Under embargo until 10 November, 10 a.m. CET

Swiss Re Institute

November 2026

Latin America market report 2026

Insurance growth holds up as inflation and natural catastrophe risks intensify



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Executive summary

Latin American growth is settling back into a low-potential equilibrium rather than entering a broad downturn.

- **We forecast Latin America's aggregate real GDP growth to modestly improve to 2.1% in 2027,** up from an estimated 1.9% in 2026. Growth sits below that of most other emerging regions and the region's own historical averages. Consumption is the principal regional growth engine, particularly in Colombia and, to a lesser extent, Brazil. Fixed investment is weak as elevated financing costs, political uncertainty and subdued business confidence delay large-scale projects in Mexico and weigh on construction in Chile and Colombia. The export front-loading that supported activity in 2025 is also fading, while the energy-price shock has mixed effects across the region: it benefits commodity exporters' trade and fiscal accounts but raises input costs and reduces household purchasing power.

Renewed food and energy pressures have interrupted disinflation and widened the divergence among central banks.

- **Inflation sits above targets across the region**. Currency appreciation has softened imported inflation in Colombia and Brazil, but higher energy, food, services and housing costs have interrupted disinflation across the region. We expect inflation to average 4.6% in Brazil in 2026, just outside the upper limit of its target band. In Mexico, we forecast inflation of 4%, at the upper limit of the central bank's target range, amid persistent services inflation. In Colombia, inflation could reach 7%, owing to the strong one-off effect of a steep minimum wage hike. Chile, on the other hand, has a more moderate inflation outlook, with primarily external pressures linked to the broader fuel and energy shock. Furthermore, monetary policy paths are diverging across the region: Brazil has cautiously lowered its policy rate to 14%, one of the most restrictive monetary policy stances in the world in real terms. Mexico is holding its rate steady at 6.5%, and Chile is on a wait-and-see approach since the beginning of the year at 4.5%. Meanwhile, Colombia has tightened to 12%.

Domestic policy credibility and political transitions are becoming more important differentiators than the common external backdrop.

- **Domestic developments are taking precedence over external factors**. Growing debt-service and social-security commitments are absorbing larger shares of public expenditure, leaving limited scope to cushion shocks. Colombia and Mexico have seen their long-term foreign-currency issuer default ratings downgraded, reflecting weaker fiscal position and rising debt. Chile retains the strongest sovereign profile in the region albeit with the fastest-growing debt-to-GDP ratio. Colombia's presidential election produced a rightward shift expected to prioritise fiscal and inflation challenges; however, the Mw 7.4 earthquake will likely require government support. In Brazil, the narrow re-election of left-wing President Lula signals broad policy continuity, although rising public debt and a Congress dominated by centrist and conservative parties could complicate governability. Mexico faces deteriorating investor confidence amid trade uncertainty, complications from judicial overhaul and fiscally draining support for state-owned oil company Pemex. More broadly, weak productivity and worsening demographics are binding constraints across the region.

We expect real premium growth to improve in 2027.

- **We forecast total real premium growth of about 3.5% in 2027**, up from 0.6% in 2026. Health and medical-expense insurance are the most consistent growth engines, supported by medical inflation and growing demand for supplementary private coverage. Life products with savings components also benefit from high local interest rates. P&C growth is subdued because commercial pricing is sharply falling and economic activity is soft – regional commercial rates declined 9% in the second quarter of 2026, including a 14% drop in property and a more modest 2% fall in casualty. Ample capacity and intense competition are benefiting buyers.

Profitability is coming under pressure.

- **We see sector profitability moderating against a weaker backdrop**. P&C profitability is coming under increasing pressure as commercial insurance rates decline, while investment returns provide varying degrees of offset across markets. Currency appreciation reduces the local cost of imported vehicles, parts and medical equipment in Colombia and Brazil, but that benefit is being eroded by labour, medical, energy and food inflation. El Niño adds further pressure by increasing the probability of agricultural, flood, wildfire, energy and business-interruption losses.

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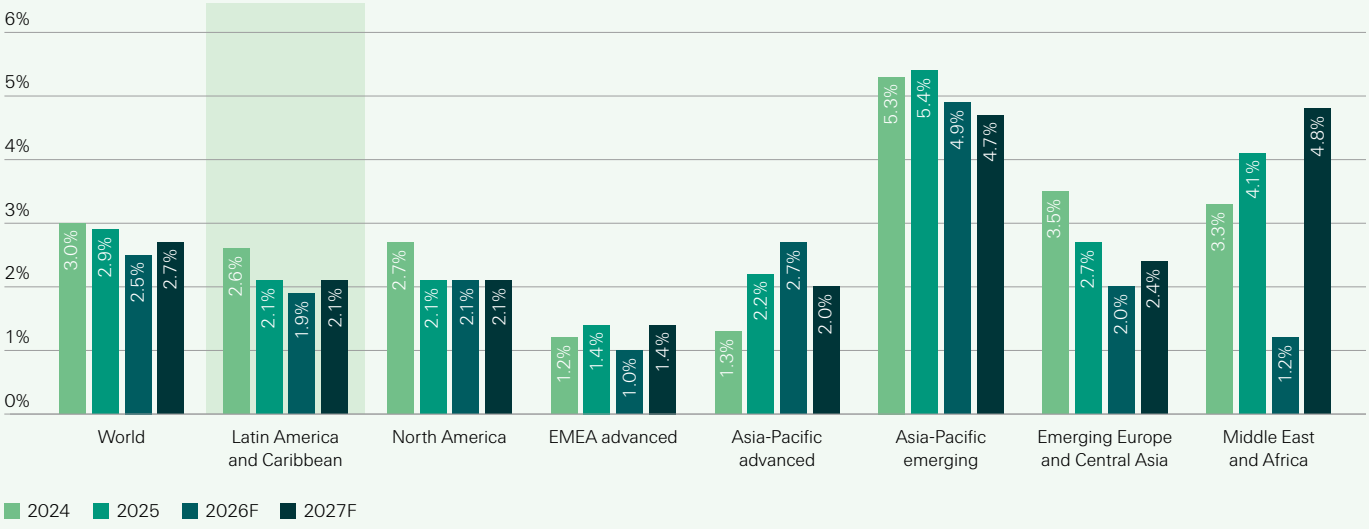
Table 1
Economic indicators and forecasts

	Real GDP growth (%)			Inflation (average %)			Policy rate (%)	Debt/GDP (%)†	Rating*
	2025	2026F	2027F	2025	2026F	2027F	2026F	2026F	Sept 2026
Brazil									
	2.3	1.9	1.6	5.0	4.6	4.2	13.8	95.0 (+3)	BB (stable)
Mexico									
	0.7	1.1	1.7	3.8	4.0	4.0	6.5	59.9 (–1)	BBB– (stable)
Colombia									
	2.6	2.0	2.0	5.1	7.0	5.0	12.5	61.9 (+2)	BB (stable)
Chile									
	2.6	0.9	3.0	4.2	3.5	3.0	4.5	43.7 (+1)	A– (stable)

