MINISTERIO
DE ASUNTOS ECONÓMICOS
Y TRANSFORMACIÓN DIGITAL

Consorcio de Compensación de Seguros

# CONSORCIO'S DE COMPENSACIÓN DE SEGUROS (CCS)

# CRISIS MANAGEMENT

# DEFINITION OF "HIGH IMPACT" SITUATION IN THE LIQUIDATION OF INSURERS BY CCS

## GENERAL ASPECTS: CRISIS MANAGEMENT IN ORGANIZATIONS

- **A situation that seriously affects the normal functioning of the organization, that cannot be resolved by the ordinary established procedures and requires the adoption of extraordinary measures to deal with it.**
- **It should be taken into account that, in most cases, they are unusual situations, but they can cause the collapse of the organization if extraordinary measures are not adopted to mitigate their effects.**

## CLASSIFICATION:

- **A fundamental principle to be taken into account in crisis management is the specificity of each organization. Consequently, each organization must study and deal with the crisis management that affects it, taking into account its own nature and the activity it carries out.**
- **They can be classified according to different criteria. Examples include: predictability; severity; external impact; response time; affected area; etc.**
- **Based on this, a first approach could be as follows:**

# CLASSIFICATION

## PREDICTABILITY

An analytical study of the possible crises that could affect an organization makes it possible to identify them, thus enabling contingency plans to be drawn up in advance.

In other cases, however, the crisis situation has not been foreseen (for example, the recent pandemic caused by covid-19, which, although it was generally foreseen in the National Security Strategy, was not foreseen at the level of other government departments and private companies), making it necessary to adopt new contingency plans.

## SEVERITY

It is determined by the impact of the crisis, taking into account different factors: personal damages; economic damages; number of affected people; etc.

It is essential to determine the proportionality of the response.

## INTERNAL OR EXTERNAL IMPACT

Some crises affect only the internal environment of the organization, and can therefore be managed under a principle of discretion to avoid reputational damage. Others, on the other hand, transcend to the outside world, an issue that will be dealt with in a separate program.

In any case, however, the coordination of internal and external communication systems is of great importance in organizations. The functions of these two systems are closely related, so both must be orchestrated in harmony.

# "HIGH IMPACT" SITUATIONS IN THE LIQUIDATION OF INSURERS ESTABLISHMENT OF A CONTINGENCY PLAN AND ATTENTION TO THOSE AFFECTED

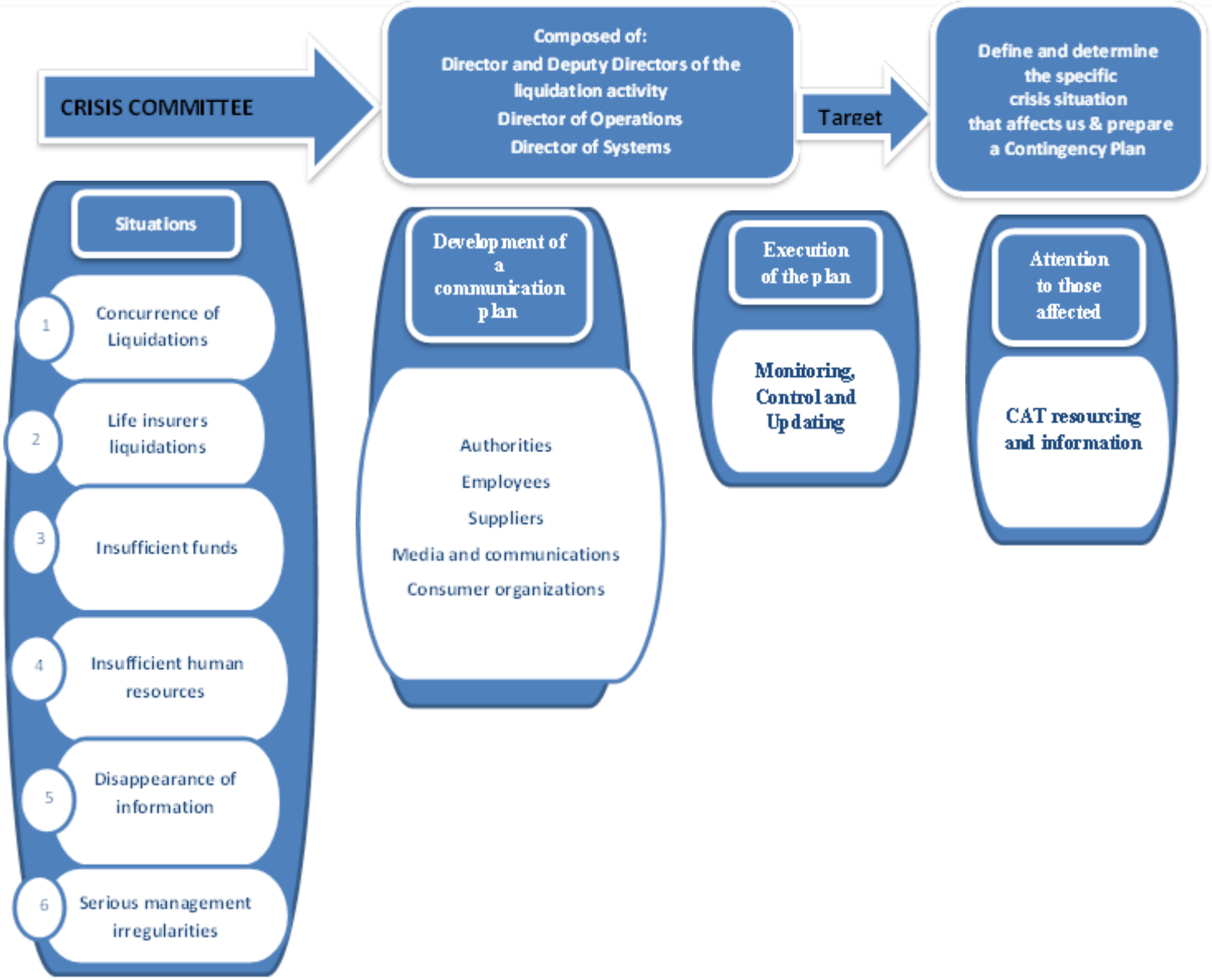
## CONTINGENCY PLAN:

