

Interview with José María Alvear, president of ICEA

«Spain is quickly catching up with those
countries ahead of it»

**Investigación Cooperativa
entre Entidades
Aseguradoras, or ICEA,
was set up on February 1,
1963 in Spain, and was
modelled on other
European institutions. Its
main functions include
consulting, information
and training services for
the insurance sector and
for its members, which
include the most
important insurance
companies in Spain and
Portugal. As a forum for
sharing experiences,
contacts and information,
the ICEA is an obligatory
point a reference for
those wishing to know
the past, the present and
the future of insurance in
Spain.**



José María Alvear Lerena was born in Bilbao in 1941. He joined Seguros Bilbao (today the Fortis group) at the age of 15, carrying out all types of tasks within the organisation. From 1990 until April of 1999 he was Managing Director, and at present is the Vice-Chairman of the Board of Directors. Seguros Bilbao was set up in 1918, and at first concentrated exclusively on marine insurance. In 1981 it reached an agreement with the Dutch insurer AMEV which, together with the Belgian company A.G., went on to form the Fortis group in 1990. This Belgian/Dutch group is amongst the top ten insurers of the Euro zone and has a strong position in Spain through two channels: its stakes in Caifor, the insurance holding company of La Caixa, and in Seguros Bilbao.



Question: It is not necessary to introduce the ICEA to a large proportion of our readers, having offered services to the Spanish insurance sector for 40 years now. There are however a number of points which it would be interesting to know, for example, since when have you been President of the ICEA? What are the ICEA's functions and who does it represent? What has its presence meant?

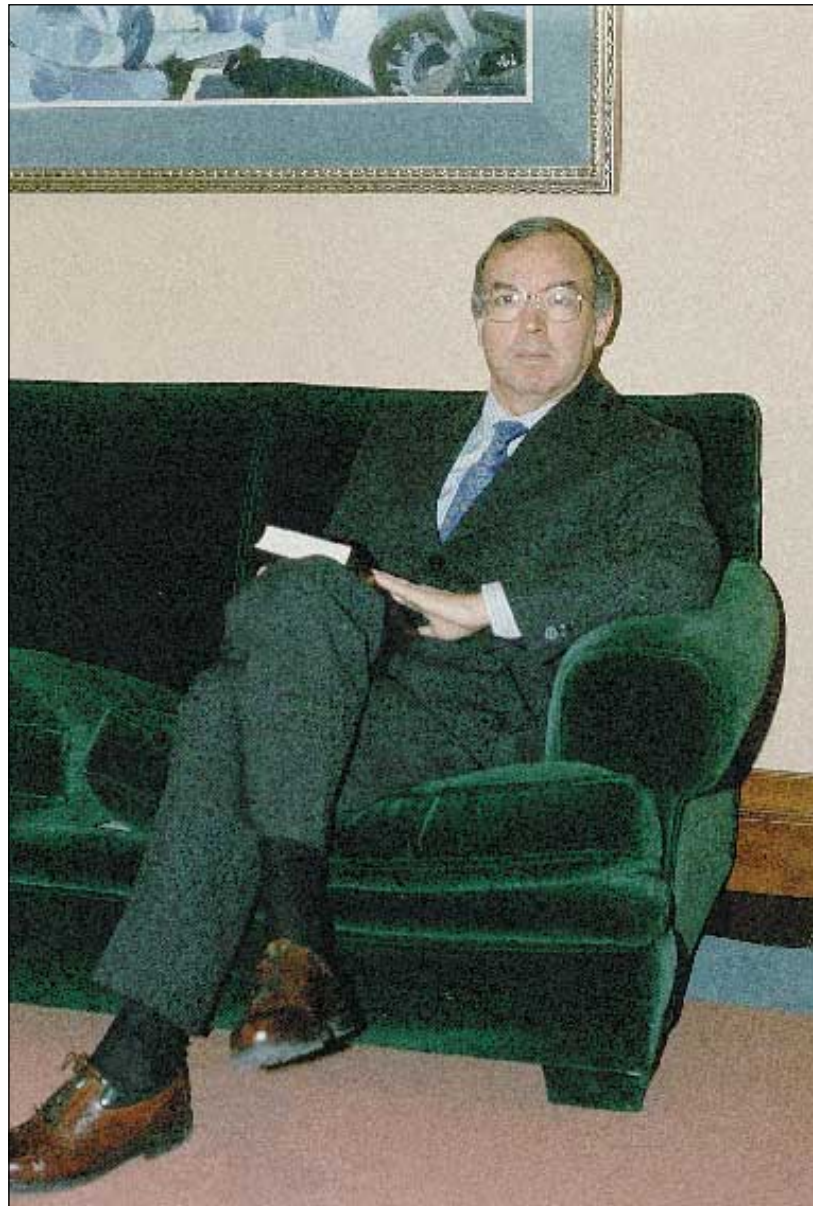
Answer: I have been President since May 12, 1999. The ICEA is involved in research, information, consulting and training for its members, which include more than 250 insurance companies representing 95% of the Spanish market and more than 80% of the Portuguese insurance market. Spain and Spanish insurance have changed greatly, especially over the last ten years. The ICEA has played a role in these changes and at the same time has itself changed in order to adapt itself to market trends.

