

year XVI / 2011

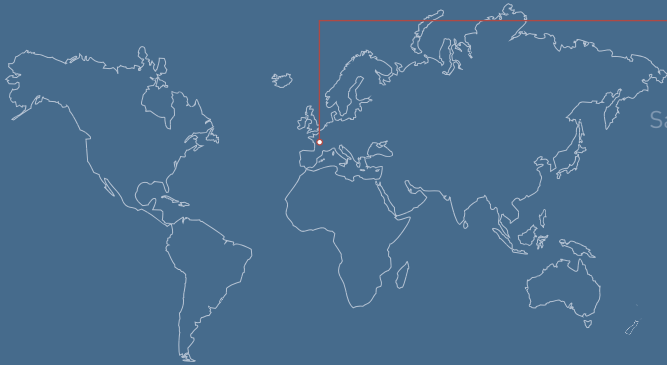
70th Anniversary of the 1941 windstorm in the Iberian Peninsula (Robert Muir-Wood).

Solvency II is also an opportunity (Santiago Romera).

Peter Rush: "Catholic Church risk and insurance management".

Jaime Lissavetzky: "Sport is a secure asset".





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editorial

2011 marks the 70th anniversary of the Atlantic storm in February 1941. According to specialized literature, it was the most violent windstorm ever sustained by the Iberian Peninsula during the 20th century. In recent years, other extratropical cyclones from the Atlantic such as Martin in 1999, Klaus in 2009 and Xynthia in 2010, have reached Spain and Portugal but none of them had the geographical extent or the intensity of the winds registered during the 1941 storm. Robert Muir-Wood, Chief Research Officer at RMS in London, has compiled descriptive and quantitative damage data from traditional documentary sources for Trébol. His analysis also includes a cost estimate should this event be repeated in Spain and Portugal nowadays.

As far as Solvency II is concerned, deadlines are being fulfilled. In future issues of Trébol, we would like to analyze in depth what it may mean for several market players, taking into account different viewpoints and different countries. We therefore invited Santiago Romera, Managing Partner of Área XXI, a risk analysis consulting company, to kick off this series with an article that lays the foundations needed to understand the language of Solvency II. It also outlines the master plan of a company in the sector in order to implement these regulations and finally, it identifies possible business opportunities that may arise.

Specialization is a bet for professionalism. That is how we understood the working approach of Catholic Church Insurances when we interviewed its CEO, Peter Rush. This company manages insurance and attends any requirements from the Catholic community in Australia. Apart from offering a wide range of insurance products for churches, cathedrals, colleges and residences amongst others, Catholic Church Insurances operates as a mutual company by distributing its surplus at the end of the financial year. It manages Church investments and it also organized the entire operative concerning insurance at the Pope's last visit to Australia.

Mr. Jaime Lissavetzky, current President of the Spanish National Sports Council, will soon be caught up in a hectic schedule of engagements due to his next election campaign for the office of Mayor in Madrid. Nevertheless, Trébol has got the privilege to hear his report about sports management in Spain over the past years. Without forgetting subjects of such importance as the fight against violence and doping in sport, we have understood that government efforts and sponsorship are addressed to support elite sportspeople and to promote sport for children and youngsters. We hope to witness and celebrate still more sporting successes in 2011 and the years to come.

The 1941 February 15th Windstorm in the Iberian Peninsula

Robert Muir-Wood
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Commerce Square, Lisbon

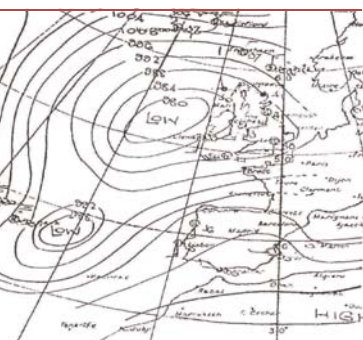


It was 70 years ago, on the afternoon of February 15th 1941 that a windstorm burst on Portugal with unprecedented ferocity. The storm caused significant damage and disruption, making a direct hit on Lisbon while damaging winds affected the whole of Portugal. It remains one of the top five most severe windstorms across Europe during the 20th Century.

What happens when the major 'Icelandic' low pressure system is located far to the south?



Lighthouse in Foz do Douro, Porto



Map 1: Situation on the surface prior to the 1941 February windstorm. Source: U.K. Met Office

Introduction

The meteorological “set-up” that created the 1941 windstorm was characterized by the presence of a major Atlantic low with a strong jet stream situated along its southern flanks which triggered the formation of a rapidly-intensifying daughter storm propelled to the east by the jet. This is a situation found two or three times in a typical winter. However on most occasions, the large deep low is located over Iceland and intense daughter storms form and dissipate over the Northeast Atlantic.

What happens when the major 'Icelandic' low pressure system is located far to the south of its usual location? Such a situation occurred on St. Valentine's Day, Friday February 14th 1941.

The 1941 Storm 'Set-Up'

► On February 13th 1941, a massive low pressure circulation was situated a thousand kilometers to the south of Iceland, covering much of the eastern north

Atlantic. Its southern flank extended to the Azores and to the northeast trailed back to southern Greenland (map 1).

- By February 14th the centre of this large low pressure system had drifted to lie 200 kilometers to the southeast of Ireland. The southwestern side of the storm had straightened running northeast from the Azores to the southern tip of Greenland, causing Arctic air to mix with air from the tropics.
- Out to the west a new vortex had developed along this flank. By the morning of Saturday 15th this vortex depression was located 250 kilometers to the east of the Azores, travelling at 90 kilometers per hour (kph) towards the east and intensifying. Once the storm had reached the central Portugal coast (map 2), the central pressure had dropped close to 950 hPa¹, the forward speed had begun to slow and the path started to curve towards the northeast.

► Two warm fronts fed by the tropic air mass were ahead of the storm, crossing Córdoba (Andalusia-Spain) around 1 pm with surface temperatures of 15-16°C.

¹ Hectopascal (hPa): a unit of measurement of atmospheric pressure equal to one millibar. That is 1000 dynes per square centimetre.



Maximum Recorded Windspeeds during 15th Feb 1941 storm

	Speed	
	kph	mph
Locations in Portugal		
Lisbon	127	79
Praia da Rocha (Algarve)	130	81
Portimão (Algarve)	150	93
Santiago do Cacem (South of Lisbon)	119	74
Penhas Douradas (Serra Estrela)	148	92
Coimbra	133	81
Guarda	126	78
Porto	130	81
Location in Spain		
San Sebastián	180	112

► The wind continued to build and the highest gusts were experienced in the cold front at around 4 pm on the afternoon of Saturday 15th February 1941. The high winds were over by 5 pm.

How strong were the winds?

There are a number of windspeed measurements reported from the storm, but these readings should be treated with some caution. Windspeed recorders were not necessarily calibrated, situated at standard elevations or sited to avoid obstruction from surrounding trees, buildings or topography -as they would be today. Also it is not clear which observations were actually recorded -rather than simply being observed on a flickering anemometer.

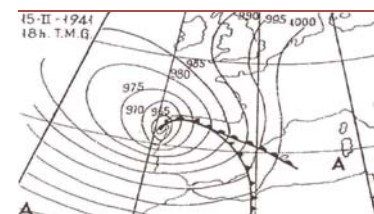
However at a number of coastal locations, windspeeds were reported as '200 kph' (Sintara, Ericeira and Montalegre in Portugal and Santander in Spain). Given the absence of any more exact measurements above 150 kph in Portugal, we can see there is some

likely exaggeration in these figures. However despite the scarcity of windspeed recordings some indication about the extent and magnitude of the windfield can be reconstructed from the pattern of damage. The locations of highest damage and hence highest windspeeds in the storm are found between Lisbon and Porto (see map 2).

Damage to buildings

In Portugal the greatest damage to buildings was to factories, warehouses, barracks and airport hangers. Many military facilities were badly damaged, as well as large structures such as theaters, hospitals and schools. For ordinary houses and apartment buildings the greatest damage was to tiles and chimneys.

Damage to trees and the roofs of buildings also extended into northern Spain with reports concentrated in two areas: one inland affecting towns and villages around Logroño and the second in villages closer to the coast around Bilbao and locations to both east and



Map 2: Situation on the surface on 15-02-1941. Map by P. Mateo González (1955)



- 1 **Vilanova de Famalicão**: almost totally damaged.
 - 2 **Guimarães**: factory destroyed.
 - 3 **Paços de Ferreira**: electricity supply destroyed.
 - 4 **Porto**: major damage to barracks of the Artillery Regiment.
 - 5 **Espinho**: destroyed hangers in the airfield.
 - 6 **Serra da Estrela (Covilhã)** Extreme damage. Villages blocked by snowdrifts for three days after the storm.
 - 7 **Leiria** district: hundreds of chimneys blown down.
Maceira: cement factory destroyed.
 - 8 **Bombarral**: theater destruction.
 - 9 **Arruda dos Vinhos**: hospital chimney blown down.
 - 10 **Malveira**: trucks were blown off a railway line.
 - 11 **Sintra**: hangers destroyed.
 - 12 **Lisbon**: damaged schools, 1,000 damage incidents reported to the fire brigade. Olival and Campolide neighborhoods almost destroyed.
Cabo Ruivo: plane sunk at the seaplane airfield, English airport manager drowned.
Campolide: devastated ceramic factory.
 - 13 **Vendas Novas**: major damage to the School of Artillery.
 - 14 **Relíquias**: damaged houses and chimneys blown over.
- Zumaya (Guipúzcoa – Spain): three carriages of a stalled electrical train blown off a viaduct over the River Urola. 20 died and 120 injured.



west along the northern coast. While much of the interior region of northwest Spain was of low population, the absence of reports of damage from cities such as Valladolid and Salamanca suggests that windspeeds were lower over the region inland from the frontier with Portugal.