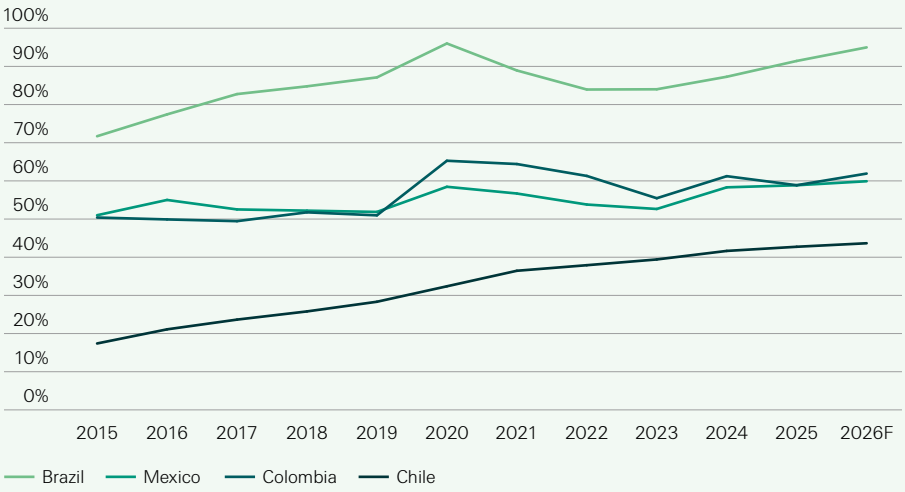
Note: F = forecast; † = (+/–) is change in percentage points compared to last year; *Fitch Ratings.
Source: Oxford Economics, IMF, Fitch Ratings, Swiss Re Institute

Figure 1
Real GDP growth by region, 2024–27F



Source: Oxford Economics, Swiss Re Institute

Figure 2
Government gross debt to GDP (%)



Source: IMF (Fiscal Monitor, April 2026), Swiss Re Institute

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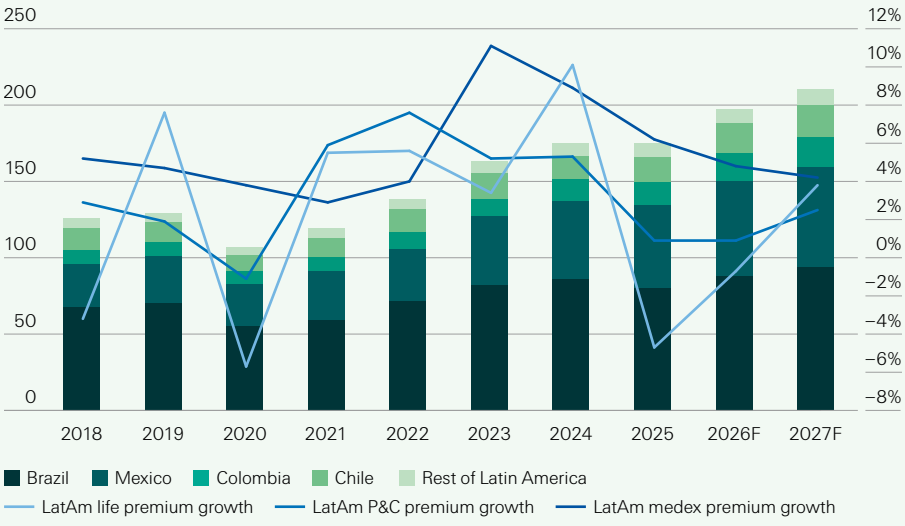
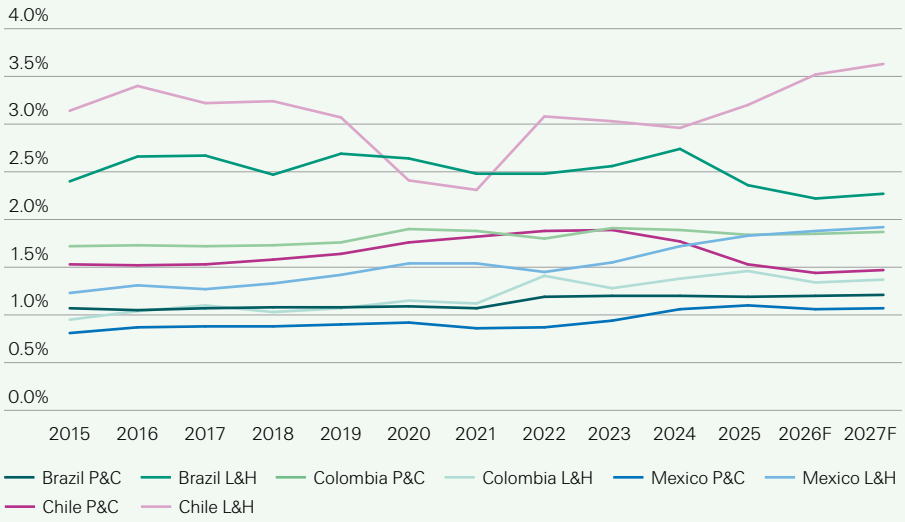
Figure 3
Direct premiums written (USD billion) by country (left axis); and Latin America real growth rates per line of business (right axis)



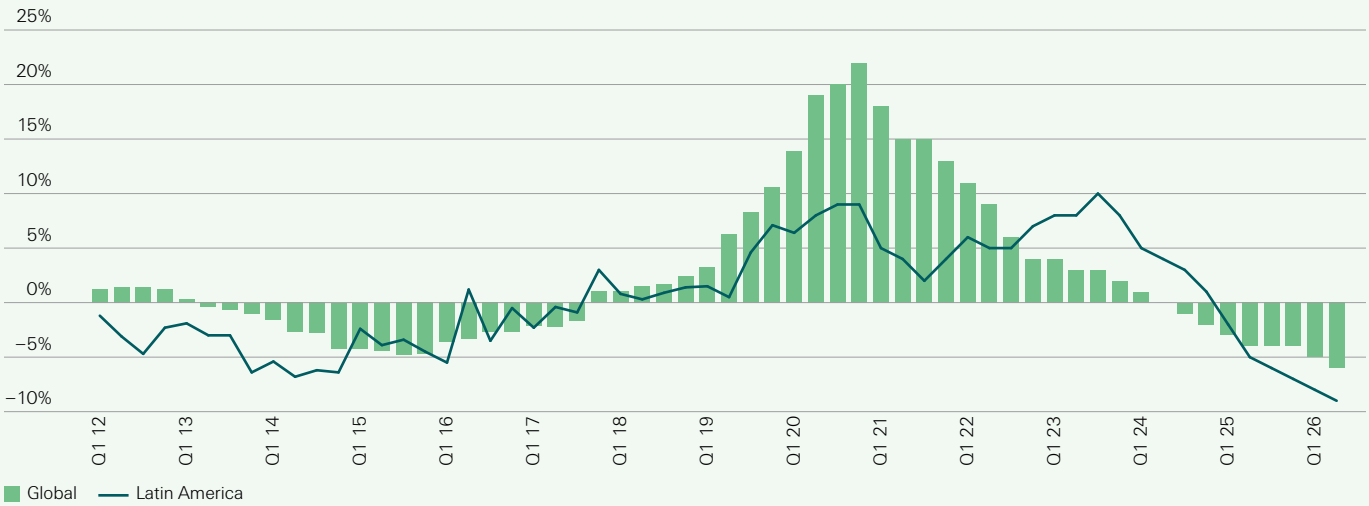
Source: National insurance associations and regulators, Swiss Re Institute

Figure 4
Insurance penetration, in premiums as a % of GDP



Source: National insurance associations and regulators, Swiss Re Institute

Figure 5
Latin America commercial insurance pricing



Source: Marsh Global Analytics, Swiss Re Institute

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Risks to the outlook

Downside risks prevail. Persistently high inflation and limited fiscal space constrain policy support. The external outlook is clouded by rising geopolitical tensions but higher commodity prices may aid primary fiscal balances. Political shifts towards more market-friendly candidates may support fiscal consolidation. A very strong El Niño could amplify secondary perils in the fourth quarter of 2026.

