The development of solvency control mechanisms and advances in regulatory matters by the various European regulatory bodies is one of the most outstanding news items in the financial sector. The Basle II project, applicable to banking, and Solvency II project, relating to insurance, introduce the concept of risk associated with the particular activity of each company; the capital requirement stemming from their application will set a course different from that currently established, which could mean major changes in the configuration of both sectors. In this edition, we are publishing an interesting article which clearly describes the implications of this new method of supervision and control.

The subject of intense discussion over the last two years, climate change is occupying the attention of the global scientific community as well as the various national and international political bodies. Although both communities do not agree on every detail, the concern generated has spread to all levels of society. Understanding the phenomenon and analysing the possible risks associated with it, and its likely impact for the insurance sector, is the subject matter of one of the articles that Trébol is publishing in this edition.

With more than a hundred years of history, described by FIFA as the best club of the 20th century, Real Madrid Football Club is one of the best known Spanish brand names. Apart from its football-related successes and the enormous excitement it arouses, the club conducts significant and complex corporate activities in which insurance occupies an important place. In the interview with the club’s Corporate Managing Director, he accurately describes this other dimension, less passionate but no less important, which supports one of the best known sporting institutions in the world.
The accounting scandals unveiled in large multinationals, the bursting of the technology and telecommunications bubbles and the decline of the stock market, the capital requirements of first-class insurance and reinsurance companies and the world economic slowdown may indicate some weaknesses and cast doubt on the effectiveness of corporate internal control systems. New regulations covering corporate governance and transparency, Basle II and Solvency II, are clear attempts to improve the situation by forcing companies to strengthen their internal controls in order to recognize and evaluate the risks to which they are exposed, and act appropriately.

Internal control and risk management are closely related. We understand risk to mean any event or occurrence that may affect a company adversely, whether by virtue of results or because of image, customers and investors, etc. Risk is part of business life and we must learn to live with it as it is impossible to eliminate completely.

The European insurance sector is going to experience a revolution in the next few years as a result of the Solvency II project, which represents a transposition to the insurance world of the Basle II project for the banking industry. Current EU solvency requirements are based on a fixed ratio in accordance with the amount of premiums and losses, and are totally insensitive to each company’s specific risk profile and ignore diversification of the investment portfolio.

As a result of the increase in the number of insolvencies in the insurance sector, in 1994/95 USA began to reform solvency supervision in insurance companies, by the introduction of more risk-sensitive capital models (Risk-based Capital), which are still, however, poorly equipped to predict insolvencies.

The objective of European regulating bodies is to review and harmonize the rules that evaluate the overall financial position of insurance companies by developing a new method of measuring risk and assessing capital requirements in relation to risk profile; this covers assumed risks as well as the management of them.

What is a corporate risk map?

In order to manage a risk properly, it is necessary to understand and know exactly which risks the company faces and the potential impact that each may have. The best way of obtaining a clear and prompt view of risk quality is to draw up a risk map. It is also advisable to examine risk quantity by using extreme simulations (stress testing) and other tools that establish the likelihood and the amount of potential profits and losses to which the company is exposed.

At present, legislation always refers to adequate internal control but does not specify the use of risk maps. Companies are gradually becoming aware of the need to control their risks and are beginning to invest in more advanced analysis and risk management procedures; this is viewed as a competitive advantage that adds value both to the shareholder and the company and enables it to make greater use of the capital at its disposal.

A risk map is a simple diagram or model where all the risks to which a company is exposed are set out, with an indication of their likely occurrence, the degree of control and the impact or importance.
of each one. It is usually presented in several colours, with the red area being the most “dangerous” or exposed to risk, and the green area being the most “benevolent”.

Production of risk map

We list the following stages in the production of a risk map:

1. Identification and definition of risks. At this stage the involvement of all personnel is required, especially those responsible for each process as they are the individuals who know the relevant risks.

