



## Country Fact Sheets

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### Compulsory Insurances

Motor Vehicle Personal Accident for inland public transport vehicles.

Automobile Third Party Liability for members and employees of the corps diplomatique and corps consulaire.

There are projects to make insurance compulsory for Legal Liability and Workers' Compensation where Social Security is not available

### Major Insurance Laws

Law 105 from 1927

- regulates the formation of insurance companies.

Decree law 1403 from 1940

- regulates the admission of national and foreign insurance companies by the Superintendency of Insurance and investment and creation of reserves in Colombia.

Decree 444 from 1967:

- regulates foreign exchange control

Decree law 1691 from 1960

- regulates all investments and states that 16% of premium goes to social housing

Law 55 from 1975

- prohibits foreign investments in Colombian banks and insurance companies. However, changes are foreseen (liberation) according to Andean Pact regulation

### Non-admitted Insurance

Not allowed

### Premium Taxes, Stamp Duties and Fees

A tax of 15% is charged on all insurance premiums except for personal lines

The Superintendency of Insurance charges 1.0% fee on all reinsurance premiums ceded abroad Bonds are subject to an issuing-fee of C P 650 per document.



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**Exchange Controls**

The Colombian Peso (C.P.) is not freely convertible and all transactions must be made through the Central Bank. Reinsurance premium remittances must be approved by the Superintendency of Insurance and by the Central Bank.

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**Other Information**

The Colombian insurance market is strictly supervised by the Superintendency of Banking and Insurance. General and special conditions must be approved by the Superintendency.

The Tariffs approved by the Superintendency are binding for all lines except Liability, Marine Insurance and Aviation.

A monopoly-pool exists for Credit Insurance and Cotton Risks through Seguros La Union.

Insurance for all state or partly state-owned corporations must be placed with La Previsora.

Reinsurance treaties must be approved by the Superintendency and a minimum of 60% must be placed in Colombia.

Facultative reinsurance is regulated by resolution 30125 of 1983 and must be authorised on a case-by-case basis by the Superintendency. A compulsory minimum commission applies. Very few cases are authorised and then only when a minimum of 40% has been placed in the local market.

Fronting is not allowed except for Aviation Hull risks.

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With the compliments of.

ZURICH INSURANCE GROUP  
International Division Marketing & Information

Prepared March 1989

# **Latin American Presentation**

**Colombia**

**May / June 1989**

**Latin American Presentation  
Colombia****Content**

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## **1. General Country Information**

### **1.1. History**

Before the coming of the Spanish, the country was occupied by Indians, most of whom were primitive hunters or nomadic agriculturalists. Only one part of the country, the high basins of the Eastern Cordillera, was densely occupied, by Chibcha Indians who were sedentary farmers. Their staple foods were maize and the potato, although the use they made of the land was rather limited.

Other cultures present in the pre-Columbian era were the Tairona, Quimbaya, Siny and Calima. Exhibits of the Indians' gold work can be seen at the gold museum in Bogota, the one absolute "must" for all visitors to the city.

The Spanish first sailed along the northern coast of Colombia as early as 1500.

The movement for independence from Spain was initiated in 1794 and culminated in 1819, when Bolivar proclaimed the Republic of Gran Colombia, embracing the present republics of Venezuela, Colombia and Ecuador. Venezuela broke away in 1829 and Ecuador in 1830.

### **1.2. Population**

Inhabitants number some 30 million, making Colombia the fourth largest country in South America.

The regions vary greatly in their racial composition: Antioquia and Caldas are largely of European descent, Pasto is Indian, the Cauca Valley and the rural area near the Caribbean are African or Mulatto.

Nearly 55% of the country is sparsely inhabited lowland, holding only 2% of the population. Roughly 98% of the population is concentrated in the remaining 45%, living for the most part in narrow valleys or isolated intermont basins, or in the broad Caribbean lowland.

Colombia has 19 cities with over 100,000 people. About 50% of the population live in cities, and 50% are engaged in agriculture, pastoral pursuits, forestry, hunting and fishing.

### **1.3. Climate**

Colombia is located in the Torrid Zone, and although it doesn't have distinct seasons, it does have a variety of climates, which change according to altitude: Hot regions at 1,000 metres above sea level, having an average temperature of 24C to 26C; warm areas found between 1,000 and 2,000 metres with temperatures ranging from 17C to 24C; cold areas between 2,000 to 3,000 metres with temperatures ranging from 8C to 17C, in addition to the snow-capped peaks found over 4,000 meters.

#### **1.4. Geography**

Colombia is located on the north-western tip of South America, bordering to the north the Caribbean sea, to the west the Pacific Ocean, to the north-east Panama and Venezuela, to the east Brazil, and to the south Peru and Ecuador.

It covers an area of 1,141,748 sq km and has a coastline covering an area of 988,000 sq km. Colombia is traversed from north to south by the Andean Mountain Range, which divides into three distinct ranges; the eastern, central and western ranges. Towards the east there are wide flatlands, suitable for cattle raising, which make up the largest area of the territory.

#### **1.5. Political Powers and Legal Systems / Legislation**

Senators and representatives are elected by popular vote. The Senate has 80 members and the Chamber of Representatives has 144. The President, who appoints his 13 ministers, is elected by direct vote for a term of four years, but cannot succeed himself in the next term. Every citizen over 18 can vote.

Administratively, the country is divided in 22 Departments, 5 "Interdencias", 5 "Comisarias", and the Special District of Bogota.

## **2. Economic Situation**

Unlike most Latin American countries, Colombia has been able to achieve continuous growth in the 1980s. 1985's record expansion of 5.6% followed a rise of 5.1% in 1986, while per capita income grew by 3.7%. Although world coffee prices in 1987 were much lower than the year before, exports remained robust, contributing significantly to the buoyancy of the economy, with earnings from oil, oil derivatives and coal showing substantial improvements.

Domestic activity was spurred by a boom in the construction sector, which registered a 10% growth rate, reportedly reflecting substantial investments of drug-related funds. This same factor also contributed to the record performance of the Bogota stock exchange. Industrial output increased by 7%, a similar performance to 1986, while agriculture showed a small improvement, with production rising 4.9% in 1987 against 4% in 1986.

In 1988, economic growth is expected to have reached over 4%.



## 2.1. Statistics

### 2.1.1. GDP and Other Statistics

Year	1983	1984	1985	1986	1987
Population growth %	1.2%	1.2%	1.2%	1.2%	1.2%
GDP in bn US\$				\$34.5bn	\$36.5bn
GDP per capita in US\$				\$1.182	\$1.270
Real GDP growth %	1.6%	3.4%	2.4%	5.1%	5.6%

### 2.1.2. Foreign Exchange Reserves

Year	1983	1984	1985	1986	1987
International reserves (excl. gold) in US\$mn		1,400	1,600	2,700	3,100

### 2.1.3. Trade Deficit / Surplus

Year	1983	1984	1985	1986	1987
Balance in US\$mn	-1,494	246	-23	1,890	841
Exports	2,970	4,273	3,650	5,376	5,114
Imports	4,464	4,027	3,673	3,486	4,273
Current Account Balance US\$mn	-3,003	-1,401	-1,809	428	12

### 2.1.4. Inflation

The government's efforts to reduce inflation include price controls on some basic foodstuffs and severe fines for merchants resorting to speculation.

