

Title	Brazil - New Reinsurance Regulations, Non-Admitted Insurance Business and Accepting Business from Brazilian Intermediaries
Purpose	<ol style="list-style-type: none"> 1. To update the Lloyd's Market on important amendments to reinsurance regulations in Brazil on compulsory reinsurance cessions, claims control clauses and intra-group (re)insurance / retrocession; 2. To remind the Lloyd's Market of the exceptions whereby Lloyd's underwriters are permitted to accept certain risks from Brazil on a non-admitted basis, and the processes that they must follow in order to accept such business; and 3. To remind the market that where intermediaries are involved in the placement chain, the involvement of a registered reinsurance broker will also be required.
From	Cameron Murray, Senior Manager, International Regulatory Affairs General Counsel's Division
Date	23 December 2010

1 Amendments to Brazilian Reinsurance Regulations

On the 6th December 2010, the Brazilian insurance regulator, the Superintendência de Seguros Privados ("SUSEP"), published two resolutions amending local reinsurance regulations. The resulting changes are as follows:-

(i) Under Resolution No. 225, with effect from 31st March 2011:-

- Insurance companies in Brazil must cede at least 40% of each reinsurance cession to local reinsurers.

This rule applies to both treaty and facultative reinsurance contracts, and converts the previous requirement whereby local reinsurers had "right of first refusal" of no less than 40% of premiums ceded into a mandatory cession (further information on the "right of first refusal" and reinsurance regulations-related matters is provided through Market Bulletin Ref Y4149, of 16 April 2008).

Please note that SUSEP has not issued any instructions on how the market should proceed in the event of declinatures by all Local reinsurers. Additionally, it should be noted that the terms and conditions quoted by Local Reinsurers on the 40%

mandatory cession will prevail regardless of alternative (and better) terms and conditions quoted by any Admitted or Eventual reinsurer for the remaining 60% of the cession.

- Where local reinsurers in Brazil have the largest proportional share of a risk, they may* employ a claims control clause in the reinsurance contract. This rule applies to both treaty and facultative reinsurance contracts.

*By "may" Lloyd's understands that the claims control clause can ultimately be agreed between the two parties concerned - i.e. the cedent and the reinsurer.

- (ii) Under Resolution No. 224, with effect from 31st January 2011, liabilities assumed in insurance, reinsurance or retrocession contracts in Brazil cannot be transferred to companies linked or belonging to the same financial conglomerate established abroad.

In principle, we understand that this intra-group (re)insurance / retrocession restriction does not have an impact on Lloyd's, however we are reviewing this topic and we shall provide further advice in future.

2 Writing non-Admitted Brazilian Insurance Business

We would like to draw attention to the fact that Lloyd's underwriters are not licensed to write direct insurance in or from Brazil. However there are exceptions whereby Lloyd's underwriters are permitted to accept certain risks from Brazil on a non-admitted basis, as explained in Lloyd's regulatory communication issued on 25 November 2009 entitled "[Placement of Direct Insurance from Brazil](#)"

3 Accepting Business from Brazilian Intermediaries

Please note that the involvement of non-registered Brazilian intermediaries in (re)insurance business transactions could result in penalties or other consequences imposed by SUSEP.

Managing agents must have controls in place to ensure that if a Lloyd's approved broker is involved in the reinsurance placement, it follows that a Brazilian registered reinsurance broker would also need to be involved in the placement.

Therefore, where brokers are involved in reinsurance/retrocession placements, the business chain should be as follows:

- (Retro)ceding company
- Registered local broker
- Lloyd's approved broker
- Lloyd's underwriters

A list of registered Brazilian reinsurance brokers is available through SUSEP's web page:
<http://www.susep.gov.br/menuatendimento/procura.asp>

Please select the *Corretores de Resseguro* option on the dropdown menu in the *Escolha o Tipo de Empresa* field, and click the *Procurar* button.

Further information

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