Risk scenario	Explanation	Impact
 Inflation risks	**Inflation is persistent with risks to the upside.** Inflation across the region is hovering around the upper limit of target ranges. Higher oil prices, fiscal largesse, tight labour markets and minimum wage hikes are all adding upward pressure, and limiting the central banks' maneuvering capabilities.	
 Debt sustainability	**Fiscal unsustainability mounts.** As debts climb, their servicing weighs increasingly heavy on governments' budgets – shrinking away resources for more growth-conducive discretionary spending. Argentina is a remarkable exception, having produced fiscal surpluses in 2024 and 2025. Elsewhere, fiscal deficits run in excess of 3% of GDP. Countries have struggled to consolidate public finances, especially in a global context of sticky inflation and higher interest rates. This limits the ability of government to offset shocks.	
 Global fragmentation	**Supply shocks are the new norm**. The world economy is fragmenting along geopolitical lines, as governments increasingly turn to statecraft, prioritising national security and pursuing strategic autonomy. This fragmentation raises the vulnerability of Latin America, given the region's historical reliance on external demand from China and the United States for commodities and manufactured goods.	
 Rising nat cat risks	**Natural catastrophe risks are on the rise.** There is a 90% (and rising) chance of a "very strong" El Niño in the fourth quarter of 2026 (see box: *El Niño: potential hurricane respite in the Atlantic offset by greater Pacific and secondary-peril activity*), which favours hotter and drier conditions in Mexico, Central America, and the Caribbean, alongside wetter conditions in the Pacific coast of Ecuador and Peru and parts of southeastern South America. Depending on its intensity and geographical development, El Niño could also increase, in the region, the likelihood of certain secondary perils, including drought, wildfire and flooding.	
 Political risk	**Political shifts offer opportunities, but implementation risks remain.** Recent elections in Chile, Costa Rica, Colombia and Peru have brought more fiscally conservative administrations to power, raising expectations of greater fiscal discipline and market-oriented reforms. However, political fragmentation, fiscal constraints and competing spending priorities could limit policy implementation. In Brazil, the re-election of left-wing President Lula contrasts with the regional trend, with governability and fiscal consolidation as key challenges.	
 Commodity prices	**Improved terms-of-trade could help promote primary fiscal balances**. Commodity prices have firmed up over the past 12 months. Growing geopolitical tensions limit the supply of raw materials available for open trade and could lead to higher price equilibriums. Higher commodity prices support growth, allow governments to consolidate budgets, and strengthen exchange rates.	

Note: Impact denotes the expected impact on economic growth through end of 2027; green: positive; red: negative.
Source: Swiss Re Institute

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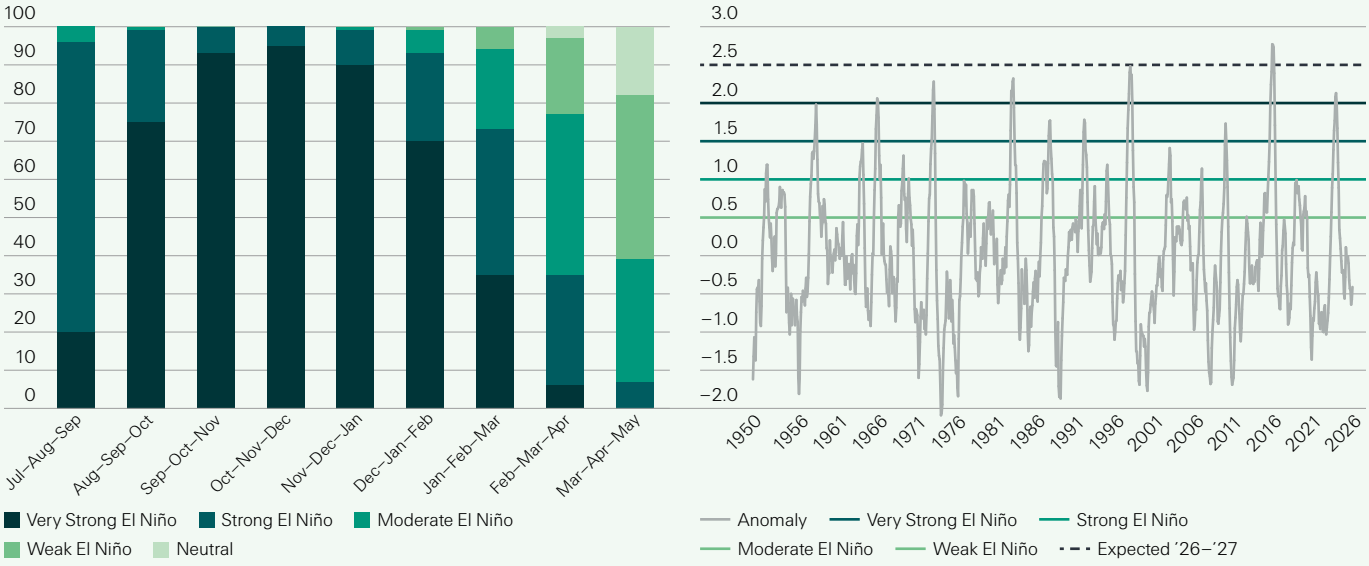
El Niño

Potential hurricane respite in the Atlantic offset by greater Pacific and secondary-peril activity

El Niño is strengthening with a greater than 90% chance of a very strong event later this year.

The 2026–27 El Niño has developed rapidly, prompting the National Oceanic and Atmospheric Administration (NOAA) to successively bring forward its expected onset and sharply raise its assessment of the event's likely strength. NOAA's El Niño Advisory in September estimated a greater than 90% probability of a very strong event during the Northern Hemisphere autumn and winter,[1] and assigned a 75% probability that the October through December three-month Relative Oceanic Niño Index reaches at least 2.5°C – an anomaly threshold exceeded only one other time since 1950 (see Figure 6). The distinct zones of the relative sea surface temperature anomalies suggest an east-heavy warming pattern that would substantially raise flood risk in Peru and Ecuador. Subsurface anomalies reached as much as 10°C, indicating a large reservoir of warm water capable of sustaining the event.

Figure 6
El Niño strength probabilities, in % (left); Oceanic Niño index, temperature anomalies, °C (right).



Source: National Oceanic and Atmospheric Administration, Swiss Re Institute

El Niño implies a drier Mexico, Central America, and Caribbean; and a wetter Pacific Coast of Ecuador, Peru, and southeastern South America.

