

# **Plenária III – Resseguro - Dez Anos de Mercado Local – Próximos Passos**

# Colombia: an opportunity for business

# Summary

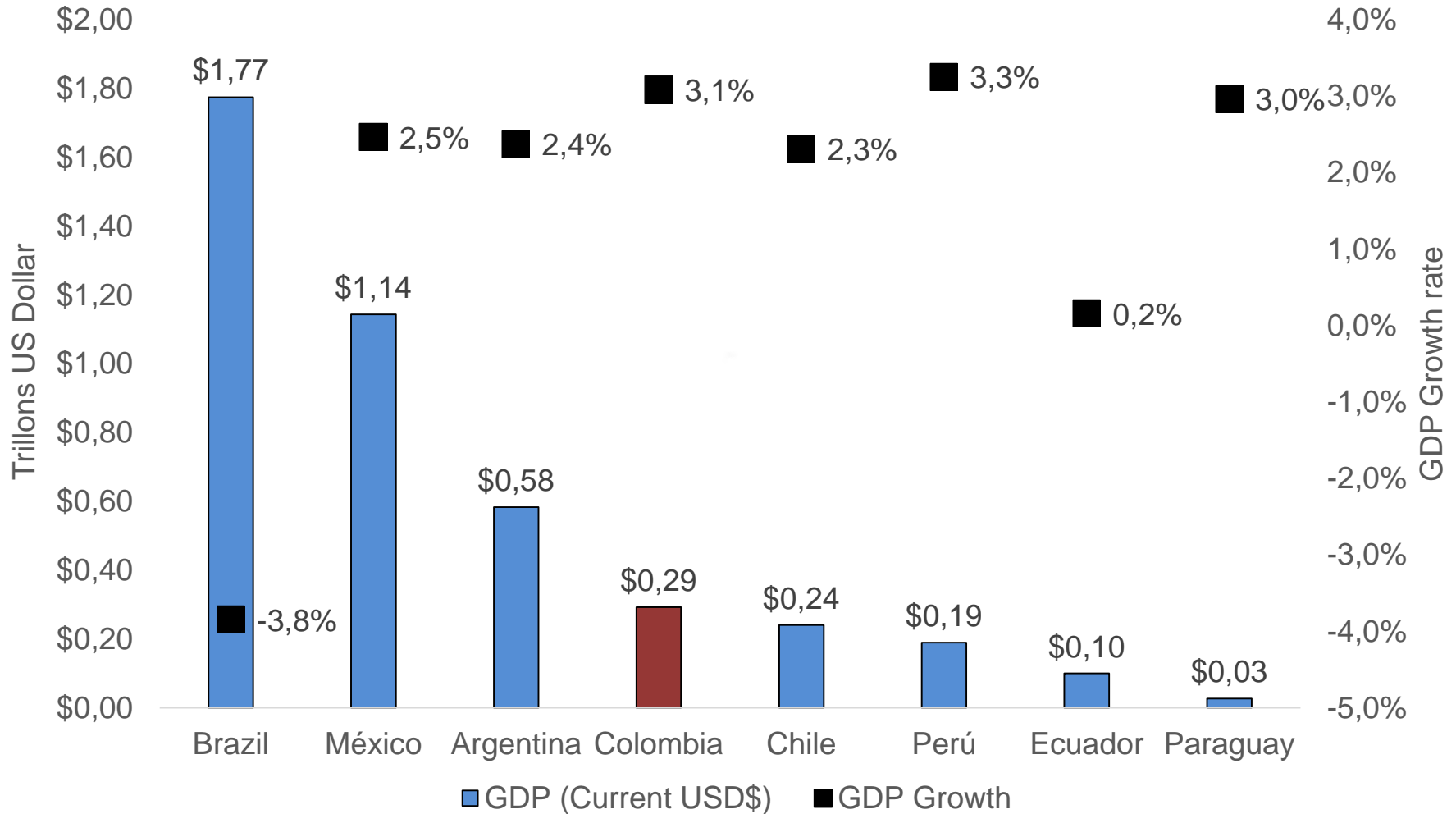
1. Latin America socio-economic overview.
2. Colombian insurance market.
3. Reinsurance regulation in Colombia.
4. What Colombian insurers expect from reinsurers.
5. What reinsurers can expect from Colombian insurance market.
6. Final remarks.

# Latin America socio-economic overview

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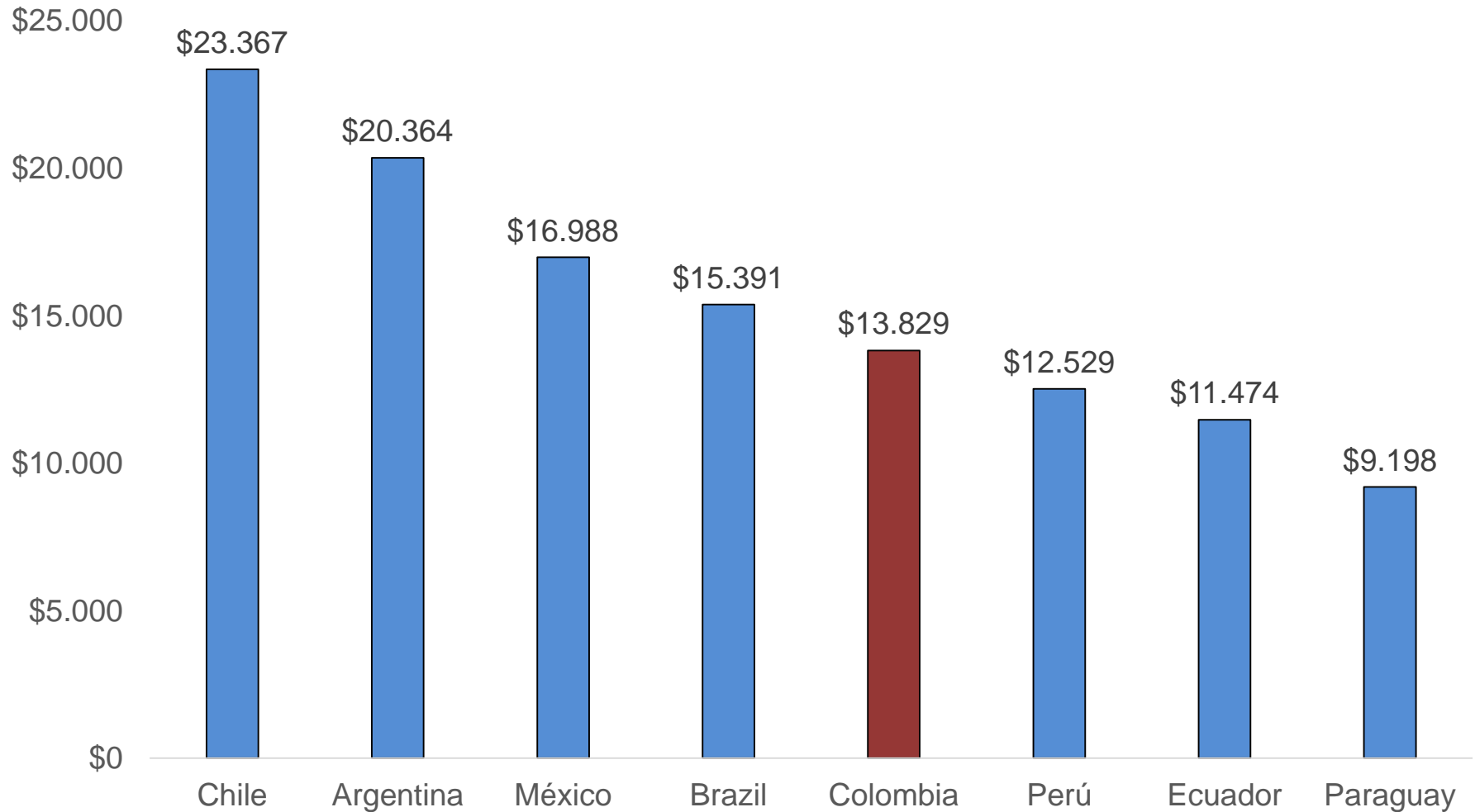
# Latin America GDP

