Gerencia de Riesgos y Seguros

FUNDACIÓN MAPFRE

117

YEAR XXX

SEPTEMBER/DECEMBER 2013

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editorial

Expanding horizons

This issue, corresponding to the third quarter of 2013, ushers in a new era. The review's outstanding success in the last thirty years now prompts us to bring out a bilingual issue, in Spanish and English. Our aim has always been to give a simple, insightful yet groundbreaking view of risk management, and as from this issue, number 117, we will now bring this message to a much wider audience.

Regular readers of the review will now find more than one change in its structure, with fewer pages and contents dealing with today's burning issues, which we trust will be to your satisfaction. The new design gives practical and easily digested information for readers in either language, English and Spanish, with titles and contents in both languages.

Still aghast at the devastating aftermath of the Haiyan typhoon, which has cost five thousand lives and affected ten million people in the central archipelago of the Philippines, we open this issue with an interview with Rogelio Bautista, Abengoa's Insurance and Risk Manager. Abengoa, an Andalusian firm trading worldwide and boasting assets of 11 billion euros, specialises in innovative technology solutions for sustainability in the energy and environment sectors. Leveraging his vast experience ant topping into his in-depth knowledge, he tells us about the keys of risk management in the creation of new, sustainability-favouring technological solutions.

The first article deals with the compliance function, understood as a business programme capable of pinpointing and flagging risks of legislative breaches, informing the Board of Directors of the checks carried out and conclusions drawn there on. This whole procedure then serves as public demonstration of the organisation's commitment to upstanding behaviour, generating trust and boosting the company's reputation.

In the second article the author spells out the insurance sector's challenges ahead of the much-vaunted economic upturn. He stresses the need to convince regulators that the new capital requirements should not upset the risk-yield balance, otherwise the insurance sector might miss the precious opportunity of editorial

stepping in to fill the long-term gap in insurance solutions now left by public pension systems.

This issue closes with the Europe's biggest insurance groups ranking for 2012 in Life and Non-Life, drawn up by the Insurance Science Institute (*Instituto de Ciencias del Seguro*). This ranking, with MAPFRE in 10th place, shows that, even in such a difficult environment with rock-bottom interest rates, Europe's ten biggest insurance groups still managed to increase their revenue by 4.3% in 2012, chalking up premiums worth a total of 428 billion euros. The general picture is that the growth from international business in Latin America and Asia, mainly, has offset the squeezing of profits in local markets.

We thank all our faithful followers for continuing to accompany us on our journey, now bilingual, and take this chance to wish you all a very happy new year.

Gerencia de Riesgos y Seguros

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summary

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«More and more clients, partners and stakeholder groups are asking us for an account of our risk management procedures»

«We at Abengoa think of risk management as an essential decision-taking factor and feel it our duty to apply, enforce and encourage it», says Rogelio Bautista. He adds, «we are convinced that insurance transfer is a key feature of doing business today».

Rogelio Bautista

ABENGOA'S RISK MANAGER

Text: **ALICIA OLIVAS** Photos: **ALBERTO CARRASCO**

Could you please describe your duties as Abengoa's risk manager?

Risk management in Abengoa has the following scope and functions: First and foremost, the analysis and quantification of the company's project and business risks, including drawing up product-based risk profiles and contingency methodologies, like Montecarlo; specific risk analysis methods for mergers and acquisitions, corporate social responsibility and projects impinging on sustainability and climate change.

The second area of responsibility is insurance management, which takes in the definition and management of insurance procedures and policies; establishment of contracting criteria and relationships with insurers, reinsurers and brokers; the contracting of corporate programmes and also liaison among the various insurance managers of Abengoa companies.

The third function involves special risks, where we are responsible for establishing expatriate protection systems and policies, protection of assets in high-risk countries and management of crisis situations.

As our fourth focus we are in charge of applying in-house and specific Enterprise Risk Management (ERM) software, allowing risk maps to be obtained online for strategic, operational, financial and legal risks.

Our final remit is risk management training, received as induction training by each new recruit (contents included in the Welcome Course). This is then kept up as top-up training throughout the employee's entire working life, under two arrangements, face-to-face learning and e-learning, and in four languages (Spanish, English, Portuguese and French). In the last three years nearly 2,100 employees have been trained in risk management, and over 16,600 training hours have been given worldwide.

Where does the risk-management department fit in within the whole company structure?

Risk management is one of the company's corporate departments within the General Secretariate, and reporting directly to the group CEO and President. It stands at the same level as all the other corporate departments (economics and finance, strategic development, legal services, internal audit, etc.).

An essential function

Abengoa aims to be a worldwide benchmark in the development of technological solutions for sustainable development. How can risk management contribute towards meeting this challenge?

We at Abengoa think of risk management as an essential decision-taking factor and feel it our duty to apply, enforce and encourage it. In practice, risks have to be managed at all company levels without exception; the risk management system is fully integrated into the definition of business targets and the day-to-day operations in pursuit of these objectives. Management then supports, assesses, monitors and enforces all risk management directives and guidelines.

The system has been designed on the basis of an initial identification of risks in each area (finance, legal, human resources, IT, etc.). Working from this base, and with a specialist area manager, the necessary treatment and coverage procedures are then established for application throughout the business. Risk management and business management as a whole are therefore inseparably linked; the entire business is managed on the basis of a risk mitigation procedure, and business management therefore always involves risk management.

«OUR RISK MANAGEMENT SYSTEM WORKS FROM THREE BASIC PRINCIPLES: AWARENESS-RAISING, ANTICIPATION AND INVOLVEMENT».

Could you please describe in general terms how the risk management system has been set up in your group?

Our risk management system works from three basic principles: awareness-raising,

anticipation and involvement; it is structured on three mainstays: management procedures, methodology and our inhouse ERM tool; and continual monitoring at all levels.

As for management procedures, these are based on the concept of risk owners, responsible for pinpointing specific risks in their areas and defining coverage procedures in day-to-day management. Procedures deal, on the one hand, with business risks and, on the other, with financial information reliability risks. This means that managing risks goes hand in hand with managing business.

The in-house ERM methodology and tool calculates in real time likelihood and impact of company risks: strategic, financial, operational and legal.

«THE RISK MANAGEMENT SYSTEM IS FULLY INTEGRATED INTO THE DEFINITION OF BUSINESS GOALS».

Finally, there is an across-the-board continual monitoring system with established committees to track the trend of each risk and, even more importantly, to detect any risks from the very start of each project or business.

What are the risk management responsibilities of Abengoa's senior management?

There are several. One of them is to drive home the sheer importance of the system and its value to all employees and services. Secondly, it is responsible for clear ring fencing of duties, attributions and responsibilities. Then it has to make sure the system is equipped with sufficient resources to work properly and it also approves annual and multi-annual working plans and any changes in them. It is likewise responsible for monitoring activities, doing so in the form of weekly specific risk-management committee meetings, as well as for integrating risk management into the main periodical project or business committee meetings.

How are you managing to get the whole organisation to take on the management of uncertainty as an inherent part of day-to-day tasks?

We have a substantial qualitative advantage: senior management is absolutely convinced of the need for risk management to ensure the company's objectives are met. Working from that fundamental conviction, all the abovementioned systems make risk management inherent to the business so that the whole organisation assimilates these principles and the necessity of applying them in all day-to-day tasks.

Risk management is also enforced and encouraged by including it as a *sine qua non* in all strategic decision-taking and all significant business operations. Risk management is also imbued as an essential part of our company culture right from the day one of each new employee's career, with specific induction training included in all our training programmes: for managers, project managers, site foremen, technological managers, etc.

«SENIOR MANAGEMENT IS ABSOLUTELY CONVINCED OF THE NEED FOR RISK MANAGEMENT TO ENSURE THE COMPANY'S OBJECTIVES ARE MET».

PROJECT-TO-PROJECT ANALYSIS

Abengoa specialises in two high-growth sectors: energy and the environment. How is risk management integrated into decision-making procedures or the definition of objectives in both businesses?

We analyse particular risks on a project-to-project basis, looking at the big picture, from business risks to contractual and regulatory risks and risks in the physical environment. In this overall endeavour we involve the managers responsible for each of those areas. Furthermore, nothing is ever done without prior risk analysis, which thus becomes an essential decision-taking tool, after approval of the business in question by the whole management chain. Risk management also takes on the responsibility for vetting this risk analysis as a prior step to approval by the company's senior management. No decision is ever taken without having the approved analysis on the table.

What are Abengoa's risk management goals?

I would stress two: completing the process of our ERM methodology, fixing specific company-wide goals to be met in terms of the probability and impact of risks that directly affect it. Secondly, adding value by serving as a useful financing tool, integrated into the insurance market process with groundbreaking solutions.

We view risk management not only as a means of mitigation and protection; it should also give us a competitive edge. One other thing should be made clear: risk management cannot be done by sitting at an office table; you need to move around the company and keep track of events on the ground.

Solana recently came on stream, the world's largest parabolic trough plant with a total installed capacity of 280


ANUARIO
2011
ABENGOA

MW (gross) and the first in the United States with thermal energy storage. What did it mean for your department to take on this project?

It's been a thrilling experience. I remember well when, several years ago now, our head of solar business in the USA came to present the idea with a Power Point explaining the structure. From that moment, we began to work on the risk analysis of the project and today the continual process is still underway, since the plant is now up and running and continual custom-built upgrades have to be phased in on an ongoing basis. Another milestone was to insure it; this transaction gave our risk management team an in-depth knowledge of the US market. I'm sure this project has made us one of the risk management departments with the best knowledge of US insurance and how it works. And it doesn't stop there; many years of operation are ahead of us and a business of this type calls for permanent monitoring.

«IN EACH ACTIVITY WE FOCUS ON THE CHARACTERISTIC RISKS; VERSATILITY THEREFORE HAS TO BE AN INHERENT FEATURE OF RISK MANAGEMENT».

Does ISO 31000 certification give your firm a competitive edge?

Increasingly so. For us it represents an external and structured validation of our risk management system. It is in our own best interests to subject the system to this periodic vetting and auditing. We have therefore been renewing this certification for the last four years and we have now introduced it not only at consolidated level but also for our most important companies and business groups.

There is also an ever-increasing number of clients, partners and stakeholders who are asking us to give an account of our risk-management procedures; ISO 31000 certification is the best and most dependable external validation of all Abengoa's own explanations.

Risks under control

How many potentially business-affecting risks have been identified?

We analyse all risks on the basis of their probability and impact; in truth any risk might arise and affect the business. It is therefore the action plans that determine the mitigation priorities and measures. Right from the start our study includes all of the risks we have identified; it is then their systematic measurement that determines how each one is dealt with. Our ERM tool currently includes 56 risks.

How often is Abengoa's risk model checked and overhauled? Who is responsible for this process?