- **In order to manage a crisis correctly, it is necessary to have a maximum control to minimize its impact and for this it is essential to be prepared in advance, and the best way is to have a Crisis Response System that allows an immediate and fluid reaction during the crisis. On the contrary, the lack of foresight causes negative effects since, a considerable delay due to the time lost in implementing emergency procedures that were not foreseen in advance. A lack of control over the IGS discourse damages the effectiveness and image of the entity.**

## CRISIS COMMITTEE:

- **It is essential to manage the crisis directly by a specific Crisis Committee created for this purpose, under the supervision of the CCS Management Committee, which will efficiently and effectively implement the taken decisions. It will be composed by the Director and Deputy Directors of the liquidation activity, Director of Operations and Director of Systems or persons designated by them, whose first objective will be to define and dimension the specific crisis situation.**

- **The Crisis Committee proposes a Contingency Plan, as a matter of urgency, to the Management Committee, for its approval, containing the measures deemed necessary to be adopted to deal with the specific crisis raised and how to adequately attend to those third parties directly affected. This Plan shall be kept permanently updated, including the corresponding measures.**


CRISIS COMMITTEE
Composed of:
Director and Deputy Directors of the liquidation activity
Director of Operations
Director of Systems
Target
Define and determine the specific crisis situation that affects us & prepare a Contingency Plan
Situations
1 Concurrence of Liquidations
2 Life insurers liquidations
3 Insufficient funds
4 Insufficient human resources
5 Disappearance of information
6 Serious management irregularities
Development of a communication plan
Authorities
Employees
Suppliers
Media and communications
Consumer organizations
Execution of the plan
Monitoring, Control and Updating
Attention to those affected
CAT resourcing and information

**From the point of view of the liquidation of insurers, the high impact could occur in different situations. Depending on the circumstances that cause the crisis situation, there are different measures to be adopted. Here are some potential scenarios:**

**Type 1: Concurrence of Liquidations: The accumulation in a short period of time of one or more insurers in liquidation. And, in such a situation, the ordinary procedures established prove to be insufficient for their proper management.**

**1) Branches and type of insurance, since not all require the same immediacy of action. Property and casualty insurance is not the same as health or death insurance, which requires urgent decisions to be taken.**

**2) To assess the specific involvement of the personnel of the CCS Territorial Delegations to be determined. To this effect, to call an urgent meeting with the Delegates of each of them, aimed to provide clear and specific instructions on their tasks in their territorial scope, including the necessary training activities. For this purpose, they will be provided with relevant documentation, which will be determined and will include, at least, the following:**

- **Location of the office/s of the Insurer in liquidation that are located in its territorial scope.**
- **Personnel assigned to each one of them, with special relevance for the identification of the person in charge.**
- **Ownership of the property to be occupied and companies providing supplies and services to the insurer.**

