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## Ambassador Update—Brazil 2008

By Ronald Poon Affat

### BRAZILIAN UPDATE 2008

The year started off well enough, with the Reinsurance market opening to foreign players (April), and then one month later, Brazil was awarded Investment Grade status. However in spite of its newly acquired financial status, like most of the major world economies, the stock market (Bovespa) fell by 38 percent in local currency terms and the Brazilian Real plummeted from R\$1.8 to R\$2.35 against the US\$. The economy is now projected to grow by only 1.5 percent for 2009. While the impact will be hard, Brazil is better placed than many others to whether the storm, if only psychologically, mainly because it has endured many crises throughout its turbulent financial history.

Regarding the life, health and pensions markets, the following is a quick summary of the main M&A activities during 2008.

- Itau and Unibanco financial groups announced a merger to create South America's largest private-sector banking group, forging a continental powerhouse the banks hope will become a global player. Each group already had a substantial insurance arm and the combined entity will create one of the super-bancassurers in the already banking dominated sector.
- After a very long hiatus of 'new' Life players in the market, AEGON signed an agreement to acquire a 50 percent interest in Rio de Janeiro based Mongeral Seguros; Brazil's sixth largest independent life insurer.
- AIG and Unibanco severed their 11 year partnership in Brazil, but AIG then re-entered the market as an independent 'boutique' P&C insurance company.

- Mapfre continued to invest in the Brazilian market and acquired Nationwide's Rio de Janeiro based life insurance company.
- Swiss insurer Zurich Financial Services acquired Minas Brasil Seguradora Vida e Previdencia. This is a regional Insurance company based in the third richest state.
- Met Life entered Dental Insurance via its acquisition of Sao Paulo based Odonto A Saude Empresarial.
- And last but not least, the opened Brazilian reinsurance market attracted players from the four corners of the earth. Mapfre Re, Munich Re and XL Re, established local reinsurance companies to compete directly with the government run IRB Re. Ace Re, Everest Re, Gen Re, Hannover Re, Lloyds of London, Paris Re, Partner Re, Scor Re, Swiss Re, TransAmerica Re, and TransAtlantic Re were amongst a very long list to establish Admitted Reinsurance companies.

So what does 2009 have in store for us? Clearly Brazil is the place to be in terms of reinsurance. The IRB (state monopoly) had R\$2 billion of annual premium income and the next 12 months will see many players participating in what is still expected to be a growth area. Regarding growth in the direct writing insurance industry, there still appears to be optimism that there will be some positive growth but more or less in line with inflation (4 to 5 percent). The prospect of growth is reasonable given the fact that (excluding health) insurance still has a very low penetration in Brazil; it ranks 47th in the world with only 3 percent

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(Sigma 2008). Nevertheless the Brazilian market is still the largest market in Latin America and accounts for 44 percent of the region's premium. The world's multinationals are still very much present in the major Brazilian cities and there is no reason to bet against the fact that the Brazilians will continue to dominate the Latin American Insurance markets for a very long time.

*The views expressed in this article are personal and are not necessarily those of my employer.*

*Ronald is the Society of Actuaries' Brazilian Ambassador. The SOA Brazilian country web page is located at*

*<http://www.soa.org/professional-interests/international/intl-country-web-pages/intl-country-websites-brazil.aspx> □*

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