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HE SPANISH INSURANCE MARKET IN 1992



FUNDACION **MAPFRE** ESTUDIOS

INDEX

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GENERAL ECONOMIC SITUATION IN 1992

THE Spanish economy has entered into clear recession, partly because the European economy has failed to recover and domestic problems have intensified. The first half of 1992 featured the Olympic Games held in Barcelona and the Expo in Seville, which generated a good deal of optimism and bolstered economic indicators. This was followed by marked deterioration during the second half of the year, which culminated in negative growth in the fourth quarter.

gross capital development showed a negative rate of 2.7%. This trend will continue in 1993, as a decrease of 1.8% compared to 1992 is anticipated.

The statistics provided by the Spanish Customs Authorities indicate that imports grew 5.5% compared to 1991, reaching a total of 10.2 billion pesetas, while exports totalled 6.6 billion with an increase of 6.1% over the 1991 rate. This data means that the coverage rate improved by 3 tenths of a percent. However, the commercial deficit increased by 4.4% as compared to 1991, reaching 3.4 billion pesetas. Estimates for 1993 indicate an improvement in this item, more so after the two devaluations of the Peseta in September and November of 1992 and a third in May of 1993.

The hosting of the EXPO and the Olympic Games in Spain is perhaps the reason why 1992 was a record year for tourist influx. There were 55.3 million visitors who accounted for income of US \$21,034 million. The net balance amounted to US \$16,285 million after deducting expenditure made by Spaniards under this heading and which involved outlays of US \$4,749 million. The outlook for 1993 is optimistic.

TABLE 1

	1991	1992	1993(e)
Working population (in thousands)	15,073	15,154	15,220
Unemployment rate %..	16.3	18.4	21.0
GNP (billion pesetas) ..	54.8	58.8	61.1
GNP growth rate %	2.3	1.0	-0,5
Inflation %	5.5	5.4	5.3
Reserves (million US\$) ..	66,283	52,440	50,000

The gross national product (GNP) grew a total of 1% during 1992, a rate similar to that recorded in the E.C. but which is 1.3 percentage points lower than in 1991. A reactivation is not expected in 1993, and thus the year may end with a negative rate of circa 0,5%.

In 1992 internal demand was 1.4 percentage points lower than in 1991, but public and private consumption increased by 3.7% and 2.6% respectively as compared to the previous year. This data indicates reduced investments, as

TABLE 2

	1990	1991	1992
Average exchange rate US\$	102.0	104.1	102.1
US\$ exchange rate on 31/12	96.8	96.6	114.6
ECU average exchange rate	129.7	128.6	132.2

The total Spanish population in 1992 was 39.0 million people, of which 15.1 million made up the working population, i.e. 38.8% of the total. There were 2.8 million unemployed in 1992, i.e. 18.4% of the work force. The above data shows a backslide from the 1991 figures, as it means that over 314,000 people have become unemployed. If the above data is worrisome, the data for the last quarter of 1992, which put the unemployment figure at 3.0 million, and that for the first

quarter of 1993, which shows that 3.3 million of the work force are unemployed, is alarming, moreso when there are no signs of recovery.

The Consumer Price Index (C.P.I.) grew by 5.4%, one tenth lower than that recorded in 1991. However, average inflation did not vary with regard to 1991 and remained at 5.9%. Underlying inflation, i.e. not accounting for food and energy, was 6.9%; the service sector was responsible for this high rate. The inflation differential with the E.C. was 1.7 percentage points, while the difference compared with the 3 countries with the best rate was 3.5 percentage points.

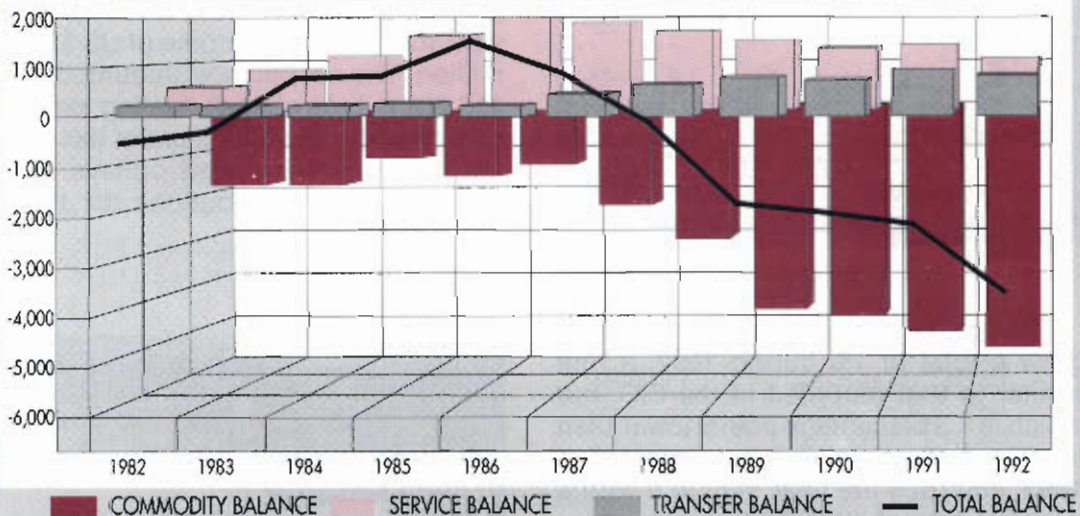
The Spanish State's consolidated budgets for 1993 anticipate public expenditure of 26.0 billion pesetas, which is an increase of 9.8% over 1992. There is an 8.3% increase in revenues over 1992, which amount to 22.5 billion pesetas. Thus, state deficit requirements will amount to 3.5 billion pesetas.

