



# MARKET PROFILE 2019

# Doing Business in Bolivia

## Introduction

### 1.1. General information

The Plurinational State of Bolivia was founded as the Republic of Bolivia on 6 August 1825. It lies at the heart of South America and has a total surface area of 1,098,581 square kilometers, equivalent to six times the size of the US state of Washington or the countries of France and Spain put together. Bolivia is landlocked, bordered to the North and East by Brazil, to the West by Peru and Chile, and to the South and East by Argentina and Paraguay.

### Departmental Organization

Bolivia has nine autonomous administrative departments. These are, Santa Cruz, La Paz, Cochabamba, Oruro, Chuquisaca, Tarija, Potosi, Beni y Pando, which are divided into 112 provinces and sub-provinces. In addition, there are 339 municipal districts for local government purposes.

### Capital Cities

The constitutional capital is Sucre, in the Chuquisaca department, and hosts the Supreme Court and other judicial bodies. The Legislative Assembly and the seat of Government are located in La Paz, the administrative capital.

### Population

At the time of the last census in November 2012 Bolivia's total population was just under 10.4m following average annual population growth of 2.3% during the previous decade. Official growth projections show the population grew to almost 11,3 m by the end of 2018.

The urban population is growing much faster than the national average composed of 49.6% women and 50.4% men. By area of residence, 69.4% of the population lives in the urban area and 30.6% in the rural area.



## Climate

Despite lying just South of the Equator, Bolivia enjoys a variety of climates, with temperatures that range from below 0 degrees centigrade up to 48 degrees, due in part to the wide range of altitudes encountered, from lowland plains in the east and north to Bolivia's highest peak, Sajama, at 6,542 meters (21,464 feet) near the border with Chile. This climatic diversity creates distinct ecological regions, from tropical forests to steep-sided upland valleys and high-altitude plains and mountains, allowing a very broad range of agricultural crops to be grown.

## Languages

Spanish is the most commonly spoken language with nearly 90% of the population able to communicate well in Spanish. Many people also speak an indigenous language as their mother tongue, the most common are Quechua (in the inter-Andean valleys), and Aymara (on the Altiplano). English is widely spoken and understood in the business community, and young people are increasingly studying English as their second language of choice.

## Education

Education is compulsory up to the age of 16 and is provided free by the State up to university level. A wide range of fee-paying private educational establishments and universities co-exist alongside the state system. Progress has been made to reduce illiteracy rates in recent years and school attendance has improved owing to educational reforms that began in 1996, and since 2006 with the payment of a school attendance bonus.

## Religion

There is no official State religion. The State recognizes and guarantees the freedom of worship and the right to hold a religious belief. At least 23 different religious faiths are represented in Bolivia.

## Business hours

In the private sector, office hours are usually 08:30 to 12:00-13:00 and 14:30 to 18:00-18:30 Monday to Friday. The public sector keeps similar hours. Some public and private-sector offices, such as banks, remain open throughout the day and do not close for lunch.

## National Holidays in Bolivia 2019

January 1st

New Year`s Day

June 20th

Corpus Christi

January 22nd

Plurinational State Day

June 21th

Andean New Year

March 4th & 5th

Carnival

August 6th

Independence Day

April 19th

Good Friday

November 2nd

All Souls` Day

May 1st

Labour Day

December 25th

Christmas Day

### 1.2. POLITICAL – ADMINISTRATIVE ORGANISATION

The President and Vice-President are elected by compulsory universal suffrage and serve a five-year term. The most recent General Elections were held on 22 October 2014 and the current President, Evo Morales Ayma, and Vice-President, Alvaro García Linera, took office for a third term on 22 January 2015. The cabinet is appointed by the president. The next presidential and legislative election is due in October 2019.

The Plurinational Legislative Assembly is comprised of two chambers consisting of the Senate (36 members, 4 per regional department) and a Chamber of Deputies (130, half of whom are directly elected). The legislative electoral cycle runs concurrently with the presidential term.



### 1.3.TRANSPORT AND COMMUNICATIONS

Highways : in the past twelve years the construction of double track roads in the Bioceanic corridor has been encouraged. Up to date La Paz, Oruro, Cochabamba and Santa Cruz have this type of roads, which brings modernity and safety while traveling; but essentially this type of structure seeks to empower world commerce. With an Investment of 6.593 million of USD, the Bolivian Road's administration finished between 2006 and 2017 at least 4.796 kilometers, consolidating the integration of all 9 departments of Bolivia.

Rail : The railroad system, which was partially privatized in 1995, covers an estimated 3,500 km and consists of two separate networks: Red Andina, which covers the western highlands and connects with Chile, Peru and Argentina; and Red Oriental, in the eastern lowlands, with rail connections south to Argentina and east to Brazil. The railroad is primarily used for transporting freight (minerals and agricultural products). The government is engaged in an ambitious project with neighboring countries to build an East- West rail corridor connecting Brazil and Paraguay in the East to the Pacific coast of Peru in the West. If the project proves feasible it would open up an important new transcontinental trade route and realize Bolivia's long-held ambition to link the Andean and Oriental rail networks.