The model is continually revised and checked to keep it in line with real business needs and developments. Each area head of our management procedures has to keep them up to date and design or modify the protection measures for the risks of his or her area. This exercise has to be carried out at least twice a year and all the actions and results of these updates are checked annually.

Abengoa does business in 80 countries on the five continents. In which geographical areas has most risk exposure been detected?

It depends on which risks we're talking about: political, regulatory, of environment… And the situation is always changing, sometimes at breakneck speed. We are always working to keep our finger on the pulse of events, knowing the risks as well as possible and working on how to mitigate them. This is precisely where the competitive advantage lies: finding the best way of mitigating the risk to enable us to trade in all areas. Risk management work largely consists of identifying protection formulae, so as to be able to give the go-ahead with all risks under control.

«WITHOUT INSURANCE, MOST BUSINESS ACTIVITIES COULD NOT BE CARRIED OUT AT THE LEVEL OF THE UNDERTAKINGS WE ARE TALKING ABOUT HERE».

Abengoa's business revolves around three activities: engineering and construction, concession-type infrastructure and industrial production. Which is the trickiest activity in risk terms?

Each one poses its own specific risks. In engineering and construction, in particular, we face risks with deadlines, technique or completion guarantees. With concessions we set out from the start to eliminate demand risk in the sale of energy or water, for example, doing so on the strength of firm, long-term contracts; special attention needs to be paid here to operational risks. In industrial production, special attention has to be paid to market-, price-, raw-material- and finished-product risk. So in each activity we focus on the characteristic risks; versatility therefore has to be an inherent feature of risk management.

How are catastrophic, environmental and climate-change risks being tackled?

To deal with catastrophic risk, our initial project risk analyses include a specific section on physical risk and nature-based risk, checking the catastrophic risk exposure of the project's exact site.

For environmental and climate-change risk we have a special risk analysis model to measure the potential impact we might suffer. This differs in terms of whether we are dealing with a desalination plant, a solar plant or a transmission line. The aim is twofold: not only to protect ourselves against risks of this type but also to ensure our activities cause no negative impact. It could hardly be otherwise in view of Abengoa's firm ongoing pledge to sustainable development.

Insurance and Prevention

Do you consider insurance transfer to be a key tool for dealing with risk?

Absolutely. For two main reasons: firstly due to the security that insurance gives to mercantile transactions. Put simply, without insurance, most business activities could not be carried out at the level of the undertakings we are talking about here. Secondly, we need insurance to protect our assets and prevent liabilities. We are convinced that insurance transfer is a key element of today's business procedures.

What would you consider to be the main insurance challenges in terms of protecting companies like Abengoa?

There are some clear examples at the moment. Firstly, making insurance an essential feature of financing arrangements but adapted to new requirements, even though this may stray from hitherto conventional techniques. Also, effective protection of the whole supply chain, which is global, and cannot be limited only to a few kilometres radius around the workplace. Finally, in terms of contingent business interruption, making it work for major projects.

What role does self-insurance play in your company? Do you run any captives?

We give clear priority to insurance transfer over self-insurance arrangements. We resort to the latter only in exceptional cases or because the insurance market does not cover the risk in question (although we always try to ascertain and obtain the latest insurance developments for our activity), or for very low-exposure risks after having painstakingly calculated the impact of any uncovered risk. We have no captives; we discussed this possibility a few years ago and decided in the end not to set one up.

«WE VIEW RISK MANAGEMENT NOT ONLY AS A MEANS OF MITIGATION AND PROTECTION; IT SHOULD ALSO GIVE US A COMPETITIVE EDGE»

What value does prevention have in Abengoa?

Our whole risk management system is conceived preventively. We believe you have to be proactive rather than reactive. Our procedures work from the principle of risk analysis and anticipation from the very first stages of any project or business. And this prevention activity is particularly noteworthy in terms of occupational risks and industrial safety, where we have specific procedures and systems and very specialised teams.

What is the role of your department in the management of crisis situations?

One of the remits of risk management in Abengoa is crisis management, defining the internal mechanisms to be set in motion and supporting the areas directly affected by the crisis situation. The management of these crisis situations is direct when dealing with safety matters (expatriates, projects under construction, assets in operation, evacuation plans, country risk, etc.) and support for departments or companies involved (cases of personal accidents, natural disasters, etc.). In both scenarios, this is done after having previously defined and implemented the best possible insurance-based protection arrangements.

A RISK MANAGEMENT ADDICT

Rogelio Bautista defines himself as «a risk management addict» for many reasons: «I find it thrilling to gain a complete overview of each business or project and I love the constant challenge of finding and blending the various protection methods (contractual, insurance-based, financial, etc.). Another exhilarating aspect is the constant learning process with this profession (technical and legal aspects…). Finally the people you have to liaise and work with, both inside and outside the company, are your «allies» in the ongoing endeavour of doing all this well». In his opinion, «in Abengoa all these challenges are dealt with comprehensively every day».

As the company's risk manager he has had to deal with numerous risks. «Two of the biggest ones in recent times were, firstly, ensuring that insurance is a genuine and practical financing instrument providing great value in project funding, mounting complex insurance/banking structures that meet guarantee requirements. Secondly, setting up and bringing on stream our ERM software, an in-house, totally customised system providing online risk maps not only at consolidated Abengoa level but also at of company and business unit level».

Adding More Value

Are stakeholder groups (investors, suppliers, clients, etc.) becoming increasingly interested in finding out about companies' risk management systems?

Yes they are, and the number of stakeholder groups interested in finding out about it is continually growing. We often attend meetings with these stakeholder groups to explain what we do to control the company's risks. Issues like corporate social responsibility, for which we have a particular methodology to measure the risk of not doing so properly, have been on the table for some years now.

«RISK MANAGEMENT CANNOT BE DONE BY SITTING AT AN OFFICE TABLE; YOU NEED TO MOVE ABOUT THE COMPANY AND KEEP TRACK OF EVENTS ON THE GROUND».

Recently it has also become increasingly common for the clients themselves to ask us not only for the bid itself but also an account of the risk analysis we have carried out for the project or business with them. Risk management, in other words, is continually adding value and enhancing the company's relationships with its stakeholder groups.

The COMPLIANCE function

The sheer complexity of companies nowadays and the increasingly demanding regulatory framework call for a compliance function to identify the risk of breaching legislation and advise companies of same. This article analyses the origins of this function and the underlying legislative base in Europe's insurance sector.

JUAN PABLO OLMO
MAPFRE

INTRODUCTION

The concept of risk compliance, partly due to the continuous regulatory developments that affect it, directly or indirectly, continues to evolve as an essential element of the governance system for companies. Institutions in the financial and other sectors have put into place or are introducing compliance rules programmes to manage a new risk within their global map of corporate risks: the risk arising from regulatory compliance.

Running alongside and associated with the concept of compliance risk is the definition of the compliance function. The extent of activity in respect of this function («the right thing to do»), gives rise to very varied interpretations on its content. Unlike Anglo-Saxon cultures, which have dealt with the subject for a longer time, ethical behaviour becomes the key to development, from other standpoints, greater emphasis is put on the purely regulatory aspect.

In today's world, it is impossible not to consider the regulatory field as a risk aspect and this is borne out by the continuous surveys in the financial sector, and more specifically in the insurance sector, which signal the flood of national and international regulations as one of great concern.

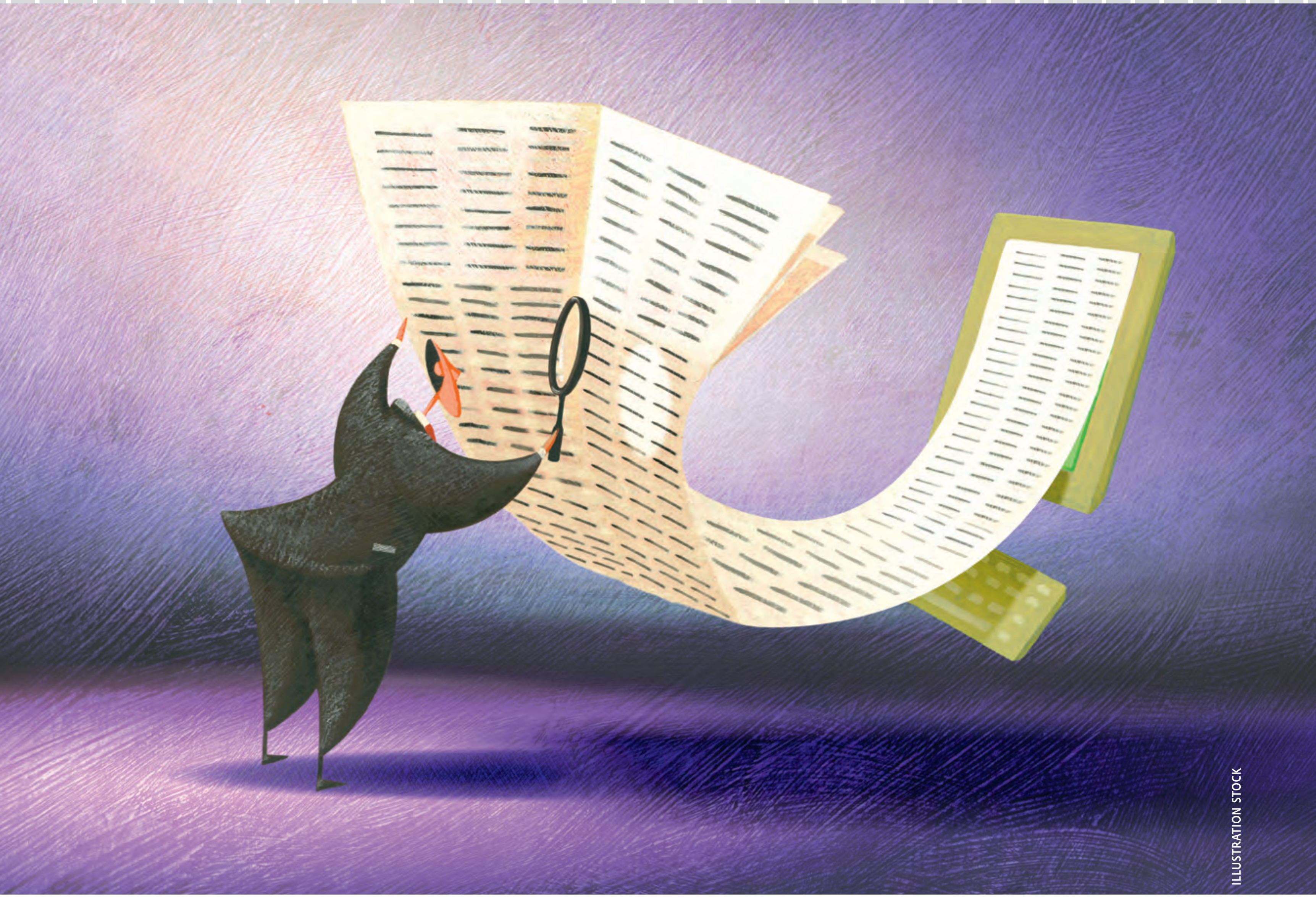


ILLUSTRATION STOCK

The increase in the complexity of organisations and growing scope and complexity of the regulatory environment make it especially important for companies to manage and control compliance with external (general legislation and sector regulations) and internal regulations (corporate policies, rulings on ethics and behaviour) in order to avoid economic sanctions and, more importantly, to safeguard their reputations against claims of malpractice or non-compliance with regulations. To this end, the introduction of a compliance function is justified and which should identify the risks of regulatory non-compliance, prepare assessment after risk evaluation, alert possible non-compliance, and follow-up on its correction and advise the Board on its findings and conclusions.