2. Evaluation of the identified risks in relation to their degree of likely occurrence, the controls established and their impact or importance.

3. Production of action plans to improve the efficiency of existing controls or the creation of new controls on identified risks, especially those located in the red or most dangerous area for the company.

4. Periodic updating of the risk map, by monitoring compliance with the action plans and examining the movement or performance of principal risk characteristics.

"A risk map enables us to obtain a clear and prompt idea of the risks faced by a company."

Types of risks to be assessed

Although over the next few years Solvency II will regulate an insurance company’s risk categories, we can classify them as follows:

- **Market risks**: loss risks resulting from economic variations outside the company’s control (interest rates, exchange rates, inflation, business cycle).
- **Insurance sector risks**: loss experience, credit risk on reinsurance, actuarial risks (estimation of technical reserves, inadequate rating).
- **Management risks**: arising from the company’s strategic policies (growth targets, investment policy, underwriting policy, liquidity).
- **Operating risks**: direct or indirect risk of incurring losses as a result of failures in internal procedures, human error, systems or external factors.

It is important to carry out an objective assessment of all risks in accordance with their importance, degree of likely occurrence and the controls existing to contain them. An assessment scale might be as follows: very high, high, medium, low and very low, although other similar measurements may be valid.
Graphic representation

After identifying, assessing and classifying the risks, the graphic representation of the risk map is undertaken. Although the common objective is to understand the nature (reasons, consequences, likelihood) and importance of the risks faced by a company, the graph may be prepared in different ways:

- Based on a model demonstrating the relative importance and the likelihood of occurrence.
- By means of a bar chart diagram covering the different procedures and their risk exposure.
- Bubble chart where the height demonstrates the control exercised, and the volume indicates the importance of the risk.

"A risk map is a simple diagram or model where all risks encountered by a company are represented, with an indication of the likelihood of occurrence, level of control and impact or importance."

After identifying and analysing all the risks, the company must decide whether to assume the risk (financing it for its own account or for another party’s) and attempt to monitor it or cede it to a third party. It is estimated that only one third of the risks of European companies are transferred (principally to insurance companies, banking institutions and other financial markets), whereas the remaining two thirds are retained by the companies. It is evident that appropriate management of assumed risks has a direct impact on results and on companies’ principal financial ratios, while at the same time having a positive influence on their valuation.

Conclusion

In conclusion, it is worth highlighting the importance of effective systems of internal control and risk management, both internally for the benefit of the Board of Directors, Management and personnel in general, in order to minimize the impact of unexpected events; and from an external viewpoint because it favours: policyholders and customers (resulting in greater loyalty), supervising bodies (in future with Solvency II, in the absence of appropriate internal control, capital requirements will be higher), shareholders and investors (greater confidence because of return on the company’s capital) and the market in general (higher valuation with less instability).
Climate change and insurance

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"Climate change is seen as the 21st century's great environmental problem. The phenomenon was first raised a little more than two decades ago. At the outset the debate was concerned exclusively with scientific considerations. The financial sector saw it as unlikely to affect either GDP or corporate results. The insurance industry, for its part, is fundamentally a body that adapts itself to circumstances and protects economic wellbeing. As a consequence, changes in the variables that contribute to risk assessment may have repercussions for the sector, and indeed, for society in general."

History

After years of intense debate, a small section of the scientific community still harbours certain doubts about the veracity of climate change. They contend that there is insufficient historical data to support the claim and that it could be an isolated phenomenon without lasting effects.

In the political field, however, the consensus is that urgent measures are required to contain the associated risks, in view of evidence of increasing average global temperature in the last thirty years, and rising sea levels.

In this context, the appropriate international bodies have tried to encourage governments and the private sector to take action; national governments have set up special offices to study the matter and its related risks, whereas large corporations and business associations are looking at ways of managing the variables that may affect their operations.

