

REPORT

M

**THE SPANISH INSURANCE
MARKET**

1991



CORPORACION **MAPFRE**

1991 REPORT

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CORPORACION **MAPFRE**

Index

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General economic situation in 1990

The Spanish economy displayed an acceptable balance in the areas of activity, investment and employment in 1990, although within a context of cooling-down and uncertainty generated by the Gulf crisis, which has to a certain extent affected all Western economies.

TABLE 1

Geographic surface area (km ²)	505,000
Total population	39,541,000
Working population	15,020,000

The growth of Gross National Product (GNP) was 3.7%, higher than the forecasts initially made by the Government and by some analysts who anticipated an increase of only 2.5% as a result of the Gulf crisis. However, it was lower than that recorded in 1989 (5%), due to the cooling-down policy followed by the economic authorities.

Forecasts for 1991 anticipate a growth in the GNP of between 2.5% and 3.1%, over the estimates for the OECD countries as a whole (+2 %).

TABLE 2

	1989	1990	1991 (E)
GNP (billion Pesetas)	45,021	50,087	54,501
GNP growth rate %	5.0	3.7	2.9
Inflation %	6.9	6.5	6.4
Reserves (million US\$)	44,420	53,104	53,000

One of the main imbalances of the Spanish economy over recent years has been the strong increase of internal demand in relation to production. In 1990, internal demand grew 4.6%, a significant lower increase compared to the 7.3% figure posted in 1989.

Forecasts for 1991 indicate an increase in internal demand of nearly 3.2%, which will mean persevering with attempts to correct the imbalance.

The deceleration undergone by the Spanish economy during 1990 affected investments, which grew 6.7%, down from 13.7% in 1989. The industrial sector, with a meager 1.2% increase, was especially affected by this slow down. The construction sector maintained a high growth rate (+10.4%), slightly lower than that posted in 1989 (13.7%).

The consumer price index (CPI) grew 6.5%, down from the 6.9% recorded in 1989. This result improves the differential with the EEC as a whole, the destination market for approximately 70% of Spanish exports.

Estimates for 1991 place the CPI increase at between 5.5% and 6.5%, that is to say, slightly lower than that posted in 1990.

In 1990 Spain was visited by a total of 52 million tourists, representing an income of Pesetas 1,800 billion. Spaniards spent Pesetas 430 billion on tourism, which represents a 17% increase over 1989. The net contribution of the tourist sector to the Spanish economy amounted to Pesetas 1,390 billion, down 10.8% from the previous year's figure.

In 1990 exports outgrew imports, something that had not happened since 1985, resulting in an improvement of the export/import ratio (63.3%).

According to Spanish Customs, imports amounted to Pesetas 8,910 billion, up 5.4% over the previous year. Exports accounted for Pesetas 5,640 billion up 7.32% over 1989. The trade deficit was thus Pesetas 3,270 billion. The high Peseta rate and the internal demand for products made the increase in exports more difficult.

In 1991 a greater increase is expected in exports (between 5% and 7%) than in imports (4% to 6%).

TABLE 3

	1988	1989	1990
Average exchange rate US\$	116.62	118.53	102.02
US\$ exchange rate on December 31	113.31	109.58	96.78
Average exchange rate ECU	137.60	130.32	129.65

The long term balance of payments on capital account dropped 9.5% relative to the year 1989, but continued reflecting an increase in foreign investment (+ 1.4%). The reason for this decrease can be found in the increase in Spanish investment abroad, which rose from Pesetas 188.5 billion in 1989 to Pesetas 323 billion in 1990.

Foreign exchange reserves, thanks to the increase in short term capital inflow, rose by US\$ 8,686 million, placing the final balance at US\$ 53,104 million.

The moderate economic growth in 1990 resulted in a reduction of the unemployment rate from 16.8% in 1989 to 16.3% of the working population, a rate which is still well over the average for OECD countries (6.2%).

The working population in 1990 was 15,020,000 people (+ 200,400 relative to 1989), of which 12,578,800 were employed (+320,500 compared to 1989) and 2,441,200 were unemployed (—119,600 vs 1989). The forecasts for 1991 indicate an employment rate of 15.8%.

