Chilean Insurance Market Overview

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Asociación de Aseguradores de Chile
1. Chilean Economy & Insurance Market at a glance
2. Non-Life Insurance Market
3. Life Insurance Market
4. Challenges & Opportunities
5. Conclusions
The Chilean Association of Insurers (AACH) is the voice of the local industry. It is a 115 year-old institution representing 53 insurance companies who account for 96% of Chile’s Insurance Premiums.
1. Chilean Economy & Insurance Market at a glance
Chilean Economy (2013)

- Inhabitants: 16,7 Millions
- GDP: US$ 280.7 billions
- GDP per capita: US$ 18,945
- PPP: US$ 22,500

Main Cities: Santiago (Capital 7,5 Mill.); Concepción (1,5 Mill); Antofagasta (1,0 Mill); Temuco (1,0 Mill.)

Main Industrial & Economic Sectors: Mining (Cooper/Iron), Paper Pulp, Fishing, Agro-industry, Wine, Finance.

Economic Freedom Index (1): 78,7 – 7th place

Competitivy Index (2): 4,61 – 33rd place

Gini Index: 0,49 pts.

(1) The Heritage Foundation 2014 Index of Economic Freedom
Chilean Macroeconomic Indexes

**Inflation**

- 2004: 2.4
- 2005: 3.7
- 2006: 2.6
- 2007: 7.8
- 2008: 7.8
- 2009: -1.4
- 2010: 3
- 2011: 4.5
- 2012: 1.5
- 2013: 3
- 2014E: 4.5

**Unemployment**

- 2004: 10
- 2005: 9.2
- 2006: 7.8
- 2007: 7.1
- 2008: 7.8
- 2009: 10
- 2010: 8.3
- 2011: 7.2
- 2012: 6.4
- 2013: 5.7
- 2014E: 6.7

**GDP Growth**

- 2004: 6
- 2005: 5.5
- 2006: 4.6
- 2007: 4.6
- 2008: 3.7
- 2009: -0.9
- 2010: 5.8
- 2011: 5.9
- 2012: 5.5
- 2013: 4.1
- 2014E: 2.8

**Interest Rate (real)**

- 2004: 2.7
- 2005: 3.4
- 2006: 2.6
- 2007: 3
- 2008: 3.4
- 2009: 2.9
- 2010: 1.2
- 2011: 2.4
- 2012: 3.4
- 2013: 4.5
- 2014E: 3

**Source:** Banco Central de Chile
Chilean Insurance Market (2013)

The Chilean Insurance Market is the 5th largest in Latin America with the biggest insurance density (premium per capita) & penetration (Premiums in % of GDP) in the region.

It is also an essential part of the Chilean economic strength, managing investments for more than US$ 49 billion (equivalent to 18.9% of GDP).

But it is not only an economically solid market; with a Self-Regulation code in place for over 12 years and an active Council appointing an Ombudsman who receives an average of 1000 cases a year vs. over 15 million claims paid by the industry, it has a strong credibility in the economy.
Latin American Insurance Industry (2013)

Source: SIGMA Swiss Re
## Insurance Industry & the Economy (2013)

<table>
<thead>
<tr>
<th>Premium per capita in USD</th>
<th>Premium in % of GDP</th>
<th>Total Premium in Billion of USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>631</td>
<td>4.2%</td>
<td>11,076</td>
</tr>
</tbody>
</table>

Chilean Insurance Market grew 3,9% (local currency, inflation adjusted) in a scenario of a 4,1% GDP growth and a 3% inflation rate.
Chilean Insurance Industry (2013)

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance Companies</td>
<td>33</td>
</tr>
<tr>
<td>Non-life Insurance companies</td>
<td>23</td>
</tr>
<tr>
<td>Credit Insurance Companies</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
</tr>
<tr>
<td>Insurance Brokers</td>
<td>2,266</td>
</tr>
<tr>
<td>Re Insurance Brokers</td>
<td>60</td>
</tr>
<tr>
<td>Adjusters</td>
<td>217</td>
</tr>
</tbody>
</table>

Source: AACH based on SVS data
Chile Direct Premiums (Life & Non-life)
(US$ million)

Source: AACH based on SVS data
Chile Insurance Density (premium per capita)
(Figures in US$; Census 2002)

Sources: AACH based on SVS data and INE
Chile Insurance Penetration (% of GDP)

Source: AACH based on SVS data and Central Bank of Chile
Chile: a very competitive market (2012)

LA Market share by country

<table>
<thead>
<tr>
<th>Country</th>
<th>N° of companies</th>
<th>Share largest 5</th>
<th>Share Largest 10</th>
<th>Leader share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uruguay</td>
<td>14</td>
<td>90%</td>
<td>98,60%</td>
<td>65,10%</td>
</tr>
<tr>
<td>Peru</td>
<td>14</td>
<td>89,80%</td>
<td>99,80%</td>
<td>33,40%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>14</td>
<td>85,30%</td>
<td>99,50%</td>
<td>21,70%</td>
</tr>
<tr>
<td>Brasil</td>
<td>116</td>
<td>65,40%</td>
<td>82,90%</td>
<td>20,40%</td>
</tr>
<tr>
<td>Colombia</td>
<td>45</td>
<td>54,20%</td>
<td>76,60%</td>
<td>22,80%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>47</td>
<td>51,50%</td>
<td>72,20%</td>
<td>13,70%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>34</td>
<td>47,30%</td>
<td>65,70%</td>
<td>20,10%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>42</td>
<td>40,40%</td>
<td>59,10%</td>
<td>10,50%</td>
</tr>
<tr>
<td>Chile</td>
<td>60</td>
<td>36,90%</td>
<td>58,50%</td>
<td>9,80%</td>
</tr>
<tr>
<td>Argentina</td>
<td>180</td>
<td>35,30%</td>
<td>53,90%</td>
<td>9,80%</td>
</tr>
</tbody>
</table>

