

in the opinion of...

«We try to make insurance programs as efficient as possible, always with a focus on future stability and consolidation in every country»

Prosegur's activity is directly linked to risk, so that, according to Diego Domínguez, «if we didn't have a Risk Management system within the company, we could hardly sell these services.» His challenge is to respond to the changing environment. «Prosegur is growing very rapidly, and this implies that insurance programs are developed and evolve based on the needs of the business and the objectives of the company,» he says.

Diego Domínguez

CORPORATE INSURANCE MANAGER AT PROSEGUR

Text: ALICIA OLIVAS Photos: ALBERTO CARRASCO



Prosegur is one of the main multinational companies in the private security sector, with almost 40 years of experience. In your opinion, how has Risk Management contributed to what the company is today?

You have to understand Prosegur well, given that its activity is linked to risk. We have three business lines: Surveillance, Securities Logistics and Cash Management, and Alarm Technology. These three activities are directly linked to risk, so that if we didn't have a Risk Management system within the company, we could hardly sell these services in a correct way.

This relationship with risk implies that clients confer responsibilities upon us, and this is a guarantee that we must have

within the company, so that our programs always support or guarantee these responsibilities.

What areas and divisions of Prosegur are involved in «managing» risks?

The company's organizational chart includes the Security and Risk Area, which is, in turn, divided into two areas: the Security and Intervention Area, whose basic purpose is to identify, control, and monitor operational risks, and the Insurance Management Area, where, with direct support from the former, we decide what the best strategy for transferring the risk will be, whether to the market or other alternative transfer means: retentions, deductibles, captive entity or self-insurance.

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The Security and Risk Area is corporate, i.e. it establishes the policies and procedures at a global level, for identification, control, and monitoring and for the transfer of risk, so that these rules and procedures are implemented equally in every country.

Does this area therefore have staff in every one of the countries where the company operates?

Yes, that's right. The Security and Risk Area is composed of over 80 people in all; some of them work in the countries where we operate and some of them in the Main Office, and they always report to the corporate headquarters, irrespective of their physical location. Prosegur operates in 17 countries and in each there is a structure that is equivalent to that which exists at the corporate office.

RISK CULTURE

Are you managing to create a true consciousness of risk in the organization's daily activities?

Absolutely. This company is so profoundly linked to risk through its activity that the entire organization must be aware of it, from the Commercial Department, which is what the client sees, the first contact, and also the main risk selecting entity, helping us to identify risk in Senior Management. Everyone needs to be sensitized to the fact that we are a company linked to risk; therefore, this needs to be addressed and it is a message being taken on board in the company culture.

**«ONE MUST BE ONE
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To offer security services implies that the client transfers its risks to Prosegur. How did you meet the challenge?

This is one of the main differences between us and other companies. First, we have to guarantee our own tangible assets to our personnel (150,000 employees) but also the responsibilities that clients transfer to us.

The only way to do so is to have good Risk Management, with procedures and established standards established at the corporate level and implemented locally. Also, it is important to be clear on the risk transfer, always keeping the company's objective in mind.

Prosegur operates in 17 countries on four continents. How does the international dimension of the company affect Risk Management?

Operating in seventeen countries, on four continents, means different cultures, companies with different cultures. There are countries where Prosegur was already a well-known company and others where we started from scratch and had to bring our culture with us. This has an impact on our daily activities. Little by little, these policies and procedures are implemented so that all the countries increasingly feel «Prosegur» and we're all singing from the same hymn sheet.

What are the pillars of the Prosegur strategy for the coming years and what will the approach be from the perspective of Risk Management?

The plan over coming years continues to be very similar to that of previous years: to continue to grow as a company and

continue to develop our traditional Transport or Securities Logistics and Cash Management, Surveillance and Technology and Alarms products, while also planning the development of new services such as in the area of cybersecurity, new cash management solutions, etc.

This plan also involves a challenge: we must be one step ahead of requirements and ensure that corporate programs and policies established are adequate and can adapt to these new requirements.

RISKS

Who is in charge of identifying, controlling and monitoring the company's risks in Spain and the countries where you operate?

The Security and Risk Area's main remit is to identify, control and monitor the company's operational risks. In turn, once this evaluation is conducted, it establishes the standards and policies so that Risk Management may be applied in a consistent manner in all countries.

The Insurance Area undertakes the analysis, identification and monitoring involved with the transfer and this brings us to the Risk Management concept.

Could you tell us about your Risks Map?

Prosegur has a Risks Map that it updates yearly and that includes all of the business areas of the company (Securities Logistics, Surveillance, Technology and Alarms) as well as support areas. The evaluation is undertaken at both corporate and country level. Its update and results provide the internal Auditing Department

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with a key tool with which to undertake their work.

This permits the identification and evaluation of risks that are key for Prosegur's business, the knowledge of assumed risks that must be monitored, and the definition of controls that mitigate impacts linked to the materialization of risks for the creation of the annual internal audit plan.

Also, within the annual update process for the Risks Map, those that are critical are identified and prioritized and their management is evaluated on a regular basis by the Corporate Risks Committee.

What Prosegur business areas are exposed to the greatest number of threats?

As an Insurance Area and with responsibility for the transfer of risks, threats are present in all three areas and I wouldn't venture to say that one line of business is more exposed than another, because the treatment of risk must be the same. They are three activities whose risks, if they are not correctly transferred, may impact the balance sheet; therefore, they must be treated with equal importance.