The patchy nature of the distribution of the most intense windspeeds is typical of other recent intense windstorms in Europe.

Damage to infrastructure and communications

There was major disruption of telephone lines and electricity as well as road and rail systems, so that on Sunday 16th it was reported

that all communication had been lost between Lisbon and the rest of the country. More than 100 km of telegraph lines were destroyed.

Forestry damages

Enormous numbers of trees were blown over –or broken off– by the storm. There was no national survey of treefall in Portugal after the storm but on February 20th the Portuguese *Diário Noticias* announced as its main headline that ‘Incalculable damage had been caused to the nation’s arboreal resources’. Across Portugal as a whole one can estimate the total treefall was in the tens of millions of trees – perhaps 2-3% of the total at that time (as was the case in Lothar and Martin windstorms in France in 1999).



Along the Algarve in southern Portugal, there was widespread tree damage, in particular in town parks and farms. The destruction of olive and fruit trees also extended into southwest Spain (Cádiz, Sevilla, Córdoba y Jaén). These observations are consistent with the windspeed recordings along the Algarve, probably generally in the 130 kph range although locally and close to the coast rising to more than 150 kph (42 m/s).

In the most damaged locations up to 20% of mature trees were broken at the trunk or blown over. Based on experience from the highest windspeed areas of windstorm Lothar or the 1987J storm in southeast England, 25% attrition rates in mature forests suggest windspeeds of 45-48 m/s (150-170 kph).

The storm along the coast and storm surge

A major storm surge was driven up the **Tagus estuary**, combining with strong wave action driven by the southwesterly winds to cause flooding on the northern coast of the estuary. In Lisbon, at the mouth of the estuary, it was reported that water levels in the port were one meter higher than usual. Large numbers of boats were damaged or sunk - including 150 boats sunk in the estuary close to Lisbon. Many manufacturers of salt had their facilities destroyed along the Tagus River.

To the **east of Lisbon** at Cascais, waves and water were thrown into the lower part of the town and a sea wall protecting the Casino was destroyed. At Estoril, sea water inundated the magnificent 200 year old cedars, between the Hotel do Parque and the Hotel Estoril.

Storm surge flooding was also intense at Sesimbra on the coast to the **south of Lisbon**, where the sea entered the lower part of the town, badly damaging and destroying houses and more than 300 boats were sunk or lost.

Further to the **northwest**, the Tagus estuary water levels were even higher: at the town of Alhandra houses were flooded with more than one meter of water. Waves destroyed the first line of houses and the debris was then carried into houses further back from the edge of the estuary. It was said that people died either because they hesitated before abandoning their homes, or chose to get through the swirling water at the wrong time. Although more than 100 people escaped from Alhandra at the height of the storm, 25 inhabitants were drowned. The death toll was feared to be much higher - potentially over 100, but many sailors had taken refuge on an offshore sand bank located parallel to the coast. In some places, this sand bank was eroded allowing waves to advance into the town of Vila Franca de Xira.

Along the Atlantic coast to the **north of Lisbon**, the coastline is generally steeper and

The patchy nature of the distribution of most intense windspeeds is typical of other recent intense windstorms in Europe



- 1 **Caminha and Esposende:** devastated whole forests.
- 2 **Mata do Buçaco:** 285 great acacia trees blown down.
- 3 **Estoi, Beja, Caldas da Rainha and Porto:** trees in public gardens devastated.
- 4 **Coimbra:** 27 hectares of unique primal forest blown down and 1000 great cedars lost.
- 5 **Gaia:** 40,000 trees lost.
- 6 **Prouença a Nova:** 300,000 trees blown down.
- 7 **Alcoentre:** blocked for three days by numerous eucalyptus trees on the roads.
- 8 **Tremês:** lost 80% of olive trees of an estimated 100,000 specimens.
- 9 **Lisbon:** Botanical Gardens, hundred of destroyed trees.
- 10 **Prazeres (Lisbon cemetery):** 300 large cypresses fell in the cemetery.
- 11 **Évora:** 10,000 eucalyptus trees and 20,000 pines blown down in the Mata Nacional de Virtudes.
- 12 **Funcheira:** 500 fruit and olive trees blown down.
- 13 **Quarteira:** 150 olive trees.
- 14 **Moncarapacho, Pechão, Fuzeta and Tavira:** thousands of olive trees.
Cádiz, Sevilla, Córdoba y Jaén (Andalusia - Spain): thousands of olive trees.



while there were fewer reports of flooding, the waves were enormous and at a number of ports caused damaged.

Salt water from breaking waves offshore was carried by the winds and redeposited **inland** up to 40 kilometers from the coast, causing the vegetation to be scorched and damaged – as at Grandola. This is characteristic of extreme windspeed windstorms, as was experienced in the 1987J storm inland from the coasts of southeast England.

Fire following windstorm

In the City of Santander on the northern coast of Spain, in the centre of the path

of highest winds, a fallen electrical power line created sparks that ignited a gasoline storage facility and moored tanker. Swept by the wind the fire burnt out of control consuming almost the whole of the town center over an area of 2 km². This conflagration destroyed the 13th century cathedral and 300 major buildings including the Government revenue house and customs office, comprising 85% of the commercial center of the city. More than 30,000 people were forced to evacuate their homes.

Casualties

In a daytime storm casualties are typically five to six times higher than in a night-time



storm because it is far more dangerous to be outside where there is potential to be struck by debris falling off roofs and chimneys as well as from falling branches and trees.

The windstorm occurred through the afternoon into the early evening on a Saturday, without proper warning and many people were outside in the storm. **A total of at least 130 people are known to have died in the storm.** These include:

- ▶ A total of twenty were killed in Lisbon by falling trees, chimneys, tiles and other debris. Twenty-five at Alhandra and eight at Setúbal drowned in the storm surge.
- ▶ Nine people and two crew drowned in the sinking of a small ferry crossing the Tagus River inland at Tomar.

- ▶ Across the country of Portugal as a whole some thirty-two people were killed by falling chimneys with another fifteen killed by treefall.

- ▶ At Torres Novas three were killed in the collapse of a laundry.

- ▶ At least ten died of exposure having been caught outside walking between Portuguese villages in the mountains and then got trapped in the blizzard.

- ▶ And twenty were killed by a passenger train being blown off the viaduct in Guipúzcoa (Spain).

If the storm occurred today, many more people would have been killed while driving, but the number of incidents involving vehicles

Some quoted estimations of financial damage in Portugal following 1941 windstorm

Lisbon: in excess of 200,000 contos (450 chimneys knocked down and widespread damage)

Towns along the Tagus estuary to the northeast of Lisbon was given as 25,000 contos (storm surge)

Island of Madeira: 80,000 contos

Algarve: 30,000 contos

Porto area: 25,000 contos

Porto de Mós: 3,500 contos just to the electrical supply system

Military aviation: 20,000 contos

(1 conto = 1,000 escudos)



Tavira (Algarve)

The total damage to Portugal was around 1,000,000 contos in 1941 or EUR 5 Billion in 2009

was only two -killing four people- reflecting low traffic levels. The population of Lisbon in 1941 was 650,000 while that of Portugal was 7.7 million. The per capita casualty rates in the path of the storm (adjusted for population) are higher than any other windstorm in Europe over the past 100 years.

The cost

Damages in Portugal from the windstorm were estimated to be 'half the national budget'. The amount of damage in the storm was so significant that on February 20th the Ministry of Economics had to pass a prohibition against any price gouging – declaring that 'prices of construction materials, including tiles, glass, windows and cement had to be brought back to those found before the storm'.

Estimates of damage in the storm were provided for a number of towns and provinces in Portugal and were reported in 'contos' (each equal to 1,000 escudos). Based on knowledge of the extent of the districts worst affected, which included Lisbon, Faro, Porto, Beja, Braga, Coimbra, Guarda, Viana do Castelo, Santarem, Leira, Aveiro and Viseu and the damage estimates for towns and villages which have survived, these suggest **the total damage to the country was around 1,000,000 contos.**

How much would this be in today's money?

In 1940 the official exchange rate was 27.5 escudos to the US dollar (USD), making one conto worth just under USD 40. One million contos would therefore be the equivalent of USD 40 million in 1941. However, USD 1 in 1940 is worth USD 15 today. At the same time, the Gross Domestic Product (GDP) of Portugal has increased by a factor of around 10 in the approximately 70 years between 1940 and 2009 and there has been a significant increase in the value of the property in the path of the storm. Therefore, one million contos in 1941 becomes the equivalent of around USD 6 Billion or around EUR 5 Billion in 2009.

Compared to Portugal, damage in Spain was generally more scattered and limited to rural areas – with the exception of the city of Santander, where we know the total damage to buildings and their contents was assessed at Pesetas 100-150 million, equal to USD 9 - 13.5 million in 1941 currency. Applying similar multiples to those employed for Portugal, the total equivalent damage in Spain (including the destruction of Santander) was around EUR 1-1.5 Billion in 2009.