**GDP (Current USD\$) and GDP Growth (%-right) 2015:**



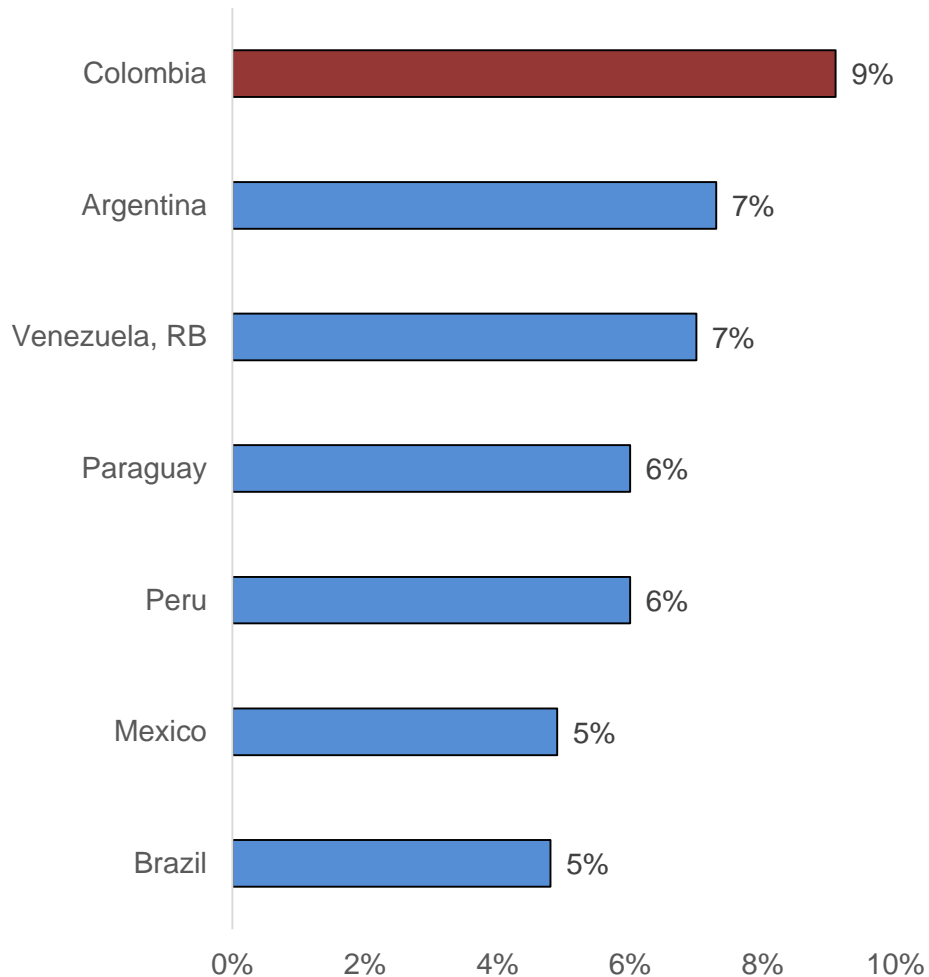
# Socio-economic overview

## GDP per capita (US Dollars) 2015:

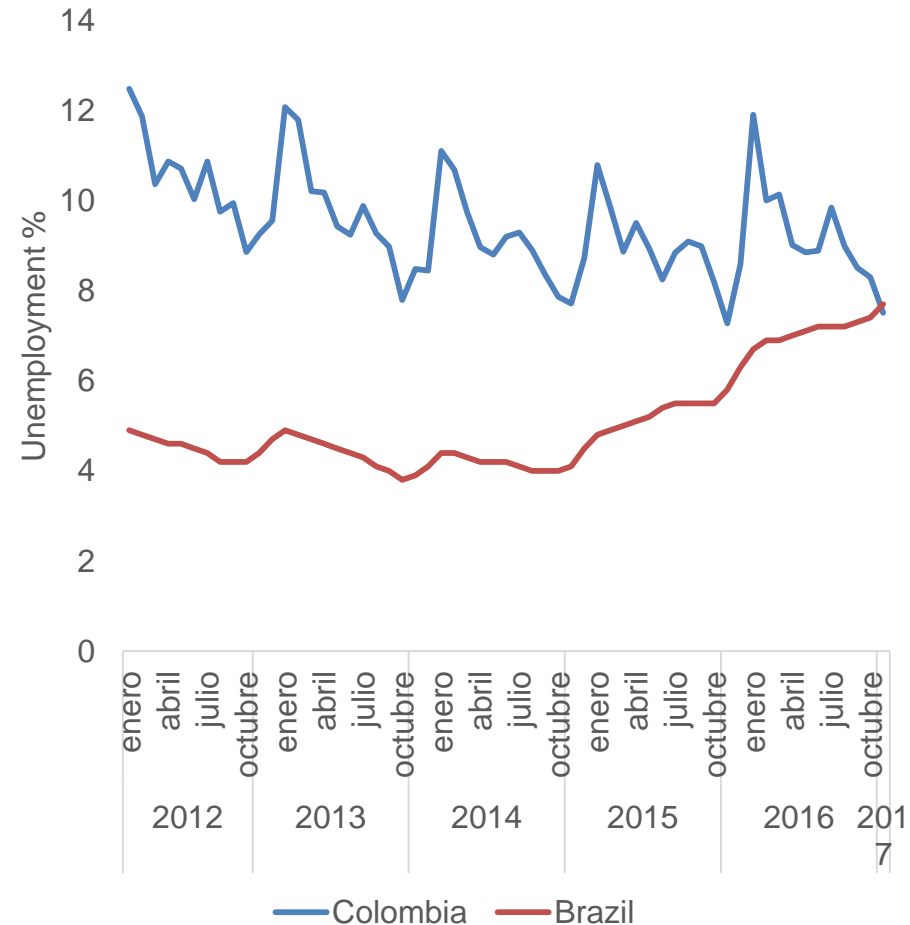


# Socio-economic overview

## Unemployment rate 2014:

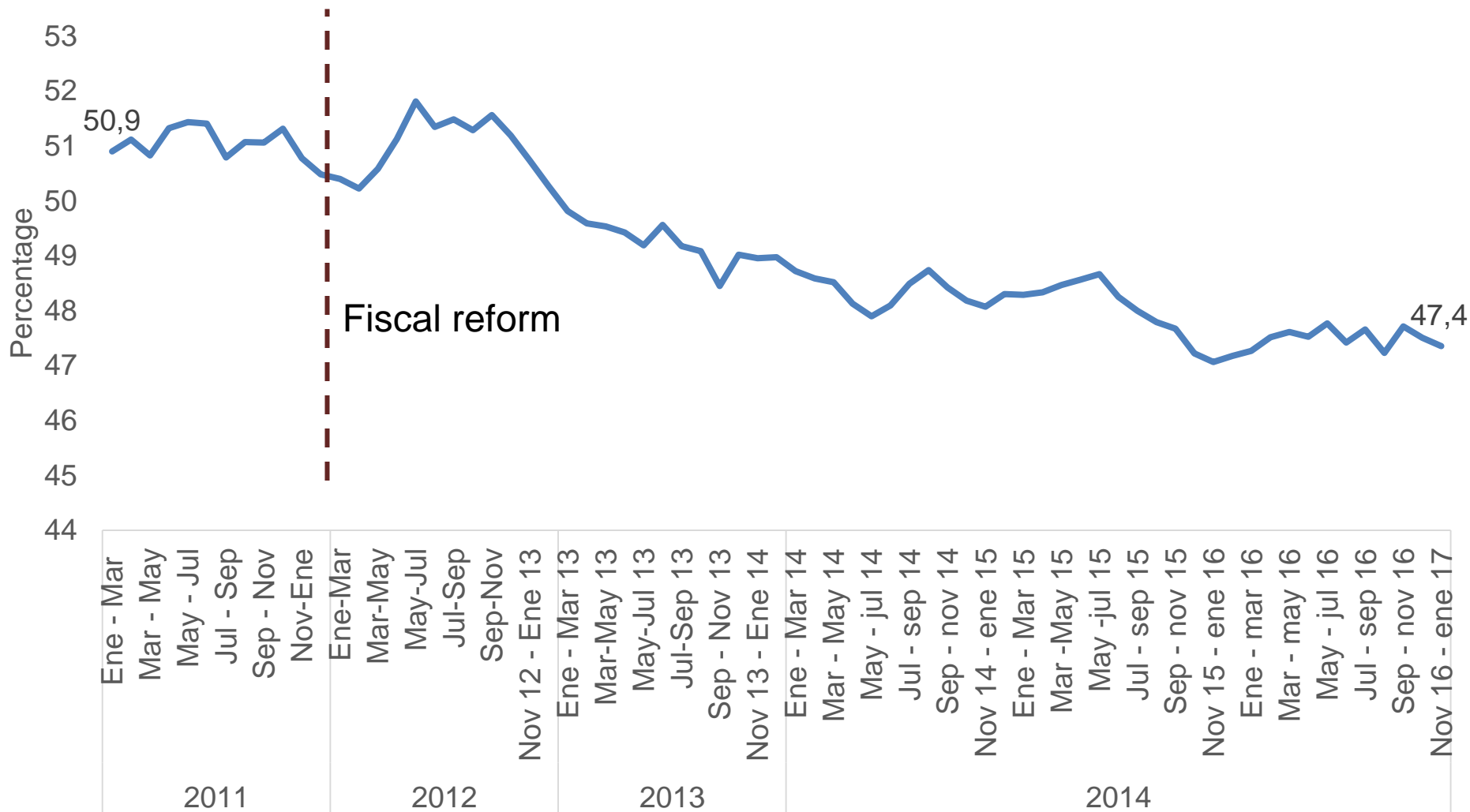


## Unemployment rate\*:



# Socio-economic overview

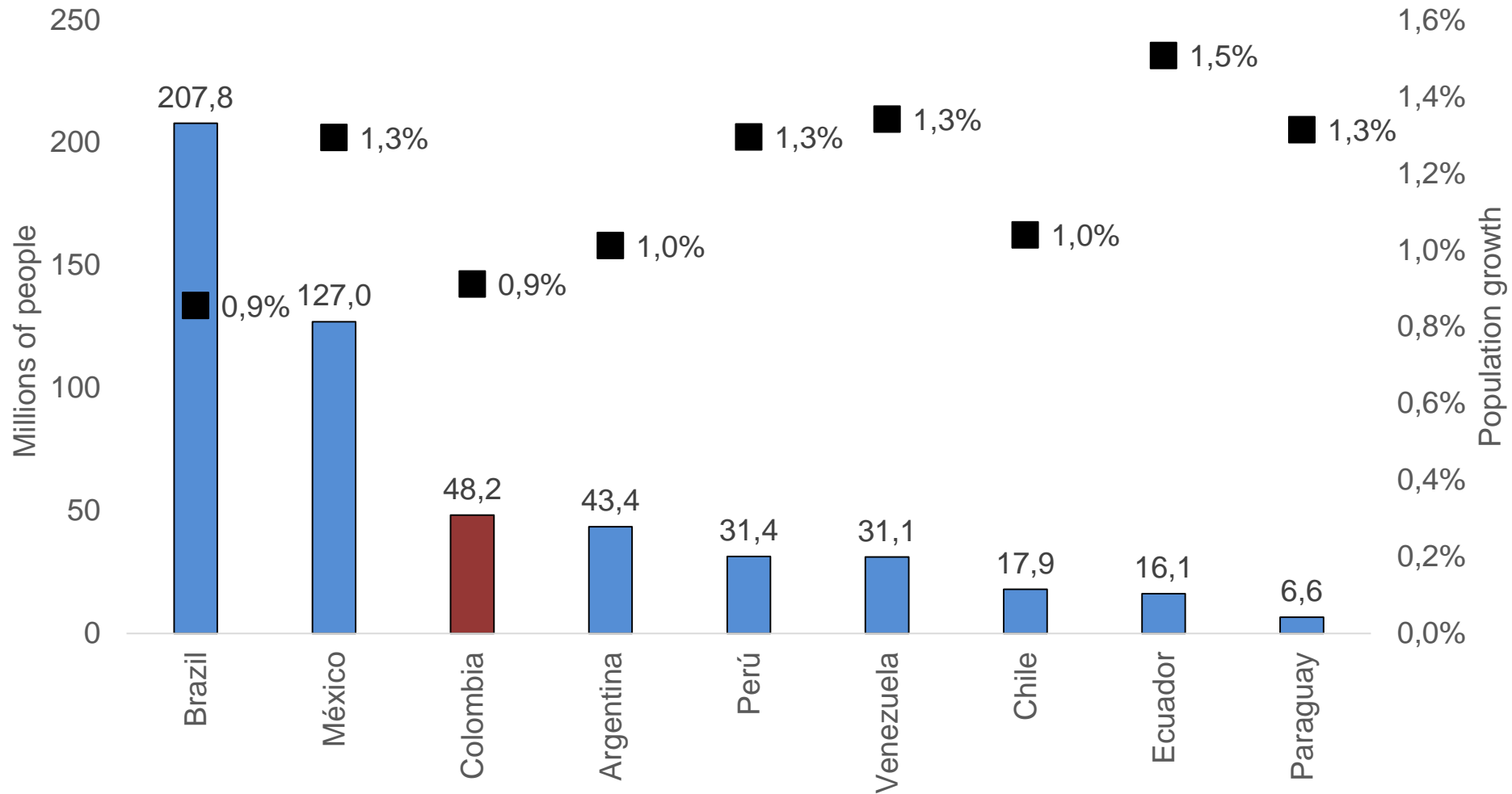
## Informal labor rate in Colombia (%)





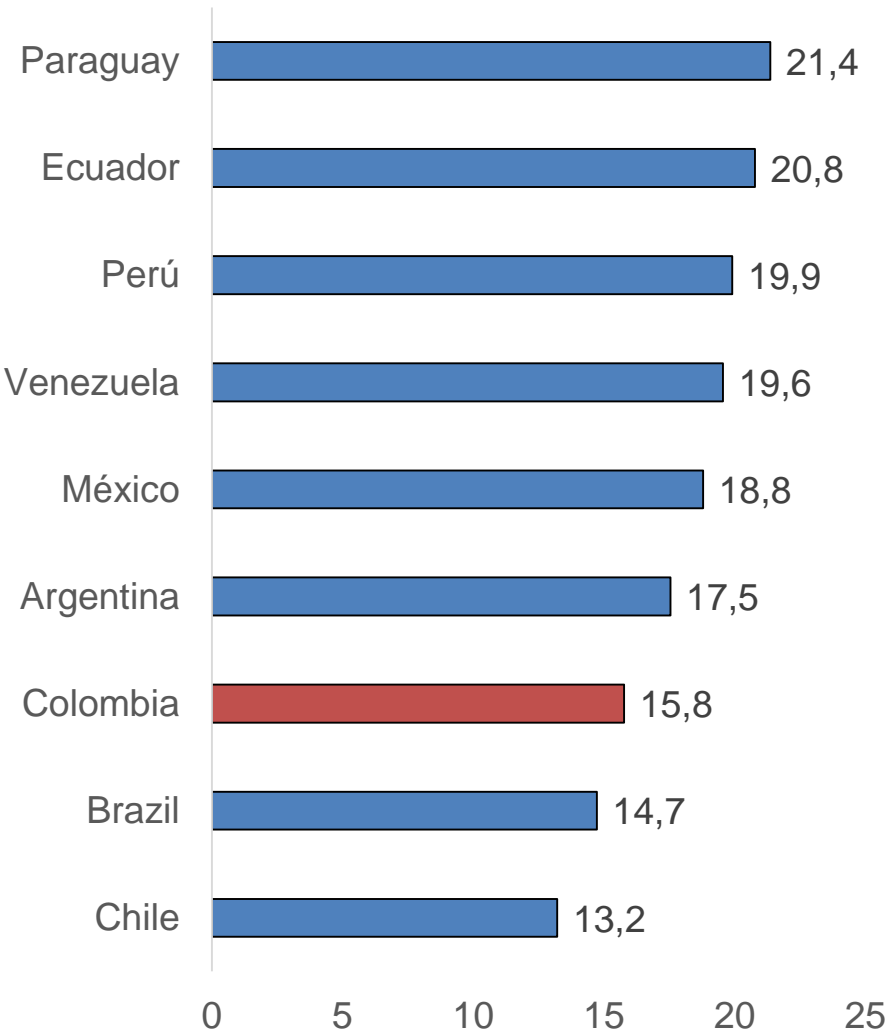
# Socio-economic overview

## Population and population growth (%-right axis) 2015:

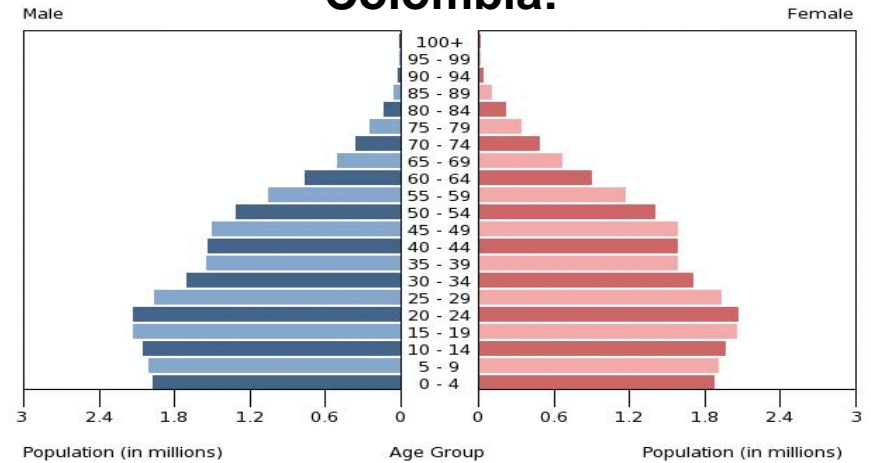


# Socio-economic outlook:

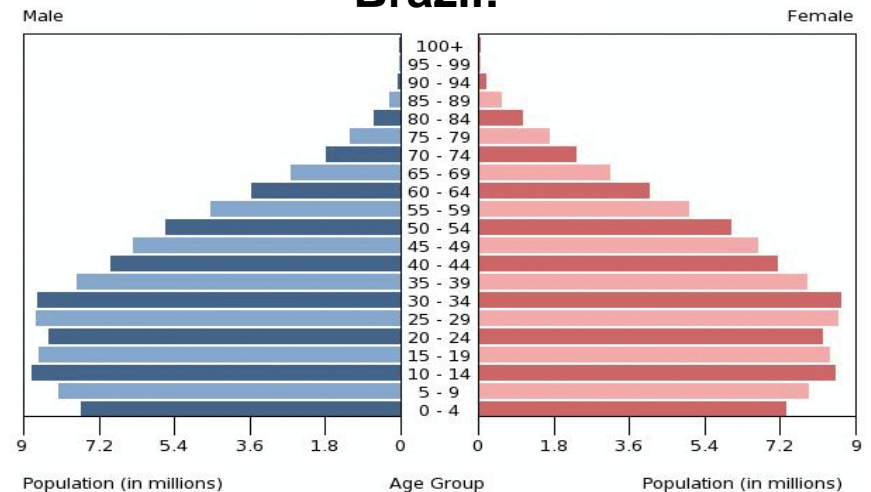
## Birth rate 2014 (per 1.000 people):



