

Alfredo Castelo Marín

CEO MAPFRE GLOBAL RISKS (MGR)

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We deliver an excellent service to our insured parties, providing innovative insurance solutions with the guarantee of maximum solvency

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Our proximity to and focus on the client have allowed MAPFRE Global Risks to achieve a leadership position within the large international corporations of Spanish and Latin American origin segment, and a notable presence in the rest of Europe. The main goal now is to become the most trusted global insurance company for companies all over the world and to be recognized as “a company that delivers excellent service to its insured parties, providing innovative insurance solutions with the guarantee of maximum solvency”, states Alfredo Castelo.

‘Risk and Insurance Management’ (hereafter, R&IM): In January 2009, MAPFRE Global Risks started operations as an independent unit. What is the Unit’s mission?

Alfredo Castelo (hereinafter A. C.): MAPFRE Global Risks did indeed become an independent unit in January 2009, after operating as a division of MAPFRE Empresas for five years. This step has a lot to do with our commitment to internationalization – a commitment that has allowed us to increase our critical business mass and geographical diversification, aspects that are essential in a project such as ours.

If we review the entity’s internationalization process, we can see that the Unit has basically progressed along these lines since it started out. First, we focused on providing a service to Spanish multinationals overseas; later, from 2007, with the aim of getting to know the European Global Risks market, we opened three representative offices in Europe — London, Paris and Cologne — and we began operations in Portugal through MAPFRE Seguros in Portugal. Two years later, we took our third step, with the creation of MAPFRE Global Risks as a company, in order to provide the same service to Latin American multinationals, starting operations in Mexico, Colombia, Brazil, Chile and Argentina. Finally, in 2014, our scope of action was extended to companies all over the world.

Our mission is to offer tailored insurance programs to large enterprises. We provide corporate clients all over the world with comprehensive, global solutions; rigorous, technical assessment of their risk; as well as specialist claims management by business line. We want to become the most trusted global insurance company for companies all over the world.

“The Unit has already started the second phase of the Global Risks Business Project. This should allow us greater growth in the EMEA, APAC and North America regions and drive the Specialty Lines development.”

R&IM: How has the Unit performed as regards revenue and results? What aspects show its strength?

A.C.: The Unit has doubled in size over the last few years, in spite of the environmental difficulties that we faced. In 2014 we recorded premium volume of 1,049 million euros and net results of 44 million euros.

In general, the financial strength of MAPFRE Global Risks, similar to that of MAPFRE, is based on a very healthy balance sheet with a very solid shareholders’ equity structure and a low level of debt. This is brought about by the constant search for profitable growth, a prudent financial investment policy and continuous expense control. MAPFRE Global Risks also conducts permanent risk analysis so as to optimize capital consumption and to make the necessary resources available so it can meet the client commitments related to underwriting Multinational Insurance Programs. With a rating of A Excellent from AM Best and of A from Standard & Poor’s, both with outlook stable, our main challenge is to maintain both these ratings for the different markets that we operate in, and all of our clients, along with our commitment based on a policy of long-term relationships and stability.

R&IM: How many countries do you provide service in?

A.C.: At the moment, MAPFRE Global Risks provides services in 109 countries, in 28 of them via direct presence and in another 81 through service agreements with companies, which makes us a real global player, and we plan to continue to grow geographically.

We are leaders in Spain and Latin America and we want to be closer to European clients, where we already have three branches, in London, Paris and Cologne, and a representative office in Milan, which provides greater management independence.

KEY FACTS AND FIGURES

R&IM: Talking about revenue, what were the most important areas over the past year?

A.C.: If we look at the data for 2014, at regional level, the most important areas by revenue are Spain, with a business share of 39.4 percent and premiums of 413 million euros; LATAM South with 25 percent and 276 million; and LATAM North with 12.7 percent and 103 million. They are followed by Brazil and EMEA, with a share of 9.8 percent and 103 million euros each; North America with 2 percent and 21 million, and APAC with 1 percent and 9 million.

By business line, 66.9 percent of premiums in 2014 corresponded to Damages; 8.8 percent to Aviation; 6.9 percent to Transport; 6.8 percent to Third-Party Liability; 5.1 percent to Credit; 4.7 percent to Engineering; and 0.8 percent to Surety.

“We want to become the most trusted global insurance company for companies all over the world”

R&IM: How do you see the Spanish market? Do you think that the improved economic outlook is going to boost MGR’s business in Spain?

A.C.: MAPFRE Global Risks is already a leader in the global risks market in Spain, on the back of us being insurers for 27 of the 35 IBEX companies. Latest indicators do indeed show that the Spanish economy has begun its path to recovery. Many multinationals halted their development projects in recent times and, now that conditions are improving, they are taking up their investment again.



R&IM: What other plans do you have in Europe?

A.C.: The strategy map for the Global Risks Unit contains a set of actions focused on developing business with European clients and positioning the Unit as one of the leading operators in selected markets, and also developing our capacity for leadership in operations in those places in Europe where the Unit has a direct presence.

