CARLTON FIELDS

Chinese Insurers Look Beyond Infrastructure Risk in Latin America

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For over a decade, Chinese insurers have supported Belt and Road Initiative (BRI) project development in Latin America, with state-run insurer Sinosure among the first to insure major Chinese infrastructure projects in and exports to Latin America. While Chinese companies remain focused on backing the BRI in the LATAM region, there is early indication of growing interest in life and other non-life insurance markets, as China's insurance giants have begun to appreciate the market opportunity.

In 2007, China Life began providing insurance business services to companies in Latin America and to Chinese tourists visiting Latin America.[i] Others, including People's Insurance Company of China (PICC), began insuring employees of Chinese companies, and China Reinsurance Corporation (China Re) reinsured risks ceded by LATAM insurers.

In recent years, Chinese insurance investment appetite in Latin America has increased. Portuguese insurance company Fidelidade Mundial, majority-owned by Chinese tech firm Fosun International, announced it would sell insurance in Chile through a series of partnership agreements.[ii] In 2019, Fidelidade Mundial's Peruvian unit, FID Peru, acquired a 51% stake in Peru's La Positiva Seguros y Reaseguros, providing health, accident, home, and mandatory vehicle insurance; and an approximate 24% stake in Bolivia's Alianza Compañía de Seguros y Reaseguros.[iii] Fosun International also purchased the Brazil operations of Caixa Seguros, Portugal's largest insurance group.

The Latin American insurance market might also prove attractive to Ping An, a Chinese financial services conglomerate, as interest in the company's long-term life policies diminishes among aging Chinese consumers. Ping An's heavy investment in technology and global competitiveness should facilitate its entry into the life market.

China's interest in expanding into overseas insurance markets could be dampened, however, by a growing focus on domestic market development and an apparent growing sensitivity to risk among China's financial giants. In this regard, the China Banking and Insurance Regulatory Commission recently issued regulations enhancing supervision of, and regulating investments by, Chinese insurers to ensure solvency and minimize systemic risk. China's policies and most recent Five-Year Plan (2021–2025) nevertheless promote a continued focus on not only "bringing in" (i.e., attracting) foreign capital in China's insurance industry, but also on "going out" (i.e., investing abroad).

Also evident in China is a growing focus on providing risk analysis for Chinese companies operating in Latin America and other regions. Jiangtai International Cooperation Alliance, a Chinese insurance intermediary, has provided risk analysis and rescue services for companies in more than 170 countries. Jiangtai chairman Shen Kaitao noted at a June 2021 conference, "[w]here the foreign investment enterprises go, the risk prevention and control services will extend."[iv]

Beyond infrastructure risk management, expansion by Chinese insurers into P&C, life, health and other insurance lines in Latin America would also seem inevitable. The life insurance industry in Latin America was performing well even before Covid-19, having grown by 5.1% in 2019, boosted by favorable interest rates. In 2019, total insurance premiums in Latin America and the Caribbean amounted to US$153.05 billion, of which 54% came from non-life insurance and the remaining 46% from life insurance.[v] Indeed, amid the pandemic and related uncertainties, interest in life insurance and other protection products has surged among Latin American consumers.[vi]

As Chinese insurers continue to "go out," life and non-life products will no doubt feature more prominently in their overseas offerings. These developments sound a cautionary note for U.S. insurance companies seeking to compete in the region while also heralding opportunity.

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