In terms of damages, the 1941 Windstorm is the biggest catastrophe in the Iberian Peninsula in the last 200 years. It also caused more damage than any of the earthquakes in Por-



In remembrance of victims who died due to 1941 windstorm in Gralheira, Portugal

tugal since 1755. In comparison with Windstorm Klaus on January 24th 2009, windspeeds along the northern coast of Spain were similar (130-150 kph) to those observed in 1941, but the 1941 storm caused comparable windspeeds over the interior of both Spain and Por-

tugal as the track of the intense 1941 storm was located much closer to the Iberian coast. As today, Portuguese insurers do not explicitly purchase windstorm reinsurance for a repeat of a storm like that of 1941, nor do reinsurers specifically price this cover.

In terms of damages, the 1941 Windstorm is the biggest catastrophe in the Iberian Peninsula in the last 200 years

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Basics of Solvency II



First of all, we would like to express our gratitude for the opportunity that has been offered to us to take part in this publication by contributing an article on Solvency II. For this purpose, a three-fold approach would seem to be appropriate:

1. In the first section and while we do not intend to focus entirely on theoretical aspects, we shall single out certain fundamental concepts that are necessary in order to understand the “special language” of Solvency II.
2. This will be followed by a second, highly practical section which describes the principal milestones in a Master Plan for implementing the regulations bearing in mind (as a primary consideration) that financial markets are not particularly stable at present.
3. Consequently, we shall then examine a third aspect namely the opportunities that arise from the standard, emphasizing how a reinsurance company can ultimately benefit from them.

If this three-fold treatment enables us to take a highly practical approach to certain concepts that call for clarification, then the objective that was set on tackling this challenge will have been achieved, given that the composition of an article always starts from... a blank page.

To conclude this introduction, one final point should be noted and that is “information overload”. If the subject examined in this article is entered in a search engine, it is possible to find up to 2,612,000 references (on the date of writing the present article).

As a starting point, let us summarize the basic knowledge required in order to understand this “special language”:

Origins

To understand the origins of Solvency II and its language, we must refer back to our fellow

Basel II defines a banking system with adequate capital reserves that will enable it to weather the storms that the economic climate can bring

player in the financial sector, i.e. the banking industry, and more specifically to Basel II. This standard defines a banking system with adequate capital reserves that will enable it to weather the storms that the economic climate can bring. It is more solid and more sensitive to risk than the system under Basel I.

The elements of the new accord are arranged in three pillars which, when broken down and adapted to Solvency II, are as follows:

- ▶ Pillar I: *Quantitative*: Risk considerations assigned to different types of risk assets. These include operational risks. The aim is to determine the “economic balance sheet”, focused on risk and based on market value.
- ▶ Pillar II: *Qualitative*: Ongoing supervision by the regulatory organizations.
- ▶ Pillar III: *Market discipline* based on greater transparency and aiming for international accounting standards, taking IFRS (*International Financial Reporting Standards*) into account.

Approach

In essence, the insurance business may be summarized as follows: the payment of a specific sum by the insured (the premium) to a concrete entity (the insurance company) with the purpose of “transferring” the risk to which the insured is exposed. In return, the insurance company ac-



cepts the risk, providing cover for it and thereby “releasing” the insured from that risk.

To enable insurers to cope with the foreseeable contingencies, they may have two resources, each of which entails a series of risks:

- ▶ The first resource, coming from the insureds, is the premium that is efficiently collected. This also entails a “technical risk” as to whether this premium will be adequate, given that competitive aspects must also come into play if the premium is to appear attractive to the customer.

Figure 1. Conceptual framework of Solvency II. Three Pillars

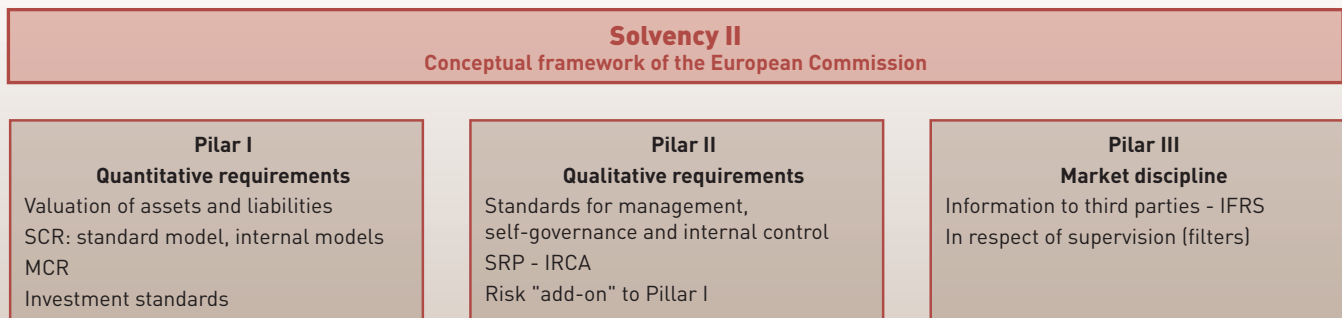
SCR: Standard Capital Requirement for Solvency

MCR: Minimum Capital Requirement

IRCA: Internal Risk and Capital Assessment

SRP: Supervisory Review Procedures

Source: CEIOPS [Committee of European Insurance and Occupational Pensions Supervisors]





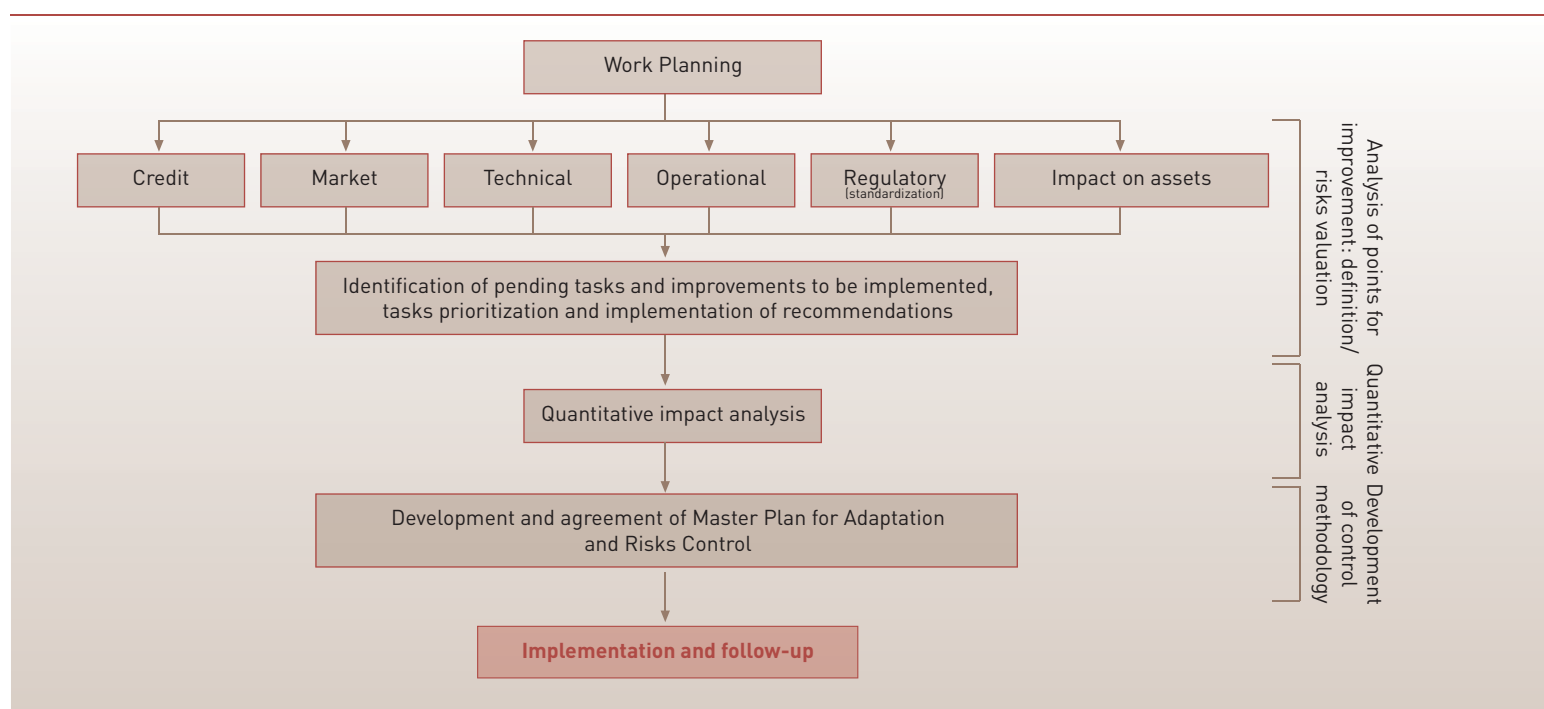
To understand the origins of Solvency II and its language, we must refer back to our fellow player in the financial sector, and more specifically to Basel II

This resource is increased by the degree of financial profitability corresponding to the premium investment until the potential claim occurs. And this, in turn, involves risks attaching to the assets in which the investment is made, such as price fluctuations, market risk and creditworthiness, depending on where it is decided to invest.

► A second resource, originating from the shareholders, is the minimum equity capital (shareholder capital) which an insurance company must have (the Solvency Margin) in order to avoid unfavourable fluctuations in the claims ratio by responding to such variations with the aforementioned capital.

