

GLOBAL SEGUROS

Costa Rica

Insurance Market Situation

Article by

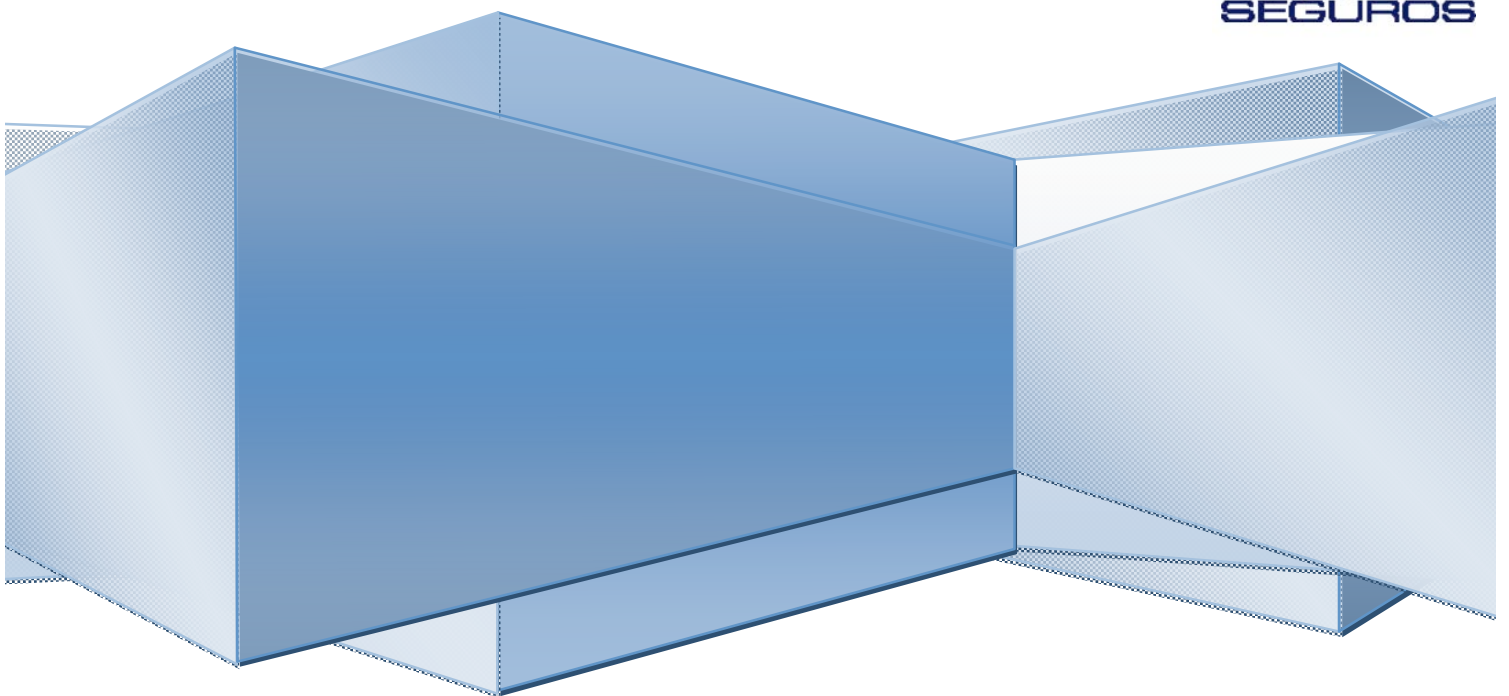
PABLO SALGADO

COMMERCIAL MANAGER

GLOBAL SEGUROS S.A.



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COSTA RICA

Costa Rica, a country in Central America, is bordered to the north by Nicaragua and to the southeast by Panama. In the east the Caribbean Sea washes ashore and the Pacific Ocean in the west. Its capital, San Jose, is also the political and economic centre of the country. The official language of Costa Rica is Spanish.