Air transport: Bolivia's national air routes are served by a major airline, the Bolivian State Airline (BOA), and airlines that operate small airplanes, Military Air Transport (TAM), the Bolivian Army's civil air service and two private airlines: Amaszonas and ECOJET. Regular scheduled flights operate to all major urban centers and BOA flies to a wide range of international destinations. A variety of other international airlines operate flights to and from Bolivia, including: American Airlines and Copa Airlines, with daily flights to Miami; LAN, Avianca (Colombia), TAM (Brazil), TACA (Central America), Sky (Chile) and Air Europa (Spain).

Ports: Due to its landlocked status Bolivia has no sovereign sea ports, but has instead established free port privileges at maritime ports in Argentina, Brazil, Chile, Peru and Paraguay. The principle ports of entry and exit are Arica and Iquique in Chile and Puerto Aguirre, an inland riverine port on the Paraguay/Parana waterway at the Bolivia/Brazil border.

Telecoms: Bolivia benefits from modern and competitive telecoms in all main urban centers. The telecoms sector has been deregulated since 2001 with operating licenses granted to private companies and the market is open to competition. Licenses have underpinned investment to modernize telecoms infrastructure. The dominant international and long distance telecom provider is state-owned Entel. Other major providers of cellular telephony and data transmission include AXS, Nuevatel (operating the Viva brand) and Millicom (operating the Tigo brand). The launch and commissioning of Bolivia's first telecommunications satellite in 2014 helped to reduce the cost of broadband Internet access and will aid an expansion of the rural telecommunications footprint.

## 2. ECONOMIC OUTLOOK

Over the last decade, Bolivia has boasted exceptionally strong macroeconomic performance, driven in part by the boom of commodities prices and after the decline in natural gas and minerals prices in 2014 by the government's counter-cyclical macro policies. In the 2010-2018 period, Bolivia was actually the fastest growing economy among 13 countries in South America and the second after the Dominican Republic among 19 countries in Latin America, with its economy expanding at an average annual rate of 5.0%. During the most recent year, economic growth was mainly driven by agriculture, finance and manufacturing, each of which respectively contributed 0.9pp, 0.6pp, and 0.5pp to the country's 4.2% growth rate. Agriculture grew at a rapid 7.6% yearly, while some services such as transportation and trade also showed fast growth (5.2% and 5.1%, respectively). Oil and mining, in contrast, contracted by 0.6%, driven by a decline of 2.4% in crude petroleum and natural gas output. Weak external demand in particular, low demand for gas from Brazil as well as decreasing productivity of mineral deposits, are the key drivers of this decline.

The pace of economic growth has remained solid in 2018, with GDP growing 4.7%, driven mainly by a rebound of goods and services exports, which had contracted for the prior three years, as well as resilient household consumption (4.0% y-o-y). The fastest-growing economic activities were agriculture (6.6% y-o-y), financial establishments (6.4%), and crude oil and natural gas (6.0%)

### 2.1 Currency stability is a policy priority

One of the biggest successes of the Bolivian economy has been, without a doubt, the process of de-dollarization, allowing it to reach sovereignty from monetary policy due to the stability and good macro economic results of these past years. In the year 2000 only 5% of the deposits were in national currency, versus a 95% that were nominated in USD. For its part, if we turn our attention to the national currency credits, it only reaches 3% of the total.

### 2.2. Economic growth stays firm

Bolivia's economy has recovered firmly from the global downturn in 2009, with growth reaching a peak 6.8% expansion in 2013. In line with regional trends, growth eased to a still firm 4.8% in 2015 and to an estimated 3.7% in 2016, according to the IMF. Despite the slowdown, Bolivia still has one of the fastest growing economies in Latin America. This strong performance is supported by rising private consumption and increased public investment and spending. Firm tax revenue growth from general taxes and, until recently, a commodities price bonanza, has provided significant impetus to public spending on infrastructure and social programs and kept economic growth above its long-term average.



Private investment improved after the credit squeeze brought on by global financial shocks in 2008-2009, but a commodities price downturn since 2014 has undermined fixed investment growth.

The acceleration of the economical activity along with Price stability and the favorable terms of unemployment in an adverse regional context has been possible thanks to the countercyclical policies that have been applied in the last few years by the economical authorities. Public investments, joined by social policies that redistribute earnings, the partial recovery of fossil fuels prices and the great agricultural behavior in the year 2018, are the factors that have contributed the most to these outstanding results.

### **2.3. Employment**

The employed population over the working age population is of 60%, 70% males and 50% females. Nevertheless, of those belonging to the part of the population that are economically active, the rates of unemployment in Bolivia are only of 2,9% for males and 4,1% for females.

It is striking that despite of the difference between males and females, the unemployment gap is small and has diminished during Evo Morales' government.

The minimal wage has raised from 500 to 2.060 bolivianos, a raise of 312%. If you consider an anual inflation of 5,5% you can see a growth of the real salary. The index of the nominal wage has raised 85% during the analized period of occupational groups. Nevertheless, if you analized it internally, the variation was much more important for those professions that generally perceive a smaller wage with a clear bet to improve income distribution.

### **2.4. A strong fiscal performance**

Bolivia enjoyed an 11-year period of large trade surpluses in 2004-2014 which in turn led to wide surpluses on the current account of the balance of payments and the steady accumulation of net international reserves. Large amounts of international reserves are now held by the Central Bank and financing difficulties are unlikely to emerge. In 2005-14, the public sector benefited from windfall earnings from increased natural gas exports and higher prices. Increased taxation of oil and gas production after changes to the country's hydrocarbons tax regime in 2005 and nationalizations in 2006 had underpinned government earnings. This led to a sharp improvement in the fiscal balance with an unprecedented eight consecutive years of fiscal surpluses, with an average 1.8% of GDP surplus in 2006-13. The strong fiscal position was also driven by a boom in minerals output as investments in major mining projects reached maturity with major additional mining capacity coming on stream.

