

Interview with Fernando Suárez González, chairman of MAPFRE System's Insurance Ombudsman Bureau

«We make independent resolutions»

When the MAPFRE system set up an insurance ombudsman bureau in 1985, this was the first time for this to happen in Spain. In order to bring this institution to fruition MAPFRE turned to a man of undisputed courage and utter independence: Fernando Suárez González, ex-labour minister and one of the promoters of the Political Reform Act in Spain. Fifteen years later, and after settling more than 6000 cases, MAPFRE has accumulated a rich experience, meanwhile the institution of the insurance ombudsman bureau is becoming widespread in the Spanish insurance sector; more than 50 companies have already set one up. This interview gives the opinions of this eminent professional who gives prestige, credibility and confidence to this system for protecting the rights of the policyholders of MAPFRE - a fervent believer in a social security system based on solidarity and sharing.



Fernando Suárez González was born in León on August, 10 1933 and graduated in law from the Universidad de Oviedo (Asturias). He obtained a doctorate from the Universidad de Bolonia, an Italian city which has a college which Suárez describes as "the most glorious institution which Spain has in Europe, having been founded by a Spanish Cardinal in 1367, and functioning ever since without interruption". On his return to Spain he was appointed director of a Colegio Mayor. In 1969 he was awarded the Chair in Labour and Social Security Law. In 1975 he was appointed Director-General of Immigration, and shortly afterwards, Technical Secretary-General of the presidency of the government of Arias Navarro. In March 1975 he became the minister of labour, a position which he held until December of that year. Franco died one month earlier, in November. Having a progressive nature, throughout his career he supported the development of the new regime. His Highness King Juan Carlos I of Spain personally appointed him Procurador en Cortes. He was actively involved in the drafting of the Political Reform Act, and he was responsible for handling the amendments to that act, which was the first step in achieving parliamentary democracy. "I was convinced that Spain should become a modern country presided over by the crown", he says. After the Spanish constitution in 1978 he was the member of parliament for Madrid for a time, and member of the European parliament between 1986 and 1994. On leaving politics he returned to his professorship. He has been the head of MAPFRE's insurance ombudsman bureau since 1985.



Question: It might seem a little strange that a defender of the public social security system should be the person responsible for defending the rights of those taking out private insurance policies. What connection did you have with insurance before accepting this position?

Answer: I had no links with private insurance, rather with social security, and it is true that I have always defended the public social security system, with any additional private complementary provisions. When the Spanish constitution was passed

in 1978 it seemed that there was an intention to diminish the importance of public systems so that the private and complementary systems would take a more important role. But I firmly believe that the principle of solidarity demands the existence of a sound public system which is neither meagre nor limited to the poor. When, in 1985, in the period of socialist government, there was growing support for the view that the public welfare system was going to collapse, I defended the public pension system before parliament. Those debates were much talked about.

Q.: What does private insurance mean to you?

A.: I have given a number of talks on this matter. Insurance is essential in a complex society, full of risks which are impossible for one single person to assume, but who nevertheless needs protection from them. It is for this reason that I am in favour of private insurance, which in a modern society must serve the interests of citizens and must be provided by companies which are very solvent, very big, very professional and very solid. It is not permissible that the business should consist of "everything is insured except for the loss". It

LOOKING TOWARDS AMERICA

Q.: What do you think about the efforts which a business group such as MAPFRE has made in converting itself into Latin America's top global insurer.

A.: It is commendable and logical, and even more so considering the fact that the area is in a great period of development. The most important thing is the spectacular transfer of Spanish technology and business approach, this is contributing towards advances in all aspects of the countries of the area, where we do not just share a common language, but also a history, a way of being and of seeing things, ways of behaving, education and, why not, a future and ways of responding to an increasingly globalised world. There we have foundations such as MAPFRE America and Tavera which are contributing to recovering and preserving historical archives.

Q.: What is the status of the insurance ombudsman in the European Union?

A.: I do not have the latest details. In the Nordic countries this institution has seen great development. In the United Kingdom there is one insurance ombudsman for all the companies, and which deals with the entire insurance sector. Also in Italy some companies have set one up. These companies «by the way» came to visit us before setting it up.

Q.: They are also interested in Latin America.

A.: That is true, there is a great liking and interest. I have seen this clearly in Brazil and Colombia. From my point of view however it will still be some time before this becomes more generalised. This institution corresponds to a global concept of society, standard of living and functioning of institutions and services.

Q.: What do you think about the growing privatisation and capitalisation of pension funds in Latin America?