Costa Rica has been one of the strongest democracies in the Americas, and has enjoyed political, economic and social stability for the past 25 years. Costa Rica became one of the first countries in the world to abolish its army. This occurred on the 1st December 1948 and was perpetuated in the Constitution of 1949. Costa Rica ranked fifth on the 2008 *Environmental Performance Index* (EPI). Amongst Latin American countries, **Costa Rica** is classified at the top of the *Travel and Tourism Competitiveness Index* (TTCI), and places at position 42 at the worldwide level. Its *Human Development Index* (HDI) is the fifth best in Latin America.

General Information

Costa Rica

Full Name:	Republic of Costa Rica
Population:	4.5 million (UN, 2008)
Capital:	San Jose
Area:	51,100 sq km (19,730 sq miles)
Major languages:	Spanish (official), English
Major religion:	Christianity
Life Expectancy:	76 years (men), 81 years (women) (UN)
Monetary Unit:	1 Costa Rican colon = 100 centimos
Main Exports:	Coffee, bananas, sugar, textiles, electronic components, electricity
GNI per capita:	US\$5,560 (World Bank, 2007)
Internet Domain:	.Cr
International Dialling Code:	506

President

- **Oscar Arias** (Heredia, 1940), the current president of Costa Rica, is the first Nobel Peace Prize winner (to date, he is the only Costa Rican to have won this prize) to become leader of a Latin American nation. He is a lawyer, economist, political scientist, businessman and philosopher. He governed the country from 1986 to 1990. His current term in office started in 2006 and runs through to 2010.

The Costa Rican Economy

- The Costa Rican economy has experienced a strong transformation, evolving from a country whose economy was based mainly on agriculture to a service-based economy. It is ranked 11th in Latin America. Traditional agricultural products such as banana, coffee, sugar, cacao and pineapple continue to be important foreign exchange earners for the country. Costa Rica is known for its gourmet coffee beans which are exported mainly to the U.S. market. Nonetheless, export earnings from non-traditional products, such as flowers and mini-vegetables, have for the most part surpassed those for traditional products, while the services sector has experienced substantial growth in the last few years, generating more than 10,000 jobs.
- **Costa Rica** is a founding member of the United Nation and continues to maintain diplomatic relations with most of the countries in the Americas and Europe.

Exports		Imports	
Region	%	Region	%
United States	25,70%	United States	41
China	14,10%	Mexico	6,1
Netherlands	10,90%	Venezuela	5,7
U.K.	6,30%	Japan	5,4
Others	43,00%	Others	41,8

Foreign Direct Investment

More than 200 transnational companies have chosen **Costa Rica** to do business and they are benefiting from a highly qualified labour force, solid infrastructure and a stable economy which has resulted in increased efficiency and easy market access.

Foreign Direct Investment			
Country	Ranking	Millions of \$	% of the region
Panama	67	1,825	26%
Costa Rica	75	1,896	26%
Guatemala	103	724	10%
El Salvador	105	1526	21%
Honduras	111	816	11%
Nicaragua	116	335	5%

Free Trade Agreements

Costa Rica has 11 free trade agreements (FTA) and is currently negotiating others with China, Singapore and the E.U.

Of the current agreements, only the treaties with the United States and Panama include sections covering insurance.

FTA	
Country	Date Signed
Canada	1 November 2002
Chile	15 February 2002
CARICOM	15 November 2005
Dominican Republic	7 March 2002, Expanded in CAFTA on 1 January 2009
El Salvador	Common Market since 1963, renewed on 29 October 1993
Guatemala	Common Market since 1963, renewed on 29 October 1993
Honduras	Common Market since 1963, renewed on 29 October 1993.
Mexico	1 January 1995
Nicaragua	Common Market since 1963, renewed on 29 October 1993
Panama	31 July 1973, renegotiated and expanded on 1 January 2009
United States	1 January 2009

United States	The objective of recently approved legislation (in force since August 2008) is to open and regulate the market based on international standards, mainly those approved by the International Association of Insurance Supervisors (IAIS). In order to ensure compliance with these standards, the Superintendence of Insurance (SUGESE) will be created.
Panama	Regarding insurance, starting one year after the treaty comes into effect (2010), the countries agreed to review the development of commercial insurance and reinsurance services and to consider the need to expand the provisions for these services.

