The Latin America insurance outlook for 2015 is generally favorable, with high single-digit premium growth predicted. Although economic growth has slowed in the largest markets of Brazil and Mexico, more robust conditions in other regions are driving premiums. Overall demand for insurance is rising because of shrinking poverty and unemployment, a growing population and rising concern over natural disaster risks.

Key challenges include the need to develop more efficient distribution systems to increase market penetration and inflation risk. Although annual inflation rates in Chile, Peru and Colombia have averaged between 2% and 3%, significantly higher rates exist in Argentina and Venezuela. In Argentina, the country’s battles with creditors and a strong governmental hand in foreign exchange controls have destabilized its currency. In Mexico, conversely, the government’s stability is fostering reforms to modernize insurance and other sectors.

Our report explores market conditions and tax incentives for investors in Latin America on a country-by-country basis, focusing on the largest markets of Brazil, Mexico, Chile, Argentina, Colombia and Peru. Venezuela is excluded from this year’s report, as it has become less attractive to global insurers.

From a tax perspective:

- Brazil imposes the highest income tax in the region, with insurer profits taxed at 40%. Popular products include health and term life insurance, automobile and property insurance. Tax incentives for retirement accumulation plans are increasingly popular.

- Mexico’s income tax structure and tax incentives to promote retirement savings are boosting premium growth. Third-party automobile liability coverage is mandatory in several cities, improving the automobile insurance premium volume.

- In Chile, where automobile insurance is compulsory, intense price competition prevails. Provisional life and retirement products are part of the social security system and approximately half of all insurers are subsidiaries of international firms. An open market has stabilized competition.

- In Argentina, the nationalization of private pension funds has reduced the size of the life and annuity market and lowered the number of insurers. High income taxes are imposed, with profits taxed at 35% and a 10% dividend withholding tax.

- Colombian investments in infrastructure are encouraging higher demand for guaranty bonds. Dividends paid to nonresident insurers are not subject to tax if the dividends are paid out of profits taxed at the corporate level. If not taxed at the corporate level, the dividends are subject to income tax at a 33% withholding rate (the law enacted in December 2014 is not clear and guidance from the Government is expected early 2015, however, it is likely that Colombian withholding agents would apply the highest rates, e.g. 39% for 2015).

- In Peru, rapid economic growth is guiding changes in consumer protection, tax legislation and insurance regulation. Growth is forecast at 6% in 2015, compared with 1.5% in Brazil and 1.1% in Mexico. Many foreign companies now consider Peru safe and desirable for investment.

Latin America
Tax landscape for Latin American insurers

The market in general
Strong economic growth and regulatory reforms in Latin America have attracted global insurers, reinsurers and insurance brokers that are building positions regionally through mergers and acquisitions. Latin American-based insurers also have increased their size and market reach through cross-regional expansion, and are enhancing their capabilities in product development and risk management. Solvency II-type insurance capital management regulations should spur further industry consolidation and increase risk management sophistication.

Low market penetration rates create significant opportunities as the region’s economic expansion continues. Long-standing issues like wealth disparity, insufficient tax incentives for retirement products and a poor understanding of the value of insurance are being corrected.

Different economic conditions prevail: Argentina is experiencing high inflation, tight regulation and fluctuating economic conditions; both Argentina and Venezuela have strict control of foreign exchange, generally disallowing companies from paying...
dividends or inter-company services and royalties outside of the country, and may limit the deductibility of certain payments; and double-digit declines in premiums in low-hazard markets in Brazil are affecting margins.

Nevertheless, insurance remains a fast-growing industry across Latin America, demonstrating resilience in premiums and tolerance for expansion.

Tax systems for insurers

A key concern is the region’s value added tax (VAT) system. VAT paid on the local purchase or importation of goods or services constitutes an “input VAT” that typically should be credited against the “output VAT” generated on the taxable sale of goods or services. The VAT calculation methodology is complex and usually results in some level of irrecoverable VAT, resulting in an unexpected cost when entering a market.

