

# **COLOMBIA INSURANCE**

SPECIAL REPORT

**thebusiness**|year

# THE BUSINESS YEAR

## COLOMBIA INSURANCE SPECIAL REPORT

**D**espite the market and operational challenges brought by the pandemic, optimism and excitement were the two recurring feelings expressed by Colombian insurance sector leaders during The Business Years' time gathering perspectives on the field. If there ever was a time the insurance business in Colombia has undergone a sudden leap forward, that time was the immediate post-pandemic period. The inability of providing in-person client attention services and the inability of conducting in-person business procurement, has triggered a realm of new, never before seen, solutions that lean on creativity and digitalization. The result is that the Colombian insurance industry today has never been so well prepared for the upcoming challenges of expanding coverage and keeping up with international best practices.

The Colombian insurance market is characterized by a competitive supply of policies and products. However, only 3% of Colombians hire private insurance for non-government mandated coverages. Accessing this untapped potential is the focus of insurers and government entities alike. If other countries in the region are indicative of what the Colombian insurance market could look like, there is

reason to be bullish on growth.

Two measures that would contribute to an immediate sector boost would be streamlining regulatory requirements and reducing red tape. Policy underwriting in Colombia is mired by outdated processes such as the burdensome SARLAFT, the Colombian customer knowledge form for the insurance sector. These are remnants of Colombia's desperate struggle with money laundering. However, today's technology can alleviate barriers to business while maintaining business integrity. SARLAFT 4.0, which becomes fully effective in September 2021, is a welcomed update that demonstrates government support to industry development. It is also indicative of the country's embracement of technology and digital processes.

The 4th industrial revolution is democratizing opportunities and accelerating improvements in living standards. Trends such as clickable policies, insurtech and artificial intelligence underwriting show that the sector does not want to miss the train. The Colombian insurance industry's commitment to digital processes is encouraging to those who envision a Colombian financial system made sturdy by widespread risk management. ✖



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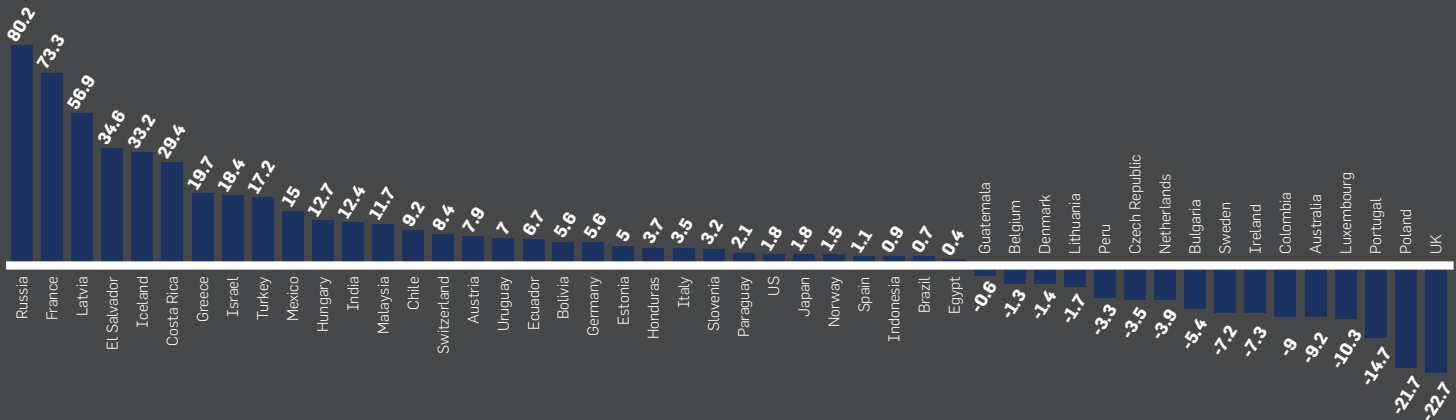
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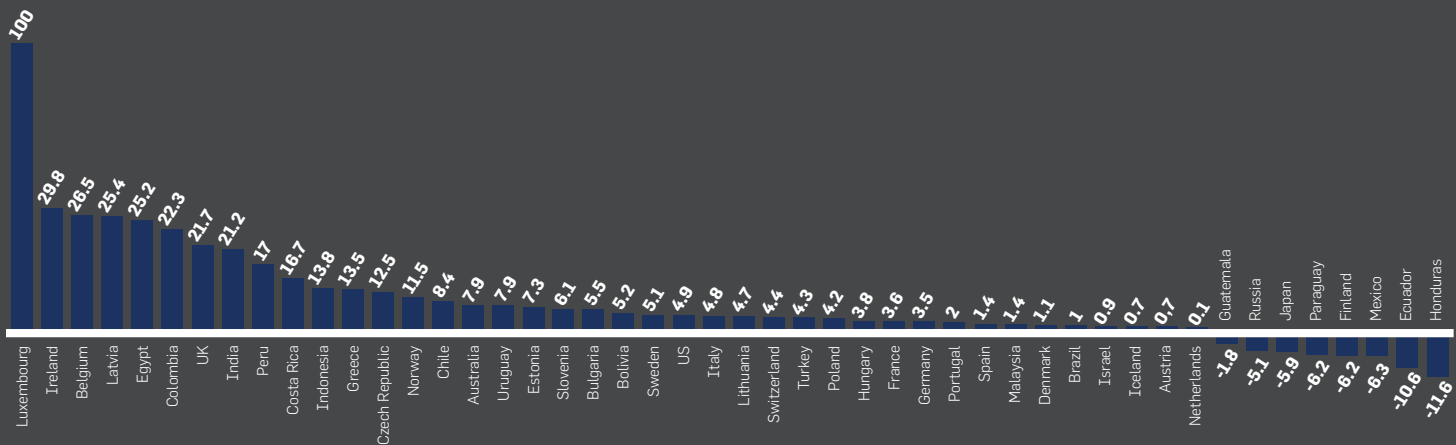
## ANNUAL REAL GROWTH RATES OF GROSS CLAIMS PAYMENTS IN THE LIFE SECTOR, 2019 (%)

SOURCE: OECD



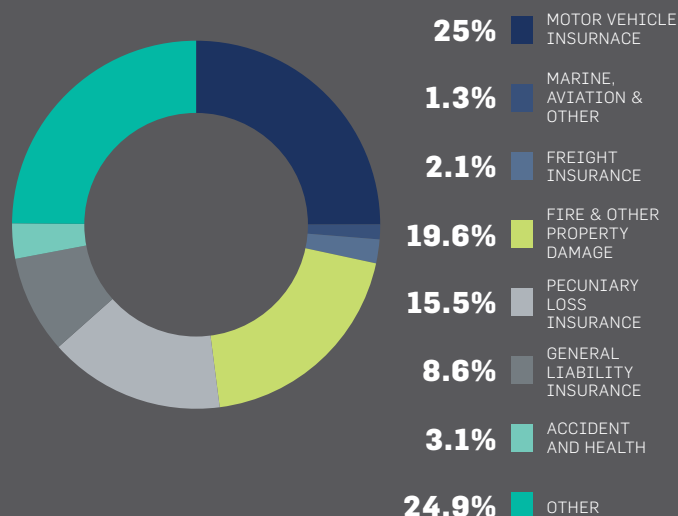
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SOURCE: OECD



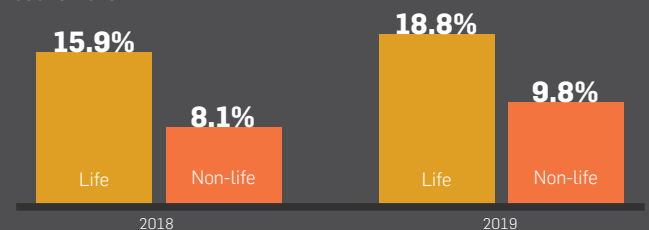
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SOURCE: OECD



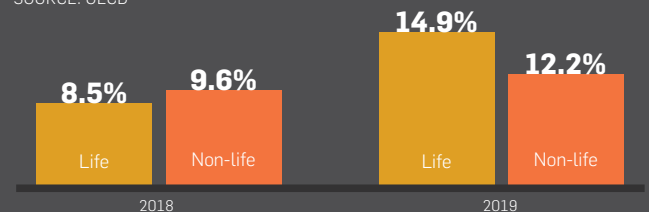
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SOURCE: OECD



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SOURCE: OECD





## A NEW VISION

Alberto Carrasquilla  
MINISTER OF FINANCE AND PUBLIC CREDIT

**Colombia is convinced that supporting the insurance industry and enhancing access to insurance services is a valuable instrument to fight poverty and improve social and economic development.**

### BIO

Alberto Carrasquilla is an economist from Universidad de los Andes, with an MSc and PhD from the department of economics the University of Illinois. Between 2007 and 2017, he was the manager and partner of Konfigura Capital and professor of economics at the Universidad de los Andes. Carrasquilla served previously as minister of finance and public credit between 2003 and 2007. He has also served as president of the ministerial committee for development between 2005 and 2007 and chairman of the board for Colombia's central bank between 2003 and 2007. He has been a member of the Latin American Committee for Financial Affairs (CLAAF) since 2001.

### What policies exist to support the insurance industry and increase coverage for Colombians?

There are several policies designed and implemented to increase coverage for Colombians. I want to start with policies aimed at improving risk management in rural areas. The National Development Plan (NDP) introduced the Incentive for Agricultural Insurance which subsidizes a percentage of the insurance premium. Thus, farmers are now more willing to hedge against the occurrence of natural and biological events that may negatively affect their production and income. In fact, due to this incentive more than 150,000ha are insured per year. Another recently enacted policy is the agricultural index-based insurance. In 2018, NDP introduced the possibility of offering agricultural insurance under the index-based insurance model. Additionally, the government has developed a program to subsidize a percentage of

the insurance premium. As a result, many farmers, especially those in the coffee sector, have benefited from this hedging risk product. Second, Colombia has a strong institutional framework to promote the use of insurance and protection schemes. A good example is "Banca de las oportunidades," a program created by the government to promote financial inclusion. The program designs strategies to facilitate the access of financial services, and co-finance and provide technical assistance to projects that seek insurance. Furthermore, the program is used to gather data about financial inclusion determinants and calculate indicators to feed the public policy design process. Another example is the Intersectoral Commission for economic and financial education. This commission proposes the policy, guidelines, tools, and methodologies for the adoption of the national economic and financial education strategy. In addition, the government, through the Financial Regulation Agency (URF) and the Colombian Superintendence of Finance (SFC), works to identify and eliminate regulatory or supervisory barriers that may be impeding the development of the insurance market. Finally, it is important to talk about the joint work between the government and the insurance industry in order to improve the industry's framework. In the coming weeks, the government will publish the Insurance Regulatory Roadmap 2021-2025, describing its vision of the insurance industry for the next five years. The creation of the document has opened up space for dialogue with the industry to identify the principal challenges and design strategies to dynamize the insurance market.

**How is the government accompanying the industry in its transition to digital processes?**

The government has been accompanying the financial and insurance industry in its digital transformation process through different strategies. One of the most important regulatory advances in this regard in recent years is the financial regulatory sandbox, which has helped develop a well-tested regulatory framework for digital transformation. This sandbox was created in 2020 for both the financial and insurance industry. The sandbox is a tool to both boost innovation in the financial system and help the government increase in its capabilities to adjust the regulatory framework to the new dynamics of the market and promote financial innovation safely. A second effort is the promotion of an insurance culture in order to increase insurance distribution. The government issued decrees 035/2015, 2123/2018, and 222 de 2020, which: allow some insurance contracts to be distributed via massive channels such as credit institutions networks and agents; broaden the types of insurance contracts that may be distributed using the before-mentioned distribution channels; and enable digital distribution channels. In this sense, in 2020, Colombia had more than 220,000 agents distributed across 100% of its municipalities. Another example of government support is Innova SFC, which consists of an innovation hub whose main purpose is to promote, investigate, and facilitate the innovation in the financial industry. Innova SFC has a hub in which more than 100 fintech companies, including insurtech companies, have been oriented in the conceptualization of their innovation plans.

**How can expanded access to insurance strengthen the Colombian financial system?**

The insurance industry is essential within the financial system. In this order, if access to insurance is expanded, we expect less vulnerability to shocks and greater depth of the financial market. First, the government is convinced that a greater identification, mitigation, and management of risk reduces the vulnerability of the economy to catastrophic events. In this sense, expanding the access to insurance allows households and firms to face risks and avoiding eventual income shocks that may affect the stability of financial system. Second, the massification of insurance services will increase the amount of premiums under administration by insurance companies. As a result, a larger amount of reserves would need to be held by the insurance companies, which in turn would be invested in capital markets. Thus, greater levels of insurance market depth will require insurance companies to invest more resources in the capital market, which would have a positive impact on the entire financial system.

**How do you envision the future of the Colombian insurance industry?**

The government will publish the Insurance Regulatory Roadmap 2021-2025, which describes its vision of the insurance industry for the coming years, based on three pillars: resilience and alignment with international standards; transparent and safe for consumers; and inclusive and capable of adopting technological innovations. The government expects such strategies to improve the market depth indicator (premiums/GDP). The progress of this indicator will reflect better risk management by Colombians as an effective tool to reduce levels of poverty and vulnerability. In 2019, the ratio of direct gross premiums to GDP was 2.8%. For 2025, this ratio is expected to rise to 3.5%. ✖

# UNMASKING THE PLUSSES

Accepting a "new normal" requires parallel new modes of conducting governance, executing commerce, and reaching the consumer, not least for tougher-to-sell items such as insurance.

**COUNTRIES THE WORLD OVER** are today contending with the prospective reset in social, commercial and, by extension, environmental dynamics. As elsewhere in the world, Colombia's mandatory quarantine and curbed travel have for much of 2020 together paralyzed the services sector. And meanwhile, closed businesses and resulting unemployment have baked a legal hot potato of unpaid rent, with its own economic fallout rippling across stalled economies.

## A SPUR TO EFFICIENCY

On the plus side, the impact of Covid-19 has forced the hand of business and industry towards swifter digitalization. At the governmental level, as recently as November 2020 Colombia announced receipt of a USD250 million loan from the Inter-American Development Bank (IDB) directed at streamlining its tax and customs administration. The program involves the digital transformation of Colombia's National Tax and Customs Directorate (DIAN), to bolster its tax collecting and foreign trade facilitating function. Primarily under scrutiny will be the efficiency of the existing institutional governance and technological management model. The loan will also cover implementation of the new, integrated tax and customs management system based on microservices, where a hybrid multi-cloud service solution will maximize security and operational capabilities. Such measures are essential regardless of the pandemic but have doubtless been expedited in light of it.

## UNDER COVER VISITORS

Colombia's government extended to end-November its health emergency status introduced by decree back in August—a costly

one for tourism revenues, but ultimately an unavoidable one. A related concern has been for the potential overwhelming of the local health service by new COVID-19 cases among locals, let alone from among visitors. In January 2020, hence prior to the pandemic, Colombia's Ministry of Health had issued a decree ensuring additional resources to bolster the social security system against over-stretch. Subsequently, the Ministry of Foreign affairs has been monitoring all V visa (Colombian Tourist Visa issued to short-stay foreigners) applications for international medical insurance to check that individuals are not likely to make undue demands of the local system to the cost of locals. As the Ministry itself puts it, "The pandemic has revealed the weaknesses of health services at a global level [whereby] as a self-protection measure, medical insurance is being requested."

