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stabilize the fluctuating situation. A scheme of compulsory bottom rates for FPA, WA and all risks was introduced into general and bulk cargoes in February 1982.

Over the past five years, results in fire have been most satisfactory, and the miscellaneous lines including engineering, fidelity, liabilities, burglary, glass, etc. were stable. Fluctuating were marine cargo, hull and fishing vessel insurance, but they have been improving. Motor vehicle insurance was within the 60-70% range, which could result in small gains in addition to those of cash flow. The overall results of underwriting have been improving.

The total profits were always in the 3% range. As the underwriting profit decreased, financial incomes, such as interest, securities and investment gains, became more important. In 1980, these incomes amounted to \$711 million, exceeding that year's profit of \$703 million.

Future Trends

The total premium income for the insurance industry in 1980 was NT\$22,944 million, or 1.58% of the GNP. NT\$1,449,392 million of this total was life (.85%) and non-life (.73%). The per capita premium output for whole insurance during the same year was NT\$1,288, or \$35.80, (1.53% of GNP per capita, or \$2,278). Life insurance was

\$19.30 and non-life, \$16.40. The foregoing figures are still low, as compared with the scale of economy, industry and living standards of the people. It is certain that there is ample room for further improvement; perhaps total premium income will achieve 2.5% of the GNP in the next five years.

To cope with this trend, the Ministry of Finance granted from one to three years' exclusive writing to those companies that innovated new forms of insurance and such products are proliferating. They are bankers' blanket policy, electronic equipment insurance, inland marine—commercial floater, homeowners' saving comprehensive insurance, long-term savings, fire policy, etc.

As national income increases and industrialization continues, the business structures in terms of lines will be diversifying quickly in the next few years; therefore, technical advice and transplantation from improved markets are necessary. It goes without saying that reinsurance capacity to assume big risks eventually will become even more important.

As a result of the quick expansion of the market, particularly by big companies, channeling the capital to long-term investments and away from short-term speculation, will be an important matter in the future.

Taiwan has plunged into motorization in recent years. Automobile

insurance is now a major line of non-life insurance, with nearly 30% of total market premium income, compared with only 15.5% five years ago. If compulsory third-party liability insurance is enforced, its premium income will be well over 50% of the total market.

Taiwan heretofore has been a virgin market for foreign insurers. However, in view of that, the government is encouraging banks to extend their business bases abroad and at the same time is encouraging foreign big banks to open branches in Taiwan. It is expected that the insurance market may one day also be opened to non-American insurance companies.

Emphasis on Risk Management

Following the entrance of foreign brokers, some innovations in marketing already have begun, including much emphasis by both clients and underwriters on risk management. Although this concept still is new to the market, risk management soon will become an important part of marketing success.

On the whole, farsighted product innovation, more advanced marketing with client orientation, extensive international communication and cooperation and, above all, accelerating use of electronic data processing are important missions for the insurers in Taiwan.

The second Arab-Latin American Insurance Congress will be held in Montevideo, Uruguay from March 19-23, 1983. For information contact: Secretaria Coordinadora Ejecutiva Latinoamericana, Paraguay 580, 5 Piso, C.P. 1057. Telex 18520 BOND AR, Buenos Aires, Argentina.

Madrid

The dissolution of the Spanish Parliament, the new elections, the economic and financial problems that have just begun in our country with the renegotiation by several important enterprises of international credits, are far more interesting for the public, including insurers, than the results of the 1981 market data that I am furnishing with this chronicle.

In November, after this article has been written but before its publication, important events will take place in Spain, together with the apparent "putsch" that has been discovered and aborted in the last few days.

Probably, these elections will mean the real end of the "Franquist" regime, of which the party in the government (UCD) has been a continuation. It seems at present that the Socialist party will have a clear victory in the elections and that the next Spanish government will be Socialist or, at least, a coalition dominated by them.

Doubtlessly, this situation marks the beginning of a period with many unknowns, particularly for businessmen, because the Socialists, although moderate, have to be tough initially with the "capitalists," who are already overwhelmed by difficulties. Nevertheless, experience shows that during the last 30 years in Europe, the Socialist governments have neither been



worse than the other parties, nor have businessmen suffered more under their rule.

