
Title	Brazil introduces reinsurance liberalisation reforms
Purpose	To provide guidance to the market on liberalisation reforms affecting international access to the Brazilian (re)insurance market.
Type	Event
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Related links	Market Bulletin Y4458 Market Bulletin Y4477 Market Bulletin Y4554 Market Bulletin Y4917 Market Bulletin Y5071

Background

In late December 2017, Brazilian regulators issued two new rules (CNSP Resolution 353/2017 and SUSEP Circular 562/2017) which remove certain barriers limiting international reinsurers' access to the Brazilian (re)insurance market. The new rules introduce the following changes to the Brazilian regulatory framework:

- Four classes of business are now disregarded in the calculation of the minimum insurance retention requirements: property (named risks and operational risks), aviation (hull), facultative aviation liability, and energy risks.
- Mandatory placements with local reinsurers has been discontinued.
- Restrictions on intra-group cessions have been eliminated.

This market bulletin outlines the changes introduced by these two rules and supersedes information on minimum retention requirements, mandatory reinsurance cessions requirements, and restrictions on intra-group cessions contained in Market Bulletins [Y4458](#), [Y4477](#), [Y4554](#), [Y4917](#) and [Y5071](#).

Minimum insurance retentions by local cedants

SUSEP Circular 562/2017, effective from 1 January 2018, amends the calculation of maximum reinsurance cessions (i.e. minimum retentions) for local insurers. The requirements, outlined in article 16 of CNSP Resolution 168/2007, provide that local (re)insurers are not allowed to cede more than 50% of the premiums received each calendar year.

For the purposes of calculating this threshold, SUSEP Circular 562/2017 excludes four additional classes of business for insurance only:

- I. Property risks (named risks and operational risks).
- II. Aviation hull.
- III. Facultative aviation liability.
- IV. Energy risks.

These exclusions are added to other classes of business currently exempt for insurance and reinsurance from maximum reinsurance cessions' calculations – i.e. surety bonds, export credit insurance, rural insurance (i.e. agricultural risks) and domestic credit insurance.

Mandatory placements with Local Reinsurers

CNSP Resolution 353/2017, effective from 22 December 2017, eliminates the mandatory placement requirement which mandated cedants to place a minimum percentage of reinsurance with Local Reinsurers.

Under Resolution 322/2015, Brazilian insurers were mandated to place a minimum percentage of each risk with Local Reinsurers (25% during 2018, progressively decreasing to 15% by 2020). Brazilian (re)insurers are now free to cede risks directly and in their entirety to Admitted and Occasional Reinsurers.

Preferential Offers

Underwriters should note that Resolution 353/2017 does not amend the preferential offer requirement established in Complementary Law no. 126, dated 15 January 2007, which gives Local Reinsurers a right of first refusal on at least 40% of all reinsurance cessions.

CNSP Resolution 353/2017 did, however, reiterate the principle that preferential offers to Local Reinsurers should provide identical conditions to those offered to the international market. The Resolution also stated that employing unfair practices to fulfill the preferential offer requirement may be punished and, in such circumstances, the reinsurance contract may be considered void.

For more information on preferential offer requirements, see [Market Bulletin Y5071](#).

Restrictions on Intra-group Cessions

Resolution 353/2017 completely eliminates restrictions on intra-group cessions. Under Resolution 322/2015, Admitted and Occasional Reinsurers – including Lloyd’s underwriters – were prevented from ceding more than a certain percentage of premiums corresponding to each coverage it contracted to related companies, or companies belonging to the same financial conglomerate. Previously, the upper limit on the percentage of premiums permitted to be ceded to related companies was intended to increase incrementally over the next two years to a cap of 75% in 2020.

Resolution 353/2017 removes intra-group cession restrictions entirely for all lines of business from 22 December 2017. Under Resolution 353/2017, all Brazilian insurers or local reinsurers are now free to place all their premiums with companies which are affiliated or belonging to the same financial conglomerate based abroad, provided the parties ensure an “effective transfer of risks between parties” and that the cession “takes place under balanced conditions of competition”.

Further Information

For additional information, please see [Crystal](#).

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

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