TABLE 3

Madrid Stock Exchange	Index	Date
Initial	246.2	2/01/92
Minimum	179.4	5/10/92
Maximum	266.5	28/02/92
Last	214.3	31/12/92

EVOLUTION OF BALANCE OF PAYMENTS ON CURRENT ACCOUNT

TABLE 4



Figures in thousands of millions of Pts. Source: Bank of Spain.

THE MAIN FEATURES OF THE INSURANCE MARKET IN 1992

If viewed from an economic standpoint, the growth of the insurance sector can be considered very positive. According to provisional data, Direct Insurance premiums and charges amounted to 2,459,507 million pesetas, 16.6% more than in 1991.

Premiums and charges for life insurance branches rose from 657,854 million pesetas in 1991 to 788,843 million pesetas in 1992, which is an increase of 19.9%. It should be noted that single premiums

other reasons, by the drop in car sales in the market.

In the Health Care branch, which reflects the increased demand for this type of cover as a complement to social security, the volume of premiums plus charges amounted to 203,968 million pesetas, which is a 19.9% increase over 1991.

On the contrary, the traditional Fire and Marine insurance branches clearly reflect-

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	1,702,379	13.5	82.2	14.7	12.3	-14.1
1991	2,108,532	23.9	81.5	14.3	11.9	-12.6
1992	2,459,507	16.6	79.1	13.5	11.7	-9.7

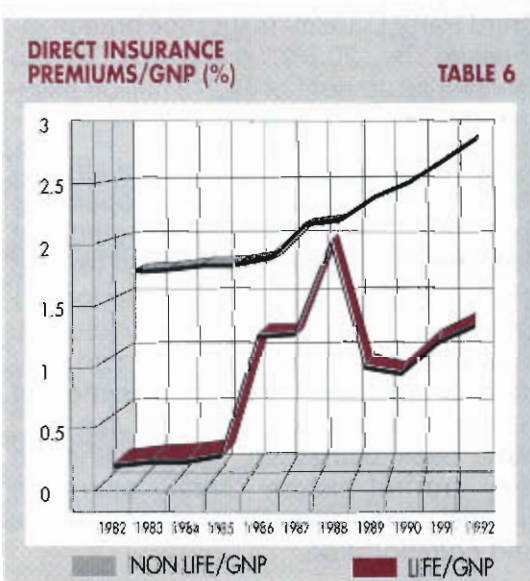
NOTE: In all tables, I. L. and results % to earned premiums. Source: UNESPA. Figures in millions of pesetas.

have been steadily growing since 1990; they increased 27.6%, thus amounting to 330,476 million pesetas.

Premiums and charges for non life insurance branches grew by 15.2%, reaching a total of 1,670,663 million pesetas, which can be considered satisfactory. Significantly, the branches focusing on family and personal covers grew more than corporate-related branches.

Table 6 shows a graph of growth in direct insurance premiums compared to the Spanish GNP. The ever-increasing weight of the insurance sector is apparent here.

Premiums and charges in the Motor Insurance branch grew by 14%, somewhat less than the growth recorded in 1991 and which can be explained, among



Source: UNESPA and M. E. H.

LIFE ASSURANCE TOTAL

TABLE 7

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	1,234,042	17.3	73.6	16.9	15.2	-7.1
1991	1,450,698	17.6	75.3	17.1	14.8	-8.3
1992	1,670,663	15.2	73.3	15.9	14.5	-4.8

NON LIFE INSURANCE TOTAL

TABLE 8

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	468,337	4.5	121.0	8.9	4.7	-45.6
1991	657,834	40.5	104.8	8.3	5.4	-29.1
1992	788,844	19.9	102.3	8.3	5.6	-29.3

ed the economic slump, growing 1.6% and 9.2% respectively, with premiums plus charges amounting to 42,851 million pesetas in the former and 46,910 million pesetas in the latter. Even though the Third Party Liability Insurance branch increased by 20.6%, premiums having reached an amount of 49,276 million pesetas, the results are worrisome.