## POLICY OF TRUTH

As remote working continues to prove a viable alternative to the 3D workspace, citizens are experiencing new ways of accessing and being accessed by businesses. Insurance, indeed, all financial services, being no exception to that rule. Unpredictable events inevitably hit many hard, most notably the unprepared. And just like after a major tremor – think Turkey in 1999 – earthquake insurance suddenly became a household phrase, later made mandatory in law, so too is health insurance becoming a must-have for many in the wake of the pandemic.

Yet educating the uninsured public as to the merits of cover against illness or disaster, much less as a pillar of their future security, poses certain challenges. And so to counter the rather abstract nature of insurance, digital advertising is proving to be a prime



means of converting today's consumer into tomorrow's premium. A study in July 2019 showed that by digital ad spend Fogafin led the pack in Colombia's insurance and pension plans industry on 25.51% of the industry total. Protección was second on 21.69%. And completing the top-five were Compensar, Seguros Exitos and Sura, respectively on 14.23%, 9.53% and 7.07%.

#### A FEW NUMBERS

Sector data indicates that as of November 2019, Colombia had become Latin America's sixth-largest insurance market, sitting on premiums of USD7.8 billion, with an insurance penetration rate (percentage/GDP) of roughly 2.6%. Latin America and the Caribbean overall claim just over 3%, despite accounting for 8.6% of the world's population by UN data. And having grown 50% from 2016, assets under management (AUM) had scaled USD25 billion. Predictably though, rating agency AM Best changed its insurance sector outlook from stable to negative in light of the demands COVID-19 would have on the sector and public alike.

When the era of Covid-19 ends, and new strains notwithstanding, end it surely will, the world will not simply revert to the 'way things were.' The last pandemic, some one hundred years before, blighted a world still in the industrial era where geography was an unavoidable reality of business, work, education and governance. Who, after all, can fail to remember that official on a European Parliamentary Zoom meeting inadvertently revealed to be in his underwear? And as the glitches are ironed out one by one, every component of daily life will acclimatize to the digital environment. A point essentially of no return, effective even once humans, as is their habit, once again become complacent about their wellbeing. ✖

**GDP FORECAST (%)**

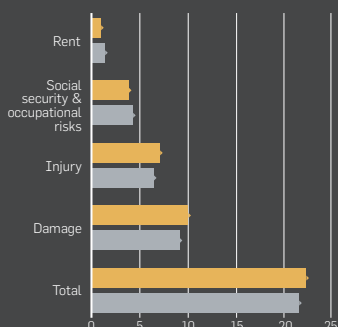
SOURCE: AM BEST DATA AND RESEARCH; LOCAL REGULATORS; NATIONAL ASSOCIATION OF INSURERS DATA

	2020	2021
MEXICO	-6.6	3
BRAZIL	-5.3	2.9
CHILE	-4.5	5.3
COLOMBIA	-2.4	3.7
PERU	-4.5	5.2
PANAMA	-2.1	4
ECUADOR	-6.3	3.9
ARGENTINA	-5.7	4.4
GUATEMALA	-2	5.5
COSTA RICA	-3.3	3
DOMINICAN REPUBLIC	-1	4
BOLIVIA	-2.9	2.9
EL SALVADOR	-5.4	4.5
HONDURAS	2.4	4.1
URUGUAY	-3	5
NICARAGUA	-6	0

**PREMIUMS ISSUED (IN BILLIONS OF COP)**

SOURCE: TBY RESEARCH

■ Sep 2020 ■ Sep 2019

**Insurance****At a turning point**

The word on the street is that society's involvement with technology advanced seven years in seven months thanks to the pandemic. This metric illustrates the state of innovation within the Colombian insurance industry fittingly, and also comfortingly since the improvements will contribute to the sector's robustness going forward.

The digitalization of operations and market procurement processes are industry dynamics that will contribute to company resilience and competitiveness long term. Ultimately, these leaps expand access to insurance products for Colombians. At a penetration rate of 3%, the country lags behind the global average for insurance coverage. A 21st century approach to policy provision and management of claims means insurance will reach more people, more effectively.

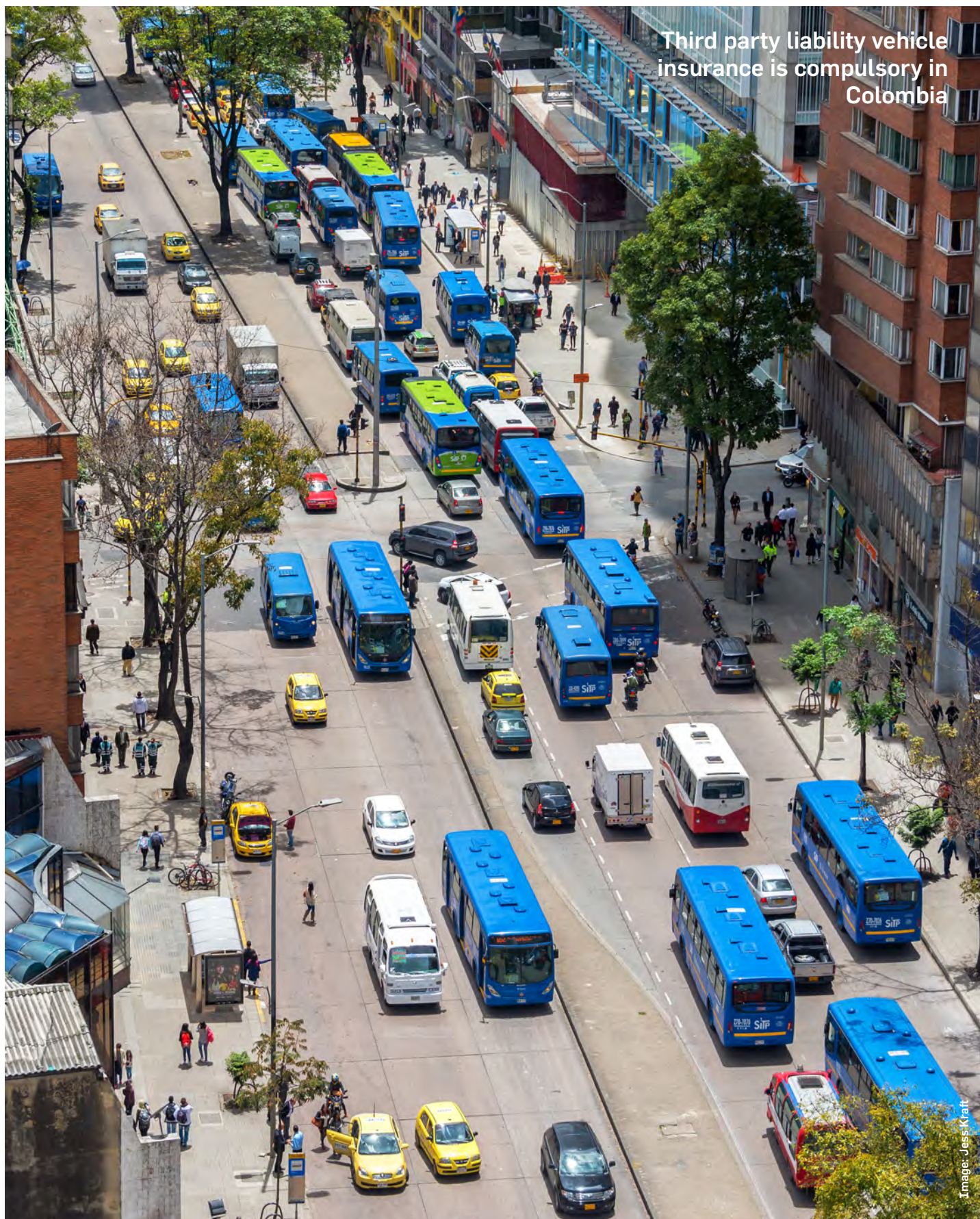
Providers in Colombia are moving quickly to offer products that are clickable and that cover new and unconsidered risks. They are also strengthening their capacity for client relations and their ability to provide satisfactory service to policy holders. These changes are welcome. Although stay-at-home orders were their catalyst, these are permanent improvements to business.

Colombians now have new ways of acquiring policies and a supply of increasingly tailored products—data is bolstering product creation at unseen rates. Pay-per-use services and smart contracts are beginning to dot the websites of insurance providers in Colombia.

Miguel Gómez, president of the Colombian Federation of Insurers (FASECOLDA), explained that “innovative, simpler, and more affordable insurance products [will] deepen the penetration of insurance in society.” Accessing that untapped market of insurance consumers will unlock the potential that exists in the country and bring greater resilience to the Colombian financial system. Government support and a regulatory framework that is conducive to business will ensure that the industry escapes unscathed from pandemic-related drops in demand and lives to reap the benefits of innovation. ✕



Third party liability vehicle insurance is compulsory in Colombia







## NEW OPPORTUNITIES

Miguel Gómez Martínez  
PRESIDENT,  
FEDERACIÓN DE ASEGURADORES  
COLOMBIANOS (FASECOLDA)

**Faselcolda believes the Colombian insurance industry will reach people who have never had coverage before as a result of the innovation spurred by the crisis.**

### BIO

Miguel Gómez Martínez holds a bachelor's and master's degree in economics from The Paris Institute of Political Studies. He is currently a PhD candidate at the Center for Diplomatic and Strategic Studies (CEDS) in Paris. Before becoming president of Faselcolda in 2020, he held roles such as president and general manager of Asocolflores, economic advisor for the Ministry of Commerce, and president of Bancoldex. He was also dean of the faculty of economics at the Universidad del Rosario and a professor of economics at the College of Higher Administration Studies (CESA). Additionally, he has been a representative to the Colombian congress, ambassador to France, and a print press columnist, among others.

**As President of Faselcolda, how would you assess the local insurance sector's performance in 2020, and what were the main challenges and opportunities for growth?**

The pandemic has encouraged innovation in matters of business operation, coverage, and risk assessment. We have identified efficiencies that have positive impacts on our sector and will benefit policyholders, providers, intermediaries, and reinsurers. Keeping in touch with customers has been one of the main challenges. This was quickly understood by not only insurers, but also the different industry actors—intermediaries, reinsurers, the supervisory authority, and the regulatory entity. The national government has imposed strong periods of isolation since April, and the industry has stepped up to the associated challenges, especially in terms of client relations. The crisis has been a catalyst for various projects that seek to make insurers more accessible to policyholders, not only for policy provision but also the manage-

ment of claims. Our task as the insurance sector is to identify new protection needs. Product development has focused strongly on updating workers' compensation insurance. Companies must recognize the new risks for workers in industries that have been permanently changed by the pandemic. Inclusive insurance will benefit from the innovation spurred by the crisis. The Colombian insurance industry will reach people who have never had coverage before through products that satisfy extremely specific needs that could not be easily identified and met in the past. All these opportunities require the sector to adopt an innovative approach in risk analysis, pricing, and proper reinsurance coverage. The risk and actuarial areas of companies are being changed to migrate from the traditional models of frequency and severity to data analytics, the internet of things, and AI. We expect deep and faster transformations in the next five years than those that have occurred in the last 20 years in the sector.

**In what ways has Faselcolda changed internally to remain effective and operational?**

Faselcolda has a light operating structure that allowed us to adapt quickly to new working conditions. In a few weeks, we managed to have the entire team remotely connected and meet the requirements of our affiliates. We strengthened the internal and external communication channels to keep cohesion in the different workgroups, provided employees with the necessary elements to carry out their work from home, and started a project to identify opportunities for improvement in different topics



such as leadership and teamwork. We also provided support to our staff on adapting to change, communication, and psychosocial risks.

**One of the major priorities for insurers is raising the level of penetration so that all Colombians have access to insurance. What are your strategies for achieving this?**

Insurance penetration in Colombia is below the global average, which is around 7%. However, our country is a leader in Latin America, with a penetration close to 3%, the region's average. The national insurance industry is firmly committed to expanding the coverage of risks for Colombians. To this end, Fasescolda has been developing the Más seguro, más futuro (Safer, more future) program since 2016 together with the government program Banca de las Oportunidades. This public-private initiative aims to identify and remove various supply and demand barriers that limit the access to insurance for Colombians who, traditionally, have not been protected against different risks. The focus is on strengthening access to innovative, simpler, and more affordable insurance products that are tailored to people's needs. Inclusive insurance is the spearhead of the industry to deepen the penetration of insurance in society. We have been fortunate to have the committed collaboration of the national government through the supervisory authority and the regulatory entity. In order to expand the public's knowledge on insurance issues, Fasescolda leads the financial education program of the insurance industry, Viva Seguro (Live safely). It has different

tools that allow all current and potential insurance consumers to understand the importance of managing their risks properly and make healthy financial decisions regarding access and use of these products.

**Which trends will be key for the insurance sector going ahead?**

In order to promote and facilitate the innovation and digital transformation processes of the insurance industry, Fasescolda, through the National Insurance Institute (INS) and the Colombian Insurance Foundation (Fundaseg), hired PricewaterhouseCoopers (PwC) in 2019 to carry out a research on the prospective vision and training needs of human talent for the future of the insurance industry in Colombia. Eight challenges were identified: the speed of technological change; the difficulty in attracting and retaining the right human talent; the protection of sensitive data from cyberattacks; natural disasters and environmental protection; changes in consumer behavior; new competitors and ways of competing; lower profitability of investments in a scenario of high operating costs; and the timely adoption of standards and regulation. Although these challenges imply important changes in the sector, they bring opportunities for innovation. To translate the challenges into opportunities, the insurance industry needs to undertake the journey of digital transformation. A model of strategic and managerial thinking that, although supported by technologies and information, requires ensuring digital capabilities in human talent and a corporate culture ready for change. ✖



## GOING THE DISTANCE

Juan David Escobar  
CEO,  
SEGUROS SURA COLOMBIA

**Seguros SURA will continue to develop new solutions in line with its assessments of market trends and customer needs.**

### BIO

Juan David Escobar is a systems engineer from Eafit University, with a specialization in electronic business from Tecnológico de Monterrey and a master's degree in administration from the same institution. He also has a master's in actuary from Georgia State. In addition, he completed the senior management course of Kellogg School of Management, among other courses associated with project management and direction. He has held several management positions in SURA and has been a member of different boards of directors of the business and social sectors. In 2016, he assumed the Presidency of the Seguros SURA operation in Colombia.

**What is your assessment of the state of the insurance sector in Colombia?**

This is a well-developed sector with many relevant international companies. Some of the main companies here are among the largest insurance groups in the world with access to reinsurance services at a global level. The best practices in the insurance industry are applied in Colombia. We recently implemented a European regulation on accounting and solvency. This is a fully developed sector with knowledge of developments around the world. In our case, we have developed a trajectory of 75 years that has enabled us to become market leaders because of the conceptual development that we experienced. This company is characterized by its ability to anticipate changes in the industry, which is due to a constant monitoring of the trends and of a detailed review of risks. During the pandemic, we accelerated

our digital transformation process and adopted digital working methods. We also had to develop several protocols to protect the health of our employees and adapt our operative models to the new reality. Because of that growing digital environment, new digital solutions grew rapidly. We recorded growth rates of 40-50% in digital sales and up to 100% in some cases, such as digital leasing.

