

**Country
Fact Sheets**

'Zurich' Facilities	<p>Compañía de Seguros "RIMAC" Carabaya No. 499 Apartado 245 <u>Lima</u></p> <p>Tel.: 14-28 38 90 Tlx.: 25161 camir pe Telefax: 14-27 00 68</p> <p>Licensed to write: all major lines of insurance.</p> <p>Contacts via Regional Office Buenos Aires, Argentina.</p>
Compulsory Insurances	<p><u>Workers' Compensation Insurance</u> (Peruvian Social Security Institute)</p> <p><u>Employee's Life Insurance</u> (Law 4916) as from the fourth anniversary of the employees uninterrupted service. Benefits amount to one third of the four years salary.</p>
Major Insurance Laws	<p>Supervisory (Decree No. 241.137, Law No. 8.793 of 15.12.1938): - regulates the incorporation, operation and supervision of insurance companies through the "Superintendencia de Banca y Seguros".</p> <p>Commercial Code of 21.7.1902: - regulates insurance contracts.</p> <p>Decree 22.427: - regulates the obligation to insure risks in Peru. Exceptions are possible, with the approval of the Superintendencia de Banca y Seguros, when the coverage is not available in Peru.</p>
Non-admitted Insurance	<p>Prohibited by Decree No. 22.427. The fine is twice the amount of the premium paid abroad.</p>
Premium Taxes, Stamp Duties and Fees	<p>A financial surcharge applies if the payments are made in installments (maximum six payments in a period not exceeding 270 days).</p> <p>An insurance tax of 20% is charged on all lines, except for compulsory life insurance (see above). All endorsements dealing with the modification of the sums insured or the inclusion of additional risks must be paid cash down. Premium financing is only allowed through bonds in policies and annual renewals.</p> <p>A 2.5% reinsurance tax is charged on net premiums ceded abroad.</p>



Exchange Controls

The Peruvian Inti is freely convertible and transferable. However, the exchange situation is subject to changes and it is advisable to enquire in each particular case.

Other Information

Insurance in a foreign currency (US\$) is possible.

Reinsurance through the Reaseguradora Peruana is obligatory but there are different possibilities to negotiate for retrocession abroad on a facultative basis.

Partial liberation of reinsurance for hull (marine and aviation) exists - Decree 302/26.7.1984. Other branches may follow.

Tariffs have to be approved by the Superintendencia de Banca y Seguros.

Risks not provided for in the Tariff must be rated by the Association of Insurance Companies.

With the compliments of:

ZURICH INSURANCE GROUP
International Division, Marketing & Information

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Latin American Presentation

Peru

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Latin American Presentation

Peru

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1. General Country Information

1.1. History

Early Peruvian civilisations can be traced back over more than 10,000 years, and include a number of sophisticated cultures, such as the Tiahuanacos, the Nazcas and the Mochicas, among others. These groups, as well as the Incas later, who founded the City of Cuzco in the 11th Century, flourished in the fertile valleys which lie between the highlands and the coast.

The Incas developed a highly complex social organisation, comprising many of the features found in the modern welfare state. Orphans, widows and invalids were provided for, and ownership of land was organised on a communal basis. Work was obligatory.

Astronomy and architecture were fields where the Incas also produced remarkable achievements.

Conquest in the 17th Century brought the Inca civilisation to an end. Physical and social destruction was the outcome of this process.

Peru soon became the centre of Spanish power in South America and, by the 19th Century, when struggle for independence had spread throughout the continent, other former colonies directed their efforts to the liberation of Peru.

It was in this context that General José de San Martín marched from Argentina, after having liberated Chile, and proclaimed the country's independence on July 28, 1820. Throughout the 19th Century, a war against Chile and civil uprisings combined to undermine Peru's economic and social growth.

The 20th Century saw political developments that were paralleled in a number of other Latin American countries, with military coups periodically overthrowing democratic governments. Since 1985, a democratic government, headed by Alan García as the President, has been struggling to pull the country out of its economic crises. So far they have found it difficult to stem Peru's considerable foreign debt.