TABLE 4

MADRID STOCK EXCHANGE	INDEX	1990
Initial	296.60	2nd January
Minimum	209.37	28th September
Maximum	309.74	16th July
Final	223.25	28th December

As a result of the economic deceleration, tax collection in 1990 was 3.4% lower than that estimated, due to lower revenue for VAT (—9.6%) and Corporate Tax (—4.2%). On the other hand, Personal Income Tax increased by 5.7%.

The State deficit amounted to Pesetas 1.17 billion, that is to say, 2.3% of the GNP. The consolidated budget for the Spanish state, as a whole, for 1991 anticipates a 9.9% increase in revenues relative to 1990, which reveals an increase in tax pressure.

The latest available data concerning per capita income correspond to 1987, and amounts to Pesetas 824,694. The first estimates for 1990 offer a figure close to Pesetas 1,141,900 at market prices, which shows a significant improvement, although unevenly distributed within the country.

Main features of the insurance market in 1990

ACCORDING to preliminary data, direct insurance premiums and charges amounted to Pesetas 1,691,898 million in 1990, representing a 12.8% increase over the figures registered in 1989.

TABLE 5

TOTAL MARKET

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	1,672,035	59.3	11.0	10.0	19.7
89	1,500,391	85.6	14.7	14.0	-14.3
90	1,691,898	71.2	14.9	14.3	-0.4

Premiums and charges for NON-LIFE lines of business, according to the above preliminary data, rose from Pesetas 1,052,380 million in 1989 to Pesetas 1,233,382 million in 1990, which represents a 17.2% increase.

TABLE 6

TOTAL NON-LIFE MARKET

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	860,524	65.0	17.9	17.1	-0.0
89	1,052,380	71.8	17.5	16.6	-5.9
90	1,233,382	72.8	17.5	16.4	-6.8

This increase, lower than that recorded the previous year (22.3%), is a result of the following causes:

- Increase in both the number of motor vehicles in Spain and the insured value, due to the greater number of medium to high-range imported vehicles, and in spite of a drop in domestic sales, mainly in the second half of 1990.
- Significant growth of Multirisk insurance, which ranks second after Motor, with a 19.8% increase. A slower increase premiums and risks was still noticeable.
- The Surety and Credit lines of business underwent a growth similar to that of the previous year, 30.5% and 26.2%, respectively, significantly higher than NON-LIFE lines as a whole. Third Party Liability showed a considerable increase, 25.4%, greater than that for the previous year (13.5%).

— As for Fire insurance (+3.6%), this class of business reflected the transfer of single risks to Multirisk insurance. But its limited progress, taking into account the very considerable growth of industrial fixed investment in the last years, seems to indicate a drop in rates. Marine insurance was the only class with a decrease in premiums, for the second year in a row.

TABLE 7 **PREMIUMS ISSUED PLUS CHARGES**

NON-LIFE	PREMIUMS 1989	PREMIUMS 1990	% Δ 90/89
Motor	507,069	600,079	18.3
Multirisk	112,476	134,711	19.8
Medical Assistance	109,057	125,242	14.8
Personal Accident	68,148	76,950	12.9
Burial	55,948	65,310	16.7
Fire	45,604	47,231	3.6
Marine	40,738	40,468	-0.7
Third Party Liability	27,218	34,137	25.4
Agricultural	14,435	19,536	35.3
Credit	14,850	18,744	26.2
Engineering	12,454	14,850	19.2
Travel Assistance	9,679	11,075	14.4
Surety	7,707	10,057	30.5
Burglary	7,842	8,424	7.4
Health	4,832	6,535	35.2
Loss of Profit	3,388	4,933	45.6
Other	10,936	15,100	38.1
NON-LIFE SUBTOTAL	1,052,380	1,233,382	17.2
LIFE			
Regular premiums	258,575	291,400	12.7
Single premiums	189,436	167,116	-11.8
LIFE SUBTOTAL	448,010	458,516	2.3
TOTAL MARKET	1,500,391	1,691,898	12.8

(figures in millions of pesetas)

General Insurance (NON-LIFE, NON-MOTOR) showed a balanced result, but NON-LIFE lines, as a whole (i.e. including Motor) showed a deficit caused by the negative evolution of the Motor claims ratio.

