

A new policy of services for the technical management of industrial risks

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The traditional method for the technical management of industrial risks seems to be reaching its end. This method was normally based upon carrying out successive and periodic inspections. It has become increasingly difficult to achieve this in an insurance environment which is becoming more and more commercially aggressive, with rates almost in free-fall, and where the policyholder has become the client, in a market with an excess of supply, in which the client is beginning not to be prepared to accept conditions imposed by his company and, on occasion, not even to listen to the company's recommendations.

These circumstances have led to a situation which seems more than likely to continue, in which falling rates appreciably decrease margins for any technical activity, but if these activities are not performed, or are simply relaxed, the loss ratio will tend to inexorably rise. There would seem to be a cast iron law which lays down an inverse proportionality between rates and the corresponding PMLs.

Policyholders are becoming increasingly aware of their recently accepted role as client, where the companies survive thanks to them, and not necessarily the other way round, and as such, make demands but do not accept obligations.

This scenario could not be more worrying, and without a doubt it does not seem that the traditional strategies would be very useful, indeed not even possible, in order to break this vicious circle which is threatening to cause technical results to collapse in the next few years.

It would perhaps be enough to wait, as on other occasions, for the high tide of excess capacity to ebb, and for things to return to normal, but the present situation and the foreseeable short-term prospects of

the financial markets seen to indicate that on this occasion the high tide may be prolonged for longer than is usual. It would therefore seem that to wait and see would not be the best strategy.

But, is it possible to increase technical pressure on the policyholder? The reply to this would seem to be a clear no; as has already been mentioned, the policyholder-client is beginning not to accept any recommendations-even though veiled-given by the insurance company in order to improve safety conditions. What is more, it is still to be seen how long the policyholder will continue to allow our inspection visits which "only waste time!"

It is enough to ask ourselves how many times we ourselves would allow our bank manager to visit us in order to check that our financial situation continued to be satisfactory, in order to find ourselves with a painful reply which may not have any satisfactory solution.

How can we escape this spiral? Perhaps the solution is not too far off, but it must indeed be found by another route, and perhaps one of them-not necessarily the only one-would be to convert a necessity into a virtue, and stop for a moment to consider the needs of our policyholder-clients in order to convert our services and capacities into proposals aimed at satisfying those needs. Without any doubt, this would be the strategy of any of our sales representatives, and of course the client loves to hear that "we will satisfy the client's needs with our services".

This would seem to be the route to follow. If we were able to put our technical knowledge at the disposal of policyholders in order to help them to meet their safety obligations, whether these be legal or company policy obligations, we would not only be working towards maintaining bearable loss levels, but we would also be man-

aging to have our actions perceived, and maybe even valued, as an additional service to the policyholder. If this were the case, then we would also have found another means of increasing client loyalty through what, until now, has been perceived as a rather impertinent intrusion.

Thinking along these lines, **we should be capable of setting up a new policy with regard to technical control in which the key concept is "service" in its broadest sense, offering technical services to policyholders** (such as technical assistance in order to comply with legal regulations, safety courses for employees, training courses for fire-fighters, assessments, contingency plans, etc.) **which can be perceived as an additional service given by the company**, but which can also directly help to improve the technical conditions of the risk and provide sufficient information for a technical assessment of that risk.

In a market which is highly competitive, where a search for added value on the part of the companies is fundamental for their survival, this new focus may be more appropriate than the classical approach of verification and control, which is now possibly out of date, or at the very least insufficient.

If this is approached in the right way, then it is nothing other than the flip side of the same coin.

Is this approach possible? Is the effort and cost involved justifiable? Will it really be appreciated by our clients? It is difficult to give a conclusive reply to these questions, although some of us believe the reply to be affirmative, but one thing we all agree on is that something must be done if we do not wish to be dragged down by the aforementioned high tide and the elevated loss ratio which it brings in its wake.