been relatively stable throughout the year, and exposure to government and corporate debt remains mostly unchanged.

Our cash position is up to EUR 2.7 billion and includes short-term investments and temporary cash balances. The largest exposures correspond to the Spanish sovereign debt, which, with nearly EUR 19 billion and Italian debt with EUR 2.9 billion. And we have mentioned in the past, the majority of these investments are in immunized portfolios. On the next slide, we will look at our actively managed investment portfolios.

Gilts are still relatively high given the current market context, 1.9% in Non-Life and 3.6% in Life. Nevertheless, the downward trend continues hurting our financial income. We are mitigating this trend by allocating part of reinvestment to alternative assets as well as keeping duration around 8 years.

Realized gains in the euro area reached nearly EUR 84 million during the first 9 months of the year, around EUR 7 million less than previous year. The fall in Iberia is explained by the real estate gains in Portugal last year, which were around EUR 11 million pretax.

We have been cautious with asset sales as we prefer, as we mentioned last presentation, to protect the recurring yield of our fixed income portfolio. Regarding our portfolios in other geographies, which is as well new information, on the right, you can see diversification is playing an important role in protecting recurring financial income with accounting yields well above those in Europe.

On the following slides, we will look at divisional performance in more detail. Let's start with Iberia on Page 10. In Spain, Non-Life premiums growth has been excellent, and we are outperforming the market in our main lines of business. On the other hand, the low interest rate environment has been a drag on growth of the Life business.

In Motor, premiums are up 1.7%, with a 1.4% growth in retail lines and 4% in fleets. They are small and medium-sized fleets. General P&C growth was mostly driven by homeowners and condominiums, which were up by around 5% and 9%, respectively.

Regarding profitability in Motor, the combined ratio is 93%, an excellent ratio in a very competitive market. We have seen rising claims cost affecting property damage and slightly rising frequency trends in full coverage products, but both in line with our expectations.

In general P&C, we have seen 2 percentage points improvement, thanks to homeowners and commercial lines. There was a negative impact on the quarter as a result of the severe rains and storms. In the Mediterranean area was the worst for the last 8 years. The last heavy rains in Spain was in 2012. But these losses was partially offset by the excellent performance in other regions. Regarding other business activities, our asset management business, MAPFRE INVERSIÓN, continues as a strong contributor, with a net result of over EUR 30 million, helping offset expenses from the launch of our digital health initiative. The strong reduction in the combined ratio in Portugal is also worth highlighting, mainly in workers' compensations.

Let's take a look now at Brazil. Premiums grew 5% in local currency, especially in the Life Protection, agricultural and multi-risk segments. There was a fall in Motor premiums as a result of greater underwriting discipline and cancellation of loss-making policies. The attributable results amounting to EUR 70 million, up over EUR 30 million. And then Non-Life result is up EUR 52 million due to the absence of extraordinary negative adjustments but also the underlying result is improving. The largest profit contributor was General P&C. Losses in Motor are down with 14 percentage point reduction in combined ratio, thanks to stricter claims management, greater underwriting discipline and new pricing tools. We are now on track to meet our 105% Motor combined ratio target for year-end.

Financial income is up, mainly in the Life business, due to opportunistic realized gains, mainly during the first quarter as well as resilient portfolio yields. We already discussed the main drivers of the result of the Life business earlier in the presentation. So please turn to next page.

LATAM North, I would first like to comment on the solid local currency growth trends and the extraordinary combined ratio, which stands at 95.8% in a better currency environment. Excluding the multi-year PEMEX policy, Mexico has had strong local currency growth of 12%, driven by Motor and Life segments. The Motor combined ratio improved over 7 percentage points to below 94%, thanks to tariff and risk solution measures. Central America continues to contribute significantly to results in the region.

In Panama, we are applying stricter underwriting guidelines and tariff increases to correct recent negative trends. The loss ratio in health is improving, which mitigates the uptick in Motor and General P&C. Technical measures are underway in Motor as well. And Honduras, Guatemala and El Salvador all -- are all seeing solid growth and profitability trends. In the Dominican Republic, premiums are up over 15% in local currency, and the combined ratio continues improving.

