Financial Information

MAPFRE | PUERTO RICO

Index

MAPFRE | PUERTO RICO

1
Statutory - Basis Financial Information

Combined Balance Sheets (000's)
Property & Casualty
Statutory-basis

Admitted Assets

	2013	2012	2011
Bonds	$306,885	$341,466	$363,536
Common stocks	12,871	10,737	9,985
Cash & short-term investments	35,331	60,628	42,026
Real estate	34,961	35,746	36,812
Total invested assets	**$390,048**	**$448,577**	**$452,359**
Premium balances	21,093	21,498	20,858
Accrued interest	2,845	3,242	3,061
All other assets	15,989	13,908	17,360
Total admitted assets	**$429,975**	**$487,225**	**$493,638**

Liabilities and Capital & Surplus

	2013	2012	2011
Loss & LAE reserves	$85,126	$84,181	$87,825
Unearned premiums	118,560	113,070	113,726
All other liabilities	67,317	83,412	93,516
Total liabilities	**$271,003**	**$280,663**	**$295,067**
Capital & assigned surplus	111,677	108,866	108,863
Unassigned surplus	47,295	97,696	89,708
Total capital & surplus	**$158,972**	**$206,562**	**$198,571**
Total liabilities and capital & surplus	**$429,975**	**$487,225**	**$493,638**

Combined Statements of Income (000's)
Property & Casualty
Statutory-basis

Statements of Income

	2013	2012	2011
Premiums earned	**$151,904**	$152,768	$152,924
Losses incurred	**(61,075)**	(60,993)	(63,670)
LAE incurred	**(21,664)**	(21,964)	(19,222)
Underwriting expenses incurred	**(71,470)**	(67,440)	(66,901)
Net underwriting (loss) gain	**$(2,305)**	**$2,371**	**$3,131**
Net investment income	**$9,384**	$11,012	$12,404
Net realized capital gains	**296**	10,121	7,594
Investment income	**$9,680**	**$21,133**	**$19,998**
Other income, net	**28,001**	1,599	760
Pre-tax net income	**$35,376**	**$25,103**	**$23,889**

Combined Cash Flows (000's)
Property & Casualty
Statutory-basis

Funds Provided by (Used in) Operations (000's)

	2013	2012	2011
Premiums collected	***$141,835***	*$145,966*	*$144,519*
Losses paid	***(37,160)***	*(39,138)*	*(52,409)*
LAE paid	***(21,995)***	*(22,139)*	*(20,753)*
Underwriting expenses paid	***(88,789)***	*(89,188)*	*(84,784)*
Underwriting cash flow	***(6,109)***	***(4,499)***	***(13,427)***
Investment income	***9,483***	*10,283*	*15,877*
Other income (expenses), net	***13,891***	*698*	*(7,273)*
Net operations cash flow	***$17,265***	***$6,482***	***$(4,823)***

Business Production and Profitability (000's)
Property & Casualty
Statutory-basis

	Net Premiums Written			Loss Ratio %		
Line of Business	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
Auto physical damage	**$42,754**	$45,166	$47,314	**59.40**	55.90	57.74
Commercial auto liability	**12,248**	12,124	13,948	**68.00**	38.70	41.01
Private passenger auto liability	**7,566**	7,228	4,736	**93.90**	65.30	50.91
Commercial multiple peril	**36,778**	36,929	30,998	**26.50**	38.50	47.94
Surety	**2,677**	2,677	2,856	**(10.80)**	(4.00)	7.07
Other liability - occurrences	**16,240**	12,607	14,090	**30.80**	41.90	36.14
Earthquake	**11,511**	12,939	11,504	**1.90**	0.40	0.75
Allied lines	**16,851**	11,379	12,249	**3.40**	3.10	2.50
Homeowners multiple peril	**6,269**	5,890	11,730	**25.40**	49.60	36.40
All other	**4,501**	5,173	5,684	**72.42**	42.10	52.34
Totals	**$157,395**	**$152,112**	**$155,109**	**40.20**	**39.90**	**41.64**

	Direct Premiums Written		
Line of Business	**2013**	**2012**	**2011**
Auto physical damage	**$43,811**	$46,556	$48,526
Commercial auto liability	**13,642**	13,447	15,233
Private passenger auto liability	**8,164**	7,698	5,055
Commercial multiple peril	**84,242**	80,726	70,648
Surety	**5,364**	5,260	5,842
Other liability - occurrences	**18,430**	14,115	13,812
Earthquake	**26,422**	27,292	23,400
Allied lines	**49,079**	46,700	43,375
Homeowners multiple peril	**9,031**	8,369	14,062
All other	**17,392**	15,796	14,506
Totals	**$275,577**	**$265,959**	**$254,459**

Balance Sheets (000's)
Life and Health
Statutory-basis

Admitted Assets

	2013	2012	2011
Bonds	$35,346	$41,737	$57,381
Equity securities	1,092	1,133	1,283
Policy loans	227	217	243
Cash & short-term investments	20,162	10,880	8,619
Total invested assets	**$56,827**	**$53,967**	**$67,526**
Deferred & uncollected premiums	4,840	6,537	4,404
Amounts recoverable from reinsurers	905	415	683
Accrued investment income	345	406	565
Other assets	1,077	1,272	617
Total admitted assets	**$63,994**	**$62,597**	**$73,795**

Liabilities and Capital & Surplus

	2013	2012	2011
Aggregate reserves	8,737	9,061	9,362
Liability for deposit-type contracts	2,318	2,367	2,349
Policy & contracts claims	14,196	29,087	25,935
Other policy & contract liabilities	3,901	3,638	3,277
Accounts payable and accrued expenses	4,391	6,641	12,471
Asset valuation reserve	330	325	355
Interest maintenance reserve	2,205	2,691	553
Total liabilities	**$36,078**	**$53,810**	**$54,302**
Capital & surplus	**27,916**	**8,787**	**19,493**
Total liabilities and capital & surplus	**$63,994**	**$62,597**	**$73,795**

Summary of Operations and Statements of Cash Flows (000's) Life and Health Statutory-basis

Statements of Operations

	2013	2012	2011
Premiums, net of reinsurance	$88,430	$158,433	$166,295
Net investment income, including net realized capital gains	1,268	2,015	2,443
Other revenues	1,233	905	1,200
Total revenues	**$90,931**	**$161,353**	**$169,938**
Benefits & claims	$63,102	$142,317	$136,935
Surrender benefits	180	89	190
Increase in future policy benefits	(368)	(481)	(251)
Commissions	6,767	8,423	9,146
Taxes, licenses and general insurance expenses	15,756	22,425	23,162
Total benefits and other deductions	**$85,437**	**$172,773**	**$169,182**
Net income (loss)	**$5,494**	**$(11,420)**	**$756**

Statements of Cash Flows

Cash From Operations

	2013	2012	2011
Premiums and other considerations	$83,818	$152,653	$164,766
Investment income received	1,492	2,352	2,660
Other income	746	633	1,143
Total cash received from operations	**$86,056**	**$155,638**	**$168,569**
Life and accident & health claims paid	78,141	139,588	137,032
Surrender benefits paid	180	89	190
Commissions and other expenses paid	23,012	32,290	31,080
Total cash disbursed from operations	**$101,333**	**$171,967**	**$168,302**
Net cash (used in) provided by operations	**$(15,277)**	**$(16,329)**	**$267**

Cash From Investments

	2013	2012	2011
Proceeds from investment sold, matured or repaid	$11,751	$30,451	$20,609
Costs of investments acquired	(6,985)	(11,948)	(21,184)
Net decrease (increase) in policy loans	(22)	11	(36)
Net cash provided by (used in) investment	**$4,744**	**$18,514**	**$(611)**

Cash From Financing & Miscellaneous Sources

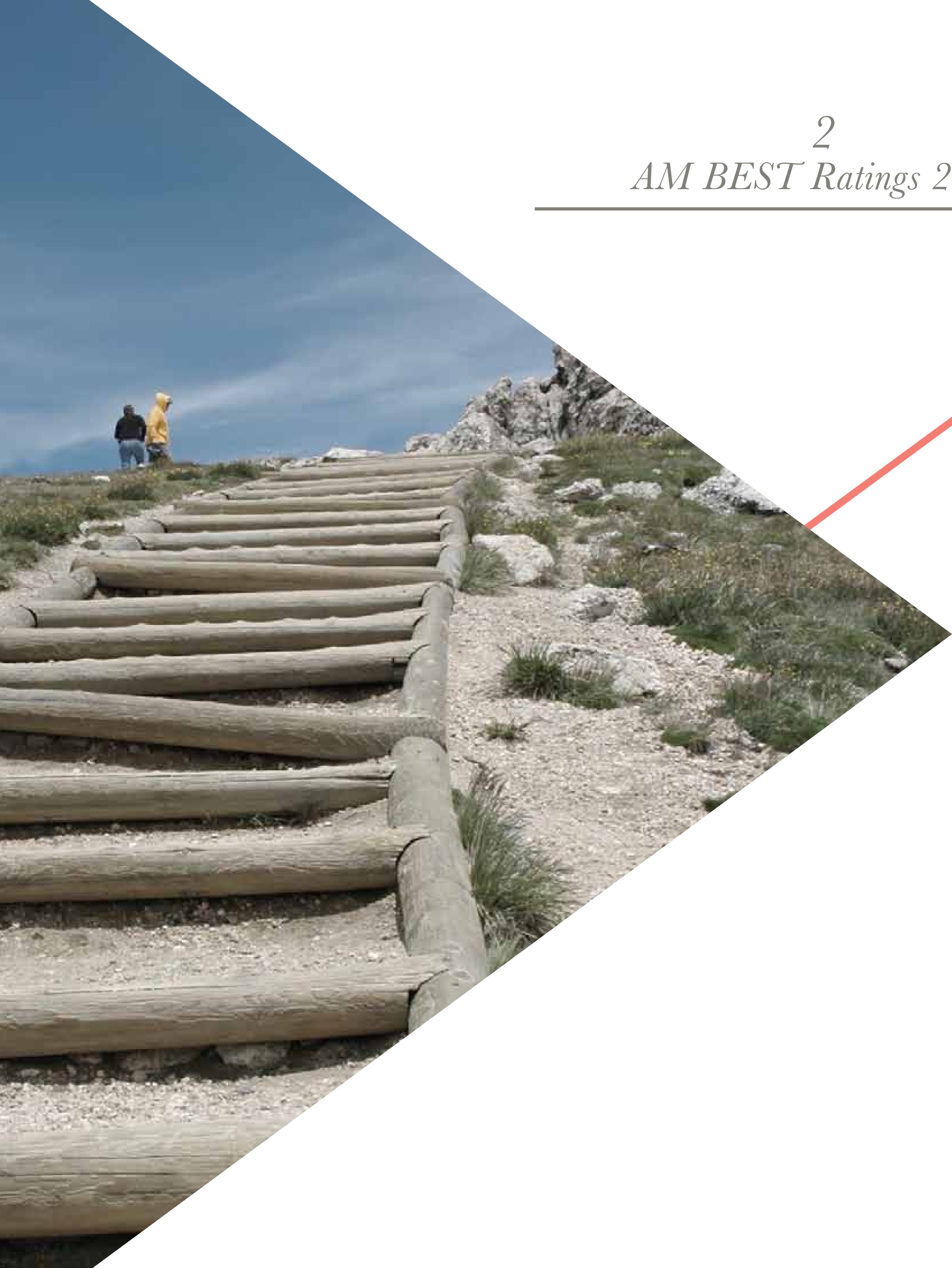
	2013	2012	2011
Net cash provided by (used in) financing & miscellaneous sources	**$19,922**	**$76**	**$(2,881)**
Net change in cash, cash equivalents & short - term investments	9,389	2,261	(3,225)
Beginning of year cash, cash equivalents & short-term investments	10,880	8,619	11,844
End of year cash, cash equivalents & short-term investments	**$20,269**	**$10,880**	**$8,619**