## Pyramid population 2014 Colombia:



## Brazil:

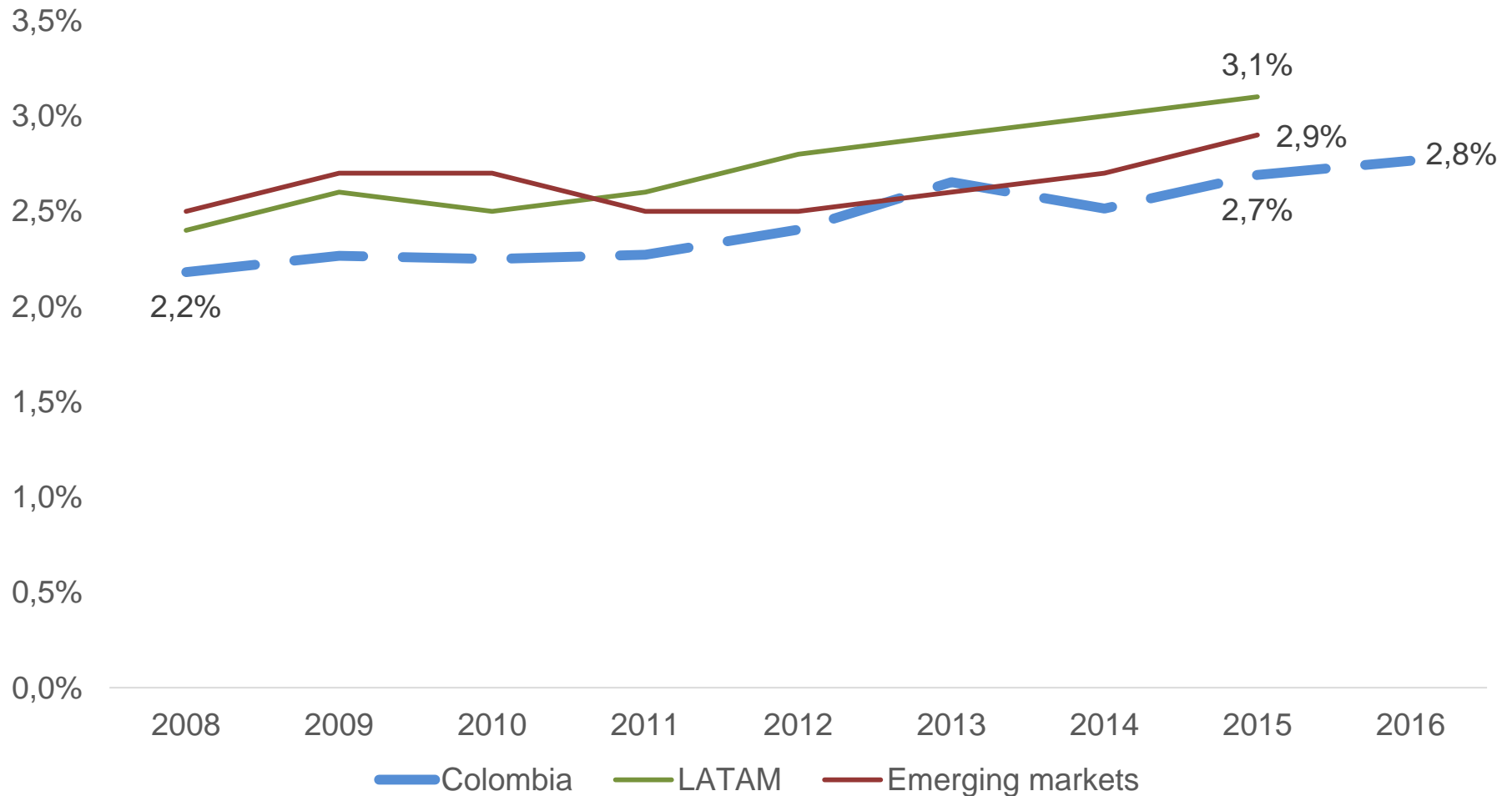


# Colombian Insurance Market

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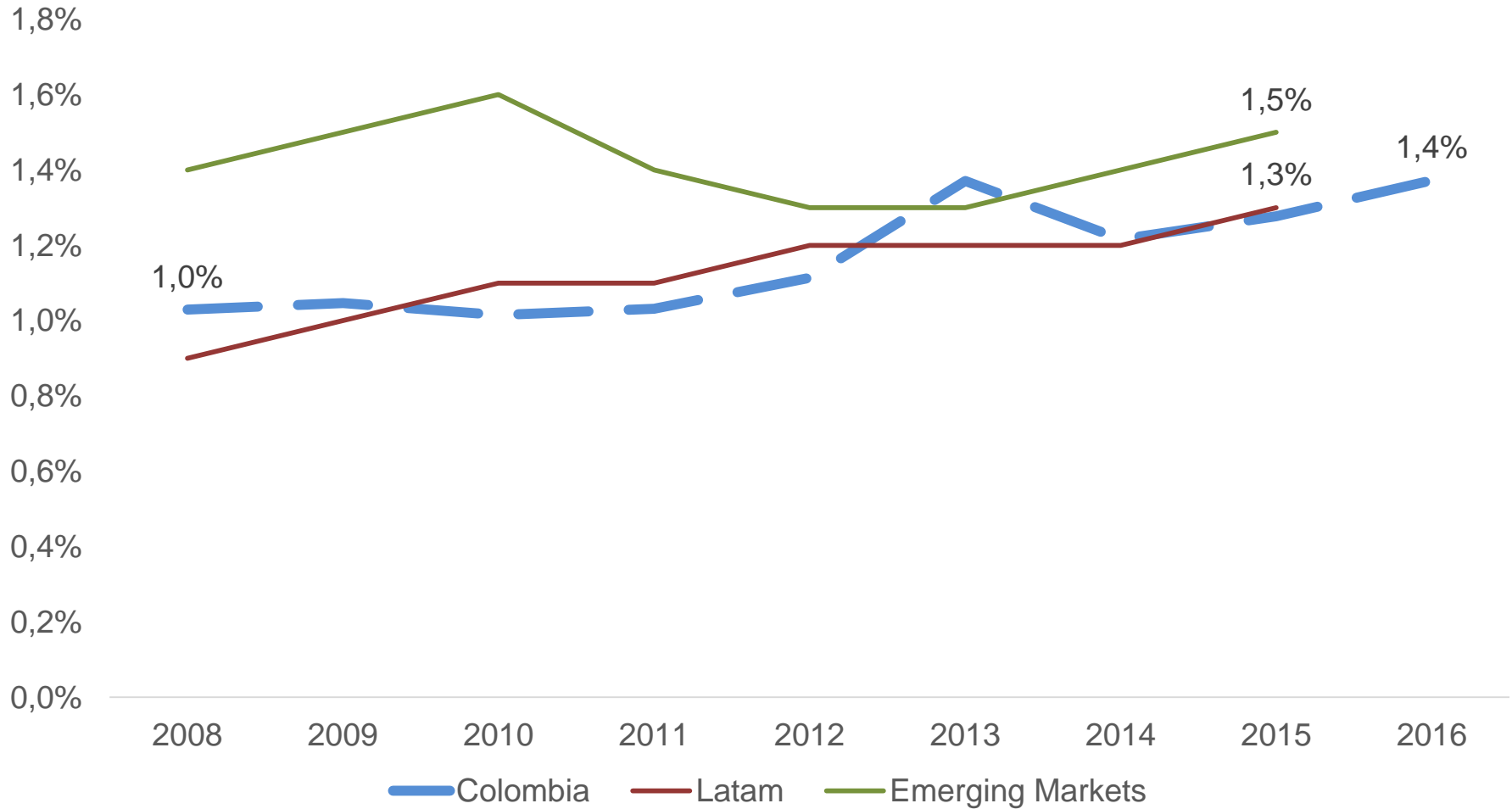
# Insurance penetration in Colombia