Although Colombia is one of the Latin American countries with a relatively stable inflation rate, if it is compared with others of the region, it is clear that the government has not been able to reduce price indexes to one-digit levels. In 1986, inflation rates were near 20%, not so much because of internal policies to control prices, but because of the illegal flow of foodstuffs from Venezuela and Ecuador when those countries suffered a drastic devaluation of their currencies. In 1987, once border commerce was controlled, the inflation rate once again rose to 24%. The estimate for 1988 is close to 30%.

Year	1983	1984	1985	1986	1987
Inflation rate	19.8%	22.5%	22.5%	21.0%	24.0%

**2.1.5. Foreign Debt**

Year	1983	1984	1985	1986	1987
in US\$m	11,409	12,273	14,031	14,989	15,369

**2.2. Government Regulations****2.2.1. Exchange Control Regulations (Convertability etc.)**

There is a strict foreign exchange control, and all currency exchanges and transfers need permission from the "Banco de la Republica" and, in the case for reinsurance transactions, also from the superintendency, according to Decree Law 444 and Resolution 277 of 1967.

**2.2.2. Labour Law**

Retirement pensions are granted after 20 years of continuous service. The retirement age for women is 55 and 60 for men.

Workers, both national and foreign, must be affiliated to the Social Security Institute. Foreign citizens have the same rights and duties as Colombian nationals.

**2.2.3 Social Welfare / Social Insurance**

Risk of sickness, invalidity, old age and death, are insured mandatorily by the "Instituto de Seguros Sociales". Premiums are paid by the employer and employee at equal shares. Coverage, however, is not complete, as it does not include the families of employees, independent workers, the unemployed, and only covers part of the Colombian territory. For this reason, private insurance plays a significant role and is very dynamic in view of its future growth possibilities.

Regarding complementary pension plans, be it in addition to the maximum limit of the "Instituto de los Seguros Sociales" or for independent workers, new facilities have been recently introduced, due to better fiscal arrangements, which make it less difficult for the employer to promote these types of plans.

Important growth is foreseen for the next years. Only three companies are authorised to sell private group pension plans at the moment, and only one is active.

**2.2.4. Social Cost of Doing Business**

It is mandatory that employers contribute 6% of the amount of salaries to the "Instituto de Seguros Sociales" for the family support programme ("caja de subsidio familiar"), as well as to the apprenticeship organisation ("Servicio Nacional de Aprendizaje").

Additionally, there are some contributions related to clothing, life insurance etc. and some others which were negotiated in collective treaties between employers and employees.

### **2.2.5. Membership in Economic Groups**

Colombia is a member of the Andean Pact and ALADI, besides international organisations like the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariff and Trade (GATT).

## **2.3. Production**

### **2.3.1. Raw Materials**

Colombia is endowed with abundant and varied natural resources, particularly in the agricultural, cattle raising, mining and fishery sectors. Mining, although one of the smallest sectors, has been the most dynamic part of the economy since the early 1980s. Oil exploration and extraction, and coal mining, are increasing.

Colombia is the largest producer of gold and platinum in Latin America, and these two metals, together with emeralds, have traditionally dominated the mining sector. Silver is also mined.

In addition to some hydrocarbon exploration, there is growing interest in deposits of copper, nickel and uranium that have been found.

### **2.3.2. Manufacturing Industry**

Manufacturing, the second largest sector of the economy, initially benefited from import restrictions and the general crackdown on contraband.

To reduce the country's dependence on coffee revenues, the government is successfully diversifying both in the agricultural sector and in manufacturing. The latter has shifted from almost exclusive production of consumer goods to intermediate and capital goods, which now exceed 50% of the total value-added of this sector.

The main subsectors are food processing, textiles, chemicals, metals, paper and petrochemicals. After growth of 6.2% in 1986, an increase of more than 7% was achieved in 1987 and many industries worked close to full capacity. The fastest growth was recorded in basic non-ferrous metals, wood, transport, scientific and professional equipment, glass, clay, porcelain, machinery, paper, iron and steel, petroleum derivatives, textiles and clothing.

### **2.3.3. Agriculture**

The agricultural sector as a whole grew by 4.9% in 1987, the best output for several years. Colombia's principal crop is coffee, of which it is the world's second largest producer and exporter after Brazil. Other major crops include rice, sugar, bananas, potatoes, cereals, cotton and flowers.

In 1986/87, Colombia produced 12.97 million bags of coffee, the second highest total on record; exports amounted to 11.28 million bags which, after allowing for domestic consumption, meant that stocks were reduced from 9.34 million bags in 1986 to 8.90 million bags in 1987.

Non coffee crops expanded by 3.4% and livestock by 4.7% in 1987. The most significant increases were recorded in the production of sorghum (17.3%), rice (14.3%), bananas (6.6%) and yams (51%).

#### **2.3.4. Exports**

Of total exports in 1987, 79% were generated by the agricultural and mining sectors (including coffee and petroleum derivatives). In the mining sector, coal, cement, bituminous mineral coal, ferro-nickel and precious stones are particularly important.

The industrial sector exported US\$ 1,099 million, 21% of the total exports; the main items were from the graphic arts and non-metallic mineral sectors, and from the chemical, metal, mechanic and garment industries.

In 1987, 26.5% of the Colombian exports went to the EEC, 20.3% to the USA, 9.2% to ALADI (including the Andean Group), 4.3% to EFTA and 4% to Japan.

#### **2.3.4. Imports**

Imports of raw materials represented 48% of the total, capital goods 39% and consumption goods 13%.

In recent years, there has been a trend towards a less dependant trade balance, ensuring a more stable inflow of foreign exchange which eases the scheduling of economic policies. Within this context, at the end of 1983 the government issued the "Ley Marco de Comercio Exterior" (foreign trade regulation law), which had as a main objective to regulate Colombian foreign trade in order to adapt it to the prevailing international conditions.

The CERT (Fiscal export incentive) has the advantage of complying with the norms set by the General Agreement on Tariffs and Trade (GATT), of which Colombia is a member. As an important part of the economic reactivation policy, one of whose major obstacles lies in domestic and external demand demotivation, the country has chosen a selective import policy, restricting non-essential imports and the import of goods that can be produced domestically. This substitution process also attempts to stimulate the manufacturing of some capital goods in which foreign investment can play an important role.

In order to promote and facilitate imports and exports of goods and services, and to establish industrial and trade enterprises, there are six free zones in the country. These are defined as extra-territorial areas and have tariff and duty exemptions, consular exemptions, are free of taxes and other domestic state or municipal fiscal contributions as well as free foreign currency circulation.

These free zones are classified as either industrial or trade free zones. The objective of the industrial free zones is to increase the manufacturing production for export, and the objective of the trade free zones is to facilitate and accelerate all activities related to shipping, re-export and storage. Manufactured products from the industrial free areas must be destined for export only. However, these goods can be introduced into the national territory if they comply with all legal import requirements.

(in US\$ million)

Year	Exports	Imports	Balance
1968	558	643	(85)
1969	607	685	(78)
1970	735	843	(108)
1971	690	929	(239)
1972	866	859	7
1973	1,177	1,062	115
1974	1,417	1,597	(180)
1975	1,465	1,495	(30)
1976	1,745	1,708	37
1977	2,443	2,028	415
1978	3,003	2,836	167
1979	3,300	3,233	67
1980	3,945	4,663	(718)
1981	2,956	5,199	(2,243)
1982	3,095	5,478	(2,383)
1983	3,081	4,968	(1,887)
1984	3,483	4,492	(1,009)
1985	3,552	4,131	(579)
1986	5,108	3,852	1,256
1987	5,216	5,466	(250)

### 3. Insurance Market

#### 3.1. Our Local Facilities

Colombia is served from Venezuela on a case by case basis. No named cooperative partner exists. Z-Venezuela organises any cover available in Colombia with a selected group of Colombian insurance companies.