It is not easy, however, to reach international political agreement. There has been reluctance on the part of some countries with high greenhouse gas emissions, such as USA and Russia, to ratify the Kyoto Protocol. In Europe, EU member states are faced with the challenge of applying Directive 87/2003, approved in October 2003, under which rules for trading greenhouse gas emission rights were established.

The greenhouse effect and climate change

The greenhouse effect is a natural phenomenon by which the planet's temperature remains at about 30°C, a level essential to sustain life as we know it.

The gases which produce this natural greenhouse effect are:
- water vapour
- carbon dioxide
- ozone
- methane
- the oxides of nitrogen
- fluorocarbon compounds, and
- other industrial gases.

These gases are generated naturally as a result of volcanic eruptions, fires and human activity.

During the last century, concentration of greenhouse gases in the atmosphere increased constantly on account of human activity. At the beginning of the century, the burning of large areas of vegetation to create land for cultivation and, in the latter decades, massive use of fossil fuels such as petroleum, coal and natural gas, were prominent contributory factors.

The increased concentration of these gases boosts the greenhouse effect and drives up the average global temperature, giving rise to what is known as climate change.
Precautionary measures

The existence of climate change has been a source of much controversy in the past decade. The international scientific community warned those responsible for taking policy decisions about such matters as the rising average global temperature of the earth’s surface, increased incidence of extreme climatic phenomena, retreating snow lines and glacier shrinkage, and rising sea levels.

The scientific community cannot agree about whether the historical data in our possession enables us to conclude that the change is permanent. The opinion of most, however, is that it is not advisable to wait for further data; measures need to be taken to identify the variables that indicate the appearance of risks associated with climate change, and to contain the problem.

**Risks relating to climate change**

Climate change involves:

- Increase in the average global temperature
- Rise in sea level
- Changes in rainfall and wind patterns, and
- Greater presence of carbon dioxide in the atmosphere.

These factors lead to an increased likelihood that the following natural disasters will occur:

- Heatwaves
- Hailstorms
- Tornadoes
- Wind/Rain storms
- Avalanches
- Flooding of existing coastal areas

All this results in damage to property and insured businesses and changes...
in production patterns, such as reduction in fishing activities or variations in the rate of agricultural yields.

The manifestation of these catastrophes, whether individually or collectively, involves a wide range of risks.

**Primary sector and related industries**

Initially, a rise in temperature and increased availability of water would have a positive effect on agriculture and forestry. This beneficial effect, however, would only be apparent in the northern hemisphere, because in the southern hemisphere the temperature increase could result in water scarcity leading to a fall in crop yields. We would therefore be witnessing a change in yield distribution patterns.

As a result of these catastrophes, associated manufacturing industries, which are normally found close to the raw material production centres, could choose to relocate. The direct effect of this would be to increase raw material transport costs, whereas indirectly it would affect the services sector and the social and demographic characteristics of the areas concerned.

**Tourism and leisure**

Rising sea levels represent the most serious risk for the tourism and leisure sector, because they involve increasing vulnerability for coastal towns on account of loss of land through erosion or flooding.

The impact of climate change on tourism and leisure will be seen in different ways in accordance with local geological and climatic conditions.

As an example of the relevance of local conditions to Spain and the rest of Europe, we can mention the consequences of an average temperature increase of 1°C which could cause a drop in "sun and sand" tourism in Spain, whereas in northern and central European countries this rise in temperature could increase their tourist appeal.

**Human health**

Other factors which should not be ignored are the possible effects on health. At the outset, a fall in the number of deaths and illnesses caused by low temperatures could be expected. It could also be, however, that the frequency of epidemics, such as legionnaire’s disease, propagated at certain temperatures, or severe heat waves, would increase. Spain has already witnessed this phenomenon and the serious impact it had in the summer of 2003.

**Urban areas**

In extreme cases, coastal flooding due to rising sea levels could lead to population displacement. In Europe this is an even more serious matter, bearing in mind high demographic density in these areas.