## Premiums as % of GDP



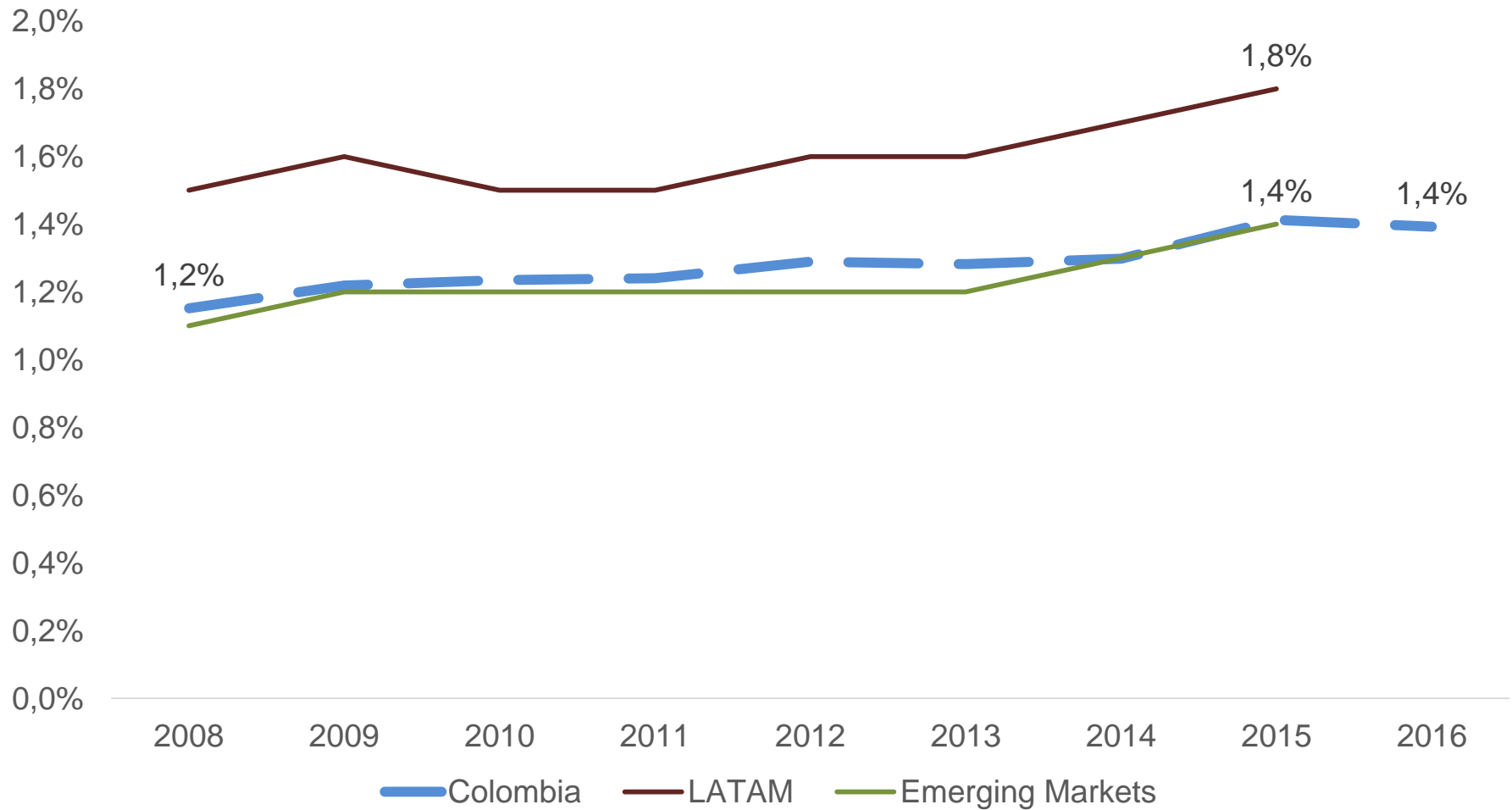
# Insurance penetration in Colombia

## Life premiums as % of GDP



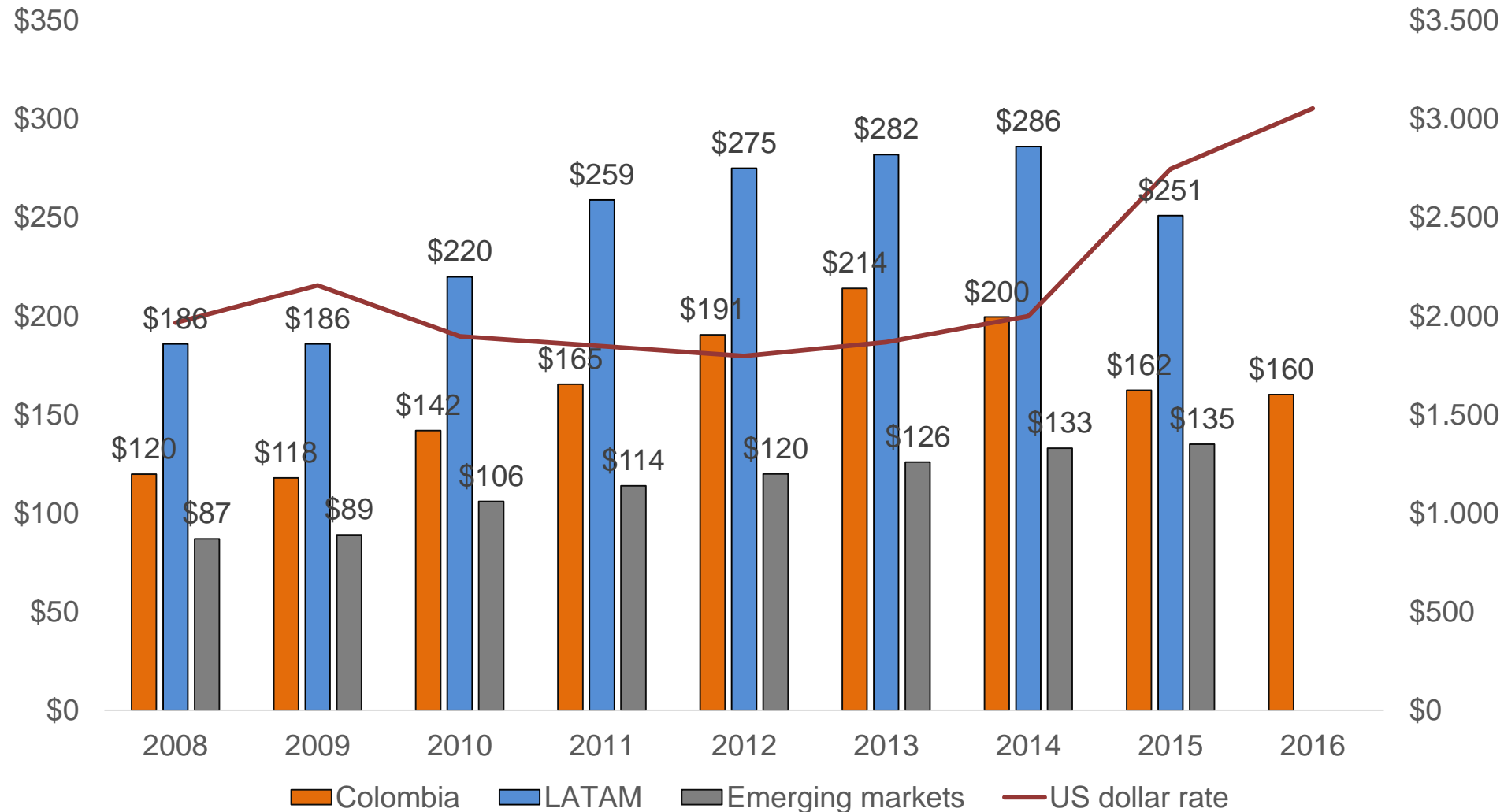
# Insurance penetration in Colombia

## Non-life premiums as % of GDP



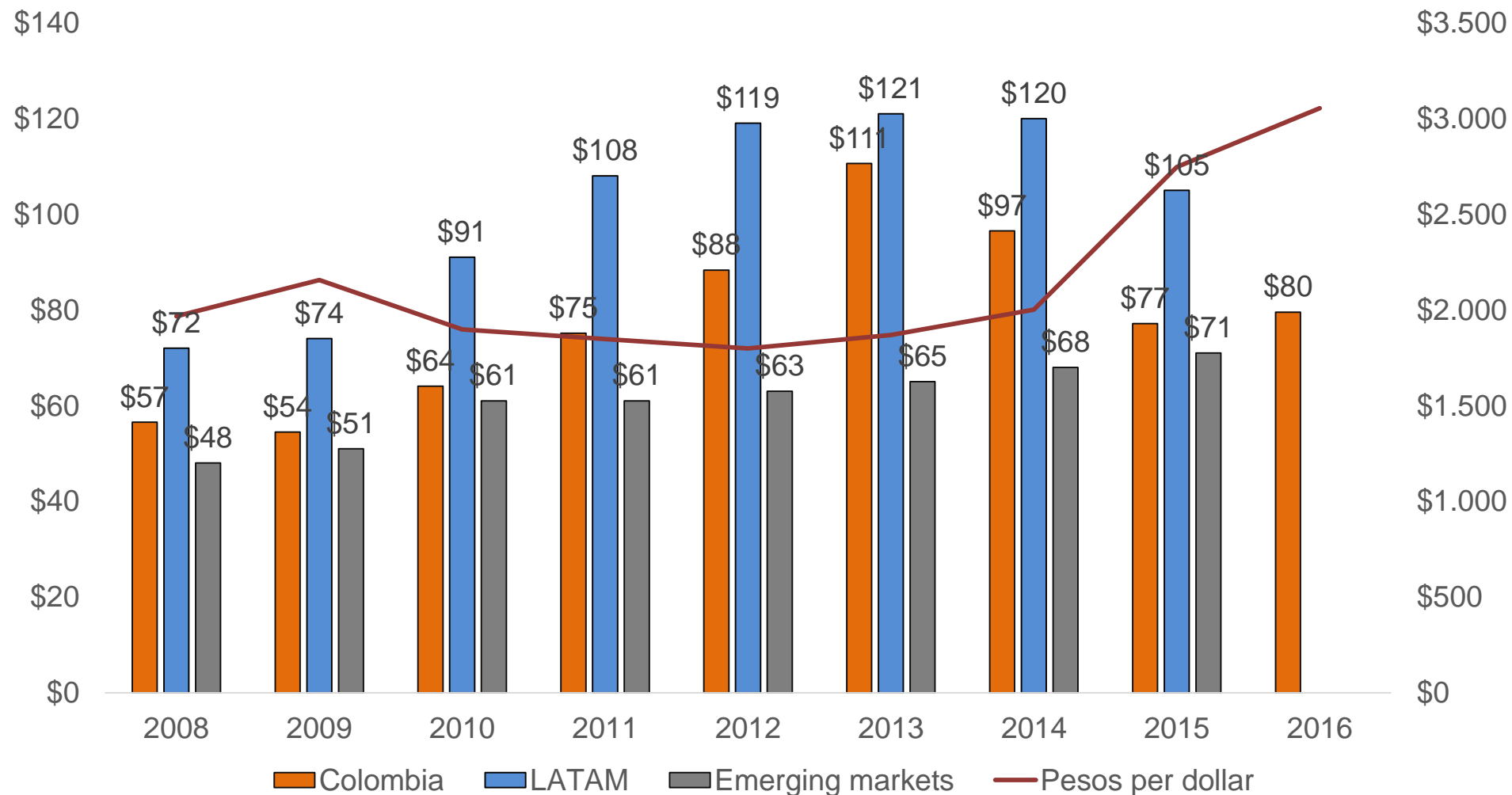
# Insurance density in Colombia

## Total premiums per capita. US dollars



# Insurance density in Colombia

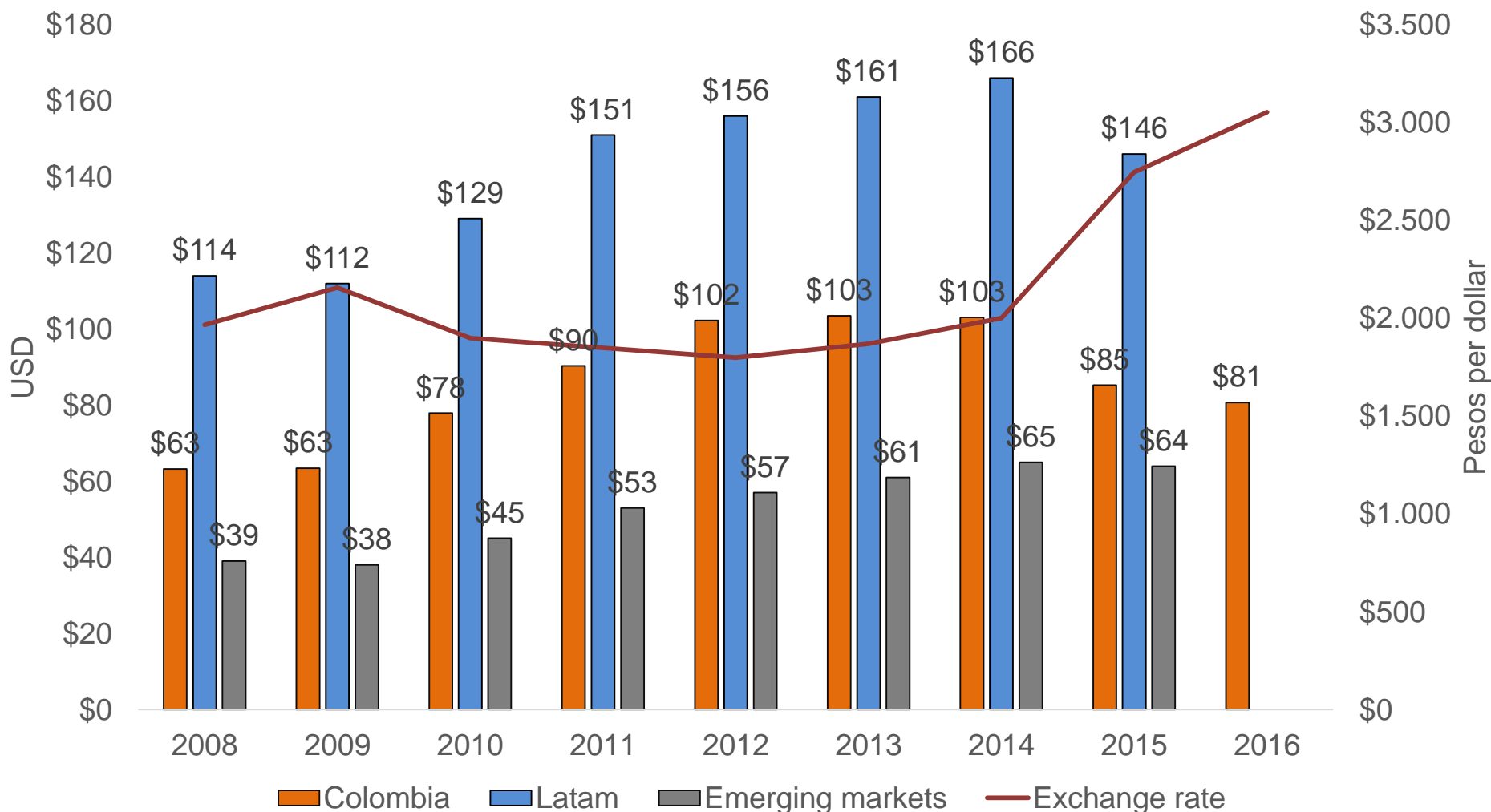
## Life premiums per capita. In US dollars



