



Interview with Carlos Álvarez Jiménez, General Manager of FREMAP and Chairman of Corporación MAPFRE

«Workers' Compensation Insurance is Developing.»

«The year 2000 marked the first centenary of the enactment of the first workers' compensation insurance law in Spain, known as the Dato Act, in commemoration of the labour minister of that time, Eduardo Dato. This first act, of a social nature, was followed by other very important measures: the social security system was set up and the first private insurance law was enacted. These measures, plus the Social Security Act of 1963, formed the operating framework of the Workers' Compensation Mutu- als (WCM), which in the last decade have gone through profound changes since their sphere of activity was widened. In this interview, the general manager of Fremap gives us an overview of the situation affecting the sector and the social function which the WCMs now carry out in Spain.»



Carlos Álvarez Jiménez was born in Valladolid in May 1942. He is a law graduate and member of the Madrid Bar Association. He was a technical collaborator with the Labour and Social Security Ministry and has worked in MAPFRE - where he has been practically his whole working life - since 1966. He has been the General Manager of FREMAP since 1971 and since 1990 has been Chairman of CORPORACION MAPFRE, Fundación MAPFRE and Fundación MAPFRE Medicina. He has been Chairman of MAPFRE Aconcagua, S.A. (Argentina) since 1996 and Chairman of Acción Social Empresarial since 1990.



Question: What position does Fremap occupy within the context of Workers' Compensation Mutuels, and what are your thoughts on workers' compensation insurance?

Answer: There are 30 Workers' Compensation Mutuels (WCM) operating in Spain, and Fremap leads the market, with a premium income of Pts212 billion and 2,600,000 workers covered. The second ranking mutual is Asepeyo, which lies Pts54 billion behind us. The sector has a premium income of some Pts900 billion.

Workers' compensation insurance is a fascinating subject which each country has to consider with great rigour, above all considering that it is a cover - unlike the others - which allows the event causing the accident to be avoided, and where prevention plays an important part. However, as, in the end, accidents do exist and require specific handling, it is necessary to have the means and technical know-how to cope with them.

Q.: What is the situation with regard to Workers' Compensation Mutuels at this time?

A.: Workers' Compensation Mutuels have been going through rapid changes since 1996. From 1966 until 1996 the mutuels were dedicated to the insurance of accidents in the workplace in a very efficient manner, in any case better than when this sector was managed as a line of business by the insurance companies and mutuels. Over these 30 years this type of insurance acquired an ever greater social aspect, in keeping with the fact that the WCMs collaborate with the social security system and the fact that the insurance of accidents in the workplace is a social cover. This characteristic was not only in the declaration that it was insurance, but it was also the inspiration behind the philosophy of



workers' compensation insurance. This led us to develop preventative, assistance and rehabilitation activities - what we call integral professional risk management. But after 30 years of carrying out the same type of business, in 1996 the WCMs were given the opportunity to take part in the coverage of temporary incapacity in a partial capacity, given that they are economic benefits and not health benefits, but in practice they have allowed us to help with our activities in speeding up the healing processes of workers who are sick or have had an accident, thereby we are helping to improve Spain's health, and from the company's point of view we are helping them to get back workers who are on sick leave as quickly as possible.

Q.: With respect to this, how can one measure the WCMs' efficiency in the handling of temporary incapacity?

A.: We are in charge of paying the social security benefits which correspond to a worker after the fifteenth day of sick leave, since until this time the cost must be born by the worker, if self-employed, or by his employer if employed. The WCMs are not involved in either extending the sick leave or in speeding his return to work, but since the beginning there have been attempts to find ways of collaboration with the public healthcare

services. From there on the mutuels make their services available to the injured or sick workers in order to reduce the waiting lists for diagnosis, surgical procedures, rehabilitation processes, etc.

Q.: Why are we seeing a constant process of concentration amongst the Workers' Compensation Mutuels, where will this lead to?

