

October 2012

BREAKING NEWS

INVESTMENTS

Last week the Argentine Government announced the creation of a 2012-2020 Strategic National Insurance Plan to be implemented in the short term. Although not many details were disclosed, the main feature is that insurance carriers shall have to place at least 10 % of their investments in production projects. This way the government expects to inject no less than ARS 7 billion into the “real economy” through production oriented projects.

The P&C insurers quarterly financial statements at March 31st 2013 shall have to show between 10 and 20 % of the their investments placed in those projects; Workers Compensation carriers (ART) between 5 and 10 %; and Life and annuity insurers, between 12 and 30 %.

The above mentioned production projects include road infrastructure; production of electric energy; production of gas energy; environmental conversion programs and small business financing; among others. Today, a large share of insurers investments are placed in public bonds (41 %). In order to find out the final destination of those ARS 7 billion, insurers shall have to await the formation of a committee to be created which shall have the responsibility of defining the menu of investment instruments.

The long term goal of the Strategic National Insurance Plan is to have insurance premiums amount to 5 % of the national gross product (NGP), which in real terms implies doubling the insurance activity in the country, which currently amounts to 2, 7 % of the NGP, and triple the average insurance expenditure per capita to reach a sum of ARS 3.400. In order to achieve this goal the Insurance regulating office shall need to enforce a series of structural changes, including a new set of compulsory Insurance covers, and also encourage the purchasing of voluntary lines of business by offering fiscal incentives.

WORKERS COMPENSATION

Last October 24th 2012, National Law 26.773 was enacted, introducing significant changes to our Workers Compensation Insurance (ART) scheme. The following are the highlights of the new legislation:

- 1) The amounts of indemnification set forth in this law will be updated twice a year. This will help avoid inflation eroding the settlement amounts.
- 2) Besides the amount of indemnification that the worker will receive for his disability, he will also get an additional 20 % of that amount for any other damages which might have not been properly compensated by the indemnification granted under this scheme. In case of death, the additional amount will never be less than ARS 70.000 (USD 14.737)
- 3) The victim or his inheritors must be notified of the detail of the amounts they will receive by application of the law, within 15 days of the death or the approval of the percentage of disability. This communication must also indicate that the amounts are at the victim/inheritors disposal.
- 4) The victims must choose between the acceptance of the indemnification determined under the scheme of this law, or to claim in the civil courts. Both options are not accumulative. The acceptance of one of them involves the resignation of the other.
- 5) If the amounts determined by the Courts are lower than those which the victim would have received under this law, the difference shall be paid to a National Guarantee Fund.





- 6) Brokerage commissions are capped at 5 % of the premium, compared to a current average of 12 %. This means that most of the middle sized or larger brokers, whose WC revenues amount to not less than 35/40 % of their income, shall have to sharpen their skills and capabilities in order to find other sources of revenue that may compensate this shortfall in their income.

- 7) Premiums shall increase by a minimum of 20%

We expect to see a lot of turmoil surrounding this issue in the next few weeks as surely many insured's shall want to put their covers up for bidding.

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