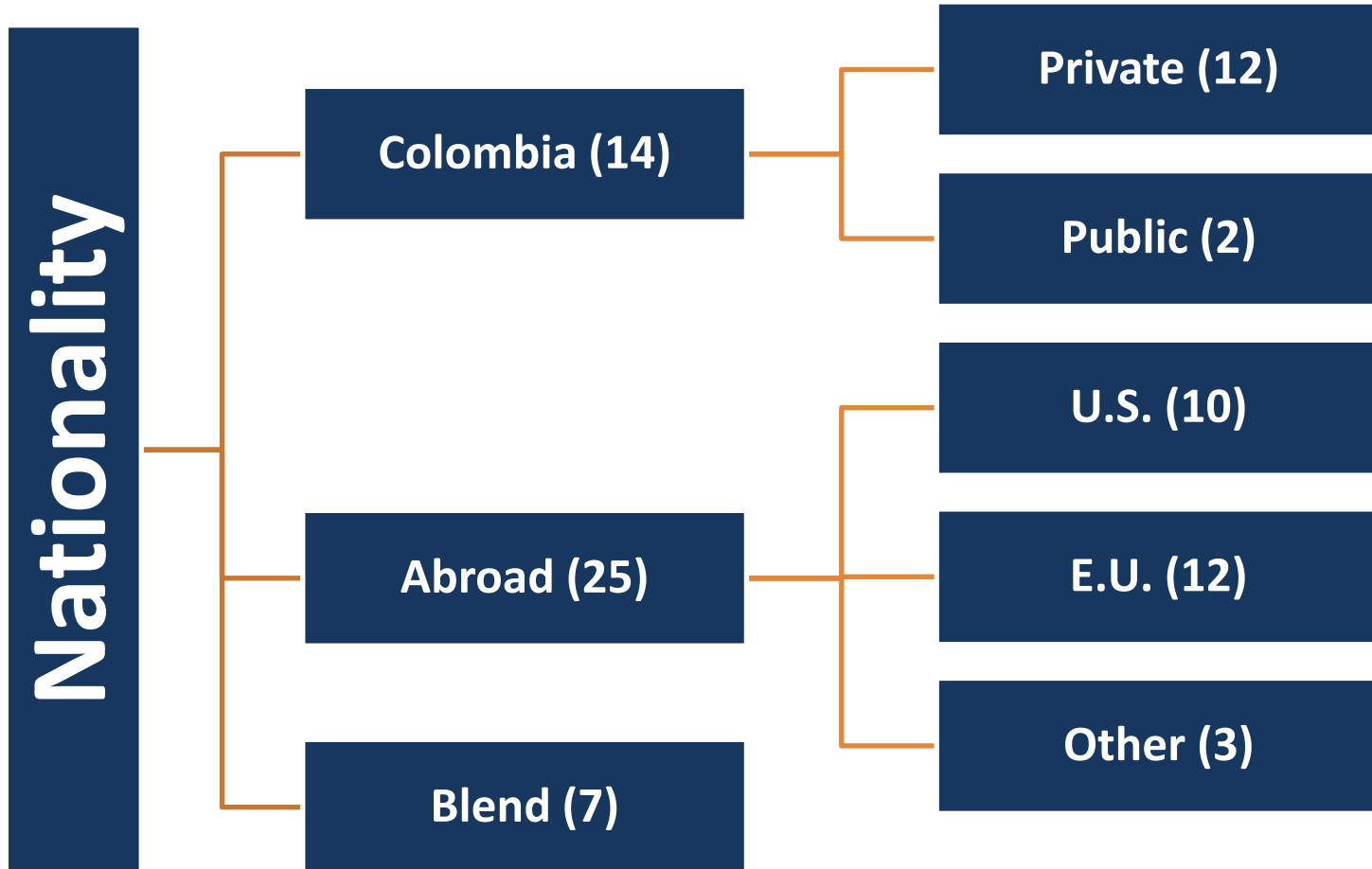


# Insurance density in Colombia

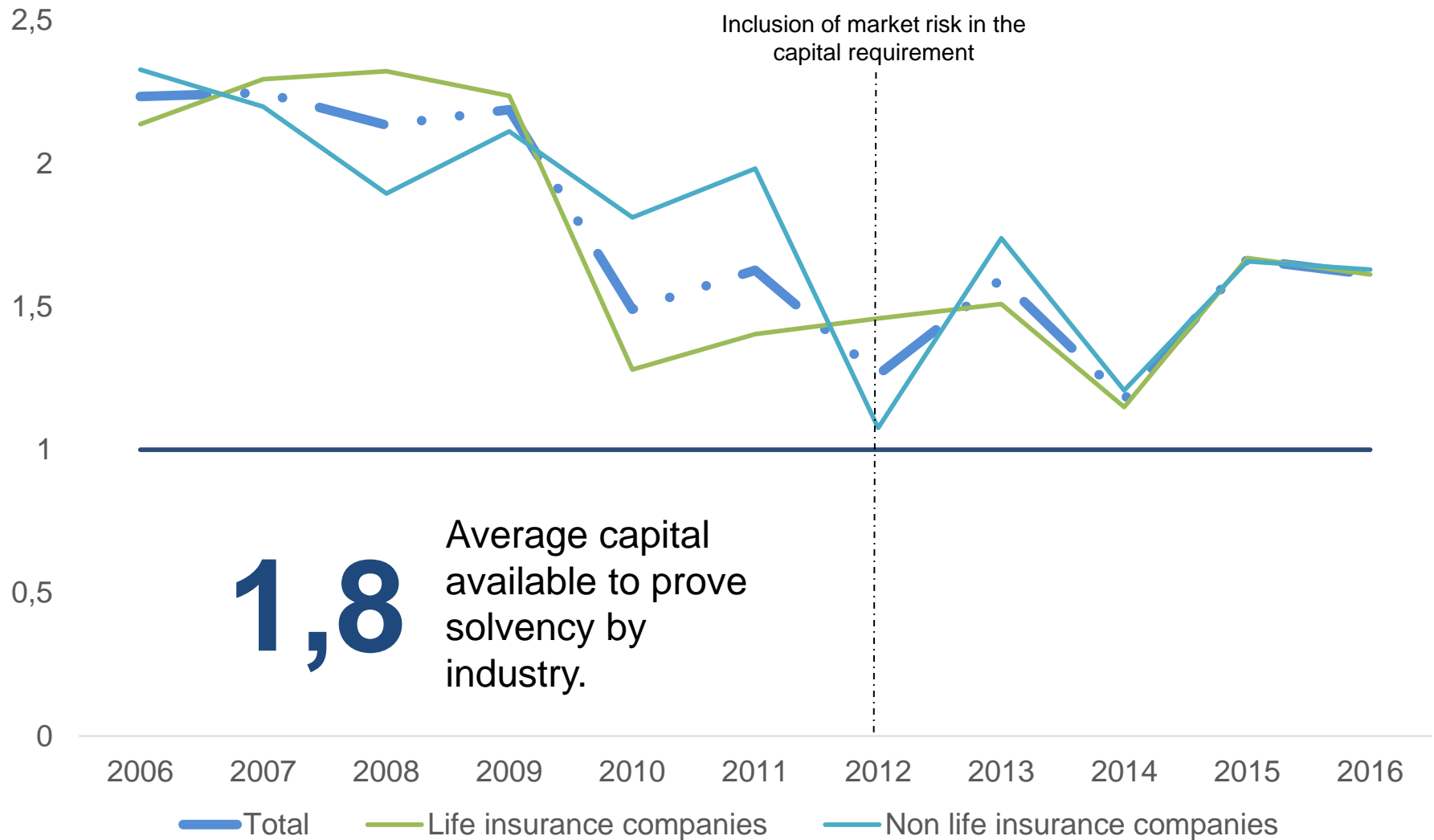
## Non-life premiums per capita. In US dollars



