GLOBAL REINSURANCE FORUM

15 August 2019

Reinsurance Trade Barriers and Market Access Issues Worldwide

Global Reinsurance Forum (GRF) – 15 August 2019

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IV) Prospective trade barriers and market access issues:

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Executive summary of the types of restrictive reinsurance measures applied by jurisdictions

Global Reinsurance Forum (GRF) members account for more than 65% of global net reinsurance premiums. The GRF believes that positive and significant economic benefits will result from the free global flow of risk through open and competitive reinsurance markets.

The GRF has identified 45 major territories including regional groupings around the world which have either implemented, or are in the process of implementing, barriers to the transfer of risks through global reinsurance markets. This edition of the GRF document includes countries which had not been included in previous editions, but nonetheless implement barriers to the free flow of reinsurance across their territories and have come to our attention. Despite this edition of the GRF trade barriers report encouragingly showing that no new major barriers have been introduced since the last edition in February 2019, it remains concerning to see that significant existing barriers still remain in place worldwide. The failure of international governments to include language in a joint-statement on the dangers of protectionist barriers during the last two consecutive G20 summits, most recently at the G20 Summit in Osaka, is worrying and disappointing, particularly as G20 Summit statements in the past have consistently argued against protectionism. Such barriers reduce competition leading to reduced customer choice, higher reinsurance costs and less capacity over the long-term horizon. These reinsurance trade barriers and market access issues include but are not limited to:

- Restrictions on the ability of reinsurers to freely conduct business on a cross-border basis, thus limiting the capacity of global reinsurers to spread risk globally and to prevent domestic concentrations of risk. Varying levels of restriction are witnessed or developing in Algeria, Argentina, Azerbaijan, Brazil, China, Colombia, Ecuador, Egypt, Germany, India, Indonesia, Malaysia, Nepal, Nigeria, the Philippines, Poland, Singapore, South Africa, South Korea, Tanzania, Thailand, Vietnam, as well as the groupings of other member countries of the African Union and the grouping of the Conférence Interafricaine des Marchés d'Assurances.

- Requirements for reinsurers operating on a cross-border basis to collateralise or localise assets, preventing the global reinsurance market from transferring and spreading risk on the basis of a competitive, level playing field across borders. Such requirements exist or are evolving in jurisdictions including Argentina, Brazil, Canada, China, , Israel, Portugal, Singapore, and the United States.

- Restrictions on foreign ownership of subsidiaries and other barriers to the establishment of branches, subsidiaries and operations. This restricts the ability of reinsurers to deliver their full economic benefit by providing local underwriting expertise and direct services to transfer risk out of domestic markets on an open and competitive basis. Such barriers are present or developing to varying extents in a number of jurisdictions including, but not limited to: Algeria, Argentina, Azerbaijan, Bangladesh, Brazil, Cambodia, China, Egypt, India, Indonesia, Kenya, Malaysia, Moldova, Nigeria, Russia, Saudi Arabia, South Africa, UAE, UK and the U.S.

- The use of discriminatory and anti-competitive mechanisms such as compulsory cessions to domestic entities, systems of 'right of first refusal', and compulsory, subsidized or monopolistic governmental mechanisms limiting the competitive capacity of global reinsurers to operate on a level playing field. Such practices concentrate risk domestically, whilst limiting customer choice, and can be witnessed or are developing to varying degrees in the African Union, Algeria, Argentina, Bangladesh, Belarus, Brazil, Cambodia, China, Colombia, Ecuador, Egypt, Ethiopia, France, Gabon, India, Indonesia, Kenya, Malaysia, Namibia, Nepal, Nigeria, Pakistan, the Philippines, Russia, Saudi Arabia, Senegal, Sri Lanka, Sudan, Tanzania, Vietnam and elsewhere.

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Developments since the last edition of this document was published

- Following the Indian Budget announcement in July 2019, 100% foreign direct investment will now be permitted for insurance intermediaries in India. The Budget also referred to increasing the FDI limit from the current 49% (to potentially 74%).

- From 16 July 2018, the Nepalese Ministry of Finance requires local insurance companies to reinsure 20% of their business (excluding aviation, trekking and travel medical insurance) to Nepal Re. Previously, insurers were only required to cede 5% to Nepal Re.

- On 25 June 2019, the NAIC in the United States adopted revisions to its Model Credit for Reinsurance Law & Regulation implementing the covered agreement and providing a process for reinsurers domiciled in jurisdictions with robust regulatory regimes to qualify for zero collateral. The revisions will now need to be enacted at State level.

- From 1 Jan 2020, collateral requirement for foreign reinsurers in Canada has been increased to 120% of Ceded Policy Liabilities.

The GRF continues to encourage jurisdictions to remove existing and remaining barriers to reinsurance. Such improvements will be in the interests of governments, policyholders, taxpayers and national economies.

