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# Press Release

## BARRIERS TO GLOBAL INSURANCE OPERATIONS IN EMERGING MARKETS

- The Geneva Association presents a detailed picture of barriers to market access for foreign insurance companies in the five biggest emerging economies: Brazil, China, India, Mexico and Russia ('BCIMR').
- Equity caps on foreign ownership, the ban on direct branching and restrictions on cross-border reinsurance are the most common barriers to market entry.
- The regulatory environment is of increasing importance as the provision of insurance services globalises and insurers are set to play a pivotal role in the BCIMR markets' sustained economic development.

**An inventory of key barriers to market entry**

The Geneva Association has commissioned a comprehensive research paper on hurdles faced by foreign insurers when entering the biggest emerging markets. The study authored by International Trade and Services Policy Advisor Julian Arkell offers a facts-based analytical study of the barriers to market access and operating constraints for foreign insurance companies in Brazil, China, India, Mexico and Russia ('BCIMR').

In 2006 these markets accounted for 5.1% and 4.7% of global non-life and life insurance premiums, respectively. This compares to a mere 2.9% and 1.2% in 1996, testifying to the dynamic insurance growth momentum of the BCIMR countries (source: Swiss Re). Against this backdrop the BCIMR markets are on the radar screen of virtually all major international insurance companies.

**Specific remaining obstacles to market access**

Brazil:

- Foreign insurance companies are not allowed to establish branch offices.
- The state monopoly over reinsurance has been dismantled but domestic reinsurers enjoy preferential access to business compared with foreign reinsurers.
- There are restrictions on MAT ("Marine Aviation Transport") insurance.
- There are limitations on the proportion of foreign workers in foreign affiliates.

China:

- There is a 50% foreign equity limit for life insurance.
- Cessions to foreign reinsurers are subject to restrictions.
- Foreign insurers are prohibited from writing "statutory" insurance, also including, for example, third party motor liability.

India:

- There is an equity cap of 26% on foreign ownership.

- Foreign suppliers are prohibited from offering life insurance, pension products and cross-border MAT (except for freight insurance).
- There is a monopoly on non-life reinsurance.

Mexico
- There is a 20% equity cap on individual foreign holdings.
- The establishment of branches and cross-border supply of insurance are prohibited.
- There are mandatory reinsurance cessions discriminating against foreign reinsurers.

Russia
- The establishment of branches is prohibited.
- The foreign equity cap is set at 25% of total investment.
- Participation in joint ventures is capped at 49% for life insurance, mandatory insurance and state procurement.

**Globalisation and economic growth: The case for state-of-the-art insurance regulation**
The integration of the BCIMR countries into the global economy has significantly accelerated since the beginning of the new millennium. Driven by domestic reforms, robust demand from industrialized countries and rising commodity prices these economies have experienced strong and stable growth.

Increasing affluence creates demand for new insurance products and innovative distribution channels. In order to meet the more sophisticated requirements of domestic policyholders, supervisory authorities in the emerging markets increasingly realign local regulations to international best practices, particularly for solvency, corporate governance and transparency. At the same time, notwithstanding the remaining barriers identified by The Geneva Association report, the trend towards liberalisation will reduce entry barriers and increase competition, with the regulators backing away from micro-management of business practices. Furthermore, the gradual privatisation of state companies and consolidation in some fragmented markets will be accompanied by higher penetration of foreign players.

Against this backdrop, a state-of-the art insurance regulatory environment in emerging markets is an indispensible prerequisite to the continued expansion and prosperity of local insurance markets and economies at large. This is particularly true for China and India where huge natural catastrophe exposures and limited insurance capacity, the deregulation of non-life insurance, pension reform and privatisation present formidable challenges to regulators. Defining the role of foreign providers and evaluating their contribution to building robust domestic insurance markets is one of the major challenges.

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**Contact**
Dr. Kai-Uwe Schanz, Senior Adviser, The Geneva Association
Tel.: +41 22 707 66 04; +41 43 388 57 68 (direct)
Email: kai-uwe_schanz@genevaassociation.org

The full report (246 pages) is available at www.genevaassociation.org.

**About The Geneva Association**
The International Association for the Study of Insurance Economics ("The Geneva Association") is a unique global organisation formed by a maximum of 80 chief executive officers (CEOs) from the world's most important insurance companies. The Geneva Association's main goal is to research the growing importance of worldwide insurance activities for economic growth and societal progress.
The Geneva Association also acts as a forum for its members, providing a worldwide unique platform for the top insurance CEOs to exchange ideas and discuss key strategic issues. It also organizes platforms for member companies' chief financial officers, chief risk officers, chief economists and chief communication officers. It is a non-profit organisation.

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