1.2. Population

There are approximately 22 million Peruvians. The country's population is very plural in its composition.

1.3. Climate

Only the jungle region has a climate that is typical of a country situated so close to the equator.

The coast has a temperate climate with little rain, and the highlands tend to be cool and dry.

1.4. Geography

The Republic of Peru is situated on the west coast, in the centre of South America. The country has common borders with Ecuador and Colombia to the north, and Brazil and Bolivia to the east.

The country's territory (1,285,215 sq km) is divided into three main regions: the coast (with fertile valleys and rivers flowing down from the Andes), the highlands (with a maximum height of 6,786 m - the Huascarán mountain) and jungle (covering nearly half of the country).

As regards political administration, the country is divided into 24 "departments" and one "constitutional province".

1.5. Political Powers

Political power, and the organisation of the State, are determined in the country's constitution.

Executive power is in the hands of a president who is elected for a five year term and must wait for at least one presidential term before seeking re-election. He is assisted by a Council of Ministers.

Legislative control is handled by Congress, which is divided into a Senate (with 60 members) and a Chamber of Deputies (180 members). A majority of votes in both Houses of the Congress is required for a bill to be enacted as law.

Judicial power is administered by a series of tribunals, organised as follows:

- a) A Supreme Court, based in the capital, with jurisdiction over the whole country;
- b) Superior courts in each district;
- c) Local tribunals dealing in civil and criminal law;
- d) Justices of the Peace wherever they are required.

1.5.1. Legal System

All legislation is structured following the principles of Roman Law and the Napoleon Code. Judges do not apply precedents as in Anglo-Saxon Common Law, but they use the positivist system, interpreting and applying the law (which is mainly codified) to concrete cases.

2. Economic Situation

The per capita GNP (annual rate) has varied as follows since 1985:

1985	1.9%
1986	8.6%
1987	6.9%

The GNP for 1987 was divided among the various industrial sectors in the following manner:

Agriculture	11.6%
Mining	10.3%
Industry,	
Construction Ind.	30.7%
Electricity, Water	1.1%
Transportation	6.3%
Trade	14.0%
Other Service Industries	26.0%

Per capita GNP in 1987 (US \$) was 1,181

Source: "Banco Germanico para la Amèrica del Sud"

2.1. Structure of Economy

Peru is essentially an agricultural country, although there has been significant growth in some branches of industry in the last few years - mainly in food production and textiles.

The State plays a dominant role in the country's economy, both through its own enterprises as well as through extensive regulation of the private sector.

2.1.1. Foreign Exchange Reserves

Foreign net reserves in the country totalled US\$ 59.9 million in 1987 (preliminary figure), as compared with US\$ 866.0 million in 1986 and 1,382.6 million in 1985.

Source: "Banco Central de Reserva del Peru"

2.1.2. Trade Deficit / Surplus

	1985	1986	1987
Trade Balance	1,172	- 65	- 463
Exports FOB	2,978	2,531	2,605
Imports FOB	- 1,806	- 2,596	- 3,068

2.1.3. Inflation

The following figures represent the inflation rates from 1985 to 1987:

1985	158.3
1986	62.9
1987	114.5

Source: "Instituto Nacional de Estadística"

2.1.4. Economic Problems

Peru faces tremendous problems:

- Low world prices for minerals, particularly zinc and lead
- The foreign debt
- Excessive intervention by the State in the economy
- Growing fiscal deficit in the 1980s
- Drop of GNP during 1988
- Lack of local, as well as foreign, investment
- Alarming inflation rates
- General instability (for example, increasing activity of the Maoist guerrilla movement "Sendero Luminoso")

2.2. Government Regulations

2.2.1. Exchange Control Regulation

The Peruvian Inti is freely convertible and transferable.

2.2.2. Labour Laws

Legislation is oriented towards the fostering of job stability. In fact, the right to job security is acquired by every worker or employee three months after having been employed, i.e. at the end of the "probation period". Once this process has taken place, the only way for someone to be dismissed is by proof of gross misconduct duly established in the course of proceedings filed with the Ministry of Labour.