A decline in commodities prices, particularly for oil and natural gas since mid- 2014 has undermined fiscal revenue growth from extractive industries. Until prices for commodities recover, fiscal earnings will rely more heavily on domestic tax collection.

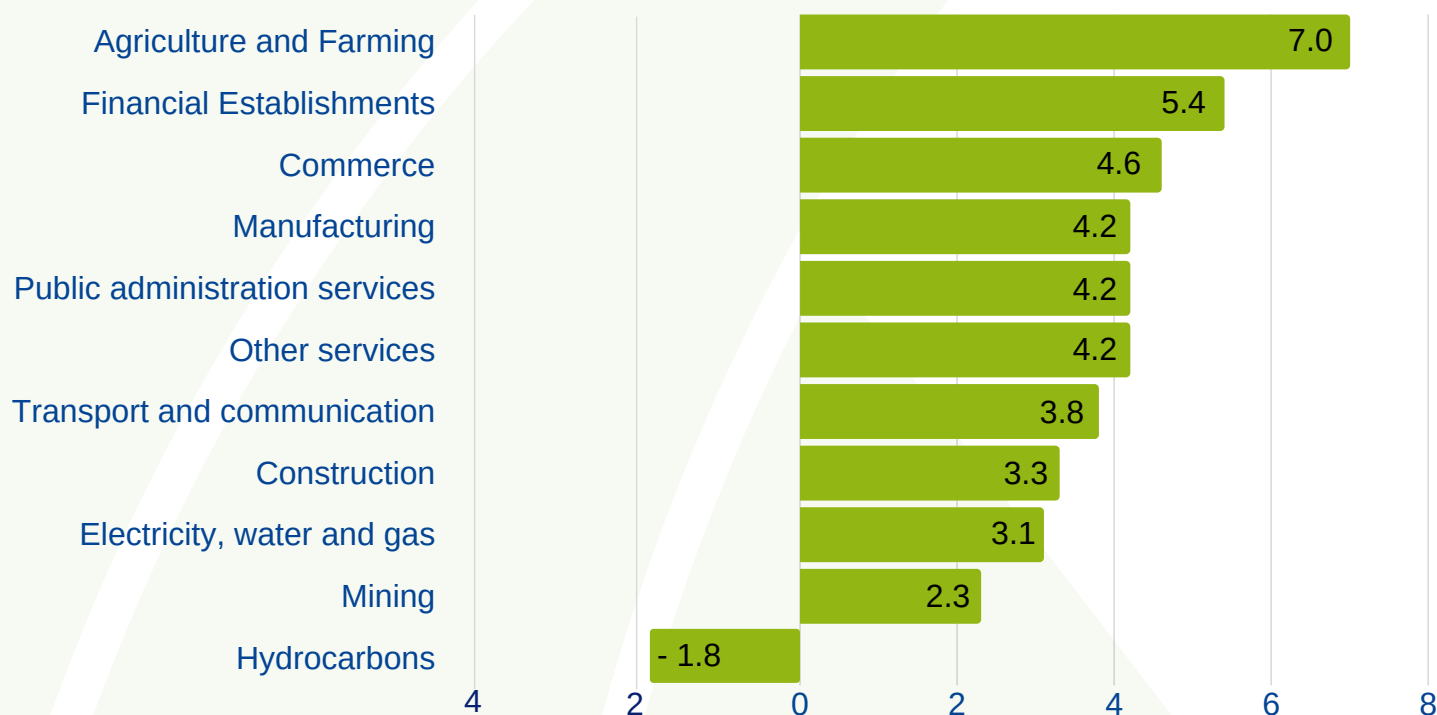
Government spending is being bolstered by plans to fortify public investment in productive areas, particularly electricity generation, petrochemicals and oil and gas. Bolivia returned to the international bond market in 2012-2013, for the first time since the 1920s, placing two US\$500m of ten-year debt in order to lock-in cyclically low interest rates and boost public investment spending. These counter-cyclical measures are driving up the fiscal deficit and will erode reserve levels, but Bolivia will avoid the worst of the commodities downturn. The country's ability to borrow both commercially and from multilateral lenders at reasonable rates will continue to provide ample financing for public investment.

The commitment of the Banco Central de Bolivia (the Central Bank) to a firm currency is protecting savings held in bolivianos and has raised confidence in the currency and the banking system, encouraging the holding of bank deposits in local currency. Monetary policy has succeeded in enabling commercial banks to increase lending while maintaining price stability. A new Financial Services Law passed in 2013 enabled the government to more closely control banking activities, and in particular the setting of interest rates and lending priorities. This has acted to significantly expand lending to different productive sectors and boosted consumer demand, both of which are having a beneficial effect on employment creation and economic growth.



