Jesús Martínez Castellanos
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Regional CEO of LATAM North and CEO of MAPFRE Mexico

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Contingent Business Interruption (CBI)
ITSEMAP

Ranking of Europe’s Non-Life Insurance 2015

Analysis of airport disaster procedures
Editorial
Are we prepared for a new Black Swan?

Interviews
JESÚS MARTÍNEZ CASTELLANOS,
Regional CEO of LATAM North and CEO of MAPFRE Mexico
AUGUSTO PÉREZ ARBIZU,
Grupo Telefónica Risk and Insurance Manager

Agenda

News
Noticias AGERS
Noticias IGREA
Noticias INADE
Noticias FERMA
Presencia MGR eventos internacionales

Articles
Maritime third-party liability insurance.
ELISEO SIERRA NOGUERO.

Executive development, commitment to the organization and psychosocial risks in virtual work.
XAVIER BARAZA SÁNCHEZ
EVA RIMBAU GILABERT
INES DALMAU PONS
JAUME LLACUNA MORERA

Contingent Business Interruption (CBI).
ITSEMAP

MAPFRE studies service
Ranking of Europe’s Non-Life Insurance 2015

Opinion of the region
LATAM North

Claims observatory
Analysis of airport disaster procedures
Six months ago, coinciding with the publication of our magazine’s previous edition, we awoke with the news that had seemed very improbable only a few hours earlier and which was beginning to materialize: The result of a referendum in which the United Kingdom voted in favour of leaving the European Union (so called Brexit) after obtaining 52 % of citizen support opposed to 48 % from the “remain” group. Many analysts coincided in qualifying such an unpredictable result as what Nassim N. Taleb called metaphorically “The Black Swan theory”.

What we call a Black Swan here is an event with the following three attributes: First of all, it is an atypical case, because there is nothing in the past that makes one imagine that it could occur; secondly, it has serious consequences and, thirdly, despite being very rare, it is explicable and predictable.

After Brexit, many are puzzled over the result of the U.S. presidential elections and it leads us to think about a world that is becoming more and more turbulent, uncertain and unstable and, therefore, the capacity to recover and adapt is repeatedly put to the test.

Our responsibility as risk managers not only obliges us to keep our head above water, but also to be able to act quickly in times of crisis, to manage unexpected scenarios and to reduce as much as possible any damage that they could cause.

We begin the section with an interview, with the Regional CEO of MAPFRE for North LatAm, since last January, Jesus Martínez Castellanos. He states that the company is in the best corporate position to be the top insurer of Global Risks in each of the countries in the Region and aspires to be one of the top three insurers in each of the eight markets in the region.

With over eight decades of experience and constant growth, Telefónica is the leading integrated telecommunications operator in Spain and as their Risk and Insurance Manager, Augusto Pérez Arbizu highlights, the staggering acceleration of the changes that we are living makes the profession of risk manager more challenging than ever.

After the Agenda, in the News section, we present some of the main activities undertaken in the second half of 2016 by the two Spanish risk management associations, AGERS and IGREA, the Federation of European Risk Management and the Inade Foundation, Atlantic Insurance Institute. In the same section we refer to the international presence of MAPFRE GLOBAL RISKS at several events during past 6 months.

The section with Opinion Articles contains three different contributions; the first two are academic articles. The first one, by Eliseo Sierra Noguero, Associate Professor of Mercantile Law at the Autonomous University of Barcelona, analyses the insurance of liabilities arising from the navigation of vessels.
The author of the second article, Xavier Baraza Sánchez, Director of a Master’s Degree in Prevention of Risks in the Workplace, from the Catalonia’s Open University, analyzes the impact of different leadership styles on the exposure to psycho-social risks for workers in virtual environments, using data supplied by a university institution based on teleworking.

Finally, a contribution of the Engineering Department of MAPFRE GLOBAL RISKS (ITSEMAP) looks into the identification and analysis of the main factors that affect the risks for “contingency business interruption” covers and identify possible action plans that can help to manage the risk.

In the following section we present the twelfth edition of the “Ranking of the Largest European Non-Life Insurance Groups” prepared by MAPFRE’s Study Services and which, on this occasion, is for the 2015 year.

Under the heading ‘Regional Opinion’, we present an audio-visual summary on the NORTH LATAM region.

This number concludes with the Claims Observatory that describes the accident simulation exercise carried out last October in the Airport of Bilbao where the established reaction and coordination procedures in its emergency Plan were evaluated.

Before the New Year begins we must attempt to be creative and dream of new and exhilarating projects that will enable us to overcome the absence of colour in any “Swans” that appear.

Happy 2017!
“We want to lead in each market, not only from a quantitative view but also as trend-setters, innovating in products, services, tools and client treatment,”

For the Regional CEO of LATAM North and the CEO of MAPFRE Mexico, there is no doubt that “as a corporation, we are in the best position to do so.” The Group’s main strength is that it is the only insurer to operate in all countries in the region, and in many cases, with a long-standing presence, “which gives us the know-how and a very deep experience in these markets”.

Jesús Martínez Castellanos
REGIONAL CEO OF LATAM NORTH AND CEO OF MAPFRE MEXICO
Risk and Insurance Management (hereinafter, R&IM): What are the main strengths of the LATAM North region and what role does it play within the LATAM territorial area as a whole?

Jesús Martínez Castellanos (hereinafter, J.M.C.):

Our main strength is that we are the only insurer to operate in all countries in the region: Central America, the Dominican Republic and Mexico. In many countries, we have a long-standing presence, which gives us the know-how and a very deep experience in these markets.

Penetration rates for insurance is low in the region, with premiums barely exceeding 2% of GDP, which is well below the Latin American average. This means that there is a significant potential for development in the coming years.

R&IM: What goals have been set for each market in the region?

J.M.C.: First, we aim to meet all the corporate challenges in each country and, secondly, we strive to be among the top three insurers in each market. We want to hit a market share of 10% in Mexico.
“We aim to meet all the corporate challenges in each country and we strive to be among the top three insurers in each market”

We also want to lead in each market, not only from a quantitative view but also as trend-setters, innovating in products, services, tools and client treatment. As a corporation, we are in the best position to do so.

R&IM: In general, what businesses have greater potential in your region?

J.M.C.: Given the low level of insurance penetration, all businesses have major potential for growth. However, I would say that the Automobile line has the greatest upside, although we need regulatory and fiscal support from governments.

“Given the low penetration of insurance in the region, all businesses have a great potential for growth”

Secondly, I would say we have upside in insuring risks associated with small and medium-sized enterprises, which have very low insurance penetration rates, and the major risks of corporate groups in certain strategic sectors.

Lastly, I would say the retirement industry, given the lack of development to date and the future needs that these companies will have, as is the case in more advanced economies.

DISTRIBUTION MODEL: DIVERSITY

R&IM: Could you describe the current insurance distribution model in your region? How is it adapting in order to bring in more business and to facilitate client relationships?

J.M.C.: The current distribution model varies by country. In Mexico, we have a multi-channel model, with multi-company agents having a greater weight. In Central America, the distribution base comprises brokers and the bancassurance channel. In the Dominican Republic, we have an agreement with Banco BHD León, which puts us in a very prominent position in this market.

The main strategy for the coming years is to develop a proprietary network in each country, under the MAPFRE model. We will also remain abreast of new opportunities that arise for bancassurance agreements and for developing the distribution of mass insurance.

“The main strategy for the coming years is to develop a proprietary network in each country, under the MAPFRE model”

R&IM: What efforts are underway in your region in terms of product and service innovation?

J.M.C.: Firstly, we are adapting the products, services and Group-wide success practices for our particular region. Secondly, the digital transformation is a key aspect setting us apart from our peers while also improving customer service, both for consumers and distributors. For example, in Mexico, we have a multi-platform tool that has garnered market praise and innovation awards.
R&IM: How do you collaborate with the other two regions that make up the LATAM territorial area?

J.M.C.: In addition to the relationship and coordination with the LATAM Management Area, we are in contact with major clients, strategic partners and international brokers, and participate in joint transversal corporate projects.

MEXICO, A KEY ROLE

R&IM: As CEO of MAPFRE Mexico, can you tell us what Mexico means for the Group’s growth in the coming years?

J.M.C.: Mexico is an opportunity-rich country, although with its equal share of difficulties. However, I believe that as a strategic country, both in terms of premiums and profits, Mexico should have a greater weight in MAPFRE’s business structure. We aim to achieve this weight in the coming years.

“As a strategic country, Mexico should have a greater weight in MAPFRE’s business structure. We aim to achieve this weight in the coming years”

R&IM: How is the Territorial Expansion Plan, implemented to shore up your position in this market, coming along?

J.M.C.: The Territorial Expansion Plan entails the development of an agency network through direct service to agents. That is, without the figure of the insurance promotor or agent grouping, which is so ubiquitous in the Mexican market. The project was launched in May 2015. At present, we are right on track with the timeline established. We currently have 12 new direct offices and 586 new agents.

The plan has been extended to include a new project to bring in new associated agents and a specific network of people. In the coming years we will see the results of this project.

R&IM: Recently, MAPFRE launched its online insurance offer and Mexico was one of the selected countries. What objectives have been set in this regard?

J.M.C.: In Mexico, we have been distributing automobile insurance online since 2012. The experience is very positive, although a high percentage of the leads generated through this channel are closed by telephone. In the year to date, premium volume has risen 52% compared to the same period of the prior year.

Jesús Martínez Castellanos, CEO del Área Regional LATAM Norte y CEO MAPFRE México

R&IM: Another initiative was the “Recompensas Color Mapfre” program, through which we aimed to reach a greater number of clients. What is the take-away from this program, to date?

J.M.C.: This is a loyalty program for distributor clients, in this case for agents. It is the first loyalty program of its type in the Mexican market. With nearly one year under our belt, the take-away is very positive, especially in the multi-company agents environment, where all the loyalty elements we use are key for maintaining our sales activity.
R&IM: Another proposal is to maximize MAPFRE’s presence in the US and to offer insurance that is valid on both sides of the border. What steps have been in this regard?

J.M.C.: There is a major insurance market for Mexicans that cross the border to the US and for US citizens that travel to Mexico. We have specialized brokers near the border that sell automobile policies to US drivers entering Mexico. We also sell this type of insurance online. In addition, we have incorporated certain coverages in the policies contracted in Mexico and valid in the US.

“There is a major insurance market for Mexicans that cross the border to the US and for US citizens that travel to Mexico”

R&IM: What plans do you have for insuring large risks in the Mexican market? What is MAPFRE Mexico’s view of the energy sector restructuring?

J.M.C.: Large Risks is one of the most relevant businesses in the Mexican insurance market, especially for MAPFRE. This is because of the type of client, as well as the potential for insurance products and, above all, because of the competitive advantages we enjoy by having a specialized Global Risks unit within our Group.

Deregulation of the energy market has not yet affected the Mexican economy as hoped. However, I am convinced that in the coming years it will be one of the country’s economic drivers.

POSITIVE RESULTS

R&IM: Overall, how do you rate MAPFRE’s performance in Latin America? Is it meeting your expectations?

J.M.C.: Currently, Latin America is suffering the volatility of markets and certain international uncertainties, especially the drop in commodities prices and the resulting impact on exchange rates.

However, I believe that although this is not the best of economic times for this region, MAPFRE is bringing in profits, with growth in real terms in local currency, and is the number-one multinational insurer in Latin America.

“We are perfectly placed to be the number-one insurer in Global Risks, in each country in the region”

R&IM: In your opinion, what potential does risk management and Global Risks management have in Latin America? What role is MAPFRE called to play in Latin America with regard to these topics?

J.M.C.: We are perfectly placed to be the number-one insurer in this type of large risks, in each country in the region. Firstly, because of our presence in the region and our knowledge of both clients and the market. Secondly, because we can count on the specialization and support of the Global Risks Unit. Lastly, we have a plan to work closely with clients in the decision-making process, as we begin to have suitably-prepared local teams.

“We are perfectly placed to be the number-one insurer in Global Risks, in each country in the region”
PASSION FOR HIS WORK

With a degree in Economics and Business Studies, insurance actuary Jesús Martínez joined MAPFRE in 1989. Since then he has held several senior positions: General Manager for Business in MAPFRE VIDA, Managing Director of MAPFRE Empresas and Third Vice-Chairman of the Spain and Portugal Insurance Division, among others.

In 2014, he was appointed General Manager for Business and Clients in MAPFRE Spain and, in 2015, he became the CEO of MAPFRE Mexico. Since January 2016, Mr. Martínez has been the CEO of the LATAM North region, accepting the appointment with “great enthusiasm.” “It is thrilling to lead eight countries, to know the reality in each and to be able to work in eight different insurance markets,” he affirms.

Mr. Martínez believes that the two posts are very compatible: “An important number of initiatives and actions plans for Mexico are also valid for the rest of the countries,” he clarifies.
Augusto Pérez Arbizu
GRUPO TELEFÓNICA RISK AND INSURANCE MANAGER

“The lifecycle of companies is becoming ever shorter and our profession may be able to play a key role in their survival and even become part of their competitive advantage”

In Telefónica, they share the view that the risk manager plays an important role, a function in which innovation is a key factor. The Grupo Telefónica Risk and Insurance Manager feels that “we should be in a position to provide imaginative solutions for the analysis, evaluation, mitigation and financing of new risk”.
Risk and Insurance Management (hereinafter, R&IM): How would you rate Telefónica’s level of tolerance to risk?

Augusto Pérez Arbizu (hereinafter ‘A.P.A.’): The Company has a reasonable level of tolerance to risk or ‘acceptable risk’, understanding these concepts to be its willingness to assume a certain level of risk, insofar as this enables the creation of value and the development of business while achieving a suitable balance between growth, performance and risk.

To this end we have made a commitment to active management in the face of identified risks, always depending on the nature of the same, by taking comprehensive action on the impact and probability of them occurring.

R&IM: What are the main features of the corporate risk management model implemented in Telefónica?

A.P.A.: The participation of agents in the identification, evaluation, management and reporting of risk is a vital part of the risk management process in Telefónica, as this enables them to take full advantage of their knowledge in their respective areas of competence.

“‘We have made a commitment to active management in the face of identified risks by taking comprehensive action on the impact and probability of it occurring’”

First of all, we have the Risk Management function (ERM) which is headed by Internal Audit from which the procedure enabling the generation of the Group risk registry and map is managed. And then we have the Insurable Risk function which our Area represents. We apply a procedure for the identification, evaluation, reduction and financing of these risks.

“‘The participation of agents in the identification, evaluation, management and reporting of risk is a vital part of the risk management process in Telefónica’”

Even though the scope, and above all the methodology, of these two functions is very different, in Telefónica we feel that the feedback between both Areas is quite valuable, and so the degree of collaboration is excellent.

RISKS WHICH ARE MORE DIFFICULT TO MANAGE

R&IM: Risks of a Business, Operational, Financial, Global nature… Which of these risks are the most difficult to keep under control?

A.P.A.: Generally speaking, those risks which depend more on external factors and agents are more difficult to manage than those arising from the internal operations of the company itself, as is the case in areas like regulation or the macroeconomic and social environment of the countries where we operate.

For affairs which are of a more ‘internal’ nature, such as operational risks which may affect our infrastructures for example, although they may sometimes be rather complex, we have more mechanisms and information enabling us to deal with them effectively.
R&IM: In Telefónica, which units take part in the insurable risk management process both at the corporate and local level?

A.P.A.: Corporate Risk and Insurance Management comes under Telefónica S.A. Corporate Finances (Corporate Center), specifically within the Risk and Insurance Treasury Division. This Division manages a series of companies linked to the insurance area which provide us with the necessary resources for undertaking the function.

First of all, we have our surety reinsurance company, Casiopea RE, strongly capitalized and given an A rating by AM Best, which gives us a high capacity for the retention and mutualization of Group risks, as well as direct access to the international Insurance and Reinsurance market. This is an extremely important tool for designing Corporate Insurance Programs, since it provides great flexibility for achieving optimum costs at each stage of the market cycle and for adapting coverage to Group requirements.

Furthermore, we have Pléyade Peninsular, our insurance and reinsurance broker, with its subsidiaries in four Latin American countries. A great team which enables us to undertake most of the activities corresponding to the Area and reach all the companies within the Group. Its activities include the following: the implementation of corporate insurance programs and policies, the need for local insurance, risk engineering, support for Casiopea in the design and negotiation of corporate programs, offering insurance for employees, etc.

“Thanks to Casiopea and Pléyade, a Risk Management unit can be converted into a unit with revenue and a statement of income”

Thanks to Casiopea and Pléyade, a Risk Management unit which is traditionally a purely cost center can be converted into a unit with revenue and a statement of income. However, revenue growth has never been sought at the expense of premiums paid by the Group, since the objective has always been to optimize value added in matters of Risk Management, which we measure every three years based on independent third parties.

R&IM: The Group has Multinational Insurance Programs. What are the main features of these programs?