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### **3.2. Regulations**

#### **3.2.1. Insurance Law**

Insurance company legislation and control by the banking superintendency dates from various decrees in the 1920s, principally Decree Laws 655 of 1925 and 105 of 1927.

The major insurance laws are:

- Law 105 from 1929: regulates formation of insurance companies.
- Decree Law 1403 from 1940: regulates admission of national and foreign insurance companies by the superintendency of insurance, and the creation and investment of reserves in Colombia.
- Decree 444 from 1967: regulates foreign exchange control.
- Decree Law 1691 from 1960: regulates compulsory investments in social housing.
- Law 55 from 1975: prohibits foreign investments in Colombian banks and insurance companies.

#### **3.2.2. Insurance Supervision**

Insurance supervision is handled by the Superintendency of Banking, which is subordinated to the Ministry of Finance.

#### **3.2.3. Requirements**

To operate as an insurance company, very low legal minimum capital requirements apply; these levels having been fixed in the year 1940. To up-date the amounts, the superintendency determines for each case the minimum level to apply.

Balance sheets, general conditions and tariffs (except for liability and marine insurances) have to be submitted to the superintendency. All reinsurance contracts have to be approved, as well as all facultative cessions abroad.

#### **3.2.4. Non-Admitted Insurance**

For insured risks located within Colombia, a local policy has to be issued. Non-admitted policies are not allowed.

#### **3.2.5. Government vs. Private Insurers (Direct and Reins.)**

Workers' compensation is controlled by the State Insurance Scheme.

All corporations fully or partly owned by the State must insure with "La Previsora".

### **3.2.6. Compulsory Insurance**

Compulsory insurance are motor vehicle personal accident for inland public transport vehicles, and automobile third party liability for members and employees of the "Corps Diplomatique" and "Corps Consulaire".

At the beginning of 1988, the motor vehicle personal accident policy became mandatory for motorists, giving coverage independent of fault up to approximately US\$ 1,300 for each person without limits for any cumulation. About 70% of all motorists have bought this coverage. For this first year, claims are estimated not to have exceeded 20% of premium income.

### **3.2.7. Taxes**

A premium tax of 15% applies for all lines except life, accident hospitalization and reinsurance.

There is a 1% superintendency charge on premiums.

### **3.2.8. US Dollar Policies**

There are very few cases where the superintendency has permitted the use of foreign currency instead of the Colombian Peso for an insurance policy (these exceptions are mainly for large government and private risks, marine hull, aviation and cargo).

## **3.3. Statistics**

### **3.3.1. Solvency and Financial Stability of Insurers**

The government is pressing for the introduction of solvency margins as a means of supervising the insurance industry. It is doubtful, however, whether these measures are likely to take effect in the short-term and, also, whether they would have any substantial effect on the levels of capitalization.

The legal determination of a company's net retention and the obligation to reinsure the excess with companies of recognised solvency, was first mentioned in Resolution 151 of 1952.

Resolution 1831 of 1983 authorises a maximum net retention for an insurance company per risk of up to 10% net worth (paid-up capital, free reserves - excluding technical and claims reserves - and net revaluations of assets).

### **3.3.2. Loss Ratios Per Line of Business**

Traditionally, fire and allied lines results tend to profitable, as well as marine, bonds and group life. However, automobile and theft have high loss ratios.

## Colombia

Loss Ratios 1987 (Col.P. 000.000)	Premium	Losses	LR %
Fire and LOP	20,384	3,949	19.37%
Earthquake	3,647	215	5.90%
Marine	10,916	4,096	37.52%
Auto	34,613	18,252	52.73%
Theft	2,205	1,540	69.84%
Fidelity	2,882	625	21.69%
Bonds	6,880	299	4.35%
Liability	2,107	803	38.11%
Engineering	7,004	3,439	49.10%
Aviation	7,270	2,955	40.65%
Marine hull	1,479	253	17.11%
Others	821	293	35.69%
<b>Subtotal</b>	<b>100,208</b>	<b>36,719</b>	<b>36.64%</b>
Indiv.life	6,917	2,189	31.65%
Pers. accident	1,759	854	48.55%
Group ins.	15,081	4,558	30.22%
Hospitalization	8,934	4,947	55.37%
Pension	1,835	75	4.09%
<b>Subtotal</b>	<b>34,526</b>	<b>12,623</b>	<b>36.56%</b>
<b>Total</b>	<b>134,734</b>	<b>49,342</b>	<b>36.62%</b>

### 3.3.3. List of Local Direct Insurers

Col.P. 000.000		Prem. 1987	Market Share	Prem./ Surpl.
General Insurers:				
Agricoa		1,362	2.52%	138%
Alfa	BCO Occidente	582	1.08%	220%
Andina	Royal	1,454	2.69%	108%
Antorcha	Comm. Union	847	1.57%	375%
Atlas		753	1.39%	189%
Aurora		422	0.78%	214%
Bolivar		5,810	10.75%	854%
Caribe	Mapfre, Capital	1,592	2.95%	574%
Central	BCO Central HYP	2,917	5.40%	77%
Cigna	Cigna	1,121	2.07%	309%
Colina	Cigna	980	1.81%	107%
Colmena	Rel.Cat. (AFIA)	2,121	3.92%	288%
Colseguros		1,179	2.18%	1,441%
Comercio		2,801	5.18%	53%
Condor		170	0.31%	204%
Confianza		283	0.52%	128%



*Colombia*

Col.P. 000.000		Prem. 1987	Market Share	Prem./ Surpl.
General Insurers:				
Equidad		925	1.71%	164%
Estado	Fianzas	1,477	2.73%	560%
Federal	Chubb, De Lima	739	1.37%	541%
Fenix	Sun Alliance/ Cont.	1,537	2.84%	220%
Granadina	Ass Gnral	227	0.42%	56%
Grancolombiana		2,444	4.52%	481%
Inmobiliaria		174	0.32%	71%
Interamericana AIU		871	1.61%	230%
Mundial		428	0.79%	259%
Nacional	Gr Santo Domingo	3,164	5.85%	566%
Patria Bcocol		1,519	2.81%	74%
Previsora Estado		5,426	10.04%	118%
Skandia	Skandia	3,095	5.73%	232%
Sudamericana	BCO IND COL	5,062	9.37%	37%
Tequendama	BCO Popular	656	1.21%	36%
Union		226	0.42%	162%
Universal		859	1.59%	329%
Valle		828	1.53%	441%
Total		54,051	100.00%	290%

Col.P. 000.000		Prem. 1987	Market Share	Prem/ Surpl.
Life Insurers:				
Agricola		821	3.06%	176%
Alfa	BCO Occidente	584	2.18%	653%
Atlas		158	0.59%	146%
Aurora		275	1.03%	208%
Bolivar		4,031	15.04%	659%
Colseguros		1,908	7.12%	389%
Comercio		674	2.51%	573%
Estado	Fianzas	337	1.26%	1,114%
Condor		10	0.04%	40%
Granadina		43	0.16%	32%
Grancolombiana		2,495	9.31%	634%
Fenix	Sun Alliance/ Cont	177	0.66%	102%
Interamericana	AIU	915	3.41%	1,262%
Nacional	Gr Santo Domingo	868	3.24%	852%
Medicos Vol		3,840	14.32%	509%
Mundial		99	0.37%	92%

