

# Agricultural Reinsurance in Latin America Actual Situation & Outlook

4<sup>th</sup> Reinsurance Congress – Rio de Janeiro (Brazil)  
April 2015



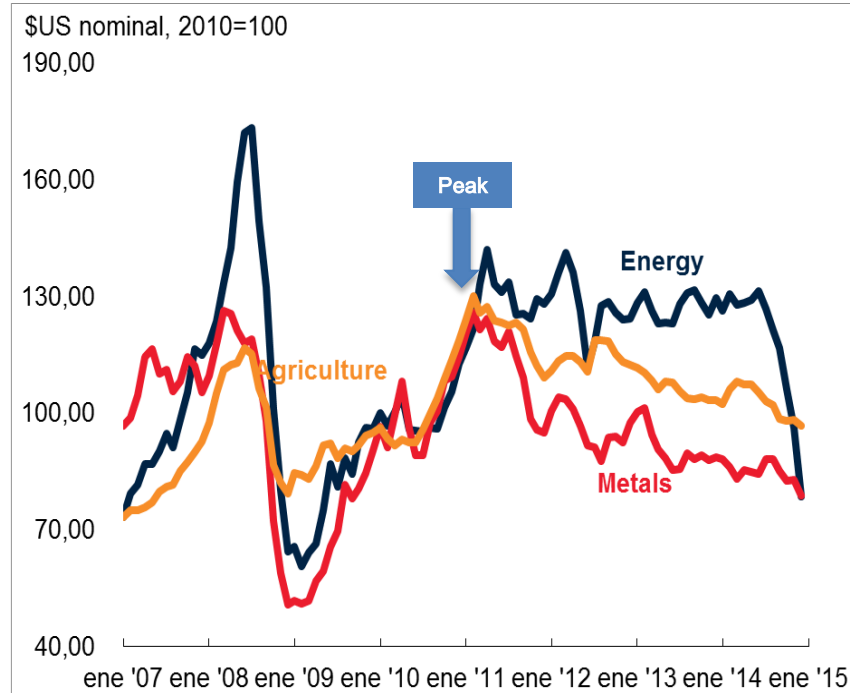
# AGENDA

- Commodity Price & Food Consumption – Context
  
- Worldwide Agriculture Reinsurance Map
  
- Agricultural Insurance in Latin American Region – General Aspects
  
- Reinsurance Market in Latin American Region – Reinsurer Vision
  - North Region
  - Andean Region
  - South Region
  
- Opportunities & Challenges



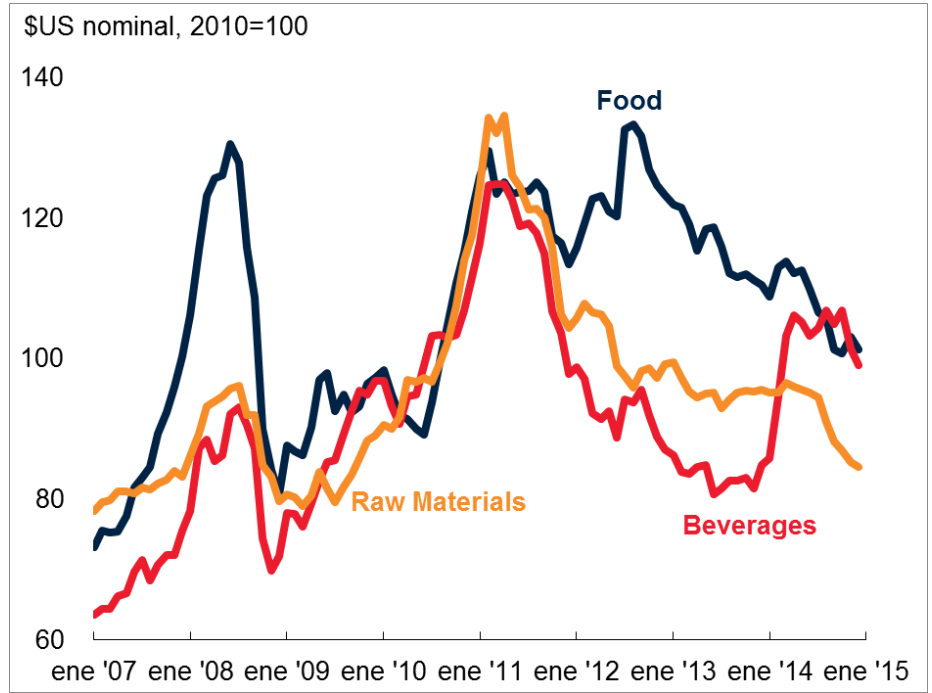
# Commodity Price and Food Consumption - Context