A.P.A.: We have been using our surety to design our programs for more than 25 years. So over this long period of time we have accumulated maturity and experience, specialization and knowledge of
our risks, as well as a well-capitalized surety and a great capacity for retention. For this we can usually provide an excellent response to the market in order to follow Casiopea in periods of excess, when we can introduce new coverage and growth over that already existing.

Furthermore, we make maximum use of the potential and try to innovate continuously. Our programs are not static, but evolve constantly in order to adapt as well as possible to Group requirements and to be at the forefront of the insurance market or even one step farther forward.

Another feature of our programs is that they are multilinear. So for example, All Risk, Cyber and Crime coverages are grouped together in a single insurance contract for each subsidiary/country, the local insurance company assigns 100 percent to Casiopea and then we roll back to the reinsurance markets with different retentions. This considerably simplifies management with the Group’s subsidiaries and enables us to be more flexible when assigning and distributing costs, while at the same time complying with internal policies and regulations with regard to transfer prices.

**COVERAGE PROBLEMS**

**R&IM:** Are you having any problems finding coverage for some risks?

**A.P.A.:** If you are referring to regular and traditional coverage, this is not the case at this time. We have no problem finding capacity in the market under competitive conditions. However, if you are referring to non-traditional coverage or new coverage for emerging risks then this is logically quite another story.

In these cases it is always difficult to find a response, as it was to get Cyber coverage for the Group in 2008 before supply matured. Three years ago we managed a certain degree of coverage for reputational risk. We would like to extend it, but at the moment only one company is prepared to provide capacity in excess of the retention of the Surety. We have also been trying for some time to get Multiline Stop Loss protection for Casiopea, but so far without much success.

**R&IM:** Telefónica’s international presence has enabled it to diversify its activity in different countries and regions... But how does this affect you in terms of risk? In geographical terms, where are the greatest challenges for your Department?

**A.P.A.:** We have a presence in 22 countries, in most of which we occupy first or second place in the market and the Operator has dozens of satellite subsidiaries. To be able to reach every single one of the Group’s subsidiaries, Pléyade plays a vital role in Corporate Risk and Insurance policy. Pléyade Peninsular not only serves Spain, but also provides free services for Germany and the United Kingdom. In the other countries, brokerage provides a response, either through its Latin American subsidiaries (Argentina, Chile, Brazil and Mexico) or via agreements with local brokers.

One of the greatest challenges is political risk. We have a Political Risk Insurance Program, although with the exception of coverage for Political Violence and Terrorism, we understand that market response is not very significant for risk such as that of Telefónica. Furthermore, the strict regulation of the insurance industry is another challenge from the standpoint of our Multinational Programs. Logically, this affects us throughout the Latin American region.
Finally, other challenges are the maintenance of coverage for Natural Hazard Risk in certain especially exposed countries (Chile, Peru, Venezuela, Ecuador, etc.); and the risk of collective actions in countries like Brazil, Argentina and Chile.

R&IM: What is the role of Telefónica Insurance in the management of the Group’s risks?

A.P.A.: Currently its role in the management of the Group’s risks is practically non-existent. Telefónica Insurance was created in 2005, with the aim of providing an issuing service for our programs, first in Spain and subsequently in Europe, because in accordance with legislation in Luxembourg, which is where Casiopea Re has its legal headquarters, a reinsurance company cannot undertake direct insurance activities.

At that time we were unsure about the efficiency and capacity of the response the market could provide. After a few years we started to develop the insurance business for the Group operators’ client base, especially the mobile insurance, and we soon discovered that underwriting all our operations in Europe via Telefónica Insurance made good sense and we opened branches in the UK, Germany and Spain to work in free establishment.

At the same time we were able to confirm that large, multinational insurance groups were developing a much more efficient and flexible response for the issue of multinational programs. In short, we realized that Telefónica Insurance added ever more value to the Group for the development of the insurance business and less as a direct insurance company for our multinational programs. Nowadays, Casiopea is concerned exclusively with corporate programs, while Telefónica Insurance does the same for the development of the Group’s insurance business.

R&IM: In your opinion, how will Brexit affect the European insurance market?

A.P.A.: It is still a little too soon to forecast. In the worst case scenario, insurance companies domiciled in the UK may lose their European passport and vice versa, and we assume that the large multinational insurance groups will look for the quickest and most efficient solution in order to continue providing services for their clients, be that by working in reinsurance, or transferring underwriting undertaken in London to other subsidiaries within the EU. It has been suggested that Dublin could compete with the London market.

Nevertheless, I am more concerned with the difficulties that we could have in maintaining the activities of Telefónica Insurance’s British branch, which has a current premium volume of nearly 100 million Euros in O2 UK Mobile Insurance. Finally, beyond the effect on the insurance market, the main concern about Brexit is regarding the impact it will have on O2 UK which is such an important asset to Telefónica.

NEW BUSINESS AND RESULTS

R&IM: In the line of developing new insurance business, you recently launched insurance covering cyberbullying and identity theft, how is this being received?

A.P.A.: Telefónica Insurance’s strategy is indeed to develop the insurance business, not only via Mobile Insurance, but also via products which are innovative, digital and/or related to Telefónica’s services.
From a commercial point of view it is still too soon to be able to appreciate the degree of acceptation. The pilot phase of the product has been launched and we’re still finalizing the platform’s optimum performance before undertaking a mass launch. We’re also analyzing which will be the most appropriate distribution formulas and channels for this product (retail channel, wholesale distribution, bancassurance, etc.). We’re hoping to be able to make some kind of interesting launch for the Christmas campaign.

R&IM: At a business level, are companies becoming more aware of the technological risk they are facing?

A.P.A.: Indeed they are. This isn’t something new. Cyber risk already went beyond being an ‘emerging risk’ some years ago and it is now the subject of profound analysis in the risk map for any important company. It may well be that awareness of this risk has fallen behind to a certain extent in small and medium-sized businesses due to their limited resources, both at the system and information security level and that of risk management.

Quite another matter is the demand for cyber-risk insurance by companies which in my opinion is holding back more than expected, in spite of the fact that supply in this field is already quite abundant. I believe that in this area there are still some barriers which the risk manager needs to overcome. In short, the areas involved in the management of this risk need to be aligned (Systems, Information Security, Legal, etc.) and the company’s Senior Management convinced of the need to establish a budget for the purchase of this new coverage.

“Demand for cyber-risk insurance by companies is holding back more than expected, in spite of the fact that supply in this field is already quite abundant”

Nevertheless, I am in no doubt that this trend is unstoppable. Companies depend more and more on digital assets, systems and networks for undertaking their activity and traditional insurance covering material assets will have less significance for the protection of their equity and their statement of income.

R&IM: In June you were appointed Chairman of IGREA for the next three years. What do you hope to achieve during your term of office?

A.P.A.: The Board of Directors has had a period of reflection on what will be the upcoming challenges for IGREA and we have some idea of the direction we would like to take. IGREA would like to progress in another of the objectives defined in its statutes: to become a representative body for companies in their capacity as risk managers and insurance purchasers before institutions and the insurance market.
For this purpose, it has been decided to create a consulting Advisory Board for the Association’s Board of Directors, made up of prominent professionals with a long, productive career in the exercise of Risk Management and who to date do not hold a management position in one of the companies within the sector. This Board will issue non-binding rulings on whatever matters are submitted to them by the Board of Directors.

R&IM: What position do risk managers currently hold in companies and what will be their place in the future?

A.P.A.: I believe that the status of risk managers in the company is in excellent health. The dramatic acceleration in change which we are now experiencing due to multiple factors: new technologies, globalization, climate change, economic cycles, geopolitics, etc. means that this profession is more dynamic than ever. The lifecycle of companies is becoming ever shorter and our profession may be able to play a key role in their survival and even become part of their competitive advantage.

“RISK MANAGEMENT AND INSURANCE N° 124 – 2016

In the case of Telefónica, we confirm daily that it is becoming more and more important to explain to the Telecommunications Regulator, the Stock Market Commissions in the countries where shares are quoted, in M&A processes, etc., the risks to which the company is exposed, together with the risk control and management mechanisms, logically including the insurance programs currently in force. This environment means that Risk Management is becoming more and more important in companies. A trend that will continue in the future.

“As telecommunications is a strictly regulated sector, the greatest challenge is political and regulatory risk”

In recent years we have also witnessed the birth and consolidation of the ERM in most of the companies quoted on the Stock Exchange. However, for risk managers and the insurance industry to maintain this important role, innovation is vital in order to respond to the ongoing growth of risk for companies, companies whose activity depends more and more on intangible assets like branding, workforce talent, change management, etc. Between us all (risk manager, insurance companies, brokers, appraisers, etc.) we should be capable of providing imaginative solutions for the analysis, evaluation, mitigation and finance of new risks.
Augusto Pérez Arbizu joined Telefónica in 1997 as Corporate Business Manager for Pléyade Peninsular, the Telefónica Group Insurance Brokerage. He already had previous experience in the insurance industry as Regional Technical Supervisor in the Vitalicio Group and in Baloise. He soon began to extend his responsibilities beyond attending to the business of the Group’s subsidiaries in Spain, with frequent trips to Latin America and a greater participation in the Group’s multinational programs.

In 2005 he was appointed Corporate Programs Manager, taking full responsibility for these programs, which meant not only the design and negotiation of coverage with the market, but also for the policy for underwriting and retention in reinsurance surety. Three years later, he took a further qualitative step forward after the decision to implement a new line of activity: to sell insurance to third parties, given the potential of the client database and the Group’s distribution capabilities. He thereupon became the Insurable Risk and Product Development Manager.

Finally, in 2014, he was appointed Corporate Risk and Insurance Manager. In addition to the aforementioned technical, operative and business development responsibilities, he was now also responsible for the management of different insurance companies within the Group. He is currently on the Board of Directors of Casiopea Re, Telefónica Insurance and Grupo Pléyade.

After nearly 20 years of involvement with Telefónica’s Risk and Insurance Area, Augusto Pérez Arbizu still has a role to play, because “the risk management function is so intense and dynamic”. “Furthermore”, he adds, “Telefónica gives great importance to this matter, as shown by the volume of resources it allocated to this end. These resources, together with the confidence shown and the freedom of action the company has always given me, enable us to be very creative and innovative in the design and structure of our insurance programs. We are not restricted to simply renewing the programs. There are always new risk management projects on the table before us”.

We should also highlight the Telefónica Insurance’s great potential. “We are currently working on some very interesting projects, some of which you’ll be finding out about over the coming months”.

“Our insurance programs are not static, but evolve constantly to achieve the best possible adaptation to the Group’s requirements”
## Agenda

<table>
<thead>
<tr>
<th>EVENT</th>
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<th>VENUE</th>
<th>ORGANISER</th>
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<tbody>
<tr>
<td>XVIII Annual Global AirFinance Conference</td>
<td>15-18 January</td>
<td>Dublin (Ireland)</td>
<td>AVIATION NEWS LIMITED</td>
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<td>VII Pharmacovigilance &amp; Risk Management Strategies</td>
<td>25-27 January</td>
<td>Amsterdam (Netherlands)</td>
<td>FLEMING EUROPE</td>
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<td>XXVI World Captive Forum</td>
<td>29-31 January</td>
<td>Boca Ratón, FL (USA)</td>
<td>BUSINESS INSURANCE</td>
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<tr>
<td>XVIII Windstorm Insurance Conference</td>
<td>29 January-2 February</td>
<td>Orlando, FL (USA)</td>
<td>WIND</td>
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<td>XXV Rencontres</td>
<td>1-3 February</td>
<td>Deauville (France)</td>
<td>AMRAE</td>
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<td>Insurance Risk Management Annual Forum</td>
<td>5-8 February</td>
<td>San Diego, CA (USA)</td>
<td>ABA</td>
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<td>XLIII Annual Conference</td>
<td>12-15 February</td>
<td>Anaheim, CA (USA)</td>
<td>PARMA</td>
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<td>Semana del Seguro</td>
<td>21-23 February</td>
<td>Madrid (Spain)</td>
<td>INESE</td>
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<td>XVIII Annual Risk Management Convention</td>
<td>7-8 March</td>
<td>New York, NY (USA)</td>
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<td>Captives: Defying Disruption</td>
<td>12-14 March</td>
<td>San Diego, CA (USA)</td>
<td>CICA</td>
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<td>III AGERS Catalonia Conference</td>
<td>21 March</td>
<td>Barcelona (Spain)</td>
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<td>Risk Forum</td>
<td>30 March</td>
<td>Estocolmo (Sweden)</td>
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<td>Governance, Compliance &amp; Operational Risk</td>
<td>4-5 April</td>
<td>Cambridge, MA (USA)</td>
<td>RMA</td>
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<td>XIV Congreso Regional de Seguros</td>
<td>21-23 April</td>
<td>Managua (Nicaragua)</td>
<td>COPAPROSE</td>
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<td>Annual Conference &amp; Exhibition</td>
<td>23-26 April</td>
<td>Philadelphia, PA (USA)</td>
<td>RIMS</td>
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<td>Life Insurance Conference</td>
<td>24-26 April</td>
<td>Orlando, FL (USA)</td>
<td>LIMRA</td>
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<tr>
<td>Aviation Insurance Annual Conference</td>
<td>29 April-2 May</td>
<td>San Diego, CA (USA)</td>
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## Agenda

<table>
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<tr>
<th>EVENT</th>
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<td>IX International Insurance Conference</td>
<td>1 june</td>
<td>Zürich (Switzerland)</td>
<td>INSURANCE EUROPE</td>
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<td>XXVIII Congreso Anual</td>
<td>1 june</td>
<td>Madrid (Spain)</td>
<td>AGERS</td>
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<td>XXXVII Caribbean Insurance Conference</td>
<td>4-6 june</td>
<td>Punta Cana (Dominican Rep.)</td>
<td>LIMRA</td>
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<td>Annual Conference</td>
<td>4-7 june</td>
<td>Phoenix, AZ (USA)</td>
<td>PRIMA</td>
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<td>XLII Annual Convention</td>
<td>14-16 june</td>
<td>Brighton (UK)</td>
<td>BISA</td>
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<tr>
<td>National Conference</td>
<td>26-27 june</td>
<td>Manchester (UK)</td>
<td>ALARM</td>
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Events in the first half of 2016

POST-BREXIT RISK MANAGEMENT FORUM IN BARCELONA

Analysis of possible new legal frameworks and relations following the referendum, the consequences of the same and its implications for business activity.

On Friday October 7, Dr. Miguel Santolino, Director of the Masters in Actuarial Sciences and Researcher at the University of Barcelona Riskcenter, welcomed the attendees as representative of the university.

Subsequently, Fernando Martínez-Cué, as the AGERS delegate in Catalonia, opened the event with a talk on AGERS’ operations in the region, discussing the need to inculcate risk management within the Catalan business world, and not only at major corporations but also at small and medium enterprises; while he also underscored the critical role that training has to play.

Next, Mr. Gonzalo Iturmendi Morales, Secretary of the Association, took charge of moderating the event and introducing the speakers. He first gave the floor to Mr. José Mª de Areilza Carvajal, Professor and holder of the Jean Monnet Chair at ESADE Law School. The following speaker was Mr. Francesc Granell Trías, Professor Emeritus of International Economic Organization at the University of Barcelona.

Closing the event, Mr. Iturmendi emphasized we are living a watershed moment, with the consequences of the Brexit set to be enshrined in agreements that will be of enormous importance for business activity going forward.
On Monday October 17, Mr. Gonzalo Iturmendi, Secretary General of AGERS, welcomed the attendees to this edition of the forum, following the successful event in Barcelona the previous week. He first gave the floor to Mr. Rafael Hurtado, Director of Investments at Allianz Popular (Grupo Allianz), who detailed the political, economic and financial trends that have taken shape following the Brexit referendum.

Next to take the floor was Mr. Francisco Garcimartín, Professor of International Private Law at the Autonomous University of Madrid and Consultant at Linklaters, who discussed the legal implications of the Brexit. Following Mr. Garcimartín came Mr. Leopoldo González-Echenique, from Herbert Smith Freehills, who warned that it is still too early to be sure how events will unfold, with multiple uncertainties still to be dispelled.

Mr. Juan Arsuaga, Chairman and CEO of Lloyd’s Iberia, was the last to speak. He opened by emphasizing that Lloyd’s has been working on a contingency plan to ensure that its European operations will continue to run effectively.

Following the speeches, Mr. Iturmendi pointed out that each organization would need to consider a series of questions in order to determine the scope of the risk posed by the Brexit in any of the foreseeable scenarios.
PERSONAL RISK FORUM: MITIGATING AND MEASURING RISK IN BREAST AND OVARIAN CANCER

Coinciding with the World Day Against Breast Cancer, on October 19, AGERS presented at the CEIM headquarters its research manual on “Comprehensive Risk Management for Serious Breast and Ovarian Cancer Conditions”, the second such manual from the Association’s Bioactuarial Research Group (GBI).

The event was attended by Dr. José Miguel Rodríguez-Pardo, Professor of Actuarial and Financial Sciences at the Univ. Carlos III de Madrid and Director of the AGERS GBI, which is comprised of 16 researches, as coordinator of the speakers’ table.

