

Recent events surrounding the government reinsurance monopoly in Brazil may bring good news to international companies with exposures in Brazil. A statement issued by the new board of the *IRB-Brasil Resseguros SA* indicates for the first time a movement toward more open policies regarding international reinsurance and reinsurance brokers.

The new board was elected following the dismissal of the IRB's president and directors under allegations of corruption, which were part of a broader series of recent scandals that reached many places in Brazil.

Key Changes

Clients are now officially allowed to obtain quotations in the international markets for facultative business when limits sought exceed the IRB's US\$200 million treaty capacity for property damage and business interruption. This means that large companies with significant exposures in Brazil will be able to use the local expertise and global resources of a global insurance broker to obtain reinsurance quotes in excess of US\$200 million in the international markets and offer this capacity to the IRB. The monopolist reinsurer will retain the risk for the US\$200 million portion within their reinsurance treaty, and will allow the excess to be reinsured outside of Brazil. This would apply to single project business, captive business and controlled master programs written outside of Brazil.

Another key change is that the IRB will allow the use of a broker for an international placement if this is deemed economically advantageous to the client. In multinational

programs for large operations in Brazil, the IRB will allow the use of a global policy as reinsurance, provided the arrangement complies with IRB security guidelines.

Given the current atmosphere in Brazil, further changes may be in store. The eventual opening of the market and privatization of the IRB has long been rumored. Does the board's statement represent a move in that direction? As always, we will try to keep you up-to-date through our *Alert* series.

A translated copy of *Circular Presi-011/2005* dated June 27, 2005 is available upon request.

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