



interview to **Jorge Noguera Arias**

General Manager of MAPFRE RE
in Bogotá



Born in Bogotá, province of Cundinamarca, Colombia on 8th January 1949.

In 1972 he completed the university career he chose by vocation, with a degree in Jurisprudence, from the Colegio Mayor Nuestra Señora del Rosario, founded in 1653 and in 1973 worked for a year as an assistant in the Insurance and Claims Department in the Greater Colombia Merchant Fleet, which operated between Venezuela, Colombia and Ecuador. The following year, he completed his thesis "Studies on bills of lading". In reality, a maritime insurance policy.

In 1975 he joined the Legal Department of the Nacional de Seguros, where within a short time he was appointed Head of the Transport Insurance Department.

In the 80s he worked for Seguros Colombia and as Head of Reinsurance for Seguros Bolívar. In 1991 he was appointed Technical and Commercial Vice-President of Reaseguradora Hemisférica, a company acquired by MAPFRE RE in the same year. In 1996 he moved to Brazil to work in the offices of MAPFRE RE, returning to Colombia in 2000 as Managing Director.

In 2009 Jorge celebrates 34 years working in the insurance and reinsurance markets.

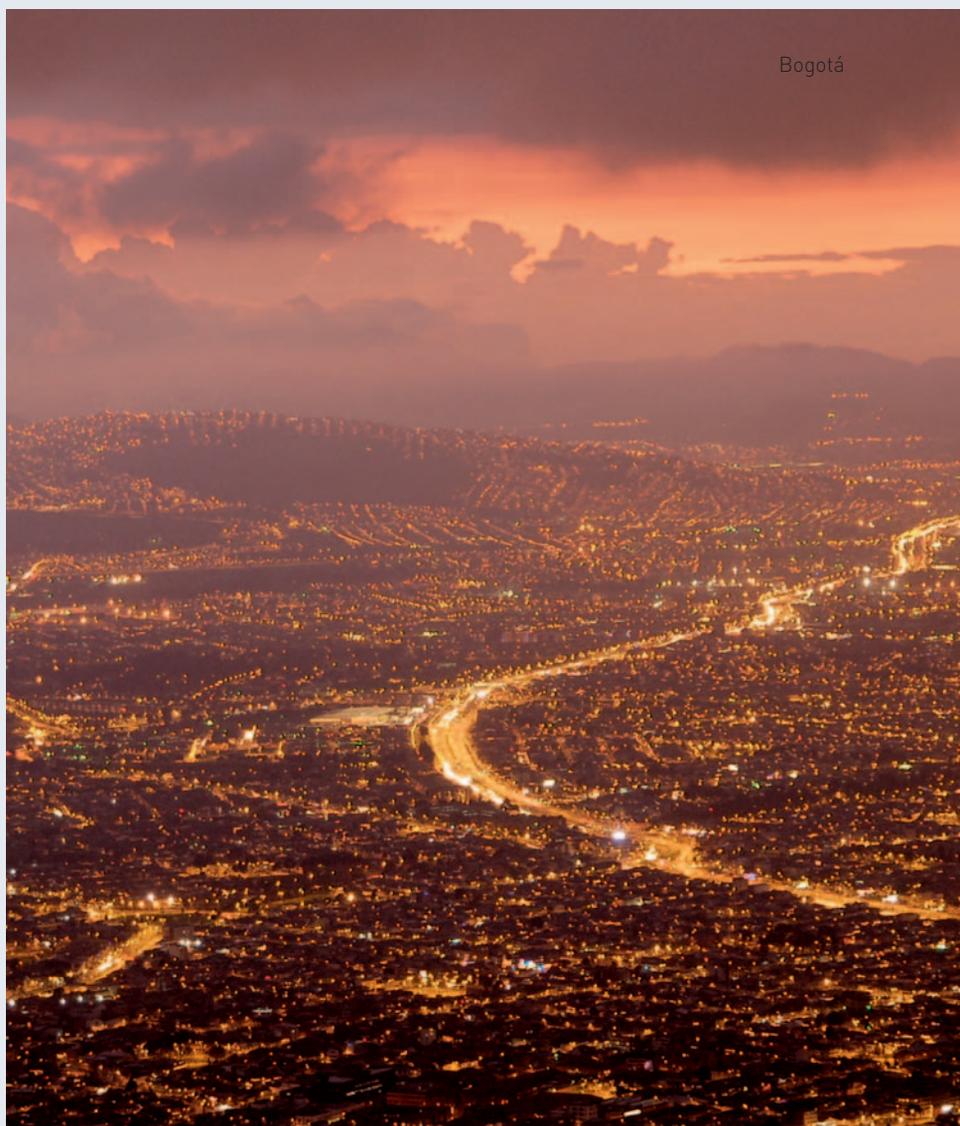
“The Colombian insurance market has matured a lot over the last few years, although there is still some way to go”

After having worked for various insurance companies in Colombia, how do you see the direct insurance market in your country? Do you think it has reached maturity?