TABLE 8 **TOTAL NON-LIFE (EX. MOTOR)**

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
1988	471,612	52.8	17.8	18.5	11.0
1989	545,311	62.6	18.6	18.6	0.3
1990	633,303	62.0	18.6	18.6	0.8

In LIFE assurance, it is worth pointing out a 12.7% increase in regular premium insurance, much lower than the increase recorded the previous year (23.5%). Single premium life insurance showed an 11.8% drop which, although significant, was not as marked as in the previous year.

TABLE 9 **LIFE**

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
1988	811,511	53.3	3.6	2.5	40.6
1989	448,010	118.1	8.0	8.0	-34.0
1990	458,516	66.6	8.0	8.5	16.8

The LIFE business as a whole, underwent a slight increase (2.2%) which will tend to increase as soon as the distortion created by Single Premium insurance is finally adjusted.

The next table shows the ranking of the ten major insurance groups operating in Spain. Data corresponding to insurance premiums underwritten by savings banks, as such, are not included.

TABLE 10

THE 10 MAJOR INSURANCE GROUPS IN 1990
(DIRECT DOMESTIC INSURANCE)

GROUP/COMPANIES RELATIONSHIP	PREMIUMS 1989	PREMIUMS 1990	% Δ 90/89
MAPFRE (INDEPENDENT) M. Mutualidad M. Vida M. Seguros Generales y Clas. Filiales M. Caución y Crédito M. Agropecuaria TOTAL	102,848	126,615	23.1
B.B.V. (BANKING) Euroseguros Aurora Polar TOTAL	160,930	126,469	-21.4
VITALICIO GROUP (BANKING) Banco Vitalicio Nacional Hispánica TOTAL	84,646	85,276	0.7
UNION Y FENIX (BANKING) TOTAL	53,417	54,030	1.1
MUTUA MADRILEÑA (INDEPENDENT) TOTAL	42,461	48,671	14.6
ZURICH GROUP (FOREIGN) Zurich Hispania Vita Caudal Unión Iberoamericana TOTAL	42,087	48,528	15.3
WINTERTHUR GROUP (FOREIGN) Winterthur Winterthur Vida Winterthur protección Jurídica TOTAL	47,039	44,236	-6.0
LA ESTRELLA (BANKING) TOTAL	31,424	43,849	39.5
CATALANA OCCIDENTE (INDEPENDENT) Catalana Occidente Previsión Nacional TOTAL	37,425	41,656	11.3
MUSINI (STATE-OWNED INDUSTRIES) TOTAL	19,337	34,235	77.0

(figures in millions of pesetas)

Tables 11 and 12 analyze the evolution of the ten major groups, broken down into LIFE and NON-LIFE sectors, where significant changes are noticeable. Furthermore, substantial changes are still taking place in the structure of the groups due to bank

mergers and to the positioning of foreign groups, which will affect the ranking for 1991.

It must be pointed out that when this preliminary information was prepared, final 1990 data for some companies in certain groups were not available.

TABLE 11 **RANKING OF DIRECT LIFE INSURANCE GROUPS**
(DIRECT DOMESTIC INSURANCES)

GROUP	1989	1990	% Δ
B.B.V.			
Regular premiums	38,819	29,207	-24.8
Single premiums	106,999	79,345	-25.8
TOTAL	145,818	108,552	-25.6
VITALICIO GROUP			
Regular premiums	55,621	54,542	-1.9
Single premiums	1,466	614	-58.1
TOTAL	57,087	55,156	-3.4
MAPFRE			
Regular premiums	20,632	25,250	22.4
Single premiums	9,928	10,023	1.0
TOTAL	30,560	35,273	15.4
MUSINI			
Regular premiums	3,972	4,030	1.5
Single premiums	5,445	19,617	260.3
TOTAL	9,417	23,647	151.1
LA ESTRELLA			
Regular premiums	5,197	5,384	3.6
Single premiums	6,966	17,457	150.6
TOTAL	12,163	22,841	87.8
HERCULES HISPANO			
Regular premiums	787	1,138	44.6
Single premiums	91	11,740	12,801.1
TOTAL	878	12,878	1,366.7
ASCAT VIDA			
Regular premiums	257	1,035	302.7
Single premiums	403	10,583	2,526.1
TOTAL	660	11,618	1,660.3
GENESIS CENIT			
Regular premiums	1,282	5,824	354.3
Single premiums	8,214	5,509	-32.9
TOTAL	9,496	11,333	19.3
NAT. NEDERLANDEN			
Regular premiums	6,605	9,505	43.9
Single premiums	2,655	1,727	-35.0
TOTAL	9,260	11,232	21.3
CATALANA OCCIDENTE			
Regular premiums	9,242	11,202	21.2
Single premiums	168	0	-100.0
TOTAL	9,410	11,202	19.0