Joining him in the presentation were Dr. Santiago Delgado from the Tejerina Foundation and Unidad de Medicina Legal Abascal S.L; Dr. Cristina Grávalos Castro, Coordinator of the Regional Oncology Coordination Office for the Community of Madrid; and as members of the GBI and authors of the manual, Mr. Ignacio Asiain, Technical Director of Life and Health Insurance at Swiss Re, Actuarial and Statistics Division, who introduced the tables, certified the suitability of the study, its methodology and results; Mrs. Pilar Castillo, Head of Underwriting at Santalucia; and Mr. Fernando Ariza, Director of the Solvency Division at Mutualidad de la Abogacía, who’s speech closed the event.

During the open discussion those in attendance commended the initiative, which was motivated by a gap in insurance provisions, both on the preventative side and once the condition has been diagnosed. The various solutions offered internationally by the industry were examined, concluding that insurance firms and the sector as a whole need to include specific protection for women against this condition within risk policies.

The attendees encouraged the Association to draw up actuarial mortality tables for breast and ovarian cancer in their various stages.
MEETING BETWEEN FERMA AND AGERS

During the first week of November, the Federation of European Risk Management Associations (FERMA) visited the Spanish Association of Risk and Insurance Management (AGERS).

Mr. Juan Carlos López Porcel, President of AGERS, and Mr. Jo Willaert, his European counterpart, held a working meeting in which they discussed issues such as conclusions drawn from the survey conducted by FERMA among European risk managers, the recent seminar organized by FERMA during October in Malta, the forthcoming European forum that will take place in Monaco in 2017, the Risk Management Awards organized by FERMA in partnership with Commercial Risk Europe, with three Spaniards having been shortlisted for the final and the winners set to be announced on December 6, the European Risk Management Certification, Rimap; the benefits of working together and the future of the Federation and the Association, among other topics.

Also at the meeting were Mrs. Typhaine Beaupérin, Chief Executive Officer of FERMA, Mrs. Alicia Soler, Head of the Association, Mrs. Marisa Martínez Torre-Enciso, member of the AGERS Board of Directors and Vice-President of the European Federation, and Mr. Mario Ramírez Ortúzar, Vice-President I of the Association and member of the FERMA Scientific Committee.

AGERS SECURES AN AGREEMENT WITH AXCO

AGERS has signed an agreement with Axco under which all associate risk managers will have access to the Insight Risk Manager website, which features full up-to-date information on insurance program legislation in each country, as well as large volumes of documentation.

Said information is enormously useful to risk managers at companies with operations or trade relations in third countries, providing them with much-needed information when designing local or international insurance programs.

This is a new service available exclusively to AGERS members.
On November 17, Mrs. Isabel Martínez Torre-Enciso, member of the AGERS Board of Directors and Vice-President of FERMA, opened the event by welcoming the attendees and introducing her colleagues on the table, with whom she took a practical approach to evaluating the risk map over the course of the event.

Fernando Redondo, Director of Risk Management at Willis Towers Watson, began his speech by explaining the importance of being available when needed, as now happens in Risk Management, pointing out that “Risk management is a must for all kinds of businesses, regardless of their size and according to their possibilities” (Standard ISO 31000).

Mr. Antonio García, Head of Upstream and Markets Insurance at Repsol, examined risk management from the business perspective. In his speech he detailed the methodology and scope of the Repsol Integrated Risk Management System, in which there are up to eight differentiated processes in three risk management stages:

• Planning.
• Risk Evaluation.
• Risk Processing.

Mr. Fernando Aldana, Head of Risks at Grupo Villar Mir, also offered his view of risk management and processes at a business, demonstrating how both the ERM and the Risks Map are responsible for integrating the risks culture at organizations.

Mr. Miguel Ángel Zarandona, Senior Client Manager at Swiss Re International SE, Spanish Branch, focused his talk on risks that are traditionally not transferred to the insurance market, seeking to evaluate whether such risks really are not insurable, or whether there may be potential options to allow coverage of the same.

Before closing the event, Mrs. María Isabel Martínez Torre-Enciso, acting as moderator, outlined the conclusions that she had drawn from the day, including:
• Risk management is a critical activity that must be enshrined in operations at all organizations.
• It needs to be embraced by the most senior body at each company, the Board of Directors.
• There are a number of different organizational approaches to managing the model within companies.
• The Chief Risk Officer (CRO) is the central figure overseeing risk control and management at companies.
• Based on the need to model probabilities and calculate exposure on an actuarial basis, she discussed the need to define, together with the pure expression of risk (e.g. a reduction in sales due to a lack of clients), the inherent risks that act to create said impact (e.g. catastrophic risks, terrorist threat or the impossibility of accessing or traveling to locations). Considered jointly or individually, a study of these must form the foundation of any solution.
• There are sufficient consulting and technology resources available to perform this activity, and to manage the same on an ongoing basis.
• The insurance market must play a leading role in managing the transfer of risks and proposing solutions for new risks detected as part of risk analysis, assuming that not all risks at organizations are transferrable.

**THE BARCELONA COLLEGE OF BROKERS HONORS AGERS**

AGERS was awarded the Barcelona College of Brokers Special Award at its 42nd Global Insurance Agent and Broker Week. The award was accepted by Mr. Juan Carlos López Porcel, President of AGERS and Director of Risks and Insurance at ARCELORMITTAL ESPAÑA, who attended the event accompanied by the Head of the Association, Mrs. Alicia Soler.

The award recognizes the efforts of the Spanish Association of Risk and Insurance Management, AGERS, to develop, promote and deploy risk and insurance management in Spain, and for its close relations with insurance brokers. The award also recognizes the recent inauguration of the AGERS delegation in Catalonia.

There were more than 900 in attendance at the event, including brokers and representatives from insurance firms, public sector figures, and other players in the sector both in the Catalan capital and elsewhere in Spain.

The event ended with a cocktail at the Palacio de Congresos conference center.
IGREA ANNUAL CONGRESS 2016

On October 25th, under the banner of “Living with Uncertainty”, IGREA held its traditional annual Congress with over 140 attendees from the main Spanish companies in the Insurance Sector and business world in general.

The Congress was opened by Augusto Pérez, the President of IGREA, who began by thanking all participants for attending and Cristina San Sebastian, on behalf of Iberdrola, for the loan of their headquarters and the magnificent organization of the event. He went on to highlight the success of the previous Meeting and congratulate Daniel San Millan for the growth in the number of members and consolidation of IGREA since it was founded, only 7 years ago. Subsequently, he underlined the principle of independence as one of the association’s signs of identity and how they had achieved one of the main objectives which is the exchange of experiences and transmission of knowledge amongst members.

Lastly, he explained the composition of the new Board and the short-term objectives. Apart from promoting activities as it has done up until now, IGREA wants to become the representative body for companies in their capacity as risk managers and insurance buyers with regard to the Insurance Market and Institutions. For this purpose, it was decided to create an Advisory Council for the Board which will be formed by persons of renowned prestige in the Insurance and Risk Management Sectors. These would be retired persons, not connected to
companies or not having any activity with third parties that could put in question the independence of their opinions. Prior to IGREA adopting a position or publishing an opinion, the Council will issue non-binding reports on those questions submitted to them by the Board.

The first panel, looking at Brexit, was moderated by Cristina San Sebastián and the speakers were Fernando Lasheras of Iberdrola, Antonio Irastorza of Lynx Advisors and Ignacio Almazán from RSA.

Under the title “Brexit: Challenges, opportunities and points for attention” the situation of change and uncertainty for the United Kingdom and European Union was highlighted, as well as for those organizations with relationships and interests in the UK. Nevertheless, as is the case for all situations of change, there will be not only risks but also opportunities.

Fernando Lasheras explained that Brexit signifies re-designing the existing relations of the United Kingdom with the European Union (EU). There are several options, although the fundamental point to be decided is whether the United Kingdom will continue to form part of the Internal Market or whether it will leave and negotiate a relationship similar to that of Switzerland. Fernando then compared data on energy and emissions of the United Kingdom with that of the EU. The impact of Brexit on the European energy sector and on policies for combating climate change will depend on the solutions agreed. Investment in energy in the United Kingdom will continue despite Brexit, driven by the need for modernization of its energy systems and by its ambitious domestic policy on decarbonisation.
Antonio Irastorza mentioned that the result of the referendum had been a surprise for all. It was a referendum that had not been organised by popular request but, on the initiative of the Prime minister, David Cameron, to unite his Tory party, and had turned into a vote of protest against him. The United Kingdom is a gate to the rest of the world, not only for the Commonwealth, and this is something that benefits both the UK and the EU. British pragmatism, its jurisprudence and the historical recognition of its way of doing things have been an asset for the entire EU. Whilst the negotiating positions are debated, there is great suspense regarding passports, free circulation of people and Customs.

Antonio referred to the fact that in the “City” of London, which is so important for the GDP of the United Kingdom, there is concern over the preservation of the international spirit of its activities. However, he believes that, in the long term, it will resurface as the financial centre since businessmen, bankers, consultants and businessmen from all over the world are comfortable there.

Ignacio Almazán said that, with regard to how Brexit can affect Spain, that the financial and insurance sector is very strong in Spain. There are more than 30 branches. It is hoped that the transition period will be the least negative as possible for all. With regards to his company, RSA, he mentioned that he does not think that it will affect them since they have subsidiaries in Scandinavia and Ireland through which branches could operate.

The second panel, titled “attitude to claims”, was moderated by Manuel Garrote, Risk Manager of OHL, and participated by José Ramón Morales, Director General of XL Catlin in Spain, David González, Risk Manager of Sacyr, Elías Rodríguez from the loss adjusters, Addvalora, and Álvaro Mengotti, Commercial General Manager of March-JLT. The panel dealt with a series of questions and answers and an intense debate was generated with audience participation. The following topics are worthy of mention:
• The importance of promoting a climate of confidence and transparency by all parties involved in the handling of claims.
• The need for clear commitment from insurers to their insureds that does not generate uncertainty with respect to cover for the claim.
• It was commented that risk managers perceive that, at times, there is not the same degree of interest during the claims handling process as there is for contracting the policy.
• It was highlighted that a positive and effective attitude of the insurer in dealing with claims converts the insured into the best “ambassador” for the Company.
• Insurers ask themselves whether, at the time of purchasing insurance, the insureds value those insurers that are providing better claims service or simply choose the most economic option.
• The impartiality of the expert appointed by the insurer was defended but everyone coincided on the need for the appointment of the insured’s adjuster.
• The appointment of a lawyer at the beginning of the claim was questioned when, in theory, there is no dispute. The counter-argument put forward was that the insurer does it with the intention of seeking the best experts in each area.
• The role of the broker in the mediation of the claim is essential. This is the big differentiating factor when comparing with the purely “placing” broker.
• One insurer affirmed that adjusters should limit their intervention on a claim to mere description and evaluation of the damage and not interpret the policy coverage.
Following on, Antonio de la Torre, Insurance Manager of Repsol, made a presentation entitled “A Strategic Approach to the Management of Financial and Industrial Risks in Repsol”.

He began with an interesting explanation of the fundamental variables of an integrated Company, such as Repsol, that has two clearly differentiated businesses, Upstream and Downstream. The volatile nature of the price of crude oil has a decisive influence on the Company’s value, both on its asset values and business interruption figures. This, logically, has a large impact on the values declared for insurance purposes and indemnity limits required.

He went on to outline the main features of the structure of their programmes, with very high limits and business interruption indemnity periods of up to 3 years. He also described the role played by their reinsurance captive (Gaviota) in these programmes.

The Conference was closed by Ana García Barona in representation of the Dirección General de Seguros (Insurance Directorate). She delivered a presentation on the latest insurance legislation which will be published on the IGREA website and facilitated to those companies that request it.
She defended the important role of lawyers on insurance matters and underlined the importance of Companies taking into account the fact that the adjuster is the “face of the Company” to the insured. She mentioned, also, that the Insurance Sector accounts for 3.5 % of the GDP.

She referred to the non-application of regulations on the protection of the insured against the insurer for large risks and to the scale used for indemnities in motor accidents which could be used as a reference for liability claims involving personal injury.

After expressing her gratitude to the President of IGREA, she also thanked all the participants for their contributions in making the Conference such a success with their attendance and participation.
ONLY ONE OUT OF TEN GALICANS WHO DIED IN 2015 HAD A LIFE INSURANCE POLICY

On Tuesday July 5 the “Desayuna con Inade-A Coruña (Breakfast with Inade-A Coruña)” event was visited by Miguel Ángel Vázquez, Head of the Department of Analysis and Studies of the Business Association for Insurance (UNESPA), who presented the main findings of the Spanish Insurance Social Report 2015 and the report on burglaries in Galician households conducted by the organization.

The speaker was presented by the Chairman of the Galician Federation of Municipalities and Provinces (FEGAMP), Alfredo García, who reported on the opening of the negotiations that the organization has established with Fundación INADE (INADE Foundation).

During his speech, Miguel Ángel Vázquez stressed that “Insurance is very proud of its claims ratio and we have a lot to tell and explain. This is why the outreach work entailed by the Spanish Insurance Social Report is important.” Specifically, he highlighted that “in Galicia the insurance industry solved 2.5 million problems in 2015”, which allows us to state that it is the most effective service platform in Spain.

Regarding the analysis of the penetration of the various lines of insurance in the community, the representative of UNESPA provided as information that “83 percent of Galician homes has taken out automobile insurance.” However, he clarified that “insurance is slightly underrepresented, especially in the case of health insurance” because, as Miguel Ángel Vázquez explained, “it’s a largely urban phenomenon.”
The presentation of the report on “Burglaries in homes: Galicia”, which uses 450,000 insured households distributed throughout the autonomous community as reference as well as 1,900 incidents that took place in 2014, yielded several interesting facts for the industry and society. It thus became clear that summer is the favorite time for burglars to act in Galicia, with Monday and Wednesday being the preferred days for these burglaries. Faced with this issue, Miguel Ángel Vázquez maintained that “theft is a constant reality; thefts occur every day. It’s an issue to constantly think about”.

CLIENT KNOWLEDGE: THE KEY TO BUSINESS IN THE 21ST CENTURY

The “Desayuna con Inade-A Coruña” event addressed the implementation of Big Data to the business world and the revolution that it has entailed in all markets.

On Tuesday July 12 the information platform “Desayuna con Inade-A Coruña” was visited by Juan José Casado Quintero, Corporate Director of Data and Analytics at Sanitas, who addressed the application of Big Data to the business world and the revolution it has entailed in all markets, focusing on analyzing the objective of capturing, processing, storing, analyzing and displaying data.

Prior to his statement, the president of the Spanish Association for Artificial Intelligence and Professor of Computer Science and Artificial Intelligence of the UDC, Amparo Alonso, presented some lines of thought on the subject, stating that “without information and without knowledge, data is just noise.” Therefore, he insisted that “adding value to society and companies is essential for data analytics” and predicted that “one of the professions of the future is a data scientist.”
Meanwhile, Juan José Casado showed attendees the huge amount of data available today, because, according to him, “in 2016 every six months as much information is generated as in the rest of human history up until then.” The speaker recalled the importance of the digital transformation in the world and that it entails “the deconstruction of reality and its conversion into ‘ones and zeroes’, its demonetization and democratization, thus generating large amounts of data, with 80 percent of information being unstructured.” This brings a difficulty, because “man is not prepared to think exponentially, which is how technology evolves.”

According to Juan José Casado, “analytical revolution was led by personalization, because its beginnings went through the objective of improving the client’s experience.” Thus, he said that “content personalization based on Big Data is revolutionizing all industries, with client knowledge being the key business of the 21st century”.

In this regard, at enterprise level, the speaker concluded that “Big Data allows us to differentiate ourselves from our competitors and it’s a business opportunity”.

ADOLFO CAMPOS, DIRECTOR OF FUNDACIÓN INADE AT THE INAUGURATION OF PLAN INICIA

“Thanks to your knowledge, our companies are better protected, and this is great news for Galicia”
The 40 students in the first class of the “Plan Inicia GERENCIARYS: Course on Risk and Insurance Management” of the Fundación Inade-UDC Chair began the academic phase of the course on September 9, which will run until December. The Dean of the Faculty of Law, José Manuel Busto; Fundación Inade Director, Adolfo Campos; and the Director of the Chair and the course, Fernando Peña, took part in the opening event.

In the academic phase of the plan, students will learn techniques and will acquire the skills required by Risk Management and Insurance professionals by attending classes with a strongly interactive nature. The students will undertake internships in risk management departments of Galician companies in January. As part of evaluating the activity, they must submit work to progress on the development of a risk and insurance management program for SMEs.

The faculty is composed of highly qualified, experienced professionals in their fields, and with extensive teaching experience. Successfully completing this training involves accreditation by the Xunta de Galicia as Group B training of insurance intermediaries. In addition, the best student of this first class will be invited to visit Lloyd’s headquarters in London.