Figure 2. Master Plan in a Solvency II project

Source: AREA XXI



At present, the Solvency Margin is determined according to the volume of premiums or claims and -in certain lines of business- according to the volume of the mathematical reserves or sums at risk

At present, the referred Solvency Margin is determined according to the volume of premiums or claims and -in certain lines of business- according to the volume of the mathematical (actuarial) reserves or sums at risk. The salient point as regards the calculations mentioned here is that – regardless of the typology of each company – they are performed according to an identical formula, along the lines of “one size fits all”. **This will change with Solvency II, which adopts a more individualized approach.**

Evolution

In this regard, it is possible to see the differences between Solvency and Basel; the Solvency formula proves to be broader in conceptual terms. It considers **liability and related accounting aspects** as well as the operational risk and the relationship between assets and liabilities (*ALM – Asset Liability Management*).

There is also a distinct difference between Solvency I and Solvency II. Solvency II uses market value in order to determine the economic capital (Solvency Margin in Solvency I, and standard capital requirement (SCR) in Solvency II). The previous “blank slate” with fixed, endogenous percentages is replaced by a more complete approach that takes account of the assets side of the balance sheet (market and credit risk).



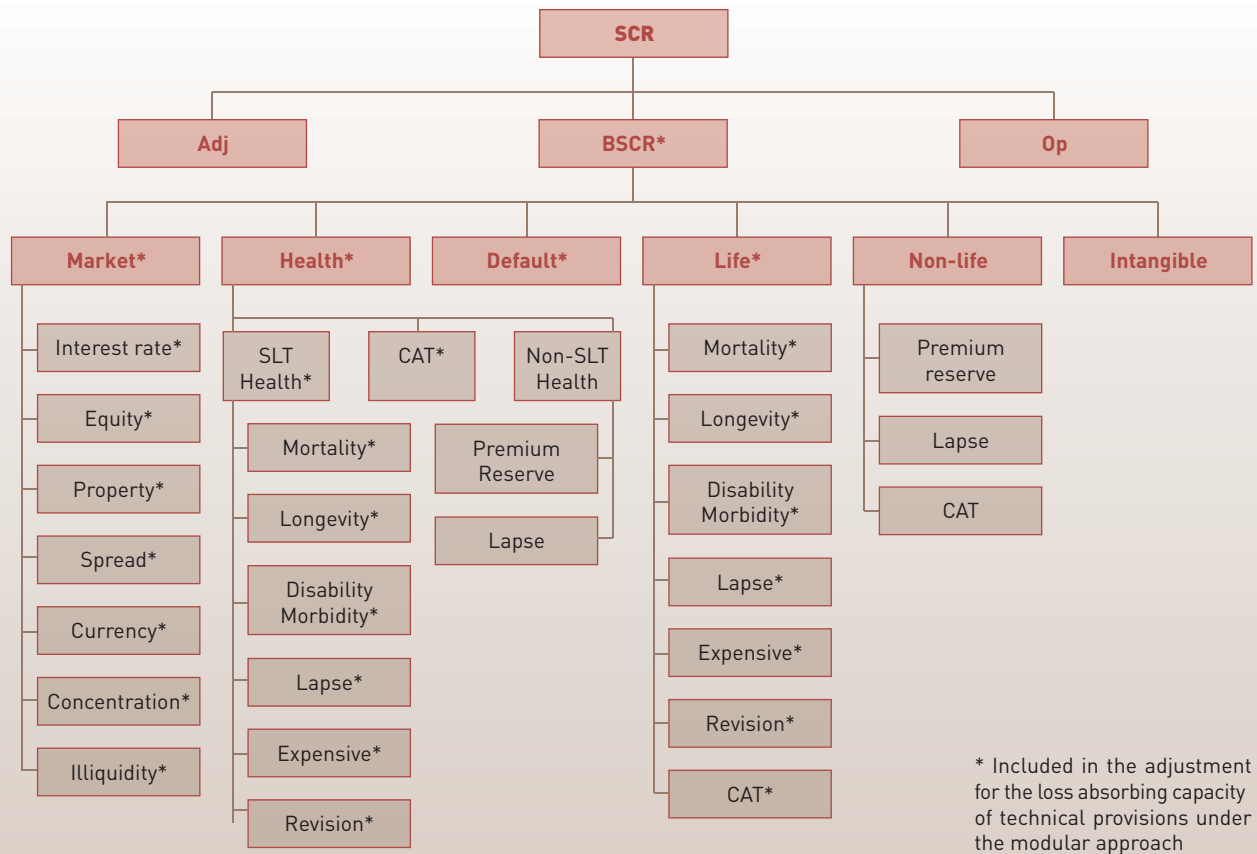
Figure 3. Qualitative risk analysis
Source: AREA XXI

Work phases

		Risk analysis		
Launching of the Project	Global analysis	Risk evaluation	Analysis of improvements and controls	Implementation
0.1. Project organization 0.2. Detailed project plan	1.1. Company risk analysis > Technical risk > Market risk > Credit risk > Operational risk 1.2. Organization and processes 1.3. Systems	2.1. Analysis of current situation 2.2. Identification of gaps 2.3. Risk map 2.4. Qualification of gaps	3.1. Identification and evaluation of improvements 3.2. Analysis of controls	4.1. Prioritization 4.2. Execution

Figure 4. SCR, Standard formula. Standard requirement of Solvency capital

Source: CEIOPS



Regarding the “Master Plan”

Taking into account these considerations and in order to prepare the way for Solvency II, companies should implement a specific “Master Plan”, divided into two sections or “exercises”: a **qualitative** section (focusing primarily on the **quality of information**) and a **quantitative** one (to obtain the **number** to be taken into account in the economic balance sheet with the data that previously underwent qualitative processing).

Work planning

The initial approach proves to be fundamentally important because it entails consideration by the company of its “risk appetite” and consequently, of the impact this has on the capital adequacy requirements for coping with it.

Likewise, this will enable the company to evaluate the resources available for this purpose, in relation to business lines (Life, Non-Life) and to various distribution channels – for example, agencies, direct insurance or *bancassurance*.

Qualitative

This aspect, which is covered by Pillar II, will take the form of an “internal project” in the re-insurance company, breaking it down into two basic sections:

► Global analysis

This analysis will cover specific risks related to the company’s operation in terms of its different “risk points”, e.g. market, credit and technical. A particular emphasis is placed on the operational risk, including its three main aspects: processes, systems and people.



The Solvency Margin will change with Solvency II, which adopts a more individualized approach

- ▶ Evaluation and implementation of improvements and controls.

This section considers several gaps or omissions that should be filled in by developing a plan to reduce the risks they entail in accordance with the cost-to-benefit criterion. This plan covers:

1. Specific actions.
2. Terms, periods.
3. Individuals responsible within the organization.

For this purpose, it is advisable to use a **risk matrix** which lends a dynamic character to this process.

Quantitative

Having analyzed the quality of the information, it is time now to specify various quantitative indicators by determining risk in monetary units on the basis of exercises known as *Quantitative Impact Studies* – QIS. This is a step prior to establishing the definitive formula. There are two key aspects here:

- ▶ The standard formula.
- ▶ Internal models, which must cover a series of specific requirements to be developed. An emphasis is placed on authorization by different local legislative bodies, especially in qualitative terms.

The chart in figure 4 shows the various “boxes” that must be calculated using correlation matrix for each risk group and on a global basis. In the latest QIS exercise (*Quantitative Impact Study 5*), the portion of intangibles, the division between Life and Non-Life, and the scope of adjustments to the BSCR (*Basic Solvency Capital Requirement*).

Within these cells, on the basis of previous QIS exercises and in accordance with the market situation, we may make these summarizing comments:

- ▶ “Market” is the risk with the highest capital cost, not only for the formula itself but also for the data used to calculate it, which reflect the complex situation on the market.



- ▶ “Technical”, in relation to Life as well as Non-Life and Health, with lines that have a higher capital cost than others (i.e. longevity and liability versus mortality and property/casualty).
- ▶ “Default”, in contrast to Basel, emerges as having the lowest capital consumption.
- ▶ “Operational” and “Intangibles”, with fixed percentages on premiums, claims and reserves on the one hand, and of determined intangible assets on the other.

This initial analysis of risks that entail greater or lesser capital cost brings us to the third section of our article.

Opportunities

This breakdown identifies a series of opportunities that can be classified as follows:

- ▶ Given that the technical aspects take precedence over the liability calculation, it must be borne in mind that the “Law of Large Numbers” (LLN) will favour those portfolios with a larger number of risks (and homogeneity among those risks), when showing less variability and consequently, less risk, leading to less economic capital.
- ▶ Diversification, both geographical and in terms of business lines, will save capital by means of the correlation matrix, so companies operating in one single line or one single country will not be favoured.
- ▶ Within the components that consume more or less capital, as indicated by the European standard, there are “risk-mitigating” factors such as:
 - ▶ **Reinsurance**: when exchanging technical risk for a risk with less capital consumption such as credit risk. This aspect triggers an interesting debate. Likewise, the capital cost can be diluted when taking different lines and geographical diversification into account.
 - ▶ **Financial institutions**: specified financial products (such as a swap) can exchange market risk for credit risk, producing the effect described in the previous point.
- ▶ It should also be noted that -given the greater emphasis on technical aspects- the lack of resources emerges as a major problem. From this, it can be deduced that “investment in oneself” in the form of research can bring rewards.

