

Title	Argentina Enhances Reinsurance Liberalisation Reforms
Purpose	To advise the Lloyd's Market of changes to the Argentine reinsurance regime, which expedite liberalisation reforms first introduced at the end of 2016.
Type	Event
From	Yael Chen, Senior Manager, International Regulatory Affairs
Date	07 June 2017
Deadline	
Related links	SSN Resolution 40422/2017 Market Bulletin Y5064

Background

This Market Bulletin explains the reforms and replaces [Market Bulletin Y5064: Gradual Opening of Argentine Reinsurance Framework](#).

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

On 5 May 2017, the SSN published [Resolution 40,422/2017](#) (the "Resolution"), which amends SSN Resolution 40,163/2016.

The Resolution, which comes into effect on 1 July 2017, builds on pre-existing plans for a gradual opening of the Argentine insurance market, extending the scope of the reforms and enhancing the pace of liberalisation.

Specifically, the Resolution:

1. Increases the portion of risks that local insurers will be able to cede to Admitted Reinsurers in the medium term;
2. Extends the scope of risks which local insurers can cede in their entirety to Admitted Reinsurers;
3. Increases the amount of business permitted to be placed via intra-group retrocessions; and
4. Permits the retrocession of group life and group burial insurance.

The reforms reflect international appetite for improved access to emerging markets in Latin America, paving the way to a faster and more pronounced opening of Argentina's reinsurance market.

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

1. The Resolution reduces barriers preventing cessions to Admitted Reinsurers

The Resolution increases the portion of risks that local insurers can place directly with Admitted Reinsurers, increasing from 10% to 50% the volume of business that local insurers can place directly with Admitted Reinsurers from 1 July 2017. This threshold will be progressively increased with a two-stage increment, raising the limit by an additional 10% on 1 July 2018 (to 60%) and by an additional 15% on 1 July 2019 (to 75%).

The terms will therefore remain as follows:

- As to reinsurance contracts incepting from 1 July 2017, insurers will be able to place up to 50% of their annual ceded premiums with Admitted Reinsurers.
- As to reinsurance contracts incepting from 1 July 2018, the limit will be 60%.
- As to reinsurance contracts incepting from 1 July 2019, the limit will be 75%.

2. New threshold for facultative and catastrophe reinsurance

The Resolution lowers the threshold for exceptions to the above limitation, from USD 50m to USD 35m, widening the scope of risks that can be placed with Admitted Reinsurers in their entirety. From 1 July 2017, individual risks of facultative reinsurance and catastrophe reinsurance over USD 35m may be placed directly and entirely with Admitted Reinsurers. Placements made under this rule will not be factored into the calculation of ceded premiums permitted to be placed directly with Admitted Reinsurers.

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

3. The Resolution widens the scope for intra-group retrocessions

Local Reinsurers may now cede up to 75% of their aggregate premiums in any given fiscal year to Admitted Reinsurers within the same corporate group. Prior to the Resolution, the limit was 40% of premiums in a fiscal year.

Retrocession agreements between Local and Admitted Reinsurers which are not part of the same group are not subject to any retention restrictions.¹

4. Group life and burial insurance

The Resolution lifts the requirement to reinsure group life and group burial insurance with local reinsurers, allowing these risks to be placed in the international market. The percentages of cessions and thresholds described above also apply to these risks.

Further Information

Please direct any queries to:
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¹ Resolution 40,163/2016 had previously eliminated the reserve requirements imposed on Local Reinsurers engaging in retrocession agreements with Admitted Reinsurers which are not part of the same corporate group, with effect from 1 January 2017.

Appendix 1: Summary of Changes to Argentine Reinsurance Regulatory Framework

	Before Resolution 40,163/2016	After Resolution 40,163/2016	After Resolution 40,422/2017
Local insurers reinsured directly with Admitted Reinsurer	'Exceptional' risks that cannot be underwritten in the local market, subject to approval by the SSN.	Remained unchanged.	Remains unchanged.
	Individual risks above USD 50m and only for the excess.	Individual risks above USD 50m in their entirety.	Individual risks of facultative and catastrophe reinsurance over USD 35m in their entirety.
	Prohibition to reinsure in other circumstances than those mentioned above.	Beginning in January 2017 local insurers will be able to cede up to 10% of their annual premiums to Admitted Reinsurers. The percentage will be increased by an additional 10% each year until 2024, when local insurers will be able to place 80% of their annual premiums with Admitted Reinsurers.	For reinsurance contracts beginning in July 2017, local insurers will be able to cede up to 50% of their annual premiums to Admitted Reinsurers. The percentage will be increased to 60% on 1 July 2018 and 75% on 1 July 2019.
Retrocession agreements	Intra-group limitations on retrocession agreements between Admitted Reinsurers and related local insurers: Local Reinsurers may only cede 40% of aggregate premiums in a fiscal year to an Admitted Reinsurer within the same corporate group.	Remained unchanged.	Intra-group limitations lowered: Local Reinsurers may cede up to 75% of aggregate premiums in a fiscal year to an Admitted Reinsurer within the same corporate group.
	Group life and group burial insurance must be reinsured by Local Reinsurers. No retrocession is allowed.	Remained unchanged.	Restrictions eliminated.

	Before Resolution 40,163/2016	After Resolution 40,163/2016	After Resolution 40,422/2017
Local Reinsurer's Retention	Until the closing of fiscal year 2015/2016, Local Reinsurers shall retain at least 15% of the premiums written.	Restrictions eliminated. There is no minimum retention of premium for Local Reinsurers.	Remains unchanged.
	As of the closing of the 2016/2017 fiscal year, Local Reinsurers shall retain at least 65% of the premiums written for the "Personal" lines (including Life, Personal Accidents, Funeral, Retirement, and Health) and 15% of the premiums written for the "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 Accidents, Funeral, Retirement, and Health) and 25% of the premiums written for the "Property" lines (remaining coverage).		
	The SSN shall challenge any retention for individual risks applied by Local Reinsurers in excess of 15% of the sum of the Computable Capital as well as any retention for accumulated risks applied in excess of 25% of the sum of the Computable Capital, has remained unchanged.	Eliminated.	Remains unchanged.