Please turn to next slide. Regarding LATAM South, we have seen excellent local currency trends, but with some volatility. Average exchange rates for the Argentine, Chilean and Colombian pesos are down year-on-year, while the Peruvian sol is up over 4%. Local currency growth is good in most of our main markets, and we continue developing bancassurance operations across the region as well as our agreements with carmakers.

Peru shows excellent premium growth and ratios, maintaining the same positive trends as the last 5, 6 years. In Colombia, the result has been impacted by negative adjustments in the annuity runoff portfolios as a result of updating long-term financial assumptions. The investment portfolio was restructured in July, improving ALM significantly, and we don't expect further negative adjustment in the fourth quarter.

Chile saw local currency growth of 8%, and the falling results is explained by the 2018 real estate gains. Excluding this impact, underlying results have been rather stable despite a higher combined ratio in Motor. Argentina saw a decline in premiums, driven by currency depreciation, and the following results is due to hyperinflation adjustment in 2019, which were applied only in December last year.

Let's move to North America. The appreciation of the dollar has positively impacted both premiums and results. Premiums are down around 9% in local currency as a result of the exit from 5 states in 2018 as well as the cancellation of nonperforming business. The attributable results is up over EUR 39 million in the U.S. And last year was affected by extraordinary winter weather as well as the cost of the exit of 5 states. Excluding extraordinary items, underlying results have improved significantly over EUR 15 million. Further, 2019 results are also benefiting from a EUR 5 million net positive adjustment already discussed last quarter.

We continue reducing exposure to unprofitable business segments. And as we announced last quarter, we have stopped commercial line renewals in all states but Massachusetts. This business represented around USD 44 million in premiums in 2018 and had a combined ratio of 128%. Going forward, this move will help profitability.

Outside the Northeast, we've seen a reduction in losses and combined ratios across the regions. Finally, positive profitability trends continue in Puerto Rico, and this unit is contributing EUR 15 million to the group's results, up over EUR 4 million compared to last year and a combined -- an excellent combined ratio below 92%.

Please turn to next slide. Italy experienced a strong premium performance, driven by the dealership channel and a strong improvement in the combined ratio, down over 5% points. It is also important to mention that Italy is already delivering profit at EUR 2.3 million on a stand-alone basis, which -- by which, I mean, excluding consolidation adjustments.

As we announced last quarter, we're working on the process of transforming our Italian entity into a VERTI Spain branch under EU regulations. The plan is moving forward behind schedule, unfortunately, and year-end is going to be a very challenging deadline.

In Turkey, we are still seeing a drag from exchange rates, and we continue with a defensive business model in this market, with premiums up around 9% in local currency below current inflation. And we continue reducing our MTPL exposures in a defensive strategy, as I mentioned.

The attributable result has moved back into positive territory in September, EUR 0.6 million, compared to over EUR 20 million last year. There are several drivers behind the fall in results. First, inflation and currency depreciation is having a negative impact on spare parts and other claims costs, partially offset by investment in euros.

And second, MAPFRE's participation in the compulsory high risk MTPL pool has had a negative impact of EUR 5.1 million, mainly booked in the second quarter. In Germany, premium trends continue to be positive, with an improving attributable result and resilient combined ratio.

Please turn to the next slide to discuss MAPFRE RE. Premiums are up over 7%, fueled by the reinsurance unit and the Non-Life business. Growth is also benefiting from currency movements, especially the U.S. dollar. On the other hand, we continue working on the nonrenewal of unprofitable business in the global risks segment, which explained the fall in premiums. We also recently announced the discontinuation of facultative underwriting business in our London office. In 2018, this business represented EUR 115 million and EUR 39 million gross and net premiums, respectively.

As for the Life business, the fall is due to timing difference of the policy issuance. The combined ratio has proven resilient, especially in the reinsurance segment at 95%, in line with historical average. Year-on-year, we have seen an increase in large losses, which affected especially the global risks segment. Particularly, there were 2 large industrial claims, one in Asia in the first quarter and another this quarter. The total net impact was EUR 29 million, of which, EUR 21 million in the global risks segment.

Typhoon Faxai had an over EUR 32 million net impact based on preliminary estimates. Regarding Hagibis, it is still too soon to have an estimate, but we don't expect the combined impact of both Cat losses to be higher than Jebi and Trami last year. Finally, the impact of the Brazilian drought had a EUR 10 million net impact.

