

To: Mrs. Mirta Adriana Guida
Superintendent.
Argentine Insurance Regulator
Av. Julio A. Roca 721 – CABA

Date: 24 January 2023

Subject: Payment of reinsurance premiums abroad.
Restrictions and delays

Dear Mrs. Guida,

I am writing to you in my capacity as chair of the Trade Working Group of the Global Federation of Insurance Associations (GFIA), in order to urgently request assistance in regularising the circuit of reinsurance premium payments outside of Argentina.

I. Subject matter / purpose

Since the issuance of the Joint General Resolution of the Federal Administration of Public Revenues ("AFIP") and the Secretary of Commerce No. 5271; and Communication "A" 7622 of the Central Bank of Argentina, dated October 11 and 13, respectively, de facto restrictions and delays in the payment of reinsurance premiums abroad have been affecting the local and international (re)insurance market.

As the Argentine Insurance Regulator ("SSN") will understand, the above restrictions affect the functioning and continuity of the Argentine (re)insurance market and its relationship with the international reinsurance market.

We therefore call on the SSN to assist the local (re)insurance market in finding a solution to this problem, by taking steps to regularise the circuit of reinsurance premium payments outside Argentina.

II. Restrictions and delays

Since October 2022, approval of reinsurance premium payments to foreign countries has been increasingly delayed. Although some facultative reinsurance and/or retrocession treaty payments were released at the beginning of December 2022, most of them (including those corresponding to automatic treaties) are pending review and approval by the Secretary of Commerce, thus delaying the effective payment of reinsurance premiums.

As the SSN is aware, the impossibility of complying with this obligation severely affects the Argentine (re)insurance market and its relationship with the international reinsurance market.

This in turn directly effects the Argentine economy. This is because the non-payment of reinsurance premiums could result in the termination and rejection of reinsurance coverage and retrocession of existing business with Argentine (re)insurers. This jeopardises the solvency of those insurers and their policyholders. It also means that the international reinsurance market will lose interest in accepting risks from Argentina, which in turn would make it more difficult for local insurers to place their risks at competitive prices.

These implications would be extensive and would affect countless important Argentine companies and businesses in various fields, including, for example, the following industries:

- Gas and oil,
- Aeronautics,
- Energy,
- Mining

This is due to the fact that the business risks of the most important Argentine companies in the economy are transferred to domestic insurance companies, which, due to a lack of financial capacity to assume them in their entirety, must transfer them to reinsurance entities. These, in turn, cede significant portions of such risks to different retrocessionaires, the mutualisation of high severity risks over many countries being a common fundamental characteristic of the insurance sector.

These reinsurance and retrocession entities are mostly foreign companies, and as a consequence, Argentine cedants must be able to make reinsurance premium payments abroad to cover such risks. It is precisely thanks to such reinsurance and retrocessions that the Argentine insurance market can afford to pay claims incurred by Argentine companies.

Reinsurance is a global risk transfer mechanism. Its main purpose is to distribute risk so that it is not concentrated in a single jurisdiction or in a single company. Therefore, restricting reinsurance leads to a decrease in the financial strength of available local (re)insurers. Consequently, it increases exposure to counterparty risk in the local insurance sector.

Delaying the payment of reinsurance premiums implies disarticulating this dynamic of risk transfer and, as mentioned above, puts at risk local (re)insurers who in most cases are not in a financial position to face the entire risks ceded alone.

Also, restrictions on the payment of reinsurance premiums to foreign reinsurers creates risk concentration within Argentina and decreases coverage capacity and access to new products and distribution channels. These are ultimately detrimental to individual policyholders and companies and the development of Argentina's domestic insurance industry.

III. Request

In view of the foregoing and considering that (i) the reinsurance activities protected by the SSN, and (ii) the failure to remedy the current restrictions on the payment of reinsurance premiums abroad would result in a risk of disruption of the domestic insurance market and the Argentine economy, the assistance of the SSN is requested to regularise the payment of reinsurance premiums abroad, thus remedying the problems detailed herein.

Yours truly,

Brad Smith
Chair of the GFIA Trade Working Group

About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 40 member associations and 1 observer associations the interests of insurers and reinsurers in 67 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than \$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.