GLOBAL REINSURANCE FORUM

1 December 2020

Reinsurance Trade Barriers and Market Access Issues Worldwide

Global Reinsurance Forum (GRF) – 1 December 2020

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I. 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 46 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 May 2020, it remains concerning to see that significant existing barriers still remain in place worldwide. 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, 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, UAE, UK and the United States.

- 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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II. Developments since the last edition of this document was published

- The Polish Ministry of Finance has confirmed, based on its interpretation of Solvency II, that Polish cedants can conclude cross-border reinsurance agreements with third country reinsurers.

- As part of the wider financial services liberalisation commitments, China has formalised its plans to remove the requirement of “running insurance business over 30 years and 2 years establishment of representative office” before a foreign-invested insurance company can be established in China.

- Effective from 1 October 2020, local insurers in Myanmar are permitted to purchase reinsurance directly from foreign reinsurers. A number of conditions apply to foreign reinsurers, including a minimum level of credit ratings which also determines the maximum level of cessions permitted.

- Fifteen US states have enacted the latest revisions implementing the EU-US and UK-US covered agreements which provide a process for reinsurers domiciled in jurisdictions with robust regulatory regimes to qualify for zero collateral. 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.

III. 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.

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. 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 Société Commerciale Gabonaise de Réassurance (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 compulsory cessions of at least 35%, legislated within insurance law. These are split between three reinsurance groups; state-owned Kenya Re 20%, followed by the regional reinsurance groups ZEP Reinsurance Co Ltd (ZEP-RE) 10% and Africa Re 5% of all their outward reinsurance treaties, both life and non-life. The compulsory cession of 20% is in force until 2020.
Namibia	Yes.	No.	No.	Additional mandatory cessions to NamibRe came into effect on 1 July 2018, which comprise the following elements: (i) a 12.5% cession on all life and non-life insurance policies written or renewed in Namibia, (ii) 20% of the value of each reinsurance contract placed by locally registered (re)insurers with domestic or international reinsurers, and (iii) the first right of refusal to provide additional facultative cover on any reinsurance contract entered into by an insurer in Namibia.

				The majority of the largest Namibian insurers have instituted court proceedings to challenge the validity of the expanded mandatory cession rules that came into effect on 1 July 2018. The ongoing legal stalemate raises challenges NamibRe to effectively fulfil its mandate.
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 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.	No.	Yes, although it is understood that the often quoted requirement that foreign holdings in local insurance companies are limited to 40% is not enforced.	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 WAICA Re.
Senegal	Yes.	No.	No.	Yes. Local insurers face a compulsory cession of 10% of all facultative business, 6.5% of premiums plus 15% of treaties to the state-owned reinsurer, SEN-Re. From 1 January 2020, CICA-RE also receives a compulsory share of 10% and a 5% share of each and

				every risk. Africa Re also receives a compulsory treaty cession of 5%
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.	No.
Sudan	Yes.	No.	No.	Yes. Local insurers are required to cede 50% of their treaty business to state-owned National Re. Local 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. Africa Re benefits from a compulsory cession of 5% of all Sudanese reinsurance treaties. ZEP-RE currently benefits from a compulsory cession of 10% of all Sudanese reinsurance treaties.

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. A policy cession of 10% of each policy written (life or non-life) and a treaty cession of 20% must be given to Tan-Re 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%. Circular Letter No. 055/2017 requires local capacity to be exhausted before a risk can be reinsured overseas and mandates a minimum retention for every risk that is placed overseas. This regulation came into effect 1 Jan 2018. On 1 Dec 2018, TIRA issued revised guidance with the main changes being: the amendment of the levy payable on foreign facultative placements plus the TIRA levy and a new requirement for local insurers to submit quarterly treaty reinsurance statements to TIRA.

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.
Bhutan	Yes.	No.	No.	Yes. The reinsurance regulation mandates that 20% of every business underwritten by two insurance companies in Bhutan must be ceded to GIC-Bhutan Re Ltd.
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 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 offshore reinsurers are greater than those applied to onshore reinsurers.	Yes. In order to avoid a credit risk charge of 58.8% for all cessions, offshore reinsurers will need to collateralise their reinsurance assets upon requirement from the ceding company (it is not mandatory). 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 total assets of at least USD 5bn; and meet other conditions which China Banking and Insurance Regulatory Commission (CBIRC) deems prudently necessary. Requirements relating to the establishment and management of branches and sub-branches of foreign-invested insurance companies is the same as those of domestic insurance companies. As detailed in the latest amendment to Administrative Regulations of Foreign-invested Insurance Companies, the following requirement has been removed: “running insurance business over 30 years and 2 years establishment of representative office”. There is a minimum number of mandatory positions that a foreign insurance/ reinsurance entity in China must fulfil, which is considered high compared with other international jurisdictions. Also, the	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. We note that this requirement is currently being consulted on and may be removed. Local insurers and reinsurers are required to calculate solvency in accordance with standards prescribed under China’s Risk Oriented Solvency System (C-ROSS). Pursuant to C-ROSS, the CBIRC assigns each (re)insurer an integrated Risk Rating “A” to “D” every quarter, based on an evaluation of the company’s core solvency ratio, comprehensive solvency and various other non-capitalised risk factors.