A.: The only thing in this world for which I would like to live 150 years, is to see how the welfare systems based exclusively on capitalisation of contributions will end up. There may be surprises. The vision of this in Europe is clear, and Brussels proposes welfare based on three pillars: one, minimum and assistance orientated, another of a professional nature, and a third which is complementary. It is important to know that in Spain we have already seen the problems which a similar system brought with it, known as the "perra gorda". After the enactment of the old-age insurance law of 1919, each worker paid 10 centimos per day, the "perra gorda", in order to have the right to a pension of one peseta a day 25 years later. This was the calculation made by the French actuaries which had to be contracted because in Spain there was nobody to do the calculations. Twenty-five years later when they started to receive this peseta, this quantity sounded like a joke, so much so that Franco converted it into 300 pesetas, in other words it was necessary to multiply it by 300 because 25 years of inflation, of wars, of all types of circumstances had left the peseta floundering. The lesson is clear: there must be a minimum system of apportionment and sharing, which in fact is perfectly possible, because the important thing for a country is to generate wealth. If a country is rich it will not have any problem in paying its pensions. It is necessary to believe in, and strengthen, generational solidarity.

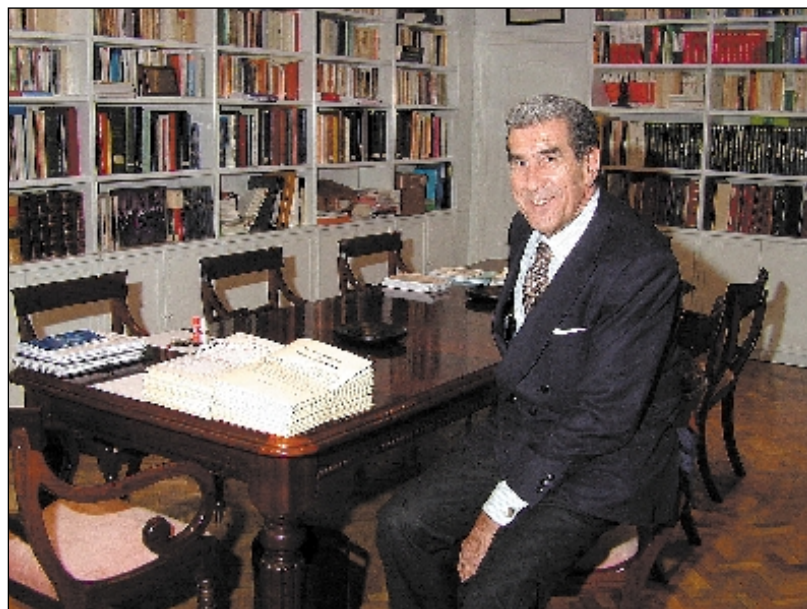
should also not be forgotten that there are social risks with compulsory coverage such as accidents in the workplace and professional sickness, which are of the public nature. I remember very well that in Spain the Social Security Basis Act of December 28, 1963 and the Decree of April 21, 1966, put an end to the coverage which private insurance gave to accidents in the workplace and professional sickness. For this, as in all welfare related aspects, the idea is clear: the basic pension must be obligatory, and if it is obligatory then it may not be left in the hands of the private sector. Social security is either social, in other words public, or it is not.

Q.: In the light of this it seems surprising that they would choose you in order to offer you this position. Why was this?

A.: I think that my independent character had an influence. When Ignacio Hernando de Larramendi decided to set up an insurance ombudsman bureau, similar to those existing in northern European countries, he thought that an ombudsman who was paid by the insurance company itself might give rise to doubts over his independence, and he wished to compensate for this factor by finding a person with proven independence. And of course, if you want to find someone who is independent with respect to private insurance, I have been one of the most independent precisely because of my support for the public system.

Q.: How were the functions of the ombudsman bureau defined, given the fact that MAPFRE was the first company in Spain to set one up?

A.: Larramendi was very clear on this, he had studied it. We came to a consensus view on regulations in which the first premise was that I should not be alone. It is enormously lonely for one person to carry out this



function without collaborators. We set up the Insurance Ombudsman Bureau, of which I was chairman, in 1985, and which today includes Federico Carlos Sainz de Robles, ex-chairman of the General Council of the Judiciary and of the Supreme Court, and the lawyer D. José Luis Merino García-Ciaño. But at that time we included in the bureau a retired judge and a former director of the Directorate for Insurance, also retired. These two people had enormous experience in insurance, whilst I provided a more general approach and that characteristic of which I am proud: independent criteria, which my two eminent colleagues in the bureau also share with me.