### Commodity Price Indices



Source: World Bank (January 2015)

### Agriculture Price Indices



Source: World Bank (January 2015)

### Actual Ag Prices

- 20% 2015/2011
- 2% 2015/2010

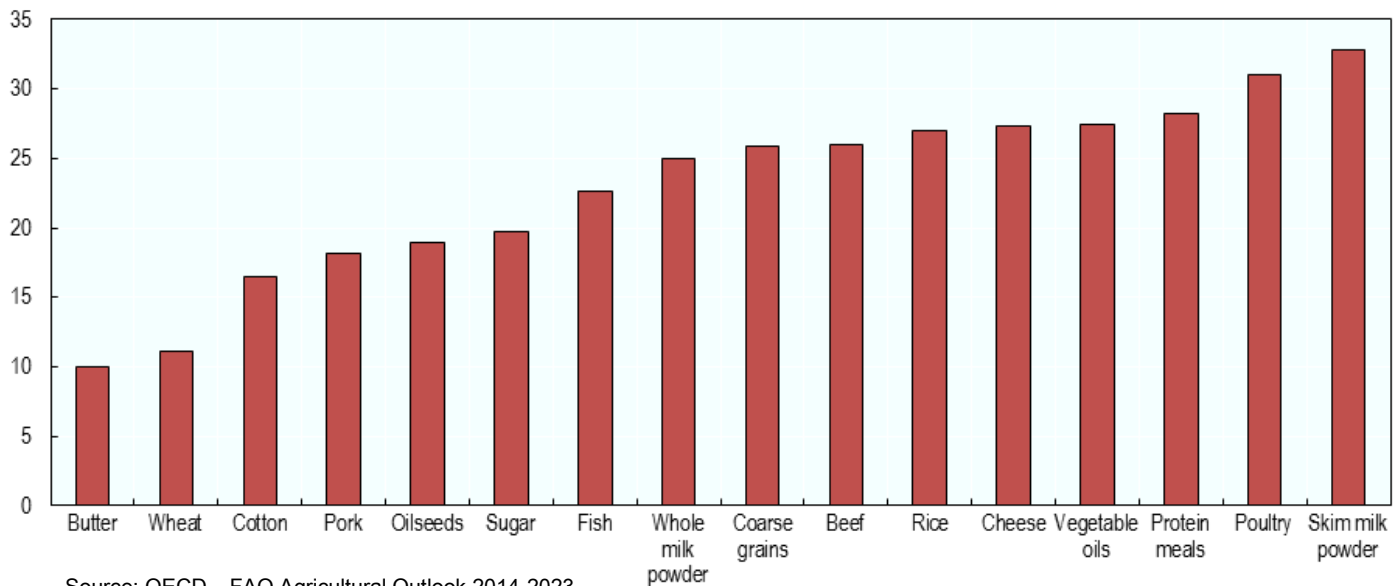
### Forecast Ag Prices – Year 2025

Stabilized at levels slightly higher than 2010 but significantly bellow than 2011