			persons assigned to occupy these positions must have passed specific qualification exams with the CBIRC prior to the application. The main issue affecting the applications for establishing foreign owned insurance/reinsurance operations in China is the discretionary timeframe by the regulator for admitting and processing the applications. This leads to a complete uncertainty regarding the time it would take for an application to be processed and approved from the moment the application materials are handed in. A process that in theory should not take more than a few months, according to the existing regulations, may in reality take several years.	

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. However, Insurance Regulatory and Development Authority of India (IRDAI) has kept a provision to introduce collaterals at a later stage but currently they haven't issued any collateral requirements.	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. 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.	<u>Compulsory cession</u> 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 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. <u>Taxation</u> For tax purposes, foreign reinsurance branches are treated as "non-residents", requiring them to pay a corporate tax of 40% plus surcharge/education cess, whereas local players enjoy an effective tax rate of only 22% plus surcharge/education cess.

				Order of Preference The Order of Preference Regulations create a tiered system whereby Indian insurers are required to cede business to 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 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. <u>Compulsory retention</u> With effect from 1 January 2019, every Indian reinsurer shall maintain a minimum retention of 50% of its Indian business.

Indonesia	Yes, however it is prohibited to place certain reinsurance business offshore (see compulsory cession section for further information). Foreign reinsurers must also have a minimum BBB or equivalent rating.	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 the percentage of foreign ownership.	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 Indonesia Financial Services Authority (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 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 offshore 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.
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.
Myanmar	Yes. Effective from 1 October 2020, local insurers can now reinsure directly to the foreign market. Foreign reinsurers or cross-border reinsurers who do not have a license to conduct insurance business in Myanmar will now also be permitted, subject to the following conditions: 1. They must have been licensed in their home country for at least the past three continuous years; 2. They must have a credit rating of at least BBB from S&P or equivalent for at least the past three continuous years; 3. They must have maintained a minimum solvency margin or capital adequacy as specified by their home country regulator for at least the past three continuous years; 4. Their past claims settlement must be satisfactory to the local regulator; and 5. They must comply with other requirements that may be stipulated by the local regulator.	No.	Yes, currently foreign companies are allowed to do business only from a special economic zone. Starting 2019, the local regulator granted insurance business licences to conduct life insurance business to five 100% foreign owned life insurance companies. Furthermore, three foreign based general insurance companies and three foreign based life insurance companies were also recently allowed to form joint venture insurance companies with local insurers. Foreign participation is allowed up to 35% in accordance with the "foreign company" thresholds pursuant to the Myanmar Companies Law 2017 (MCL 2017). Whether this existing number of 100% foreign owned and/or joint venture companies will be increased remains to be seen.	Yes, the cedant must cede a compulsory maximum of 10% of any insurance segment business to Myanma Insurance (the state-owned insurance company). Myanma Insurance is free to accept or reject the cession and will presumably be able to impose upon it such terms as it sees fit. Only if Myanma Insurance fails to offer such reinsurance is the insurer free to obtain cross border reinsurance from a foreign reinsurer for that original 10%. Likewise, other than for life insurance, insurers must offer the best terms obtained to reinsurers in the following order: 1. Myanma Insurance; 2. Myanmar reinsurers or foreign reinsurers with representative offices in Myanmar; and 3. Foreign reinsurers. Insurers are obliged to follow this order of priority only if the terms offered are equaled (or bettered).

