

AMENDED REPORT ON EXAMINATION

OF

MAPFRE LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2010

NAIC CODE 77054

BY THE

OFFICE OF THE COMMISSIONER OF INSURANCE

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GOVERNMENT OF PUERTO RICO
OFFICE OF THE INSURANCE COMMISSIONER

January 27, 2012

Mr. Ramón L. Cruz Colón, CPCU, AU, ARe
Commissioner of Insurance
Office of the Commissioner of Insurance
B5 Tabonuco Street - Suite 216
PMB 356
Guaynabo, PR 00968-3029

Dear Commissioner:

In compliance with your instructions and pursuant to the Order Number EX-2011-135A dated May 4, 2011, and the Puerto Rico Insurance Laws and Regulations, a comprehensive risk-focused examination and financial affairs examination was made of the books, records, and financial condition of

MAPFRE Life Insurance Company
Urb. Ind. Tres Monjitas 297 Ave. Chardón
San Juan, Puerto Rico 00918-1410

hereinafter referred to as MAPFRE Life or the Company.

Scope of Examination

The current examination was conducted at the home office of the Company located at Urb. Ind. Tres Monjitas 297 Ave. Chardón, San Juan, Puerto Rico. This examination covers the period of January 1, 2007 through December 31, 2010, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This examination was conducted concurrently with the examination of MAPFRE PRAICO Insurance Company.

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions, as applicable to the Puerto Rico Insurance Laws and Regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Summary of Significant Findings

Current Examination Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during the examination.

Reinsurance Agreement, Insolvency Clause

The 100% Quota Share reinsurance agreement on the Group Life and Group Long Term Disability insurance for all Group International Insurance Plans between MAPFRE Re, Compañía De Reaseguros S.A. and the Company did not contain an insolvency clause as required by Section 5.060 (2) of the Insurance Code of Puerto Rico. However, during the current field examination to the Company, the above reinsurance contracts were amended on November 4, 2011, in order to include the insolvency clause, as required in Section 5.060 (2) of the Insurance Code of Puerto Rico.

Unclaimed Funds

The Company did not include in the written report to the Commissioner of Insurance the last known address of twenty-three (23) of the insureds or beneficiaries entitled to receive the unclaimed funds for the examination period.

The Company was not in compliance with Section 26.040 (2)(a) of the Insurance Code of Puerto Rico.

Compliance with Prior Examination Findings

The prior examination report was not finalized.

History

MAPFRE Life was originally incorporated on June 16, 1971, under the provisions of the Insurance Code of Puerto Rico.

The Company has been engaged in the underwriting of ordinary life insurance, credit life insurance, and group life insurance, as well as individual and group accident and health insurance. The annuity business has been in run-off since 2005.

The Company is licensed to write business in Puerto Rico and U.S. Virgin Islands.

The Company is organized under MAPFRE PRAICO Corporation (the Corporation); a holding company wholly owned by MAPFRE America, headquartered in Madrid, Spain. MAPFRE S.A. owns 89% of MAPFRE America.

Capital Stock

As of December 31, 2010, the Company had 500,000 common stock shares authorized and 303,200 issued and outstanding at a par value of \$10 per share.

The Corporation holds 303,194 of the issued shares.

Six shares were issued to the following directors in compliance with Section 29.150(1) of the Insurance Code of Puerto Rico:

Raúl Costilla
Jorge Fernández Silva
Manuel R. Pietrantoni
Federico Sánchez - Febles
David E. González
Joaquín Castrillo

Dividends to Stockholders

A dividend of \$5,000,000 was declared and paid in 2010. There were no further dividends declared and paid during the examination period. The Company was in compliance with the provisions of Section 29.340 of the Insurance Code of Puerto Rico.

Management and Control

The bylaws state that the Board of Directors shall have no less than five (5) members or no more than fifteen (15) members who shall be elected at the annual meeting of the stockholders. The Company was in compliance with its own corporate bylaws concerning membership.

Section 29.150 of the Insurance Code of Puerto Rico states that not less than the majority of directors of an insurer shall be residents of, and actually reside in, Puerto Rico. The Company was in compliance with Section 29.150 of the Insurance Code of Puerto Rico.

Section 29.140(1) of the Insurance Code of Puerto Rico states “the regular annual meeting of the stockholders or members of an insurer shall be held in any city or town of Puerto Rico, as stated in the bylaws of the insurer.” The Company was in compliance with Section 29.140(1) of the Insurance Code of Puerto Rico.