The broad pattern of an El Niño favours hotter and drier conditions in Mexico, Central America, the Caribbean and parts of northern South America, increasing the risk of drought, wildfire, water stress and lower hydropower output. By contrast, the Pacific coast of Ecuador and Peru and parts of southeastern South America can experience heavier rainfall, river flooding and landslides. Brazil can face both extremes simultaneously: drought and fire pressure in northern or central areas alongside excess rainfall and flooding in the south.

[1] *El Niño Southern Oscillation Diagnostic Discussion*, Climate Prediction Center, NOAA, September 2026.

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El Niño tends to suppress hurricane activity in the Atlantic but can increase it in central and eastern North Pacific.

El Niño generally suppresses Atlantic hurricane activity by increasing vertical wind shear in the basin. Historically, the number of major hurricanes in the Atlantic is roughly half that seen during La Niña.[2] However, lower basin-wide frequency does not preclude an individually destructive hurricane. Conversely, El Niño tends to support above-average hurricane activity in central and eastern North Pacific, due to higher sea surface temperatures and reduced vertical wind shear.

El Niño conditions may increase weather-related cat losses via stronger secondary perils activity.

Moreover, El Niño conditions can heighten secondary peril risk such as drought, wildfire, and flood in Latin America. These perils frequently affect large areas, generate multiple medium-sized claims and expose weaknesses in urban drainage, land-use planning and business continuity. The 2024 Rio Grande do Sul floods for example, which occurred in an El Niño period, caused 183 deaths and displaced more than 600,000 people across the state.[3] Insured losses represented only around 17% of estimated economic losses of BRL 35.6 billion.[4] Yet, the number is still higher than the 7% insurance coverage of drought in Brazil, a broader and more systemic risk.

[2] Swiss Re Institute calculations based on NOAA CPC Oceanic Niño Index (ONI) and NOAA/AOML HURDAT2, 1950–2025. ENSO phase based on Aug–Oct Niño-3.4 conditions; major hurricanes are Category 3–5.
[3] I.T. Simoes-Sousa et al., *The May 2024 flood disaster in southern Brazil: causes, impacts, and SWOT-based volume estimation*, Geophysical Research Letters, 2025.
[4] *Climate Events and Insurance Radar in Brazil,* CNseg, 2025.

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Brazil

Brazil's economy has proved more resilient than anticipated, but this resilience is unlikely to last.

- **We expect real GDP growth to continue to slow to 1.6% in 2027,** down from estimated 1.9% in 2026. This year agriculture is the main sectoral driver, while household consumption and net exports drag down the expenditure side. The labour market is unusually tight: unemployment is around a historical low, and real labour income has continued to rise more rapidly than productivity. These conditions provide near-term support to consumption but also sustain cost pressures. Credit transmission is becoming more restrictive: net repayments by households and companies have risen, and household delinquency is close to a historical high. We expect growth to lose momentum in 2027 as expensive credit weighs on consumption and investment, notwithstanding supportive commodity exports and public spending.

The inflation outlook has deteriorated, leaving Brazil with a clear case of de-anchored medium-term expectations.

- **Consensus projects inflation of 5.0% for 2026 and 4.3% for 2027.** The 2029–30 readings are at 3.5%, above the 3% target. The Middle East energy shock is estimated to have added around 1 percentage point to private-sector 2026 inflation forecasts.[5] Brazil's central bank lowered its policy rate (SELIC) to 14.0% in September but stressed that further cuts will depend on renewed progress toward the target which consensus seems to be losing faith in.

After the re-election of President Lula, governability and fiscal consolidation will remain key policy risks.

- **Brazil holds a stable outlook** on its BB/Ba1 sovereign ratings, but President Lula's re-election leaves significant uncertainty around governability and the direction of fiscal policy. Persistent deficits, rigid expenditure and rising public debt constrain policy flexibility. The economy has received fiscal and credit support despite monetary policy efforts to restrain demand, increasing the risk of inflation remaining above target and real interest rates staying high. Tax reform should bring structural benefits, but the transition may place significant operational demands on businesses. Weak productivity growth is a structural constraint on its medium-term growth potential.

L&H is significantly hindered by growth in traditional pension accumulation products. In P&C, we expect a modest expansion.

- **We forecast total real premium growth to recover to 3.4% in 2027,** after an estimated contraction of 2% in 2026. When including traditional pension accumulation products, real L&H premiums contracted by 4.5% in the first half of 2026 – without them, it grew by 6.9%, led by traditional and credit-linked life insurance. A tight labour market and real wage gains should sustain demand for group health coverage. On the P&C side, weakness in casualty and special risks keeps the outlook subdued and we expect a moderate expansion of 2.5% for 2027. We see potential opportunities in property and agriculture insurance, including exposures associated with climate-related hazards, as the floods in Rio Grande do Sul in 2024 revealed low insurance coverage relative to economic losses. El Niño will likely keep flood, drought and wildfire awareness high. Regulatory changes, including new frameworks for personal insurance, mutual protection arrangements and insurance cooperatives, could broaden access.

Profitability should remain supported by high investment yields, but underwriting conditions are becoming less forgiving.

- **Net profit in the insurance industry continues to increase.** The 10.6% nominal increase in the first half of 2026 year-to-date is similar to the full year pace of 2025. The SELIC remains exceptionally high, preserving attractive reinvestment returns for insurers with short-duration portfolios. The exchange rate appreciation also reduces imported claims costs, particularly for motor parts, machinery and medical equipment. These benefits are partly offset by the rapid decline in commercial pricing: regional property rates fell 14% in the second quarter of 2026, with some of the steepest reductions in Brazil.[6] Domestic labour and medical costs are elevated, and food, energy and logistics shocks can feed into repair and operating expenses. El Niño adds geographic accumulation risk as heavier rainfall in southern areas coexist with drought, heat and wildfire pressure elsewhere. Greater use of reinsurance, and the new SSPE/ILS framework, which allows insurance risks to be transferred to capital-market investors, can diversify peak exposures, while declining pricing margins may increase underwriting profitability pressures.

[5] *Monetary Policy Report*, Banco Central Do Brasil, June 2026
[6] *Latin America and Caribbean Insurance Market Rates*, Q2 2026, Marsh.