## Cumulative growth and composition of real GDP by economic activity , 2018 (percentage)

### Growth

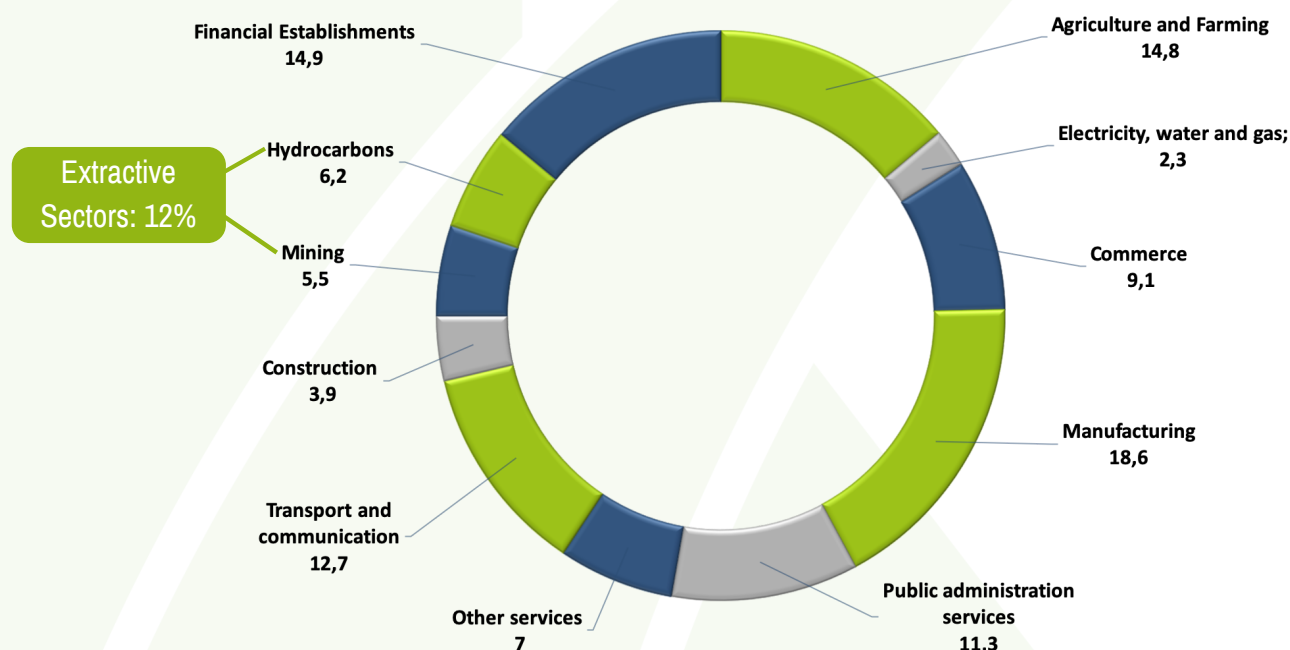


GDP growth: 4.04%

Source: National Institute of Statistics (INE)

Elaborated by : Ministry of Economy and Public Finance of Bolivia , Unit of Analysis and Fiscal Studies

## Composition of GDP at basic prices \* (percentage)



The economic sectors that showed more dynamism were those connected to domestic demand labor intensive, and related to economic policies. On the other hand, extractive activities, which are affected by external conditions represent hardly 12% of Bolivian Production

(\*)GDP at basic does not consider taxes. The composition does not include imputed bank services either  
Source: National Institute of Statistics (INE)  
Elaborated by : Ministry of Economy and Public Finance of Bolivia , Unit of Analysis and Fiscal Studies



### 3. FOREIGN TRADE TRENDS

International demand for Bolivia's export main stays of minerals, natural gas, oil seeds and other agricultural products remains firm despite a global downturn in commodities prices since 2014.

In 2017, there was an increase in exports of more than 71 million dollars with respect to past management. However, lower prices have led to a gradual slide in earnings for many of Bolivia's major export items, a trend that continued in 2016 with an estimated 19% decline in total export earnings to US\$7billion. The largest export sector was mining products which contributed near US\$ 3.7 billion to earnings accounting for 47% of total exports.

With the outlook for commodities prices remaining weak in 2017 export earnings are unlikely to grow. Import demand is expected to stabilize after the recent decline, as planned strong public investment and private consumption demand continues to boost imports.

Bolivia's trade with neighboring countries has grown in recent years, mainly because of natural gas exports to Brazil and Argentina and regional preferential trade agreements.

Bolivia is a member of the Andean Community (CAN) and enjoys nominally free trade with other member countries (Peru, Ecuador and Colombia). Bolivia is also an associate member of Mercosur (Southern Cone Common Market) and is seeking to become a full member. Trade relations are also focused on developing markets in Europe under the auspices of an EU trade preference agreement.

Bolivia's main regional trading partners will continue to provide demand for Bolivia's export trade in 2017. Expectations that US economic recovery will gather pace is also supportive. However, a stronger US dollar will act to reduce the value of mineral and refined metals exports in 2017, which will have to be made up for by increased volumes if the slide in exports earnings is to be halted.

#### 4. SETTING UP A COMPANY IN BOLIVIA

There are 15 key steps for company formation in Bolivia. The over all process takes approximately 50 working days, according to World Bank surveys.