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Current Trade Barriers and Market Access Issues

Jurisdiction	Is reinsurance permitted on a cross-border basis?	Are there discriminatory requirements on cross-border foreign reinsurers for collateralisation or localisation of assets?	Are there (i) any restrictions on foreign ownership of subsidiaries or (ii) any other discriminatory barriers affecting the establishment of branches or subsidiaries (if permitted)?	Are there compulsory cessions, right of first refusal rules, or other trade barriers affecting foreign reinsurers, including examples of Government interference in risk pricing?
AFRICA				
African Union (54 member states)	It depends on individual jurisdictions' rules.	It depends on individual jurisdictions' rules.	It depends on individual jurisdictions' rules.	Yes. However, compulsory cession is only applicable to African Union members who are shareholders – they are required to offer 5% of each risk to Africa Re. For example, South Africa does not have the compulsory cession of 5%.
Francophone Countries belonging to the Conférence Interafricaine des Marchés d'Assurances (CIMA, 14 Member States)	Yes. Foreign reinsurers are excluded from writing accident, health, life and death, motor liability, land vehicles except for railway stock, goods in transit, capitalisation, tontines and unit-linked insurance and there are restrictions for cessions abroad above 50% for all other classes of business.	No.	No.	Please see African Union restrictions above. Additionally, 15% of all treaties go to CICA-Re. Furthermore, CIMA Code only permits up to 50% of any reinsurance risk to be placed internationally. To reinsure more than 50% of a risk with unlicensed overseas reinsurers, local regulatory approval must be secured. If it is not granted the remaining 50% must be reinsured locally or with a reinsurer established in another CIMA member state.

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Algeria	Yes, but cross-border reinsurers must be registered locally as 'admitted' reinsurers.	No.	Yes, there is a 49% limit on foreign equity ownership.	Yes. At least 50% of all local reinsurance cessions must be placed with the state reinsurer, CCR, under the mandatory cession arrangements currently in force. However, CCR is free to decline the compulsory cession as it sees fit, but this does not occur currently and has rarely happened in the past.
Egypt	Yes, but all reinsurance must be placed with reinsurers approved by the regulator. These are largely companies with rating of at least BBB+ and/or a minimum capital of USD 50mn.	No.	Yes. Foreign branches are not allowed. No limit on the foreign ownership of Egyptian insurers, but no individual company or person can own more than 10% of an Egyptian insurer without government approval.	Yes. Local insurance companies are required to cede a minimum of 5% of each reinsurance treaty to Africa Re.
Ethiopia	Yes	No.	Yes. No foreign ownership of insurance or reinsurance companies, even minority holdings, is permitted in Ethiopia.	Yes. The Manner and Criteria of Transacting Reinsurance Directive No SIB/44/2016 that came into force on 1 August 2016 imposes mandatory cession requirements for each reinsurance policy in Ethiopia. Minimum 25% of all treaty cessions and 5% of each reinsurance policy must be ceded to a local reinsurer.

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				Additionally, the local reinsurer has the right of first refusal for all facultative placements. Reinsurance policies that were concluded prior to 1 August 2016 will be subject to the new requirements at renewal.
Gabon	Yes.	No.	No.	Yes. Local insurers are required to cede 15% of non-life premium and 5% of all treaty and facultative reinsurances to the state-owned reinsurer Societe Commerciale Gabonaise de Reassurance (SCG-Re).
Kenya	Yes.	No.	Yes. A minimum of one-third of the equity of an insurance company is required to be held by Kenyans or citizens of East African Community countries.	Yes. Local insurers are legally bound to offer state-owned Kenya Re 20% of all their outward reinsurance treaties, both life and non-life. The compulsory cession of 20% is in force until 2020.
Nigeria	No. There is no requirement for foreign reinsurers to register before they start operations in Nigeria. However they must come through a local insurance	No.	Yes, although it is understood that the often quoted requirement that foreign holdings in local insurance companies are limited to 40% is not	Yes. 5% of treaty programmes to Africa Re. Additional 5% of treaty programmes, excl. life and aviation, of member companies of the West African Insurance Companies Association must be placed with

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	broker. Permission to reinsure abroad can be sought from regulator. Specific guidelines state that no (re)insurance risk in the Nigerian oil and gas sector may be placed overseas without written approval of the regulator. Local capacity, which is the aggregate capacity (incl. treaty reinsurance) of all locally registered reinsurers must be fully exhausted.		enforced.	WAICA Re.
Senegal	Yes.	No.	No.	Yes. Local insurers face a compulsory cession of 6.5% of premiums plus 15% of treaties to the state-owned reinsurer, SEN-Re.
South Africa	No. Reinsurers may not actively seek business in South Africa, except through a local subsidiary or branch.	No.	Yes. Reinsurance branches are permitted (however, none is in place at the time of writing).	No.
Sudan	Yes,	No.	No.	Yes. Local insurers are required to cede 50% of their treaty business to state-owned National Re. Local

