

Summary

Microinsurance Conference 2008

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From Knowledge
to Action



Session 2 – Role of reinsurance in promoting microinsurance

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Overcoming the challenges in accessing reinsurance by pooling together – the Latin American Reinsurance Group

LARG

Latin American Reinsurance Group
Grupo Latinoamericano de Reaseguro

LARG is a group of ICMIF (International Cooperative and Mutual Insurance Federation) member companies who buy reinsurance as one single entity. This concept was developed over a number of years and in April 2004 the group was formed by the following member organizations:

- Columna, Compañía de Seguros, Guatemala
- Coop-Seguros, República Dominicana
- Seguros Equidad, Honduras
- Seguros Fedpa, Panamá
- Seguros Futuro, El Salvador

In 2005

- Tajy, Paraguay joined the group

In 2007 the following members joined the group:

- Central de Cooperativas, Nicaragua
- Comupre, Venezuela
- Cooperar, Venezuela
- SSVMN, Costa Rica
- PRYBE, Mexico

STRUCTURE OF THE GROUP

- The group is made up of 11 cooperative companies who have all been eager to join.
- This structure enables new members to join.

Supported by:





REASON FOR ESTABLISHING THE GROUP

The hardening of the reinsurance market was the primary factor leading to the setting up of the group since the low volume of business of each member made it very difficult to find reinsurers interested in providing cover.

Without the protection of reinsurance the companies cannot operate and therefore each company was facing serious problems. Some of the companies would have run the risk of failure.

OBJECTIVES OF THE GROUP

The initial objectives of LARG were to obtain favourable terms and conditions during the negotiation of their reinsurance treaties is one of the main objectives of LARG, exchanging experiences and knowledge of Reinsurance. MICROINSURANCE and to promote ongoing training for all group members, all of which are supported by ICMIF, AAC/MIS, SOCODEVI, WILIS RE, and the group's reinsurers such as American Agricultural, Shelter Re, RGA among others.

WHAT HAS LARG MEANT FOR ITS MEMBERS?

- A great opportunity to buy reinsurance as a group.
- To guarantee the ongoing provision of MICROINSURANCE, large companies show little interest in offering it.
- To learn best practices from each other.
- To exchange experiences and knowledge of reinsurance and insurance with a focus on MICROINSURANCE.
- To promote ongoing training for all group members, all of which are supported by ICMIF, AAC/MIS, SOCODEVI, WILIS RE, and the group's reinsurers such as American Agricultural, Shelter Re, RGA among others.

ADVANTAGES OF WORKING AS A GROUP

- Easier to place reinsurance treaties.
- The volume of premiums generated by the group facilitates the placement of the reinsurance treaties.
- Greater capacity in the reinsurance treaties.
- Opportunity for growth.
- Saving in costs of reinsurance.
- The cost of reinsurance is lower than the market average. This means that some companies are saving 50% compared to what they would pay for individual reinsurance.

DISADVANTAGES OF WORKING AS A GROUP

- Global analysis of loss ratios.
- Difficulty in consolidating accounts.
- Delay in defining and finalising treaty terms.



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- Uncertainty of the catastrophe risks exposure.
- Different criteria in underwriting of risks, which affected loss ratios for 2 consecutive years.

ADVANCES AND ACHIEVEMENTS

Since it began LARG has made some important advances and achievements which ensure that it is sustainable in the long term.

The members of the group are very happy with the successes that have been achieved.

The group has high expectations for growth both in terms of premium volume and in the number of members.

FORMS OF WORKING – DISTRIBUTION CHANNEL

Each member of LARG operates in similar ways in their organisations with regard to systems, equipment, client and services personnel, and their cooperatives, highlighting the strength of each of them.

MICROINSURANCE from LARG

The following are some of the MICROINSURANCE PRODUCTS which are offered by members of the group:

Debtors and savers collective insurance

Funeral assistance; directors and employees; insurance of major medical expenses; repatriation and remittance; personal accidents; family safety and cooperative life plan.

Faced with the lack of accessible state social protection programmes, microinsurance is a real alternative, an opportunity directed at the low income population for health services, loan and savings protection, and life insurance and reinsurance contributes to making this a real alternative.

Microinsurance: A development opportunity which can be accessible to everyone.

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