Some steps have already been taken. At the start of 2015, MGR increased its insurance offering from London to Specialty Lines (special insurance for risks requiring particular solutions due to their unusual complexity and size) in the Aviation, Energy, Maritime, Construction and Large Infrastructure sectors.

To make development of these lines possible, the local team and its skills have been strengthened, while close collaboration with the Business areas in Madrid continues.

R&IM: The strength of MGR in Latin America is undeniable. What, in your opinion, are the keys to your success in the area? Where does Brazil come into it?

A.C.: MAPFRE Global Risks, in just five years, has managed to become a benchmark company in Latin America in the major accounts segment. Specifically, it already has 80 percent of the top 25 Multilatinas as clients.

“The insurance industry must continue striving to develop insurance products that are more suited to new risks facing clients”

The incomparable presence of the Group in the region, with entities in 18 countries, allows us to be seen as a leader in the Latin American market, a company that provides a unique service to the multinationals present there.

For Brazil, we have a specific development plan. We want to boost the activity of the Global Risks Unit in this market due to its high potential, the available reinsurance capacity and the limited group of existing competitors in this segment. For this reason, we have drawn up a commercial plan for Brazil that allows for the allocation of more resources and a specific focus on large Brazilian companies.

INTERNATIONAL PROGRAMS

R&IM: What type of company does MAPFRE Global Risks direct its product offering at?

A.C.: We cater to the needs of companies that meet one of three characteristics: multinational corporations that need multi-country insurance programs, corporations that are active in global sectors: Energy, Maritime, Aviation, Large Infrastructure, Securities and Credit (through Solunion), and/or major corporations with revenue of 400+ million euros in Europe and between 300 and 400 million dollars in the rest of the world.

Our scope of activity is international, thanks to the network of MAPFRE companies around the world, and also the associated entities in countries where the group is not yet present. That allows us to offer our clients global solutions, in other words, insurance products and services all over the world. Our offering is comprehensive and tailored to the large enterprise with an organizational structure that is fully focused on providing the best service through specialized business areas by activity sector, which comprehensively manage all the requirements of our clients and are their only points of contact.

“MAPFRE Global Risks, in just five years, has managed to become a benchmark company in Latin America in the large accounts segment”

At the same time, our business areas also avail of specialized ITSEMAP services. In this way, our solutions not only contain insurance cover but also include risk analysis and processing. Therefore, they are comprehensive Risk Management solutions managed with maximum efficiency thanks to our sole point-of-contact system and are totally adapted to the client's needs.

R&IM: What are the strategies that you are following and are going to follow as regards brokers? How important are these professionals to your success?

A.C.: Our business is almost 100 percent conducted through brokers. These professionals are vital to corporate insurance and that is why we try to establish strong bonds and long-lasting relationships with them. They bring great added value to MAPFRE's participation in International Insurance Programs by assessing the client on the best way to insure their risks and placing them on the market totally independently.

“We want our engineering services to be something that differentiates us from our competitors, in verification of risks and creation of Risk Management programs for our insured parties”

RISK MANAGEMENT

R&IM: In general, is risk aversion growing in companies in the same way as in all the countries that you operate in?

A.C.: Risk aversion is growing on a general level, as awareness of threats and their impact on any business increases; and aspects such as prevention are gaining greater value. Risk is intrinsic to business development, so you need to make sure that you can live with it in terms of exposure.

With the current scenario, clients must assume and apply Enterprise Risk Management techniques from the start in their supply chains, and brokers, insurers and reinsurers must play a fundamental role in promoting best practices across the whole process. Risk identification and evaluation, in critical scenarios, is an essential condition for

estimating the scope of exposure and avoiding unnecessary coverage.

The insurance industry must continue striving to develop insurance products that are more suited to the new risks facing clients. An appropriate risk retention and financing strategy must be put in place, with standardized policies being set for all countries where it has a presence, through the design and implementation of International Insurance Programs that are efficient and adapted to the company's needs at all times.



R&IM: In your opinion, what role will risk managers occupy at the center of companies over the coming years?

A.C.: The risks manager is called on to play a key role in the company's decision-making process, so their contributions must be correctly presented,

given the necessity for their visibility by the Board of Directors. Likewise, they must serve as a point of union and dialog among the Board of Directors itself, the Management Committee and other personnel and company areas.

R&IM: Besides its financial strength, why should a risk manager use the services of MGR?

A.C.: The basic principle of the relationship with our corporate clients is to satisfy their needs. Therefore, we carry out an appropriate analysis of their risk, underwriting the cover that best suits their commercial activity, and, in the case of a claim, paying compensation for damaged assets and covering their responsibilities.

Therefore, special proximity to the client is essential in order to know about its needs and correctly assess alternatives for meeting any coverage deficits. This has allowed MAPFRE Global Risks achieve a leadership position the large international corporations of Spanish and Latin American origin segment, and a notable presence in the rest of European origin.