**Your portfolio of products is moving toward digitalization and personalization. How have these innovations performed so far?**

These innovations have been a milestone for the company. We arrived at these solutions not because of the pandemic, but because of the risk and trend management work that we had done previously. The pandemic enabled us to accelerate the entire process, including the development of solutions and making them available to consumers. We have identified two trends through our 'Plan Elige,' which is one of our products. First, the regulators had realized that it must develop a legal framework that allows insurance companies to innovate. Its focus is on start-ups and large firms. The second is that we have managed to bring about change; insurance for physical things was normally covered under property and casualty insurance, while life insurance was only managed by life insurance companies. We were able to develop an insurance product, Plan Elige, that combines both things. We also move toward digitalization by changing big part of our operation to virtual channels, especial-

ly in terms of telemedicine.

**Seguros SURA has many subsidiaries across Latin America. What advantages does this present to implement the best practices in Colombia?**

We have identified several things in the region. We have developed a brand image of a Latin American company for Latin Americans, which is extremely important for us. We are in nine countries, and in each of the countries we promote that Latin American image to help companies understand that we know their needs. This is extremely beneficial to those SMEs interested in the regional market, and for this companies we have created a platform called Empresas SURA, through which we offer services thought to increase the competitiveness of their business. There is an increase in the number of businesses that have a regional focus, and they want to have presence in Mexico and Colombia, for example. We have started to develop a regional portfolio that responds the company's needs in a Latin American ecosystem.

**How are you engaging with plans of post-pandemic recovery?**

In Colombia, we are extremely relevant in the health market for both voluntary and mandatory insurance. In mandatory, we are the second-most relevant market player, while in voluntary health insurance policies, we are the market leader. Today, we have conversations with the companies that are working

to supply the COVID-19 vaccines in Colombia. Our company actually play an important role in the health sector. COVID-19 will eventually pass, so we should use it to improve and capitalize everything that we learned from this pandemic. In that regard, 2021 is an opportunity for us. The insurance industry seeks to provide more certainty through models that mitigate risks. SURA in Colombia provided services to more than 30,000 companies, and our goal is to improve their competitiveness to support their strategic development. In 2020, we made some relevant investments, such as COP990 billion for COVID-19 response and approximately USD22 million on strategic development. This demonstrates how we are supporting the country in its economic development. In 2020, we generated 2,300 new jobs and opened new offices in health and business services, for instance.

**How are you planning to increase insurance penetration?**

One thing that we have worked heavily on is the understanding of consumer trends. We have studies how consumer trends will continue to change in the entire region. We study the impact of technology, social, and environmental factors on consumers. These trends help us understand our customers better, allowing us to provide better solutions through our product portfolio. We have been working on that area for the last four years. The pandemic has taught us some important things, such as the importance of digital transformation. ✖

# STRATEGIC GROWTH



Juan Carlos Realphe  
CEO,  
ZURICH COLOMBIA

**Growing into the second-largest international insurance company in LatAm in five years, Zurich Colombia plans to further strengthen its position and become one of the top five insurance companies in Colombia.**

## BIO

Juan Carlos Realphe has more than 30 years of experience in the insurance industry. He is currently CEO of Zurich Colombia, a position he has held since 2019. Prior to joining Zurich, he was general manager for Lloyd's Colombia. He also held different leadership roles at Willis Colombia and was VP for Mapfre General Insurance for around eight years, where he joined as head of property. He started his career at Colseguros Insurance in Allianz Group, where he had various roles.

**In what ways have Zurich's operations in Colombia adapted to the pandemic, and what opportunities came with 2020?**

The industry has demonstrated it was prepared for remote work, though this is not enough. Customers expect more, and the time has come for us to step up. We must be able to make ourselves more present, closer, and tangible. We must also offer our clients and intermediaries new products, tools, and communication channels to make our business more efficient. It is not just about being digital, but also about the way we are seeing the future, which is already here. We have consolidated our value proposition for the corporate market and decided to step ahead and enter the retail and affinity markets with an innovative and digital value proposition. There are tools, services, and products that makes us different. We have to deliver new experiences and compete with the future.

**To what extent has the pandemic made Colombians recognize the necessity of being protected and insured?**

Insurance penetration in Colombia, as in the region, is too low, measuring 2.9% GDP. The insurance gap is the result of several causes such as culture, per capita income, financial inclusion, education, and accessibility to products. It affects society, the economy, and government. Each time natural disasters occur, requests for insurance protection grow, though only for a short period of time. The current crisis could be different. Protection interest for life and health have shown a positive trend, though the big ques-

tion is how it will evolve in the coming months. I hope people realize the necessity of being protected and insured.

**Zurich recently launched two digital products, Zurich Mov and Zurich Cree. What do these products provide for customers?**

Zurich Mov is an automobile product, and Zurich Cree is a Pyme product. These products provide our intermediaries and customers with an end-to-end digital solution, from the quotation process to the claims payment. Furthermore, in the case of Zurich Mov, we are delivering innovation to the market. This is a mobility solution, designed for the individual more than for the vehicle. It means the product also covers the general liability and personal accidents when the insured commutes by bicycle, scooter, or public transport service. It can even include bicycles and/or scooters if needed. It is a real tailor-made, modular offering. Customers can purchase the insurance on a "first lose" basis for certain coverages. Other than that, and based on the Zurich principles, we are breaking paradigms. We decided not to cover the damages of the insured vehicle if the individual insured is driving under the effects of drugs or alcohol, though we do cover third-party damages. This is in line with our corporate social responsibility. We launched this product in May 2020, when no other insurance company had a similar offering for a motor product yet. We must be able to deliver digitization, innovation, new value propositions, and new experiences for customers and intermediaries. Zurich is spurring the Colombian insurance market to evolve.

**With the acceleration of digitalization, cybersecurity is becoming even more important. What services does Zurich offer to protect against cyber threats?**

Zurich has always led innovation in the sector. The company is recognized as a specialized insurer for financial lines and a product designer with own capacities for those lines of businesses. Cyber is no exception. In 2020, Zurich launched Zurich Cyber Solution, a risk management solution and a risk prevention tool. It is not just a new product, but a way to become closer to clients and support them through services with added value. ✖



# Rankings

#1

Dow Jones  
Sustainability Index (DJSI)

**GOLD CLASS**

The S&P Global Sustainability  
Yearbook 2021

#11

Brand Finance Insurance 100  
Interbrand Ranking

**INCLUDED**

AM Best's Annual World's  
Largest Insurers Ranking

## We are Zurich!

#7

2021 World's Most Admired  
Companies Fortune Global 500  
Insurance Industry

#76

2020 World's Largest  
Companies  
Forbes Global 2000 List

#4

S&P Global Market Intelligence  
Top 10 Commercial Lines  
Insurers

**INCLUDED**

2021 Bloomberg Gender  
Equality Index (GEI)

So, when you think about protection and wellness, think of us. We are not only leading the insurance industry globally, but also looking forward to build a better tomorrow for everyone.

## We are experts in risk, not experts in fear.





## MORE TO DO

Carlos Sánchez  
PRESIDENT,  
BMI SEGUROS

**Given that Colombia is a market to be developed in insurance, especially in life insurance, the country is proving to be extremely important to BMI's global portfolio.**

### BIO

Carlos Sanchez has a specialization in business administration from Universidad del Rosario and studied marketing at Politécnico Grancolombiano as well as other studies from Pontificia Universidad Javeriana and Universidad de Burgos. His 18-year career has seen him work in multinationals leading firms in the sector such as Liberty, Generali, Willis Towers, and Watson, as well as serving as VP of business development for MetLife Colombia.

**BMI Seguros is a relatively new company in Colombia, having arrived in 2017. How do you assess the insurance sector at the moment?**

As most would expect, the pandemic has impacted the sector, as it has most other industries. In the first and second quarters, we had mild growth, while the rest of the year was fairly consistent. This consistency in our industry is due to clients knowing the importance of having health and life insurance policies in force, as well as their long-term savings and overall financial plans. Therefore, due to the pandemic, we were much more top of mind as an industry, which translates into more visibility to consumers. With regard to continued overall growth in life and health, we feel that to successfully achieve it, you must always continue to innovate and constantly look for better ways of ensuring continuity, which directly aids in the future of all of our employees and clients alike.

### What have been the main lessons from 2020?

The main lessons have been initiating the conversation, to be ready and able to adapt, to remain resilient, and the value of responsiveness to an organization, all of which will be incorporated into our 2021 leadership and management strategies. These lessons are necessary to ensure the continued growth of our company, along with keeping a consistent dialogue with our clients.

**Many companies globally had to reorganize their internal management in order to flexible and operational. How did BMI approach this, and in what ways has your internal management been reorganized?**

We currently still have all our staff working from home, each equipped with their tech needs to assure they can conduct their business as efficiently as always, in order to continue to provide the best service to all of our clients, advisors, and suppliers. Working from home has proved to be a great solution to the problem. It helps assure we maintain our top notch quality service, while still protecting the health and safety of our employees. We have also put a lot of focus on technology in 2020, with virtual communication being our main source of communication; we have had this constant virtual contact with our coworkers, but also with more than 600 advisors to assure proper training and support to their teams. We also installed a "work flow" tool that aids in the efficiency of the company, at

an operational level. This helps us review our processes and promote the most efficient solution to a problem in any given process, aiding us to achieve our promise of high quality customer service.

**As with all businesses and sectors across the globe, this year has accelerated the digital switch. In what ways are you now providing your services and access to your resources online?**

We were able to digitalize the care processes for our health and life insurance patients through the implementation of various technologies. We also digitalized our communication with our sales force, while still maintaining remote advisory and training processes. We have also been able to move to virtual medical evaluations, which helps eliminate unnecessary outings for our clients. This new service is also available for our health policyholders and their families with access to home or telemedicine services. A key challenge for the insurance sector is to increase penetration and persuade people of the value of having insurance. This year showed that more than ever before, it is necessary to be protected.

**What are your plans for expanding across Colombia?**

Currently, we have more than 600 external business advisors distributed across 15 cities within the country, and our expansion plan focuses on continuing to strengthen our business force through the process of training and linking advisors.

**What are your strategies for increasing access and penetration to insurance?**

We want to help protect more individuals and their families in Colombia, by continuing to grow and penetrate the market with our insurance solutions and innovative products. Colombia is a market with robust growth opportunities within the health and life insurance sector, which is why BMI has implemented a communication and brand awareness strategy that allows permanently promoted digital advice through its commercial advisors seeking to continue with the active purchase of insurance.

**There seems to be the development of insurtech in order to provide insurance for a growing digital world. What is your take on these new trends in your sector?**

We are in a digital boom that implies that insurance companies must be at the forefront of digital, so we have initiated and accelerated digitization processes due to the pandemic, in which all companies and the country in general, have had to adapt to a digital age within the new normal. In the case of insurtech, these can be a technological ally when it comes to taking the business to the next level, as they allow the possibility of using analytical tools that allow customers to better understand and achieve the development of products and marketing strategies adapted to the needs of customers which will allow the application of coverage. ✖



David Colmenares  
CEO,  
ALLIANZ COLOMBIA

#### How have clients received your newly launched app Allianz Salud?

Allianz Global's 130-year history serves as a testament of the company's culture of innovation. 2020 was a great catalyst for changes and advances, not only for Allianz internally, but also for our customers. We launched an app for our health division that extends customers a spectrum of self-service solutions. This app is aligned with our global aim of becoming simpler and more digital. The benefits from a customer perspective are tangible, and we want to extend these solutions to our other lines of business in motor and home care. Our end goal is to make our customers' lives simpler.

#### How can Allianz, with its global best practices, increase access to insurance for Colombians?

The penetration of insurance in Colombia is still extremely low, and if one does not include compulsory policies, it is even lower. Improving access to insurance requires a multi-pronged approach that involves government, industry, and local players within the insurance ecosystem—a big part of it is promoting an understanding of risk mitigation. Allianz contributes to insurance adoption in Colombia by way of the Allianz customer model based on three main pillars: being scalable, digital, and simple. In Colombia, one prevailing belief is that insurance is too complex and depends on the fine print. We have worked on having simple products that are easy to understand and do not have any fine print clauses regarding coverage. They are designed to pay; people need to feel this certainty. Our ambition is to secure the future of our clients and being trusted is a priority. People need to see their insurance company as an ally, someone that protects them against unforeseeable events. Allianz is committed to improving the public's understanding of insurance, though this also requires a coordinated approach amongst all the key stakeholders in the insurance industry.

#### How is Allianz adapting its business model to accommodate increases in the demand of services?

Building a solid value proposition is a priority for Allianz; it not only gives customers the best service when they have a claim but it also improves their understanding of risk mitigation. The company has invested in its loss control and risk engineering teams, especially in branches of property, casualty, and health. Our main proposal is the hashtag "vivo saludable" because it is necessary to invest in prevention. To this extent, we promote healthy lifestyles through events such as the Allianz 15k in Bogotá or the Iron Man in Cartagena. We need to work with our customers to prevent future claims. One fundamental part of Allianz is helping the public understand risk and affront those risks.



Maximiliano Flotta,  
PRESIDENT,  
METLIFE COLOMBIA

#### How has the Colombian market developed in terms of digital adoption?

There is no natural demand or culture of life insurance in Colombia. People might consider a new car insurance policy but are unlikely to think about life insurance. Digital capabilities could help address this. For example, in Latin America we have implemented an end-to-end platform where one can buy a life policy without interacting with anyone. Having the platform is not the most complex part; the difficulty is in generating the traffic. Although we have the platform; we do not have the people looking to buy an insurance policy. For this reason, having end-to-end digital capabilities to sell life insurance is not working yet. The situation with property and casualty is different, where there is more demand for such a product, and people want or need to buy them because they are mandatory. There is room to improve in insurance, perhaps not in the distribution, but our digital customer experience. MetLife is working to improve the service after purchase. Our agency salesforce does not use paper forms, and MetLife has changed the physical signature to digital. Additionally, we are continuously adding new online services on our webpage. For example, customers can check their balance, request a transfer from one portfolio to another, request a tax certification, file a claim, or pay for a product without meeting anyone. Next year, we are working to implement a new customer portal to further improve our capabilities.

#### What are your strategies to expand nationally beyond Bogotá, and in general in terms of recruitment and training?

We have 50% of our production in Bogotá, 19% in Medellín, and 13% in Cali. However, we have other branches including Bucaramanga, Pereira, Manizales, and Barranquilla. All these cities are growing rapidly, and we are increasing our penetration. Months before the lockdown, we grew our Bucaramanga branch. However, COVID-19 changed the market conditions. While physical presence was important in the past, moving forward, virtual will be the focus of expansion. We will increase penetration in other cities and will likely not need a physical presence to that extent. We also employ virtual platforms to improve our training and recruitment campaigns. MetLife utilizes a digital platform called MetLife DAP to train its salesforce and a learning digital platform called MyLearning aimed to all employees who want to learn new skills or improve existing ones; both platforms are available with an Android and iOS app. These follow a format similar to those of Coursera or EdX; employees can access a video curriculum to enhance their knowledge and skills on various courses. Testament to the efficiencies and benefits of the digital transformation, the upcoming round of recruitment and training of MetLife's salesforce will be handled remotely in its entirety.