Table 10 below gives the ranking of the ten major insurance groups operating in Spain in 1992. It should be noted that only the companies that in effect formed groups on the final date of this report, 31 December 1992, have been included. However, it should also be noted that both in 1992 and 1993, the creation of new groups, holdings, joint ventures, etc., have been witnessed, which although they are not exactly unitary operating groups, do form a community of interests and collaboration.

Tables 11 and 12 show the ranking of the ten major life and non life assurance groups. As anticipated in the last report there have been important changes, including the outstanding presence of three Swiss companies and the fact that the BCHA group has risen to second place in the non life branch ranking.

As regards the life assurance ranking, we should note the outstanding performance of the companies held by financial institutions that hold the first four places, in all of which foreign groups currently have a shareholding. Both tables indicate that the growth of the first ten groups exceeds the market average and consequently they corner a growing market share in the life assurance ranking, this effect is even more obvious due to the presence of bank-owned companies.

PREMIUMS: ISSUED PLUS CHARGES

TABLE 9

NON LIFE	1991	1992	% Δ 92/91
Motor	697,337	795,006	14.0
Health care	170,075	203,968	19.9
Multirisk	160,853	189,037	17.5
Personal accident	88,789	99,932	12.6
Burial	74,393	86,016	15.6
Third Party Liability	40,866	49,276	20.6
Marine	42,951	46,910	9.2
Fire	42,163	42,851	1.6
Credit	23,290	28,709	23.3
Agricultural	20,666	27,268	32.0
Travel assistance	18,118	22,580	24.6
Legal defence	12,931	21,085	63.1
Engineering	16,291	18,100	11.1
Health	9,728	12,798	31.6
Bonds & Guarantee	11,650	10,600	-9.0
Burglary and theft	7,824	8,484	8.4
Other branches	3,248	4,419	36.1
Loss of profit	9,526	3,624	-62.0
NON LIFE TOTAL	1,450,698	1,670,663	15.2
LIFE ASSURANCE			
Single premiums	258,941	330,476	27.6
Regular premiums	398,893	458,367	14.9
LIFE ASSURANCE TOTAL	657,834	788,844	19.9
MARKET TOTAL	2,108,532	2,459,507	16.6

Source: UNESPA. Figures in millions of pesetas.

THE TOP 10 INSURANCE GROUPS (Premiums written in Spain)

TABLE 10

GROUPS/COMPANIES	1991	1992	% Δ 92/91
1. MAPFRE (Independent)	154,055	193,198	25
2. GRUPO VITALICIO (Banking-Foreign)	154,705	191,913	24
3. BBV (Banking)	135,157	136,634	1
4. HOLDING CAIFOR (Savings Bank-Foreign)	51,357	113,901	122
5. HOLDING BANESTO AGF (Banking-Foreign)	105,118	85,045	-19
6. CASER (Savings Bank)	63,933	72,366	13
7. ZURICH (Foreign)	57,468	66,082	15
8. WINTERTHUR (Foreign)	57,145	65,083	14
9. MUTUA MADRILEÑA (Independent)	54,734	60,355	10
10. SCHWEIZ (Foreign)	44,228	53,934	22

Source: UNESPA. Figures in millions of pesetas.

THE TOP TEN INSURANCE GROUPS 1992 DIRECT LIFE INSURANCE
(Premiums written in Spain)

TABLE 11

GROUPS/COMPANIES	1991	1992	% Δ 92/91
1. BBV			
Regular Premiums	33,997	28,677	-16
Single Premiums	81,841	85,638	5
TOTAL	115,838	114,315	-1
2. GRUPO VITALICIO			
Regular Premiums	66,446	81,055	22
Single Premiums	17,503	32,481	86
TOTAL	83,949	113,536	35
3. HOLDING CAIFOR			
Regular Premiums	17,297	21,446	24
Single Premiums	21,784	84,739	289
TOTAL	39,081	106,185	172
4. CASER			
Regular Premiums	12,061	13,494	12
Single Premiums	38,236	43,574	14
TOTAL	50,297	57,068	13
5. MAPFRE			
Regular Premiums	32,536	36,199	11
Single Premiums	11,519	15,621	36
TOTAL	44,055	51,820	17
6. MUSINI			
Regular Premiums	3,700	5,239	42
Single Premiums	22,601	28,751	27
TOTAL	26,301	33,990	29
7. HOLDING BANESTO AGF			
Regular Premiums	14,424	16,669	16
Single Premiums	20,882	3,274	-84
TOTAL	35,306	19,943	-44
8. GENESIS			
Regular Premiums	10,453	13,018	25
Single Premiums	3,572	6,355	78
TOTAL	17,305	19,373	12
9. WINTERTHUR			
Regular Premiums	8,112	10,397	28
Single Premiums	9,192	7,738	-16
TOTAL	17,304	18,135	5
10. NATIONALE - NEDERLANDEN			
Regular Premiums	12,257	14,494	18
Single Premiums	2,887	3,175	10
TOTAL	15,144	17,669	17

Source: UNESPA. Figures in millions of pesetas.

