CARLTON FIELDS

A New Era for Insurtech in Latin America

December 15, 2020

Lured by the prospect of exploring attractive markets, Latin American insurtech companies are leveraging new digital tools to optimize and modernize many aspects of insurance. These include new distribution channels and systems to facilitate insurance product comparison-shopping and new means of underwriting and claims management.

In years past, the absence of a regulatory framework specific to insurtech may have impeded its expansion, as insurtech companies represent only about 6% of all startup fintech companies in Latin America. Increasingly, however, insurance regulators in the region are recognizing and exploring ways to realize insurtech's enormous potential. To facilitate insurance sector modernization, regulators are exploring, among other things, adoption of fintech regulatory "sandboxes" to enable new digital technologies while preserving consumer protection.

- **Brazil**, the leading insurtech market in Latin America, recently offered a regulatory sandbox to a limited number of insurance companies under the supervision of the Brazil Insurance Superintendent (SUSEP). The sandbox is designed to facilitate testing of new products and services and to encourage development of creative ways to provide traditional insurance services. Also, SUSEP's Circular No. 592, dated August 26, 2019, authorized certain types of "on demand" insurance policies sold through digital means with flexible terms. These regulatory developments reflect SUSEP's desire to adapt to the increasing use of smartphones by consumers, ushering in the digital insurance era, and hopefully leading to more affordable insurance products.
- **Mexico's** Financial Technology Companies law (Fintech Law), adopted on March 9, 2018, while not specific to insurtech, signals that legislators likely will be flexible in crafting future regulations to address insurtech in a similar way. Until then, insurtech companies are relying on the Mexican Law of Insurance Companies and Bonds, which specifically permits insurance operations and brokerage activities to be provided via electronic means.

- **Peru** has not adopted a law specific to insurtech companies, but the Banking and Insurance Superintendent (SBS) has promulgated Insurance Products Marketing Regulations that allow insurance companies to promote, offer, and sell products by phone, internet, or other distance systems, including digital marketing through social media. The SBS Supervision and Control of Insurance Intermediaries Regulations also allow insurance brokers to use phone and internet applications to market insurance products, subject to certain conditions.

- **Colombia** already has the highest financial technology adoption rate in Latin America, with 76 percent of the population using fintech services. This year, Colombia adopted a decree establishing a regulatory sandbox – the Control Trial Environment (CTE) – for use by companies dedicated to implementing financial and insurance technology innovation. The decree permits interested participants to request an expedited temporary license from the Finance Superintendent to test products subject to lighter requirements for up to two years.

Other countries in Latin America with increasing insurance penetration — such as Argentina, Ecuador, Panama, Costa Rica, and Chile — have been slower to adopt or enact specific provisions promoting insurtech. Companies in these countries, however, have not been deterred and are venturing into a wide variety of innovative insurtech initiatives. It certainly looks like additional enabling legislative or regulatory action in those countries will not be far behind.

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