The main objective of Plan Inicia is to strengthen knowledge in risk and insurance management of the people making up the productive fabric by training future risk managers on risks and specialized insurance intermediaries and reinsurance brokers.

**MILLENNIALS AND INSURANCE IN SPAIN**

The Inade Forum commemorates Financial Literacy Day by hosting the official presentation of the report by Icea and Fundación MAPFRE.

Six out of ten millennials believe that saving is the best option to deal with an unexpected situation and more than half believe they will have to save to top up their retirement. Only 15 percent are confident that the state pension will be sufficient.

As part of the celebration of “Financial Literacy Day”, Fundación Inade presented nationally, on the morning of October 5, the study “Millennials and insurance in Spain”, prepared by ICEA (Cooperative Research between Insurance Companies and Pension Funds), in collaboration with Fundación MAPFRE.

The presentation of the report held at the Faculty of Economics and Business in A Coruña was carried out by César Quevedo, Assistant Manager of the Insurance and Social Protection Area at Fundación MAPFRE and Elvira de la Cruz, Manager of the Consultancy Area at ICEA, who accompanied Anxo Calvo, Dean of the Faculty of Economics and Business of the UDC, Fernando Peña, Director of the Fundación Inade – UDC Chair and Adolfo Campos, director of Fundación Inade.
The study highlights that nearly nine out of ten “millennials” (young people between 18 and 33 years old) believe that insurance is necessary and it is a good way to ensure peace of mind. In addition, the report highlights the view on savings, insurance and retirement of the youths, students, workers and the unemployed in this generation, who account for 17.6 percent of the population in Spain.

The work also confirms that the trend in the level of assurance of this generation increases as age, responsibility and acquisition of goods increases. The step from 23 to 30 years old is the period in which the most products are taken out, doubling the average number of insurance policies from 0.7 to 1.4.

For this generation, saving is the best option to deal with a possible situation of risk. More than half rely on their individual ability to save and have that money when that time comes, but only 15 percent are confident that the state pension that is generated throughout their working years is going to be enough.
FERMA SPEAKS OUT FOR CAPTIVE INSURANCE

FERMA has raised its voice to defend the value of captive insurance for European companies and the economy of Europe in the face of challenges from the OECD and European Union.

In order to dispel “substantial misperceptions” about captives, FERMA has published a position paper on captive insurance companies, which it has submitted to the OECD ahead of discussion about the implementation of its Base Erosion and Profit Shifting (BEPS) measures.

Says FERMA President Jo Willaert, “Captives serve an important enterprise risk management role for European business and other organisations. We believe it is important that EU tax authorities preserve these risk financing capacities. This is not about tax, but a fear that the administrative costs of owning a captive will become uneconomic.”

FERMA will now work with its with 21 member associations across Europe to use the position paper to lobby their national tax authorities, who will be responsible for deciding how to implement the BEPS measures.

FERMA argues:

- Captives serve an economic benefit for Europe by providing additional risk capacity;
- They help reduce risks through more precise loss information;
- European captives are regulated as other insurance entities under Solvency II;
- Captive insurance contracts are genuine risk transfer transactions;
- Many aspects of captive operations, demonstrate their genuine, non-tax functions.

In light of the latest corporate transparency and anti-tax avoidance measures at EU level, FERMA will also reach out to the Commission and Parliament to increase their understanding of the role of captives in the European economy.
18 EUROPEAN RISK MANAGERS RECEIVE THEIR RIMAP® ACCREDITATION

At the FERMA Seminar held in Malta on October 3 and 4 risk managers had the opportunity to take the exam to obtain the Rimap® certificate issued by the Association.

Eighteen of the 22 risk managers who took the exam in this first edition passed and received their diploma during the seminar's closing ceremony. They join another 49 risk managers accredited as founder certifications during the 2015 FERMA Forum held in Venice.

The exam consisted in answering one hundred questions written by seven European risk managers, members of five associations belonging to FERMA, and dealing with the pillars of risk management knowledge.

The diplomas were presented during the ceremony led by Michel Dennery, chairman of the Rimap® program, and in his speech the chairman congratulated the successful candidates, saying that “certified risk managers will be perceived in the future as pioneers of the new standard in the profession”.

Aimed at risk management professionals, the European certification program is designed to enhance the prestige of the profession in Europe.
8TH EDITION OF THE FERMA SURVEY

The eighth edition of the biennial “European Risk & Insurance Report” published by the Federation of European Risk Management Associations was presented on October 4 during the FERMA Seminar held in Malta.

With data from 634 participants in 21 countries, the study shows the main trends related in the profession, the risk map, and the changes in risk management and insurance practices. In particular, it highlights risk managers’ growing awareness of economic conditions (63 percent vs. 47 percent in 2014) and business continuity disruption, a risk that has just been included in the Top Ten for the first time. Together with political and country instability, organizations view these as the three main risks they face.
On January 22, 2008, MAPFRE GLOBAL RISKS first invited brokers and clients to a New Year’s celebration party in Cologne. A tradition was thus born and we will celebrate its tenth anniversary on January 10, 2017.

With the beginning of fall, MAPFRE GLOBAL RISKS launched a new event, TAPAS IN COLOGNE, which took place on September 23, 2016. Coinciding with the start of the renewals season, invitations were sent that also acted as a reminder that MGR is available and ready to receive their offers.

The event consisted of the invitation that our underwriters and partners in the financial area sent to clients/brokers to a typical Spanish bar/restaurant, near the office, to enjoy some tapas and drinks together early on a Friday evening.

Our guests, from both Cologne as well as from other locations such as Düsseldorf, Dortmund, Mülheim and Frankfurt, enjoyed the opportunity to meet up with their peers in MAPFRE GLOBAL RISKS in a relaxed atmosphere. The response was excellent. So much so that it is possible that a new tradition has been born.
CONFERENCE OF THE GVNW GERMAN BUSINESS FEDERATION IN MUNICH

From September 7 to 9 the most prestigious Industrial Insurance Conference in the country, the GVNW Conference (formerly DVS Symposium), took place in Germany.

This conference offers all the players in the German industrial insurance market a place to meet up and discuss the trends, new developments and related global insurance industry solutions, plus the unique opportunity to renew trade relationships and dialog between the main players in the insurance market in Germany.

More than 700 people from the German insurance industry were present: Brokers, Insurers and Insurance Companies, Claims Management Firms, Risk Management Companies and Engineering Consultants. On the clients’ part, there were also a large number of in-house brokers, who are members of the GVNW Business Federation. These include representatives of large industrial enterprises, from the services, aviation, transport and energy sector. Currently, MAPFRE GLOBAL RISKS already forms part of many of their insurance programs.

Just like every year, the MAPFRE GLOBAL RISKS branch in Germany participated in this important Conference with its own stand that once again attracted many visitors who shared new ideas and experiences with our experts.
8TH REGIONAL SEMINAR ON SPECIALIZING IN TECHNICAL LINES AND INNOVATION IN LARGE RISKS IN MEXICO

On October 7 MAPFRE held the eighth edition of its Large Risks Seminar in which leading companies, brokers and MAPFRE agents took part. The central theme of this edition was Innovation and Specialization in Large Risks, dealing with issues such as insurance of drones or coverage as specific as CBI (Contingent Business Interruption).

The seminar was held at the restaurant El Lago, in the heart of Chapultepec Forest (Mexico City), where Jesús Martínez, Regional CEO for LATAM North and CEO of MAPFRE Mexico, welcomed attendees and reaffirmed the company’s commitment to being a leader in insurance innovation and specialization to offer the best possible service to its Clients.

In his presentation, Bosco Francoy, COO of MAPFRE GLOBAL RISKS, presented the Global Risks Unit, whose business model is specifically designed to meet the insurance needs of large clients, highlighting how MAPFRE is aware of the importance of innovation and citing as an example those companies that were leaders but did not innovate in time due to lack of new ideas and disappeared.

Paola Serrano, Aviation and Space Manager of MAPFRE GLOBAL RISKS, gave a presentation on “Drone Insurance”. He described the different legislative handling of drones and their insurance in Mexico and Central American countries, the different types of drones that exist and the main insurance coverage required by these aircraft: fuselage and third-party liability. She also presented, with a video, a MAPFRE case study showing applications of drones for the insurance industry and, specifically, their use for the adjustment and examination of claims, in places that are hard or impossible to access, at that time so close to the incident, by an adjuster.

Fernando Gil, Manager of Industry and Telecommunications at MAPFRE GLOBAL RISKS dealt with contingent business interruption coverage, which covers the loss of profit of an insured party for a material damage claim in a supplier or client that prevents the insured party from being able to supply or sell. He explained the sensitivity of this coverage and the enormous importance for it of knowing the client’s supply chain. He presented the significance of this coverage by using a real life case, citing the incident that occurred in a factory that resulted in the loss of 40 percent of the world production of a chemical material necessary for the automotive industry.
Meanwhile, Horst Agata, CEO of Gen Re Mexico, held his presentation on Catastrophic Risk. He explained that the damage from catastrophic events have shown an upward trend in recent years and how the assurance gap is increasing: there is an increasingly higher percentage of uninsured risks. He also spoke about the “Black Swans”: the large claims that no one could foresee before they happened: 9/11, Katrina, etc. In response, he highlighted the enormous importance that insurers maintain rigorous underwriting processes with technical foundations to avoid the risk of insolvency of insurers.

Therefore we must work to recognize the true risks of climate change, in improving the collection and analysis of data on losses and analyze the implications for insurance, investments and clients.

Entitled “Experiences in International Insurance Programs”, Eduardo Yunis, Head of Risk Management at Walmart Mexico, said that this is a business between people and in which trust is the basis. Speaking of his experience, he stressed that a very important task of Risk Management was to be constantly analyzing various alternative assurance risks, opting for one in which, given the size of the company, it is futile to expect it to be economically viable to transfer risk with very low deductibles, which is why they drive a culture of accident prevention and risk control as well as being able to have a first class insurance partner.

To end the program, a panel discussion was presented with the theme: “Innovation and Expertise in Large Risks” moderated by Ismael Campos. Paola Serrano, Fernando Gil and Eduardo Yunes took part.
Maritime third-party liability insurance

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The judgment handed down by the Supreme Court in the “Prestige” criminal case on February 14, 2016, serves as context for the matter analyzed in this research article [1]. The Court ordered the English insurer The London P&I Club to pay USD 1 billion, although this figure was below the amount needed to cover all losses and damages incurred. The judgment by the Spanish court evidences two important points:

1. The question of whether the circulation and recognition of court judgments within the European Union operates as foreseen or whether it should be revised, in light of the English insurer’s most likely opposition to enforcement of the judgment. In particular, this relates to recognition without exequatur between judgments of Member States implemented under EU Regulation 1215/2012. A priori, the Brexit will not release the British courts from applying the EU law prevailing in Great Britain prior to the exit.

2. The “Prestige” judgment is an opportunity to ascertain the efficiency of the mutual association of P&I clubs and the agreements within the International Group of P&I Clubs, of which the club ordered to pay the aforementioned compensation forms part. Most likely, the P&I club does not have a sufficient risk pool to cover payment of the indemnification (as indicated in its annual reports). However, it does hold contractual receivables from: a) its members, through extraordinary calls; b) other P&I clubs in the International Group, in the form of claim-sharing; c) the Group’s captive reinsurer; and d) multiple reinsurers, through what is the largest collective reinsurance contract in the world. Fulfilment of the “Prestige” judgment, should it be enforced, will shed light on whether the insurance and reinsurance structure characterizing the current maritime risks market is effectively able to address major catastrophes. The judgment will also serve to verify whether the agreements reached within the International Group of P&I Clubs are of public interest, as the European Commission has indicated, given that they make it possible to offer more extensive coverage than what a single insurer could offer on its own.

The marine third-party risks insurance market may cover both maritime operators and land operators. This research piece, however, focuses exclusively on insurance held by ship owners, ship operators or charterers of the vessel or ship in question. Special attention is placed on mandatory marine third-party insurance. Accordingly, coverage of risks assumed by land operators in the maritime environment, such as port terminals and ship repairers, falls beyond the scope of this study, as there is a separate market for these risks.
The third-party liability insurance market for maritime operators is specialized, as is the maritime sector itself. A key feature of this market is the limited number of participating insurers. It is not a closed market as defined in the anti-trust law (the European Commission has recognized as much with respect to the International Group of P&I Clubs); however, there is a high degree of specialization based on customary insurance and reinsurance practices. The insurers are familiar with one another, as well as with each other’s practices and solvency and with how the market works. The different members reinsure each other’s risks.

Participation in this market does not automatically equate to insuring all types of vessels and ships against third-party liability. The risks for an insurer are clearly different in scope between an oil tanker and a fishing vessel or recreational craft, even with a policy of the same legal nature. Accordingly, within this reinsurance market, there is a certain degree of sub-specialization depending on the type of ship in question. The P&I clubs forming part of the International Group of P&I Clubs dominate the market of merchant vessels, especially oil tankers, that sail internationally. However, this is not the case for merchant vessels operating under cabotage arrangements or for fishing vessel or recreational craft (which many clubs will not insure unless they are of a certain size).
Beyond the International Group of P&I Clubs, there is an alternative market for certain (but not all) vessels. This market comprises P&I clubs that do not form part of the Group, commercial insurers operating regionally and worldwide and local insurers. For example, certain Spanish insurers primarily focus on providing third-party liability insurance for fishing vessels, recreational craft and other smaller vessels. The largest Spanish merchant vessels generally secure insurance from P&I clubs (both forming part of and outside the International Group) and from commercial insurers. Due to the lack of capacity and/or interest among Spanish insurers, this insurance is sought from non-Spanish insurers. The advantage held by commercial insurers over the P&I clubs is that they operate with a fixed premium; that is, the insured pays a premium for the coverage. In contrast, many P&I clubs are mutual insurance associations. Although they may also offer fixed premium insurance, coverage for ship owners is usually through mutual insurance arrangements. Under such arrangements, the insured ship owner pays an initial call and any additional supplementary calls made based on the P&I club’s needs. In the case of major claims, as with the Costa Concordia disaster, ship owners insured by clubs other than the club that insured the vessel may be required to pay further calls to assist the club that suffered the loss. This is an effect of the claim-sharing system between clubs in the International Group of P&I Clubs.

CUSTOMARY THIRD-PARTY LIABILITY INSURANCE PRACTICE

The key product in the insurance market for third-party liability risks derived from operation of a vessel is protection and indemnity insurance, or P&I insurance. There is no international treaty or any national laws establishing the particular coverages and exclusions under P&I insurance. Legal stability for the market and for the insurers and insureds is instead established by virtue of common insuring practices in this area. Based on this practice, primarily created by the clubs forming part of the International Group of P&I Clubs (according to the European Commission, a public-interest association), there is a standard ship owner P&I insurance. However, coverage may differ depending on the club or the commercial insurer in question, as the insurance is never 100% the same (although the P&I clubs in the International Group must secure the approval of the majority of their co-member clubs in order to change their coverage). In any event, if a club or commercial insurer offers a very different P&I insurance, it could find it impossible to reinsure all or the majority of the risk (i.e., fronting) in the reinsurance market.

Ship owners’ P&I insurance is an adaptable insurance. Its flexibility has allowed it to absorb, with a single insurance product, the mandatory third-party liability insurances (oil tankers, fuel, passengers, removal of vessels, etc.) and the third-party liability risks and other unforeseen expenses for which the ship owner voluntarily requires insurance.

Among other items, standard ship owner P&I insurance excludes third-party liability in the event of war or acts of terrorism (i.e., for the ship owner’s failure to act diligently in preventing damage from war or terrorism). Standard P&I insurance has not changed to absorb this risk. Common practice weighs heavily here, as do the contracts in place between clubs in the International Group and the fear of terrorist attacks on large cruise ships. Accordingly, the market is very different for war and terrorism risks, in which operators are even more specialized.
Clubs may also offer other insurance, such as charterer P&I insurance, which offers more limited coverage and which falls below mandatory insurance requirements. The majority of clubs also offer legal defense for claims not covered under the standard P&I insurance (FD&D insurance). Some clubs even offer third-party liability coverage on maritime platforms.

The practice followed in Spain for mandatory third-party liability coverage for recreational craft is different. It is not necessary to contract P&I insurance, but rather a specific insurance policy with multi-risk coverage complying with Royal Decree 607/1999, extendable to other voluntary risks. This insurance is known as “recreational craft insurance” or “nautical insurance,” or by the commercial names used by Spanish insurers.

DIRECT ACTION BY INJURED PARTIES AGAINST THE INSURER

The P&I insurance offered by a P&I club is a reimbursement-based third-party liability insurance. That is, the insured ship owner must first pay any compensation to the third party and then attempt to recover the amount from its club. This is the “pay to be paid” clause set out in the P&I insurance rules. The P&I insurance contract, in and of itself, does not recognize the injured third party’s rights to indemnification nor foresees any direct action by that party, except where the club voluntarily permits such action (commonly, when a guarantee letter is issued to release the embargo of a registered vessel) or where imposed under certain international rules.