# Nationality of insurance companies capital in Colombia

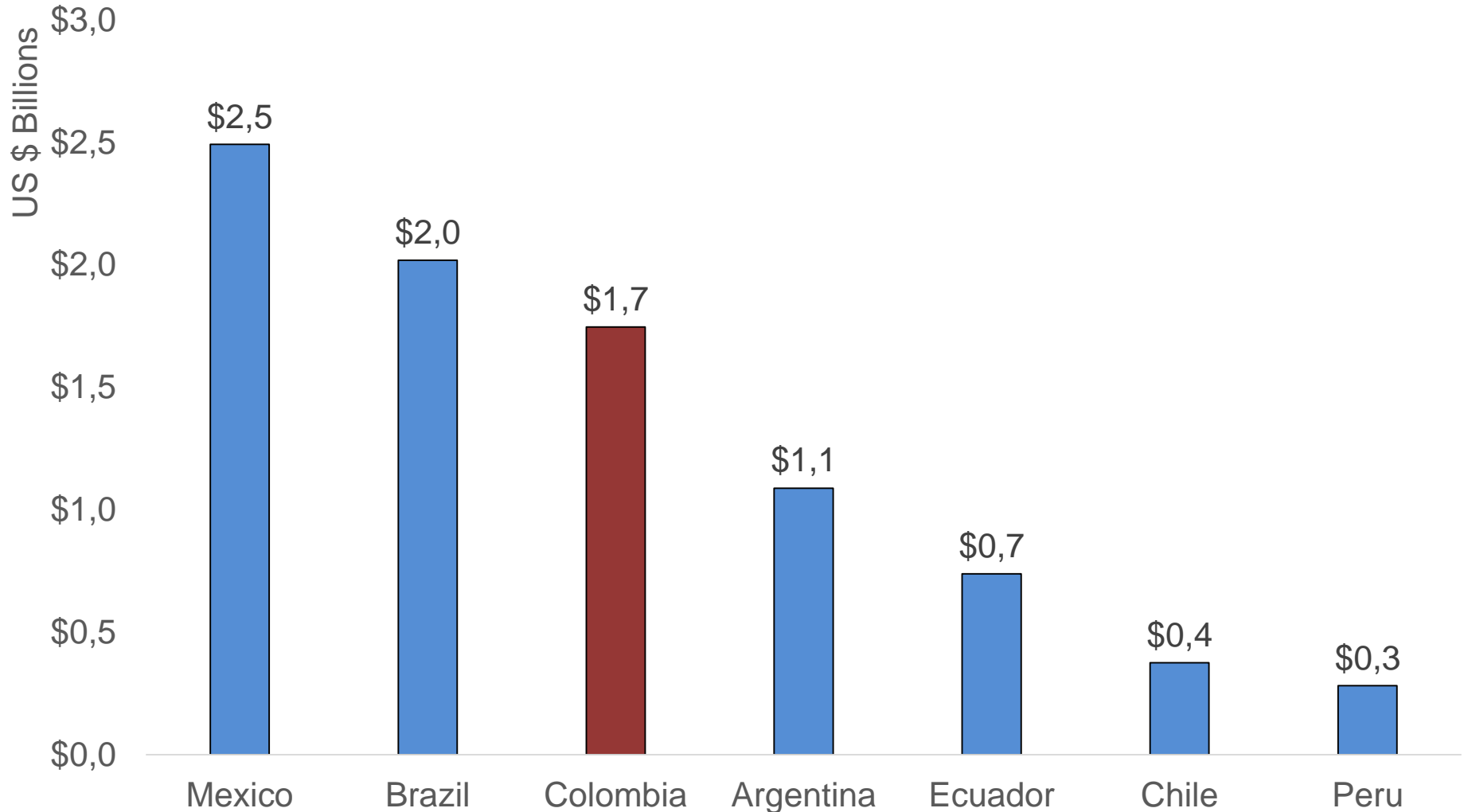


# Ratio of capital available to guarantee solvency



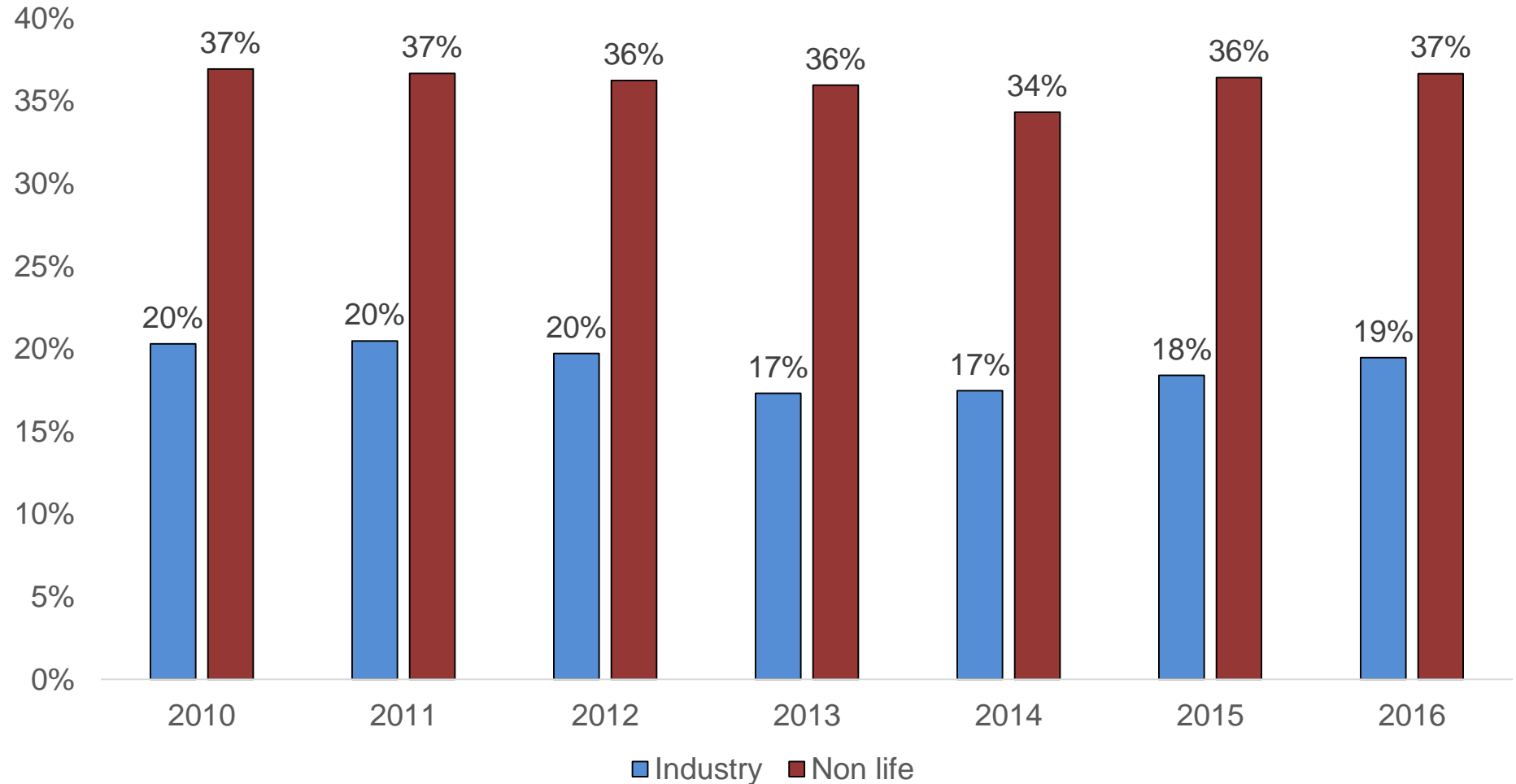
# Ceded premiums

## Ceded premiums in Latam (in US\$ billions-2015):



# Ceded premiums

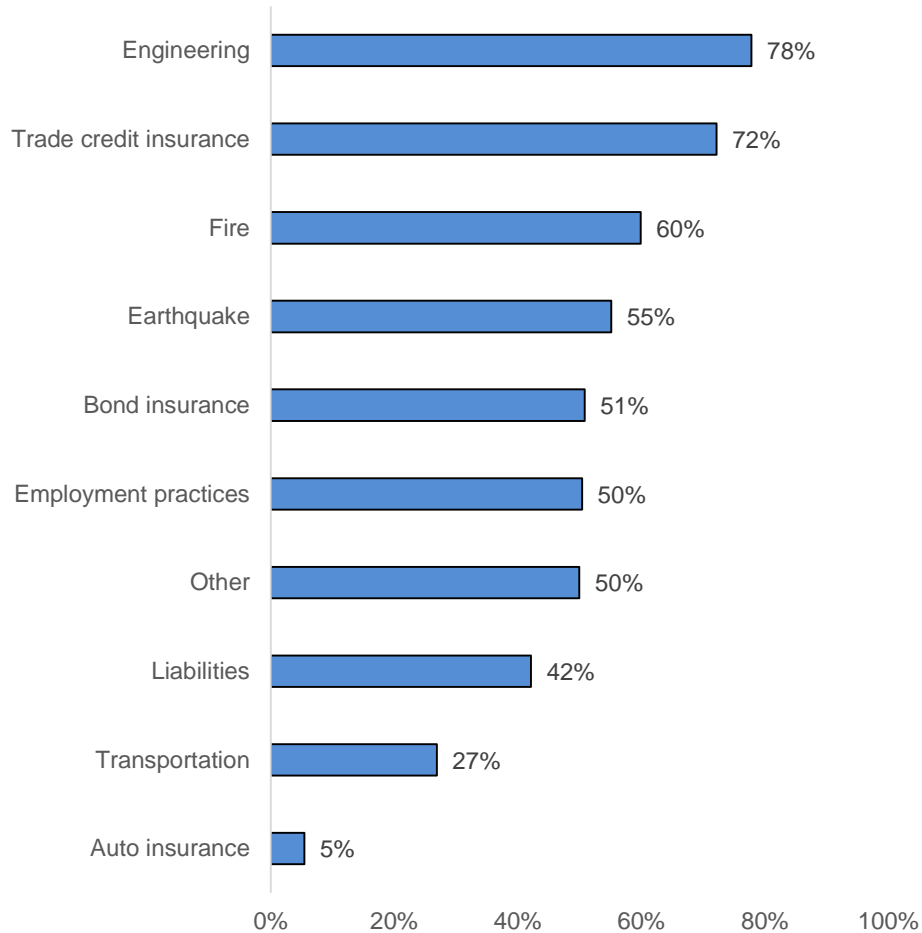
## Ceded premiums as % underwritten premiums:



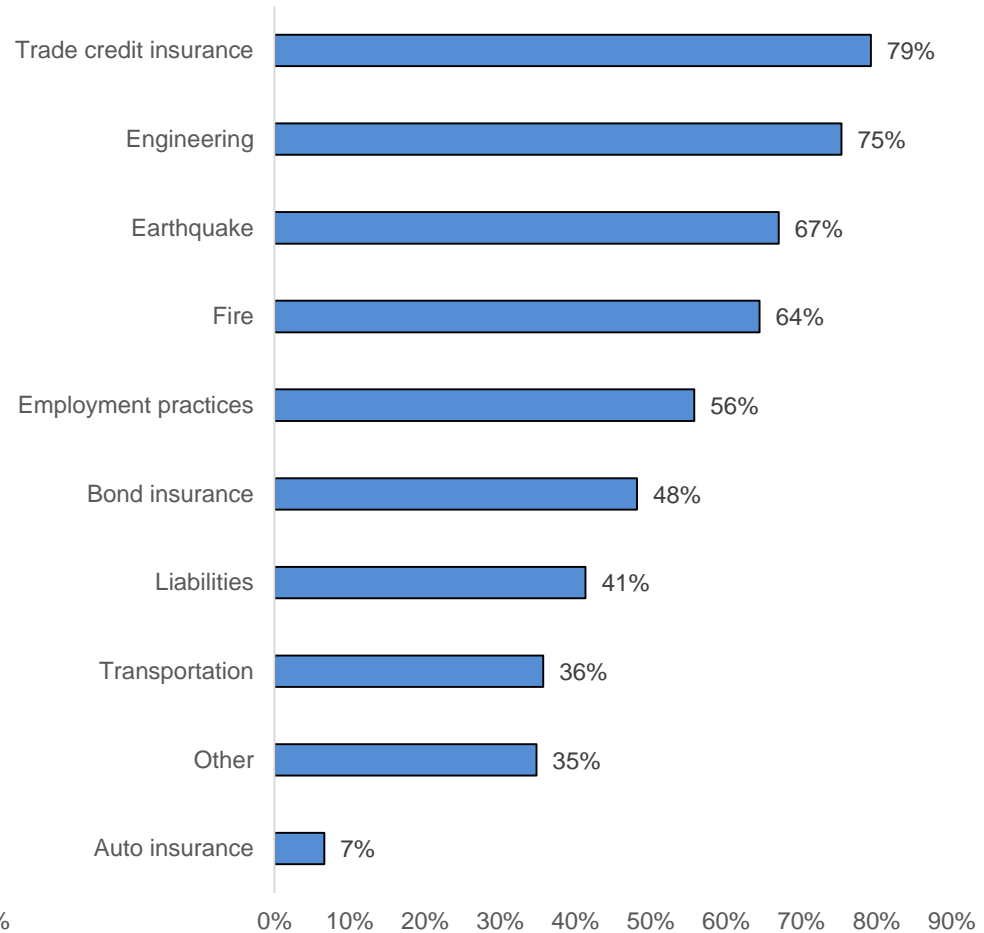
# Ceded premiums

## Ceded premiums as % underwritten premiums:

2010



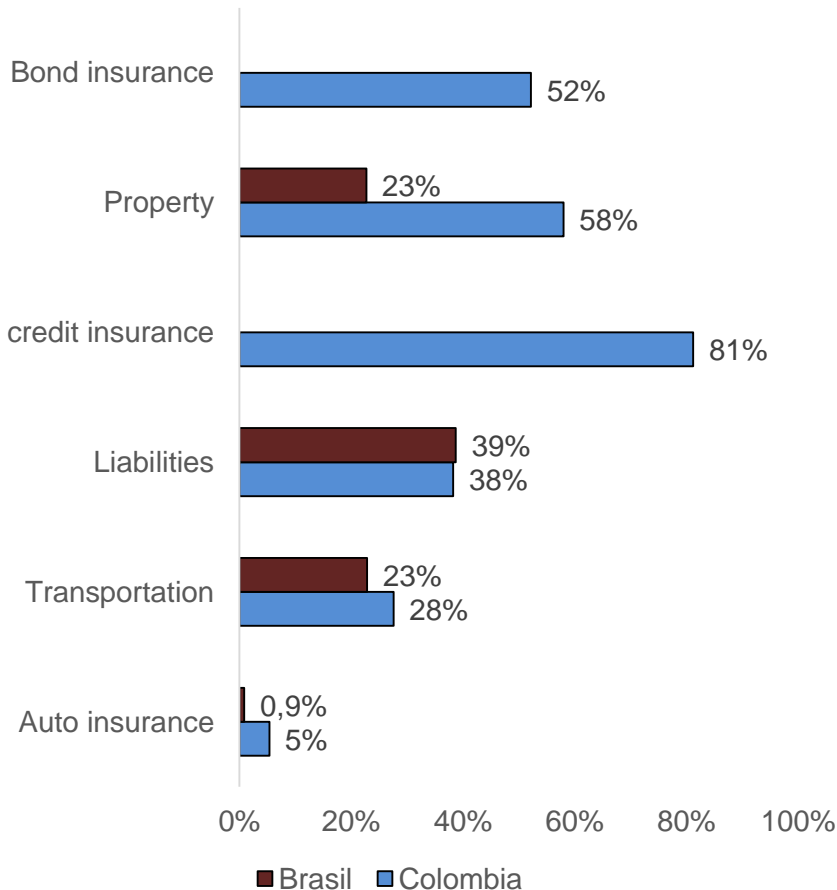
2016



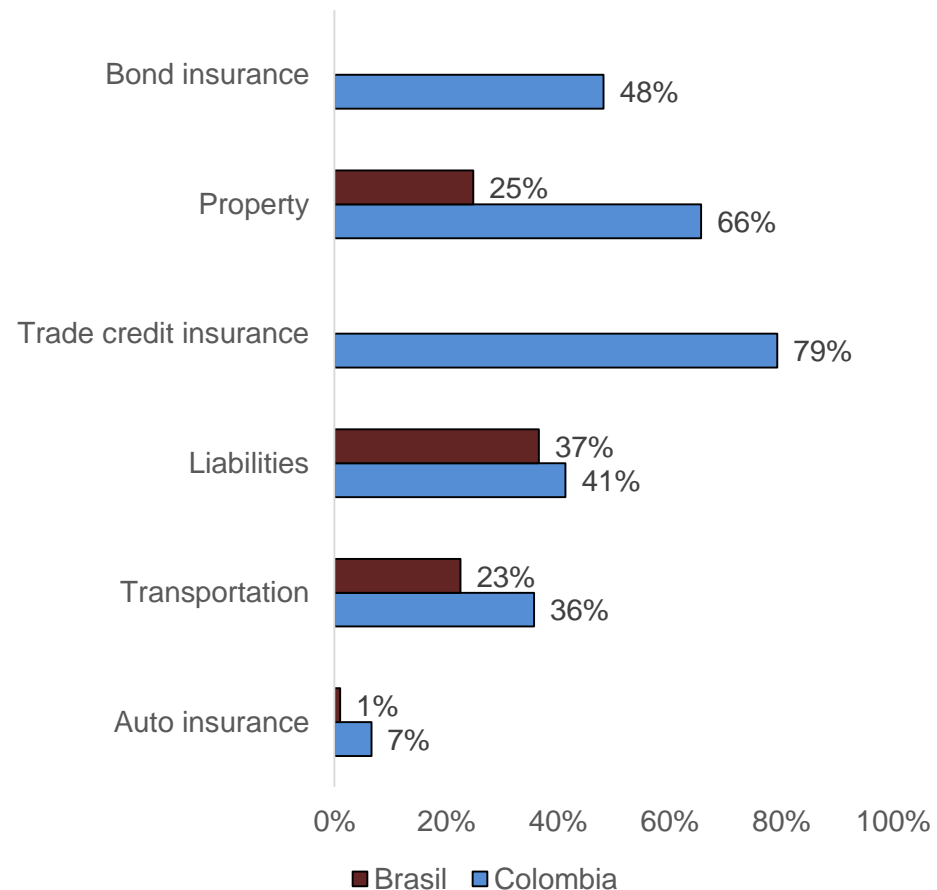
# Ceded premium: Brazil and Colombia for some non-life lines of business.