Section 29.140(4) of the Insurance Code of Puerto Rico states “special meetings of stockholders or members may be called upon not less than ten (10) days' notice, as provided in the bylaws.” The Company was in compliance with Section 29.140(4) of the Insurance Code of Puerto Rico.

Section 29.220(1) of the Insurance Code of Puerto Rico states that the Board of Directors is to authorize any salary, compensation or emoluments to any director, officer or employee which in the aggregate exceeds twelve thousand dollars (\$12,000) in any one year. The Company was in compliance with Section 29.220(1) of the Insurance Code of Puerto Rico.

As of the examination date, the directors of the Company were as follows:

<u>Directors</u>	<u>Principal Occupation</u>	<u>Resident</u>
Raúl Costilla	President, MAPFRE Life	San Juan, Puerto Rico
Jorge Fernández Silva	Retired	Miami, Florida
Manuel R. Pietrantoni	Attorney	San Juan, Puerto Rico
David E. González	Senior Vice President, Chief Financial Officer, and Treasurer	San Juan, Puerto Rico
Joaquin Castrillo	Executive Vice President MAPFRE Affiliates	San Juan, Puerto Rico
Federico Sánchez -Febles	Former President of Interlink Group	San Juan, Puerto Rico

The officers of the Company were the following:

Raúl Costilla	President and CEO
Diego Maldonado	Senior Vice President, Information Technology
David González	Senior Vice President, Chief Financial Officer, and Treasurer
José de la Mata	Senior Vice President of Human Resources and Administration
Hilda Surillo	Senior Vice President, General Counsel, and Corporate Secretary
Edgardo Silva	Senior Vice President of Group Business
Heriberto Crespo	Vice President of Individual Business Operations
Alex Negrón	Vice President of Sales and Marketing
Jose Zambrana	Vice President and Controller
Leopoldo García	Vice President of Medicare Sales
Alexis Sánchez	Senior Vice President of Reinsurance
Gloria Medina	Vice President of Compliance and Privacy Officer

Investment Plan

Section 6.040 of the Insurance Code of Puerto Rico provides, among other things, that the Board of Directors of the insurer shall adopt a written plan to acquire and maintain investments, and to outline investment practices. The Company adopted an investment plan, which was approved by the Company's Board of Directors.

The Company's investment plan established the professional qualifications of the persons who will make routine decisions to ensure investment competence and ethical conduct in compliance with the provisions of Section 6.040 of the Insurance Code of Puerto Rico.

Corporate Governance

The Board of Directors is responsible for providing general oversight over corporate governance matters, including the development and implementation of the appropriate governance policies and procedures.

The Company is not a publicly traded corporation and, therefore, is not subject to the Sarbanes-Oxley Act of 2002.

Conflict of Interest

The Company requires its directors, officers, and key employees to sign conflict of interest questionnaires concerning items that could have an impact on the way the Company conducts business in accordance with Section 29.230 of the Insurance Code of Puerto Rico. A review of the conflict of interest questionnaires revealed that the Company was in compliance with Section 29.230 of the Insurance Code of Puerto Rico.

Corporate Records

The Articles of Incorporation, bylaws and all amendments thereto were reviewed for the period under examination. There were no amendments to the Articles of Incorporation and bylaws during the examination period.

Board of Directors and Committee Minutes

The recorded minutes of the meetings of the shareholders, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board of Directors adequately documented meetings and approval of Company transactions and events in accordance with Chapter 29 of the Insurance Code of Puerto Rico.

The Company has an established Investment Committee that reports to the Board of Directors. The Board of Directors approved the purchases of securities for the examination period. The purchases of the securities were acquired in compliance with the provisions of the Sections 6.080 and 6.090 of the Insurance Code of Puerto Rico.

The Company's overall investment procedures were in compliance with Section 6.040(2) of the Insurance Code of Puerto Rico.

Fidelity Bonds and Other Insurance

The Company maintains coverage in the form of a Crime Policy for Employee Dishonesty with limits of \$500,000 to serve in lieu of a Fidelity Bond. The Company is a named insured on various other policies providing Commercial Property & Liability, Fire Legal Liability Earthquake, EDP Equipment, Valuable

Papers, Employers Liability, Auto Liability, Professional Liability and Workers Compensation.