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				cedants must also offer all non-life facultative reinsurance to National Re, which has the option of accepting or declining on a case by case basis.
Tanzania	Yes. However overseas reinsurers and reinsurance brokers must be accredited by the Tanzanian regulator (TIRA) and pay annual accreditation levies (USD 10,000 for reinsurers and USD 5,000 for brokers). An insurer must approach the local market players and demonstrate to TIRA that it has done so using the necessary forms, before seeking to reinsure a risk overseas.	No.	No.	Yes. Mandatory cessions to Tan Re of 20%, including on the underlying policies, Africa Re (5%) and Zep Re (10%). Insurers should have a minimum retention of 5% of its shareholders fund for every risk it reinsures overseas. For each overseas facultative risk approved by TIRA, the insurer must pay a levy of 3% of the applicable gross premium (subject to a minimum of USD 200). Additionally a payment of 20% of any fronting fee or reinsurance commission in excess of 12%.

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ASIA				
Azerbaijan	Yes, but cross-border reinsurers must be registered locally as 'admitted' reinsurers.	No.	Yes. Foreign insurers may open representative offices, joint ventures and fully owned subsidiary insurance companies in Azerbaijan, but branch office establishments are not permitted.	No.
Bangladesh	Yes.	No.	Yes. The maximum shareholding allowed by a foreign person or entity is 60%.	Yes. There is a compulsory cession of 50% of a direct insurer's business to be reinsured with the state-owned Sadharan Bima Corporation (SBC). The remaining 50% may be reinsured with either SBC or with any other insurer within or outside Bangladesh – subject to the approval of SBC.
Cambodia	Yes.	No.	Yes. Branches of foreign reinsurers are not allowed.	Yes. Reinsurance business must be offered to local reinsurers before reinsurance is arranged overseas. A compulsory cession of 20% on all non-life insurance contracts must be ceded to the partially state-owned

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				Cambodia Re.
China	Yes. However, Chinese insurers face credit risk charges on all cessions, based upon solvency ratios and collateralised assets of the reinsurer. The charges applied in respect of foreign reinsurers are greater than those applied to domestic reinsurers.	Yes. In order to avoid a credit risk charge of 58.8% for all cessions, foreign reinsurers will need to collateralise their reinsurance assets. Doing so will lower the credit risk charge they face to 8.7%, assuming they meet the additional solvency requirement.	Yes. In order to be considered for a branch, joint venture or subsidiary licence, foreign insurers must have been in business for over 30 years; and total assets of at least USD 5bn; and meet other conditions which CBIRC deems prudently necessary.	Yes. With the exception of aviation, aerospace, nuclear, oil and credit reinsurance contracts, the amount of proportional business ceded to any one reinsurer in respect of any one risk should not exceed 80% of the sum insured or liability limit of the direct insurance policy. The amount of each facultative cession to an affiliated company of the cedant should not exceed 20% of the sum insured or limit of liability of the direct insurance policy.
India	Yes. However, the cross-border reinsurers need to be registered with the regulator and have a Unique Identification Number (UIN) which is issued each year. The application for UIN is to be made by any one local insurer and through upload of rating and financial documents of the cross-border reinsurer.	No.	Yes, but following enactment of the Insurance Act, the limit on direct and indirect foreign ownership and operation changed from 26% to 49%. The IRDAI has issued regulations governing the establishment and operations of branches of foreign reinsurers and also for Lloyd’s.	Yes, 5% of each non-life policy must be ceded to the "Indian reinsurer", the General Insurance Corporation (except for terrorism and nuclear risk). No more than 10% of an Indian insurer's off-shore reinsurance premium (as a percentage of total off-shore reinsurance premium) can be placed with any single reinsurer that has a rating of BBB or BBB+, 15% with a foreign reinsurer with a rating

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			Following the Union Budget announcement in July 2019, 100% foreign direct investment will now be permitted for insurance intermediaries. In the budget speech, the FM also referred to increasing the FDI limit from the current 49% (to potentially 74%). While there was no further details provided the fact that this was referred to can be seen as a positive direction to enhanced FDI in insurance joint ventures.	higher than BBB+ and up to and including A+, and 20% with one that has a rating higher than A+. If an insurer wants to cede a larger proportion of the risk with a foreign reinsurer, it requires the regulator's specific approval. Indian life insurers must reinsure a percentage of the sum assured on each policy with domestic reinsurers. This may involve the transfer of up to 30% of risks to the General Insurance Corporation. Compulsory cessions are included as provisions in the Insurance Act. India’s Direct Taxes Code seems to provide for a withholding tax of 20% on cross-border reinsurance premium. This penalty tax is high compared to international standards; indeed, many jurisdictions have no such tax. In the US, excise tax on reinsurance premiums is 3%. The Order of Preference Regulations create a tiered system whereby Indian insurers are required to cede business to