In our opinion

From our perspective as consultants who actively keep our fingers on the pulse of the sector, we detect a general increase in awareness, although those who have not initiated measures to adapt to Solvency II may be missing an opportunity to measure the real value of our “merchandise” – which is nothing more than risk itself.

www.area-xxi.com
AREA: Risk Analysis for Insurance Companies

Diversification, both geographical and in terms of business lines, will save capital, so companies operating in one single line or one single country will not be favoured



interview to **Peter Rush**

CEO Catholic Church Ins. LTD
Melbourne - Australia



“I have worked my entire career, spanning almost 40 years, in the insurance industry. In 1982, I joined the Munich Reinsurance Company in Melbourne, where I underwrote facultative business until 1998. I then joined Catholic Church Insurances (which was one of my reinsurance clients), responsible for underwriting, claims, reinsurance and risk management and became General Manager in 1999. Two years ago, my position changed to that of Chief Executive Officer. I am also responsible for an investment company which manages some of the Church's funds and the administration of a superannuation and pension fund for about 75,000 employees within the Catholic Church, principally in education and healthcare. I am married with four adult children and I particularly enjoy riding motorbikes and gardening”.

“We are a part of the Catholic community which manages its insurance and related needs”

Rather than seeing themselves as an insurance company whose clients are the various entities of the Catholic Church in Australia, in Catholic Church Insurances they consider that the company is principally a part of the Catholic community which manages its insurance and related needs. In the interview to CEO Peter Rush, we will learn not only the philosophy of the company and its mission, but also their products specially adapted to the needs of the various entities of the Catholic Church, their risk management services for their clients and how to securely organize the visit of a Pope.

When was Catholic Church Insurances Ltd. born and what was the core business in the beginning? Did it follow a model of any insurance company in any other part of the world?

Established in 1911, Catholic Church Insurances has been operating for nearly 100 years, making it one of the oldest insurance companies in Australia. From humble beginnings as an insurer of only fire risks for the Church, Catholic Church Insurances has grown into a provider of a broad range of insurance products, investment management services and superannuation and pension administration services. The company was established by a small group of Australian bishops who identified the need for the Church to have its own insurance company and now insures the majority (about 85%) of Church assets and liabilities

in Australia.

Catholic Church Insurances is 100 % owned by the dioceses and many of the religious congregations of the Catholic Church in Australia. It is one of only two or three Catholic Church owned insurance companies in the world.

The company acts as a mutual company with all surplus, after expenses, claims allowances and capital requirements, returned to support the mission of the Church. Our premium income is about AUD¹ 190 million annually, around EUR 145 million, however in normal years, the company is able to return a considerable sum of money to its Church shareholders and policyholders, through investment income. In the past 31 years, we have returned more than AUD196 million (EUR 150 millions) to advance the work of our Church.

¹ R.O.E. EUR 1 = AUD 1.41

What are the insurance products that your company offers to parishes? What is the main cause for fire losses? Are churches equipped with air conditioning, heating, sprinklers, alarms?

Catholic Church Insurances offers property, liability and worker's compensation (or employers' liability) insurance to Catholic parishes, schools, health and welfare organisations, which are run by the various dioceses or religious congregations. In addition to these main classes of insurance, which make up more than 90% of our income, we offer a full range of the insurance products normally available in the market. Each year, the company pays a large number of claims for damage to property and loss of assets as a result of fire. The main causes of fire loss are burning candles left unattended, electrical malfunction of equipment and arson. While the incidence of arson in schools in Australia is high, we are fortunate that the majority of such claims occur in non-Catholic schools due to the better protection against this risk in our Church schools. In the past decade, we have suffered the total loss of two cathedrals, one from arson and the second as a result of a tornado which caused such structural damage that the building had to be demolished. This type of loss is very uncommon in Australia.

The facilities at each church vary considerably and are dependent on a number of factors, particularly age, size and architecture. In our experience, churches are rarely equipped with air conditioning or sprinkler systems but heating, particularly natural gas heating, is common. Of course, we must remember that our churches are not "old" by European standards. Australia was settled by Europeans only a little more than 200 years ago, so an 'old' church in Australia was built only 150 years ago.

Alarms are also not common in Australian churches. However, Catholic Church Insurances is currently funding the installation of state-of-the-art VESDA (Very Early Smoke Detection Apparatus) systems in all cathedrals and major churches in Australia. This program will involve the installation of this equipment in more than 35 buildings at a cost of many millions of dollars and will take more than 5 years to com-

The main causes of fire loss are burning candles left unattended, electrical malfunction of equipment and arson



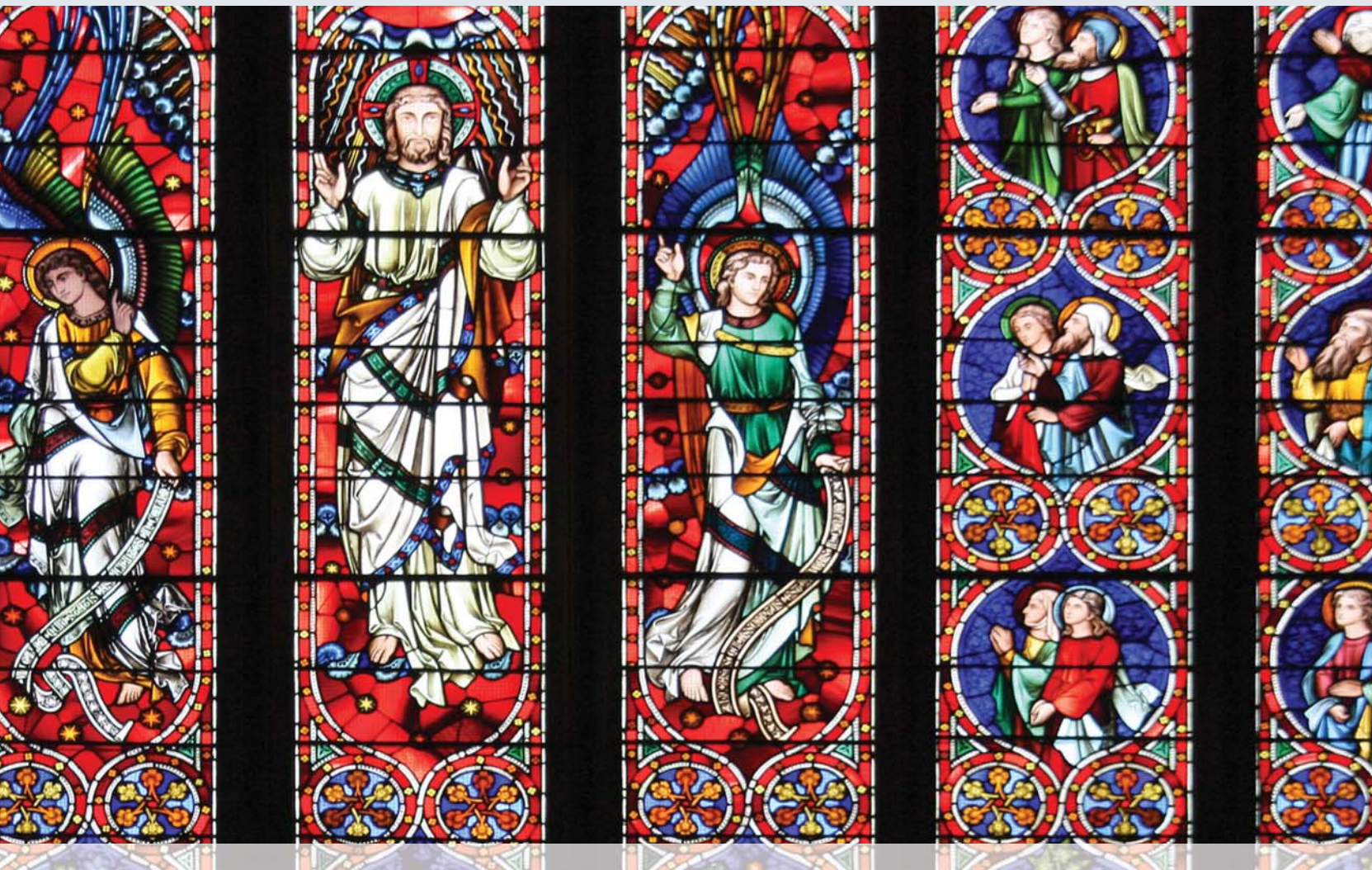
Stained Glass Window in Saint Patrick's Cathedral, Melbourne

plete. This is being undertaken as part of a national project aimed at offering better physical protection to the Church's many significant cathedrals, which are integral to the Catholic community.

Australia is a continent prone to several natural hazards such as earthquakes, fire following quake and tropical cyclones, for instance. Are there specific Cat Models to calculate losses for your portfolio following these events?

Unfortunately, Australia is prone to a large number of catastrophic events, particularly bushfires, and storm losses. While the industry suffered a significant earthquake loss in 1989, such an event is rare.

Historically, our own portfolio has not suffered many significant catastrophic losses due to the physical spread of insured assets, the relatively small value of



Church-owned structures located outside the major cities and the fact that many Church buildings are constructed in higher areas, giving them natural protection against flood and water losses.

Catholic Church Insurances does not use any specific Cat Models to calculate losses following a catastrophic event, but we do use catastrophe modelling to estimate probable maximum loss and therefore to indicate the level of catastrophe cover which we require. Modelling is based on thousands of simulated catastrophic events. To be able to make a comparison to actual losses, we would need to find a simulated catastrophe that exactly matched the event's characteristics, which would be quite difficult.

We provide underwriting data to our reinsurance broker, Aon Benfield, who performs the modelling exercise using the RMS (Risk Management Services) software

for earthquake and cyclone exposure and through Impact Forecasting (an Aon-based software) for all other perils such as bush-fire, flood, storm and hail.

