

TABLE OF CONTENTS

0.0 EXECUTIVE SUMMARY	1
1.0 INTRODUCTION	3
What is this report about?	3
<i>Distribution partnerships with banks and other lending institutions constitute the focus of this report</i>	<i>3</i>
Rationale	3
<i>Bancassurance is by far the most important distribution channel for life insurance in Brazil</i>	<i>3</i>
Methodology	4
Survey of banks and other lending institutions	4
Market data	4
Definitions	5
Investment-related life insurance	5
Retirement savings	5
Risk life insurance	5
Critical illness insurance	5
Income protection insurance	6
Accident insurance	6
Health / hospital cash plans	6
Medical expenses insurance	6
Personal motor insurance	6
Household insurance	6
Creditor insurance	7
Mortgages, consumer finance and credit cards	7
Weighted provider share of partnerships	7
Operating models	8
Abbreviations and exchange rates	8
PartnerBASE™ and market data annexe	9
Finaccord	9
2.0 MARKET BACKGROUND	12
Banks and other lending institutions covered	12
Economic background	12
<i>Brazil's economy has performed very strongly in recent years</i>	<i>12</i>
... <i>with substantial natural resources boosting growth</i>	<i>13</i>
<i>The service sector accounts for over two thirds of Brazilian GDP</i>	<i>13</i>
<i>In the World Bank's Ease of Doing Business Index, Brazil's is ranked only 126th in the world</i>	<i>13</i>
Introduction to the banking sector	14
<i>In terms of its total number of retail customers Bradesco leads the market</i>	<i>14</i>
<i>Government-owned Banco do Brasil is ranked second by number of customers</i>	<i>14</i>
<i>As a percentage of GDP, lending to the private sector has almost doubled since 2003</i>	<i>15</i>
... <i>with consumer credit having increased as a consequence of several factors</i>	<i>15</i>
<i>Retail sector card issuers account for the majority of credit cards in circulation in Brazil</i>	<i>15</i>
<i>The banking sector is fairly concentrated with the ten largest banks accounting for over 80% of assets</i>	<i>15</i>
... <i>partly as a result of mergers and acquisitions involving Banco Itaú and Bradesco</i>	<i>16</i>
Introduction to bancassurance	16
<i>Around 30% of Bradesco's profits are attributable to its insurance operations</i>	<i>16</i>
<i>MAPFRE and Zurich have both entered into bancassurance joint ventures in recent years</i>	<i>16</i>

BANCASSURANCE IN BRAZIL: LIFE, NON-LIFE AND CREDITOR INSURANCE

... with other insurers having established important strategic partnerships	17
The bancassurance channel is characterised by relatively 'light touch' regulation in Brazil	17
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS.....	18
Insurance market size and growth	18
<i>The market for retirement savings experienced rapid growth between 2008 and 2012.....</i>	18
<i>Capitalisation bonds constitute one of the most successful investment-related products in Brazil.....</i>	18
<i>Retirement savings are mostly configured as life policies such as PGBLs and VGBLs.....</i>	18
Distribution share of banks	20
<i>Bancassurers accounted for around 80% of the total life insurance market in 2012.....</i>	20
Bancassurance provision rates, operating models and partnerships	20
Investment-related life insurance	20
<i>Only the larger banking networks distribute forms of investment-related life insurance.....</i>	20
<i>Bradesco Capitalização is the leading provider by weighted share of partnerships.....</i>	20
...with two joint venture providers ranked second and third	20
<i>Icatu Capitalização has established ties with a total of seven banking organisations.....</i>	21
<i>A significant number of banking organisations do not distribute investment-related life insurance.....</i>	21
Retirement savings	23
<i>Provision of retirement savings products is also limited to the larger banking networks.....</i>	23
<i>BrasilPrev Seguros holds distribution ties with two government-owned banking organisations.....</i>	23
<i>At least 12 insurance companies sell through the bancassurance channel in this field.....</i>	23
Performance of key bancassurance underwriters	25
<i>Over three quarters of the capitalisation bond market is controlled by bank-owned insurers.....</i>	25
...and key bancassurance underwriters exert a near-monopoly on the PGBL and VGBL markets.....	25
4.0 PROTECTION-RELATED LIFE INSURANCE.....	27
Insurance market size and growth	27
<i>Protection-related life insurance grew by 11.9% per annum in real terms between 2008 and 2012.....</i>	27
... albeit a substantial proportion of this is probably due to creditor insurance	27
Distribution share of banks	28
Bancassurance provision rates, operating models and partnerships	28
Risk life insurance.....	28
<i>Familiar captive and joint venture underwriters dominate distribution deals for risk life policies.....</i>	28
... with Bradesco Seguros and Itaú Seguros ranked first by weighted share of partnerships	28
<i>Aliança do Brasil was configured as a joint venture by Banco do Brasil and MAPFRE in 2010.....</i>	29
<i>CNP's Caixa Seguradora joint venture directly serves around 4.8 million clients in Brazil.....</i>	29
11 banking organisations have established external partnerships in this field.....	29
Critical illness insurance	31
<i>Relatively few banking institutions in Brazil sell critical illness insurance.....</i>	31
<i>MetLife benefits from its strategic partnership with Citibank.....</i>	31
Income protection insurance	31
<i>Income protection insurance is rarely marketed by banking organisations in Brazil.....</i>	31
Performance of key bancassurance underwriters.....	34
<i>Key bancassurance underwriters have grown rapidly in the market for protection-related life insurance.....</i>	34
5.0 ACCIDENT AND HEALTH INSURANCE	35
Insurance market size and growth	35
<i>The market for accident and health insurance was worth almost USD 12.5 billion in 2012.....</i>	35
Distribution share of banks	36
Bancassurance provision rates, operating models and partnerships	36
Accident insurance	36
<i>Accident insurance is one of the forms of insurance most commonly marketed by banks.....</i>	36
<i>Once again, in terms of weighted partnership share, captive and joint venture underwriters are prominent.....</i>	36
<i>Icatu Seguros claims distribution relationships with five separate banking networks.....</i>	37
36 banking institutions have no apparent arrangement for selling accident insurance	37