Pension and Insurance Plans

The Company offers a defined contribution pension plan sponsored by the Corporation. Costs are shared between the Company and the Corporation as agreed upon and identified in a cost sharing agreement between the parties.

The defined contribution pension plan is offered to all full-time MAPFRE Life employees excluding those whom are compensated exclusively on a commission and/or fee basis, as well as those employed outside of Puerto Rico who do not maintain a Puerto Rico residency.

Intercompany Agreements

The Company has the following written agreement with affiliates:

- Effective January 1, 2004, the Company entered into a cost sharing agreement with MAPFRE PRAICO Insurance Company for professional services, electronic data processing equipment and software, office material and equipment, and telephone.

The transactions with affiliates were in conformity with the Statement of Statutory Accounting Principles No. 25 of the *NAIC Accounting Practices and Procedures Manual*.

Growth of the Company

The following data was obtained from the Annual Statements filed with the Office of the Commissioner of Insurance (OCI):

Year	Admitted Assets	Liabilities	Company Capital Stock	Gross Paid Contributed Surplus	Unassigned Surplus
2010	\$74,714,669	\$52,206,230	\$3,032,000	\$15,413,146	\$4,063,293
2009	81,993,575	57,460,731	3,032,000	15,413,146	6,087,698
2008	75,986,532	68,084,947	3,032,000	15,413,146	(10,543,561)
2007	62,419,803	48,420,722	3,032,000	15,413,146	(4,446,065)

Insurance Products and Related Practices

The Company is authorized to write life and disability insurance in conformity with Chapter 4 of the Insurance Code of Puerto Rico. For the period covered by this examination, the significant lines of insurance and gross premiums written were as follows:

	2007	2008	2009	2010
Ordinary Life	\$495,149	\$387,346	\$243,275	\$317,106
Life Annuities	79,637	65,085	51,594	45,730
Credit Life	5,368,822	4,799,168	3,931,548	4,029,289

	2007	2008	2009	2010
Group Life	1,260,587	1,284,312	3,875,409	3,933,834
A&H Group	47,300,635	48,152,152	64,084,793	73,210,313
A&H Credit	610,347	357,126	155,879	94,006
A&H Other	55,195,128	124,950,165	85,271,346	73,680,362
TOTAL	\$110,310,305	\$179,995,354	\$,157,613,844	\$155,310,640

Territory and Plan of Operations

For the period covered under examination, the Company was licensed to transact insurance business in the following territories with the corresponding written premiums:

	2007	2008	2009	2010
Puerto Rico	\$102,265,418	\$172,944,909	\$151,433,595	\$147,444,252
US Virgin Islands	8,044,887	7,050,445	6,180,249	7,866,387
TOTAL	\$110,310,305	\$179,995,354	\$157,613,844	\$155,310,639

Statutory Deposits

As of December 31, 2010, the Company maintained the following statutory deposits with the OCI in compliance with Section 3.151 of the Insurance Code of Puerto Rico:

Description	Maturity Date	Par Value	Amortized Value
PR Commonwealth Development Bank 745177DW2	02/01/15	\$800,000	\$800,000
P.R.I.T.E.M 74527BJK1	07/01/28	400,000	399,895
CD BBVA 470-3240000972	10/19/11	110,000	110,000
TOTAL		\$1,310,000	\$1,309,895

Section 3.151 of the Insurance Code of Puerto Rico requires that a domestic insurer shall not be authorized to transact insurance in Puerto Rico, unless it

deposits and maintains on deposit assets with a value not less than fifty percent (50%) of the amount of the paid-in capital. The deposit is held to protect the Puerto Rico insurance policyholders and creditors. The Company was in compliance with Section 3.151 of the Insurance Code of Puerto Rico.

Section 3.090 of the Insurance Code of Puerto Rico requires the Company to maintain minimum paid-in capital of \$2,500,000 and a statutory deposit of not less than \$1,250,000 of amortized value. The Company was in compliance with Section 3.090 of the Insurance Code of Puerto Rico as of December 31, 2010.

Section 3.160 of the Insurance Code of Puerto Rico requires that fifty percent (50%) of the minimum paid in capital be in Puerto Rico securities. The Company maintained investments in Puerto Rico securities in excess of \$1,250,000 at amortized cost. The Company was in compliance with Section 3.160 of the Insurance Code of Puerto Rico as of December 31, 2010.

