

Press release

13 April 2011

Brazil: A step in the right direction – more are needed

The Federation of European Risk Management Associations (FERMA) has welcomed as a good first step the response of the Brazilian government to complaints and concerns from corporate insurance buyers and national and international reinsurance markets about restrictive executive orders rolling back liberalisation of the market.

In response to the issues raised from the insurance community, the Brazilian government published Resolution 232 to rescind the complete prohibition of intra-company cessions effected from 31 March 2011 through Resolution 224. Instead, insurers will be allowed to transfer up to 20 percent of each reinsurance treaty to companies based abroad that are linked with or belong to the same financial conglomerate.

Insurance buyers represented by FERMA believe this concession is useful but not enough, given the 2007 decision of the Brazilian Parliament to end the more than 70 year monopoly of the Instituto de Reaseguros do Brasil (IRB) and open the market to competition.

Resolution 225, which also came into effect on 31 March 2011, mandates placement of 40% of reinsurance business with local reinsurers who can change terms and conditions without penalty, instead of simply giving them the right of first refusal.

FERMA shares the view of others in the insurance and reinsurance community that Resolution 224, even in its amended form, and Resolution 225, could prejudice development in Brazil because of:

1. An increase of costs and reduction of capacity of the insurance and reinsurance market
2. Concentration of major risks within the country instead of spread into the international reinsurance market
3. Reduction of the development of the market in respect of job creation and fiscal benefits
4. Prejudice to foreign insurers and reinsurers that have already invested in Brazil
5. Potential lack of coverage or capacity for important risks, such as the Olympic Games 2016 and FIFA World Cup 2014

FERMA's statement comes in support the large number of its members whose companies have invested in Brazil and the national and regional risk management associations, the Asociación Brasileira de Gerencia de Riesgos (ABGR) and the Asociación Latinoamericana de Administradores Riesgos y Seguros (ALARYS).

The President of FERMA, Peter den Dekker, states, "We still are open to dialogue with government entities in Brazil, in order to give as many explanations and clarifications as may be necessary to reach a consensus that is reasonable for all the involved parties."

About FERMA

The Federation of European Risk Management Associations (FERMA) brings together 19 national risk management associations in 17 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 organisations. Their members play a crucial role within their companies 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 (BfV and DVS), Italy (ANRA), Netherlands (NARIM), Norway (NORIMA) Poland (POLRISK), Portugal (APOGERIS), Russia (RusRisk), Spain (AGERS and IGREA), Sweden (SWERMA), Switzerland (SIRM), Turkey (ERMA) and United Kingdom (AIRMIC).

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