

Country Analysis Report 2012– Brazil

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
BRAZIL	<p>The results of 2012 for Engineering Insurance Market in Brazil were a great negative shock for the sector. While the specialists were expecting a growth comparing with 2011, the market registered a decrease of 28%. This could be explained not only by the two massive earned premium in 2011 with HEPP Belo Monte (BRL 200mio) and TPP Angra III (BRL 167mio), but also by the increase of the local competition between the insurers, resulting in the decrease of the premium rates. Between 2007 and 2012, 56 new insurers started in the country and the rates today are approximately 30% of those registered 10 years ago.</p>	<p>In the year of 2012, comparing with 2011, there was a considerable decrease in the Total Claims registered by Allianz while the market presented a little increase of 6%. The Retained Claims in Allianz reduced even more, by a representative value of BRL 329.283.</p>	<p>Brazilian Market is suffering an insurance market boom since it could recover itself from the last crisis in 2009. The upcoming big events as The World Cup next year and the Olympics on 2016 brought high development for the country. The market situation is softer than ever with higher competition and lower rates.</p> <p>Facing this scenario, the companies have to harden their Underwriting power and make the processes faster in order to win the race and still be profitable.</p>	<p>Brazil's growth should accelerate 3.4% in 2013 and 3.8% in 2014 from only 0.9% last year. Those numbers were caused by the global crisis and the country's inflation. The government has announced some positive measures to try to rebalance Brazil's growth model, (such as the concession of infrastructure projects to the private sector, the reduction of energy costs and some tax cuts), but they have been insufficient so far.</p> <p>Brazil's economy outweighs that of all other South American countries, and its expanding its presence in world markets. In 2011 Brazil surpassed the UK and became the sixth biggest economy in the world. Brazil might not be in the best moment but there are various projects and works planned for the upcoming year:</p> <ul style="list-style-type: none"> - R\$ 2,8 billion is planned for 23 gas works. - R\$ 245 billion predicted for oil and gas. - 26,800 megawatts of power generation works. - 70% of the expansion of electrical transmission. - R\$3,9 billion required for the stadium until 2014. - R\$ 6,6 billion for the works for the water supply. - R\$ 1,2 billion for the Canal do Sertão Alagoano. - R\$ 6,8 billions planned for airports (2012 to 2014). - R\$ 9,4 billion were added to the high speed train. - R\$ 40 billion will be invested in subways up to 2016. - R\$ 5,6billion is the budget for road projects etc.

Notes:

Allianz and Market figures were drawn from the SUSEP website (www.susep.gov.br) and are only for Engineering Insurance in Brazil, excluding Machinery Breakdown, that is considered here as Property Insurance.

Most of Background information was obtained in FENASEG website (www.fenaseg.org.br).