	Furthermore, placements with cross border reinsurers by the cedants conducting insurance activities (other than life insurance) shall be subject to the following overall cession limits during a financial year: 1. Greater than A+ - 50% maximum cession 2. Greater than BBB+ and up to and including A+ - 40% maximum cession 3. BBB & BBB+ - 20% maximum cession. No placement exceeding these limits shall be made without prior approval from the local regulator.			
Nepal	Yes.	No.	No.	Yes. From 16 July 2018, the 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.
Pakistan	Yes. However, in case of foreign reinsurers, at least 80% of total reinsurance must be placed with a reinsurer with A or above rating by S&P or equivalent rating by other international rating agencies. Remaining	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

	risk can be placed with S&P BBB or above rated reinsurer or equivalent rating by other international rating agencies.			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) 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	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

	have a 'resident agent' of their own).			companies, one foreign authorised company and one domestic professional reinsurer before the 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. Locally incorporated (re)insurance companies are required to be listed on the Saudi Stock Exchange (Tadawul). Foreign ownership of such entities is limited as a matter of policy by Saudi Arabian Monetary Authority (SAMA) and it is rare for approval to be granted for a foreign investor to own more than a 40% shareholding. On 17 December 2018, SAMA issued licensing and supervision rules for foreign insurers and reinsurers wishing to establish and operate a branch in the Kingdom, including capital adequacy and financial suitability for obtaining a licence.	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. Such percentages are calculated based on the ceding insurers portfolio of business (as opposed to a per risk basis).

			Any locally incorporated company or branch of a foreign company, prior to commencing insurance or reinsurance operations in Saudi Arabia is required to maintain a minimum capital of SAR100m (USD 26.7m) for insurance and SAR200m for reinsurance in the Kingdom. SAMA requires that directors and senior management roles of (re)insurance companies be Saudi nationals and exemptions to this requirement are subject to SAMA approval.	
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	No.	No.	With effect from 1 January 2019, insurers are required to hold a minimum retention of 10% of every short-term non-life insurance contract. The requirement does not apply to motor policies, retrocession

	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.			business, or to larger or unusual risks which the insurer's risk committee agrees would not be possible to retain. The minimum retention is interpreted to mean 10% of the policy premium, not 10% of the policy limit or sum insured.
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, 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 companin incentive to place business locally.	No.	No. A licensed insurance 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.

United Arab Emirates (UAE)	Yes. However, business may only be ceded to reinsurers with a minimum rating of BBB from S&P. Reinsurance for takaful business may only be obtained from retakaful providers or from conventional reinsurers provided reinsurance is funded from their retakaful operations.	No.	A moratorium on the issuance of new licences for both locally incorporated (re)insurance companies and branches has been in place since 2009. It is therefore difficult (if not impossible) to obtain new licences and entry to the market is limited to acquisitions. Insurers and reinsurers are permitted to either be: (i) a branch of a foreign entity; or (ii) a locally incorporated (re)insurance company. Locally incorporated insurance companies are required to be listed on one of the local stock exchanges. While foreign ownership in many sectors was relaxed in 2018, a limit of 25% still applies for insurance and reinsurance companies incorporated in the UAE. Any locally incorporated company or branch of a foreign company, prior to commencing insurance or reinsurance operations in the UAE is required to maintain a minimum capital of AED100m for insurance and AED250m for reinsurance in the UAE.	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-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 German Insurance Supervision Act (VAG), 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 (§ 67 VAG) and requires them to establish a branch in Germany (§ 68 VAG). The authorisation and branch	No.	No.	No.

	requirement does not apply to (re)insurers solely carrying on reinsurance business in 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 Germany's Federal Financial Supervisory Authority (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 of the parties being assisted by a professional intermediary in Germany or a professional intermediary			

	domiciled abroad but acting as intermediary in Germany. Based on the signed "Bilateral Agreement between the European Union and the United States of America on prudential measures regarding insurance and reinsurance" provided that undertaking-specific criteria have been met in accordance with the Agreement, authorisation pursuant to 67 (1) sentence 1 VAG will not be required for US reinsurers to conduct reinsurance business as set out in the amended § 67 (1) sentence 2 point 2 VAG.			
Moldova	Yes.	No.	Yes. Foreign branches are not allowed.	No.
Poland	Yes. Following consultation with the Polish Financial Supervision Authority (KNF), the Ministry of Finance has officially informed the Polish Insurance Association that they interpret Solvency II as providing a legal basis for Polish cedants to conclude cross-border reinsurance agreements with reinsurers from third countries	No.	No.	No.

