



IRB

Pioneering reinsurance in Brazil

FULLCOVER talked with José Carlos Cardoso, chairman of IRB Brazil RE. During the conversation, he outlined the main challenges, opportunities and changes within the reinsurance industry, and drawing upon his extensive experience and accomplishments, shared exclusive market insights.

In the first nine months of the year, the IRB secured 17% more revenue than the same period 2017. Given the expectation for economic growth in Latin America is around 2%, what has the institute been doing to achieve such impressive results?

For the IRB, growth (market share) is the result of delivering excellent service. To do this, we work very closely with brokers and are flexible in our risk acceptance and payment of claims. In addition, we invest in frontline training with insurers to improve underwriting and provide courses abroad, mainly in Latin America, which is our strategic focus.

In brief, our new proactive approach will enable us to grow. Gradually, the market has appreciated our efforts and responded in a positive way.



Reinsurance leader in Latin America

These outstanding results recently prompted AM Best to change the IRB's rating from stable to positive, evidencing its financial strength and prospects for future growth. Is this rating recognition of the IRB's growth strategy?

Although the rating recognises our work, particularly for overseas activities, the IRB increasingly views it as a consequence of our actions in the market, rather than a main goal. As we provide our customers with greater financial support, results will gradually improve, impacting AM Best's outlook. This rating is part of a long, continual process, influenced by a number of factors.

The industry's laws vary from country to country, is this considered a barrier to the IRB's entry and expansion into other regions?

In Latin America, there are no major barriers or expansion restrictions.

Last year, on 25 and 26 September, it was my honour to be invited to act as one of the Insurance Forum coordinators for G20 regulators and representatives from Latin America and other countries. Here, a paper was shared, raising the issue of these potential major barriers. This was a very important step, since insurance-related topics had never been considered important enough to be included in G20 discussions. I believe this pioneering move will be fruitful.

We have seen other new products enter the market – responding to cyber and parametric risks, plus others – however, it is our belief the end customer does not yet understand the need to source these solutions. In light of this, is the IRB expecting to operate in new markets and if so, where?

The Brazilian and Latin American markets need to extend their product portfolio. Cyber and parametric risk solutions are being developed in a few countries, of which Brazil is one.

In an attempt to improve this situation, the IRB has focused its efforts on sourcing and adapting products for the tropics which are considered new by local consumers. A successful example of this was the P&I product – new insurance for ships – launched in partnership with Banco do Brasil and Mapfre Insurance Group.



José Carlos Cardoso (IRB), Pedro Carvalho & Thiago Tristão (MDS)

In addition, we've increased our involvement in fairs and events to encourage greater demand and purchase of new products and where this happens, this is a joint initiative between reinsurers and insurers.

Parametric insurance, for example, has been heavily promoted in the agricultural sector and with life insurance, term underwriting has been a key focus.

Currently, there's a requirement in the market to give 40% of revenue to local reinsurers. Do you think there's a system that would be more democratic or work better for the insurance sector?

From the start, I have always been in favour of total market freedom. I view the current requirement as a legal whim that offers no advantage or practical benefit at all, and therefore I believe it should be removed.

Nowadays, this ruling is not necessary because customers have begun to realise the importance of having someone in the same time zone who speaks the same language when handling claims and at other times during the process. This is when we demonstrate the real advantage of using a local reinsurer, who can be proactive and make decisions without needing to report to others and translate reports for a parent company located 10,000 kilometres away. This has been a great differentiator for our organisation.

The insurance market has supported investment in new trends. How has the IRB adapted to new business models, for example insurtech?

We follow innovations closely and because of these developments, the reinsurers' future will differ from what it is today. We know technology is here to stay and support this with our own initiatives:

- Our partnership with the Pontifical Catholic University (Pontifícia Universidade Católica – PUC) enables a group of students and IRB representatives to develop their studies and products in the insurtech area
- We're currently developing apps for customers. In the agricultural sector, for example, we've created an app that contacts the insurer in the event of a claim. When activated, a loss adjuster visits the claimant on site and using a tablet or smartphone, downloads the area's coordinates and then via the app, captures and compares satellite photos taken before and after the incident. This not only gives greater accuracy in the loss adjustment process, but mitigates fraud and the possibility of subjective interpretations during the claim's assessment
- Working closely with our insurer partners, we use IT to ensure we can quickly share data and information. This and the use of artificial intelligence, makes the risk underwriting processes faster and more effective.

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How do you think the Brazilian reinsurance market will perform over the next five years?

I think the market has changed, but it needs to adapt. The car industry, for example, will no longer be like it is now, and even with agricultural insurance – a market where we have a significant share – the available products are still very unsophisticated.

Major transformations are coming, mainly to benefit the insured and improve insurance penetration in the country. Our key focus is to help insurers develop solutions that are more sophisticated and profitable, with the right premium.

With legislation, I do not anticipate many future changes. Legal modifications are difficult and lengthy, and as the market continues to evolve, it will deal with issues itself, autonomously. I therefore do not expect any legal changes to significantly impact the industry.

In your view, how can the Brazilian market attract more investment and reinsurers, and become a future hub for Latin America?

The Brazilian market has 16 local and 39 admitted reinsurers, so I see the country’s transformation into a hub as a natural process. It’s worth noting that a large share of the premiums – both ours and those from other market participants – already comes from other countries; last year, IRB was Brazil’s second largest premium exporter, primarily due to that increase in revenue from abroad. We ended 2017 with 36% of premiums coming from overseas.

The Brazilian insurance regulator, SUSEP, recently published a document clarifying some areas regarding the acceptance of foreign premiums. In general, this will bring greater transparency, enabling reinsurers to accept risks more freely and, as a result, generate new sources of income for the country. •