- Check for uniqueness of the company's name at the Registry of Commerce
- An attorney draws up articles of incorporation, bylaws and an act of constitution. This includes the appointment of a provisory board.
- Notarize the articles of incorporation "escritura de constitución"
- Publish the company deed "título de constitución" in a national newspaper
- An accredited accountant prepares the opening balance sheet "Balance de apertura"
- The opening balance sheet is affirmed with the seal of the Colegio de Contadores
- Register at the National Tax Service to obtain a tax identification number (NIT)
- Obtain a municipal business license and a municipal registration card (Padrón Municipal) from the municipality where the business is located
- Municipal Government inspects the technical and environmental characteristics of the venue
- Obtain evidence of a bank deposit equivalent to at least 25% of the company's subscribed capital
- Register the company deed "Matricula de Comercio" with the Fundación para el Desarrollo Empresarial – FUNDEMPRESA and obtain a legal identity
- Register at the appropriate Chamber of Commerce or Industry
- Register for national health insurance and short-term disability coverage
- Register at the Ministry of Labor, enroll in the Caja Nacional de Establecimientos
- Register employees with the pensions system (Sistema Integral de Pensiones)

# Bolivian Insurance Practice

## Section I

### REGULATORY FRAMEWORK

Insurance companies, as intermediaries, must be specialized in selecting the risks assumed, minimize risk through the use of reinsurance, and additionally, efficiently and professionally manage the investment of its own financial resources, as well as those of third parties.

The Insurance Law # 1833, in its Article 6, determines three insurance modalities:

- a. General insurance, through this modality the insured can cover probable future losses due to theft, traffic accidents, fire, etc.
- b. Personal insurance, through this modality the insured is covered from fortuitous health risks, personal accidents, loss of life, etc.
- c. Surety insurance, divided in security and credit insurance.

Pursuant with this Law, personal insurance is exclusive with respect to general insurance and surety insurance. In turn, general insurance companies are authorized to manage surety insurance and health insurance.

### INSURANCE MARKET ORGANIZATION

Insurance transactions are based on goodwill as well on trust which the insured places on the insurance company.

The insurance market in Bolivia has the following organization:

- Supervision and Control Authority of Pensions and Insurances (APS).

Currently there are nine property, casualty and surety insurance companies and nine life insurance companies.

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graph TD; LIC[LIFE INSURANCE COMPANIES] --- BUBA[BUPA insurance (Bolivia) S.A.]; LIC --- LV[La Vitalicia Seguros y Reaseguros de Vida S.A.]; LIC --- LB[La Boliviana Ciacruz Seguros Personales S.A.]; LIC --- SP[Seguros Provida S.A.]; LIC --- CSVF[Compañía de Seguros de Vida Fortaleza S.A.]; LIC --- NSVS[Nacional Seguros Vida y Salud S.A.]; LIC --- AVS[Alianza Vida Seguros y Reaseguros S.A.]; LIC --- CS[Crediseguro S.A. Seguros Personales]; LIC --- SRPU[Seguros y Reaseguros Personales Univida S.A.]; NLIC[NON-LIFE AND SURETY INSURANCE COMPANIES] --- LB2[La Boliviana Ciacruz de Seguros y Reaseguros S.A.]; NLIC --- SRCI[Seguros y Reaseguros Credinform International S.A.]; NLIC --- SI[Seguros Illimani S.A.]; NLIC --- AC[Alianza Compañía de Seguros y Reaseguros S.A. EMA]; NLIC --- BS[Bisa Seguros y Reaseguros S.A.]; NLIC --- CSRF[Compañía de Seguros y Reaseguros Fortaleza S.A.]; NLIC --- NSPF[Nacional Seguros Patrimoniales y Fianzas S.A.]; NLIC --- CG[Crediseguro S.A. Seguros Generales]; NLIC --- USRP[Unibienes Seguros y Reaseguros Patrimoniales S.A.]
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The diagram illustrates the structure of the insurance sector in Bolivia, categorized into two main groups: Life Insurance Companies and Non-Life and Surety Insurance Companies.

**LIFE INSURANCE COMPANIES**

- BUPA insurance (Bolivia) S.A.
- La Vitalicia Seguros y Reaseguros de Vida S.A.
- La Boliviana Ciacruz Seguros Personales S.A.
- Seguros Provida S.A.
- Compañía de Seguros de Vida Fortaleza S.A.
- Nacional Seguros Vida y Salud S.A.
- Alianza Vida Seguros y Reaseguros S.A.
- Crediseguro S.A. Seguros Personales
- Seguros y Reaseguros Personales Univida S.A.

**NON-LIFE AND SURETY INSURANCE COMPANIES**

- La Boliviana Ciacruz de Seguros y Reaseguros S.A.
- Seguros y Reaseguros Credinform International S.A.
- Seguros Illimani S.A.
- Alianza Compañía de Seguros y Reaseguros S.A. EMA
- Bisa Seguros y Reaseguros S.A.
- Compañía de Seguros y Reaseguros Fortaleza S.A.
- Nacional Seguros Patrimoniales y Fianzas S.A.
- Crediseguro S.A. Seguros Generales
- Unibienes Seguros y Reaseguros Patrimoniales S.A.

It must be noted that due to restrictions in the new Law, cooperatives cannot carry out insurance activities in the Bolivian market as this activity is exclusively assigned to licensed insurance companies



## Reinsurance companies

Reinsurance mechanisms are the main tools for the coverage of risk dispersion, by assuming the risks transferred to them by insurance companies, as well as the transfer and distribution of risk to other reinsurance companies. In fact, these activities require large volumes of operations and consequently significant amounts of capital resources. Currently, approximately eighty-nine foreign reinsurance companies are registered and authorized to assume insurance risks transferred by Bolivian insurance companies.

