

# News release

## Swiss Re releases its first Latin American L&H customer survey, revealing opportunities for insurers in serious illness and long term care

- Serious illness and long-term care are primary concerns for L&H consumers in Latin America and are opportunities for insurers
- Increased market awareness means Brazil is a high potential growth market, while serious illness covers in Mexico are a major opportunity
- Study highlights the paradox that many people perceive life insurance to be too expensive, even though people say they are willing to pay more than the current price of cover
- Simplification and increased transparency in product design, sales process and underwriting procedures would make products more attractive and accessible

Zurich, 11 February 2014 — According to Swiss Re's Latin America Customer Survey Report 2013, there is a potential life insurance market of up to 90% of the populations in Latin American countries. The report finds that the large gap between the perceived need for long-term care coverage and real insurance penetration of only 4% means that there is huge opportunity for insurers in the region. Brazil's low insurance penetration, and Mexico's perceived need for better serious illness covers are found to be specific growth opportunities.

Swiss Re's survey, which examines responses from 5,001 individuals aged 21-70 in six Latin American countries (Brazil, Mexico, Chile, Colombia, Peru, and Puerto Rico), finds that insurance covers could often be more adequately tailored to address consumers' needs.

When asked what might motivate them to buy certain types of life insurance, respondents cited the need for health cover from a serious illness (38%), the affordability of long-term care (37%) and the fear of an unplanned drop in the standard of living (30%) as the most significant factors.

Key opportunities for insurers can be derived from these concerns. Despite the fact that long-term care is cited as a top area of concern, only 4% of consumers believe they have long-term care coverage. Similarly, the fear of suffering a serious illness ranks as the biggest concern amongst the public, but just 21% of consumers believe they hold the appropriate cover.

"There is a sizable discrepancy between what consumers fear and the protection they currently have," says Margo Black, Head of Reinsurance Latin

Media Relations,  
Zurich  
Telephone +41 43 285 7171

New York  
Telephone +1 914 828 6511

Sao Paulo  
Telephone +55 11 3073 8201

Hong Kong  
Telephone +852 2582 3660

Investor Relations,  
Zurich  
Telephone +41 43 285 4444

Swiss Re Ltd  
Mythenquai 50/60  
P.O. Box  
CH-8022 Zurich

Telephone +41 43 285 2121  
Fax +41 43 285 2999

[www.swissre.com](http://www.swissre.com)  
 @SwissRe

America South for Swiss Re. “There is no doubt that long-term care cover is one of the most promising fields of future potential for insurers.”

Respondents cited the internet and traditional distribution sources – such as agents and brokers – as the most commonly-used sources of information for insurance products and coverage.

“While the internet has still not been established as the preferred distribution channel for life insurance products, it has become the most significant source of information,” adds Black. “This presents an opportunity for insurers to acquire new customers – and develop existing ones – in a simple and cost-effective manner.”

### **Coverage trends**

Nearly half (45%) of survey respondents stated that they currently hold a traditional life insurance policy. The survey also found that those who need coverage the most are more likely to already have it. For example, 53% of adults aged from 35 to 54 years who have children hold a life insurance policy. Correlations reveal that people already holding policies are more likely to purchase additional cover, and that the number of policies held increases with age and income. Overall, men are more likely to hold policies, as well as to acquire additional coverage.

Penetration levels vary remarkably according to wealth. The penetration levels of three common insurance policies range between 23% to 30% for those in the highest wealth bracket; these levels fall to between 8% and 10% for people with the lowest incomes.

“There is significant potential for growth among lower income earners via the development of an effective micro insurance program with affordable products,” says Alejandro Padilla, Head of Reinsurance Latin America North for Swiss Re. “The emergence of the internet as a distribution channel could be especially helpful for this portion of the population.”

### **Barriers to entry**

As with other markets, such as Europe, there is a general perception in Latin America that life insurance products are prohibitively expensive. The perception of affordability is the key barrier to taking out protection, but surprisingly, many consumers indicate that they would be willing to pay a considerably high monthly premium for life insurance coverage so long as the product contained simple terms and conditions.

This finding is a call to insurers to make products more accessible by simplifying product design and making products more understandable to consumers. It also suggests that consumers will be more likely to adopt products which have simple sales process and underwriting procedures.

However, one significant challenge for insurers is the significant percentage of the population who have simply not considered taking out an insurance policy.

"Insurance companies stand to gain from conducting awareness campaigns regarding the importance of adequate – or even partial – insurance coverage," says Padilla. "Consumer awareness is key, especially when one considers that the intention to buy an insurance product in Latin America is higher than in Europe and the U.K."

### **Trends in Brazil**

Brazil has a considerable life protection gap on a country level. However the survey finds that Brazilians are the least concerned about their financial situation if they were to lose coverage. The coverage gap in Brazil is USD 2.5 trillion (USD 47,239 per capita), 44% of those surveyed in Brazil have no basic life and health insurance coverage and just 21% say they are reasonably positioned with adequate insurance.

"We discovered that even though Brazilians do feel vulnerable to health risks, many have insufficient insurance protection," says Black. "With a large part of the population aware of potential risks and the degree of their underinsurance, this is a promising starting point for a discussion about the needs and possible solutions for the future."

### **Trends in Mexico**

The coverage gap in Mexico stands at USD 1 trillion, with the per capita gap (USD 39,242) being the lowest in Latin America and well below the region's average of USD 60,628. In the survey, Mexico showed a high level of life insurance protection (48%), similar to other countries.

74% of the Mexican population feel vulnerable to the risks of physical illness, injury, disability, critical illness or healthcare treatment. Despite relatively high levels of life insurance protection, policies covering these additional risks are little-used in the market. Underscoring the need for enhanced awareness of life products, just 18% of respondents knew that critical illness cover existed.

"Now is the perfect time for the insurance industry to turn the knowledge about consumer behaviour, perceptions, and essential protection needs into actionable approaches to capture the opportunities ahead," says Padilla.

#### **Notes to editors:**

Copies of "Latin America Customer Survey Report 2013", "Brazil Customer Survey Report 2013" and "Mexico Customer Survey Report 2013" are available electronically on the sigma section of Swiss Re's website: <http://www.swissre.com/sigma/>  
Printed editions are also available now. Please send your orders, complete with your full postal address, to: e-mail: [sigma@swissre.com](mailto:sigma@swissre.com)

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