Premiums and Annuity Considerations (000's)
Life and Health
Statutory-basis

	Net Premiums Written		
	2013	2012	2011
Individual life & annuities	$250	$197	$295
Credit life	2,764	4,106	4,994
Group life	1,242	1,292	791
Group & individual accident & health	84,174	152,838	160,215
Total	$88,430	$158,433	$166,295

	Direct Premiums Written		
	2013	2012	2011
Individual life & annuities	$305	$261	$340
Credit life	2,764	4,106	4,995
Group life	2,046	2,322	3,869
Group & individual accident & health	85,487	154,541	162,738
Total	$90,602	$161,230	$171,942

2
AM BEST Ratings 2013



A rating Report from A.M. Best Company represents an independent opinion from the leading provider of insurance ratings. Best's Ratings are recognized worldwide as the benchmark for assessing insurers' financial strength and ability to meet obligations to policyholders. A.M. Best's ratings reflect an in-depth knowledge of the insurance industry developed during its over 114-year relationship with the business. This is one reason why insurance industry professionals have consistently ranked Best's Ratings number one in confidence, usefulness and understanding.

The MAPFRE PRAICO Group rating is based on the consolidated operating results and financial position of MAPFRE PRAICO INSURANCE COMPANY, its wholly owned subsidiary, MAPFRE PREFERRED RISK INSURANCE COMPANY, and its affiliate MAPFRE PAN AMERICAN INSURANCE COMPANY. As stated by A.M. Best, the "A" (excellent) financial strength rating and the "a" issuer credit rating with stable outlook for both ratings reflect the MAPFRE PRAICO Group's excellent capitalization, solid operating performance historically driven by investment income and long history of profitable underwriting results, established market presence within Puerto Rico, and strong risk management practices. The stable outlook reflects MAPFRE PRAICO Group's excellent risk-adjusted capital position, solid operating results delivered over the long term, as well as the stabilizing economic conditions within Spain, to which MAPFRE PRAICO Group's ultimate parent organization, MAPFRE S.A. has material investment and business exposure.

Nevertheless, as stated by A.M. Best, the "A" (excellent) financial strength rating and the "a" issuer credit rating reflect that the MAPFRE PRAICO Group maintains a conservative underwriting philosophy and a comprehensive reinsurance program, which protects surplus from the potential shock losses while enhancing the stability of earnings. Management remains conservative in establishing reserve estimates as evidenced by favorable calendar year reserve development over the long term. The rating also reflects the MAPFRE PRAICO Group's solid brand name and its integral role as a member of MAPFRE S.A., the largest insurance group in Spain. AM Best recognizes that the Puerto Rico insurance market remains competitive as local insurers challenge each other for market share, particularly within the commercial lines, which are unregulated.

3
Companies Management Comments on 2013 Operations

Companies Management Comments on 2013 Operations

MAPFRE PRAICO CORPORATION and Subsidiaries

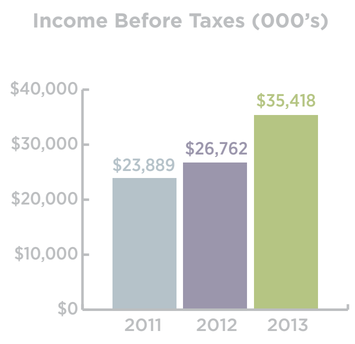
OVERVIEW

In 2013, MAPFRE PRAICO CORPORATION and its Subsidiaries experienced an outstanding year. The highlights of our Group's performance in Puerto Rico during this year have been:

- Achieved an International GAAP income before tax of $29.1 million.
- Achieved a U.S. GAAP income before tax of $9.9 million.
- Achieved Direct Premiums Written (DPW) of $369.2 million.
- Achieved a statutory net loss ratio of 39.9% for property and casualty and a statutory net loss ratio of 71.1% for life and health.
- Closed the year with a total of 7 branch offices throughout the island and one branch office in the U.S. Virgin Islands.
- Continuing enhancement and reinforcement of the MAPFRE brand.
- Constant development of MIS tools and services.
- Ongoing development of the FUNDACIÓN MAPFRE efforts as part of MAPFRE's corporate social responsibility program.
- AM Best's rating outlook improvement from negative to stable, while the financial strenght rating of "A" was affirmed for the MAPFRE PRAICO Group.

MAPFRE PRAICO (P&C Group)

FINANCIAL CONDITION



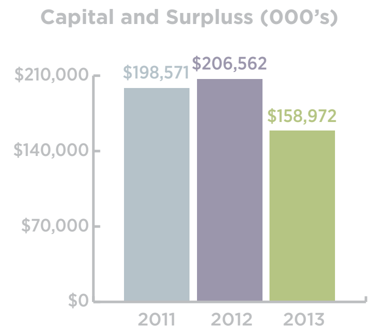
The Group's statutory income before taxes totaled $35.4 million for the year ended December 31, 2013.

As of December 31, 2013, total statutory net admitted assets amounted to $430.0 million, a decrease of 11.8% when compared to $487.2 million in 2012.

Total net investment income for 2013, excluding capital gains, was $9.4 million, compared to $11.0 million in 2012. Net realized capital gains during 2013 amounted to $296 thousand, compared to $10.1 million in 2012.

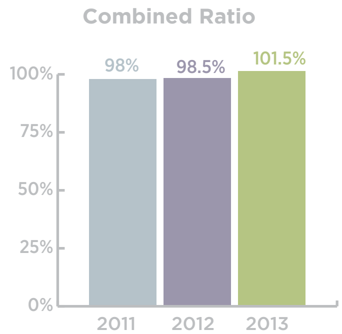
• Policyholders' Surplus

Policyholders' statutory surplus decreased from $206.6 million to $159.0 million or 23.0% during 2013, compared to an increase of 4.0% for 2012.



UNDERWRITING RESULTS

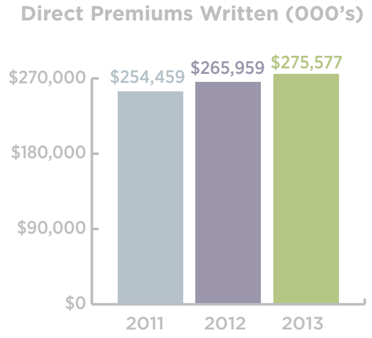
During 2013, net underwriting loss amounted to $2.3 million, compared to a net underwriting gain of $2.4 million in 2012. The Group's overall combined ratio increased from 98.5% in 2012 to 101.5% in 2013. While the Companies experienced an increase of $9.6 million in the total DPW, the decrease registered in net underwriting gain and the increase in the combined ratio are mostly attributed to an increase in the amount of underwriting expenses of approximately $4.0 million. The combined ratio for the last three years is shown in the following graph:



A) Premium Growth

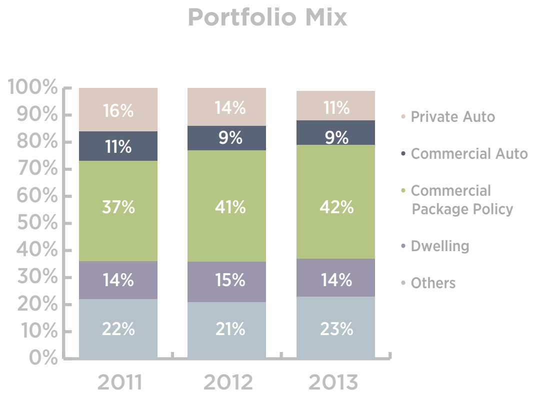
In spite of being operating under soft-market conditions in a troubled local economy entering its 9th year of recession, MAPFRE managed to write more business in 2013, betting on its conservative and results-oriented pricing policy.

Total direct premiums written for 2013 and 2012 amounted to approximately $275.6 million and $265.9 million, respectively, representing an increase of 3.6%. The increase mostly concentrates in other liability-occurrence with $4.3 million, commercial multiple peril with $3.5 million and allied lines with $2.4 million. The increase shown by the commercial multiple peril segment comes as a result of several new policies written to various governmental agencies and the increase experienced in allied lines partially relates to an increase in the writing of our new private flood insurance business. Auto physical damage, on the other hand, experienced a decrease in direct premiums written of $2.7 million, mainly caused by an aggressive pricing competition and the difficult economic conditions.



Commercial Multiple Peril represents our main line of business with 31% of total DPW in 2013, slightly higher than the 30% that it represented in 2012. Commercial (other than multiple peril) and Personal lines account for the remaining 69% of total DPW in 2013, with Automobile lines representing 24% and 25% of total DPW in 2013 and 2012, respectively.

The portfolio mix is as follows:



- **Commercial Lines**

  - Commercial multi-peril

In 2013, MAPFRE achieved an increase in this line of business of 4.4%. This growth is principally attributed to the writing of insurance policies from government agencies. Since 2003, the deregulation of commercial lines has allowed us to continue the use of our proprietary rates. These rates contemplate the actual reinsurance costs. The utilization of our own rates in a deregulated environment also keeps enabling us to provide faster quotations for new business submitted.

  - Commercial Auto Liability

This line experienced an increase in DPW of 1.4%. The main reason for this positive change was the restructuring of the underwriting process at the beginning of the year. Additionally, MAPFRE continues to strictly adhere to its underwriting guidelines in order to maintain positive financial results.

- **Personal Lines**

  - Auto Liability

This line experienced a 6.0% increase in 2013. This growth with respect to 2012 is mostly due to an increase in the writings of Personal Multiple Peril Personal Package Policies (PMP).

  - Auto Physical Damage

DPW for this line of business decreased by 5.9%, also as a result of the situation that the automobile industry has been enduring due to the current environment of the local economy, in addition to a very aggressive pricing competition due to the adequate loss ratio of this line and its low reinsurance costs.

  - Allied Lines

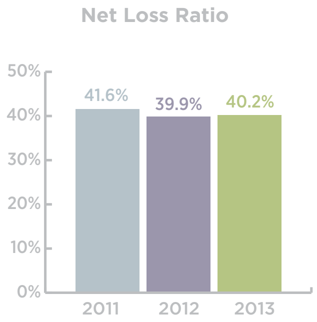
DPW for allied lines increased 5.1%. The sustained increase of this line over the last few years has compensated for the decline that our core business of auto insurance has experienced throughout the last eight years as a result of the economic recession.

