

Following a rule change that should improve local marketplace conditions for Directors & Officers (D&O) coverage, Brazil now allows local insurers to negotiate their own D&O treaty reinsurance with international markets. Multinational insurers with a large D&O operation outside of Brazil can now have their own international operations back up risks placed in Brazil.

D&O reinsurance arrangements are still subject to the approval of the Brazilian insurance authority (*Brasil Resseguros SA*, or IRB), according to the IRB ruling that went into effect July 1, 2006. The IRB will still have the prerogative of accepting or rejecting reinsurance contracts based on their security guidelines and they will be free to participate in the individual contracts agreed by each company. Their retention, however, should be reduced to approximately 20 percent of the contracts and limited to USD 5 million per risk.

Insurance companies that do not have an international reinsurance arm will be able to enter the reinsurance market, either through their own reinsurance treaty, or by negotiating case-by-case facultative reinsurance.

We expect this change to open the way for:

- Customization in policy wording
- Lower premium costs for global D&O programs
- Greater competition among local carriers
- More insurer interest in the Brazilian D&O market

### Ongoing Policy Shifts

The IRB has been changing reinsurance regulations over the past two years, and the marketplace has continued to adapt (as reported in *International Alerts* in January 2006, December 2005, July 2005 and February 2005). For example, there was a significant increase in the demand for local D&O policies after the 2004 change in the local civil code that encouraged placement of local admitted policies.

Adjustments in 2005 increased flexibility in the reinsurance model, but carriers in the local market writing D&O policies were still obliged to reinsure their policies with the IRB and consequently with IRB's treaty reinsurer. As a result, the local insurers were forced to adhere to their ratings and policy wordings. The recent changes are likely to be the most welcome to date – though the IRB may produce yet more adjustments in the future.



For additional information, contact your local Willis office or **Anthony Harvey** or **Glaucia A. Diogo de Faria** of the International Practice at:

Willis Corretores de Seguros Ltda  
Rua Alexandre Dumas 2100  
4º Andar  
Chácara Santo Antonio  
CEP 04717-004  
São Paulo, Brazil  
Tel: 55 11 2161 6010  
Fax: 55 11 5181 9377  
harveyaw@willis.com  
diogodefariaga@willis.com