2.2.3. Social Insurance

Social insurance is exclusively handled by the State, including medical care, and retirement and pension schemes. In spite of recent announcements on opening up these activities to the private sector, the government has not taken the practical steps needed to implement such an initiative, and it is generally believed that the project will be discarded.

2.2.4. The Social Cost of Doing Business

In addition to the impossibility of dismissing employees, even when poor business might require it, an employer must provide severance pay in those cases when a

worker may be laid off, the amount being equivalent to the last salary collected, multiplied by the number of years of employment.

Employer contributions to state social insurance funds are an additional cost of doing business.

2.2.5. Membership in Economic Groups

Besides being a member of the large international organisations, such as the UN and the OAS, Peru also participates in ALADI ("Asociación Latinoamericana de Integración"), which has the long-term aim of achieving a common market with other South American countries; the Andean Pact (which seeks to intensify regional development) and the CAF ("Corporación Andina de Fomento" - Andean Development Corporation).

2.3. Production

2.3.1. Raw Materials

Peru is endowed with an impressive wealth of mineral resources, including copper, iron, silver, gold, lead, zinc, tin and tungsten, among others. Oil reserves are estimated at four billion barrels.

2.3.2. Main Products

The country's major products are those listed under export goods. In addition to the consumption of Peru's traditional exports in the US and Western Europe, there is a growing demand for Peruvian clay pottery and other items utilizing traditional craft techniques.

2.3.3. Manufacturing Industries

The manufacturing industries contribute 21.5% to the GNP and employ 10% of the labour force. In the early 1970s, high growth rates could be observed, but due to the fall in purchasing power and the fact that the costs for energy, raw materials and trade credit, rose faster than inflation, industry's output fell to only 40% of its capacity.

However, by 1986, industry in general was once again working at full capacity as a consequence of a consumer-led recovery. Similarly, after three years of recession, the construction industry, which accounts for 4.1% of the GNP and 4% of employment, recovered in 1986 as a result of government projects.

2.3.4. Commerce

Exports FOB by product group (in US\$ million):

	1985	1986*	1987*
1) Traditional products	2,264	1,886	1,889
- Mining	1,205	1,041	1,153
- Oil and its derivatives	645	232	274
- Agriculture	225	336	177
- Fishing	118	206	229
- Others	71	71	56
2) Non-traditional products	714	645	716
- Textiles	244	232	257
- Fishing	124	111	103
- Farming	93	72	87
- Others	253	230	269
3) Total	2,978	2,531	2,605

* Preliminary figures

Imports FOB by sector (in US\$ million):

	1984*	1985*	1986*
1) Consumers goods	240	112	405
Public sector	23	11	153
Private sector	217	101	252
2) Raw materials	949	841	1,450
Public sector	325	296	497
Private sector	624	545	953
3) Capital goods	771	558	923
Public sector	400	169	143
Private sector	371	389	780
4) Various and adjustment	180	295	290
Public sector	110	227	234
Private sector	70	68	56
5) Total	2,140	1,806	3,068
Public sector	858	703	1,027
Private sector	1,282	1,103	2,041

* Preliminary figures

2.3.5. Service Industries

Financial balance for Peru's service industries (US\$ million):

	1985	1986*	1987*
1) Financial services	- 1,011	- 821	- 769
Public sector	- 707	- 605	- 541
Private sector	- 304	- 216	- 228
2) Non-financial services	- 170	- 343	- 395
Freight	- 4	- 33	- 56
Government transactions	- 11	- 17	- 22
Various transports	- 32	- 103	- 106
Travelling	- 35	- 4	- 43
Various services**	- 158	- 194	- 168
3) Total	- 1,181	- 1,164	- 1,164

* Preliminary Figures

** Including reinsurance, communications and services of direct investment etc.

2.3.6. Agriculture

Agriculture accounts for 14.1% of the GNP and 37% of employment. This is one of the motives why the government is trying to revitalise it by granting credits and give better prices to farmers.