COMPLIANCE RISK

The broadest meaning of compliance risk is that which describes it as the risk of suffering regulatory or legal sanctions, material financial loss or loss of reputation that a company may suffer due to non-compliance with laws and other regulations, rulings and internal or external standards or administrative requirements applicable to their activity.

As opposed to *ex-post* action, which has been the traditional action scenario for legal departments i.e., a reactive response to the opening of judicial or administrative procedures that require a line of defence to be set up, the action in respect of compliance risk needs to be *ex-ante* with regard to the materialization of the risk.

These actions require two types of response. On the one hand, an advance analysis and evaluation of the repercussions that any changes in the legal environment might have on the company's operations and, on the other hand, the risk management of compliance within an organisation's overall management through the use of techniques generally developed for the management of other risks. These include the successive phases of identification, evaluation of financial impact and the probability of occurrence, implementation of mitigating measures, follow-up and dissemination and information on the process.

The approximation of compliance risk management is no way static but, rather, evolves over time. Important time-related milestones include:

—1991. US Federal Sentencing Guidelines for Organizations.
—1998. Australian Standard AS 3806-1998. Compliance Programs.
—2002. Sarbanes-Oxley Act.
—2003. Insurance Core Principles, Standards, Guidance and Assessment Methodology (IAIS).
—2005. Basel Committee on Banking Supervision. Compliance and the compliance function in Banks.
—2006. Directive 2006/73/CE, 10th. August, 2006 (MiFID).
—2006. Australian Standard AS 3806-2006. Compliance Programs.
—2007. Managing Compliance Risk in Major Investment Banks – Good Practices (FSA. UK).
—2009. Directive 2009/138/CE, 25th. November, 2009 (Solvency II).
—2010. Good Practice Guidance on Internal Controls, Ethics and Compliance (OCDE).
—2011. IDW Assurance Standards 980. Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (Institut der Wirtschaftsprüfer).
—2011. Insurance Core Principles, Standards, Guidance And Assessment Methodology (IAIS).

THE COMPLIANCE FUNCTION IN THE EUROPEAN NON-INSURANCE FINANCIAL SECTOR

In the European non-insurance financial sector, the compliance function is responsible for the implementation of procedures that ensure broad compliance with internal and external regulations. The basic norms that control such actions are the principles established by the Basel Committee on Banking Supervision and the European norms arising from Directive 2004/39/EC of the European Parliament and Council of 21st. April 2004 on markets involving financial instruments (MiFID), and Directive 2004/73/CE of the Committee of 10th. August, 2006 which applies Directive 2004/39/EC of the European Parliament and Council in respect of the organisational requisites and operating conditions for investment companies.

Basel Committee on Banking Supervision

In April of 2005, the Basel Committee on Banking Supervision made public a document with

IN THE EUROPEAN NON-INSURANCE FINANCIAL SECTOR, THE COMPLIANCE FUNCTION IS BASED ON THE PRINCIPLES ESTABLISHED BY THE BASEL COMMITTEE OF BANKING SUPERVISION AND THE EUROPEAN NORMS ARISING FROM DIRECTIVES 2004/39/CE AND 2006/73/CE.

recommendations on «Compliance and the compliance function in banks», in which guidelines based on high-level principles were established for the management of compliance risk and the introduction of a compliance function in the banking sector.

The aforementioned document defines compliance risk in a similar way to that indicated above. Thus, compliance risk is defined as including both external and internal norms which are both *stricto sensu* norms and self-regulatory in nature. It also points out that it covers questions such as market conduct, the management of conflicts of interest and appropriate consumer advice. Additionally, specific subjects such as the prevention of money laundering, the finance of terrorism are dealt with, and its jurisdiction extends to fiscal norms that are relevant in the design of products or client advice.

In the recommendations document prepared by the Basel Committee on the compliance function, the following principles should be highlighted:

- Compliance must form part of the culture of the organisation, and is solely the responsibility of specialist compliance staff.
- The Board of Directors is responsible for the supervision of compliance risk management. The Board must approve the bank's compliance policy which should include a formal document that establishes a permanent and effective function. The Board must supervise the implementation of the policy, guaranteeing that compliance problems are resolved quickly and effectively by senior management with the help of the compliance function.
- Senior management is responsible for establishing and communicating a compliance policy and for ensuring that it is observed. With the assistance of the compliance function, at least once a year, senior management should identify and evaluate the principle risks that the organisation faces and the plans for managing them. Senior management is responsible for establishing an effective and permanent compliance function within the organisation, as part of its compliance policy.
- The compliance function must be independent and sufficiently resourced and its responsibilities should be clearly specified.
- The compliance function should have a formal status within the organisation in order to give it an appropriate position, authority and independence. This may be set out in the organisation's compliance policy or in any other formal document. The document should be communicated to all staff throughout the

organisation and should establish: its role and responsibilities, measures to ensure its independence; its relationship with other risk management functions within the organisation and with the internal audit function; in those cases where compliance responsibilities are carried out by staff in different departments, how these responsibilities are to be allocated and limited; its right to access information necessary to do its job, and the corresponding duty of organisation staff to co-operate in this respect, its right to be able to freely express and disclose its findings to senior management, and if necessary, the Board of Directors.

- There must be a Director of Compliance with responsibility for co-ordinating the identification and management of the organisation's compliance risk and for supervising the activities of other compliance function staff. The compliance function staff should not be in a position of potential conflict regarding their compliance responsibilities and other responsibilities, and it is preferable that they only have compliance responsibilities.
- The organisation's compliance function should have sufficient and appropriate resources to carry out its responsibilities effectively.
- Some of the compliance function responsibilities include:
  - –Advice on compliance with laws, rules and standards, including updated information on developments regarding same
  - –Training of staff on compliance matters.

  - –Identification, measurement and assessment of compliance risk.
  - –Monitoring, testing and reporting on the compliance risk.
  - –If the organisation has a new product development committee, then the compliance function staff should be represented on it.

THE 2006/73/EC DIRECTIVE ATTACHES A SIGNIFICANT ROLE TO THE COMPLIANCE FUNCTION. THIS IS REFERRED TO UNDER ARTICLE SIX, WHICH REQUIERES INVESTMENT FIRMS TO SET UP AND MAINTAIN A PERMANENT AND EFFICIENT COMPLIANCE MONITORING ORGANIZATION.

–The compliance function may have specific statutory responsibilities and it may also liaise with relevant external bodies, including regulators and external experts.
–The duties of the compliance function should be carried out under a compliance programme that sets out its planned activities.

- The compliance function must be subject to a periodical review by the internal audit function. This principle implies that the compliance function and the audit function should be separate, so as to ensure that the activities of the compliance function are subject to independent review. The division of activities between the compliance function and the internal audit function should be documented in respect of risk assessment and monitoring. The audit function should keep the compliance function informed of any audit findings relating to compliance.
- Organisations should comply with applicable laws and regulations in all jurisdictions in which they conduct business, and the organisation and structure of the compliance function and its responsibilities should be consistent with local regulatory requirements.
- The compliance function should be regarded as a core risk management activity within the organisation and, although specific tasks of the compliance function may be outsourced, they must remain subject to appropriate supervision by the compliance director.

Commission Directive 2006/73/EC of 10th. August 2006

The 2006 Directive which applies the MiFID Directive as regards organisational requirements and operating conditions for investment firms, attaches a significant role to the compliance function. This is referred to under article six which requires investment firms to set up and maintain a permanent and efficient compliance monitoring organization.

The compliance monitoring function is required to operate independently and must comply with the following requirements:

- The compliance monitoring function must have the necessary authority, resources, expertise and access to all relevant information.
- An officer responsible for compliance must be appointed.
- The relevant persons involved in the function monitoring must not be involved in the performance of services or activities that they control.
- The method of determining the remuneration of the relevant persons involved in the compliance monitoring must not compromise their objectivity, either in reality or potentially.
- The compliance monitoring organisation is assigned the following responsibilities: to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place and, also, the actions taken to address any deficiencies in the firm's compliance with its obligations, to advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the firm's obligations under the MiFID Directive.

THE COMPLIANCE FUNCTION IN THE EUROPEAN INSURANCE SECTOR

Legal development has been mixed within the European insurance sector since it has not been the subject of attention within the community Directives; so, whilst in Spain we do not have any provisions on the matter, one can find regulations in the United Kingdom or Italy, to cite just two examples.

Before analysing the legislation arising out of the Solvency II[1] Directive in relation to the compliance function, it is worth pointing out that the International Association of Insurance Supervisors (IAIS) in their last 2011 version under the eighth principle of their Insurance Core Principles[2] refers to the directives that worldwide insurance regulators should follow on questions of risk management and internal control. Under this principle, they identify, by way of recommendation, those requirements that the compliance function should comply with, and its content is very similar to that referred to above pertaining to the banking sector.

As far as Solvency II is concerned, there is little regulation with regard to the compliance function. However, in December 2010, the European supervisory authority, CEIOPS (now EIOPA: European Insurance and Occupational Pensions Authority) made public a document for consultation that contaied a clearer definition on the governance system. This document was merely a draft which now must be interpreted as having been superseded by the Guidelines[3] on the governance system issued by EIOPA last September. In the latter, EIOPA preferred not to establish function tasks or responsibilities on the basis that the Directive is sufficient. After confirming the key nature of the function and its important role in ensuring that the preparatory measures adopted by the company are sufficient to achieve compliance with the requirements at the beginning of Solvency II, EIOPA allows companies the freedom to organize the compliance function and its responsibilities.

