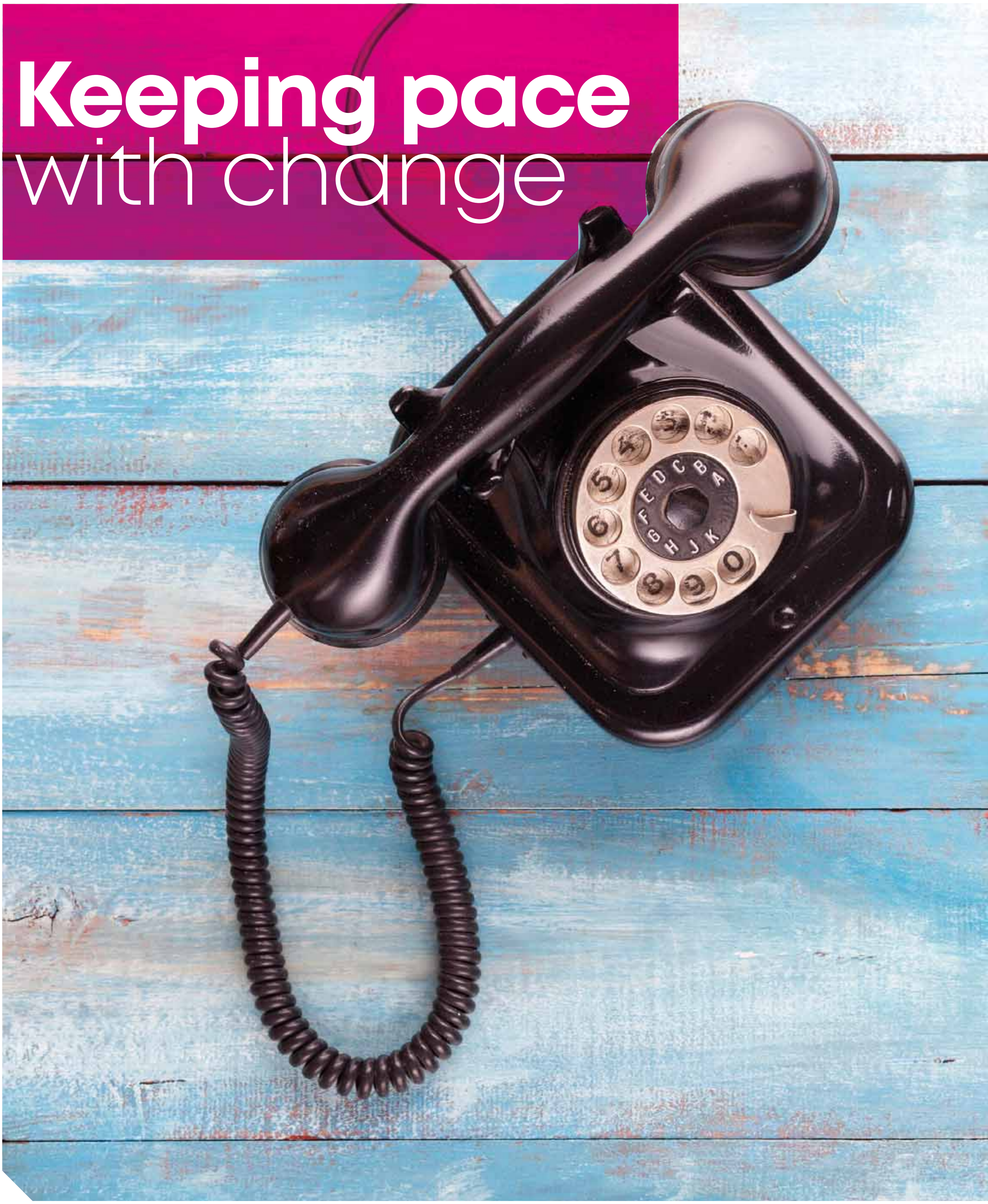
Keeping pace with change



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Spanish re/insurer Mapfre embarked on an overhaul of its Global Risks business in July, which includes integrating some of the business into Mapfre Re. Eduardo Perez de Lema Holweg, chief executive and chairman of the management committee of Mapfre Re, explains the logic for the restructuring and his perspective on the industry's health.

How is the reorganisation of Mapfre Global Risks going?

It is developing according to plan. The reorganisation is aimed to increase even further the client focus and service capabilities of Mapfre Global Risks. As an autonomous unit, they will be focusing on the development of the insurance portfolio for their segment of business, together with the Mapfre insurance companies and their partner network.

They will continue to be a leading player in terms of capacity, service, solvency and technical services. It's clearly a top-in-class and focused leadership proposition for clients.

In parallel, the main Mapfre Global Risks restructuring will be coming in the European offices, that will be integrated into Mapfre Re. In those markets, where effectively we are a top-class underwriting company and capacity provider, we will be able to deliver this through the offering of the services through reinsurance, with a stronger team, more efficient, fast and cost-effective response.

The new structure will be fully operational by January next year.

What are the benefits of the reorganisation?