It is true that there are two activities in particular, Surveillance and Funds Transport, which, due to the fact that they represent a larger share of business than the rest, clearly generate greater risk frequency. Therefore, there is a greater impact of these two than in Technology, although it is true that the threat is present in this line of business too and the risk is constant.

In summary, which risks concern you the most?

We are concerned with operational risk, and this is the type of risk that we

focus on as an Insurance Area. Therefore, I would say that this is the type of risk that most worries us. First, because it is an area where we can have an impact and, second, because due to the characteristics of this company, if clients transfer their risks to us, this is where we have to focus in the end.

«THE TRANSFER HELPS US TO MINIMIZE IMPACTS ON THE BALANCE SHEET. IT IS THEREFORE OF VITAL IMPORTANCE»

TRANSFER AND RETENTION OF RISKS

What is Prosegur's policy on transferring and retaining risks? What role do you assign to insurance?

Insurance plays a fundamental role. The transfer helps us to minimize impacts on the balance sheet. It is therefore of vital importance. We have a policy of 100 percent coverage and of assuming the least risk possible. We apply a balanced and efficient retention strategy, having determined the deductible levels that we can assume without jeopardizing the goals of the company.

We also study different risk transfer alternatives instead of transferring to the market - transfers to self-insurance funds for instance, such as what we have in Australia, or alternatives by way of the captive entity.

What are the main characteristics of your insurance programs?

The impact risks are covered through the corporate insurance programs; the idea of which is that all countries be included under the same coverage.

We try to make programs as efficient as possible, always focusing on future stability and consolidation in every country. Another characteristic is capacity for growth, i.e. insurance programs should not be static but should progress, and must be able to assume the future needs of the company.

Are you encountering difficulties in the insurance market for some risks?

Which ones?

I wouldn't say difficulties, but we are starting to see that, with the changing trends relating to risks, the future of insurance companies could be to become



open to multi-line underwriting. I am referring to being able to cover several lines of insurance with a single policy. This is a subject that is rather stalled in the current underwriting of the market. There are few companies able to offer an «umbrella» product, offering coverage for Third-Party Liability with Damages or other products: Maritime, Transport, etc.

The reality is that at Prosegur risks are changing and a risk can be linked to several lines in an insurance company. Therefore, the best option would often be a multi-line policy but this becomes complicated.

What does a risk manager look for in an insurer?

First, the look for a company that is able to understand the client's needs, in other words, that it meets with the insured party and understand its projects and needs.

Then, the underwriting capacity must have the farsightedness to understand that underwriting as it is now may be limited or more complex, offering it separately instead of in product «packages».

Third, I would look for an insurer that is an experienced company in which the underwriters and processors know what they are doing and talking about. Finally, solvency and international presence are also two extremely important aspects.

SECURITY AND RISK MANAGEMENT

What role does technology play in the future of security?

An extremely important role. The development of the product is linked to new technologies. The traditional product

«THE MAIN IMPACT RISKS ARE COVERED THROUGH THE CORPORATE INSURANCE PROGRAMS»

exists, which is what we have now, but it is clear that it is necessary to develop new products, and without technology these don't make sense.

Prosegur is now including a new line of business in its strategy, cybersecurity, which is 100 percent technology. We conduct analyses for companies, their security systems, their computer systems, their weaknesses, etc. We have focused on this area and we believe that technology is the future.



Do you believe that at Prosegur you are also innovators when it comes to managing risks?

I would say that we are pioneers in the sector because we do not see a Risk Management area such as our own in other security companies. In addition, this area has an excellent reputation in the insurance market. I am not saying that we are or are not innovators when it comes to managing risks but I can confirm that we believe this aspect to be of utmost importance.

**«RISK MANAGERS
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Looking at the future, what trends do you observe in Risk Management and the role of managers?

I would highlight two points. On the one hand, the development of risks is forcing us to become increasingly creative. On the other, risk managers must change their way of doing things because we are in a changing environment.

Traditional risks are already clear and we have identified them, but new risks are appearing on a daily basis, which forces us to pay attention and constantly seek new solutions. |

«WE NEED TO CONFRONT FUTURE NEEDS AND REMAIN TWO STEPS AHEAD»

Having earned a Bachelor's Degree in Business Administration in 2002, Diego Domínguez joined MAPFRE Industrial, where he remained for five years. Then, following a brief stint in the International area at Willis, he joined Prosegur in 2007 in the Insurance Management Department, which he has been the manager of since 2013.

The main function of the area he manages is to «develop the insurance strategy of the group. In other words, in our Department, once the risks have been identified, we decide on the best way to transfer them either to the market or to search for other transfer alternatives, always in keeping with the objectives of the company,» Domínguez explains.

To carry out these tasks successfully, in his opinion, the key factor is to have a good team. «Right now the Insurance Department includes about 20 people, who are all insurance specialists.» Another highly-important factor is «to have the support of the company and senior management for our strategy.»

To date, one of his main achievements at Prosegur has been «the development and consolidation of the insurance programs we have.» The security business finds itself in «a dramatically-changing environment, it is growing very rapidly, and this implies that insurance programs are developed and evolve based on the needs of the business and the objectives of the company. I would say that success resides in these programs being capable of adopting these new perspectives, and we are considering consolidation in all of the countries where we operate.»

This changing environment in the area of Risk Management also constitutes a great challenge for him. «We need to confront future needs and remain two steps ahead so that corporate programs and insurance policies are always in keeping with necessary coverage, and so that we can offer a solution to the business while reducing all impacts on the balance sheet to a minimum,» he concludes.