## Brokers

These companies act as intermediaries between the insured and the insurers, with no contractual obligation with the latter. In other words, these provide technical assistance to their clients based on their needs and the coverage characteristics. Furthermore, brokers should recommend to their clients to select the company that, in their opinion, is best suited to provide the insurance required by the client's needs.

At present there are twenty thirty-three in the insurance market in Bolivia. These cover general insurance, as well as surety and life insurance.

## Risk Ratings for Insurance Companies

Insurance Companies	Rating Company	Claims Payment		Rating Date	Trend
		Nomenclature ASFI (*)	Nomenclature Rating Company		
La Boliviana Ciacruz de Seguros y Reaseguros S.A.	Moody's	AA1	Aa1.bo	28/09/18	Estable
	PCR	AA1	BAA+	27/09/18	Estable
Seguros y Reaseguros Credinform International S.A.	AESA RATINGS	A1	A+	28/09/18	Estable
	PCR	A1	BA+	27/09/18	Estable
Seguros Illimani S.A.	AESA RATINGS	B3	B-	28/09/18	Negativa
	Moody's	C	Caa3.bo	28/09/18	Estable
Alianza Compañía de Seguros y Reaseguros S.A.	AESA RATINGS	AA3	AA-	28/09/18	Positiva
	Moody's	AA3	Aa3.bo	28/09/18	Estable
Bisa Seguros y Reaseguros S.A.	AESA RATINGS	AA1	AA+	28/09/18	Estable
	Moody's	AAA	Aaa.bo	28/09/18	Estable
Compañía de Seguros y Reaseguros Fortaleza S.A.	AESA RATINGS	A1	A+	28/09/18	Negativa
	PCR	A2	BA	27/09/18	Negativa
Nacional Seguros Patrimoniales y Fianzas S.A.PCR	Moody's	AA3	Aa3.bo	28/09/18	Estable
	PCR	A1	BA+	27/09/18	Estable
Unibienes Seguros y Reaseguros Patrimoniales	AESA RATINGS	A3	A-	28/09/18	Estable
	-	-	-	-	-
Crediseguro S.A. Seguros Generales	AESA RATINGS	AA3	AA-	28/09/18	Estable
	PCR	A1	BA+	27/09/18	Estable
BUPA Insurance (Bolivia) S.A.	AESA RATINGS	AAA	AAA	28/09/18	Estable
	Moody's	AAA	Aaa.bo	28/09/18	Estable
La Vitalicia Seguros y Reaseguros de Vida S.A.	AESA RATINGS	AA2	AA	28/09/18	Negativa
	PCR	AA2	BAA	27/09/18	Estable
La Boliviana Ciacruz Seguros Personales S.A.	Moody's	AA1	Aa1.bo	28/09/18	Estable
	PCR	AA2	BAA	27/09/18	Positiva
Seguros Provida S.A.	AESA RATINGS	C	CCC	28/09/18	Negativa
	Moody's	C	Caa1.bo	28/09/18	Estable
Nacional Seguros Vida y Salud S.A.	Moody's	AA3	Aa3.bo	28/09/18	Estable
	PCR	AA3	BAA-	27/09/18	Estable
Alianza Vida Seguros y Reaseguros S.A.	AESA RATINGS	AA3	AA-	28/09/18	Estable
	Moody's	AA3	Aa3.bo	28/09/18	Estable
Crediseguro S.A. Seguros Personales	AESA RATINGS	AA1	AA+	28/09/18	Estable
	PCR	AA3	BAA+	27/09/18	Estable
Seguros y Reaseguros Personales Univida S.A.	AESA RATINGS	A1	A+	28/09/18	Estable
	Moody's	AA3	Aa3.bo	28/09/18	Estable
Compañía de Seguros de Vida Fortaleza S.A.	AESA RATINGS	BBB1	BBB+	28/09/18	Positiva
	PCR	A3	BA-	27/09/18	Estable

Source: Supervision and Control Authority of Pensions and Insurances of the Plurinational State of Bolivia at November 2018

## HANDLING PROCEDURE

Contact should be made with Mr. Gonzalo Kieffer Guzmán, International Accounts Coordinator, who is the Chief Executive Officer nationwide and Mr. Andrés Kieffer Fleig, Executive Vice-President.

## MAILING ADDRESS

gonzalo.kieffer@kieffer-asociados.com.bo  
andres.kieffer@kieffer-asociados.com.bo

## ENGINEERING FACILITIES

KIEFFER & ASOCIADOS S.A. has one staff engineer.

## NON ADMITTED INSURANCE

Non admitted insurance is not permitted. Agents, brokers or insurers who violate the law are subject to substantial fines.

## COMPULSORY

- Third party liability for all public transport vehicles (i.e. buses, taxis, etc.) On May 25th 2000, as per decree N°25785, the SOAT insurance (Seguro Obligatorio de Accidentes de Tránsito) has been created, which covers the risks of death and bodily injury as a consequence of an accident. The SOAT insurance also covers: Medical expenses, total disability and death with a maximum amount of 2.300 Special Drawing Rights, approximately \$us. 3.600 per person.
- The financial Institutions are obligated by the Financial Authorities to maintain BBB and D&O policies.
- Workers compensation (State Scheme)

## REGISTRATION OF REINSURANCE COMPANIES

According to Resolution No.764/2008 reinsurance companies that operate directly with Bolivian ceding companies, have to be register in the Supervision and Control Authority of Pensions and Insurances (APS), this filing is responsibility of the ceding company.

