

Going deeper into the Latin American insurance market: Analysis of key variables

Towers Watson is a multinational company that provides professional services globally and among the products it offers there is a model that helps companies to choose the best place to expand their activities.

Due to the growth shown by the insurance industry in Latin America and the growing demand for our product, we designed a specific model that evaluates the different factors affecting the insurance market.

The model is based on the analysis of factors such as the insurance market, the business environment, the cost structure, and other general factors such as accessibility or cultural distance. To analyze these factors it was necessary to collect different variables that allowed deepening in each of these indicators. In order for data to be used it must be accurate, reliable, recent, and most important comparable as for this type of analysis it is essential to ensure this feature is present in the information used.

When collecting the data we found different challenges that did not allow the fulfillment of the basic requirements listed above. For instance, the information is presented unevenly grouped in the different bases analyzed. Another drawback relates to the different concepts used by various organizations: while some published annual data of their premiums, others make of its premiums net of cancellations. Other factors such as different currencies and periods of analysis (annualized to March or December) also acted as a deterrent.

The best way to ensure comparability of the information is to use global sources. In this way, we make sure that the data for each country were obtained using the same procedure. On the contrary, many times these global sources do not have the highest level of detail, which in turn could be obtained from local agencies that have more updated and disaggregated data.

The model could be enriched with certain information that it is not currently available. We understand that a relatively easy data to compile could be the concentration by line of business and presence of economic groups in each country and their respective market share. The number of employees is another important variable as the premiums per employee ratio allows us to measure the relative efficiency of the insurance market.

Other equally important variables but whose inclusion in the model would require more work are related to market saturation, distribution channels or product premiums.

The insurance market in Latin America has shown marked improvement in the availability of statistics and analysis, but there are still many obstacles to overcome to resemble more to the developed markets.