Please turn to next slide where we cover MAPFRE ASISTENCIA. On this slide, you can see results from MAPFRE ASISTENCIA as well as the breakdown of extraordinary items and underlying results by business region product line. This is new information as well. We have been monitoring the ASISTENCIA business very closely and have exited 7 countries since 2015, with relevant restructuring expenses in 2016 and 2017. As a result of that, the majority of countries in LATAM and EURASIA are currently contributing with profits. On the other hand, the U.K., France and roadside assistance in the U.S. are still running losses as the first round of restructuring was carried out in a different context and also with a different expected outcome.

Margins have been going down in these businesses and products have been gaining in complexity, which has made us more selective. Furthermore, the complex socioeconomic context in the U.K., with uncertainties surrounding Brexit on our business scenario in the U.S., with the lack of scale in roadside assistance and the streamlining of operation in this country, were about lower expectations of future profits in both countries. Following MAPFRE's prudent approach, we wrote down goodwill amounting to EUR 66 million. A full disclosure by company is on that slide.

In addition, we will continue streamlining the organizational structure in 6 additional countries. We have already fully booked a provision for restructuring, with a negative impact on our attributable result of EUR 11 million. Going forward, the assistance business will be sure, simpler.

Please turn to next slide. The Solvency II ratio increased to 198% at June 30 in line with our 200% target, an evidence of our strong Solvency position. 87% of eligible own funds are high quality and restricted Tier 1 capital, and the remainder is Tier 2.

On the right, you have a breakdown of the variation of the different components of eligible own funds. And more detailed information regarding Solvency II figures can be found in our financial report. Please turn to the next slide for closing remarks.

In conclusion, we have had a good start to a new strategic plan, which is being temporarily eclipsed by first, the assistant unit restructuring; second, the unexpected increase in global risks losses; and third, the unusual frequency of typhoons in Japan. Nevertheless, business fundamentals are stronger, with a clear turnaround in the U.S. and Brazil, where improvements should gain momentum in the coming quarters.

In Iberia, both premium and profitability performance have been excellent and in line with our expectations even in a very competitive market. MAPFRE RE has had resilient results and continues to be an important contributor to our earnings. Right now, the focus is on reducing exposures in the global risks business in order to lower P&L volatility.

Growth trends are very good in Latin America, with all 17 countries contributing profits, all 17 means also Venezuela and Argentina and outstanding performance in Mexico and Peru. MAPFRE continues to boast a solid capital position and a high degree of financial flexibility, which should guarantee dividend stability and allow us to continue to meet our commitments with our shareholders.
And now we will hand the call back to Natalia to begin the Q&A session.

Question and Answer

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much, Fernando. Now we can start with one of the main -- our main regions, Brazil. Sofía Barallat at Caxiabank BPI; Ivan Bokhmat of Barclays; and Rahul Parekh at JPMorgan have the following question. "Could you elaborate on the drivers of the combined ratio in Brazil in the quarter? The combined ratio in motor insurance stands at 107% in the 9 months '19. Do you reiterate the 105% guidance for the full year 2019?"

Fernando Mata Verdejo
Group CFO & Director

Thank you, everyone. As you may remember, measures were implemented starting just when we finished updating our agreement with Banco do Brazil last year. And we started, first, with stricter measures for claims management. It's the first thing we had to do to, trying to reduce average cost. And this year, we're focusing on underwriting, also new coverage, new policies and also new tariff tools.

Obviously, I mean, these changes requires a longer period in order to deliver performance, but we're quite satisfied with the measures already implemented. Has been a slight uptick during the quarter, but it is down over 14 percentage points year-on-year. And it's down to the technical measures, portfolio clean up as well and the cost containment.

We're happy with our new business model and management team that, as I told you, we changed practically every position at the organizational chart. And Brazil is clearly on the right path to reach the Motor cut target of 105% combined ratio for year-end.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Also, Rahul Parekh at JPMorgan has the following question. "The combined ratio overall for Non-Life was 91.1% for the 9 months, which is substantially better than the full year '21 expected target of below 96%. Could you please comment on this?"

