

MARKET BULLETIN

REF: Y4554

Title	Brazil – Resolution No. 241 of 2011 – risk transfer in reinsurance operations
Purpose	To provide guidance to the Lloyd's market on reinsurance cessions under new insurance and reinsurance provisions
Type	Event
From	Cameron Murray, Senior Manager, International Regulatory Affairs
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Deadline	
Related links	Market Bulletin Y4458

In Market Bulletin Y4458, the Lloyd's market was advised of Resolution No. 225, issued by the Brazilian insurance regulator, the Superintendência de Seguros Privados ("SUSEP"), which amended local reinsurance regulations. The Resolution, which took effect on 31st March 2011, requires insurance companies in Brazil to cede at least 40% of each reinsurance cession to local reinsurers.

Recently released by SUSEP, Resolution No. 241 provides instructions on how to proceed in the event that all Local Reinsurers decline to underwrite a reinsurance risk, or accept only a portion of a risk, and thus the 40% mandatory cession cannot be placed with Local Reinsurers.

Resolution No. 241

In December 2011, the Brazilian government issued CNSP Resolution 241/11, which established that 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 40% 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.

Requirements of Local Cedants and Reinsurers

In order to place such risks with Admitted reinsurers, local cedants are required to be in a position to demonstrate to the regulator that there is insufficient capacity among Local

reinsurers, who underwrite the relevant class of business, to accept the risk in question regardless of prices and terms. This proof must be obtained through a formal consultation process, under which Local reinsurers must, on an equitable basis, be provided with terms, conditions and any other information necessary to analyse a risk.

Please note that no action is required from Lloyd's Managing Agents in this regard. The responsibility to obtain and maintain the relevant information rests entirely with the cedant. This is specifically stated in Article 9 of Resolution No. 241:

Ceding parties shall make available to SUSEP documentation for each risk transfer pursuant to art. 2 of this Resolution and each reinsurance cession mentioned in art. 6 of this Resolution for a period of five (5) years as of the expiration date of respective contract, without prejudice to other terms set forth in the legislation.

In order to formally accept the entire or a proportion of a reinsurance risk, Local reinsurers must respond to such consultations within 5 working days in the case of facultative contracts, and 10 working days in the case of treaty contracts. In the absence of a response by a Local reinsurer to such a consultation within the timeframes listed above, they will be deemed to have declined the risk.

Finally, within the abovementioned timeframes, Local reinsurers may where justifiable request for additional documents/and or information relating to the risk. In the case of facultative contracts, Local reinsurers may only make one request for additional information (there is not a limit for treaty contracts). Please note that upon submission of such requests, the response timeframes outlined above are suspended until the consulting cedant delivers the requested documents or information.

Further information

If you have any queries relating to this bulletin please contact:-

Lloyd's International Trading Advice
Lloyd's Desk, Ground Floor, Underwriting Room
Telephone: +44 (0)20 7327 6677
Email: LITA@Lloyds.com
www.lloyds.com/crystal