The results and assumptions are analysed and a recommendation is made on the level of catastrophe protection required using a one-in-300 year loss event, which exceeds the minimum requirement of the industry regulator, the Australian Prudential Regulation Authority (APRA). We have a large volume of data on our insured risks, since we are in constant contact with our clients and this enables us to provide accurate, detailed and up-to-date information.

Australia is a young country and so are its buildings. Do you think that churches are more resistant to these natural perils than for example, those in the United Kingdom?
As our expertise is based on the Australian

Catholic Church Insurances is currently funding the installation of early smoke detection systems in all cathedrals and major churches in Australia

Australia was settled by Europeans only a little more than 200 years ago, so an 'old' church in Australia was built only 150 years ago

market, it is difficult to provide an objective comparison of buildings in Australia to those in the United Kingdom and we have not undertaken a study for this analysis. However, since our early construction methods were based on those used in England at the time, it is likely there would be no significant difference in the resistance to damage in both countries.

Unlike Europe, most buildings in Australia are under 100 years of age and our "very old" structures are only 150 years old. This makes them modern by world standards. They range from early traditional buildings, usually constructed of local bluestone, limestone or sandstone, through to more contemporary buildings usually of brick construction. Where possible Catholic churches are built on higher ground, which reduces the risk of flood damage, and constructed with knowledge of the prevailing natural perils. Our experience indicates that while the building of churches on higher ground reduces the risk of flood damage, it can increase the risk of loss caused by wind and storm damage and we have suffered some large losses from these perils.

Is there any international forum where technical opinions on the insurance of this very special type of risks can be exchanged? Do parishes receive from the Vatican any sort of recommendations when purchasing specific insurance products? What about the art heritage?

We are not aware of any international forum and we do not participate in any such gathering. However, occasionally we do visit similar Church insurers in other parts of the world to discuss matters of common interest and that close association has enabled us to compare their portfolios with our own and to receive information of matters of similar interest, especially large loss events and risk management issues. The Vatican does not offer assistance in this area on a world-wide basis. Generally, each diocese and religious congregation is independent and therefore conducts its own affairs in matters such as insurance. Occasionally, we do seek the guidance of our reinsurers to assist us with risk management advice, which is based on their

Saint Patrick's Cathedral, Melbourne





international experience and knowledge. The purchase of insurance products and coverage is decided at a local level and the owners of art within a diocese or parish are responsible for arranging the appropriate level of insurance. Catholic Church Insurances is able to help the diocese with the selection of the most suitable insurance program and level of cover. Of course, we purchase relevant reinsurance protection for specific risks, such as high sums insured or heritage buildings.

Catholic Church Insurances also plays an important role towards its clients by offering tailored made Risk Management Programs. How is it organized internally to accomplish this aim?

We have about 30 employees who visit our clients regularly to discuss their insurance needs and assist them with policy and claims matters. These staff members are the key contacts with our clients and risk management services are coordinated through them. They introduce their client, usually a senior manager within an archdiocese, diocese or congregation, to one of our Risk Consultants who outlines the range of risk management services available and works with the client's manager to determine what the risk management need is and how best to deliver that service.

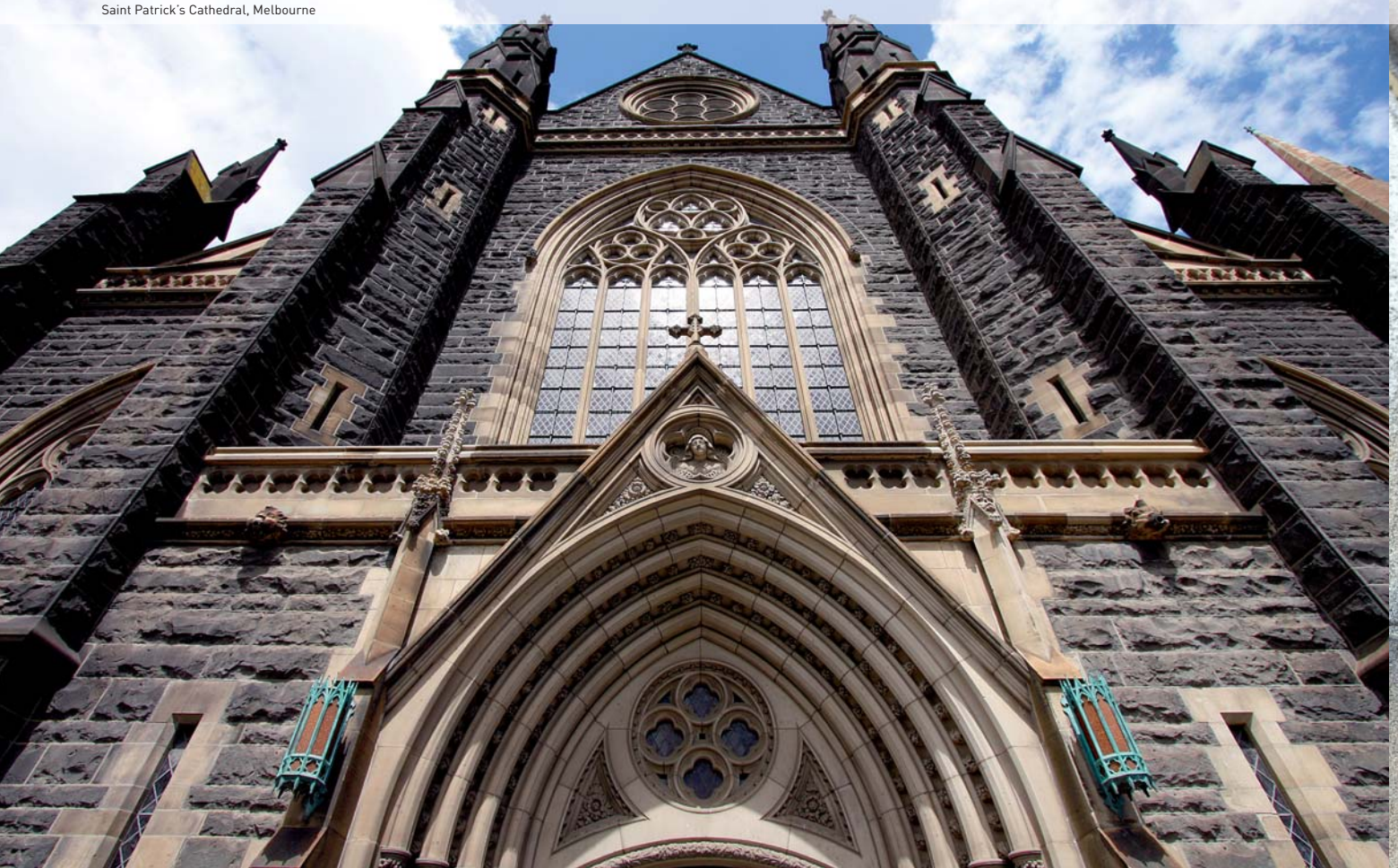
This particular service is undergoing significant changes within our company. Historically, we have delivered risk management services to each parish or school and our focus now is to deliver that facility at a diocesan level so that better and more consistent services are provided at a higher level, which will then 'filter' down to individual parishes and schools.

Our Risk Consultants are responsible for the delivery of our risk services in a coordinated and systematic manner and for the reporting of all risk management activities to the diocesan manager.

We have heard that Catholic Church Insurances dealt with all insurance coverage of the recent Pope's trip to Australia. What were the different aspects, activities and covers involved?

In July 2008, the Australian Church was honoured to be chosen as the host of World

While the building of churches on higher ground reduces the risk of flood damage, it can increase the risk of loss caused by wind and storm damage and we have suffered some large losses from these perils



The celebration of the next World Youth Day will be held in Madrid in 2011 and we extend our best wishes to the residents of and visitors to that city at that special time

Youth Day, the highlight of which was of course a visit by His Holiness, Pope Benedict XVI. This huge event presented us with many challenges and opportunities.

Catholic Church Insurances provided cover for major events including the Journey of the Cross, Icon of the Blessed Virgin Mary and the indigenous message stick, which attracted some 70,000 international pilgrims. The arrival of the Holy Father on Sydney Harbour attracted a crowd of 500,000 people lining the waterfront to catch a glimpse and to attend the welcoming Mass. Later in the week, there was the dramatic re-enactment of the Stations of the Cross, which was staged in six different locations around the city of Sydney. Other challenges were the 300 Catecheses sessions conducted in venues throughout the city and home-stay programs to accommodate the many pilgrims in dioceses throughout Australia, before they converged on Sydney for the major events.

The culmination of the week was the final Mass, concelebrated by His Holiness and the Archbishop of Sydney, Cardinal George Pell. This was attended by more than 500,000 people and televised throughout the world. In addition to undertaking all the insurance requirements, Catholic Church Insurances contributed about AUD10 million (AUD 7.6 million) in support of the occasion and was heavily involved in the organising of many activities at both diocesan and congregational level.

Specific insurance covers which we provided include:

- ▶ Transit insurance for the Cross, Religious Icon and message stick from the moment they departed Johannesburg and throughout their journey in South East Asia, Oceania and finally around Australia before arriving in Sydney.
- ▶ Construction or Contract Works insurance, which provided cover for the erection and dismantling of the stages and other

Carved figure in Saint Patrick's Cathedral facade, Melbourne



facilities in Sydney.