Juan Enrique Bustamante  
PRESIDENT,  
SEGUROS MUNDIAL

**Why was 2020 a pivotal year for the Colombian insurance industry?**

The pandemic accelerated many changes for the insurance industry in terms of processes. Seguros Mundial's aim is to constantly transform our products and services to best meet the needs of our clients; therefore, 2020 was a boom year for digital processes and services. COVID-19 accelerated the sector by seven times because people could not leave their homes during the heaviest quarantine periods. In Seguros Mundial, we managed to offer a strengthened number of digital products remotely by means of telephone or videoconference. As a result, we started improving our digital capacities to create solid alternatives for our clients. The pandemic also contributed to a careful evaluation of how insurance solutions are extended to the public. Digitalization has been a trend across the Colombian insurance industry, and the company began to re-think its business and structures. Crises have winners and losers—the winners are those companies that have the highest level of resilience.

**What was the effect of the pandemic on product development?**

Colombia has not had rapid adoption rates of voluntary insurance. Induced insurances such as insurance on mortgages or mandatory insurances such as the SOAT are still the core focus of business. However, during the pandemic, people's income were affected. The pandemic made people realize their priorities and helped them identify their main worries. Matters of health and death have taken central stage. For this reason, life insurance rose to a higher profile with the pandemic. Businesses affected by disruptions and closures have also realized the importance of protecting their revenue streams. One fundamental insurance during the pandemic was insurance on rents because tenants are failing to make rent payments. Because of COVID-19, demand for insurances to protect rent payments has risen. One trend in product innovation within the insurance sector is better flexibility. People want products based on use, where the user can determine payment. To this extent, for example, vehicle insurances is now available on a per use basis. There are also insurances by monthly subscription, customers can stop paying whenever they choose to.

**What are your projections for the insurance business in Colombia?**

In 2020, we will have modest growth figures. The hiring of certain insurance lines has fallen. Job creation has also fallen, which impacts business-oriented insurance solutions. The year will record slow growth figures in the industry of around 1% real. One determinant factor for the industry will be the reactivation of the economy. The economy has to be reactivated so people will start consuming again. Three months after the reactivation takes place, there will be a market boost. The company's performance in 2021 should be better than in 2020. We are even expecting double-digit growth figures across some product lines.



Carlos Vélez  
GENERAL MANAGER,  
NACIONAL DE SEGUROS

**How did Nacional de Seguros mitigate the impact of the pandemic on the product lines that were most affected?**

Nacional de Seguros' leasing insurance branch was pronouncedly affected by the pandemic. The area of commercial leasing faced an uptick in claims due to COVID-19. The virus impacted all players in their contracts: tenants and leaseholders. Nacional de Seguros approached both sides to reach agreement and define payment. This approach was productive; only 2% of claims were declared as a total loss. The silver lining is that the product gained market recognition. We have been able to demonstrate the value of leasing insurance and expect strong interest in the coming years.

**Nacional de Seguros has a strong focus on infrastructure. How has this sector been impacted by the pandemic?**

Several things happened in that area. On one hand, the construction industry never came to a total halt. Some projects were temporarily suspended, but activities quickly resumed. On the other hand, the government understood that construction plays an important role in terms of investment spending and its role in rejuvenating the economy and decided to reactivate the construction sector to ensure an economic recovery. That has benefited us significantly, and that has helped make 2020 a landmark year for Nacional de Seguros.

**How do you evaluate the role that the sector regulator has played this year? Do you feel that the regulation is supporting the sector?**

The Colombian Financial Superintendency has been engaged in providing assistance and support for insurers. The actions that SFC took in 2019 to update the regulatory framework are producing positive results, have resulted in a strengthened insurance sector that has been better prepared to manage the impact of the pandemic. That strength allows Colombia to have an insurance sector that is solid and with capacity to respond to upcoming challenges. This year, the regulator has been active in monitoring compliance, which allows companies to be in a good shape to cope with the upcoming challenges.

**Nacional de Seguros' growth projections are very steep. How are you preparing to cater to a larger demand?**

We are carefully reviewing the processes within the company in order to attend to a larger flux of business. We want to become more agile and light without changing our core business. As I mentioned before, we are on the brink of producing interesting campaigns and extending innovative solutions to our clients.

**What expectations do you have for 2021?**

Trends of increased access to financial services, boosted by digitalization, are contributing to the growth of the insurance industry. There are also benefits to do with the wider regulatory framework. Insurance products can support contractors in the big-scale infrastructure projects that will commence next year. 2021 is full of opportunities and the pandemic modernized our operations to better serve clients.



## VALUED SERVICE

Hattieann Giraldo  
PRESIDENT & CEO,  
COFACE COLOMBIA

**Coface Colombia's main focus is ensuring its clients have the best service and remaining close enough to understand their needs.**

### BIO

Hattieann Giraldo attributes her capacity to understand and support cultural differences to having lived in the US for 16 years and then returning to Colombia. She believes her work and life experiences have given her the opportunity to be supportive of Colombia's development.

**How has Coface helped and supported its partners through the pandemic?**

Coface's clients are the company's focal point. Guaranteeing the long-reach service our members expect has been our priority throughout the pandemic. We need to ensure we have solid communication, which includes the technical aspects of cooperation. For this reason, we have strengthened our cloud service capacity and the web capabilities of our partners. Coface's database of information is key for clients, and fortunately, it is an international platform that can be transferred online in real time. Ensuring our clients can maintain access to information of credit risk allowed them to navigate pandemic-related trade interruptions. This is what we focused on in the first few months, as well as ensuring our workforce was productive and secure at home.

**How is your global network an asset for clients looking to partner with Coface?**

Our global network is one of our main assets because it has crucial information that guides international credit decisions. It will attract an even larger role in the future as reduced travel possibilities impede our clients from getting to know their clients directly. The information we offer from having a presence in Europe, South Africa, Asia, and Latin America ensure that our clients have more information to be able to make their credit risk decisions and expand their global network of partners.

**How do you use data analytics to provide support for clients?**

Data analytics is a methodology that Coface uses to deepen and enrich the information we offer to clients. We use all the information available—on the ground and in each country in which we are present—to ensure our clients are able to have first-hand insights. Our platform is constantly being improved and updated. We support partners with information specific to credit insurance as well as information on other exposures such as the economy and market.

**What market opportunities exist in Colombia for Coface?**

The online migration of SMEs has been extremely important for Coface, especially manufacturers growing targeted online business lines. Companies in this area need information and

credit insurance. Colombian companies must be in touch with credit insurance and the benefits it offers. Even if they do not use the tool of credit insurance to cover their sales at home or abroad, they need to use the information available to them to make better decisions: who they will sell to and the companies that will be their clients. We are working on products specific for the needs of smaller companies, a market segment to whom credit insurance was not accessible. Most large companies in Colombia use credit insurance, as do also most multinational companies; however, SMEs are only now realizing the value of covering their sales. We want to expand access to credit insurance at every level and offer products that are tailor made.

**How is Coface helping to create tailor-made products?**

We create products specific to our client's needs in Colombia. That ensures we have a product that provides sufficient coverage for our policyholder and gives them sufficient information to make better decisions on how to leverage the positive aspects and opportunities of the market. The economic insights we offer, not only abroad in larger countries but also on a sectorial basis, give our clients information on the more profitable sectors or sectors that would need their type of products. That is what we offer them.

**What growth potential do you see for Colombia in this sector?**

We have full potential. There are over 1 million companies af-

filiated to the Chamber of Commerce in Colombia, of which only 1,200 have hired a credit insurance policy. We are not doing enough to help companies, giving them credit insurance, granting them limits or helping them decide if they should work together with a company. We need to be out there giving them information on how credit insurance works and what benefits exist.

**What is your business development strategy, and what catalysts are available to expand insurance to the Colombian market?**

One of the things we need to work on is the basics and giving more information and granting companies the possibility of getting to know what credit insurance can do for them. One of our strategies is to provide better-quality information as we cannot keep our information to ourselves. One of my goals is to be more out there and get people more involved in what credit insurance can do to help them out. We look at the traditionally large sectors such as the food industry and large companies and multinational companies like Nestlé that mostly do not use credit insurance as a tool. When we look at these large companies and compare them to other large companies in retail, they traditionally share the interest in credit insurance. We need to ensure the large companies use it as an example for the mid-sized and smaller companies to have this information replicated starting from the largest companies to the tiny ones, as this will give them the opportunity to trust in credit insurance. ✖

# CREDIT INSURERS

There is still a long way for credit insurance to boom in Colombia, despite the growing awareness in the past year.



Manuel Arévalo  
GENERAL MANAGER,  
SEGUREXPO



Jorge Andrés Jiménez Cárcamo  
CEO,  
SOLUNION SEGUROS DE CRÉDITO  
COLOMBIA

## How is the Colombian market adopting credit insurance solutions?

**MANUEL ARÉVALO** Credit insurance market in Colombia is still small in relation to its GDP, and the country has been trying to develop a better appetite for risk-mitigation solutions. In credit insurance, there have been the same three players for over 15 years. Even though we have made a huge effort to bring credit insurance to SMEs, penetration is extremely low. Subsequently, the premiums of the market remain low, with penetration around 0.3 %. In comparison, Chile is still the largest market in terms of penetration in the region and is almost four times bigger than Colombia. Given the current economic situation, credit insurance will gain traction. Companies will prioritize risk-mitigation in matters of insurance because they now are aware of the impact of emerging risks like COVID-19 and the consequences on cashflows and continuity of their operations.

From that perspective, demand for credit insurance is expected to grow faster in 2021.

## How can Solunion contribute to the adoption of credit insurance solutions in Colombia?

**JORGE ANDRÉS JIMÉNEZ CÁRCAMO** Solunion's role in Colombia is that of a trailblazer; we must be at the forefront of innovation. The company has a direct presence in five cities across the country and is committed to developing the market culturally and geographically. Because we represent 59% of the market share for credit insurance, we are aware of our role in the product's development. The market conditions are clearly favorable, and we are focused on bringing those trends to fruition. Solunion has expertise and experience, specifically in emerging markets. Additionally, as a result of our joint venture we have



many instruments at our disposal to become bigger and even more important in the Latin American context.

#### How would you describe business growth in 2020?

**MA** We are closing a very good year in terms of growth in both business lines: in credit insurance, we are growing at a rate of 16%, faster than the average of the market (13%) whilst our bonding business line has been growing much faster, almost doubling the premiums achieved in 2019. Demand for credit insurance has not picked up yet because most of the companies have been struggling and are therefore focused on maintaining cash flows in order to survive. As the level of claims is expected to increase in 1Q2021 as support and loans from banks will gradually decline, some companies will not be able to meet their commitments in terms of payments, and then payment defaults and insolvencies may arise. When the market starts to see defaults growing, the demand for credit insurance will rise. We expect growth rates to soar in 2021.

**JAJC** 2020 was a key year for Solunion in terms of product innovation, and we prepared extremely important releases that will come out in 2021. We are working on products that are specifically useful for small and medium Latin American companies. For instance, we created a product that offers coverage under specific contracts for medium-term obligations of credit. We are also working to launch a collection of services focused on grading; we will sell ratings to companies. In 1999, when Solunion arrived in Colombia, our focus were medium and large companies. now we are shifting to the market of small and medium companies. 2021 will be a landmark year for Solunion's products and services. We are finalizing an agreement with a Colombian bank that would allow it to distribute our credit in-

surance solutions.

#### What is your business strategy for the coming years?

**MA** We have to remain focused on our business model—going for medium businesses. That means supporting SMEs by providing a tailor-made service. Our product development plans are geared to this effect. One product we are developing gives companies that cannot pay full-rate insurance coverage, coverage for their sales. Simple products will democratize insurance and support Segurexpo's growth. We also want to leverage financing and are focused on building alliances with banks and financial institutions in order to extend cash flow alternatives to our clients. That is an important part of our strategy because businesses need coverage and access to financing. Credit insurance is one of the best and easiest ways for companies to increase their access to capital at softer rates than can be negotiated with the bank.

**JAJC** Solunion's strategy is to be a multichannel company. The Colombian market has potential, but Solunion must expand the way it reaches new clients. Classic brokers and banking are two key ways the company disseminates its products. We have a distribution agreement with MAPFRE's network of local brokers and utilize direct channels as well. Agreements with local associations are important for Solunion's credit insurance solutions to become better recognized by local businesses. The traditional ways of selling credit insurance for the last 20 years have been classic direct channels and specific brokers. Solunion is committed to the transformation of the insurance market and wants to be a multichannel company that reaches clients through innovative and creative means. The market is there but we need specific tools to increase penetration. ✖

# REMOTELY POSSIBLE

As the world continues to elbow-bump, the remote delivery of goods and services on digital platforms has become the new normal.

**THE EVOLVING** nature of meaning in language is truly fascinating. "Disruption" for centuries conjured up images of war, interrupted economic activity and general suffering. Meanwhile, in medical parlance "disruption" refers to the unwanted opening of a partially healed wound. And yet today companies leading the digital charge boast on their websites of being 'disruptors.' In short, the term has become a badge of honor as the world adopts the modes of business that digitalization presents.

COVID-19, and whatever strains may yet spring from it, has been the most visible of disruptors. And yet without seeking to put a positive spin on the pandemic, it has presaged digital adoption among economic sectors, including the financial services industry. Indeed, industry data indicates that the global digital transformation market is likely to appreciate from USD469.8 billion in 2021 to USD1,009.8 billion by 2025, at a Compound Annual Growth Rate (CAGR) of 16.5% over that period.

## VIRAL CHANGES

Emerging markets have long been prime examples of just how far a low-end digital solution can reach as opposed to the traditional bricks-and-mortar financial sector model. This is perhaps best exemplified by the delivery of micro-loans and insurance to the unbanked, and just using non-smart mobile telephony. Moving up the scale, today we progressively familiar with the speed and convenience of digital financial services, be it for bill payments or portfolio management.

## DIGITAL MESSAGES

Colombia's insurance penetration (percentage/GDP) is at roughly 2.6%, while Latin America and the Caribbean overall claim just

over 3%, despite accounting for 8.6% of the world's population by UN data. Educating the uninsured public, or indeed, the already insured on the wider possibilities of coverage beyond home and auto, poses certain concrete challenges. So, when it comes to something as seemingly abstract as insurance, digital advertising is a prime means of converting today's consumer into tomorrow's premium. Sector data for July 2019 showed that Fogafin led the pack in Colombia's insurance and pension plans industry on 25.51% of the industry's digital ad spend. Protección was second on 21.69%. Completing the top-five were Compensar, Seguros Exitos and Sura, respectively on 14.23%, 9.53%, and 7.07%. Now add to that public concern in the wake of the pandemic and the insurers have a prime opportunity to get their message across loud and clear.

## HOME TRUTHS

Covid-19 has now held up a mirror to the institutions actually delivering this convenience, namely their employees, both back and front office. We have seen the incredibly swift, and more importantly, effective rollout of home working. And while Zoom or alternative social media platforms may not fully substitute the water-cooler for gossip and venting, many will opt not to return to the traditional work setting once the pandemic is over.

It is clear that in the digital—and post COVID-19—era, geography has lost its once-sharp edges. And so, while offices may inevitably re-open, many firms have noticed startling rises in productivity in the remote work model. This eye-opener will surely shape the way physical offices are used, more likely as meeting grounds for creative exchange with the option in many cases to then do the actual legwork remotely.

**CTRL-ALT STEAL**

There is of course a negative column to the ledger of digitalization. digital crime. With its universal relevance in our new digital paradigm, sci-fi sounding cyber insurance has become a key component in defense against it. Put simply, the greater the range and volume of digital transactions, the greater the concomitant threat of cyberattacks and digital fraud. In this context, cyber insurance provides a welcome hedge against robbery done without mask or shotgun. So finally, let's consider a recent story set on the front lines of Colombia's financial services industry. It could be repeated in any country, however.

