



Going deeper into the Latin American insurance market

Analysis of key variables

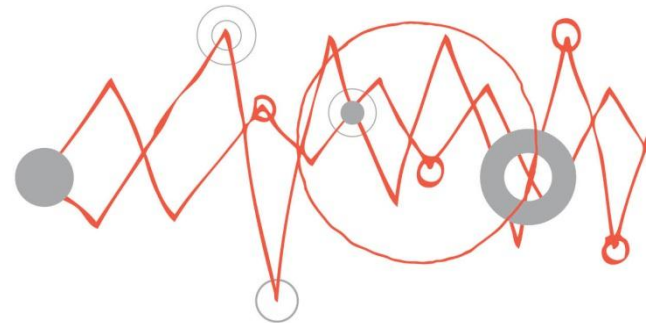
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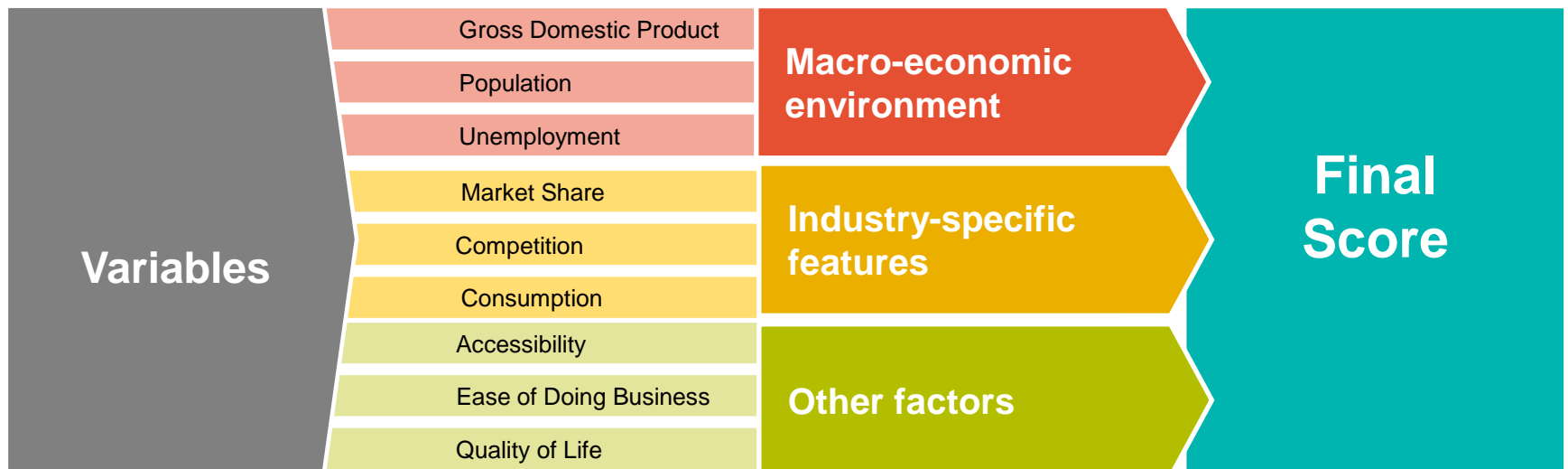
Towers Watson

- Towers Watson is a multinational company which provides professional services in a global basis
- It helps organizations improve performance through **effective people, risk and financial management**
 - We offer solutions in the areas of employee benefits, talent management, rewards, as well as risk and capital management
- In Latin America, we have 7 offices located in Buenos Aires, Bogotá, Mexico, Montevideo, Rio de Janeiro, Santiago and Sao Paulo



Site Selection Analysis

- Among the services we provide, there is a flexible and quantitative product used to advise organizations in **choosing the best place to expand their activities**
- The site selection analysis is a **comparison between preselected cities or countries** in order to determine the location that best meets the specific needs of a company
- The main objective is to provide a **Final Ranking** based on a score for each location



Latin American insurance market

Important growth of the insurance market in the region:

- The performance of the insurance market in 2011 was significantly better in Latin America than in other emerging markets
- Premium growth rate of around 10%
- Many insurers are exploring the possibility of expanding into the region

Latin America: Prepared for growth



Source: Swiss Re Sigma database

Our model

Insurance Market

- Analysis of the insurance market (number of companies, concentration, etc.)
- Analysis of each particular class (life, personal, pensions, automobiles, property, health, credit, occupational, etc.)

Business and Economic Environment

- Market overview
- Basic demographics
- Regulatory environment

Cost Structure

- Labor costs
- Occupational costs
- Administrative costs
- Other costs

Location Factors

- Availability of labor
- Cultural distance
- Quality of life
- IT infrastructure

Desirable characteristics of the data

Accurate

Data should be estimated with statistical precision

More accurate data entails a more accurate analysis

Reliable

Data must be reliable to give greater credibility to the results

It is important to have clear guidelines regarding the presentation of the information

Recent

Updated data

It would be beneficial for both the private sector and the academia to have information updated in the shortest time possible

Comparable

It is a necessary condition to make comparative analysis between markets

One of the biggest drawbacks when gathering information is the lack of uniformity in the presentation of the data

Data collection Challenges

- At the time of collecting the data for our study, we encountered several challenges that **hindered the comparability**:
 - The classes or products are **grouped differently**
 - People
 - Life
 - **Different definitions/concepts** are used
 - Total written premiums
 - Premiums written net of cancellations
 - **Different periods of analysis** are considered
 - Annual data to March
 - Annual data to December
 - The **currency** used is different in each country, and when converting to a common currency, usually the U.S. dollar, different exchange rates are used

Sources used in our model

Global

ASSAL

Direct written premiums

Premiums per capita

Premiums as percentage
of GDP

Administrative costs

Number of companies

A.M. Best

Minimum capital
required for an
insurance company
in each country

Other international organizations

IMF

World Bank (WDI)

CIA Factbook

Doing Business

Geert Hofstede

UBS

CBRE

World Economic Forum

Sources used in our model

Local

Supervisory bodies of each country

Agencies with the responsibility of overseeing the activities and entities related with the insurance market

Superintendencia de Seguros

Superintendencia Financiera

Asociación de Aseguradoras

Comisión Nacional de Seguros/Finanzas

Oficinas Nacionales de Estadísticas

Economically active population

Age of population

Unemployment rate

Not available information

- **Concentration by insurance classes**

- This kind of information would help us being able to analyze each particular market and thoroughly study its opportunities

- **Economic groups and their market share**

- It would also be important to analyze economic groups operating in each market
- Being able to distinguish the market share of foreign companies

- **Number of employees**

- We have information on the number of agents but it would be great to also have data on all staff employed in the industry

- **Premiums per employee**

- This indicator could be used to measure the relative efficiency of the insurance market in each country

Not available information (cont.)

- **Saturation/Maturation**

- It is extremely difficult to obtain information for any region
- However, a study that measures the saturation of insurance markets or maturation status could be done for each particular product

- **Distribution channels**

- This information is key for a company that wants to expand to a new market
- In other countries like the United States it is easy to get this information, whereas in Latin America it is practically impossible

- **Premiums**

- It is difficult and laborious to obtain premium pricing information comparable in terms of benefits and products
- It would be of relevance for both consumers, in order to make their choice with complete information, and for companies, to benchmark their market position

**iMANY
THANKS!**

Questions



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