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Fall 2026
Financial Markets

L5 – Other Financial Institutions

November 4th, 2026

comillas.edu

What are we going to do today?

- **Other financial institutions**
  - Insurance companies
  - Pensions & pensions funds
  - Other institutions

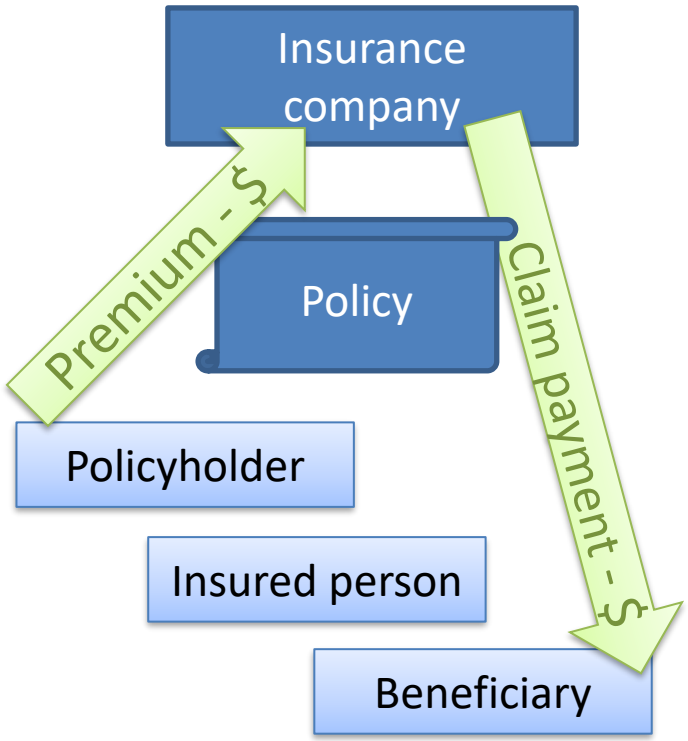
L5. Other financial institutions

Insurance companies

- According to any **insurance contract**, the insurer covers a risk in exchange for a premium.
- **Premiums** are collected before **claim payments** are made.

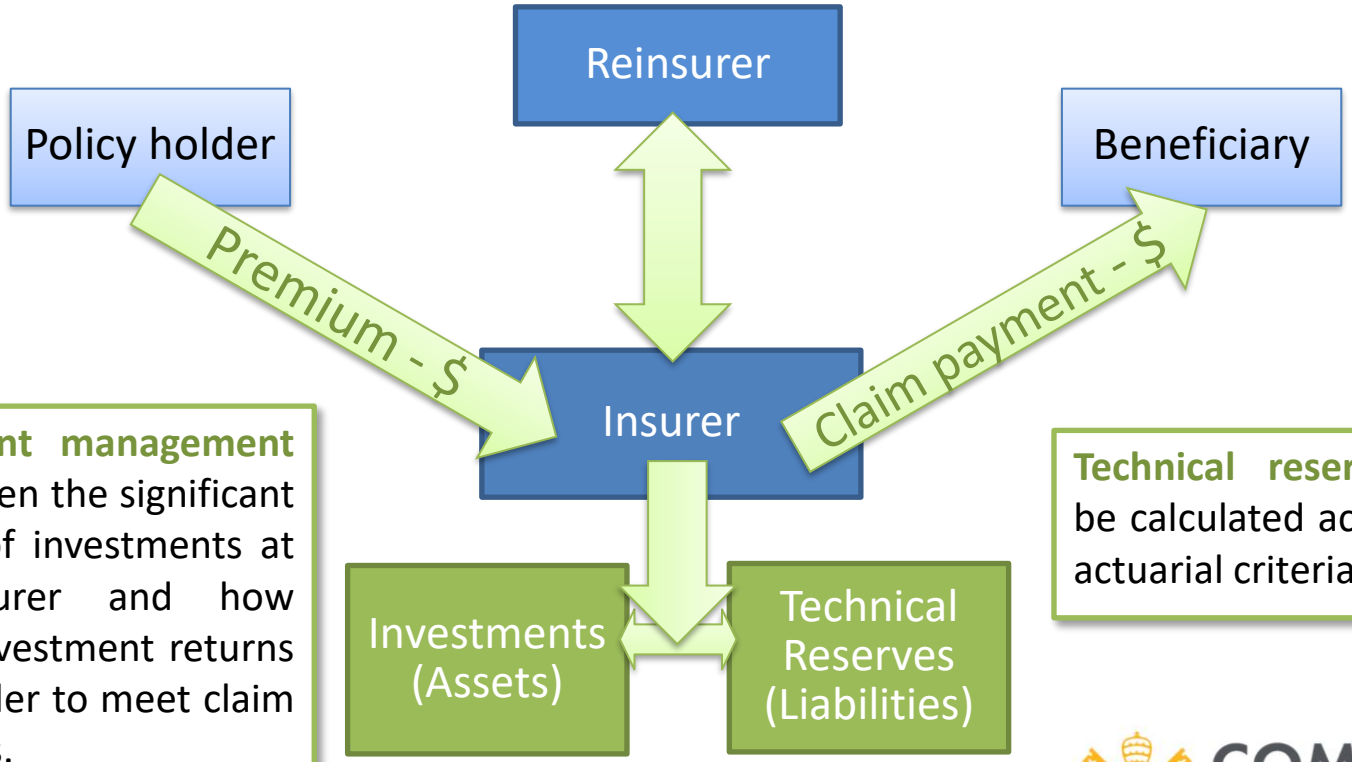
Example: Life insurance case.