BANCASSURANCE IN BRAZIL: LIFE, NON-LIFE AND CREDITOR INSURANCE

Medical expenses insurance.....	37
<i>Few banking organisations sell medical expenses insurance.....</i>	<i>37</i>
Health / hospital cash plans	40
<i>Nine bancassurance initiatives were identified in this field.....</i>	<i>40</i>
Performance of key bancassurance underwriters.....	42
<i>Captive and joint venture underwriters have performed strongly in the accident insurance market.....</i>	<i>42</i>
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	43
Insurance market size and growth	43
<i>Personal motor insurance gross written premiums declined in real terms between 2008 and 2012.....</i>	<i>43</i>
<i>Car owners must acquire DPVAT policies in order to license and register their vehicles</i>	<i>43</i>
Distribution share of banks	44
Bancassurance provision rates, operating models and partnerships	45
Personal motor insurance	45
<i>Over 20 banks and other lending institutions have an arrangement for selling personal motor insurance.....</i>	<i>45</i>
<i>MAPFRE Vera Cruz is ranked second behind Bradesco Seguros by weighted share of partnerships.....</i>	<i>45</i>
<i>Non-captive underwriters are limited mainly to partnerships with small and medium-sized institutions</i>	<i>45</i>
Household insurance.....	47
<i>The provision rate for household insurance is higher than that for personal motor insurance.....</i>	<i>47</i>
<i>Zurich has established partnerships with two banking entities</i>	<i>47</i>
<i>At least 20 distinct underwriting entities compete for household insurance partnerships with banks</i>	<i>47</i>
Performance of key bancassurance underwriters.....	49
<i>Captive and joint venture underwriters control around one third of the total motor insurance market.....</i>	<i>49</i>
<i>... albeit they have expanded their combined market share more noticeably in property insurance.....</i>	<i>49</i>
7.0 CREDITOR INSURANCE	51
Consumer lending market size and growth	51
Mortgage lending	51
<i>Residential mortgages in Brazil grew at a nominal compound annual rate of 45.8% between 2008 and 2012.....</i>	<i>51</i>
Non-mortgage lending	52
<i>The value of total non-mortgage consumer lending balances is more than twice that of mortgage balances</i>	<i>52</i>
Credit and other pay later cards.....	53
<i>Card issuers owned by or working closely with retail brands are highly influential in Brazil.....</i>	<i>53</i>
<i>Rising default rates have been a problem for credit card issuers in recent years.....</i>	<i>53</i>
Creditor insurance provision rates, operating models and partnerships.....	54
Creditor insurance linked to mortgages.....	54
<i>There are few mortgage lenders in Brazil but most of these sell related creditor insurance</i>	<i>54</i>
<i>Non-captive providers active in this arena include Allianz, HDI, SulAmérica and Tokio Marine.....</i>	<i>54</i>
Creditor insurance linked to consumer finance	56
<i>Two thirds of entities offering consumer finance have a scheme in place for loan payment protection cover</i>	<i>56</i>
<i>Bradesco Seguros possesses both captive and non-captive partnerships.....</i>	<i>56</i>
<i>Cardif has accumulated the highest outright number of distribution partnerships in this sphere</i>	<i>56</i>
<i>At least 20 separate underwriters vie for partnerships with lending institutions for this type of cover... ..</i>	<i>56</i>
<i>... although 25 lending institutions have no apparent scheme for in place for this type of creditor insurance.....</i>	<i>57</i>
Creditor insurance linked to credit cards	59
<i>Over 20 schemes for card-related creditor insurance are up and running in Brazil.....</i>	<i>59</i>
<i>Zurich and Porto Seguro benefit from partnerships with large retail sector card distributors</i>	<i>59</i>
Creditor insurance risk coverage.....	61
<i>There is apparent room for provision rates for temporary incapacity and unemployment to develop further.....</i>	<i>61</i>
Performance of key bancassurance underwriters.....	62
<i>According to the official data source, Caixa Seguradora is the market leader in creditor insurance.....</i>	<i>62</i>
<i>... having held this position consistently between 2007 and 2011</i>	<i>62</i>
Creditor insurance market size, growth and forecast.....	63
<i>The market for all forms of creditor insurance is growing rapidly in Brazil.....</i>	<i>63</i>