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				reinsurers according to a prescribed order of preference. With effect from 1 January 2019, the Insurance Regulatory and Development Authority of India (Reinsurance) Regulations 2018 (IRDAI Reinsurance Regulations) confirms the enforcement of the Order of Preference Regulations and now refers to the order of preference itself as the “offer for participation”. The two steps involved are as follows: Step 1: Obtaining best terms for cessions - Cedants shall seek terms from all Indian reinsurers who have been transacting reinsurance business in the past three years and at least from four Foreign Reinsurer Branches. - No cedant shall seek terms from International Financial Service

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				Centre Insurance Offices having a credit rating below A- or Cross Border Reinsurers having a credit rating below A-. - No cedant shall seek terms from any Indian insurer not registered with IRDAI to transact reinsurance business. Step two: Offer for Participation Every cedant shall offer the best terms in the following order of preference: (a) Indian reinsurers (GIC Re); (b) to other Indian reinsurers and FRBs; (c) Insurance Offices which provide the best terms if not less than 10%; (d) CBRs that provide the best terms if not less than 10%; (e) other Insurance Offices; (f) other Indian insurers (facultative) and CBRs. With effect from 1 January 2019, every Indian reinsurer shall maintain a minimum retention of 50% of its Indian business.

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				IRDAI has kept a provision to introduce collaterals at a later stage but currently they haven't issued any collateral requirements.
Indonesia	Yes, however it is prohibited to place certain reinsurance business offshore (see compulsory cession section for further information).	No.	Yes, branches of foreign insurers are not permitted. Only an incorporated company in Indonesia can apply for a licence to carry on business as an insurer. On 17 April 2018, the Indonesian Government issued the regulation GR14/2018 on Foreign Ownership of Insurance Companies. This confirms that there are no changes with caps on foreign ownership of 80%, including for reinsurance companies. For entities which have already exceeded the 80% foreign ownership cap at the time the Regulation came into force, they will not be required to meet the 80% cap. However, they will be prohibited to further increase	Yes. From 1 January 2016 Indonesian insurers are required to place all "simple risks" with domestic reinsurers, namely Indonesia Re which was established by the Indonesian Government in 2015 to increase domestic reinsurance capacity. This includes all reinsurance of life, health, personal accident, motor, credit and suretyship business. However, subject to approval by the OJK, there are three exceptions to the 100% local cession requirement for simple risks. These are: (i) products specifically designed for multinational companies; (ii) medical reimbursement products with global coverage; (iii) new products developed by a foreign reinsurer. A new product designed by a foreign reinsurer can be reinsured with the

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			the percentage of foreign ownership.	foreign reinsurer for a maximum of four years, after which the new policies will be subject to the local cession rules. If the OJK grants an exemption, a maximum offshore cession of 75% may be permitted, with a minimum cession to domestic reinsurers of 25% (similar to “non-simple risks”). For other insurance business (“non-simple risks”), a minimum of 25% of reinsurance of that business must be placed with domestic reinsurers and up to 75% may be placed with off-shore reinsurers.
Israel	Yes.	Yes. Regulatory Guidelines specify that foreign reinsurers deposit collateral for proportional treaty reinsurance transactions. The level of the deposit is calculated according to various criteria, including the reinsurer’s rating and the class of business. There is no such requirement for non-proportional treaties.	No.	No.

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Malaysia	Yes. However, there is a tiered system of reinsurance. Bank Negara requires all local direct insurers to cede business first to local reinsurers (first tier) and then to Labuan- based reinsurers (second tier). Only after these two options have been exhausted may business be offered to 'offshore' or third tier reinsurers.	No.	Yes, there is a 70% limit on foreign equity ownership.	Yes. (a) Mandatory “voluntary” cessions to Malaysia Re for treaty and facultative business are required on a quota share basis for direct insurers at 2.5% for all classes. This requirement is to continue until the abolition of fire and motor tariffs which is expected, following a review, to take place in 2019; (b) Malaysian Re must be offered up to 15% for both proportional and non-proportional treaty reinsurance (excluding aviation, energy and D&O); (c) for facultative and engineering reinsurance Malaysian Re must be offered up to 15% of MYR 5mn on a total sum insured basis, the PML monetary limit being MYR 1.5mn; (d) for retrocession, 20% must be offered by Malaysian Re to licensed direct insurers in Malaysia, for treaty and facultative business. Individual companies can choose to accept this or not.

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Nepal	Yes.	No.	No.	Yes. From 16 July 2018, the Ministry of Finance require local insurance companies to reinsure 20% of their business (excluding aviation, trekking and travel medical insurance) to Nepal Re. Previously, insurers were only required to cede 5% to Nepal Re.
Pakistan	Yes.	No.	No.	Yes. There is a system of mandatory cessions and a right of first refusal by the state-owned Pakistan Reinsurance Co (PRCL or Pak Re) and by the local market. On treaty contracts, insurers are obliged to offer Pak Re up to 35% of their non-life treaty business, which it can choose to accept or not. Facultative business must be offered to Pak Re, which may accept this or not without limit at its discretion. A certificate of no-objection must also be obtained from the regulator before a risk is offered to overseas reinsurers. In order to obtain this the ceding company must produce evidence of declinatures from the local market. The Securities Exchange Commission of Pakistan (SECP)

