

Wilson Toneto

CEO OF THE MAPFRE REGIONAL
AREA OF BRAZIL

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PROFESSIONAL CAREER AT MAPFRE

Risk and Insurance Management (hereinafter, R&IM): You are a privileged witness of the evolution of the company in the last quarter of the century because you were working for Vera Cruz Seguradora when it was acquired by MAPFRE in 1991. How have you seen the development of the group and of the business since then?

Wilson Toneto (hereinafter ‘WT’): Throughout my professional career at MAPFRE, I have seen the entity as a live entity that renews, adapts and modifies itself on an on-going basis. As an employee who has seen this first hand, I can confirm that the company has transformed itself to face the economic crises, hyper-inflation and a series of external and internal problems. Even when going through internal turbulences, the group managed to achieve consistent growth figures and became a respected brand in the market.

After Spain, Brazil is the country with the highest business volume of MAPFRE in the world and our commitment with this relationship was a key element in achieving the quality of the services we offer today, in addition to the trust of the consumer and of the market, in general terms”, stated Wilson Toneto, CEO of the MAPFRE Regional Area of Brazil.

R&IM: You were the Head of the Audit Department and then held different management positions in the Administration and Finance areas before being promoted to Vice Chairman of the Group in Brazil. What objectives did you set forth in each one of these positions?

‘WT’: I was working for Vera Cruz Seguradora when MAPFRE acquired it in December 1991.

I started working for the group in January 1988. In these almost 30 years working for the company I have worked in different areas and learnt about matters that have allowed me to view the company as a whole and, therefore, in everything related to the provision of services and our internal public, made up of our collaborators.

The start of my career in the Audit area was vital, since it allowed me to learn about the ins and outs of all company processes. I quickly took on challenges in the administration and accounting, finance and resource management areas and some responsibilities in the commercial area, which required me to travel a lot throughout a country as huge as Brazil. This allowed me to learn a lot about the regional differences, client service, products and, above all, it allowed me to learn about the importance of establishing relationships with all components of our business that are based on trust. After learning about the key patterns of the processes of MAPFRE throughout the country, I accepted the promotion to Vice Chairman, with the possibility of assuming responsibilities in the technology area and in the activities of CESVI Brazil, in addition to participating in the activities of Fundación MAPFRE in the country.

At the time, I was participating in all of the main important projects being developed by the group in Brazil, which allowed me to acquire solid experience and take on the current challenges. The biggest challenge of each new responsibility was associated with perfecting new products and processes, while building a strong team that focused on establishing a close and long-lasting relationship with our distributors, suppliers, agents and clients.

R&IM: You were appointed CEO in Brazil in 2010 and, more recently, CEO of the MAPFRE Regional Area of Brazil. What are your objectives for this new period?

‘WT’: Holding these positions and being promoted to participate in the Global Executive Committee, a governing body of which I am the first foreigner to become a member, were an important form of recognition of my professional career and of all executives and collaborators that have built and continue to build the group in Brazil, while strengthening the importance of our country to MAPFRE.

The biggest challenge at this point of my professional career was to continue on the trajectory of sustained growth, with the adequate levels of profitability and a low volatility. The Brazilian market is very demanding and competitive, requesting for quick responses to the challenges set forth on a daily basis. The quality of our competitors is a big challenge to all executives operating in the market in relation to achieving a larger share, higher levels of productivity and innovative solutions.

R&IM: You have also taken on the responsibility of the Assistance area. What is the role of this activity in the Regional Area of Brazil and what importance does it have in relation to the degree of satisfaction of the group’s clients?

‘WT’: The assistance business is one of the most important differentiating elements of MAPFRE in Brazil. Last year, Brasil Assistência started using the MAPFRE brand, following the global brand unification strategy in Brazil. MAPFRE Assistência has an active portfolio of over 80 corporate clients and 29 million beneficiaries throughout the country. Gathering the assistance services under a single brand gives us a stronger position in the market and for our clients, such as in the case of multi-national assembly and insurance companies and financial institutions.

During this period of over 20 years operating in Brazil, MAPFRE has managed to successfully develop the assistance services in this market. The



change of brand has brought unity, strength and relevance in such a dynamic market as the assistance and service market.