The most serious results will be seen on islands, especially the smaller ones, and in Africa. Islands can lose a significant part of their land area and increase their vulnerability to natural disasters. In the case of Africa, a net rise in sea levels, which would require financing the relocation of its scant infrastructure, would involve an increase in its already large foreign debt.

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**Some Evidence**

- Global temperature has risen by 0.6° in the past century. Models for forecasting climate behaviour estimate that the global temperature will rise by between 1.4 and 5.8°C by 2010. If this is so, the change will be much greater than the changes seen in the last 10,000 years.

- Average sea level is expected to rise by between 9 and 88 cm by 2100. At present the rise in sea level has already led to contamination of freshwater resources in Israel and Thailand and in some of the world’s most fertile deltas, such as the Yangtze in China and the Mekong in Vietnam.

- According to the A.M. Best rating agency, global warming could cause disasters costing insurance companies 98,000 million.

- According to a study prepared by Switzerland’s National Research Programme 31 (NFP 31), an increase of 2°C in the next 50 years could mean losses for Switzerland of from CHF 2,300 million (EUR 1,499,65) to CHF 3,200 (EUR 2,086,46 million), equivalent to 1% of GNP.
Ecosystems and biodiversity

An increase in temperature and a rise in sea levels, in addition to changes in rainfall patterns and the presence of carbon dioxide, will have a direct effect on ecosystems, and consequently, on the development and conservation of animal and plant species.

As a primary consequence, should climate change occur, some species would be transferred to higher ground. The least adaptable life forms may die out.

In addition to the effect on natural and cultural assets, the reduction in biodiversity could deprive us of scientific discoveries, provided by, amongst others, the pharmaceutical sector, which could have repercussions on global social welfare.

Risk control guidelines

As the effects are a global problem, risk control depends on the will of the international community to implement effective and corrective precautionary measures.

The Kyoto Protocol represents the framework for governments committed to reducing greenhouse gases. It was signed in the Japanese city in 1997 by 159 countries with the aim that the industrialized nations should reduce, during the 2008-2010 period, greenhouse gas emissions by 5.2%, in relation to 1990 emission levels.

To date, the document has been ratified by 100 countries. Leading countries in terms of their emission of this type of gas, however, such as USA and Russia, have refused ratification.

In USA, it is suggested that what is relevant is not the net quantity of emissions, but the efficiency of those emissions, i.e. the quantity of emissions per unit of GDP. Measured in this way, USA would be the most efficient country, whereas Russia would be the least efficient.

Russia claims that under current conditions, ratification of the Kyoto Protocol would limit its economic growth.

Europe, however, in spite of the differences between member countries and some political disagreements, conveys the overall impression as an economic unit that it is ready to proceed with its commitments. Amongst other matters, work is now proceeding on Directive 87/2003 relating to trading greenhouse gas emission rights.

While other European countries have stabilized or begun to reduce their emissions, Spain, according to the European Environmental Agency, is the EU country with the highest increase in emissions since 1990 (23.2%). This figure is even more significant, considering that the target set by the Kyoto Protocol for Spain
shows that climate-related losses could have an effect on insurance company results. They justify their position because low-probability disasters with high-impact consequences, or frequent multiple catastrophes, are costly.

It should be noted that the sector has not yet decided on the matter and to date there are no indications of any change in the medium-term insurance market, brought about by reserves for potential climate change.

There is no doubt that the sector is an important agent for internalizing the cost of climate change. To the extent that the sector adapts itself to the new situation, it will be possible to spread the risks, and in this way share the cost of climate-related matters between other sectors and throughout society. It seems clear that the insurance sector will be able to withstand the future effects of any potential climate change.

The Insurance Industry Initiative for the Environment, developed by the insurance and banking sectors in association with UNEP (United Nations Environmental Programme) in 2000, stands out amongst the sectorial initiatives in the field of climate change.