  - Homeowners

DPW increased 7.9% during 2013. Our market strategy for this line of business continues to bring new business and renewals, mostly through our Personal Package Policy, where sales efforts and penetration in new markets are still proving their effectiveness.

B) Claims

The direct loss ratio increased from 39.9% in 2012 to 40.2% in 2013.



The direct loss ratios for the principal lines of business are as follows:

	2013	2012	2011
Allied lines	3.4%	3.1%	2.5%
Commercial Multi Peril	26.5%	38.5%	47.9%
Other Liability	30.8%	41.9%	36.1%
Commercial Auto Liability	68.0%	38.7%	41.0%
Auto Physical Damage	59.4%	55.9%	57.7%

The following are recognized areas:

- Auto Claims Department

During 2013, the average cost per auto physical damage claim decreased from $1,831 in 2012 to $1,795 in 2013, or 2.0%. The Group has an Appraisers Unit with 15 appraisers located in branches throughout the island to establish a network of Claims Processing Centers.

The adjustment by "previous appointment program", created in 2003, continues increasing the efficiency and quality of service. Under this program, the claimants communicate with our call center to coordinate an appointment at their convenience. Most claims are adjusted within 24 hours.

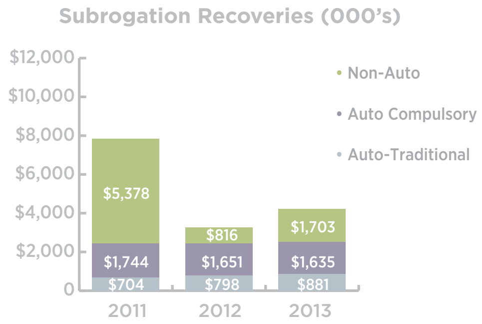
- BI Claims Department and Medical Services Unit

The Medical Service Unit, which was created to assess all bodily injury claims, continues to contribute significantly to the results obtained by the Group. This process has produced significant improvements and excellent control in BI claims.

The average BI claims cost decreased from $1,393 in 2012 to $1,305 in 2013, representing a decrease of 6.0%.

- Subrogation Unit

During 2013, the unit recovered $4.2 million in subrogations, compared to $3.3 million in 2012. Automobile subrogations included in these amounts increased from $2.4 million in 2012 to $2.5 million in 2013. From these automobile subrogations, recoveries from ASCSRO decreased from $1.651 million in 2012 to $1.635 million in 2013, decreasing only by $16 thousand.



- Special Investigations Unit

During 2013, the unit provided estimated net effective savings of $4.5 million, a decrease of 11.8% when compared to the $5.1 million achieved in 2012. The savings obtained by this unit are the result of measures established for constant prevention since fraud incidents have been increasing during the last years as a result of the current local economy.

- Claims Reserves

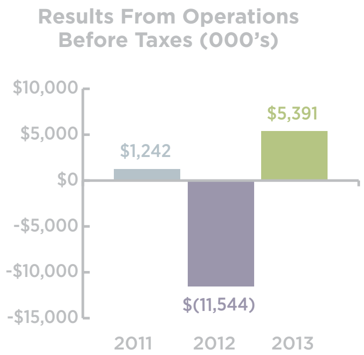
During 2013, the Groups' loss and LAE reserves, including IBNR increased by 1.1%, compared to a decrease of 4.1% in 2012. Case and IBNR net loss reserves at December 31, 2013 and 2012 amounted to approximately $74.4 million and $73.1 million, respectively, while LAE reserves amounted to $10.8 and $11.1 million at the end of 2013 and 2012, respectively.

External actuarial consultants from MAPFRE COMMERCE INSURANCE COMPANY have certified that our current loss and LAE reserves, including IBNR, as of December 31, 2013 are within the actuarial range of reasonable reserve estimates.

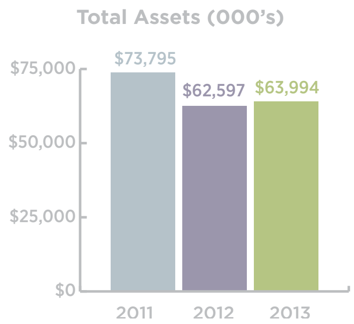
MAPFRE LIFE

FINANCIAL CONDITION

The Company's statutory result from operations before tax increased by approximately $16.9 million, from a loss from operations of $11.5 million in 2012 to a gain from operations of $5.4 million in 2013. The primary reasons for this are a lower utilization in the Medicare business in 2013 because of the termination of this program in April 1st, 2013 and a decrease in losses incurred in the Accident and Health sector. Loss ratio for this line of business decreased from 104.7% in 2012 to 14.6% in 2013.



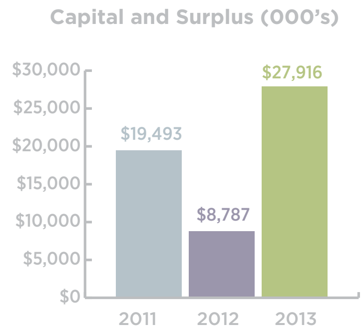
As of December 31, 2013, total statutory net admitted assets amounted to $64.0 million, an increase of $1.4 million or 2.2% when compared to $62.6 million in 2012. This increase was mainly the net result of an increase in cash and invested assets from $54.0 million in 2012 to $56.8 in 2013, or approximately 5.3% from 2012 and a decrease in premiums in course of collection of $1.7 million. The increase in cash and invested assets relates mainly to the net effect of a decrease in bonds portfolio by $6.4 million offset by an increase in cash & short term investments by $9.3 million. The decrease in premiums in course of collection is mainly due to a decrease in the amounts receivable related to the Medicare line of business.



- Capital and Policyholders' Surplus

Statutory Capital and Surplus increased from $8.8 million in 2012 to $27.9 million, or 217.7%, during 2013. The net increase, which amounts to $19.1 million, was caused by the net effect of the following items:

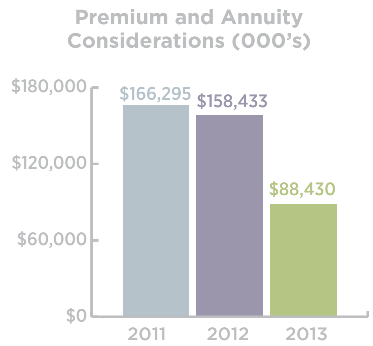
- A net income of $5.5 million;
- A net increase in non-admitted assets of $6.3 million;
- A net decrease of deferred tax assets of $127 thousand;
- A net increase of net unrealized capital gains of $99 thousand;
- A net decrease of the asset valuation reserve of $5 thousand; and
- A net increase in surplus from a capital contribution from MAPFRE PRAICO CORPORATION of $20.0 million.



UNDERWRITING AND OPERATIONAL RESULTS

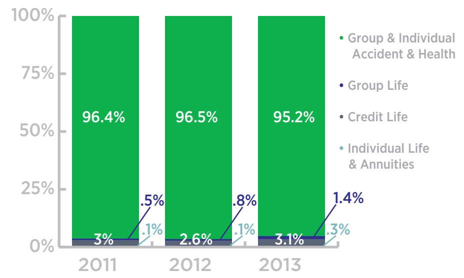
A. Premium Growth

During 2013, net premiums and annuity considerations amounted to $88.4 million compared to $158.4 million in 2012, representing a decrease of $70.0 million or 44.2%, mostly driven by the net effect of a decrease of $72.0 million in Medicare Advantage business, a decrease of $1.3 million in Credit Life Business offset by an increase of $3.3 million in the Health Plan business.



The Company's portfolio mix has been stable during the last five years. Group & Individual Accident & Health continue to be our main line of business with 95.2% of total premiums in 2013, compared to 96.5% achieved in 2012. The Credit Life business remains as our second major line of business, representing 3.1% and 2.6% of the total net premium and annuity considerations during 2013 and 2012, respectively.

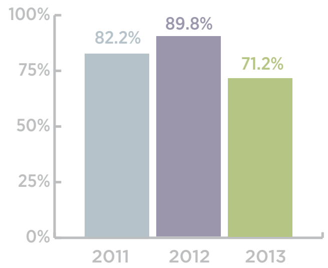
Portfolio Mix



B. Claims

The net loss ratio decreased from 89.8% in 2012 to 71.2% in 2013.

Net Loss Ratio

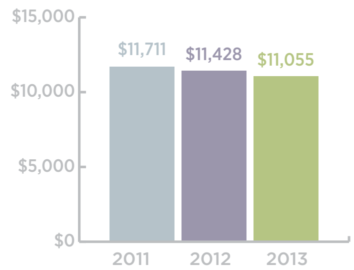


The net loss ratios for the principal lines of business were as follows:

	2013	2012	2011
Individual Life & Annuities	43.3%	110.5%	114.8%
Credit Life	17.0%	20.5%	25.4%
Group Life	55.4%	89.7%	65.9%
Group & Individual Accident & Health	73.2%	91.5%	84.0%

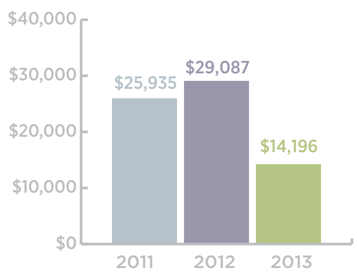
Aggregate reserves & liability for deposits type contract decreased approximately by $372 thousand, or 3.3%, from $11.4 million in 2012 to $11.1 million in 2013. Aggregate reserves for life contracts decreased by approximately $640 thousand, or 9.3%, from $6.9 million in 2012 to $6.2 million in 2013. On the other hand, aggregate reserves for accident and health contracts increased by $317 thousand, from $2.2 million in 2012 to $2.5 million in 2013. Total life insurance in-force volume decreased by $143 thousand. As of December 31, 2013, there were 64,475 total lives insured. The liability for annuities and deposit-type contracts decreased from $2.4 million in 2012 to $2.3 million in 2013, which is considered normal, as the Company's annuities portfolio has been in a run-off process since 2005.

Aggregate Reserve & Liability for Deposit-Type Contracts Trend (000's)



Claims reserves decreased by $14.9 million, or 51.2%, compared to prior year. The decrease is mainly the result of a decrease in the accident and health insurance segment, driven by the termination of the Medicare program in April 2013.

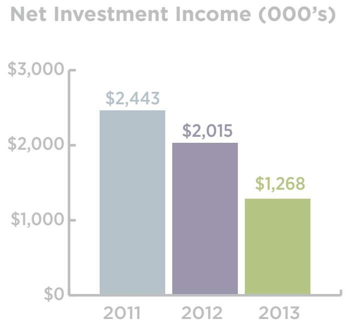
Contract Claims Reserve Trend (000's)



External actuarial consultants from KPMG, LLP have certified that the aggregate reserves for contracts policies and the contract claims reserves as of December 31, 2013 are within the actuarial range of reasonable estimates.

