

# Combining Forces

A vision shared is half way to a successful business partnership. Claudio Sonder, Chairman of the Board of MDS Holding, talks to FULLCOVER about the partnership between two major groups in the Portuguese and Brazilian landscape.

**How do you see the MDS Group business evolving in the coming years?**

The insurance brokerage market has grown consistently in the countries we focus on – Brazil, Portugal and Portuguese-speaking African countries. This is especially around the quality of service and in the broad portfolio developed by the group. MDS, which is held 50/50 by the Sonae Group and IPLF which in turn is owned by Suzano Holding stockholders, has demonstrated a surprising capacity for innovation capacity in this new business environment. This is transforming insurance broking in profound ways.

**What kind of innovation do you believe sets the MDS Group apart?**

Innovation is essential for any company wanting to succeed. At MDS, we pay particular attention to the digital world. Realised through a policy focused on acquisitions, the group has brought in important assets and operational skills that serve the market

in innovative, effective and efficient ways. All our efforts in this respect will take MDS to the next level, offering insurance solutions to customers through modern technology platforms. We want to go beyond brokering, by understanding customers' needs as well as researching and finding new solutions to address future corporate demands. Technology helps us to lead the market, and is a priority on the company's agenda. That priority has already materialised into initiatives like MDS Lab, the innovation lab that creates unique solutions for our partners and customers.

**What's behind the success of MDS?**

The quality of our people and the breadth of our service, that's what makes the company. We believe you can't innovate or surprise the market with digital solutions capable of transforming the insurance brokerage sector in a meaningful way, without the best people. We work to attract and retain the finest talent in Brazil and from across the world.

**There's international research demonstrating that mature markets, like Europe, purchase more policies than emerging countries like Brazil. Do you believe there's future growth potential in the brokerage sector?**

Because we operate in Europe, we understand the specifics of a mature market and the differences in other regions. Brazil does not yet rank in the top 10 largest broking markets, but research indicates

that premiums per capita have been growing these past years, although the insurance penetration rate in the GDP is still in the low numbers. Just like in Europe, and other markets where we're growing, there is opportunity for more growth. In Brazil and Africa, we have seen organic expansion but also growth through acquisitions, which has been our model over the last decade.



**Claudio Sonder**

Claudio Sonder is Chairman of the Board of MDS Holding, Suzano Holding and IPFL Holding. With degrees in economics and chemical engineering and a professional masters degree from the Harvard Business School. He has many years of international experience, having participated in management teams at a number of companies and boards in Brazil and beyond.

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**What is the current structure at MDS?**

Since it was established in 1984, MDS has grown to become a significant multinational insurance broker. We lead the Portuguese market and sit amongst the largest Brazilian companies in the sector thanks to our expansion strategy. As a leading brokerage group, we operate in Brazil leveraging our international expertise. We have over 400 employees in Brazil (and 230 in Portugal), a premium and insurance volume of about R\$ 1.5 bn and 700,000 private customers and 900,000 corporate clients, serviced through nine offices in seven Brazilian states (São Paulo, Minas Gerais, Rio de Janeiro, Paraná, Santa Catarina, Pernambuco e Bahia). In 2009, we pooled our assets with IPLF. In 2017, we became the first Portuguese-speaking Lloyd's broker, operating directly in London with access to the largest specialist insurance market in the world. Lloyd's employs a unique set of highly specialised risk underwriters, enjoys a solid financial rating and is authorised to operate in more than 200 countries.

**How does Brokerslink work, and how does the company serve the needs of multinational corporations through its brokerage capabilities?**

To service the global demands of multinational companies, MDS created Brokerslink, a global broking business that now owns and manages a network of independent insurance brokers in 110 countries and supported by specialist and wholesale brokers and risk consulting firms – a total of 18,000 professionals. Our work relies on the participation of these outstanding professionals to develop important global partnerships and create privileged access to highly-specialised services. This enables us to provide integrated international insurance, reinsurance and risk management programmes that meet the protection needs of multinational organisations anywhere on the planet.

### **What made IPLF enter into a joint venture with Sonae?**

We have many synergies and share the same entrepreneurial vision of excellence, innovation and focus on the customer. We decided to combine forces so we could more efficiently and competitively perform in the insurance brokerage and risk management markets, and provide the best high quality services.

### **What's behind the success of a company like IPLF?**

Our management model seeks to balance growth and profitability with competitiveness and sustainability, that ensures the consistent management and quality implementation and execution of our strategies. When we conduct business, we analyse aspects related to corporate risk, sustainability and strategic planning. We believe in Brazil, and we are committed to develop the companies we invest in.

### **Following the news of Suzano's acquisition of Fibria, how was the acquisition process and what impact will this have?**

In March 2018, Suzano announced its intention to combine its assets with Fibria's. It successfully navigated the approval stages with all national and international oversight bodies and the deal concluded in January 2019, with a payment of R\$ 27.8bn to Fibria stockholders, who then became shareholders in Suzano. This new company, Suzano S.A., is a leading global cellulose producer with an annual output of 11 million tons of market cellulose and 1.4 million tons of paper. Suzano's competitive edge can also be measured through its global presence, with sales in more than 80 countries and exports of R\$26bn per year. The company employs around 37,000 people directly and indirectly. It owns 11 factories in key locations in Brazil.

### **How did Suzano come about 95 years ago?**

Suzano's history started in the 1920s, when Leon Feffer, a Ukrainian immigrant, first set foot in Brazil. He started selling paper and envelopes in the city of São Paulo. Early on, he identified business opportunities that led to him building a paper factory during World War II. Suzano Holding and IPLF Holding are the backbone of our corporate structure. They hold stakes in a number of companies, including Suzano S.A. and MDS.

### **Brazil has matured through the use of new controls and good corporate practice.**

#### **How do you rate the benefits of good corporate governance to companies?**

Principles like transparency, sustainability, risk management, fairness, accountability and corporate responsibility are important for companies to succeed in any sector. So corporate governance is a fundamental factor in a company's growth. It makes it possible to adopt sound principles in the management of partner relationships, boards, directing bodies, oversight bodies and stakeholders. Good corporate governance preserves and optimises a company's long-term economic value.

#### **Can you elaborate on how corporate governance has evolved at Suzano?**

With each generation passing the torch to the next one, Suzano is now led by David Feffer, the third generation of Feffers to do so. Companies are now completely professionalised and follow governance principles as determined by the best practices of the capital markets. The company's preparatory work leading to its induction into the New Market (Novo Mercado) is a good example of that evolution. The New Market is a listing under B3 (Brazil's stock market) of companies that voluntarily undertake to adopt corporate governance methods. These rules broaden stockholders' rights and improve the quality of information reported by companies. The commitment to adopting the highest principles of governance has prepared Suzano for new growth cycles. Thanks to this, the company has fulfilled its dreams of business expansion.

#### **What legacy will these companies leave?**

The companies where I serve on the board actively engage all stakeholders and cultivate lasting relationships. They are attuned to modernity and have innovation in their DNA.

#### **What can we expect from Brazil in the future?**

Brazil is restructuring and undertaking reforms that should lead to sustainable growth. After years of recession, there's a good chance Brazil will once more attract foreign capital. After indispensable reforms, Brazil will see new growth opportunities and become a leading attractor of business and investment to emerging countries. •