Other defensive measures include those foreseen in applicable legislation and those relating to the relevant court or arbitration tribunal having jurisdiction over any claims derived from the insurance. Insurers are able to pre-select those laws and courts in their home jurisdiction or where they are afforded the most favorable treatment under the law. For example, under English law, direct action is not foreseen against the P&I club, as the aforementioned “pay to be paid” rule is effective as to third parties (House of Lords judgment in the 1990 “The Fanti” and “The Padre Island” cases).

Application of Spanish law is limited vis-à-vis these clauses of applicable law and relevant jurisdiction. Spanish law is not selected to govern contracts, except in the case of local insurers that cover recreational craft, fishing vessels and other smaller vessels. Accordingly, during the lifetime of the now-repealed 1885 Code of Commerce rules, Spanish ship owners continued to contract P&I insurance, irrespective of a Code, that did not foresee P&I insurance or marine third-party liability insurance. Moreover, EU law confirms that marine insurance is for major risks and that respect for contractual terms is paramount.

Although the 2014 Spanish Maritime Navigation Law governed, for the first time, marine insurance, this regulation was exceptionally prudent in order to comply with EU law and to avoid interfering in the international insurance market. At most, the law contains a few articles establishing the following:
1. The will of the parties prevails.
2. Priority is given to international rules (oil tankers, passenger ships) and national regulations (recreational craft and sport boats that require mandatory insurance foreseen in the Maritime Navigation Law.
3. As its main unique feature, the Law recognizes direct action by the injured third party against the insurer and does not allow contracts to contain any agreements to the contrary. Nevertheless, direct action afforded by this Spanish law is not likely to apply when a major risks insurance policy is governed by foreign law. In conclusion, at present, P&I clubs only allow direct action in certain sector-based cases and where such action is imposed under international law (oil spills, injury to passengers and, as from 2017, injury to sailors).

Given this legal framework, it is very difficult for an injured third party that is not explicitly entitled to direct action to successfully file a direct action claim against a P&I club. The club may admit the legal action, after examining the legislation applicable to the merits of the case, but it also has legal and contractual means to avoid doing so. The best example of this is the Supreme Court’s 2003 “Seabank” judgment, which considers that the P&I insurance’s clause regarding arbitration in London is also effective with respect to the insurer of goods that subrogated the position of the loading company. In contrast, the 2016 “Prestige” judgment handed down by the Supreme Court’s Criminal Division is noteworthy, in that it offers new arguments (added to case-law arguments) for recognizing the full liability of the P&I club vis-à-vis the injured third party. Nevertheless, it has yet to be seen whether the judgment will extend to cases of third-party liability in which there is no additional criminal liability.

We believe that the mandatory third-party liability insurance for recreational craft and sport boats should be excluded from this system that restricts the use of direct action. Although it clearly is marine insurance, it should not be treated as a major risks insurance policy nor be subject to the same legal regime as such a policy. The legal nature of third-party liability insurance is more akin to that of a consumer act (although it is not clear if this is the case where it is contracted by a charter company for its fleet). The Maritime Navigation Law confirms the provisions of Royal Decree 607/1999: this mandatory insurance must be governed by the Insurance Contract Law.
MANDATORY MARINE THIRD-PARTY LIABILITY INSURANCE: GENERIC COVERAGE AND SECTOR COVERAGE

The International Maritime Organization (IMO) plays a key role in coordinating among its members states and between these states and the maritime and insurance sectors. The International Group of P&I Clubs is represented in the IMO. The IMO devised the standard mandatory insurance and direct action clause included in several prevailing and impending international treaties. The basic content is as follows:

1. The imposition of mandatory third-party liability insurance or of an alternative financial guarantee to cover a given risk.
2. The issue by the insurer or guarantor of a document certifying the insurance or the guarantee.
3. State certification from the vessel’s flag state attesting that the insurance or guarantee is in force.
4. The parties subject to the law and the type of vessels for which third-party liability must be insured.
5. The quantitative coverage limits.
6. Direct action by the injured party against the insurer or guarantor and the limitation of oppositions the latter may raise.

Mandatory insurance and direct action are gradually being identified over time, in tandem with the coverage already offered under standard P&I insurance.

1. Mandatory insurance and direct action were approved for victims of maritime oil spills by oil tankers (1969 CLC and 1992 CLC).
2. Attempts were made to allow victims of maritime pollution due to substances other than oil to access this regime; however, such conventions have not yet entered into force (1996 HNS Convention).
3. Upon noting that oil pollution often stems from fuel of vessels other than oil tankers, mandatory insurance and direct action were also approved for these cases (2001 Bunker Convention).
4. Several ferry disasters and the fear of terrorist attacks on cruise ships have spurred the approval of mandatory insurance and direct action in the event of death or personal injury to passengers (2002 Athens Convention, with 2006 IMO Guidelines).
5. To safeguard the reimbursement rights of national authorities that must cover the cost of removing ship wrecks due to insolvency or disappearance of ship owners, another mandatory insurance with direct action was approved (2007 Nairobi Convention).

The implementation of these international rules was possible given that the standard P&I insurance already covers these risks (except for in the case of war and terrorism, which is an excluded risk and for which passenger ship owners must contract an additional insurance policy). Spain is party to all these conventions (except for the Nairobi Convention). Not all conventions have the same degree of international acceptance among countries.
More recently, as an outcome of the cooperation between the IMO and the International Labour Office, the 2014 amendment to the 2006 Maritime Labour Convention imposes mandatory insurance for owners of vessels other than fishing vessels and direct action by seafarers in the event of injury or death on the job, as well as for repatriation costs and pending salaries in the event the crew is abandoned. This is also a basic coverage under standard P&I insurance (except for the salary coverage). In fact, it is the most costly item for insurers, due to the plethora of vessels sailing with flags of convenience and the lack of social security systems for many seafarers.

In line with the IMO Assembly’s position, the European Union approved Directive/20/EC to ensure that each Member State shall require that owners of ships flying that country’s flag have insurance or guarantees covering maritime claims subject to limitation under the 1996 Protocol to the 1976 Convention on Limitation of Liability for Maritime Claims (1976/1996 LLMC Convention), with the insured amounts foreseen in that convention. This Directive was transposed into Spanish legislation through Royal Decree 1616/2011. These rules converted P&I insurance for merchant vessels into a mandatory insurance, as a type of “generic” third-person liability insurance covering a multitude of maritime law claims. Nevertheless, this mandatory insurance does not foresee direct action by injured parties (the International Group publically opposed such a provision in a proposed Directive that did foresee direct action). Direct action by injured parties continues to be vetoed by the P&I clubs in their contracts and in legislation covering major risks insurance.

In conclusion, the purpose of the IMO’s mandatory insurance regulations is to guarantee indemnification for parties injured in the operation of an insured vessel in the case of certain – but not all – risks. This, in turn, creates two classes of injured parties:

1. Those where the responsible party is always backed by an insurer or a guarantor of indemnification, to which a claim can be directly made; and
2. Those to which this right is not available. This generalization is not yet admitted by the P&I clubs insurance market.

The situation is different where the insurance contract is subject to Spanish law. The Maritime Navigation Law and the Insurance Contract Law foresee the possibility of direct action. This is the case in Spain with insurance contracts for recreational craft and sports boats (Royal Decree 607/1999) and inshore fishing vessels in Galicia (Law 11/2008). Contracts entered into with local insurers, mutual associations and insurance corporations usually subject the P&I insurance or the recreational craft insurance to Spanish law.
PARTY RESPONSIBLE FOR CONTRACTING THE INSURANCE

Each regulation that requires a specific insurance identifies the party responsible for ensuring its third-party liability derived from sailing a vessel. Several parties may bear third-party liability in connection with the operation of a vessel; however, a priori, only one party is required to contract insurance. The most common example is the owner of a merchant vessel, which is required to secure mandatory third-party liability insurance, while the charterer may choose to voluntarily cover its own liability.

The different mandatory insurance regulations are not fully consistent when identifying the party responsible for contracting the insurance. However, there is a trend to shift this obligation from “ownership” to “operation” of the vessel, i.e., from the owner to the operator. The first mandatory insurance (oil pollution from oil-carrying ships under the 1969 CLC, now 1992 CLC) channels both liability and the mandatory insurance to the registered vessel owner. Insurance against oil pollution from fuel carried by vessels also falls to the registered owner. However, liability in this case is not channeled only to owners but also to other potential responsible parties. The 2002 Athens Convention directly places the insurance obligation on the carrier (owner or non-owner), which is akin to the ship operator. Royal Decree 1616/2011 requires the owner or the “party responsible for operating the vessel,” which also equates to the ship operator under the Maritime Navigation Law, to secure a generic insurance. With respect to recreational craft, Royal Decree 607/1999 requires the ship owner or ship operator to contract insurance. However, for the purposes of indemnification of third parties, the owner, disponent owner, captain, sailors or even water skiers driving the boat may all bear responsibility.

In common insurance practice, a policyholder may contract insurance on its own account or for a third party (for example, the ship manager of a merchant vessel acting on behalf of a ship operator). In any event, upon termination of the contract, the insured party must have an interest in indemnification of the damage: to protect its own assets in the event it bears third-party liability.

A single mandatory insurance policy may cover several different insured parties in addition to the party responsible for contracting the insurance. They may be identified by name in the insurance policy. For example, a ship operator may contract a policy in which the registered owner appears as a co-insured for the purposes of complying with the obligations set out under the 1992 CLC or the 2001 Bunker Convention. Or, less commonly, the ship operator’s policy may also insure the charterer. With respect to recreational craft, Royal Decree 607/1999 requires the ship owner or ship operator to contract insurance.
TYPES OF VESSELS FOR WHICH LIABILITY MUST BE INSURED

Another common feature of the regulations imposing mandatory insurance is the identification of the vessels whose seafaring or operation could give rise to third-party damage. Thanks to the multi-risk nature of P&I insurance, this single insurance is able to comply with several different regulations, each of which imposes a different mandatory third-party liability insurance. Due to their size (gross tonnage above 300), almost all merchant vessels are required to carry generic third-party insurance to cover claims subject to limitation under the 1976/1996 LLMC Convention, pursuant to Royal Decree 1616/2011. In addition to these risks, standard P&I insurance also covers fuel pollution (mandatory for vessels with tonnage above 1,000). In the case of oil tankers, P&I insurance offers coverage in accordance with the 1976/1996 LLMC Convention as well as the mandatory insurance foreseen by the 1992 CLC, when the vessel is carrying over 2,000 tons of oil. For passenger ships, P&I insurance covers the mandatory insurance called for under the 2002 Athens Convention for damages and injury to passengers as well as the mandatory insurance foreseen under Royal Decree 1616/2011.

Recreational craft and sport boats, whether used for private or commercial purposes, must also be insured in Spain against a number of risks laid out in Royal Decree 607/1999.

There is a gap, however, for fishing vessels, for which third-party liability insurance is voluntary, except for inshore vessels in Galicia. As is the case with other aspects of seafaring, fishing is subject to a different framework.

With respect to the flag state of the insured vessel or ship, the general rule is to require mandatory insurance for vessels visiting the ports or waters of states that are party to international treaties, both for vessels whose flag state is party to the international treaties and those of other states. Requiring insurance from foreign vessels is part of the port state’s right of sovereignty and control. If this were not the case, it would be discriminatory for national vessels and would jeopardize the essential purpose of the mandatory insurance: to ensure indemnification of damages suffered by third-parties in connection with the operation of seafaring vessels.

P&I clubs refer to each vessel as “entered” in the club. Each ship owner or charterer can enter one or more vessels. If the vessels entail major risks, such as oil tankers or cruise ships, the same vessel may be entered in several different clubs, with each club covering part of the tonnage and assuming a proportion of the risk.

The existence and validity of the mandatory insurance on each vessel is evidenced through a certificate issued by the insurer, as the regulatory documentation for the vessel. This is known as the blue card of P&I clubs. The blue card is not unified and the same vessel (depending on its type) must carry several different blue cards in order to comply with each applicable mandatory insurance regulation. For example, a passenger ship must carry a blue card to comply with the 2001 Bunkers Convention and another blue card for the 2002 Athens Convention. The blue card is different from the certificate evidencing, for non-official purposes, entry of a vessel in the club.

In addition, international treaties approved under the sponsorship of the IMO require that an IMO member country (the country of the vessel’s ensign) issue an administrative certificate evidencing the validity and effectiveness of the mandatory insurance. Normally, the certificate is issued upon presentation of the blue card. Two key aspects are of note here: 1) This state certificate has become a type of “trading permit” between...
IMO countries. The vessels of non-IMO countries must secure a certificate from an IMO country, or else be excluded from trading in that country’s maritime area. 2) The IMO conventions do not establish liability of the state issuing the certificate in the event the insurer is declared insolvent or cannot be located. The analysis of the working papers for the first mandatory insurance treaty, the 1969 CLC, evidences that there was no intention of ever recognizing this liability. This is evidenced by the fact that the idea of the state-issued certificate was copied from the Brussels Convention on the Liability of Owners of Nuclear Ships, with the precise exception of the clause that imposed responsibility on the issuing state (perhaps this is the reason the Brussels Convention never entered into force). The working papers for the more recent 2002 Athens Convention also reveal that no attempt was made to place liability on the state issuing the certificate in the case of insurer insolvency.

Control over insurers’ solvency is even more essential in view of this absence of state liability and the plethora of disponent owners of a single vessel and of flags of convenience among merchant vessels. Mandatory marine insurance regulations do not set any parameters in this regard. We must therefore turn to the general rules of supervision and solvency governing insurers authorized to operate in the marine third-party liability branch. The general rule is to require authorization to operate in Spain, in the European Union and in the European Economic Area. The majority of P&I clubs in the International Group and foreign or local commercial insurers operate in the European Union or have branches there, and are currently adapting to Solvency II requirements.

Special concern arises in the case of risks of war and terrorist attacks against passenger ships, which the P&I clubs in the International Group do not cover. The war risks insurance market is volatile, in that it could contract or even completely disappear in the event of a terrorist attack or a series of attacks. This market has its own operators. For example, certain passenger and cruise ships are currently insured against war-related risks by insurance companies created ad hoc for this purpose.
RISKS AND INSURED SUM TO BE COVERED BY EACH MANDATORY INSURANCE

The rules on mandatory insurance are coherent in respect of the description of the risks that must be covered and the minimum insured sum to be offered by the insurer. If this coverage or these compensation limits are not established, the insurance obligation has not been met and the party responsible for contracting the insurance may be subject to fines, may be refused authorization to operate or may be expelled from the waters of a specific state in which it is a foreign vessel.

Each convention sponsored by the IMO sets out a minimum insured sum, either within the text itself (1992 CLC and 2002 Athens Convention) or through reference to another convention (the 2001 Bunkers Convention references the compensation limits set out in the 1976/1996 LLMC Convention). The insured sum is calculated in units of account (not in dollars, euros or any other national currency) equated to the International Monetary Fund’s Special Drawing Rights (SDR), in order to facilitate updates thereof. In October 2016, 1 SDR equaled approximately EUR 0.80.

With respect to oil pollution from oil-carrying and non-oil-carrying ships, the insured sum required from the insurer under the 1992 CLC and the 2001 Bunkers Convention has been shown to be insufficient for covering major disasters. Currently, the minimum insured sums are very low and do not guarantee full compensation for injured parties. This is evidenced as follows:

1. Although the 1992 CLC compensation limits were doubled in 2000, they have not been updated again and they continue to be very low: around 90 million SDRs per incident and only for the largest ships. The smaller the polluting vessel, the smaller the limit. In contrast, the 1992 Fund (financed by oil companies and, therefore, by end consumers) assumes a limit of up to 250 million SDRs per incident, irrespective of the vessel tonnage.

2. In 2003, following the “Erika” and “Prestige” disasters, the Supplementary Fund was approved, precisely to increase the compensation owned by the funds in these incidents. The Supplementary Fund covers up to 750 million SDRs per incident. This contrasts with the higher figure mentioned above, payable by vessel owner’s insurer, which is still significantly lower than what is assumed in the 1992 Fund and, naturally, the Supplementary Fund.
3. Consequently, the P&I clubs in the International Group undertook to pay a portion of the amount paid in these incidents into the 1992 Fund in order to redistribute the risk between the oil industry and the maritime industry (2006 STOPIA AND TOPIA contracts).

4. In 2012, the compensation limits for material damages as set out in the 1976/1996 LLMC Convention were doubled, because the previous limits did not sufficiently cover several major fuel pollution incidents.

5. In its 2016 judgment on the “Prestige” case, the Spanish Supreme Court, Criminal Division, indicated that the 1992 CLC limits are notably insufficient for covering victims’ losses. The Court ordered the P&I club in which the vessel was entered to pay an indemnification that was not in line with the 1992 CLC limits, but rather with the insured sum (USD 1 billion, as the P&I club was part of the International Group).