C. Net Investment Income

Net investment income totaled $1.3 million, a decrease of 37.1% compared to $2.0 in prior year. During 2012 there were realized capital gains on the sale of bonds of $2.4 million after tax of $425 thousand. This amount was transferred to the interest maintenance reserve (IMR) and amortized according to the security's maturity and was presented as a separate line item in the Summary of Operations in the Annual Statement. During 2013, there were realized capital gains on the sale of bonds of $42 thousand after tax of $8 thousand. These capital gains did not qualify for being transferred to the IMR. The realized capital losses as of December 2013 and 2012 were $2 thousand and $9 thousand, respectively, after tax of $2 thousand. Transfer to the interest maintenance reserve is not required for equity securities capital gains or losses.



Using the ratings provided by Standard & Poors, approximately 2.9% of the investment portfolio is rated AAA; 72.4% is rated AA+; 3.2% is rated AA-; 3.5% is rated A+; 5.3% is rated A; 5.3% is rated A-; 1.0% is rated A-3; and 3.0% is rated BBB- and 1.3% is rated B. The remaining of the investment portfolio, or 2.1%, is not rated. For the year 2013, the average yield of the investment portfolio was 3.64%.

4
Audited Consolidated Financial Statements

MAPFRE PRAICO CORPORATION and Subsidiaries
Consolidated Financial Statements
and Consolidating Schedules
years ended December 31, 2013 and 2012
with Report of Independent Auditors

Building a better
working world

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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, 2013 and 2012, and the related consolidated statements of income, comprehensive (loss) income, 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, 2013 and 2012, 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, 2013 and 2012 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, 2014

Stamp No. E137190
affixed to
original of
this report.

Consolidated Balance Sheets
December 31, 2013 and 2012

Assets

	2013	2012
Cash and investments:		
Cash and cash equivalents	**$ 63,404,194**	82,009,094
Short-term investments	**6,010,000**	7,360,000
Investment securities	**361,112,791**	430,618,786
Total cash and investments	**430,526,985**	519,987,880
Premiums and agents' balances receivable, net of allowance for doubtful accounts of $11,733,512 and $7,064,050 in 2013 and 2012, respectively	**40,364,190**	38,434,880
Reinsurance recoverable on:		
Paid losses, net of allowance for doubtful accounts of $78,389 and $25,261 in 2013 and 2012, respectively	**8,289,654**	8,195,910
Unpaid losses and loss adjustment expenses	**12,986,140**	13,904,695
Prepaid reinsurance premiums	**26,306,620**	27,296,732
Total reinsurance recoverable	**47,582,414**	49,397,337
Net premium finance receivables	**2,831,850**	2,710,345
Service contracts receivable	**1,858,067**	1,606,117
Accrued investment income	**3,268,094**	3,731,757
Due from related company	**315,330**	1,473
Deferred policy acquisition costs	**24,174,994**	28,392,070
Deferred service contracts acquisition costs	**8,340,870**	8,641,743
Property and equipment, net	**55,866,611**	57,574,640
Intangible assets, net	**6,348,567**	6,890,607
Prepaid income taxes	**3,962,275**	3,867,415
Other assets	**6,525,663**	10,559,313
Total assets	**$631,965,910**	731,795,577

(continued)

Consolidated Balance Sheets (continued)
December 31, 2013 and 2012

Liabilities and Shareholder's Equity

	2013	2012
Liabilities:		
Claim liabilities:		
Unpaid losses and loss adjustment expenses	**$ 98,112,370**	98,086,176
Unpaid service contracts claims	**186,407**	191,545
Policy and contract claims	**14,388,826**	29,674,096
Total claim liabilities	**112,687,603**	127,951,817
Future policy benefits	**10,486,910**	10,634,066
Unearned premiums	**191,349,590**	196,302,025
Unearned service contracts revenue	**17,552,201**	18,266,695
Policyholder funds	**2,318,325**	2,366,958
Reserve for cancellations	**599,521**	825,241
Net deferred tax liability	**9,744,197**	14,588,275
Reinsurance premiums payable	**6,837,641**	9,217,060
Advance collections due	**135,817**	2,236,348
Accounts payable and accrued expenses	**36,946,047**	33,444,295
Deposit liability	**6,717,117**	13,127,579
Total liabilities	**395,374,969**	428,960,359
Commitments and contingencies (Notes 11, 17 and 18)		
Shareholder's equity:		
Common stock, par value $100:		
Authorized shares - 75,000		
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 (loss) income, net of deferred taxes	**(1,874,425)**	24,388,707
Retained earnings:		
Unrestricted	**86,455,143**	129,247,287
Restricted	**37,892,177**	35,081,178
	124,347,320	164,328,465
Total shareholder's equity	**236,590,941**	302,835,218
Total liabilities and shareholder's equity	**$631,965,910**	731,795,577

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Net premiums earned	***$241,316,712***	*311,553,806*
Net service contracts revenue	***1,937,914***	*1,635,678*
Net investment income	***9,328,366***	*11,671,637*
Net realized capital gains on investments	***390,577***	*14,831,298*
Net commissions earned and other income	***18,371,925***	*6,090,547*
Total revenues	***271,345,494***	*345,782,966*
Expenses:		
Claims incurred	***124,793,831***	*204,251,259*
Loss adjustment expenses	***21,664,105***	*21,964,303*
Underwriting and general expenses	***114,945,727***	*112,514,444*
Loss on impairment of investment security	***-***	*235,697*
Interest expense	***5,514***	*5,761*
Total expenses	***261,409,177***	*338,971,464*
Income before income taxes	***9,936,317***	*6,811,502*
Income tax (benefit) expense:		
Current	***126,869***	*2,941,417*
Deferred	***(209,407)***	*(577,011)*
Total income tax (benefit) expense	***(82,538)***	*2,364,406*
Net income	***$10,018,855***	*4,447,096*

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2013 and 2012

	2013	2012
Net income	**$10,018,855**	4,447,096
Other comprehensive loss net of tax: ($4,634,671 in 2013 and $434,962 in 2012):		
Net unrealized change in investment securities available-for-sale and total other comprehensive loss	**(26,263,132)**	(2,464,785)
Comprehensive (loss) income	**$(16,244,277)**	1,982,311

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholder's Equity
Years Ended December 31, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Shareholder's Equity
Balance at January 1, 2012	$6,363,100	107,754,946	26,853,492	139,387,185	32,319,184	312,677,907
Net income	–	–	–	4,447,096	–	4,447,096
Other comprehensive income	–	–	(2,464,785)	–	–	(2,464,785)
Dividends to shareholder	–	–	–	(11,825,000)	–	(11,825,000)
Net transfer to CAT Fund	–	–	–	(2,761,994)	2,761,994	–
Balance at December 31, 2012	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**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating activities		
Net income	**$10,018,855**	$4,447,096
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Realized capital gains on investments	**(390,577)**	(14,831,298)
Amortization of premium on investments	**2,038,682**	2,034,061
Amortization of intangible assets	**542,040**	542,040
Amortization of deposit liability loss adjustment expenses and other expenses fund	**–**	(1,500,000)
Gain on sale of equipment	**(2,710)**	(54,764)
Provision for doubtful accounts	**4,722,590**	60,459
Depreciation	**4,562,947**	4,125,734
Deferred income taxes	**(209,407)**	(577,011)
Loss on impairment of investment security	**–**	235,697
Changes in operating assets and liabilities:		
Premiums and agents' balances receivable	**(6,598,772)**	(7,209,692)
Reinsurance recoverable	**1,761,795**	1,481,514
Net finance receivables	**(121,505)**	61,837
Service contracts receivable	**(251,950)**	(402,857)
Accrued investment income	**463,663**	(43,100)
Due from related company	**(313,857)**	816
Deferred policy acquisition costs	**4,217,076**	3,245,986
Deferred service contracts acquisition costs	**300,873**	(369,291)
Prepaid income taxes	**(94,860)**	1,126,855
Other assets	**4,033,650**	683,337
Unpaid losses and loss adjustment expenses	**26,194**	(6,861,701)
Unpaid service contracts claims	**(5,138)**	92,167
Policy and contract claims	**(15,285,270)**	2,937,561
Future policy benefits	**(147,156)**	1,492,860
Unearned premiums	**(4,952,435)**	(6,813,034)
Unearned service contracts revenue	**(714,494)**	894,557
Policyholder funds	**(48,633)**	18,376
Reserve for cancellations	**(225,720)**	194,406
Reinsurance premiums payable	**(2,379,419)**	7,659,288
Advance collections due	**(2,100,531)**	(5,015,019)
Accounts payable and accrued expenses	**3,501,752**	(1,929,094)
Total adjustments	**(7,671,172)**	(18,719,310)
Net cash provided by (used in) operating activities	**2,347,683**	(14,272,214)

(continued)

Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2013 and 2012

	2013	2012
Investment activities		
Securities available-for-sale:		
Purchases	***(24,852,299)***	*(136,041,347)*
Proceeds from sales, redemptions or dispositions	***61,378,722***	*181,611,883*
Securities held-to-maturity:		
Proceeds from redemptions	***433,664***	*5,108,153*
Short-term investments:		
Purchases of short-term investments	***(21,787,175)***	*(24,116,280)*
Maturities of short-term investments	***23,137,175***	*27,316,280*
Purchase of property and equipment	***(2,857,578)***	*(3,401,128)*
Proceeds from sale of property and equipment	***5,370***	*235,200*
Net cash provided by investment activities	***35,457,879***	*50,712,761*
Financing activities		
Dividends paid to parent	***(50,000,000)***	*(11,825,000)*
Deposit liability indemnity-related payments	***(6,410,462)***	*(2,693,718)*
Net cash used in financing activities	***(56,410,462)***	*(14,518,718)*
(Decrease) increase in cash and cash equivalents	***(18,604,900)***	*21,921,829*
Cash and cash equivalents at beginning of year	***82,009,094***	*60,087,265*
Cash and cash equivalents at end of year	***$63,404,194***	*82,009,094*
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 $(4,634,670) and $(434,962) in 2013 and 2012, respectively	***$(26,263,132)***	*(2,464,785)*
Other:		
Income taxes paid	***$ 212,820***	*1,814,562*

See accompanying notes to consolidated financial statements.

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, 2013 and 2012 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 (MAPFRE LIFE)	100%	–
Auto Guard, Inc. (Auto Guard)	100%	–
Multiservicar, Inc. (Multiservicar) (formerly Club MAPFRE del Automóvil, Inc.)	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 and $77 million in premiums written during 2013 and 2012, respectively.

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 $22,124,000 in 2012 (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.

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.

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

(d) Investment Securities (continued)

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.

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, 2013 and 2012 are presented net of commission expenses amounting to $1,741,882 and $1,581,630, 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 $48,349,000 and $44,790,000 in 2013 and 2012, 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 $1,495,000 and $1,857,000 at December 31, 2013 and 2012, respectively.

(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,

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

(k) Policy and Contract Claims (continued)

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, 2013 and 2012 consist of the following:

	2013	2012
Life	**$ 1,054,807**	1,296,163
Accident and health	**13,334,019**	28,377,933
	$14,388,826	29,674,096

(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 Standars 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.