Col.P. 000.000		Prem. 1987	Market Share	Prem/ Surpl.
Life Insurers:				
Pan American		789	2.94%	456%
Patria	BCO COL	886	3.30%	61%
Skandia	Skandia	3,167	11.81%	784%
Suramericana	BCO IND COL	4,176	15.58%	63%
Tequendama	BCO Popular	331	1.23%	741%
Universal		104	0.39%	165%
Valle		122	0.46%	223%
Total		26,810	100,00%	432%

### 3.3.4. List of Professional Reinsurers

Col.P. 000.000		Prem. 1987	Market Share	Prem/ Surpl.
Reinsurers:				
Colombiana Re		9,945	49.96%	453%
Colombia	Market Cie	7,483	37.60%	73%
Hemisferica	Market Cie	2,476	12.44%	945%
Total		19,904	100.00%	490%

## 3.4. Memberships

### 3.4.1. Professional Insurance Organisations (Surveyors etc.)

Intermediaries are represented in the following organisations:

- "Asociacion Colombiana de Corredores de Seguros" (ACORDES)
- "Federacion Nacional de Productores de Seguros" (FENALPROSE)  
(coordinates different regional intermediary organisations)
- "Asociacion Colombiana de Agentes de Seguros" (ACODASE)
- "Comite Colombiano para la Investigacion y Desarrollo de la Industria del Seguro" (CIDESEG) (mainly to promote life/health insurance)

Many professional groups in Colombia have their own organisation, such as:

- "Asociaciones Colombianas de Derecho de Seguros" (ACOLDESE)  
Member of the international organisation AIDA
- "Asociacion Colombiana de Actuarios"
- "Asociacion Colombiana de Tecnicos en Reaseguro" (ACTER)
- "Asociacion Colombiana de Tecnicos en Fianzas"

- "Asociacion Colombiana de Medicina del Seguro"
- "Asociacion Colombiana de Ajustadores de Seguros" (ACDASEG)

These organisations are in close contact with the "Union de Aseguradores Colombianos" (FASECOLDA), in which all private insurers participate. It is through this organisation that conditions and tariffs are set for the Colombian market. FASECOLDA is a member of the "Federacion Interamericana de Seguros" (FIDES).

For the promotion of life and health insurance, the following organisations operate:

- "Comite Colombiano para la Investigacion y Desarrollo de la Industria del Seguro" (CIDESEG) (mainly to promote life/health insurance)

### 3.4.2.Pools

Professional reinsurers administer some pools for fidelity, banks and cotton risks.

## 3.5. Intermediaries (Agents, Brokers)

### 3.5.1. System

Colombia is a broker market. Working agreements with large European and American brokers exist. Probably about 60% to 70% of the premium income of the country is handled by the brokers and the balance goes to agents and direct writing companies. There are 3 classes of intermediaries: insurance brokers, multi-company agents and agents for one company only.

### 3.5.2. Commissions

Maximum direct or agency commissions are set as follows:

-	Fire and allied lines	27.5%
-	Loss of profit	22.5%
-	Earthquake	2.5%
-	Engineering (EAR/CAR/BM)	15.0%
-	Theft and burglary	17.5%
-	Fidelity	17.5%
-	Automobile	12.5%
-	Aviation	5.0%
-	Electronic equipment	15.0%
-	Surety bonds	17.5%
-	Inland and ocean marine	20.0%
-	Marine hull	5.0%
-	Marine cargo	20.0%
-	Liability	22.0%
-	Multiple risks	15.0%
-	Personal accident	25.0%
-	Individual life	27.54%
	(first year commissions vary from	35% to 70%)
-	Group life	25.0%

Very large risks may carry a reduced commission rate.

### 3.6. Reinsurance Scene

#### 3.6.1. Commissions

Resolution 4817 of 1984 establishes the following minimum reinsurance commissions for facultative (and implied for treaty) cessions abroad:

-	Fire and allied lines	35.0%
-	Loss of profit	25.0%
-	Earthquake	32.5%
-	Engineering (EAR/CAR/BM)	25.0%
-	Theft and burglary	30.0%
-	Fidelity	25.0%
-	Automobile	25.0%
-	Aviation	15.0%
-	Electronic equipment	23.0%
-	Surety bonds	22.5%
-	Inland and ocean marine	30.0%
-	Marine hull	15.0%
-	Liability	22.5%

#### 3.6.2. Compulsory Cessions and Restrictions on Cessions Abroad

Controls and regulations increased during the 1970s, with the most recent Resolutions being 3125 and 3877 of 1983 and 4817 of 1984, on the control of facultative reinsurance abroad. Generally, all treaties or facultative placings with foreign reinsurers have to be approved by the Banking Superintendency. Retentions vary according to the class of risks, and maximum cessions out of Colombia are established in the Decree Law 444 and Resolution 277 of 1967.

The maximum percentage of reinsurance abroad per class of business on an annual basis is established by Resolution 4817 as follows:

	Minimum retention in Colombia	Maximum cession abroad	
-	Fire and allied lines	60%	40%
-	Loss of profit	60%	40%
-	Earthquake	60%	40%
-	Engineering (EAR/CAR/BM)	40%	60%
-	Theft and burglary	65%	35%
-	Automobile	90%	10%
-	Electronic equipment	40%	60%
-	Inland and ocean marine	65%	35%
-	Liability	49%	60%
-	Individual life	80%	20%

	Minimum retention in Colombia	Maximum cession abroad
- Group life	90%	10%
- Fidelity (exl. blanket)	80%	20%
- Surety bonds	60%	40%
- Export credit	20%	80%
- Personal accident	80%	20%
- Hospitalization	90%	10%

The following risks are not subject to the minimum retention and, in consequence, may be deducted from the computation of each branch:

- Aviation and marine hull
- Petroleum, petrochemical and pipeline risks
- Risks which, due to special circumstances, and in the Banking Superintendency's opinion are not insurable in Colombia or are not susceptible to the retention established.

Pure facultative cessions to foreign countries must be authorised on a case by case basis by the superintendency, which requires that requests for approval of facultative reinsurance placings abroad should show the participation of at least 10 local insurance companies and 2 local reinsurers, or should be accompanied by letters from such companies declining participation.

Very few cases are actually authorised and then only when a minimum of 40% has been placed in the local market. As an alternative, facultative/obligatory treaties can be used. According to the law, reinsurance must be placed with a minimum of 60% of all risks in Colombia.

### **3.6.3. Taxes**

A tax of 15% on the premium applies for all lines except personal insurances. The superintendency charges 1%.

### **3.6.4. Deposit**

Premium reserves and Banking Superintendency contribution have to be applied to reinsurance transactions in the same percentage as to direct business.

The technical reserves are:

Class of business	Reserve	Law/Resolution
All classes	40%	105 of 1927
except:		
- marine hull	10%	3748 of 1974
- aviation	10%	3748 of 1974
- earthquake	80%	888 of 1976
- cargo	40% plus 20% - 40% IBNR (6 months basis)	3056 of 1977
- bankers blanket	25%	4655 of 1984

Reserves may be released on the annual anniversary and, although interest may be payable, it is subject to 40% tax.

### 3.6.5. Reinsurance Balances

All balances for payment, as well as exchange licenses and dollar current account movements (checks), have to be approved by the superintendency and the Central Bank.

Circular DSyC-071 of 1981 requires the settlement of all reinsurance balances on a six monthly basis. Thus, balances at June 30th must be paid by December 31st and vice versa.