THE TOP TEN INSURANCE GROUPS 1992 DIRECT NON LIFE INSURANCE
(Premiums written in Spain)

TABLE 12

GROUPS/COMPANIES	1991	1992	% Δ 92/91
1. MAPFRE			
Motor Premiums	73,648	94,078	28
Other Premiums	36,241	47,300	33
TOTAL	109,889	141,378	29
2. GRUPO VITALICIO			
Motor Premiums	29,715	35,268	19
Other Premiums	41,041	43,109	5
TOTAL	70,756	78,377	11
3. HOLDING BANESTO AGF			
Motor Premiums	34,386	26,755	-22
Other Premiums	35,496	38,346	8
TOTAL	69,882	65,101	-7
4. MUTUA MADRILEÑA			
Motor Premiums	51,992	57,637	11
Other Premiums	1,462	1,635	12
TOTAL	53,454	59,272	11
5. ZURICH			
Motor Premiums	27,650	33,071	20
Other Premiums	20,878	23,737	14
TOTAL	48,528	56,808	17
6. SCHWEIZ			
Motor Premiums	25,858	29,148	13
Other Premiums	16,343	22,350	37
TOTAL	42,201	51,498	22
7. ASISA			
Motor Premiums	—	—	—
Other Premiums	39,848	49,340	24
TOTAL	39,848	49,340	24
8. WINTERTHUR			
Motor Premiums	23,023	27,801	21
Other Premiums	16,819	19,147	14
TOTAL	39,842	46,948	18
9. GRUPO ALLIANZ			
Motor Premiums	20,122	28,310	41
Other Premiums	14,647	14,278	-3
TOTAL	34,769	42,588	22
10. SANTA LUCÍA			
Motor Premiums	—	—	—
Other Premiums	35,171	41,825	19
TOTAL	35,171	41,825	19

Source: UNESPA. Figures in millions of pesetas.

THE MOST OUTSTANDING FEATURES IN 1992, BY CLASS OF BUSINESS

LIFE ASSURANCE

Life assurance premiums issued in 1992 amounted to 788,844 million pesetas, which represent an increase of 19.9% over 1991. Growth was slower than in the previous year as a result of less favourable market conditions, new fiscal measures, and the slower rate of growth in premiums issued through the bank distribution system.

lion pesetas, which is a 48.1% increase over the preceding year.

Personal and Employee pension plans, with 29,950 and 505,395 million pesetas respectively, showed increases of 31.3% and 11.9% compared to 1991.

The Health Care and Medical branches evolved favourably due to the public demand for these services as an alternative or complement to the National Health Service.

REGULAR LIFE PREMIUMS

TABLE 13

Year	Premiums	% Δ 92/91	% l. Losses	% Internal Expenses	% External Expenses	% Result
1990	298,657	15.5	86.9	12.6	7.0	-6.5
1991	398,893	33.6	80.4	11.5	7.5	0.6
1992	458,367	14.9	88.9	12.5	7.6	-9.0

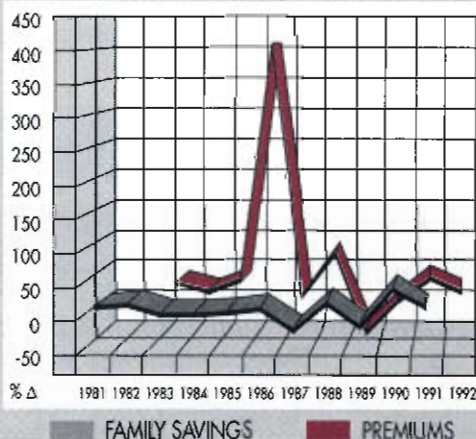
By class regular premiums reached 458,367 million pesetas, increasing by 14.9% compared to 1991, and single premiums amounted to 330,476 million pesetas, which is indicative of the consolidation of this class within the insurance sector as recorded growth was 27.6% compared to 1991.

In spite of the economic recession, the life assurance branch performed well as a result of continued demand for Pension Plans and as it has been identified as a prevention and savings system.

With assets of 961,409 million pesetas, pension fund beneficiaries exceeded one million. Personal pension plans grew the most in 1992 with assets of 426,064 mil-

EVOLUTION OF LIFE ASSURANCE
PREMIUMS AND FAMILY SAVINGS

TABLE 14



Rates of increase in respect of previous year.