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 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, 2013 and 2012, are detailed as follows:

		As of December 31, 2013			As of December 31, 2012		
Amortized Intangible Assets	**Estimated Remaining Useful Life (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Intangible Assets**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Intangible Assets**
Customer relationships	14	**$10,278,343**	**3,929,776**	**6,348,567**	10,278,343	3,387,736	6,890,607
Contract with Insurer	–	**273,843**	**273,843**	**–**	273,843	273,843	–
Non-compete agreements	–	**1,057,724**	**1,057,724**	**–**	1,057,724	1,057,724	–
Trade names and trademarks	–	**90,090**	**90,090**	**–**	90,090	90,090	–
Total identifiable intangible assets acquired		**$11,700,000**	**5,351,433**	**6,348,567**	11,700,000	4,809,393	6,890,607

Aggregate amortization expense recorded for the years ended December 31, 2013 and 2012 was $542,040, respectively. Estimated amortization expense for the following five years is as follows:

For the year ended December 31, 2014	**$542,040**
For the year ended December 31, 2015	**$542,040**
For the year ended December 31, 2016	**$542,040**
For the year ended December 31, 2017	**$542,040**
For the year ended December 31, 2018	**$542,040**

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 2014. During 2012, the Company commenced offering financing for extended warranty contracts. These loans offer maturities of up to 24 months. Amounts collected on finance receivables are included in net cash provided by or used in investing activities in the accompanying consolidated 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 2013 and 2012 amounted to $140,266 and $139,453, respectively. Bad debt expenses or recoveries of bad debts are included in general and administrative expenses in the accompanying consolidated 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 $9,300 and $21,400 in 2013 and 2012, respectively. The Company does not have any off-balance-sheet credit exposure related to its customers.

(t) Comprehensive (Loss) Income

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 (loss) income and consolidated statements of shareholder's equity.

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

(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 2013 or 2012.

(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 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.

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

(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 2013 and 2012 amounted to approximately $666,000 and $1,133,000, 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) 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 is evaluating the impact, if any, that the adoption of this guidance will have on its financial position or results of operations.

In October 2012, the FASB issued ASU 2012-04, Technical Corrections and Improvements (ASU 2012-04). In 2010, the FASB added a project to its agenda to address feedback received from stakeholders on the Codification and to make other improvements to U.S. GAAP. This project will facilitate Codification updates for technical corrections, clarifications, and improvements, and should eliminate the need for periodic agenda requests for narrow and incremental items. The types of issues that will be considered through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. This ASU also includes more substantive, limited-scope improvements which represent narrow and incremental improvements to U.S. GAAP and are not purely technical corrections. Additionally, this ASU includes amendments that identify when the use of fair value should be linked to the definition of fair value in Topic 820, Fair Value Measurement. This ASU contains conforming amendments to the Codification to reflect the measurement and disclosure requirements of Topic 820 which are generally non-substantive in nature. While the Board does not anticipate that the amendments in this ASU will result

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

(aa) Recent Accounting Pronouncements (continued)

in pervasive changes to current practice, certain amendments may result in a change to existing practice. For those amendments which the Board deemed to be more substantive, transition guidance and a delayed effective date accompany them. The amendments in this ASU cover a wide range of Topics in the Codification and are presented in two sections—Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B). The amendments in this ASU that will not have transition guidance will be effective upon issuance for both public entities and nonpublic entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012. For nonpublic entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2013. Management does not expect the implementation of this ASU to have a material effect on the Company's consolidated financial statements.

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 will 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 has adopted this ASU, and it does 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 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.

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, 2013, 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 2014 and 2013 the amounts of $1,382,585 and $1,356,601, respectively, corresponding to the contributions for writings in 2013 and 2012, respectively. The contributions were determined in 2013 and 2012 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 $37,892,177 and $35,081,178 balance of the catastrophe loss reserve as of December 31, 2013 and 2012, respectively, was accounted for as an appropriation of retained earnings in the accompanying consolidated balance sheets.

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.

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

For the years ended December 31, 2013 and 2012, the movement of the catastrophe loss reserve is as follows:

	2013	2012
Catastrophe loss reserve at beginning of year	**$35,081,178**	32,319,184
Investment income	**1,428,414**	1,405,393
Catastrophe loss reserve trust fund at end of year	**36,509,592**	33,724,577
Contribution payable	**1,382,585**	1,356,601
Catastrophe loss reserve at end of year	**$37,892,177**	35,081,178

The portion of the retained earnings in P&C insurance subsidiaries as of December 31, 2013 and 2012 that were restricted is as follows:

	2013	2012
MAPFRE PRAICO	**$36,394,211**	33,693,482
MAPFRE PRICO	**1,171,967**	1,090,530
MAPFRE PAICO	**325,999**	297,166
	$37,892,177	35,081,178

4. Investment Securities

Investment securities as of December 31, 2013 and 2012, consist of the following:

	2013	2012
Available-for-sale, at fair value	**$355,399,644**	424,226,088
Held-to-maturity, at carrying amount	**5,713,147**	6,392,698
	$361,112,791	430,618,786

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, 2013 and 2012 were as follows:

	2013			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available-for-sale:				
Fixed maturity securities:				
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
Equity securities:				
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:				
Fixed maturity securities:				
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

4. Investment Securities (continued)

	2012			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Securities available-for-sale:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	$282,825,729	17,642,255	(337,600)	300,130,384
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	33,590,880	2,296,757	(29,712)	35,857,925
U.S. municipal bonds	46,459,736	6,114,881	–	52,574,617
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	7,958,819	152,144	(57,427)	8,053,536
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	205,000	8,682	–	213,682
Corporate debt securities	13,701,108	1,511,917	–	15,213,025
Mortgage-backed securities	257,254	16,435	(447)	273,242
Total fixed maturity securities	384,998,526	27,743,071	(425,186)	412,316,411
Equity securities:				
Common stocks	4,605,747	685,518	(89,197)	5,202,068
Preferred stocks	300,413	799	(1,473)	299,739
Exchange traded funds	5,630,145	777,725	–	6,407,870
Total equity securities	10,536,305	1,464,042	(90,670)	11,909,677
Total securities available-for-sale	$395,534,831	29,207,113	(515,856)	424,226,088
Securities held-to-maturity:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	$ 503,599	110,231	–	613,830
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	400,000	–	(4,000)	396,000
Corporate debt securities	4,964,704	864,246	–	5,828,950
Mortgage-backed securities	274,395	6,211	(342)	280,264
Certificates of deposit	250,000	–	–	250,000
Total securities held-to-maturity	$ 6,392,698	980,688	(4,342)	7,369,044

As of December 31, 2012, the Company transferred an investment on an obligation of the Commonwealth of Puerto Rico and its instrumentalities classified from held-to-maturity to available-for-sale. Such transfer was due to a significant deterioration in the issuer's creditworthiness. Topic 320-10-35-10 of the Codification, Investments—Debt and Equity Securities, states that when a security is transferred from held-to-maturity to available-for-sale, it shall be accounted for at fair value. As of December 31, 2012, this security had an amortized cost of $1,000,000 and a fair value of $982,530. An unrealized holding loss amounting to $17,470 was reported in other comprehensive income in 2012. No transfers of investments were made during 2013.

4. Investment Securities (continued)

The amortized cost and fair value of the Company's investments in fixed maturity securities as of December 31, 2013, are summarized, by stated maturity, as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Years to maturity:				
Due within one year or less	$ 23,295,523	23,395,836	–	–
Due after one year through five years	67,751,198	72,380,516	5,472,709	6,443,605
Due after five years through ten years	193,873,521	190,643,287	–	–
Due after ten years	62,451,364	54,597,603	–	–
Mortgage-backed securities	248,620	259,971	240,438	245,775
Total	$ 347,620,226	341,277,213	5,713,147	6,689,380

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, 2013. 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.

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, 2013 and 2012 were as follows:

	2013					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	*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)

4. Investment Securities (continued)

	2012					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	*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	$17,975,305	(337,600)	–	–	17,975,305	(337,600)
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT fund	1,662,545	(29,712)	–	–	1,662,545	(29,712)
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	3,959,828	(57,427)	–	–	3,959,828	(57,427)
Mortgage-backed securities	–	–	30,379	(447)	30,379	(447)
Equity securities:						
Common stocks	1,106,851	(89,197)	–	–	1,106,851	(89,197)
Preferred stocks	–	–	48,939	(1,473)	48,939	(1,473)
Total securities available-for-sale	24,704,529	(513,936)	79,318	(1,920)	24,783,847	(515,856)
Securities held-to-maturity:						
Fixed maturity securities:						
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	396,000	(4,000)	–	–	396,000	(4,000)
Mortgage-backed securities	25,009	(21)	36,218	(321)	61,227	(342)
Total securities held-to-maturity	421,009	(4,021)	36,218	(321)	457,227	(4,342)
Total	$25,125,538	(517,957)	115,536	(2,241)	25,241,074	(520,198)

U.S. Treasury securities and obligation of U.S. government instrumentalities, U.S. municipal bonds, 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 U.S. municipal bonds and 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 loss on U.S. municipal bonds is 0.16% of the amortized cost of the security. The unrealized losses on Obligations of the Commonwealth of Puerto Rico and its instrumentalities pertain to seven securities; three has been in impaired position for less than twelve months and four for more than twelve months. The unrealized losses on Obligations of the Commonwealth of Puerto Rico and its instrumentalities range from 5.67% to 22.51% of their amortized cost. The unrealized losses for Mortgage-backed securities pertain to two securities. These securities have been in an impaired position for more than twelve months. The unrealized losses for Mortgage-backed securities range from 0.96% to 1.38% of their 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, 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 0.36% to 4.64% 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, 2013.

Equity securities – The Company owns common stocks mainly from companies in the telecommunications, real estate and pipelines sectors. The Company also owns shares of exchange traded funds representing the principal U.S. equity indexes. As of December 31, 2012, the Company recognized an other-than-temporary impairment due to an equity security which had been showing a fair value lower than its amortized cost for over a twelve-month period and for that same period of time the unrealized loss had exceeded the severity threshold established. As a result, the security's fair value of $253,356 became the new amortized cost and the loss of $235,697 was recognized as a realized loss on impairment in the accompanying consolidated statements of income. The new cost basis shall not be adjusted for subsequent recoveries in fair value. Future increases or decreases in fair value will be included in other comprehensive income. 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, 2013.

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;

4. Investment Securities (continued)

- 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
- 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, 2013 and 2012 amounted to $900 and $1,136, respectively, net of deferred income taxes of $159 and $200, respectively.

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

	2013	2012
Securities available-for-sale:		
Gross realized gains	***$731,137***	*14,842,115*
Gross realized losses	***(340,560)***	*(10,817)*
Net realized capital gains on sale of investment	***$390,577***	*14,831,298*

4. Investment Securities (continued)

Net investment income for the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Gross investment income:		
Fixed maturity securities	***$ 11,727,875***	*14,443,065*
Equity securities	***407,947***	*433,688*
Interest on deposits and short-term investments	***233,000***	*214,086*
Real estate	***100,481***	*–*
Mutual funds and other invested assets	***12***	*1,971*
Total investment income	***12,469,315***	*15,092,810*
Less: investment expenses	***(3,140,949)***	*(3,421,173)*
Net investment income	***$ 9,328,366***	*11,671,637*

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 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.