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				circulated a draft of the new insurance/reinsurance bill for Pakistan on the 28th of December 2016. The draft bill aims to increase the retentions of local insurers. Following a period of public consultation, the draft Insurance Bill was approved by the SECP in June 2017 and is moving through the required legislative process.
Philippines	Yes, but foreign reinsurers need to appoint an agent who is a Philippine resident or company for direct reinsurance business, to represent the reinsurer in cases of legal action. It is illegal for Philippine insurers to cede to non- admitted reinsurers without a 'resident agent', unless there is a foreign broker in the placement chain (who must have a 'resident agent' of their own).	No.	No.	Yes. There is a mandatory cession of 10% of each and every outward reinsurance treaty and facultative placement to Philippine National Reinsurance Company, the state-owned reinsurer. For marine hull, aviation, money, securities, payroll and robbery risks on a facultative reinsurance placement, cedants/ reinsurers must have unsuccessfully attempted to place the risk with two local direct companies, one foreign authorised company and one domestic professional reinsurer before the

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				regulator will grant them permission to approach an unauthorised foreign company. For all other facultative placements, at least five local direct underwriting companies, three foreign authorised companies and one domestic professional reinsurer must have been approached.
Saudi Arabia	Yes.	No.	Yes. On 17 December 2018, the Saudi Arabian Monetary Agency (SAMA) issued licensing and supervision rules for foreign insurance and reinsurance companies wishing to establish and operate a branch in the Kingdom, including capital adequacy and financial suitability for obtaining a licence. Any company, prior to commencing branch operations in Saudi Arabia, shall place its capital contribution with the branch, that is a minimum of SAR100m (USD 26.7m) for insurance and SAR200m for	Yes. Local ceding companies are required to retain at least 30% of their total insurance premium. Further to this, 30% of their total premium must be reinsured within Saudi Arabia.

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			reinsurance;	
Singapore	Yes, but ceding companies using a reinsurer without a local, physical presence will be penalised by higher RBC charges.	Yes. Under Singapore's Insurance (Authorised Reinsurers) Regulations 2003, authorised reinsurers are required to hold a minimum deposit of SGD2 million, 30% of gross premiums or 30% of gross liabilities in respect of cross-border reinsurance, whichever is greater.	No.	No.
South Korea	Yes, but South Korean insurance companies are prohibited from engaging in face-to-face meetings, including all marketing activities, with unlicensed foreign reinsurers in South Korea unless a broker is present. Foreign reinsurers may only contact South Korean cedants by means of mail, telephone, fax, video conference or the internet.	No.	No.	No.

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Sri Lanka	Yes.	No.	No.	Yes. There is a mandatory 30% cession of non-life reinsurance to state owned insurance and reinsurance company, the National Insurance Trust Fund (NITF) - aviation and energy risks are exempt from this rule. A 10% cession was first introduced in 2008 and was increased in 2013. With effect from 1 January 2017, for insurers wishing to place reinsurance with a related reinsurer, then the reinsurer must have a security rating of at least A from any of the 4 main ratings agencies.
Thailand	Yes. However, the credit risk charges in RBC calculation do not apply to local reinsurers (e.g. Thai Re or other local insurers writing reinsurance inwards). This gives domestic insurance companies an incentive to place business locally.	No.	No. A licensed insurance company (“Company”) may apply to the Finance Minister for permission to have 50% or more (and up to 100%) foreign shareholding, and for foreign directors to comprise more than half of the directors on its board.	No. The compulsory cession to Thai Re is no longer applicable.

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United Arab Emirates (UAE)	Yes	No.	While foreign ownership in many sectors was relaxed in 2018, a limit of 25% still applies for insurance companies.	No.
Vietnam	Yes, although the Vietnamese regulator has introduced requirements regarding local retention limits.	No.	No.	Where an insured risk is ceded at the request of the insured, an insurer is only permitted to reinsure (either domestically or overseas) up to 90% of its total insurance liability.
EUROPE				
Belarus	Yes.	No.	No.	Yes. Local insurers must make a compulsory cession to Belarus Re of any risk surplus to the ceding company's maximum net retention of 20% of capital. The compulsory cession has been 100% since 1 January 2015. Cross-border reinsurance is only allowed if Belarus Re declines the risk or only reinsures part of it.
France	Yes.	No.	No.	Yes. Although it does not receive compulsory cessions, the state-

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				owned reinsurer (CCR) is the exclusive beneficiary of a State guarantee. This allows CCR to offer Nat Cat reinsurance at highly competitive conditions leading to a dominating role in the French Nat Cat reinsurance market.
Germany	Yes but it is restricted. The revised German Insurance Supervision Act (VAG), which has been in force since 1 January 2016, requires as foreseen in the Solvency II directive third country (re)insurers who want to conduct business in Germany to have a permission from the German supervisory authority (section§ 67 VAG) and requires them to establish a branch in Germany (section§ 68 VAG). The authorisation and branch requirement does not apply to (re)insurers solely carrying on reinsurance business in	No.	No.	No.