A.: The reason for this lies in the fact that the requirements made by the Ministry of Labour and Social Affairs - accounts, auditing systems, the need for new technologies - are ever more complex and, given their small volume, some mutuels were finding it difficult to cope, making concentration logical. Another second reason is that after 1990, a clause included in the Budgets Act stated that the WCMs should have a minimum of 30,000 workers under cover. A large number of companies did not reach this level.

During the years 1990 to 1996 the Ministry of Labour and Social Affairs maintained a proactive approach towards the merger of WCMs, which encouraged these types of operations. Despite this, in the last four or five years there have been few of these incorporation processes, and the number of mutuels has remained stable at around 30 companies. How far will this concentration process go? This is difficult to forecast. There have been some regional mutuels which have opted to expand nationally, this leads to the need to increase structures and also to an increase in costs; this could lead to new mergers. Other mutuels have remained loyal to their philosophy of regional trading, but with the option of joining up with other similar mutuels, and in this way achieve a presence in more areas. All these factors lead to the conclusion that the concentration process has not ended, and that in the medium-term the number of WCMs will be less than



20. In any case it is neither advisable nor desirable that there should be less than 15 companies.

Q.: This widening of the sphere of activity of the WCMs is also occurring with regard to hazard prevention in the workplace. What does this mean in practice?

A.: Traditionally mutuals have always operated within the field of prevention. In 1963 MAPFRE already had an industrial hazards prevention service, because there has always been a special sensitivity towards these matters, but it is due to the enactment in 1997 of the Prevention of Hazards in the Workplace Act, when a new element was introduced, this is the prevention service which must exist in each company. This may be within the company itself - which is compulsory for companies of between 250 and 500 workers, depending on their activity - or contacted out with ac-

credited companies. As is the case in the other mutuals, Fremap has been accredited as a prevention service to handle those matters that the law lays down with respect to safety, hygiene, ergonomics and health awareness. As is logical, this service helps to plan all these activities, carries out an assessment of the risks, emergency plans and supervises and promotes prevention in the company. The WCMs are essential in order to improve accident rates in companies.

Q.: Why does Spain continue to be one of the European countries with the highest rates of work related accidents?

A.: This statement is basically true, but it is necessary to make a few distinctions. Perhaps Mediterranean countries have a slightly higher rate of accidents in the workplace than northern countries, but here we are dealing with relative concepts. For

example, it is necessary to know whether the countries with which we are comparing ourselves take into account the act of commuting back and forth to work as work related accidents, and whether they include situations such as heart attacks, etc. This is necessary in order to know whether we are talking about comparable statistics. It is difficult to home in on the reasons for this high rate of accidents which we have to fight, but it is possible to identify the root cause - in Spain there has been less of a prevention culture. And going on from this point, in many cases sufficient emphasis has not been put on prevention in the hierarchical structure of companies. Nor was the long development process of the Hazards in the Workplace Act beneficial, this took from 1995 to 1999. The first benefits have been harvested from the setting up of the prevention services - as required by law - together with the sensi-

A GROUP WITH A SOCIAL VOCATION

Q.: As Chairman of CORPORACION MAPFRE, what is the driving philosophy behind the group?

A.: As the subsidiary holding company of MAPFRE Mutualidad, which holds around 57% of its capital, its philosophy is that it does not itself have direct insurance activity in the market, but is rather the holder of shares in, and promoter of, the companies which form part of it. Its purpose is also to make the development of its various companies possible, these include another two holding companies. One of these is MAPFRE America, which holds all the shares in America, and the other is MAPFRE-Caja Madrid which holds our shareholdings in MAPFRE Vida, MAPFRE Seguros Generales, the health area and MAPFRE Caucion y Credito. The most recent financing operation carried out by CORPORACION MAPFRE was the issue of bonds to value of Pts45 billion, the aim of which was to provide capital to its companies. As is logical, CORPORACION MAPFRE shares the principles of Sistema MAPFRE and its Code of Good Governance which deals with aspects such as independence, fairness, a sense of ethics, a sense of social responsibility, etc., in other words a set of guiding principles which are common to the entire system.

Q.: If you had to make a bet, which in a way is the essence of insurance, why should one choose MAPFRE?