# Commodity Price and Food Consumption - Context

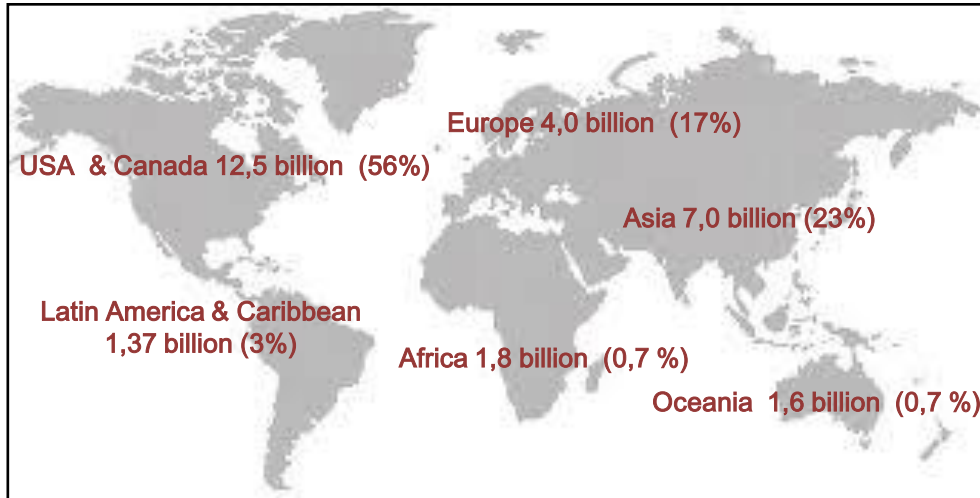
Growth in commodity trade in 2023 relative to 2011-2013 period



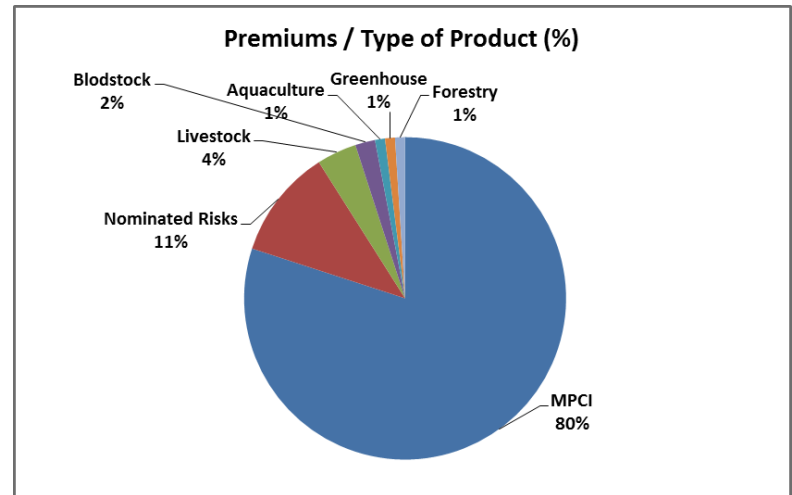
- **World Trend Food Consumption:** Proteins (meat, fish, dairy), Fats (vegetable oils, butter) and Sugar.
- **Additional Crops & Livestock Production:** Developing countries.



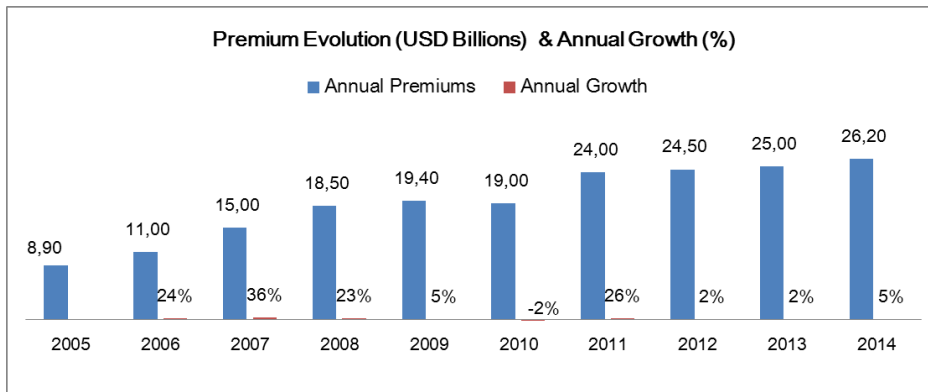
# Agricultural Insurance Market – Worldwide Map