### 3.6.6. Captive Reinsurers

Legislation makes no reference to captives. However, the Banking Superintendency is aware of their existence and has expressed concern as to whether they qualify as reinsurers of recognised solvency. They have nevertheless approved facultative/obligatory treaties, such as the NORCON treaties, which can be used to handle such cessions, subject to the legal requirements mentioned in this memorandum.

## 3.7. Underwriting Per Line of Business

### 3.7.1. Tariffs

Property: the tariffs approved by the superintendency are applicable for all insurances. Deductibles of between Col. pesos 250,000 and Col. pesos 5,000,000 can be agreed. Discounts are possible from 6.5% to 23%. Fire prevention measures qualify for discounts of 7.5% to 60%.

Tariffs for general liability and workers' compensation are used by companies, although no uniform tariffs exist.

Tariffs approved by the superintendency are binding for all lines except liability and marine insurance.

Free tariffs exist for engineering lines, aviation and marine hull insurance. For the marine insurance of goods imported, minimal rates apply.

### **3.7.2. Basic Coverage**

Traditional lines use conditions originating from the English market.

Absolute first risk coverage is rarely used.

The Münchener Reinsurance company have had a major influence on the development of engineering lines in Colombia.

### **3.7.3. Compulsory Lines**

Compulsory insurance exists for vehicles with CD plates, as well as for workers' compensation.

### **3.7.4. Claims Handling**

It is of utmost importance to have policies issued with clear definitions as to the sum insured (new value, replacement cost) and keep the values updated. Special attention should be given to deductibles. If these precautions are taken, claims handling usually progresses smoothly and within the 60 days prescribed by law.

Regarding claims handling in business interruption cases, it is advisable to name a qualified adjuster at the beginning of the occurrence.

## **4. Property Insurance**

Every company has a standard policy approved by the superintendency. In practice, there are no differences between policies.

Policy period is one year with normally tacit renewal. Cancellation is with 10 days notice.

Home owner's policies have not yet developed to an important line and is mainly taken to satisfy mortgage requirements.

### **4.1. Coverage**

#### **4.1.1. Named Perils**

Additional fire risks are: explosion, smoke, strike, riot and civil commotion, vandalism, malicious mischief, explosion of steam engines, earthquake and seaquake, lightning, water, flood, debris removal, refrigerators, molten material, windstorm, falling aircraft.

#### **4.1.2. All Risks**

Policies are issued on a named peril basis.

#### **4.2 . Catastrophe Exposures**

##### **4.2.1. Earthquake Shock / Earthquake Fire**

Resolution 4439 of 1983, as modified by Resolution 7508 of 1985, regulates earthquake insurance and reinsurance:

- conditions: 25% obligatory coinsurance and 3% (of insured value) deductible,
- report of accumulations in 9 zones, and
- obligation to obtain catastrophe (excess of loss) reinsurance abroad to protect, on 20% MPL basis, sums insured retained for net account in excess of 10% net worth retention for each zone.

There has been a history of earthquakes in Colombia since records began. So far there have been no very serious losses, as far as insurers are concerned, but there is always a potential catastrophe situation in this respect, particularly as the number of risks covered for earthquakes is increasing.

The zone normally regarded as the most hazardous is Zone 3, and covers the centre, north-east and south-west of the country. This area contains about 60% of the population and encompasses much of the country's industry.

The area to the north of the country, which includes the Caribbean coastline, is traditionally regarded as a low risk area, but investigations have shown that although there has not been any appreciable activity in this area for many years, there is a possibility of a severe earthquake occurring.

Until 1979, the most serious earthquake to have occurred was in 1967 at Bogota, which registered VII on the Mercali scale and lasted 40 seconds. In the same year, an earthquake hit Huila, causing actual physical damage of around US\$ 5,000,000. Going back into history a little, there are records of an earthquake at Tumulco on the Pacific coast, close to the Ecuadorian border, which was described as "the greatest unleashing of energy during the course of this century" with an intensity of 8.6 on the Richter scale.

In 1979, there were two earthquakes. The first was in November, when the shock registered Richter 7, Mercali VI to VII. In Cali, the force was Mercali IV and in Bogota V. The second occurred a month later, in December, in the coastal areas of Narino and Cauca, and was due to an offshore "quake". The shock was recorded as Richter 7 to 8, Mercali VII to VIII, and the effect was felt in Cali as Mercali V and in Bogota as IV. The main damage was caused by a tidal wave. The insured loss for the two earthquakes was US\$ 878,200.

The western part of Colombia forms part of the "Circumpacific Belt", along which a seismic threat is ever present.



It is possible to take three different types of insurance protection, the corresponding wordings being:

- Fire caused by earthquakes, tremor or volcanic eruption
- Damage caused by an earthquake or volcanic eruption, but excluding damage caused by a consequential fire
- Material damage including that caused by fire resulting from an earthquake or volcanic eruption.

Sequake and floods following are excluded from all the above standard covers, but can be specifically included if required.

#### **4.2.2. Windstorm**

This is not considered to be a serious risk in Colombia, but the Caribbean coastal area is subject to high winds on occasions. The only significant losses occurred 40 years ago in the banana plantations of the United Fruit Company at Santa Marta, although a large number of policies do cover against the peril, as it forms part of an extended coverage package. There has been no history of significant insured losses.

#### **4.2.3. Typhoon**

Not considered a major risk.

#### **4.2.4. Flood**

There has been a history of flooding in various parts of the country, and coastal areas are particularly prone to this hazard. In 1976, flooding also occurred in the area of the Magdalena Valley and minor flood damage occurred on the Bogota Plateau.

There has been no history of serious insured losses, although large risks located in flood prone areas are occasionally insured.

#### **4.2.5. Tidal Wave**

Not considered a major risk, although the December 1979 an offshore "quake" caused most damage by the ensuing tidal wave.

#### **4.2.6. Hail**

This branch is included under the extended coverage facility.

#### **4.2.7. Other Catastrophe Risks**

Colombia suffered a calamity in November 1985 as a result of the eruption of the "Volcan Nevado del Ruiz". Various villages were seriously affected in the Departments of Tlma and Caldas. The village Armero disappeared completely.

Losses were disastrous: 23,000 people lost their lives, 4,470 were injured, 3,145 hectares became unusable and 4,000 automobiles were destroyed. The loss has been

estimated in Col. pesos at 35,000,000,000 and, what is alarming, reconstruction will cost some Col. pesos 51,400,000,000.

As the insurance coverage is only in addition to the fire main policy, only a small amount will be covered.

There are few forest and bush fires in Colombia.

#### **4.3. Terrorism / Sabotage**

In recent decades there have been some very bad riots, especially in 1948. Despite the fact that there has been no history of big insured losses, this risk must be taken seriously in view of the social unrest in Colombia.

Special conditions and an additional premium apply for terrorism.

#### **4.4. Boiler and Machinery**

Separate policies cover boiler and machinery as per the Munich Re form.

#### **4.5. Fire Protection and Fire Brigades**

The fire brigades in the bigger cities have been equipped with fairly modern fire fighting equipment, but they often have difficulty in reaching fires quickly due to traffic conditions. There is generally no shortage of water.

##### **4.5.1. Levies for Fire Brigades etc.**

There are no taxes for insurance companies related to the fire brigade.

#### **4.6. Stamp Duties**

Although there are no stamp duties as such, there is a 15% tax on property premiums.

### **5. Casualty Insurance**

#### **5.1. Motor**

Only compulsory for vehicles with CD-plates.