R&IM: What added value does ITSEMAP bring to this Unit's clients and in what measure does it differentiate it from the other players in its market?

A.C.: Our goal is to offer clients comprehensive and specialist Risk Management solutions. To do this, we avail of the services of our Engineering Area company (ITSEMAP), which, with more than 30 years of international experience and in coordination with our Business Areas, we provide different technical services and comprehensive and innovative solutions for our clients in the area of Risk Management, focused mainly on assessment and control.

ITSEMAP is, therefore, one of the key elements in the value proposition that we want to convey to insured parties, and it clearly differentiates us from our main competitors.

“We offer comprehensive, global solutions to corporate clients all over the world”

GOALS AND THE FUTURE

R&IM: In general, what are the goals for 2015?

A.C.: We have eight initiatives that are going to help us reach our medium-term goal of becoming a global operator.

The first is to bring the decision to the markets where we operate, mainly in Latin America, strengthening local teams so that the decision happens closer to the client.

Second, to achieve operational excellence we are going to convert technology into a strategic asset with the development of a unique technological platform for MAPFRE to manage this business.

Third is the Europe growth plan, which involves actions focused on the development of the business, such as continuing to strengthen the current branches with powerful teams and analyzing possibilities for new openings.

The fourth is to strengthen the Specialty Lines insurance offering in Energy, Construction, Maritime and Aviation and Space.

Fifth, we want to kick start activity in markets where MAPFRE has a limited presence (North America, South Africa, the Middle East and Asia), making the most of our presence in London.

“The risks manager is called on to play a key role in the company's decision-making process”

The sixth initiative is the most demanding: to be capable of extending our capacity to lead insurance programs for European clients.

The seventh is talent management. One of our main goals is to strengthen people's commitment to the MAPFRE values and to develop their global skills and capabilities.

The last and most fundamental is quality of service. This initiative envisages the creation of a team exclusively focused on servicing international program clients, keeping them up to date at times of the status of their insurance programs.

R&IM: Imagining the future, where are you heading?

A.C.: Our future is already here. We want Global Risks to be known in the sector as a company that delivers excellent service to its insured parties, providing innovative insurance solutions with the guarantee of maximum solvency.

Our motto is to keep doing things better and that constant spirit of improvement stops us from limiting ourselves so, in the future, we will continue to improve in service, quality and efficiency.

“A REAL CHALLENGE” TO DIRECT THE UNIT FROM LONDON

With a degree in Actuarial and Economic Sciences, Alfredo Castelo joined MAPFRE in 2004, after a long career of twelve years with a multinational in the insurance industry, four of which were in the Asian market. He is married and has three children. He packs in all the sports he can into his free time, and as a dutiful native of Murcia (he was born in Águilas in 1967), especially any related to the water: sailing, windsurfing, fishing. He also loves running. In 2013, he set up temporary residence in London to spearhead the launch of Phase II of the MAPFRE Global Risks Project

R&IM: What did it mean for you to direct the Global Risks Unit for London? Why was

this step taken?

A.C.: There's no doubt that it was a real challenge for me. In 2013, the Board of Directors took the decision to move my residence to London, to direct the second phase of growth for the Global Risks project.

“Our main goal is to strengthen people's commitment to the MAPFRE values and to develop their global skills and capabilities”

If we look at our business portfolio, we see that practically 80 percent of the business is generated in Spain and Latin America and, separately, that around 70 percent is concentrated on Damages, only 10 percent is Aviation and the rest takes in the Maritime, Third-Party Liability and Engineering businesses.

To be a global operator, we need to have greater geographical diversification and we have to develop our capabilities more extensively in those lines where our presence is less evident and where we have the potential to do so. They were the main reasons for my move to London. To analyze the possible options for achieving those two goals, from that market.

London is the insurance capital of the world, the place where the majority of international business is placed and we have decided to strengthen our structure in the city by hiring the appropriate people. Our presence there is giving us a greater perspective and the ability to face new challenges with a more operational focus.

R&IM: Are you managing to get your team thinking and operating globally?

A.C.: Our human capital, which is highly qualified and specialized professionally, is completely client-focused and is always very close to our clients.

“Risk is intrinsic to business development, so you need to make sure that you can live with it in terms of exposure”

Globalization is a one-way journey: we live in a world that is becoming more and more global and, of course, the MAPFRE Global Risks team is taking the necessary steps to cater to the needs of companies, wherever they are, with a global vision that takes in local requirements.

Our clients are companies in global activity sectors such as Energy, Maritime, Aviation, Major Infrastructure, etc. and our goal is to provide them with a comprehensive service. Therefore, we want to strengthen the commitment of everyone in this Unit to MAPFRE's values and develop their global skills and capabilities. It couldn't be any other way, when our main goal is to become the most trusted global insurance company. ■