



FERMATM

Federation of European
Risk Management Associations

FERMA proposes modifications to Brazilian reinsurance regulations in the interest of business and insurance buyers

Press release

11 November 2011

The Federation of European Risk Management Associations (FERMA) has sent specific recommendations to the Brazilian insurance regulator SUSEP to limit the impact of regulations 225 and 232 on market capacity and security in the interest of business and insurance buyers. FERMA's action follows an offer from SUSEP to open discussion with critics of the regulations which went into effect earlier this year.

FERMA has been campaigning for a relaxation of aspects of the regulations on behalf of its many members (European multinationals) who have business interests in Brazil and in support of the Brazilian risk management association, the Associação Brasileira de Gerência de Riscos (ABGR).

Among the specific measures that FERMA has now told SUSEP that it wants to see are:

- Elimination or substantial redesign of the 20 percent limit on inter-group operations;
- A five or ten day time limit for reinsurers classed as local to accept or refuse a mandatory 40 percent cession before business can be placed with reinsurers in the admitted or eventual reinsurer categories.
- Requests for further information on this mandatory cession to be limited to one with a further three working days from the date that it received the offer for consideration.
- In all cases, the insurer to be responsible for claims negotiations and settlement.

These recommendations come in a letter sent yesterday (10 Nov) by FERMA President Jorge Luzzi to SUSEP. It says that FERMA has received many representations of concern from risk managers, especially about the possible

limits on capacity and threat to insurer security posed by the limits on the spreading of risk created by the regulations. (High res photograph of Jorge Luzzi available from the media page of the FERMA website at www.ferma.eu).

Luzzi said: “We thank and welcome the offer by SUSEP of open discussion on regulations 225 and 232. The 20 percent limit on inter-group cessions could be very risky. If reinsurance which cannot be ceded to group companies goes straight into the international market, where similar risks are placed, there will be extra costs. These are likely to be passed on to the insurance buyer and there is the possibility of losing the mutuality concept.”

FERMA accepts that the 40 percent compulsory cession to the eight local reinsurers will remain, but its members believe that this should be on a prompt first refusal basis to avoid unexpected changes in terms and conditions, Luzzi said.

Finally, he explained why FERMA has requested for SUSEP to agree that the insurer must have responsibility for claims negotiation and settlement. “The relationship must be between the insurance buyer and the insurer, no what reinsurers are involved in the risk,” Luzzi said.

Notes to journalists

In 2007, the Brazilian Parliament abolished the monopoly control of local reinsurance market by the Instituto de Resseguros do Brasil (IRB) that dated from 1939 and phased in competition from other domestic and multinational reinsurance companies. (Complementary Law 126)

Within two years the market had grown substantially to include 8 local reinsurers and 28 admitted reinsurers. From 16 January 2010, Brazilian insurers had been allowed to place 60 percent, and sometimes more, of any reinsurance abroad with pre-approved reinsurers.

The executive branch of the country’s National Board of Private Insurance (CNSP) enacted the two new resolutions in December 2010, although it later relaxed a complete ban on inter-group cessions to allow the 20 percent.

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About FERMA

The Federation of European Risk Management Associations (FERMA) brings together 21 national risk management associations in 19 European countries. FERMA has over 4,000 individual members representing a wide range of business sectors from major industrial and commercial companies to financial institutions and local government bodies. Their members play a crucial role for their organisations with respect to the management and treatment of complex risks and insurance issues.

Member associations are from the following countries: Belgium (BELRIM), Czech Republic (ASPAR CZ), Denmark (DARIM), Finland (FinnRiMa), France (AMRAE), Germany (DVS/BfV), Italy (ANRA), Malta (MARM), Netherlands (NARIM), Norway (NORIMA), Poland (POLRISK), Portugal (APOGERIS), Russia (RusRisk), Slovenia (SI.RISK), Spain (AGERS and IGREA), Sweden (SWERMA), Switzerland (SIRM), Turkey (ERMA) and United Kingdom (Airmic).