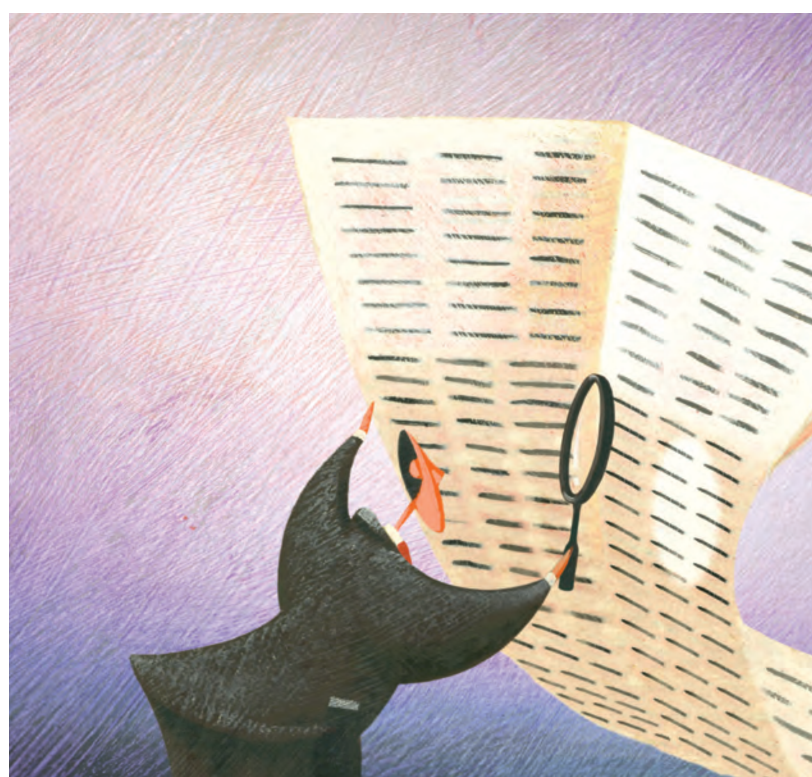
The Solvency II Directive states the following under the article dedicated to internal control:

Article 46. Internal Control.

«1. Insurance and reinsurance undertakings shall have in place an effective internal control system.

That system shall at least include administrative and accounting procedures, an internal control framework, and appropriate reporting arrangements at all levels of the undertaking and a compliance function.

2. The compliance function shall include advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to this Directive. It shall also include an assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned



1 Directive 2009/138/EC of the European Parliament and Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

2 www.iaisweb.org/Insurance-Core-Principles--795

3 eiopa.europa.eu/en/consultations/consultation-papers/2013-closed-consultations/march-2013/guidelines-on-preparing-for-solvency-ii/index.html

AS FAR AS SOLVENCY II IS CONCERNED, THERE IS LITTLE REGULATION WITH REGARD TO THE COMPLIANCE FUNCTION. HOWEVER, THE EUROPEAN SUPERVISORY AUTHORITY EIOPA ALLOWS COMPANIES THE FREEDOM TO ORGANIZE THE COMPLIANCE FUNCTION AND ITS RESPONSIBILITIES

and the identification and assessment of compliance risk».

Furthermore, the draft of Delegated Regulation of the European Commission that will eventually be converted into the development of the Solvency II Directive, states that the compliance function will include a compliance policy and plan. It is expected that this policy will define the responsibilities, competencies and hierarchical lines for the function and will have to consider all of the relevant areas of the company's activity and its exposure to compliance risk. Moreover, it assigns the compliance function with the responsibility of evaluating the suitability of the measures introduced by an insurance company to prevent non-compliance.

Apart from this specific compliance function regulation, one should consider all those aspects that are regulated together for key or fundamental functions of insurers' governance systems and these should include the risk management function, the compliance function, the internal audit function and the actuarial function.

The regulation regarding these functions can be found in articles 41 and 49 of the Solvency II Directive, and in the EIOPA Guidelines on the governance system referred to above. In the future, there will also be further regulatory development through the Delegated Regulation of the European Commission. The last draft of this Regulation, dated 31st. October, 2011, includes the regulation of this function under articles 249 to 264.

The following is a brief summary of that regulation.

Companies will have to incorporate the key functions into their organizational structure in such a way as to guarantee that each function is free from influences that can compromise its independence. Each function must operate at the most senior level and report directly to the Board.

Those persons who are carrying out these tasks must be able to communicate with any person within the organisation and have access to any information that they consider to be relevant for the job. The regulation also contemplates that they should have the authority, resources, experience and qualifications to carry out their work.

In general, there are no strict guidelines for the organisation of these functions and, therefore, it is up to each company to organise them in practice and to entrust them to their own staff or outsource them, externally or within the same group.

The organization of the functions must take into account the nature, volume and complexity of the company's operations. With the exception of the internal audit function, it is expressly stated that, for smaller or less complex companies, a person or organisational unit may undertake more than one function.

In all cases, insurance companies must have, at the very least, written policies referring to the risk management, compliance and internal audit functions which must be approved by the Board. Where applicable, there should be a written policy on the outsourcing of key functions, if this is the chosen method of implementation.

All persons exercising key functions have to comply with aptitude (qualifications and experience) and integrity requirements. Moreover, companies should notify the supervisory body of the appointment of the function heads.

Article 35 of the Solvency II Directive and article 297 of the draft of the Delegated Regulation of the European Commission regulate the information to be provided to the supervisor with respect to the governance system in general and the key function in particular. At the same time, on the same matter, article 51 of the Solvency II Directive and 285 of the Delegated Regulation of the European Commission, specify the information to be published in the annual report on the financial and solvency situation, and which is publicly available.

Furthermore, it should be pointed out that article 246 of the Solvency II Directive indicates that the articles applicable to individual companies on governance systems matters are to be of *mutatis mutandis* application at group level.

Finally, the draft Ministerial Order on measures for progressive adaptation by insurance and reinsurance undertakings to the new Solvency II framework on the matter of governance systems, presented by the Insurance and Pension Fund General Directorate at the Advisory Council last September, dedicates article seven to the compliance function, with the following words:

Article 7. Compliance function.

«The compliance function will consist of advising the governing body on compliance with legal, regulatory and administrative dispositions that can affect the undertaking including compliance the company's own internal norms. It will also provide evaluation on the impact of any changes in the legal environment for the company's operations and the determination and evaluation of compliance risk.»

It can be appreciated that the wording is almost identical to that contained in the Solvency II Directive, in such a way that there are three general competencies assigned to the function:

—Advising the Governing Body.

—Evaluation of the impact of regulatory changes.

—Determination and evaluation of compliance risk.

However, there is a nuance that is worth pointing out since it affects the interpretation on the intended extent to which the function is deployed, at least concerning advising the Board. The Directive appears to limit these actions to the matters referred to in the Directive whilst the Spanish ruling expands the competency to all regulations that affect the company, including its own internal norms.

ARTICLE 35 OF THE SOLVENCY II DIRECTIVE AND ARTICLE 297 OF THE DRAFT OF THE DELEGATED REGULATION OF THE EUROPEAN COMMISSION REGULATE THE INFORMATION TO BE PROVIDED TO THE SUPERVISOR WITH RESPECT TO THE GOVERNANCE SYSTEM IN GENERAL AND THE KEY FUNCTION IN PARTICULAR.

IN CONCLUSION

Following the directives laid down by EIOPA, the compliance function should be understood to be sufficiently developed from the point of view of the ruling contained in the Directive and, therefore, it is defined as an advisory function to the Board of Directors, that carries out an anticipatory function in respect of possible non-compliance with regulations, including both internal and external regulations, regardless of whether such laws are development regulations or self-sectoral regulating codes.

At this point, before deciding arbitrarily on which subjects are outside the scope of the compliance function, it would seem more appropriate to think that it can be implemented in different departments, as a sole function, coordinated from a Compliance Unit, if you will. As we have seen, EIOPA have made it clear that it is companies themselves who should decide on how to organise the function. Therefore, the departmental division and assigning of responsibilities is not questioned by the supervisor and each organisation can guarantee compliance in accordance with their own structure.

The function has essentially a preventative nature and this is apparent in two aspects:

- The evaluation of the foreseeable effects on the organization from regulatory changes.
- The management of compliance risk in its different stages: identification of risks in the different regulations, evaluation of the probability of the risks ocurring and their consequent impact, mitigation of some through the introduction of internal controls or specific policies, monitoring and reporting to the Board on the whole process.

The principles that should govern the practice of the compliance risk management function should be:

- The independence of the function in relation to business areas.
- The involvement of senior management.
- The establishment of a well-defined organisational structure with sufficient resources.
- Access to information and all functions and processes.
- A written policy, approved by the Board, which defines responsibilities, competencies and reporting obligations.
- Training that guarantees an adequate level of knowledge on applicable regulations on the part of the organisation.
- The preparation of verification and supervisory programmes developed through compliance plans.

Together with the negative financial and reputation effects arising directly from non-compliance, companies should also evaluate other aspects. The implementation of the compliance function should consider not only those aspects related to legal obligations but also take into account other benefits which the function's existence might provide as an exculpatory argument against any possible criminal allegations against the company, such as individual defence mechanisms for Board members. Perhaps, and even more importantly: the public demonstration of the organisation's commitment to general behavioural standards, generating greater confidence and enhancing its reputation.

Insurance challenges ahead of the economic recovery

The insurance sector has weathered Spain's economic storm with notable resilience. According to the latest indicators this storm is now abating but nothing will be the same again. The sector therefore faces a complicated period in which it needs to map out an action framework action and strategies to meet these challenges and maximize any opportunities that arise.

JUAN FERNÁNDEZ PALACIOS
MAPFRE

Third quarter economic indicators, recording a slight GDP growth of 0.1%, suggest that the recessive phase of Spain's economy is at last drawing to a close. That said, the figures on household- and company-credit, unemployment and demand augur a slow pick-up from this slump, undoubtedly the worst of recent decades.

The insurance sector, however, has shown great resilience to this recession. Premium revenue may have fallen (non-life by 2.3% from 2007 to 2012), but assets under management (life insurance provisions) have increased by 17%, solvency ratios have come out stronger, results have risen and, most importantly, sector employment levels have held pretty steady, and still with a healthy percentage of indefinite-term contracts (temporary employment contracts lower than 3%).

Nonetheless, overcoming the recession does not mean a return to the previous situation. This slump has been so deep that it is bound to change substantially the business scenario afterwards for all economic stakeholders, including insurance companies.

It is therefore now necessary to map out, as far as possible, a future action framework, to draw up our strategies and then take the necessary measures to achieve mid- and long-term goals.

Each company will have its own goals in its own particular sphere. MAPFRE's is

ILLUSTRATION STOCK

to continue trading and developing as a trusted worldwide insurer, constantly improving its service and building up the best possible relationships with our clients, distributors, suppliers, shareholders and society as a whole.

This shapes up as no easy task; the path ahead is strewn with difficulties. Of course, all societies tend to regard the moment it has befallen them to live through as exceptional and gravid with change. In our case, however, I believe there is objective

WE NOW NEED TO REDOUBLE OUR EFFORTS TO PERSUADE THE GENERAL PUBLIC THAT INSURANCE IS PRECISELY THE BEST VEHICLE FOR REDUCING THIS AMBIENT UNCERTAINTY.

evidence for a real watershed moment with few past shibboleths left standing.

So let's now look at these change-inducing factors in our sector and sketch out solutions for the corresponding challenges that are likely to arise in the recovery phase.

