



## Brazil’s Insurance Landscape: Legal changes reshaping the market

The Brazilian insurance and reinsurance market is undergoing a wave of legislation transformation. From structural reforms to tax realignments, the recent changes are not merely technical; they may redefine how risk is underwritten and priced, contracts are interpreted, and claims are adjusted. Below, we highlight the main developments that are shaping the legal and operational environment of the (re)insurance market, with implications for dispute resolution, capital flows, and workflow models inside (re)insurance companies and risk management departments of large risks insureds.

The main evidence of this shift was the publishment of **Law No. 15,040/2024**, on December 10, 2024 (“**Insurance Law**”), which will be applicable to all insurance contracts (i) issued by an insurance company placed in Brazil, (ii) of which either insureds or proponents are residents or domiciled in Brazil and (iii) related to assets and goods located in Brazil.

Additionally, Supplementary Law No. 213/2025 (“**LC No. 213/2025**”), published on January 15, 2025, introduces a comprehensive reform of Brazil’s National Private Insurance System. It regulates insurance cooperatives and creates a legal framework for groups of mutual protection operations, under the supervision of the Brazilian regulatory insurance body, SUSEP. LC No. 213/2025 strengthens institutional oversight, enhances consumer protection, and promotes socio-environmental sustainability, to the extent that new players were brought to the formal and regulated market.

### 1. Insurance Law Highlights

#### Specific related to the Reinsurance Market:

- Mandatory notification (from cedant companies to reinsurers) of legal proceedings involving risks covered by facultative reinsurance (Art. 62);
- Advance payments by the reinsurer: Advance payments to be made by reinsurers to cedants must be promptly used by cedants to anticipate or pay the indemnity or capital to the insured, beneficiary, or affected third party (Art. 63).
- Adjustment expenses: Unless otherwise stipulated, the reinsurance must cover the full reinsured interest, including the cedant’s interest in recovering losses arising from delay in fulfilling the insurance contract, as well as salvage expenses and costs related to claim adjustment and settlement (Art. 64).



These provisions trigger the need for reinsurers to review agreements in place and the bases for future negotiation with Brazilian cedants.

#### Jurisdiction:

- Jurisdiction and procedural rules: The Insurance Law establishes Brazilian law and jurisdiction as mandatory for all insurance contracts subject to its scope – Even arbitration must be conducted under Brazilian procedural rules (Art. 129).
- Insurers, reinsurers, and retrocessionaires must litigate or place arbitration disputes among themselves in Brazil when such disputes may directly affect the execution of insurance contracts subject to the law (Art. 131, sole paragraph).

These shifts may require revision and/or restructuring of standard clauses in cross-border agreements and programs.

#### Tacit acceptance of risk: deadlines with legal consequences

The Insurance Law introduces strict deadlines for acceptance of (re)insurance proposals:

- By insurers to insurance proponents: The insurance risk shall be deemed tacitly accepted after 25 (twenty-five) days from receipt of the proposal by the insurer (Article 49) if not expressly denied with due justification. This period may restart if the insurer requests additional documents (§2);
- By reinsurers to cedant companies: the reinsurance risk shall be deemed tacitly accepted 20 days after receipt of the proposal (Article 60, §1). The Brazilian supervisory authority may extend the acceptance period due to the reinsurer's silence in case of "proven technical necessity" (Article 60, §2).

While the rule aims to increase transparency and speed, it also **limits underwriting flexibility**, especially in complex risks or (re)insurance programs that demand capacity from multiple players.

## 2. Tax changes – IOF Reform: Impacts on (Re)Insurance and Private Pension Market

The Tax on Financial Operations (“**IOF**”) has become a central concern for (re)insurance and private pension markets.

**Reinsurance: outbound premium remittances abroad** are now taxed at **3.5%** (previously rated at 0.38%) according to Decree No. 12,499/2025. This significantly affects the cost-efficiency of international placements and may trigger a reassessment of treaty structures and retention strategies.





Private Pension and Insurance Products: The IOF reform package, including MP No. 1.303/2025, reshapes the tax treatment of **life and pension products**:

- Open private pension companies and insurers must now monitor and report contributions across institutions.
- Rates in tiers must apply as follows:
  - 0% for contributions up to R\$300,000 (2025) or R\$600,000 (as of 2026);
  - 5% on excess amounts;
  - 25% general rate, with exceptions.

These changes affect succession planning, product design, and compliance, especially for high-net-worth individuals and corporate benefit structures.

### 3. LC No. 213/2025: new regulatory framework for insurance cooperatives and groups of mutual protection operations

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#### Insurance cooperatives

- Classified into singular cooperatives, central cooperatives, and confederations;
- Authorized to operate exclusively for the benefit of their own members, except in cases regulated by the National Council of Private Insurance (CNSP);
- Subject to solvency, governance, and oversight requirements similar to those applied to insurers; and
- Permitted to engage in reinsurance operations and coinsurance operations, as per amendments to Complementary Law No. 126/2007.

#### Mutual Protection Administrators

- Must be incorporated as a corporation with an exclusive corporate purpose;
- Responsible for calculating participant contributions, managing enrollments and cancellations, and reimbursing losses;
- Must maintain patrimonial independence between participants, associations, and administrators; and
- Liable for extraordinary expenses resulting from operational failures, legal breaches, or mismanagement.



## Transition and Regularization

- Entities had 180 days (as of January 16th, 2025) to file with SUSEP their preliminary registration request or to cease operations;
- Preliminary registration request suspends fines, administrative proceedings, and judicial actions for the period of 3 (three) years counted from the date the regulation providing for definitive license requirements is issued (still pending) and Criminal liability of managers of insurance cooperatives and groups of mutual protection (regarding non authorized operation conducted so far) shall be extinguished provided they obtain the definitive license to operate.

These provisions bring long-awaited legal certainty to previously informal structures.

In addition to the legislative changes mentioned above, the Brazilian insurance market recently experienced its first issuance of an Insurance Linked Security (locally named as “**Letra de Risco de Seguro - LRS**”). Introduced by Law No. 14,430/2022, this type of debt security, to be issued by an insurance company exclusively incorporated for this purpose, allows the transfer of health, pension and (re)insurance risks to the capital market while also works as a capital relief to the cedant companies and works as a financial instrument similar to ILS and catastrophe bonds, widely used in foreign jurisdictions.

LRS represents an important risk-transfer mechanism and an alternative to reinsurance solution in a hard market environment, bringing the Brazilian market closer to the global market standards on this regard.

Lefosse's Insurance, Reinsurance, and Private Pension team closely monitors legal and regulatory developments and is prepared to advise on any issues affecting the sector. For further clarification on this topic, or any other of interest, **please reach out to our professionals:**



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