Cover available: third party liability, incl. passenger, total and partial own damage, theft, damage due to earthquake and hurricane.

There exists a knock for knock agreement between insurers. There is a compulsory private tariff, and the maximum cession to foreign insured amounts to 40%.

The wording is the same in all policies. The territory covered is extended to the Andean Pact countries.

## **5.2. W.C.A. and Employers Liability**

As the state insurance scheme is gradually being extended, workers' compensation and employers' liability are becoming closed to private companies.

Workers' compensation is compulsory with the I.S.S. ("Instituto de los Seguros Sociales"), except where not available.

### **5.2.1 Applicable Laws**

Employer's liability is not compulsory.

An employee can take legal action against an employer to claim indemnity which has not been paid by the I.S.S., if intention or gross negligence are proven.

In case the I.S.S. does pay the claim, right of recourse is reserved.

### **5.2.2. Administration**

Administration is outside tariff restrictions and while there were talks in the past to bring rating under control, nothing came of this.

## **5.3. Liability (General and Products)**

The legal system is principally based on the Napoleonic Code and has not developed into an important line of insurance.

## **5.4. Various (Casualty Insurance)**

### **5.4.1. Professional Indemnity**

This line of business has not been developed as yet. Professional indemnity is not frequently written.

### **5.4.2. Burglary / Theft / Crime**

Separate policies cover burglary and theft.

### **5.4.3. Bonds / Credit**

There has been an increase in bonding insurance, mainly due to the large number of public works.

An issuing fee of Col. pesos 760 per document is charged.

### **5.4.4. Fidelity**

Fidelity coverage is available, although there are increasingly bad results.

#### **5.4.5. CAR/EAR**

Separate policies cover CAR/EAR as per the "Münchener" form. Most of the larger companies write this class of business.

Reinsurance is placed in the major overseas markets with the German and Swiss companies generally leading, as most companies do not have CAR specialists and tend to rely on the assistance of the professional reinsurers.

#### **5.4.6. Machinery Breakdown**

"Seguros La Union" holds a monopoly for credit and cotton risks.

### **6. Marine Insurance**

#### **6.1. Marine Cargo**

Congestions in the dock areas are caused by exports, such as cotton and coffee, being sent into the port warehouses or storage areas and the failure of importers to remove goods quickly to delay paying customs and import duty. Nevertheless, the actual facilities in the main ports of Cartagena, Barranquilla and Buenaventura are quite good, with modern cranes and warehouses.

There was a large fire at Cartagena dock in 1980 which resulted in losses of some US\$ 4,000,000, and a further large fire loss at Barranquilla with about the same financial damage.

#### **6.2. Hull**

The main fleet, "Flota Mercante Grancolombiana", is fairly modern but is mainly led and insured in the London market on joint hull terms.

The local hull account consists of dredgers, fishing vessels and private pleasure craft.

### **7. Future**

#### **7.1. Politics**

Decades of political stability and prudent macroeconomic management, may be contrasted with death squads, guerillas, cocaine barons and a high crime rate. The traditional view is that "two Colombias" coexist without interfering much with each other.

Today, however, the country's darker, violent side poses an increasing threat to its economic and political structure. Colombians have come to realize this, but cannot seem to find an adequate solution. President Barco (1986-1990) and his liberal government have tried to address the guerilla problem and social tensions with more social spending and some political decentralisation (March 1988: first-ever national elections for mayors); but their strategy is up against budget constraints, the

impatience and distrust of the far left and savage resistance of the far right. It is a formidable task when one considers the strength of the cocaine mafia which has corrupted and intimidated wide sections of the state and society.

The generally effective sanction against the drug barons - extradition to the US - was stopped by the Supreme Court last year; a resumption of this policy would require constitutional change. Their assassination of the Attorney General in January 1988, finally prompted Barco to support a tougher military response with bigger budgets for the security forces, but it will take much more charismatic and decisive leadership to focus popular unease into a true crusade against them.

## **7.2. Social**

The "Plan de Economía Social", a development plan for 1987- 1990, aiming to achieve high growth rates and at the same time to raise the standard of living for all Colombians, was published in 1987.

To improve food supplies, both public and private sector investment is to be channelled into agriculture and, in addition, the competitive edge of manufactured exports is to be enhanced and the construction sector boosted by rehabilitating depressed urban areas.

Increased investment is also planned for the mining sector. In total, the programme is expected to cost about 29.7 billion pesos, with some 8.2 billion of this amount to be financed from abroad. Implementation of the plan was endangered in early 1988 when high public spending pushed up the public sector deficit.

## **7.3. Economy**

Colombia's economic performance still stands out as being positive in a regional context. Where else would a 45% price decrease in the major export product (coffee in 1987) have hardly made a dent in export revenues, with GDP growing by 5.6% and a higher proportion of GDP devoted to investment than during the 1970's? Where else does "new money" simply serve to partially refinance bank repayments still based on the original contractual timetables, while total foreign debt equals a relatively low 260% of total exports?

## **7.4. Insurance Market**

Due to the strengthening of reserves, the Colombian insurance industry foresees a period of growth.

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## **Overview of Perils Insured Against in Basic Fire Policy**

### **Colombia**

- |   |                  |   |                                  |
|---|------------------|---|----------------------------------|
| a | Fire             | b | Sprinkler Leakage                |
| a | Lightning        | c | Collapse                         |
| a | Explosion        | b | Smoke                            |
| b | Aircraft         | b | Sonic Boom                       |
| b | Windstorm        | a | Molten Material                  |
| b | Hail             | c | Radioactive Contamination        |
| b | Vehicle Impact   | a | Earthquake                       |
| a | Strike           | b | Volcanic Eruption                |
| a | Riot             | a | Flood                            |
| a | Civil Commotion  | c | Snow Pressure                    |
| a | Malicious Damage | c | Landslide                        |
| b | Vandalism        | c | Tenants & Neighbours             |
| b | Sabotage         |   | Liability                        |
| c | Terrorism        | c | All Risks available (local form) |
|   |                  | c | All Risks allowed (fronting)     |
- 
- |   |                                       |
|---|---------------------------------------|
| a | Perils covered in a standard policy   |
| b | Perils can be added by endorsement    |
| c | Perils cannot be added by endorsement |

# **Comparison Tables**

**Colombia**

**Spain**

**May/June 1989**



## Comparison of Fire Insurance Coverage

### COLOMBIA

#### Fire

Excludes damage or loss caused by:

- a) Heat, fermentation, inherent vice
- b) Electrical disturbance
- c) Radioactive fusion
- d) Explosion, except as a consequence of fire
- e) International of civil war
- f) Mobbing, riots, civil or popular commo-

tion and strikes, subversive movements.

#### Lightning

Covered by the standard policy

#### Explosion

No coverage by basic policy, extension available through endorsement or annex.

Exclusions:

- Implosion
- Damage due to breakage of rotary parts caused by centrifugal force
- Damage caused by hydraulic hammer
- Damage due to breakage or cracking of building or structures due to expansion or dilation of contents as a consequence of water.
- Explosion originating from Malicious Third Party Damage.
- Damage to boilers due to self-explosion (can be added through an endorsement or annex)

#### Aircraft

As part of the annex Extended Coverage, damage caused by falling aircraft or parts thereof.

#### Windstorm

As part of the annex Extended Coverage, damage caused by strong winds of over 50 km/p.h.

Exclusions:

- Damage caused by floods even if a consequence of windstorm
- Damage caused by rainfall, sand or dust unless the insured risk has previously suffered damage by the windstorm.