Fernando Mata Verdejo
Group CFO & Director

Yes. This 91.1% is supported by the reduction in Motor, obviously, reduced by 14% as we already mentioned but also by the General P&C, which has improved by 7 points to 75.5%. I mean this is an extraordinary combined ratio, 75%.

And frankly, we would like to have it sustainable in the future, but we consider it extremely difficult to keep this low level. I mean whenever we set our overall targets, we do it with a long-term view. The main nonmotor lines basically include agricultural and industrial rigs, which can be more volatile due to climate change and obviously, depending on the occurrence of weather-related or large claims.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Next set of questions are regarding MAPFRE RE. Rahul Parekh at JPMorgan would like to know if we have any indication about the impact of Typhoon Hagibis.

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you again. Hagibis, as we disclosed in our financial report at the caption of subsequent events, there is no estimate right now. I mean it's too soon to say. And we're expecting -- we're waiting still for communication from certain entities, and we will have it very soon. But so far, we have not any indication, no indication of cost there regarding Hagibis.

We know there are damages caused by winds, although less than previous events, but also by unprecedented heavy rains and floods. This current event, in that sense, has very special characteristics. So more rain than winds. But as I mentioned, we expect the combined impact of Faxai and Hagibis to be lower than the combined ratio -- sorry, the combined effect of Jebi and Trami happened last year.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Also, Ivan Bokhmat at JP -- sorry, at Barclays asked, "What industry loss does the EUR 30 million loss from Typhoon Faxai correspond to? It's early days, but do you believe the impact from the 2 Japanese typhoons might exceed the EUR 87 million you've booked for Japanese losses in 2018?"

Fernando Mata Verdejo
Group CFO & Director

Thank you, Ivan. The estimation made, and this is very well disclosed in our financial report for Faxai, was a top-down approach and based on our estimation, also, the portfolio data and information. But let me tell you that we estimate this amount just for the closing of the financial statement. That's the third quarter. But the communication we're receiving currently in October from our [deciding] entities, they're quite similar to this estimation. So whether we were lack or we were very well experienced in the treatment of these Cat losses, but the estimation, the top-down estimation is quite similar to the current communication from the [deciding] entities. And as I said, we expect the combined ratio of both typhoons to be in a similar or lower than they reported in 2018.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Thank you. Also, Alfredo Alonso at BBVA would like to know "What measures are you taking to reduce net negative impact from global risks?"

Fernando Mata Verdejo
Group CFO & Director

Thanks, Alfredo. I mean this is global risks, a bad experience. I mean it's a worldwide trend. It's a global trend. It's not affecting, I mean, MAPFRE, but the entire business segment. For the last 2 years, we are canceling nonperforming business and focus on those that are more profitable. But the best example is that as we unveil at this presentation the discontinuation of the facultative business written through the -- our London office because we believe that this segment, which is a loss-making portfolio, doesn't feed our current risk appetite nor our business strategy.

On the other hand, the proportional 3D reinsurance business in London remains unchanged, and we will continue providing comprehensive solution, insurance solutions, for our clients in aviation, oil, gas and other risk segments in London as well.

In general, we are confident that the measure we've taken and we're in the right path, and this is -- what we're doing is what we had to do. And also with the integration of the reinsurance and global risks business will be positive and performance will be better in coming quarters.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Now there's a question regarding investment portfolio and assets under management. It comes from Rahul Parekh, JPMorgan and is the follow-on question. "Realized gains came in EUR 62 million for the first 9 months of 2019, and you mentioned that MAPFRE would aim for roughly EUR 100 million for the full year. Does the target still hold?"

Fernando Mata Verdejo

Group CFO & Director

Yes. The EUR 100 million target, I mean, is basically is the average for last periods as well, and it's our target in a quite standard economic scenario. I mean it's been challenging, but we have a prudent approach, as we mentioned, to gains and prefer not to touch our fixed income portfolio in Europe to protect our ordinary yields. As I mentioned in the presentation, our unrealized gains are exceeding EUR 1 billion, but we [burned] capital gains. I mean we will have a worse performance, financial income performance, in the coming years. So in any case, our investment team continues working hard to meet the EUR 100 million target in capital gains that has been budgeted for this year.