- ▶ Composite Risks Property insurance covering hired temporary facilities at schools and colleges where visiting pilgrims stayed while in Australia.
- ▶ Voluntary Workers Personal Accident insurance for the 8,000 volunteers.
- ▶ Public liability insurance with a high indemnity limit of AUD500 million (AUD 380 million) to allow for the several hundred thousand people who attended some events.
- ▶ A Special Risks HomeStay policy to protect hosts in the event of malicious damage or theft carried out by pilgrims. The policy was developed to encourage participation in the program by those who could offer accommodation to visitors.

The celebration of the next World Youth Day will be held in Madrid in 2011 and we extend our best wishes to the residents of and visitors to that city at that special time.

Our mission

We believe Catholic Church Insurances is unique in the Australian insurance industry. There is no other insurer which distributes its surplus annually to policyholders in the same manner we do. Every Church policyholder receives a share of this surplus. The company acts more as a mutual company, even though it is regulated in the same way as any other insurer. This principle of sharing forms the basis of a strong sense of community between us and our Church clients and makes us firmly a valued member of the family of the Catholic Church in Australia.

The company genuinely tries to assist the Church in all matters in which we can make a contribution, not just insurance and financial services. In doing so, our Church owners recognise the importance of having the company manage its insurance and related needs.

We have a strong culture within the business which is based on Catholic values but recognises that we are a diverse community. This culture underpins not only what we do but, more importantly, the manner in which we go about our day-to-day operational functions. It is reflected in our claims philosophy, our underwriting policy of accepting all Church risks and in our relationship with members of the Church community.

Rather than seeing ourselves as an insurance company whose clients are the various entities of the Catholic Church in Australia, we consider that the company is principally a part of the Catholic community which manages its insurance and related needs. This is a subtle but critical distinction.

Our insurance products

Catholic Church Insurances Limited *Serving Church*

Although Catholic Church Insurances would be categorised as a “specialist or niche underwriter”, we have the ability to provide the full suite of insurance policies available in the general insurance market. That translates to a large number of insurance products. However, more than 90% of our premium income comes from property (fire and associated perils), public liability and workers’ compensation business. Our full range of products for schools includes:

- ▶ **Boat insurance**, covering watercraft such as rowing sculls, sail boats and power boats.
- ▶ **Composite risks property insurance**, covering physical loss or damage to buildings and contents as a result of fire, explosion, natural disasters, theft, vandalism or accidental damage.
- ▶ **Construction insurance**, covering physical loss or damage as a result of contract works. Cover can also be provided for tools and equipment, temporary buildings, demolition and removal of debris as well as architect, engineer and surveyors’ consulting fees.
- ▶ **Electronic equipment insurance**, cover for the repair or replacement of electronic equipment due to breakdown. This policy can be extended to cover reconstruction of damaged data and increased costs associated with using substitute equipment.
- ▶ **Employee dishonesty (fidelity guarantee)**, covering school money, negotiable instruments, goods or other property against theft, embezzlement or misappropriation by employees.
- ▶ **Goods in transit insurance**, cover against loss or damage to property whilst in transit within Australia.



Damages by fire at Saint Joseph's parish church, Collingwood, 2008



Damages by fire at Saint Joseph's parish church, Collingwood, 2008

- ▶ **Machinery breakdown insurance**, cover for repairs required due to sudden damage, i.e. not maintenance related.
 - ▶ **Motor insurance**, covering motor vehicles and drivers against loss or damage. The policy also provides legal liability protection for damage to third parties.
 - ▶ **Pluvius (rain) insurance**, a policy designed to reimburse costs, expenses and non-refundable charges incurred at a fete, social or other fundraising activity where rain would be likely to cause a reduction in support and income.
 - ▶ **Special risk insurance**, offering cover for a wide range of items such as sporting equipment and musical instruments against loss, damage or destruction caused by an accident or misfortune arising from fortuitous circumstances.
 - ▶ **Directors' and officers' liability insurance**, designed to protect against claims made against directors or officers by reason of a wrongful acts. This policy also indemnifies the school.
 - ▶ **Employment practices liability insurance**, covering the school, past and present directors, officers and all employees against a range of events including wrongful failure to promote an employee, unlawful discrimination and sexual harassment.
 - ▶ **Professional indemnity insurance**, providing indemnity for claims arising from the rendering of or failure to render professional advice or service by the school, or any error or omission connected with such advice or service.
 - ▶ **Public liability insurance**, pays compensation on behalf of the school to third parties in respect of personal injury, property damage and advertising liability. Cover is also provided for liability arising out of the school's products i.e. anything manufactured, constructed, treated, sold or the like.
 - ▶ **Workers' compensation** (employers' liability) insurance pays compensation to employees for injuries received while in the school's employment or for work related illness such as stress.
 - ▶ **Personal accident and illness insurance**. Protection for school employees and voluntary workers (including parents and friends), providing lump sum and weekly benefits and in some cases limited medical expenses.
 - ▶ **SchoolCare students' accident insurance**, covers school excursions and work experience and offers lump sum benefits for death, disablement, broken bones and damaged teeth. Medical expense, emergency transport and home tuition may also be payable. 24 hour cover is also available.
 - ▶ **Medical malpractice insurance** indemnifies clients for claims which arise out of an act, error or omission or negligence in the provision of professional services. Features include provision for legal costs and indemnity for any claims arising from 'Good Samaritan' acts.
- Of course, most of these policies are adapted to suit the needs of the various entities of the Catholic Church, not just schools.
- <http://ww1.ccinsurances.com.au/>



interview to **Jaime Lissavetzky**

President of the Spanish National Sports Council and Secretary of State in the Spanish government



Mr. Jaime Lissavetzky Díez was born in Madrid, Spain in 1951.

He took his doctorate in chemical science at the Complutense University of Madrid in 1977 and worked from 1977 to 1979 as assistant professor of organic chemistry at the University of Alcalá de Henares, where he was Secretary of the Faculty of Pharmacy. From 1979 onwards, he was tenured as Professor of Science in the Institute of Medical Chemistry, part of the Spanish National Research Council.

His work as a specialist in organic and pharmaceutical chemistry has resulted in numerous publications and he has acted as Director for various degree and doctoral theses.

In the political sphere, he started his career as Director of Education, Culture and Sport for the Community of Madrid from 1985 to 1995. Highlights of his term of management include:

- ▶ Establishment of the Carlos III University of Madrid in 1989.
- ▶ Establishment of the Ramón Carande University Center in 1990.
- ▶ Adoption of the First and Second Regional R+D (Research and Development) Plans for the Community of Madrid in 1990 and 1994.
- ▶ Formation of the Madrid Training Institute (Instituto Madrileño para la Formación (IMAF)) in 1991.
- ▶ Operational launch of the Cinema Academy of the Community of Madrid in 1993.
- ▶ Establishment of La Abadía Theater Center in 1994.
- ▶ Construction of the Olympic Stadium of the Community of Madrid (La Peineta), inaugurated in 1994.
- ▶ Launch of the City of Arts and Literature in 1995.

For his work in connection with his responsibilities for the area of education and sport, he was awarded the Gold Medal of the Royal Order of Sporting Merit and the Medal of Honor of the Complutense University of Madrid.

He was Secretary-General of the Madrid Socialist Federation from May 1994 until November 2000, spokesman for the Socialist Parliamentary Group in the Madrid Assembly from 1995 to 2000, and Senator (Madrid Assembly) during the sixth legislative term (1996-2000).

He was Member of Parliament for Madrid in the seventh legislative session (2000-2004), acting as second vice-chairman of the Science and Technology Committee; he was re-elected as Member of Parliament for Madrid in the election on 14 March 2004.

He is currently President of the Spanish National Sports Council (as from 20 April 2004) and Secretary of State in the Spanish government.

His current term of office has seen the adoption of the Organic Law on Health Protection and Combating Doping in Sport, and the Law against Violence, Racism, Xenophobia and Intolerance in Sport.

From 2004 to 2007, he also chaired the Iberoamerican Sports Council (C.I.D.), an organization that includes 22 countries.

He was recently elected to the post of Vice-President of the Conference of Member States of the UNESCO International Convention against Doping in Sport.

He was re-elected as President of the Spanish National Sports Council (as from 20 April 2004) and Secretary of State in the Spanish government on 14 April 2008.

In 2008, he was elected as a member of the Executive Committee of the World Anti-Doping Agency (WADA), as the sole representative of the European government in this organization. He was re-elected in 2010.



Julia Usón, gymnast

“An investment in sport is a secure and growing value asset”

Mr. Jaime Lissavetzky is a chemist who worked as a teacher and researcher before entering the world of politics and government, where he set about an endless mission: facilitating creativity. His contributions range from new universities to initiatives aimed at promoting all the arts, sciences and -his main interest in recent years- sport. As an active participant in the fight against violence and doping in sport, Mr. Lissavetzky was one of the many who were delighted by Spain's latest sporting victories, with the Football World Cup in South Africa as an unforgettable highlight among many others. Now he is tackling a new political challenge with the same positive and tireless attitude.

Your career in regional and national government started a long time ago. In 1985, you were a member of Mr. Joaquín Leguina's government in the Community of Madrid, as Director of Education, Culture and Sport. In your view, when did the turnaround take place in the Spanish sporting world? When did Spain start to assume a prominent global position?

There is no doubt that the 1992 Olympic Games in Barcelona, where Spain won 22 medals, generated crucial impetus for Spanish sport. The Games coincided with the launch of the plan of the Spanish Olympic Sport Association (ADO), which marked a turning-point. From then on, this country began to take sport seriously and to promote talent. Our sportspeople began to compete without complexes and our society viewed sport as an instrument of change and modernization, a window through which we could project our new image to the world.