The life assurance branch is expected to grow notably in 1993, mainly in the regular premium class, although there may be a slight decrease in the ratio of defaults, reductions and redemptions as

This growth can be considered notable if the branch's past experience is taken into account. Distribution by credit cards and the introduction of new formulas for personal covers such as monthly pay-

HEALTH CARE						TABLE 15
Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	128,281	17.6	76.3	12.3	3.5	7.9
1991	170,075	32.6	82.3	12.9	3.3	1.5
1992	203,968	19.9	83.9	11.2	3.9	0.9

a result of the economic situation. Likewise, Pension Plans, particularly the Personal Pension Schemes, will have positive growth. As regards the Health insurance market, a significant increase is expected in insurance that guarantees reimbursement of medical expenses, as they provide policyholders with specialized services of concerted health care.

ment formulas, mainly intended for family protection, explain this increase in premiums.

The rate of management expenses dropped from 41.3% in 1991 to 39.2% in 1992, which is still quite high although it has improved by two percentage points. Loss rate for 1992 stayed at the same level as in 1991, i.e. 46.7%. The overall branch results are again very favourable, with profits of 12.9%.

PERSONAL ACCIDENT

Premiums for the Personal Accident branch amounted 9,932 million pesetas, with 12.6% growth over 1991.

No change in the positive trend of this branch is anticipated in 1993, although competition between the different companies which market this class of insurance is strong.

PERSONAL ACCIDENT						TABLE 16
Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	76,648	12.5	40.3	19.1	22.3	17.6
1991	88,789	15.8	46.6	19.6	21.7	9.8
1992	99,932	12.6	46.7	18.5	20.7	12.9

MOTOR

In 1992, premiums issued in the motor insurance branch, which represent 47.5% of the non life total, amounted to 795,006 million pesetas, which is a 14% increase over 1991.

Despite the increase in motor insurance rates, which overall was 10%, the growth rate was lower than the total of all non life branches due to the low net increase in the number of policies, which was only 3.2% in 1992 partly due to the drop in new car sales.

Claims experience was somewhat better with a rate of 82.4% of earned pre-

miums, which is 3.7 percentage points less than in 1991. This reduction stems from a lower frequency in both of personal and material damages. However, the average cost of claims has continued on an upward trend.

Management costs dropped 1.8 percentage costs over premiums issued. Consequently, the result on earned premiums in 1992 gives rise to a loss of 10.3%, which though negative is an improvement compared to 1991.

Forecasts for 1993 point to an increase in premiums of circa 12%, 3% of which would correspond to a net increase in new policies. Although the new limits of cover for Compulsory Insurance came

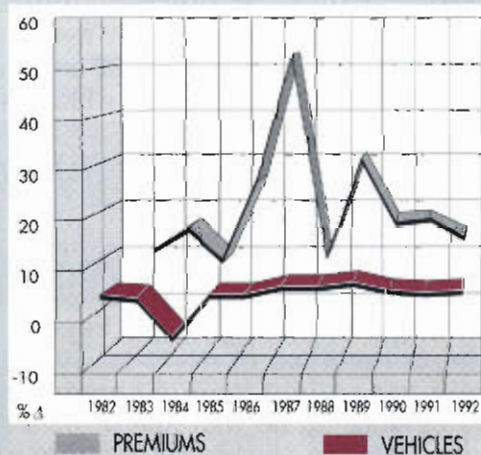
MOTOR

TABLE 17

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	593,265	17.0	86.1	16.4	13.2	-17.8
1991	697,337	17.5	86.1	16.0	12.5	-15.7
1992	795,006	14.0	82.4	14.6	12.1	-10.3

NUMBER OF VEHICLES AND VOLUME OF PREMIUMS

TABLE 18



Rates of increase in respect of previous year.

into effect on 1 January 1993, it is anticipated that the loss rate will continue to decline due to the lower claims rate and reduced vehicle traffic resulting from the economic recession.

TRAVEL ASSISTANCE

Growth in this branch during 1992 surpassed the forecasts made at the beginning of the year, reaching 22,580 million pesetas in premiums issued, which is a 24.6% increase over 1991.

Both loss rates over earned premiums and management costs have improved as compared to 1991, and consequently

TRAVEL ASSISTANCE**TABLE 19**

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	11,093	14.6	33.1	18.9	14.6	32.5
1991	18,118	63.3	41.2	28.6	14.2	9.2
1992	22,580	24.6	39.2	21.0	12.4	24.2

the 1992 result shows a profit of 24.2% on earned premiums.

The trend in 1993 is toward a rise in losses and reduced profit margins due to strong competition between the different companies operating in this branch.

MULTIRISK INSURANCE

Premiums for the Multirisk branch amounted to 189,037 million pesetas, which shows a growth of 17.5% compared to 1991. The growth rate in 1992 exceeded the average of all non life branches, and it placed third in the ranking behind the Motor and Health Care branches.