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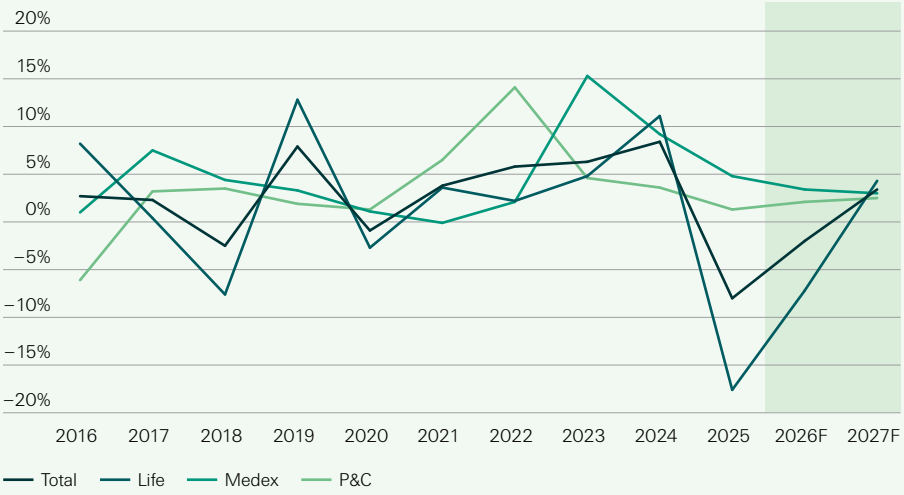
Figure 7
Real GDP growth



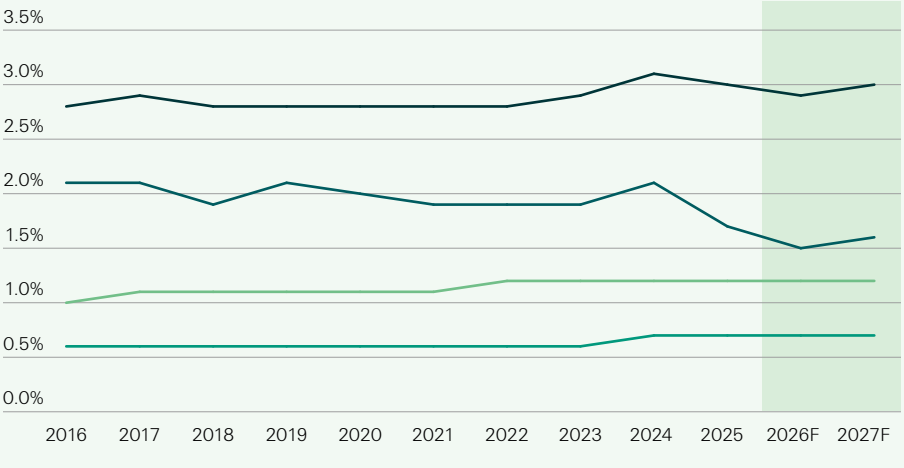
Source: National statistics agency, Swiss Re Institute

Figure 8
Real premium growth



Source: National insurance regulator, Swiss Re Institute

Figure 9
Insurance penetration



Source: Swiss Re Institute

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Mexico

Mexico to expand only modestly in 2027 as improving consumption is offset by weak investment and trade-policy uncertainty.

- **We forecast Mexico's growth to continue its modest recovery in 2027, climbing to 1.7%** after an estimated 1.1% in 2026. The economy bounced back significantly in the second quarter of 2026 after a weak first quarter. However, the output gap remains in negative territory. Private consumption should continue improving gradually as real incomes, remittances and consumer credit provide support. That said, fixed investment, a driver of more sustainable growth is likely to remain subdued given investor hesitancy from US trade uncertainty, and the future treatment of cross-border supply chains. Fiscal support is also set to fade as large public projects conclude, leaving growth below its historical trend until confidence improves.

Inflation is above target and concentrated in persistent core components.

- **We expect headline inflation to average 4.0% in 2026 and 2027** – right at the upper limit of the target. Long-term inflation expectations are relatively stable, albeit above the 3% target. The policy rate stands at 6.5%, with the central bank signalling a pause in cuts. Continued economic slack creates room for eventual easing, but sticky core inflation points to a gradual, data-dependent approach. Early-2026 increases in excise taxes on sugary drinks and cigarettes had a largely mechanical and limited aggregate effect, as the affected products represent a small share of the CPI basket. More persistent pressures originate in processed food, services and housing-related components. Banco de México expects headline inflation to converge towards the 3% target around the second quarter of 2027 and core inflation around the third quarter, but the balance of risks remains tilted to the upside due to food and energy prices and FX pressures tied to global supply-chain reorganisations.

The USMCA review, fiscal weakening and changes to the judicial system are the principal structural risks.

- **Domestic constraints may limit Mexico's nearshoring opportunity.** The new system of popularly elected judges introduces additional uncertainty around contract enforcement and liability outcomes. For insurers, this may emerge gradually through more frequent successful claims, higher settlements and greater variability in casualty reserving rather than through an immediate one-off shock. Mexico's deep integration with the US makes continued tariff-free access and predictable rules of origin critical for manufacturing investment. At the same time, a narrow revenue base, rising debt and repeated financial support for Pemex have reduced fiscal flexibility. Moody's downgraded Mexico to Baa3 in May, its lowest investment-grade rating, while S&P maintains a negative outlook. These institutional concerns could limit the investment response even if the United States-Mexico-Canada Agreement review produces a broadly constructive trade outcome.

Insurance growth slowed sharply in the first half of 2026, with life, pensions and medical-expense business offsetting a contraction in commercial P&C.

- **We forecast total real premium growth of 3.3% in 2027,** up from about 1.6% in 2026. Growth in the second half of 2026 should improve, but underlying commercial demand remains weak and motor is carrying a disproportionate share of non-life expansion. Real life premiums, as of first half of 2026, are growing at a 3.0% year-on-year pace, including 3.3% growth in individual life and 2.3% in group life, supported by products with savings components. Accident and health premiums increased by 5.3%, led by 5.8% growth in major medical expense insurance as both the number of insureds and average premiums rose. By contrast, P&C insurance contracted by 3.0%. Motor increased 3.4%, but non-auto damage fell by 9.9%, including contractions of 14.4% in marine and transport, 14.0% in fire and 9.2% in catastrophe covers.

Profitability is deteriorating even though the non-life combined ratio remains below 100%.

- **The insurance industry recorded a decline in net income in the first half of 2026, the first since 2022,** after net income grew by a nominal average of 18.9% annually over that time period. Insurance industry profits reached MXN 43.3 billion (USD 2.6 billion) in the first half of 2026, down 1.4% year-on-year, but an improvement from the 6.0% decline recorded in the first quarter. Claim costs continue to rise albeit at a more moderate pace. The medical expenses combined ratio is at 99.1% due to an increase in both frequency and severity of claims. The year-to-date underwriting result in P&C for the first half of 2026 was essentially flat. Motor accounted for most of the deterioration due to an 18.1% increase in claims severity and its large share of the market. However, liability insurance saw the sharpest decline in underwriting performance. The effective cost of motor, property and health claims has been directly affected by a tax reform restricting recovery of VAT on goods and services used in claim repairs or replacements. The softer commercial rates have contributed to pressure on premium adequacy in property and specialty lines.