Source: ALASA (2015)



Source: FAO (2012)



Source: ALASA (2015)

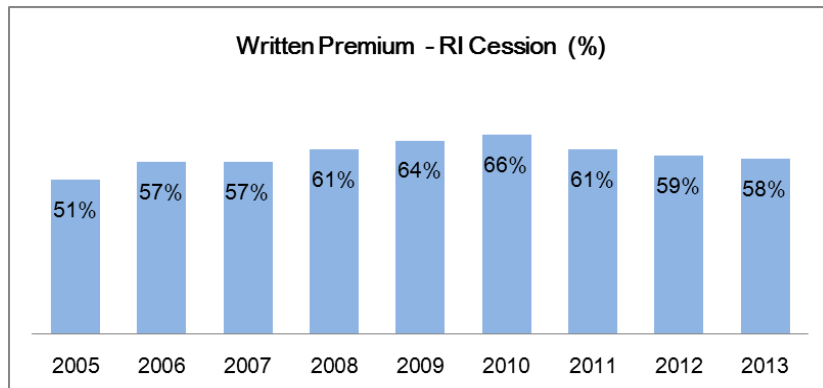
- WP 2005: USD 8,9 billions
- WP 2014: USD 26 billions
- AAG 2005 - 2011: 20%
- AAG Emerging Mkts (BRIC+SA) 2005-2011: 30%
- AAG (India & China) 2005-2011: 62%



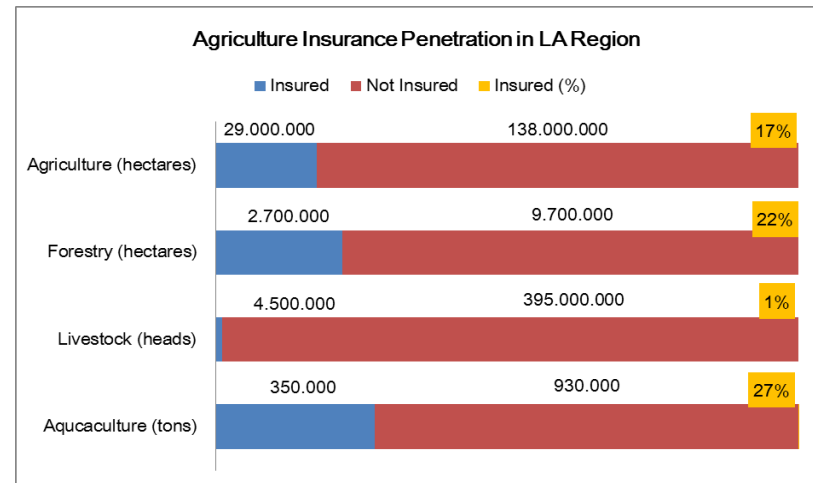
# Agricultural Insurance in LA Region – General Aspects



- **Countries:** 18 offering ag insurance / Aprox. 80 insurers.
- **Total Premiums 2014:** USD 1,37 billions.
- **Penetration:** Heterogeneous (1% - 65% insured/total planted area).
- **Scheme:** PPP trend in region.
- **Subsidies:** NS - 100% programs CAT.
- **Products:** Agriculture MPCl (47%), Nominated Perils (30%)  
CAT Programs (15%)  
Livestock (2,5%)  
Aquaculture (3%)  
Forestry (2,5%).
- **Market Concentration:** 90% (Arg-Bra-Uru).