With respect to passenger ships, in contrast, the insured sum payable by the insurer has increased considerably, from 46,666 SDRs per passenger and claim under the 1974 Athens Convention to 400,000 SDRs per passenger and claim under the 2002 Athens Convention. Although the insurer may limit the insured sum to 250,000 SDRs, its liability may even be higher, in view of a contractual undertaking that extends this coverage. For example, P&I clubs in the International Group generally extend the insured sum to USD 2 billion in passenger damages per vessel and incident, and to USD 3 billion for damages to passengers and sailors. This high insured sum, as with the USD 1 billion for oil pollution, is possible thanks to the claims—sharing between member clubs and the reinsurance that is collectively contracted in the market. There is no insured sum for other types of claims. Although it has not been necessary to date, the clubs could even require catastrophic calls from their members. In any event, P&I clubs hold fast to the ability to enforce the global or sector liability limits from which their insured may benefit (in the “Prestige” case, as we have seen, this did not turn out well for the P&I club ordered to pay the compensation).

For risks related with war and terrorist attacks on passenger ships, the 2006 IMO Guidelines modify the 2002 Athens Convention, limiting the figure to a maximum of 350 million SDRs per vessel and incident. The lower the passenger count, the lower the limit.

Lastly, Royal Decree 604/1999 also sets out minimum insured amounts for personal and material damages caused by insured recreational craft or sport boats. Policies generally always offer the possibility of increasing the minimum insured sum, whereby they cover all or part of the claim excess which would otherwise be assumed by the insured. The experience in Spain evidences that the regulatory insured sum is, a priori, sufficient for covering the bulk of personal and material damages normally caused by incidents involving these vessels. Nevertheless, a Supreme Court judgment from 2015 analyzes a case of a fire on a docked recreational craft that spread to nearby boats, causing material damages that greatly exceeded the regulatory insured sum. The Supreme Court ordered the insurer to pay the voluntarily-increased insured sum. The damages, however, were even greater than the amount assumed by the insurer. With respect to the excess, the Court denied the insurer the right to avail of the indemnification limits set out in the 1976/1996 LLMC Convention, as the case involved a recreational craft to which the Convention, envisaged for commercial usages, did not apply, considering that it established an exception to the principle of full restitution.
In contrast and although other decisions have established otherwise, certain judgments handed down by the French Cassation court (Cour de Cassation) accept such a limitation, deeming that protection for recreational sailing is in the public interest and that the LLMC Convention does not distinguish between merchant vessels and recreational craft.

[1] This text sets out the main conclusions of the author’s research in the framework of assistance from Ignacio H. de Larramendi of the Fundación MAPFRE (2014 edition). The complete text of the research is set out in a paper titled “Third-party liability insurance in connection with seafaring vessels” (“El seguro de responsabilidad civil derivada de la navegación de un buque”), also published by Fundación MAPFRE, to which the author is grateful for both assistance and publication.
Executive development, commitment to the organization and psychosocial risks in virtual work

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In the new policy framework on the use of work and personal time, teleworking arises as a measure of the modernization and rationalization of the work times. It offers employees more flexibility in the performance of their tasks, without reducing the productivity and quality of the work or affecting their remuneration.

In this article, the impact that the different types of leadership have on employees’ psychosocial risk exposure in virtual environments is analyzed. It is done by using data from a university that has an organizational model implemented based on telework.

The relationship between these leadership style variables and psychosocial risk exposure were analyzed as a starting point to design a training activity to provide managers with the skills required to positively lead in virtual work environments.
INTRODUCTION

In 2012, in Spain, 22 percent of the companies with 10 or more workers declared having employees who regularly worked outside of the company premises (at least half of the weekly working time). The employees connected to the company’s information and communication technology (ICT) systems through external telematic networks. This information means there are twice as many companies as in 2006. It also exemplifies the drastic change that has taken place in the work place over the last decade. Because of the development of the ICTs, interpersonal communication and the exchange of information has been freed from the constraints of time and space. Computers and other technologies make it possible for a good part of the occupational activity to be done from any location, outside of the organization’s premises, or at any time, outside of the established work hours. This leads to what is called virtual work, distributed work or telework.

Virtual work has noticeably attracted both academic and professional attention due to its many benefits to society, organizations and people. From the social viewpoint, virtual work favors the environment thanks to a lower energy consumption and a lower emission of pollutants due to the absence of commuting to the place of work. It can reduce rural migration and it facilitates labor integration of people with disabilities. From the business viewpoint, it offers the benefits of improved productivity, employee retention and organizational performance [1]. For the employee, virtual work improves his/her perceived independence, it facilitates a balance between his/her personal and work life, it improves work satisfaction and decreases the stress of the position [2]. In the first stages of the study on virtual work, it was treated as a dichotomous variable: the researchers simply distinguished between two possibilities, virtual work and onsite work, or face to face work. However, more recently it was observed that this simple characterization overlooks a variety of more complex dimensions that generate different degrees of virtuality, such as geographic dispersion and the level of use of the ICTs. Depending on these dimensions, different levels of virtuality are deployed in the organizations, even for the same work position, which affect both the efficiency of management’s action and the working conditions.

RISK FACTORS IN VIRTUAL WORK

From the labor risk prevention viewpoint, virtual work represents a challenge. Firstly, it is considered to be an improvement to the work organization method, which promotes occupational health. Moreover, it can lead to risk situations to be considered, both at the ergonomic level (work position design and its environmental conditions) and legal level (such as the difficulty in determining the occupational nature of an accident that occurs at home or in the area from which the employee undertakes his/her virtual activity). It can also lead to a wide range of important psychosocial risk factors. In the psychosocial environment, various reports indicate that virtual work can lead to problems derived from social isolation, excessive work hours, reduction in support by the organization, obstacles in supervising/controlling this work, etc. Therefore, to optimize the use of virtual work, it is necessary to provide tools that make it possible to minimize the impact of these risk factors.
The majority of the studies published on preventing occupational risks in virtual work environments focused on identifying what the main risk factors are, as well as the processes that affect the health of the employees [3] [4]. However, there are very few references for designing effective interventions. This scarcity of work is likely due, in part, to the difficulty of developing interventions specifically aimed at virtual employees and at properly evaluating their efficiency [5] [6].

Psychosocial types of risks are considered emerging risks. This means that it is occurring in many already exiting cases, but has only become relevant in recent years. The emerging risks are often the result of employment trends that have undergone considerable changes, and in those in which the balance between work and a personal life plays an important role. In this respect, there are limited references focused on the psychosocial types of risks associated with virtual work.

**LEADERSHIP AND PREVENTION**

An increasing but still small number of authors have suggested that leadership has an important influence over employee well-being [7], up to the point that almost all of the resulting variables in the field of occupational health psychology are empirically related to organizational leadership. It is worthwhile to stress, in this sense, that in 2012–2013 even the European Agency for Safety and Health at Work has started up a campaign to promote management leadership and employee participation in the area of safety and health in the workplace.

Leadership is understood to be the combination of the two main meanings of the term: the formal role of the manager designated in the organizational chart and the capacity for social influence that any person is able to develop (whether or not occupying a management position). Leadership is thus defined as the process of social influence that is carried out by people who occupy formal leadership roles in the organizations. This means that the role of the formal leaders (supervisors or managers), when implementing their influential action over the virtual employees, who depend directly on them.
The behaviors of the supervisors that specifically promote and develop a safe work environment make up what is called “preventive leadership.” According to the reviewed sources, transformational leadership is positively related to employees’ perceptions of the safety environment, while leadership behavior is specifically focused on prevention. In particular, transformational preventive leadership seems to offer excellent results.

There is an abundance of empirical literature that relates leadership quality (or lack thereof) to employees’ well-being (or health problems). For example, a transformational leadership style seems to improve the significance given to the work by the employee, the psychological indicators of well-being, cardiovascular health, the participation of employees with regard to occupational health and safety, etc. Therefore, training managers improves their prevention leadership quality, in order to improve the well-being of the employees.

However, training managers has just received attention in the literature as an intervention itself for the prevention of occupational risks. One possible reason for this is the difficulty of evaluating the effectiveness of training in general, and even more so for managers, given that the effects can be indirect and appear to be delayed.

Management action impacts the health and well-being of employees through the safety environment. The safety environment is understood to be one of the components of the organizational environment that is related to the shared perceptions of a group on the policies, practices and procedures related to workplace health and safety. For more than 30 years, research on safety environment has accumulated evidence on the relationship between the safety environment and the results and preventive behaviors. Its relationship with stress and psychosocial health has been demonstrated in detail.

Finally, regarding the impact of management development on the commitment to the organization of virtual employees, and their relationship to the changes in the psychosocial risk factors, there are several studies that suggest a correlation between management’s commitment to occupational risk prevention and desirable indicators for the organization, such as commitment to the organization or absenteeism [8], in general. However, few of those are focused on virtual employees, a group with a small presence in Spain, yet as the aforementioned data indicates, it is becoming an ever more important percentage of the society.
A STUDY ON LEADERSHIP, PSYCHOSOCIAL RISK AND VIRTUAL WORK

The results displayed below are from a study funded by Fundación MAPFRE on the link between leadership styles and psychosocial risk in virtual work environments. The empirical work was focused on an on-line university, but it is applicable to any organization that uses virtual work in its daily activities.

The main objectives of this project were:

1. To compare the psychosocial risk factors and the commitment to the organization of virtual employees with respect to on-site employees.
2. To analyze the relationship between preventive leadership style, the safety environment, the psychosocial risks, and the commitment to the organization of virtual employees.
3. To analyze the role of the degree of virtuality on the relationship between preventive leadership style and the safety environment, the psychosocial risks and the commitment to the organization of the virtual employees.

METHODOLOGY

The methodology chosen combined quantitative and qualitative strategies. A survey was first given to all personnel (approximately 40 percent participation, 250 responses) of the online university on their position regarding the study variables considered. This questionnaire starts by requesting personal information from the participants, which will make it possible to analyze the subsequent information by groups, based on different reference variables. The identifying factors of the group are the following:

- Time with the organization.
- Are you part of the academic area or the management area?
  - If you are part of the academic area, which faculty are you in?
  - If you work in management, which area are you in?
- Are you in charge of personnel? How many personnel?
- Do you telework? What percentage?

Information is requested below on the four variables subject to study for this project, following the validated questionnaires below:

1. **Direct manager leadership style.** The Multifactor leadership questionnaire (form 5x-short), Rater form, one of the most used tools both in leadership and management development research, was used.
2. **Exposure to psychosocial risks.** If there is psychosocial risk exposure, the reduced version of the “Workplace psychosocial risk evaluation questionnaire” (PSQ CAT21 COPSOQ) was used, the version in Catalan is from the Generalitat de Catalunya.
3. **Commitment to the organization.** The Meyer and Allen (1997) scale of three components was simplified [9], eliminating the standard commitment component given its overlap with the affective commitment component.
4. **Psychosocial safety environment.** To measure the psychosocial safety environment, the PSC-12 questionnaire [10], was used. It questions employees on the values and attitudes that senior management displays in their attention and practices related to the psychosocial well-being of employees.

The resulting information from the questionnaires complemented the creation of focus groups and the performance of individual interviews.

Two types of focus groups were created, one for organization members who are not in charge of personnel, considering a total of six groups differentiated by the virtual work percentage that they perform, and depending on if they are part of the management area of the university, or of the teaching staff. When forming the different groups of employees, the heterogeneity of gender, the section/department in which the work is undertaken and the reasons for which the virtual work is undertaken were maintained, as much as possible. In Table 1 the questions asked on the revitalization of the different focus groups were presented to organization personnel without a manager.

<table>
<thead>
<tr>
<th>Table 1. Question guide for the organization personnel focus groups (not managers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How do you do your virtual work?</td>
</tr>
<tr>
<td>☑ What is the schedule? What routine do you follow?</td>
</tr>
<tr>
<td>☑ Where will you be teleworking? What is your work space like?</td>
</tr>
<tr>
<td>☑ Do you have interruptions due to teleworking?</td>
</tr>
<tr>
<td>2. Which criteria is used to determine the percentage of telework that you will do? Why is that?</td>
</tr>
<tr>
<td>3. What are positive and negative aspects associated with your teleworking experience?</td>
</tr>
<tr>
<td>4. Have you had any organizational problem or is there anything harder to do in your work because of teleworking (you or other people)?</td>
</tr>
<tr>
<td>5. What technologies have you used and which have caused discomfort during the development of your telework, or that of other people?</td>
</tr>
<tr>
<td>6. Regarding your hierarchical supervisors, what feeling have you had when requesting to telework? Have they been receptive?</td>
</tr>
<tr>
<td>7. Do you have any kind of objectives or any specific monitoring mechanism due to teleworking?</td>
</tr>
<tr>
<td>8. Is there any pattern that you do differently in your work due to teleworking? Are there specific tasks that you reserve for teleworking?</td>
</tr>
<tr>
<td>9. What is the impact of teleworking on productivity?</td>
</tr>
<tr>
<td>10. What is the impact of teleworking on stress? Do you have any other contributions that aren’t included in the guidelines?</td>
</tr>
</tbody>
</table>
Also, focus groups were made with the intermediate managers of the management area, called operative group managers in the organization. These groups, managed the same way as the previous groups, have made it possible to continue with the study on the implications of the virtual work model and to understand the situation of the managers vertically downward (how they perceive the personnel in their charge who are not present in the installations) and upward (how their higher managers perceive the work done by them in on-site and virtual situations).

Table 2. Question guide for the intermediate manager *focus groups* and interviews with managers from the area or from studies

<table>
<thead>
<tr>
<th>Question</th>
<th>Response Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>How is teleworking done in your area (or operating group)?</td>
<td>✔ How is teleworking organized in your area: limits, guidelines, tracking, etc?</td>
</tr>
<tr>
<td></td>
<td>✔ What criteria was followed to validate the percentage of telework?</td>
</tr>
<tr>
<td></td>
<td>✔ What activities are mostly developed asynchronously?</td>
</tr>
<tr>
<td></td>
<td>✔ Are there differences between the telework requested and the telework validated?</td>
</tr>
<tr>
<td></td>
<td>✔ Have you noticed technological accessibility problems?</td>
</tr>
<tr>
<td>What impact has teleworking had on the team organization?</td>
<td>✔ Are there difficulties in organizing area meetings?</td>
</tr>
<tr>
<td></td>
<td>✔ The relationship level between colleagues, with a special impact on the job sharing?</td>
</tr>
<tr>
<td></td>
<td>✔ Have you had to make changes in the team organization?</td>
</tr>
<tr>
<td></td>
<td>✔ Have you postponed or stopped performing group tasks due to teleworking?</td>
</tr>
<tr>
<td></td>
<td>✔ Is it easy for you to contact teleworkers who are not on-site?</td>
</tr>
<tr>
<td></td>
<td>✔ Have you received feedback from your client? Have you noticed changes?</td>
</tr>
<tr>
<td></td>
<td>✔ Do you feel comfortable managing people asynchronously?</td>
</tr>
<tr>
<td>What impact has teleworking had on the activity of your area?</td>
<td>✔ Level of achievement: Do you consider the activity to have changed?</td>
</tr>
<tr>
<td></td>
<td>✔ Have you taken measures to adjust activities to teleworking?</td>
</tr>
<tr>
<td>Did you spoke with your collaborators about teleworking once your initial petition was validated? If yes: What did you say?</td>
<td></td>
</tr>
<tr>
<td>What impact has teleworking had on the employees who telework? And on those who do not telework?</td>
<td>✔ What was their level of commitment to the group, in the achievement of goals?</td>
</tr>
<tr>
<td></td>
<td>✔ What positive and/or negative impacts have you had in transferring employees?</td>
</tr>
<tr>
<td>Only for intermediate managers, what evaluation has your manager given teleworking?</td>
<td></td>
</tr>
<tr>
<td>Is there any personal evaluation that you would like to add?</td>
<td></td>
</tr>
</tbody>
</table>
In this case a total of 10 focus groups were made, corresponding to the different areas in which the operational groups are encompassed.

Finally, with the objective of obtaining a more complete vision, individual interviews were undertaken with the managers of the area, for management, and with the study directors, for the teaching staff. This involved a total of 15 interviews.

In Table 2 the questions asked on the revitalization of the different focus groups were presented to the intermediate managers of the organization, as well as to the managers of the management and study area.

The main results of the psychosocial risk exposure and organizational leadership model are displayed below.

**ON EXPOSURE TO PSYCHOSOCIAL RISKS**

Of the six aspects that were analyzed (1. Psychological requirements, 2. Control over the work, 3. Uncertain future, 4. Social support and leadership quality, 5. Double presence, and 6. Respect), it was considered that 2, 4 and 5 are those that bear a greater relationship to the subject of the study conducted. The main results obtained are detailed below. The analysis was undertaken on three levels: overall organization and, separately, the management area and academic area, since these two groups present characteristics pertaining to the organization and operation.