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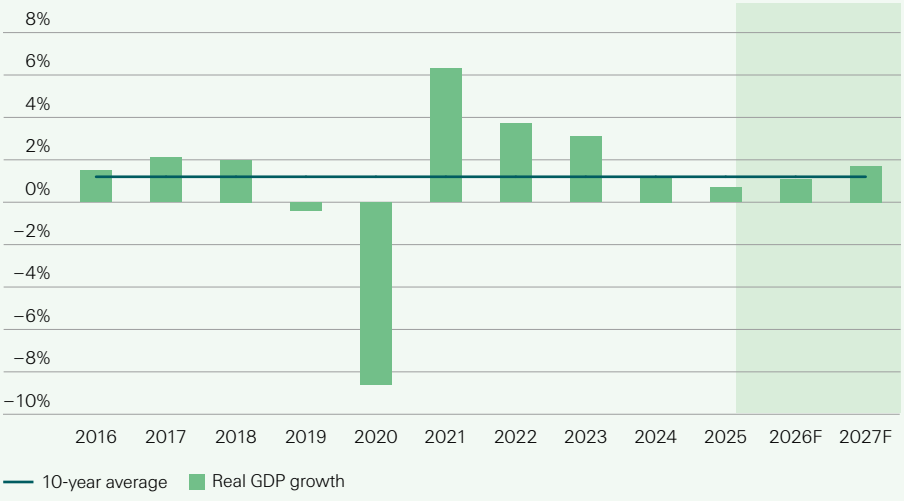
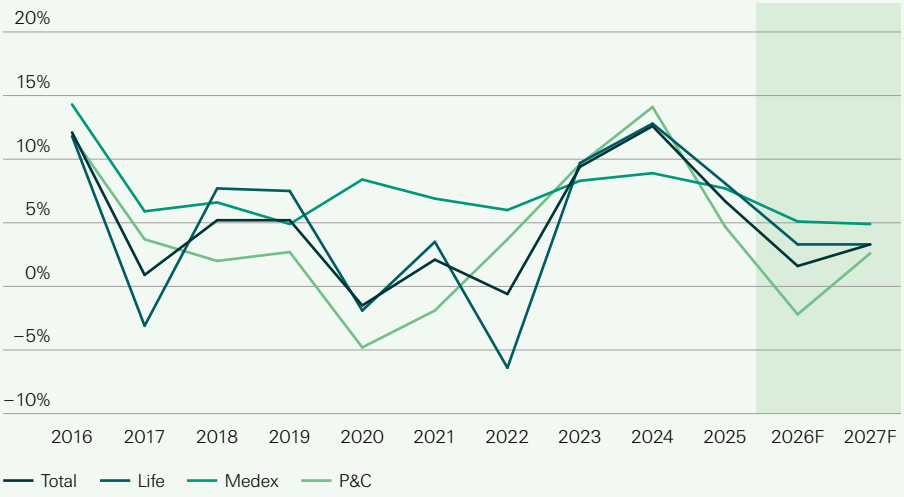
Figure 10
Real GDP growth



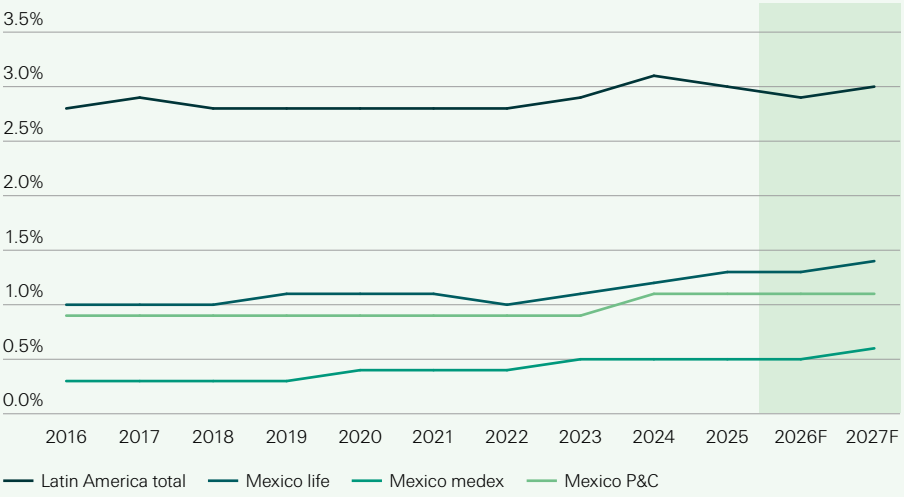
Source: National statistics agency, Swiss Re Institute

Figure 11
Real premium growth



Source: National insurance regulator, Swiss Re Institute

Figure 12
Insurance penetration



Source: Swiss Re Institute

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Colombia

Colombia's consumption-led expansion has strengthened, but it is increasingly exceeding the economy's productive capacity.

- **We forecast Colombia's economy to grow by 2.0% in both 2026 and 2027,** below market consensus of 2.4% and 2.3%, respectively. Gross fixed capital formation remains 10% below its pre-pandemic peak – underscoring a meaningful deterioration in medium- to long-term growth prospects. Imports are growing faster than exports, widening the external deficit and reducing the contribution of net trade. Restrictive monetary policy should cool excess demand gradually, but the output gap is expected to remain positive for much of the forecast horizon before turning negative toward the end of 2027. The Colombian economy accelerated to 3.4% year-on-year growth in the second quarter of 2026 – heavily influenced by a strong burst of government spending ahead of what was a highly contested presidential election. Private consumption is being supported by a tight labour market, real wage gains, remittances, tourism and spending on durable goods. Investment is mixed: purchases of machinery and equipment have accelerated, but housing, other buildings and infrastructure remain weak.

Inflation is moving further away from the 3% target, requiring a renewed and forceful monetary-policy response.

- **The market consensus in August expected headline inflation to reach 6.7% in 2026 and 5.1% in 2027.** The exceptional increase in the minimum wages at the beginning of the year is passing through to services, while food prices have been lifted by international transport and agricultural input costs, flooding, road blockades and local supply disruptions. Gasoline and regulated utility prices are adding further pressure. The prospect of a strong El Niño has led to additional upward revisions for food, electricity, gas and water prices, while higher end-2026 inflation will feed indexation in 2027. Banco de la República raised its policy rate by 75 basis points in June and held it at 12% in July, suggesting that convergence to target may not be completed until 2028.

The new administration may improve market confidence at the margin, but it inherits severe fiscal and institutional constraints.

- **The June election of Abelardo de la Espriella could improve market confidence.** The new administration represents a pronounced rightward shift with an emphasis on market-oriented policy. But the suspension of the fiscal rule, rigid public expenditure and a rising debt burden prior to his presidency have weakened Colombia's credit profile. S&P lowered the foreign-currency rating to BB- in April, following Fitch's downgrade to BB in December 2025. The central bank expects sovereign risk premium to remain on an upward medium-term path as refinancing costs rise. The 2026 minimum-wage increase alone is estimated to add COP 5.3 trillion to the fiscal deficit this year and COP 8 trillion in 2027. Policy redirection could support investment and the Colombian peso, but restoring the fiscal rule and achieving durable expenditure control will be necessary before the sovereign risk premium normalises.

Headline insurance growth is being distorted by the collapse in new life-annuity issuance, while most protection lines continue to expand.

- **We expect total real premium growth to recover to 3.5% in 2027,** after a contraction of about 1.7% in 2026. As of first half of 2026, L&H premiums have fallen 7.5% on a year-on-year basis, owing to a sharp decline in annuity premiums. Decree 1485 reduced the government's protection against future minimum-wage increases, severely increasing the actuarial capital needed to purchase a minimum-wage-linked annuity. Many retiring workers could no longer finance the higher single premium, causing new issuance to collapse. Outside annuities, performance was considerably stronger: group life premiums rose 12%, broadly in line with 10.2% growth in consumer and mortgage credit; health premiums increased by more than 20%; and workers' compensation and disability-related lines benefited from higher insured payrolls and wages. P&C premiums grew 2.7% in real terms in the first half of 2026, supported by fire, compliance and some commercial lines, while motor remained soft.