Statutory deposits maintained by the Company at December 31, 2010, with other governmental agencies are as follows:

U.S. Virgin Islands:

Description	Maturity Date	Par Value	Amortized Value
CD BPPR USVI #239101	3/28/2011	\$500,000	\$500,000
TOTAL		\$500,000	\$500,000

Unclaimed Funds

The Company complied with Section 26.040 (1) of the Insurance Code of Puerto Rico by reporting unclaimed funds to the OCI, on or before May 1 for the years under examination.

- **Unclaimed Funds**

Section 26.040, (2)(a) of the Insurance Code of Puerto Rico requires the “last known address in accordance with the records of the insurer, general agent, manager or authorized representative and the number of the policy or contract.”

The Company did not include in the written report to the Commissioner the last known address of twenty-three (23) of the insureds or beneficiaries entitled to receive the unclaimed funds for the examination period. The Company was not in compliance with Section 26.040 (2)(a) of the Insurance Code of Puerto Rico.

The Company submitted to the OCI the notice of unclaimed funds, and the payment of the unclaimed funds and was in compliance with Sections 26.050 and 26.060 of the Insurance Code of Puerto Rico.

Reinsurance

Reinsurance Assumed

The Company assumes 100% of a Quota Share reinsurance agreement with MAPFRE PRAICO Insurance Company for Short Term Disability Coverage.

Total assumed reinsurance for 2010 was \$69,000.

Reinsurance Ceded

The Company maintains primary treaty reinsurance agreements with MAPFRE RE Compañía De Reaseguro S.A., Swiss RE Life & Health America Inc., London Life Reinsurance Company and Munich Reinsurance Company (Canadian Branch).

Maximum net retention on any one life for individual and group life insurance products is \$75,000, and personal accident products and health insurance products is \$200,000 for Medicare and \$300,000 for group accident.

The Company maintains a 100% Quota Share reinsurance agreement with MAPFRE RE Compañía De Reaseguro S.A. on all group life and long term disability contracts classified as international policies.

The Company also has other reinsurance agreements covering other life and accident and health products offered by the Company.

The Company periodically evaluates the financial strength of the reinsurers and monitors their financial condition.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the arbitration clause, transfer of risk, reporting, and settlement information deadlines as stated in Statement of Statutory Accounting Principles No. 61 of the *NAIC Accounting Practices and Procedures Manual*, except for the finding identified below.

- **Insolvency Clause**

Section 5.060 (2) of the Insurance Code of Puerto Rico states:

"No credit shall be granted as an asset nor as a deduction from the liabilities to any cedent insurer, unless the reinsurance is payable by the reinsurer based upon the liability of the cedent insurer, pursuant to the reinsured contracts, without decrease by reason of insolvency of the cedent insurer."

The 100% Quota Share reinsurance agreement on the Group Life and Group Long Term Disability insurance for all Group International Insurance Plans with MAPFRE Re, Compañía De Reaseguros S.A. did not contain an insolvency clause. However, during the current field examination to the Company, the above reinsurance contracts were

amended on November 4, 2011, in order to include the insolvency clause, as required in Section 5.060 (2) of the Insurance Code of Puerto Rico.

Section 4.120(1)(b) of the Insurance Code of Puerto Rico and Normative Letter N-AF-63-2005 dated April 11, 2005, require that domestic insurers may only reinsure with unauthorized insurers if prior authorization is obtained from the Office of the Commissioner of Insurance of Puerto Rico. The Company is in compliance with Section 4.120(1) b) of the Insurance Code of Puerto Rico.

Accounts and Records

The Company maintained its principal operational offices in San Juan, Puerto Rico where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements for the year 2010 in compliance with Rule 14 -A of the Regulations of the Insurance Code of Puerto Rico. Supporting work papers were prepared by the CPA as required by Rule 14 -A of the Regulations of the Insurance Code of Puerto Rico.

The actuarial study and opinion for the period under examination was prepared by Jeffery A. Klanderman, FSA, MAAA, of KPMG, LLP.