Q: How would you describe the changes experienced by Spanish insurance from ICEA's beginnings until the present time.

A: As is natural, insurance has evolved along with the economic and social changes which have taken place in Spain. It is now a mature market with the high degree of deregulation, and, more importantly, it has a notable economic presence. I can support this statement with one piece of data: life insurance accounts for 13.5% of total family savings in Spain.

Q: The ICEA recently presented a white book on life insurance. What was its aim here?

A: It is an instrument which the insurance community, through



the ICEA, is offering to Spanish society, giving objective information on the role of life insurance in modern-day society and assessing its importance in economic and social terms.

Q: Can Spain reach the notable development shown by other European countries in terms of accessory insurance?

A: Without any doubt, we are quickly catching up with the countries which precede us, although the distance - measured

in terms of investment in insurance with respect to GDP - is still large. In absolute terms I believe we are close to the fifth European position, if we have not achieved this already.

Q: The regular publication of strategic studies on the Spanish insurance market by the ICEA has been a significant source of reflection on the future of this market. Will this initiative continue in the future? What will the so-called «new economy»



A NEW APPROACH TOWARDS RISK

Q: The perception of risk is changing. Insurers and reinsurers are now not simply offering policies to their clients, but rather know-how and solutions. Risk is being seen from a holistic point of view, in other words from a general standpoint, and has new classifications: strategic, financial, operating, fortuitous, etc. What role will insurance have in this new panorama?

A: The same role that it has always had, as a guarantee of the economy in all its expressions, with a greater importance given to prevention and the communication of know-how in order to avoid risks or minimise their consequences.

Q: What are the most immediate challenges for insurance in Spain, in Europe and in Latin America?

A: In markets which are mature and well structured the main problem for supply will continue to be aggressive competition, with the continual appearance of new operators, because the financial industry will gain the most benefit by the correct management of its clients. In other cases, Latin America for example, it will be necessary for the market to grow and for society to develop a bigger middle-class; this is an essential element for economic balance and advancement in all ways.

Q: What trends are being shown by reinsurance?

A: The reinsurance world is seeing a high level of concentration, and this is occurring simultaneously with the same process amongst cedants. Consulting services involving the transfer of know-how, and a movement towards matters with a financial component are elements with a great importance both now and in the future. I wish to stress however that today, as was the case yesterday, and will be the case tomorrow, mutual trust and respect are the main foundations underpinning relations between cedants and reinsurers.

mean for insurance and the distribution of its products?

A: The strategic insurance plans published by the ICEA were well received and opportune at their time. They also helped insurance companies to take appropriate positions in changing times. The present day circumstances of the Spanish market, with an ever greater lev-

el of concentration, does not make it advisable to repeat these types of plans. The «new economy» is being observed by the ICEA with the interest deserved by the importance which it will have for the financial markets. We are at present involved in the advanced stages of research in order to study the impact which it will have on all areas of insur-

ance, with special attention paid to distribution.

Q: What trends can be observed with respect to insurance margins?

A: Non-life insurance is giving profitability problems in almost all countries. Although the reasons behind the situation may be different in each area, they do have a common root: premiums are fixed by competitive pressures, when they are not imposed by political decisions, in both cases the technical fundamentals which are as necessary today as they always have been are neglected.

Q: Will the existence of a single insurance market and currency in Europe cause radical changes in the supply and demand for protection, prevention and saving, all factors which are characteristic of insurance?

A: I do not believe that the introduction of the Euro will cause great changes in the essential aspects of competition. The free provision of services might be sensitive to change; if advances are not made in achieving a common fiscal policy within the EU then there might be a delocalisation of business.

Q: What are the ICEA's international relations and presence?

A: We have always had excellent relations with all similar institutions to the ICEA which operate in the world, and we will continue to do so because globalisation makes this vital. ■