Insurance

In 1924 a state monopoly was setup in Costa Rica covering the various types of insurance, with the exception of contracts from those life insurance companies set up as cooperatives or mutual institutions. Eighty four years later, on 7th August 2008, the new Regulatory Law for the Insurance Market (Law 8653) came into force, abolishing the monopolisation of private insurance and establishing the opening of the mandatory insurance market (Occupational Risk and Compulsory Auto Insurance) starting in 2011.

The revision of the financial indices was a clear sign of the need for de-monopolisation. After Panama, the Costa Rican GDP per capita is the highest in the region, reaching US\$5,900 in 2008. Foreign Direct Investment represented more than 7% of the nominal GDP. Since 2001 the financial and insurance sectors have experienced a combined growth



of 120%. Direct premiums (not including the grey market) underwritten in the country last year (2008) represented 2% of the nominal GDP.

The recently enacted law can be divided into three sections: the first of these refers to the regulation of the market based on international standards; the second creates the General Superintendence for Insurance, which will be the entity in charge of ensuring compliance with the regulation and promoting the development of the insurance market; the third section contains final provisions for the reformation of a series of laws, particularly the Law which created the INS (the National Insurance Institute) and the Fire Brigade Law, in order to make the necessary adjustments so as to strengthen their activities in terms of the opening of the market.

The Minimum Capital (MC) requirement for insurance entities to operate in Costa Rica was defined in development units which currently have a value that is 16% greater than the U.S. dollar. Hence, the law stipulates that a private insurance entity should have a MC which is equivalent to US\$ 3,480,000.00, the same amount that is required for general insurance entities. If an insurance company decides to operate in both categories as one entity as opposed to setting up two different corporations, it will be classified as a mixed insurance entity and the required MC in this case would be the equivalent of US\$ 8,120,000.00.

This amount is one of the highest in the region, however, bear in mind that the MC deposit is nothing more than a requirement to obtain authorisation. Once this has been obtained and the entity begins to operate, the CM deposit is used to develop operations and serve as a backup for technical provisions, reserves and other capital requirements. For all intents and purposes, if we review the insurance companies ranking in Central America, of the first 43, 28 of them have shareholders' equity that is greater than the MC required in Costa Rica to setup a general insurance company in conjunction with a private insurance company.

Insurance

Regarding the legal nature of authorised insurance entities, the law stipulates that they should be Costa Rican insurance corporations or cooperatives with a sole objective. When applicable, they can also be branches of foreign entities as long as they meet the aforementioned requirements.

In terms of infringements and disciplinary authority with regard to the actors in the market, the Superintendence has been granted sufficient objectivity, flexibility and gradation in order to deal with situations of non-compliance which have been clearly established based on the definition or references in other applicable laws; this includes the administrative procedure which must be followed to prove the non-compliance and the appropriate penalties. The above no doubt provides greater legal security and flexibility for the actors in the insurance market, while at the same time guaranteeing congruency between the offence and its punishment in relation to, for example, the stipulations of the Regulatory Law of the Costa Rican Stock Market.

In addition to insurance and reinsurance entities, the law also regulates insurance intermediaries, as well as providers of auxiliary insurance services. It also establishes the rules under which authorised trans-border insurance trade should operate, in accordance with what is stipulated in the law.



On the 18th September, the CONASSIF (The National Council for the Supervision of the Financial System) issued the regulations (based on international standards and principles) which are required for the opening of the market: the Regulations for Authorisations, records and operating requirements for supervised entities and the Solvency Regulations for Insurers and Reinsurers. While there are still other regulations to be issued, the two aforementioned regulations provide for the authorisation of insurance entities to be set up in the country.

In 2007, the Costa Rican insurance market, not including the grey market which is now restricted and sanctionable, represented US\$ 506 million; in 2008 there were US\$ 600 million in direct premiums. In 2007 and 2008 the INS's (the National Insurance Institute) profits were about 20% of the direct premiums of each year. From 2005 to the present, direct premiums have grown by 62%.

Authorised Insurers in Costa Rica

INSTITUTO NACIONAL DE SEGUROS

INSTITUTO NACIONAL DE SEGUROS is an autonomous Costa Rican institution in charge of the insurance monopoly in the country. It was established by Law (No. 12) on 30 October, 1924 with the purpose of filling the need of the Costa Rican society for protection.