Within this field, the different growth rates of the various classes should be noted. Multirisk household Insurance grew 20%, condominium 15% and Commerce only 10%, in spite of the continuous transfer of risks from the traditional Fire and Theft branches.

It is expected that this branch, which currently covers approximately 50% of

Spanish homes, will continue to grow as sales can now be made through banking networks.

The strong competition between insurance companies has not focused on reducing management costs, which rose from 43.7% in 1991 to 44.1% in 1992. This, together with a loss rate of 60%, which is less than one percentage point of that recorded in 1991, have produced a negative balance of 5.3%.

In 1992, the main reasons for the poor results of this branch have continued to be the result of water and glass damage covers in condominium policies. Forecasts for 1993 point to a slight improvement or at least the same rates, due to risk reorganization campaigns and selective rate increases implemented during 1992.

FIRE AND LOSS OF PROFITS

Fire insurance premiums in 1992 amounted to 42,851 million pesetas, which re-

MULTIRISK**TABLE 20**

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	140,755	25.1	56.4	17.5	22.2	2.0
1991	160,853	14.3	60.9	19.8	23.9	-7.2
1992	189,037	17.5	60.0	19.9	24.2	-5.3

presents a 1.6% increase over 1991. According to the advance figures, premiums for the Loss of Profits branch suffered a 62% reduction with regard to 1991, amounting to 3,624 million pesetas.

Together, both branches fell by 10% compared to 1991, mainly due to the

Although an increase in premiums issued is not expected in 1993 due to the transfer of operations to the Multirisk branch, it is expected that the positive results will be maintained as improvements in underwriting conditions and deductibles have been observed.

FIRE INSURANCE						TABLE 21
Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	46,182	1.3	84.8	19.4	18.4	-22.8
1991	42,163	-8.7	56.1	19.5	18.3	7.7
1992	42,851	1.6	47.2	20.4	18.1	14.4

transfer of policies to the Mutirisk branch, including «All Risks» insurance which has developed considerably throughout 1992.

The loss rate for the Fire Insurance branch dropped for the second consecutive year and was 47.2% of earned pre-

THEFT AND BURGLARY INSURANCE

In 1992, the Theft branch issued premiums worth 8,484 million pesetas, 8.4% more than in 1991. This increase can be

LOSS OF PROFIT						TABLE 22
Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	4,765	40.6	28.5	15.8	8.7	47.4
1991	9,526	99.9	107.4	12.6	6.8	-27.7
1992	3,624	-62.0	69.7	17.2	10.3	4.7

miums. The loss rate for the Loss of Profits branch dropped from 107.4% in 1991 to 69.7% in 1992.

Overall, both branches showed profits in 1992, of 14.4% in the Fire Insurance branch and 4.7% in the Loss of Profits branch, which can be considered very satisfactory taking into account strong market competition.

explained by their increase in number as well as in that of bank policies.

The rate for management costs increased by 1.7 percentage points in comparison to 1991. As in 1991, the loss rate continued to grow in 1992, reaching 67.3% of earned premiums. These two factors led to a loss of 4.5% in the branch for 1992.

THEFT AND BURGLARY INSURANCE**TABLE 23**

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	7,526	-4.0	39.6	19.9	14.8	27.3
1991	7,824	4.0	64.0	21.0	15.5	-1.0
1992	8,484	8.4	67.3	22.2	16.0	-4.5

Within the discouraging social and economic framework, any foreseeable evolution within this branch for 1993 is clearly unfavourable.

ENGINEERING INSURANCE

The Engineering branch collected a total of 18,100 million pesetas in premiums in 1992, which is an 11.1% increase over 1991.

The forecast for the Construction sector in 1992 has been confirmed and is even worse than expected, as general activities have experienced a 6% recession. Broken down by sector, public construction has decreased 10%, private construction by 4%, and official tenders by 22% in comparison to 1991.

The reason for this is the culmination of the extraordinary programmes for the Olympic Games and EXPO and the general apathy in the private sector. Forecasts for 1993 indicate the same downward trend and fix the recession at 4%.

The loss rate for the branch is worse than that recorded for 1991 and is 63.3% of earned premiums. An important loss occurred in the EXPO's Discovery Pavilion, which was assessed in approximately 2,500 million pesetas. The branch results have deteriorated, almost reaching break even point.

Corrections imposed by the international reinsurance market both in treaties and renewed facultative covers for 1993 should allow for improvements, which should materialize in 1994.

Financing of capital goods is on a downward trend in 1993, which will affect the Machinery breakdown and Electronic Equipment branches. Likewise, the increasing tendency to integrate this equipment in multirisk policies will affect the growth of this branch.

