



Eight major Latin American markets have a mortality protection gap of USD 7.2 trillion, according to Swiss Re Report

Contact:

Corporate Communications, Latin America
Telephone, +55 11 3073 8157

Corporate Communications, New York
Telephone +1 914 828 6511

Media Relations, Zurich
Telephone +41 43 285 7171

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
CH-8002 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

Zurich, 24 September 2013 – The strong economic growth experienced in Latin America over the past decade has bolstered employment, income and savings, as well as the penetration of life insurance in the region. However the lives of many Latin Americans are still uninsured or underinsured by alarming dimensions, according to a report released today by Swiss Re. *The mortality protection gap in Latin America* is the first study of its kind covering selected Latin American countries.

When the main breadwinner in a family dies, this can leave a large gap in the family's income and lead to a significant drop in their standard of living. Many families will have financial protection in place, but the protection gap for families without insurance is a major concern. Swiss Re's study reveals that across eight major Latin America markets in 2012, this protection gap amounted to USD 7.2 trillion, or 138% of GDP. This translates to a mortality protection gap of USD 60,628 for the average working person with dependents. The report also shows that this protection gap has increased by 10% on average per year since 2003.

"Adequate mortality protection is lacking in an alarming number of Latin American families and across all markets examined in this study," says Alejandro Padilla, Swiss Re's Head of Reinsurance Latin America North. "Even after a decade of strong economic growth, the financial vulnerabilities that this gap creates for Latin American families are considerable. This is a worrisome trend for individuals and society alike."

Swiss Re examined the mortality protection gap of a number of developed markets in a 2004 *sigma* publication "4/2004: Mortality protection: the core of life" and has applied the same methodology to other regions and countries including the U.S., UK & Continental Europe and Asia. The report launched today is the first mortality protection gap study for Latin America.

The mortality gap spans Latin America, but varies greatly from country to country.

Although the mortality protection gap exists in all of the markets covered by the study, the size of the gap varies from country to country. While Brazil, Argentina and Mexico show the largest protection gap in absolute terms, Chile and Puerto Rico show remarkably smaller gaps. The protection gap can also be measured as the ratio of protection in place to protection needed. From this perspective, looking at each end of the spectrum, the ratio between savings and life insurance currently in place as compared with the



amount of protection needed ranged from 10% in Venezuela to 53% in Chile.

"This means that for every USD 100 of mortality protection needed in 2012, Venezuelan and Chilean families on average held USD 10 and USD 53 respectively in financial assets and life insurance," says Oliver Futterknecht, Swiss Re's Senior Economist for Latin America and one of the authors of the study. The wide spread of the mortality protection gap between the countries examined can be partly attributed to the differences in population size from market to market.

Industry support is needed to address Latin America's life insurance needs.

Life premiums in Latin America grew on average at double-digit rates over the past 10 years. Even though penetration and density have improved in this time span, insurance demand is still lagging compared to other regions. On average, the region's per capita spending on life insurance was USD 120 in 2012, three times lower than the worldwide average of USD 373.

Helping to cover the gap not only provides protection relief for families in Latin America, but is also a significant business opportunity for life insurers. The findings of this study provide insurers with intelligence on where and how mortality protection products could be developed to meet the unique needs of each region.

"Life insurers have a unique opportunity to help society close this gap and will play an important role in helping to educate people on the benefits and affordability of life insurance," says Margo Black, Swiss Re's Head of Reinsurance Latin America South. "The onus is on our industry to be proactive in helping families across Latin America understand how to fit life insurance into their lives and budgets effectively."

Notes to editors:

Copies of "The mortality protection gap in the Latin America", are available electronically on the sigma section of Swiss Re's website:

<http://www.swissre.com/sigma/>

Printed editions of "The mortality protection gap in the Latin America" are also available now. Please send your orders, complete with your full postal address, to:

e-mail: sigma@swissre.com

Zurich: Telephone +41 43 285 3889 Fax +41 43 282 0075

New York: Telephone +1 212 317 5400 Fax +1 212 317 5455

Hong Kong: Telephone +852 25 82 5703 Fax +852 25 11 6603

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