- **The Policyholder (tomador)**: who takes out the policy enters into a contract with the insurer and receives coverage for him/herself and/or other persons (beneficiaries).
- **The Insured Person (asegurado)**: whose life the insurance policy covers. This can, but need not be, the same person as the policyholder, but it must be a natural person in case of life insurance.
- **The Beneficiary(s):** who receive payments from the policy on the death of insured person or occurrence of the insured event. The beneficiary(s) are those persons designated by the policyholder to receive the specified capital from the insurer.



Insurance companies

- **Premiums** are collected before **claim payments** are made.
- Technical reserves must be calculated according to actuarial criteria.
- Insurers may **share risks (Coinsurance)** and **cede risks (Reinsurance)**



Investment management is key, given the significant volume of investments at any insurer and how critical investment returns are in order to meet claim payments.

Technical reserves must be calculated according to actuarial criteria.

Insurance companies

Highly regulated sector

- Dirección General de Seguros y Fondos de Pensiones (enlace)
- Ley de ordenación y supervisión de los seguros privados (enlace)
- Reglamento de Ordenación y Supervisión de los Seguros Privados (enlace)
- Solvency II Directive (2009/138/EC) (enlace)

Solvency II. Insurers are required to keep a minimum Solvency Margin. (Please refer to specific document on Solvency II)



It looks like something familiar… isn't it?

