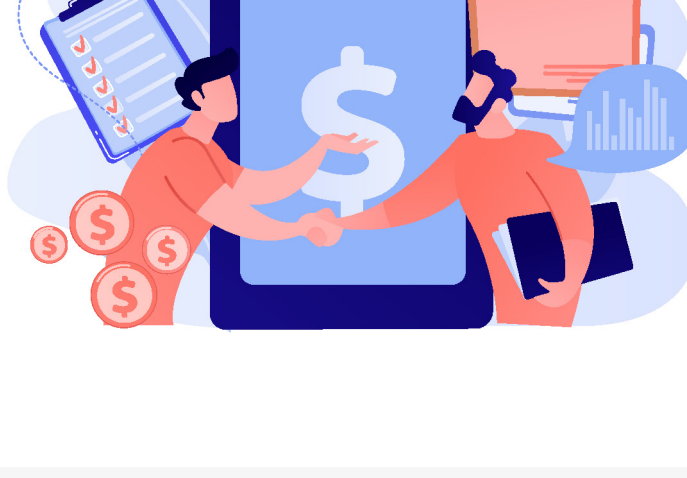


Approved Insurance Law (PL 2597/2024): WHAT ARE THE MAIN CHANGES?

PL 2597/2024, approved on 05/11/2024 by the Chamber of Deputies now awaits the presidential sanction and shall be effective one year after publishment.

MAIN CHANGES



FOLIO TRANSFER BY INSURERS

- Portfolio transfer by insurers occurs upon:
 - authorization from the regulatory authority; or
 - prior agreement by the insured and beneficiaries.
- The transferor will be held liable before the insured or beneficiary for a period of 24 months if the transferee becomes insolvent.

APPLICATION OF THE BRAZILIAN LAW

- Insurance contracts executed by insurers authorized to operate in Brazil.
- Insureds or applicants resident or domiciled in Brazil.
- Assets located in Brazil covered by the insurance policy.

Even if the parties have agreed to an arbitration clause.

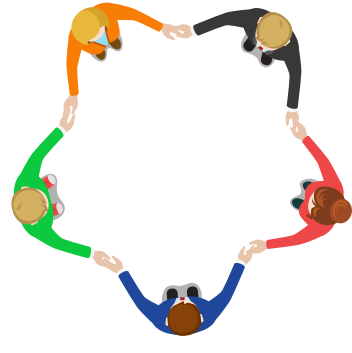
RISK AGGRAVATION

- Characterized by a significant and continuous increase in the probability of occurrence of the risk or the severity of its effects.
- The risk must be substantial, intentional and have a causal link to the claim.
- In personal insurance, the confirmation of risk aggravation only authorizes the collection of the premium difference.



PREMIUM

- The advance payment of premiums is prohibited, except in cases of provisional coverage.
- The insured must be notified in advance to settle the default, within a minimum period of 15 days. After this period, coverage will be suspended.



INSURANCE POLICYHOLDERS

- The policyholder must have a previous and non-insurance relationship with the insured group.
- The policy holder's remuneration must be highlighted in the contractual documents.

DUTY TO INFORM

- Deliberate failure to comply with the duty to inform by the insured will result in the loss of the right to the insurance guarantee, as well as the duty to the payment of premium and reimbursement of expenses incurred by the insurer.
- Willful non-compliance will only result in the reduction of the insurance guarantee proportionally to the difference in the uncollected premium.

PERIOD FOR REJECTING THE INSURANCE PROPOSAL

- The insurer has a period of 25 days to reject the insurance proposal, after which it will be considered accepted.
- The period is reset in the event of a request presented by the insurer for clarification regarding the risk or expert examinations.
- The rejection of the proposal is only valid if justified by the insurer.



REINSURANCE

- a 20-day period for the creation of the reinsurance contract upon reinsurer silence.
- The insurer must notify the reinsurer in the event of any demand for revision or fulfillment of the insurance contract that previously motivated the contracting of an optional reinsurance.
- The insurer must immediately use the advanced payments of reinsurance installments to pay out the indemnification to the insured.
- As a rule, reinsurance will cover the total amount of reinsured interest, including amounts arising from the insurer's default, rescue expenses and loss adjustment costs.
- Absolute preference of the insured's or beneficiary's claims over any other claims, if the insurer is under fiscal supervision, intervention or liquidation.

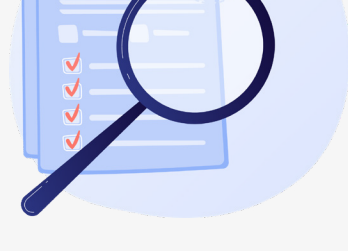


RESCUE AND CONTAINMENT EXPENSES

- The insurer is liable for such expenses up to the limit agreed in the contract, but without any reduction in the insurance guarantee.
- If there is no specific limit agreed, the percentage of 20% of the insured limit will be applied.

