



SOCIETY OF  
ACTUARIES®

2019 **ANNUAL  
MEETING**  
& EXHIBIT

October 27-30  
Toronto, Canada

## Session 120: Emerging Differentiators in the Life and Annuity Reinsurance Space

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**RGGA**

# Reinsurance Trends in Latin America - Quick Overview

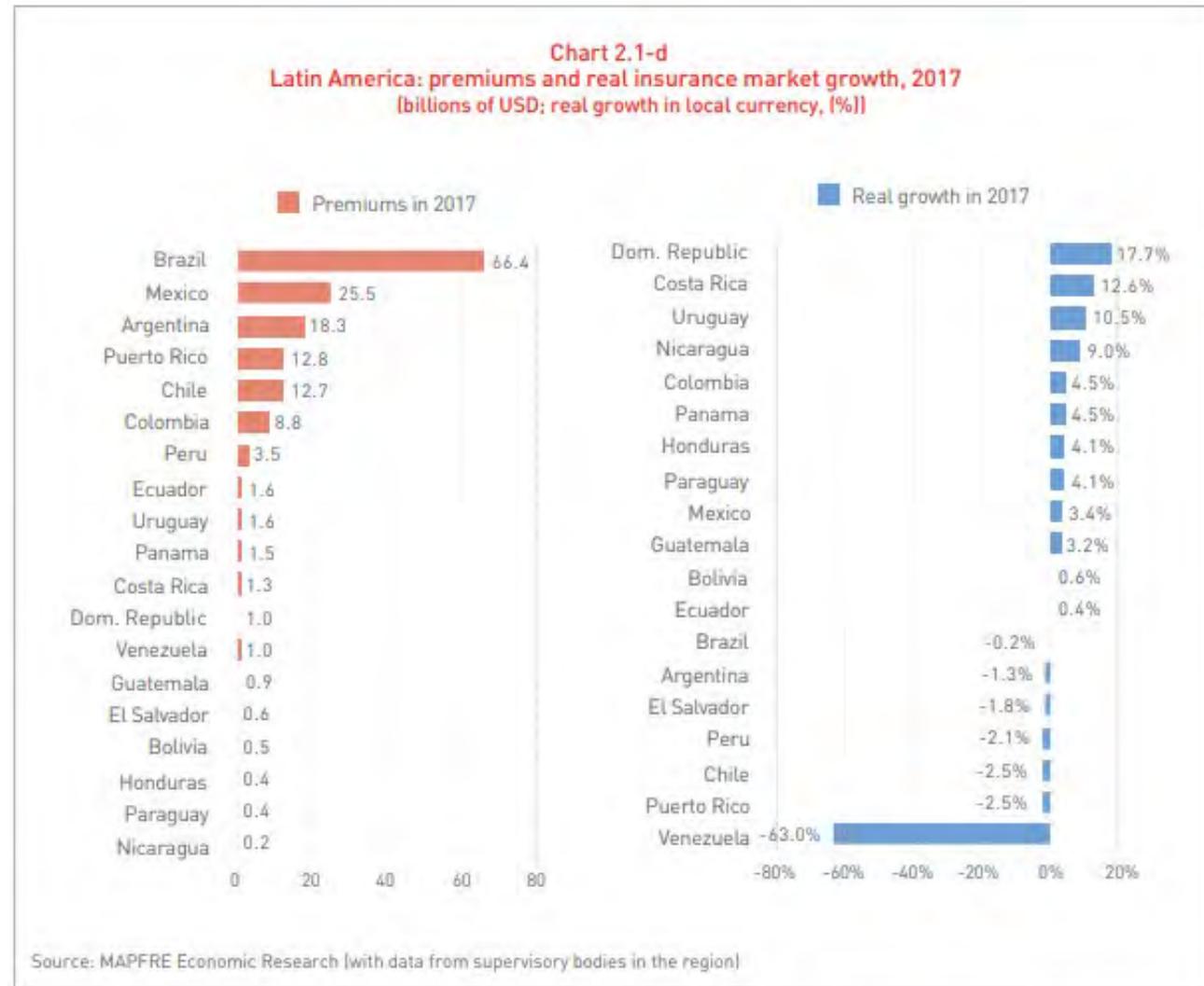


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*RGGA Brazil*

October, 2019

# Premium Distribution in Latin America



Source: MAPFRE Economic & Insurance Research 2017



# Brazil Changed “everything” in LATAM

- In 1939 the Brazilian reinsurance market was closed. A monopoly was established by the government, which led to the creation of IRB RE.
  - IRB RE maintained its monopoly until 2007, when the Congress reopened the Brazilian reinsurance market.
  - IRB Re is now a privately owned company and is the darling of the Brazilian stock market
- 
- There are 3 types of entities conducting reinsurance in Brazil:
    - **“Local” Reinsurers:** On-shore entities, they are closely regulated by SUSEP. Required capital is the greater of Brazilian RBC and 26M USD.