With more than 80 years in existence, the INS (the National Insurance Institute) has 22 branches in the country and 4500 workers. In addition to the sale of insurance, it administers the Fire Brigade, the Jade Museum and provides health services via *INS – Salud*, a huge medical complex, which is linked to a network of medical services throughout the country.

www.ins-cr.com

SEGUROS DEL MAGISTERIO

Founded in 1920, the main function of the Teacher's Pension Board Life Insurance Corporation has been the administration of mutual life insurance for public and private education workers in Costa Rica.

It became the first direct competitor of the INS in June 2009 with eight new policies. The new products that will be offered include various individual and collective life insurance policies, coverage for all types of accidents, as well as for funeral expenses. The Teacher's Pension Board Life Insurance Corporation has been in the market for over 88 years and was the only exception to the established monopoly. Nonetheless, its activity was restricted to re-insuring educators and their relatives.

www.segurosdelmagisterio.com

SEGUROS LA MUNDIAL



SEGUROS LA MUNDIAL is the first foreign company to obtain the backing of the regulatory entity to operate in Costa Rica. It is a part of the Mundial Group, which is a Panamanian conglomerate of financial companies. It offers financial solutions to its clients, these include: insurance, banking, securities, pensions and termination indemnities, microfinance and trust services.

Auto insurance will be the first product the company will offer on the local market. One of its star products will be “Mundiautos”, an insurance policy characterised by the value-added services which are included. This product is being developed for the entire region. It should be available on the market starting some time between October and November 2009.

