THE SPANISH INSURANCE MARKET IN 2007

INTRODUCTORY REMARKS

The Spanish insurance market contributed with 5,2% to the Gross Domestic Product (GDP) in 2007, percentage that represents a small decrease compared to 2006 figures (5,6%). Total premium income reached 54.648 million €, with a 3,9% increase compared to 2006. These results are not good, as the inflation rate went high up to 4,2% in the same period. Life insurance performed poorly. It registered a 2,1% rise in its premium volume, amounting to 22.934 million €. As for non life, total premium income reached 31.714 million € and obtained a 5,3% increase over 2006 figures. Non life branches show, in general, a declining trend in its growth rate compared with previous years, especially motor insurance, affected by a sharp competitive scenario, with prices going down.

The number of companies operating in the market stays even. The top 10 insurance groups hold a 54,4% share of the market, and the 20 largest over 75%.

PREMIUMS 2007			
Branch	**2007**	**2006**	**% Variation**
Life	22.934	22.472	2,1
Non Life	31.714	30.112	5,3
Total	**54.648**	**52.584**	**3,9**

Source: ICEA

LIFE INSURANCE

Assets managed by life insurance companies increased by 2,5% and reached over 133.934 million euros. Compared to other financial products, assets managed by life companies amount for 56% of the capital allocated in investment funds, and nearly double the amount managed by pension funds. The split by types is quite revealing: death risk policies had a 9,4% increase while saving and pension policies grew by 2,07%. Among the latter, PPA products (Insured Previsional Plans) performed the best, with an increase in their assets managed of nearly 23%. However, this product, introduced in the market in 2003, still has a very light weight in the life branch, with only 861 million euros in assets managed. Unit linked policies had a good performance, after years of stand by. In 2007, they grew at a 7,7% rate and reached 13.770 million euros in assets. Life and temporary annuities, which enclose the biggest amount of life insurance funds, had a weak increase of only 1,62%, amounting for 65.803 million euros. Deferred capital polices performed even worse and decreased by 0,21% (48.356 million euros).

With 2007 data related to distribution channels still not available, bankinsurers continue to rule the sales of life insurance, with 68% market share and a 5,42% growth rate (2006). Tied agents and brokers have a 23% market share. Insurance companies, on their side, distribute a mere 3% directly.

The number of people owning a life policy surpassed 32 million, the main part of them (more than 23 million) having death-risk insurance and the remaining 9 million, saving and retirement insurance.

SPANISH LIFE INSURANCE 2007					
TYPES	**People insured**	**Net premiums**	**Δ**	**Assets**	**Δ**
Temporary death risk	**23.079.731**	**3.713.755**	**9,1%**	**4.375.456**	**9,5%**
PPA (insured previsional plans)	164.450	186.304	-5,7%	861.909	23,0%
Deferred Capital	4.951.493	9.590.829	1,5%	48.356.154	-0,2%
Rents	2.847.417	4.903.805	-16,8%	65.803.729	1,6%
PIAS (individual plans for systematic saving)	177.403	647.382		546.530	
Unit linked	807.934	3.712.526	5,8%	13.770.537	7,7%
TOTAL SAVING INSURANCE	**8.948.697**	**19.040.848**	**-0,1%**	**129.338.860**	**2,1%**
TOTAL LIFE	**32.028.428**	**22.754.604**	**1,3%**	**133.714.317**	**2,3%**

Source: Icea. Premiums and provisions in thousand €

NON LIFE INSURANCE

Non life insurance branches had an irregular performance. The overall result grew by 5,3%, but the split show big differences from branch to branch. Health Insurance, for example, had a 9,6% increase, reaching 5.393 million euros in premiums, while motor insurance growth was under inflation, obtaining a poor 2,7% with premiums amounting for 12.549 million euros. Strong competition and a continuous decline in prices are responsible of this weak performance. Important companies operating in this branch are keeping the watch on the evolution of motor insurance prices, though it is general opinion that there is still room for further reductions if claims keep on the downstream. Everybody expects that increasing competition will not damage the technical results. Multi-risk comprehensive policies achieved a decent result, with 7,9% increase and 5.458 million euros in premiums. The downturn in the real estate market –that is freefalling- will affect negatively to home owners insurance during 2008, a market that has profited in the past years from the boom in the construction sector and the low interest rates applied to mortgages.

