



Country Fact Sheets

'Zurich' Facilities

Zurich Internacional de Venezuela
C A de Corretaje de Reaseguros
Torre La Noria, Piso 8
Paseo Enrique Eraso
Las Mercedes
Caracas 1060

Tel.: 02-9118 56 / 91 18 34
Tlx.: 28 353 resuivc
Fax: 02-91 40 90

Local service office to handle the placement of local insurance and reinsurance covers.

Compulsory Insurances

Employee Benefits: Social security and pensions are compulsory and must be placed with the IVSS. Exceptions are made in areas without an infrastructure and where employers can opt to insure benefits with private carriers on a voluntary basis.

Marine Insurance: Duty-free imports must be placed with a local Venezuelan insurance carrier

Motor Third Party Liability: Local insurers are obligated to cede at least 40% of their proportional treaties. Facultative cessions must first be offered to Venezuelan Insurance/Reinsurance companies before placing with non-Venezuelan companies. Foreign reinsurers can only be used if the local reinsurance market cannot absorb these amounts. However, local reinsurers are free to place retrocessions abroad.

Major Insurance Laws

1975 Insurance Law

- the insurance industry is controlled by the Superintendency
- regulations to this new law have not been introduced yet, which means in practice that the regulations under the previous 1968 Insurance Law still apply

All insurers must be licensed by the Superintendency of Insurance, who also must approve the entire documentation, annual reports, tariffs and the like.

Non-admitted Insurance

Strictly prohibited except for imports, which are subject to import duties and can be covered under a foreign marine cargo insurance policy

Premium Taxes, Stamp Duties and Fees

A Municipal Tax of 1.25% is paid by the insurers on the total gross premiums for all lines of business. Income Tax of 3% on reinsurance premiums net of expenses for foreign reinsurers, 20% on interest payments earned on premium and loss reserve deposits retained by ceding companies



Exchange Controls

Since March 1989, preferential rates no longer apply. The Venezuelan Bolivar is freely exchangeable at market rates.

Other Information

Venezuela is predominantly a broker market. Several local brokers have working agreements with large American, UK and German brokerage houses.

Intermediaries must be licensed by the Superintendency of Insurance and have to be owned by Venezuelans, whereby limited foreign participation in share capital is possible.

Tariffs are regulated by the Superintendency for Fire (except Business Interruption), Allied Perils (excluding Flood), Auto and Theft insurances. An unofficial tariff exists for marine insurance.

COVENIN (Venezuelan Industrial Standards Committee) approves the fire protection measures necessary to qualify for tariff discounts.

With the compliments of

ZURICH INSURANCE GROUP
International Division Marketing & Information

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Latin American Presentation

Venezuela

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Venezuela****Contents**

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1. General Country Information

1.1. History

Venezuela, the northernmost state of South America, is remarkable for the wide ethnic variety of its population and for the multivarious natural beauties it has to offer. The early exploration of its rivers, landscapes, fauna and flora, by Alexander von Humboldt, was particularly fortunate, especially as Venezuela is the only land in South America in which all types of landscape found in that continent are generously represented. It has also been a melting pot of the peoples - indigenous Indians, their European conquerors, African slaves and immigrants from all continents - creating a truly plural society. The exploitation of ample oil resources has turned what was formerly a colonial and agricultural country into one with a modern economy and a high standard of living, though Venezuela now has to face the problems of industrialisation and urbanisation as they present themselves to a richly endowed developing nation with a young population.

Venezuela was discovered in 1498 by Columbus, on his third voyage to the New World. The country then remained under Spanish rule until its liberation on June 24th 1821 (Battle of Carabobo). The national hero of the War of Independence, Simon Bolivar (1783 - 1830), fought over 20 years to liberate his country from the Spanish. He also freed Colombia, Ecuador, Peru and Bolivia.

1.2. Population

Estimated at approximately 20 million inhabitants, concentrated mostly on the north coast and in the mountainous ranges, it is composed of mestizos (65%), whites (20%) and indians (7%) among others. The annual growth rate is about 3% and approximately 4 million people reside in and around the capital, Caracas.

About 53% are under the age of 18 and, due to the petroleum boom which began in 1922, an intense process of urbanisation drastically altered the population distribution in such a way that 85% of the populace now lives in urban areas.

1.3. Climate

Venezuela's proximity to the equator means that latitude is not a determining factor for climatic variation. It is located in the world's intertropical zone, signifying a characteristic abundance and regularity of rainfall.

The temperature falls as one goes to higher altitudes, averaging 29°C in the plains and 21°C in those areas over 1,000m above sea level. Venezuela's average yearly temperature over 65% of the country is 26°C and the average monthly variation is never more than 5°C.

Tropical zones typically have two well defined seasons: a rainy season and a dry season. Since temperatures remain fairly constant as one gets nearer to the equator, rainfall becomes a greater determining influence. This leads to minimal climatic variations.

1.4. Geography

Venezuela is situated in the north of South America. Its geographical boundaries are to the north the Caribbean Sea, to the east Guayana, to the south Brazil and to the west Colombia. Venezuela's 899,000 sq km territory can be divided into three major zones: to the north, a mountainous belt constituted by the Colombian Andes and the Caribbean Range; to the south, the Guayana Massif (a large extension of the table lands occupying almost half of the territory) and the plains of the Orinoco River located between the above two zones and which represents a typical prairie landscape.

1.5. Political Powers and Legal Systems / Legislation

Venezuela is a Federal Republic composed of a federal district, 20 states and two federal territories. The current constitution dates back to January 23rd, 1961. Voting is compulsory over 18 years of age.

- Executive power is exercised by the President, elected every 5 years, assisted by a cabinet of ministers.
- Legislative power is exercised by the National Congress (Senators etc.).
- The judicial power is in the hands of the Supreme Court of Justice and other courts.

The three powers have their seat in Caracas. Each state has its own government and the national government is represented by a governor, appointed by the President of the Republic.

2. Economic Situation

In 1973, Venezuela entered the threshold of a petroleum boom of unprecedented magnitude. The value of sales rose from US\$ 4.45 billion in 1973 to over US\$ 19 billion in 1981. The fall in demand for oil and lower prices since 1982 has resulted in a lower volume and value of oil exports, which fell to US\$ 12.8 billion in 1985 and to approximately US\$ 8 billion in 1987. However, it still represents approximately 85% of the total foreign currency income.

2.1. Statistics

2.1.1. GDP and Other Statistics

	1983	1984	1985	1986	1987*
Population growth in %	2.8	2.8	2.8	2.7	2.8
Real GDP growth in %	-5.6	-1.4	1.3	6.8	1.7
Consumer prices (% change)	7.0	18.3	9.1	12.7	40.3

GDP 1987: US\$ 48 billion
 GDP per capita: US\$ 2,624,00

* Estimated

Total government income in 1987 was Bs. 100.1 billion (+26.1% in US dollar terms vs. 1986)

Total accumulated foreign investment, approved and registered by the superintendency of foreign investment, had a book value of Bs. 8.8 billion at the end of 1987. Investment in 1987 reached Bs. 750 million.

The government estimates unemployment at 8.5%.

2.1.2. Foreign Exchange Reserves

The international reserves of the Central Bank have changed as follows (in million US\$):

1982	1983	1984	1985	1986	1987	1988*
10,039	11,149	12,469	13,750	9,858	9,257	8,000

* Estimated

International reserves (this includes reserves held by the Central Bank of Venezuela, the Venezuelan Investment Fund, the commercial banking system and "Petroleos de Venezuela", the state oil monopoly) are at US\$ 11.8 billion (- 8% vs 1986).

2.1.3. Foreign Debt

Public sector foreign debt, which reached a high of US\$ 28 billion in 1982, had fallen to US\$ 24.5 billion by the end of 1986, primarily due to the repayment of obligations not subject to rescheduling. Private sector debt was calculated at more than US\$ 8.5 billion at the end of 1986. Total foreign debt was estimated at roughly US\$ 33 billion at the end of 1987.