Source: MAPFRE and Latinoinsurance
2. Chilean Non Life Insurance Market
Non-Life Insurance Premium (2013)

- Property: 33%
- Motor: 28%
- Liability: 5%
- Engineering: 5%
- Cargo: 3%
- Theft: 3%
- SOAP: 3%
- Credit: 2%
- Personal Accident: 4%
- Marine Hull: 1%
- Others (1): 13%

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>1,288,424,664</td>
</tr>
<tr>
<td>Motor</td>
<td>1,050,727,549</td>
</tr>
<tr>
<td>Cargo</td>
<td>144,725,232</td>
</tr>
<tr>
<td>Theft</td>
<td>128,544,090</td>
</tr>
<tr>
<td>Hull</td>
<td>67,494,420</td>
</tr>
<tr>
<td>Liability</td>
<td>194,332,797</td>
</tr>
<tr>
<td>Others</td>
<td>1,012,407,198</td>
</tr>
<tr>
<td>Total</td>
<td>3,886,655,953</td>
</tr>
</tbody>
</table>

(1) Surety, unemployment; Extended Warranty, IT Fraud etc.

Sources: AACH based on SVS data and SVS
### Market Share by Company (2013)

<table>
<thead>
<tr>
<th>Company</th>
<th>Total (USD) (1)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSA</td>
<td>566.445.436</td>
<td>14.75%</td>
</tr>
<tr>
<td>Penta-Security</td>
<td>427.674.051</td>
<td>11.13%</td>
</tr>
<tr>
<td>BCI</td>
<td>424.434.263</td>
<td>11.05%</td>
</tr>
<tr>
<td>MAPFRE</td>
<td>417.839.719</td>
<td>10.88%</td>
</tr>
<tr>
<td>Liberty</td>
<td>342.726.008</td>
<td>8.92%</td>
</tr>
<tr>
<td>Magallanes</td>
<td>310.061.606</td>
<td>8.07%</td>
</tr>
<tr>
<td>BNP Cardif</td>
<td>251.075.347</td>
<td>6.54%</td>
</tr>
<tr>
<td>ACE</td>
<td>232.390.760</td>
<td>6.05%</td>
</tr>
<tr>
<td>Chilena (Zurich)</td>
<td>206.951.333</td>
<td>5.39%</td>
</tr>
<tr>
<td>AIG</td>
<td>145.772.479</td>
<td>3.80%</td>
</tr>
<tr>
<td>Consorcio</td>
<td>106.916.473</td>
<td>2.78%</td>
</tr>
<tr>
<td>Zurich Santander</td>
<td>105.266.851</td>
<td>2.74%</td>
</tr>
<tr>
<td>HDI</td>
<td>73.554.196</td>
<td>1.91%</td>
</tr>
<tr>
<td>Chubb</td>
<td>48.957.721</td>
<td>1.27%</td>
</tr>
<tr>
<td>Orion</td>
<td>40.862.754</td>
<td>1.06%</td>
</tr>
<tr>
<td>Others</td>
<td>83.649.963</td>
<td>2.15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.886.655.953</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

![Segmented Premium Market Share](chart.png)

Source: Superintendencia de Valores y Seguros (SVS) FECU 2013

(1) Credit companies are not included
Non-Life: a Reinsured Market

41,6% Out of Gross Premiums are ceded

Property
The largest (in premiums) ceded line including CAT coverage

1,529 Ceded annual premiums in millions of USD

Retained premiums by lines (% of Gross premiums, 2013)

Sources: AACH based on SVS data
3. Chilean Life Insurance Market
Life Insurance Premiums (2013)

- Social Security / Annuities: 45%
- Disability and Survival (SIS): 12%
- Mortgage: 10%
- Health: 9%
- Universal Life & Index Life: 8%
- Life: 8%
- Retirement Savings Insurance: 5%
- Personal Accidents: 2%
- Private Annuities: 1%
- Others: 0%

Sources: AACH based on SVS data and INE
4. Challenges & Opportunities
Challenges & Opportunities

New & upcoming regulatory changes

› Tax reform  ➔ Approved

› Risk based capital law ➔ In Congress

› Consumer protection regulation ➔ Under Review

› Market Conduct regulations ➔ Submitted to market for comments

› Personal Data protection act ➔ Under review
Challenges & Opportunities

Challenges

A larger middle income country with middle and lower classes demanding immediate benefits.

Social

CAT risks; a new model to calculate PML

Insurance Industry

From an insurance perspective this implies that apart from lower premiums, consumers want insurance products and services delivered as easily and efficiently as other types of online transactions, do not like “small print” and do not hesitate to use social networks to claim their rights.

We have been working on this and we expect to have the first operative version by the end this year.
Challenges & Opportunities

Opportunities

Infrastructure

New concessions programme & insurance solutions for existing infrastructure

Liability

Liability growth

The ministry for public works (MOP) has announced a new concessions programme in excess of USD 25 Bio.

Furthermore we are working with the Ministry to provide Surety coverage for existing contracts, business that was exclusive to banks.

There is an increasing consciousness of demand for liability products and higher insured amounts in such coverages.
5. Conclusions
Conclusions

Chilean economy is growing strong with positive macroeconomic indexes, a robust fiscal discipline and a clear legal environment.

Our Insurance Market is an open and sophisticated market exposed to international compliance standards & regulations.

Risk based capital, market conduct acts, personal data & consumer protections acts, among other global trends are main issues in Chile.

Chilean Industry has been tested through natural catastrophes and economic crises and has proven its strength and trustworthiness to its clients.

All this confirms that Chile is a good place to do business.
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