

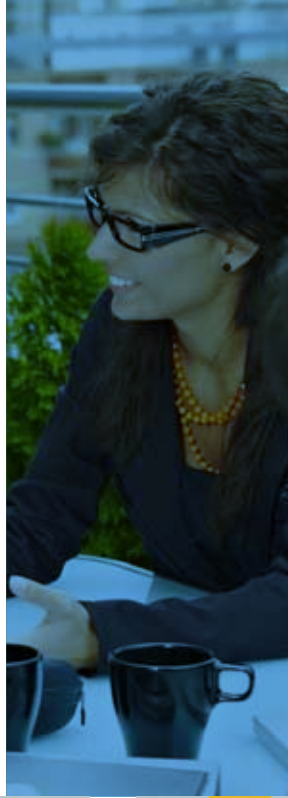


 **MAPFRE** | PUERTO RICO

FINANCIAL
INFORMATION

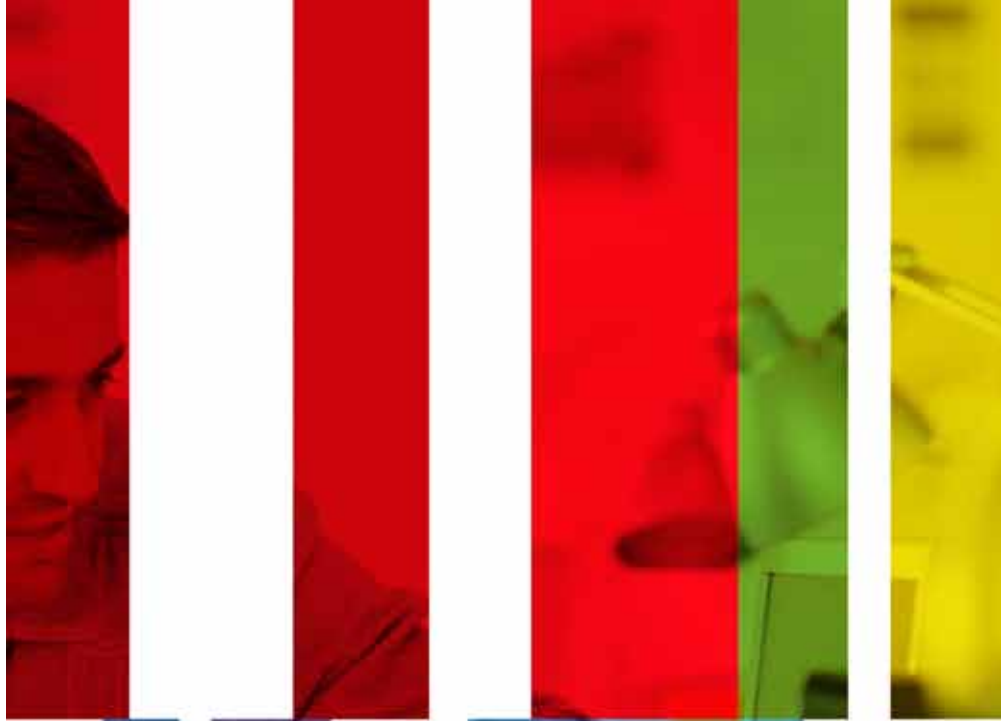


ANNUAL REPORT
2014



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MAPFRE PRAICO Corporation and Subsidiaries
Consolidated Financial Statements
and Consolidating Schedules
years ended December 31, 2014 and 2013
with Report of Independent Auditors



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Report of Independent Auditors

The Board of Directors
MAPFRE PRAICO Corporation and Subsidiaries:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MAPFRE PRAICO Corporation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (loss), shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MAPFRE PRAICO Corporation and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheets as of December 31, 2014 and 2013 and the consolidating statements of income and retained earnings for the years then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as whole.

Ernst & Young LLP

September 2, 2015

Stamp No. E187483
affixed to
original of
this report.

Consolidated Balance Sheets
December 31, 2014 and 2013

Assets

	2014	2013
<i>Cash and investments:</i>		
<i>Cash and cash equivalents</i>	\$87,320,724	63,404,194
<i>Short-term investments</i>	2,000,000	6,010,000
<i>Investment securities</i>	362,223,335	361,112,791
Total cash and investments	451,544,059	430,526,985
<i>Premiums and agents' balances receivable, net of allowance for doubtful accounts of \$12,370,885 and \$11,733,512 in 2014 and 2013, respectively</i>	41,308,370	41,076,451
<i>Reinsurance recoverable on:</i>		
<i>Paid losses, net of allowance for doubtful accounts of \$17,940 and \$78,389 in 2014 and 2013, respectively</i>	9,052,347	8,289,654
<i>Unpaid losses and loss adjustment expenses</i>	12,397,556	12,986,140
<i>Prepaid reinsurance premiums</i>	19,557,173	26,306,620
Total reinsurance recoverable	41,007,076	47,582,414
<i>Net premium finance receivables</i>	2,991,397	2,831,850
<i>Service contracts receivable</i>	1,380,463	1,858,067
<i>Accrued investment income</i>	2,982,518	3,268,094
<i>Due from related company</i>	315,000	315,330
<i>Deferred policy acquisition costs</i>	29,919,214	24,174,994
<i>Deferred service contracts acquisition costs</i>	7,463,770	8,340,870
<i>Property and equipment, net</i>	54,642,601	55,866,611
<i>Intangible assets, net</i>	5,806,527	6,348,567
<i>Prepaid income taxes</i>	1,928,627	3,962,275
<i>Other assets</i>	8,334,093	6,525,663
Total assets	\$ 649,623,715	632,678,171

(continued)

Consolidated Balance Sheets (continued)
December 31, 2014 and 2013

Liabilities and Shareholder's Equity

	2014	2013
<i>Liabilities:</i>		
<i>Claim liabilities:</i>		
Unpaid losses and loss adjustment expenses	\$94,827,934	98,112,370
Unpaid service contracts claims	189,633	186,407
Policy and contract claims	17,438,036	14,388,826
Total claim liabilities	112,455,603	112,687,603
Future policy benefits	11,227,533	10,486,910
Unearned premiums	183,891,427	192,061,851
Unearned service contracts revenue	15,455,404	17,552,201
Policyholder funds	2,295,847	2,318,325
Reserve for cancellations	457,668	599,521
Net deferred tax liability	14,405,220	9,744,197
Reinsurance premiums payable	13,738,487	6,837,641
Advance collections due	170,889	135,817
Accounts payable and accrued expenses	44,097,408	36,946,047
Deposit liability	939,464	6,717,117
Total liabilities	399,134,950	396,087,230
<i>Commitments and contingencies (Notes 11, 17 and 18)</i>		
<i>Shareholder's equity:</i>		
<i>Common stock, par value \$100:</i>		
<i>Authorized shares - 75,000</i>		
Issued and outstanding shares - 63,631	6,363,100	6,363,100
Additional paid-in capital	107,754,946	107,754,946
Accumulated other comprehensive income (loss), net of deferred taxes	8,074,558	(1,874,425)
<i>Retained earnings:</i>		
Unrestricted	87,800,060	86,455,143
Restricted	40,496,101	37,892,177
	128,296,161	124,347,320
Total shareholder's equity	250,488,765	236,590,941
Total liabilities and shareholder's equity	\$ 649,623,715	632,678,171

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
Years Ended December 31, 2014 and 2013

	2014	2013
<i>Revenues:</i>		
Net premiums earned	\$ 282,328,231	241,316,712
Net service contracts revenue	2,078,801	1,937,914
Net investment income	8,466,739	9,328,366
Net realized capital gains on investments	3,337,672	390,577
Net commissions earned and other income	4,700,065	18,371,925
Total revenues	300,911,508	271,345,494
<i>Expenses:</i>		
Claims incurred	154,099,072	124,793,831
Loss adjustment expenses	22,565,149	21,664,105
Underwriting and general expenses	106,237,947	114,945,727
Interest expense	16,339	5,514
Total expenses	282,918,507	261,409,177
Income before income taxes	17,993,001	9,936,317
<i>Income tax expense (benefit):</i>		
Current	4,732,559	126,869
Deferred	2,311,601	(209,407)
Total income tax (benefit) expense	7,044,160	(82,538)
Net income	\$ 10,948,841	10,018,855

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2014 and 2013

	2014	2013
Net income	\$ 10,948,841	10,018,855
Other comprehensive income (loss) net of tax: (\$2,349,420 in 2014 and \$(4,634,670) in 2013):		
Net unrealized change in investment securities available-for-sale and total other comprehensive (loss) income	9,948,983	(26,263,132)
Comprehensive income (loss)	\$ 20,897,824	(16,244,277)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholder's Equity
Years Ended December 31, 2014 and 2013

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Shareholder's Equity
Balance at January 1, 2013	\$6,363,100	107,754,946	24,388,707	129,247,287	35,081,178	302,835,218
Net income	-	-	-	10,018,855	-	10,018,855
Other comprehensive loss	-	-	(26,263,132)	-	-	(26,263,132)
Dividends to shareholder	-	-	-	(50,000,000)	-	(50,000,000)
Net transfer to CAT Fund	-	-	-	(2,810,999)	2,810,999	-
Balance at December 31, 2013	6,363,100	107,754,946	(1,874,425)	86,455,143	37,892,177	236,590,941
Net income	-	-	-	10,948,841	-	10,948,841
Other comprehensive income	-	-	9,948,983	-	-	9,948,983
Dividends to shareholder	-	-	-	(7,000,000)	-	(7,000,000)
Net transfer to CAT Fund	-	-	-	(2,603,924)	2,603,924	-
Balance at December 31, 2014	\$6,363,100	107,754,946	8,074,558	87,800,060	40,496,101	250,488,765

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Operating activities		
Net income	\$10,948,841	\$10,018,855
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Realized capital gains on investments	(3,337,672)	(390,577)
Amortization of premium on investments	1,495,202	2,038,682
Amortization of intangible assets	542,040	542,040
Gain on sale of equipment	(1,300)	(2,710)
Provision for doubtful accounts	576,924	4,722,590
Depreciation	4,268,926	4,562,947
Deferred income taxes	2,311,601	(209,407)
Changes in operating assets and liabilities:		
Premiums and agents' balances receivable	(869,292)	(6,598,772)
Reinsurance recoverable	6,635,787	1,761,795
Net finance receivables	(159,547)	(121,505)
Service contracts receivable	477,604	(251,950)
Accrued investment income	285,576	463,663
Due from related company	330	(313,857)
Deferred policy acquisition costs	(5,744,220)	4,217,076
Deferred service contracts acquisition costs	877,100	300,873
Prepaid income taxes	2,033,648	(94,860)
Other assets	(1,808,430)	4,033,650
Unpaid losses and loss adjustment expenses	(3,284,436)	26,194
Unpaid service contracts claims	3,226	(5,138)
Policy and contract claims	3,049,210	(15,285,270)
Future policy benefits	740,623	(147,156)
Unearned premiums	(8,170,424)	(4,952,435)
Unearned service contracts revenue	(2,096,797)	(714,494)
Policyholder funds	(22,478)	(48,633)
Reserve for cancellations	(141,853)	(225,720)
Reinsurance premiums payable	6,900,846	(2,379,419)
Advance collections due	35,072	(2,100,531)
Accounts payable and accrued expenses	7,151,361	3,501,752
Total adjustments	11,748,627	(7,671,172)
Net cash provided by (used in) operating activities	22,697,468	2,347,683

(continued)

Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Investment activities		
Securities available-for-sale:		
Purchases	(22,588,396)	(24,852,299)
Proceeds from sales, redemptions or dispositions	6,904,480	61,378,722
Securities held-to-maturity:		
Proceeds from redemptions	28,705,424	433,664
Maturities	8,823	-
Short-term investments:		
Purchases of short-term investments	(4,800,000)	(21,787,175)
Maturities of short-term investments	8,810,000	23,137,175
Purchase of property and equipment	(3,057,241)	(2,857,578)
Proceeds from sale of property and equipment	13,625	5,370
Net cash provided by investment activities	13,996,715	35,457,879
Financing activities		
Dividends paid to parent	(7,000,000)	(50,000,000)
Deposit liability indemnity-related payments	(5,777,653)	(6,410,462)
Net cash used in financing activities	(12,777,653)	(56,410,462)
Increase (decrease) in cash and cash equivalents	23,916,530	(18,604,900)
Cash and cash equivalents at beginning of year	63,404,194	82,009,094
Cash and cash equivalents at end of year	\$87,320,724	\$63,404,194
Supplementary information		
Noncash transactions affecting cash flow activities:		
Change in net unrealized gains on securities available-for-sale, including change in deferred income tax of \$2,349,420 and \$(4,634,670) in 2014 and 2013, respectively	\$9,948,983	(26,263,132)
Other:		
Income taxes paid	\$2,698,911	212,820

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies

MAPFRE PRAICO Corporation and Subsidiaries (hereinafter the Company) is an insurance group that is mainly engaged in the underwriting of property and casualty insurance lines in Puerto Rico and the United States Virgin Islands (USVI), and also in the underwriting of life and health insurance lines in Puerto Rico and the USVI. The consolidated financial statements include controlled subsidiaries. A detail of the Company's subsidiaries as of December 31, 2014 and 2013 is as follows:

	DIRECTLY % OWNED	INDIRECTLY % OWNED
MAPFRE PRAICO INSURANCE COMPANY (MAPFRE PRAICO)	100%	-
MAPFRE PREFERRED RISK INSURANCE COMPANY (MAPFRE PRICO)	-	100%
MAPFRE PAN AMERICAN INSURANCE COMPANY (MAPFRE PAICO)	100%	-
MAPFRE FINANCE OF PUERTO RICO CORP. (MAPFRE FINANCE)	100%	-
MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC. (MIA)	100%	-
MAPFRE LIFE INSURANCE COMPANY OF PUERTO RICO (MAPFRE LIFE)	100%	-
Auto Guard, Inc. (Auto Guard)	100%	-
Multiservicar, Inc. (Multiservicar)	100%	-

MAPFRE S.A. holds 99.2172% of the common stock of MAPFRE América S.A., which in turn owns 100% of the common stock of the Company.