At the end of February 1986 and September 1987, rescheduling agreements were signed, providing for the refinancing of more than US\$ 20 billion of the public sector foreign debt. In December 1987, Venezuela paid international credit banks an installment of US\$ 250 million planned for 1987. The rescheduling agreement provides for the principal debt to be repaid by 1998, in increasing annual installments.

In February 1988, special provisions were implemented to provide for debt-to-equity conversions in export orientated enterprises in the metal, chemical, petrochemical, mining and paper industries. The terms of these conversions allow for up to 80% of the capital invested by foreign investors to be financed via an exchange of public sector foreign debt for equity. The scheme is expected to produce up to US\$ 2.5 billion in foreign investment within the next three to four years.

2.1.4. Trade Deficit / Surplus

The balance of payment in million US\$ is as follows:

	1982	1983	1984	1985	1986	1987	E1988
Exports	16,516	14,759	15,967	14,178	8,686	10,439	10,000
Imports	13,584	6,409	7,262	7,388	7,700	8,172	8,500
Current Account	(4,246)	4,427	5,418	3,086	(1,628)	(71)	(1,500)

2.1.5. Inflation

Since the beginning of the 20th Century, Venezuela has practically never suffered an inflationary spiral. The average inflation rate between 1900 and 1976 was just over 8% per year. In fact, the nation even experienced deflation for some years during the 1950's. It was only after 1976, when income from oil exports increased considerably, that liquidity increased and produced a corresponding effect on prices. Nevertheless, the price index remained at an average of 15% until 1984. It is currently at around 30-40%.

One must point out a very peculiar fact about the country's monetary situation. Since 1983, the currency has been devalued more than 500% in relation to the US\$ due to the drastic decline in oil income which, at the time, accounted for 95% of the government's income. The cumulative inflation rate in the last four years was 110%.

Inflation rates: 1983: 6.3%; 1984: 12.2%; 1985: 11.4%; 1986: 11.6%; 1987: 36%; 1988: estimated at 30%-40%.

2.1.6. Exports

Total exports FOB amounted to US\$ 10.4 billion in 1987, up 21% compared to 1986.

Petroleum products were 1,512,000 barrels (down 2.6% from 1986) at an average export price of US\$ 16.47 in 1987, accounting for approximately 85% of all exports.

The Corporation "Venezolana de Guayana (CVG)", with revenues from its aluminium, steel and iron operations, account for more than 50% of Venezuela's non-petroleum exports.

- Venezuela's source of low-cost hydroelectric power and its large bauxite reserves provide the basic ingredients for an internationally competitive aluminium industry, which now accounts for 5% of all exports (VENALUM, ALCASA).
- Iron ore: Projects involving the acquisition of a special barge to transport large volumes of iron ore, and the construction of a pellet plant with a capacity of 3.3 billion metric tonnes per year, are expected to be completed in 1989.

- Recently, gold has also been exported.
- Food industry: There are strong price incentives to promote agricultural production, probably the fastest growing sector due to the farming of shrimps, mushrooms, wine, bananas and tropical fruits, as well as the processing of these and other goods.

Venezuela's main export markets are the USA (33%), the EEC (18%), Canada (10%), Latin America (16%).

2.1.7. Imports

Imports amounted to US\$ 8.2 billion in 1987, up 4% on 1986.

Most motor vehicles (locally assembled) and general machinery are imported, in addition to chemicals, metals and manufactured goods.

Some 12% of foodstuffs and livestock are imported.

Food imports in the last few years have decreased markedly, with a corresponding rise in national production, especially in the following sectors: corn, sorghum and sugar cane.

The main agricultural imports are expressed as percentages of national consumption:

Product	1983	1986
Wheat	100%	100%
Corn	33%	0%
Sorghum	43%	25%
Oils and fats	87%	60%
Sugar	50%	20%
Powdered milk	52%	25%
Meat	20%	2%
Vegetables	50%	40%

Venezuela's main suppliers are the USA (48%), the EEC (21%), Latin America (10%), Japan (9%).

2.2. Government Regulations

Within the food industry, there is strong government intervention at all levels. The main raw materials and finished products are under price control, there is double control on imports of raw material, machinery and spare parts (currency and license); each enterprise needs to present an annual budget, and official approval has to be given for new plant investment.

2.2.1. Exchange Control Regulations (Convertibility etc.)

There are no currency restrictions. Since 1983, the performance of the trade balance has been mainly affected by the restrictions and control of imports, and by the exchange policy. In February 1983, a system of differential exchange rates was implemented to reduce imports and stimulate domestic production. Prior to that time, the exchange rate had been fixed at Bs 4.30 to US\$ 1.00. Until recently, the Venezuelan foreign exchange market was made up of two segments; the official market and the free market with intervention from the Central Bank. However, the preferential rate was abolished in march 1989, while the actual market rate today is approximately Bs. 37.00 = US\$ 1,00 (November 1988). It plays a minor role in Venezuela's foreign trade.

Transactions that may be effected at the free market exchange rate include the obtaining of foreign exchange for tourism, for imports of certain non-essential goods and for personal transfers. Free market rates also apply for the settlement of reinsurance premiums.

The development of the various rates has occurred as follows:

Main agricultural imports are expressed as percentages of national consumption:

	1983	1984	1985	1986	1987	1988
Rate I	4.30	4.30	4.30	7.50	7.50	7.50
Rate II	6.00	6.00	6.00	14.50	14.50	14.50
Rate III		7.50	7.50			
Free Rate	12.00	12.60	14.70	23.60	30-35	37.00

2.2.2. Labour Law

A working relationship may be ended at any time by the employer or the employee giving due notice. The employee will receive as compensation ("antiguedad" and "cesantia") a full months salary for each year under employment. In the event that the employer terminates the working relationship for reasons not related to the performance of the employee, two months salary will have to be paid for each year employed.

During employment, the employee has a right for additional payment during vacation. He also shares in 10% of the employers profit, up to a maximum of one months salary. Instead of paying extra vacation bonus' or a profit share, some companies simply pay out a 13th and 14th salary in December of each year.

2.2.3. Social Welfare / Social Insurance

Although a social security system does exist and extends to most of the Venezuelan territory, limits are very low.

2.2.4. Social Cost of Doing Business

Contributions to social security are shared between the employer (7%) and the employee (4%). Only part of the salaries, up to a maximum of Bs. 3,000.00, are taken into account.

2.2.5. Membership of Economic Groups

Venezuela is a member of the United Nations and a founding member of the Organisation of American States. It is also a member of the International Bank for Reconstruction and Development (the "World Bank"), the International Monetary Fund (IMF), the Inter-American Development Bank (IADB), the Organisation of Petroleum Exporting Countries (OPEC) and the Andean Common Market (Cartagena Agreement).

It should be noted, however, that Venezuela is not a member of GATT.

2.3. Production

2.3.1. Raw Materials

Venezuela's national petroleum industry is the key to the country's economy and finances 60% of government annual expenditure. The main petroleum reserves potentially lie in the so-called "Orinoco Heavy Oil Belt", which is believed to contain up to 1.2 thousand billion barrels of heavy oil. About 200 billion barrels, representing some 75% of known world heavy oil reserves, are thought to be recoverable, but expensive secondary production methods will be needed. Proven oil reserves are estimated at 58 billion barrels, or 88 years of extraction at current production levels.

Instead of investing large sums in new local oil refineries, Venezuela, in 1984, opted to acquire substantial equity participations in joint ventures with foreign oil companies, such as VEBA (West Germany), NYNAS (Sweden), CITGO and CHAMPLIN (both US companies).

There is also a reserve of natural gas which will last 80 years of production, as well as an iron reserve with an estimated life-span of 200 years.