    - **“Admitted” Reinsurers:** Off-shore entities permitted to operate in Brazil. Only 60% can be ceded per risk
    - **Eventual Reinsurers:** Only 10 percent of the reinsured risks of the Brazilian insurers can be ceded per risk .



# IRB Re Shares



As of 9/24/2019  
USD/BRL = 4,173



# Reinsurance Market



- FENABER is the Brazilian Federation of Reinsurance Companies.
- Over 142 reinsurance companies in Brazil:
  - 16 Local.
  - 42 Admitted.
  - 82 Eventual.

# Soft Market for Professional Reinsurers

## Local Reinsurer's Results – for 2018 – BRL mm

January to December 2018	Gross Premium		Earned Premium		Combined Ratio
	BRL	USD	BRL	USD	%
<b>IRB</b>	6590	1581	5765	1383	83%
<b>Total Without IRB</b>	3084	740	2253	541	100%
<b>Total</b>	<b>9674</b>	<b>2321</b>	<b>8018</b>	<b>1924</b>	<b>98%</b>

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	BRL	USD	BRL	USD	%
IRB	6590	1581	5765	1383	83%
Munich	772	185	592	142	99%
Mapfre	218	52	188	45	96%
Austral	468	112	382	91	109%
Markel	107	25	70	16	122%
Swiss	540	129	409	98	100%
Terra Brasis	188	45	131	31	103%
BTG	384	92	194	46	77%
Scor	407	97	287	68	93%
<b>Total</b>	<b>9674</b>	<b>2322</b>	<b>8018</b>	<b>1924</b>	<b>98%</b>