1. The first challenge is that posed by the high level of economic uncertainty we are now going to have to cope with, accompanied; as always with the concomitant geopolitical risks. This situation hampers long-term strategies, which are where insurance really comes into its own, prompting both companies and individuals to stick to short-term, less irreversible economic decisions.
We now need to redouble our efforts to persuade the general public that insurance is precisely the best vehicle for reducing this ambient uncertainty.

2. In the particular case of the Spanish market we also need to factor in the contagion risk from other financial sectors currently suffering serious problems. The obvious example is the banking sector; this risk needs no spelling out for life insurance, which is largely dominated by the bank-insurance (*bancassurance*) model. It is not only a question of a knock-on effect of failing bank assets on insurers' balance sheets but also the role played by banking networks as a distribution outlet. We believe, however, that in this case the worst is already over; there is still some unfinished business but this is now unlikely to upset the stability of insurance companies as a whole.

A high level of interaction with banks now needs to be kept up – this is inevitable – while throwing off the yoke of excessive dependence. Recent experience shows the importance of a proper diversification of distribution outlets, harnessing suitably in all of them the idiosyncrasies of our business model while prioritising those aspects that favour a direct relationship with our clients. The insurance sector has weathered the worst storms far better than most and we now need to bring this proven efficiency and resilience to much wider notice. This will boost our image and emphasise our sounder bases, compared to other adjacent sectors that have fared worse.

3. In relation to the above, we also need to make due provision for the likely slowness in any credit pickup. In July 2013 mortgages were down by 42% on June 2012, and total loans to the private sector, households and firms, fell by over 10%, the biggest drop in the EU (average fall of 1.9%). This just goes to show how unreasonable the pre-slump levels were.

Raising a loan, with or without a mortgage, is one of the main reasons for taking out a life- or home-insurance policy but it is not the only one. We need to drive the sale of these insurance arrangements in their own right rather than always tying them in with loans. There are powerful arguments to justify this and we have perhaps underplayed them in the past due to the ease of selling this insurance as a mortgage tag-on.

4. The last and perhaps most telling challenge of a macroeconomic character is the likely low level of interest rates into the foreseeable future. I am talking here about low levels in historical terms, whether or not they rise moderately from the current all-time lows. This situation impinges directly on insurers' results and brings up the need to reinforce underwriting policies as well as cost-contention policies. In other words, it is essential to work with combined ratios well below 100% since it will be difficult from now on to offset technical losses against investment profits.

5. In this context it will not be easy to keep up strict compliance with the principle of premium sufficiency, for the following reasons. Firstly, marginal costs are showing an upwards trend as the crisis drives down business volumes and stokes up the unemployment rate to unprecedented levels. Secondly, there is very strong downwards price pressure in lines such as automobiles due again to the ever-fiercer level of competition in our market.

There is therefore no option but to continue cutting all management costs to the bone, trying at the same time to reduce the marketing dependence of the price factor. Aspects that now need to be favoured and stressed are innovation, service quality, solvency and security.

6. Maybe the biggest challenge faced by the insurance sector in coming years is helping to shepherd the country towards a mixed public/private pension scheme and tapping into the business opportunity this represents. There are great expectations to live up to here. Public coverage of retirement and other contingencies now seems bound to dwindle as the population ages and budgets shrink, not only in Spain; this will fuel a demand for complementary private schemes.

We will have to keep up or even double our efforts to boost public conviction in the formulae we are offering, i.e., the pensions schemes and various long-term insurance sa-

MAYBE THE BIGGEST CHALLENGE FACED BY THE INBSURANCE SECTOR IN COMING YEARS IS HELPING TO SHEPHERD THE COUNTRY TOWARDS A MIXED PUBLIC /PRIVATE PENSION SCHEME.

WE WILL HAVE TO KEEP UP OR EVEN DOUBLE OUR EFFORTS TO BOOST PUBLIC CONVICTION IN THE FORMULAE WE ARE OFFERING.

ving schemes like Social Welfare Insurance Plans (*Planes de Previsión Asegurados: PPAs*), Systematic Individualised Saving Plans (*Planes Individuales de Ahorro Sistemático: PIAS*) and Life Insurance Capitalisation Policies (*Seguros de Vida Ahorro*). This will best be done by fine-tuning and honing the information given to participants and insureds and also improving the level of consultancy and advice when the policies are taken out to ensure that clients understand the guarantee and security levels associated with each product. This will help them to find the ideal combination from among all the different options. This would also be a good chance to stress the advantages of insurance-based saving vehicles when it comes to topping up long-term public pensions.

7. One line of action that should now be vigorously advocated not only to the sector itself but also and above all to the legislative and administrative authorities is the channelling of the vast pool of savings tied up in property, encouraging its conversion into life annuity insurance. This would help to flesh out complementary saving for retirement, which might otherwise be a sluggish business. The necessary tax incentives would need to be phased in plus other administrative measures to encourage the taking out of these policies and increase their legal security.

8. In addition, in relation to all the above, there is another big challenge we need to face up to: the suitable management of longevity risk. Here, the sector needs to be extremely nimble, skirting the peril of excessive commitments that might exact too heavy a toll in the long term. This is a contingency that has to be

provided for in the policies issued right now to cover survival risk.

9. Going back to the abovementioned challenge of filling the gap opening up in the public pension system, doing so in a solvent and efficient way, we need to think beyond the retirement factor and take in other contingencies too, like death and invalidity, where, we insist, the sector has not done everything it could have in the past, probably lulled into a false sense of security by the easy option of mortgage-linked insurance.

Along the same lines, health insurance could offer new opportunities, in view of the public authorities' increasing difficulties in providing a totally free service with universal coverage while costs are soaring.

Here too we could talk of long-term-care insurance, which will one day have to pick up on the objectives laid down by the still valid Personal Autonomy and Dependency Law (*Ley de Autonomía Personal y Dependencia*).

10. And the last challenge I wish to mention has to do with regulation. Regulatory pressure has now become one of the most worrying and time-consuming concerns for companies, forcing them to eat up a growing percentage of resources on other activities outside their core business, namely, the design, launch and marketing of products and the management of client relationships.

We are speaking here, among other things, of the challenge of bringing information-giving procedures and sales processes into line with the new regulatory requirements (Marketing in Financial Instruments Directive, MIFID; Directive on Packaged Retail Investment Products, PRIPs; Insurance Mediation Directive, IMD). But above all we are talking about the Solvency II project, which received a definitive leg-up last 13 November with the Omnibus II agreement reached between the European Parliament, the Council and Commission. Its requirements in terms of the governance model (risk control, internal control, actuarial function) and its risk-based capital model now pose a sterling challenge for insurers.

Much is at stake here in terms of the treatment of long-term guarantees in life insurance. Fortunately, the final wording seems to us to field all the minimum quantitative objectives defended by the industry, especially the Spanish one, though the enforcement measures still need to be properly spelled out.

As a sector we need to make sure that the chance to fill the long-term gap in demand left by the public pension systems is not missed. This would be a real danger if the stipulations of the Solvency II Directive are not brought into line with market reality in terms of interest rates, equity eligibility requisites and the calculation of life insurance provisions.

In short, we need to convince the regulators that the new capital requirements should not upset the current balance between yield and risk, prompting an investor drain from the insurance industry. Like any other, this industry needs financial resources to develop and overcome all the abovementioned challenges, including this one; i.e., to meet all the sector objectives, which are none other than to increase the insurance sector's economic gravitas while also upping our involvement and profile in society.

WE NEED TO CONVINCE THE REGULATORS THAT THE NEW CAPITAL REQUIREMENTS SHOULD NOT UPSET THE CURRENT BALANCE BETWEEN YIELD AND RISK, PROMPTING AN INVESTOR DRAIN FROM THE INSURANCE INDUSTRY.

RANKING of the Largest European Insurance Groups 2012

Total, Life and Non-Life

FUNDACIÓN MAPFRE presents a ranking of Europe's biggest insurance groups 2012, in Life and Non-Life. The ranking is based on the volume of premiums recorded by each group in 2012 in the two business segments and as a whole.

CENTRO DE ESTUDIOS
FUNDACIÓN MAPFRE

Total Ranking

In an environment marked by economic problems and low interest rates, the ten largest European insurance groups succeeded in increasing their revenues by 4.3% in 2012, reaching a premium volume of €428,000 million. In general, the growth was due to international businesses, mainly in Latin America and Asia, in some cases offsetting the pressure in local markets.

ILLUSTRATION STOCK

Seven of the ten groups showed a positive performance, with double-digit increases in the case of Prudential (24.9%), Zurich (16.2%), Talanx (12.6%) and MAPFRE (10.1%). In the case of Prudential and Zurich, this extraordinary growth benefited from the appreciation of the pound sterling and the U.S. dollar (Zurich presents its financial statements in U.S. dollars) against the euro, since in their respective currencies growth was somewhat lower (16.4% and 7.4%, respectively).

The 2012 ranking is led by AXA, which had a 5% increase in premiums and reached €84,592 million due to positive performance in both segments, Life and Non-Life. Next is Allianz with €72,086 million in premiums, representing a 4% increase compared with the previous financial year, due to a boost from the Property & Casualty segment, which registered an increase of 4.7% as a result of the positive performance of its subsidiaries in Latin America and Australia and the growth of the Allianz Global Corporate & Specialty business. Premiums from the Life and Health businesses showed a 3% increase.

Generali occupies third position in the ranking. The premiums of the Italian group showed a slight

Millions of euros

RANKING OF THE LARGEST EUROPEAN GROUPS BY PREMIUM VOLUME*. 2012

No.	GROUP	COUNTRY	Total premiums 2011	2012	% Var.
1	AXA	France	80,570	84,592	5.0
2	ALLIANZ	Germany	69,299	72,086	4.0
3	GENERALI	Italy	69,159	69,613	0.7
4	ZURICH	Switzerland	34,153	39,690	16.2
5	PRUDENTIAL	United Kingdom	29,517	36,854	24.9
6	AVIVA [1]	United Kingdom	30,147	28,025	-7,0
7	TALANX	Germany	23,682	26,659	12.6
8	CNP ASSURANCES	France	29,919	26,388	-11.8
9	CRÉDIT AGRICOLE ASSURANCES	France	24,215	22,510	-7.0
10	MAPFRE	Spain	19,600	21,580	10.1
	TOTAL		**410,262**	**427,997**	**4.3**

Source: FUNDACIÓN MAPFRE. Prepared internally based on the annual reports of the insurance groups.
** Gross premiums written according to international accounting standards criteria.*
[1] Continuing operations.

increase of 0.7%, which came from both the Life segment (0.9%) and the Non-Life segment (0.2%), due to a boost from the German market and the countries of Central and Eastern Europe.

Zurich is in fourth place, with a premium volume of €39,690 million. The General insurance gross premiums rose by 11.4% while the Life segment experienced significant growth in premium income, commissions and deposits. The diversification strategy, both geographically and in the range of products, compensated for the pressure on margins and volumes in Europe.