It is important to keep in mind that we have not completed any real estate transaction in 2019, but there are several units in the market to a medium-sized and other smaller, which they are currently in the final stage of sales. And hopefully, we will really surprise if this transaction were -- some of these transactions were not completed in the last quarter.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. Now regarding North America, Ivan Bokhmat, Barclays, has a follow-on question. "U.S. Motor profitability appears to have deteriorated for many of your larger U.S. peers, including both commercial and personal auto. Can you talk about the market trends and whether this can become a headwind to the improvements you are seeing in the business? What are the trends like in Massachusetts?

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, Ivan. A couple of things. First, I mean, this trend of deteriorating the combined ratio in -- on auto lines in the U.S. is not new. And we had been discussing for many, many presentations that there -- and there is a combination of risk affecting auto business in the U.S., and they are still valid.

But in any case, our performance in Motor and the evolution has been excellent, and the underwriting measures have been implemented, including tariff increases. And I don't remember, but we discussed in previous presentation nearly 20 increases in tariff across the U.S. and also, a cancellation of nonprofitable business and agents and also the exit of 5 states.

Regarding market as a whole, as I mentioned, the same main trends, with higher frequency and severity as a result, as I mentioned, disrupting -- driving the cost of technological and sophisticated spare parts and also higher mileage and gas consumption, which point to higher frequency. So in conclusion, tariff increases will continue to be necessary to keep up with the cost of -- or decrease of cost of risk.

Overall, we are happy with the execution of our strategy so far. The decision to leave commercial lines outside of Massachusetts, where profitability has been challenging, will also be a positive driver going forward in that case for commercial auto.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Thank you very much. Next question -- next set of questions are regarding ASISTENCIA business. Rahul Parekh at JPMorgan and Ivan Bokhmat at Barclays, Alfredo Alonso at BBVA, have the following questions. "Goodwill write-down. Could you please let us know the goodwill left on the ASISTENCIA books, mainly the goodwill amount is left in the U.K. ASISTENCIA unit? What are your comments on the likelihood of any further write-downs provisions at ASISTENCIA?"

Fernando Mata Verdejo
Group CFO & Director

Yes. First of all, the units that had goodwill write-downs this quarter have no remaining goodwill as they were write-offs. It means that we wrote off the entire goodwill booked in our accounts. But there are 2 other units in ASISTENCIA with remaining goodwill. Roughly talking, we wrote down approximately 2/3 of the goodwill at the opening balance at the beginning of the year.

The 2 other units in ASISTENCIA that will remain in goodwill is warranty and Century, one in Italy and Century in the U.S., with around EUR 32 million. And also, we have projected business plan for the future. And so far, we do not expect any additional write-downs in the following quarters. So we're quite satisfied and confident with these 2 goodwills that remain in our balance sheet.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Also, Rahul Parekh, regarding this unit, wants to know, "In your presentation, you mentioned on Slide 17 updating of business forecast for the assistance and special risks business. Could you please elaborate on your outlook for the business going forward, if you could provide any numbers guidance? Also, have you considered disposal of the U.K. ASISTENCIA unit?

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, Rahul. Over the last 5 years, we've been monitoring the assistance business very closely, even exiting, so far, 7 countries with relevant restructuring expenses in 2016 and 2017. I mean the accumulated losses for the last 5 years, they're huge, and we had to recognize that our strategy wasn't the proper one, I mean, in this business. We grew quite quickly, quite rapidly, and then we had to streamline our operations in order to keep the pace of profitable growth.

As I explained in the presentation, most countries in Latin America and across EURASIA are currently delivering profits. That means that the first way of restructuring was for these countries successfully. But -- and there is also -- there is always a but. The U.K., France and roadside assistance in the U.S., they are still currently running losses.

There had been profitability challenges, and this MAPFRE assistance has had difficulties due to lack of scale, and strong restructuring measures have already been taken. But after the current macroeconomic and geopolitical situation in Europe, and especially in the U.K., we have realized that further measures will be necessary in line with the strategic plan of profitable growth, where profitability, particularly in the U.K., is not predictable so far.

