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# World Insurance Forum World Insurance Forum World Insurance Forum

## Madrid

Although my reports mainly refer to insurance activities, it is sometimes impossible to avoid mentioning politics. The mass media enabled our "putsch" of February 23 to be followed by millions of people around the world, who were better informed than myself. I was working about 400 meters from the scene of the attempted coup, and although I heard the sirens of the police cars, I continued working in my office for another three hours. When I finished, I took a taxi in an apparently quiet and normal town in which the traffic was not very different from any other day!

But our daily work as insurers is not too influenced by political events, and, for the most part, Spanish insurance goes on its way of institutional improvement without being affected by the recent changes. The exception is our legal structure. Spanish insurers still are waiting for a new supervisory law to replace the one which has been in force since 1912. There have been six ministers of finance who resigned just as they were about to send a new bill to Parliament. And because it is not often that a Spanish minister likes and accepts what his predecessor has prepared, a new process of legal development has started with each new minister.

The present draft of a new insurance law was ready to be approved at the cabinet meeting when President Suarez unexpectedly resigned and a new era of changes began. The transition period was over when Adolfo Suarez vanished from the political scene.

### Draft of Law Impugned

This draft of an insurance law had been strongly impugned by a large number of insurers and particularly by UNESPA—the national association of insurance companies. This opposition was not general, and MAPFRE, for instance, resigned its participation in UNESPA on January 1 because it supported the ministry of finance on most aspects of the bill.

As I am writing this report, the new insurance law has just been sent to the Parliament. In this case, the Minister of Finance, Jaime Garcia Anoveros, has not suffered the "fate" of his predecessors. President Calvo Sotelo has accepted the law, which he was familiar with since he was the "economy czar" and the Ministry of Finance was under his supervision in the last Suarez cabinet.

Personally, I am not entirely sure that a new law is necessary to solve many of our difficulties; but at least it has a psychological effect and might force the government to face a problem that it has avoided so far: the difficult situation of many insurers which might have to cease operating if solvency rules are adopted.

### New Contract Law

While the publication of a modern law for the supervision of the insurance business has been delayed, a new law about insurance contracts has been promulgated which I did not consider important while it was being prepared, but which is now creating some problems that could increase in the future.

This law of November 1980 became effective in April. Since then, all insurers have had to change their policy contracts to

adapt to the new law, which contains some very precise rules to defend insureds and consumers. The law undoubtedly prevents some abuses caused by the delay in the payment of claims because no interest was permitted on delayed payments. But now every delay in the payment of claims means a 20% additional charge per annum (over and above the 8% normally ordered by the courts). This is a substantial charge, but it cannot be compared to the punitive damage payments that are awarded now in the United States.

### Surrender Value of Policies

There are some negative aspects of the new law, particularly the surrender value of life insurance policies, which now must begin in the second policy year instead of the third year, as is the custom in the rest of the world. It also is interesting to note that the law requires the insured to make a statement in the application for insurance as proof of the pre-existence of a particular item. This probably will end the principle of good faith in the relationship between insurers and insureds because it makes fraud the only way that an insurer can deny a claim.

Many companies think that this law, which was very difficult to put into practice, will bring about an enormous increase in the cost of claims. My opinion is not so pessimistic, but I think that it will have an extraordinary impact on the evolution of our market and will compel us to leave a comfortable situation and become like other, much "harder" markets such as the American one. Maybe this situation will be good in the future, maybe we deserved it, but it makes us feel rather exasperated.

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## Zurich

A report from Zurich would not be complete without mentioning the riots which have been plaguing the city since May 1980. The causes of the riots are really not clear at all. Whether they are sociological, political or economic is a point of debate. From the insurers' point of view a generous interpretation of the "riots" was adopted, and, even though damage caused by "inland riots" is a specific exclusion in all property policies, insurers have been settling claims. To date about SFr.6.5 million has been paid by insurers, of which SFr.1.5 million is for glass breakage, with the remainder for fire damage. Some 500 persons have been injured so far, including one 18-year-old girl who lost the sight of one eye after being struck by a flying object.

To avoid any possible future confusion about claims, insurers in Switzerland are planning to offer a special riot damage coverage with its own premium tariff.

Will "rioting" continue? Probably, but the last few weeks have shown a cooling of tempers. The "autonomous youth center," an abandoned factory near the Limmat River, has been reopened and the city council has allocated SFr.1.8

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