

INSURANCE DEVELOPMENT



*IN
LATIN AMERICA*



Fundación MAPFRE Estudios

22ND GENERAL ASSEMBLY OF THE GENEVA ASSOCIATION

Lisbon, May 1995

Session 3: NEW MARKET DIMENSIONS FOR INSURANCE

INSURANCE DEVELOPMENT IN LATIN AMERICA

- 1. Economic and political situation**
 - * Macroeconomic Figures and Trends
 - * International Trade Agreements
 - * Monetary Instability

- 2. Insurance Market Dimension**
 - * Premium Income and Growth
 - * Profits/Losses
 - * Leading Groups and Foreign Presence

- 3. Legal Frame**
 - * Insurance Requirements (Solvency, Tariffs, others)
 - * Distribution Practices (brokers, banks)
 - * Foreign Investment
 - * Reinsurance restrictions

- 4. Key Issues for Foreign Insurers**
 - * Joint vs Single Venture
 - * Minor/Major Share
 - * Human Resources (Local vs. international)
 - * Management Information Systems
 - * Support and Technological transfer vs Pure Investment
 - * Computer Systems and Processes
 - * Auditing and Loss Reserves
 - * Catastrophic Risks and Reinsurance
 - * Mass Risks vs. Commercial Risks.
 - * New Areas (Life, Assistance, others)
 - * Where, when and how to invest?

1. MACROECONOMIC FIGURES IN 1993

	Population (Millions)	% Real Growth G.D.P.	G.D.P. per Capita US\$	External Debt /G.D.P. %
ARGENTINA	33.8	6.0	8,278	26.6
BRAZIL	159.2	4.1	2,850	30.7
CHILE	13.8	5.6	3,049	49.5
COLOMBIA	34.0	4.9	1,489	36.0
MEXICO	89.5	0.6	3,450	41.0
VENEZUELA	20.7	(0.2)	2,950	63.3

Source: THE WORLD BANK 1994 "Trends in Developing Economies"; CEPAL

2. INTERNATIONAL TRADE AGREEMENTS

NAFTA :	USA, Canada and Mexico
Pacto Andino:	Bolivia, Colombia, Ecuador, Peru and Venezuela
G - 3:	Colombia, Mexico and Venezuela
Mercosur:	Argentina, Brazil, Paraguay and Uruguay
Centroamerican Common Market:	El Salvador, Honduras, Guatemala Costa Rica and Nicaragua

3. MONETARY INSTABILITY (1993)

	% Inflation	% Interest Rate	% Devaluation
ARGENTINA	7.7	11.0	0.0
BRAZIL	2,489.1	3,318.0	4,300.0
CHILE	12.2	18.2	10.8
COLOMBIA	22.6	25.8	11.5
MEXICO	8.0	15.5	0.3
VENEZUELA	45.9	53.8	24.8

Source: CEPAL

4. INSURANCE MARKET DIMENSIONS (1994)

	PREMIUMS	% GROWTH 94/93	PROFIT/ LOSSES
ARGENTINA	4,828	14.6	(345)
BRASIL	11,092	63.0	662
CHILE	1,795	28.8	214
COLOMBIA	1,826	43.8	123
MEXICO	4,135	15.4	318
VENEZUELA (1993)	1,326	50.9	34

US\$ Millions

5. LEADING GROUPS AND FOREIGN PRESENCE

ARGENTINA	PREMIUM 1994	% Market Share	FOREIGN GROUP
1 Caja de Ahorros y Seguros	549.0	11.4	US
2 Omega	259.8	5.4	-----
3 Buenos Aires	232.2	4.8	-----
4 Sud América	218.2	4.5	Sul America
5 San Cristobal	152.6	3.2	-----
6 Bernardino Rivadavia	127.0	2.6	-----
7 Federación Patronal	110.6	2.3	-----
8 Segunda	108.6	2.3	-----
9 Sancor	107.2	2.2	-----
10 Belgrano	102.4	2.1	-----

Others: Aconcagua (MAPFRE), Iguazú (Zurich), Meridional (A.I.G.),
República (Cruz del Sur) Generali (Generali), Allianz (Allianz)

US\$ Millions

6. LEADING GROUPS AND FOREIGN PRESENCE

BRAZIL	PREMIUM 1994	% Market Share	FOREIGN GROUP
1 Sul America	2,380.6	21.5	-----
2 Bradesco	1,846.1	16.6	-----
3 Bamerindus	756.1	6.8	-----
4 Itaú	753.5	6.8	-----
5 Porto Seguro	496.0	4.5	-----
6 Nacional	361.8	3.3	-----
7 Real	291.1	2.6	-----
8 Paulista	268.8	2.4	-----
9 Golden Cross	246.3	2.2	-----
10 AGF Brasil	207.0	1.9	AGF