Portugal	Yes.	Yes. In accordance with local legislation, and subject to regulations to be issued under this legislation, 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. The regulations have not yet been issued.	No.	No.
Russia	Yes.	No.	Yes. Branches of foreign reinsurers are not permitted.	Yes. All insurers/reinsurers must offer a 10% share in all outward reinsurance placements to the Russian National Reinsurance Company (RNRC). The RNRC must accept at least 10% of business subject to international sanctions, while in respect of all other business offered, it may accept the 10%, decline or reduce participation, or agree to take a higher share than 10% if offered by a cedant/retrocedent. This originally applied to contracts incepted on 1 Jan 2017 and after, but from 1 Jan 2018, any treaty or facultative outward reinsurance signed prior to 1 Jan 2017 also became subject to the mandatory cession requirement.

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 access. Individual and catastrophe risks with insured sums from USD 35m may be reinsured by Admitted Reinsurers in its entirety.	No. That said, minimum capital requirements that can vary based on the amount of written premium are applied for branches. The minimum capital requirement for local reinsurers is ARS 350m. In addition, Admitted Reinsurers must evidence having: (1) a net worth in excess of USD 100m; (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	No. Not for Foreign Reinsurers registered as Admitted Reinsurers in Argentina. 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 ARS 350m or 16% of premium retained or 40% of gross written premium.	Yes. The percentage of ceded premiums per contract that may be ceded by Argentinian insurers to Admitted Reinsurers has been gradually increased in recent years and currently stands at 75%. 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.

		Solvency, minimum qualification BBB; • Fitch IBCA Ltd.: capacity to pay claims, minimum qualification BBB.		
Brazil	Yes, but there is requirement for foreign reinsurers to be registered as either an 'admitted' or an 'occasional' reinsurer. See notes on changes under Prospective Issues table.	Yes. Admitted reinsurers face a local minimum deposit requirement and minimum capital and rating 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 100m ("BBB" S&P risk rating and net assets of USD 150m for occasional reinsurers) and a foreign currency bank account in Brazil tied to the regulator, with a minimum deposit of USD 5m (USD 1m for life reinsurers).	Yes. There are no restrictions on foreign ownership of subsidiaries. However, foreign reinsurers registered in the Admitted category must set up and capitalise a representative office in Brazil which is required to have a Brazilian quota-holder with at least one quota share. 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. A requirement for retention of 50% from the written premium is in place, except for surety bonds, agricultural (re)insurance, and export/domestic credit (re)insurance. Calculation is based on risks written in the calendar year. Reforms introduced in 2019 relaxed the minimum retention requirement for property (named risks and operational risks), aviation (hull), facultative aviation liability, and energy insurance risks. The scope of this modification does not extend to local reinsurers.

Canada	Yes.	Yes. The existing Collateral requirement for registered cedants to receive favourable capital treatment with respect to unregistered reinsurance has been increased, effective 1 Jan 2020, from 115% 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% - All other classes - 20%.
Ecuador	Yes, but subject to restrictions. All foreign reinsures should be registered and authorized by Superintendencia de Compañías, Valores y Seguros de Ecuador.	No.	No.	Recent regulations limit the percentage of reinsurance cessions at 10% in proportional and 5% non-proportional business in lines, such as life, personal accident, assistance and motor.
United States	Yes.	Yes, unlicensed and non-US reinsurers must post 100% collateral for the ceding insurer to get credit for	Yes. As part of the passage of the Tax Cuts and Jobs Act of 2017, a new tax is levied on all "deductible" cross-	No.

		reinsurance on its balance sheet. However, all states have now adopted the 2011 NAIC framework providing reduced collateral (less than 100%) for approved reinsurers. In 2011, the NAIC adopted revisions to its Credit for Reinsurance Models, providing reductions in collateral for well regulated, financially strong reinsurers. As of February 2020, all US States have adopted, and 48 have implemented reduced collateral regulations. On 22 September 2017, the US-EU Bilateral Agreement 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. In anticipation of the departure of the UK from the EU, a separate covered agreement between the US	border payments between a reinsurer's US affiliates and non-US affiliates.	

		and the UK was signed in December 2018. This replicates the terms of the US-EU 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. To date 15 US states have enacted the latest revisions during the 2020 legislative session (several bills are still pending in additional states).		

IV. 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.

ASIA					
China	No.	Yes.	No.	In November 2016, the China Banking and Insurance Regulatory Commission (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 Notice for Public Comments on the "Regulations on the Solvency Management of Insurance Companies (Draft for Comments)" was issued by the CBIRC and the People's Bank of China on July 30, 2020. It is mentioned in Article 16 and Article 29 of the "Draft for Comments" that insurance companies (referring to insurance companies and branches of foreign insurance companies which are established in	No.