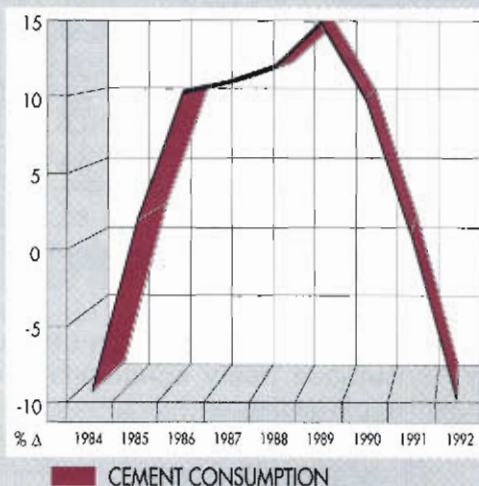
The preliminary draft of the Building Law is still being debated and has not yet come into effect. However, there is an upward trend in the issuance of decenal insurance policies mainly by French firms operating in this market.

ENGINEERING INSURANCE**TABLE 24**

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	15,590	25.2	50.7	19.4	13.9	14.0
1991	16,291	4.5	54.9	20.1	14.8	9.3
1992	18,100	11.1	63.3	20.1	13.5	2.0

CONSTRUCTION EVOLUTION GROWTH RATES (%)

TABLE 25



Rates of increase in respect of previous year.

GUARANTEE INSURANCE

The economic recession, reduced number of public and private works contracts and a rigorous selection of risks have caused a decrease in the volume of premiums issued in the Guarantee branch in 1992.

Premiums issued in 1992 amounted to 10,600 million pesetas, i.e. a decrease of 9.0% compared to 1991, even after a very notable increase in the premium rates enforced in this branch, which will continue in 1993.

Management costs rose from 28.3% in 1991 to 33.4% in 1992, which is only par-

tially explained by the reduced number of premiums. On the contrary, the loss rate dropped significantly from the level reached in 1991 as a result of the URIBI-TARTE loss to 62.2% of earned premiums. However, it should be noted that although the year's profits were 7.3% of earned premiums, this is far from the magnificent results obtained in previous years.

An increase in suspension of payments and bankruptcies, as well as the above mentioned decline in public and private investments affecting the construction sector, which is this branch's principal client, give rise to a possible increase in the loss rate for 1993.

CREDIT INSURANCE

The difficult economic situation has favoured continued growth of Credit Insurance premiums, which increased from 23,290 million pesetas in 1991 to 28,709 million pesetas in 1992, i.e. 23.3%.

There are many factors involved in the deterioration of the market in which domestic and foreign credit insurers operate. The drop in GNP and investment figures have had a negative effect on the profit and loss accounts of companies in E.C. countries. Banks in Spain have seen a rise in the default ratio exceeding 6%.

This incertitude has led to higher premium rates and a rigorous enforcement of risk underwriting criteria, which has made it possible to maintain the loss rate

GUARANTEE INSURANCE

TABLE 26

Year	Premiums	% Δ 92/91	% f. Losses	% Internal Expenses	% External Expenses	% Result
1990	11,101	44.1	33.0	18.6	5.6	39.7
1991	11,650	4.9	86.9	21.7	6.7	-16.6
1992	10,600	-9.0	62.2	19.3	14.1	7.3

CREDIT INSURANCE

TABLE 27

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	18,808	26.7	81.8	27.9	6.1	-17.5
1991	23,290	23.8	75.2	25.1	6.5	-6.6
1992	28,709	23.3	69.0	23.5	6.9	-0.5

within acceptable parameters, such as a rate on earned premiums of 69%. The results obtained on earned premiums show a loss of 0.5%, which is an improvement compared to the results of previous years.

The tendency in 1993 is to maintain the same rigorous underwriting criteria as no short-term improvement in economic indicators is anticipated.

MARINE
INSURANCE

Premiums in the marine branch amounted to 46,910 million pesetas, which represents an increase of 9.2% over 1991 and exceeds by 5 percentage points that recorded last year.

re of international reinsurers on obligatory reinsurance treaty conditions and facultative placements.

In the Cargo branch, the Olympic Games and EXPO'92 logically had an influence on the increase in premiums throughout 1992, although not to the extent estimated by the market as many of the contracts were written in the countries of origin.

Internal and external expenses show a slight reduction, though less than the increase in premiums, with a combined rate of 32%, i.e. a reduction of 2.1%.

The loss rate for the Marine Hull and Cargo branches has for one more year stayed above 70%, at 75.6% on earned premiums to be exact, which gives a tech-

MARINE INSURANCE

TABLE 28

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	41,232	1.2	72.5	17.5	13.4	-3.4
1991	42,951	4.2	70.4	18.3	14.4	-2.6
1992	46,910	9.2	75.6	18.1	13.9	-8.7

In the Hull sector, the downward trend of rates evident during previous years has been reversed and there has been a general increase caused both by the negative results of the market and by the pressu-

rical deficit of 8.7%, which is five percentage points higher than in 1991.