During 2005, MAPFRE Life was certified by the Center for Medicare and Medicaid Services (CMS) to offer its Medicare Advantage plans effective January 1, 2006. On February 14, 2013, the Company formalized with CMS an agreement to terminate by mutual agreement its Medicare Advantage and Prescription Drug contract effective April 1, 2013. This product provided approximately \$5 million in premiums written during 2013.

Effective March 1, 2014, MAPFRE Life changed its name from MAPFRE Life Insurance Company to MAPFRE Life Insurance Company of Puerto Rico.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The following are the significant accounting policies followed by the Company:

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which differ from statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the Commonwealth of Puerto Rico (the Commissioner). All intercompany accounts and transactions among the consolidated companies have been eliminated.

(b) Statutory Accounting Practices

MAPFRE PRAICO, MAPFRE PRICO, MAPFRE PAICO, and MAPFRE Life, which are domiciled in Puerto Rico, prepare their statutory-basis financial statements in accordance with accounting practices prescribed or permitted by the Commissioner. Prescribed accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Company follows only prescribed accounting practices established by the NAIC and the Commissioner.

(c) Cash Equivalents

Cash equivalents amounted to approximately \$5,400,000 in 2014 (none in 2013). Cash equivalents consist of certificates of deposit with an initial term of less than three months. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less at the date of acquisition as cash equivalents.

(d) Investment Securities

The Company classifies its investment securities as either available-for-sale or held-to-maturity based on the Company's intent and ability to hold such securities until maturity, and the nature of the securities purchased.

Securities classified as held-to-maturity are carried at amortized cost. Securities classified as available-for-sale are carried at fair value and unrealized holding gains or losses on such securities, net of the related tax effect, are excluded from earnings and reported as a separate component of shareholder's equity until realized.

The amortized cost of fixed maturity investments classified as available-for-sale and as held-to-maturity is adjusted for amortization of premiums and accretion of discounts, which is included in net investment income. Dividend and interest income are recognized when earned.

Realized gains and losses on the sale of investments are recognized in operations on the specific identification basis.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(d) Investment Securities (continued)

Transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in the separate component of shareholder's equity and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining life of the securities.

The Company regularly monitors the difference between the cost and estimated fair value of its investments. When an other-than-temporary impairment has occurred, the amount of the other-than-temporary impairment recognized in earnings depends on whether the Company intends to sell the security or more-likely-than-not will be required to sell the security before the expected recovery of its amortized cost basis less any current-period credit loss. If the Company intends to sell the security or more-likely-than-not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the investments' amortized cost basis and its fair value at the balance sheet date. If the Company does not intend to sell the security and it is not more-likely-than-not that the Company will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment is separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of applicable income taxes. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected using the Company's cash flows projections using its base assumptions.

A decline in the fair value of any available-for-sale or held-to-maturity security below cost, that is deemed to be other-than-temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other-than-temporary, the Company considers all available information relevant to the collectability of the security, including past events, current conditions and reasonable and supportable forecasts when developing estimate of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

(e) Short-Term Investments

Short-term investments consist of certificates of deposit that have original maturities of less than one year not considered to be cash equivalents.

(f) Premiums Earned

Premiums on property and casualty contracts are recognized as revenues ratably throughout the terms of the related policies. The portion of premiums related to the period prior to the end of coverage is recorded in the consolidated balance sheets as unearned premiums and is transferred to premium revenue as earned. All insurance premiums are reported net of reinsurance ceded. Premiums on traditional life insurance and annuity contracts are reported as earned when due. Premiums on accident, health and other short-term contracts are recognized as earned, primarily on a daily pro rata basis over the contract period. Premiums on credit life contracts are recognized as earned in proportion to the amounts of insurance in-force. Benefits and expenses are associated with earned premiums, which result in the recognition of profits over the life of the policy contract. This association is accomplished by means of the provisions for future policy benefits and the amortization of deferred policy acquisition costs. Unearned premiums are determined on a daily pro rata basis.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(g) Recognition of Service Contracts Revenue

Service contracts premiums are generally recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned service contracts revenue. Service contracts revenue for the years ended December 31, 2014 and 2013 are presented net of commission expenses amounting to \$1,746,352 and \$1,741,882, respectively.

(h) Deferred Policy Acquisition Costs

Acquisition costs, such as commissions and underwriting costs, that are incremental and directly related to the successful acquisition of new or renewal business are deferred and amortized over the period in which the premiums are earned. The method followed in computing the deferred acquisition costs limits the deferral to actual costs or their estimated realizable value, whichever is lower. In determining the realizable value, the method considers the premiums to be earned, losses and loss adjustment expenses and certain other costs expected to be incurred as the premiums are earned.

Amortization of deferred policy acquisition costs charged to expense was approximately \$37,914,000 and \$48,349,000 in 2014 and 2013, respectively.

(i) Deferred Service Contracts Acquisition Costs

Commissions and other costs of acquiring service contracts, that vary with and are primarily related to the production of new and renewal business, have been deferred. The related amortization is provided over the period of the related contracts and reflected in the accompanying consolidated statements of income.

(j) Unpaid Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses represents management's best estimate of ultimate net costs of all reported and unreported losses incurred through December 31. The Company does not discount the liability for unpaid losses and loss adjustment expenses. The liability for unpaid losses and loss adjustment expenses is estimated using individual case basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the liability for unpaid losses and loss adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Salvage and subrogation recoverable amounts are estimated using the "case basis" method for large recoverable amounts and historical statistics for smaller recoverable amounts. Recoverable amounts deducted from the liability for unpaid losses and loss adjustment expenses were approximately \$1,354,000 and \$1,495,000 at December 31, 2014 and 2013, respectively.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(k) Policy and Contract Claims

Unpaid claims and claim adjustment expenses on accident and health policies represent management's best estimate of ultimate net cost of all reported and unreported claims incurred through December 31. The liability for unpaid claims is estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in claim severity and frequency. Although variability is inherent in such estimates, management believes that the liability for unpaid claims is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Unpaid policy and contract claims as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Life	\$ 919,156	1,054,807
Accident and health	\$ 16,518,880	13,334,019
	\$ 17,438,036	14,388,826

(l) Future Policy Benefits

Future policy benefits have been computed by the net level premium method based on estimated future investment yield, mortality and withdrawal experience. The interest rate assumption ranges from 3.5% to 6.0% for all years of issue. Mortality has been calculated principally on select and ultimate tables in common usage in the industry. Withdrawals have been determined principally based on industry tables, modified by the Company's experience.

(m) Reserve for Cancellations

A reserve for cancellations is created for expected adjustments to commissions earned relating to policy cancellations. The reserve is estimated in accordance with the criteria set forth in Topic 450-20, Contingencies – Loss Contingencies, of the Financial Accounting Standards Board (FASB or the Board) Accounting Standards Codification (the Codification).

(n) Reinsurance

The Company cedes and assumes insurance risk under reinsurance contracts. Those reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks and provide additional capacity for growth.

Amounts recoverable from reinsurance for unpaid claim liabilities are estimated in a manner consistent with the related liabilities associated with the reinsured policies. Reinsurance ceded amounts for unearned premiums, unpaid losses and loss adjustment expenses are presented as assets. Premiums ceded and recoveries of claims incurred and loss adjustment expenses have been reported as a reduction of net premiums earned and claims and loss adjustment expenses incurred, respectively. Commission and expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisitions costs and are deferred and amortized accordingly.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(o) Land, Building and Equipment

Land is reported at cost. Building and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are expensed as incurred. Costs of computer equipment, programs, systems, installations and enhancements are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, as follows:

- Electronic data processing equipment and operating software is depreciated over the lesser of its useful life or three years;
- Non-operating software is depreciated over the lesser of its useful life or three years;
- Building is depreciated over the lesser of its useful life or 40 years; and
- Other property and equipment is depreciated over the lesser of its estimated useful life or ten years.

(p) Intangible Assets

The Company accounts for intangible assets in accordance with the provisions of Topic 350 of the Codification, Intangibles-Goodwill and Other.

On October 3, 2006, the Company acquired all the outstanding shares of common stock of Baldrich & Associates, Inc., Auto Guard and Multiservicar. As a result of this transaction, the Company recorded as intangible assets subject to amortization the \$7,975,448 excess of purchase price over net assets acquired. Due to several contingent payments that have been paid subsequent to the purchase date, the last of which was made in 2011, the gross carrying amount of the total intangible assets acquired increased by \$6,001 during 2011. Intangible assets acquired and their respective accumulated amortization as of December 31, 2014 and 2013, are detailed as follows:

	<i>As of December 31, 2014</i>				<i>As of December 31, 2013</i>		
	<i>Estimated Remaining Useful Life (Years)</i>	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net Intangible Assets</i>	<i>Gross Carrying Amount</i>	<i>Accumulated Amortization</i>	<i>Net Intangible Assets</i>
<i>Amortized Intangible Assets</i>							
<i>Customer relationships</i>	13	\$ 10,278,343	4,471,816	5,806,527	10,278,343	3,929,776	6,348,567
<i>Contract with Insurer</i>	-	273,843	273,843	-	273,843	273,843	-
<i>Non-compete agreements</i>	-	1,057,724	1,057,724	-	1,057,724	1,057,724	-
<i>Trade names and trademarks</i>	-	90,090	90,090	-	90,090	90,090	-
<i>Total identifiable intangible assets acquired</i>		\$ 11,700,000	5,893,473	5,806,527	11,700,000	5,351,433	6,348,567

Aggregate amortization expense recorded for the years ended December 31, 2014 and 2013 was \$542,040, respectively. Estimated amortization expense for the following five years is as follows:

For the year ended December 31, 2015	<u>\$542,040</u>
For the year ended December 31, 2016	<u>\$542,040</u>
For the year ended December 31, 2017	<u>\$542,040</u>
For the year ended December 31, 2018	<u>\$542,040</u>
For the year ended December 31, 2019	<u>\$542,040</u>

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(q) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences), and operating loss, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits and penalties as income tax expense.

(r) Commissions Earned

Commission revenue is recognized when related policies are effective, net of commission expenses and change in reserve for insurance policy cancellations.

(s) Net Finance Receivables

Finance receivables mainly consist of insurance premiums loans financed with maturities up to 10 months. These loans are collateralized with the unearned premiums of the related policies written by the insurance companies. Generally, the Company requires 30% of the insurance premiums as down payment and the remaining portion is financed. Substantially all finance receivables mature in 2015. During 2012, the Company commenced offering financing for extended warranty contracts and other products offered by one of its affiliates, Auto Guard. These loans offer maturities of up to 24 months. The down-payment required depends on the type of product to be financed and the coverage period. As of December 31, 2014, the amount financed under these types of financing contracts amounted to approximately \$45,300. Accounts are generally put on non-accrual status (cessation of interest accrual) after the related policies written are cancelled by the insurance companies and the unearned premium is received. Total finance receivables on non-accrual were approximately \$44,200 at December 31, 2014. Total finance receivables past due 90 days and still accruing was approximately \$85,300 at December 31, 2014. Amounts collected on finance receivables are included in net cash used in investing activities in the accompanying consolidating statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its finance receivables portfolio. This allowance for doubtful accounts is reviewed periodically. All loans over 90 days past due are reserved. The established reserve for 2014 and 2013 amounted to \$151,783 and \$140,266, respectively. Bad debt expenses or recoveries of bad debts are included in general and administrative expenses in the accompanying consolidating statements of income.

Management writes off accounts after all collection efforts, which include involvement of the in-house legal counsel, are deemed unsuccessful and the potential for recovery is considered remote. Amounts written off by the Company were approximately \$10,400 and \$9,300 in 2014 and 2013, respectively. The Company does not have any off-balance-sheet credit exposure related to its customers.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(t) Comprehensive Income (Loss)

Comprehensive income consists of net income and unrealized net holding gains (or losses) from investment securities classified as available-for-sale, net of related taxes, and is presented in the accompanying consolidated statements of comprehensive income (loss) and consolidated statements of shareholder's equity.

(u) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Company at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(v) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

The Company accounts for long-lived assets in accordance with Topic 360-10-35 of the FASB's Codification, Property, Plant and Equipment – Overall – Subsequent Measurement – Impairment or Disposal of Long-Lived Assets, which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

No impairment of long-lived assets has been recognized in 2014 or 2013.

(w) Insurance-Related Assessments

The Company accounts for insurance-related assessments in accordance with the provisions of Topic 405-30 of the Codification, Liabilities – Insurance-Related Assessments. This topic prescribes liability recognition when the following three conditions are met: (1) the assessment has been imposed or the information available prior to the issuance of the financial statements indicates it is probable that an assessment will be imposed; (2) the event

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(w) Insurance-Related Assessments (continued)

obligating an entity to pay (underlying cause of) an imposed or probable assessment has occurred on or before the date of the financial statements; and (3) the amount of the assessment can be reasonably estimated.

Also, Topic 405-30 provides for the recognition of an asset when the paid or accrued assessment is recoverable through either premium taxes or policy surcharges.

(x) Concentration of Credit Risk

Financial instruments, which potentially may subject the Company to significant credit risks, consist principally of premiums and agents' balances, accrued investment income and other accounts receivable. A substantial majority of the business activity of the Company is with insureds and other customers located in Puerto Rico and, as such, the Company is subject to the risks associated with the economy of Puerto Rico. The Company establishes an allowance for doubtful accounts based on specific credit risk factors of each customer, in addition to other sources of information.

(y) Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs for 2014 and 2013 amounted to approximately \$520,000 and \$666,000, respectively.

(z) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(aa) Reclassifications

Certain amounts in 2013 financial statements were reclassified to conform with the 2014 presentation.

(bb) Prior Period Corrections

The financial statements for the year ended December 31, 2014 include corrections related to a prior period to 2014. These adjustments reflect the impact of the incorrect capitalization of deferred acquisition costs based on the provisions of the ASU 2010-26. These adjustments, recorded in 2014, totaled approximately \$4.4 million. These adjustments resulted in the increase of deferred acquisition costs and a decrease of underwriting and general expenses for the same amount. In addition, these adjustments also had an effect on the Company's calculation of their net deferred tax liability. The effect of the adjustments resulted in an increase of a deferred tax liability and deferred income tax expenses of approximately \$1.7 million respectively.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(bb) Prior Period Corrections (continued)

The Company concluded that the impact of these adjustments were immaterial to the financial statements for the year ended December 31, 2014 and did not have a material impact to the 2013 financial statements. Accordingly, the adjustments noted above were recorded in 2014.