The coastal region has always been particularly important for agricultural production, with excellent crops of cotton, rice, sugar and fruit, where the land has been irrigated. At present, the Sierra is given preferential treatment.

The aim is to restore self-sufficiency in food production and reduce the amount of agricultural imports. The key to improve yields of the major crops, sugar and cotton, is the irrigation of the coastal region using water from the Andes. These two crops together with coffee, which is also of vital importance, account for 7.7% of total exports.

Principal agricultural products 1985 - 1987 (thousands of metric tons):

	1985	1986*	1987*
Cereals	1,696.0	1,761.1	2,239.9
Fruits	893.3	962.9	767.9
Vegetables	217.5	221.9	254.2
Industrial Products	7,710.2	6,672.4	6,399.4
Potatoes and Roots	1,998.4	2,144.6	2,262.2

Meat	379.7	396.1	471.9
Eggs	77.9	95.1	97.2
Milk	808.8	819.3	830.0
Wool	11.3	11.4	11.4
Fibre	2.9	3.0	3.2

Source: Ministry of Agriculture

2.3.7. Exports - Imports

The country's main exports are fish, cotton, sugar, coffee, copper, iron, zinc, and oil and its by-products. Foreign trade is free, though subject to government priorities aiming at promoting national growth.

2.3.8. Major Export Markets

	Exports (%)		
	1985	1986	1987
United States	34.2	30.1	27.5
Japan	10.2	10.6	10.4
West Germany	4.6	5.6	4.4
Brazil	1.9	2.9	4.2
United Kingdom	4.4	4.7	5.6
Belgium/Luxembourg	4.6	4.3	4.9
Italy	2.7	3.2	4.1
Argentina	1.2	2.3	1.5
Colombia	2.4	2.6	2.4
Canada	0.6	0.7	1.8
Rest	33.2	33.0	32.2
Total	100.0	100.0	100.0

3. Insurance Market

3.1. The Zurich Cooperative Partner in Peru

Compania de Seguros RIMAC
Carabaya 499
Lima 1

Tel.: 14 28 38 90
Telex: 25161 Camir PE
Telefax: 270068

RIMAC was founded on September 3, 1896. It was the second insurance company to be founded in Peru.

While at the beginning, the company only operated in fire and sea marine insurance lines, it later extended its activities considerably and today is licensed to write all important lines of insurance.

The home office of the company is located in Lima, the capital, and there are agencies in the cities of Arequipa, Chiclayo, Piura and Trujillo, which enable efficient service throughout the country.

3.1.1. Lines of Business Written

Today, RIMAC writes fire and similar risks, robbery/ theft, motor, marine, aviation, sea hull, technical insurance, liability, personal accidents, medical assistance, life, household insurance and other miscellaneous risks.

3.2. Insurers

There are 19 insurance companies operating in Peru. Only one of them ("Popular y Porvenir") belongs to the State.

Insurance Law No. 8.793 (15.12.1938) regulates insurance companies and places them under the authority of the "Superintendencia de Banca y Seguros". Law No. 7.159 (Banking Law) is applied to insurance in appropriate circumstances. These laws also apply to reinsurance.

3.3. Regulations

3.3.1. Insurance Supervision

The government regulates and controls insurance companies in the country through the "Superintendencia de Banca y Seguros". It processes every request for authorisation to operate as an insurance company, and is empowered to reject such requests if it finds that requirements are not met.

The "Superintendencia" not only sets guidelines for incorporation, but also operation, establishing solvency requirements and verifying compliance. In addition, it assesses whether individuals requesting authorisation to operate are trustworthy, and whether granting such an authorisation will serve the public interest.

3.3.2. Requirements

Both national and foreign insurance companies wanting to operate in the country must meet the following requirements:

- a) Capital of I/. 30,000,000;
- b) Approval from the "Superintendencia" by a formal request which must be accompanied by incorporation papers, a projected company charter, detailed information on the lines of insurance the company wishes to engage in, models of all types of policies and any other information the "Superintendencia" may deem necessary.