So further restructuring could be either natural and gradual reduction of our exposure, closing offices or sale of business. I mean when I said restructuring, it means, perhaps, reduction of exposure because we're selling, as we did in the U.S., renewal -- selling right renewals or just selling portfolios but also could mean the shutdown of countries or even the sale of business. So let's say the restructuring is a quite comprehensive concept and any decision could be taken in the future. So all options are on the table and also, this measure will affect operation in 6 countries. This is still under analysis. There is only 2 countries that the processes has already started, mainly in France. But for now, I mean, we can't provide any further details on the -- on other countries since the restructuring has been -- not been unveiled and could deteriorate our position.

Regarding InsureandGO in the U.K., I mean, this is a strategic segment of business from MAPFRE, has a strong market position in the U.K. And what we have to analyze is really in deep, I mean, the both business -- I mean, the B2C and the B2B2C segment of business in order to get profitability in both.

Let me tell you that also, InsureandGO is quite profitable in other countries such as Ireland or Australia. So my conclusion is that the business model is good, the operational structure is good as well, the way we reach our clients works well, but we have a problem in the U.K. And we have to solve it

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. Also, Ivan Bokhmat wanted to know if we can remind him of the breakdown in goodwill by business units. I can tell you, Ivan, that regarding the breakdown in goodwill units, you can find it in our annual accounts in Page 148. If you need further assistance or you have further comments, we can talk later on, but we have understood that you wanted to know this disclosure. So it's on annual -- our annual accounts, 2018.

Fernando Mata Verdejo
Group CFO & Director

Yes. But the largest is the U.S. and also Life operations in Spain. But we're quite comfortable with the goodwill that we currently keep in our books.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Right. Thank you. Also, Andrew Sinclair from Bank of America Merrill Lynch asks, "Even after stripping out the ASISTENCIA write-downs, results from other activities is a much bigger loss than would typically be expected in Q3. Why has this line jumped so much?"

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, Andrew. I expected this question. This is a very smart question. And basically, what we're unveiling is the net effect of the restructuring impact in our profit and loss account, which is EUR 11 million. If we split into gross and net, the gross figure is much bigger. It amounts approximately to EUR 13 million. But since we have some tax relief because we didn't book deferred tax assets from previous losses in this country. So if we sell this operation, we shut down operations, it will be a tax -- a big tax relief that they will somehow lower the gross figure, which is, I mean, higher than EUR 11 million, obviously.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. So now we are going to talk about Iberia. Sofía Barallat at Caixabank BPI has a follow-on question. "Could you elaborate on the evolution of motor insurance premiums in the 3Q? What are your expectations on motor insurance premium growth in Iberia going forward? The motor insurance combined ratio reached the top of the 92%, 94% combined ratio guidance. Do you maintain this guidance or foresee further deterioration going forward?" In this sense, Alfredo Alonso at BBVA has also asked about the motor combined ratio going forward and if we have seen much pressure in motor business in Iberia?

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, everyone. Regarding motor premiums, we're seeing good trends both in retail, with a 1.4% increase and in small and medium fleets, which grows 4%. Insured units are also growing 3%. It means, I mean, that -- if you do the numbers, that the average premium is decreasing. This is a change of trend from previous year, in which we keep our average premium well above the market. It was basically due to our different strategy, I mean, to focus on more experienced drivers and leaving down drivers and, which, obviously, average premium is smaller.

Let's say that the overall, going forward, motor premium should continue to be supported by economic growth in the Spanish economy, but assuming that there is a slowdown of economy. And also, the profitable growth strategy has been a decrease in the growing trend of insured units, which is currently up. September is like a 1.8% increase, I mean, much smaller than previous quarter.

Smaller combined ratio of MAPFRE is slightly above 93% in an excellent figure, which is the midpoint of our guidance. And as we run a combined ratio of below 90%, we mentioned that it wasn't sustainable. And our guidance for combined ratio, we feel very comfortable in a range between 92% and 94%.

What else? Let's say that the MAPFRE, again, and we outperformed in the market, and we maintain 1 -- more or less 1.5 percentage gap with the industry figure.