Deposits of bauxite are estimated at 500 million tonnes, which enables the aluminium industry to be fully self-sufficient in raw materials.

In addition, there is also an impressive reserve of 375 million tonnes of coal to be mined, and impressive deposits of gold have been found.

There are excellent opportunities, caused by market needs, to develop products traditionally imported, such as exotic vegetables, fruits and cheeses.

2.3.2. Main Products

Venezuela's main products are found in the petroleum and aluminium industries. Additionally, local production centres around building materials, chemicals, foodstuff, tobacco, footwear and textiles.

The petroleum production in 1987 amounted to 1.81 million barrels per day, 3.8% down from 1986.

2.3.3. Manufacturing Industry

The manufacturing sector of the Venezuelan economy can be divided into two sub-sectors: one which produces goods for the domestic market and one which produces goods for export, using raw materials and minerals extracted in Venezuela. The latter belongs to the public sector.

The development of private domestic industry, fostered by an import substitution scheme, has been orientated towards the production of consumer goods. In 1986, of the total product of the manufacturing sector, consumer goods industries generated 46%.

Industries producing intermediate goods (input for other factories), have been developed predominantly by public enterprises. These represent 17% of all products produced in 1986.

The second most important industrial complex in the country is made up of branches and subsidiary companies of the "Corporacion Venezolana de Guayana (CVG)". It was created in 1960, granting institutional status to the industrial development strategies of one of the richest areas in Venezuela in terms of its natural resources.

- The production capacity for aluminium is above 400 metric tonnes.
- In the steel industry, a major expansion programme pushed capacity in 1984 to 4.8 million metric tonnes, and includes facilities for the continuous casting of billets and slabs, flat products, wire rods and bars.
- The mining sector is dominated by the production of iron ore. In view of the sharply reduced demand for the product in the international and domestic market, due to the stagnation of the construction industry, the industry has experienced contraction.

2.3.4. Commerce

Due to the existence of a preferential rate for imports, the government influences, by way of allocation, which goods are to be imported.

2.3.5. Service Industries

The service sector has developed as a direct result of, and is a complementary activity to, the production industry. Services do not prosper in a basic economy. The more advanced the economy, the more opportunities exist for related services.

In an economy, be it micro or macro, the main priority, sometimes unconsciously, is the conservation of existing assets. This desire to maintain values is conditioned by two factors: maintenance of quality and maintenance of quantity. Ever since Black Friday in February 1983, this desire has grown stronger and stronger. Endless streams of hard currency funds are no longer available and an attitude of "taking care" is generally accepted now more than ever before.

2.3.6. Agriculture

The fact that tropical Venezuela is not subject to winter frosts means that it is apt for cultivating a wide range of crops throughout the year, whose production is subject only to the availability of rainfall or irrigation in the majority of cases. However, the petroleum boom which began in 1922, pushed the agricultural economy into a secondary role.

About 20% of land is under cultivation or used as pasture, and there are a wide variety of crops grown, including coffee, cocoa and sugar. The fishing, livestock and forestry sectors are expanding.

Having originally been an agricultural country, the first food industries were established in the thirties, mainly for processing sugarcane, cocoa, beer, dairy products, tobacco and corn. Food processing plants started operating in the fifties. In general, democratic governments have tried to direct agricultural growth by means of diverse development plans, whose objectives have been to cultivate under-utilised farm land and to guarantee the nation's self-sufficiency in agricultural foodstuffs and raw materials for industry.

3. Insurance Industry

The insurance industry in Venezuela is one of the most developed in Latin America. It began to evolve in a systematic manner towards the end of the last century. At first, this was achieved by agents of foreign companies and, later, through companies established in the country itself, some of them with Venezuelan capital.

The number of companies has increased over the years and their activity has grown, paralleling the economic developments in the country.

A significant expansion of the insurance industry has been recorded in the last 10 years. In the decade of the 1970s, the insurance sector, measured by the volume of premiums written, showed a huge increase in real terms.

Since 1967, 33 national and 17 companies of foreign origin have operated in Venezuela, and in 1986 there were a total of 52 local companies writing direct

insurance. Additionally, there are 8 professional reinsurers and a large number of insurance and reinsurance brokerage firms. Due to nationalisation, foreign interests since then have been drastically reduced.

Out of the 52 companies in the market, one is a life insurer and one is specialised in export credit.

The 10 largest direct insurers have a market share of 57%, while all the others individually reach between 0.03% - 2.5%.

Since 1980, a number of new companies have been founded in Caracas, as well as in other parts of the country.

As far as ownership of the local companies is concerned, it tends to be mixed, some owned by banks and others by private individuals, but most have a connection with a finance house or industrial group.

3.1. Our Local Facilities

Zurich Internacional de Venezuela was established as a reinsurance broker and can arrange any cover available in the country with almost all companies writing direct business.

ZURICH Internacional de Venezuela
C.A. de Corretaje de Reaseguros
Torre La Noria, Piso 8
Paseo Enrique Eraso
Las Mercedes - Caracas 1060

Apartado Postal 68765 - Caracas 1062 A

Tel: 02/91 18 56/91 18 34

Fax: 02/91 40 90

Telex: 28 253 RESUI VC

3.2. Regulations

3.2.1. Insurance Law / Regulations

The insurance and reinsurance activities in Venezuela are governed by the Commercial Code of 1919, a law regarding the inspection and vigilance of insurance enterprises from 1935, the law on insurance and reinsurance companies of 1965 and the current law promulgated in 1975.

- **Premiums:** The Venezuelan insurance industry only includes premiums paid in by the insured in their annual profit and loss statements, leaving premiums outstanding in a separate account. This leads to a lower market volume compared to other countries who book premiums paid and outstanding.

3.2.2. Insurance Supervision

The state exercises control of the insurance sector through the Superintendency of Insurance, subordinated to the Ministry of Finance, which has the power to investigate or inspect any records and documents related to insurance and reinsurance activities.

Annual reports, policy wordings, applications for insurance, official publications and the like, must be approved by the superintendency, as well as tariffs. The superintendency carries out inspections of insurance and reinsurance companies, as well as insurance and reinsurance brokers.

3.2.3. Requirements

- Authorisation: All companies connected to the insurance industry (e.g. loss adjusters, brokers, etc.) must have the permission from the superintendency to transact business.
- Capital: Under the laws promulgated in 1974, in compliance with Decision 24 of the Andean Pact, 80% of the capital of every company operating in Venezuela must be controlled by Venezuelans. Minimum capital requirements are established by law.

The minimum capital requirements for companies (unchanged since the 1975 Insurance Law) are as follows:

- | | |
|--|---------------|
| - for general insurance only | Bs 4,000,000 |
| - for general and life business | Bs 8,000,000 |
| - for financial guarantees | Bs 12,000,000 |
| - for mortgage guarantees | Bs 20,000,000 |
| - for general insurance and financial guarantees | Bs 14,000,000 |
| - for reinsurance | Bs 10,000,000 |

3.2.4. Government vs Private Insurers (Direct and Reinsurance)

There is no government owned or managed insurer/reinsurer in Venezuela. The state social security system, however, provides social coverage in most parts of the country.

3.2.5. Non-Admitted Insurance

Policies must be issued by Venezuelan insurance companies and be reinsured with Venezuelan reinsurers. No restrictions apply regarding retrocessions. The only exception regarding the requirement for a local policy refers to imports, which are subject to import duties and can be covered under a foreign marine cargo insurance policy.

3.2.6. Taxes, Fees .

Premium taxes:

- Municipal tax: 1.25% on total gross premiums for all lines of business.
- For foreign reinsurers only: 3% income tax on reinsurance premiums net of expenses, as well as a 20% tax on interest payments earned on premium and loss deposits retained by ceding companies.

No other fees or stamp duties apply.