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, 2013 and 2012, 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.

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, 2013 and 2012:

	2013 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)	Total
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 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

5. Fair Value Measurements (continued)

(b) Fair Value Hierarchy (continued)

	2012 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)	Total
Assets:				
Securities available-for-sale:				
Fixed maturity securities:				
U.S. Treasury securities and obligations of U.S. government instrumentalities	$ 20,581,793	279,548,591	–	300,130,384
U.S. Treasury securities and obligations of U.S. government instrumentalities held in CAT Fund	–	35,857,925	–	35,857,925
U.S. municipal bonds	–	52,574,617	–	52,574,617
Obligations of the Commonwealth of Puerto Rico and its instrumentalities	–	8,053,536	–	8,053,536
Obligations of the Commonwealth of Puerto Rico and its instrumentalities held in CAT Fund	–	213,682	–	213,682
Corporate debt securities – Financial industry	–	15,213,025	–	15,213,025
Mortgage-backed securities	–	273,242	–	273,242
Total fixed maturity securities	20,581,793	391,734,618	–	412,316,411
Equity securities:				
Common stocks – Telecommunications industry	1,466,422	–	–	1,466,422
Common stocks – Retail industry	528,466	–	–	528,466
Common stocks – Pharmaceutical, Consumer and Medical Devices & Diagnosis industry	488,475	–	–	488,475
Common stocks – Pipelines industry	842,582	–	–	842,582
Common stocks – Technology industry	592,427	–	–	592,427
Common stocks – Personal Products industry	215,892	–	–	215,892
Common stocks – Real Estate industry	594,513	–	–	594,513
Common stocks – Petroleum industry	473,291	–	–	473,291
Preferred stocks – Financial industry	299,739	–	–	299,739
Exchange traded funds – Other industries	6,407,870	–	–	6,407,870
Total equity securities	11,909,677	–	–	11,909,677
Total securities available-for-sale	$ 32,491,470	391,734,618	–	424,226,088

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, 2013 and 2012.

6. Net Premium Finance Receivables

Substantially all the premium finance receivables mature in 2014. The balance of the premium finance receivables as of December 31, 2013 and 2012 is presented net of unearned finance charges and the allowance for doubtful accounts as follows:

	2013	2012
Premium finance receivables	$ 3,159,802	3,036,943
Unearned interest	(187,686)	(187,145)
Allowance for loan losses	(140,266)	(139,453)
	$ 2,831,850	2,710,345

7. Deposits with Insurance Commissioners

As of December 31, 2013, 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	
MAPFRE PAICO	$ 1,500,000	MAPFRE PRAICO	$ 500,000
MAPFRE PRAICO	$ 1,500,000	MAPFRE LIFE	$ 500,000
MAPFRE PRICO	$ 1,500,000		

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

Also, as of December 31, 2013, MAPFRE LIFE had deposited with the Commissioner securities with a carrying amount of $1,318,757 (fair value of $1,164,184).

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8. Property and Equipment, Net

Property and equipment, net are composed of the following:

	2013	2012
Land	$ 16,209,103	16,209,103
Building and improvements	45,980,348	45,573,339
Computers and softwares	30,528,321	28,460,931
Furniture and fixtures	9,461,561	9,151,532
Automobiles	489,473	490,206
Operating equipment	1,700,208	1,700,164
	104,369,014	101,585,275
Less: accumulated depreciation	(48,502,403)	(44,010,635)
Property and equipment, net	$ 55,866,611	57,574,640

9. Claim Liabilities

The activity in the claim liabilities during 2013 and 2012 is summarized as follows (in thousands):

	2013	2012
Gross claim liabilities as of January 1	$ 127,952	131,784
Reinsurance recoverable on claim liabilities as of January 1	13,905	17,124
Net claim liabilities as of January 1	114,047	114,660
Incurred claims and loss adjustment expenses:		
Insured events of current year	154,843	225,010
Insured events of prior years	(8,036)	1,206
Total	146,807	226,216
Payment of losses and loss adjustment expenses:		
Insured events of current year	109,199	167,979
Insured events of prior years	51,604	58,850
Total	160,803	226,829
Net claim liabilities as of December 31	100,051	114,047
Reinsurance recoverable on claim liabilities as of December 31	12,986	13,905
Gross claim liabilities as of December 31	$ 113,037	127,952

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, 2013 and 2012, net of reinsurance recoverable, decreased by approximately $8,036,000 and increased by approximately $1,206,000, respectively. This was mainly due to a better than expected loss development for prior years insured events in 2013, 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 2012.

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 and 2012, the Company charged approximately $3,000 and $3,500, respectively, to MAPFRE Dominicana, S.A., for administrative services provided to this affiliate throughout the year. These charges are recorded within the general and administrative expenses in the accompanying consolidated statements of income.

During 2013 and 2012, the Company reinsured premiums amounting to approximately $93,262,000 and $88,341,000, respectively, with MAPFRE RE Compañía de Reaseguros, S.A. (MAPFRE RE). In addition, the Company had a net payable balance to MAPFRE RE of $4,974,000 and $7,378,000 as of December 31, 2013 and 2012, 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 2013, reinsurance agreements with effectiveness for the period from July 1, 2012, until June 30, 2013, and from July 1, 2013 to June 30, 2014 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) Auto Physical Damage Excess of Loss Reinsurance – The Company has coverage of up to $21,000,000 in excess of $1,000,000 retention.

c) Commercial Catastrophe Excess of Loss Reinsurance – The Company has coverage of up to $185,000,000 in excess of $5,000,000 retention.

d) A catastrophe excess of loss treaty is also maintained for personal lines and residential condominium business, with limits up to $155,000,000 with retention of $5,000,000.

11. Reinsurance (continued)

Property: (continued)

e) An excess of loss treaty was maintained for Property per risk business with limits of $30,000,000 excess of $1,000,000.

f) A catastrophe excess of loss treaty is also maintained for inland marine policies and marine policies classified by the reinsured as pleasure craft (Yacht and Outboard Motorboat) business, Ocean Cargo and Commercial Marine Risks, with limits up to $38,000,000 with retention of $1,000,000.

g) A catastrophe excess of loss treaty is also maintained for polices 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.

h) Umbrella Catastrophe Excess of Loss Reinsurance – The Company has coverage under policies classified by the Company as Commercial Lines, Personal Lines, Inland Marine, Yachts and Pleasure Crafts, with limits of up to $50,000,000 in the First Layer. On a Second Layer, the Company has coverage of up to $266,000,000 in excess of $50,000,000 and on the Third Layer, which excludes windstorm; the Company has coverage of up to $125,000,000 in excess of $316,000,000. The loss occurrence is set of, in excess of each of the underlying programs covered.

Casualty:

a) There is an excess of loss treaty with effectiveness from July 1, 2012 to July 1, 2013, 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 maintains proportional contracts for its surety, boiler & 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 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 excess of $1,000,000.

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

Life & Health:

a) The Company reinsures life and accidental death insurance policies with an affiliate company (MAPFRE RE). 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. 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. The Company also maintains reinsurance coverage for its medical expenses in the Commercial Health & Medicare lines of business, 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.

11. Reinsurance (continued)

Life & Health: (continued)

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.

c) Since October 2012, the Company maintains a 70% ceded reinsurance contract for Cancer, Group Life and Individual Life categories of policies issued through commercial campaign from a Direct Marketing Company.

d) The Company maintains 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. The Company also maintains reinsurance coverage for its Air Life and Ordinary Life lines of business, in excess of $50,000 and in excess of $25,000, respectively. The Air Life and Ordinary Life contracts are in run-off status.

e) The Company assumed 75% in 2013 and 2012, 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 2013 and 2012, reinsurance premium for this contract was approximately $34,000 and $51,000, 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) The Company also enters into a commutation and release agreement with London Life Reinsurance Company ("LLRC") for its reinsurance agreement, effective January 1, 2003, covering a proportion of its long term disability policies. The commutation amount of $355,000 represents an amount equal to the sum of the reserves held in connection with commuted claims and was accepted as full and complete settlement of all obligations or liabilities arising out of, resulting from, or in any way related to the reinsurance agreement.

In 2013 and 2012, 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.

11. Reinsurance (continued)

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

	2013		2012	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Direct	$ 366,067,746	362,861,397	427,391,444	426,551,896
Assumed:				
Non-affiliates	474,000	474,000	177,873	177,873
Ceded:				
Affiliates	(93,295,532)	(92,869,861)	(89,086,288)	(88,895,823)
Non-affiliates	(27,733,055)	(29,148,824)	(27,837,882)	(26,280,140)
Net	$ 245,513,159	241,316,712	310,645,147	311,553,806

	2013	2012
Claims incurred:		
Direct	$ 129,517,118	214,619,564
Assumed	436,242	35,887
Ceded	(4,810,529)	(10,404,192)
Net	$ 125,142,831	204,251,259

The Company's direct and assumed unearned premiums as of December 31, 2013 and 2012 amounted to $191,349,590 and $196,302,025, respectively. This amount is related to non-affiliates in its entirety. The net amount of return commissions recoverable as of December 31, 2013, if all assumed and ceded reinsurance treaties were canceled is summarized as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserve	Commission Payable	Unearned Premium Reserve	Commission Recoverable	Unearned Premium Reserve	Commission Recoverable
Affiliates	$ –	–	15,983,579	2,692,005	(15,983,579)	(2,692,005)
All other	–	–	10,323,041	1,853,088	(10,323,048)	(1,853,088)
Total	$ –	–	26,306,620	4,545,093	(26,306,627)	(4,545,093)

11. Reinsurance (continued)

As of December 31, 2013 and 2012, the Company's ceded reinsurance arrangements reduced certain other items in the accompanying consolidated financial statements as follows (in thousands):

	2013	2012
Losses and loss adjustment expenses receivable:		
Affiliates	***$ 7,657***	*7,332*
Non-affiliates	***$ 632***	*864*
Losses and loss adjustment expense reserves:		
Affiliates	***$10,344***	*10,015*
Non-affiliates	***$ 2,643***	*3,890*
Unearned premium reserves:		
Affiliates	***$15,984***	*15,558*
Non-affiliates	***$10,323***	*11,739*

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 2013 and 2012.

	2013	2012
Deposit balance, beginning of the year	***$ 13,127,579***	*17,321,297*
Payments made	***(6,410,462)***	*(2,693,718)*
Amortization of loss adjustments expenses and other expenses fund	**–**	*(1,500,000)*
Deposit balance, at end of the year	***$ 6,717,117***	*13,127,579*

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, 2013 and 2012 are as follows:

	2013	2012
Statutory-basis capital and surplus	**$186,888,168**	$215,349,106
Statutory-basis net income	**$ 26,783,234**	$ 12,901,959

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 2013 and 2012.