At the overall level of the organization, in terms of control over the work (dimension 2), it is observed that the organization takes the employee’s opinion into consideration on the assignment of the workload, in which 48 percent respond that this occurs “often” or “always,” as well as on the task performance order (68.6 percent) and when to take rest periods (82.4 percent). Therefore, it can be concluded that there is a high level of autonomy in organizing the work, a very important aspect in an institution that has an organization teleworking model implemented. In this same scope, it is observed that 86.1 percent (often or always) consider that their work requires initiative, and 71.1 percent that makes it possible to learn new things.

It is then concluded that autonomy and the decision making ability of the employees prevails with a self-training component and the making of important decisions. This point is important from the leadership viewpoint established in the organization, based on the transfer of responsibility to the different hierarchal levels.

It must also be mentioned that 72.5 percent (often or always) recognize that the organization speaking with enthusiasm to other people indicates a high level of involvement and feeling of belonging.

By groups (management and academic areas), it is observed that, in general, the results of different questions asked to the group of teaching staff are substantially better. This result is not surprising given that its autonomy is high and clearly differentiates the type of activity undertaken while teleworking. However, for the personnel of the management area it is by means low, which results in the affirmation that the organization has a high level of control over the work.
Another aspect subject to study is “social support” and “leadership quality” (dimension 4). At the level of the overall results, it was observed that the majority of the workers clearly know (often or always) the margin of autonomy over the work and tasks for which they are responsible, 78.9 percent and 79.3 percent, respectively. In this scope, another important factor for the subject of study refers to the support received by colleagues and upper managers. In these cases the results (often or always) were 76.9 percent and 70.6 percent, respectively.

By groups, in this case an improved result is observed for the management area, an aspect associated with working in groups and not individually as the work of the teaching staff. In this respect, it also indicated that teleworking favors individual work but does not considerably affect the feeling of belonging to the organization.

The third aspect analyzed corresponds to “double presence” (dimension 5). In this case the results displayed a slight negative tendency, i.e., we found that there is overlapping between the domestic and familiar tasks and those associated with the work. An aspect that minimally improves with the implementation of telework.

It can also indicate, at the overall level, that workers included in a teleworking model, in general, present less psychosocial risk exposure, especially in the teaching staff group. Likewise, the best results, in terms of psychosocial exposure, are found for a percentage of telework comprising between 25 and 50 percent of teleworking, which indicates that there is an optimal percentage. This can be interpreted as low percentages not being perceived as telework, and the very high percentages implying some disaffection. This situation is more marked for the management area, in which the telework percentage is more regulated.

ON ORGANIZATIONAL LEADERSHIP

The leadership style of managers was classified into three types, following the classification proposed by Bass and Riggio (2006) [11]: transformational (or transformative), transactional and passive or “laissez faire.” In transformational leadership, the leader motivates his/her followers, inspiring them, establishing challenges and favoring their personal development. Transformational leadership promotes high-level group achievements through a sense of purpose, a mission and a common vision. The second leadership style is transactional, in which the leader motivates his/her followers through specific benefits whenever they are able to carry out the tasks assigned to them. The transactional style entails negotiation between the leader and the subordinates. Lastly, in the passive style the leader rejects any form of control and allows his/her subordinates to make all of the decisions. The transformational style is considered in the literature to be the most desirable. However, the transactional style has also had positive results and will therefore also be considered as a positive style. Furthermore, the passive style will be considered as a negative or undesirable style throughout this study.

Male employees generally indicated that their direct managers presented a more transactional and passive style, compared to the evaluations provided by female employees. Moreover, the teaching staff considered that their managers more frequently presented all leadership styles, including the positive (transformational, transitional) and the negative (passive) styles, than the personnel in management or administrative activities (see Tables 3 and 4).
Moreover, the leadership style of direct female managers is more favorably perceived than the style of male managers. These results are consistent with published studies for other contexts [12].

The percentage of telework that an employee does appears to be related to the leadership style that he/she perceives in his/her direct superior. However, this relationship is not linear, but fluctuates depending on the intensity of the telework undertaken, as shown in Table 5.

Employees that do not telework are thus generally those who give the worst evaluation on the management style of their superiors, assigning lower scores to the more favorable styles and higher scores to the passive style. By comparison, the employees that telework most (>50 percent) gave a more transformational and somewhat more transactional score to their managers, and gave them a less passive score. The employees with a low amount of telework (<25 percent) gave a score that was clearly more transactional and somewhat more transformational to their managers, and gave them a less passive score. Employees that telework 26-50 percent of the time are in an intermediate situation.

Other key variables of this study also change depending on the percentage of telework, as shown in Table 6.
The psychosocial safety environment increases in accordance with the intensity of telework, in such a way that employees always on-site are those with the worst perception of the policy, practices and procedures related to safety and psychosocial health in the workplace. By comparison, employees who telework for more than 50 percent of the workday provide a clearly superior evaluation.

Commitment to the organization, however, follows an inverted U-shaped curve, increasing as the percentage of telework increases. This displays a significant drop in the commitment to the organization of employees, with more than 50 percent of their workday spent teleworking.

**RELATIONSHIP BETWEEN ORGANIZATIONAL LEADERSHIP AND EXPOSURE TO PSYCHOSOCIAL RISKS**

The transformational leadership style is significantly and positively correlated to the psychosocial safety environment, control, clarity of the role and respect. When the correlation is negative (although with a minor effect) it is related to psychological demands and insecurity (see Table 7 on the correlation analysis results).

<table>
<thead>
<tr>
<th>Table 6: Effect of the telework percentage on the psychosocial environment and commitment to the organization</th>
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<tbody>
<tr>
<td><strong>Telework percentage</strong></td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Psychosocial environment</td>
</tr>
<tr>
<td>Commitment to the organization</td>
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<table>
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<th>Table 7: Correlation between the organizational leadership model and psychosocial risk exposure variables</th>
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</thead>
<tbody>
<tr>
<td>Psychosocial environment</td>
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<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>.313**</td>
</tr>
<tr>
<td>Psychological requirements</td>
</tr>
<tr>
<td>Control</td>
</tr>
<tr>
<td>Insecurity</td>
</tr>
<tr>
<td>Role clarity</td>
</tr>
<tr>
<td>Respect</td>
</tr>
</tbody>
</table>

* The correlation is significant at a level of 0.05 (bilateral)  
** The correlation is significant at a level of 0.01 (bilateral)
Transactional leadership shows the same tendency, but the correlations are much weaker, and are not significant for the negative factors. By comparison, passive leadership is clearly correlated with the most unfavorable work conditions: worse psychosocial environment, less control, less role clarity and a lesser perception of respect, together with greater psychological demands and insecurity.

Even though it has only been possible to obtain simultaneous information for now, and therefore causality cannot be concluded since the leadership style leads to psychosocial factors, the correlations obtained are completely in line with the research that is available so far. This suggests that the research is aimed at improving the leadership style to direct it toward other transformational styles that can lead to an improvement in psychosocial risk factors.

OTHER RESULTS

The results mentioned up to now are seen as complementary to the information obtained from the different interviews and the focus groups. These complementary contributions are the following:

1. The process followed in this university to offer the virtual work option to employees is considered a success factor, specifically: the evaluation of teleworkers’ skills, the preliminary analysis of the potential psychosocial risks of the organizational model, the analysis of the tasks to be undertaken during the virtual work period, and training in the skills required for teleworking.

2. The improved adjustment to the telework situation is a direct consequence of the training undertaken to improve the key skills for virtual work. This is in addition to a good balance between the skills and the demands of the work position, which implies a lesser possibility of psychosocial risks appearing.

3. Employees confirm that, although the workload occasionally increased, the feeling of being overloaded is less, which may lead to an increase in productivity. This improvement is associated with the ability to self-manage work time, the lack of interruptions during work time, as well as choosing the work station.

4. The planning and prior analysis of the virtual work model by managers is considered to be a key factor in the implementation and success of the provision of services, both at the productive and guarantee levels.

5. The general evaluation is very positive, mainly due to the improvement in the balance between personal life and professional life. The main factors indicated are: a reduction in commuting, an increase in personal time, financial savings, etc. These are factors that favor a reduction in the level of stress.
CONCLUSIONS

When studying leadership in university contexts, it is necessary to distinguish between academic personnel (teaching staff) and management personnel (administration and services), given that the results are significantly different in these groups.

Employees who are always on-site appear to hold the most negative evaluations on the different key aspects for the functioning of an organization: the leadership quality of their superiors, psychosocial safety environment and commitment to the organization.

The percentage of telework is related to the leadership style perceived in the direct manager. Even though this relationship is not linear, it follows a complex pattern that starts with the worst evaluations by onsite employees. It shows an improvement when teleworking reaches a maximum of 25 percent, followed by a drop when it passes a maximum of 50 percent, and a new spike for the collaborators that telework for more than 50 percent of their workday.

The intensity of the telework is positively related to the perceived psychosocial safety environment. This means that the more telework an employee does, the greater his/her perception is of the existence of policies, practices and procedures for the protection of his/her psychosocial health. This relationship requires further analysis, given that causality is far from being clear.

Teleworking and the commitment to the organization display an inverted U-shaped relationship. It is probable that employees who are always onsite feel a sort of grievance for not being able to telework, which keeps their level of commitment low. On the other hand, when teleworking surpasses 50 percent, the intensity of contact with the organization can lead to a slight detachment from it, which decreases employee commitment. However, this decrease does not reach the minimal levels of employees who are always onsite, which is regarded as the least favorable situation.

The transformational leadership style is clearly positive for the psychosocial health of employees, while passive leadership turns out to be negative for all the dimensions evaluated. Transactional leadership tends to be positive, but its impact is less than that of transformational leadership.
BIBLIOGRAPHY


Contingent Business Interruption (CBI)

ITSEMAP

In 2011, parts of Thailand were underwater for six months due to severe flooding; the material damages therefrom were estimated at 45,000 MUSD. This resulted in major losses in supply chains and revealed imperfections on how catastrophic risk and its consequences were traditionally insured.

In addition to direct and consequential losses, it was necessary to review traditional clauses in terms of criteria for determining one or several events and their inherent importance as regards deductible, priorities and limits.

In short and in many cases, consequential losses due to contingencies exhausted the sublimit of insurance coverage.

The purpose of this document is to identify and analyze the main factors affecting the risk of CBI coverage and to identify possible courses of action to help manage said risk.
SUPPLY CHAIN

Globalization is leading to an increase in sales and purchase markets for raw materials and manufactured products (both intermediate and products for end consumers).

At the same time, the following takes place:

- Reduction of logistic costs and subsequent ability to supply or sell products in markets that would be outside the realms of the imagination not so long ago.
- Specialization in individual businesses with clients and suppliers/providers; the latter are also specialized and offer their support throughout the entire product lifecycle.
- Need to reduce cost of capital derived from the growing implementation of “just-in-time/just-in-sequence” processes and reduction of leeway in production capacity and supply times.
- Growing need to assure quality and consequent complex product and process certification that makes it difficult to change providers/suppliers.
- Concentration of certain products in different positions of the supply chain in a limited number of companies and production centers.

Consequently, there is significant vulnerability to possible events in the facilities themselves and to events in other plants of the same group or related groups, in the same region or more distant regions.

Also, if a certain type of industry focused on certain types of products for certain production sectors in a specific geographical area, a catastrophic event will necessarily have global repercussions on the entire sector due to loss of production and the reduced number of options.
THE CONCEPT OF CBI

In general terms, CBI refers to the loss of gross profit of a certain activity as a result of a materialized hazard in a different risk situation.

Here is a clear example: for a specific activity (A), a raw material supplier (B) that is hard to replace with another supplier or raw material is affected by a large fire that reduces its activity and, as such, reduces the supply of, or increases the price of supplying, the raw material and results in loss of gross profit of (A) for either of these reasons:

- Reduced production and sales of (A).
- Increased production or logistic costs of supply using a different product or supplier.

Conceptually, this vulnerability does not depend on whether or not the client companies and the supplier are from the same group. However, in insurance terms, whether or not the companies and supplier are covered by the same insurance program makes a big difference. If they are indeed under the same program, we would talk about lost profit derived from a covered risk at an insured facility; whereas if they are not under the same program, the loss refers to a third party.

As a result, there are two very different cases from the point of view of insurance coverage:

- **Interdependencies** whereby facilities from the same group have a client-supplier relationship and any circumstance that affects the production capacity of one of the facilities has an impact on all downstream and upstream facilities in the supply chain, at least in the short term. If the circumstance is a risk covered by an insurance program, profit loss across the entire corporate chain will be covered.

- **CBI** whereby the circumstance is materialized in a risk situation that is not covered by the insurance program; the policy only covers this circumstance if the respective benefit has been taken out.

CBI may be triggered by:

- Clients
  - Immediate or successive
  - Named or in general
- Providers/suppliers
  - Immediate or successive
  - Named or in general
- Ability to attract the market of a nearby business (e.g. hotel complex in theme park with claim involving the latter)
- Denied access (of people or cargo)
- Utilities (power, water, gas, communications, etc.)
At all events, the cause of the claim must fall under the risks covered by the policy.

Consequently, it is easy to see what kind of multiplying effect this type of coverage would have if a serious event were to affect a key plant in supply chains, or particularly if a catastrophic event were to affect a region with several key plants; or if the coverage not only applied to suppliers/providers or clients but also to their suppliers/providers or clients, with consequent major impact, especially for large reinsurance companies.

**REINSURANCE PERSPECTIVE**

As end recipients of a significant portion of the risks underwritten by insurance companies, large reinsurers have been trying for some time to understand and know this risk and to define control mechanisms. They have then shared their key findings with the insurance companies by giving presentations to ceding insurers and by adding increasingly more restrictive clauses to their agreements.

Albeit the CBI risk is not impossible to restrict, it would be very difficult and expensive to identify and evaluate given the complex web of interdependent risk situations, alternatives, etc. This is especially pertinent in sectors that are constantly changing due to innovations and products and where it would not always be possible to notify of changes with enough notice.

The largest portion of the reinsurance business volume consists of agreements wherein the ceding insurers normally retain a large part of the risk. Also, these companies:

- Hold stakes in direct insurance and reinsurance of relatively atomized captive companies.
- Grant themselves relatively low sublimits in all programs.
- And the number of affected schemes is lower.

For all of these reasons, it is relatively unlikely that, for each of the ceding companies, the priority of their protection agreement is exceeded; and if it is actually exceeded, it will involve a small amount or a small increase in connection with the claim behind the CBI.

In other words, for reinsurers the significant part of this risk would mostly be retained by the ceding companies, or result from a relatively small amount when compared to the possible compensation.

Consequently, it could be inferred that the main concern of the reinsurance sector arises from the possibility of catastrophic events happening in areas with large concentrations of particularly sensitive industries such as automobile, electronics and, especially, the consumer industry.
CLAUSES FROM LEADING COMPANIES

Since in most cases clauses are provided by the client or the leading company, the conditions are stipulated therein and, in general, allow for less restrictive coverage. This usually includes all hazards that are listed in coverage for machine damages-malfunction; utilities; extension of denied access to cargo and regardless of where access is denied; and, where appropriate, “loss of attraction.”

Furthermore, it is common to grant larger limits to named suppliers/providers—clients and sometimes to another level of critical, named suppliers/providers and clients, in connection with unnamed suppliers/providers and clients, indirect suppliers/providers and clients, catastrophic events, etc.

INFORMATION PROVIDED DURING UNDERWRITING

The level of detail of the information that is received to analyze the operations reflects several cases:

- Simple request for coverage, without specifying clients or suppliers/providers
- Specification of named clients and suppliers/providers with a simple list where they appear as business groups
- Lastly and very rarely, details about locations subject to exposure to CBI with exact identification of supplier/provider and client locations. This information is required for activities that request high limits.

However, the limits on information about the supply chain are often influenced by factors such as:

- Extremely dynamic sectors with consequent constant changes in products, markets and, as a result, the supply chains.
- Extremely sensitive information in relation to competitors and suppliers/providers.
- Possible coverage limitations if out of date.

As a consequence, the problem arises from lack of information and may lead, where appropriate, to extremely complex processing and, in all cases, heterogeneous processing.
CBI RISK MANAGEMENT AT MAPFRE GLOBAL RISKS

The following cases would apply:

- **Risk that the coverage would be activated for an insured**: Given the claims history, this risk is relatively infrequent and under control by the sublimits and parts of the risk assumed by MGR.
- **Risk that the coverage accumulates from a claim with FLEXA coverage** with major PD-BI of a MGR insured party; each would be handled as a separate claim with its respective retention in relation to reinsurance agreements.
- **Activation of relevant CBI coverage due to a catastrophic event** in countries with high use of capacity, which increases the claim by an amount that had not been forecast in accumulation estimations. However, due to the nature of the insured activities in countries with higher accumulation, this does not seem to be an additional relevant risk.
The 2015 “Ranking of Europe’s largest Non-Life insurance groups” is on its 12th edition. As in previous years, the classification was based on the gross premium volume (direct insurance plus accepted reinsurance) that each of the groups earned in 2015, from all the countries where they operate. Groups primarily engaged in reinsurance were not included.
COMMENTS ABOUT THE RANKING

The overall premium volume of the 10 largest European Non-Life insurance groups covered in this study amounted to 217.7 billion euros in 2015, a 6.8% increase on the previous year (please refer to Table 1). A factor that has greatly influenced the financial results of these groups, both in terms of revenue and earnings, was the exchange rates variation, which was significant in 2015, especially the depreciation of the euro and the Latin American currencies against the US dollar and the pound sterling. In general terms all groups raised their premium revenues in euro terms, and those reporting their results in dollars or pounds sterling reported decreases.