“Should the risks that have been identified in connection with climate change materialize, from a theoretical viewpoint it may be that the sector will be able to tackle the situation by increasing premiums, restricting its cover on certain risks or reclassifying them as uninsurable.”

The Insurance Industry Initiative for the Environment, developed by the insurance and banking sectors in association with UNEP (United Nations Environmental Programme) in 2000, stands out amongst the sectorial initiatives in the field of climate change.

was to reduce emissions by 15% of the 1999 level. According to business organizations, in order to comply with this target Spain would be forced to reduce by 40% the emissions per unit of GDP.

**The insurance sector and climate risks**

These potential effects of climate change affect the economy and at the same time are reflected in the insurance sector.

There is some quantitative evidence of its potential effect. Available data shows that economic damage caused by climatic events has multiplied 14 times from the 1950s to 2000 (confirm this), in spite of major investments in infrastructure and disaster prevention. The insured portion of these losses increased from an insignificant level to almost EUR 10,000 million.

According to the Intergovernmental Panel of Experts on Climate Change (IPCC), the ratio of world life and property insurance premiums to climate-related losses fell by a factor of three between 1985 and 1999.

In the opinion of IPCC, recent experience
### Examples of risks applicable to the insurance sector

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<td>↑↑</td>
<td>Loss of profits</td>
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**Risk assessment:**
- ↑ low risk
- ↑↑ medium risk
- ↑↑↑ high risk

**Assessment of ability to control:**
- 😞 Difficulty in taking preventative measures. Scarce resources are being allocated to control the risk.
- 😞 Possibility of taking preventative measures. Resources are being allocated to control the risk.
- 😞 Easy to take preventative measures. The international community is allocating ample resources to contain the risk.

**Note:** The risk is assessed on a combined basis in relation to likelihood/frequency of occurrence, potential number of victims and estimated financial cost.

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“**The insurance sector has not yet decided on climate change and to date there are no indications of any change in the medium term.**”

MAPFRE is one of the bodies that forms part of this initiative, in which more than 20 countries are represented. It is a platform to discuss major environmental risks, including climate change, and to facilitate an interchange of knowledge and experience on the subject.
Named by FIFA in 2001 the best club of the 20th century, Real Madrid approaches the future with a multitude of projects in mind. This football club, with a history that spans over a hundred years, represents the most internationally renowned Spanish brand. It has 82,000 members, 150,000 registered fans, and over 50 million supporters worldwide. We have spoken to Carlos Martínez de Albornoz, economic general director of the Club, who told us about the evolution of the economic and insurance framework behind Real Madrid CF.

There are very few differences between our insurance programme and that of an industrial enterprise

Carlos Martínez de Albornoz Bonet was born in Huesca, where he began his studies. He obtained his degree of Industrial Engineer at the “Escuela de Ingenieros Industriales” in Madrid, and later did his PhD at the University of Glasgow. He continued his postgraduate studies at diverse US and European institutions, such as the Wharton Business School of the University of Pennsylvania and the London School of Business.

Mr Martínez de Albornoz joined Dragados y Construcciones in 1970 and worked on several industrial projects until 1988, having become Division manager. In 1988 he was appointed general manager of the Naval Construction Division of the “Instituto Nacional de Industria” (INI). He held that position until 1990 when he took over the executive chairmanship of the construction firm Auxini, that later merged with ACS. In 1983 he was appointed executive chairman of the group Astilleros Españoles y Astano, and was simultaneously chairman of the Association of European Shipbuilders and Ship Repairers (AWES) and of EUROYARDS (an association of the five major European shipbuilders). In 1996 he became the General Manager of Aceralia Corporación Siderúrgica. He also was chairman and director of several companies of the Aceralia and Arbed groups in Spain, Belgium and Brazil and was appointed vice president of the association of Spanish iron and steel companies “Asociación de Empresas Siderúrgicas Españolas (UNESID), and director of the European Confederation of Iron and Steel Industries (EUROFER). He is the Economic General Director of Real Madrid CF since January 2002.
What are the sources of revenue of a football club?