Source: UNESPA: Insurance Statistics and Advance 1990 (may 1991).

TABLE 12

RANKING OF DIRECT NON-LIFE INSURANCE GROUPS
(DIRECT DOMESTIC INSURANCE)

GROUP	1989	1990	% Δ
MAPFRE			
Motor premiums	47,830	65,534	37.0
Other non-life	24,458	25,808	5.5
TOTAL	72,288	91,342	26.4
MUTUA MADRILEÑA			
Motor premiums	40,504	46,206	14.1
Other non-life	1,347	1,340	-0.5
TOTAL	41,851	47,546	13.6
UNION Y FENIX			
Motor premiums	23,978	21,955	-8.4
Other non-life	21,220	23,436	10.4
TOTAL	45,198	45,391	0.4
ZURICH GROUP			
Motor premiums	20,897	22,594	8.1
Other non-life	15,847	17,566	10.8
TOTAL	36,754	40,160	9.3
WINTERTHUR GROUP			
Motor premiums	19,655	21,827	11.1
Other non-life	11,827	14,523	22.8
TOTAL	31,482	36,350	15.5
SCHWEIZ GROUP			
Motor premiums	16,815	23,274	38.4
Other non-life	6,090	8,575	40.8
TOTAL	22,905	31,849	39.0
CATALANA OCCIDENTE			
Motor premiums	13,968	14,813	6.0
Other non-life	14,047	15,641	11.3
TOTAL	28,015	30,454	8.7
VITALICIO GROUP			
Motor premiums	14,062	14,278	1.5
Other non-life	13,497	15,841	17.4
Others	27,559	30,119	9.3
A.S.I.S.A.			
Motor premiums	0	0	0
Other non-life	21,302	29,503	38.5
TOTAL	21,302	29,503	38.5
MULTINACIONAL ASEGURADORA			
Motor premiums	21,326	23,849	11.8
Other non-life	734	2,849	288.1
TOTAL	22,060	26,698	21.0

Most outstanding features of 1990 by class of business

MOTOR INSURANCE

PREMIUMS for Motor insurance rose to Pesetas 600,079 million in 1990, which represents an 18.3% increase over the figure for 1989 (Pesetas 507,069 million).

This increase, weaker than that recorded in 1989, can be explained firstly by the growth in the number of vehicles in Spain, which was lower than in the previous year due to the sharp drop in sales, and secondly by the increase in rates applied half way through the year.

A similar increase in premiums is forecasted for 1991, as the same circumstances still exist regarding both sales and rate increases.

TABLE 13

MOTOR

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	388,911	79.9	18.0	15.4	-13.3
89	507,069	81.7	16.4	14.5	-12.6
90	600,079	84.3	16.4	14.1	-14.8

Claims in 1990 continued rising (+22%) at a greater speed than the increase in premiums, although at a lower rate than that registered in 1989 compared to 1988 (+33%). The result for this line of business is still worrying.

The trend for 1991 shows a reduction in the frequency of claims, due to the improvement of the road network and to the application of the new Road Safety Law, as well as an increase in the average cost of losses for both property damage and bodily injuries, even though the latter show a certain decrease in their growth rates.

The Ministerial Order dated 5 March 1991, published in the Official Gazette on 11 March, which establishes the Appraisal System for Bodily Injuries in Third Party Liability Insurance for Motor Vehicles, will have an impact on the standardization of claims costs for bodily injuries. This Order will allow for a more rapid payment of compensation, through friendly, out-of-court arrangements. This same Order will also result in the revision and updating of outstanding claims reserves.