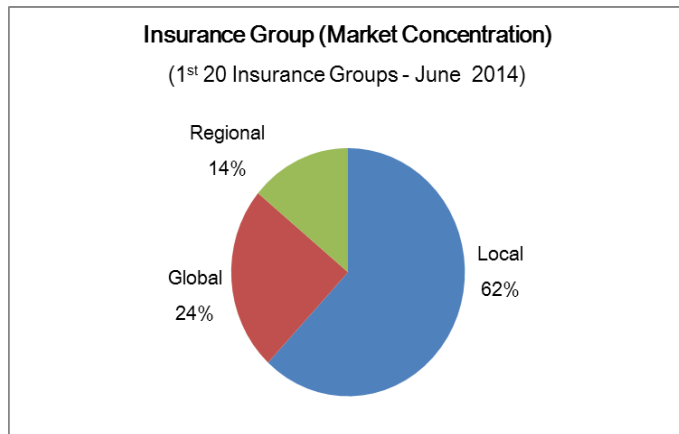
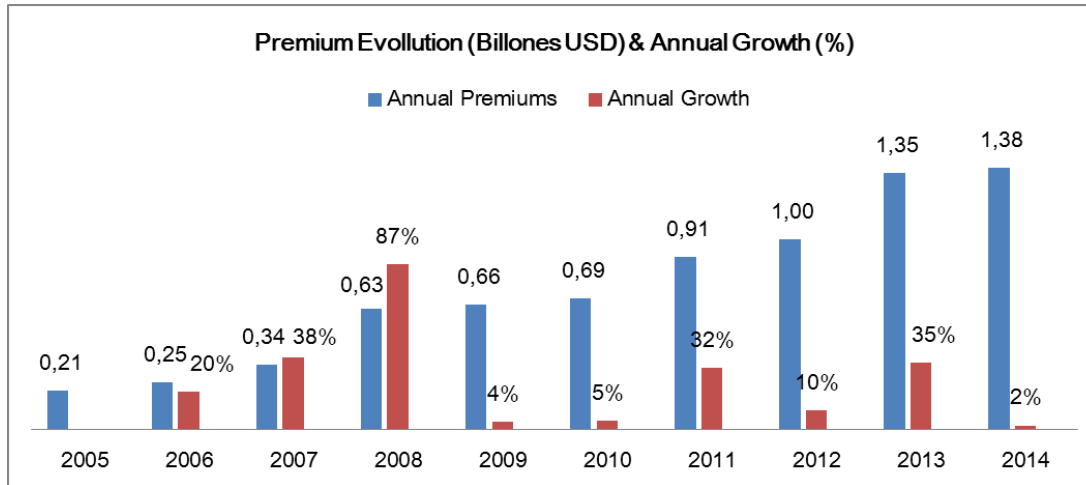


Source: Latino Insurance (February 2015)