The income and expenses of a football club, are of two kinds: on the one hand, the ordinary or operating revenue and expenses, i.e. deriving from normal and recurring activities of the club and, on the other, the extraordinary revenue and expenses, deriving from the sale of assets: players or other assets or rights, such as land, buildings, etc. In the course of this interview I will refer at all times only to the ordinary or operating revenue and expenses. Basically, a club such as Real Madrid obtains its revenue from four sources:

- Revenue from what we could call "Stadium", i.e. the sale of tickets, seats and boxes, membership fees and season tickets.

- Revenue from the participation of the teams in competitions, both official and friendly ones.

- Revenue for television retransmission rights, corresponding to participation of the teams in national and international competitions and those of REALMADRID TV Channel.

- Revenue from marketing, including from products branded with Real Madrid trademark, licences to use the trademark, from sponsorship, advertising, etc.

What are the objectives of Real Madrid with regard to growth of revenue?

With respect to income, the objective of the Club these past seasons has been to implement measures tending to:

- "Innovative products to cover risks that are specific to sports clubs have not been developed at the same pace as products tailored to cover the needs of the industrial and services sectors."

- Substantially increase its operating revenue.

- To change the proportions of its operating revenue, increasing the share of marketing revenue, so as to achieve a recurring and balanced structure of revenue sources.

The success of these measures is evident from the following summarised data:

- Total operating revenue has increased nearly 70%, from EUR 138 million for the 2000/01 season to EUR 234 million for the current 2003/04 season.

- In this same period, and by virtue of a strategy designed to increase the exploitation of rights for merchandising, image of the club and of the players, distribution and internet, both in the national and international markets, marketing revenue has grown in excess of 140%, from EUR 34.6 million to EUR 83.7 million.
At Real Madrid we are working towards maintaining this pace of growth of our operating revenue, by implementing measures to:

- Strengthen our Real Madrid brand awareness internationally endeavouring to enter commercial markets with a good potential for growth, such as Asia and the USA
- Extend coverage of Real Madrid content through new technology media such as broadband, UMTS, etc.

Which are the main items of expenditure of a football club?

With respect to ordinary or operating expenses the largest, by far, is personnel, and more specifically, players and managers/coaches. Such is the extent of this issue that the G14 (association of the most important European clubs) recommended as a prudent economic measure, that total personnel expenditure, including both sport-linked and non-sport personnel, should not exceed 70% of the total operating revenue, and that this level should be achieved by the year 2005. This ratio, that was determined on the basis of experience as well as the analysis by external advisers, is beginning to be accepted by the football world as the minimum requirement to ensure the viability of football clubs.

At Real Madrid the significant increase in operating revenue, as mentioned above, together with the control of expenditure, compatible with contracting of great players, we have been able to bring that ratio down from 86% as it was for the season 2000/2001 to 54% for this current season. In order words, we have achieved a much better ratio than the one recommended by G14 within a shorter time span, an entire year ahead of the date scheduled for the major European football clubs.

Well below the personnel expenses, but which merit a special mention are those for materials destined to be sold, travel expenses and insurance premiums.

"The measures that Real Madrid has implemented in recent years to promote growth of revenue and control of expenditure, have enabled us to achieve an economic-financial standard that place our club, at least, among the most solvent in the world."

What is the financial position of Real Madrid?

The measures that Real Madrid has implemented in recent years to promote growth of revenue and control of expenditure, have enabled us to achieve an economic-financial standard that place our club, at least, among the most solvent in the world. Some of the data supporting this assertion are the following:
The club has been able to reverse the trend of Operating Results before depreciation. It has gone from a loss of EUR 24 million for the 2000/01 season to a forecasted profit of EUR 48 million for the current season.