Prudential holds fifth position. The British group demonstrated strong performance in 2012, both in revenue and earnings. Premiums increased by 24.9% and earnings by 66.1%. By contrast, the next group in the ranking, Aviva, experienced a 7.0% decline in premiums and a drop of €3,758 million in earnings. Regarding revenue, the decrease can be explained within the context of the strategic plan undertaken by the company to simplify its structure and strengthen its financial position. This included the sale of its business in the United States, the reduction of its holding in Delta Lloyd, and the agreement reached with Bankia to transfer its holding in Aseval. Regarding earnings, the main cause of losses was the extraordinary amortization

IN AN ENVIRONMENT MARKED BY ECONOMIC PROBLEMS AND LOW INTEREST RATES, THE TEN LARGEST EUROPEAN INSURANCE GROUPS SUCCEEDED IN INCREASING THEIR REVENUES BY 3.2% IN 2012, REACHING A PREMIUM VOLUME OF €428,000 MILLION.

caused by the divestment of the business in the United States.

Talanx occupies the sixth place in the ranking. In 2012 the German group gained a significant increase of 12.6% in premium volume, supported in part by the integration of new businesses and a positive contribution from all of its business lines. It is followed by two French groups, CNP and Crédit Agricole, which saw declines in premium volumes caused in both cases by lower revenues in the Life insurance business, especially in France. By contrast, revenues from their international businesses grew. In any case, both groups reported excellent earnings, with increases of 73.2% in the case of Crédit Agricole and 10.3% in the case of CNP.

MAPFRE holds tenth position, with premium volume of €21,580 million. The MAPFRE group increased its premium revenue by 10.1% in 2012, with rises in the Life (19.0%) and Non-Life (7.0%) segments thanks to the positive performance of

overseas business, especially in Brazil and the United States.

Regarding earnings, the ten groups in the ranking obtained profits of €16,283 million, 0.8% less than the previous financial year. The performance of each group was mixed. Six groups reported

Millions of euros

NET RESULTS IN FINANCIAL YEAR 2011-2012

	Total			Atributable to the controlling company		
GROUP	2011	2012	% Var.	2011	2012	% Var.
ALLIANZ	2,804	5,491	95.8	2,545	5,169	103.1
AXA	4,380	4,283	-2.2	4,190	4,152	-0.9
ZURICH	2,700	3,070	13.7	2,682	3,001	11.9
PRUDENTIAL	1,629	2,707	66.1	1,625	2,707	66.6
CNP ASSURANCES	1,141	1,258	10.3	872	951	9.1
CRÉDIT AGRICOLE ASSURANCES	433	750	73.2	433	750	73.2
MAPFRE	1,220	963	-21.1	963	666	-30.9
TALANX	892	1,152	29.1	377	630	67.1
GENERALI	1,153	367	-68.2	856	90	-89.5
AVIVA	69	-3,758	–	258	-3,965	–
TOTAL	**16,421**	**16,283**	**-0.8**	**14,801**	**14,151**	**-4.4**

Source: FUNDACIÓN MAPFRE. Prepared internally based on the annual reports.

SOLVENCY MARGIN		
GROUP	2011	2012
PRUDENTIAL	2,8	3,0
CNP ASSURANCES	1,4	3,0
ZURICH	2,3	2,8
MAPFRE	2,9	2,6
AXA	1,9	2,3
TALANX	2,0	2,3
ALLIANZ	1,8	2,0
AVIVA	1,3	1,7
GENERALI	1,2	1,5

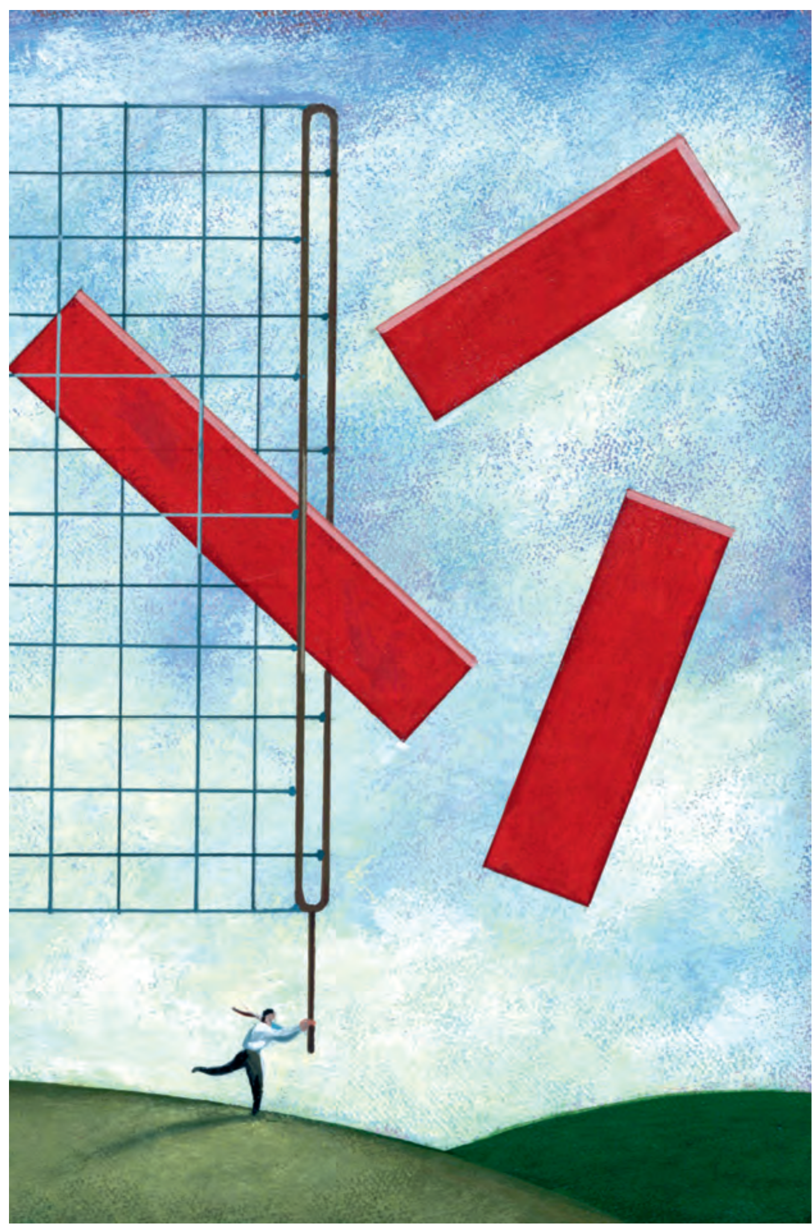
excellent earnings in 2012, with double-digit increases all round, while the four remaining groups posted lower profits. However, only one group –Aviva– reported losses, for the reasons described above.

Allianz was the group with highest profits –€5,491 million– doubling the previous year's earnings due to double-digit growth in operating earnings in all business segments. Crédit Agricole is the next group with a significant increase in earnings –73.2%– largely due to the negative impact caused by the depreciation of Greek government bonds in 2011. Prudential also obtained a significant increase in its earnings –66.1%– due to strong growth in the contributions from its businesses in Asia and the United States. Zurich and Talanx significantly improved their investment revenues, which contributed to an increase of 13.7% and 29.1% in their profits, respectively.

There were various reasons for the lower earnings. For AXA, it was the non-recurrence of the extraordinary profits obtained in 2011. For MAPFRE, the decline was due to provisions and impairments, which amounted to €404.8 million. And finally, in the case of Generali, the main cause was a loss of €2,496 million in non-operating earnings.

At the end of 2012, all the groups[1] were well capitalized and most had improved their solvency ratios.

[1] The solvency ratio for Crédit Agricole Assurances in 2012 could not be obtained.



LIFE Ranking

The premium volume for the ten largest European Life insurance groups was €272,020 million in 2012, representing a slight increase of 1.6% compared to the previous year. Despite the difficult environment, five groups increased their income, offsetting the decline in the other five. As explained in more detail in the first part of this report, the reason for the declines was due both to the difficult situation of certain European markets and to the divestments undertaken by some of the groups.

AXA leads the ranking with €53,596 million in premiums, followed by Generali and Prudential. The British group experienced the highest growth in premiums –close on 25%– due to positive performance in all of its markets.

Millions of euros

RANKING OF THE LARGEST EUROPEAN INSURANCE GROUPS BY PREMIUM VOLUME*. LIFE. 2012

			LIFE		
No.	GROUP	COUNTRY	2011	2012	% Var.
1	AXA	France	50,947	53,596	5.2
2	GENERALI	Italy	46,394	46,810	0.9
3	PRUDENTIAL	United Kingdom	29,517	36,854	24.9
4	ALLIANZ	Germay	24,557	25,303	3.0
5	CNP ASSURANCES	France	27,180	23,555	-13.3
6	CRÉDIT AGRICOLE ASSURANCES[1]	France	19,900	18,100	-9.0
7	ING	Netherlands	18,584	18,544	-0.2
8	AEGON	Netherlands	16,853	16,666	-1.1
9	BNP PARIBAS CARDIF	France	14,784	16,315	10.4
10	AVIVA[2]	United Kingdom	18,952	16,276	-14.1
	TOTAL		**267,668**	**272,020**	**1.6**

Source: FUNDACIÓN MAPFRE. Prepared internally based on the annual reports of the insurance groups.
** Gross premiums written according to international accounting standards criteria.*
[1] Approximate calculation.
[2] Continuing operations.

THE PREMIUM VOLUME FOR THE TEN LARGEST EUROPEAN LIFE INSURANCE GROUPS WAS €272,020 MILLION IN 2012, REPRESENTING A SLIGHT INCREASE OF 1.6% COMPARED TO THE PREVIOUS YEAR.

NON-LIFE Ranking

The ten largest European insurance groups in the Non-Life segment increased their revenues by 4.9% to €206,441 million, with increased premium volumes in euros in all the groups except for the German company Ergo, whose premiums fell by 8.7% mostly due to the sale of some of its subsidiaries[2].

The ranking is headed by Allianz, which obtained premium volume of €46,889 million in 2012, up by 4.7% since 2011, due to the positive performance of its subsidiaries in Latin America and Australia and to the growth of the Allianz Global Corporate & Specialty business.

2 A more in-depth study of this ranking can be found on the website of FUNDACIÓN MAPFRE, Insurance Sciences. Research Section.