# Country Classification in Terms of Solvency Modernization



SOLVENCY MODERNIZATION IS WELL UNDERWAY OR HAS ALREADY BEEN ENACTED INTO LAW

- Brazil
- Chile
- Mexico

SOLVENCY MODERNIZATION PROCESS HAS BEEN INITIATED

- Colombia
- Costa Rica
- Peru

LITTLE OR NO ACTIVITY REGARDING SOLVENCY MODERNIZATION

- Rest of Latin American countries

# Life Multinationals in 2017



Multinationals Life Market in 2017				
Ranking	Company Name	Direct Premium (in BRL'000)	Direct Premium (in USD'000)	Market Share
1	BRASILSEG COMPANHIA DE SEGUROS	4,986	1,197	63%
2	ZURICH SANTANDER BRASIL SEGUROS E PREVIDÊNCIA S.A.	4,882	1,172	
3	CAIXA SEGURADORA S.A.	3,458	830	
4	ICATU SEGUROS S.A.	1,785	428	
5	CARDIF DO BRASIL VIDA E PREVIDÊNCIA S/A	1,561	375	
6	MAPFRE VIDA S.A.	1,159	278	
7	METROPOLITAN LIFE SEGUROS E PREVIDÊNCIA PRIVADA S.A.	1,010	242	
8	ZURICH MINAS BRASIL SEGUROS S.A.	705	169	
9	MAPFRE SEGUROS GERAIS S.A.	654	157	
10	MONGERAL AEGON SEGUROS E PREVIDÊNCIA S. A.	633	152	
11	CHUBB SEGUROS BRASIL S.A.	531	127	
12	TOKIO MARINE SEGURADORA S.A.	435	104	
13	GENERALI BRASIL SEGUROS S.A.	393	94	
14	PRUDENTIAL DO BRASIL VIDA EM GRUPO S.A.	368	88	
15	TOO SEGUROS S.A.	308	74	
16	LIBERTY SEGUROS S.A.	249	60	
17	AXA SEGUROS S.A.	203	49	
18	ALLIANZ SEGUROS S.A.	168	40	
19	ZURICH BRASIL COMPANHIA DE SEGUROS	115	28	
20	PRUDENTIAL DO BRASIL SEGUROS DE VIDA S.A.	86	21	
	+71 Life Insurance Companies	13,933	3,344	37%
	<b>TOTAL</b>	<b>37,619</b>	<b>9,029</b>	<b>100%</b>

✓ 34 out of 91 companies have controlling foreign shareholders

✓ 63% share of premium

Source: SUSEP  
Direct Premium - Only risk products – excluding VGBL

# Opportunities...



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- Non traditional
  - IFRS 17



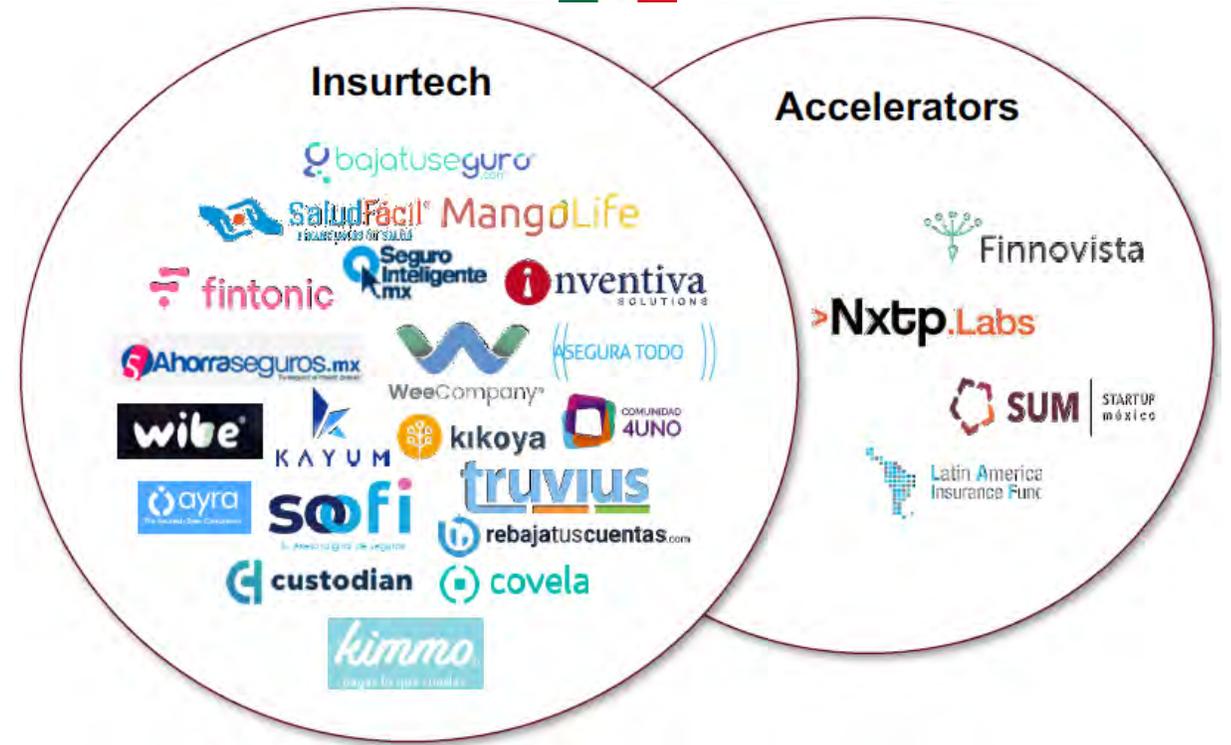
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  - Financially motivated Reinsurance - presently reinsurance is a “transfer of severity” with low cessions

