

MARKET BULLETIN

REF: Y5064

Title	Gradual Opening of Argentine Reinsurance Framework
Purpose	To advise the Lloyd's Market of changes to the Argentine reinsurance framework, which provide for a gradual increase in the amount of business permitted to be ceded from local insurers to Admitted Reinsurers
Type	Event
From	Yael Chen, Senior Manager, International Regulatory Affairs
Date	9 February 2017
Related links	SSN Resolution 40,163/2016 SSN Resolution 38,708/2014
Attachments	Appendix 1: Summary of Changes to Argentine Reinsurance Regulatory Framework

Gradual Opening of Argentine Reinsurance Framework

Lloyd's is registered as an 'Admitted Reinsurer' with the Argentine Insurance Superintendency (Superintendencia de Seguros de la Nación ("SSN")).

On 11 November 2016, the SSN issued [SSN Resolution 40,163/2016](#) (the "Resolution") that changes the Argentine reinsurance regulatory framework to allow a gradual opening of the local reinsurance market to Admitted Reinsurers.

The Resolution replaces [SSN Resolution 38,708/2014](#) and introduces the following reforms:

- A gradual reduction of barriers prohibiting local insurers from placing risks directly with Admitted Reinsurers.
- Allows Admitted Reinsurers to underwrite individual risks in excess of USD 50m in their entirety.
- Eliminates the retention requirements for local reinsurers engaging in retrocession agreements with Admitted Reinsurers.

Please refer to Appendix 1 for a table containing a summary of the changes.

Insurers reinsuring directly with Admitted Reinsurers: Local Market Reserve

The Resolution establishes a phased reduction of the local market reserve via an annual stepped increase in the percentage of ceded premiums insurers are permitted to place directly with Admitted Reinsurers.

From 1 January 2017 insurers may place 10% of their ceded premiums directly with Admitted Reinsurers. Every year thereafter, the percentage of ceded premiums permitted to be placed directly with Admitted Reinsurers will incrementally increase by 10% up to a ceiling of 80%, leaving a 20% local market reserve in 2024.

The terms will therefore apply as follows:

- From 1 January 2017, local insurers are able to place up to 10% of their ceded premiums (gross of any commission) directly with Admitted Reinsurers.
- From 1 July 2018, the limit will be 20%.
- From 1 July 2019, the limit will be 30%.
- From 1 July 2020, the limit will be 40%.
- From 1 July 2021, the limit will be 50%.
- From 1 July 2022, the limit will be 60%.
- From 1 July 2023, the limit will be 70%.
- From 1 July 2024, the limit will be 80%.

The remaining share of the market will be reinsured by local reinsurers which may retrocede the risks to Admitted Reinsurers.

Individual risks over USD 50m

The Resolution lifts the excess requirement on individual risks over USD 50m, enabling all individual risks over this threshold to be placed with Admitted Reinsurers immediately and in their entirety. Placements made under this rule will not be factored into the calculation of ceded premiums permitted to be placed directly with Admitted Reinsurers. Previously, insurers were mandated to place the first USD 50m of every individual policy with local reinsurers and were free to place the remainder with Admitted Reinsurers.

Minimum retention requirements for retrocessions

The Resolution has also eliminated minimum retention requirements for local reinsurers engaging in retrocession agreements with Admitted Reinsurers.

Note, however, that local reinsurers may only cede 40% of aggregate premiums in a fiscal year to an Admitted Reinsurer within the same corporate group.

Exceptional Risks

The ability to reinsure exceptional risks (i.e., risks for which there is no local market) with Admitted Reinsurers remains unchanged. To receive the necessary approval from the SSN to place reinsurance of 'exceptional' risks with Admitted Reinsurers, ceding insurers must provide the regulator with a complete and detailed report on the magnitude and characteristics of the risk for which they are seeking approval.

Further Information

Please direct any queries to:

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APPENDIX 1: SUMMARY OF CHANGES TO ARGENTINE REINSURANCE REGULATORY FRAMEWORK

	Before the Resolution	After the Resolution
Insurers reinsured directly with Admitted Reinsurer	'Exceptional' risks that cannot be underwritten in the local market.	Unchanged.
	Individual risks above USD 50m, and only for the excess.	Individual risks above USD 50m in their entirety.
	Prohibition to reinsure in circumstances other than those mentioned above.	In January 2017 the market will be opened up to 10% of an insurer's ceded premiums a year and will continue up to a ceiling of 80%, leaving a 20% local market reserve in 2024. Individual risks over USD 50m will not be included for the purposes of calculating these percentages.
Local reinsurers' retention	Until the closing of fiscal year 2015/2016, local reinsurers shall retain at least 15% of the premiums written.	Eliminated. There is no minimum retention of premium for local reinsurers.
	As of the closing of the 2016/2017 fiscal year, local reinsurers shall retain at least 65% of the premiums written for "Personal" lines (including life, personal accident, funeral, retirement, and health) and 15% of the premiums written for "Property" lines (remaining coverage).	
	From the closing of the 2017/2018 fiscal year onwards, local reinsurers shall retain at least 75% of the premiums written for the "Personal" lines (including life, personal accident, funeral, retirement, and health) and 25% of the premiums written for the "Property" lines (remaining coverage).	
Intra-group retrocession agreements	Intra-group retrocession agreements cannot exceed 40% of the aggregate premiums in a given fiscal year.	Unchanged.
Prohibition to retrocede	Group life and group burial insurance must be reinsured by local reinsurers. No retrocession is allowed.	Unchanged.