R&IM: In addition to all of the responsibilities mentioned above, you were also the Head of the Technology area and of CESVI Brazil, in addition to being the representative of Fundación MAPFRE in the country and a member of the Official Spanish Chamber of Commerce in Brazil. Do you still have time to enjoy your hobbies? How have you managed to balance work and family life?

‘WT’: We have an excellent team of professionals and executives working in Brazil, which is made up of local professionals and colleagues from other countries in which MAPFRE operators, but we still have a lot of work to do. I believe in the importance of balancing professional tasks and personal needs. It is for this reason that we make an effort to encourage professional and personal

growth, stimulating actions associated with sustainability and volunteer work, in addition to harnessing professional skills to build an excellent place to work in (which will also have a positive impact on personal life).

I like to read or watch TV and films when I am not working. However, my main “hobby” is my family and I try to arrange activities with my whole family whenever I can.

MAPFRE IN BRAZIL

R&IM: How has MAPFRE managed to achieve positive results in Brazil in a scenario of economic slowdown and with the international crisis of the last few years?

‘WT’: We must assume that the situation in Brazil is one of economic prudence with not very optimistic expectations in terms of the growth of the GDP, inflation and interest rates. For some years, the main macroeconomic indicators have not been too promising. These factors not only affect our activity, but also the economic development of the country as a whole. Following the example of what happened in Europe and Spain after 2008, very strict but essential adjustments must be implemented in the Brazilian economy.

The country is currently discussing a series of structural reforms that are essential for its future. We are concerned about the situation, but we are trying to seek for business opportunities to reduce costs, improve efficiency, take advantage of all global synergies and of the success cases in other regions, and seek for new ways to expand the business. In this context, we have a strong group, with a long-term vision and which will be willing to provide us with the much needed support at all times. We have the best professional team in Brazil, with people that are used to being successful but who also have a lot of experience in overcoming all

sorts of difficulties and obstacles, which have been common during other periods in Latin America and in our country.

“In June 2017, GRUPO SEGURADOR BANCO DO BRASIL and MAPFRE will celebrate the solid and sustainable growth achieved as a result of six years of operation in the insurance market”

All in all, a crisis must be overcome with a calm approach and no short-term decisions. This will require a lot of work and optimism. The only thing certain about a crisis is that it will end at one time or another and that we must be prepared when the time comes.

R&IM: In this context, what is your opinion about the strategic alliance between Banco do Brasil and MAPFRE?

‘WT’: In June 2017, GRUPO SEGURADOR BANCO DO BRASIL and MAPFRE will celebrate the solid and sustainable growth achieved as a result of six years of operation in the insurance market, contributing to the development of the insurance sector. We started our activities with 9,600 reais in issued premiums and our turnover in 2016 is 15,800 million reais. During this period, we have improved client service activities in our sales points (including the agent, bank agencies and other alternative channels) and with the culture of innovation, responsible for implementing different ways of marketing insurance products and expanding access to the product in the Brazilian market.

Our partner's brand has been operating in the country for the past 200 years and its image of a solid company and values are very similar to MAPFRE's values. We are satisfied with the results but we continue to work with the purpose of increasing the profitability of all channels and products, analyzing ways of improving our strategic alliance.

R&IM: How do BANCO DO BRASIL SEGUROS and MAPFRE SEGUROS complement each other and what are the competitive advantages and benefits of this alliance to the corporate client?

'WT': These two companies established an alliance in a successful operation, which merges the knowledge and differences of each brand. Banco do Brasil Seguros has an in-depth knowledge about the country and behavior of its consumers, as a vital factor for the materialization of important conquests in the life of each individual. MAPFRE has an expert understanding of the insurance industry, protection of equity and support to achieve goals and the sustainable development of families and companies.

The alliance formed by these companies created a new very solid company, operating throughout the national territory and in different sales channels, demonstrating that innovation, dialogue, attention and trust can transform and improve businesses that have been very successful throughout their history.

R&IM: What organizational and business segments will be strengthened in 2017 and in coming years?