% of gross written premiums ceded by Life Insurers				
	2014	2015	2016	2017
Brazil	1.6%	2.0%	1.9%	2.2%
Mexico	3.9%	4.1%	4.1%	4.6%
Colombia	5.7%	5.2%	6.0%	7.1%
Argentina	3.6%	3.7%	4.0%	3.5%
Peru	14.4%	19.7%	22.9%	23.6%
Chile	2.3%	2.5%	5.0%	7.4%
United States	13.1%	22.7%	24.5%	27.3%

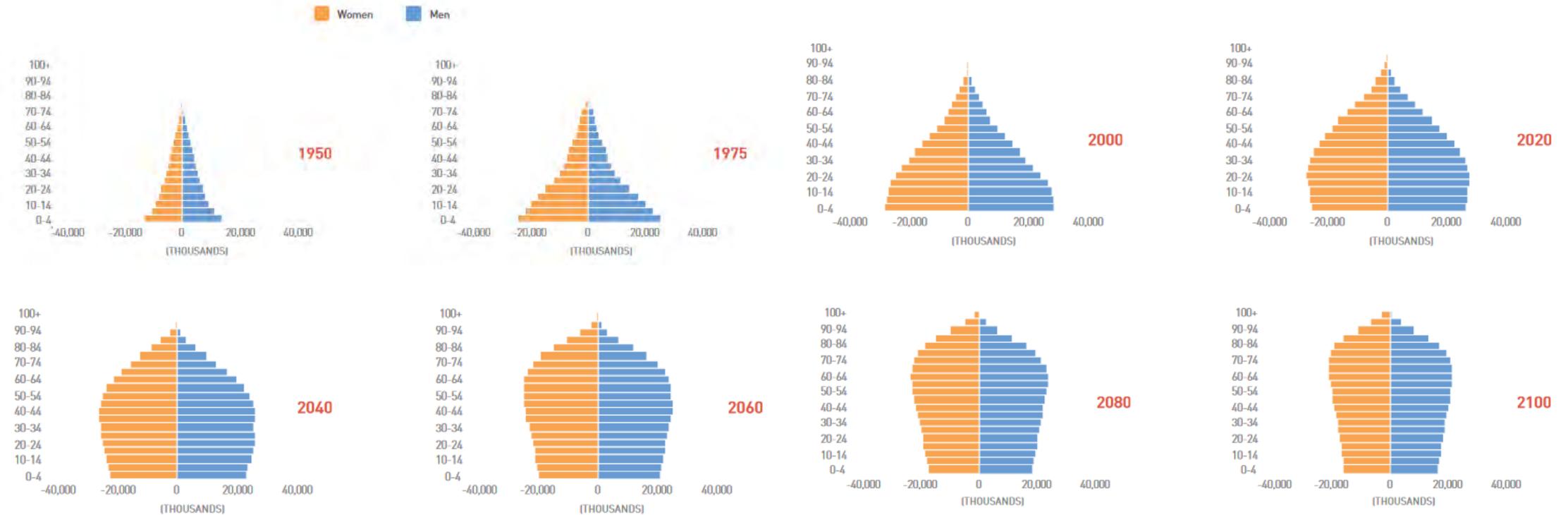
Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