(cc) Recent Accounting Pronouncements

In July 2011, the FASB issued Accounting Standard Update (ASU) 2011-06, Other Expenses (Topic 720): Fees Paid to Federal Government by Health Insurers (ASU 2011-06), which addresses questions about how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act. The Acts impose an annual fee on health insurers for each calendar year beginning on or after January 1, 2014. A health insurer's portion of the annual fee becomes payable to the U.S. Treasury once the entity provides health insurance for any U.S. health risk for each applicable calendar year. The amendments specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. This guidance is effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The Company adopted the provisions of this guidance and paid during 2015 the final annual fee amounting to \$628,000, approximately, which is included in the "Underwriting and general expenses" line of the consolidated statements of income.

In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards ASU No. 2011-05 (ASU 2011-12), in order to defer only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments and to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02), which includes updated guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. The guidance included in ASU 2013-02 requires an entity to present, either on the face of the statement of income or in the notes, separately for each component of comprehensive income, the current period reclassifications out of accumulated other comprehensive income by the respective line items of net income affected by the reclassification. This updated guidance is effective prospectively for reporting periods beginning after December 15, 2013, and did not have any effect on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-03, Financial Instruments (Topic 825): Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities (ASU 2013-03). The amendments clarify that the requirement to disclose "the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)" does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position but for which fair value is disclosed. The amendments in this Update were applicable immediately upon issuance. The Company adopted this ASU in 2013, and did not affect the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) (ASU 2013-05). This ASU's objective is to eliminate diversity in practice regarding the financial statements presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. ASU 2013-11 states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(cc) Recent Accounting Pronouncements (continued)

amendments in this Update do not require new recurring disclosures. The updated guidance is effective prospectively for reporting periods beginning after December 15, 2014, and will not have any effect on the Company's consolidated financial statements.

In March 2014, the FASB issued ASU 2014-06, Technical Corrections and Improvements Related to Glossary Terms, which contains amendments to the Master Glossary of the Codification, related to deletion of terms, addition of term links and other miscellaneous changes. In addition, this guidance included more substantive, limited-scope improvements to reduce instances of the same term appearing multiple times in the Master Glossary with similar, but not entirely identical, definitions. These provisions affect a wide variety of Topics in the Codification. The amendments in this ASU apply to all reporting entities within the scope of the affected accounting guidance and are effective upon issuance for both public entities and nonpublic entities. The Company has adopted this ASU, and did not have any effect on the consolidated financial statements.

2. Current Vulnerability Due to Certain Concentrations

MAPFRE PRAICO, MAPFRE PRICO and MAPFRE PAICO write personal and commercial lines of property and casualty insurance primarily in Puerto Rico. As of December 31, 2014, most of the Company's insured properties are located in areas exposed to damage by hurricanes and other casualties. The Company has established reinsurance programs designed to mitigate the effect of catastrophic losses. Based on recent Potential Maximum Loss studies performed for the Company, management believes that the net impact on the Company's financial position, if any, should any of these events occur, would not be significant after considering reinsurance coverage in-force.

3. Catastrophe Loss Reserve and Related Trust Fund

In accordance with Chapter 25 of the Insurance Code of the Commonwealth of Puerto Rico (the Code), as amended, the Company's property and casualty insurance subsidiaries (P&C subsidiaries) are required to establish and maintain a reserve supported by a trust fund for the payments of catastrophe losses. The establishment of this trust fund increases the financial capacity in order to offer protection for those insurers exposed to catastrophe losses. This trust may invest its funds in securities authorized by the Code, but not in investments whose value may be affected by hazards covered by the catastrophe insurance losses. The interest earned on these investments and any realized gain (loss) on investment transactions becomes part of the reserve for catastrophe insurance losses and are recorded as income (expense) of the Company's P&C subsidiaries. The assets in this fund will be used solely and exclusively to pay catastrophe insurance losses covered under policies written in Puerto Rico, upon approval by the Commissioner. The Company's P&C subsidiaries established a trust fund with a bank to deposit the funds.

The Company's P&C subsidiaries are required to make deposits to the trust fund, if any, on or before January 30 of the following year. Contributions to be deposited in the trust fund are determined by applying a contribution rate, not in excess of 5%, to catastrophe written premiums as instructed annually by the Commissioner, unless the balance of the reserve exceeds 8% of the catastrophe exposure, as defined by Chapter 25. The Company's P&C subsidiaries deposited in January 2015 and 2014 the amounts of \$1,202,479 and \$1,382,585, respectively, corresponding to the contributions for writings in 2014 and 2013, respectively. The contributions were determined in 2014 and 2013 by applying a rate of 1% to catastrophe premiums written as required by the Commissioner. The amounts deposited in the trust fund are deductible for income tax purposes. A deferred tax expense and liability were recorded to account for the difference in tax basis caused by deducting the transfer in the current period when the actual CAT losses have not been incurred. The total \$40,496,101 and \$37,892,177 balance of the catastrophe loss reserve as of December 31, 2014 and 2013, respectively, was accounted for as an appropriation of retained earnings in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

3. Catastrophe Loss Reserve and Related Trust Fund (continued)

The amount deposited in the trust fund may be reimbursed in the case that the P&C subsidiaries cease to underwrite property risks, subject to catastrophe losses, upon approval of the Commissioner. Also, authorized withdrawals are allowed when the catastrophe loss reserve exceeds 8% of the catastrophe exposure, as defined by Chapter 25.

For the years ended December 31, 2014 and 2013, the movement of the catastrophe loss reserve is as follows:

	2014	2013
<i>Catastrophe loss reserve at beginning of year</i>	\$ 37,892,177	35,081,178
<i>Investment income</i>	1,401,445	1,428,414
<i>Catastrophe loss reserve trust fund at end of year</i>	39,293,622	36,509,592
<i>Contribution payable</i>	1,202,479	1,382,585
<i>Catastrophe loss reserve at end of year</i>	\$ 40,496,101	37,892,177

The portion of the retained earnings in the P&C insurance subsidiaries as of December 31, 2014 and 2013 that were restricted is as follows:

	2014	2013
<i>MAPFRE PRAICO</i>	\$ 38,893,178	36,394,211
<i>MAPFRE PRICO</i>	1,247,751	1,171,967
<i>MAPFRE PAICO</i>	355,172	325,999
	\$ 40,496,101	37,892,177

4. Investment Securities

Investment securities as of December 31, 2014 and 2013, consist of the following:

	2014	2013
<i>Available-for-sale, at fair value</i>	\$ 356,514,575	355,399,644
<i>Held-to-maturity, at carrying amount</i>	5,708,760	5,713,147
	\$ 362,223,335	361,112,791

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

4. Investment Securities (continued)

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of investment securities classified as available-for-sale and held-to-maturity by major type and class of security as of December 31, 2014 and 2013 were as follows:

	Amortized Cost	2014 Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available-for-sale:				
<i>Fixed maturity securities:</i>				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 240,815,818	6,562,659	(1,751,036)	245,627,441
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	40,665,001	1,157,490	(406,650)	41,415,841
U.S. municipal bonds	30,404,587	2,901,383	-	33,305,970
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	5,937,967	-	(987,531)	4,950,436
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	205,000	-	(16,167)	188,833
Corporate debt securities	23,040,382	1,005,455	(7,991)	24,037,846
Mortgage-backed securities	189,300	12,369	(520)	201,149
Total fixed maturity securities	341,258,055	11,639,356	(3,169,895)	349,727,516
<i>Equity securities:</i>				
Common stocks	2,011,228	491,259	(30,758)	2,471,729
Preferred stocks	250,000	7,500	-	257,500
Exchange traded funds	2,902,869	1,154,961	-	4,057,830
Total equity securities	5,164,097	1,653,720	(30,758)	6,787,059
Total securities available-for-sale	\$ 346,422,152	13,293,076	(3,200,653)	356,514,575
Securities held-to-maturity:				
<i>Fixed maturity securities:</i>				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 501,569	44,604	-	546,173
Corporate debt securities	4,975,849	726,104	-	5,701,953
Mortgage-backed securities	231,342	3,354	(203)	234,493
Total securities held-to-maturity	\$ 5,708,760	774,062	(203)	6,482,619

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

4. Investment Securities (continued)

	2013			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available-for-sale:				
<i>Fixed maturity securities:</i>				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 256,914,458	5,587,240	(12,557,722)	249,943,976
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	38,084,725	1,034,427	(2,048,184)	37,070,968
U.S. municipal bonds	31,079,350	1,564,955	(1,568)	32,642,737
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	5,945,950	-	(910,183)	5,035,767
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	205,000	-	(17,438)	187,562
Corporate debt securities	15,142,123	1,087,676	(93,567)	16,136,232
Mortgage-backed securities	248,620	11,777	(426)	259,971
Total fixed maturity securities	347,620,226	9,286,075	(15,629,088)	341,277,213
<i>Equity securities:</i>				
Common stocks	4,105,542	1,621,177	-	5,726,719
Preferred stocks	250,000	4,000	-	254,000
Exchange traded funds	5,630,145	2,530,953	(19,386)	8,141,712
Total equity securities	9,985,687	4,156,130	(19,386)	14,122,431
Total securities available-for-sale	\$ 357,605,913	13,442,205	(15,648,474)	355,399,644
Securities held-to-maturity:				
<i>Fixed maturity securities:</i>				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 502,618	76,287	-	578,905
Corporate debt securities	4,970,091	894,609	-	5,864,700
Mortgage-backed securities	240,438	5,431	(94)	245,775
Total securities held-to-maturity	\$ 5,713,147	976,327	(94)	6,689,380

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

4. Investment Securities (continued)

The amortized cost and fair value of the Company's investments in fixed maturity securities as of December 31, 2014, are summarized, by stated maturity, as follows:

	<i>Available-for-Sale</i>		<i>Held-to-Maturity</i>	
	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
<i>Years to maturity:</i>				
<i>Due within one year or less</i>	\$ 14,137,951	14,317,279	-	-
<i>Due after one year through five years</i>	79,832,333	84,687,139	5,477,418	6,248,127
<i>Due after five years through ten years</i>	198,595,826	203,023,811	-	-
<i>Due after ten years</i>	48,502,645	47,498,136	-	-
<i>Mortgage-backed securities</i>	189,300	201,151	231,342	234,492
Total	\$ 341,258,055	349,727,516	5,708,760	6,482,619

Actual maturities may differ from stated maturities because borrowers may have the right to call or prepay obligations.

Amortized cost exceeds fair value of certain investments as of December 31, 2014. No provision has been made for possible losses resulting from the decline in estimated fair value for securities held in the investment portfolio, since such decline in estimated fair value is not deemed to be other-than-temporary.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

4. Investment Securities (continued)

Gross unrealized holding losses on investment securities for which other-than-temporary impairments have not been recognized and the fair value of those securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of December 31, 2014 and 2013 were as follows:

Description of Securities	2014					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Securities available-for-sale:						
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 12,856,124	(29,356)	76,930,418	(1,721,680)	89,786,542	(1,751,036)
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT fund	820,397	(3,405)	16,422,086	(403,245)	17,242,483	(406,650)
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	217,078	(2,921)	4,733,356	(984,610)	4,950,434	(987,531)
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT fund	98,672	(1,328)	90,161	(14,839)	188,833	(16,167)
Corporate debt securities	2,730,168	(7,991)	-	-	2,730,168	(7,991)
Mortgage-backed securities	-	-	30,229	(520)	30,229	(520)
Equity securities:						
Common stocks	465,920	(30,758)	-	-	465,920	(30,758)
Total securities available-for-sale	17,188,359	(75,759)	98,206,250	(3,124,894)	115,394,609	(3,200,653)
Securities held-to-maturity:						
Fixed maturity securities:						
Mortgage-backed securities and total securities held-to-maturity	74,932	(86)	7,136	(117)	82,068	(203)
Total	\$ 17,263,291	(75,845)	98,213,386	(3,125,011)	115,476,677	(3,200,856)

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

4. Investment Securities (continued)

Description of Securities	2013					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Securities available-for-sale:						
Fixed maturity securities:						
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 143,425,776	(11,046,024)	11,277,854	(1,511,698)	154,703,630	(12,557,722)
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT fund	18,857,212	(1,916,732)	980,683	(131,452)	19,837,895	(2,048,184)
U.S. municipal bonds	1,003,250	(1,568)	-	-	1,003,250	(1,568)
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	3,304,519	(637,674)	1,731,248	(272,509)	5,035,767	(910,183)
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT fund	187,562	(17,438)	-	-	187,562	(17,438)
Corporate debt securities	3,929,913	(93,567)	-	-	3,929,913	(93,567)
Mortgage-backed securities	-	-	30,364	(426)	30,364	(426)
Equity securities:						
Exchange traded funds	610,236	(19,386)	-	-	610,236	(19,386)
Total securities available-for-sale	171,318,468	(13,732,389)	14,020,149	(1,916,085)	185,338,617	(15,648,474)
Securities held-to-maturity:						
Fixed maturity securities:						
Mortgage-backed securities	-	-	9,776	(94)	9,776	(94)
Total securities held-to-maturity	-	-	9,776	(94)	9,776	(94)
Total	\$ 171,318,468	(13,732,389)	14,029,925	(1,916,179)	185,348,393	(15,648,568)

U.S. Treasury securities and obligations of U.S. government instrumentalities, Obligations of the Commonwealth of Puerto Rico and its instrumentalities and Mortgage-backed securities – The unrealized holding losses on the Company's investments in U.S. Treasury securities and Obligations of U.S. government instrumentalities, as well as Obligations of the Commonwealth of Puerto Rico and its instrumentalities, were mainly caused by interest rate changes. Unrealized holding losses for the Obligations of the Commonwealth of Puerto Rico and its instrumentalities are also due to the weakened fiscal situation of the Island, which has increased during the last year and has led to declines in prices for these bonds. The unrealized losses on U.S. Treasury securities and obligations of U.S. government instrumentalities range from 0.23% to 14.24% of their amortized cost. The unrealized losses on Obligations of the Commonwealth of Puerto Rico and its instrumentalities range from 0.98% to 29.66% of their amortized cost. The unrealized losses for Mortgage-backed securities which pertains to only one security, was mainly caused by interest rate changes. The security has been in an impaired position for more than twelve months. This unrealized loss represents 1.69% of the security's amortized cost. Because the Company (a) does not intend to sell the securities and (b) believes that it is not more likely than not that it will be required to sell the securities before recovery of their amortized cost basis, the securities are not considered to be other-than-temporary impaired as of December 31, 2014.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

4. Investment Securities (continued)

Corporate debt securities – The investments in corporate debt securities with unrealized holding loss is from seven issuers with maturities between 2017-2022. The unrealized holding losses on these corporate debt securities range from 0.21% to 0.68% of their amortized cost and were mainly caused by interest rate changes. There have been no delinquencies or defaults on any of these securities. Because the Company (a) does not intend to sell the securities and (b) believes that it is not more likely than not that it will be required to sell the securities before recovery of their amortized cost basis, the securities are not considered to be other-than temporarily impaired as of December 31, 2014.