In December, it emerged that Colombia's Prosecutor General had conducted a successful fraud operation ending the crime-spree of the so-called Los Call Center gang. Posing as business owners, officials and financial advisors, and using seven fake call centers, the gang had in total impacted 20 banks (16 local and 4 international) and conned over 3,500 people, the names and confidential data of whom it had gleaned by purchasing record databases.

One moral of this story concerns the importance of public education on what the law actually requires of them vis-à-vis financial products, as many victims were told to take out policies on the pretext that they were mandatory. The total amount of the fraud? USD1.50 million. Not a king's ransom, but hardly the point, as one can only imagine the fraudulent activity not yet detected or executed. Moreover, the dent in the sector's image is harder to beat out.

The cyber-insurance category remains in its early phase. Market intelligence indicates that both cyber and general liabilities policies currently exclude coverage for losses incurred due to cyber warfare. That concept, now also a fixture in the public imagination, remaining a grey area. ✕

# COMMISSIONS (IN THOUSAND COP)

SOURCE: ACOAS

	2019	2020	Percentage change
COMMISSIONS FROM INTER-MEDIATION	305M	313M	2.78%
COMMISSIONS FROM INSURANCE	289M	298M	3.09%
OTHER COMMISSIONS	15.7M	15.2M	-2.82%
PROFITS	29M	38M	30.11%

## Brokers

# Greasing the engine

T oday’s brokerage business might be different from that of 1938, when Ronald Reagan played the briefcase-handling insurance investigator Eric Gregg in “Accidents Will Happen”. However, the segment is more relevant than ever. Although you might expect a Zoom call instead of a visit to your office, brokers are still an essential component of the insurance ecosystem. They provide the client-focused attention that a client-focused business requires.

Brokers are the fuel that powers the insurance industry and they will play the lead role in expanding coverage for Colombians. Their success in adapting to digital processes of selling will determine, in large part, if Colombians and Colombian businesses improve their risk exposures. They must lead the digitalization revolution and ensure that their differentiating factor—experience—rings louder than ever before.

Being a risk specialist gained a new dimension with the onset of the internet; brokers assumed the role of knowledge providers. Broker companies dedicate entire teams to producing risk assessment reports. Transparency became their *raison d’être*. Going the extra mile will remain their source of strength, ensuring customers receive the personalized attention and made-to-fit products they cannot find elsewhere.

Carlos Alberto Montoya, President of the Colombian Association of Insurance Intermediaries (ACOIS) comments that; “customers learned to trust digital platforms and approach digital insurance companies directly.” However, the companies at the intersect of the business should have more to gain than to lose from increased connectivity. The spirit of the counseling expert will not perish. ✖







## NEW DIRECTIONS

Claudia González  
PRESIDENT,  
ASOCIACIÓN COLOMBIANA DE  
CORREDORES DE SEGUROS (ACOAS)

**ACOAS liaises with the government and the regulator to advance the insurance sector and subsequently improve insurance coverage for Colombians.**

### BIO

Claudia González has over 25 years in the Colombian public sector occupying high-profile roles such as legal secretary to the presidency and general secretary of the Ministry of Finance. She has also worked on important developments in Colombian public policy with roles in the Prosecutor's General Office and the National Office for Strategy and Planning. She is a lawyer specialized in finance law.

### What did the insurance industry in Colombia face in 2020?

The insurance industry in 2020 experienced a transformation, though not as deep as we had thought. Some insurance areas were strengthened, while others experienced a process of adjustment. In life insurance, there was significant growth because the pandemic brought attention to the importance of purchasing a policy, and current life coverage has increased from 30% to 45%. One specific impact of 2020 was on car insurance. Typically, clients bought car insurance for an entire year, but because of COVID-19 restrictions, there was an adjustment to this insurance, and customers no longer pay a fixed annual rate but a variable rate that depends on mileage. This is a part of a trend in the development of insurance products in 2020. Products are becoming increasingly tailor-made and specific to the holder's use. The regulatory framework must adapt to the reality of the insurance sector, its products, and processes.

2020 has expedited the digitalization process for insurance purchasing.

### What are your views on that matter?

The digital transformation of the insurance industry has been significant. People are insuring their assets digitally, which brings about advantages and disadvantages. For example, retailers are offering insurances on online purchases to cover the item's delivery. In such transactions, the retailers are working as insurance companies despite not being under the supervision of the regulator, the Superintendencia Financiera de Colombia (SFC). This is troublesome because they do not comply with the safety and consumer protection protocols that are required for insurers.

### What can be done to improve the Colombian insurance ecosystem?

2020 was a catalyst for innovation; however, there is room for improvement. An important ambition for brokers is expediting processes through improvements in the operational framework. Protocols must be updated to facilitate digital adherence. An example of how the regulatory requirements are burdensome for brokers is the anti-money laundering form, SARLAFT. An average family has four insurance policies, and every time a family purchases insurance, they must go through the entire SARLAFT process, which involves a great deal of paperwork. We are proposing the creation of a single database on SARLAFT so that holders do not have to repeat the process. The idea is to reduce redundancies. In 2021, we should focus on improving

data collection systems. Another thing that needs to be improved is the issuance of digital invoices; eight out of 10 insurance policies have some type of mistake, and the invoice needs to be reviewed. We must liaise with the National Directorate of Taxes and Customs (DIAN) on this objective to prevent errors and streamline the process.

**How do you evaluate the response of the insurance industry and brokers to the pandemic?**

The response to the crisis has been excellent. ACOAS recently conducted a study on the quality of the service, in which we evaluated insurance companies and labor risk administrators. The report will be ready in late January and accessible on our website. The results will be positive; quality indexes have not dropped despite remote offices and limits on in-person operations. The insurance sector has responded well to the requirements implemented with the pandemic and has managed to maintain productivity. For example, refunds for non-used policies have been reimbursed, evidence that the sector has remained flexible during abnormal circumstances. Product development and innovation has also been satisfactory. In auto insurance, coverage for vehicles was updated and now depends on mileage rather than on a one-size-fits-all system. This is representative of a commitment by brokers to innovate and extend products that are more useful and relevant to users.

**How has access to formal banking helped increase insurance penetration?**

Access and use of financial services is key to increasing insurance penetration. Every credit card has an insurance associated to it, for example. The country started a program to increase financial inclusion in late 2016, and financial inclusion has advanced in the last few years because the economy had performed well. When the economy grows, people have more economic resources and access to banking increases. Formal bookkeeping and payments through supervised means encourages a culture of preparedness and risk mitigation. Insurance products can also be extended more easily. A milestone that can, in part, be attributed to formal banking improvements are increases in the hiring of life insurance.

**What role can ACOAS play in the sector to help its clients?**

ACOAS can work hand-in-hand with the government in matters of regulatory framework, especially on topics relevant to the insurance sector. The association can also liaise with the Federation of Colombian Insurers (Fasecolda) to identify opportunities for coverage. It is important to understand the needs of the public in order to offer products that are useful and relevant. ACOAS is an institution that channels the needs and wants of Colombian brokers. This alignment contributes to the betterment of insurance coverage for Colombians. ✖



# CATALYST OF CHANGE

Carlos Alberto Montoya  
PRESIDENT,  
ASOCIACIÓN COLOMBIANA DE  
INTERMEDIARIOS DE SEGUROS (ACOIS)

**As the insurance intermediary union, ACOIS works to professionalize intermediaries to inspire greater trust from the public and widen the insurance offerings.**

## BIO

Carlos Alberto is an economist and Magister in risk management with 38 years of experience in the insurance sector. He is also a university professor, author of the book *Manual de Seguros*, and co-author of *Riesgo Estratégico*. He has written various articles about strategic risk assessment that have been published in national and international publications. Currently, he works as a consultant in matters of risk and strategy and is member of various executive boards. Alberto is the founder of Creamos Ltda Agencia de Seguros and is president of the board of directors of ACOIS.

## How would you assess the state of Colombia's insurance sector post-pandemic?

The effects and social dynamics of COVID-19 in Colombia demonstrate that family insurance companies hold a special position in the creation of new business. The pandemic made clear that solutions must be transformed to reach new risks; life insurance and health solutions must adapt and widen their coverage for situations like COVID-19. For example, the automobile market has changed dramatically as a result of the lockdown. It must be redefined with alternatives such as last-mile services. The pandemic has also severely affected insurance business incomes, and security has shifted to more complex scenarios. Finally, the pandemic has also been a catalyst for innovation in operations. Current trends such as cloud computing services, home office, on-line working lifestyle, privacy, and data protection are here to stay. Fintech and insurtech solutions will present opportunities for the industry.

## What are the most important challenges for Colombian insurance intermediaries?

We have serious challenges in the post-pandemic world. We need to be able to respond in new ways to our customers' expectations. Digital transformation is a permanent trend, a lesson learnt from COVID-19. In addition, 24/7 customer service response capabilities and its implications are driving software development in the industry. Customers have learned to trust digital platforms and approach insurance companies directly. Therefore, our knowledge and experience as insurance intermediaries must be a differentiating factor. Expanding our online services is a necessity. We must also widen our coverage scope by featuring the latest market trends and products. There are new products that we must learn

about and skills we must develop to ensure top-notch service.

## What opportunities for growth and development do you foresee arising from this year's events?

There are opportunities to utilize new technologies for product creation and commercialization. The industry is moving toward high-tech, solutions-based services. There are also opportunities linked to the lifestyle changes that resulted from the pandemic. Product innovation will accelerate.

## How has ACOIS more broadly adapted to the acceleration of the digital switch in 2020?

ACOIS offers its members digital transformation programs. We encourage companies to embrace digital options such as apps and to develop new web services and software solutions that support management and business needs.

## One of the big priorities for insurers is raising the level of penetration so that all Colombians have access to insurance. What is your assessment of this challenge?

Intermediaries are at the center of insurance penetration. The distribution of insurance services is changing; disruptive ideas are not only pushing innovation but also creating new risk exposures for consumers. For example, retailers are extending insurance-type products that are not sanctioned by the regulatory to clients. ACOIS members are certified by the national regulator institution and are recognized for their knowledge and consumer-focused attention. Insurance is not an easy product to understand, and customers can benefit from the expertise intermediaries offer. Users need guidance and support to ensure they understand and reap the benefits of insurance. Blind growth focused on numbers does a disservice to an industry that requires client-focused attention.

## What is in store for Colombian insurance intermediaries in 2021 and the coming years?

ACOIS works to professionalize intermediaries. As the insurance intermediary union, we promote new law requirements that result in greater safety for the public. Our focus is on the profession rather than on being a commercialization channel. As the industry grows, the insurance intermediary business must prove its added value, namely knowledge on risk management and commitment to the client. ✖



**INSURANCE CLAIM FORM**

**PRIMARY CUSTOMER INFORMATION: Primary Customer complete this section**

Customer's NAME (Last Name) (First Name) (M.I.) A2. GENDER  
☐ M  
(State) (ZIP Code)

Customer's MAILING ADDRESS (No., Street) (City) D. CIGNA ID NUMBER OR PRIMARY CUSTOMER SOCIAL SECURITY NUMBER  
(on the front of your Cigna ID card)

IF ADDRESS? also be changed with Employer, if applicable) G. PRIMARY CUSTOMER  
☐ EMPLOYED  
☐ COBRA\*\*\*

**PATIENT INFORMATION: Complete this section only if the patient is not the primary customer**

Patient's NAME (Last Name) (First Name) (M.I.) B. RELATIONSHIP TO  
☐ Spouse ☐  
(City) ☐ STUDENT FULL-TIME

Patient's ADDRESS (No., Street) C. DESCRIPTION OF HOW ACCIDENT OR WORK-RELATED ILLNESS  
SERVICE WAS PROVIDED WAS THE PATIENT: ☐ EMPLOYED FULL-TIME

**ACCIDENT/OCCUPATIONAL CLAIM INFORMATION: Complete this section only if you are filing the claim because of an accident or illness**

A. ILLNESS EMPLOYMENT? ☐ NO B. INJURY DUE TO AUTO ACCIDENT? ☐ YES ☐ NO  
C. DATE OF ACCIDENT OR BEGINNING OF ILLNESS mm/dd/yyyy E. ARE YOU OR YOUR DEPENDENTS FILING A CLAIM OR LAWS  
IN ORDER TO RECOVER THE COST OF EXPENSES INCURRED A  
☐ YES ☐ NO If yes, Name of Third Party: \_\_\_\_\_

**FAMILY/OTHER COVERAGE INFORMATION: Complete only if claim is for a dependent and/or spouse**

A. NAME OF SPOUSE (Last Name) (City)





## AN EXPERT EYE

Juan Pablo Salazar  
COUNTRY CORPORATE OFFICER,  
MARSH & MCLENNAN COLOMBIA

**Focusing on specialization by industry, Marsh is able to closely advise its clients based on its deep knowledge and expertise of the opportunities and risks of various sectors.**

### BIO

Juan Pablo Salazar is the Country Corporate Officer for the three lines of business of MarshMcLennan in Colombia (Mercer, Guy Carpenter, and Marsh). He graduated in law and holds a master's in insurance law. He has more than 30 years of experience in the broker sector and more than 18 years in executive roles related to corporate management and management of commercial, technical, and operative lines. In 2013, he was named CEO of Marsh Colombia. He is the president and an active member of the board of directors of ACOAS.

### How are you accompanying and aiding your partners through the pandemic?

The risk assessment of many industries and companies did not factor in the risk of a pandemic or the possibility of a global paralysis of the economy. However, within the insurance community, virus and disease modelling had been a focus of our studies. We have a product called Risk Focus that incorporates the risk of total paralysis and pandemic risk. One of our subsidiary companies, Oliver Wyman, created a global tool called Pandemic Navigator that has the ability to model the risk exposure of countries, industries, cities, and individual companies in order to understand, using the experience of the first four months, the industries that will be most affected and how governments are reacting. In the next pandemic, people and public bodies will not react the same

way. This makes it possible to model the exposure of countries, industries, and companies based on the understanding of their risks. With the pandemic, many industries have seen, from a business perspective, excellent results because there were opportunities to offer solutions and capabilities. In parallel, we are working with government bodies and unions to offer these moderation capabilities and bring risk management solutions into play. The first thing we do is analysis, risk management, and impact modeling. We are also working with global insurance companies to create transfer solutions that specifically cover the loss of benefits from business paralysis because of a pandemic. Risk is an accelerator of people's awareness of exposure to these risks; however, the biggest risk to humanity is climate change. At present, that analysis of the exposure of countries' economies, industries, and companies to the negative effects of climate change is on the table.

### As a company focused on revealing opportunities to clients, what are some opportunity areas that companies may not be seeing?

We have a positive view of the risks. The art lies in knowing the risks associated with an activity. The company that takes the greatest risk, while knowing and understanding it, will be the most successful. That along with the need of strengthening their sustainable and resilient capabilities. What we do in these studies is ask our customers, the companies, if they are

capable of a higher risk retention and if they are financially able to bear it, because insurance companies have to compete with other ways of risk financing. These questions help us to understand if it is a risk that should be managed and financed within the company, externalized to a supplier, or transferred to the insurance sector or capital market.