Millions of euros

RANKING OF THE LARGEST EUROPEAN INSURANCE GROUPS BY PREMIUM VOLUME*. NON-LIFE. 2012

			NON-LIFE		
No.	GROUP	COUNTRY	2011	2012	% Var.
1	ALLIANZ	Germany	44,772	46,889	4.7
2	AXA	France	30,003	31,359	4.5
3	ZURICH	Netherlands	24,729	27,559	11.4
4	GENERALI	Italy	22,765	22,803	0.2
5	ACHMEA	Netherlands	16,219	17,235	6.3
6	MAPFRE	Spain	14,473	15,479	7.0
7	AVIVA[1]	United Kingdom	11,195	11,749	4.9
8	RSA	United Kingdom	10,485	11,579	10.4
9	ERGO	Germany	12,402	11,323	-8.7
10	COVÉA	France	9,844	10,466	6.3
	TOTAL		**196,886**	**206,441**	**4.9**

Source: FUNDACIÓN MAPFRE. Prepared internally based on the annual reports of the insurance groups.
** Gross premiums written according to international accounting standards criteria.*
[1] Continuing operations.

THE TEN LARGEST EUROPEAN INSURANCE GROUPS IN THE NON-LIFE SEGMENT INCREASED THEIR REVENUES BY 4.9% TO €206,441 MILLION IN 2012.

Appendix. **Balance Sheet of the 10 Largest European Insurance Groups in 2012**

Millions of euros

BALANCE SHEET

No.	GROUP	ASSETS				
		INVESTMENTS		TREASURY	OTHER	TOTAL ASSETS
		Investments	On account of policyholders			
1	AXA	495,172	147,162	30,546	88,969	761,849
2	ALLIANZ	401,628	71,197	12,437	209,359	694,621
3	GENERALI	320,232	53,842	21,647	46,024	441,745
4	ZURICH	161,520	96,914	7,041	51,261	316,736
5	PRUDENTIAL	243,958	105,276	7,866	25,187	382,287
6	AVIVA	193,424	83,114	28,213	84,234	388,985
7	TALANX	98,948	7,451	2,119	21,736	130,254
8	CNP ASSURANCES	297,404	36,066	955	18,790	353,216
9	CRÉDIT AGRICOLE ASSUR,	219,331	41,568	6,276	6,466	273,641
10	MAPFRE	35,573	2,045	1,018	18,348	56,983

Millions of euros

BALANCE SHEET

No.	GROUP	LIABILITIES						
		SHAREHOLDERS FUNDS			TECHNICAL PROVISIONS		OTHER	TOTAL LIABILITIES
		Capital and reserves	External partners	Total	Thecnical provisions	On account of policyholders		
1	AXA	53,664	2,355	56,019	398,979	147,984	158,867	761,849
2	ALLIANZ	53,553	2,665	56,218	463,527	71,197	103,679	694,621
3	GENERALI	19,828	2,740	22,568	295,301	41,068	82,808	441,745
4	ZURICH	26,695	1,833	28,528	153,485	96,770	37,953	316,736
5	PRUDENTIAL	12,764	6	12,770	228,988	105,380	35,149	382,287
6	AVIVA	12,058	1,939	13,998	204,480	71,017	99,491	388,985
7	TALANX	7,472	4,171	11,643	89,502	7,451	21,658	130,254
8	CNP ASSURANCES	14,147	1,441	15,588	278,488	36,368	22,772	353,216
9	CRÉDIT AGR. ASS.	10,504	27	10,531	203,689	41,586	17,835	273,641
10	MAPFRE	7,810	2,326	10,136	35,931	2,045	8,871	56,983

Source: FUNDACIÓN MAPFRE. Prepared internally based on the annual reports of the insurance groups.

NEWS

AGERS

Asociación Española de
Gerencia de Riesgos y Seguros

The Spanish Association of Risk Managers and Insurers looks to the future in its 19th Risk Managers Summit on Renewal Expectations, Insurance Programs for 2014

Once again AGERS attracted a 300-strong turnout to its XIX Jornada de Expectativas de Renovación in Madrid on 14 November

The opening session of the XIX *Jornada de Expectativas de Renovación de los Programas de Seguros para 2014* included interventions by Fernando Pablo Moreno, Deputy Director General of Inspection for the Directorate General of Insurance and Pension Funds (DGSFP in Spanish initials), along with Miguel Ángel Zarandona, President of AGERS and Risk Manager for El Corte Inglés, Juan Carlos López Porcel, Vice-President I of AGERS and Risk and Insurance Director for ARCELORMITTAL Spain, Alfredo Zorzo, Vice-President II of AGERS and Head of Insurance for ORANGE, and Gonzalo Iturmendi, Lawyer, Secretary General of AGERS.

The Deputy Director General of Inspection underlined the meeting's importance by reviewing the roadmap of the main actions taken by the Spanish Insurance Supervisory Body in 2013, such as the regulatory insurance framework in Spain and European implications. He also commented on the process of adaptation to Solvency II and its current state after being taken up anew in 2012. The sector is still in recession, although there was a slight, albeit short-lived, rise in life insurance premiums during the first quarter (Q1). Life is holding on to its level of premiums, but non-life's has fallen by 2.3%. He also commented on the insurance mediation reform, the future insurance contract law and the revision of the rates of compensation for bodily damage caused by road accidents

The inaugural session was given by Cristina Garmendia, President of Genetrix and Minister for Science and Innovation (2008-2011). Ms. Garmendia shared her inspiring vision and stressed that Spain's main challenge, along with the rest of Europe, is to use innovation as the driving force behind our lives.

An interesting new development came from the President of the Association, Miguel Ángel Zarandona (El Corte Inglés), who offered an review of the new challenges facing AGERS and introduced AGERS 2.0 – not as a brand or logo, but as a new philosophy for the Association.

After termination of the XIX *Jornada de Expectativas de Renovación de los Programas de Seguros para 2014* there was another exclusive meeting of risk

managers with the participation once more of a group of nearly 30 professionals from diverse sectors: energy, engineering, distribution, transport and logistics, food, infrastructure management, heavy industry and metalworking, banking and telecommunications, delving further into the market information that had been commented on in the morning meeting.

As a general impression, the experience of risk managers paints a picture once more of a very competitive market with falling rates. The credit market stands out in its own right from the rest of the classic lines with a trend-bucking risk environment.

From the floor comments were then made on some of the new developments presented in the summit, such as the catastrophic risk simulation models and their evolution and adaptation. These show companies' great capacity of improving their analysis resources and methods but also the need for clients to become more participative. Their proactivity now has to be juggled with a greater opening up by companies to these resources and data in the interests of a quick and significant leap forward in market quality, to the benefit of all concerned.

M&A insurance policies were also looked at in greater depth. Though not so new, these are still little known and relatively few insurers are yet offering them.

One of the most intensely debated issues was catastrophic risk in Spain and abroad. Those present swapped notes on natural disaster management experiences in their own firms, with particular attention given to the performance of the Insurance Clearing Consortium (Consorcio de Compensación de Seguros: CCS) as a national insurance market stabiliser in terms of the cost of property damage programmes. The meeting did agree, however, that the clearing consortium's role was crucial and positive in the Spanish insurance panorama, in opposition to European initiatives that cast doubt on these state-dependent schemes as flouting the principle of free market competition and therefore negative for insurers. The position of AGERS, however, and specifically the risk managers attending this summit, was support for the CCS.

On 17 September AGERS renewed its *Junta Directiva* (Executive Board). During the periodic meeting held pursuant to its Statutes, AGERS' Junta Directiva duly elected the following people to fill the posts of President, Vicepresidents, Secretary General, Vice-Secretary General, Treasurer and Auditor:

–**President:** Miguel Ángel Zarandona Alburquerque – El Corte Inglés

–**Vice-President I:** Juan Carlos López Porcel – ARCELORMITTAL España

–**Vice-President II:** Alfredo Zorzo Losada – France Telecom España (ORANGE)

–**Secretary General:** Gonzalo Iturmendi Morales – Bufete G. Iturmendi y Asociados

–**Vice-Secretary General:** Carmen Sarandeses Fernández Santa Eulalia – Ribé Salat

–**Treasurer:** Andrés Elósegui Ichaso - BMS Descontaminación y Recuperación

–**Auditor:** Juan Arsuaga Serrats – Lloyd's Iberia

On 11 December AGERS gave the Practical Workshop on Implementing Risk Management in Companies.

On 27 and 28 November AGERS conducted the Environmental Risk Management Course, tackling the various techniques that provide operators with suitable solutions for dealing with a legal environment that is soon to experience new convulsions.

FERMA FORUM 2013

Ferma and the presidents of its associations have agreed to set up a European certificate of professional competence for risk managers.

The 8th Forum of the Federation of European Risk Management Associations (FERMA), held in Maastricht (The Netherlands) from 29 September to 2 October, attracted a turnout of over 1500 risk professionals.

The Forum had a packed three-day agenda. Each session discussed different aspects of the future in a scenario of growing uncertainty and constant change.

In the plenary opening session on 30 September, Jorge Luzzi, outgoing FERMA president, kicked things off and welcomed the audience. Julia Graham was elected the new president of FERMA in the Board meeting before the start of the Forum. She took on the role at the end of the meeting, replacing the outgoing president.

The new president declared herself to be a «passionate supporter» of FERMA and announced that her goal as president would be to harness FERMA's unique position at the hub of European risk management, with some projects already underway such as European certification of professional competence for risk managers.

We reproduce below some of the most interesting comments published in diverse insurance media about the Forum:

Ferma and the presidents of its member associations have agreed in principle to create a European certificate of professional competence for risk managers. This decision was announced by FERMA Vice President Michel Dennery during the FERMA Forum 2013. After this initial decision, he added, the practical issues now have to be discussed.

FERMA will use the education and training programmes already under way or in development by its member associations to create a framework of best practice. Eight associations already have an education program, either through their own education body or through partnerships with universities or high schools. Michel Dennery emphasised that FERMA has never intended to become an education body. On the contrary, the intention is for educational institutions to use this European body of knowledge in order to ensure their diplomas meet the profession's expectations.

Each association will be asked to nominate one of its members to work with the FERMA certification technical committee composed of FERMA board member Isabel Martinez and technical advisor Marie Gemma Dequae. Both of them have extensive experience of higher education.

Next came one of the most eagerly awaited keynotes: Karel Van Hulle, Head of Insurance and Pensions EC until last March, spoke of the delays in applying Solvency II, jeopardising European insurance companies' capacity of offering its clients protection in an increasingly risky world.

Van Hulle thought Solvency II unlikely to be brought in before 2016, due to lack of agreement on Omnibus II, but is looking for progress in the three-way discussions between the European Parliament, Council and Commission.

During the second day of 1 October there was a host of parallel sessions and workshops, pride of place going to the workshop on Cyber Risks, which attracted a healthy turnout.

Some practical cases were put forward, showing that the threats and opportunities of social media are no longer things of the future. Companies now need to take fully on board the impact of social media on all their stakeholder groups.