Equity securities – The Company owns preferred and common stocks mainly from companies in the telecommunications, finance, technology, petroleum refining, consumer products and retail. The Company also owns shares of exchange traded funds representing the principal U.S. equity indexes. The unrealized holding loss pertains to one of the Company's equity securities were mainly due to cyclical weakness in the U.S. equity market. The Company evaluated the near-term prospects of the issuers in relation to the severity and duration of the impairments. Based on that evaluation and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company does not consider these investments to be other-than temporary impaired at December 31, 2014.

Mortgage-backed securities represent first mortgage pools and collateralized mortgage obligations (CMOs) both of which are explicitly or implicitly guaranteed by the Federal Government.

Regardless of the classification of the securities as available-for-sale or held-to-maturity, the Company has assessed each position for credit impairment.

Factors considered in determining whether a loss is temporary include:

- the length of time and the extent to which fair value has been below cost;
- the severity of the impairment;
- the cause of the impairment and the financial condition and near-term prospects of the issuer;
- activity in the market of the issuer which may indicate adverse credit conditions; and
- the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The Company's review for impairment generally entails:

- identification and evaluation of investments that have indications of possible impairment;
- analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and the expected recovery period;
- discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

4. Investment Securities (continued)

- documentation of the results of these analyses.

For equity securities, management considers the various factors described above, including its intent and ability to hold the equity security for a period of time sufficient for recovery to amortized cost. Where management lacks that intent or ability, the security's decline in fair value is deemed to be other-than-temporary and is recorded in earnings.

For debt securities that are not deemed to be credit impaired, management performs additional analysis to assess whether it intends to sell or more-likely-than-not would be required to sell the investment before the expected recovery of the amortized cost basis. In most cases, management has asserted that it has no intent to sell and that it believes it is more-likely-than-not that it will not be required to sell the investment before recovery of its amortized cost basis.

For debt securities, a critical component of the evaluation for other-than-temporary impairments is the identification of credit impaired securities where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. For securities purchased and classified as available-for-sale with the expectation of receiving full principal and interest cash flows, this analysis considers the likelihood of receiving all contractual principal and interest.

On December 31, 2001, the Company reevaluated its investment policies and transferred corporate bonds from the available-for-sale to the held-to-maturity category. Management made an assessment of its investments at that time and reclassified certain investments in order to control volatility of market fluctuations. The unrealized holding gain of these investments as of December 31, 2014 and 2013 amounted to \$620 and \$900, respectively, net of deferred income taxes of \$155 and \$159, respectively.

The Company's realized capital gains and losses on sale of investments are summarized as follows:

	2014	2013
<i>Securities available-for-sale:</i>		
<i>Gross realized gains</i>	\$ 3,337,672	731,137
<i>Gross realized losses</i>	-	(340,560)
<i>Net realized capital gains on sale of investment</i>	\$ 3,337,672	390,577

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

4. Investment Securities (continued)

Net investment income for the years ended December 31, 2014 and 2013 was as follows:

	2014	2013
Gross investment income:		
Fixed maturity securities	\$ 10,891,244	11,727,875
Equity securities	358,746	407,947
Interest on deposits and short-term investments	313,173	233,000
Real estate	283,123	100,481
Mutual funds and other invested assets	149	12
Total investment income	11,846,435	12,469,315
Less: investment expenses	(3,379,696)	(3,140,949)
Net investment income	\$ 8,466,739	9,328,366

5. Fair Value Measurements

(a) Fair Value of Financial Instruments

Fair value measurements represent the amounts that would be received to sell assets or that would be paid to transfer liabilities in an orderly transaction between market participants at the measurement date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing an asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The Company uses the following methods and assumptions in estimating the fair value of each class of financial instruments:

Cash and cash equivalents, short-term investments, receivables and payables – The fair value reported in the consolidated balance sheets of cash and cash equivalents, short-term investments, premiums and agents' balances receivable, reinsurance recoverable, net premium finance receivable, service contracts receivable, due from parent and affiliates, reinsurance premiums payable, due to affiliate, and accounts payable and accrued expenses approximates their carrying value because of the short-term nature of these instruments.

Investment securities – Equity securities classified as available-for-sale are measured using quoted market prices at the reporting date multiplied by the quantity held. For equity securities that are not actively traded, estimated fair values are based on values of issues of comparable yield and quality. Debt securities classified as available-for-sale are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for those debt securities are not available, the fair value is determined using a market approach valuation technique, which uses prices and other relevant information generated by market transactions involving identical or comparable assets.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

5. Fair Value Measurements (continued)

(a) Fair Value of Financial Instruments (continued)

Investment securities classified as available-for-sale are the only financial assets that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. No financial liabilities are recognized or disclosed at fair value by the Company in the consolidated financial statements on a recurring basis.

As of December 31, 2014 and 2013, the Company did not have any nonfinancial asset or liability recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

5. Fair Value Measurements (continued)

(b) Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis as of December 31, 2014 and 2013:

	2014			Total
	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Securities available-for-sale:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ -	245,627,441	-	245,627,441
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	-	41,415,841	-	41,415,841
U.S. municipal bonds	-	33,305,970	-	33,305,970
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	-	4,950,436	-	4,950,436
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	-	188,833	-	188,833
Corporate debt securities	-	24,037,846	-	24,037,846
Mortgage-backed securities	-	201,149	-	201,149
Total fixed maturity securities	-	349,727,516	-	349,727,516
Equity securities:				
Common stocks – Telecommunications industry	1,581,308	-	-	1,581,308
Common stocks – Retail industry	134,834	-	-	134,834
Common stocks – Consumer products industry	289,667	-	-	289,667
Common stocks – Petroleum Refining industry	465,920	-	-	465,920
Preferred stocks – Financial industry	-	257,500	-	257,500
Exchange traded funds – Other industries	4,057,830	-	-	4,057,830
Total equity securities	6,529,559	257,500	-	6,787,059
Total securities available-for-sale	\$ 6,529,559	349,985,016	-	356,514,575

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

5. Fair Value Measurements (continued)

(b) Fair Value Hierarchy (continued)

	2013			Total
	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Securities available-for-sale:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	\$ 19,836,814	230,107,162	-	249,943,976
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	-	37,070,968	-	37,070,968
U.S. municipal bonds	-	32,642,737	-	32,642,737
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	-	5,035,767	-	5,035,767
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	-	187,562	-	187,562
Corporate debt securities	-	16,136,232	-	16,136,232
Mortgage-backed securities	-	259,971	-	259,971
Total fixed maturity securities	19,836,814	321,440,399	-	341,277,213
Equity securities:				
Common stocks - Telecommunications industry	1,808,085	-	-	1,808,085
Common stocks - Retail industry	782,260	-	-	782,260
Common stocks - Pharmaceutical, Consumer and Medical Devices & Diagnosis industry	638,409	-	-	638,409
Common stocks - Pipelines industry	851,771	-	-	851,771
Common stocks - Technology industry	829,754	-	-	829,754
Common stocks - Personal Products industry	258,883	-	-	258,883
Common stocks - Petroleum Refining industry	557,557	-	-	557,557
Preferred stocks - Financial industry	254,000	-	-	254,000
Exchange traded funds - Other industries	8,141,712	-	-	8,141,712
Total equity securities	14,122,431	-	-	14,122,431
Total securities available-for-sale	\$ 33,959,245	321,440,399	-	355,399,644

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of level 1, level 2 or level 3 for the years ended December 31, 2014 and 2013.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

6. Net Premium Finance Receivables

Substantially all the premium finance receivables mature in 2015. The balance of the premium finance receivables as of December 31, 2014 and 2013 is presented net of unearned finance charges and the allowance for doubtful accounts as follows:

	2014	2013
<i>Premium finance receivables</i>	\$ 3,310,799	3,159,802
<i>Unearned interest</i>	(167,619)	(187,686)
<i>Allowance for loan losses</i>	(151,783)	(140,266)
	\$ 2,991,397	2,831,850

7. Deposits with Insurance Commissioners

As of December 31, 2014, the Company's insurance subsidiaries had deposited the following certificates of deposit with the Commissioner and the Commissioner of Insurance of the U.S. Virgin Islands to comply with their minimum deposit requirements:

Puerto Rico		U.S. Virgin Islands	
<i>MAPFRE PAICO</i>	\$ 1,500,000	<i>MAPFRE PRAICO</i>	\$ 500,000
<i>MAPFRE PRAICO</i>	\$ 1,500,000	<i>MAPFRE LIFE</i>	\$ 500,000
<i>MAPFRE PRICO</i>	\$ 1,500,000		
<i>MAPFRE LIFE</i>	\$ 510,000		

These certificates of deposit are included in short-term investments in the accompanying consolidated balance sheets.

Also, as of December 31, 2014, MAPFRE Life had deposited with the Commissioner securities with a carrying amount of \$1,315,110 (fair value of \$1,192,584).

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

8. Property and Equipment, Net

Property and equipment, net are composed of the following:

	2014	2013
Land	\$ 16,209,103	16,209,103
Building and improvements	46,403,292	45,980,348
Computers and softwares	28,553,419	28,207,527
Furniture and fixtures	9,629,500	9,461,561
Automobiles	490,713	489,473
Operating equipment	2,028,388	1,700,208
	103,314,415	102,048,220
Less: accumulated depreciation	(52,686,424)	(48,502,403)
Construction in progress – building and improvements	886,761	–
Unamortized computer software costs	3,127,849	2,320,794
Property and equipment, net	\$ 54,642,601	55,866,611

9. Claim Liabilities

The activity in the claim liabilities during 2014 and 2013 is summarized as follows (in thousands):

	2014	2013
Gross claim liabilities as of January 1	\$ 112,687	127,952
Reinsurance recoverable on claim liabilities as of January 1	12,986	13,905
Net claim liabilities as of January 1	99,701	114,047
Incurred claims and loss adjustment expenses:		
Insured events of current year	184,709	154,843
Insured events of prior years	(8,045)	(8,386)
Total	176,664	146,457
Payment of losses and loss adjustment expenses:		
Insured events of current year	127,136	109,199
Insured events of prior years	49,171	51,604
Total	176,307	160,803
Net claim liabilities as of December 31	100,058	99,701
Reinsurance recoverable on claim liabilities as of December 31	12,398	12,986
Gross claim liabilities as of December 31	\$ 112,456	112,687

As a result of changes in estimates of insured events in prior years, the incurred loss and loss adjustment expenses for the year ended December 31, 2014 and 2013, net of reinsurance recoverable, decreased by approximately \$8,045,000 and \$8,386,000, respectively. This was mainly due to a better than expected loss development for prior years insured events in 2014, along with the continued improvement in the claim handling process and the services provided and the higher than expected adjusting and other expenses payments allocated to prior years in 2013.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

9. Claim Liabilities (continued)

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and loss adjustment expenses. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severity of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

10. Transactions with Related Parties

During 2013, the Company charged approximately \$3,000 to MAPFRE Dominicana, S.A., for administrative services provided to this affiliate throughout the year. None in 2014. These charges are recorded within the general and administrative expenses in the accompanying consolidated statements of income.

During 2014 and 2013, the Company reinsured premiums amounting to approximately \$89,683,000 and \$93,262,000, respectively, with MAPFRE Re Compañía de Reaseguros, S.A. (MAPFRE Re). In addition, the Company had a net payable balance to MAPFRE Re of \$9,107,000 and \$4,974,000 as of December 31, 2014 and 2013, respectively.

11. Reinsurance

The Company cedes a portion of its risk under insurance policies to limit the amount of loss on individual claims arising from large risks or from hazards of an unusual nature.

For 2014, reinsurance agreements with effectiveness for the period from July 1, 2013, until June 30, 2014, and from July 1, 2014 to June 30, 2015 were in effect. A description of the principal reinsurance agreements for the Company, which covered the first semester, follows:

Property:

- a) Commercial property lines are covered under a 50/50 quota share surplus treaty comprised of 33 lines. This treaty has an event limit of \$200,000,000 in any one loss occurrence.
- b) Commercial Catastrophe Excess of Loss Reinsurance – The Company has coverage of up to \$189,000,000 in excess of \$6,000,000 retention.
- c) A catastrophe excess of loss treaty is also maintained for personal lines and residential condominium business, with limits up to \$189,000,000 with retention of \$6,000,000.
- d) An excess of loss treaty was maintained for property per risk business with limits of \$30,000,000 in excess of \$1,000,000.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

11. Reinsurance (continued)

Property: (continued)

- e) A catastrophe excess of loss treaty is also maintained for policies classified by the Company as Loss Limit Property including the Company's participation in primary and layered Commercial Property policies, with limit up to \$47,000,000 in excess of \$5,000,000 retention.
- f) A flood catastrophe excess of loss reinsurance contract was entered into covering policies classified by the Company as Personal Lines Flood, with limits up to \$38,000,000 with retention of \$2,000,000.
- g) Umbrella Catastrophe Excess of Loss Reinsurance – The Company has coverage under policies classified by the Company as Commercial Lines, Personal Lines, Loss Limit, Flood and the Puerto Rico Public Housing Authority, with limits of up to \$75,000,000 in the First Layer. On a Second Layer, the Company has coverage of up to \$250,000,000 and on the Third Layer, which excludes windstorm; the Company has coverage of up to \$125,000,000. The loss occurrence is set of, in excess of each of the underlying programs covered.
- h) An aviation business Excess of Loss Reinsurance Contract was entered into, covering all business written in respect of insurers domiciled in Puerto Rico and classified as aviation business. The Reinsurer shall be liable to pay up to \$600,000 Ultimate Net Loss, in excess of a \$400,000 retention.