There are several advantages with this new structure. The first and most important one is the improved client focus of Mapfre Global Risks, that will enable more capacity to be made available for the large risks insurance business and enable us to offer better service to Mapfre's global clients. They will continue to be a fully autonomous unit, within the group, leading and managing the large risks business.

For Mapfre Re it will allow us to incorporate a highly skilled team and therefore offer a wider range of products to our reinsurance clients, not only in Europe, but also across our global portfolio.

Last, but not least, the whole project optimises significantly Mapfre's financial efficiency and stability, where we benefit from even stronger balance sheet strength, while at the same time improving the service we deliver to our clients.

How will the risk profile of Mapfre Re change following the reorganisation?

Mapfre Re has always been managed to keep a risk profile that is below average in the reinsurance space, providing predictable margins to shareholders and reliable capacity supply to our clients. This principle will definitely be kept going forward, despite the offering of support in classes of business we have been less active in the past.

How will this affect Mapfre's Global Risks offering in terms of risks covered, capacity and geographic focus?

Mapfre Global Risks will remain as the specialised unit within the Mapfre Group for what we have defined as 'global risks', and its appetite will remain fairly stable. However, the focus will be on clients where they can offer a lead proposition, leveraging the full service capabilities of the Mapfre Group in regions where we have insurance operations.

This means that, while Mapfre Global Risks will provide cover and service to its clients wherever their needs are, the main service capabilities will be concentrated in Europe and Latin America.

What are your expectations for the upcoming January renewals regarding the rate environment?

It's always difficult to give global guidelines on this question. In the case of Mapfre Re pricing of transactions is always based on specific analysis of the client's exposures, risk characteristics and performance, rather than by applying global trends. In that regard, our quoting behaviour will be based on those principles, in order to obtain reasonable returns and warranty sustainable support.

We will maintain a diversified portfolio, focused on our usual underwriting criteria and client orientation. Furthermore, we will try to find opportunities to develop further in markets where conditions meet our technical standards.

Are you planning any geographical changes to Mapfre Re's portfolio?

Mapfre Re already operates on a global basis from a very extensive network of 19 offices across Europe, Asia-Pacific and the Americas; we provide worldwide reinsurance solutions with an enhanced product portfolio in both in P&C and life business. Therefore, no significant changes will happen there.

In recent years we have reinforced our local presence in Asia-Pacific with the opening of branches in Singapore and Labuan, as well as the representative office opened in Tokyo earlier this year.

What are the major trends in the global reinsurance sector?

We are living in a fascinating time. With a longer-term perspective, the world is the middle of an obvious transformation, and that of course impacts our industry. The ways we collaborate, the coverage needs of our clients, and the risks we are facing are evolving. As an industry we will have to respond and, no doubt, we will do so.

This will require engaging in profound discussions with clients and other stakeholders to find sustainable solutions and closing the protection gaps worldwide, for traditional and emerging risks.

We see clients valuing more and more a true partnership, a wider relationship,

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beyond the pure capacity/price equation. This is an area in which we feel extraordinarily comfortable, that is our DNA: building long-lasting relationships and providing comprehensive and innovative solutions to our partners.

In the short term, we are seeing an industry that is going through a phase of consolidation, by which many players are trying to address different issues. Those range from access to clients or capital providers, to profitability issues in a tough market, product offering, diversification, etc.

On the other hand, one of the biggest threats we see for the industry and for the value proposition of reinsurance is the trend in many jurisdictions of imposing trade barriers. Our industry is based on effective use of capital and diversification of risk.

Of course, regulators need to make sure that solvency requirements are guaranteed, but trade barriers and accelerated protectionism effectively reduce the efficiency of our offering, as well as reducing the competition and capacity in individual markets, and eventually pose additional difficulties in closing the protection gap.

How is Mapfre Re responding?

The most important responses we can make to this evolving environment are a significant investment in innovation and development of new solutions, and gaining even more efficiencies. In this regard, we will be leveraging the very significant investment that the whole Mapfre Group is making in transforming itself and responding to the evolving needs of the clients.

This translates into new capabilities that allow us now to provide even wider and better solutions to our clients and partners.

Simultaneously we are engaging in profound discussions with all stakeholders to jointly search for solutions to the challenges we all face.

What are Mapfre Re's capital management challenges?

Mapfre Re has the major advantage of having highly committed shareholders that are prepared to support its capital needs. Additionally, the track record of Mapfre Re would allow the business at any time to access capital through traditional sources and alternative capital solutions that are readily available in the market.

What do you see as the global reinsurance outlook and the drivers of future rating movements?

We have a very positive view on the long-term value of the reinsurance industry. Reinsurance has always been at the forefront of providing solutions to cover risks. In this fast-changing world, the risk landscape is not reducing and there is great room for growth in the long term, by closing the protection gap both on 'traditional' risks and on the emerging ones.

This implies investing the necessary resources to find sustainable ways of addressing this and to provide a more efficient product. We have no doubt that Mapfre Re will be there to face the challenge. ■