3.3. Statistics

3.3.1. Solvency and Financial Stability of Insurers

- Mathematical reserves: as per each plan approved by the superintendency.
- Unearned premium reserves: 40% of net premiums (for financial guarantee 60%)
- Loss' pending at December 31st: as per loss adjustment. If not completed, amount is estimated by the company. For automobile hull, however, it cannot be less than the average amount of the losses paid and adjusted during the year ending .
- No reduction is admitted in respect of ceded reinsurance.
- Representation of reserves:
The reserves must be allocated as follows:
 1. Not less than 30% in bonds issued or guaranteed by the state.
 2. Not more than 20% in mortgage certificates, shares and debentures issued by limited liability companies.
 3. Not more than 50% in
 - a) Cash in hand or deposited in banks domiciled in Venezuela,
 - b) Loans guaranteed and loans on property referred to in 1 and 2 above
 - c) First mortgage loans (limited to 60% of the real estate value)
 - d) Not more than 15% on built-up urban property situated in Venezuela.

Outstanding loss reserves are not bound to the above percentages.

3.3.2. List of Local Direct Non-Life Insurers

Name	Group	Year	Market Share 1987
Adriatica	RAS/Allianz/Adria	1952	3.8%
Agricola	Estado	1981	0.5%
Amazonas (Sol)			0.4%
American Interna			
-tional	CAVENDES/AIU	1966	0.8%
Anauro	Trade Unions	1978	1.9%
Andes	Metrop/Catatumbo	1956	3.1%
Avila		1936	2.1%
Britanica	DIMASE, MAPFRE	1967	1.0%
Canaima	Orinoco/Bco. de Venezuela	1974	1.5%
Capital		1982	0.4%
Capitolio		1975	0.6%
Carabobo	Seguridad/Lara	1955	2.3%
Caracas		1943	12.6%
Catatumbo	Metrop/Los Andes	1957	2.3%
Central	Banco Mercantil	1974	1.1%
Confederacion del Canada		1967	0.7%
Consolidados	Banco Consolidado	1978	1.1%
Continental	Orinoco	1957	0.6%
Cordillera	Banco Barinas	1983	0.4%
Federacion	Meserhane/Seguridad	1967	0.6%
Fedeimpres	Latinoamericana	1980	0.5%
General	Banco Latino, Consolidado	1953	1.5%
Global	Bancor	1983	0.2%
Guayana	Orinoco	1977	0.6%
Hemisféricos	Lansberg	1966	1.1%
Hipotecarios Urb	Fénix (Previsora)	1975	0.0%
Horizonte	Fuerzas Armadas	1956	2.1%
LA FE	Funeraria		0.1%
Lara	Seguridad/Provincial	1957	2.9%
Latino	Banco Latino	1988	
Latinoamericana		1974	7.1%
Llanos	Grupo Finol	1981	0.5%
Maracaibo			0.1%
Metropolitana		1949	3.4%
Mundial	(Fianzas, 40 CIES)	1974	0.1%
Nuevo Mundo	Mendoza, General	1956	3.0%
Occidental		1956	1.4%
Orinoco	Orinoco/Fam.	1957	4.0%
Pan American	Tudela	1966	1.6%
Paz	Tacoa Consolidado	1936	1.1%
Previsora	Maldonado	1936	2.6%
Primera Oriental		1973	0.7%
Primero Holandesa	Orinoco	1967	0.0%

Name	Group	Year	Market Share 1987
Progreso	Latinoamericana		4.6%
Regional	La Venezolana	1982	0.1%
Royal Caribe		1984	2.1%
Saint Paul	Consolidado, Cigna	1966	1.0%
Seguridad	Boulton	1942	12.4%
Sol		1981	0.0%
Sudamericana	Union/Nat/LI/GRE	1952	1.6%
Union	Lansberg/Basler	1955	1.8%
Vene-Americana	Latinoamericana	1983	0.2%
Venezolana		1955	1.4%
Venezolana de Vida		1969	0.2%
Venezuela	Cavendes, AIU	1948	2.1%
Virgen del Valle	Funeraria		0.1%

3.3.3. List of Professional Reinsurers

Due to a law passed in 1975, which was favourable to nationalised companies, their premium income exceeded Bs. 2,602 million in 1986. Nevertheless, it has to be noted that retentions are relatively low.

1986/87 in Bs. '000	Americ	Cos Re	Delta	Latino
Earned Prem.	147,116	334,816	756,990	107,742
Incurred Loss'	59,652	155,861	458,683	36,938
Administration Costs	7,629	5,208	24,413	11,056
Expenses	153,016	268,167	31,725	43,777
Gross Tecn. Res.	26,884	20,731	5,736	28,023
Retroceded Pre.	96,747	276,470	544,116	46,249
Retroceded Losses	31,752	121,556	349,148	22,526
Retroceded Exp.	38,599	13,492	208,944	(559)
Result Retro	26,369	19,942	(13,976)	24,282
Net Techn.Result	488	789	19,712	3,741
Investment Income	1,757	3,566	23,816	6,868
Other Income	(582)	(1,709)	(19,471)	(2,620)
Final Result	1,662	2,649	24.58	7,989
Paid Prem/Employee	4,671	23,515	10,629	N/A
Ret.Prem/Equity	1.50%	2.17%	2.91%	1.00%
Prem/capital	5.98%	23.51%	25.21%	2.26%
Profit/Equity %	45.20%	12.40%	28.96%	13.28%
Combined Ratio%	83.13%	93.19%	94.72%	73.96%

1986/87 in Bs. '000	Provinc	R.I.O.	R.N.V.
Earned Prem.	113,481	423,728	523,691
Incurring Loss'	70,506	150,669	231,518
Administration Costs	4,683	16,214	16,439
Expenses	43,777	123,482	172,124
Gross Techn. Res.	(5,485)	133,363	103,610
Retroceded Pre.	73,720	308,929	378,908
Retroceded Losses	51,321	91,997	92,378
Retroceded Exp.	28,939	92,998	129,875
Result Retro	(6,540)	123,934	156,655
Net Techn.Result	1,005	9,429	(53,045)
Investment Income	360	8,193	22,577
Other Income	(1,369)	(8,227)	20,092
Final Result	2,748	9,396	(72,681)
Paid Prem/Employee	3,921	4,384	N/A
Ret.Prem/Equity	1.95%	1.31%	1.77%
Prem/capital	7.84%	14.66%	12.91%
Profit/Equity %	13.54%	10.52%	0.26%
Combined Ratio%	104.12%	69.95%	79.09%

3.3.4. Loss Ratios Per Line

The following figures show the result of the losses paid, divided into the premiums paid for the years 1979 - 1987. Unfortunately there is no continuity in the information available regarding the outstanding loss reserve to allow a comparison of losses incurred to premiums earned.

Venezuela

	1987	1986	1985	1984	1983	1982	1981
	%	%	%	%	%	%	%
<i>Personal Lines</i>	63.24	67.59	66.06	64.70	57.43	52.54	52.47
Individual life	40.38	51.18	45.17	44.49	46.97	42.41	44.24
Group life	37.01	63.66	60.04	61.94			
Hyp. life	12.74	28.76	28.35	26.54			
Individ. lccid.	52.56	48.48	41.10	56.59			
Group accident	72.49	126.22	65.16	83.87			
Individual hospitalization	65.13	69.53	77.48	69.33	75.88	73.88	73.61
Group hospitalisation	99.35	83.76	92.53	88.14			
Funeral	17.78	18.49	18.52	18.75			
<i>Property</i>	62.66	64.18	70.30	60.86	68.76	53.65	52.71
Fire	41.79	34.88	56.48	36.91	38.70	26.98	28.35
Earthquake	0.50	0.58	0.37	0.00			
Theft	149.38	146.59	151.76	153.06	106.67	90.74	90.07
Marine	65.25	70.82	8.69	82.13	59.78	91.07	59.35
Techn. branches	37.79	44.67	55.88	73.51			
Petroleum risks	81.54	87.50	86.71	85.71			
Comb. policies	63.64	66.67	67.95	81.67	48.44	50.00	77.14
Loss of profit	77.78	56.52	26.09	50.00			
Compr. auto	75.24	96.87	83.70	79.31	79.53	76.11	77.23
Airplanes	30.61	26.04	42.72	41.14	38.28	58.04	62.24
Ships	104.18	91.81	86.83	86.23			
Agriculture	44.44	131.58	16.67	25.00			
Banking risk	76.52	36.03	59.29	75.56			
Jewelleries	69.23	80.00	50.00	233.33			
Various	67.72	58.73	85.45	58.11	39.15	55.30	52.04
<i>Casualty</i>	51.82	40.52	30.93	37.01	31.99	28.19	28.28
Auto T.P.	59.86	41.19	27.33	36.59	36.92	36.72	34.19
Employers liab.	57.27	69.05	77.78	81.93	57.30	42.45	39.39
General liab.	54.97	64.80	50.48	47.47	36.36	24.49	31.17
Bonds	12.21	7.07	10.31	92.86			
Bonds/fidelity	14.74	11.84	12.26	14.12	12.40		
Total	61.41	62.15	64.28	59.35	61.25	50.20	49.60