Financial Statements

Below are the financial statements of the Company:

- Assets
- Liabilities, Surplus, and Other Funds
- Summary of Operations
- Capital and Surplus Account

MAPFRE Life Insurance Company
Assets

As of December 31, 2010

	Annual Statement	Examination Adjustments	Examination Balance
Bonds	\$ 56,351,655		\$ 56,351,655
Preferred stocks	486,800		486,800
Common stocks	758,646		758,646
Cash and short-term investments	11,843,951		11,843,951
Contract loans	208,002		208,002
Investment income due and accrued	626,526		626,526
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	3,599,018		3,599,018
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	153,327		153,327
Reinsurance:			
Amounts recoverable from reinsurers	402,038		402,038
Amounts receivable relating to uninsured plans	57,055		57,055
Net deferred tax asset	194,285		194,285
Electronic data processing equipment and software	33,366		33,366
Total Assets	<u>\$ 74,714,669</u>		<u>\$ 74,714,669</u>

MAPFRE Life Insurance Company
Liabilities, Surplus and Other Funds

As of December 31, 2010

	Annual Statement	Examination Adjustments	Examination Balance
Aggregate reserve for life contracts	\$ 7,705,704		\$ 7,705,704
Aggregate reserve for accident and health contracts	2,034,649		2,034,649
Liability for deposit-type contracts	2,409,876		2,409,876
Contract claims:			
Life	557,653		557,653
Accident and health	24,973,433		24,973,433
Contract liabilities not included elsewhere:			
Provision for experience rating refunds	9,335		9,335
Interest maintenance reserve	90,315		90,315
Commissions to agents due or accrued – life and annuity contracts	1,442,664		1,442,664
Commissions and expense allowances payable on reinsurance assumed	11,405		11,405
General expenses due or accrued	2,140,759		2,140,759
Taxes, licenses and fees due or accrued	806,116		806,116
Miscellaneous liabilities:			
Asset valuation reserve	355,590		355,590
Payable to parent, subsidiaries and affiliates	21,893		21,893
Aggregate write-ins for liabilities	9,646,838		9,646,838
Total Liabilities	<u>\$ 52,206,230</u>		<u>\$ 52,206,230</u>
Common capital stock	\$ 3,032,000		\$ 3,032,000
Gross paid in and contributed surplus	15,413,146		15,413,146
Unassigned funds (surplus)	4,063,293		4,063,293
Total Surplus	<u>\$ 22,508,439</u>		<u>\$ 22,508,439</u>
Total Liabilities and Surplus	<u><u>\$ 74,714,669</u></u>		<u><u>\$ 74,714,669</u></u>

MAPFRE Life Insurance Company
Summary of Operations

As of December 31, 2010

Premiums and annuity considerations for life and accident and health contracts	\$149,389,392
Net investment income	2,779,710
Amortization of interest maintenance reserve	20,386
Commissions and expense allowances on reinsurance ceded	761,516
Aggregate write-ins for miscellaneous income	293,640
Totals	\$153,244,644
Death benefits	\$1,426,413
Annuity benefits	15,053
Disability benefits and benefits under accident and health contracts	118,636,619
Surrender benefits and withdrawals for life contracts	294,765
Increase in aggregate reserves for life and accident and health contracts	(859,704)
Totals	\$119,513,146
Commissions on premiums, annuity considerations and deposit-type contract funds	\$8,527,695
Commissions and expense allowances on reinsurance assumed	10,342
General insurance expense	19,579,946
Insurance taxes, licenses and fees	1,541,552
Aggregate write-ins for deductions	9,335
Totals	\$149,182,016
Net gain from operations	\$4,062,628
Dividends to policyholders	0
Federal and foreign income taxes incurred	(737,789)
Net gain from operations after dividends to policyholders and income taxes and before realized capital gains	\$3,324,839
Net realized capital gain	8,422
	\$ 3,333,261
Net Income	

MAPFRE Life Insurance Company
Capital and Surplus Account

As of December 31, 2010

Capital and surplus, December 31, prior year	<u>\$24,532,844</u>
Net (Loss)/Income	\$3,333,261
Change in unrealized capital gains (losses)	67,453
Change in net deferred income tax	585,506
Change in non admitted assets	(1,008,117)
Change in asset valuation reserve	(2,508)
Dividends to stockholders	<u>(5,000,000)</u>
Net change in capital and surplus for the year	<u>(\$2,024,405)</u>
Capital and surplus, December 31, current year	<u><u>\$22,508,439</u></u>

MAPFRE Life Insurance Company
RECONCILIATION OF CAPITAL and SURPLUS ACCOUNT

As of December 31, 2010

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Capital and Surplus Account					
December 31, 2010, per Annual Statement		\$22,508,439			
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 33%;"><u>PER</u> <u>COMPANY</u></th> <th style="text-align: center; width: 33%;"><u>PER</u> <u>EXAM</u></th> <th style="text-align: center; width: 33%;"><u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u></th> </tr> </thead> </table>	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>	
<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>			
ASSETS:					
No Adjustment					
LIABILITIES:					
No Adjustment					
Net Change in Surplus:		0			
Capital and Surplus Account					
December 31, 2010, Per Examination		\$22,508,439			