The groups with higher claims experiences were those with larger exposure to Asia, of which the accident in the port of Tianjin it should be highlighted, to North America, due to winter storms, to UK and Ireland due to heavy flooding at the end of the year.

In 2015, most groups showed a decline in investment income, due to the lower interest rates environment and, in some cases, lower capital gains from equity.
investments. While the sector has suffered from the decrease in investment yields, on the other hand it made efforts to improve technical profitability.

Allianz continues to top Europe’s Non-Life insurance ranking, followed by Axa, Zurich and Generali, which usually maintain their relative positions given the gap that separates them. Talanx ranks fifth, thanks to the outstanding growth of its Non-life reinsurance business, and MAPFRE comes out in the sixth place. Aviva climbs to seventh and overtakes ERGO and Covéa. Finally, RSA occupies the tenth position.

**ALLIANZ**

In 2015, Allianz’s Non-Life premium volume stood at 51,597 million euros, which represents a 6.8% rise on the previous year. This premium growth was partly due to the favorable impact of exchange rates, totaling 1,529 million euros, mainly as a result of the strength of the US dollar, pound sterling and Swiss franc against the euro. The purchase of a part of the insurance business of UnipolSai and the takeover of the Non-Life business of Territory Insurance Office in Australia also had a positive effect. Strong growth was recorded in Turkey (26.3%), as well as in corporate and specialty lines.

Non-Life earnings before tax and non-controlling interests rose by 808 million (16.2%), to 5,784 million euros. Both revenue from investments and underwriting results contributed positively to this increase. The underwriting result grew thanks to the contribution of businesses in run-off, despite the deterioration of the combined ratio, which was up 0.3 p.p., to 94.6%, due to higher losses from natural catastrophes and the increase in claims in some business segments. Operating income rose by 221 million euros, mainly as a consequence of a capital gain from the sale of the personal insurance business of Fireman’s Fund.

**AXA**

For AXA, Non-Life premium revenue (Property & Casualty and International) recorded a 6.3% increase, to 34,931 million euros. Personal lines, which account for 58% of the Property & Casualty business, grew 2% (346 million euros) on a comparable basis, as a consequence of higher volumes in Direct insurance and Asia, as well as tariff increases in mature markets and in Direct business. In contrast, a lower premium volume was reported in the Mediterranean and Latin American regions. In commercial lines (42% of the Property & Casualty business) premiums remained stable on a comparable basis (+0.2%), with uneven performance in the various regions, which offset each other. Moreover, gross premiums from the International segment increased by 10% (+215 million to 3,615 million), thanks to the good performance of AXA Assistance and AXA Corporate Solutions.

The Property & Casualty and International segments produced earnings before tax and non-controlling interests of 3,412 million euros, a 13.9% increase. In the Property & Casualty segment, earnings before tax improved by 18% (+470 million, to 3,076 million) due to the increase in revenues, as a result of the favorable impact of exchange rates and because the previous year was dragged down by negative equity-accounted results of 200 million euros. The combined ratio improved by 0.7 p.p. to 96.2%, due to lower catastrophe losses and the positive development of previous years’ reserves (+0.4 p.p.) especially in mature markets, while in the Mediterranean region, Latin America and Turkey the effect was the contrary. In the international segment, earnings before tax decreased by 14% to 336 million due to lower financial income resulting from the low interest environment and lower gains from stock and mutual funds with respect to the preceding year.
ZURICH

The general insurance division of Zurich reported gross premiums of 30,812 million euros, an increase of 11.8%, in euro terms. In US dollars, which is the currency used by Zurich to release its accounts, premiums decreased by 6%, to 34,020 USD million. This year’s accounts were largely affected by exchange rates, especially the euro against the dollar (19.4% fall in the average exchange rate) but also the different Latin American currencies against the dollar. In local currency terms, gross premiums were up 3%, growing in two segments: Commercial North America and International Markets. In the case of the former it was due to organic growth, with an increase in new businesses. As for International Markets, gross premiums grew in local currency terms, mainly in Latin America, in part due to inflation, but also as a result of a new distribution agreement in Brazil.

The combined ratio deteriorated to 103.6%, due to an increase in claims (+5.5 p.p.) and expenses (+1.2 p.p.). The high loss ratio was the consequence of larger claims at Global Corporate, such as the explosion occurred in the Chinese port city of Tianjin in August, as well as in EMEA due to flooding affecting the UK and Ireland in December 2015. The increase in the expense ratio was due to several factors: expenses from growth initiatives in all regions, non-recurrent positive items from the previous year, and higher commissions. Additionally, an 11% decrease was recorded in the net investment result (-237 million, to 2,002 USD million) as a result of a lower average return in EMEA and lower hedge fund gains in the United States. Consequently, Non-Life earnings before tax and non-controlling interests decreased by 64% (-1,750 million, to 965 million USD).

Earnings before tax recorded a significant increase of 15.7%, to 1,923 million euros, thanks to the improvement in underwriting results. The combined ratio was down 0.7 p.p., to 93.1%, thanks to a 0.8 p.p. decrease in the loss ratio due to the favorable evolution of previous years’ reserves. The non-catastrophe loss ratio improved by 0.4 p.p., whereas the catastrophe loss ratio worsened by 0.4 p.p. due to floods in Italy, France and Eastern Europe. The expense ratio barely changed. It must be noted that investment returns remained at similar levels despite the difficult interest rate environment.

TALANX

Non-Life premiums from Talanx’s various divisions amounted to 17,732 million euros in 2015, an 11.9% increase compared to the previous year. The Non-Life Reinsurance division registered strong growth, to 9,338 million euros in gross premiums (8,759 million euros after intra-group eliminations), an increase of 18.2%, or 8.1% at constant exchange rates. The Industrial Risks division recorded premium growth of 6.5% (2.5% at constant exchange rates), to 4,295 million euros, driven by overseas business, especially...
in the United States. The Non-Life insurance business from the Retail International division grew 11.4% (16.7% after adjustments for exchange rate effects), with strong growth in strategic markets such as Brazil, Mexico, Poland and Turkey. In this segment the acquisition and consolidation of a majority interest in the Chilean Magallanes stands out. The Non-Life Retail business in Germany fell 2.5%, to 1,500 million euros, as a result of a Motor portfolio adjustment targeted at improving its profitability.

**MAPFRE**

In 2015, MAPFRE recorded Non-Life premiums of 17,441 million euros, a 6.5% increase with respect to the previous year, performing positively in Iberia (Spain and Portugal) and in all other countries. Growth was driven by the following factors: in North America, the good evolution of sales in Motor, Homeowners and Assistance businesses in the United States, stemming mainly from growth outside Massachusetts, as well as the appreciation of the US dollar against the euro; in EMEA, the acquisition of Direct Line Germany and Italy; premium growth in Turkey in local currency terms, especially in Motor; and Global Risks’ expansion in the UK; in Iberia, growth concentrated mainly in the Health, Motor, Homeowners and Burial businesses; Latam North grew considerably (+52.7%), mainly due to the underwriting of the corporate policy of Petróleos Mexicanos (PEMEX). On the contrary, premiums decreased in Brazil, although in local currency terms business grew by 3.6%, and in Latam South, as a consequence of the strong deterioration of the Venezuelan bolivar, despite the good evolution of income in Argentina, Chile, Colombia and Peru.

Non-Life earnings before tax and non-controlling interests totaled 911 million euros. The combined ratio stood at 98.6%, mainly due to snow storms in the United States, which added 1.3 p.p. to the combined ratio, as well as the increase in reserves and the cancellation of unprofitable businesses.

**AVIVA**

Aviva’s Non-Life premiums expressed in euros amounted to 12,070 million in 2015, an 8.3% rise, whereas in pound sterling, which is the currency used for reporting purposes, fell by 2.3%. This performance was negatively influenced by exchange rates, principally by the weakness of the euro and the Canadian dollar against the pound sterling. Non-Life lines represent 40% of the group’s overall premiums, and its business stems chiefly from the UK, Ireland, Canada, France and Italy. In general, in all these regions the premium volume from the Non-Life business remained stable or showed small increases in local currency terms.

Pre-tax profits from ongoing operations declined 46.1% (-51.4% in pound sterling), to 510 million euros (369 million pounds). The factors that most impacted this fall in profits were: the effect caused by the appreciation of the pound, a larger transfer of premiums to reinsurance, and lower investment revenue. Investments linked to the Non-Life business totaled 240 million pounds in 2015, versus 666 million pounds in the preceding year. In contrast, reserves from previous years’ claims were released (those over 10 years). The combined ratio improved by 1.1 p.p., to 94.6%, mainly thanks to the decrease in claims in Canada and Europe, excluding the UK and Ireland, since in the latter two countries December’s floods resulted in higher claims.

**COVÉA**

The Covéa group reached Non-Life premium volume of 11,573 million euros in 2015, up 3.6% from the previous year. The group reinforced its international presence, especially in Italy and the UK, and continued to grow steadily in its key market, France, which accounts for 91% of Non-Life premiums. The combined ratio stood at 98.5%, improving by 0.3 p.p.
ERGO

The German insurer ERGO, a subsidiary of the Munich Re group, reported Non-Life premiums of 11,310 million euros in 2015, a 1.4% rise on the previous year. By segments, Health Germany, which includes travel insurance, decreased by 0.9%, reaching 5,502 million euros. Premium revenue declined in the Health line, since policy cancellations exceeded new business, despite the latter increased by 5.3% in comprehensive health insurance and 14.9% in supplementary health insurance. Travel insurance grew 3.8%, to 449 million euros. German Direct Business division (1,011 million euros in premiums), where approximately 55% of premiums stem from Property & Casualty and Health, remained stable. Property & Casualty Germany reported premiums of 3,162 million, up 1.5%, and a combined ratio of 97.9%. In the International division, premium revenue from the Property & Casualty business increased by 200 million euros with respect to the previous year, mainly due to growth in Poland and Turkey. The combined ratio stood at 104.7%.

RSA

RSA’s gross premiums expressed in euros grew by 4.2% in 2015, to 9,473 million euros, and fell by 6% in pound sterling, mainly due to divestments. In the last two years the group has exited non-strategic markets in order to focus on its core markets. In 2015 the company sold its operations in Hong Kong, Singapore, Labuan (Malaysia), China, Italy, as well as a shareholding in India. In 2014 it had already disposed of its businesses in Latvia, Poland, Lithuania, Estonia and Thailand. In September 2015 the group announced the sale of its subsidiaries in Latin America to the Colombian group Suramericana, an operation that will be completed in 2016.

Performance by regions was as follows: premiums grew by 4% in Scandinavia; in Canada they fell by 3% as a result of the measures taken to improve profitability; premiums in the UK increased by 2% driven by commercial lines, but decreased in retail lines, where a stricter underwriting approach is being imposed in a highly competitive market. In Ireland, where measures were also taken to improve profitability, premiums declined 4%. The combined ratio improved by 2.6 p.p. and stood at 96.9%. Earnings before tax and non-controlling interest from ongoing operations amounted to 146.4 million euros, a significant increase compared to 66 million euros recorded in the previous year. Net gains from 2015 divestments not included in the previous figure (due to being discontinued operations) added 215 million euros to net earnings.

METHODOLOGICAL NOTES

In order to prepare this ranking, we considered the Non-Life gross premium volume by lines (direct insurance and accepted reinsurance). It must be noted that the ranking does not include the Health premiums assigned to the Life business [3], but it does cover those classified as Non-Life or expressly differentiated.

This ranking does not include the groups primarily engaged in Reinsurance. We maintained the criteria of including accepted reinsurance premiums in groups with reinsurance subsidiaries, as long as it is not their core activity.

Earnings figures refer to the Non-Life segment, before tax and non-controlling interests. This report uses the term “operating income” to refer to earnings from insurance activities, including revenue from investments linked to this business. Losses or gains from other investments are included under “non-operating income”. For comparison purposes, the 2014 revenue and earnings figures that were updated in the 2015 annual reports were used.
The average exchange rates [4] against the euro used in this report are the following:

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<th>Divisa</th>
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<td>Libra esterlina (GBP)</td>
<td>1,246</td>
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<td>Dólar (USD)</td>
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[1] The combined ratio is that presented by each company in its annual report. In those cases in which the Non-Life and Health ratios are reported separately, the Non-Life ratio has been considered.

[2] In 2015 the Ergo Group did not present an individual statement, since it was included in Munich Re’s annual report. A combined ratio covering all Non-Life segments was not released.

[3] In general, in those cases in which Health insurance generates mathematical reserves, the line is classified together with Life.

Opinion on the region

LATAM north

In the second installment of this new narrative format we offer a commercial outlook on the LATAM North region, which comprises eight countries stretching from Mexico, where the MAPFRE Group’s Regional Area is headquartered, to the Dominican Republic through Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

The Regional Area is responsible for the planning, support and supervision of the Business Units in the region, and although Mexico is currently suffering from the effects of the international economic instability—most notably the collapse of commodity prices (oil in particular), the sharp depreciation of the peso against the dollar and euro, and smaller-than-expected growth in the United States—it has to be said that the penetration of insurance is very low in the region so these markets are likely to enjoy significant expansion in the coming years.
Analysis of airport disaster procedures

As part of its Emergency Response Plan review, on October 6 the Bilbao Airport conducted a drill to assess the action and coordination procedures foreseen in the plan, analyze the efficiency thereof and verify how well the different groups involved in responding to an airport disaster know and integrate the plan.
All airports comprising the Aena network have an emergency response plan covering both external emergencies and internal airport security, aimed at minimizing the consequences of a plane crash, both in the airport’s taxiing area and in the airport fly space used by air craft during daily take-offs and landings. The fundamental objective is to safeguard human lives and the property that could be affected by such an incident, while also ensuring continuity or reestablishment of airport operations.

During the drill, airport officials analyzed reaction and response times of all internal and external groups involved. This brings the Basque Country facility into compliance with International Civil Aviation Organization (ICAO) airport preparedness regulations as well as with legislation laid down by national, regional and local authorities requiring airport managers to have appropriate airport security plans. The drill also reflects Aena’s commitment to providing safe, quality service.

**DISASTER DRILL**

The drill simulated the crash of a commercial plane upon take-off on runway 12-30, while carrying five crew members and 19 passengers.

The scenario was that, during take-off, the engine failed and there was a rapid loss of lift. After lifting several yards off the ground, the plane crashes near the terminal, to the right of the runway. Debris from the crash end up near the BI-3707 motorway.

The impact and the ensuing fire cause major structural damage in the plane.

The crash results in five people dead, eight injured and eleven unharmed.

The accident is first seen by the Control Tower. The controller sounds the general alarm, informing the airport Operations and firefighting areas.

The Operations area calls the Bilbao emergency assistance number (112) to report the incident and provide the information available at that time: approximate location of the crash, type of plane, passenger capacity and fuel capacity.

Emergency assistance then activates tactical operations of the Basque Country Emergency Response System for aircraft disasters at the Bilbao airport.

Once Aena firefighters have brought the fire under control and it is safe to do so, firefighters enter the remains of the fuselage to fully extinguish the fire inside the plane, clear the smoke and rescue the seriously injured passengers that were unable to exit the plane on their own.

During the first few minutes, external response teams activated by the Basque Country Government Emergency Response Division begin arriving on the scene. Firefighters and medical professionals treat the victims that were near the crash and rescue the injured.
Control is transferred to the main command post and the advance command post. The emergency response is then overseen by personnel from the Basque Country Government Emergency Response Division.

Once the first-aid area is set up and triage is performed to determine the order of treatment and transport of the injured, all victims are stabilized and evacuated by medical teams.

At the same time, the families of those involved in the accident are taken to the Family Member Lounge and treated by psychologists, the Airport Supervisor of Victim Care and the Basque Country government liaison.

**PARTICIPATING GROUPS**

Several different groups from Aena and other external organizations that regularly provide airport services such as the Airport Management Division, Control Tower, Operations area, Airport Security area, airlines, Guardia Civil, handling agents and Aemet, participated in the drill.

**External participants included:**

- Basque Country Government Emergency Response Division
- Basque Country Health Service (Osakidetza)
- Guardia Civil
- National police force
- Basque Country police force (Ertzaintza)
- Bizkaia firefighters
- Red Cross
- Nursing School
- Loiu City Council
- National government representation office

The drill was part of the Emergency Response Plan, which is regularly updated and fine-tuned by the periodic performance, by the different services involved, of partial drills to test and evaluate response capacity and to analyze disaster response procedures and times.