Undoubtedly we have a long way to go, but it has matured significantly over the last decade. The Colombian market has followed a process of concentration. We have reduced from 36 to 27 insurance companies, mainly by means of mergers and closures. Asevalle merged with Bolívar. Liberty is the result of the merger of Skandia, Colmena, Latinoamericana and ABN. The former Inmobiliaria de Seguros, specialising in selling lease insurance, is now a department of Seguros Bolívar. And although there have always been foreign insurance companies in Colombia, they were not very large, because they concentrated on a few very specific market niches. Chubb has been in Colombia since 1959, AIG since 1950 and Royal since 1937.

What are the main market events and regional conferences which provide an opportunity to meet with other players?

Before answering this very formal question, I would like to comment on a very informal annual meeting. We have an “Association of Former Executives of Seguros Bolívar” of the 80s. We meet on the last Friday of November every year, when, in addition to seeing friends, we do business, listen to music and enjoy a good meal. With regard to business events, there is an annual meeting of Fasecolda, which takes place



Bogotá



in the beautiful city of Cartagena de Indias on two different dates, depending on whether it is an odd or even year, or to put it another way, whether or not there is a FIDES (Inter-American Federation of Insurance Companies) event. Traditionally, Fasecolda routinely meets in October or November and in May in years when there is a FIDES meeting.

Can we also talk about insurance globalisation in Latin America, like in Europe? What major groups are there?

There are several of these groups in Colombia: Allianz, ACE, Generali, Liberty, MAPFRE, Royal, although Zurich, for example, is not there. But there is a fully globalised market. I would say that in Colombia, foreign premiums in December 2008 accounted for 45% of the Colombian market.

Do the people who work in the new insurance companies receive training in a special school or do they receive generic training when they work in an insurance company?

Both, I think, although the vast majority end up as professionals on the basis of generic training. There are formal schools such as the Politécnico Gran Colombiano which has an insurance faculty. Many people acquire experience on the job and are trained in various companies. In Colombia, Bolívar and Suramericana have the longest standing tradition.

What do you think of rating agencies?

In 1991, when I was with Reaseguradora Hemisférica, there were no such determining players in the financial or insurance markets. After the problems encountered in 1993, 1994 and 1995, with the drama repeating itself in 2001 and 2002, when there were those slumps or problems in industry and the financial sector in general, the rating agencies always took on more importance because they told the public which were the most solvent, although at the same time they highlighted errors which were committed by extremely large companies.

What is the position of insurance legislation in Colombia? How did we get there?

Colombian insurance legislation is advanced. We have had a tightly run market since 1991, with free tariffs and products which comply with the requirements of the Commercial Code. In earlier times, for a tariff to be approved, it took one or two years and that was no good at all. I believe that the current Financial Superintendent's Office, which is a merger of the former Banking Superintendent's Office and Securities Superintendent's Office, is one of the best insurance regulatory bodies in the region. Colombian insurance legislation is very up to date and always takes the most advanced outside references, such as Solvency II in Europe. If we take the Latin American region as a whole, in my opinion Mexico, Chile and Colom-



bia are the most developed countries in terms of insurance.

The expected earthquake has not yet happened. There are earthquake models for Colombia. How do you see this developing?

Undoubtedly with further technical studies being carried out which state that the earthquake tariff should be "x" or "y", if there is reinsurance capacity and if there is business, the tariff is weakened. You do not always get what you should. If what you want to know is whether the technical earthquake tariff is the right one for Colombia, you will not get an only answer, because it goes with the market, hard or soft. Therefore, it will be closer to the technical level in a hard market and further away in a soft market.

Does the same hold for industrial risks?

Yes. There is always more reinsurance capacity in a soft market situation. We have not reached very low levels in Colombia, because they have never been below 1 per mille, which in itself is not very attractive. If we take into account the fact that in Colombia, we have to quote, not only the fire risk and risks inherent in fire and technical branches, but also earthquake and terrorism, to a greater or lesser extent according to the position of public order, it is clear that the rate is clearly inadequate.