Comments on the Financial Statements

Aggregate Reserve for Life Contracts
Aggregate Reserve for Accident and Health Contracts
Contract Claims: Life
Contract Claims: Accident and Health
Uncollected Premiums and Agents' Balances in Course of Collection
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due

An independent review of aggregate reserves was performed

Reserves were reviewed for compliance with standard valuation laws, applicable National Association of Insurance Commissioners Actuarial Guidelines, and Model Regulations.

Sample contracts were selected from the valuation systems for reserve testing based on the residual risk assessments. In choosing samples, focus was placed upon the products and contracts having provisions identified as having specific risks, thus emphasizing the added risk associated with the contracts tested.

As part of the examination, MAPFRE Life's valuation runs and supporting work papers for the reserves reported in Exhibit 5 were reviewed. There were no discrepancies between net reserves shown in the valuation files and the net reserves reported in the Annual Statements. Trend analyses were performed for each reserve item in Exhibit 5. The overall results appeared reasonable.

The balance sheet items enumerated in the examination scope appear to be calculated using valuation parameters, which appear to be free of any material error, and valuation files that appear to be complete. Based on the above discussion and analysis, it was concluded that the December 31, 2010, balance sheet items covered in the examination scope appear fairly stated. The balance sheet items have been accepted for the purpose of this report.

Subsequent Events

The July 2011 Board of Director Meeting minutes identified the resignation of Federico Sánchez - Febles as director and the appointment via Board of Director resolution of Federico Sánchez - Ortiz, President of Interlink Group.

The July 2011 Board of Director Meeting minutes identified a change in composition of the Audit Committee so that a majority of its members, two out of three of its voting members, are independent directors.

Summary of Examination Recommendations

Reinsurance Agreement, Insolvency Clause

The 100% Quota Share reinsurance agreement on the Group Life and Group Long Term Disability insurance for all Group International Insurance Plans between MAPFRE Re, Compañía De Reaseguros S.A., and the Company did not contain an insolvency clause as required by Section 5.060 (2) of the Insurance Code of Puerto Rico.

We recommend that the Company comply with Section 5.060 (2) of the Insurance Code of Puerto Rico and amend the 100% Quota Share reinsurance agreement on the Group Life and Group Long Term Disability insurance for all Group International Insurance Plans with MAPFRE Re, Compañía De Reaseguros S.A. to include an insolvency clause.

Subsequent events:

During the current field examination to the Company, the above reinsurance contracts were amended on November 4, 2011, in order to include, with addendum #2, the insolvency clause, as required in Section 5.060 (2) of the Insurance Code of Puerto Rico. Therefore, no further actions are required regarding this recommendation.

Unclaimed Funds

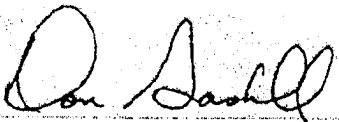
The Company did not include in the written report to the Commissioner of Insurance the last known address of twenty-three (23) of the insureds or beneficiaries entitled to receive the unclaimed funds for the examination period. The Company was not in compliance with Section 26.040 (2)(a) of the Insurance Code of Puerto Rico.

We recommend that the Company comply with the provision of Section 26.040(2)(a) of the Insurance Code of Puerto Rico and provide the full name and address of the claimants on the report for unclaimed funds.

Conclusion

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of MAPFRE Life Insurance Company as of December 31, 2010, consistent with the insurance laws of Puerto Rico.

In addition to the undersigned, Charles McMorrow, CFE, CPCU, CIA, CPA, Staff Examiner; Natalie Davis, AFE, Staff Examiner; and Patricia Casey Davis, CPA, CFE, Manager, all of INSRIS-PR, LLC; Paul Berkebile, CFSA, CISA, Senior Manager and David Gordon, MBA, CIA, CISA, CFE, IT Specialist, both of INS Services, Inc.; Frank Edwards, ASA, MAAA, Actuary, INS Consultants, Inc.; and Carmelo Hernández Alicea, Examiner Supervisor, Office of the Commissioner of Insurance, participated in the examination.



Don Gaskill, CFE
Examiner-in-Charge