#### Hail

Covered by "Windstorm".

### SPAIN

#### Fire

Excludes loss or damage to property caused by:

- a) Heat or fermentation
- b) Electrical disturbance
- c) Spontaneous combustion

(However, a fire following the above-mentioned accidents would be covered)

#### Lightning

Covered by standard policy

#### Explosion

Covered by standard policy

#### Aircraft

Damage by falling aircraft or parts thereof covered by "Extended Coverage".

#### Windstorm

Covered as an extension to the Fire Policy "Extended Coverage"

#### Hail

Part of "Extended Coverage".

## COLOMBIA

### Vehicle Impact

As part of Extended Coverage, damage caused by land vehicles to the insured risk. Excludes loss or damage when the vehicle is owned by or being driven by the Insured.

### Strike

Included in policy for Riot, Civil or Popular Commotion and Strike covering fire and material damage caused by strikers.

### Riot

Included in policy for Mobbing, Riot, Civil or Popular Commotion and Strike covering fire and material damage caused by persons taking part in turmoils, disturbances of violent and tumultuous character, as well as those participating in mobbing (according to definitions of Penal Code).

### Civil Commotion

See "Riot"

### Malicious Damage

Cover available through annex for Malicious Damage by Third Parties, covering damage to insured property by malicious third party damage, including terrorist acts committed by subversive groups. Excluded is loss due to strike and damage caused to windows, except when caused by explosion. Cover also offered through Policy for Mobbing, Riot, Civil or Popular Commotion and Strike (already defined).

### Vandalism

See Policy for Mobbing, Riot, Civil or Popular Commotion and Malicious Damages by Third Parties.

### Sabotage

See "Riot", "Civil or Popular Commotion" and "Malicious Damage by Third Parties".

## SPAIN

### Vehicle Impact

Damage caused by physical contact of road and rail vehicles. Exclusions:  
- Damage caused by vehicles of the insured, the user of the insured premises or their employees.  
- Damage to vehicles, fences, streets and roads.

### Strike

Part of "Extended Coverage" if it is an illegal strike. Legal strike covered by the "Consortio". See note 1).

### Riot

Covered by the "Consortio". See note 1).

### Civil Commotion

Covered by the "Consortio". See note 1)

### Malicious Damage

Part of "Extended Coverage"

### Vandalism

Part of "Extended Coverage". Can be added by endorsement.

### Sabotage

Term "Sabotage" as such not used for coverages, but in certain circumstances coverage exists.

## COLOMBIA

### Terrorism

See "Riot", "Civil or Popular Commotion" and "Malicious Damage by Third Parties".

### Sprinkler Leakage

Cover offered under Water Damage, when accidental sprinkler leakage is not due to automatic discharge.

### Collapse

Cover not available as annex but is offered if the origin of the collapse comes under other insured risks (Fire, Explosion, Earthquake, Flooding, Mobbing, Riot, Civil or Popular Commotion and Strike, Extended Coverage).

### Smoke

Part of "Extended Coverage", covering damage caused by smoke, excluding damage caused by house chimneys.

### Sonic Boom

Coverage not available.

### Molten Material

Cover through annex covering damage caused by accidental escape of molten material.

Exclusions:

- Cost of material or cost of recuperation
- Costs to repair the defect causing the escape.

### Radioactive Contamination

Coverage not available.

## SPAIN

### Terrorism

Covered by the "Consortio". See note 1)

### Sprinkler Leakage

Part of "Extended Coverage"

### Collapse

Coverage not available

### Smoke

Covered if sudden and accidental escape from a heating/boiling unit, furnace or drying system.

### Sonic Boom

Coverage in respect of damage caused directly by sonic boom resulting from sonic boom waves of an aircraft. Part of "Extended Coverage".

### Molten Material

Coverage in respect of damage of destruction caused by sudden and unexpected escape of molten material.

Exclusions:

- Damage, destruction or loss of the actual escaping material
- Costs incurred in the discovery of the point of escape.

Part of "Extended Coverage". Can be added by endorsement.

### Radioactive Contamination

Coverage not generally available.

If atomic reactor or nuclear material is used coverage is available by the Atomic Pool.

## COLOMBIA

### Earthquake

Not covered by standard policy, but can be added through annex. Covers loss or damage suffered by the insured property caused by earthquake, volcanic eruption or tremors, or by fire produced by any of the above indicated.

### Volcanic Eruption

See "Earthquake".

### Flood

Coverage offered through annex.

Exclusions:

- Seaquake, tidal waves or tsunami
- Hurricane, windstorm, hail
- Property located under open sky
- Flood originating from seaquake, tremor or volcanic eruption

### Snow Pressure

Cover not available.

### Landslide

Coverage offered through annex, if included within the coverage for flood or earthquake, tremor or volcanic eruption.

### Tenants' and Neighbours' Liability

Coverage available under separate Liability Policy.

### Water Damage

Coverage through annex, for damage caused by water coming from the interior of the building or insured risk.

Exclusions:

- Damage caused by water coming from the exterior of insured building.
- Damage caused by water as a consequence of earthquake or volcanic eruption

### Tsunami

Coverage available through seaquake annex.

## SPAIN

### Earthquake

Covered by the "Consortio". See Note 1).

### Volcanic Eruption

Covered by the "Consortio". See Note 1)

### Flood

Covered by the "Consortio". See Note 1)

### Snow Pressure

Coverage not available

### Landslide

Coverage not available

### Tenants' and Neighbours' Liability

Coverage available.

### Water Damage

Coverage available under the "Extended Coverage" endorsement.

### Tsunami

Coverage not available.

## COLOMBIA

### Leakage

The Water Damage Policy foresees coverage in respect of damage caused by leakage of pipes and internal tanks.

### Deductibles/Limits of Indemnity

There are optional deductibles from 0,15 % to 3,5 % of the amount of each loss, that earn discounts on the premium.

Deductibles are optional and, only in special cases such as earthquake and Malicious Acts by Third Parties, compulsory deductibles which do not earn discounts on the premium.

- Earthquake: 3 % of insured sum for e.e.l.
- Malicious Acts by Third Parties: deductibles vary from a 10 % minimum US\$ 100.000,00 or a 10 % minimum US\$ 2.000.000,00 depending on the type of risk, classified according to vulnerability for this type of event.

### Limits of Indemnity

Generally, the insured value is taken as the real value of the goods. However, the "Coaseguro Pactado" permits the establishment of indemnity limits inferior to the real value of the insured property. This clause permits the establishment of indemnity limits up to 90 %, 75 % of the real value of the insured property.

Moreover there is an annex which permits the fixing of indemnity limits, such as for Debris Removal and Clauses, Temporary Transport for Equipment and Machinery and Inclusion of New Property.

## SPAIN

### Leakage

Coverage available by special endorsement.

Coverage in respect of damage or destruction caused by sudden and unexpected leakage of the contents of pipes, tanks and containers.

#### Exclusions:

- Damage caused by the leakage of water or heating oil.
- Damage to pipes, tanks and containers caused by wear, tear, gradual deterioration, rust and corrosion.
- Costs incurred in discovery of the point of leakage.

Sprinkler leakage part of "Extended Coverage".

### Deductibles/Limits of Indemnity

#### 1. Fire/B.I.

Generally no deductibles or limits of indemnity (can be agreed individually).

#### 2. Extended Coverage

Generally 10 % of damages minimum Ptas. 25.000, maximum Ptas. 250.000

Note 1) - Consorcio

Government pool covering special risks. Must be included in fire policies by adding a special rate to be paid by the insured.