Today, I would say that terrorism cover has been

relaxed a little from the point of view of price and excesses, and all because the situation has improved socially. *Guerrillas* are more decimated than five years ago, but they still exist. It is not that the risk has been eliminated, as has happened in other countries, but that better control has been achieved.

Is the life and health branch business in MAPFRE RE Colombia significant? What legislative environment has been favourable to its development?

The situation in Colombia, pre 1993, was that of a social security model with employees being obliged to contribute to pensions, healthcare and so-called employment risks. They had to buy this insurance and when someone is obliged to do something and when there is also only one provider, the service is disastrous. The two worst things come together: a monopoly on the part of the supplier and an obligation on the part of the purchaser.

The Senator who put forward the Social Security Privatisation Law in 1993 is now the President of the Republic, Álvaro Uribe Vélez. This law was a very important step forward from the point of view of insurance and especially services. The Social Security Privatisation Law opened up opportunities and Colombia adopted a mixed model. Chile, which was the most advanced country in this regard, with the longest history in privatisation of social security, opted to stop State social security and create private insurance companies.

In Colombia, Chileans had considerable influence in the drafting of the Social Security Privatisation Law and in the end it was decided to design a mixed system, in other words Social Insurance continued to be an operator although other private competitors arose. Pension funds were created by the main financial groups: Suramericana with its so-called "protection" pension fund, the Sarmiento Group with its "Porvenir" (future) and other companies which took these types of initiatives were ING and Skandia, for example. And the same thing happened in two other areas of social security, health and employment risks. In healthcare, there was the Obligatory Health Plan. Suramericana created "Susalud", and there were other companies offering similar products such as "Colmédica" and "Colsanitas", among others. Healthcare under the Obligatory Health Plan is now of the highest quality.



Were there also such significant changes in employment risks?

As a service concept, ARP (Administradoras de Riesgos Profesionales) (Professional Risk Administrators) were a revolution and also as a premium volume concept. Until July 2008, in the ARP insurance business there were two private ARP companies and social security was separate. From July last year social security finished with ARP, taking on pension business only. This means that healthcare and ARP business moved totally into the private market. In specific terms,

the ARP market, which was previously under social security (25% of the market) was transferred to a company called La Positiva (previously Previsora Vida). Against this very favourable background, Colmena, Suratep, Colpatria, Equidad, Liberty and MAPFRE now had their own ARP company.

MAPFRE RE is a reinsurance company in the ARP branch and we have been extremely active to the point of becoming leaders in social security reinsurance in Colombia. We are doing well thanks to the support of the branch's Regional Department and the work we have carried out since 1993. MAPFRE RE also plays an important role in healthcare and pensions reinsurance.

What do you want to do with your spare time once you leave the reinsurance world?

I think there are few people in Colombia as fortunate as me and who have had as many opportunities as I have. It is a country where there is still much work to be done in the field of social improvement and education. I intend working through foundations to give back to my country the opportunities it gave me and in this way contribute to the general improvement of society. Why not through the MAPFRE Foundation which I hold very dear. Finally, I just want to say that it is very gratifying to reach the beginning of this last stage of life with such good health, motivation and affection.

MAPFRE RE has been authorised as a local reinsurance company in Brazil; after your experience with the opening of the IRB (Brazilian Reinsurance Institute) what do you think of the future of the Brazilian market in the short term?



Eleven years elapsed from the announcement of the opening the Brazilian reinsurance market until it became a reality. What happens over the next few years is to a large extent dependent on the active reinsurance companies. Brazilians do not have to be taught what a separate quota policy is nor what commission is, but rather what international reinsurance is. They have to be made aware of the idea of the diversity they have in the reinsurance market in terms of options and prices. It is a market to be in. I believe that we now have to develop this concept of long term partner with the reinsurer.

As reinsurers, we have to digest the size of Brazil. There is going to be a lot of competition, because there are no catastrophes such as hurricanes or earthquakes and on the other hand companies do not need much reinsurance capacity, because they are all extremely large companies at Latin American level. We need to develop a reinsurance culture more than reinsurance information. It will therefore depend on our active attitude, we have to expect much from the Brazilian market since all reinsurance companies are present in Brazil and have very large and very professional teams which visit the insurance companies frequently. To be on a par with its competitors is undoubtedly a real objective for MAPFRE RE.