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax rate</th>
<th>Net operating loss (NOL)</th>
<th>Withholding dividends</th>
<th>Withholding interest</th>
<th>Withholding</th>
<th>Treaty network</th>
<th>VAT</th>
<th>IPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>35%</td>
<td>5 years</td>
<td>10%(^1)</td>
<td>15.05% / 35%</td>
<td>3.5%</td>
<td>Limited</td>
<td>0% / 21%</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>40%</td>
<td>Unlimited(^2)</td>
<td>0%</td>
<td>15% / 25%</td>
<td>1.20% / 2%</td>
<td>Limited</td>
<td>2% / 5%</td>
<td></td>
</tr>
<tr>
<td>Chile(^3)</td>
<td>21%(^4)</td>
<td>Unlimited</td>
<td>35%(^5)</td>
<td>4% / 35%</td>
<td>2%</td>
<td>Extensive</td>
<td>0% / 19%</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>39%(^6)</td>
<td>Unlimited</td>
<td>0% / 20% / 33%</td>
<td>0% / 14% / 33%</td>
<td>0%</td>
<td>Limited</td>
<td>0% / 16%</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>30%</td>
<td>3 years/5 years</td>
<td>15%</td>
<td>15%</td>
<td>5.5%</td>
<td>Limited</td>
<td>0% / 13%</td>
<td>N/A</td>
</tr>
<tr>
<td>Peru(^7)</td>
<td>28%</td>
<td>4 years/unlimited(^8)</td>
<td>6.8%</td>
<td>4.99% / 30%</td>
<td>2.1%</td>
<td>Limited</td>
<td>0% / 18%</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>30%</td>
<td>10 years</td>
<td>10%</td>
<td>4.9% / 40%</td>
<td>2% / 40%</td>
<td>Extensive</td>
<td>0% / 16%</td>
<td></td>
</tr>
<tr>
<td>Panama</td>
<td>25%</td>
<td>5 years</td>
<td>10%</td>
<td>12.5%</td>
<td>N/A</td>
<td>Limited</td>
<td>0% / 7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

1. If the amount of a dividend distribution or a profit remittance exceeds the after-tax accumulated taxable income of the payer, a separate final withholding tax of 35% may be imposed on the excess, regardless of the application of the general 10% withholding tax.
2. Can only offset up to 30% of the company's taxable income.
3. Tax reform has been enacted, as noted in the Chilean section.
4. Increase in corporate income tax: FY2014 – 21%, FY2015 – 22.5%, FY2016 – 24% and FY2017 – 25% or 25.5% for distribution system (increased to 27% for FY2018 for distribution system with only 65% creditable against dividend withholding tax). Under the attribution regime, the total tax cost should be 35% and, under the distribution regime, the total tax cost may be increased up to 44.45% in the year of the actual dividend distribution, unless the shareholder is a resident in a tax treaty country.
5. Thirty-five percent minus corporate income tax credits, as discussed in the Chilean section.
6. CREE (Impuesto sobre la Renta para la Equidad CREE by its Spanish acronym, is a new income tax to fund the National Learning Service (SENA) and Family Welfare Institution (ICBF)) tax surcharge from 2015 to 2018 on profits exceeding a relatively low threshold, as follows: 2015 – 5%, 2016 – 6%, 2017 – 8% and 2018 – 9%. The basic CREE tax rate is kept at 9% (the reduction of the rate to 8% from 2016 was repealed). Thus, considering a 25% corporate income tax rate, the 9% CREE tax and the proposed surcharges above, the total tax rate for Colombia should be approximately 39% in FY2015, 40% in FY2016, 42% in FY2017 and 43% in FY2018.
7. Subject to an annual deductible limit equal to 50% of the taxable income each year.
8. Tax rate and dividend withholding rates are applicable for FY2015 and FY2016. Tax reform has been enacted, as noted in the Peruvian section.
In Brazil, insurers are subject to taxes on gross revenues from the country’s Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS). These are paid on a cumulative basis at a combined rate of 4.65% and are not a recoverable cost. Brazil also has a state VAT (ICMS, by its Portuguese acronym) and a federal VAT (IPI, by its Portuguese acronym), but these taxes do not apply to the sale of insurance products.*

*Other taxes include the ISS (Municipal Service Tax) tax on services and certain taxes on gross revenue and product-level taxes, such as the financial transactions tax or IOF.

Property and casualty insurance, automobile insurance, professional liability, and environmental and finance solutions are generally subject to VAT in Latin America, so any VAT paid should be fully recoverable for the local insurance company.

In addition to the VAT, some Latin American countries impose additional layers of indirect taxes that should be carefully reviewed by local insurers (e.g., gross revenue taxes, taxes on financial transactions, net worth taxes, and stamp taxes, among others).