A.: From the point of view of insurance market confidence, MAPFRE is a safe bet. And I do not only say this from the point of view of the stock market. I believe that the way in which things have been done in the last few years, together with the spirit which inspires MAPFRE, in reality constitutes a solid guarantee of its presence, its quality and its commitment to service towards its clients. MAPFRE's aspiration is to consolidate itself in the markets, become part of them and give good service. This is a commitment towards the future which has brought about our presence in 35 countries. We carry out many activities and are open to new projects which may present themselves, but always from a stance of caution and the style which has characterised us in our business.



tivity of the mutuals and the companies: the year 2000 saw a reduction in the accident rate, compared with an increasing trend in other years.

Q.: What philosophy does Fremap have with respect to the field of prevention of accidents in the workplace? Are there any notable differences compared with the work carried out by other WCMs?

A.: It is no arrogance for me to say that we deal with the integral handling of accidents in the workplace. Unlike what may have happened before 1996, where insurance companies limited themselves to giving purely economic compensation, since the beginning we gave great importance to a whole range of services: prevention of accidents in the workplace or professional sickness, preventative medicine, and once the accident had occurred, assistance, from a psychological, social and, traumatological of view, and finally also physical rehabilitation and professional re-adaptation; in other words to make it possible for someone with a disability to rejoin society with a new job. We are the only mutual operating in Spain in this area of professional re-adaptation. This global vision differentiates us from other companies, but I believe that this approach has become more widespread, and is today almost a common point of reference for all the WCMs.

Q.: Why does one social security law oblige companies to work exclusively in the field of Workers' Compensation Insurance?

A.: This is true, this is a consequence of the Social Security Basis Act of 1963, in the next three years an articulated text was drafted which was published in April of 1966. This is a truly important law on which our present social security system is ba-

sed, and through which the system of independent and isolated social insurances disappeared. When the social security system was set up as a global system, workers' compensation insurance went on to be considered part of that system and it was interpreted that it should not have a mercantile component. How does that affect us? Well MAPFRE had to be divided into two companies, one mutual operating in the field workers' compensation insurance and another operating in the other lines of insurance.

Q.: How is the protection of accidents in the workplace handled in other areas, especially in Europe and Latin America?

A.: This type of insurance is going through a process of change, not so much in Europe where it is only handled by private insurance companies in Belgium and Portugal, but in Latin America where it used to be handled by companies attached to the social security system, until the Sixties when the first country to follow a similar model to the Spanish one was Chile, which set up specific companies to handle Workers' Compensation Insurance, although only three mutuals operate there. Later there were other countries such as Argentina, Colombia and Peru which recently opted, within a process of the reform of the social security system - affecting both the pension system and workers compensation - for this to be managed by private companies of various types. For some time now Brazil has been studying the idea that this insurance should go from being administered by public companies to being managed by private ones; the same could occur in Venezuela and Uruguay where the Banca de Seguros del Estado is in charge of handling this in a monopoly position, although a process of reforms has been started. As a point of reference, all these

countries are studying the Spanish case.

Q.: Can the Spanish experience concerning the handling of accidents in the workplace or in the monitoring of temporary capacity be transferred to other markets?

A.: In general terms our experience has been very positive, but in order to analyse the situation we must take into account the existence of various different formulas for dealing with accidents in the workplace. There are countries in which this insurance is included within other covers, which results in it practically losing its own personality, and others - as is our case - where this insurance has its own personality. Within this second formula, the thing that differentiates one country from another is the way in which it is managed: public body, a system of mutuals or private insurance companies. In the Spanish system in which exclusively workers compensation mutuals work as collaborators of the social security system, there are certain specific characteristics and good results have been produced, with respect to prevention as well as health assistance and rehabilitation, and in general, in all areas in which it operates. In this sense the Spanish system may be a point of reference.

Q.: How important are exchanges of experiences?

A.: It is important that those in charge or the companies who handle workers compensation insurance should maintain cooperative relations between different countries, because it is necessary to constantly learn from what others are doing through international meetings and professional exchanges. These and other methods should aim at increasing efficiency in solving the problems of the worker; who is the party who in reality is affected. ■