3.3.3. Non-Admitted Insurance

The insurance of risks abroad is prohibited by Decree 22.427, the fines being twice the amount of the premium paid abroad.

3.3.4. Government vs. Private Insurers

There is only one state-run insurance company, "Popular y Porvenir". The other 18 companies in the market are allowed to operate freely within the guidelines set by the "Superintendencia de Banca y Seguros". However, all state enterprises are compelled to deal exclusively with the "Popular y Porvenir" for any kind of insurance. As a consequence, this state run company is the leading insurer in Peru, holding roughly one third of the market.

3.4. Statistics

The supervisory authority publishes market statistics in the so-called "Sintesis Estadistica".

3.4.1. Solvency and Financial Stability of Insurers

The "Superintendencia de Banca y Seguros" establishes specific guidelines and procedures for the assessment of solvency and the financial stability of insurers. These consider dynamic aspects, taken from the profit and loss statement, as well as static aspects, taken from the balance sheet.

Dynamic aspects include: technical result, non-technical result (other income and expenses), management and administration (general expenses).

Static aspects include:

a) Liquidity	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
b) Solvency	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$
c) Profitability	$\frac{\text{Net Profits}}{\text{Net Worth}}$

Any company showing evidence of unfavourable results after applying the procedures and quotients stated above, must elaborate a recovery plan, detailing the projected administrative and financial remedies to be undertaken. After approval by the board of directors, the plan must be submitted to the "Superintendencia" for evaluation.

3.4.2. Cashed Premium / Paid Losses in 1987 (in thousand inti)

Line	Premiums	%	Losses	%
Fire	1,688,102	25.93	570,276	23.82
Marine	664,109	10.20	307,800	12.86
Sea marine hull	194,571	2.99	63,736	2.66
Aviation	306,696	4.71	25,050	1.05
Liability	46,635	0.72	11,634	0.49
Motor	1,759,144	27.02	558,230	23.32
CAR	98,835	1.52	13,256	0.55
Machinery breakdown	187,316	2.88	83,792	3.50
EAR	17,426	0.27	2,601	0.11
Technical insurance				
(Rest)	20,461	0.31	2,602	0.11
Business interruption	114,312	1.76	27,302	1.14
Fidelity	95,712	1.47	61,817	2.58
(Violent) robbery	263,695	4.05	181,578	7.58
Animals	3,832	0.06	3,193	0.13
Household policies	19,661	0.30	10,952	0.46
Credit	48,877	0.75	2,318	0.10
Personal accidents	229,538	3.53	35,234	1.47
School-children	14,773	0.23	14,916	0.62
Medical assistance etc.	488,705	7.51	390,783	16.32
Accidents (rest)	0	0.00	333	0.01
Life	247,242	3.80	26,572	1.11
Total	6,509,642	100.00	2,393,975	100.00

3.4.3. List of Direct Insurers

The following list includes all direct insurers operating in Peru:

- Internacional
- Rimac
- Atlas
- Sud Amèrica
- Popular y Porvenir
- La Nacional
- La Fènix Peruana
- Italo Peruana de S.G.
- La Colmena
- El Pacifico
- La Positiva
- Peruano Suiza
- La Vitalicia
- El Sol de S.G.
- La Universal
- Sud Amèrica Terrestre y Maritima

- Panaméricana
- Condor
- La Real

3.4.4. Associations and Institutes

There are four important associations in the Peruvian market:

- 1) APESEG ("Asociacion Peruana de Empresas de Seguros"). All insurance companies operating in the country are members of this association.
- 2) APEPROSE ("Asociacion Peruana de Empresas de Productores de Seguros"), which is made up of insurance brokers.
- 3) ASASEP ("Asociacion de Agentes de Seguros del Peru"). Its members are independent insurance agents.
- 4) "Asociacion de Ajustadores del Peru", which comprises professional loss adjusters operating in the market.

3.5. Memberships

3.5.1. Pools

The only pool operating in the country is the reinsurance pool, which is designed to retain as high a proportion of business in the market as possible (see section on reinsurance).