Potential exit strategies are another tax consideration, as many Latin American countries impose a capital gains tax on the sale of domestic company shares. Also, tax administration is inconsistent in its adversarial or cooperative position with taxpayers. The transparency of administrative, legislative and judicial matters is also a concern.

Brazil

Brazil is Latin America’s largest insurance market, generating 48.4% of the total premiums in 2013. Brazil’s insurance industry achieved 18.8% premium growth and a market penetration rate of 3% to 4% from 2009 to 2013. Nevertheless, a double-digit premium decline in low-hazard markets is compelling insurers to seek more profitable opportunities. Life insurance is primarily term life coverage, creating opportunities to market universal, variable and whole life products.

Distribution channels are few but well established. Since insurers are not allowed to distribute products directly, life and retirement products are sold primarily through bancassurance. General insurance is commonly sold by independent brokers, and has traditionally centered on automobile and property, although specialty lines and micro-insurance products are growing. Competition is largely based on price.

Intercompany reinsurance restrictions are an unwelcome surprise to international insurers and reinsurers. Prospects are buoyed by the large infrastructure projects in preparation for the 2016 Summer Olympics.

High tax burden

Brazil imposes the highest income taxes in Latin America, taxing insurer profits at 40%. Monthly turnover taxes (PIS and COFINS) are imposed at a 4.65% rate on operational gross revenue. For remittances on the importation of services, PIS and COFINS are due at a combined rate of 9.25%. The PIS and COFINS rate on ceded premiums in reinsurance contracts is 1.39% of the total amount being remitted (15% withholding tax rate on a basis equal to 9.25% of the premium).

Tax losses can be carried forward indefinitely, but annual usage is limited to 30% of income. There is no withholding tax on dividends, but the withholding tax on interest is 15%, generally increasing to 25% if interest is paid to a creditor in a country with a tax rate lower than 17%. The withholding rate on ceded premiums is 1.20% to 2%.

Brazil’s limited income tax treaty network is a burden for insurers. Due to the high income tax rate, insurers generally maintain a minimal amount of capital and distribute profits quickly, running counter to rating agency dictates encouraging capital to be maintained in Brazil.

Acquiring capital through debt can be achieved, but is subject to withholding tax. Markets are limited inssofar as where debt originates and reinsurance is ceded. Withholding tax is recaptured only if imposed on cash flows received in countries with a foreign tax credit regime permitting recovery of taxes.

Acquiring capital through external reinsurance can be accomplished, but the restrictions on internal reinsurance limit the use of traditional capital management tools. Brazil’s approach to transfer pricing causes an added tax burden for local insurers and reinsurers.

Since bancassurance is the dominant channel, many life insurers enter joint ventures with Brazilian banks. These arrangements can be beneficial with respect to speed-to-market; however, they further limit available tax planning to those areas that do not skew the economics of a joint venture arrangement. Additionally, the annual limit on the use of NOLs (net operating losses) increases the after-tax costs of growth.

Brazil offers interesting tax strategies for local acquisitions (e.g., treatment of goodwill amortization) and allows payment of interest on net equity (INE). Brazilian companies are allowed to pay or declare INE at a rate established by the Brazilian Central Bank (the greater of 50% of retained earnings or 50% of the current year’s earnings). This generally results in a tax arbitrage of 25% (40% combined corporate income tax rate minus 15% withholding tax).

Mexico

Mexico is Latin America’s second largest market. The stability of Mexico’s economy, tax incentives promoting retirement savings and low market penetration rate bode well for insurers.

New insurance regulations are driving market consolidation and specialty and consumer product lines growth. High demand for life insurance is reflected in individual life premiums, up 23% in 2013, following a 19% increase in 2012. Recent reforms in the oil and gas and electric energy sectors may generate additional insurance opportunities.

Premiums grew approximately 8.1% in 2014, yet less than 10% of homes are insured for fire and theft, and less than 30% of cars are insured.

Insurance products are distributed primarily through independent brokers, direct marketing and bancassurance. Open market conditions prevail and a high number of international companies are present. Premium volume is largely generated by third-party automobile liability insurance, although price competition causes high turnover.

Other products include life insurance and pension products for individuals and groups. Renewable term and whole life insurance are common forms of individual coverage. Group life and accident and supplemental health policies are written by general and life insurers.