Others: Veracruz (MAPFRE), América do Sul (Yasuda)

US\$ Millions

Generali do Brasil (Generali), UAP (UAP)

7. LEADING GROUPS AND FOREIGN PRESENCE

CHILE	PREMIUM 1994	% Market Share	FOREIGN GROUP
1 Aetna	165.8	9.2	Aetna
2 Chilena Consolidada	141.1	7.9	Zurich
3 Cruz del Sur	131.8	7.3	-----
4 Consorcio Nacional	121.7	6.8	Bankers Trust
5 Interamericana	115.4	6.4	A.I.G.
6 Santander	109.8	6.1	B. Santander
7 Euroamérica	94.0	5.2	MAPFRE
8 Allianz	73.1	4.1	Allianz
9 Consorcio General	72.3	4.0	AGF
10 República	66.3	3.7	Royal/C. Union

Others: Cigna (Cigna), UAP (UAP), ISE Generales (Mutuelle du Mans)

US\$ Millions

8. LEADING GROUPS AND FOREIGN PRESENCE

COLOMBIA	PREMIUM 1994	% Market Share	FOREIGN GROUP
1 Suramericana	308.0	16.9	-----
2 Colseguros	278.5	15.3	-----
3 Bolivar	167.8	9.2	-----
4 Nacional	137.0	7.5	-----
5 Previsora	118.8	6.5	-----
6 Grancolombiana	83.7	4.6	-----
7 Agrícola	68.8	3.8	-----
8 Colpatria	65.3	3.6	-----
9 Skandia	65.1	3.6	Skandia
10 Colmena	55.0	3.0	-----

Others: Caribe (MAPFRE), Cigna (Cigna), Fenix (Sun Alliance),

US\$ Millions

Andina and Granandina (General)

9. LEADING GROUPS AND FOREIGN PRESENCE

MEXICO	PREMIUM 1994	% Market Share	FOREIGN GROUP
1 Nacional Provincial	887.6	21.5	-----
2 Comercial América	770.0	18.6	-----
3 Asemex	545.3	13.2	-----
4 Monterrey Aetna	475.1	11.5	Aetna
5 Inbursa	305.7	7.4	-----
6 Tepeyac	141.4	3.4	MAPFRE
7 Interamericana	78.9	1.9	AIG
8 Serfin	73.8	1.8	-----
9 Atlas	64.9	1.6	Winterthur
10 Genesis	63.6	1.5	Santand/Metrop.

Others: Anglomexicana (Generali), Chapultepec (Zurich), Cigna (Cigna)

US\$ Millions

Cauhtémoc (Allianz)

10. LEADING GROUPS AND FOREIGN PRESENCE

VENEZUELA	PREMIUM 1993	% Market Share	FOREIGN GROUP
1 La Seguridad	283.5	21.4	-----
2 Caracas	141.7	10.7	Liberty Mutual
3 Latinoamericana	84.1	6.3	-----
4 Nuevo Mundo	77.5	5.8	Generali
5 Orinoco	75.9	5.7	-----
6 Progreso	61.1	4.6	-----
7 Consolidado	54.8	4.1	-----
8 Adriática	48.5	3.7	Allianz
9 Venezuela	45.4	3.4	A.I.G.
10 Catatumbo	34.2	2.6	-----

Otras: Royal Caribe (Royal), Sud América (Zurich)

US\$ Millions

11. LEGAL FRAME

	Arg	Bra	Chi	Col	Mex	Ven
* Previous policies and tariffs approval	No	Yes	No	No	No	Yes
* Insurance brokers free competition	Yes	Yes	Yes	Yes	Yes (3)	No (4)
* International insurance free trade	No	No	Yes (1)	No (2)	No	No
* International reinsurance free trade	Yes	No	Yes	Yes	Yes	Yes
* State insurance monopoly	No	No	No	No	No	No
* Solvency margin	Yes	Yes	No	Yes	Yes	No
* Minimum Capital requirements (US\$ millions)	0.5	N.A.	1.0	2.5	2.9	0.2
* Direct foreign investment (%)	100	49	100	100	49	20
* Year of the Insurance Law	1977	1968	1980	1990	1989	1975

(1) Countervailing taxes are applied; (2) International transport excluded;

(3) Superintendencia approves maximum commissions; (4) Superintendencia approval needed;

12. KEY ISSUES FOR FOREIGN INSURERS

- * Joint vs Single Venture**
- * Minor/Major Share**
- * Human Resources (Local vs. International)**
- * Management Information Systems**
- * Support and Technological Transfer vs Pure Investment**
- * Computer Systems and Processes**
- * Auditing and Loss Reserves**
- * Catastrophic Risks and Reinsurance**
- * Mass Risks vs. Commercial Risks**
- * New Areas (Life, Assistance, others)**
- * Where, when and how to invest?**