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- **Non traditional**
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  - Brazil & Mexico are the Insurtech hubs in LATAM
  - Financially motivated Reinsurance - presently reinsurance is a “transfer of severity” with low cessions
- **Traditional but challenging**
  - Longevity risk transfers.
    - Local mortality data is sparse.
- **Traditional – marked demographic shifts**

# Population Distribution

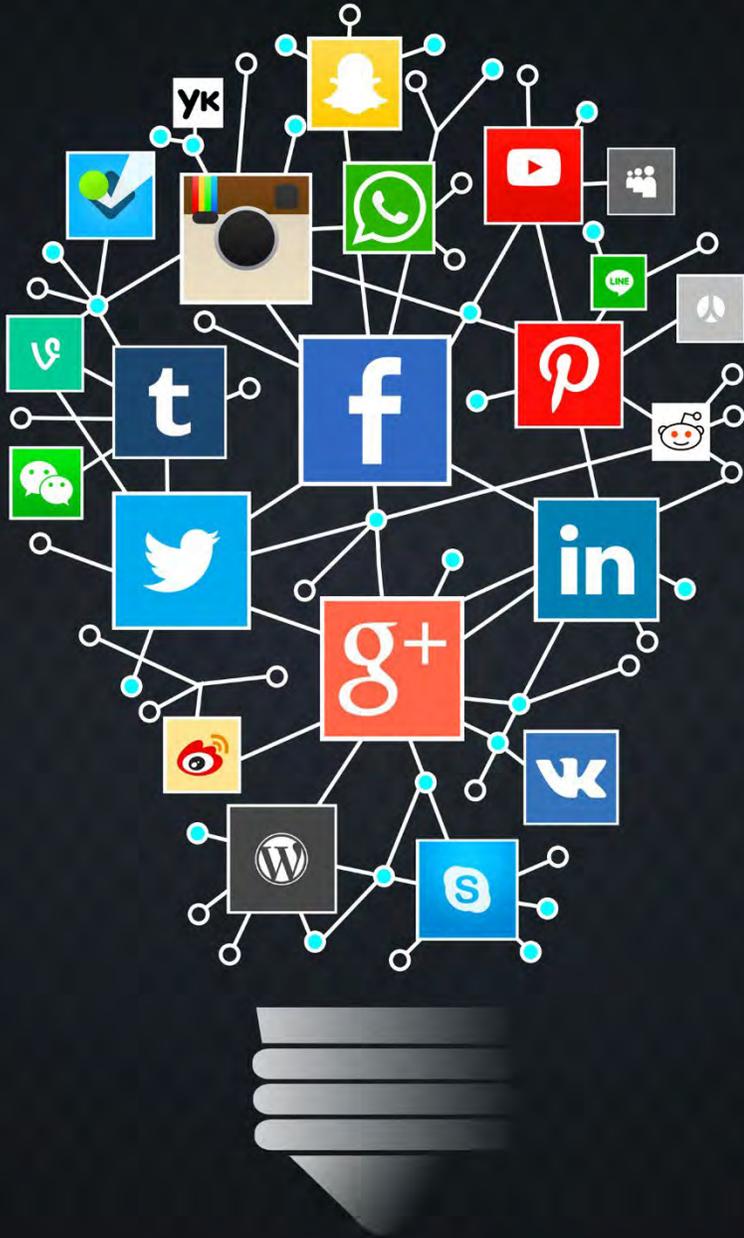
Chart 1.2-d  
Latin America: changes in the population pyramid, 1950-2100



Source: MAPFRE Economic Research (based on UN data)

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- **Traditional but challenging**
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    - Local mortality data is sparse.
- **Traditional – marked demographic shifts**
  - Reinsurance of privatized Social Security systems (Chile & Peru)
  - Health Reinsurance.
    - Private insurers complement poorly funded public health system.
  - Living benefits.
    - Meet gaps in precarious public health system.



**The end...**