**How do you ensure that you can assist different types of customers, and what platforms do you offer your customers?**

The key when talking about customers is specialization by industry. This is global. We have experts in mining, energy, generation, and financial institutions, and they are people who have deep knowledge and speak the language of their industry. They are the communication channel to the risk front and transparency of risks to the insurance sector. We also have risk mapping by industry. What we bring to our customers is the whole world of that industry, the specific risks by amount and impact or by frequency, and we help them understand the point of maturity they are at. As far as tools are concerned, we are about to launch the whole issue of analytics in which, through a link, our customers will be able to enter and map with their insurance program their cyber, property, managing directors, and civil liability risk, as well as comparing it at a global level. We do not reach our customers with a product, but rather with a solution. We come in and look at a customer's needs, and the point and degree of

maturity at which the customer is at. In that case, we provide various solutions to the customer in their particular situation.

**What steps is Marsh taking to ensure that it remains the industry leader amid these new trends?**

Globally, four years ago, we decided to analyze the segmentation of the organization. We see the business in three big sectors. We have risk management, which are the large companies, large multinationals, medium-sized companies, and a large number of customers that are in medium-sized, small, or micro-companies. Our intention is to have an individualized value proposition for large and medium-sized companies and to offer the others a standardized product under the best conditions, but always with a union or through one of the distribution channels. If you look at the portfolio, those are clients assisted by other channels, local agencies, or agents. Marsh's biggest investments globally in recent years have been in the development of digital technology tools to join the insurance sector with these personal customers, with these micro-companies, with these insurance sponsors. We bring in the right talent, which means digital experts and specialists in marketing and commercial issues. We do not necessarily need insurance experts, because the last thing we do is create the product. We understand the need, design it, and bring it to an insurance company that wants to provide these functions. ✕

# CRUCIAL ADVISOR



Juliana Tobón Peña  
COUNTRY PRESIDENT,  
HOWDEN GROUP

**Understanding the importance of thinking differently and adapting itself, Howden Group focused on offering its customers a new range of products and services during the pandemic.**

## BIO

Juliana Tobón Peña holds a bachelor's degree in business administration with a specialization in strategic marketing. She has more than 25 years of experience in the insurance sector. Before her current position at Howden, she previously held leadership positions at QBE, Mercer, Generali, Mapfre, and Metlife.

## How was Howden and its operations impacted by COVID-19?

It has been a difficult year for all industries and the insurance industry has been no exception. However, despite all the difficulties that have occurred, the insurance industry has maintained strong dynamics. Fortunately, we have not had to reduce our staff. On the contrary, we have needed more support and customer service people because times like this are when the advice of an insurance broker is most valued. Our duty is to understand the needs of people, families, and companies in order to offer them the best advice. Needs are constantly changing in times of a pandemic such as the current one. We have to understand that the most important thing during a pandemic is to be close to customers and communicate our products properly, teaching them what works for them and what coverage is important. The truth is that we have learned many things. I would say that advice in times of crisis is vital and is one of the drivers of insurance brokers. The industry is

moving—it is dynamic. In addition, if there was no pandemic, we would still have to be constantly moving because we would have to identify the needs that arise from the situation of the moment. For this reason, we will always be active in all kinds of events.

**Looking toward the future, which types of insurance products and services will be needed in the Colombian market, and what long-term trends are you noticing?**

In the long term, there will be many changes in products and services. New business models and new coverage will appear. For example, cyber insurance is perhaps the fastest-growing product globally in the insurance industry. In the long term there are changes because, as the needs of people and industries change, then the sector must adapt. It also has to adapt to new communication and marketing channels because there are more people who will need to purchase insurance and companies that will be more vulnerable. It is, therefore, necessary for insurance brokers to be able to offer a new range of products and services. Additionally, we must be prepared for all changes. If this pandemic has taught us anything, it is that we have to think differently because, when an economy faces a situation like this pandemic, the needs of individuals, families, and companies change. Therefore, all the products and services of the insurance sector are also modified. You need to have an open mind. All products have to adapt to the pandemic, but if there is a different pandemic, then they also have to adapt. What's more, they must adapt to climate change,

environmental disasters, and new types of families. The most important thing is that the entire portfolio of products and services that must cover a series of needs have to be adapted. The secret is not about making it faster, but about achieving an optimal fit. Companies that adapt will survive in this and all industries. This is one of Howden's pillars; the ability to adapt its format and be able to face change. It has been an extraordinary challenge for the Colombian insurance industry, but it must also be considered that the Colombian industry is strong and has extraordinary companies. The insurance industry has a large number of companies and a tremendously complete portfolio of products. They are, additionally, financially solid companies regardless of whether they are of local or international origin. All the players in the insurance industry have a huge responsibility in this degree, but mainly the insurance brokers because we have to reach out and communicate.

**How can Howden leverage its global reach and technological capacity to strengthen its position in Colombia?**

Within its corporate principles, Howden seeks technological tools to adapt to all business practices and specialties. We are a specialized insurance broker, and we work a series of

industry practices in which each one has a series of highly specialized teams and commercial capabilities. We also seek to innovate in technological tools. Howden looks around the world to differentiate itself from the competition, and one of the reasons why it wants to distinguish itself is in the way it works in niches and makes use of technological tools. In Colombia, we are doing the same looking for tools to contribute to corporate segments. For example, for SMEs, which we believe are still neglected in the country by the insurance industry, we are developing a platform that allows them to compare the different insurance companies. Products are typically designed for large corporations, but not for SMEs, thus neglecting the needs of small groups of employees and tighter conditions. These companies, in the event of an accidental or catastrophic event, could suffer irreparable losses and end up exiting the market. We are targeting these types of clients through technological tools. But also, at the individual and family level, there is an enormous challenge to reach them with health, life, and home products. Today, in the wake of the pandemic, people value life and health insurance more. That is why we are targeting them with technologically advanced tools. ✕

**howden**  
Specialist Insurance Brokers

#### Specialized Practices and Services

- Financial Institutions
- CYBER
- Construction
- Energy / O&G
- Infrastructure
- Affinity
- SMEs
- State Entities
- Aviation
- Reinsurance
- General Insurance
- Claims Management
- Employee Benefits
- Occupational Risks
- Compliance
- Personal Lines
- Howden Drive (Cars)

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25

years of experience  
in insurance  
support us



# INTERNATIONAL BROKERS

Using their global know-how and expertise, international brokers are set to significantly boost Colombia's nascent insurance culture.



Adolfo Urdaneta Gutiérrez  
CEO,  
GALLAGHER COLOMBIA



Ernesto Sierra  
GENERAL MANAGER,  
ITAÚ CORREDOR DE SEGUROS

Where does Gallagher Colombia fit within the Colombian insurance ecosystem, and how does the company utilize the company's resources and expertise abroad to benefit Colombian clients?

**ADOLFO URDANETA GUTIÉRREZ** Gallagher has a different business model, one Gallagher: under a single vision we provide risk consultancy services to our clients that may result in risk transfer solutions through our insurance and/or reinsurance capabilities. Gallagher worldwide specializes in sectors that coincidentally are the ones projected to drive the country's economy: energy, power, construction, infrastructure, and financial services, aside from our expertise in cyber risks, weather and agriculture.

The pandemic has brought about several advantages, operationally speaking. What has been your experience with regard to the digitalization of activities?

**ERNESTO SIERRA** One of the few advantages is the ease with which we are now able to contact suppliers and clients via electronic means. What gives us an advantage is that the insurance culture in Colombia was not sufficiently developed for us to virtually approach buyers before. We instead had to head out with our briefcases to drum up business. 50% of all premiums are generated from compulsory policies and car insurance, which meant brokers did not have a strong-enough sales force to reach out to potential clients. Now, however, you are able to send identity theft, credit card protection, and unemployment insurance offers to far more people via email, and, hence, receive far greater uptake. Bancassurance is strictly limited to personal insurance, and therefore we need to work more on the issue of contractibility in order to break into SME-based economies and increase sales in this area. We are currently developing the platforms necessary to facilitate outbound sales and conversions easily and effectively.

**What was Gallagher Colombia's focus in 2020, and what products and services are driving growth?**

**AUG** 2020 was a challenging year for everyone. Our primary focus was on our people, keeping everyone safe to be able to support our clients through these challenging times. We managed not only to maintain but to grow our portfolio, mainly driven by our casualty lines of business and through our alternative risk transfer and consultancy units.

**Can the legal framework for insurance in Colombia be improved or made more efficient in order to take advantage of the sales capacity uncovered by the pandemic?**

**ES** The regulator, the Superintendence of Finance, has been working on this issue. Insurance had previously been used as a means of money laundering, which fortunately was detected and which is why SARLAFT is required. In addition, we did not hold fast the issue of filling in forms, sending support, the issue of tracing. Now, there is a project that we hope will be approved that includes an update to SARLAFT and would allow us to work this way for the next three years. The issue of the digitalization in this sector is an affordable one, but we need to come together in order for it to work.

**What is your outlook for the Colombian insurance industry, and what opportunities and challenges are in store?**

**AUG** We are currently facing hard market conditions, a challenging economic outlook and slow-moving recovery. Nevertheless, our focus maintains in keeping our people safe to be able to take care of our clients and support them through these stormy sailing winds until we all reach safe harbor.

**ES** If the people involved in the insurance industry do not advance in technological terms, we are destined to disappear. The issue of intermediation will come under heavy threat, so this is an opportunity. Employers should be much more active in providing solutions to a population that demands insurance, though due to issues of economic capacity this is not the case. We are also thinking about new types of insurance. There is an issue of innovation that is forcing us to look at other insurance options for people. We are evaluating one of the cornerstones, which is the issue of education from preschool. We are also looking at insurance options, regardless of whether it is with a policyholder. The last few years have seen the most innovation in terms of new products. I invite us all to think about what we can come up with, with or without an insurance company or a broker, and provide insurance solutions that can provide us with a little relief right now to a demanding society. ✖



# SEAMLESS TRANSITION

Juan Pablo Stiefken  
PRESIDENT,  
SEKURITAS CORREDORES DE SEGUROS

**With offices in Colombia for 50 years, Sekuritas is able to employ its experience and knowledge to serve its clients to the best of its abilities.**

## BIO

Juan Pablo Stiefken holds a PhD in sociology from Universitat Autònoma de Barcelona, with a master's degree in social policy from the same university, and is a philosopher and economist from Universidad de los Andes. Linked to Sekuritas for almost 20 years, he has worked in different areas of the company. He has also worked as a professor at Universidad Javeriana and Universidad de los Andes.

**How would you assess the state of the Colombian insurance sector, and how do you expect it to develop?**

The insurance sector in Colombia is stable and has great potential for growth. However, the way people buy insurance in Colombia is less developed compared to other countries. This means we can expect interesting growth figures in the coming years. Companies continue to attach great importance to risk mitigation, especially given the COVID-19 pandemic. The use of technology that bolsters business growth, such as remote selling, and a new appetite for risk coverage paint an optimistic future for the strength and growth of the Colombian insurance sector in the coming years.

**How did Sekuritas reorganize during the pandemic to maintain operations?**

We are grateful that our team and clients are doing reasonably well in these difficult and uncertain times. This year, we focused on five elements related to crisis management: demonstrating that our clients and stakeholders always come first in our decision-making; streamlining communications with our shareholders to a single channel; outlining to our clients the assistance that is available to them in relation to COVID-19; demonstrating initiative by making sure our technology is optimized; and making sure our liquidity levels are strong.

**In what ways are you providing access to Sekuritas' resources digitally?**

We prioritize technology, and, therefore, all the tools that were needed for this stage were in place, especially to facilitate remote work. Nevertheless, the pandemic has accelerated the digital switch and highlighted the importance of having instant access to information and analytical tools that can help us assist our clients. Our partners' and clients' access to information through digital sources has been seamless, and all processes from advisory to acquisition are accessible remotely.

**Do you expect new insurance types to be as strong as the classic products?**

There are great opportunities and initiatives for Colombia in the digital space, and we have successfully invested in new platforms. Now, Sekuritas focuses also on the corporate market, and insurtech is better suited for the B2C market. However, in the corporate world, we make a difference with a personalized service. We have built an organizational culture based on an extraordinary team, serving others always with passion. In addition, Sekuritas has been helping clients in Colombia for over 50 years, and, therefore, an important value proposition of the company is our experience.

**What are the challenges regarding insurance education, and what is your strategy to increase penetration?**

The Colombian B2C market, such as other Latin American countries, is limited due to people's budget. However, this is not an issue in the corporate market, and the key for us in this sector is building long-lasting relationships based on trust. In our culture especially, this means we have to work with local companies to start constructing a long-term view for the business. There will always be an important place for insurance and risk management, as this goes hand in hand with the concept of sustainability.

**Do you have ambitions for further expansion in the country and within the region?**

Having good exposure nationally is a priority; Sekuritas' offices in Colombia have been in place for 50 years. Additionally, we have focused on growth at a regional level. We have a presence in almost all Latin American countries through strategic alliances. The multi-Latin American client base is growing, and a globalized world puts positive pressure on the industry. We must work with our clients wherever they want to be.

**What are your plans for the near future?**

The immediate outlook is challenging, though Sekuritas will continue to focus on adapting business to the new normal by accommodating to our clients' needs. Internally, making sure our team is operating with a good frame of mind is essential. The goal is to work with our team in constructing new perspectives and solutions in an uncertain setting. ✖







# CATALYST FOR INNOVATION



Rodrigo Galvis López  
GENERAL MANAGER,  
AVIA CORREDORES DE SEGUROS

**Avia Corredores was able to develop new insurance products during the pandemic to mitigate the risks of travelling, contributing to organic growth.**

## BIO

Rodrigo Galvis López is a professional insurance manager with over 28 years of experience. In Avia, he has held the positions of manager of compensations, manager of car insurance, and General Manager. He has been with the company for over 13 years.

## Can you provide a general overview of Avia?

Avia Corredores was created to assist Aviatour's clients in matters of insurance; its initial focus was domestic and international travelers. The focus has since expanded to other insurance contracts to also include the operations of SMEs, business leaders, and contractors. We have become well known in the public sector and have provided our services to the entire insurance industry as a broker. Nevertheless, our core business is still visitors who come to Colombia for tourism purposes.

**2020 has been challenging for both the insurance and travel industries. It has also brought about many opportunities. How did you position yourself to respond to the current situation?**

With the pandemic, we created new insurance products to mitigate the risks of the new normal. We have a particular product for those who want to visit national parks; if a lockdown is announced, we will cover their travel expenses. We also cover individuals for COVID-19 contagion. If they have insurance with us, we will cover their entire health expenses plus their hotel expenses. Right now, foreign visitors who get infected have to go through a temporary quarantine in Colombia. That quarantine period will also be covered under our insurance policies. We will take care of all hotel, health and travel expenses. Since 2020, local tourists have bought our insurance services the most, though the opportunities for products geared at foreign travelers are immense.

## What products does Avia make available for foreign visitors who want to travel in Colombia?

We have a service centered on health assistance cards through which our clients can find the required coverage in Colombia through an easy process. This service is extremely useful for domestic and international travelers; they can purchase this product occasionally whenever they want to visit a remote area of the country. Our focus is to provide tailor-made and personalized services— which differentiates Avia from the competition.

**What's has been your experience in digitalizing your services following the pandemic?**

It has been great; the pandemic has been a catalyst for innovation. For example, we have utilized digital tools to increase our customer base remotely. Consumers can access Avia's services from any region in Colombia thanks to our internet presence. We focused on search engine optimization, and that has been tremendously successful. Our name is among the first to appear in Google searches for Colombian travel insurances. We have been contacted by many customers as a result of our digital transformation processes. It is also worth noting we already had a story and a name in the country. We are a respected information source, so when COVID-19 started, we focused on sharing information with the country's citizens on how the insurance industry could cover their needs. This also contributed to the company's organic growth.