Despite the open market, foreign reinsurers must register with the General Registry of Foreign Reinsurers and have minimum ratings of B+ (A.M. Best), BBB- (Fitch), Baa3 (Moody’s) or BBB- (Standard & Poor’s). The national regulator, the Mexican Insurance and Bonds Commission (CNSF),
closely monitors the reinsurance industry, requiring a separate annual business plan for each line.

**Solvency II-type regulation**

Insurance regulation is evolving toward risk-based capital approaches to solvency assessment. Mexico has set a 2015 compliance date for a Solvency II-style framework. While not a full implementation of Solvency II, the regulation will have a significant impact on Mexican insurers.

Mexico’s corporate income tax rate is 30%. A dividend withholding tax of 10% is imposed, although certain tax treaties may reduce or eliminate it. The federal government has the sole authority to tax, simplifying administration. Tax authorities have increased audit activities of taxpayer disclosures, particularly involving transfer pricing. In certain cases, taxpayers must demonstrate a transaction was not engineered exclusively for tax purposes. If deemed the case, authorities can re-characterize the transaction.

Mexican Base Erosion and Profit Shifting (BEPS) rules restrict the deductibility of certain interest, royalties and technical assistance in situations where:

1. Payment is made to a foreign entity that is fiscally transparent, unless the shareholders or partners are subject to tax on the income of this entity and the payment is made at arm’s length.

2. Payment is not deemed to exist for tax purposes in the country or territory where the entity resides.

3. The foreign entity does not recognize the payment as taxable income.

**Capital management**

Tax losses can be carried forward 10 years. A 10% withholding tax on dividends is imposed, as is a withholding tax on interest that ranges from 4.9% to 40%, depending on the nature and jurisdiction of the creditor. The withholding tax on ceded premiums is 2%, rising to 40% if ceded to a low-tax country.

Mexico has the most extensive treaty network of Latin American countries, including agreements with Peru, Colombia and Hong Kong. It recently expanded its agreement with Barbados, and signed a Tax Information Exchange Agreement with Bermuda. Renegotiated treaties with the Netherlands and Switzerland are less generous than preceding agreements.

Income tax compares well to major insurance jurisdictions, making the cost of maintaining capital reasonable and diminishing the incentive to distribute profits quickly. Should Solvency II-type regulation require insurers to increase capital, larger pools may be subject to a higher country tax rate. Supplying capital via debt may be feasible if certain features of Solvency II-type regulation are adopted, but this would require regulators to adjust their current stance regarding the use of debt.

New regulations and the insurance market’s expected growth and low penetration rate will compel further industry consolidation, joint ventures, cross-border alliances and the need for additional capital.

**Chile**

The steady rate of growth in insurance premiums in Chile, the region’s third largest market, has slowed due to the impact of the global financial crisis on automobile sales and retirement savings. Penetration rates are ahead of other regions.

Life insurance is sold primarily through direct sales and independent agents, whereas brokers are the predominant means of distributing property and casualty products. Bancassurance and mass marketing through supermarket chains are growing.

Intense price competition prevails in compulsory automobile insurance, which generates the majority of general insurance premiums.

Life and accident insurance are available for both individuals and groups. Individual products include renewable term, whole life and pensions. Group life is generally available on a renewable-term basis. Provisional life and retirement products are part of the national social security system. Workers in local pension funds mandatorily pay for group life and disability coverage. The reinsurance market is open.
Regulation is moving toward risk-based capital requirements and Solvency II, but limited availability of insurance talent and data analytics will slow these developments. Regulators affirm their intent to reward insurers with strong risk management practices by reflecting this in their capital requirements.

The withholding tax on dividends is 35%, with an offsetting credit for income tax paid on distributed profits. The withholding tax on interest ranges from 4% to 35%, and on ceded premiums is 2% when paid to a non-treaty country. While Chile’s treaty network is not as extensive as Mexico’s, it continues to grow.

**Increase in corporate tax**

Tax reform increased the corporate tax rate to 22.5% for FY2015 and 24% for FY2016.

