
Title	Brazil – Resolution No. 322 of 2015 – Gradual reduction of restriction on Intra-Group Transfer and Mandatory Reinsurance Cessions
Purpose	To update the Lloyd's Market on important amendments to reinsurance regulations in Brazil
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Related links	Market Bulletin Y4554 Market Bulletin Y4477 Market Bulletin Y4458

The Brazilian Council of Private Insurance (Conselho Nacional de Seguros Privados, CNSP) published Resolutions No. 322 (20 July 2015) and No. 325 (30 July 2015) amending the current Brazilian reinsurance regulations. The resolutions, effective immediately, will reduce existing regulatory restrictions gradually over the next five years, starting from 1 January 2017.

Restriction on Intra-Group Transfer of (Re)insurance and Retrocession Liabilities

Resolution No. 322 revokes the previous Resolution No. 232 which was communicated to the Lloyd's market in Market Bulletin Y4477. Resolution No. 232 restricted an insurance company or Local Reinsurer to transferring no more than 20% of premiums corresponding to each coverage it contracted to related companies, or to companies belonging to the same financial conglomerate.

For Admitted and Occasional Reinsurers – including Lloyd's underwriters – the new Resolution No. 322 gradually relaxes the limits on premium which may be contracted to related companies, or to companies belonging to the same financial conglomerate headquartered abroad. The new limits will be as follows:

- 20% until 31 December 2016.
- 30% from 1 January 2017 until 31 December 2017.
- 45% from 1 January 2018 until 31 December 2018.
- 60% from 1 January 2019 until 31 December 2019.
- 75% from 1 January 2020.

Resolution No. 325 amends Resolution No. 322 by reinstating the intragroup definition and the exemption of the following classes of business which – as before – are not subject to the restriction:

- Surety
- Export Credit
- Growing Crops/Rural (such as agricultural risk covering growing crops, hail, disease, drought and flood losses)
- Domestic Credit
- Nuclear

Mandatory Reinsurance Cessions

Resolution No. 322 additionally revises the provisions of Resolution No. 225 (see Market Bulletins Y4554 and Y4458), whereby insurance companies in Brazil were required to cede at least 40% of each reinsurance cession to Local Reinsurers. The preferential offer of 40% of each reinsurance cession to Local Reinsurers remains unchanged, however the minimum mandatory cession to Local Reinsurers will be gradually reduced as follows:

- o 40% until 31 December 2016.
- o 30% from 1 January 2017 until 31 December 2017.
- o 25% from 1 January 2018 until 31 December 2018.
- o 20% from 1 January 2019 until 31 December 2019.
- o 15% from 1 January 2020.

As explained in the above mentioned Market Bulletins, the following continue to apply and should be noted:

- The rule applies to both treaty and facultative reinsurance contracts.
- In the event that all Local Reinsurers decline to underwrite a reinsurance risk or in the aggregate accept only a portion of a risk, and thus the required percentage of mandatory cession cannot be placed with Local Reinsurers, then Admitted Reinsurers such as Lloyd's may underwrite the remainder up to 100% of that cession. This is established in Resolution No. 241.
- For details regarding the requirements of Local Cedants and Reinsurers please refer to Market Bulletin 4554.

Further information

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