In addition, there is a reinstatement premium protection contract to reinstate various layers of the Commercial Property Catastrophe Excess of Loss Program, Personal Lines and Residential Condominium Catastrophe Excess of Loss Program, Flood Catastrophe Excess of Loss Program, and Loss Limit Catastrophe Excess of Loss Program.

Casualty:

- a) There is an excess of loss treaty with effectiveness from July 1, 2013 to July 1, 2014, with a limit on a first layer of \$600,000 for each loss occurrence in excess of \$400,000 for auto and non-auto, a second layer and clash cover automobile and non-automobile (combined) with a limit of \$4,000,000 each loss occurrence in excess of \$1,000,000, and third layer and clash cover automobile and non-automobile (combined) with a limit of \$7,000,000 each loss occurrence in excess of \$5,000,000.

The Company also maintained proportional contracts for its surety, boiler and machinery, and travel and home assistance business lines.

A description of the principal reinsurance agreements for the Company, which covered the second semester, follows:

Property:

- a) Commercial property lines are covered under a quota share of 50/50 and surplus treaty comprised of 33 lines, for a maximum retention for the best risks of \$750,000. This treaty has an event limit of \$200,000,000 in any one loss occurrence.
- b) A catastrophe excess of loss reinsurance agreement is also maintained for commercial lines, personal lines, loss limit, flood and for the Puerto Rico Public Housing Authority. This contract covers Puerto Rico, United States Virgin Islands and Puerto Rican interests abroad.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

11. Reinsurance (continued)

Property: (continued)

- c) Also, an Excess of Loss Treaty was conserved for property per risk business with limits up to \$30,000,000 in excess of \$1,000,000.
- d) A Flood Catastrophe Excess of Loss Contract treaty provides \$98,000,000 in excess of \$2,000,000 for policies classified by the Company as Personal Lines and Residential Condominium Flood.
- e) An aviation business Excess of Loss Reinsurance Contract was entered into, covering all business written in respect of insurers domiciled in Puerto Rico and classified as aviation business. The Reinsurer shall be liable to pay up to \$600,000 Ultimate Net Loss, in excess of \$400,000 retention.

Casualty:

- a) For the Casualty business, an Excess of Loss treaty provides a first layer for \$600,000 excess of \$400,000 for automobile and non-auto, a second layer and a clash cover automobile and non-automobile (combined) for \$4,000,000 excess of \$1,000,000. A third layer and clash cover automobile and non-auto (combined) for \$7,000,000 in excess of \$5,000,000 is also considered.

The Company also maintains proportional contracts for its surety, boiler & machinery and travel and home assistance business lines.

Life & Health:

- a) The Company reinsures most of its life and accidental death insurance policies with an affiliate company (MAPFRE Re). A Medical Expense Excess of Loss Reinsurance contract was conserved in respect of the liability which may accrue the Company with respect to the business generated by MAPFRE Life Insurance Company of Puerto Rico and MAPFRE BHD Seguros, and classified by the Company as Group Medical Insurance Policies in excess of \$300,000 up to \$1,700,000.
- b) A catastrophe excess of loss treaty is also maintained for life and accidental death insurance policies in the occurrence of an event affecting three or more policyholders. The agreement provides coverage for amounts in excess of \$100,000 up to \$900,000 on the first layer and in excess of \$1,000,000 up to \$4,100,000 on the second layer. Two Addendums to extent the 2013 contract to June 30, 2014 and again to December 31, 2014, were conveyed during the year.
- c) A excess of loss per risk treaty is also maintained for life and accidental death. The agreements provide coverage for amounts in excess of the maximum retention of \$75,000 up to \$525,000 for Group Life and Individual Life. Two Addendums to extent the 2013 contract to June 30, 2014 and again to December 31, 2014, were conveyed during the year.
- d) Also since 2008, the Company maintains a 100% ceded reinsurance contract for the Group Life, Group Long-Term Disability and Commercial Health categories of International Policies issued by the Company.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

11. Reinsurance (continued)

Life & Health: (continued)

- e) The Company assumed 75% of the accident and health insurance risks written by an affiliated company. The contract provides that the Company will charge administrative fees based on the collected premiums to cover all expenses incurred in the administration of the assumed policies. During 2014 and 2013, reinsurance premium for this contract was approximately \$33,000 and \$34,000, respectively.
- f) Also, since March 2011, the Company assumed an 80% reinsurance contract, that covers medical expenses in the Commercial Health & Medicare lines of business, with respect to the business generated by an affiliate company (MAPFRE BHD Seguros), for both individual or group policies. The agreement provides coverage for amounts in excess of \$300,000 up to \$700,000 ultimate net loss and in excess of \$200,000 up to \$800,000 ultimate net loss, respectively.
- g) As a run of status the Company preserves a 70% ceded reinsurance contract for Cancer, Group Life and Individual Life categories of policies issued through commercial campaign from a Direct Marketing Company. Also, reinsurance coverage for its medical expenses in the Commercial Health of Administrative Service Only (ASO) groups, in excess of \$100,000 up to \$900,000 of the Company's gross liability is maintain. For its Air Life and Ordinary Life lines of business, in excess of \$50,000 and in excess of \$25,000, respectively, a portion of the risk is also ceded.

During the year, the Company did not enter into or engage in any agreement that reissues policies or contracts that were in-force or had existing reserves as of the effective dates of such agreements.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurers' insolvencies.

In the accompanying financial statements, premiums, losses and loss adjustment expenses are reported net of reinsurance ceded; however, unpaid losses and loss adjustment expenses and unearned premiums are reported gross of reinsurance ceded.

A summary of significant reinsurance amounts affecting the consolidated financial statements are as follows:

	2014		2013	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Direct	\$ 380,892,604	387,252,540	366,067,746	362,861,397
Assumed:				
Non-affiliates	900,868	863,233	474,000	474,000
Ceded:				
Affiliates	(87,630,992)	(87,894,324)	(93,295,532)	(92,869,861)
Non-affiliates	(11,406,539)	(17,893,218)	(27,733,055)	(29,148,824)
Net	\$ 282,755,941	282,328,231	245,513,159	241,316,712

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

11. Reinsurance (continued)

	2014	2013
<i>Claims incurred:</i>		
<i>Direct</i>	\$ 158,694,630	129,517,118
<i>Assumed</i>	482,099	436,242
<i>Ceded</i>	(5,077,657)	(4,810,529)
<i>Net</i>	\$ 154,099,072	125,142,831

The Company's direct and assumed unearned premiums as of December 31, 2014 and 2013 amounted to \$220,187,587 and \$233,959,173, respectively. This amount is related to non-affiliates in its entirety. The net amount of return commissions recoverable as of December 31, 2014, if all assumed and ceded reinsurance treaties were canceled is summarized as follows:

	<i>Assumed Reinsurance</i>		<i>Ceded Reinsurance</i>		<i>Net</i>	
	<i>Unearned Premium Reserve</i>	<i>Commission Payable</i>	<i>Unearned Premium Reserve</i>	<i>Commission Recoverable</i>	<i>Unearned Premium Reserve</i>	<i>Commission Recoverable</i>
<i>Affiliates</i>	\$ -	-	15,721,654	2,701,190	(15,721,654)	(2,701,190)
<i>All other</i>	-	-	3,835,519	1,064,807	(3,835,519)	(1,064,807)
Total	\$ -	-	19,557,173	3,765,997	(19,557,173)	(3,765,997)

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

11. Reinsurance (continued)

As of December 31, 2014 and 2013, the Company's ceded reinsurance arrangements reduced certain other items in the accompanying consolidated financial statements as follows (in thousands):

	2014	2013
<i>Losses and loss adjustment expenses receivable:</i>		
<i>Affiliates</i>	\$ 8,920	7,657
<i>Non-affiliates</i>	\$ 132	632
<i>Losses and loss adjustment expense reserves:</i>		
<i>Affiliates</i>	\$10,395	10,344
<i>Non-affiliates</i>	\$ 2,003	2,643
<i>Unearned premium reserves:</i>		
<i>Affiliates</i>	\$15,721	15,984
<i>Non-affiliates</i>	\$ 3,836	10,323

Amounts payable or recoverable for reinsurance on paid and unpaid losses are not subject to periodic or maximum limits.

12. Deposit Liability

During 2011, the Company entered into an insurance agreement which has been accounted for as a deposit liability, because the agreement did not transfer insurance risk. The following schedule summarizes the applicable activity in 2014 and 2013.

	2014	2013
<i>Deposit balance, at beginning of year</i>	\$ 6,717,117	13,127,579
<i>Payments made</i>	(5,777,653)	(6,410,462)
<i>Deposit balance, at end of year</i>	\$ 939,464	6,717,117

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

13. Statutory-Basis of Accounting for Insurance Subsidiaries

The Company's insurance subsidiaries are required to file statutory-basis financial statements with the Commissioner. Accounting practices followed in the preparation of those statutory-basis financial statements differ from generally accepted accounting principles.

The statutory-basis capital and surplus and net income of the Company's insurance subsidiaries as of and for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
<i>Statutory-basis capital and surplus</i>	<u>\$182,784,442</u>	<u>186,888,168</u>
<i>Statutory-basis net income</i>	<u>\$ 14,265,680</u>	<u>26,783,234</u>

14. Income Taxes

The entities comprising the consolidated financial statements are taxed individually as consolidated returns are not available under existing Puerto Rico tax laws. Accordingly, the income taxes represent the sum of the individual companies' tax expenses.

Property and casualty insurance companies are taxed on their taxable income determined on the basis of the statutory annual statements filed with the Commissioner. Also, income from operations is subject to an alternative minimum income tax that is calculated based on a formula established by the existing tax laws.

Income tax expense differs from amounts expected by applying the statutory tax rate (39%) to income before income taxes because of the matter explained in the preceding paragraph, the tax-exempt nature of interest earned on obligations from the Puerto Rico and U.S. Federal governments and their subdivisions, and the contributions to the catastrophe loss reserve, which are deductible for income tax purposes.

As a qualified domestic life insurance company, MAPFRE Life is only subject to Puerto Rico income taxes on capital gains and the Puerto Rico alternative minimum tax. No alternative minimum tax was paid by MAPFRE Life in 2014 and 2013.

Operations in the USVI are subject to a 5% premium tax on policies underwritten therein. Also, MAPFRE PRAICO and MAPFRE Life, as qualified foreign insurance companies, are subject to income taxes in the USVI.

During the last quarter of calendar year 2010, the Government of Puerto Rico passed Act 171 of November 15, 2010. This action constituted the first phase of a tax reform package, which included provisions that were effective for calendar year 2010. Subsequently, on January 31, 2011, the Governor signed into law the Internal Revenue Code of 2011 (the "2011 Code"), for years commenced after December 31, 2010, in what constituted the second phase of said tax reform. Among other things, the 2011 Code reduced the maximum corporate income tax rate from 39% to 30%, eliminated a temporary surtax of 5%, reduced the Alternative Minimum Tax rate and added several tax credits and deductions.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

14. Income Taxes (continued)

On June 30, 2013, the Governor signed Act 40, which amended the 2011 Code effective for entities with taxable years commencing after December 31, 2012. Amongst the changes to the 2011 Code were an increase in the maximum statutory enacted tax rates from 30% to the original 39% and the introduction of the National Gross Receipts Tax as part of the alternative minimum tax for most entities.

In July, 2014, the Governor signed Act 77, also to amend the 2011 Code. Amongst the amendments of Act 77, several revisions to the corporate treatment of capital gains and capital losses were included. As part of these changes and effective June 30, 2014, the capital gain tax rate was increased from 15% up to 20% and the holding period of capital assets to determine short-term and long-term capital gains and losses was also modified. Act 77 increased the holding period to determine short term capital gains or losses from not more than six (6) months to not more than one (1) year. For long term capital gains or losses, the holding period was increased from more than six (6) months to more than one (1) year. The Act also provided for capital gains to be offset by capital losses up to a maximum of 90% of said capital gains and increased the net capital loss carryforward period from 5 to 7 years.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
<i>Deferred tax liabilities:</i>		
Deferred policy acquisition costs	\$ 8,977,558	6,941,447
Deferred service contracts acquisition costs	2,910,870	3,252,939
Deposits into CAT Fund	4,349,483	4,108,987
Unrealized gain on securities available-for-sale	2,018,638	-
Depreciation	15,707	22,305
Other	293,327	15,193
Gross deferred tax liabilities	18,565,583	14,340,871
<i>Deferred tax assets:</i>		
Allowance for doubtful accounts	1,836,251	1,888,664
Alternative minimum tax	384,485	323,349
Unrealized loss on securities available-for-sale	-	330,782
Capital loss carryforward	142,630	110,307
Net operating loss carryforwards	7,428,120	5,500,514
Other	505,267	957,937
Deferred tax assets before valuation allowance	10,296,753	9,111,553
Less: valuation allowance	6,136,390	4,514,879
Total deferred tax assets	4,160,363	4,596,674
Net deferred tax liability	\$ 14,405,220	9,744,197

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

14. Income Taxes (continued)

At December 31, 2014, the Company has net operating carryforward losses available to offset future taxable income, if any, as follows:

Expiration:	
2020	\$ 158,651
2021	560,683
2022	995,498
2023	11,186,006
2024	16,254,053
2032	608,894
2034	2,175,340
	\$ 31,939,125

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryforward period), projected future taxable income and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the Company will realize the benefits of those deductible differences other than net operating loss carryforwards, alternative minimum tax credit carryforwards and a portion of the allowance for doubtful accounts, for which a valuation allowance in the amount of \$6,136,390 and \$4,514,879 was established in 2014 and 2013, respectively.