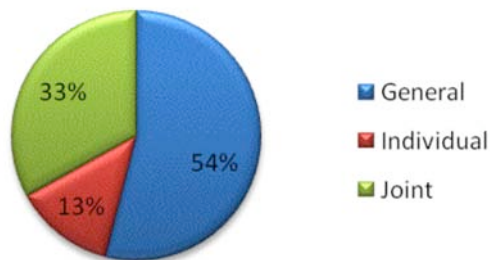
www.amundial.com

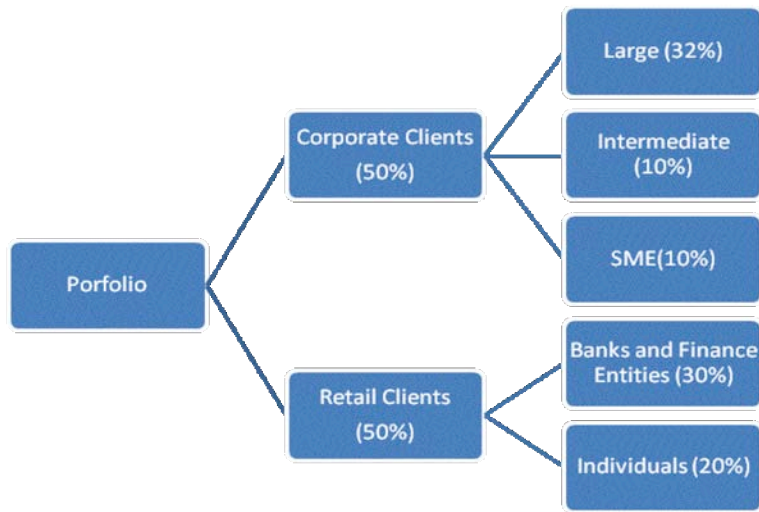
Market Data from Costa Rica

\$ 600,000,000.00



Direct Premiums





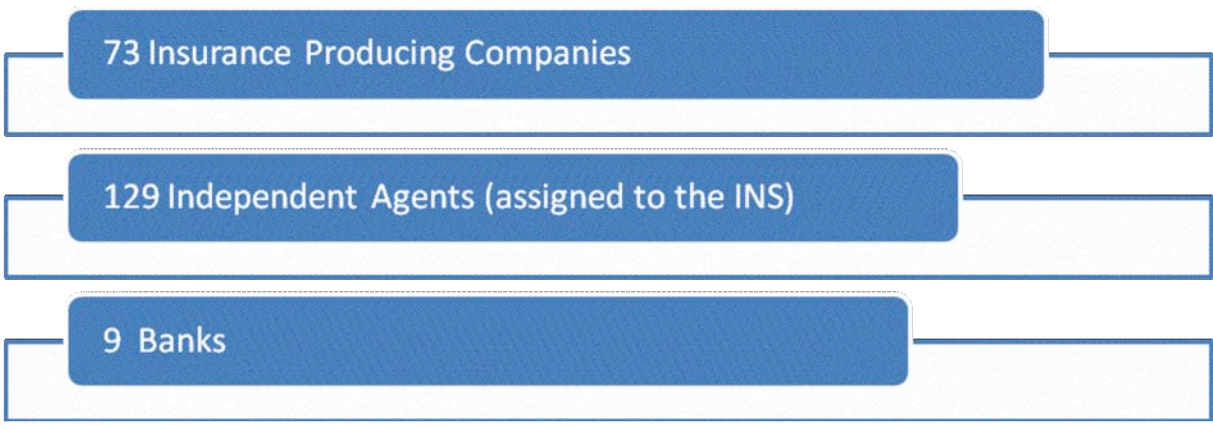
2008 Data

Market Data from Costa Rica

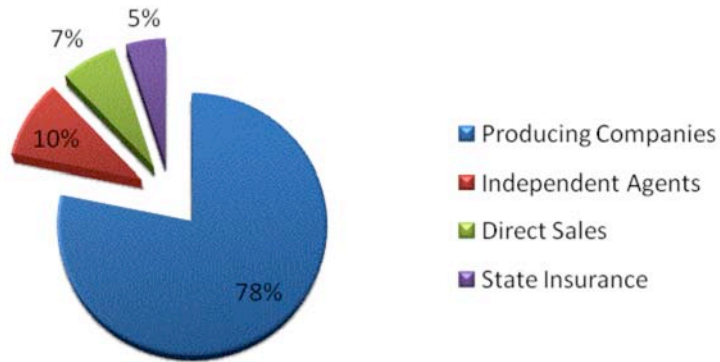
Participation of the main lines



Distribution Channels



Distribution Channels



Datos 2008

Ranking of Insurance Companies in the Region

CENTRAL AMERICA				
Rk	Insurer	Country	Annual Premium	Web Page
1	INS	Costa Rica	\$600.000,00	www.ins-cr.com
2	Aseguradora Mundial	Panamá	\$167.872,00	www.amundial.com
3	Compañía Int. Seguros	Panamá	\$124.228,00	www.iseguros.com
4	ASSA Compañía Seguros	Panamá	\$121.514,00	www.assanet.com
5	Seguros G&T	Guatemala	\$111.807,00	www.segurosgyt.com.gt
6	Seguros El Roble	Guatemala	\$78.347,00	www.elroble.com
7	Interamericana de Seguros	Honduras	\$70.561,00	www.interamericanadeseguros.com
8	Aseguradora General	Guatemala	\$60.930,00	www.aseguresemejor.com
9	SISA VIDA	El Salvador	\$60.296,00	www.sisa.com
10	Aseguradora Agrícola Comercial	El Salvador	\$59.746,00	www.acsasal.com.sv
11	Assicurazioni Generali	Panamá	\$57.729,00	www.generali.com.pa
12	HSBC Seguros	Panamá	\$56.631,00	www.hsbcseguros.com.pa
13	Asesuisa Vida	El Salvador	\$56.337,00	www.asesuisa.com
14	Mapfre La Centro Americana	El Salvador	\$54.263,00	www.lacentro.com
15	American Life	Panamá	\$49.202,00	www.alicopan.com
16	Seguros Atlántica	Honduras	\$48.713,00	www.seatlan.com
17	Asesuisa	El Salvador	\$45.338,00	www.asesuisa.com
18	Aseguradora Ancón	Panamá	\$43.520,00	www.asegurancon.com
19	Seguros HSBC Honduras	Honduras	\$42.771,00	www.hsbc.com.hn
20	Aseguradora Hondureña La Mundial	Honduras	\$36.873,00	www.laaseguradora.com.hn





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