'WT': We are present in almost all segments with a wide range of products and services. Even though there are signs of improvement in our economy, the consumer will take some time to reach the previous consumption levels. We trust the agricultural

business sector, in which we are the main market actor. Our commitment to this segment is based on its muscle power and efficiency, as well as the expansion in the insurance coverage. The new regulations of the popular automobile product and Universal Life are two good opportunities we will take advantage of.

Likewise, we consider that the financial saving and *asset management* products (savings, retirement and capitalization), in which we had a reduced presence, have organic growth possibilities, which are complementary to the preferences of our clients, who know us for more traditional products linked to insurance. Similarly, we are still committed to making cautious but steady progress in the health insurance sector, in which we started our operations in 2015.

R&IM: What new steps are being taken to improve underwriting processes and what synergies will be created to further strengthen MAPFRE's position in Brazil as a multi-channel and multi-product insurance company?

'WT': Our strategic plans are in line with the global strategies of the group, but we have to take into account the challenging reality of the country. In this scenario, we have established the priority according to the initiatives in two blocks: the first block involves growing more than the market, giving priority to projects that strengthen the relationship with the client, in addition to diversifying the multi-channel and multi-distributor portfolio.

The other priority entails a reduction of the expenses and technical improvements, making an effort to reduce the acquisition expenses, achieving improvements in the operations area and applying a greater rigor to underwriting and claims management. We will make a huge effort to expand the predictive fraud models and to learn more about and manage risks better.

“The assistance business is one of the most important differentiating elements of MAPFRE in Brazil”

R&IM: In Brazil, MAPFRE has grown a lot in the Major Risks market in the last few years, becoming the market leader at the end of 2015. In your opinion, what have been the main reasons for this?

‘WT’: With the economic crisis and the solvency and capital requirement regulations, some actors have changed their position, abandoning some business lines and products. Our group took advantage of the huge support received from MAPFRE GLOBAL RISK and MAPFRE RE, expanding its capacity and offering commercial options and alternatives to the main business groups of the country. When the market business volume dropped, MAPFRE expanded its operations in this segment.

We respond to the demands of our clients, understanding risks better, acting jointly in relation to prevention, collaborating with specialized brokers and taking advantage of the synergies derived from such collaboration.

“We make a huge effort to expand the predictive fraud models and to learn more about and manage risks better”

R&IM: How will the group continue to delve into the segmentation of different markets to satisfy the needs of the different consumers and the specific requirements demanded by each profile?

‘WT’: The segmentation and client relationship model are a challenge for everyone but also for MAPFRE in Brazil. The brokerage characteristics of our market have remained unchanged for decades. The role of the distribution company has been and is very important to the safe development of the country. We are using our distribution channels jointly with modern tools, implementing tactical segmentation practices and using a value proposition for each type of client, consumer and distributor.

This global initiative is making progress in Brazil and it will require the biggest boost during 2017 and 2018. The capacity to handle each client profile starts by understanding the client’s needs, characteristics and peculiarities. To this end, there are still many opportunities for us.

RISK MANAGEMENT IN LARGE COMPANIES

R&IM: What new risks have appeared during this period and how is MAPFRE BRAZIL going to face them? What new coverage products have been developed?

‘WT’: The Brazilian insurance market is starting to become more and more sophisticated. Crises like those through which the country has currently lived (environmental, water crisis, corruption) stimulate the growth of the insurance industry. Companies started to calculate the possible impacts and harm of these crises on the image or production lines of the company and this helps the insurance industry to develop new product lines.

For example, in the case of the environmental damage, the impact is on long-term actions and on very high fines and penalties. However, any company can be exposed to environmental risks as a result of their current operations or operations that had been previously carried out

at its facilities. However, it is still a new market. The main environmental risk products started to become available in the market some 5 years ago, when insurance companies, mainly multinationals, started to develop more specific forms of coverage. Nowadays, some companies are not interested in these types of insurance, mainly due to the many different events that did not affect these companies. However, this type of insurance product is growing as a result of the strict requirements of the Brazilian environmental legislation.

There is also another line that covers possible damages or losses in the management activities of an executive. This is known as D&O (Directors and Officers Liability Insurance). This market has also been strengthened by the increased rigor of companies in relation to certain governance aspects, something that is very common in the most developed countries. The scandals appearing in the media back the need to implement some form of protection.