As a consequence of market resistance to increased premium rates, the rise in 1992

was insufficient and therefore there will be a further increase in insurance premium rates in 1993, both in the Hull and Cargo branches. The international reinsurance market situation, which in 1992 experienced a new reduction in capacity and a notable rise in cover rates, will favour this upward tendency even more. The amount of premiums in the Cargo branch may grow due to the increase in Spanish exports and the rise in import prices resulting from the three devaluations of the Peseta.

THIRD PARTY LIABILITY INSURANCE

Premiums in the Third Party Liability branch increased significantly from 40,866 million pesetas in 1991 to 49,276 million pesetas in 1992, which shows a 20.6% growth rate.

The loss rate rose again in 1992 to 92.5% of earned premiums, or 6.3 percentage points higher than the 1991 rate. The negative results of this branch, which undoubtedly will be even greater when the definitive figures for the year are known, reached 27.4%, i.e. approximately 13,500 million pesetas in losses.

nies have opted out of certain types of risk, in particular professional liabilities and have implemented plans to reassess their portfolios.

The difficulty of placing certain risks, especially those underwritten as « Claims made », has become evident from several rulings made by the Supreme Court that consider this class of temporary limitation to be null and void. Thus, Professional Liability, D & O policies and other industrial risk covers issued under this scheme, if not absolutely impossible to place, have at the very least faced serious problems of acceptance from the reinsurance market.

Enactment of the Mediation Law, which compels brokers to underwrite insurance with a limit of 200 million pesetas per loss has led to the creation of an Economic Interest Association, to which the principal insurance companies belong, to consider cover for this risk under the co-insurance formula administered by this Association (Brokers Pool). Along these same lines of collaboration between companies, the ongoing conversations for setting up the Spanish Pollution Pool are intended to address the requirements enforced by Spanish environmental legislation.

During the first few months of 1992, the Third Party Liability Bill for Damages

CIVIL LIABILITY INSURANCE

TABLE 29

Year	Premiums	% Δ 92/91	% I. Losses	% Internal Expenses	% External Expenses	% Result
1990	35,827	31.6	85.0	18.4	17.2	-22.2
1991	40,866	14.1	86.2	19.6	17.6	-25.7
1992	49,276	20.6	92.5	18.6	16.2	-27.4

This alarming deterioration has led some companies to reconsider whether to continue as underwriters in a branch which increasingly requires great technical and financial capacity. Other compa-

caused by Defective Products was sent to Parliament. This bill will be enacted in Spanish legislation, after a five year delay, Regulation 85/374 on Manufacturers' Third Party Liability.

LEGAL MODIFICATIONS

New legislation enacted in 1992 affecting the insurance sector includes the following:

— Law 9/92 of 30 April on Private Insurance Mediation involves substantial reform and liberalizes private insurance distribution channels.

— Law 13/92 of 1 June and Royal Decree 1343/92 of 6 November include in our legislation the community regulations regarding the solvency of financial institutions; as regards insurance companies and their groups, it stipulates requirements concerning consolidated shareholders' equity and specifies consolidated supervision mechanisms.

— Royal Decree 13/92 of 17 January enacts the Traffic, Motor Vehicle and Road Safety Law.

— In accordance with commitments assumed, the maximum amount of cover for Compulsory Third Party Liability Insurance in respect of Motor Vehicle Use and Traffic has gradually increased as indicated in the following table:

Period	Bodily injury per victim	Material damage per loss
up to 31/12/88	2,000,000	500,000
from 01/01/89 to 31/12/92	8,000,000	2,200,000
as of 31/12/92	16,000,000	4,500,000

— In the fiscal arena, the most important amendment is that enacted by Law 39/92 of 29 December in the General State Budgets for 1993, regarding Income Tax deductibles for life, death or disability insurance.

The new amendment came into effect on 1 January 1993, and abolishes the right to deduct deferred income and full life insurance premiums. It also abolishes the requirement regarding application of the deduction consisting in the existence of an increase in net wealth.

— At present, the future regulatory Law for Private Insurance is under discussion in Parliament. The Bill, approved by Congress on 11 March 1993, introduces legal amendments, including a rise in minimum amounts of share capital and mutual funds required of insurance companies according to the branches in which they operate. A comparative table follows:

Insurance branches	Governing legislation	Bill
Life	1,500	1,500
Guarantee	350	1,500
Credit	350	1,500
Third Party Liability	350	1,500
Reinsurance	650	1,500
Personal Accident	120	350
Health	120	350
Legal Defence	60	350
Travel Assistance	120	350
Burial	60	350
Other Branches	—	500

— Within the framework of E. C. Law, the publication of the Third Set of Regulations in life and nonlife insurance is noteworthy. These Regulations establish the single authorization system and control principle of insurance companies by the member state of origin.

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