2014 AGENDA

CONFERENCES AND SEMINARS

EVENT	DATES	VENUE	ORGANISER
Risk Management Annual Forum	2-5 february	San Diego, CA (USA)	ABA
XXII RENCONTRES	5-7 february	Deauville (France)	AMRAE
Insurance Week	18-20 february	Madrid (Spain)	INESE
VII Enterprise Risk Management	19-20 february	Barcelona (Spain)	AXIOM GROUPE
Risk Forum	27 march	Stockholm (Sweden)	SWERMA
Annual Conference	27-30 april	Denver, CO (USA)	RIMS
2014 Forum	12-15 mayo	Dubai (EAU)	World Space Risk Forum
2014 Congress	15 may	Utrecht (Netherlands)	NARIM
XXXV Annual Conference	8-11 june	Long Beach, CA (USA)	PRIMA
Insurance and Risk International Congress	12-13 june	St. Julia (Malta)	CRE and MFSA
2014 Congress	16-18 june	Birmingham (UK)	AIRMIC
2014 Symposium	10-12 september	Munich (Germany)	DVS
2014 Seminar	11-12 september	Nyborg (Denmark)	DARIM
National Conference	1-3 october	Mascot (Australia)	RMIA
Risk Management Seminar	20-21 october	Brussels (Belgium)	FERMA
2014 Forum	4-5 november	Pfäffikon (Switzerland)	SIRM

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books

MEDICIÓN DE RIESGO DE CRÉDITO. DESARROLLO DE UNA NUEVA HERRAMIENTA (MEASURING CREDIT RISK. DEVELOPMENT OF A NEW METHODOLOGY)

Álvaro Caballero Trébol

Universidad Pontificia de Comillas, 2013
ISBN: 978-84-8468-478-7

The relevance of this research has been brought about by the current financial crisis, which has prompted a wholesale rethink of all the various economic, legal and business shibboleths. It has also emphasised the need of analysing, interpreting and renewing the decision-taking conditions in various problems of unquestionable impact and relevance in today's economies.

This book looks into two credit-risk analysis models, one qualitative and the other quantitative, which support decision-taking procedures when granting credit to unlisted companies in an attempt to cut down on the number of errors.

These models have been drawn up from a study of the factors related to a banks' decisions on whether or not to grant credit and also an analysis and discussion of the current studies dealing with an estimation of business failure situations. The result is, firstly, a probability-of-default model that tops up the analysis and forecasts of today's models and inputs new independent variables, and, secondly, a new model for determining the amount of debt that can be granted without short-term risk, based on cash flow and incorporating as corrective element the trend of certain critical economic variables in today's companies.

LA DÉCADA DEL RIESGO (THE RISK DECADE)

Gaspar Mairal Buil

Los Libros de la Catarata, 2013
ISBN: 978-84-8319-827-8

The large-scale crises, catastrophes and accidents that have occurred in the first decade of the 21st century have resonated as never before, hogging the headlines and forcing their way onto national and international political agendas. These crises, always a burning media topic, have spawned a growing mistrust of authorities; they also forced a huge outlay of millions of euros in safety and security, prevention, reconstruction and damage compensation.

The upshot is that, both in Spain and in many other countries, this decade has now been dubbed the risk decade. But what is risk? In essence it is a way of conceiving time based on knowledge and defined in terms of a probability-expressing the relationship between two

or more entities. This analysis is topped up with social anthropology research into some cases that have been featured prominently in Spain during the century's first decade: «mad cow disease», accident-prevention publicity of the Road Traffic Authority (*Dirección General de Tráfico*), the bird-flu outbreak and the *Prestige* oil-spill off the coast of Galicia.

In Spain, as in many other countries, the first decade of the 21st century has been the risk decade, the description used for the title of this book. This title draws attention to the fact that our most recent history has been beset by risk incidents to a greater extent than ever before. These risk episodes stem from a variety of causes that had never hitherto converged with such intensity.

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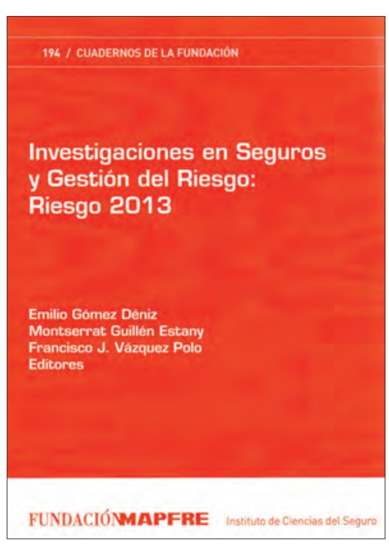
INVESTIGACIONES EN SEGUROS Y GESTIÓN DEL RIESGO: RIESGO 2013 (INSURANCE AND RISK MANAGEMENT RESEARCH: RISK 2013)

Emilio Gómez Déniz
Monserrat Guillén Estany
Francisco J. Vázquez Polo
Publisher
FUNDACIÓN MAPFRE, 2013
ISBN 978-84-9844-417-9
Price: 30€. Cuaderno 194

RISK 2013 takes over the baton from previous meetings held in Barcelona (2005), Cantabria (2007), Madrid (2009) and Seville (2011), building up this discussion forum into a scientific benchmark for researchers and professionals of financial and actuarial sciences.

The workshop was broken down into four thematic blocks: New developments in insurance products; Regulatory Framework: Solvency II and Basel III; Statistical Methods in Insurance and Finance; and Demography, Life Insurance and Long-Term Care. The studies provide scientific insights into the path to follow in the efficient management and hedging of actuarial and financial risk, understood in the broadest sense.

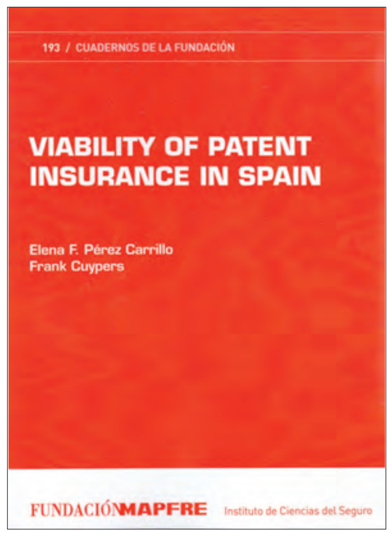


VIABILIDAD DEL SEGURO DE PATENTES EN ESPAÑA (VIABILITY OF PATENT INSURANCE IN SPAIN)

Elena Pérez Carrillo
Frank Cuypers
FUNDACIÓN MAPFRE, 2013
ISBN: 978- 84-9844-381-3
Price: 25€. Cuaderno 193

One of the keys to competitiveness is «knowledge». Its protection is essential for lasting economic growth, since it generates value for consumers, producers and society in general. Obtaining excellent and patentable R&D results is always a sterling challenge but for SMEs and other small-scale innovation agents the challenge is even stiffer. After granting of the patent, they lack financial resources to defend their intangible assets from any threats or usurpation.

The authors, Elena Pérez-Carrillo, from Universidad de Santiago de Compostela, and Frank Cuypers, from PRS Prime Re Services –Zurich, give guidelines for the introduction (formulation, contractual-, actuarial- and marketing-aspects) of a patent insurance policy. The design has been tailored to meet the needs of Spanish SMEs trading in innovative sectors where they obtain patentable and commercially exploitable results.



The amount of patent-defending legal action brought by holders gives market information on their strategies against violation of their intangible property rights. Those not prepared to sue run a greater risk of been usurped, cutting down their capacity to make and channel R&D investments. To materialise patent benefits, SMEs and university researchers need a legal framework that facilitates legal defence at an affordable cost. If the legal system comes up with no suitable solution, they then need private resources, their own or others', to meet the high costs of industrial property litigation and its consequences (shutdown of production lines, claims and conflicts with licence holders, sky-high procedural costs, etc.).

Viability of Patent Insurance in Spain goes through the legal and actuarial bases of patent-insurance experiences and other related financial products in various European countries and in the US, and also their effects on the promotion of research applied to industry. The study is based on suitable contractual and actuarial formulae for taking out an affordable and prudentially reasonable insurance policy, and draws up a prototype policy for encouraging the R&D of SMEs and universities in Spain, cutting the management load to the bone.

This book has also been published in Spanish (Cuaderno 192).

DETERMINACIÓN DE ZONAS HOMOGÉNEAS DE RIESGO PARA CEREALES Y OLEAGINOSAS EN ARGENTINA (DETERMINATION OF UNIFORM RISK ZONES FOR CEREALS AND OILSEEDS IN ARGENTINA)

Sandra Occhiuzzi
Adriana Basualdo
FUNDACIÓN MAPFRE, 2013
ISBN: 978- 84-9844-415-5
Price: 20€. Cuaderno 191

Cereal and oilseed production in Argentina is concentrated in the Pampa region due to its soil and climatic conditions.

Most of the crops are grown without irrigation, so cereal production is heavily dependent on the amount and distribution of rainfall. Especially important is the warm half of the year from October to March, the growing season for crops when water demand is highest. Another important climatic factor is late frosts, i.e., those that occur in spring and might blight crops in flower.

In Argentina, even though the farming-based hail insurance market has been growing strongly in the last decade, multi-peril or crop-yield insurance has never added up to more than 5% of total premiums, and with high loss ratios.

The aim of the *Determination of Uniform Risk Zones for Cereals and Oilseeds in Argentina* study is to identify for each crop geographical areas that could be classified as low-yield risk clusters, to be managed by means of multi-peril crop insurance policies.

Identification of these uniform areas with no correlated production losses enables insurance companies to avoid risk clusters in the taking out of multi-peril crop insurance, especially when dealing with systemic, severe-intensity, geographically-scattered events. Companies can thus cut the loss ratio of their portfolio by diversifying subscription among independent or negatively correlated zones. This also facilitates rating procedures since the whole zone is taken as a single unit, cutting the amount of information to be dealt with and ring-fencing areas with equal insurance conditions.

Multi-peril crop insurance currently has a healthy take-up in Argentina. It usually guarantees a yield tantamount to 60-70% of the average department yield in recent years. According to these research results, therefore, the frequency of campaigns with yield losses over 30% more than the expected figure can be taken as an indicator of average losses within each cluster.

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The page size must be Din A4 with Arial 12-point font and 1.5 line spacing.

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They may also be sent to the following email address:

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Articles must show the following information on the first page:

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Author (Surname[s] and first name). Book title. Publishing site: publisher, year of publication.

Ejemplo:

Casado García, Raúl. Análisis de la Ley 26/2006 de Mediación de Seguros y Reaseguros privados. Madrid: FUNDACIÓN MAPFRE, 2007

Magazine articles

Article author(s) (surname[s], first name). If there are several authors they will be separated by a semicolon, as for books. Article title (in italics or underlined). Title of the magazine publishing the article, year, volume, No., article pages.

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Fernández, Enrique. La fianza electrónica. Gerencia de Riesgos y Seguros, 2007, vol. 98, No. 2, 43-53

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Núñez, A. Métodos estadísticos [Web] 2005. http://www.mspt.edu.ch/swiss/zclient s.html [Enquiry: 6 May 2006]

Photographs or images

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Author(s) will be informed within three months of whether the article has been accepted for publication or turned down.

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