**Can you provide an overview of the current market for insurance in Colombia?**

Travel insurance has been an interesting item within the pandemic context. The situation helped demonstrated that insurance is not an expense, but something that protects your net worth—it is essential to purchase travel insurance in the current context. To a certain degree, the same has happened with the wider insurance sector. The public has realized the

importance of improving their health coverage. We are witnessing a growing trend in the hiring of travel, death, and health insurance. In the event of an unfortunate incident, such insurance can help individuals protect their assets and bank accounts. There is also traction for housing insurance. If we look closely, everything around us is at risk: our pets, our homes, our relatives, and so on. Theft levels in Colombia have increased with the pandemic. Many SMEs had to shut down their businesses, and that provided burglars an opportunity to break into the offices and steal computers or other products. The pandemic has made the public aware of the need to buy insurance. It helped demonstrate that unfortunate things can happen and that insurance can protect them.

**What is Avia's business outlook and expansion strategy?**

Counterintuitively, travel insurance is an area that has received a lot of attention since the pandemic. There are new risks and costs associated to travel that did not exist before. For example, the need for Coronavirus tests before or after travel. At Avia, we understand that these are interesting opportunities for the insurance business. We can play a role in making travel more convenient and safer for travelers. For this reason, the company is focused on product development. Adapting quickly and catering to the public's new needs will insure that the company stays relevant and that we keep experiencing solid growth figures. ✖

# LOCAL BROKERS

**COVID-19 has offered Colombian brokers a great opportunity to innovate and break down cultural barriers via innovative and disruptive solutions.**



Juan Mario Acevedo  
PRESIDENT,  
CORRECOL

**CORRECOL WAS ESTABLISHED** in 1952 as a multinational by British and American brokers who joined forces to set up a network throughout Latin America. In 1962, they hired my father, and by 1972 he had purchased the firm. We have always had a multinational approach, although we are no longer owned by a multinational. Today, we represent more than 65 out of the top 100 brokers globally. If we have a Colombian client that needs a service in any part of the world, we can use our correspondents. Likewise, most of our incoming business is multinationals referred by our partners worldwide. These synergies allow us to be at forefront of innovation and adhere to global best practices. One of the main attributes we are proud of is Correcol's flexibility. We do not depend on a parent office and are not a multinational company; therefore, our decision-making process is efficient. If we have to hire someone for a specific client, we will do it in a matter of minutes while our competitors have to consult with their home offices. It takes them longer to process matters. That flexibility and speed is one of Correcol's competitive advantages. We are open to change and take decisions quickly. Also, our DNA is client focused. This is a family-owned company, and the only way to continue our growth and success is to have satisfied clients. We do everything possible to give clients that personal touch that provides an advantage over our competitors. For Correcol, it is important to extend the full scope of our attention to all clients, regardless of their size.



Rodolfo Arana  
GENERAL MANAGER,  
CORREDOR DE SEGUROS COOMEVA

**WE ARE A DIFFERENT** insurance broker in the Colombian market and our target is mainly focused on the community of Coomeva Cooperative members. At this moment, we have more than 255,000 professionals associated to our Cooperative. Coomeva Corredores de Seguros is part of the Coomeva Cooperative Business Group, and one of our objectives is to cover all the insurance needs of our associate's community and our group of companies. We currently meet all our stakeholder's individual needs, in terms of protection. Together with our strategic allies, which are the main insurance companies in our country, we have developed a business model based on the knowledge of our members, in order to generate a portfolio designed to their needs. Our first competitive advantage is our ability to manage the community. We permanently transform information into intelligence for decision making. This has allowed us to have a better performance, in a sustained manner and year after year. We have declared as a fundamental strategy the development of a set of initiatives that allow us to retain our client associates over time, generating in them greater loyalty based on high levels of satisfaction. We have achieved some positive results from this economic and health situation. In our case, we accelerated the implementation of all the digital strategies we had in our strategic plan. We launched in September 2020 a car product in which the whole process is 100% digital, from the quotation to the delivery to the customer, and this is innovative in Colombia. The pandemic forced us to provide more communication and service channels to our customers and has been an accelerator of digital transformation. Our products are mainly focused on mobility, unemployment, and life and health insurance.



Carlos Hernando Fonseca  
PRESIDENT,  
FONSECA SANCLEMENTE

**WE ARE LEADERS** in certain business areas, such as insurance for shopping centers, industrial parks, residential, and office buildings, which also includes home construction companies. In this sector, everything has yet to be defined. This appeals to us because it does not entice the so-called “build blockers,” which take little interest in such business since they see it as a client that needs close guidance. You have to be willing to assess and inform your clients carefully, which we are able to do and have the infrastructure to manage. We offer them personalized company management because both the technology and commercialization have to be tailor-made. In 2021, we want to continue building on our technological and commercial infrastructures. We are focused on the technological and commercial side, which go hand in hand and enable us to introduce new products that will also work as standalone offers. Technology will facilitate increased market penetration. The insurance sector is great because, among other reasons, it has no limits and is international. We are evolving rapidly, which goes to show that the sector was well prepared for the crisis. All the health, life, and catastrophic insurance-covered events brought about by the pandemic are opportunities for the industry to innovate and provide the public with solutions. If we cover terrorism in a shopping center, how can we not cover pandemic risks? What is tricky for product creation is the civil responsibility side of things, because, for example, if a shopping center allowed access and people were infected as a result, the legal representative can be accused of not having prevented this.



Juan Carlos Álvarez Jaramillo  
GENERAL MANAGER,  
JARGU CORREDORES DE SEGUROS

**JARGU'S MARKET SPACE** Focuses on state entities; 95% of its insurance portfolio is placed with public institutions. However, the pandemic and current market situation has forced us to rethink our service delivery. It also led us to move quickly and implement many of the tools we had planned in our business continuity plan. Two weeks before the government mandated the lockdown, we had already started working shifts and working from home. This allowed us to continue providing services without any difficulty. We activated control protocols that involved monitoring our employees and began to conduct motivational work in which people learned to work remotely with the boss supporting and resolving their issues. We did not make any large investments in computing tools because we had everything set up and ready. While we were in lockdown in 2020, we only had to go to the office twice to reset servers. We had access to all documents and files virtually. Communication with the insurance companies went extremely well. Fortunately, our product is mostly document-based and can easily be sent to customers. We have extremely customized service policies. Normally, the customer calls us to tell us what they need before sending us an email with a request. All the virtual meetings worked extremely well, and we had the opportunity to do many more. In addition, the pandemic also allowed us to reorganize ourselves quickly and create new workspaces. With all that we have learned during the pandemic, the balance has been positive because in terms of labor issues, labor performance, and the work and organizational climate, there have been more positives than negatives.



# LAY OF THE LAND

**Strict regulations coupled with calculated implementation of reforms has ensured the stability of the Colombian insurance sector.**

**THE COLOMBIAN INSURANCE SECTOR** has undergone a number of regulatory changes in recent years. While the market remains small in relation to the greater financial sector, insurance has seen impressive growth in comparison to the Colombian economy as a whole. A series of mergers and acquisitions that began in 2014 has ushered in a period of sustained growth. The market has seen an annual growth rate of 3.1% in recent years, with an impressive 11% yearly increase in 2019. Initial growth forecasts by the World Bank for the market in 2020 anticipated growth of between 3% and 3.6%. Growing penetration rates have reflected the increasing demand for insurance products and ushered in the need for improved regulations across the sector.

The insurance market in Colombia is overseen by the Financial Superintendent of Colombia (FSC), which was created in 2005 after the merge of several financial regulatory bodies. Though attached to the Ministry of Finance, the FSC has wide ranging authority and works independently in its capacity as a superior. The market is primarily regulated by the Organic Statute of the Financial System, in addition to a handful of other laws regulating access for foreign or non-domiciled insurers and protection for their clients, financial conglomerates, special lines, solvency requirements, and risk management procedures.

While Colombians are allowed to purchase insurance from non-domiciled insurers, certain types must be purchased by a regulated insurer in the country. These include insurance that is compulsory under national law; insurance that covers state entities; and insurance related to social security, such as life insurance, employers' liability insurance, and annuities.

Foreign as well as domestic insurers and reinsurers wanting to incorporate are required to receive authorization from the FSC before beginning business. Obtaining FSC authorization consists of several requirements. The insurer or reinsure must be organized as a limited company or a cooperative association, and it must satisfy a minimum capital requirement, half of which is paid at the time of incorporation, with the remaining half being due within 12 months. Additionally, the company must maintain a level of assets, minimum reserves, and a solvency margin stipulated by law. Applications are followed by a period of public review. If there are no public objections and the company satisfies the FSC's requirements authorization is granted.

Foreign companies wishing to operate in Colombia have several options of doing business in the country: they can open branch offices, register as foreign insurers or reinsurers, open representative offices, or incorporate as insurance or reinsurance companies. Branch offices offer foreign insurers easier access to the Colombian market than through local incorporation, and also allow the company to operate without the strict requirements of incorporation. Branches are still regulated by the FSC and must abide to the regulations controlling incorporated companies. Branch offices however must face additional requirements before they can operate. These include paying the entire minimum capital amount at the time of establishment; holding a minimum amount of assets in the country; and the permanent local presence of a credentialed representative.

Foreign operators can offer several types of insurance and reinsurance that are unregulated by the FSC, as long as they undertake local registration. Among these types are marine and aviation trans-

port insurance, and agriculture insurance. Foreign insurers can offer these insurance types after applying to the FSC for a place on the register of foreign insurers, with requirements for each type being slightly different. Foreign firms wishing to offer marine or aviation policies in Colombia must have a minimum rating of BBB- by Standard and Poor's or equivalent, as well as solvency levels, minimum capital, and asset levels equivalent to the requirement for local incorporated insurers. Requirements for agricultural insurance are similar. In addition, the government, through the country's rural development bank, Finagro, subsidies between 70% and 90% of individual premiums for agriculture insurance for smallholder farmers, and between 50% and 70% for those of larger farmers. The government is considering new regulations that promote parametric insurance for agriculture cover.

Foreign reinsurance businesses are also able to operate and transact in Colombia. Such firms can apply to the FSC for a spot on the Register of Foreign Reinsurers and Reinsurance Brokers after submitting an extensive amount of paper work, and then may be granted approval after demonstrating compliance with a number of requirements that are closely aligned with those for marine and aviation transport insurers. Once included on the register, foreign reinsurers can open representative offices in the country. These offices are regulated by the FSC. Additionally, regulations passed in late 2019 allow for to operate via subscription agencies, which take responsibility of placing reinsurance in place of foreign reinsurers. Subscription agencies need to be listed in the Register of Foreign Reinsurers and Reinsurance Brokers and stipulate their business lines offered through an agent. ✖

## CEDED PREMIUMS 2019 (USD MN)

SOURCE: AM BEST DATA AND  
RESEARCH; LOCAL REGULATORS;  
NATIONAL ASSOCIATION OF  
INSURERS DATA

Mexico	5.865,40
Brazil	2.756,80
Chile	2.027,40
Colombia	1.833,60
Peru	990,1
Panama	625,3
Ecuador	617,1
Argentina	423,3
Guatemala	346,4
Costa Rica	315,2
Dominican Republic	300,9
Bolivia	283,3
El Salvador	259,5
Honduras	229
Uruguay	119,6
Nicaragua	79

## COVID-19 LOSS REPORTS AND RESERVES REPORTED BY INSURANCE OR REINSURANCE COMPANIES

SOURCE: REINSURANCE NEWS

Company	COVID-19 loss & reserves estimate (USD MN)	Last updated DD/MM/YYYY
Munich Re	4,102.8	1.12.2020
Lloyd's	3,905	10.09.2020
Swiss Re	3	30.10.2020
AXA	1,755	3.11.2020
Allianz	1,54	6.11.2020
Hannover Re	1450	4.02.2021
Chubb	1,378	27.10.2020
AIG	915	5.11.2020
Berkshire Hathaway	860	6.11.2020
Zurich	821	11.02.2021

## Reinsurance

# The Elephant in the Room

In the uncertain future that lies ahead, one certainty is increased exposure to natural disasters. And with that in mind, the mantra among reinsurers is adapting to society's changing risks. 2021 provided a glimpse into what a future of increased claims and losses will look like. The total expected losses related to the COVID-19 pandemic exceed those of hurricane Katrina and the California fires combined.

To front this shifted reality, reinsurers are leaning heavily on tech for matters of risk insight and innovation. Insuretechs, technology start-ups focused on squeezing savings and efficiency within the insurance industry model, are being snatched up by the dozen. They are a disruptive force within the ecosystem and a pillar of its modernization. The goal is to produce increasingly accurate risk assessments by leaning on big data—a next generation crystal ball, if you will. The potential of more sophisticated modelling is higher profitability and, ultimately, the expansion of coverage. The world of tomorrow cannot do without the financial resilience of a sturdy reinsurance sector.

Colombia seems to be taking steps in the right direction. The country's recent acceptance into the Organization for Economic Co-operation and Development (OECD) means businesses in the country now have to comply with stricter capital requirements and solvency minimums. These advances in corporate governance contribute to stronger financial resilience and encourage the development of the reinsurance and insurance sectors. For a country that is particularly exposed to the impacts of climate change, this is good news. ✖

Barranquilla, Colombia's fourth-largest city, is a strong growth area for Colombia's insurers







## A NEW DAWN

Carlos Luna  
CEO,  
GUY CARPENTER COLOMBIA

**Looking toward the future, Guy Carpenter is working together with technology start-ups to develop new products for the insurance market.**

### BIO

Carlos Luna is a civil engineer with a master's in business management and economics. He has over 25 years of experience in the insurance and reinsurance sectors, having been CEO of Guy Carpenter for Colombia, Ecuador, and Venezuela; executive vice-president of JLT Reaseguros; executive vice-president of AXA Colpatría; general manager of Seguros CASA in Guatemala; and international project manager in the University of Montreal.

**What effect has the pandemic had in the Colombian market for facultative reinsurance, and what areas drove business growth in 2020?**

The pandemic had an impact on life coverage and workers' compensation insurance in Colombia. One main thing we learned from COVID-19 is that the country must have adequate coverage for future pandemics. There need to be initiatives from the government, the private sector, or mixed sources. At the reinsurance level, there has been an increase of rates and limited coverages. The expected losses related to the pandemic exceed those from recent catastrophes such as hurricanes Katrina and Irma or the California fires. Nevertheless, the insurance and reinsurance sectors are strong and are characterized by their resilience.

**Have you noticed a growing appetite by Colombian insurance toward single-risk reinsurance or has treaty insurance maintained its market power?**

Both approaches are currently popular. Clients want coverage specifically for future pandemics, and such coverage is offered by the facultative market. A market segment also favors a comprehensive approach—that coverage is obtained on the treaty side. Treaty reinsurance does not cover pandemic-associated risks, though that may change in the near future. Society needs to mitigate these risks. We are in the middle of the pandemic and do not know what the final results on the profit and loss statements of insurance companies will be. For this reason, the market has been cautious regarding where it extends coverage.

