

MARKET BULLETIN

REF: Y4065

Title	Brazil - CNSP Regulation 164
Purpose	To outline the requirements for underwriting reinsurance business from Brazil until such time as the definitive reinsurance regulations are published.
Type	Event
From	Cameron Murray, Senior Manager, International Regulatory Affairs (IRA)
Date	5 October 2007
Deadline	None
Related links	None

Background

The new 'reinsurance law' (Law 126/07), liberalising the Brazilian reinsurance market, was enacted in January 2007. However, complementary regulations, defining more clearly the terms of the liberalisation, are still to be published.

In the meantime, CNSP Regulation No. 164 – providing transitional rules on writing reinsurance business from Brazil – was issued by the National Private Insurance Board ('CNSP'¹) on 17th July 2007. It clarifies how reinsurance business from Brazil must be written currently and has a number of practical implications for Lloyd's underwriters. It is effective immediately. This new regulation is a temporary measure until such time as the definitive regulation - Complementary Act no.126 - is published.

Transitional Regulation No. 164

Until recently Lloyd's underwriters were only allowed to write retrocession business from IRB-Brasil Re, the reinsurance monopoly in Brazil. However, Regulation 164 enables Lloyd's underwriters to accept reinsurance business from Brazilian ceding companies, in the event that it has first been refused by IRB-Brasil Re. Lloyd's underwriters writing such risks will be required to provide notarised translations of Lloyd's rating certificate and financial accounts to ceding insurers. This documentation is available from Lloyd's International Trading Advice ('LITA') upon request.

¹ Conselho Nacional de Seguros Privados

Detailed provisions

CNSP Regulation 164 has formalised the current internal procedures of the IRB, in respect of the conditions under which risks refused by the IRB can be exported to foreign reinsurers.

Whereas Regulation 164 permits foreign reinsurers to accept cessions refused by the IRB, local insurers can only take credit for the reinsurance placed on the condition that the foreign reinsurer:

- has a net worth of at least US\$ 100,000,000
- has a solvency rating equal to or above the minimum rating required as provided on the table below:

S&P	Fitch	Moody's	A M Best
BBB	BBB	BAA1	A-

- provides copies of its audited financials for the last three financial years.

The documents listed above - duly notarised, consulate-certified and translated by an officially certified translator - should be provided by the foreign reinsurer to ceding insurers. The ceding insurer must be prepared to submit to SUSEP such documentation at their request. Notarised copies can be obtained, by request, from LITA.

The reinsurer should ensure it is satisfied that the risk has first been rejected by the IRB; however no official documentation is required to be kept by the reinsurer as the onus lies on the insurer.

Reinsurance may be placed directly abroad and/or through a locally registered intermediary. However, please note that binding authorities are not recognised by Brazilian law.

Lloyd's guidance note

It is important that managing agents intending to write Brazilian reinsurance note and comply with the requirements outlined in this bulletin.

Further information

To request the notarised documents to be provided to the ceding company, please contact:

Lloyd's International Trading Advice (LITA):

Tel: 020 7327 6677

E-mail: LITA@Lloyds.com

This bulletin has been sent to active underwriters and the Compliance Officers of Lloyd's brokers and managing agents and for information, to the LMBC and LMA.

Lloyd's continues to be involved in discussion regarding the details of Complementary Act no. 126, and will keep you informed of its progress.