Q.: That aspect is arguable, because we are all independent within our dependencies.

A.: I'm not saying that I feel independent; I am independent, and I will explain this. In the fifteen years in which I have been at the head of the insurance ombudsman bureau, MAPFRE has never made any comment about any specific case. I repeat, never. Our resolutions are independent. Our report puts an obligation on MAPFRE of up to Pts10 million. Whatever we de-

cide is binding on MAPFRE, but not on the policyholder. I should point out that we only deal with private individuals, not legal entities, where we have no brief. We also deal with complaints brought by owners' associations.

Q.: How should a complaint be made to MAPFRE's Insurance Ombudsman Bureau?

A.: The idea behind it is that it is not an office open to the public, nor something to check up on MAPFRE's business administration. We replace the judge, if we can talk in those terms, but only when MAPFRE has had its last word and the policyholder is not in agreement. In these cases the policyholder may appeal to the courts, a process which may take years, or may elect to come to us and we will try to resolve the case much more quickly, but with the same spirit of justice, professionalism and rigour. What he may not do is to take both routes at the same time. The ideal situation would be if the policyholder making the complaint comes to us with a final decision made by the director of the regional office, because MAPFRE has divided Spain into geographical areas, with regional head offices,



which coincide with the autonomous regions. This is another characteristic of such a singular Spanish company as is MAPFRE.

Q.: How do policyholders react when they have a problem? What are the main problems?

A.: The Spanish are quick to complain, but do not stop to think how to formulate this complaint, and often complain using two different avenues, which at times can cause real problems. Sometimes they may turn to a lawyer, which unnecessarily complicates the situation for them, because everything would be much easier if they came directly to us, our intervention makes the use of lawyers unnecessary. The majority of problems concerning insurance policies start at the moment the policy is formalised, it is often signed in too much of a hurry. With regard to this, we always stress to MAPFRE that its representatives should take the utmost care in clearly explaining what is and what is not insured. The most frequent problems concern motor insurance, health and homeowners' insurance, and, within motor insurance, a dissatisfaction with claims handling and with loss adjusting etc.. There are also problems with insurance premiums. Although policyholders are sometimes right because some premium increases can be scandalous, it is also true that many think that premiums should only be increased by the cost of living, without realising that insurance companies have to use actuari-

al calculations which are more concerned with losses than with the cost of living.

Q.: What changes have occurred in Spanish society as a result of the introduction of the insurance ombudsman bureau?

A.: This institution, which was introduced by MAPFRE in 1985, was immediately followed by the BBVA which named Alberto Ullastres as banking ombudsman. Later this institution was to spread to other banks, savings banks and insurers. We also defend the interests of Banco MAPFRE's clients. It is an institution which is to be highly recommended in insurance, but whose existence is not obligatory. We have already resolved more than 6000 cases. Considering the fact that MAPFRE has more than 4 million clients in Spain, the number of complaints which we receive is very low, this is perhaps also due to the fact that we are not a consulting or complaints department, but an arbiter of the insurance company's final decision. It should be remembered that being an insurance ombudsman does not necessarily mean to be a prosecutor of MAPFRE. This is not the objective. It is necessary to be distant, independent, but at the same time cordial, with both parties.

Q.: Why do insurance companies choose lawyers of high prestige as insurance ombudsmen, when they frequently do not have the slightest knowledge of insurance law?

A.: All the ombudsmen that I know are well versed in insurance law, although they are not actuarial experts nor company administrators. I believe that the companies are looking for people whose independence and honesty is beyond reproach. In all other respects these people are of greater relevance than I.

Q.: After the many cases which you have dealt with, do you believe that Spanish insurance legislation is sufficient, or are there are still big gaps?

A.: There is no problem with regard to this. Between the Insurance Contracts Act of 1980, the Private Insurance Regulation Act of 1995 and its later regulation, together with the stipulations which are complementary to these basic regulations, and the general policy conditions, there is more than enough. Everything is well thought out. Great advances have been made towards the disappearance of small print and the simplification of the clauses. Policies are becoming clearer. A country also becomes more advanced and modern through this, through making contracts clearer. Things have changed a lot, and in this sense there is no doubt that Spain is a modern advanced country.

Q.: How your relations with MAPFRE?

A.: They are based on our independence and the attention which is given to our resolutions. There is a great respect in all our relations. MAPFRE has no interest in having an employee as insurance ombudsman. ■