As of December 31, 2014, tax years 2010 through 2014 are subject to examination by Puerto Rico taxing authorities.

15. Retirement Plan

The full time employees of the Company's subsidiaries participate in a defined contribution pension plan (the Plan). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and Section 1081.01(d) of the Puerto Rico Internal Revenue Code of 2011, formerly Section 1165(e) of the Puerto Rico Internal Revenue Code of 1994, as amended. Under the provisions of the Plan, the Company matches employee contributions on a dollar for dollar basis contributed up to a maximum of 6% of the eligible employees' gross salary. The Plan provides for annual contributions as determined by the Company's Board of Directors. The Company contributions to the plan during 2014 and 2013 amounted to approximately \$1,867,000 and \$1,899,000, respectively.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

16. Commitments

The Company leases office space under non-cancelable operating leases with terms in excess of one year. Minimum lease payments required under the lease agreements at December 31, 2014 are as follows:

2015	\$ 211,943
2016	192,892
2017	44,821
	<u>\$ 449,656</u>

In 2014 and 2013, the Company recorded rent expense of approximately \$366,000 and \$477,000, respectively.

17. Contingencies

(a) Guarantee Associations

Pursuant to Chapter 41 and Rule 56 of the Code, the Company's P&C Subsidiaries are members of Sindicato de Aseguradores para la Suscripción Conjunta de Seguros de Responsabilidad Profesional Médico-Hospitalaria (SIMED) and the Sindicato de Aseguradores de Responsabilidad Profesional para Médicos. Both syndicates were created for the purpose of underwriting medical-hospital and medical-professional liability insurance, respectively. As members, the Company's P&C Subsidiaries share proportional risks, based on a formula established by the Code, with other member companies and, accordingly, are contingently liable in the event that the syndicates cannot meet their obligations. During 2014 and 2013, no assessments were received. No amounts were accrued at December 31, 2014 or 2013.

Pursuant to Article 12 of Rule LXIX of the Code, the Company's P&C Subsidiaries are also members of the Asociación de Suscripción Conjunta del Seguro de Responsabilidad Obligatorio (ASCSRO), which provides compulsory auto liability insurance to cover damages to motor vehicles of third parties as a result of a traffic accident, to applicants of said insurance who have been rejected by private insurers. ASCSRO is composed of all private insurers, which write more than one percent of vehicle liability insurance in Puerto Rico. These members participate in ASCSRO's profit and losses in proportion to said writings. During 2014 and 2013, ASCSRO distributed to the members an experience refund. Also, during 2014 and 2013, MAPFRE PRAICO and MAPFRE PRICO received approximately \$1,044,000 and \$1,286,000, respectively, from ASCSRO, out of the total experience refunds distributed. In September 2013, the Board of Directors of ASCSRO declared and paid an extraordinary dividend amounting to \$200,000,000. The Company's share of this special dividend amounted to approximately \$28,130,000, which the Company received net of its related tax of \$14,065,000, or 50% of the dividend received and is presented in Other income caption of the accompanying consolidated statement of income.

Additionally, the Company's P&C Subsidiaries are also members of the Puerto Rico Insurance Guaranty Association For All Kinds of Insurance Except Life, Disability and Health (the Association) and, as members, are obligated to provide funds for the settlement of claims and reimbursements of unearned premiums of insurance policies issued by insolvent insurance companies. The Association may levy additional assessments to cover these insolvencies; however, total charges for any year are limited to 2% of the total direct premiums written in the related year. On July, 2013, the P&C Subsidiaries received an assessment order from the Association to cover the cost of disbursements for companies that were declared insolvent by the Court after August 17, 1991. The assessment order specified the computation method to determine the assessment amount, as well as the payment date. The assessment installment was paid on August 1, 2013 in the amount of \$908,553 and a second installment was expected to be paid early in 2014. In

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

17. Contingencies (continued)

(a) Guarantee Associations (continued)

November 2013, however, the Company's P&C Subsidiaries were instructed by the Association to cancel the second installment of the assessment; hence the liability related to this installment was also canceled.

On March 4, 2014, the Company received a notification from the Commissioner indicating that monies received by the Company in 2008 related to assessments made by the Association were incorrectly distributed. On March 4, 2015, the Association required these amounts received to be returned. However, had companies had recoverable balances related to the assessments made after Act 72 of 1991 became effective, the Association is allowing companies to reduce the amounts to be returned by the uncollected portion of these assessments, up to the amount incorrectly distributed by it in 2008. At December 31, 2014, the Company has a liability included in the "Accounts payable and accrued expenses" line of the consolidated balance sheets. The amount was paid in full on May 1, 2015.

Pursuant to the Code, MAPFRE Life is a member of the Puerto Rico Insurance Guaranty Association for Life, Disability and Health Insurance (the Guaranty Association). As a member, MAPFRE Life is required to provide funds for the settlement of claims and reimbursement of unearned premiums of insurance policies issued by insolvent insurance companies. During 2014 and 2013, no accrual for possible future assessments was provided. MAPFRE Life has not been informed nor had any knowledge of assessments or insurance companies that have become insolvent that could result in significant future charges by the Guaranty Association.

(b) Legal Proceedings

The Company is named as a defendant in various legal actions arising principally from claims made under insurance policies and contracts. Those actions are considered by the Company in estimating the liability for unpaid loss and loss adjustment expense reserves. The Company is also subject to legal proceedings and claims arising in the ordinary course of business relating to various employee matters. The Company's management believes, with the advice of its legal counsel, that the ultimate resolution of those actions will not have a material adverse effect on the Company's consolidated financial position or results of operations.

On August 23, 2012, MAPFRE Life received a demand for arbitration and notice of arbitration proceeding from a network provider. The network provider seeks to recover amounts that the Company deducted from monthly fees paid to the network provider, on account of covered prescription drug services invoiced by MAPFRE Life from April 2009 through July 31, 2012. MAPFRE Life filed a counter claim for an amount previously claimed against the network provider. After several procedural events, in January, 2013, the claimed amount was increased during the discovery proceedings. The parties engaged in discovery procedures, beginning on January, 2013 and as ordered by the panel of arbitrators, a process of auditing the claims was performed and completed. On June 23, 2014, MAPFRE Life settled the arbitration case by way of payment in the amount of \$1,150,000.

During the month of November, 2012, MAPFRE Life received a payment related to premiums owed to MAPFRE Life for the health insurance coverage contracted by a governmental agency's labor union for the year 2009. MAPFRE Life had been attempting to collect this debt for a long period of time. On December 8, 2012, the governmental agency sent a notice to MAPFRE Life asking for the refund of the amount paid, for it had been allegedly paid in error. A final and formal invoice collecting the amount paid was received by MAPFRE Life on January 22, 2013. This notice activated formal administrative procedure, which MAPFRE Life followed by filing an objection to the invoice within the term provided. The governmental agency rejected the objection and an appeal followed, filed by MAPFRE Life on March 13, 2013. MAPFRE Life vigorously contested the claim and intends to continue to do so exhausting administrative procedures. Management based on the advice of its legal counselors, is of the opinion that an unfavorable outcome is not foreseeable at the present time, and that the ultimate outcome of this action will not have a material adverse effect on the consolidated financial position and results of operations of the Company.

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

17. Contingencies (continued)

(c) Audits from the Commissioner

During 2008, the Commissioner audited the statutory-basis financial statements of MAPFRE PRAICO for the years 2004 to 2007. The Company received from the Commissioner on June, 2011, the audit reports and an order imposing a \$5,000 fine related to these audits. After the Company timely objected to some of the findings, the matter was finally adjudicated during year 2012, correcting a part of the findings objected. In May 2013, a stipulation was reached and the fine was reduced to \$3,000, the Commissioner issued the final report. The Company's management believes that the findings included in said report do not have a material adverse effect on the Company's financial position or results of operations.

During 2009, the Commissioner performed a Market Conduct Examination of MAPFRE PRAICO on those claims received between December 1, 2008 and September 30, 2009. MAPFRE PRAICO received a report from the Commissioner on September, 2010. The report was objected, and the matter was finally adjudicated in November 2013, when the Office of the Commissioner accepted to correct almost all of the findings objected and issued a final report in January 2014. The fine was reduced from \$6,000 to \$3,000. The Company's management believes that the findings in this report will not have a material adverse effect on the Company's financial position or results of operations.

The Company's agency subsidiary (MIA) is subject to compliance audits as an agent, general agent and excess lines broker by the Commissioner. During 2009, the Commissioner performed an examination of MIA's surplus lines broker business. On April 2013 MIA received the audit report and an order imposing a \$2,250 fine related to this audit. After MIA timely objected some of the findings, the matter was adjudicated and the fine was reduced to \$1,500. A final report was issued on January 2014. Finding contained in this report will not have a material effect on the Company's consolidated financial position since they are operational in nature.

During 2013, the Commissioner performed an examination of MIA's surplus lines broker business. MIA has not yet received the audit reports from the Commissioner in connection with this audit.

18. Restrictions over Statutory Capital and Dividends

Payment of dividends to shareholders is limited to unassigned surplus related to the operations of the Company's insurance subsidiaries (as defined by the Code), less the amounts transferred or to be transferred to the CAT Fund based on direct premiums written for the year. The unassigned surplus of the Company's insurance subsidiaries available for the payment of dividends as of December 31, 2014 and 2013 was approximately \$32,560,575 and \$37,938,000, respectively.

Property and casualty, life and health insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by the insurance companies is to be determined based on the various risk factors related to it. At December 31, 2014 and 2013, the Company's insurance subsidiaries met the RBC requirements.

Notes to Consolidated Financial Statements (continued)
December 31, 2014 and 2013

19. Comprehensive Income

The related tax effects allocated to the accumulated balance of the unrealized holding gains on securities classified as available-for-sale that are included as comprehensive income in the accompanying consolidated statements of comprehensive income and statements of shareholder's equity for the years ended December 31, 2014 and 2013 are as follows:

2014			
	<i>Before-tax Amount</i>	<i>Deferred Tax (Expense) Benefit</i>	<i>Net-of-tax Amount</i>
<i>Unrealized holding gains on securities classified as available-for-sale arising during 2014</i>	\$ 15,636,075	(2,905,518)	12,730,557
<i>Reclassification adjustment for gains realized in income</i>	(3,337,672)	556,098	(2,781,574)
<i>Net change in unrealized gains</i>	\$ 12,298,403	(2,349,420)	9,948,983

2013			
	<i>Before-tax Amount</i>	<i>Deferred Tax (Expense) Benefit</i>	<i>Net-of-tax Amount</i>
<i>Unrealized holding losses on securities classified as available-for-sale arising during 2013</i>	\$(30,507,225)	4,576,083	(25,931,142)
<i>Reclassification adjustment for gains realized in income</i>	(390,577)	58,587	(331,990)
<i>Net change in unrealized losses</i>	\$(30,897,802)	4,634,670	(26,263,132)

Notes to Consolidated Financial Statements (continued)

December 31, 2014 and 2013

20. Unused Line of Credit

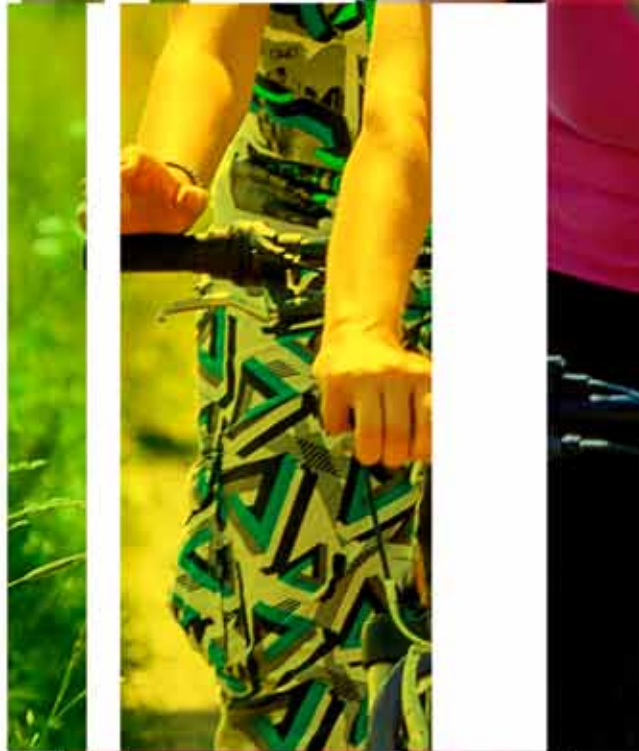
On February 24, 2009, the Company entered into a line of credit agreement with a financial institution providing for loan advances up to \$3 million. The agreed interest rate to be charged on the advances is based on 150 basis points over LIBOR. Any debt arising under this agreement would be guaranteed by the Corporation and the line of credit agreement establishes certain covenants and conditions. The Company did not use the line of credit during 2014 or 2013 and has no outstanding payable amount as of December 31, 2014 and 2013.

21. Subsequent Events

The Company evaluated subsequent events through September 2, 2015, the date on which these financial statements were available to be issued.

On July 22, 2015, the Company's P&C Subsidiaries received a notification from the Association, where its Executive Director stated that the Companies were required to return, not only those amounts distributed by the Association in 2008, but also amounts that were incorrectly distributed in 2010. The Association is now requiring the Companies to return a total of \$1,230,442 related to the 2010 refunds.

Effective August 31, 2015, Auto Guard change its name from Auto Guard, Inc. to MAPFRE Solutions, Inc.