**Type 2: Life insurers liquidations: The entry of an insurer in liquidation, even a medium-sized one, operating in the life insurance line with collective policies of survivors' annuities, retirement plans... in short, policies that implement pension commitments in which since the subsistence of the affected parties depends on them there is insecurity with respect to the amount of their benefits and the time of their collection, which requires immediate action to avoid social alarm.**

**Type 3: Insufficient funds in the Liquidation Activity of CCS to manage the process :**

**1) Depending on the amount of the obligations to be assumed, one of the following decisions should be adopted:**

- **To agree to the purchase of the insurance contract credits with installment payments.**
- **To transfer funds from other accounts of the CCS by means of a loan.**
- **Promote the corresponding legislative reform to raise the surcharge.**
- **Agree to a bond issue.**

**2) These decisions may be taken alternatively or simultaneously, depending on the situation, which will require an assessment of recovery expectations and the time elapsed.**

**Type 4: Insufficient human resources caused by the explicit or implicit rejection, of the insurer personnel, assigned to carry out the tasks inherent to the liquidation or, inability to obtain adequate results:**

**1) An assessment of the CCS's personnel structure and that of the insurer in liquidation should be carried out in order to establish the necessary support measures, including, if necessary, the outsourcing of certain activities.**

**Type 5: Disappearance of the insurer's information: The loss of the insurer computer software containing the information necessary for its liquidation.**

**1) To resort to the means provided by third parties, such as the databases managed by TIREA, in order to recover data that, at least, allow establishing the basis for promoting a portfolio transfer. This system provides information on all the policies of an insurer that generates surcharges, which are all except those of the life branch that are not for death, permanent disability or temporary disability.**

**2) In order to obtain information on the rest of the life insurance line dedicated to savings, capitalization, etc., the matter could be discussed with the Ministry of Justice, which is responsible for the Register of insurance contracts for death coverage. It is a public registry, whose purpose, although it is to provide this information to those listed as insurance beneficiaries, in a critical situation and in attention to (i) that the CCS is the legal representative of the insurer holding the data and (ii) the duty of cooperation and collaboration of the Public Administrations contained in Article 3 of Law 40/2015 of the Public Sector Regime, could be provided for the benefit of the insured and affected by this situation.**

**3) Simultaneously, if no information on creditors is available, this situation should be sufficiently publicized through the press, social networks and other media.**

**4) In addition, a space should be set up in the CCS website area for those affected, securely identified, to submit their claim and provide the supporting documentation directly.**

**Type 6: Serious management irregularities (involuntary or voluntary) that may lead not only to an internal management crisis, but also to an external reputational crisis.**

**1) For example, the discovery of undue or irregular payments or the existence of fictitious assets.**

**2) Implement measures depending on the magnitude of the irregularity.**

## DEVELOPMENT OF A COMMUNICATION PLAN:

- **Propose, as a matter of urgency, to the CCS Management Committee for approval, a Communication Plan including social networks.**

- **In the management of any high impact crisis, an essential aspect to be valued, in our current society, is the importance of an adequate communication, based on principles of truthfulness, transparency, coherence and speed, both to those affected and to the media. Consequently, it is essential to establish a Plan that contemplates all the procedures for action in this area, which will be updated on a permanent basis.**

- **Adequate, efficient and effective crisis management can be disastrous because of a bad communication policy. It is necessary to establish an adequate internal coordination system that guarantees the uniqueness of the message sent to the outside world. Depending on the dimension of the crisis, this coordination may be necessary and appropriate, including the participation of the Communication Department of the Ministry of Economy.**

## DEVELOPMENT OF A COMMUNICATION PLAN:

- **Information control systems, communication with different audiences - authorities, employees, suppliers, media, consumer organizations, etc. -, the CCS arguments, etc., and, if necessary, a training program, will enable managers to familiarize themselves with crisis management tools and how to deal with journalists in these critical circumstances. What the company intends to say is as important as what it intends to do, and of course, what is said in an uncontrolled manner generates mistrust.**

- **All this should be done by the CCS, although advised or supported to a greater or lesser extent by professional experts in communication. It would be necessary to evaluate the convenience of the person in charge of this communication policy to be integrated in the crisis management committee itself and to be able to give his opinion, although without the capacity to participate in the decision making process.**

**EXECUTION OF THE PLAN:**

- **Once the above measures have been adopted and, for an adequate execution of the plan, the Crisis Committee will supervise its effectiveness through periodic meetings to assess its adequacy or the need to implement new ones required by the circumstances.**

**ATTENTION TO THOSE AFFECTED:**

- **The CCS has a hotline (CAT) which, in the event of a critical situation, will be immediately equipped with resources, both personal and training, to provide proper coverage of the situation.**