

# New surety rules in Brazil

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Having issued circular 662/2022 (“the Circular”) in April, new rules for surety in Brazil have come into force with effect from 2 May 2022. Based on market feedback, the Circular acts as a new framework for surety in Brazil. The reformed framework no longer requires parties to a surety contract to be bound by the SUSEP standard wording, allowing for greater flexibility for local and international parties to an insurance agreement.

## Notable Circular 662/2022 policy wording developments

- If the main object is altered, the policy must be amended to reflect such changes. This should occur if such alterations arise from a statutory obligation or were provided for in the documents which led underwriters to accept the risk; or if the insurer accepts the alteration
- If the policy details the possibility of notification of an expected loss, the wording must plainly describe the act or fact that amounts to an expected loss and whether its notification is mandatory to the insurer, as well as the criteria for the notification.
- Guarantees can be limited to certain obligations of the main object. Therefore, wordings are not required to cover 100% of the obligations contained therein. Any limitations of cover negotiated between parties need to be included unambiguously and objectively in the wording.

If the parties specifically agree in advance, the wording may allow the insurer to:

- monitor and/or inspect the main object,
- act as a mediator of the default or of any other conflict between the obligee and the principal; or
- provide support and assistance to the principal.

## Considerations

Changes to surety rules demonstrates a move away from the restrictive previous model of mandatory standardised SUSEP- issued wordings in Brazil. These developments provide greater freedom of contract for insurers, whilst maintaining a minimum set of fundamental standards.

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