Profitability deteriorated sharply as wage-linked reserve strengthening and operating expenses overwhelmed premium growth.

- **Underwriting profitability is weakening.** The P&C combined ratio rose from 91.6% to 94.1% in the 12 months to the first half of 2026, largely driven by motor, which reached 101.5%. Investment income rose by 9% but was insufficient to compensate and ROE declined from 26.8% to 15.4%. The August earthquake will be an important headwind for the second half of 2026: insurers had received 68 270 claims by 21 August, with estimated insured claims, as of September 7th, of approximately COP 3.7 trillion (USD 1.2 billion) – just shy of 50% of last year's non-life claims. The ultimate net effect will depend on reinsurance recoveries and further claims development.

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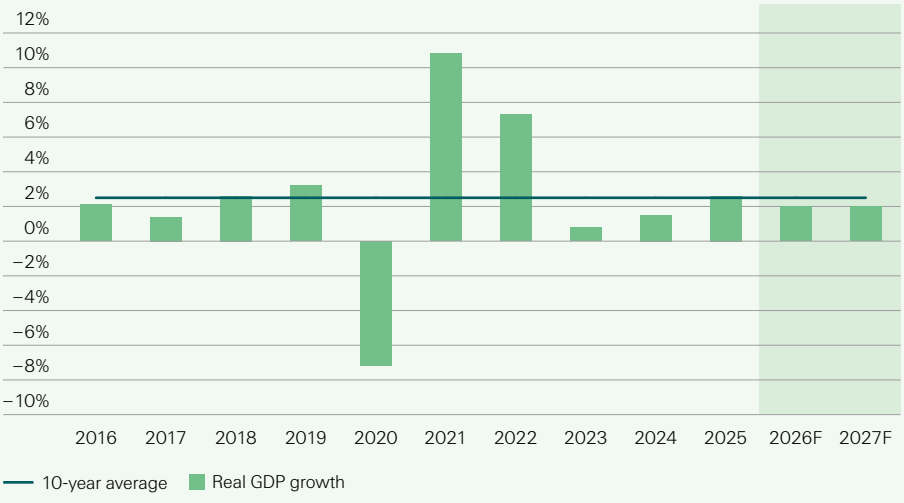
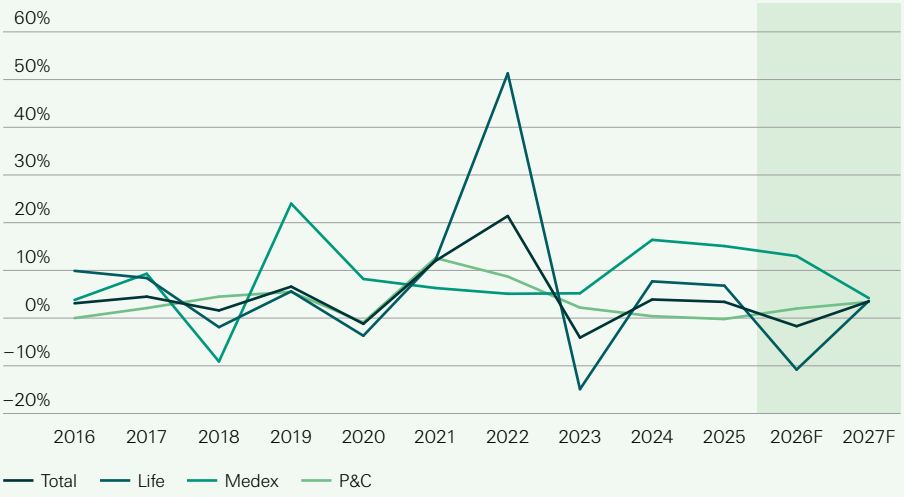
Figure 13
Real GDP growth



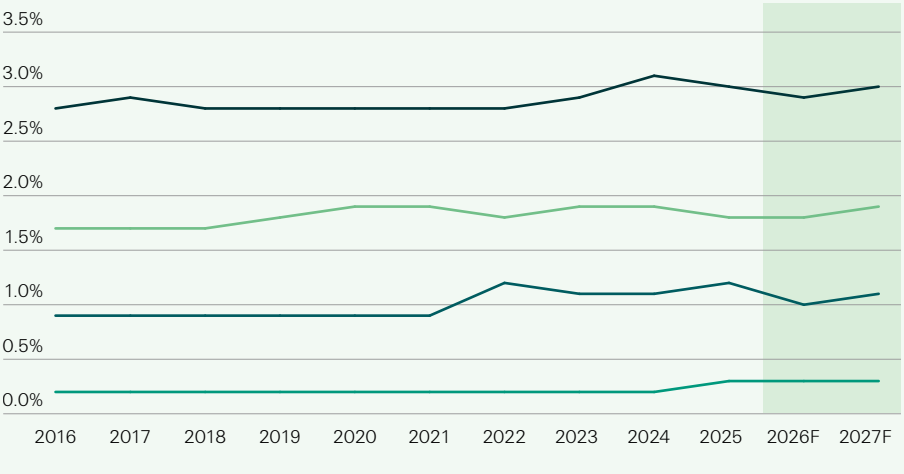
Source: National statistics agency, Swiss Re Institute

Figure 14
Real premium growth



Source: National insurance regulator, Swiss Re Institute

Figure 15
Insurance penetration



Source: Swiss Re Institute

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Chile

We expect Chile's economy to accelerate to 3% in 2027 after weak growth in 2026.

- **We forecast real GDP growth of 3% in 2027,** an acceleration from estimated weak activity of 0.9% in 2026**.** The economy has weakened materially, with back-to-back quarterly real GDP contractions. The slowdown has broadened from supply-side constraints to weak domestic demand. Private consumption contracted amid deteriorating confidence, falling employment and weaker real incomes. Investment is also subdued, reflecting weak construction, delayed projects and lower public capital spending. In 2027, we expect the Reconstruction Law to boost gross fixed capital formation and promote business confidence and a substantial rebound in investment. With that backdrop, we expect real GDP growth of 3.0% in 2027, with higher copper prices providing an additional tailwind.

The energy shock has temporarily pushed inflation above target, but expectations remain better anchored than in the rest of the region.

- **We expect inflation to average 3.5% in 2026, before declining to 3.0% in 2027** as recent fuel-price increases drop out of the comparison base. These expectations remain close to target. While cost pressures are significant, including from wages and energy, weaker domestic demand is limiting their pass-through. Headline CPI has fluctuated around 4.0% year-on-year since April, largely reflecting higher fuel prices, while core inflation has remained contained at 3.2–3.4%. The policy rate is steady at 4.5%, balancing persistent cost pressures against weaker activity. Forward guidance is cautious and data dependent: weaker than expected demand may warrant easing, while persistent inflation may call for a more restrictive stance.

Chile's principal structural question is no longer macroeconomic stabilization, but the implementation of pension, capital and data-market reforms.