NON LIFE INSURANCE				
Branch	**2007**	**2006**	**% Variation**	**% Non Life market share**
Motor insurance	12.549	12.223	2,7	40,2
Comprehensive insurance	5.458	5.057	7,9	17,9
Health Insurance	5.393	4.920	9,6	14,3
Rest	8.314	7.911	5,1	27,6
Total Non Life	31.714	30.112	5,3	100

Source: ICEA

AGENTS AND BROKERS

According to 2007 figures, in Spain there were 3.027 brokers working nationwide, and around 1.857 within regional scope. As for tied agents, it is estimated that, in 2007, more than 87.000 of this professionals were working in the insurance industry, though they continue to be small sized. Over 74% of them have portfolios under 30.000 euros. The Law of insurance and reinsurance intermediaries introduced a new type of professionals: linked agents and linked bankinsurance operators. Both can work with several insurance companies, if allowed to. During 2007, 48 persons or companies adopted this new figure.

COMPANIES

The biggest insurance group in the Spanish market is Mapfre, followed by Axa, Santander Seguros, Allianz and Generali.

TOTAL INSURANCE - TOP TEN GROUPS 2007					
			Premiums (000 €)		
RK	Groups	Nº Policies	Premiums	Mkt share %	Variation (%)
1	MAPFRE	13.027.138	7.892.330	15,06	7,31
2	AXA	6.410.345	3.513.932	6,70	0,38
3	SANTANDER SEGUROS	3.380.611	3.135.591	5,98	22,74
4	ALLIANZ	5.518.317	2.844.112	5,43	8,04
5	GENERALI	3.401.226	2.517.089	4,80	-3,43
6	AVIVA	2.203.646	2.231.025	4,26	17,46
7	CASER	7.784.741	2.111.461	4,03	11,78
8	CATALANA OCCIDENTE	4.119.305	2.036.563	3,89	4,56
9	ZURICH	---	1.912.311	3,65	-2,02
10	IBERCAJA	418.496	1.617.860	3,09	1,69

Source: INESE

The ranking by branch and company differs a little. On the life side, the first company to appear is Santander Seguros, followed by Mapfre Vida, Ibercaja Vida, Bansabadell Vida and Vidacaixa. Four out of this five companies are bank owned, and even the one who is not belongs to a holding in which a saving bank has 50% share.

LIFE INSURANCE - TOP FIVE COMPANIES 2007				
RK	Company	Premiums (000 €)	Mkt share	% Var.
1	SANTANDER SEGUROS	2.925.559	13M40	24,67
2	MAPFRE VIDA S.A	2.072.367	9,49	11,44
3	IBERCAJA VIDA	1.617.183	7,41	1,69
4	BANSABADELL VIDA	1.450.121	6,64	5,58
5	VIDACAIXA	1.357.900	6,22	-10,11

Source: INESE

As for the non life ranking, the first company to appear is Mapfre Automóviles, followed by Axa, Allianz, Zurich and Caser.

NON LIFE - TOP FIVE COMPANIES 2007				
RK	Company	Premiums (000 €)	Mkt share	% Var.
1	MAPFRE AUTOMOVILES	2.435.628	7,96	3,95
2	AXA SEGUROS GENER.	2.354.512	7,70	2,31
3	ALLIANZ	2.043.956	6,68	4,99
4	ZÚRICH ESPAÑA	1.334.689	4,36	3,60
5	CASER	1.272.430	4,16	11,93

Source: INESE