It is also important to highlight the concern for the new cyber-risks, which are starting to become more and more present in companies, although they are hard to identify and it is very hard to measure their impacts and consequences. The insurance market is still developing adequate products to cover these risks and their development will come with the necessary adaptations of the existing solutions, so these can be marketed in Brazil in the short-term.

R&IM: How is the current financial crisis affecting companies and their risk management practices?

‘WT’: In the general context of the crisis, the concern for insurance companies focuses on the fact that companies are allocating less resources to areas such as maintenance, replacement of machinery and protection. To sum up: in this scenario, companies tend to reduce the measures aimed at managing risks. Even though this is something that requires attention, we have not seen a reduction in the quality of the risks resulting from the crisis in our Brazil portfolio.



In this context, it is vital to stress on the importance of the role of the risk manager in companies to identify, quantify and mitigate the risks threatening their assets, both material and personal, and in terms of reputation, to guarantee the long-term sustainability of the activity. Evidently, contractual obligation and credit guarantee insurance have a higher impact. However, in our case, these elements are not too relevant and we are not affected by them, but they are still a source for concern.

‘GRyS’: **Currently, what are the main needs of the risk managers of Brazilian companies? How do you think they will develop in the next few years and how will the global extrinsic factors and new economic and social trends affect them?**

‘WT’: We are living in a world that is constantly changing, mainly due to the unstoppable introduction of new technologies, as well as the global threats that are more and more present, such as climate change, terrorism, etc., which bring new risks that must be identified, assessed and managed. Therefore, risk management is starting to become more and more complex, but also necessary in companies, mainly in those with international interests.

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The risks of the past are completely different to those we will face tomorrow, and risk managers must be prepared to face them. The insurance market will also face the challenge of seeking for the adequate solutions. We are all learning to live

these new times together with the challenge of seeking for solutions together.

‘GRyS’: **To this end, are there significant differences between large and small companies?**

‘WT’: Evidently, the risks of a local company and those of a large and international company are different from the qualitative and quantitative points of view. Large companies have specific risk management teams and receive the advice of the main international brokers. However, the resources of small and medium-sized enterprises are much more limited and it is to these companies that insurance companies like MAPFRE can offer a differentiated value proposition, which focuses on risk management and offering the adequate insurance solutions, not only defending the product from the perspective of the premium.

“Resources in SMEs are more limited and it is insurance companies like MAPFRE that can offer a differentiated value proposition to SMEs in relation to risk management and insurance solutions”

‘GRyS’: **We can see that many companies in the Brazilian major risks insurance market have changed their strategy (important sale of portfolios, new players, etc.). In a scenario of constantly changing positions, what has MAPFRE’s strategy been?**

‘WT’: Our company has been the leader of the Brazilian major risks market since the end of 2015, with a 16% market share; MAPFRE is entering the market with a clearly defined strategy, allowing its long-term results to be forecasted. Firstly, this was

possible thanks to the trust of our clients, to the robust associations built with the main distribution brokers and to the access and availability of expert knowledge, with the tools, reinsurance capacity and commercial support of MAPFRE GLOBAL RISKS. We do not stop to analyze the strategies of our competitors but will continue to operate in this segment with the purpose of expanding our corporate businesses.

“The main differentiating element of MAPFRE is its presence, with its own companies in all countries of the Latin American region, except in the case of Bolivia, in which we have a trustworthy partner”

R&IM: What makes MAPFRE different from the service that “Multi-Latin” companies can offer?

‘WT’: The main differentiating element of MAPFRE is its presence, with its own companies in all countries of the Latin American region, except in the case of Bolivia, in which we have a trustworthy partner. This MAPFRE structure allows us to establish an insurance program that is perfectly structured in the region, controlling all of the phases of the different processes (underwriting, issue, collection and regulation), while it also allows us to understand the distinctive legal and regulatory features of each country, arranging a team of specialists on major risks to provide support to local offices of the client, etc. Finally, we believe in this market. We have a clear advantage to become leaders of the sector, there are many business opportunities and we have a very solid infrastructure in the area of reinsurance. ■