3.3.5. Premiums Per Line (in Bs. 000.000)

Year	Acc.	Auto	Air	Mult.	Comb.	Bonds	Hospital'n
1968	31	104			4	10	
1969	36	120			6	14	
1970	41	140		5	10	16	
1971	55	157		6	11	21	
1972	59	176		5	15	25	
1973	71	220		9	16	33	
1974	51	275		26	3	40	
1975	67	381	22	34	4	58	73
1976	86	536	4	50	4	83	97
1977	111	719	39	53	6	106	145
1978	136	894	44	67	7	145	207
1979	158	1,001	62	75	8	130	271
1980	238	1,124	72	70	9	170	366
1981	297	1,246	98	61	10	212	451
1982	271	1,353	112	64	10	244	605
1983	321	1,449	128	53	11	251	742
1984	328	1,769	158		60	303	866
1985	396	2,322	206		77	341	1,198
1986	461	2,309	338		105	369	1,625
1987	560	5,547	490		165	385	2,421

Year	Fire	Liab.	Theft	Marine	Various	Total	Life	Total
1968	137	21	10	49	33	399	183	582
1969	149	23	10	61	37	456	177	632
1970	168	25	11	71	40	527	220	747
1971	197	31	12	80	54	624	251	875
1972	234	33	13	97	55	712	288	1,000
1973	286	40	15	108	76	874	280	1,154
1974	331	43	18	119	59	965	381	1,346
1975	405	51	21	145	80	1,341	638	1,979
1976	511	64	26	172	115	1,748	466	2,214
1977	665	78	33	230	155	2,340	637	2,977
1978	801	98	40	286	187	2,912	709	3,621
1979	980	125	50	316	280	3,456	811	4,267
1980	1,169	159	75	352	365	4,169	904	5,073
1981	1,390	176	151	429	442	4,963	928	5,891
1982	1,531	204	163	417	528	5,502	1,015	6,517
1983	1,690	178	165	369	585	5,942	1,090	7,032
1984	1,978	183	196	347	827	7,015	1,158	8,173
1985	2,222	189	255	417	1,017	8,640	1,315	9,955
1986	2,544	211	279	490	1,299	11,030	1,629	12,659
1987	3,260	283	322	731	1,503	15,667	2,105	17,772

Premiums: During the years 1980 - 1985, net premiums paid in the Venezuelan market rose at the same rate as inflation. In 1987, the increase was 40%, reaching a total of Bs. 17,772 million, while inflation developed at a rate of 30%, leaving a real growth factor of 10% (1986: 6%). This was mainly due to the automobile line (+60%).

In 1987, automobile insurance accounted for 31% of the total premium volume, fire for 18%, hospitalisation for 14% and life for 11%.

3.4. Memberships

3.4.1. Associations

Besides the "Camara de Aseguradores", in which all companies except one participate, there are associations for actuaries related to life insurance, brokers and agents associations, as well as the "Colegio de Ingenieros" (Engineers College) for those loss adjusters who are qualified engineers.

3.4.2. Pools

Pools are operated for bankers, jewellery and aviation business, and some companies share fire business.

With regarding to automobile business, many insurers participate in an Excess of Loss Pool.

3.5. Intermediaries (Agents, Brokers) and Commissions

Venezuela is a broker market, and a large number of domestic brokers operate locally. Foreign brokers have had to comply with the Andean Pact ruling, so that while foreign names still appear, the capital is now mostly of local origin.

Most international brokers are represented in Venezuela.

It is not possible for a broker to operate in both direct and reinsurance business.

Commissions were established by the superintendency in 1979 and are set as follows:

- Individual personal accident	25%
- Group personal accident	20%
- Comprehensive motor insurance	15%
- Third party motor insurance	10%
- Aviation hull	15%
- Third party aviation	15%
- Multiple risks	25%
- Fire	30%
- General Liability	20%
- Burglary	20%
- Marine hull	15%
- Marine cargo	17%

- C.A.R. 20%

Special commission rates apply for government business

3.6. Reinsurance Scene

3.6.1. Situation

The minimum capital requirements for reinsurance companies (unchanged since the 1975 Insurance Law) is Bs. 10.000.00.

Most reinsurance treaties are bouquet placements. There is a good balance in fire treaties, and this is helped by a large number of facultative risks offered locally before being passed abroad.

Fire treaties do not contain a large risk exclusion clause, but exclude the petroleum industry. Most companies' surplus treaties consist of 20-50 lines. Quite a few companies cede their treaties on a 'First Risk' basis.

3.6.2. R/I Commissions under Treaties and Facultative Business

Treaty commissions have remained fairly static on the whole, and are as follows:

Fire 1st surplus	50-55%, in some cases 57.5% with 35-40% profit commission
Fire 2nd surplus	42.5-47.5%
Facultative obligatory	37.5-42.5%
Earthquake	47.5-52.5% no profit commission
Marine hull	17.5-22.5%
Cargo	25%
Motor	XL placements
General accident	35-40%
Bonds	35%

3.6.3. Compulsory Cessions and Restrictions on Cessions Abroad

Proportional treaties: 40% must be placed in Venezuela with Venezuelan insurance and/or reinsurance companies. In special cases, the superintendency may authorise 100% placement in foreign markets if a company can satisfy it that every effort has been made to place 40% locally and that this has failed.

Non-proportional treaties: May be ceded up to 100% in foreign markets

Facultative cessions: Facultative risks have to be placed 100% locally, unless this proves impossible, in which case the business may be reinsured abroad. However, since local brokers seem to find it physically and practically impossible to canvas all fifty odd companies with every facultative risk, it is invariably possible to place business overseas. This is helped by the fact that some reinsurance companies will accept the whole of a facultative risk and retrocede any balance that they do not wish to retain overseas, as there are no restrictions on retrocessions. Reinsurance companies are, in any case, outside the standard regulations, and are free to place

their retrocessions, including excess of loss protections, where ever they please, in either the domestic or in foreign markets.

3.7. Underwriting Per Line of Business

3.7.1. Tariff / Non-Tariff Situation, Rating

The following lines are regulated by tariffs that are approved by the Superintendency of Insurance: automobile (hull and T.P.L. with a minimum tariff), fire and allied lines (excluding flood), and earthquake and burglary insurances. For hospitalisation insurance, each company has to have its own tariff approved by the superintendency. An unofficial tariff exists for marine insurance and all other classes are free from tariffs.

3.7.2. Compulsory Lines

Employee benefits: Social security and pensions are compulsory and must be placed with the IVSS. Exceptions are made in areas without an appropriate infrastructure, where employers can opt to insure benefits with private carriers.

Marine insurance: Duty-free imports must be placed with a local Venezuelan insurance carrier.