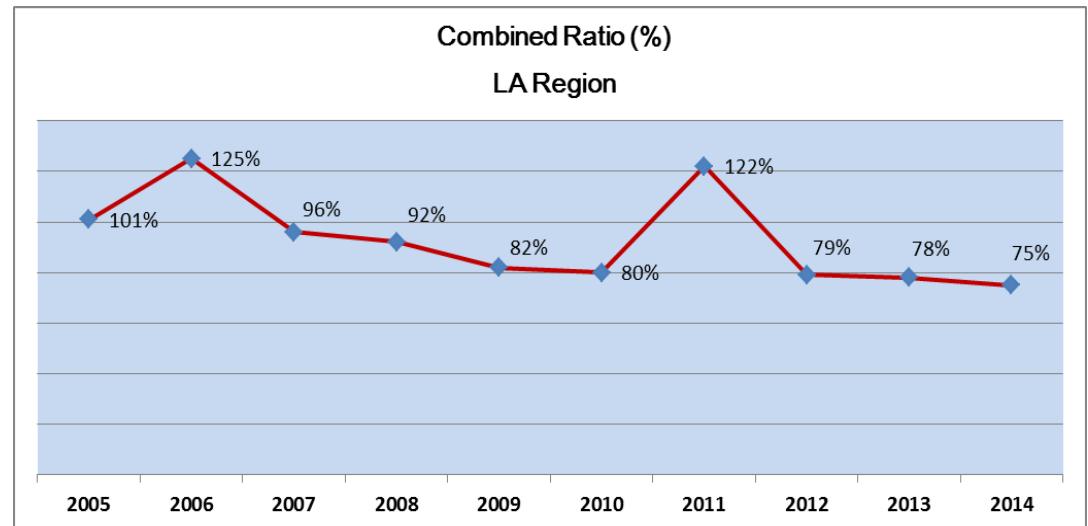


Source: CEPAL, FAO, IICA, United Nations: 'Outlook for Agriculture and Rural Development in the Americas and the Caribbean' (2009)

# Agricultural Insurance in LA Region – General Aspects



Source: Latino Insurance ( February 2015)



Source: Latino Insurance ( February 2015)



# Agricultural Reinsurance Market in LA – Vision

## NORTH REGION

### México

#### Actual

- CAT Programs (Agriculture & Livestock) – Mature Phase.
- Commercial Insurance – Active Growth Phase (up to 2014).
- New Insurance Players.

#### Outlook

- **Budget 2015 – Ag Insurance Subsidies:** Decrease.
- **Government Policy:** Subsidies as ‘Agricultural Policy’.
- **Insurance Market:** Growth Uncertainty (Commercial, Funds perspective?).
- **Reinsurance Market:** Overcapacity (soft market).





# Agricultural Reinsurance Market in LA – Vision

## ANDEAN REGION

Bolivia - Colombia – Ecuador - Peru - Venezuela

### Actual

- **Colombia/Ecuador:** Commercial Market – Active Growth Phase.
- **Peru:** CAT Programs Plateau – Commercial Slow Growth Phase
- **Bolivia:** Slow Growth Phase.

### Outlook

- **Insurers:** New players (Colombia).
- **Government Policy:** Subsidies as ‘Agricultural Policy’ (Colombia).
- **Insurance Market:** Growth potential for Agriculture Insurance.
- **Reinsurance Market:** Overcapacity? / Market develop opportunity.



# Agricultural Reinsurance Market in LA – Vision

## SOUTH REGION

Argentina – Brasil – Chile - Paraguay - Uruguay

### Actual

- **Argentina/Uruguay:** Focus Market ‘Hail and Additional Perils’ – Plateau.
- **Brazil/Chile/Paraguay:** Focus Market ‘MPCI’ – Steadily Growth Phase.
- **Argentina:** From 2008 new regulatory RI framework (transaction costs increase).

### Outlook

- **Institutional Framework:** CAT Fund regulation? (Brasil).
- **Government Policy:** Chile and Brazil subsidies as ‘Agricultural Policy’.
- **Insurance Market:** Argentina - strong rate competition.
- **Reinsurance Market:** Overcapacity (Entry Barrier?) and Opportunity.



# Opportunities & Challenges



## Opportunities

**Context:** Price Volatility, Increase Food Demand & Production, Climate Change, Population & Income Growth

**Growth Potential – Gap:** Development conditions for Ag Insurance in LA region

**Agro Business ‘Chain Solution’:** Tailor - Made / Sophisticated program (Index, IP)

**Region Export:** Americas strengthen dominant position for most products - ‘Surplus Region of the World’ (\*)

(\*) OECD – FAO Agricultural Outlook 2014-2023

# Opportunities & Challenges

*Some Key Growth Drivers*



## Challenges

**Institutional Framework:** PPP (Roles Definition & Coordination)

**Government Policy:** Subsidy Increase and sustainability

**Information Access:** Consistency

**Insurers:** Specialized Structures (New) & Expanding Regional Operations

**Reinsurers:** Management Cycle (Improve Margins – Stability)

**Brokers (RI/Retail):** New markets penetration

**Product :** Client Segmentation - Financial Institutions Focus





*“There’s no single insurance solution. The industry challenge is to interpret holistically the dynamic needs of their markets”*

Thanks