3.5.2. Solvency Margin

Insurance companies must remain within the limits set by the "Superintendencia de Banca y Seguros" as regards solvency margins. These margins are determined by means of a series of quotients which are obtained through specific procedures involving figures taken from each company's financial statements.

3.5.3. Overseas Involvement

The only foreign insurer operating in the market is the "Sud-América Cia. de Seguros", the branch office of a Brazilian company.

3.6. Intermediaries (Agents, Brokers)

System: Business in the Peruvian market is mainly conducted through insurance brokers. No discounts are allowed on premiums unless an intermediary has participated in the contract. As a consequence, there are very few direct accounts.

Commissions: Average commissions are 15%, except fire business, where commissions amount to approximately 25%.

3.7. Reinsurance Scene

Situation: Only the "Reaseguradora Peruana S.A." (a state owned company) is authorised to negotiate and place reinsurance abroad. However, before implementing cessions abroad, full use must be made of local market possibilities. This may be done through a reinsurance pool, made up of all the insurance companies in the Peruvian market, which has a capacity of US\$ 6,000,000.

3.7.1. R/I Commissions Under Treaties and Facultative Business

Commissions for automatic reinsurance contracts average 35% to 40%, and for facultative treaties 20% to 30%.

3.8. Underwriting Per Line of Business

Tariff/Non-Tariff Situation, Rating: The Peruvian Association of Insurance Companies, APESEG, establishes tariffs for the various lines. These must then be approved by the "Superintendencia de Banca y Seguros". Within the Association, there are technical committees for all branches, made up of representatives of the insurance companies. They are responsible for determining the tariff rates and decide in cases which are not covered by such tariffs.

3.8.1. Compulsory Lines

The following list the mandatory coverages necessary in Peru:

- Workers' compensation insurance (by the Peruvian Social Security Institute);
- Employee's life insurance (according to Law No. 4.916) as from the fourth anniversary of the employee's uninterrupted service. Benefits amount to one third of the four years' salary.

4. Property

4.1. Fire

This line shows a very good loss experience. Coverages correspond to international standards, and tariffs are established by APESEG. Each quotation exceeding US\$ 2,000,000 is generally reviewed by the Association in order to determine discounts for the separation of buildings and fire prevention installations higher than those set by the tariff.

4.2. Standard Fire Coverage

The standard coverage comprises fire and explosion. The most important extended coverages that can be included are:

- Earthquake, tremor, volcanic eruption
- Seaquake (tsunami), heavy seas etc.
- Strike, civil commotion, malicious damage, vandalism and terrorism

- Windstorm
- Hail
- Aviation
- Vehicle impact
- Smoke
- Flood
- Water damage
- Sonic boom
- Debris removal, restoration of documents and models etc.

General and additional conditions are elaborated by APESEG and approved by the "Superintendencia".

4.2.1. All Risks

All risk policies are available. They are quoted for each case individually by the Association's technical committee for fire.

4.2.2. Business Interruption

This coverage, which complements the fire policy, is particularly interesting for the larger firms in the country.

4.3. Catastrophe Exposures

1983 was a very bad year for catastrophes. Average loss rates were particularly high due to an unusual number of floods caused by the "El Niño" phenomenon: At intervals from December to April, a current of warm water ("El Niño") is blown south from the equator over the cold offshore waters, the temperature rises, the fish migrate, and evaporation is so great that the desert is deluged with rain.

4.3.1. Terrorism and Sabotage

Terrorism coverage, which is available as an extension to the ordinary fire policy, is a very delicate risk in Peru, and it is getting more and more difficult for the insurers to cover. Due to the increasing number of terrorist attacks on large companies, reinsurers have started to establish stricter conditions for their support.

5. Accident

5.1. Motor

The two principal coverages available are:

- 1) Damage to the insured's vehicle including accidents, fire, robbery/ theft and the breakage of windows. This coverage is not available alone, but must be combined with liability insurance;

- 2) Motor liability insurance, which can be acquired separately, covers bodily injury and property damage to third parties. Additional coverage can be added.