Motor third party liability: It is mandatory to have coverage.

3.7.3. Use of Foreign Currencies

On a limited basis, foreign currencies can be used in local policies.

Recently, a policy for medical costs in US dollars was brought on the market, covering national and foreign territory. The premium has to be paid in US dollars.

3.7.4. Claims Handling

It is of the utmost importance to have policies issued with clear definitions regarding the sums insured (new value, replacement cost) and adjust the values according to inflation and changes in the preferential exchange rates. Special attention should be given to deductibles. If this preparatory work is undertaken carefully, claims can be handled smoothly.

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

4. Property Insurance

4.1. Underwriting

4.1.1. Named Perils

Broad based "Named Perils" policies are the most commonly used policies, and can be issued for the following perils: fire, lightning, extended coverage, earthquake, explosion, SRCC, malicious damage, water damage, flood, windstorm, hurricane, falling aircraft, vehicle damage, spontaneous combustion, smoke, debris removal, sprinkler leakage, indirect loss, loss of profit, business interruption, loss of rent, theft (others can be added).

4.1.2. All Risks

Broad based "All Risk" PD/BI (including earthquake and flood) policies are not allowed under local tariff regulations. However, exceptions may be approved on a case by case basis by the superintendency.

Broad based "Named Perils" with a local DIC wrap-around policy does not exist in local market practice.

4.1.3. Premium Calculation

All property insurance business, except for business interruption and engineering lines, are subject to a tariff applicable for all business regulated by the superintendency.

There is no deductible discount. Discounts are granted for certain officially approved fire prevention measures (i.e. by COVENIN - the Venezuelan Industrial Standards Committee - which approves fire protection measures necessary to qualify for tariff discounts). First loss cover is permissible.

4.2. Loss of Profits / Business Interruption

The American and English form is mostly used in Venezuela, sometimes even a local 'mixture' of the two.

4.3. Catastrophe Exposures

4.3.1 Earthquake

The majority of fire risks covered against earthquake are, besides multinational companies, buildings and private houses.

Inland marine and C.A.R. risks are rarely insured against earthquakes. Earthquake cover is specifically excluded from motor insurances.

"Fire following" is covered by policies including earthquake, but if earthquake is not included the "fire following" is not covered.

A civil defence force has been established in Venezuela and one of their tasks is to be prepared to deal with earthquakes.

4.3.1.1. Earthquake in Venezuela

There are three main earthquake areas:

- a) in the south-western portion of the country, running from San Cristobal and Mérida towards San Carlos,
- b) in the north east, in the peninsula near Cumana, and
- c) in the area around Caracas.

Records of earthquakes in Venezuela go back to 1530. Earthquakes occurring over the last thirty years are listed below. To indicate the location, the letter "A" is used for the Sucre, Nueva Esparta area, "B" for the Federal District and the states of Miranda, Lara, Tachira, Trujillo and Portuguesa, and "C" for the states of Aragua, Carabobo, Yaracuy, Falcon, Mérida, Barinas and Zulia.

Area	Year	Location	Richter	Mercali	Deaths
C	1950	Cucuta	9-9.5	VII	126
C	1950	El Tocuyo	8-9.0	VI-VII	15
C	1950	Cucuta	7.5	VI	-
A	1957	Carupano	8.5	VI+	-
A	1957	Golfo de Paria	7.5	VI	-
C	1957	Cucuta	8.9	VI+	-
C	1959	Acarigua	7+	V+	1
A	1961	Cumana	7	VI+	-
A	1961	Golfo de Paria	8	VI+	-
A	1962	Golfo de Paria	7.5	VI-	-
B	1967	Caracas	8+	VI+	234
A	1968	Rio Caribe	7.5-8	VI	few

Most companies work to a 20-25% PML (though a few use a 15% PML). For

Venezuela as a whole, the return period is three years for earthquakes greater than VI, 15 years for VII+ and 82 years for VIII+.

Except in the Andean region, in the vicinity of Cucuta (Colombia), epicentres are frequently in the Caribbean, with resulting Tsunamis (seismic sea waves).

4.3.1.2. Earthquakes in Caracas

The greatest earthquake exposure lies in the Caracas area, which lies in one of the seismically active zones. It is estimated that over 50% of the total amount of insured sums for earthquake risks are located in the area around Caracas. The return period

for earthquakes in Caracas is calculated to be 25 years for intensities greater than VI, 62 years for VIII and 165 years for intensities greater than X. Due to the differing sub-soil conditions, the area around Los Palos Grandes is particularly liable to damage.

The last severe earthquake in Caracas occurred on Saturday 29th July 1967, and is believed to have lasted about 48 seconds; 265 people lost their lives. The intensity of the quake was VIII or IX on the modified Mercalli scale.

Of the 9000 buildings of over two stories in the affected area, only four collapsed completely, ten had to be subsequently destroyed and a further 250 suffered moderate to severe damage. Taking into account the number of buildings exposed to the effects of the earthquake, loss experience might be established at 0.17%.

The economic loss of the earthquake was put at Bs. 300 million, but it is interesting to note that one leading company only had a Bs. 100,000 insured loss over its fire surplus treaties.

Building codes follow very closely the regulations in force in San Francisco. New buildings are constructed according to these specifications. The Code is nearly always enforced and architects are very aware of the responsibilities involved, as a number of them were prosecuted for poor work as a result of the 1967 quake.

4.3.2. Windstorm / Hurricane

This is not considered to be a catastrophic risk as such in Venezuela, and there is no history of losses of this type. The Caribbean hurricanes move more or less parallel to the coast but away from land.

4.3.3. Flood

Few parts of the country are particularly subject to flooding, but the area to the south of Lake Maracaibo presents a problem as the land is very low lying. However, this is an agricultural area and insured values are very low.

Flooding also occurs in the Orinoco Valley and the area of the plains (Los Llanos), but losses are mainly uninsured.

4.3.4. Tidal Waves

Seaquakes and tidal waves are very rarely covered.

4.3.5. Terrorism / Sabotage

Coverage is available, although the exposure is still considered as being low.

4.3.6. Hail

This risk only sporadically exists in some areas and is not of importance.

4.3.7. Other Catastrophic Risks

Although the risk of bush fire in the Venezuelan mountainside does exist, outside of the rainy season, it has not produced any significant losses to date. However, it is very much a hazard and could, potentially, be the cause of a substantial loss.

After the events of March, 1989, riots and civil commotion cannot be excluded as catastrophe risks

4.4. Various

4.4.1. Policy Periods

One year usually with tacit renewal. Policy can be cancelled with 15 days notice, subject to pro rata premium refund.

4.4.2. Fire Protection and Fire Brigades

The brigades in the major cities are equipped with modern fire fighting devices. They appear to be fairly well organised. There is generally enough water and the only major problem is trying to move through the crowded streets during rush hours. Traffic jams are standard and once at the scene of the fire, work is hampered by spectators. Due to an increase in the number of high rise buildings, evacuations have to be carried out by helicopter.

5. Casualty Insurance

5.1. Motor

5.1.1. Scope and Application of Relevant Laws

The law states that all drivers of motor vehicles in Venezuela have to have insurance cover against third parties, and stipulates the minimum amounts to be covered.

The legal requirements are Bs. 135,000 for bodily injury and Bs. 100,000 for property damage, but most insureds buy excess of limit cover in brackets of Bs 200,000 up to Bs. 1,000,000, which covers bodily injury or property damage for those amounts or as a combined total.

There are different legal limits for different types of vehicles. Lorries above 12 tonnes must have Bs. 200,000 bodily injury and Bs. 120,000 physical damage, and motor cycles Bs. 65,000 bodily injury and Bs. 60,000 physical damage.

Most owners also purchase penal cover to for legal costs. About 35% of insureds purchase accidental damage cover in addition to the third party cover.

Riots and earthquake covers can be added.