Two taxation regimes will be enacted in 2017 as follows:

1. **Attribution** — CIT rate of 25% and deemed attribution of profits with total tax cost of 35% on an accrual basis.
2. **Distribution** — CIT rate of 25.5% for FY17 and 27% for FY18, upon actual distributions, only 65% of the CIT paid would be creditable against the 35% dividend tax cost (resulting in an effective rate of 44.45% in the year of actual dividend distribution unless the shareholder is resident in the tax treaty country). This limited CIT is applied through a refund system.

Previously, Chile’s income tax rate was one of the lowest in the region.

New regulations confirm the right to offset existing tax losses against future profits, and to obtain a refund for losses offset with profits distributed from other Chilean companies.

Other significant tax changes include:
- The potential to distribute the accumulated taxed profits at a 32% dividend withholding tax rate with a credit for corporate income taxes paid during FY 2015 only.
- Introduction of controlled foreign corporation (CFC) rules and anti-avoidance regulations.
- Transfer pricing assessments subject to a 40% penalty tax rate.
- Increase in the stamp tax maximum rate from 0.4% to 0.8%.
- VAT changes on real estate transactions.
- Changes in the deductibility of interest expense, capital gains tax, nondoneductible expenses, goodwill amortization and the carryforward process.
- Elimination of the carryback of losses.

As a result of these measures, internal reinsurance can be used more easily and the 2% premium withholding tax can be minimized if the reinsurer is resident in a tax treaty country.

Unlimited loss carryforwards help make certain of the eventual recovery of losses usually attributed to start-up operations.

**Argentina**

Insurance premiums in Argentina, the fourth largest market in the region, have steadily increased. While property/casualty insurance premiums are growing, life and annuity products are expected to experience flat growth in the short-to-medium term.

Insurance is distributed primarily by independent agents and brokerage firms, which account for approximately 75% of the total premiums. Other channels include bancassurance and direct sales. Insurers are likely to improve traditional channels and be cautious about alternative channel development.

High policyholder churn, especially in automobile insurance, typically compels insurers to reduce prices and increase commissions, which has a negative impact on underwriting profitability.

The nationalization of private pension funds and Argentina’s general sovereign risk have altered the insurance industry’s structure, reducing the size of the life and annuity market. Argentina’s insurance regulator, the National Insurance Superintendency (SSN), has updated reserve standards and is establishing solvency requirements and improved governance and internal controls.

Reinsurance must be placed with an Argentinean reinsurer. Local insurers are prohibited from making investments abroad and must maintain minimum investments in “productive initiatives.”

**High income tax burden**

Profits are taxed at a very high 35%. Tax losses cannot be carried back and have only a five-year carryforward period, with no adjustment for inflation. There is a 10% withholding tax on dividends, and an additional 35% withholding if dividends are paid in excess of the accumulated pool of taxable profits. The withholding tax on interest ranges from 15.05% to 35%, and is 3.5% on ceded premiums when paid to a non-treaty country. Argentina’s treaty network is not extensive and is with primarily European countries.

Strict foreign exchange controls make it difficult to obtain approval from the Central Bank to allow resident entities to pay dividends, intercompany services and royalties outside of the country. This may limit the deductibility of certain payments.

Transfer pricing is generally within OECD principles. The limited NOL carryforward period provides little time to utilize start-up or catastrophe losses, a concern considering low market penetration.

In evaluating the local insurance market, insurers should consider the new regulations, restrictions on acquiring foreign currency, relative high inflation, and recent currency devaluation and technical default.

**Colombia**

Colombia’s growing economic stability and enhanced security are encouraging higher inflows of foreign investment, growing demand for exports and more favorable terms of trade with other countries in Latin America. The government is focused on decreasing budgets and public debt.

Premium growth in 2013 was 8%, and penetration remains low at 2.5% of the GDP. Automobile insurance represents 25% of the market, followed by compulsory personal automobile accident protection and fire and earthquake insurance.

The largest personal and life insurance line is group life, followed by private health insurance. Individual life insurance is not as developed as personal accident liability.

**Income tax burden**

Recent tax changes include:
- A new CREE income tax surcharge on profits exceeding a relatively low threshold — 5% in 2015, 6% in 2016, 8% in 2017 and 9% in 2018. Considering a 25% corporate income tax rate, the 9% basic CREE tax rate plus the surcharges would result in a total tax rate of 39% in FY2015, 40% in FY2016, 42% in FY2017 and 43% in FY2018.
- Reinstatement of the equity tax from 2015 to 2017 at the applicable rate in the highest bracket of 1.15% for 2015, 1% for 2016 and 0.40% for 2017.
Interest paid or accrued by Colombian residents to foreign entities on loans with a term equaling or exceeding one year is subject to a 14% withholding tax; otherwise, the applicable rate is 33%. Colombia does not have a withholding tax on ceded premiums.