LOSS ADJUSTMENT AND SETTLEMENT

- If possible, loss adjustment and settlement must be carried out simultaneously.
- The insurer must advance the payment of indemnity within a period of 30 days, whenever partial amounts are determined.



LOSS ADJUSTMENT AND SETTLEMENT REPORT

- Provided as a document common to the parties.
- In the event that coverage is denied, the insurer must provide the insured or beneficiary with the documents that support its decision, produced or obtained during the loss adjustment, except for documents that are confidential by law.

INSURANCE COVERAGE DENIAL

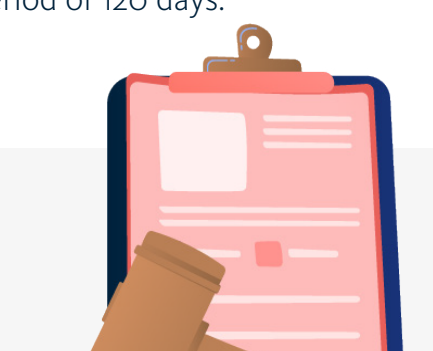
- The insurer has to comply with a deadline of 30 days to deny coverage, under penalty of loss of its right. The period is counted from the date of submission of the claim or notice of loss along with all the elements necessary for a decision on the existence of coverage, which must be provided for in the contractual documents.
- The insurer's period for analyzing coverage will be suspended in the event of a request for additional documents, up to a maximum of two times. The period will resume on the first business day following that on which the insured responds to the request.
- However, the 30-day period can only be suspended once for losses relating to car insurance or other lines of insurance in which the insured amount does not exceed 500 Brazilian minimum wages.
- The supervising authority can establish a period longer than 30 days for the issuance of insurance coverage denial concerning more complex types of insurance, respecting the maximum period of 120 days.
- The denial must be explicit and justified, and the insurer cannot change the reasons for the denial, unless new facts are brought to light.

PAYMENT OF INSURANCE INDEMNITY

- The insurer must pay the insurance indemnification within 30 days.
- The insurer or liquidator can request the submission of additional documents to quantify the indemnification due. In this case, the 30-day period will be suspended a maximum of two times and will resume on the first business day following the day on which the insured responds to the request.
- However, the 30-day period can only be suspended once for losses relating to car insurance or other lines of insurance where the insured amount does not exceed 500 Brazilian minimum wages.
- The supervising authority can establish a period longer than 30 days for payment of insurance coverage concerning more complex types of insurance, respecting the maximum period of 120 days.

FINE FOR LATE PAYMENT OF INSURANCE INDEMNITY

- A fine of 2% on the insurance indemnity due and liability for losses and damages caused.



OBLIGATION TO PROVIDE A SPECIFIC LIMIT FOR DEFENSE COSTS IN CIVIL LIABILITY INSURANCE

- The insurance must specify a limit for the guarantee of defense costs, which must be different from the limit for compensation of affected third parties in civil liability insurance.

NON-RENEWAL OF INDIVIDUAL LIFE AND PHYSICAL INTEGRITY INSURANCE POLICIES THAT HAVE BEEN IN FORCE FOR MORE THAN 10 YEARS

- The insurer must notify the insured at least 90 days in advance of the non-renewal and offer new insurance with a similar guarantee and an actuarially adjusted premium based on the portfolio's situation and balance.

LIMITATION

One-year limitation period applicable to:

- Claims by the insurer for collection of premium against the insured or policy holder.
- Claims by insurance brokers, insurance agents or representatives and policyholders to collect their fees.
- Claims by co-insurers against each other.
- Claims between insurers, reinsurers and retrocessionaires.
- Claims by the insured relating to insurance coverage, insured capital, actuarial reserve, overdue installments of temporary or life annuities and refund of premiums. The One-year period is counted from the date of receipt of the insurer's express and justified denial.

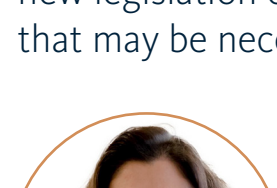
- Three-year limitation period applicable to the beneficiaries' claim against the insurer, counted from the date of the triggering event.



The limitation period will be suspended in the event of a request for reconsideration, until the insured is aware of the insurer's response, for one time only.

WOULD YOU LIKE TO KNOW MORE? CONTACT US!

Demarest's Insurance, Reinsurance, Health and Private Pension team is monitoring the impacts of this new legislation on the entire insurance market and is available to provide any clarifications on this topic that may be necessary.



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