## Ceded premiums as % underwritten premiums:

2014

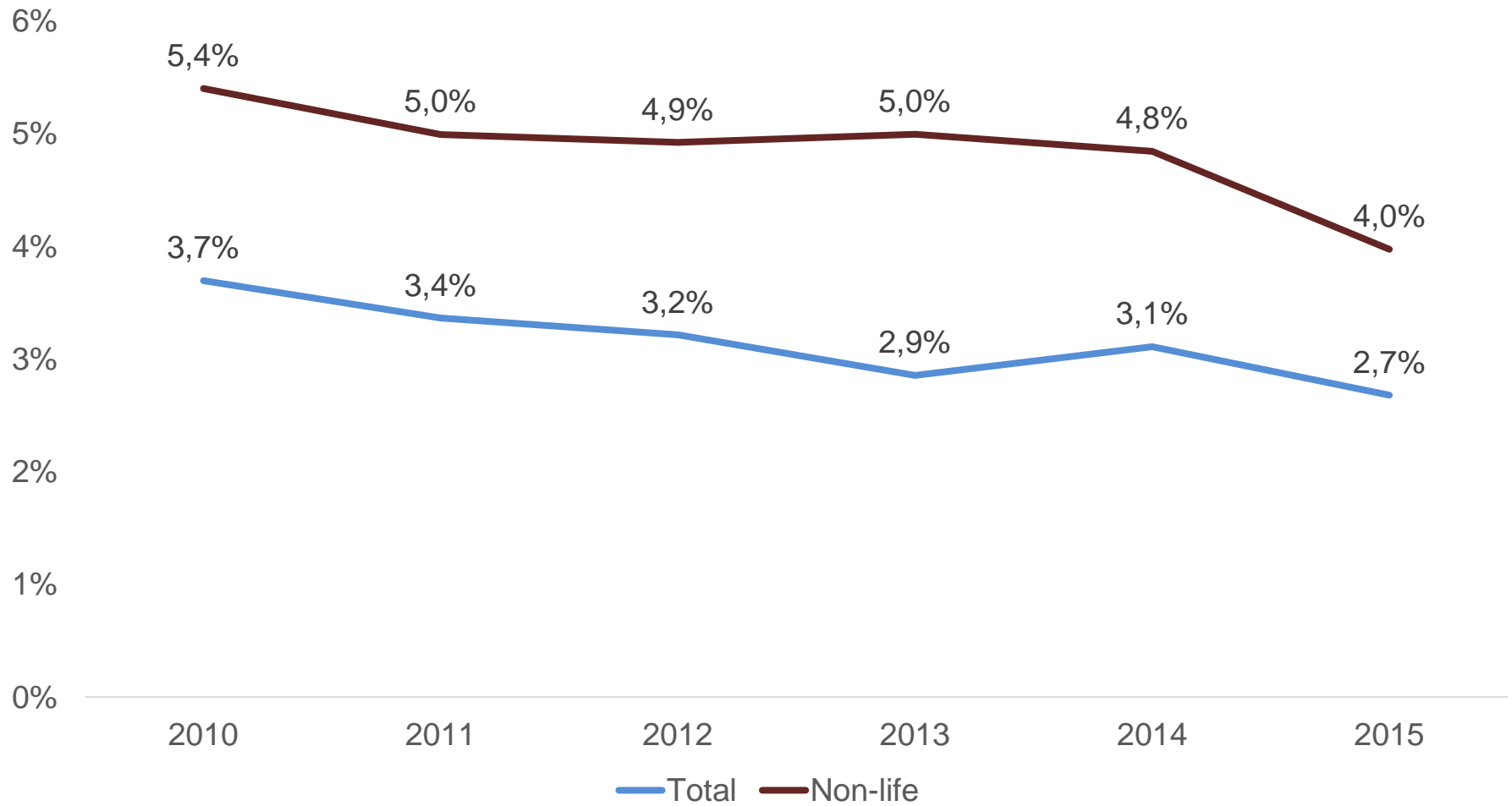


2016



# XoL reinsurance cost as percentage of premiums

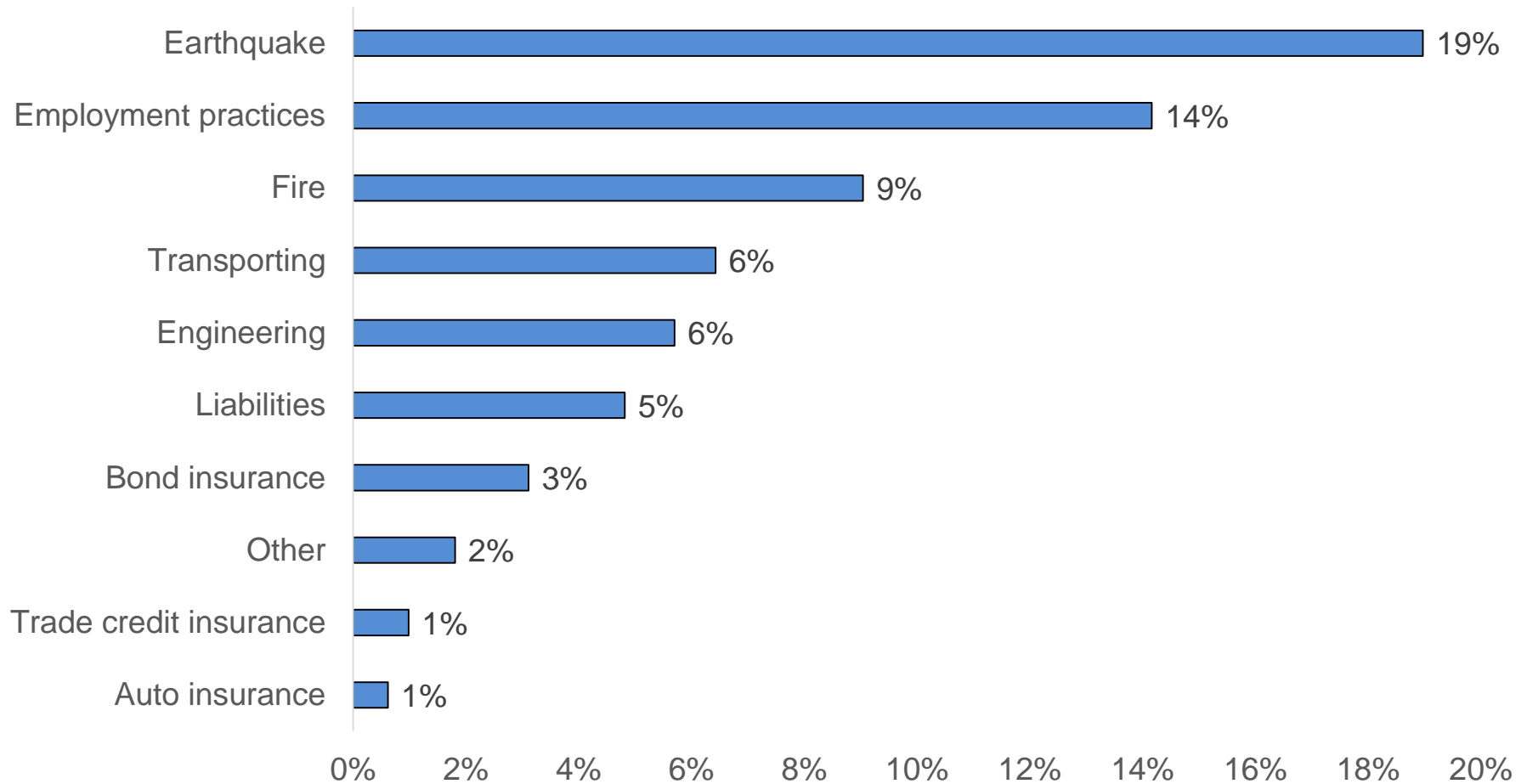
## XoL cost as % underwritten premiums



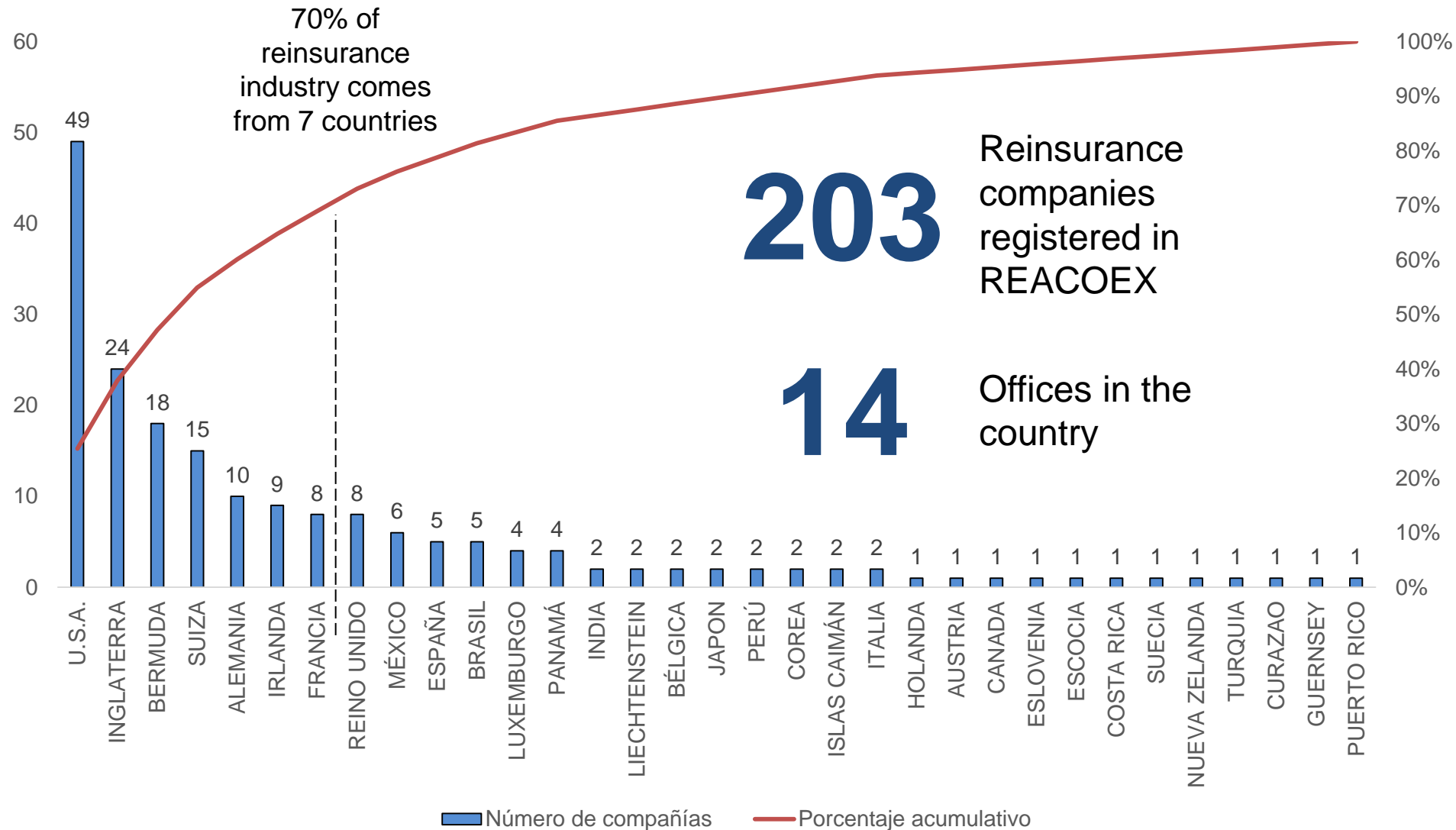


# XoL reinsurance cost as percentage of premiums

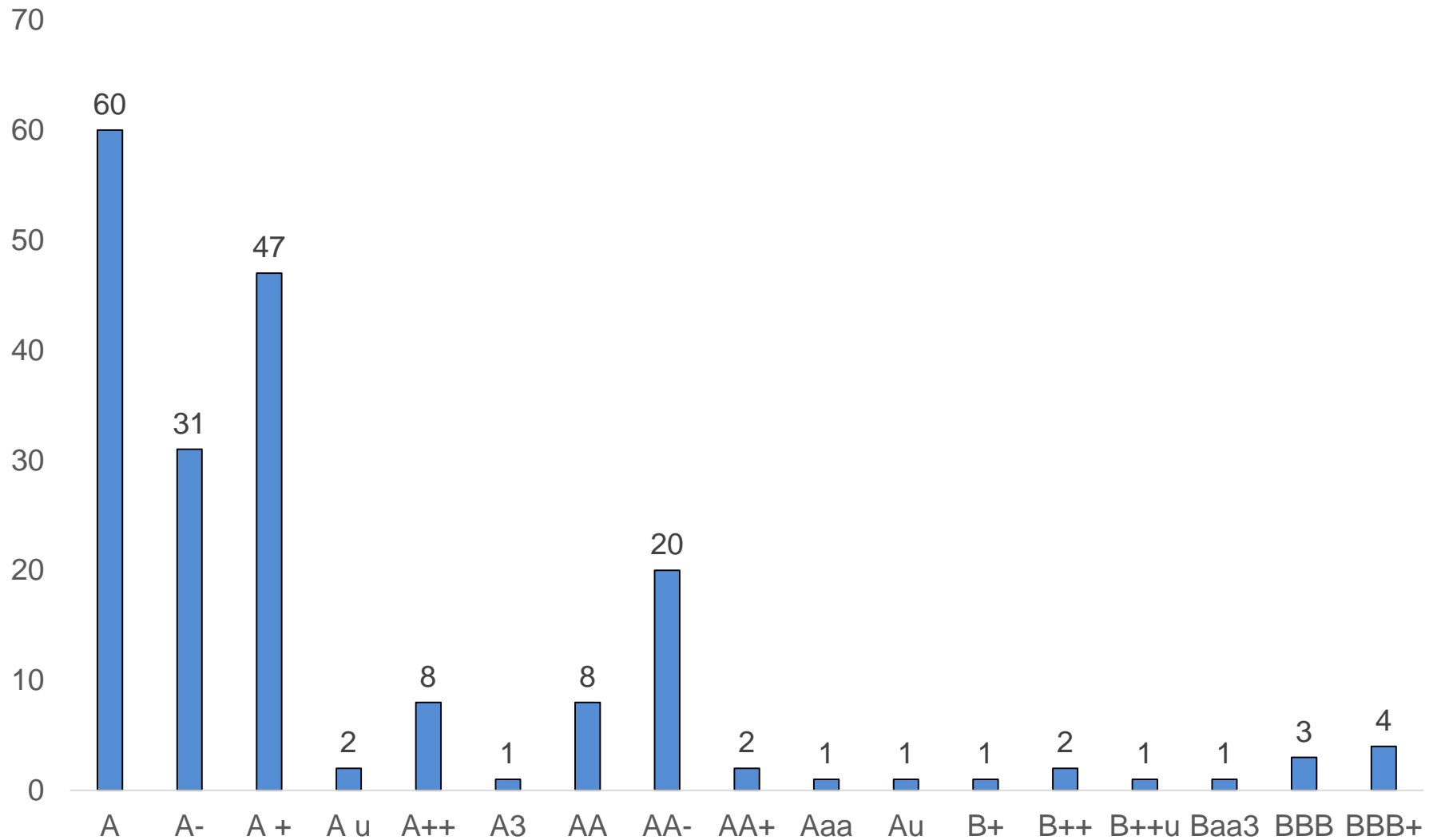
## XoL cost as % underwritten premiums:



# Reinsurance companies in Colombia



# Reinsurance companies rating

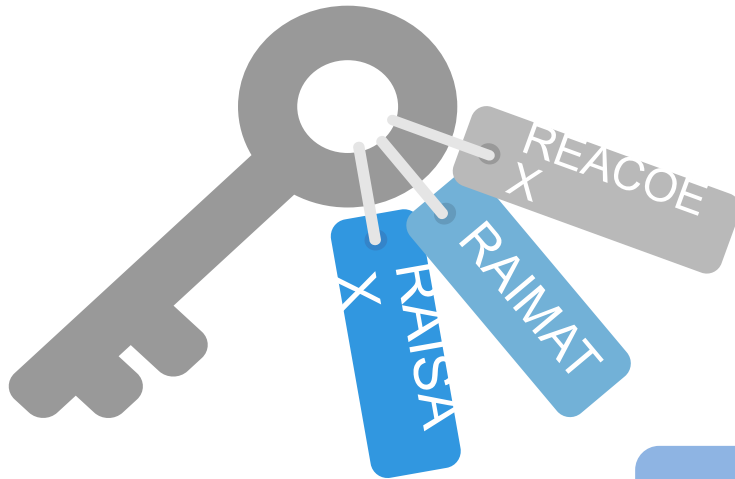


Source: Superintendencia Financiera de Colombia. Elaboración: Fasecolda.

Standard&Poor's, A.M Best, Fitch Ibc, Moodys.

# Reinsurance regulation in Colombia: Main aspects

# REACOEX, RAIMAT, RAISAX



REACOEX

It is a registry of foreign reinsurers that meet capital, solvency and qualification requirements, necessary to operate in Colombia

RAIMAT

Registration of foreign insurers that offer insurance for maritime transport, international commercial aviation and launch and space transportation.

RAISAX

Registration of foreign insurers that offer agricultural insurance.

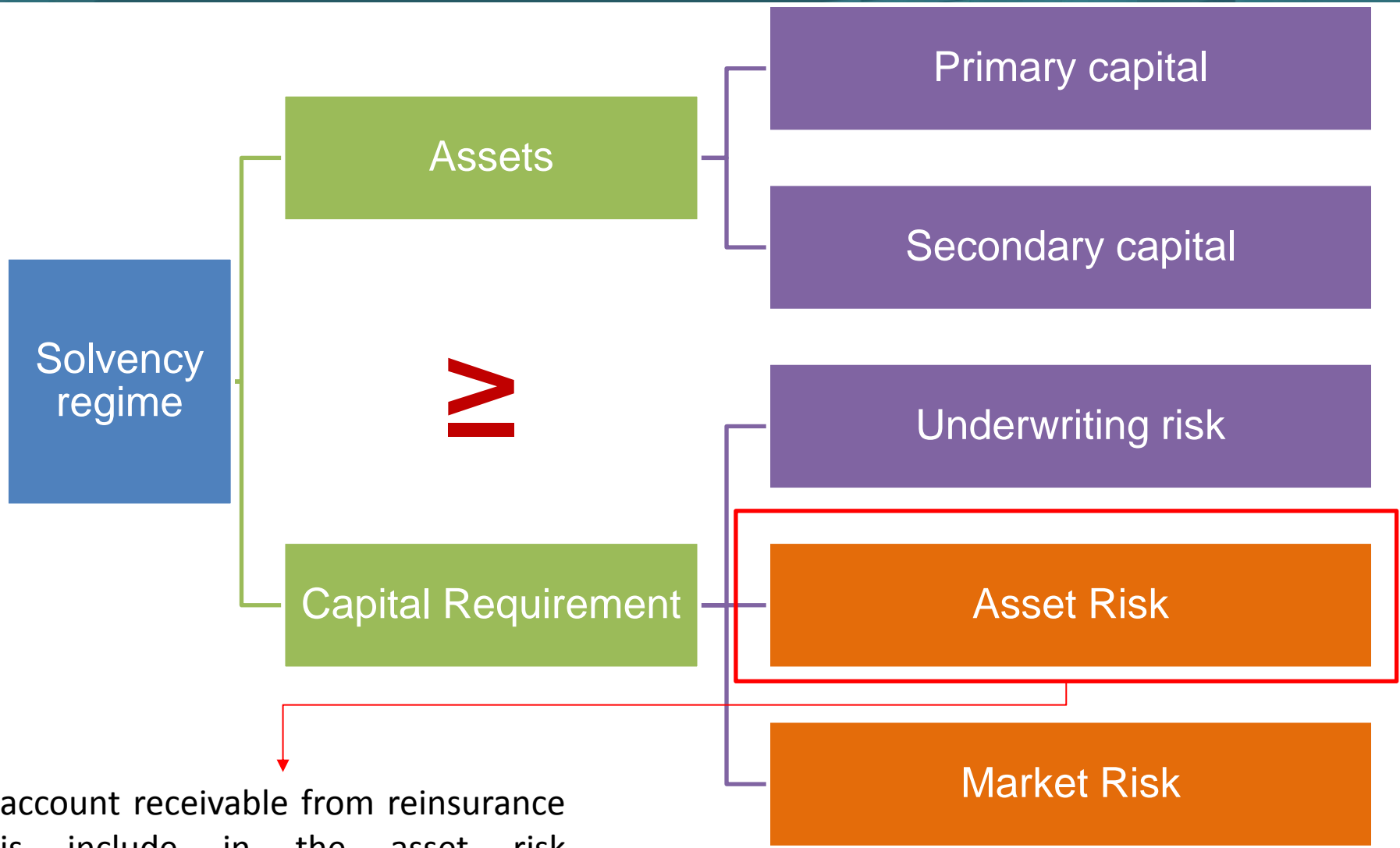
# REACOEX



Agency	Minimum Rating
Standard & Poor's	BBB-
A.M. Best	B+
Fitch	BBB-
Moody's	Baa3

**REACOEX** registry does not relieve insurers to assess its reinsurers. Insurers must evaluate its reinsurers' financial stability, the opportunity in the payment of its obligations and its knowledge of the line of business.

# IFRS, Solvency requirements and reinsurance



account receivable from reinsurance is include in the asset risk calculation.

# Insurer's board of directors and the reinsurance program



is to define, approve and follow up on the insurer risk retention policies and reinsurance contracting scheme. One of the Board of Directors responsibilities. The risk retention policies must have at least:

1. Diversification guidelines for reinsurers considered within the reinsurance program.
2. The financial ratings of the reinsurers that the insurer will accept, in force at the date of the reinsurance contract.



# Insurer's board of directors and the reinsurance program



is to define, approve and follow up on the insurer risk retention policies and reinsurance contracting scheme. One of the Board of Directors responsibilities. The risk retention policies must have at least:

3.

The variables that will be required by the insurer to evaluate the financial strength of the reinsurer, such as investment returns, level and access to capital, sources and liquidity level and its participation in total investments, Solvency, level of technical reserves and their composition.

# Insurer's board of directors and the reinsurance program



is to define, approve and follow up on the insurer risk retention policies and reinsurance contracting scheme. One of the Board of Directors responsibilities. The risk retention policies must have at least:

4. The technical criteria with which reinsurers were chosen
5. Other relevant characteristics such as the follow-up of claims, loss ratios, gross and net premiums behavior, expenses behavior, hiring criteria of reinsurance brokers, etc.

# The latest tax reform and the old retention over ceded premiums



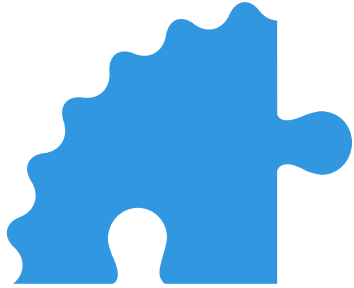
The most recent tax reform established a 1% withholding tax on premiums ceded in reinsurance.



Since 1991 insurers must retain a percentage of the ceded premiums.

# What Colombian Insurers expect from Reinsurers

# The basic qualifiers



- a. Financial strength (adequate rating, solvency, loss ratio, technical reserves, etc.)
- b. Expertise and experience in the business (in the line of business).
- c. Knowledge of the country's legal and regulatory framework. A lot of things are changing.
- d. Capacity.

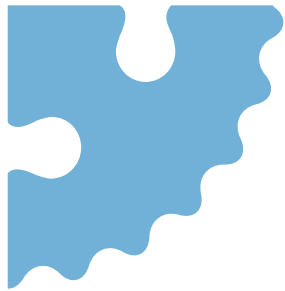
**These basic qualifiers are not enough**

# Elements that add value



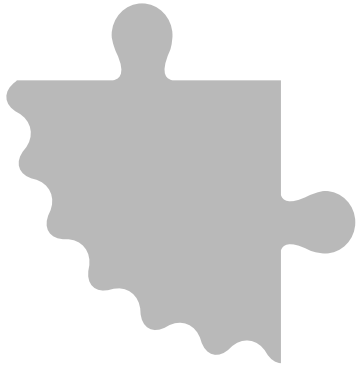
1. Know-How. Knowledge transfer for a better business performance.
2. Additional services: The reinsurer as a source of ideas to improve innovation. Its experience in other markets may help the develop local products.
3. Fast response, agile and flexible interaction.

# Partnership



- i. Building trust for a long-term relationship.
- ii. Win-Win contractual agreements.
- iii. Creating synergies to grow together.

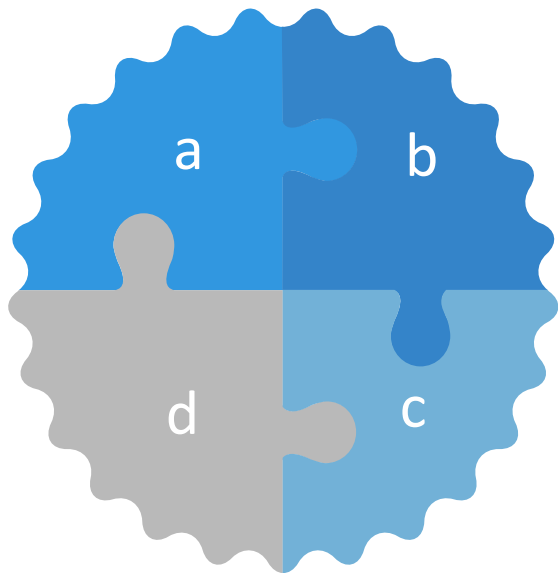
# Direct contact



1.

**Local presence.** Someone who speaks the language, understands the market and with knowledge of the local risks.





- a) Basic qualifiers
- b) Elements that add value
- c) Partnership
- d) Direct contact

# What reinsurers can expect from the Colombian insurance market

# Colombian insurance market. What to expect.

- A highly competitive market.
- A regulatory environment that has strengthened companies' equity.
- Human resource highly trained and knowledgeable about the insurance business.
- A Supervisor concern about consumer protection and taking actions with impact into the business.

# Colombian insurance market. What to expect.

- An industry with a good interaction with the Supervisor and Regulator.
- A Supervisor and regulator improving its technical skills.
- A financial market moving toward Insurtech world. Insurance can not be an exception.
- IFRS, modifications to the investment, solvency and technical reserves regimes.
- A lot of international players looking for establishing operations of Insurance and Reinsurance.

# New technical reserves regime

## Reservas Técnicas



# Final remarks

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- Colombia has been experiencing profound social, economic and political transformations.
- We believe that, despite enormous challenges, the country will be strengthened and the insurance sector will do so.
- We invite you to know our country and our economy. There are good business opportunities.