The Colombian treaty network is not extensive. The country has a multilateral tax treaty with Bolivia, Ecuador and Peru, and double-tax treaties in effect with Canada, Chile, Mexico, Spain, Switzerland, India and South Korea based on the OECD model convention.

**Foreign investment**
Colombia permits complete foreign ownership of insurance subsidiaries. A company group must have a commercial presence to sell policies other than international travel or reinsurance. Foreign companies are acquiring local companies to increase their market penetration.

Colombia continues to engineer free trade agreements in the world’s major markets. The government also is addressing catastrophe risk through a “vulnerability reduction program” for schools and hospitals, in recognition that a 1-in-250-year earthquake could cause more than US$35 billion in losses.

**Peru**
The growing economy in Peru and its efforts to develop its financial system and insurance industry are attracting increased attention from foreign insurers and reinsurers. Peru has enacted regulations as part of a national strategy designed to spur growth, and has streamlined its insurance system. The Superintendency of Bank and Insurance (SBS) regulates insurance, reinsurance and financial entities and pension funds.

Qualified nonadmitted reinsurers (NARs) can write reinsurance, and resident entities are permitted to contract insurance or reinsurance policies from NARs. Foreign insurers can act as reinsurers for a domestic insurer, assuming a BBB credit rating or by registering with the SBS and complying with its requirements.

Foreign investors may establish an insurance company in Peru under the form of a corporation and designate an intermediary like an insurance or reinsurance broker. They can determine the terms and conditions of insurance in their policies, including fees and commissions. Compulsory insurance covers automobile for personal injuries, life and health insurance for employees of high-risk activities, coverage to transport hazardous materials and aviation liability.

Peru’s penetration rate is estimated at 1% to 2%. Independent agents and brokers are the primary distributors.

**Income tax burden**
Profits are taxed at 28%. Capital gains by nonresident entities are subject to a 5% income tax if transfer is made in the Peruvian stock exchange (otherwise, the rate is 30%). Tax losses cannot be carried back. To obtain relief for losses, insurers can select either a four-year carryforward period or a carryforward indefinitely subject to an annual deductible limit equal to 50% of the annual taxable income. A 6.8% withholding tax for FY2015 and FY2016 on dividends is imposed on profits distributed to nonresident entities and individuals. Withholding on interest paid to nonresidents is 30%. For interest paid to unrelated foreign lenders, the rate is 4.99% (if conditions are met). The withholding tax on ceded premiums is 2.1%.

Peru has signed agreements to avoid double taxation with Chile, Canada, Brazil, Spain, Mexico, Switzerland, South Korea, Portugal and the countries of the Andean community.
Principal tax reform approved includes:
A reduction in the corporate income tax rate from 30% to:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015–16</td>
<td>28%</td>
</tr>
<tr>
<td>2017–18</td>
<td>27%</td>
</tr>
<tr>
<td>2019</td>
<td>26%</td>
</tr>
</tbody>
</table>

An increase in the dividends tax rate from 4.1% to:

<table>
<thead>
<tr>
<th>Profits earned from</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015–16</td>
<td>6.8%</td>
</tr>
<tr>
<td>2017–18</td>
<td>8.0%</td>
</tr>
<tr>
<td>2019</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Main exemptions related to the insurance industry
Life insurers and individuals are exempt from income tax in certain situations. These include:
1. Income that is derived from assets linked to technical reserves for payment of retirement, disability and survivor pensions within the private pension fund administration system.
2. Peruvian individuals are exempt with regard to the allowances derived from life or health insurance contracts.
3. Individuals are also exempt from income tax when the income is derived from endowment insurance contracts and life insurance contracts.

Conclusion
Latin American markets must balance competing interests and tax incentives to attract foreign investments from insurers and reinsurers. The gradual shift to IFRS and Solvency II will affect how these companies invest and the diversity of the risk they assume. As countries adjust their tax systems to manage their expected growth, insurers must remain flexible in their growth plans.

The views and opinions expressed in this article are those of the authors and do not necessarily reflect those of Ernst & Young LLP.