Banking and insurance

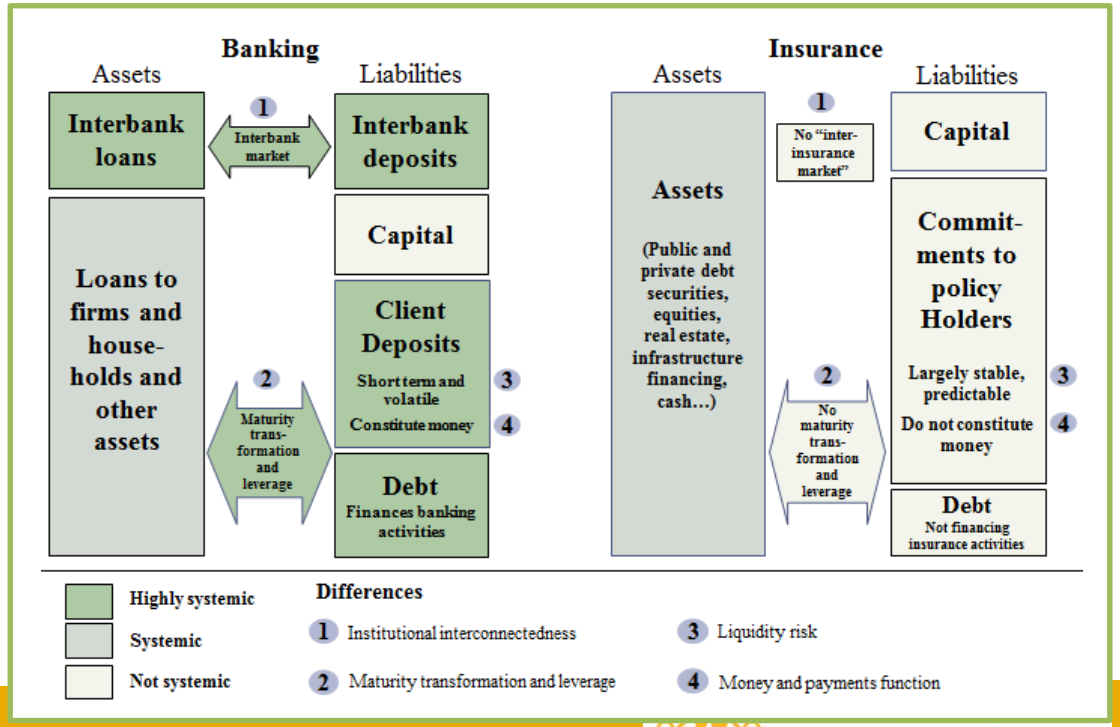
Differences between banks and insurers

- **Institutional interconnectedness:** banks operate within a system (banking system), while insurers do not. There exists no 'central insurer' comparable to a central bank.
- **Maturity transformation.** Banks engage in maturity transformation combined with leverage; they transform short-term liabilities into longer-term assets. Insurers do not engage in maturity transformation.
- **Liquidity risk.** Liquidity risk is inherent in banking, but not in insurance.
- Insurance liabilities are less fugitive.
- **Money, credit, and payment function.** Banks deal with the payment function, they create credit, and their liabilities constitute money.

Similarities

- **Financial intermediaries.** Both are financial intermediaries between savers and investors
- **Financial investors.** Both are large-scale investors in financial markets.

Systemic risk:
two different business models



SOURCE: Link

Insurance companies

Types of Insurers

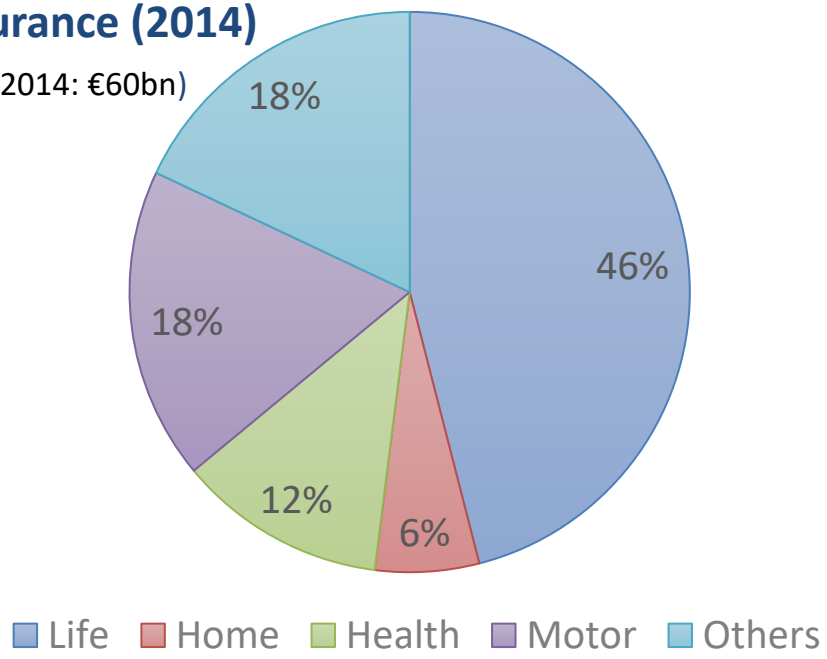
- Mutuals
- Public Limited Companies
- "Mutualidades de Previsión Social"

Types of Insurance

- **Life (46%):** In exchange for a premium the Insurer commits to pay the Beneficiary either a lump sum or an annuity in the event of death or survival
- **Non Life (54%):** Motor, Home, Healthcare, Civil Liability, Credit, etc…

Spanish insurance (2014)

(Total Premiums 2014: €60bn)



The "**Consorcio de Compensación de Seguros**" is a public entity which covers:

- Losses arising from catastrophic risks
- Rejected compulsory motor insurances
- The insured if the insurer is insolvent (i.e. bankruptcy)

Source: Cecilio Moral Bello, Mercados Financieros I, IT&FI, 2014

Insurance companies

Main insurance companies in Spain

	Name of the company	Premiums (Eur billion)	Market share
1	MAPFRE	7,27	13,10%
2	GRUPO CAIXA	5,54	9,98%
3	GRUPO MUTUA MADRILEÑA	4,16	7,51%
4	ALLIANZ	3,29	5,92%
5	GRUPO AXA	2,66	4,79%
6	ZURICH	2,51	4,52%
7	GENERALI	2,26	4,07%
8	GRUPO CATALANA OCCIDENTE	2,16	3,90%
9	BBVA SEGUROS	2,09	3,76%
10	SANTANDER SEGUROS	1,9	3,43%
Top ten			60,98%

Source.ICEA, 2014

Pensions. Current situation



Link: https://www.youtube.com/watch?v=WBjZfCj7GIA

Spain: current situation of pension system…

does the video sounds familiar to you?

