

MARKET BULLETIN

REF: Y4477

Title	Brazil – Resolution No. 232 – Restriction on Intra-Group Transfer of (Re)insurance and Retrocession Liabilities
Purpose	To update the Lloyd's Market on important amendments to reinsurance regulations in Brazil
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Date	29 March 2011

In Market Bulletin Y4458, the Lloyd's market was advised of Resolutions No. 224 and 225 issued by the Brazilian insurance regulator, the Superintendência de Seguros Privados ("SUSEP"), which amended local reinsurance regulations.

On the 25th March 2011, however, Resolution No. 224 was revoked, and replaced with Resolution No. 232.

Resolution No. 232 will take effect on the 31st March 2011, along with Resolution 225, which prescribes that insurance companies in Brazil must cede at least 40% of each reinsurance cession to local reinsurers.

Resolution No. 232

Resolution No. 224 prohibited the transfer of liabilities assumed in insurance, reinsurance or retrocession contracts in Brazil to companies linked or belonging to the same financial conglomerate established abroad.

This Resolution has now been revoked and replaced with Resolution No. 232, which to an extent relaxes the requirements that had originally been prescribed.

Under Resolution No. 232:-

- An insurance company or local reinsurer may not transfer more than 20% of the premium corresponding to each coverage it contracts to related companies, or to companies belonging to the same financial conglomerate.
- A related company or a company belonging to the same financial conglomerate is defined as a set of directly or indirectly related legal persons, with either:-

- (i) A shareholding of 10% or more in capital in the company; or
 - (ii) Active operational control of the company. This will be characterized by the company's management or joint management, or by its activity in the market under the same brand or trading name.
- This provision will **not** apply to the following classes of business:-
 - Surety
 - Export Credit
 - Growing Crops/Rural (such as agricultural risks covering growing crops, hail, disease, drought and flood losses)
 - Domestic Credit
 - Nuclear
 - The provisions of this Resolution will take effect on the 31st March 2011.

Contracts that have incepted prior to this date will be subject to these provisions upon their renewal or as from 31st March 2012, whichever comes first.

We understand that these restrictions will apply to companies/groups that have (re)insurance operations in Brazil, as well as a Lloyd's syndicate. Therefore, companies/groups which have (re)insurance operations in Brazil will be limited, as per the abovementioned restrictions, in ceding reinsurance to their related party syndicates, though they will be permitted to cede reinsurance to other Lloyd's syndicates. Please note that there will be no restriction on outwards retrocession from Lloyd's syndicates in London.

Further information

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