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GLOBAL REINSURANCE FORUM

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	Germany through provision of cross-border services, if they are domiciled in a jurisdiction for which the European Commission has decided on the basis of Article 172 (2) or (4) of the Solvency II Directive that the solvency regime applying to reinsurance activities of undertakings with their head office in that jurisdiction is (temporarily) equivalent to Solvency II. Cross-border reinsurance in the form of the so-called “insurance by correspondence” continues to be allowed and is not subject to authorisation. According to the BaFin, this applies to reinsurance business if, at the instigation of an undertaking domiciled in Germany, a reinsurance contract is concluded by correspondence with a primary insurer or reinsurer domiciled abroad without one			

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	of the parties being assisted by a professional intermediary in Germany or a professional intermediary domiciled abroad but acting as intermediary in Germany. In respect of the signed "Bilateral Agreement between the European Union and the United States of America on prudential measures regarding insurance and reinsurance" BaFin is working on the assumption that this so called "Covered Agreement" will be ratified in the near future. In this respect, it recognises that in the foreseeable future, provided that undertaking-specific criteria have been met in accordance with the Agreement, authorisation pursuant to section 67 (1) sentence 1 VAG will not be required for US reinsurers to			

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	conduct reinsurance business. BaFin is already taking this into account in its current activities without a need for the Covered Agreement to be legally transposed into German law.			
Moldova	Yes.	No.	Yes. Foreign branches are not allowed.	No.
Poland	Yes, with the exception that it is not permitted in respect of cross- border reinsurance provided by reinsurers from non-EEA non- equivalent countries.	No.	No.	No.
Portugal	Yes.	Yes. Ceding insurers cannot take credit on their balance sheets for reinsurance purchased from non-EEA reinsurers from non-equivalent regimes unless such reinsurers guarantee their obligations by way of collateral.	No.	No.

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Russia	Yes.	No.	Yes. Branches of foreign reinsurers are not permitted.	Yes. While it is mandatory to offer up to 10% cession to the national reinsurer NRC for contracts incepting 1.1.2017 or later, NRC is not obliged to accept the offer. They can also accept a lower share or decline the offer. This represents a discrimination of foreign reinsurers as NRC has a "right of first refusal" for up to 10% of each contract.
UK	Yes.	No.	Yes, some non-EU reinsurers have been encouraged to convert their branches into subsidiaries to ensure adequate local capital for the benefit of UK (re) insureds.	No.
NORTH & SOUTH AMERICA				
Argentina	Yes, but cross-border foreign reinsurers have to be registered as an Admitted Reinsurer with the regulator and have limited market	No. That said, minimum capital requirements that can vary based on the amount of written premium are applied for branches. Under the new	No. Not for Foreign Reinsurers registered as Admitted Reinsurers in Argentina.	Yes. The percentage of ceded premiums per contract that may be ceded by Argentinian insurers to Admitted Reinsurers will be

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	access. Individual and catastrophe risks with insured sums from USD 35mn may be reinsured by Admitted Reinsurers in its entirety.	regime, the minimum capital requirement for local reinsurers remains unchanged at ARS 350 mln (USD 9,3 mln) In addition, Admitted Reinsurers must evidence having: (1) a net worth in excess of USD 100mn; (2) credit ratings of the last three years granted by the following international rating agencies: • A.M. Best: minimum qualification B+; • Standard & Poor's International Ratings Ltd.: capacity to pay claims, minimum qualification BBB; • Moody's Investors Service: Financial Solvency, minimum qualification BBB; • Fitch IBCA Ltd.: capacity to pay claims, minimum	However, foreign reinsurers willing to register as local reinsurers and enjoy unrestricted market access must set up an Argentine branch with capital equalling the greater of 350m Argentine Pesos (approx. USD 14million) or 16% of premium retained or 40% of gross written premium.	gradually increased from 60% currently to 75% on 1 July 2019. The threshold for exceptions to the above limitation is USD 35m, allowing individual risks over USD 35m to be placed in their entirety with Admitted Reinsurers. Additionally, catastrophe reinsurance agreements exceeding the threshold also qualify for this exemption. In addition, local reinsurers may not transfer more than 75% of aggregate premiums in a fiscal year to subsidiaries or companies belonging to the same financial conglomerate located abroad.