Pensions plans

- Supervised by DGSFP (Dirección General de Seguros y Fondos de Pensiones (link)

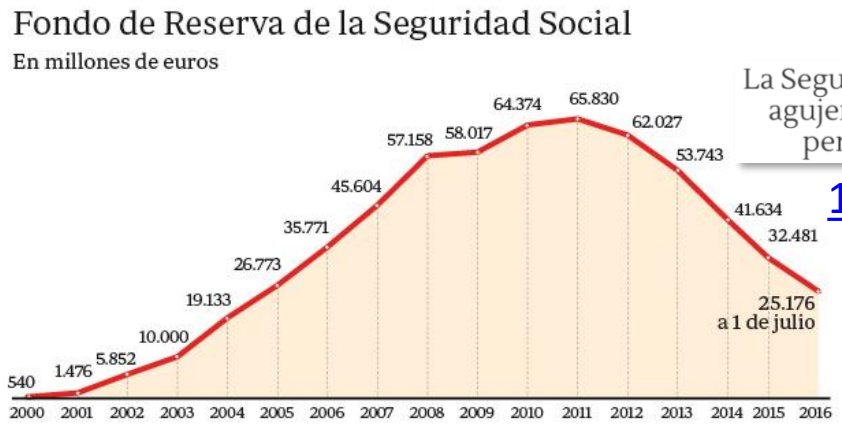
- **Pension Plan** is a contract which:
  1. Regulates the contributions to the Plan
  2. Grants the beneficiary the right to receive either a lump sum or an annuity at retirement
  3. Regulates the running of the corresponding Pension Fund

- There are mainly two systems in place:
  - **Mandatory state pension scheme** (Social Security) -employee pays 4.7% of his/her salary while employers must pay the equivalent of 23.6% of an employees salary into the scheme
  - **Voluntary pensions**
    - **Occupational** (mutual pension, collective pension insurance plan…) **vs personal pension plans** (personal plans, associated plans…)

Pensions plans

- Pension Funds are non-legal entities which are managed by an Entidad Gestora (EGFP) – Pension Fund Managers
- Contributions to pension funds are deductible in terms of Personal Income Tax

- **Social Security Reserve Fund** (created in 2000 to invest current Social Security surpluses in order to finance future State Pension Scheme)
- **Endless story:** Reforms in 2011 (i.e. retirement at 67 years, gradually implemented between 2013 and 2027) and 2013 but big reform still to come (new Government?)

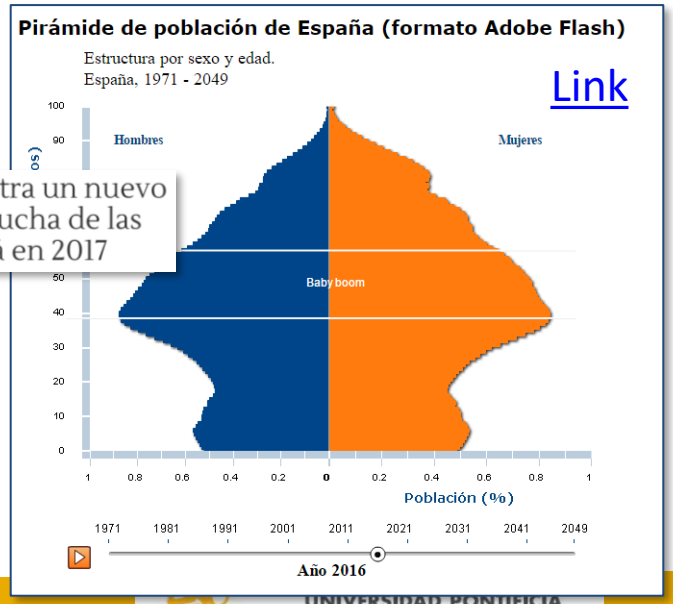


Source: Ministerio de Empleo y SS

La Seguridad Social registra un nuevo agujero histórico y la hucha de las pensiones se agotará en 2017