In the cases where the reinsurance is handled with the participation of a reinsurance broker, the broker has to be registered in the Supervision and Control Authority of Pensions and Insurances (APS), this is responsibility of the local broker with whom the international broker has relations or the ceding company if no local broker is involved.

## **LOCAL CONTROLS**

Supervision and Control Authority of Pensions and Insurances (APS) oversees the insurance industry.

## **CAPITAL REQUIREMENTS**

According to Law No 1883, article 29th, the minimum capital required is 750.000 “Special Drawing Rights”. This minimum amount is required for life and non-life general insurer. The insurer has to be either life or non-life.

Life Insurances must start with 1.000.000 “Special Drawing Rights”.

### **Reinsurance Brokers:**

- Conesa Kieffer & Asociados Corredores de Reaseguros S.A.
- Iberam Re Corredores Internacionales de Reaseguros S.A.
- Olsa Bolivia Corredores de Reaseguros S.A.

### **Loss Adjustment Facilities**

- Cunningham Lindsey International Limited
- MacLarens Young International

### **Competition**

Leading broker in Bolivia: KIEFFER & ASOCIADOS S.A. CORREDORES DE SEGUROS

## General Information

- The Boliviano is the national currency
- U.S. dollar insurance is available for all lines of insurance.
- Dollars can be freely obtained on the exchange market to pay on dollar policies.

## Policies

- The legal system is based on the civil code under law 12760 of August 6, 1975.
- The Supervision and Control Authority of Pensions and Insurances (APS) controls, authorizes all insurance wording and clauses, based generally on British wordings.
- Policy language: Spanish.
- Although LTA's (long term agreements) are available they are not commonly used.
- The cancellation clause provides for a 15 days notice of cancellation prior to the Anniversary date of the policy without penalty.
- Policies may be issued in bolivianos or foreign currency. It is estimated that about 95% of all policies are issued in US dollars.
- Natural hazard: Flood in the tropical area in the eastern portion of the country.

## TAXES

- Value Added: 13.0%
- Transactions: 3%
- Supervision Authority of the Financial System Bolivia: 2.0%
- Remittance Reinsurance Tax: 2.5%
- Financial Transactions Tax: 0.30%
- Insured benefits with a 13.0% tax credit of total invoice.

## Obtaining Quotation

Brokers must have a letter of record before underwriters will quote.



# WORKERS' COMPENSATION EMPLOYERS' LIABILITY AND CASUALTY

## Section II

### **BOLIVIAN SOCIAL SECURITY SYSTEM:**

Workers' compensation is a monopoly of the government and is administered by the Social Security System. All individuals, including expatriates and excluding domestic servants and agricultural workers, are subject to the Workers compensation.

This system considers the following regimes on his organization:

#### **• Short Term Social Security:**

This benefit, is provided by Cajas de Seguridad Social in accordance to the Social Security Code approved by Law on December 14th, 1956. It covers the Medical Benefits to the employee, in respect of injuries and occupational diseases, including drugs and medical treatment up to 26 weeks.

The Medical Benefits cover also, maternity expenses. All dependant or independent employees are covered until 58 years old.

The employer is who contributes with 10% of the payroll to the Medical Government Insurance provided by the Caja de Seguridad Social.

#### **• Long Term Social Security:**

The contributions and benefits are managed by the Administration Fund of Pensions (A.F.P.), in accordance to the Pensions Law N° 065, issued on December 10th, 2010.

It covers the retirement of all employees after 58 years old. In case of women, the age changes in accordance to the quantity of born children. It means that the age reduce one year for every born child, up to a limit of three.

## Contributions

The Social Security System, receives a total of 19.42 % for each employee.

12.71 % from the employee salary and 6.71 % from the employer, as it is explained below:

Employer Contribution	%
Solidary Employer Contribution	3 %
Housing Fund	2 %
Premium by Professional Risk	1,71 %

Employee Contribution	%
Monthly Quote	10 %
Insured Solidary Contribution	0,50 %
Premium by Common Risk	1,71 %
Fee Due to Administration	0,50%

In case of the employee's salary exceed Bs 13.000, Bs 25.000 and 35.000 he must to pay in addition, a Solidary National Contribution, which have to be applied with a variable rate, explained as follows:

Solidary National Contribution
= (Total Salary - Bs. 13.000)* 1 %
= (Total Salary - Bs. 25.000)* 5 %
= (Total Salary - Bs. 35.000)* 10 %

## Benefits

The benefit is 60 % minimum of the salary at the time of retirement, which is paid for life.

### Death Benefits

In case the employee dies or as a result of an accident is incapable of continuing its work, the family will receive a monthly pension equal to 100 % minimum of its salary until the widow dies or the children exceed the 19 years old.

In case of death, the Law grants also, 1.800 Bs (Bolivian currency) for funeral expenses.

## Sickness and disability benefits

These benefits are equal to 100% of the salary and are paid from the day of the accident or illness is declared. The maximum period of the disability is one year.