Referring to the insurance world, the dissolution of the Parliament has produced another victim, the new insurance law on the eve of its approval by the congress. It is almost certain that Jaime Garcia Anoveros will be the eighth Finance Minister who proposed and almost carried out a new insurance law before he leaves the Ministry. Several of my previous reports have been dedicated to this subject and when it seemed that the "jettatura" finally was going to be broken, an external circumstance caused the situation to be repeated. I have waited until the last moment to write this article because I had been told that the government was preparing some legal regulations to be approved by a decree about the most important points in the insurance law. But I personally doubt that the present government will risk making so important a decision a few days before the first Socialist government ever in Spain's history rules the country. On the other hand, it seems most probable that one of the first laws to be approved by a Socialist Parliament will be the insurance law and that it will provoke some "headaches" in the insurance world.

The opposition of the Insurers Association led to a year's delay in approving the law. I really wonder about the reason for their attitude, since all solvent insurers considered the measure necessary for improvement of the market.

1981 Results

Premiums have grown less than in previous years in spite of a tariff increase in motor insurance. This fact is still evident in 1982, and it is possible that the market growth will not exceed 10%, with an inflation rate of 16%. This will be the first time in several years that the premium growth is below the inflation rate.

It can be observed that the most important growth (32%) is in health insurance, a branch completely outside the usual insurance market and operated by very specialized companies. All this proves is that Spanish insurance is undergoing, as is the industry in other countries, a paralyzing situation; at the same time it is not easy to avoid an increase in administration costs.

On the other hand, the results have improved due to a better loss ratio in the motor business and better financial returns. In the future, with a legal framework less favorable than at present, an increase in competition is foreseeable, with mergers and acquisitions that will reduce the number of insurance societies and will increase the concentration of the market. This might be good for the market, making necessary the introduction of new management tools and more market imagination to the benefit of the public. Some of us, however, might have difficulties.

Under these conditions, the entrance of foreign companies in the market is a possibility, but experience shows that local insurers defend themselves very well from competition with foreigners who depend on distant centers of decision that do not allow their Spanish managers the necessary freedom to compete in the market.

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The national elections held in mid-September resulted in a victory for the Social Democratic Party after six years of rule under a non-Socialist government. Such is the equilibrium of Swedish political life that the change is unlikely to bring any untoward developments. The proposed "employee funds" to be taken from profitable firms and managed by the trade unions, which would lead eventually to socialization of commercial life, have encountered such resistance both from opposition ranks and within the party itself, that implementation is scarcely practicable.

In addition, Sweden, like other industrialized nations, has pressing problems to deal with. In the first half of 1982, the nation had a SEK 5 billion deficit in its current account, showing little change from the first six months of 1981, according to figures released by the Statistical Central Bureau. Even less encouraging, are the bureau's preliminary figures for foreign trade in July and August. They show a worsening situation, thus giving credence to the Federation of Industries' forecast that the 1982 current account deficit will run over last year's SEK 14.4 billion. In August, imports exceeded exports by SEK 3.9 billion and the awaited turnaround in the economy showed no signs of materializing in the near future.

In other key sectors of the economy which affect the insurance industry, signs were mixed. The automobile sector has broken out of a long period of stagnation; during the summer, sales of new cars began rising for the first time in several years. Previously, the passenger car park had remained at the 1976 level. On the other hand, unemployment is still hovering around 3.7%, and the critical construction industry is in crisis. By the end of 1982 inflation is expected to pass the 8% mark, exceeding the expected growth rate of the insurance industry.

In the insurance sector itself there has been considerable activity. The government review of the principle of need, which has hitherto limited both the establishment of and diversification of insurance companies, is expected to recommend significant changes in its report, due later this autumn. More open competition is welcomed by the major carriers; protectionism breeds protectionism and, in the past, Swedish legislation has sometimes indirectly curtailed expansion possibilities abroad.

The case of Atlantica, the marine carrier whose license was revised last year to permit underwriting in other lines, now appears to have been the harbinger of other changes. Atlantica has now purchased Oslo-based Eos to expand its commercial and industrial insurance activities to Norway. Ansvar, the non-life company whose clients are drawn from the ranks of Sweden's total abstainers, who constitute a significant political faction, recently has been granted a license for conducting life and pension business as well. Allmanna Brand has applied for permission to start a credit insurance company that would compete with the sole specialized carrier now in the market, Svenska Kredit, which is owned by Skandia and Trygg-Hansa.

The major Swedish carriers see this decade as one of particular challenges and have adapted their organizations to meet them. After 15 years with an exemplary matrix organization that had been the object of international study, Skandia is now reorganizing its domestic operations into three divisions for