

CNSP Resolution 407/2021 was the topic of the 20th Meeting of ABGR's Electricity Sector Committee

Written by: Horiens - 19/09/2022

At the end of August, Horiens was present at the **XX Meeting of the Electric Sector Committee of ABGR (Brazilian Association of Risk Management)**, which had more than 750 participants and 7 thousand views. The **Meeting** annually brings together the largest group of Generation, Transmission, Distribution, Commercialization, and energy business companies in operation in the country, comprising 35 business groups.

Carlos Eduardo Lichtenberger Jr, Director of Risk and Insurance for Infrastructure and Concessions/PPPs at Horiens, was the company's representative at the event, participating in the panel on **Implications of CNSP Resolution 407/2021**.

"The Resolution is a very relevant topic for risk management and insurance, impacting the electric sector and many others. The previous scenario was more bureaucratic, which hindered any innovation in insurance solutions. We were stuck with standardized products in large-scale projects that required a very personalized look at the risks and how to transfer them," explains Carlos.

For Luiz Otavio Artilheiro, President Director of ABGR, the presentation about the Resolution brought to light clarifications of general interest. "Discussing guidelines like this is important to develop a broader view and understand opportunities related to the risk transfer process," he concludes.

CNSP Resolution 407/2021: a watershed

The Resolution, which came into effect in April 2021, is guided by the principles of the Economic Freedom Law, expanding the possibilities for innovation and competitiveness in the process of elaboration, commercialization, and contracting of insurance for large risks. In practice, it means that these insurances are governed by contractual conditions freely agreed upon between the insured, policyholders, their legal representatives, and the insurance company.

"This differentiation between mass-market and large-risk insurance is a necessary alternative to meet the needs of highly complex projects, as observed in countries with more developed markets," explains Carlos.

Impacts of the Resolution

In the ABRG panel, Carlos elaborated on the implications of the Resolution for risk managers, brokers, and insurers. Now, risk managers can focus more on *wordings*, with flexibility to portray project or business risks. Brokers, on the other hand, can play a less transactional and more strategic role in selling policyholder risks to insurers.

For insurers there are also advantages, such as more possibilities to differentiate themselves in the market and less judicialization resulting from freely agreed contracts – instead of adhesion contracts – and from mandatory definitions referring to the resolution of controversies, for example.

“One must keep in mind, however, that every freedom must be accompanied by great responsibility. Maturity and experience are essential elements in conducting a successful risk transfer process,” adds Carlos.

To learn more about the XX ABGR's Electricity Sector Committee Meeting, [click here](#).