Consolidating Schedules

Consolidating Schedule - Balance Sheet
December 31, 2014

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
				DR	CR			
Assets								
<i>Cash and Investments:</i>								
Cash and cash equivalents	\$57,745,235	7,014,313	64,759,548	-	-	64,759,548	2,028,101	399,501
Short-term investments	500,000	-	500,000	-	-	500,000	-	-
Investment securities	227,967,184	65,657,659	293,624,843	-	-	293,624,843	12,150,880	-
Investment in subsidiaries	31,556,853	-	31,556,853	-	31,556,853	-	-	-
Total cash and investments	317,769,272	72,671,972	390,441,244	-	31,556,853	358,884,391	14,178,981	399,501
Premiums and agents' balances receivable, net	29,526,799	3,372,252	32,899,051	-	3,442,641	29,456,410	184,373	1,305,650
Reinsurance recoverable on:								
Paid losses, net	145,812	38	145,850	-	-	145,850	-	-
Unpaid losses and loss adjustment expenses	12,384,028	3,804,214	16,188,242	-	3,790,636	12,397,606	222,543	-
Prepaid reinsurance premiums	19,430,098	18,803,188	38,233,286	-	18,677,432	19,555,854	929,968	-
Total reinsurance recoverable	31,959,938	22,607,440	54,567,378	-	22,468,068	32,099,310	1,152,511	-
Net finance receivables	-	-	-	-	-	-	-	-
Service contracts receivable	-	-	-	-	-	-	-	-
Accrued investment income	1,925,073	484,352	2,409,425	-	-	2,409,425	111,140	-
Due from related company	3,281,621	199,566	3,481,187	-	549,538	2,931,649	38,979	-
Deferred policy acquisition costs	22,639,513	1,569,548	24,209,061	-	-	24,209,061	75,030	-
Deferred service contracts acquisition costs	-	-	-	-	-	-	-	-
Property and equipment, net	43,715,281	-	43,715,281	-	-	43,715,281	-	-
Intangible assets, net	-	-	-	-	-	-	-	-
Note receivable from affiliate	-	-	-	-	-	-	-	-
Prepaid income taxes (payable)	(398,815)	537,112	138,297	-	-	138,297	428,619	561,674
Other assets	2,218,875	47,534	2,266,409	-	-	2,266,409	32,260	32,932
Total assets	\$452,637,557	101,489,776	554,127,333	-	58,017,100	496,110,233	16,201,893	2,299,757

See accompanying report of independent auditors.

MAPFRE FINANCE OF PUERTO RICO, CORP.	MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO CORPORATION	Total	Section B Elimination Entries		MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
						DR	CR	
523,224	7,676,305	564,175	141,565	11,228,305	87,320,724	-	-	87,320,724
-	1,500,000	-	-	-	2,000,000	-	-	2,000,000
-	47,175,747	9,271,865	-	-	362,223,335	-	-	362,223,335
-	-	-	-	229,695,950	229,695,950	15,075,000	244,770,950	-
523,224	56,352,052	9,836,040	141,565	240,924,255	681,240,009	15,075,000	244,770,950	451,544,059
-	10,625,796	-	-	-	41,572,229	-	263,859	41,308,370
-	8,906,497	-	-	-	9,052,347	-	-	9,052,347
-	-	-	-	-	12,620,149	-	222,593	12,397,556
-	-	-	-	-	20,485,822	-	928,649	19,557,173
-	8,906,497	-	-	-	42,158,318	-	1,151,242	41,007,076
2,991,397	-	-	-	-	2,991,397	-	-	2,991,397
-	-	1,380,463	-	-	1,380,463	-	-	1,380,463
-	397,578	64,375	-	-	2,982,518	-	-	2,982,518
-	315,762	135,732	-	135,991	3,558,113	-	3,243,113	315,000
-	5,635,123	-	-	-	29,919,214	-	-	29,919,214
-	-	7,463,770	-	-	7,463,770	-	-	7,463,770
-	642,311	-	10,285,009	-	54,642,601	-	-	54,642,601
-	-	-	-	5,806,527	5,806,527	-	-	5,806,527
-	-	-	-	9,331,375	9,331,375	-	9,331,375	-
(17,243)	(23,096)	774,818	65,558	-	1,928,627	-	-	1,928,627
2,160,875	2,666,641	12,830	293,713	868,433	8,334,093	-	-	8,334,093
5,658,253	85,518,664	19,668,028	10,785,845	257,066,581	893,309,254	15,075,000	258,760,539	649,623,715

Consolidating Schedule - Balance Sheet
December 31, 2014

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
				DR	CR			
Liabilities and Shareholder's Equity								
<i>Liabilities:</i>								
<i>Claim liabilities:</i>								
Unpaid losses and loss adjustment expenses	\$92,972,292	5,534,256	98,506,548	3,790,636	-	94,715,912	334,615	-
Unpaid service contract claims	-	-	-	-	-	-	-	-
Policy and contract claims	-	-	-	-	-	-	-	-
Total claim liabilities	92,972,292	5,534,256	98,506,548	3,790,636	-	94,715,912	334,615	-
Future policy benefits	-	-	-	-	-	-	-	-
Unearned premiums	134,105,074	56,315,501	190,420,575	18,677,432	-	171,743,143	3,724,046	-
Unearned service contracts revenue	-	-	-	-	-	-	-	-
Policyholder funds	-	-	-	-	-	-	-	-
Reserve for cancellations	-	-	-	-	-	-	-	94,190
Net deferred tax liability (asset)	12,663,198	962,232	13,625,430	-	-	13,625,430	34,390	(88,129)
Reinsurance premiums payable	10,584,579	1,152,405	11,736,984	3,442,641	4,251,862	12,546,205	137,920	-
Advanced collections due	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	23,071,144	5,395,824	28,466,968	4,251,862	-	24,215,106	1,368,629	948,951
Due to affiliates	112,628	572,705	685,333	549,538	-	135,795	226,925	417,825
Note payable to affiliate	-	-	-	-	-	-	-	-
Deposit Liability	939,464	-	939,464	-	-	939,464	-	-
Total liabilities	274,448,379	69,932,923	344,381,302	30,712,109	4,251,862	317,921,055	5,826,525	1,372,837
<i>Shareholder's Equity:</i>								
Common stock	5,000,000	3,000,000	8,000,000	3,000,000	-	5,000,000	3,000,000	1,700
Additional paid-in capital	65,000,000	7,025,000	72,025,000	7,025,000	-	65,000,000	784,383	-
Accumulated other comprehensive (loss) income, net of deferred taxes	6,487,745	3,034,868	9,522,613	3,034,868	-	6,487,745	450,916	-
Retained earnings	101,701,433	18,496,985	120,198,418	18,496,985	-	101,701,433	6,140,069	925,220
Total shareholder's equity	178,189,178	31,556,853	209,746,031	31,556,853	-	178,189,178	10,375,368	926,920
Total liabilities and shareholder's equity	\$452,637,557	101,489,776	554,127,333	62,268,962	4,251,862	496,110,233	16,201,893	2,299,757

See accompanying report of independent auditors.

					Section B			
					Elimination Entries			
MAPFRE FINANCE OF PUERTO RICO CORP.	MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO CORPORATION	Total	DR	CR	MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
-	-	-	-	-	95,050,527	222,593	-	94,827,934
-	-	189,633	-	-	189,633	-	-	189,633
-	17,438,036	-	-	-	17,438,036	-	-	17,438,036
-	17,438,036	189,633	-	-	112,678,196	222,593	-	112,455,603
-	11,227,533	-	-	-	11,227,533	-	-	11,227,533
-	9,352,887	-	-	-	184,820,076	928,649	-	183,891,427
-	-	15,455,404	-	-	15,455,404	-	-	15,455,404
-	2,295,847	-	-	-	2,295,847	-	-	2,295,847
-	-	363,478	-	-	457,668	-	-	457,668
(46,503)	(1,306,572)	2,170,897	15,707	-	14,405,220	-	-	14,405,220
-	928,276	-	-	-	13,612,401	263,859	389,945	13,738,487
-	170,889	-	-	-	170,889	-	-	170,889
112,442	10,417,689	647,273	199,447	6,577,816	44,487,353	389,945	-	44,097,408
1,747,040	611,497	80,193	23,838	-	3,243,113	3,243,113	-	-
-	-	-	9,331,375	-	9,331,375	9,331,375	-	-
-	-	-	-	-	939,464	-	-	939,464
1,812,979	51,136,082	18,906,878	9,570,367	6,577,816	413,124,539	14,379,534	389,945	399,134,950
74,200	3,032,000	50	5,000	6,363,100	17,476,050	11,112,950	-	6,363,100
1,619,517	35,413,146	-	5,750,000	107,754,946	216,321,992	108,567,046	-	107,754,946
-	1,010,947	124,950	-	8,074,558	16,149,116	8,074,558	-	8,074,558
2,151,557	(5,073,511)	636,150	(4,539,522)	128,296,161	230,237,557	117,581,379	15,639,983	128,296,161
3,845,274	34,382,582	761,150	1,215,478	250,488,765	480,184,715	245,335,933	15,639,983	250,488,765
5,658,253	85,518,664	19,668,028	10,785,845	257,066,581	893,309,254	259,715,467	16,029,928	649,623,715

Consolidating Schedule - Statement of Income and Retained Earnings
Year Ended December 31, 2014

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.	MAPFRE FINANCE OF PUERTO RICO CORP.
				DR	CR				
<i>Revenues:</i>									
Net premiums earned	\$156,564,461	10,997,645	167,562,106	27,562,831	27,562,831	167,562,106	777,260	-	-
Net service contracts revenue	-	-	-	-	-	-	-	-	-
Net investment income	4,201,650	2,105,211	6,306,861	-	-	6,306,861	415,791	-	-
Net realized capital gains on investments	2,773,243	234,704	3,007,947	-	-	3,007,947	178,930	-	-
Net commissions earned and other income	1,300	-	1,300	-	-	1,300	-	1,070,524	654,247
Total revenues	163,540,654	13,337,560	176,878,214	27,562,831	27,562,831	176,878,214	1,371,981	1,070,524	654,247
<i>Expenses:</i>									
Claims incurred	55,411,013	5,472,403	60,883,416	13,721,657	13,721,657	60,883,416	409,508	-	-
Loss adjustment expenses	21,314,710	1,145,695	22,460,405	45,225	45,225	22,460,405	104,744	-	-
Underwriting and general expenses	60,967,270	4,626,222	65,593,492	6,231,680	6,231,680	65,593,492	552,756	837,266	396,942
Interest expense	16,339	-	16,339	-	-	16,339	-	-	-
Total expenses	137,709,332	11,244,320	148,953,652	19,998,562	19,998,562	148,953,652	1,067,008	837,266	396,942
<i>Income (loss) before equity in earnings of subsidiaries and income taxes</i>									
	25,831,322	2,093,240	27,924,562	-	-	27,924,562	304,973	233,258	257,305
Equity in earnings of subsidiaries	1,817,821	-	1,817,821	1,817,821	-	-	-	-	-
Income (loss) before income taxes	27,649,143	2,093,240	29,742,383	1,817,821	-	27,924,562	304,973	233,258	257,305
<i>Income tax expense (benefit):</i>									
Current	4,485,922	14,417	4,500,339	-	-	4,500,339	6,620	36,842	104,476
Deferred	2,695,602	261,002	2,956,604	-	-	2,956,604	78,375	43,350	(6,992)
Total income tax expense (benefit):	7,181,524	275,419	7,456,943	-	-	7,456,943	84,995	80,192	97,484
Net income (loss)	20,467,619	1,817,821	22,285,440	1,817,821	-	20,467,619	219,978	153,066	159,821
Retained Earnings, beginning of year	95,908,814	16,679,164	112,587,978	16,679,164	-	95,908,814	6,320,091	772,154	1,991,736
<i>Dividends to shareholder</i>	<i>(14,675,000)</i>	<i>-</i>	<i>(14,675,000)</i>	<i>-</i>	<i>-</i>	<i>(14,675,000)</i>	<i>(400,000)</i>	<i>-</i>	<i>-</i>
Retained earnings, end of year	\$101,701,433	18,496,985	120,198,418	18,496,985	-	101,701,433	6,140,069	925,220	2,151,557

See accompanying report of independent auditors.

MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO CORPORATION	Total	Section B Elimination Entries		MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
					DR	CR	
113,988,865	-	-	-	282,328,231	1,944,090	1,944,090	282,328,231
-	2,078,801	-	-	2,078,801	-	-	2,078,801
1,453,463	290,624	-	-	8,466,739	-	-	8,466,739
126,092	24,703	-	-	3,337,672	-	-	3,337,672
311,854	-	2,623,951	352,213	5,014,089	314,024	-	4,700,065
115,880,274	2,394,128	2,623,951	352,213	301,225,532	2,258,114	1,944,090	300,911,508
91,958,844	847,304	-	-	154,099,072	1,147,738	1,147,738	154,099,072
-	-	-	-	22,565,149	(2,736)	(2,736)	22,565,149
27,173,124	501,256	2,857,004	8,326,107	106,237,947	234,105	234,105	106,237,947
-	-	314,024	-	330,363	-	314,024	16,339
119,131,968	1,348,560	3,171,028	8,326,107	283,232,531	1,379,107	1,693,131	282,918,507
(3,251,694)	1,045,568	(547,077)	(7,973,894)	17,993,001	564,983	564,983	17,993,001
-	-	-	18,922,735	18,922,735	18,922,735	-	-
(3,251,694)	1,045,568	(547,077)	10,948,841	36,915,736	19,487,718	564,983	17,993,001
33,452	50,830	-	-	4,732,559	-	-	4,732,559
(955,534)	202,396	(6,598)	-	2,311,601	-	-	2,311,601
(922,082)	253,226	(6,598)	-	7,044,160	-	-	7,044,160
(2,329,612)	792,342	(540,479)	10,948,841	29,871,576	19,487,718	564,983	10,948,841
(2,743,899)	(156,192)	(3,999,043)	124,347,320	222,440,981	98,093,661	-	124,347,320
-	-	-	(7,000,000)	(22,075,000)	-	15,075,000	(7,000,000)
(5,073,511)	636,150	(4,539,522)	128,296,161	230,237,557	117,581,379	15,639,983	128,296,161