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		qualification BBB.		
Brazil	Yes, but there is requirement for foreign reinsurers to be registered as either an 'admitted' or an 'occasional' reinsurer.	Yes. Admitted reinsurers face a minimum deposit requirement and an additional deposit requirement that varies depending on risk rating and business activities Therefore, foreign reinsurers registered in the Admitted category must hold a minimum "BBB-" S&P risk rating or “BBB-“ Fitch or “Baa3” Moody’s or “B+” AM Best and net assets of USD 100mn ("BBB" S&P risk rating and net assets of USD 150mn for occasional reinsurers) and a foreign currency bank account in Brazil tied to the regulator, with a minimum deposit of USD 5mn (USD 1mn for life reinsurers),	Yes. Foreign reinsurers registered in the Admitted category must set up and capitalise a representative office in Brazil. A 2% withholding tax applies to overseas premium remittances. The local regulator must give approval for a foreign insurer to set up a representative office. A financial operations tax of 0.38% applies to foreign exchange transactions.	Yes. The local market holds a right of first refusal (preferential offer) over 40% of each reinsurance risk, according to the Complementary Law nº 126/2007. Certain barriers limiting foreign reinsurers’ access to the Brazilian (re)insurance market have recently been lifted through the approval of CNSP Resolution no.353. These include the provision on mandatory placement with local reinsurers; and removing the restrictions on the percentage of risk permitted in intra-group cessions. These restrictions are no longer applicable. A separate contemporaneous reform relaxed the minimum retention requirement for a number of additional classes): Property (named risks and operational risks), aviation (hull), facultative aviation liability, and energy insurance risks. Surety bonds, agricultural (re)insurance, and export/domestic

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				credit (re)insurance were already exempt from minimum retention requirements. All other classes remain subject to a minimum 50% retention.
Canada	Yes.	Yes. Collateral requirement of 115% has been increased, effective 1 Jan 2020, to 120% of Ceded Policy Liabilities, plus receivables from the assuming insurer, minus the amount of payables to the assuming insurer.	No.	No.
Colombia	Yes. Local regulation requires the registration of the foreign carrier.	No.	No.	Yes. Article 2.31.1.7.1 of Decree 2555/2010, applicable to facultative as well as treaty business, requires Colombian insurers and reinsurers to retain reserves on premiums ceded to foreign reinsurers under proportional reinsurance contracts in the following percentages: - Mining and Petroleum - 10% - Aviation and Marine Hull - 10% - Bankers' Blanket Bond (BBB) - 10%

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				- All other classes - 20%
Ecuador	Yes, but subject to restrictions.	No.	No.	Yes. Recent regulations mandate that insurers must retain 95% of risks in certain classes: life, health, and personal accident, motor.
USA	Yes.	Yes, unlicensed and non-US reinsurers must post 100% collateral for the ceding insurer to get credit for reinsurance on its balance sheet. In 2011, the NAIC adopted revisions to its Credit for Reinsurance Models, providing reductions in collateral for well regulated, financially strong reinsurers. As of May 2019, all US States have adopted, and 41 have implemented reduced collateral regulations. On 22 September 2017, the US-EU Bilateral Agreement	Yes. As part of the passage of the Tax Cuts and Jobs Act of 2017, a new tax is levied on all "deductible" cross-border payments between a reinsurer's US affiliates and non-US affiliates.	No.

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		was formally executed and implementation efforts have now begun. The Agreement directs States to adopt legislation eliminating discriminatory reinsurance collateral provisions within 5 years. Failure to do so could lead to the Federal Government pre-empting State laws that are inconsistent with the Agreement. On June 25, 2019, the NAIC adopted revisions to its Model Credit for Reinsurance Law & Regulation implementing the covered agreement and providing a process for reinsurers domiciled in jurisdictions with robust regulatory regimes to qualify for zero collateral. The revisions will now need to be enacted at state level.		

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GLOBAL REINSURANCE FORUM

Prospective trade barriers and market access issues

Jurisdiction	Are the proposals restricting or liberalising the ability to conduct cross-border reinsurance?	Will reinsurance be permitted on a cross-border basis?	Will there be discriminatory requirements on cross-border foreign reinsurers for collateralisation or localisation of assets?	Will there be (i) any restrictions on foreign ownership of subsidiaries or (ii) any other discriminatory barriers affecting the establishment of branches or subsidiaries (if permitted)?	Will there be compulsory cessions or right of first refusal rules?
AFRICA					
Egypt	Yes, they are restricting.	Yes.	No.	No.	According to the Vice Chairman of the Financial Regulatory Authority (FRA) and the Insurance Federation of Egypt (IFE) are studying minimum retention rates in the local market, with a view to introducing them. The aim of minimum retention rates is to limit the outflow of premiums abroad through reinsurance. The FRA is also considering the establishment of a state reinsurance company.