Recent trends, both claims inflation, particularly in garage because the increase of salary in Spain and higher frequency as well because more gas consumption, more temporary than structural and is now something that we shouldn't worry about. Uptick has been offset in auto by improvements in other General P&C lines of business that we already mentioned in previous presentation, particularly Condominiums and Homeowners. We run in the past combined ratio well above 95% and there were relevant reductions in -- for both line of business.

So overall, let's say that both things were somehow predicted, a slight deterioration of automobile combined ratio and a relevant improvement in combined ratio for both Condominiums and Homeowners.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Thank you very much. Now from Caixabank BPI, Sofía Barallat asked about the revision of the DGS of the biometric tables. "Could you also update us on the revision of the mortality tables expected to impact on the amount booked so far?"

Also, Carlos Peixoto from Caixabank BPI would like to have more color on the sensitivity on the impacts from the change in mortality table. For instance, what would be the impact from a 1-year increase in the mortality tables across segment lenders?"

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, both. First of all, a couple of things before going through your 2 questions. What we -- what MAPFRE is doing is what we did with the Baremo topic, and what we're trying is to anticipate the effect of this updated or this expense that was already scheduled, I mean, for this year. So practically, I mean, the amount to be expensed this year is fully booked -- was fully booked practically at June and also at the third quarter. I mean the outstanding balance to be booked practically is negligible.

Second thing, for MAPFRE, this exercise is just the best example of the MAPFRE commitment to transparency in this market. Probably, maybe wrong, but as far as I know, MAPFRE is the only entity unveiling this effect to the market. And it is our commitment to our stakeholders, particularly 2 groups, policyholders and investors. Correct me if I'm wrong, but the other leading entities in saving -- in Life Savings in Spain, they haven't published, so far, any impact, and only MAPFRE, again, is leading this transparency in Spain.

Having said that, let's say that MAPFRE is actively participating at a technical level and with UNESPA, is the Association of Insurance in Spain, in the discussion between the sector and the DGS, the supervisory body.

The Spanish supervisory body is currently carrying out a quantitative impact study based on more prudent actuarial tables. I mean the fundamentals for the tables are the same, but the amount we book was on pure vanilla tables, while the impact study is being carried out on more prudent actuarial tables. It means that is a margin prudent buffer, cushion, whatever you name, is there. The result of these studies is still unknown, and the decision regarding the final tables to be enforced and the transitional period, if any, we don't know yet. And hopefully, we expect the DGS to be announced by the year-end.

Our view is that the regulatory -- if the DGS decides to say in the end that there is an additional margin to be booked, be applied, then the most likely scenario will be that the transitional period, the thing is nobody know the number of years, will be introduced in order to mitigate the impact for the sector. But meanwhile, I mean, MAPFRE is, I mean, fulfilling our commitment with our policyholders, and we fully booked the best estimation in our third quarter accounts. We are comfortable with our current assessment, and the majority of the industry is in the same position with MAPFRE. And in any case, we will keep you updated with any further developments.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Thank you very much. Now there's another question regarding Motor in Iberia from Ivan Bokhmat at Barclays. It's about the Iberia Motor combined ratio, which continue to move up EBIT from 93% to 94%

in 3Q. "Is this level, it should stabilize on policy growth -- yes, policy growth of 3% year-on-year appears ahead of premium growth of 1.7% year-on-year?"

Fernando Mata Verdejo
Group CFO & Director

Yes. As I mentioned, we consider the range, 92% to 94%, a quite reasonable and sustainable range for the future. In addition, this year, we sold more policies to most experienced drivers and less to young people. So in the end, and also as well, we're growing in fleets, which only has -- fleets only have a TPL cover, so lower average premium. So in the end, the final mixed results in a lower premium is due to both factors. I mean average premium for fleets and also average premiums lower for most experienced drivers.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you. Also, Ivan, regarding Iberia, asks "You have had a strong improving result in Iberia health and accident. But we have also heard that MAPFRE has launched a new large-scale promotional campaign in health insurance in 3Q '19. Do you think the 95% combined ratio will be sustainable in this segment?"