**How would you characterize the regulatory framework in terms of requirements for the Colombian reinsurance market?**

The regulatory framework in Colombia has strengthened over the last few years. The country's recent acceptance into OECD has allowed the insurance market to follow the guidelines set by Solvency II and IFRS 17. In practical terms, this means local companies must strengthen their financial statements by increasing capital requirements, enforcing corporate governance, and adjusting the ways in which the counter party risks are evaluated. In line with such framework, we need to accelerate solvency integration in our regulatory framework. The pandemic was not on the scope of any regulatory framework. The impact on society and the economy is wider than anything we have experienced before. It is important to strengthen this framework in Colombia, and the country is moving in the right direction.

**What is the importance of cyber insurance products, algorithms, and software, and how are they disruptive for the insurance industry in practice?**

The world is moving toward different products and needs. Insurtech, which refers to the phenomenon of start-ups that improve the insurance business through technology, is key in this evolution. Colombia is part of this process; our industry needs to move with the speed of the insurance world to improve processes and client relations. Guy Carpenter focuses on working together with technology start-ups that are trying to implement or develop new kinds of products for the insurance market. The specific area within Guy Carpenter where we are working with those start-ups is called GC Genesis. GC Genesis analyzes the best start-ups that can contribute to the efficiency of the Colombian market. The world is moving toward different kinds of risks, for example in terms of cyber vulnerabilities. Colombia has experienced an increase in cyber operations and cyber transactions. Clients are affected by online theft and security breaches. The company is developing products in Colombia that address these risks. Our partners want to implement such coverage for their clients and are working with us in development.

**Have you noticed an increasing interest in natural disaster coverage as a result of Hurricane Iota, and what has been Guy Carpenter's strategy to strengthen and expand business in this area?**

Hurricane Iota wrecked San Andrés, Providencia, and Santa Catalina and is one of the strongest natural disasters Colombia has experienced in recent years. Nevertheless, natural disaster coverage was already in full force in our country for many years. Admittedly, coverage for earthquakes and floods precedes coverage for storms or hurricanes in Colombia. However, such coverage is already available. We have policies paying claims for the damages that took place with the passing of Hurricane Iota. Our main challenge is to extend coverage to a larger percentage of the population. In terms of natural disaster insurance more widely, flood risk has been increasing steadily in our country. Businesses in general, and specifically within agriculture, are focused specifically on flood protection that can mitigate damages associated with business interruptions.

**What challenges and opportunities are in store for the Colombian reinsurance sector?**

The challenge of the insurance and reinsurance sectors is adapting to society's changing risks. At the moment, the focus is on coverage for future pandemics. Additionally, many risks regarding climate change have also surfaced and are becoming an important concern. Insurers and reinsurers must evolve to have such coverage ready for the market. The industry must be more inclusive and seek simple solutions that cover a larger percentage of population and a wider set of risks. ✖

# INNOVATION AND GROWTH



Eduardo Garduño Mejía  
HEAD REINSURANCE ANDEAN REGION  
& SPANISH-SPEAKING CARIBBEAN,  
SWISS RE COLOMBIA, OFICINA DE  
REPRESENTACIÓN

**Swiss Re Colombia has increased its presence in the market by building a strong team focused on the particular profiles of the Colombian, Andean, and Caribbean regions.**

## BIO

Eduardo Garduño began his professional career within the Swiss Re Group in the late 1990s. In the last 20 years, he has held various positions within Swiss Re in Mexico, Switzerland, New York, Miami, and more recently Colombia. Within the Swiss Re Business Unit for Latin America, he has been a subscriber to life and health, a client manager, marketing actuary, senior pricing actuary, and head of life and health for Latin America. Since 2018, he has led the reinsurance operations of P&C and L&H of the Andean region and of the Spanish-speaking Caribbean from Bogotá, where he also has the position of President of Swiss Re Colombia, Representative Office.

**What is your assessment of the state of the reinsurance sector in Colombia?**

On a macro level, there are different angles to this, starting with the global economic situation. Our economists estimate an impact in the global economy, which shrunk by around 4% in 2020. We anticipate economic recovery to be slow in 2021 and do not expect an immediate recovery.

However, this creates opportunities in the insurance and reinsurance sectors. Companies need to focus on digital solutions. We see a specific challenge due to the low insurance penetration levels in Colombia and elsewhere in Latin America. It is evident that this is affecting resilience. Insurance or reinsurance cover are important, and not just because of the effects of the pandemic. Having better protection in place in case there is a similar situation in the future is an important goal for the pri-

vate sector and government to work on together. In Colombia, we've identified climate change, changes in mobility, digital transformation, cyber and mental health as hot topics where the industry has to be focused in within the upcoming months. This environment creates the possibility of further opportunities in reinsurance, including new product development for new risks, complementary Nat Cat Covers and the implementation of digital solutions. I'm confident we will see a complete change and innovation in our industry in terms of new products, distribution channels as well as the greater development of digital platforms.

**What is Swiss Re doing to develop policies in the growing areas of technology and environmental risks in Colombia?**

Considering the new environment, we have worked on creating digital solutions in three key areas that offer value. The first area is automatic underwriting models that insurance companies can use on their digital platforms. We have specific tools that help companies underwrite policies from different insurance lines, which improves their response times and customer experience. These tools are not completely new, though in Latin America, particularly Colombia, this technology was not adopted as quickly as in other regions. The second area of focus are analytics and technological solutions, such as big data. We have a group of experts dedicated to advancing digital platforms, as well as professionals in behavioral science and economics who analyze population trends and demand for portfolios. Swiss Re

helps insurance companies identify big opportunities and essential requirements for portfolios. The third area is portfolio management such as developing new tools for claim management and solutions for client retention. One of the big challenges in recent months was people cancelling policies. We developed many solutions to help insurance companies offer additional products that encourage customers to keep their policies.

**What are Swiss Re's strategies for improving insurance penetration in the market, given the role this plays in the wider reactivation of the Colombian economy?**

Swiss Re's objective is to help companies and governments to reduce the protection gap in the population, so that the countries are more resilient. This requires a change in approach, hence we are working closely with our clients, the insurance companies, to expand their offer on new products focused on people's lifestyles. One of the elements that increases penetration is promoting specific products that address the real needs of customers, and this is closely linked to analytics. We are dedicated to understanding the needs of insurance companies to increase this penetration and have developed specific products to this extent. One area of focus exposed by the crisis is mental health. There is nothing specific addressing mental health, and we are working to develop products in this area. Another facet is distribution. Now, during and post pandemic, distribution via digital platforms is even more relevant. Therefore, creating

solutions on digital platforms will be helpful in increasing insurance penetration. It is also important that the insurance industry offers simpler products that customers can easily understand because the language of insurance policies is complex. Another factor in increasing insurance penetration is having a close relationship with the public sector to promote wider insurance coverage among the population. This also has the effect of assisting the government should a natural disaster or other event that affects the entire country occurs, particularly if it is combined with a period of economic crisis. A government may not have enough funds to be prepared for this scenario.

**Swiss Re is the world's largest reinsurer. How does its experience help reduce the protection gap in Colombia?**

Swiss Re is a reinsurance company with a global history of more than 150 years, more than 100 years in Latin America, and more than 50 years attending the Colombian market. It is a company with a long history in the insurance world, and Colombia is an important part of that. In recent years, we have increased our presence in this market by building a strong team focused on the particular profiles of the Colombian, Andean, and Caribbean regions. Swiss Re not only attends to Colombia, but also has a wider responsibility to the Andean region and Spanish-speaking Caribbean countries. We see great potential for insurance solutions, which, combined with low insurance penetration, creates an opportunity for insurance business growth in Colombia. ✖



Medellín, one of Colombia's biggest cities, has a population of 2.5 million







## GREENER PASTURES

Sang-Joon Lee  
CEO,  
KOREAN RE COLOMBIA

**With the low penetration rate for the insurance sector in Colombia, Korean Re sees opportunities to introduce new products to Latin America.**

### BIO

Sang Joon Lee graduated from Yonsei University in economics in 2002 and joined Korean Re in 2003. He worked at Korean Re representative offices from 2013 to 2016 and is currently the CEO of Korean Re Colombia. He has extensive experience in property treaty underwriting in Latin America, Europe, Asia, and others.

**What is the strategic importance of Korean Re's expansion into Colombia, both in terms of local market opportunities and as a gateway to the rest of Latin America?**

In the reinsurance world at present, when we talk about Latin America the de-facto center is Miami, where many brokers and a large number of reinsurers are located. However, we have decided to come to Colombia as it is now becoming the second reinsurance hub. A lot of reinsurers are pulling out of Miami and are actually establishing offices in Colombia. There are a couple of advantages to this. The first is that geographically it is quite close to Miami, Mexico, and Argentina. Second is that you can underwrite business here and, on behalf of the company, underwriting is permitted, which is positive. In addition, there is a lot of high quality manpower here in Colombia with strong expertise and many advantages in the human resources market. On top of this, living and operational costs are low. Those were the reasons why we selected Colombia as our hub for the Latin American business, so Korean Re will be operating from Mexico to Argentina, including the Caribbean, from Colombia. Our goal is not just to have a bigger presence in the market, but also gather information. The reinsurance world is a market that is driven by people and brokers and is not a unified market as the stock market is. Relationships are hugely important, so the reason I came here is not only to establish business but to establish better relationships with our existing clients. From South Korea, we did not know if things were priced well and if we were attracting good businesses, so by coming here we are able to qualify the business that we had and also expand. We wanted to have transparency in all the information that we were actually getting in the market and in the region.

**What are your immediate priorities for the Bogotá office?**

We first aim to gain a presence in new areas and diversify our port-

folio. For example, we are currently exposed to earthquake-prone territories such as Colombia, Ecuador, and Chile, so the aim is to expand in other areas, such as South and Central America. Mexico is also a highly sophisticated market that will take time to develop in.

**What trends are you seeing in the insurance sector for Colombia and the region in terms of new products and services required?**

This country and region have a low penetration rate, which means that there is a lot of room to grow in. In Korea, the penetration rate for the insurance sector including life and non-life is about 12%, but in this region it is on average about 2 or 3%. That means that there is a lot of need for new products. We see many opportunities, which means we may suffer losses in the short term, but in the long term there might be much more demand for reinsurance capacity. Reinsurance companies are facing a lot of risk and challenges, which means that there is room for us to innovate new products, especially via South Korea, from which there are a lot of products that can be introduced to Latin America.

**How would you assess the current capacity in Colombia to adopt or implement digital solutions in the insurance sector?**

Honestly speaking, it is not as developed when compared to a country such as South Korea. This country's economy has historically been focused more on natural resources and agriculture, which were not as available in South Korea, and thus Colombia did not require South Korea's early dedication to technology. In the end, digitalization it is not about Colombia or Latin America, but a vital global trend. That said, many companies here are making strong progress in this area. COVID-19 has also helped to strengthen efforts to implement new technological solutions, although it will take time.

**What is your outlook for 2021?**

I see a lot of opportunities. Infrastructure development is slow but there is great potential and many ongoing projects. The government is also working hard to attract foreign investment. There are many, risks, however, including COVID-19. There are large gaps in the market and the opportunity to introduce many new products. ✕

# THE PATH FORWARD

The COVID-19 pandemic has forced companies to get creative in how they offer products, as well as the variety of their offerings.

**THE GLOBAL OUTBREAK** of the COVID-19 pandemic and the efforts to minimize its spread have and will continue to have considerable impacts across all sectors, especially insurance and reinsurance. Colombia is no exception: local providers, users, and investors are changing their demands and expectations as the pandemic continues to reshape traditional offerings and methods of delivery.

In light of developments ushered in by the pandemic, Colombia has made innovation and development of insurance products. The country established a regulatory sandbox for insurance, as well as financial, technology innovation products. As part of this decree, firms are eligible to apply to the FSC for an expedited temporary license that will allow them to test their new products with less intense regulatory requirements for up to two years.

The COVID-19 pandemic has forced insurance and reinsurance companies operating in Colombia to activate their business continuity plans (BCPs) to ensure cover and services remain uninterrupted. In March 2020, the Financial Superintendent of Colombia (FSC), the government organization responsible for the sector, released governance guidelines on BCP arrangements, which included a stipulation that regulated financial institutions create an emergency response committee responsible keeping the FSC informed of the results of BCP implementation. Financial institutions are also required to maintain in-branch services as long as such activity is not affected by lockdown measures.

The FSC has also announced that submission deadlines for supervisory reporting such as resolution plans and stress testing have been postponed until 2021. In order to soften the impact pandemic-induced market volatility may have on balance sheets

and solvency ratios, the FSC has allowed a number of changes to the accounting treatment of invested assets. The regulator is also showing an increased form of tolerance in terms of meeting solvency requirements and liquidity standards, and the FSC is considering getting rid of the practice of automatically applying sanctions if a firm violates solvency requirements. As Colombia imposes limits on investment allocations, the regulator has adopted greater flexibility in terms of holding off on sanctions for firms violating their investment limits. Additionally, insurance providers are being encouraged, or in some cases required, to inform policyholders and other customers in all relevant lines on coverage and potential exclusions in regard to losses related to the COVID-19 pandemic.

The FSC has also mandated that firms strengthen their digital offerings and infrastructure without increasing transaction costs for customers, allowing more services to be offered through digital channels. This comes alongside the FSC's request that firms increase security and attention in terms of the cyber security risks associated with increased use of digital services.

Insurance and reinsurance firms were far from the only businesses to off increased digital services; businesses in sectors across the economy have seen considerable upticks in customers accessing digital services. Specialist insurance provider Beazley was among the first firms to debut a product in the country designed specifically in response to increased use of digital platforms. Its "Virtual Care" policy is aimed at providing protection from risks inherent with increased technological access of healthcare and wellness services. With cybercrime and other types of digital attacks significantly on the rise since the start of the pandemic, the London-headquartered insurer now offers clients in Colombia

first and third-party protection, cybercrime cover, and will include costs for managing cyber-attacks and data breaches.

The Colombian workers compensation market has also been affected by the COVID-19 pandemic, with a great deal of employment uncertainty coming along side nationwide lockdowns. The development of this segment has been the backbone of insurance sector growth in recent years, seeing an annual average growth rate of 11%. The impact of the coronavirus pandemic has stunted growth of the segment; while premiums were growing at a rate of 10% in March 2020, just three months later that figure fell to -2%. The implementation of lockdown measures aimed at curbing the spread of the coronavirus brought much economic activity to a standstill, forcing many companies to find ways to reduce operating costs. This encouraged the government to enact legislation related to aimed at combatting the spread of the virus. In March 2020, the government mandated that 7% of premiums earned from workers compensation products be directed towards prevention and education efforts for companies with workers on the front lines.

The Colombian health insurance market has also been making advancements in 2020, some of which have made it a global leader in some segments. In late 2020, the government extended health care coverage to include THC and CBD medical cannabis products, representing a major step forward for patients, medical research, investors, and the insurance industry. The move by the government removes some economic obstacles to medical cannabis and increases patient access. The industry has seen strong growth and investment in recent years, and Colombian cannabis companies have extended their footprint into North America and Europe. ✕



“We want to help protect more individuals and their families in Colombia, by continuing to grow and penetrate the market with our insurance solutions and innovative products.”

**Carlos Sánchez,**  
*President, BMI Seguros*

“There are great opportunities and initiatives for Colombia in the digital space, and we have successfully invested in new platforms.”

**Juan Pablo Stiefken,**  
*President, Sekuritas*

“We focused on search engine optimization, and that has been tremendously successful. Our name is among the first to appear in Google searches for Colombian travel insurances.”

**Rodrigo Galvis López,**  
*General Manager, Avia Corredores de Seguros*