Do you think Spaniards are interested in sport? As some analysts have said, is our country living through a golden age of sport?

I think that one of the aspects that must be strongly emphasized when seeking reasons for the success of our sportspeople is the increasing importance that the Spanish public attaches to sport. The affinity and the bond that have been established between sport and society are becoming much deeper as time goes on. Sports broadcasts attract larger audiences than any others and at every championship, Spanish sports competitors feel the great fondness in which they are held. One example is the “spirit of the Reds” that swept through the entire country, uniting everyone through a shared feeling at the Spanish squad's victory in the last World Cup in South Africa.

It is essential to provide support for young people in sport with the basic aim of ensuring continuity

The Spanish team was able to win the championship by playing football based on the talents of a generation of footballers who are not burdened by any complexes



David Silva, Spanish national football team (world champion, 2010)

What part do good sports results play in projecting a positive image of the country?

Our sport has become our best window on the outside world. Nowadays, Spain is an international benchmark for every kind of sporting activity, and its proven efficiency and organizational capability for hosting major competitions is an excellent way of showcasing our modern and open society.

Which measures are being implemented by your organization to ensure that we continue achieving good results? Are centers of excellence part of this strategy?

In recent years, we have made enormous efforts to build new centers of excellence as well as sports technology centers, with the aim of adding new technologies and equipment to those already in use. Moreover, we have encouraged scientific and medical research and backup to protect our sportspeople's health. We know that it is a complex matter to ensure

continuity in the results we are achieving, but this goal can be fulfilled. To reach it is difficult, and to maintain the attained level is even harder – but this is the challenge posed by our sporting endeavors.

What budget is the Secretariat of State for Sport expecting? And how will the main components be used?

The planned budget for the 2011 financial year will increase to EUR 166.7 million. Spain's sporting federations, the Spanish Olympic Committee and the Paralympics Committee will receive a share of EUR 80.8 million, with an additional EUR 17.8 million generated by the private initiatives in connection with the ADO and ADO (Paralympics) plans. Subventions intended for various administrative bodies to build and equip sporting infrastructure installations will reach EUR 5 million. The State Anti-Doping Agency will receive EUR 5.2 million and other allocations will be maintained, such as those for the



Julián Simón, racing driver of Aspar Team (world finalist in Moto2, 2010)

sports tuition plan (EUR 600,000), the “Women and Sport” policies (EUR 400,000) and for efforts to combat violence in sport (EUR 200,000). To be precise, this budget has been reduced by 7.98% as compared to its predecessor, but this is in keeping with current austerity and correction criteria, and the reduction also reflects the completion of some major infrastructure projects that were launched in prior financial years.

Is there a “before” and “after” for Spain following its victory in the Football World Cup? Has this triumph increased the reliability of the “Spain” brand?

Attaining victory in the Football World Cup in South Africa was a historic challenge for our country – not only because we won, but also because of how we won. The Spanish team was able to win the championship by playing football based on the talents of a generation of footballers who are not burdened by any complexes. Their “ordinariness”, their ardor for conquest,

their team spirit and their capacity for sacrifice have projected an image to the world of a country that knows how to deal with adversity.

There is a whole list of sporting disciplines where Spain is significant: football, basketball, handball, cycling, tennis, motor sports, sailing, certain athletic disciplines and so on. In which other areas should we have a presence and make rapid progress? What is being done and how?

We should savour this moment and appreciate it because the worst thing we could do is to let ourselves be lulled into complacency. We should carry on working to maintain the levels we have achieved in certain disciplines and to improve our results in others. Neither of these are easy challenges but the path is already staked out. For this purpose, the Spanish National Sports Council is working side by side with the sports federations to make all the resources available to us.



Rafa Nadal (current number one in ATP ranking)

There is no doubt that insurance companies offer essential legal and medical cover for our sportspeople

What support is being given to our promising young talents? And the others that want to take Spanish nationality?

I think it is essential to provide support for sport with the basic aim of ensuring continuity. For this purpose, among other measures, the Spanish National Sports Council has rolled out the National Program to Promote and Assist Sport in Schools (PROADES) and the National Program to Assist Sports Participants in Schools (ADE) in recent years. The objective is to encourage participation in sports by young students and pupils, without neglecting their overall education, with the help of subventions through the Autonomous Communities and the specific sports federations. Moreover, last October 14th, we signed a cooperation agreement with the Ministry of Education to launch a national plan that will encourage physical exercise and sporting activities for young people throughout their period of schooling. As regards

policy on naturalization: I think that for such cases, objective criteria have always been taken into account and the interests of the sportspeople themselves have always been protected and respected. Apart from very exceptional cases, our policy has always been to aim for integration and due recognition of immigrants' rights in the context of Spanish sport.

What is the relationship between insurance and sport? Where are they complementary or indispensable to one another? How can the insurance sector cooperate?

There is no doubt that insurance companies offer essential legal and medical cover for our sportspeople. They provide the necessary peace of mind so that the athletes can devote themselves to their mission, knowing that they have guarantees. In this regard, I think it is fair to thank the insurance companies for supporting Spanish sports and sportspeople.



Spectators in European Championship of Athletics, Barcelona 2010

In your opinion, which sporting activities are best suited to sponsorship from insurance companies?

I believe that any sporting discipline can be appropriate for sponsorship offered by insurers. The values that sport enshrines and that are conveyed in exemplary fashion by our leading athletes, are the best way of securing a profitable identity in the business world. The value of sport is growing nowadays, and an investment in sport is a secure asset.

The issue of doping is usually linked to sport and there is an international consensus that it should be combated. Which control measures have been implemented in Spain over recent years?

Doping is a global problem, and one that requires everyone to be involved if it is to be progressively eradicated. Since I became President of the Spanish National Sports Council, I have shown my firm commitment

to implementing the “zero tolerance” principle with regard to doping. The Organic Law on Health Protection and Combating Doping in Sport came into force in 2006, after passing through parliament with very broad support and extensive backing from society as a whole. Prominent among the measures it envisaged was the formation of the State Anti-Doping Agency, which began operating in 2008 with the objective of encouraging policies of prevention, awareness-raising, research and collaboration at the institutional level. Spain currently has two doping control laboratories that are approved by the World Anti-Doping Agency (WADA) and are equipped with the most advanced facilities in the field. Furthermore, our commitment has met with international recognition in the form of my recent re-election as a member of the Executive Committee of WADA, and in fact, I am the sole representative of the European governments on that body.

We should savour this moment and appreciate it, but the worst thing we could do is to let ourselves be lulled into complacency



Juan Carlos Navarro, Spanish national basketball team (Europe Champion 2009)

If you become Mayor of Madrid, what will you do to promote sport in the capital? Will the city make more attempts to be selected to host the Olympics?

One of my main goals will be to work in order to increase the level of participation in sport by the people of Madrid, with the aims of improving their health and preventing medical problems related to a sedentary life. To achieve this, we shall encourage measures that can instill healthy living habits linked to sport. Regarding the idea of launching a new bid to host the Olympics in Madrid: I think that this has to be a well-considered decision, based on consensus and level-headed research, and we must take account of the circumstances at the time. For example, it will be necessary to analyze the suitability of a candidacy and our potential rivals. But what is clear is that the city of Madrid is ready to make its Olympic dream come true, and it deserves to host the games.



ADO (Spanish Olympic Sport Association)

ADO is a program to support "high-performance Olympic sport" with the principal aim of improving the results of Spanish competitors in the Olympic Games, underpinned by the key characteristics of demanding criteria and the pursuit of sporting excellence.
<http://www.csd.gob.es>



PROADES (National Program to Promote and Assist Sport in Schools)

This program is based on a three-pronged approach: subsidies to the Autonomous Communities to finance programs within their scope, support for the Spanish Sports Federations for events that they stage, and the organization of the annual ADE scholarships (see below).

<http://www.csd.gob.es/csd/competicion/05deporteescolar/programa-nacional-de-promocion-y-ayuda-al-deporte-escolar-2011juega-en-el-cole2011d-proades>



ADE (National Program to Promote and Assist Sport in Schools)

The program's goal is to promote and encourage practical participation in sports among students who – either individually or in groups – qualify to compete in any of the specialist disciplines in the Spanish School-age Championships staged by the Spanish National Sports Council, with equal importance accorded to sporting and academic performance.



WADA (World Anti-Doping Agency)

The World Anti-Doping Agency (WADA) is an independent international organization established in 1999 to promote, coordinate and monitor the fight against doping in sport in all its forms. The sports movement and the world's governments constitute and finance the Agency on a basis of parity. WADA works to realize the vision of a world that appreciates and encourages sport without doping.

<http://www.wada-ama.org/>

agenda

COURSES ORGANISED BY MAPFRE RE

Course	Method	Date	Venue
Contingency Plans	Attend in person	16 th -17 th May, 2011	Santiago de Chile, Chile
		19 th -20 th May, 2011	Buenos Aires, Argentina
		23 th -24 th May, 2011	São Paulo, Brazil

COURSES ORGANISED BY ITSEMAP STM (SERVICIOS TECNOLÓGICOS MAPFRE, S.L.)

Cycle Insurance and Risk Management	Method	Date	Venue
Seminar 3: Financing risk: retention insurance programmes and ART (II)	Attend in person	24 th -25 th May, 2011	Madrid, Spain
Seminar 4: Design and implementation of a risk management programme	Attend in person	14 th -15 th June, 2011	Madrid, Spain

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