Providing certainty in uncertain times

Commercial Risk Europe talks to **Juan Aznar**, HDI Global's country head for Spain and Portugal, about navigating clients through the Iberian insurance market at a time of unprecedented volatility.

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Spain and Portugal have experienced much the same risk and insurance pressures as the rest of Europe over the past few years. The key difference in the Iberian market, however, is structural: a predominance of small and medium-sized enterprises and a relative scarcity of large multinational corporations. Many of these mid-market businesses nonetheless operate internationally, exposing them to the same risks as their larger European counterparts, but without the resources or experience to manage them in the same way.

That is the landscape that Juan Aznar, HDI Global's country head for Spain and Portugal, describes when discussing the current state of the local insurance market. According to Aznar, the defining feature of the risk environment right now is volatility and uncertainty. The practical consequence for many businesses is a shrinking planning horizon. "While long-term direction remains important, in today's risk landscape success increasingly depends on the ability to adapt quickly and respond to change," said Aznar.

A significant part of that uncertainty stems from the interconnectivity of today's risks. Geopolitical instability feeds directly into economic volatility through trade tensions, conflicts and tariffs, with knock-on effects for inflation, supply chains and business planning.

That sense of an unsettled global order is compounded by domestic pressures closer to home. When *Commercial Risk* interviewed Juan Aznar for this article, Spain was in the grip of wildfires on an unprecedented scale – some intense enough to generate their own microclimates. In central Spain, fires burned through tens of thousands of hectares near Madrid, while other hard-hit areas included the provinces of Leon and Caceres.

Climate change has played its part in accelerating the spread of wildfires. According to the World Meteorological Organization (WMO) and the Copernicus Climate Change Service, Europe is the fastest-warming continent in the world, with rising temperatures contributing to more frequent and severe wildfire risk conditions. A recent study published in *Scientific Reports* found that the number of summer days featuring weather conditions conducive to wildfire ignition, intensity and spread has more than doubled across large parts of Southern Europe since the early 1980s.

The wildfires are part of a broader trend. Extreme weather events have become an increasingly conspicuous feature of the Iberian risk landscape. It is less than two years since floods severely impacted the Valencia region. Extreme rainfall led to water and mud covering 150 square kilometres of populated territory. More than 200 people lost their lives and thousands of businesses were buried, some never able to resume operating.

As climate-related risks continue to evolve, understanding Spain's unique catastrophe protection framework is becoming increasingly important for businesses operating in the country, Aznar explained.

A distinctive catastrophe protection system

Spain's Consorcio de Compensación de Seguros, the government insurance scheme for natural catastrophe losses, occupies a distinctive position in the market. Unlike a public-private partnership such as the UK's Pool Re, or other pooling arrangements, the Consorcio is a wholly public entity, meaning there is no risk of exceeding a shared pool's capacity, and it has remained well capitalised for many years.

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Aznar stressed that companies should not view the Consorcio as a substitute for commercial insurance, but rather as a complementary layer of protection. The scheme works alongside the private insurance market and can compensate insured losses that fall within its remit, but access to that protection depends on having the appropriate underlying insurance in place.

"A company first needs a local property insurance policy in order to benefit from the Consorcio's protection," explained Aznar. "For international businesses operating in Spain, it is therefore important to have the right local arrangements. The Spanish market has its own particularities, which is why local expertise and compliance are so important."

This local market knowledge also feeds into the global network through which HDI Global structures and manages multinational insurance programmes for international clients, Aznar said.

"We currently manage around 5,400 multinational programmes worldwide. International clients with operations in Spain

benefit from our local expertise and understanding of the market, while at the same time drawing on the strength of our global network. That's a combination they can rely on," he added.

Regulatory squeeze

Alongside physical and climate risk, companies are navigating an increasingly complex landscape of ESG and regulatory requirements. For many organisations, particularly smaller businesses, this creates a growing need for expertise, guidance and effective risk management solutions. "They do not have the resources of larger companies, so they appreciate the advice that we can give them in terms of insurance regulations or the use of risk engineers," said Aznar.

This advisory role extends into how clients plan physical investments. As a corporate and specialty insurer focused on long-term resilience and risk management, HDI Global works with clients to factor climate exposure into decisions about where to locate new warehouses and factories, and encourages early engagement before capital is committed.

"We ask them to give us a call when they are spending money on new things," said Aznar. "For example, when putting in a fire prevention system, talk to your insurer early on to ensure that the chosen system aligns with your risk profile and supports effective risk mitigation. Don't do it just to tick a box."

The same logic applies to green investments that can inadvertently introduce new exposures – installing solar panels, for instance, without properly weighing whether the risk they create outweighs the risk they mitigate.

When it comes to emerging risk, Aznar is unequivocal about where the greatest uncertainty lies. "In terms of new risk, they are mostly cyber-related," he said. AI, in particular, is evolving rapidly, requiring organisations to continuously assess emerging opportunities, risks and governance requirements. "Everything is changing so quickly that many organisations are still grappling with the implications. And organisations are continuing to evaluate the long-term operational, liability and governance implications of AI-enabled ways of working," said Aznar.

Rather than relying on standard policy wording, HDI Global works closely with clients to understand their AI-related risk profile and to discuss appropriate risk management measures and insurance solutions. This is where the insurer's cyber solution CYQUINS comes in, allowing companies to carry out their own risk assessments. Traditionally, obtaining cyber insurance involves detailed questionnaires and complex processes for clients and brokers. "With CYQUINS, we have introduced an alternative for those who prefer a streamlined, digital-first experience," Aznar said.

Underwriting discipline

In parts of the market, competitive dynamics have evolved in recent years, creating a different environment for insurers, brokers and clients. While market cycles are nothing new, Aznar sees something different in the scale of alternative capital now flowing into the market, which has helped contain volatility even as pricing pressure builds.

HDI Global's response has been more active than reactive to maintain the insurer's financial strength and resilience, said Aznar. "Our underwriting strategy and discipline has to be good for the benefit of our entire insured community. After all, losses know no market cycles and pay little regard to the amount of capacity available."

In Aznar's view, discipline alone is not enough; insurers also need a sustainable pricing approach, together with the ability to clearly explain that rationale to brokers and clients. For HDI Global, those conversations are rooted in long-term partnership rather than short-term market cycles.

"We have supported our clients through different market environments and remain committed to supporting them over the long term," said Aznar "Clients value reliability, expertise and a partner that stays close to them, working together to find individual solutions. We focus on delivering real value through risk management, claims services and technical expertise, rather than competing on price alone."

Aznar also emphasised that prevention and risk mitigation remain critical regardless of market conditions. "Helping clients avoid losses in the first place is just as important as providing protection when losses occur. Ultimately, our role is to provide certainty in uncertain times and to support clients through whatever challenges lie ahead," he said.



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