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, Ivan. You're right. I mean we were launching a new health campaign focused on digital breakthroughs and also more features in order to keep even more satisfied clients. And -- but let's say that this campaign is the traditional one, quite seasonal, and focused on renewals and new business for next year. If you should remain that in Spain, I mean, have policies like in Germany, I mean, it is from the entire calendar year. So it means that total renewals are from January 1. And regarding the -- your combined ratio, we do not expect any significant impact in the mid-front.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. Alfredo Alonso from BBVA has sent the following question. "How much do you expect lower interest rates to affect Life business?"

Fernando Mata Verdejo
Group CFO & Director

Alfredo, I don't have a crystal ball, sorry. And I guess nobody, even the most experienced seniors in this financial markets is able now to predict future performance of [GLC], not in Europe nor in -- neither the rest of the world. But what we know is that this low interest environment is taking longer than the other guys could expect.

And as we mentioned, and I remember José Luis, our CIO, saying in some of these presentations, I'm talking about the Japanization of Europe and also the low dealer scenario is here to stay for longer. So let's say that we prepare and our combined -- sorry, our portfolio is -- we consider it to -- very privileged, and we increase duration a little bit in order to keep deals. And also, it's important, we mention as well in the past, another EUR 500 million were allocated to alternative investment to keep deals. And we're encouraging the sale of Life Protection products, which is showing strong profitability, volume growth growing and also combined ratios improving.

We focus on our asset management business as well as a new way to boost the profits. And we're quite happy, as we mentioned, with the recent agreement with Abante that we will give -- put MAPFRE in a different position.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. Now let's talk about dividends. There are several questions about dividends. First of all, Ivan Bokhmat at Barclays asked "How should we think about this year? Last year, the EUR 14.5 dividend was both the 50%, 65% target range. And with the 9 months' results profit run rate, a flat dividend will also exceed that range. Would you consider reducing your dividend for 2019?"

Fernando Mata Verdejo
Group CFO & Director

Yes. Thank you, everyone. We -- MAPFRE has shown in the past that we're flexible when we have to do -- when we have to have, in the past, overall, regarding impacts in our P&L that they're noncash items, particularly deterioration of goodwill. So let's say that we will keep in the future this flexibility.

And regarding our main policy, our main target of stable and growing dividends remain unaltered. And as I said, the charges at ASISTENCIA this year have been largely noncash items. Regarding our financial position and liquidity of capital numbers, they remain quite strong. So therefore, the dividend-paying capacity is fully maintained.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. So I guess this answer also the question from Farquhar Murray at Autonomous that wanted to know if, whether or not the goodwill write-off will have an impact on the dividend for full year '19. You have already answered.

Fernando Mata Verdejo
Group CFO & Director

Yes. But I don't like to repeat it. And -- I mean the deterioration of the impairment of goodwill wouldn't affect the 50% to 65% payout ratio.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. And also, Andrew Sinclair at Bank of America Merrill Lynch asked "You mentioned guaranteed, stable dividend. Are you ruling out a dividend increase at full year 2019 results?"

Fernando Mata Verdejo
Group CFO & Director

It's too early to comment on. And so far, the Board has approved the interim dividend. We have to wait the first quarter to deliver results. And as usual, the final dividend will be approved at the AGM next year.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Thank you very much. Farquhar has 1 question regarding taxes. "Were there any one-off elements to the tax line this quarter since the tax rates seem to be higher than the norm but equally could be just distorted by the goodwill write-down?"

Fernando Mata Verdejo
Group CFO & Director

If I remember well, the only, let's say, extraordinary impacts on tax is the one I mentioned regarding the ASISTENCIA restructuring and the -- and also has been a reduction in Brazil for Agricultural business, is a reduction in the rate from 20% to 15%. But frankly, I don't remember any additional tax impact rather than those comments.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Okay. Thank you very much. Now the next set of questions, no, we don't have more. Okay. We don't have more questions.

Fernando Mata Verdejo
Group CFO & Director

Okay.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

So thank you very much, Fernando.

Fernando Mata Verdejo
Group CFO & Director

Great. I was ready to take more.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations

Me, too. Thank you very much, Fernando.

Fernando Mata Verdejo
Group CFO & Director

Thank you very much for all. And for those living in Spain, hopefully, you enjoy the long weekend ahead and with good weather. Thank you and bye-bye.

Natalia Núñez Arana
Deputy Director Capital Markets & Head of Investor Relations
Thank you. Bye.