LIFE INSURANCE

Premiums issued in Life insurance reached Pesetas 458,516 million, which represents a scant 2.3% increase over the figure for 1989. Regular premiums accounted

for Pesetas 291,401 million (+12.7%), whereas single premiums amounted to Pesetas 167,116 million (—11.8%).

After the virtual disappearance of atypical operations, single payment insurance policies with medium— and long-term maturities have continued to be subscribed as a favorable investment alternative.

TABLE 14

LIFE

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	811,511	53.3	3.6	2.5	40.6
89	448,010	118.1	8.0	8.0	—34.0
90	458,516	66.6	8.0	8.5	16.8

New production of regular premiums in life insurance has been lower than expected. This is due to the lower growth in 1990 by some companies connected to banking networks, to the cooling-down of the Spanish economy and to the crisis of expectations which took place in the second half of the year.

A growing demand for systematic savings products aimed at retirement was confirmed in 1990, combined with life risk coverage, a formula which may only be offered by insurance companies.

There was a remarkable increase in the offer of health or medical insurance with reimbursement of expenses and assistance. This will require careful selection, given the high claim rates generated by these types of insurance in other countries.

Individual Pension plans confirmed their importance as a fiscal savings instrument used by a sector with a high level of income, aged over 50, and distributed mainly through banking networks. Employment Pension plans showed strong growth in 1990, due to the adaptation of the existing plans to the new legal system, but their future will depend on the situation of companies and on collective bargaining agreements.

THEFT AND BURGLARY INSURANCE

Premiums issued in 1990 amounted to Pesetas 8,424 million, which represented an increase of 7.4% over 1989.

After the high point of technical imbalance (—31.5%) was reached in 1984, a stabilization cycle began which was maintained during 1990. Strong market awareness, which gave rise to the strict application of underwriting rates and conditions, permit an optimistic outlook as to positive results in 1991 as well.

TABLE 15

THEFT

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	7,796	47.6	18.7	16.0	17.7
89	7,842	37.1	19.4	15.7	27.8
90	8,424	45.2	19.4	17.8	17.5

FIRE INSURANCE

Fire insurance showed a moderate growth of 3.6% over 1989. The volume of premiums issued accounted for Pesetas 47,231 million in 1990, compared to Pesetas 45,604 million in 1989.

As is to be expected in a cyclical line such as this, 1990 showed a pronounced technical deficit (—21.1%), which does not prevent the underwriting conditions detected from deteriorating even further in 1991, until they reach a situation which is practically unsustainable.

TABLE 16

FIRE

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	45,136	38.3	19.2	21.0	21.5
89	45,604	70.2	20.9	21.5	—12.6
90	47,231	78.7	20.9	21.5	—21.1

CETARSA (Compañía Española de Tabaco en Rama) once again had a fire of considerable dimensions (Pesetas 500 million), but which was amply surpassed by other fire losses affecting companies such as ENFERSA (Pesetas 700 million), COOPERATIVA INDUSTRIAL DE BODEGAS (Pesetas 1,000 million), FIMSA (Pesetas 3,000 million) and PANRICO (Pesetas 6,000 million).

MULTIRISK INSURANCE

The premiums for Multirisk policies underwent a considerable increase in 1990 and reached Pesetas 134,711 million. This rise represents a 18.8% increase over the previous year.

The Multirisk branche improved its claims ratio in 1990 relative to 1989, although to a limited degree, so the positive result in this area should be considered precarious.

TABLE 17

MULTIRISK

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	90,563	49.6	19.2	24.8	6.4
89	112,476	57.8	18.8	25.2	-1.8
90	134,711	55.2	18.8	25.1	0.9

There are strong differences however between the different sectors involved, and it is necessary to take measures in those sectors showing bad results (Condominiums and small commercial risks).

In 1989 the increase in the frequency of claims was confirmed, together with a slower increase in premiums in 1990, which grew 19.8%, compared to 24.2% in 1989.

MARINE INSURANCE

Marine insurance reached a premiums volume of Pesetas 40,468 million in 1990, which represents a decrease of 0.7% over premiums in 1989.