BANCASSURANCE IN BRAZIL: LIFE, NON-LIFE AND CREDITOR INSURANCE

... with demand for mortgage-related policies rising at the greatest speed 63
Official statistics exist to help quantify the market for creditor insurance in Brazil..... 64

LIST OF GRAPHICS / TABLES

0.0 EXECUTIVE SUMMARY	1
Overview of bancassurance provision rates for different types of insurance in Brazil, 2012	2
1.0 INTRODUCTION	3
Banks and other lending institutions in Brazil contacted by Finaccord, segmented by type.....	4
2.0 MARKET BACKGROUND	12
Key economic indicators for Brazil, 2012.....	14
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS.....	18
Gross written premiums for investment-related life insurance and retirement savings in Brazil, 2008 to 2012	19
Gross written premiums for investment-related life insurance and retirement savings in Brazil, 2008 to 2012 (data)	19
Bancassurance provision of investment-related life insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	22
Bancassurance provision of retirement savings in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	24
Market share in capitalisation bonds of key bancassurance underwriters in the Brazil, 2007 to 2011	25
Market share in VGBL insurance of key bancassurance underwriters in Brazil, 2007 to 2011	26
Market share in PGBL insurance of key bancassurance underwriters in Brazil, 2007 to 2011	26
4.0 PROTECTION-RELATED LIFE INSURANCE.....	27
Gross written premiums for protection-related life insurance in Brazil, 2008 to 2012	27
Gross written premiums for protection-related life insurance in Brazil, 2008 to 2012 (data)	28
Bancassurance provision of risk life insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	30
Bancassurance provision of critical illness insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	32
Bancassurance provision of income protection insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	33
Market share in protection-related life insurance of key bancassurance underwriters in Brazil, 2007 to 2011	34
5.0 ACCIDENT AND HEALTH INSURANCE	35
Gross written premiums for accident and health insurance in Brazil, 2008 to 2012	35
Gross written premiums for accident and health insurance in Brazil, 2008 to 2012 (data).....	36
Bancassurance provision of accident insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	38
Bancassurance provision of medical expenses insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	39
Bancassurance provision of health / hospital cash plans in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	41
Market share in accident insurance of key bancassurance underwriters in Brazil, 2007 to 2011	42
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	43
Gross written premiums for personal motor and household insurance in Brazil, 2007 to 2011	44
Gross written premiums for personal motor and household insurance in Brazil, 2007 to 2011 (data)	44
Bancassurance provision of personal motor insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	46
Bancassurance provision of household insurance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	48
Market share in total motor insurance of key bancassurance underwriters in Brazil, 2007 to 2011	49

BANCASSURANCE IN BRAZIL: LIFE, NON-LIFE AND CREDITOR INSURANCE

Market share in total property insurance of key bancassurance underwriters in Brazil, 2007 to 2011	50
7.0 CREDITOR INSURANCE	51
Residential mortgage lending balances outstanding in Brazil (absolute and per capita), 2008 to 2012.....	51
Consumer non-mortgage lending balances outstanding in Brazil (absolute and per capita), 2008 to 2012	52
Credit and other pay later cards issued and per capita in Brazil, 2008 to 2012	53
Key data points for the consumer lending market in Brazil, 2008 to 2012.....	54
Provision of creditor insurance linked to mortgages in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	55
Provision of creditor insurance linked to consumer finance in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships	58
Provision of creditor insurance linked to credit cards in Brazil, 2012: provision rate, operating models and weighted provider share of partnerships.....	60
Risk coverage of creditor insurance policies in Brazil, segmented by type of underlying product, 2012....	61
Market share in creditor insurance of key bancassurance underwriters in Brazil, 2007 to 2011	62
Creditor insurance gross written premiums in Brazil, segmented by policy type, 2008, 2012 and 2016....	63
Creditor insurance gross written premiums in Brazil, segmented by cover type, 2008, 2012 and 2016	64
Creditor insurance gross written premiums in Brazil, segmented by policy and cover type, 2008, 2012 and 2016 (data)	65