



# 2020 Brazil Insurance Outlook

Trends and imperatives shaping  
the life and non-life markets



Building a better  
working world

Compound annual growth rate, gross written premium, Brazil, 2013-2018

In BRL		In USD
8.3%	Total	-2.5%
8.7%	Life	-2.2%
7.9%	Non-life	-2.9%



Source: Swiss Re Sigma

The insurance market in Brazil is being shaped by powerful trends and forces. The macroeconomic picture is stifling growth through volatility in interest and exchange rates, as well as inflation and high unemployment. On the regulatory front, public pension reforms, the looming implementation of IFRS 17 and risk-based capital requirements for health insurance are placing new demands on the industry.

Level of unemployment, Brazil

12.3% 2018  
7.1% 2013

Source: Oxford Economics

Most insurers are dealing with inefficient and siloed legacy systems along with the need to adopt digital technologies, especially in the realms of data analytics and robotic process automation (RPA). Emerging market segments – such as small and medium-sized enterprises and class C, D and E corporations – must also be addressed as potential sources of growth. More customers are embracing digital channels and, as in other nations, they expect more than ever from insurers, as they do from other types of businesses.

Product portfolios are also evolving, with combined products and new life and pension products taking on a higher profile. Pay-per-use products have also been approved.

There is continuing evolution on the distribution front as well, thanks to the growing professionalization of brokers, the ongoing rise of direct and digital channels, growing significance of bancassurance and partnerships, and focus on increasing sales via social media.

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Smartphone penetration, Brazil

45.6% 2019

37.7% 2017

Source: Newzoo

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Life

2.1%

Market penetration, as percentage of GDP, 2018

Non-life

1.8%

\$39 billion

Gross written premium, USD, 2018

\$34 billion

Source: Swiss Re Sigma



## Key trends

# Non-life

### Pursuit of operational excellence

The Brazilian general insurance market faces a range of challenges, which are driving transformation initiatives across the enterprise. Customer-centricity is a priority, starting with visions for new products and a harmonious experience across different distribution channels. Insurers are also seeking differentiation through innovation in processes and tools.

Operational models also need to be optimized to ensure quality and efficiency. RPA is a likely source of such optimization; it will also help reduce administrative costs and standardize processes. Technology platforms must be modernized if insurers are to take advantage of digital technologies and offer richer and more personalized experiences.

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Growth in number of InsurTechs operating in Brazil during the past three years

# 5x

Source: Fintech Lab

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### Channel optimization

Brokers are the dominant channel for P&C in Brazil, with affinity channels also playing a significant role. But most insurers are investing to expand their use of direct and digital business models. The emergence of FinTechs is also shaping the distribution landscape. The key insurance players are undertaking transformation programs to enhance distribution efficiency and scale up digital channels.

### Strengthening client relationships

Generally speaking, Brazilian consumers trust their insurance providers, although most are willing to change insurers. The main drivers for switching are related to costs, payment terms and policy features.

Pay-per-use insurance may bring disruption. The behavior of insurance clients in Brazil indicates growth potential for alternative and digital channels, despite the current high usage of “in-person” channels.

## Mastering the product mix

The three main categories of non-life products are motor, extended warranty and commercial. Motor is highly competitive and undergoing strong technology transformation at the moment. Some players are exiting the extended warranty market due to high retail commissions. In contrast, commercial lines are seen as having strong growth potential, especially relative to small and medium-sized enterprises.

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Number of consecutive quarters  
(up to 2019 Q2) for which P&C  
commercial pricing has improved  
for the Latin American region

7

Source: Marsh

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## Technology priorities

Most Brazilian insurers are focused on the transformation of legacy systems and investment in digital insurance capabilities. RPA is widely viewed as critical to reducing costs.

## Moving toward new usages and new non-life offers

To better meet customer demand, build customer loyalty and take advantage of the opportunities offered by digital technology, insurance companies are stepping up their efforts in product innovation, largely in the non-life sector. To tackle the rise of connected devices, insurers are investing in this new niche and launching connected insurance solutions in three key areas: motor, home and health.

The collaborative economy is also creating a promising ecosystem for new insurance solutions. The challenge for insurers is to experiment with new offerings to establish themselves in this developing market. Another opportunity is the development of on-demand affinity insurance to provide coverage for a limited duration, along with peer-to-peer insurance bringing policyholder communities together to form risk pools.

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**Insurers are launching new connected  
solutions in motor, home and health.**

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# Key trends

# Life

## Channel optimization

Bancassurance is the main distribution channel for savings products, while life risk is dominated by brokers. However, digital distribution of life savings products (such as digital marketplaces and open banking systems selling unit link products) have begun to emerge. Leading insurers are already moving to transform their distribution and expand their use of digital channels.

## Client engagement

Strong competition for clients, especially on life savings products, along with high turnover are distinct challenges for the life market. But more customers are turning to digital channels for life savings products. Life insurance products are still purchased through “analog” or traditional channels. Consumer behavior in Brazil demonstrates the growth potential for alternative and digital channels.

## Product growth

Public pension reform is driving the creation of a market for annuities and universal life (UL). While individual life risk has grown rapidly, credit life also offers strong potential for growth, given the increase in credit concessions. The small and medium-sized enterprise market can also be a source of growth for life risk products, given the likelihood of labor reforms.

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## Growth over the last three years

Individual life risk

19%

Credit life

10%

*Source: EY analysis*

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## Technology transformation

The transformation of legacy systems and expansion of digital capabilities are priorities when it comes to technology investments. Insurers are also looking at RPA as crucial for cost reduction.

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# Imperatives for insurers

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Preparing for the future requires insurers to redesign their developmental strategies and operational models, while also managing regulatory impacts.

1

**Embrace digital transformation** as both a source for cost reduction in functional areas (e.g., claims processing) and a driver for growth (e.g., targeting new customers).

2

**Move forward with legacy transformation** as a means to enhance data quality, strengthen analytic capabilities and reduce costs.

3

**Develop the types of new products** (e.g., annuities, UL, pay-per-use) that customers are looking for, and distribute them through the channels they prefer (e.g., open insurance, direct).

# Contact

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For insights into regional trends and imperatives, please review the US and 2020 Americas Insurance Outlook.

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