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 approved 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, the Government approved Act 1 of January 31, 2011, which constituted the second phase of said tax reform. Among other things, this act 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.

On July 1, 2013 the Governor of Puerto Rico passed into law Puerto Rico's Act No. 40, which was intended to address the government's fiscal condition. This new law, among other things, increased the maximum statutory income tax rate back to 39%, modified the carryover period of net operating losses

14. Income Taxes (continued)

as well as their deductibility, altered the way in which the Alternative Minimum Tax is calculated and introduced the National Gross Receipts Tax. The changes in tax rates are effective to the fiscal years starting after December 31, 2012.

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, 2013 and 2012 are as follows:

	2013	2012
Deferred tax liabilities:		
Deferred policy acquisition costs	**$ 6,941,447**	6,091,775
Deferred service contracts acquisition costs	**3,252,939**	1,728,349
Deposits into CAT Fund	**4,108,987**	3,832,470
Unrealized gain on securities available-for-sale	**–**	4,303,888
Depreciation	**22,305**	14,444
Other	**15,193**	10,310
Gross deferred tax liabilities	**14,340,871**	15,981,236
Deferred tax assets:		
Allowance for doubtful accounts	**1,888,664**	1,140,660
Alternative minimum tax	**323,349**	276,141
Unrealized loss on securities available-for-sale	**330,782**	–
Capital loss carryforward	**110,307**	117,974
Net operating loss carryforwards	**5,500,514**	3,811,577
Other	**957,937**	51,415
Deferred tax assets before valuation allowance	**9,111,553**	5,397,767
Less: valuation allowance	**4,514,879**	4,004,806
Total deferred tax assets	**4,596,674**	1,392,961
Net deferred tax liability	**$ 9,744,197**	14,588,275

At December 31, 2013, the Company has net operating carryforward losses available to offset future taxable income, if any, as follows:

Expiration:	
2017	**$ 305,554**
2019	**713,407**
2020	**414,619**
2021	**560,683**
2022	**995,498**
2023	**12,394,308**
2024	**8,263,054**
	$ 23,647,123

14. Income Taxes (continued)

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 $4,514,879 and $4,004,806 was established in 2013 and 2012, respectively.

As of December 31, 2013, tax years 2009 through 2013 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 2013 and 2012 amounted to approximately $1,899,000 and $1,994,000, respectively.

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, 2013 are as follows:

2014	*$ 219,852*
2015	*179,283*
2016	*179,283*
2017	*44,821*
	$ 623,239

In 2013 and 2012, the Company recorded rent expense of approximately $477,000 and $566,000, 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 2013 and 2012, no assessments were received. No amounts were accrued at December 31, 2013 or 2012.

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 2013 and 2012, ASCSRO distributed to the members an experience refund. Also, during 2013 and 2012, MAPFRE PRAICO and MAPFRE PRICO received approximately $1,286,000 and $1,505,000, 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 1, 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.

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 2013 and 2012, 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.

17. Contingencies (continued)

(b) Legal Proceedings (continued)

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.

(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.

17. Contingencies (continued)

(d) Audits from Other Regulatory Agencies

MAPFRE LIFE is also subject to financial and compliance audits from the CMS in relation to its Medicare Advantage Operations. MAPFRE LIFE ended its contract with CMS effective April 1, 2013 through mutual consent with CMS and, at the present, all audits regarding that operation have been closed. On February 10, 2012, CMS notified its findings with respect to the financial and compliance audit of records related to year 2010. None of the findings resulting from this audit have a material adverse effect on the Company's financial position and results of operations.

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, 2013 and 2012 was approximately $37,938,000 and $89,129,000, respectively.

Property and casualty and 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, 2013 and 2012, the Company's insurance subsidiaries met the RBC requirements.

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, 2013 and 2012 are as follows:

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

19. Comprehensive Income (continued)

	2012		
	Before-tax Amount	Deferred Tax (Expense) Benefit	Net-of-tax Amount
Unrealized holding gains on securities classified as available-for-sale arising during 2012	$11,931,551	(1,789,733)	10,141,818
Reclassification adjustment for gains realized in income	(14,831,298)	2,224,695	(12,606,603)
Net change in unrealized gains	$ (2,899,747)	434,962	(2,464,785)

20. Subsequent Events

Effective March 1, 2014, MAPFRE LIFE changed its name from MAPFRE LIFE INSURANCE COMPANY to MAPFRE LIFE INSURANCE COMPANY OF PUERTO RICO.

The Company evaluated subsequent events through September 2, 2014, the date on which these financial statements were available to be issued. Out of the subsequent event disclosed in the preceding paragraph and in Note 17(b), there are no other material subsequent events that would require further disclosure.

Consolidating Schedules

Consolidating Schedule - Balance Sheet
December 31, 2013

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries DR	Section A Elimination Entries CR	MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
Assets								
Cash and Investments:								
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	30,288,330	5,333,020	35,621,350	–	2,052,208	33,569,142	282,315	1,179,163
Reinsurance recoverable on:								
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	$440,632,289	94,579,824	535,212,113	–	51,039,326	484,172,787	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 DR	CR	MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
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	–	–	–	40,484,439	–	120,249	40,364,190
–	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	861,799,581	73,100,000	302,933,671	631,965,910

Consolidating Schedule - Balance Sheet
December 31, 2013

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries DR	CR	MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
Liabilities and Shareholder's Equity								
Liabilities:								
Claim liabilities:								
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	140,204,602	53,276,517	193,481,119	15,131,947	–	178,349,172	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	277,028,272	65,489,066	342,517,338	22,788,708	840,140	320,568,770	6,796,206	1,589,080
Shareholder's Equity:								
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	(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	$440,632,289	94,579,824	535,212,113	51,879,466	840,140	484,172,787	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 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	–	–	–	192,520,606	1,171,016	–	191,349,590
–	–	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	409,309,408	14,059,626	125,187	395,374,969
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	861,799,581	321,982,154	92,148,483	631,965,910

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 Elimination Entries DR	Section A Elimination Entries CR	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.
Revenues:									
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
Expenses:									
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
Income (loss) before equity in earnings of subsidiaries and income taxes	13,405,761	2,035,206	15,440,967	2,165,565	2,165,565	15,440,967	(150,193)	95,861	251,563
Equity in earnings of subsidiaries	2,170,832	–	2,170,832	2,170,832	–	–	–	–	–
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
Income tax expense (benefit):									
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, begining 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

Consolidating Schedule - Balance Sheet
December 31, 2012

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries DR	Section A Elimination Entries CR	MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
Assets								
Cash and Investments:								
Cash and cash equivalents	*$56,248,968*	*675,899*	*56,924,867*	–	–	*56,924,867*	*842,661*	*784,675*
Short-term investments	*2,250,000*	*2,000,000*	*4,250,000*	–	–	*4,250,000*	*2,000,000*	–
Investment securities	*291,473,901*	*71,016,850*	*362,490,751*	–	–	*362,490,751*	*14,181,432*	–
Investment in subsidiaries	*30,873,476*	–	*30,873,476*	–	*30,873,476*	–	–	–
Total cash and investments	***380,846,345***	***73,692,749***	***454,539,094***	**–**	***30,873,476***	***423,665,618***	***17,024,093***	***784,675***
Premiums and agents' balances receivable, net	*26,899,865*	*5,125,294*	*32,025,159*	–	*1,538,703*	*30,486,456*	*218,400*	*1,468,104*
Reinsurance recoverable on:								
Paid losses, net	*892,230*	*1,584*	*893,814*	–	–	*893,814*	–	–
Unpaid losses and loss adjustment expenses	*13,737,085*	*3,807,492*	*17,544,577*	–	*3,640,631*	*13,903,946*	*631,482*	–
Prepaid reinsurance premiums	*27,273,410*	*11,003,064*	*38,276,474*	–	*10,981,386*	*27,295,088*	*1,411,743*	–
Total reinsurance recoverable	***41,902,725***	***14,812,140***	***56,714,865***	**–**	***14,622,017***	***42,092,848***	***2,043,225***	**–**
Net finance receivables	–	–	–	–	–	–	–	–
Service contracts receivable	–	–	–	–	–	–	–	–
Accrued investment income	*2,560,005*	*544,515*	*3,104,520*	–	–	*3,104,520*	*137,876*	–
Due from related company	*3,222,879*	*65,611*	*3,288,490*	–	*471,502*	*2,816,988*	*16,145*	*41,171*
Deferred policy acquisition costs	*20,543,318*	*864,214*	*21,407,532*	–	–	*21,407,532*	*117,096*	–
Deferred service contracts acquisition costs	–	–	–	–	–	–	–	–
Property and equipment, net	*46,404,828*	–	*46,404,828*	–	–	*46,404,828*	–	*584*
Intangible assets, net	–	–	–	–	–	–	–	–
Note receivable from affiliate	–	–	–	–	–	–	–	–
Prepaid income taxes	*1,538,952*	*537,112*	*2,076,064*	–	–	*2,076,064*	*434,162*	*547,925*
Other assets	*4,747,437*	*236,132*	*4,983,569*	–	–	*4,983,569*	*21,680*	*23,237*
Total assets	***$528,666,354***	***95,877,767***	***624,544,121***	**–**	***47,505,698***	***577,038,423***	***20,012,677***	***2,865,696***

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 DR	Section B Elimination Entries CR	MAPFRE PRAICO CORPORATION and Subsidiaries Consolidated
215,023	10,019,818	1,048,448	831,802	11,341,800	82,009,094	–	–	82,009,094
–	860,000	250,000	–	–	7,360,000	–	–	7,360,000
–	45,288,465	8,658,138	–	–	430,618,786	–	–	430,618,786
–	–	–	–	277,691,306	277,691,306	17,100,000	294,791,306	–
215,023	**56,168,283**	**9,956,586**	**831,802**	**289,033,106**	**797,679,186**	**17,100,000**	**294,791,306**	**519,987,880**
–	6,471,474	–	–	–	38,644,434	–	209,554	38,434,880
–	7,302,096	–	–	–	8,195,910	–	–	8,195,910
–	–	–	–	–	14,535,428	–	630,733	13,904,695
–	–	–	–	–	28,706,831	–	1,410,099	27,296,732
–	**7,302,096**	**–**	**–**	**–**	**51,438,169**	**–**	**2,040,832**	**49,397,337**
2,710,345	–	–	–	–	2,710,345	–	–	2,710,345
–	–	1,606,117	–	–	1,606,117	–	–	1,606,117
–	406,056	83,305	–	–	3,731,757	–	–	3,731,757
466	–	199,821	–	136,211	3,210,802	–	3,209,329	1,473
–	6,867,442	–	–	–	28,392,070	–	–	28,392,070
–	–	8,641,743	–	–	8,641,743	–	–	8,641,743
–	471,217	–	10,698,011	–	57,574,640	–	–	57,574,640
–	–	–	–	6,890,607	6,890,607	–	–	6,890,607
–	–	–	–	9,934,868	9,934,868	–	9,934,868	–
15,087	(144,652)	864,175	74,654	–	3,867,415	–	–	3,867,415
1,596,348	1,897,179	26,930	168,514	1,841,856	10,559,313	–	–	10,559,313
4,537,269	**79,439,095**	**21,378,677**	**11,772,981**	**307,836,648**	**1,024,881,466**	**17,100,000**	**310,185,889**	**731,795,577**