5.2. Workers' Compensation and Employers' Liability

As stated earlier, the Peruvian Social Security Institute handles mandatory workers' compensation insurance, while employers' liability is one of the liability coverages which are offered in the open market.

5.3. Personal Accident

A uniform tariff established by the Association exists for this line. Tariff rates vary according to the insured's activity (position, job and responsibility).

Coverages:

- Death
- Permanent disability
- Temporary disability
- Medical costs

5.4. Liability Coverage

Liability insurance is another branch controlled by APESEG, whose tariffs are used for the following coverages:

- General liability
- Products liability (excluding pharmaceutical products)
- Employer's liability
- Contractors and sub-contractors' liability

All other coverages must be quoted by APESEG.

Except for products liability, the limits are determined on an "occurrence basis". For products liability, the limit is an annual aggregate. The ordinary liability policy covers:

- Death or bodily injury
- Property damage caused to a third party by the insured.

The insureds defence costs and expenses are also paid, though the sum of indemnity, plus costs and expenses, may not exceed the limit determined by the policy.

Unless otherwise agreed, the following risks/coverages are excluded:

- Claims by the insured's family members
- Objects under the custody and control of the insured
- Robbery, fire and explosion
- Contractual liability

- Risks in connection with aircraft, motor vehicles and watercraft
- Products liability
- Pollution and contamination of the environment, unless caused by an accident covered by the policy
- War, invasion, civil commotion, revolution etc.

5.5. Legal Base

Extra-contractual liability is regulated in Articles 1969 - 70 (these two being the legal base), 1972 - 74, 1978 and 1987 of the Peruvian Civil Code.

6. Marine

This branch is strictly controlled by ASPESSEG as far as tariffs and conditions are concerned. Conditions are the same as those used in the English market.

Rates for fleet policies are adjusted by APESEG in each policy period according to the loss experience of the last three years.

The maximum period of coverage within a port is 30 days. It can be renewed for another 30 days, but a very high surcharge is levied (100% surcharge for 30 additional days).

7. Future

7.1. Politics

Democracy was reinstated in 1980, after 11 years of dictatorship. Alan Garcia Perez, currently in office, was elected in 1985. His government is having to face a serious crisis which is afflicting the Peruvian economy. Inflation is reaching alarming levels within a context of general strikes and political instability.

Deterioration in the economy began when the government announced that it intended to nationalize the banking and financial system. Businessmen reacted by withdrawing their confidence in the government which, in turn, set the stage for the current crisis.

So far, the plans for nationalisation have not yet been implemented.

7.2. Social and Economic

The drop in the GNP during 1988 has presented the government with a very difficult situation, due to the fact that most of the State's internal revenue is obtained through indirect taxes, and a recession is bound to result in lower income.

An additional factor is the lack of local investment due to the current crisis. Foreign investment has stopped as a result of legislation which makes remittance of profits abroad impossible.

7.3. Insurance Market

The combination of recession and inflation is affecting this sector of the economy as much as any other. A decrease in business volume is expected, although RIMAC has developed new services as a response to the current situation.

Overview of Perils Insured Against in Basic Fire Policy

Peru

a	Fire	b	Sprinkler Leakage
a	Lightning	c	Collapse
b	Explosion	b	Smoke
b	Aircraft	b	Sonic Boom
b	Windstorm	b	Molten Material
b	Hail	c	Radioactive Contamination
b	Vehicle Impact	b	Earthquake
b	Strike	b	Volcanic Eruption
b	Riot	b	Flood
b	Civil Commotion	c	Snow Pressure
b	Malicious Damage	c	Landslide
b	Vandalism	c	Tenants & Neighbours
b	Sabotage		Liability
b	Terrorism	b	Tsunami
		b	All Risk available (local form)
		c	All Risk allowed (fronting)

- a Perils covered in a standard policy
- b Perils can be added by endorsement
- c Perils cannot be added by endorsement