Jurisdiction	Are the proposals restricting or liberalising the ability to conduct cross-border reinsurance?	Will reinsurance be permitted on a cross-border basis?	Will there be discriminatory requirements on cross-border foreign reinsurers for collateralisation or localisation of assets?	Will there be (i) any restrictions on foreign ownership of subsidiaries or (ii) any other discriminatory barriers affecting the establishment of branches or subsidiaries (if permitted)?	Will there be compulsory cessions or right of first refusal rules?
Namibia	No.	Yes.	No.	No.	In February 2017, government notifications implementing mandatory cessions to NamibRe (12.5% of every policy renewed or issued) were retracted by the Ministry of Finance and issued for public consultation with deadline of 3 July. In addition a right of first refusal for Namib Re for 20% of every reinsurance contract was under discussion. It is not clear at this stage what the outcome of the consultation will be. While the consultation is ongoing the mandatory cessions are not being enforced.
Senegal	Yes. They are restricting.	Yes.	No.	No.	In the future, insurers shall be required to offer up to 10% of all

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					facultative business to SEN-Re.
Tanzania	Yes, they are restricting. However overseas reinsurers and reinsurance brokers must be accredited by the Tanzanian regulator (TIRA) and pay annual accreditation levies (USD 10,000 for reinsurers and USD 5,000 for brokers). An insurer must approach the local market players and demonstrate to TIRA that it has done so using the necessary forms, before seeking to reinsure a risk overseas.	Yes. However, the Tanzania Insurance Regulatory Authority issued Circular Letter No. 055/2017 on 21 November 2017 which will require foreign reinsurers “seeking to transact insurance business with Tanzanian registered insurers” to obtain an Accreditation Clearance Letter. The regulator has issued a public consultation on this requirement.	No.	No.	Yes. Circular Letter No. 055/2017 is going to require local capacity to be exhausted before a risk can be reinsured overseas and mandates a minimum retention for every risk that is placed overseas. Mandatory cessions to Tan Re of 20%, including on the underlying policies, Africa Re (5%) and Zep Re (10%). Insurers should have a minimum retention of 5% of its shareholders fund for every risk it reinsures overseas. For each overseas facultative risk approved by TIRA, the

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					insurer must pay a levy of 3% of the applicable gross premium (subject to a minimum of USD 200). Additionally, a payment of 20% of any fronting fee or reinsurance commission more than 12%.
ASIA					
China	No.	Yes.	No.	On 1 November 2016, CBIRC issued a consultation paper proposing that branch offices of foreign reinsurers will be required to hold admissible assets in mainland China equivalent to at least 75% of their admissible liabilities in China. The proposed	No.

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				supervisory measure is only aimed at branches of foreign reinsurance companies operating in China. As of February 2018, there are no clear developments on the proposed supervisory measures after the consultation paper. On 11 April 2018, the Governor of the People's Bank of China announced that the foreign ownership limit in life insurance companies would be lifted from the current 50% to 51%. The cap will be completely removed in three years. In addition, the requirement to have a representative office in China for two-years	

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				prior to the establishment of a foreign insurance company will be lifted.	
India				Following the Union Budget announcement in July 2019, 100% foreign direct investment will now be permitted for insurance intermediaries.	
Indonesia	Yes, they are restricting.	Yes, but on a restrictive basis, the exact details of which have not yet been finalised.	No.	Yes. The Ministry of Finance is said to be considering relaxing regulation GR14/2018 on Foreign Ownership of Insurance Companies. Under the proposal, the foreign partners will be allowed to maintain their ownership in the event of a capital	No.

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				raising. Existing regulation stipulates that at least 20% of the additional capital must come from domestic partners, meaning that for insurers with more than 80% foreign ownership, the foreign partner's stake would be reduced.	
Malaysia	No.	Yes.	No.	Yes. However, recent press releases and statements have suggested that Bank Negara Malaysia may relax the enforcement of the 70% foreign ownership cap. Despite still staying in place, the regulator may add some flexibility to the deadline date and also provide foreign insurers with alternative options if divestment down to 70% ownership proves	No.

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				difficult.	
Thailand	No, but it remains to be seen.	Yes.	No.	No. Thailand's Ministry of Finance has launched a public hearing on regulations for applying and issuing reinsurance licences in the form of a branch or foreign insurance company. It remains to be seen whether these new regulations will be liberalising or restricting.	No.
United Arab Emirates (UAE)	No	Yes, but minimum credit ratings apply.	No	Draft regulations from the Insurance Authority are expected to allow the establishment of local branches for foreign reinsurance companies	No.

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EUROPE					
Russia	No.	Yes.	No.	No. Russia has committed to allowing foreign reinsurance companies to open branches in 2021, subject to having eight years of experience in providing life insurance services and five years' experience in all other remaining sectors, having more than five years of running direct subsidiaries in foreign markets and having aggregate assets of at least USD 5 billion.	Mandatory requirement to offer 10% cession to national reinsurer NRC has come into effect. See ‘Current trade barriers’ table.
UK	Liberalising.	Yes.	A draft US-UK Covered Agreement has been prepared and awaits legislative approval in both the US and the UK. Its provisions are consistent with the US-	No.	No.

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			EU Covered Agreement signed in 2017. See details of the US-EU agreement earlier in the document.		
NORTH & SOUTH AMERICA					
Canada	Yes. They are restricting.	Yes.	Yes. In addition to the current requirement for 120% of collateral on reinsured balances: (1) Full collateral for the 3 largest policy limits may be required in advance of any loss. (2) Overall exposure to any one reinsurance group might be limited. (3) Reinsurance concentration risk capital may be required.	No.	No.

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