## COLOMBIA

### Taxes and Fees

- 5 % government tax on premiums. Additional uniform intermediary commissions for all the Insurance Companies in the market.

#### Exclusions:

- Damage to foundations and supporting walls located below ground level.

- Any class of mural or decorative element painted or forming part of the insured building.

- Loss originating from nuclear risks even as a consequence of earthquake, tremor or volcanic eruption.

- Loss caused by seaquakes, tsunami, even as a consequence of earthquake.

Loss caused by natural subsoil vibration other than earthquake, tremor or volcanic eruption.

Fixed maximum limit for liability equivalent to 75 % of the value of the insured property (compulsory coinsurance).

Established deductible, in the event of loss, of 3 % of the value of each and every article affected by the loss.

## SPAIN

### Taxes and Fees

Additional surcharge 9,30 % plus 3.650 Ptas.

Fire brigade 5,00 % on premium

D.G.S. 0,50 % on premium

Consorcio - Rate range from 0,092 o/oo to 0,250/oo applicable on amounts insured.

Whenever the risk is located close to a water source there are specially increased rates for Consorcio .

# Comparison of General Liability Insurance Coverage

## COLOMBIA

### Structure

Based on standard policy; includes provisions for endorsements/annexes.

Basic policy covers Civil Liability for Death or Injuries to Third Parties or Damage to Third Party Property. Products Liability or Vehicle/Bicycle Civil Liability are not included.

### Coverage

Covers Extracontractual Civil Liability incurred by the Insured while carrying out normal operational activities and complying with the regulations and requisites established by the Law as well as the technical regulation. Coverage does not include:

- Death or injury to Third Parties
- Damage to Third Party property

Includes all property used by the Insured to carry out operations, but not included (in basic cover), even being normal operation activity, Civil Liability due to use of automobiles.

Includes Civil Liability for accidental contamination caused by material normally used by the Insured for operation.

## SPAIN

### Coverage

Covers the legal liability of the insured arising out of the operation products, can also be included designated in the policy for:

- Bodily Injury including death and other impairment of health (bodily injury)
- Damage, destruction or loss of property (property damage)

Unless otherwise agreed, the General Liability Insurance shall also cover the liability of the insured:

- 1) As owner, lessee or tenant of building which are part of the insured's enterprise.
- 2) Arising out of use of motor vehicles and cycles provided that they are used in the insured's business (only subsidiary liability complementary to motor insurance).
- 3) Pollution only if sudden and accidental.

### Schedule

Essential part is the exact and comprehensive description of the activities and the manufacturing programmes of the insured enterprise.

### Definitions

There are definitions of persons insure, obligations of the insured during the policy period, bases for the premium calculations, consequences of breach of policy conditions, claims, handling etc.

### Supplementary Payments

Expenses of the insurer for costs (e.g. lawyers' and experts' fees and court costs) shall not be counted as indemnities in respect of the sum insured. If liability claims exceed the sum insured, the costs shall be divided proportionally.

For a claim occurring in the United States or Canada, all costs, however, shall be taken into account within the limit of indemnity.

## COLOMBIA

### Period of Insurance

Normally, policies are written on a yearly basis and can be cancelled by the Insurers with 10 days written notice, or at any moment by the Insured.

### Policy Territory

Policy is valid for claims occurring within Columbian territory, except for the Products Annex which requires an independent agreement.

### Deductibles

Normally established based on the value of the loss as a percentage or as a fixed sum; there is no standard deductible and each loss is considered separately.

### Cancellation

See "Policy Period".

### Available Extensions of Cover

In addition to the basic coverage, there are annexes for extending the cover as follows:

- Liability for individual automobiles or those being used, in excess of the policy for Automobile Liability.
- Liability for Products (excluding USA and Canada).
- Third Party Liability for Contractors whose services are being used by the Insured.
  - Liability for damage caused between Contractors whose services are being used by the

## SPAIN

### Limits of Indemnity

Within the limits of indemnity, legal costs and lawyers' fees are not included. These costs are paid additionally.

No claim payable after the exhaustion of policy limits. All occurrences resulting from a single cause are deemed one occurrence.

### Period of Insurance

Twelve months with tacit renewal.

### Policy Territory

Standard coverage is limited to Spain. Worldwide coverage can be included by payment of an additional premium.

### Deductibles

On property damage claims a deductible is generally applied.  
(Minimum Ptas. 10.000).

### Cancellation

A policy may be cancelled by either party following each claim covered under the policy.

Coverage shall close 15 days after receipt of the cancellation notice.

### Available Extensions of Cover

Special risks subject to the payment of additional premium:

- 1) Product Liability - Bodily Injury or Property Damage occurring within the geographical limits and caused by the insured's products. Limit of Indemnity per occurrence and in the aggregate any period of insurance.
- 2) Tenant Legal Liability.
- 3) Contractual Liability (written contracts).
- 4) Contingent Motor Vehicle liability (non-owned vehicles used for and on behalf of the business).
- 5) Employer's liability.



## COLOMBIA

### Available Extensions of Cover (cont'd)

Insured.

- Employer's Liability in excess of that established by Labour Laws.
- Professional Liability for medical and paramedical activities and insurance brokers (for other professions, texts have not been developed).

### Exclusions

Liability risks arising from:

- 1) Direct or indirect penal warranties, fines or court bonds.
- 2) Damage due to fire or explosion, whatever the origin, or arising from smoke, gases, water or earth movement.
- 3) Civil or international war, invasion, revolution, uprisings, usurpation of the government, strikes, riots, mobbing, public manifestations or, in general, subversive movements or popular commotions of any type.
- 4) Damage to the Insured in person or to the insured's property, spouse, relations or to their property, up to the fourth direct generation and second by marriage. Equally when the Insured is a legal entity, the damage caused to persons and property of the owners, partners, administrators and employees.  
The present exclusion extends moreover, to all those objects which the Insured and the above-mentioned persons maintain, whether as possessions, in tenancy or for control, for repair for transport, in custody or in use, authorised in rent, deposit or consignment or any other title not extended by authority.
- 5) Proven Fraud or serious fault committed by the Insured or complaint from any person to whom intentional damage was caused.
- 6) Operations in which nuclear or radioactive material is used.
- 7) Injury or damage caused by land vehicles, aircraft or embarkations that are property of or are temporarily or permanently in the service of the Insured.
- 8) Injury or damage caused by animal drawn vehicles, bicycles, elevators, winches, cranes or lifts, defects in sanitary installations, by gases or by contaminated water.
- 9) Damage caused by ships or aircraft
- 10) Merchandise, finished products or any class of goods produced or distributed by the Insured, once delivered to third parties.
- 11) Damage resulting from the distribution of defective or noxious merchandise or products or other malicious damage.
- 12) Obligations and liabilities acquired by the Insured through Contracts.
- 13) Liability resulting from the application of Articles 2060, Ord

Columbian Civil Code

## SPAIN

### Exclusions

- 1) Liability claims arising from damage due to risks not corresponding to the activities described.
- 2) Property in care, custody and control of the insured.
- 3) Performance of contract.
- 4) Non-accidental pollution contamination.
- 5) Radioactive contamination and nuclear assemblies.
- 6) Financial loss not directly resulting from bodily injury or property damage covered by the policy.

Product liability

- 7) Illegal distribution or marketing of products.
- 8) Products recall (can be included by endorsement).
- 9) Product guaranty.
- 10) Claims due to genetical alterations.
- 11) Liability arising out of products during test phase.