				China to conduct commercial insurance business in accordance with the law) should maintain sufficient domestic effective assets. The ratio of such assets to recognized liabilities shall comply with the relevant regulations of the CBIRC. In Article 16 it is also clarified that domestic effective assets refer to the recognized assets of insurance companies after deducting reinsurance reserves, reinsurance accounts receivable and receivables from overseas counterparties. In Article 29, it is mentioned that for insurance companies whose solvency meets the standard but the ratio of domestic effective assets to recognized liabilities does not meet the requirements, the CBIRC and its dispatched offices can take corresponding regulatory measures. The specific	

				requirements for domestic effective assets are not yet clear, but they may be announced in the next few months. The requirement for domestic effective assets will adversely affect the risk diversification of international reinsurers on a global scale and will restrict the liquidity management capabilities of reinsurers. As a result, the cost of international reinsurers in the Chinese insurance market will rise and their reinsurance capabilities will weaken, which will in turn affect the interests of direct insurance companies and policyholders.	
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 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.	No.
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	No.

				if divestment down to 70% ownership proves difficult.	
Mongolia	Yes, they are restricting.	No.	No.	No.	Amendments to the Law on Insurance of 30 April 2004 have been discussed and a draft law prepared for further consideration by parliament. Amongst other things, the new legislation may introduce a compulsory cession to Mongolian Re, the state-owned reinsurer. Improvements to the regulatory framework for co-insurance and for the supervision of foreign insurers operating in Mongolia are reportedly included in the draft.
Myanmar	Yes, they are further liberalizing.	Yes.	No.	No. After allowing a total of eleven 100% foreign owned and JV companies to enter the market in 2019, there are no talks yet on whether they will increase this number.	The Ministry of Planning, Finance and Industry Insurance Business Regulatory Board issued draft directions on March 2020 for public consultation. Other than the items already discussed, there are no further new

					provisions on compulsory cessions or right of first refusal that are expected to come out anytime soon.
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.
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	Mandatory requirement to offer 10% cession to national reinsurer RNRC has come into effect. See 'Current trade barriers' table.

				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.	
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-EU Covered Agreement signed in 2017. See details of the US-EU agreement earlier in the document.	No.	No.
NORTH & SOUTH AMERICA					
Brazil	With effect from 10 December 2019 the Brazilian government largely lifted restrictions on Occasional reinsurers. The Brazilian government is reviewing the possibility of also lifting the	Yes.	Yes, but limited in scope for Occasional reinsurers.	Details to be assessed for Occasional reinsurers.	Local insurance companies can cede up to 95% of their total ceded RI premiums to Occasional reinsurers (previous limit 10%). Local reinsurers can now cede up to 95% of their total premiums (previously 50%) to Occasional reinsurers.

	existing preferential offer system to Local Reinsurers.				However, the rules of right of first refusal for local reinsurers over 40% of each reinsured risk and of minimum 50% retention (except for some lines of business) are still in force.
Canada	Yes. They are restricting.	Yes.	Yes. In addition to the current requirement for 120% of collateral on reinsured balances the federal (re) insurance regulator is contemplating various possibilities to address concerns related to large limit exposures and counterparty concentration risk including: (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. On June 8, 2018, the Office of the Superintendent of Financial Institutions	No.	No.

			(OSFI) released a Discussion Paper on OSFI's Reinsurance Framework ("OSFI's 2018 RF"), outlining several proposed changes to the existing reinsurance regulatory framework. OSFI conducted a multi-year review of Canadian reinsurance practices and identified some concerns related to the "leveraged business model". OSFI also has concerns related to risks associated with large exposures and concentration of reinsurance counterparties. OSFI proposed two major changes in the new framework: (1) Introduce a prescriptive rule to establish a link between policy size, insurer financial resources and reinsurance structure and nature (2) Adjust the capital framework to increase capital requirements related to various types of reinsurance arrangements		

			In addition to these two main changes, OSFI's new reinsurance framework proposes several other changes to be introduced as part of a revised B-2 Guideline for P&C; a revised B-3 Guideline, revised DA 21 Transaction Instructions, and possible additional changes to capital guidelines. Under the OSFI's proposed new rule, the maximum policy limit that a P&C FRI could issue would depend upon its level of available capital, the flow of reinsurance payments, the reinsurer's registered/unregistered status, excess collateral, as well as the diversity of its unregistered reinsurance counterparties. After significant industry feedback OSFI is revising the proposals contained in the draft B2 guideline including any proscriptive rules		

			relating to maximum policy limits. During November 2020, OSFI might present a “different proposal” than initially put forward in the June 2018 discussion paper. The new proposal will aim to address “exposures” rather than policy limits.		