Consolidating Schedule - Balance Sheet
December 31, 2013

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
				DR	CR			
Assets								
<i>Cash and Investments:</i>								
Cash and cash equivalents	\$31,064,356	2,833,726	33,898,082	-	-	33,898,082	260,360	374,268
Short-term investments	2,000,000	1,500,000	3,500,000	-	-	3,500,000	1,500,000	-
Investment securities	236,942,873	63,556,196	300,499,069	-	-	300,499,069	13,203,164	-
Investment in subsidiaries	29,090,758	-	29,090,758	-	29,090,758	-	-	-
Total cash and investments	299,097,987	67,889,922	366,987,909	-	29,090,758	337,897,151	14,963,524	374,268
Premiums and agents' balances receivable, net	31,000,591	5,333,020	36,333,611	-	2,052,208	34,281,403	282,315	1,179,163
<i>Reinsurance recoverable on:</i>								
Paid losses, net	582,840	40,500	623,340	-	-	623,340	8,307	-
Unpaid losses and loss adjustment expenses	12,980,602	4,049,286	17,029,888	-	4,044,568	12,985,320	326,726	-
Prepaid reinsurance premiums	26,198,940	15,238,056	41,436,996	-	15,131,947	26,305,049	1,172,587	-
Total reinsurance recoverable	39,762,382	19,327,842	59,090,224	-	19,176,515	39,913,709	1,507,620	-
Net finance receivables	-	-	-	-	-	-	-	-
Service contracts receivable	-	-	-	-	-	-	-	-
Accrued investment income	2,213,358	507,151	2,720,509	-	-	2,720,509	124,258	-
Due from related company	3,091,472	103,262	3,194,734	-	719,845	2,474,889	11,164	191,218
Deferred policy acquisition costs	17,772,955	787,504	18,560,459	-	-	18,560,459	47,132	-
Deferred service contracts acquisition costs	-	-	-	-	-	-	-	-
Property and equipment, net	44,877,219	-	44,877,219	-	-	44,877,219	-	93
Intangible assets, net	-	-	-	-	-	-	-	-
Note receivable from affiliate	-	-	-	-	-	-	-	-
Prepaid income taxes	1,523,343	537,112	2,060,455	-	-	2,060,455	430,145	598,516
Other assets	2,005,243	94,011	2,099,254	-	-	2,099,254	11,116	19,676
Total assets	441,344,550	94,579,824	535,924,374	-	51,039,326	484,885,048	17,377,274	2,362,934

See accompanying report of independent auditors.

MAPFRE FINANCE OF PUERTO RICO, CORP.	MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO CORPORATION	Total	Section B Elimination Entries		MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
						DR	CR	
372,864	19,258,601	336,684	1,106,082	7,797,253	63,404,194	-	-	63,404,194
-	1,010,000	-	-	-	6,010,000	-	-	6,010,000
-	37,964,884	9,445,674	-	-	361,112,791	-	-	361,112,791
-	-	-	-	215,899,232	215,899,232	73,100,000	288,999,232	-
372,864	58,233,485	9,782,358	1,106,082	223,696,485	646,426,217	73,100,000	288,999,232	430,526,985
-	5,453,819	-	-	-	41,196,700	-	120,249	41,076,451
-	7,658,007	-	-	-	8,289,654	-	-	8,289,654
-	-	-	-	-	13,312,046	-	325,906	12,986,140
-	-	-	-	-	27,477,636	-	1,171,016	26,306,620
-	7,658,007	-	-	-	49,079,336	-	1,496,922	47,582,414
2,831,850	-	-	-	-	2,831,850	-	-	2,831,850
-	-	1,858,067	-	-	1,858,067	-	-	1,858,067
-	345,291	78,036	-	-	3,268,094	-	-	3,268,094
648	315,000	1,389	-	330	2,994,638	-	2,679,308	315,330
-	5,567,403	-	-	-	24,174,994	-	-	24,174,994
-	-	8,340,870	-	-	8,340,870	-	-	8,340,870
-	671,607	-	10,317,692	-	55,866,611	-	-	55,866,611
-	-	-	-	6,348,567	6,348,567	-	-	6,348,567
-	-	-	-	9,637,960	9,637,960	-	9,637,960	-
7,686	(25,229)	825,144	65,558	-	3,962,275	-	-	3,962,275
1,822,997	1,439,575	16,150	202,257	914,638	6,525,663	-	-	6,525,663
5,036,045	79,658,958	20,902,014	11,691,589	240,597,980	862,511,842	73,100,000	302,933,671	632,678,171

Consolidating Schedule - Balance Sheet
December 31, 2013

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
				DR	CR			
Liabilities and Shareholder's Equity								
<i>Liabilities:</i>								
<i>Claim liabilities:</i>								
Unpaid losses and loss adjustment expenses	\$96,125,745	5,862,601	101,988,346	4,044,568	-	97,943,778	494,498	-
Unpaid service contract claims	-	-	-	-	-	-	-	-
Policy and contract claims	-	-	-	-	-	-	-	-
Total claim liabilities	96,125,745	5,862,601	101,988,346	4,044,568	-	97,943,778	494,498	-
Future policy benefits	-	-	-	-	-	-	-	-
Unearned premiums	140,916,863	53,276,517	194,193,380	15,131,947	-	179,061,433	5,107,314	-
Unearned service contracts revenue	-	-	-	-	-	-	-	-
Policyholder funds	-	-	-	-	-	-	-	-
Reserve for cancellations	-	-	-	-	-	-	-	160,740
Net deferred tax liability	8,276,484	363,676	8,640,160	-	-	8,640,160	(72,609)	(131,479)
Reinsurance premiums payable	5,763,837	1,387,038	7,150,875	2,052,208	840,140	5,938,807	12,869	-
Advanced collections due	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	19,940,487	3,879,389	23,819,876	840,140	-	22,979,736	1,220,047	840,308
Due to affiliates	-	719,845	719,845	719,845	-	-	34,087	719,511
Note payable to affiliate	-	-	-	-	-	-	-	-
Deposit Liability	6,717,117	-	6,717,117	-	-	6,717,117	-	-
Total liabilities	277,740,533	65,489,066	343,229,599	22,788,708	840,140	321,281,031	6,796,206	1,589,080
<i>Shareholder's Equity:</i>								
Common stock	5,000,000	3,000,000	8,000,000	3,000,000	-	5,000,000	3,000,000	1,700
Additional paid-in capital	65,000,000	7,025,000	72,025,000	7,025,000	-	65,000,000	784,383	-
Accumulated other comprehensive income, net of deferred taxes	(2,304,797)	2,386,594	81,797	2,386,594	-	(2,304,797)	476,594	-
Retained earnings	95,908,814	16,679,164	112,587,978	16,679,164	-	95,908,814	6,320,091	772,154
Total shareholder's equity	163,604,017	29,090,758	192,694,775	29,090,758	-	163,604,017	10,581,068	773,854
Total liabilities and shareholder's equity	\$441,344,550	94,579,824	535,924,374	51,879,466	840,140	484,885,048	17,377,274	2,362,934

See accompanying report of independent auditors.

					Section B			
					Elimination Entries			
MAPFRE FINANCE OF PUERTO RICO CORP.	MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO CORPORATION	Total	DR	CR	MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
-	-	-	-	-	98,438,276	325,906	-	98,112,370
-	-	186,407	-	-	186,407	-	-	186,407
-	14,388,826	-	-	-	14,388,826	-	-	14,388,826
-	14,388,826	186,407	-	-	113,013,509	325,906	-	112,687,603
-	10,486,910	-	-	-	10,486,910	-	-	10,486,910
-	9,064,120	-	-	-	193,232,867	1,171,016	-	192,061,851
-	-	17,552,201	-	-	17,552,201	-	-	17,552,201
-	2,318,325	-	-	-	2,318,325	-	-	2,318,325
-	-	438,781	-	-	599,521	-	-	599,521
(39,511)	(592,423)	1,917,754	22,305	-	9,744,197	-	-	9,744,197
-	881,027	-	-	-	6,832,703	120,249	125,187	6,837,641
-	135,817	-	-	-	135,817	-	-	135,817
133,731	7,027,698	881,472	228,630	3,759,612	37,071,234	125,187	-	36,946,047
1,256,372	183,085	192,089	46,737	247,427	2,679,308	2,679,308	-	-
-	-	-	9,637,960	-	9,637,960	9,637,960	-	-
-	-	-	-	-	6,717,117	-	-	6,717,117
1,350,592	43,893,385	21,168,704	9,935,632	4,007,039	410,021,669	14,059,626	125,187	396,087,230
74,200	3,032,000	50	5,000	6,363,100	17,476,050	11,112,950	-	6,363,100
1,619,517	35,413,146	-	5,750,000	107,754,946	216,321,992	108,567,046	-	107,754,946
-	64,326	(110,548)	-	(1,874,425)	(3,748,850)	(1,874,425)	-	(1,874,425)
1,991,736	(2,743,899)	(156,192)	(3,999,043)	124,347,320	222,440,981	190,116,957	92,023,296	124,347,320
3,685,453	35,765,573	(266,690)	1,755,957	236,590,941	452,490,173	307,922,528	92,023,296	236,590,941
5,036,045	79,658,958	20,902,014	11,691,589	240,597,980	862,511,842	321,982,154	92,148,483	632,678,171

Consolidating Schedule - Statement of Income and Retained Earnings
Year Ended December 31, 2013

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A		MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE Insurance Agency of Puerto Rico, Inc.	MAPFRE FINANCE of Puerto Rico Corp.
				Elimination Entries					
				DR	CR				
<i>Revenues:</i>									
Net premiums earned	\$142,631,878	8,323,081	150,954,959	21,134,446	21,134,446	150,954,959	949,213	-	-
Net service contracts revenue	-	-	-	-	-	-	-	-	-
Net investment income	5,063,323	2,230,966	7,294,289	-	-	7,294,289	456,159	-	-
Net realized capital gains on investments	280,454	57,347	337,801	-	-	337,801	-	-	-
Net commissions earned and other income	11,709,616	2,358,290	14,067,906	-	-	14,067,906	-	1,349,833	661,870
Total revenues	159,685,271	12,969,684	172,654,955	21,134,446	21,134,446	172,654,955	1,405,372	1,349,833	661,870
<i>Expenses:</i>									
Claims incurred	54,717,455	5,851,660	60,569,115	14,047,692	14,047,692	60,569,115	505,553	-	-
Loss adjustment expenses	20,446,337	1,088,436	21,534,773	125,866	125,866	21,534,773	129,332	-	-
Underwriting and general expenses	71,110,204	3,994,382	75,104,586	4,795,323	4,795,323	75,104,586	920,680	1,253,972	410,307
Interest expense	5,514	-	5,514	-	-	5,514	-	-	-
Total expenses	146,279,510	10,934,478	157,213,988	18,968,881	18,968,881	157,213,988	1,555,565	1,253,972	410,307
<i>Income (loss) before equity in earnings of subsidiaries and income taxes</i>									
Equity in earnings of subsidiaries	13,405,761	2,035,206	15,440,967	2,165,565	2,165,565	15,440,967	(150,193)	95,861	251,563
Income (loss) before income taxes	15,576,593	2,035,206	17,611,799	4,336,397	2,165,565	15,440,967	(150,193)	95,861	251,563
<i>Income tax expense (benefit):</i>									
Current	42,465	13,094	55,559	-	-	55,559	8,256	34,147	82,532
Deferred	(125,342)	(148,720)	(274,062)	-	-	(274,062)	(176,423)	(35,930)	(7,985)
Total income tax expense (benefit):	(82,877)	(135,626)	(218,503)	-	-	(218,503)	(168,167)	(1,783)	74,547
Net income (loss)	15,659,470	2,170,832	17,830,302	4,336,397	2,165,565	15,659,470	17,974	97,644	177,016
Retained Earnings, beginning of year	153,349,344	14,508,332	167,857,676	17,791,221	3,282,889	153,349,344	6,302,117	674,510	1,814,720
Dividends to shareholder	(73,100,000)	-	(73,100,000)	-	-	(73,100,000)	-	-	-
Retained earnings, end of year	\$95,908,814	16,679,164	112,587,978	22,127,618	5,448,454	95,908,814	6,320,091	772,154	1,991,736

See accompanying report of independent auditors.

MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO Corporation	Total	Section B Elimination Entries		MAPFRE PRAICO Corporation and Subsidiaries Consolidated
					DR	CR	
89,412,540	-	-	-	241,316,712	2,417,740	2,417,740	241,316,712
-	1,937,914	-	-	1,937,914	-	-	1,937,914
1,267,711	310,207	-	-	9,328,366	-	-	9,328,366
47,484	5,292	-	-	390,577	-	-	390,577
464,087	-	1,819,262	332,670	18,695,628	323,703	-	18,371,925
91,191,822	2,253,413	1,819,262	332,670	271,669,197	2,741,443	2,417,740	271,345,494
62,743,794	975,369	-	-	124,793,831	1,188,274	1,188,274	124,793,831
-	-	-	-	21,664,105	(12,553)	(12,553)	21,664,105
27,500,886	604,714	2,766,930	6,383,652	114,945,727	365,743	365,743	114,945,727
-	-	323,703	-	329,217	-	323,703	5,514
90,244,680	1,580,083	3,090,633	6,383,652	261,732,880	1,541,464	1,865,167	261,409,177
947,142	673,330	(1,271,371)	(6,050,982)	9,936,317	876,276	876,276	9,936,317
-	-	-	16,071,058	16,071,058	16,071,058	-	-
947,142	673,330	(1,271,371)	10,020,076	26,007,375	16,947,334	876,276	9,936,317
(102,973)	39,031	9,096	1,221	126,869	-	-	126,869
68,218	208,914	7,861	-	(209,407)	-	-	(209,407)
(34,755)	247,945	16,957	1,221	(82,538)	-	-	(82,538)
981,897	425,385	(1,288,328)	10,018,855	26,089,913	16,947,334	876,276	10,018,855
(3,725,796)	(581,577)	(2,710,715)	164,328,465	319,451,068	173,169,623	18,047,020	164,328,465
-	-	-	(50,000,000)	(123,100,000)	-	73,100,000	(50,000,000)
(2,743,899)	(156,192)	(3,999,043)	124,347,320	222,440,981	190,116,957	92,023,296	124,347,320

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