Claims amounted to 70.5%, which was lower than the 75.8% recorded in 1989, but high enough to produce a negative result of 2.5%.

TABLE 18

MARINE

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	37,459	53.1	16.4	14.4	16.0
89	40,738	75.8	17.1	14.6	-7.6
90	40,468	70.5	17.1	14.9	-2.5

The Marine Hull sector is still suffering the effects of a fall in rates due to strong competition caused by the entry of multinational companies into the Spanish market and by the action of brokers. This situation has been aggravated by the disappearance of the CASMER agreement.

An attempt to contain this drop in rates and deductibles is anticipated for 1991, as happened in other markets in 1990, although in specific cases the downward trend has been maintained.

The Cargo sector shows the same situation as indicated for the Marine Hull sector, which, combined with the indications pointing to a decrease in traffic in the second half on 1990, will make it difficult to obtain a minimum balance.

ENGINEERING INSURANCE

Engineering insurance accounted for a volume of premiums of Pesetas 14,850 million in 1990, which represents a 19.2% increase over the previous year.

Out of this figure, approximately 40% corresponds to Construction and Erection All Risk and 60% to Electronic Equipment and Machinery Breakdown. The volume of premiums generated by Leasing operations in the latter is worth noticing.

TABLE 19

ENGINEERING

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	10,463	42.3	18.7	14.8	24.2
89	12,454	57.9	19.8	15.1	7.3
90	14,850	51.0	19.8	15.3	14.0

Despite the growth attained, rates still show a downward trend, and underwriting conditions have been aggravated still further by the inclusion of new and wider covers.

All things considered, the result is once again favorable due, among other reasons, to the absence of catastrophic events. The fact that Act 21/90, dated 19 December and which regulates the functions of the Consortium for Insurance Compensation, still excludes the Construction and Erection All Risk lines.

SURETY INSURANCE

Surety insurance underwent a significant rise in 1990, due mainly to the increase in public investment, reaching a volume of premiums of Pesetas 10,057 million. This figure represented a 30.5% increase over the previous year.

TABLE 20

SURETY

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	5,866	31.3	25.9	7.7	35.1
89	7,707	35.2	26.6	7.1	31.1
90	10,057	28.7	26.6	6.4	38.2

The percentage of claims was slightly lower than that for 1989 and therefore the result was also favorable in 1990.

On the other hand, 1991 may show a less favorable result due to an expected slowing down in public works, a clear apathy of the real estate market, which will affect Advance Payments Guarantees, and more restrictive underwriting of guarantees to cover borrowers' insolvency.

CREDIT INSURANCE

The upward trend was maintained for this line of business, which reached a premiums volume of Pesetas 18,744 million, up 26.2% over 1989.

This increase reflects the general cooling-down of the Spanish economy, which causes a greater credit risk and a greater demand for insurance.

TABLE 21

CREDIT

YEAR	PREMIUMS CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	11,948	61.1	34.2	6.3	-1.6
89	14,850	69.0	32.5	6.6	-8.1
90	18,744	78.1	32.5	6.7	-17.2

The increase in rates and a stricter selection policy have not been sufficient to stop the sharp deterioration of results (-17.2%) caused by increased claims over the previous year (+42.8%).

Data on the economic situation for 1991 allow a certain optimism as to the stabilization and improvement of results for this line of business, as well as a sustained growth in the volume of premiums.

On the other hand, 1990 witnessed the introduction of private Export Credit insurance. It is expected that the Administration and the insurers operating in this area will create an adequate framework for developing this type of coverage.

In 1990, premiums corresponding to this type of insurance amounted to Pesetas 2,200 million, and a growth of close to 30% can be expected for 1991. Claims corresponding to 1990 accounted for 38%, and this figure is expected to rise in 1991.

PERSONAL ACCIDENT INSURANCE

Premiums for Personal Accident amounted to Pesetas 76,950 million in 1990, which represent an increase of 12.9% over 1989.