Fixed assets such as the cost of acquiring players, use of rights, IT applications, patents and trademarks are to date fully amortized on the balance sheet.

The positive generation of funds obtained in the past four seasons, has allowed investments to be made for a total of EUR 442 million, destined mainly to the acquisition of players, modernisation, refurbishing and extension of the Santiago Bernabéu stadium and repurchase of the rights of use.

"I believe that insurance for a business is, basically, a tool to minimise economic loss arising from negative events, i.e. loss of property or the temporary or permanent inability to generate the usual income."

The working capital (short term difference between assets and liabilities) has gone from negative figures, minus EUR 50 million at 30 June 2000 which meant that the functioning of the Club was at risk, to positive figures of more than EUR 100 million nowadays.

As at 30 June 2000 our liquid assets were EUR 10 million, and that figure for the end of the current season is EUR 140 million. The current results will enable us to deal with the investments that are necessary to build the new sports complex and to continue with a team and premises that are top class by international standards.
What about insurance? What aspects should a football club be more aware of?

I believe that insurance for a business is, basically, a tool to minimise economic loss arising from negative events, i.e. loss of property or the temporary or permanent inability to generate the usual income. From this perspective, there are no major differences between our insurance programme and the one of an industrial enterprise or service business, and it includes:

- Insurance related to managing our most important assets, the star players, which I will speak about later in more detail.
- Insurance covering damage to the premises and physical elements of our assets, the only peculiarity here is the nature of the assets covered, such as trophies, strip shirts, documents and other items that have a historical and representative value far higher than their real manufacturing cost.
- Public liability insurance that differ from other insurances of this type in that:
  - The large sum insured for operating public liability derived from the fact that over 70,000 people attend the events we organise.
  - The legal peculiarities of a sports club differ from those of a standard company, we are therefore forced to provide detailed explanations to insurers, particularly to foreign ones.
- Insurance covering sports contingencies.

How are the star players protected by insurance?

Protection against risks relating to star players is provided by policies that include the following coverage:

- Indemnity for temporary professional disability. While these circumstances prevail, the club pays the player his full fixed salary and in turn receives from the insurance company, a daily sum as compensation after the period agreed as deductible, which varies depending on the age of the player. The total compensation amount payable is determined as a percentage of the player's income.
- Indemnity for permanent disability, life and accidents. The sums insured to cover this contingency are established for each player on a case-by-case basis, taking into account the market value of a player of similar standard if here were part of the team.

With respect to other insurance covering contingencies such as payment of win bonuses and prizes, purchase of retransmission rights, relegation of the club to a lower division, publicity agreements with companies, lease of premises. How do you deal with all this?

At present Real Madrid does not include in its insurance programme policies to cover contingencies of this kind. Our current position is to constantly monitor the development of the markets to analyse the possibility of obtaining specific cover at favourable rates, while considering at the same time other alternative non traditional cover that we can implement in a more general form or for a longer term. The parameters we gauge when considering contingency cover are:

- Establishing the net economic loss that is to be covered
- The effect of the contingency on budgetary stability
- The cost/impact ratio of a loss

With respect to offering insurance to Club members; is it intended to develop the potential income stream that affinity groups could be?

This issue is under consideration and may be implemented in the future. In any event, our priority is that our members and registered fans should be aware that we shall only offer products that will prove to be to their advantage.

From an insurance perspective, what type of co-operation links could be established with football clubs?

Innovative products to cover risks that are specific to sports clubs have not been developed at the same pace as products tailored to cover the needs of the industrial and services sectors. There is plenty of room for manoeuvre, so experts in the insurance market can get to know our sports business environment and its requirements, in order to tailor innovative formulae that will deal with our specific risks with suitable coverage and cost.
### COURSES ORGANIZED BY MAPFRE RE (2004)

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<td>3-4 de October</td>
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<td>Risk inspection and evaluation (english).</td>
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<td>Valuation of assets and under-insurance.</td>
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