As from 1st January 1987, tariffs stipulate a minimum premium and each insurer is free to charge whatever seems necessary above this minimum.

After three years of very high motor accident loss ratios, the rate fell from 97% (1986) to 75% in 1987, whereas automobile liability deteriorated from 41% to 60%.

5.1.2. Fleets

The new minimum tariff does not foresee any discount for automobile fleets.

5.2. W.C.A. and Employers Liability

The workers' compensation class of business does not really exist for private companies, because the government is gradually extending the social security laws to cover all parts of the country. However, it is possible to insure over and above the social security benefit, or give cover in those parts of the country not covered by the law.

The limits for death and permanent disablement, under the present law, are two years salary or Bs. 15,000, whichever is the lesser. Temporary total disablement provides for six months salary.

The government provides the following benefits:

Social security pays a maximum of up to two thirds of the maximum basic salary, while workers' compensation pays up to 100%.

Regarding employers' liability, there is no tariff operating in this class of business and companies treat each case individually.

5.2.1. Applicable Law

Labour laws, as well as the Social Security Law, apply. If there is proven negligence by the employer, the employee has the right of action under the Civil Code.

5.3. Liability (General and Products)

5.3.1. Market Conditions

This branch has still not fully developed in Venezuela, but it is growing slowly and the results have been quite profitable. There is no tariff and when companies are uncertain as to what to charge, they usually consult their reinsurers.

People on the whole are not yet conscious of their rights regarding third party liability and there is a marked reluctance to go to court.

Coverage is normally limited to Venezuela, but can be extended to occurrences outside the country (but not the USA and Canada), subject to claims being made in Venezuelan courts. The loss occurrence form is used. The cancellation notice is usually 5 days to one month.

The following coverages are available:

- Premises/Operations including fire/explosion
- Independent contractors
- Accidental pollution
- Non-owned and hired vehicles
- Products and finished operations
- Contractual liability (subject to being reported and accepted within a determined time after signing the contract)
- Employers liability
- Tenants liability
- There is no established excess market

5.3.2. Legal Base (Common Law or Other)

Basically negligence

5.4. Various

5.4.1. Professional Liability

There is a very small market. The Fedeimpres was set up to insure professional bodies such as doctors, lawyers, brokers and engineers.

5.4.2. Home Owners

Local companies offer various combined policies, giving a wide range of protection to home owners.

5.4.3. Personal Accident / Sickness

This line is considered to be a preferred class of business. There is a growing demand for personal accident policies among the travelling sector of the population. Some companies have vending machines at the airports, while others have manned stands selling insurance.

Sickness cannot really be described as an official class in Venezuela. The loss ratio is very high. The cover is bought by local companies on a group basis for their employees and their families, as an inducement to remain with their present employers. The majority of this business is retained.

5.4.4. CAR / EAR

Most local companies are now engaged in writing this class and results have generally been fair, but there is considerable variation in the results for individual companies.

The majority of the business reinsured goes to the English, Swiss and German markets. Surveys are frequently undertaken and while a few companies do have their own technical staff, many use technicians from reinsurance companies.

5.4.5. Machinery Breakdown

This coverage is offered individually for material losses as well as for business interruption due to machinery breakdown.

5.4.6 Cash in Transit

As with all crime classes, the results are poor, even though money is usually moved by armoured trucks.

5.4.7. Livestock

Coverage is available, although little business of this type is written.

5.4.8. Burglary / Theft

The loss ratio for burglary is still the worst of all branches in Venezuela and there appears to be little prospect of the class becoming profitable.

Commercial burglary is a worse risk than private risks, because it is usually covered under a traders policy. Cover does not include pilferage and entry (or exit) and in many cases there has to be the use of force before a claim can be made.

5.4.9. Crime

Bank insurance business is usually reinsured in a pool or on the London market.

About 50% is retained locally with the balance reinsured overseas.

5.4.10. Bonds

This is an important class of business in Venezuela with a low average loss ratio of 10-15%.

Pure financial guarantees are not permitted by law as heavy losses occurred during the 1960's.

6. Marine, Aviation and Transit

6.1. Marine Cargo

The very poor cargo results of the mid 1970s, when the market loss ratio was over 100%, have been drastically improved, basically due to reduced imports of luxury goods, as well as restriction of storage to 30 day in port areas, applying increasing daily rates thereafter. This has encouraged importers to move goods more quickly away from the dock areas.

Due to the economic situation, docks are now less congested and the waiting time at La Guaira is minimal compared to 30-40 days several years ago.

6.2. Hull

The results of local hull accounts have been poor. Apart from a large loss when a hydrofoil produced a total loss following a fire, there have also been several complete losses of fishing vessels.

Hull business is only written by a few companies and is reinsured on a quota share basis.

6.3. Aviation

The "Consortio Venezolano del Seguro de Aviacion (Consortio)" reinsures most locally underwritten aviation policies, excluding commercial airlines with fixed routes. Members of the "Consortio" include the majority of local insurers/reinsurers and it is managed by the "Reaseguradora Nacional".

6.4. Inland Marine

Besides covering the exposure concerned with the transportation of goods within Venezuela, a number of risks not covered by other lines are insured under inland marine.

6.5. War

This risk is generally excluded, except under marine policies.

7. Future

7.1. Politics

In December 1988 there were democratic elections, whereby two candidates had a realistic chance of becoming President for the term 1989-1994. The final official results released by the Supreme Electoral Council were based on over 7 million ballots cast (of which 130,000 were invalid) out of a total of over 9 million registered voters.

Carlos Andrés Pérez won the election with 55% of the votes, against his opponent who received 41%. In Congress, however, the President's party fell short of a congressional majority. Abstentions, at 20%, were the highest in the 30 years of democracy.

The future for this new government, based on stagnation or a moderate increase in income from Venezuela's oil industry, could lead to the following changes:

More state intervention and control

* Moderate state intervention price and price control

New devaluation and exchange	*	New devaluation and long control term search for the unification of the different exchange rates
Possibility of high short term growth of gross domestic product	*	Moderate growth of gross domestic product
Increase of subsidies financed by devaluation	*	Selective subsidies
Restriction of foreign investments	*	Continuity in existing foreign investment rules
Change in foreign debt payment (new payment schedule)	*	Change in foreign debt payment (new payment schedule)
Deficit spending	*	Moderate deficit spending
Labour stability	*	Labour union pressure and popular misfeeling

7.2. Social

Venezuela, despite its wealth, still faces serious social problems. Approximately 12% are unemployed and 17% are illiterate. Many rural dwellers have drifted to the cities. One result of this exodus is that Venezuelan farmers do not provide all the food the nation needs, and imports of food stuffs are necessary.

7.3. Economy

Venezuela is experiencing difficult times due to the imbalances caused by the unexpected and disproportional increase in the income from oil exports. However, the country has learned from its past mistakes and has come to understand the logic behind supporting austerity measures. In addition to new economic strategies, Venezuela has offered a variety of investment possibilities, mainly in the petrochemical industry and other areas in which the country has comparative advantages, such as aluminium and steel production. Activity in these areas will diversify exports, substitute imports and, in general, open new possibilities for economic development in the future.

With its huge crude reserves, the Venezuelan petroleum industry is in the major league of oil producing countries. Strategically, Venezuela controls the biggest portion of high quality liquid hydrocarbons in the Western Hemisphere, other major concentrations being located in the Persian Gulf region.

If oil prices remain at present levels, perhaps with a long-term trend to increase, the national economy will recover, despite the foreign debt crisis. Investing in this country is, therefore, a sound financial move, not only in terms of the yield of the

investment, but also in terms of the positive effects such investment will have in the country's continued development.

7.4. Insurance Market

Buyers are getting increasingly sophisticated, while new products are being developed to meet market demands.

Due to difficult general economic conditions, the security of the insurance industry is gaining in importance, especially after one leading local reinsurer had to be saved from bankruptcy through a takeover.