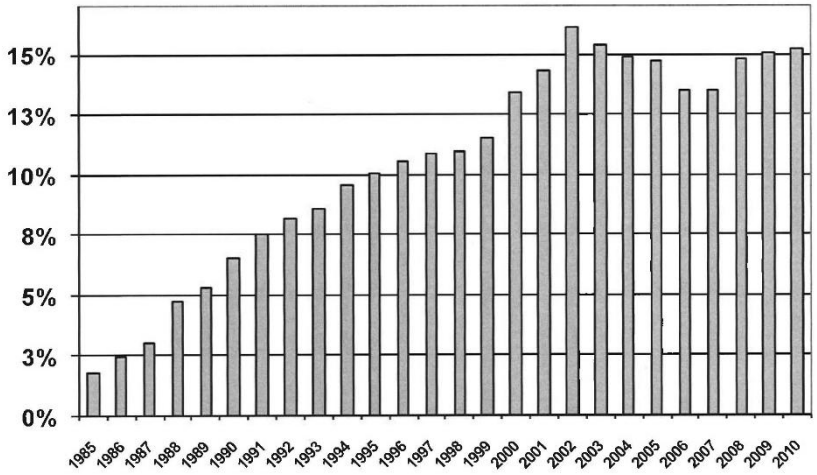
18/10/2016

Today 13.000M€



Pensions plans

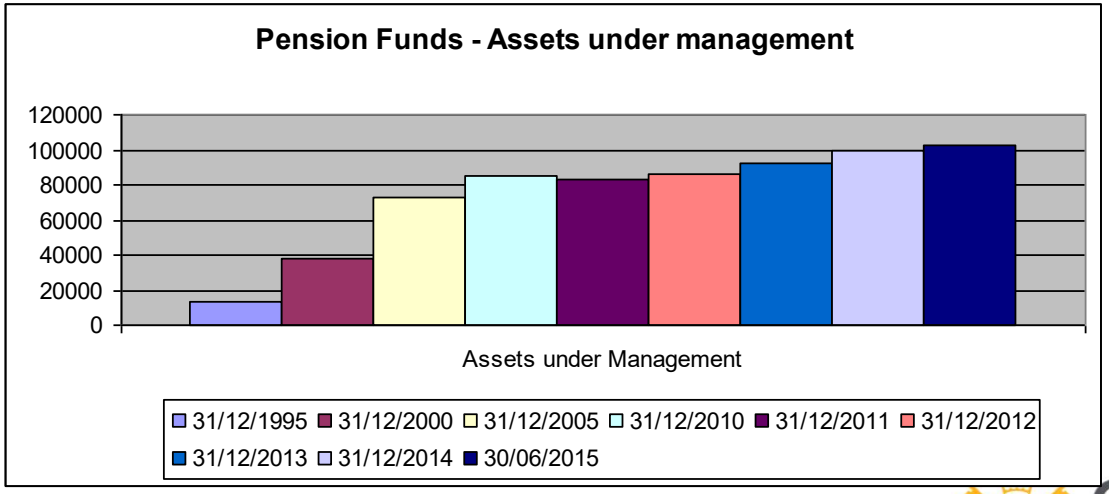
Pension Funds and Insurance Reserves as a % of total household financial savings



2012 Total household savings of 1.7 trillion Euros.

Pensions = €91 billion

Life Insurance: €134 billion



Total assets managed amount to 102 billion Euros as of June 2015

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Sociedades de Garantía Recíproca

- Supervised by Bank of Spain
- Created in 1978. Legal framework: Ley 1/1994
- SGRs are owned by small and medium-sized companies
- The purpose of SGRs is to provide financing to these small and medium-sized companies (SMEs), mainly through guarantee endorsements issued by the SGR itself
- Benefits for the bank providing the loan:
  - Financial Comfort
  - Value added study
  - Viability of the company
- Example Comunidad de Madrid: avalam madrid

Sociedades de Reafianzamiento

- Supervised by Bank of Spain
- Created in 1978. Legal framework: Ley 1/1994
- Financial companies whose corporate purpose is the reguarantee of the guarantee operations carried out by Sociedades de Garantía Recíproca
- Objective is to provide (through reguarantee), sufficient coverage and security to the risks incurred by Sociedades de Garantía Recíproca. It also helps the decrease in the cost of the guarantee for the SMEs
- These are companies in which the public administration participates in the capital and in control

Sociedades de Tasación

- Sociedades de Tasación are monitored and supervised by the Bank of Spain given the significant impact of real estate valuations on the whole financial sector. Main services provided:
  - Legal appraisal of Real Estate as loan collateral
  - Legal appraisal of Real Estate investments by insurers
  - Legal appraisal of Real Estate investments by mutual funds, pension funds, etc.

- Legal appraisal: legal document certifying the value of the property for a predefined purpose, it is carried out with a methodology based on legal regulations
- Valuation: process of determining the current worth of an asset or a company; there are many techniques used to determine value

Thanks