- **Reforms could unlock new investment.** The new administration is pursuing a more investment-oriented agenda centred on deregulation and lower corporate taxation, which could help unlock mining, energy and infrastructure investment, particularly given structurally strong copper demand. Chile has one of the strongest institutional and macroeconomic frameworks in Latin America, but income convergence with advanced OECD economies has effectively stalled.[7] However, fiscal space is limited: persistent deficits mean that achieving structural balance while keeping public debt below 45% of GDP will require constraining the scope for tax reductions and new spending.[8] Longer term, rapid population ageing, weak labour-force participation and skills gaps will increasingly weigh on potential output. The key upside is whether regulatory reform and stronger capital formation can generate sustained productivity gains sufficient to lift Chile above its roughly 2% trend-growth benchmark.

Premium growth is likely to remain strongly driven by L&H, while P&C should recover from contraction in 2025 and 2026.

- **We expect total real premium growth to accelerate to 6.7% in 2027,** up from **about 5.9% in 2026**. Life premiums, which represent ~70% of the L&H market, have grown by 11.8% year-on-year in the first half of 2026, driven by disability and survivor insurance and life annuities. The 2025 pension reform will gradually raise the total contributions to individual pension accounts from 10% to 16%, potentially increasing future retirement balances and life-annuity premiums. The insurers' association estimates that assets managed by life companies could be 5% higher by 2050 than they would be without the reform.[9] P&C premiums have fallen by 4.7% in the first half of 2026, with steep declines in marine, liability and engineering. Property, which accounts for ~40% of non-life, has contracted by 8.6%. Health insurance, as in the rest of the region, continues to become an important structural contributor for the industry. The number of insureds increased by 18.8% year-on-year to almost 10 million, reflecting corporate demand for supplementary plans. P&C growth should broaden gradually in the coming quarters as mining, energy and infrastructure projects enter execution – lower commercial rates however will limit premium gains.

Non-life profitability has compressed sharply from an unusually strong 2025 base.

- **We expect profitability to normalise in 2026**. The sector enters this normalisation from a position of strength, with P&C generating technical profits through the first half of 2026 and capitalisation providing capacity to absorb further margin compression. The moderation reflects weaker pricing, costlier claims, and the absence of the previous year's investment tailwinds. Commercial property rates are falling due to abundant capacity, while inflation-sensitive operating and repair costs have risen.

[7] *Chile: Foundations for growth and competitiveness 2026*, OECD
[8] *Article IV Consultation*, International Monetary Fund, July 2026.
[9] *Impacto de la reforma previsional en la industria aseguradora*. AACh, August 2026

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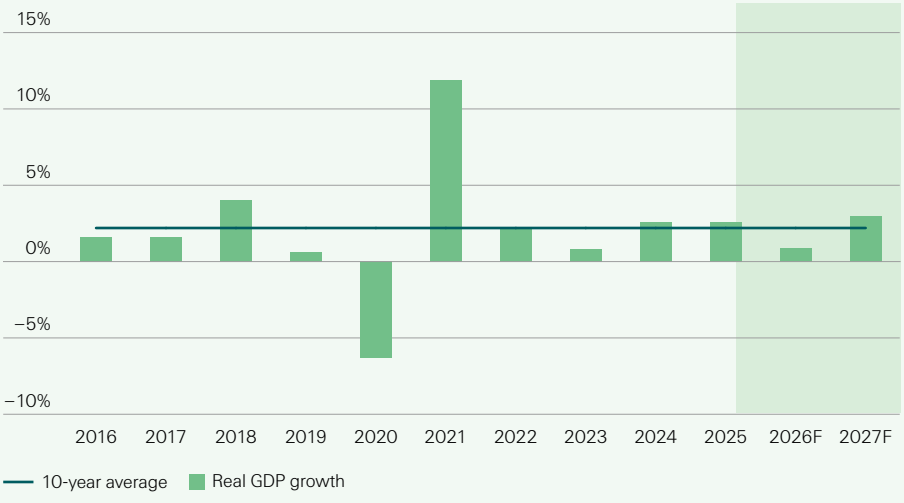
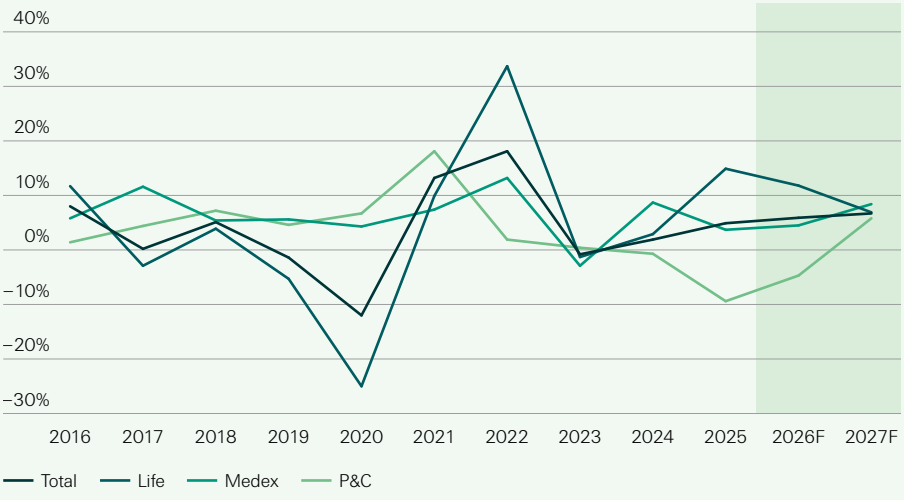
Figure 16
Real GDP growth



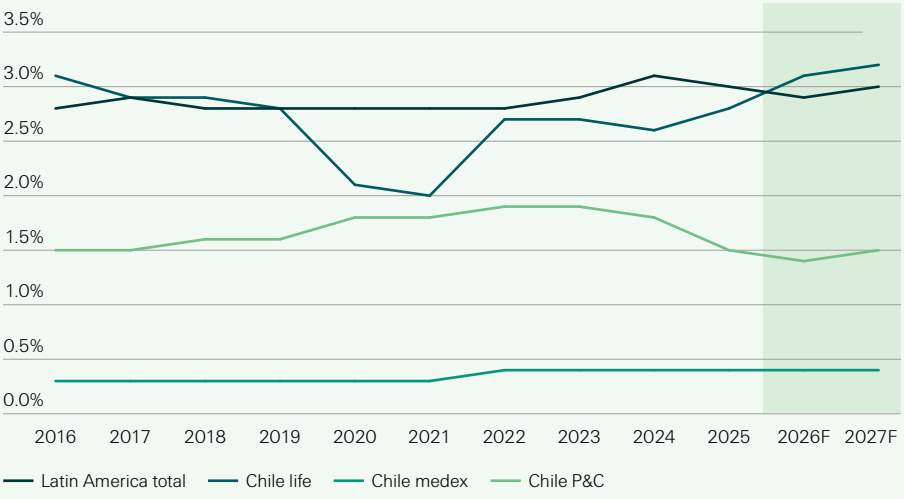
Source: National statistics agency, Swiss Re Institute

Figure 17
Real premium growth



Source: National insurance regulator, Swiss Re Institute

Figure 18
Insurance penetration



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