7.5 Other Developments

In the near future, Venezuela plans to improve its infrastructure. A motorway from Caracas to the east (700 km) has already been started. In addition, a double track high speed train system from Caracas to Valencia, with the possibility of an extension to Barquisimeto (600 km), to be built with French support, is now under discussion.

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Overview of Perils Insured Against in Basic Fire Policy

Venezuela

a	Fire	b	Sprinkler Leakage
a	Lightning	b	Collapse
a	Explosion	b	Smoke
b	Aircraft	c	Sonic Boom
b	Windstorm	b	Molten Material
b	Hail	c	Radioactive Contamination
b	Vehicle Impact	b	Earthquake
b	Strike	b	Volcanic Eruption
b	Riot	b	Flood
b	Civil Commotion	c	Snow Pressure
b	Malicious Damage	b	Landslide
b	Vandalism	b	Tenants & Neighbours
b	Sabotage		Liability
b	Terrorism	b	Water Damage
		c	Tsunami
		b	Leakage
		c	All Risks

- a Perils covered in a standard policy
- b Perils can be added by endorsement
- c Perils cannot be added by endorsement

Comparison Tables

Venezuela

Spain

May/June 1989

Comparison of Fire Insurance Coverage

VENEZUELA

Fire

Excludes loss or damage caused by:

- a) Nuclear fusion
- b) War, invasion, etc.
- c) Fermentation.
- d) Destruction ordered by authorities
- e) Pressure waves caused by airplanes, rockets, satellites, etc.

Lightning

Covered by standard policy.

Explosion

Covered by standard policy excluding damage to boilers and other vessels in which explosion occurs. Explosion and Extensive Explosion Coverage available.

Aircraft

Damage by falling aircraft or parts thereof covered as such or as part of Extended Coverage by endorsement.

Windstorm

Covered as such or under Extended Coverage, excluding losses caused by freezing or low temperature. Endorsement.

Hail

Not covered by standard policy. This type of coverage is not normally requested.

Vehicle Impact

Covered under Extended Coverage. Damage caused to property insured by vehicle impact. Exclusions:
- Damage caused by insured's own vehicles.
- Damage to vehicle and load if applicable.

Strike

See "Civil Commotion".

Riot

See "Civil Commotion".

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"
SS

Hail

Part of "Extended Coverage".

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.

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).

VENEZUELA

Civil Commotion

Coverage i.r.o. damage to insured property caused by persons who take part in riots, strikes and civil commotions, act maliciously, and measures taken by the authorities to repress the aforementioned acts.
Can be added by Endorsement 1.

Malicious Damage

See "SRCC".

Vandalism

See "SRCC".

Sabotage

Coverage not available.

Terrorism

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

Sprinkler Leakage

Can be added by endorsement.

Collapse

Coverage i.r.o. damage or destruction caused by building collapse, if originated by fire and perils covered under the Extended Coverage.

Smoke

Part of Extended Coverage. Can be added by endorsement.

Sonic Boom

Coverage not available.

Molten Material

Optional Clause. Can be added by Endorsement.

Coverage i.r.o. damage of destruction caused by sudden and unexpected escape of molten

SPAIN

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.

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

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.

MEXICO

Molten Material (cont'd)

material. Can be added without additional charge.

Radioactive Contamination

Coverage not available.

Earthquake

Can be added by endorsement. Deductible 1 % of sum insured or BS 1,000, whichever is less.

Volcanic Eruption

Can be covered by endorsement. No standard coverage.

Flood

Can be covered by endorsement. Covered, if caused by overflowing of streams, rivers, sea, lagoons or lakes.

Snow pressure

Coverage not available.

Landslide

Can be covered by endorsement. No standard cover.

Tenants' and Neighbours' Liability

Can be added by endorsement.

Water damage

Coverage for escape of water from plumbing systems, refrigeration, air-conditioning, fire-protection system and water tanks, damage caused by rainwater, slush and water or back-up from sewers, filtration.
Can be added by endorsement.

SPAIN

Molten Material (cont'd)

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.

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.

VENEZUELA

Tsunami

Coverage not available.

Leakage

See "Water Damage".

Deductibles/Limits of Indemnity

1) If sum insured BS 100,000 or less deductible BS 500.

If sum insured exceeds BS 100,000, deductible BS 1,000.

Taxes and Fees

None on direct insurance, only on reinsurance premiums:

- 1.25 % municipal tax
- 2.00 % on net premiums (gross premium less deductions).

SPAIN

Tsunami

Coverage not available.

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.

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 0,25o/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

VENEZUELA

Structure

The standard form in use, is a copy from the US market, adapted to Venezuelan requirements.

It includes the usual clauses for additional coverage.

Coverage

This basic coverage provides protection against the legal liability of the insuree, arising out of the operations described in the policy, for:

- a) Bodily injury including death and impairment of health.
- b) Damage, destruction or loss of property.

The General Liability Insurance can be applied to any kind of owner, lessee, tenant, industry, profession or occupation.

Schedule

As a basic condition of the policy, an application completed and signed by the client containing name, address, occupation, type of insurance, period and limits of liability, as well as the specific information required according to the kind of risk, must be presented to the Company.

Definitions

Included in the policy.

Supplementary Payments

The policy states the insured's obligation to reduce the probability of loss or damage, this however is not specifically mentioned in the standard policy of supplementary payment about the expenses incurred by the insured in such a prevention.

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 insured, 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.

VENEZUELA

Limits of Indemnity

In addition to any award or settlement to a Third Party, the limits of indemnity also include interest on the loss, assessment fees, lawyers' fees, court, arbitration and conciliation costs, insured's expenses in respect or prevention of loss or damage.

Several occurrences of loss or damage including costs of prevention caused by the same defect shall constitute a single occurrence irrespective of the number of persons entitled to claim.

Standard aggregate of two times the limits of indemnity during the policy period which applies if written for one year or for a longer period of time.

The policy is written on a loss occurrence basis.

Period of Insurance

The policy is written on a yearly basis and is automatically renewed annually, subject to premium paid within 30 days after expiry date.

Policy Territory

Venezuela. Under special agreement the insured's liability arising out of operations, products and vehicles can be included in different countries.

Deductibles

There is no standard deductible. Sometimes, a fixed amount - basically on property damage coverage - or a percentage of the loss in both bodily injury and property damage, is established.

Cancellation

The coverage may be cancelled by either party within 15 days of cancellation notice, but this clause may vary from company to company.

Available Extension of Cover

An additional premium is required to include each of the following types of coverages:

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:

VENEZUELA

Available Extensions of Cover (cont'd)

- 1) Elevators, etc.
- 2) Publicity signs.
- 3) Accidental pollution.
- 4) Contractual.
- 5) Independent contractors while at the insured's service.
- 6) Hired or rented vehicles.
- 7) Employers' liability.
- 8) Professional liability. Medical, paramedical, engineers, architects, lawyers, bankers and insurance agents.
- 9) Products sold or distributed either in Venezuela or in other countries, except for USA/Canada.

Exclusions

- 1) Claims by the insured and his family members
- 2) Claims of the insured's employees arising out of work injuries covered war under the Venezuelan Labour Law.
- 3) Fire or explosion.
- 4) Liability due to construction demolition, etc. of real estate.
- 5) Liability due to transportation of property or persons.
- 6) Liability due to animals, vehicles, bicycles, elevators, winches, cranes or lifts, sanitary installations, gases or polluted waters, merchandise, goods or products produced or distributed by the insured, damages caused by defective or vicious merchandise.
- 7) War, civil war, revolution, invasion, uprising, usurpation of the political power, strikes, riots, civil commotion directly or indirectly caused by any of these events.
- 8) Claims based on contractual liability.
- 9) Liability as owner or use of ships or aircraft.

SPAIN

Available Extensions of Cover (cont'd)

- 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.

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.