Consolidating Schedule - Balance Sheet
December 31, 2012

	MAPFRE PRAICO INSURANCE COMPANY	MAPFRE PREFERRED RISK INSURANCE COMPANY	Total	Section A Elimination Entries DR	Section A Elimination Entries CR	MAPFRE PRAICO INSURANCE COMPANY and Subsidiary Consolidated	MAPFRE PAN AMERICAN INSURANCE COMPANY	MAPFRE INSURANCE AGENCY OF PUERTO RICO, INC.
Liabilities and Shareholder's Equity								
Liabilities:								
Claim liabilities:								
Unpaid losses and loss adjustment expenses	$96,001,210	5,445,017	101,446,227	3,640,631	–	97,805,596	911,313	–
Unpaid service contract claims	–	–	–	–	–	–	–	–
Policy and contract claims	–	–	–	–	–	–	–	–
Total claim liabilities	**96,001,210**	**5,445,017**	**101,446,227**	**3,640,631**	**–**	**97,805,596**	**911,313**	**–**
Future policy benefits	–	–	–	–	–	–	–	–
Unearned premiums	138,147,604	53,901,019	192,048,623	10,981,386	–	181,067,237	6,488,510	–
Unearned service contracts revenue	–	–	–	–	–	–	–	–
Policyholder funds	–	–	–	–	–	–	–	–
Reserve for cancellations	–	–	–	–	–	–	–	176,823
Net deferred tax liability	11,751,268	1,210,081	12,961,349	–	–	12,961,349	237,396	(95,549)
Reinsurance premiums payable	8,654,186	357,505	9,011,691	1,538,703	1,197,320	8,670,308	105,801	–
Advanced collections due	–	–	–	–	–	–	–	–
Accounts payable and accrued expenses	16,939,870	3,583,175	20,523,045	1,197,320	–	19,325,725	855,083	502,058
Due to affiliates	66,373	507,494	573,867	471,502	–	102,365	94,518	1,606,154
Note payable to affiliate	–	–	–	–	–	–	–	–
Deposit Liability	13,127,579	–	13,127,579	–	–	13,127,579	–	–
Total liabilities	**284,688,090**	**65,004,291**	**349,692,381**	**17,829,542**	**1,197,320**	**333,060,159**	**8,692,621**	**2,189,486**
Shareholder's Equity:								
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	20,628,920	6,340,144	26,969,064	6,340,144	–	20,628,920	1,233,556	–
Retained earnings	153,349,344	14,508,332	167,857,676	14,508,332	–	153,349,344	6,302,117	674,510
Total shareholder's equity	**243,978,264**	**30,873,476**	**274,851,740**	**30,873,476**	**–**	**243,978,264**	**11,320,056**	**676,210**
Total liabilities and shareholder's equity	**$528,666,354**	**95,877,767**	**624,544,121**	**48,703,018**	**1,197,320**	**577,038,423**	**20,012,677**	**2,865,696**

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
–	–	–	–	–	98,716,909	630,733	–	98,086,176
–	–	191,545	–	–	191,545	–	–	191,545
–	29,674,096	–	–	–	29,674,096	–	–	29,674,096
–	**29,674,096**	**191,545**	**–**	**–**	**128,582,550**	**630,733**	**–**	**127,951,817**
–	10,634,066	–	–	–	**10,634,066**	–	–	10,634,066
–	10,156,377	–	–	–	197,712,124	1,410,099	–	196,302,025
–	–	18,266,695	–	–	18,266,695	–	–	18,266,695
–	2,366,958	–	–	–	2,366,958	–	–	2,366,958
–	–	648,418	–	–	825,241	–	–	825,241
(31,526)	(294,476)	1,796,637	14,444	–	14,588,275	–	–	14,588,275
–	540,567	–	–	–	9,316,676	209,554	109,938	9,217,060
–	2,236,348	–	–	–	2,236,348	–	–	2,236,348
261,371	6,831,669	629,246	237,743	4,911,338	33,554,233	109,938	–	33,444,295
798,987	434,877	40,695	41,641	90,092	3,209,329	3,209,329	–	–
–	–	–	9,934,868	–	9,934,868	9,934,868	–	–
–	–	–	–	–	13,127,579	–	–	13,127,579
1,028,832	**62,580,482**	**21,573,236**	**10,228,696**	**5,001,430**	**444,354,942**	**15,504,521**	**109,938**	**428,960,359**
74,200	3,032,000	50	5,000	6,363,100	17,476,050	11,112,950	–	6,363,100
1,619,517	15,413,146	–	4,250,000	107,754,946	194,821,992	87,067,046	–	107,754,946
–	2,139,263	386,968	–	24,388,707	48,777,414	24,388,707	–	24,388,707
1,814,720	(3,725,796)	(581,577)	(2,710,715)	164,328,465	319,451,068	173,169,623	18,047,020	164,328,465
3,508,437	**16,858,613**	**(194,559)**	**1,544,285**	**302,835,218**	**580,526,524**	**295,738,326**	**18,047,020**	**302,835,218**
4,537,269	**79,439,095**	**21,378,677**	**11,772,981**	**307,836,648**	**1,024,881,466**	**311,242,847**	**18,156,958**	**731,795,577**

Consolidating Schedule - Statement of Income and Retained Earnings
Year Ended December 31, 2012

	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				
Revenues:									
Net premiums earned	$143,239,596	8,347,667	151,587,263	21,031,815	21,031,815	151,587,263	1,180,549	–	–
Net service contracts revenue	–	–	–	–	–	–	–	–	–
Net investment income	6,486,855	2,374,040	8,860,895	–	–	8,860,895	506,397	–	–
Net realized capital gains on investments	11,007,931	951,972	11,959,903	–	–	11,959,903	1,313	–	–
Net commissions earned and other income	996,372	–	996,372	–	–	996,372	–	2,392,430	678,078
Total revenues	**161,730,754**	**11,673,679**	**173,404,433**	**21,031,815**	**21,031,815**	**173,404,433**	**1,688,259**	**2,392,430**	**678,078**
Expenses:									
Claims incurred	54,602,971	5,766,619	60,369,590	14,539,600	14,539,600	60,369,590	623,404	–	–
Loss adjustment expenses	20,886,165	918,653	21,804,818	156,873	156,873	21,804,818	159,485	–	–
Underwriting and general expenses	64,371,528	3,051,626	67,423,154	3,052,453	3,052,453	67,423,154	594,129	1,984,142	365,601
Loss in impairment of investment security	235,697	–	235,697	–	–	235,697	–	–	–
Interest expense	5,761	–	5,761	–	–	5,761	–	–	–
Total expenses	**140,102,122**	**9,736,898**	**149,839,020**	**17,748,926**	**17,748,926**	**149,839,020**	**1,377,018**	**1,984,142**	**365,601**
Income (loss) before equity in earnings of subsidiaries and income taxes	21,628,632	1,936,781	23,565,413	3,282,889	3,282,889	23,565,413	311,241	408,288	312,477
Equity in earnings of subsidiaries	2,002,753	–	2,002,753	2,002,753	–	–	–	–	–
Income (loss) before income taxes	**23,631,385**	**1,936,781**	**25,568,166**	**5,285,642**	**3,282,889**	**23,565,413**	**311,241**	**408,288**	**312,477**
Income tax expense (benefit):									
Current	2,451,296	(6,718)	2,444,578	–	–	2,444,578	(3,840)	114,486	85,247
Deferred	(523,249)	(59,254)	(582,503)	–	–	(582,503)	(11,922)	7,971	8,496
Total income tax expense (benefit):	**1,928,047**	**(65,972)**	**1,862,075**	**–**	**–**	**1,862,075**	**(15,762)**	**122,457**	**93,743**
Net income (loss)	**21,703,338**	**2,002,753**	**23,706,091**	**5,285,642**	**3,282,889**	**21,703,338**	**327,003**	**285,831**	**218,734**
Retained Earnings, begining of year	**148,746,006**	**12,505,579**	**161,251,585**	**12,505,579**	**–**	**148,746,006**	**5,975,114**	**388,679**	**1,595,986**
Dividends to shareholder	(17,100,000)	–	(17,100,000)	–	–	(17,100,000)	–	–	–
Retained earnings, end 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**

See accompanying report of independent auditors.

MAPFRE LIFE INSURANCE COMPANY	Auto Guard, Inc.	Multiservicar, Inc.	MAPFRE PRAICO Corporation	Total	Section B Elimination Entries DR	Section B Elimination Entries CR	MAPFRE PRAICO Corporation and Subsidiaries Consolidated
158,785,994	–	–	–	311,553,806	2,951,549	2,951,549	311,553,806
–	1,635,678	–	–	1,635,678	–	–	1,635,678
2,014,912	289,433	–	–	11,671,637	–	–	11,671,637
2,824,262	45,820	–	–	14,831,298	–	–	14,831,298
300,194	–	1,684,315	373,130	6,424,519	333,972	–	6,090,547
163,925,362	**1,970,931**	**1,684,315**	**373,130**	**346,116,938**	**3,285,521**	**2,951,549**	**345,782,966**
142,195,128	1,063,137	–	–	204,251,259	1,552,133	1,552,133	204,251,259
–	–	–	–	21,964,303	28,548	28,548	21,964,303
31,050,941	532,416	2,929,794	7,634,267	112,514,444	423,848	423,848	112,514,444
–	–	–	–	235,697	–	–	235,697
–	–	333,972	–	339,733	–	333,972	5,761
173,246,069	**1,595,553**	**3,263,766**	**7,634,267**	**339,305,436**	**2,004,529**	**2,338,501**	**338,971,464**
(9,320,707)	375,378	(1,579,451)	(7,261,137)	6,811,502	947,020	947,020	6,811,502
–	–	–	11,708,233	11,708,233	11,708,233	–	–
(9,320,707)	**375,378**	**(1,579,451)**	**4,447,096**	**18,519,735**	**12,655,253**	**947,020**	**6,811,502**
300,946	–	–	–	2,941,417	–	–	2,941,417
(205,330)	191,833	14,444	–	(577,011)	–	–	(577,011)
95,616	**191,833**	**14,444**	**–**	**2,364,406**	**–**	**–**	**2,364,406**
(9,416,323)	**183,545**	**(1,593,895)**	**4,447,096**	**16,155,329**	**12,655,253**	**947,020**	**4,447,096**
5,690,527	**(765,122)**	**(1,116,820)**	**171,706,369**	**332,220,739**	**160,514,370**	**–**	**171,706,369**
–	–	–	(11,825,000)	(28,925,000)	–	17,100,000	(11,825,000)
(3,725,796)	**(581,577)**	**(2,710,715)**	**164,328,465**	**319,451,068**	**173,169,623**	**18,047,020**	**164,328,465**

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