TABLE 22

PERSONAL ACCIDENT

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	59,766	36.7	19.6	23.5	20.2
89	68,148	37.4	19.5	23.0	20.0
90	76,950	42.3	19.5	22.9	15.3

Part of this growth is due to the gradual inclusion of premiums corresponding to the Compulsory Travellers' Insurance, previously channeled to the Consortium for Insurance Compensation, privatized by Royal Decree 1575/89 dated 22 December 1989. The higher growth rate corresponds to Group insurance (+15%).

The result for this line of business is still favorable, although it shows a 5 point increase in claims over 1989.

THIRD PARTY LIABILITY INSURANCE

General Third Party Liability generated premiums of Pesetas 34,137 million, which represent a remarkable growth of 25.4% over the previous year.

The figure for claims, according to preliminary data, has moved from a worrying 65.2% to an unsustainable figure of 82.1%, with an end result of -19.9%.

TABLE 23

THIRD PARTY LIABILITY

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	23,539	60.7	113.2	19.2	1.9
89	27,218	65.2	18.4	19.2	-2.8
90	34,137	82.1	18.4	19.3	-19.9

These bad results are a reflection on the one hand of the accelerated process of social change which has given rise to a more demanding attitude on the part of the policyholders, and on the other hand of a judiciary which is less conservative when it comes to assessing liabilities.

The consequence of this is an increase in the amounts of compensation, aggravated by legal surcharges in the event of a delay in payment, as well as by the necessary revision and updating of outstanding claims.

The new system of liabilities required from the Directors and managers (D&O) by the Limited Companies Act has given rise to a sudden increase in this kind of insurance.

The Spanish insurance companies are reluctant to give a positive response to the unlimited coverage of the compulsory Third Party Liability insurance required from transport companies.

TRAVELLER' ASSITANCE

In 1990 the Travellers' Assistance line showed an increase of 14.4% over 1989, with premiums amounting to Pesetas 11,075 million.

The rate of growth for this line of business has shown a continuing tendency to stabilize, in tune with that of other lines, after the initial starting. The year 1990 marked the entry into the market of several specialized companies attempting to find a slot by offering new types of coverage aimed at specific sectors of the population.

TABLE 24

TRAVELLERS' ASSITANCE

YEAR	PREMIUMS + CHARGES	% CLAIMS	% INTERNAL EXPENSES	% EXTERNAL EXPENSES	% RESULT
88	7,019	28.6	20.6	16.5	34.3
89	9,679	35.9	22.6	17.1	24.4
90	11,075	29.4	22.6	16.7	31.3

The rate of claims in 1990 was 29.4%, and the trend for 1991 continues with a ratio of almost 35% on a volume of premiums which is expected to grow by 17%.

LEGAL MODIFICATIONS WHICH HAVE AFFECTED INSURANCE

The process of adaptation of Spanish laws to the Directives issued by the European Community has had a significant impact on the insurance market in 1990.

The coming into effect of Act 21/90, dated 19 December, on the unrestricted provision of Non-Life insurance services, means that insurers based in another member state of the Community may perform direct insurance operations on specific categories of risk located in Spain, without the need to maintain a permanent establishment

there. This same Act regulates Legal Defense insurance and endows the Consortium for Insurance Compensation with a new legal statute.

Royal Decree Act 339/90 published on 2 March contains the text of the Law on Traffic, Motor Vehicle Circulation and Road Safety, which aims to promote greater traffic safety and the prevention of accidents.

Act 4/90 of the General State Budget prohibited Savings Banks from taking on new operations as insurers, and from modifying existing contracts when this implied an extension of their term or an increase in coverage. They were authorized to cancel these operations or to transfer their portfolios to insurance companies.

The same Act maintains the 4% tax on the yield from reinsurance operations obtained by non-Community reinsurers based in countries with which Spain has not signed a double taxation agreement, although it clarifies that the basis for calculation will be the difference between ceded premiums and the commissions and claims payments received.

Royal Decree 338/90 establishes the obligation to communicate, certify and include on the policy the Fiscal Identification Number for any person or business performing insurance operations with insurance companies having a permanent establishment in Spain.

Royal Decree 1.042/90 establishes the obligation on the part of insurance companies to provide information to the tax authorities on the premiums received, as well as on all claims and other payments made which are the result of insurance contracts.