

Lloyd's sets its cap at reinsurance market in Brazil

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Lloyd's of London is to expand into Brazil, one of the world's fastest-growing economies.

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Lord Levene, the chairman of Lloyd's, will visit the country at the beginning of next month to push ahead with the plan to establish a business there. Lloyd's is focusing on Brazil because the country has a low-risk profile compared with areas such as the hurricane-prone Gulf of Mexico, the company said.

advertisement Lloyd's, the world's largest insurance market, has applied for "admitted reinsurer status" in Brazil, which would allow it to underwrite the insurance that insurers themselves buy to cover losses.

Brazil has traditionally had a closed insurance sector, run by a state monopoly called the Brazilian Reinsurance Institute, but as part of International Monetary Fund financing conditions in recent years it has had to open up to outsiders.

"We have been looking for some time to expand our presence in Brazil. The country is the largest insurance market in Latin America, is not exposed to great natural disasters and is an attractive market that cannot be ignored," Lloyd's said.

The push into Brazil comes after Lloyd's entered the Chinese market last year. Lord Levene opened its first office in Shanghai in April as it secured a licence to begin trading in the country.

This allowed Lloyd's to write reinsurance business in renminbi which makes up nearly 90 per cent of the Chinese market. The arrangement also gave Chinese insurers full access to the Lloyd's market.

Of the move into Brazil, Lloyd's said: "We have applied for admitted reinsurer status under the new rules and are pleased with the transparent and fair reinsurance legislation which the regulator has introduced, which supports the efficient sharing of risk internationally across the reinsurance markets without the requirement for collateral requirements." Lloyd's will appoint a representative and open an office in Brazil in the next few months.

The insurer has been both expanding abroad in recent years, and driving through a modernisation programme including a move become a paperless business.

Both modernisation and international expansion have become more pressing needs since the 2005 Hurricane Katrina disaster, which cost syndicates tens of billions of pounds.

Spreading risk in different parts of the world has become a necessity in order to offset losses elsewhere.

Lloyd's, which nearly went bankrupt in the 1990s, has posted record profits in recent years.

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