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The situation of Spanish economy in the middle of November is opposite to the normal expectations of twelve months ago.

Inflation has been, at least apparently, reduced, the peseta is stronger than ever and the foreign currency reserves have reached a record with more than ten thousand million dollars.

When my companies started, fifteen months ago, the introduction of an ambitious plan of distributed data processing, we were afraid of an excessive increase in the rent of the equipment and specially of the possibility of a stop in imports if our economy failed. We could never expect, as it is the case now, imports be very easy and even encouraged.

I am not sure that reality is as good as it looks from those facts. The - Stock Exchange is almost non existent, stock prices are at its lowest -- ebb, industrial corporations have seen their profits drastically reduced, some of them are at the border of bankruptcy; and the credit squeeze is the highest in the Spanish financial history. It is clear that the whole -- world is in a difficult transition, but this situation is even worse in Spain, and it is very difficult to make any forecast of the future.

How is the situation of Spanish insurers in 1978? In general, it is good, and as an industry, much better than the average.

The new investment regulations have cleared some of the problems of - the last years, and are going to help to compensate the possible technical losses of the future. In 1978, a satisfactory underwriting profit is -- probable, and it could be one of the best years of our insurance market, with a 25% growth and a 16% inflation rate.

The clouds we have to admit are the following:

- a/ A policy of liberalization of tariffs and policy wordings has been recently announced by the Minister of Finances in the International Insurance Law (AIDA) Congress, celebrated recently in Madrid. This is good for the public, but will place difficulties for insurance companies, specially at the beginning of the liberalization, as it has happened in other countries.
- b/ The economic recession that affects specially to industrial policies, making the collection of premiums difficult.
- c/ The rising administration costs when a substantial growth in the volume of business is not expected.
- d/ The introduction of a "solvency margin" regulation that will be difficult to comply to some insurers..

But on the whole, my opinion is that Spanish insurance is well prepared for the near future, and on the moment of Spanish integration in the European Community, there will be an acceptable number of national insurers prepared to compete with their foreign colleagues. In a study recently done in Europe it appeared, for example, that are Spanish the two European insurance companies with a highest degree of decentralization, one with a ratio of head office to total personnel of 17%, and the other - with 19%.

Again is revived the study of a new insurance Law. This time it is most probable that it will be adopted, finishing with a large period of very little regulation, when Spanish insurance has matured very much, being -- not too behind European competitors. The future Law, still unknown, will not be very different from the previous one. Some people think that the -- main reason of this new Law is that the socialist party, the second in the Parliament, and with probabilities of heading the government, has distributed a note with the basis of a new regulation, that incidentally, could be adopted by any rightish country.

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