## LIABILITY

### Employers Liability

Employees have a right of action at law and the state has a right of subrogation against a negligent employer. An Employers Liability Policy is available to cover these exposures.

- Policy Period: Annual.
- Cancellation Requirements:
- The insurer: 15 days.
- The insured: Anytime.
- Taxes: 15 days.

### General Liability

- There is no standard General Liability form used in Bolivia. Coverage may be written for named locations, or blanket cover for all locations. Limits for bodily injury and property damage may be written separately or as a combined single limit.
- Defense costs and other supplemental expenses are separately insured for a specified amount.
- Product liability coverage is excluded from treaty reinsurance contracts but is available in the facultative market. Product liability exposures are not a serious consideration in Bolivia as the public, for the most part, is not litigious. Generally, a limit of \$US 500,000 is considered appropriate for most clients. Coverage for Sudden and Accidental pollution is available. The Civil Code liabilities including Tenants Liability, Owners Liability and Neighbours Recourse can be covered under the General Liability policy.

Punitive damages cannot be insured locally.

Contractual and contingent liabilities can be insured under separate policies or added by endorsement to the General Liability policies. Policy Period - annual

- Taxes - 26.00%

Cancellation Requirements :

- Insurer: 15 days
- Insured: anytime

There is no organized pool to handle nuclear liability. This cover is not available locally.

### **Directors and Officers Liability**

Directors and Officers Insurance (D & O) is not compulsory, but it may be purchased.

As per Resolution N°061 issued by the Supervision Authority of the Financial System, all financial intermediaries require an D & O policy, covering the members of the board, subject to limits according to the operations, being the minimum of \$us. 500.000.-

Companies generally pay the premium for D & O insurance, on behalf of the Directors and Officers and there appear to be no tax ramifications for such purchase.

Only residents or “admitted” carriers are permitted to sell D & O insurance. The primary carriers for this line of coverage in Bolivia are: CHUBB, AIG and ZURICH.

There is not a particular form neither required nor mandated. It appears that D & O coverage is written in Bolivia on an occurrence basis, rather than the more standard claim-made basis. This means the coverage trigger is when the alleged wrongful act causing loss, occurs; regardless of when a claim is actually made.

The laws, rules of regulation of the country, allow the Company to indemnify its Directors and Officers for claims against them, but they cannot sue against its own Directors and Officers. There are particular statutes and laws that specifically impose liability on Directors and Officers banks.

## Automobile Liability and Physical Damage

Third party liability insurance is not compulsory.

The minimum combined single limit set by tariff is \$us. 5.000.- but higher amounts are recommended. Since automobiles are very expensive in Bolivia, property damage can be a greater expense than bodily injury. For corporate clients, we recommend as a minimum the following:

La Paz \$us. 50,000.-  
Santa Cruz \$us. 50,000.-  
Elsewhere \$us. 50,000.-

The standard policy includes legal defense costs. Passengers are not considered third parties but may be covered under a Passenger Accident policy.

Medical payments are available, up to 20% of sum insured for passenger.

The Automobile Physical Damage policy covers:

- Total loss due to collision, fire and overturn;
- Own damage due to collision, fire and overturn with or without deductibles;
- Damage caused by strike, civil commotion & malicious mischief;
- Partial theft up to 80%

Five vehicles or more qualify as a fleet. Discounts of one percent per vehicle, to a maximum of 30% are given.

Policy Period : annual

Sales Taxes: 26%

Cancellation Requirements:

Insurer: 15 days

Insured: anytime



## Crime

The market offers any type of coverage provided there is a reinsurer who will support it.

Fidelity coverage may be written blanket, subject to a limit per loss (Commercial Blanket Bond) or per employees; or it may be scheduled (by employee or by position).

- Money and securities coverage is written on an all risk or named peril basis.
- Burglary coverage on stock is available.
- 3-D and B.B.B. are available policies.

Policy Period: annual

Taxes: 26.00%.

Cancellation requirements:

Insurer: 15 days.

Insured: any time

Discounts for longer-term policies are not available.

The Supervision and Control Authority of Pensions and Insurances (APS) has issued Resolution N° 069, requiring the obligation for all Financial Institution under their surveillance (Banks, Exchange Brokers and other Financial Intermediaries) to maintain a Bankers Blanket Bond with limits according to the operations, being the minimum of \$us 1.000.000.

## Environmental Protection

Bolivia has environmental legislation since April 27, 1990 when the law was approved.

All existing and future investments are subject to obtain a license called “Declaración de Impacto Ambiental” (D.I.A.) which is the authorization document to execute a project.

The D.I.A. is provided by the corresponding authorities evaluating the study done by professionals (local or foreign) in respect to the investment or project.

# PROPERTY

## Section III

### All Risk Property

Policy Period : annual

Taxes : 26%

Cancellation Requirements:

Insurer: 15 days

Insured: anytime

### Other Coverages - Standard Perils

The basic fire rate covers damage caused by fire and lightning.

The extended coverage perils include windstorm and hail. Strike; riot & civil commotion; vandalism & malicious mischief; vehicle impact; falling aircraft; water damage (burst pipes); flood; earthquake and fire following can be added to the policy by endorsement.

Coverage for terrorism is available; it is rated at the discretion of the underwriter.

The explosion cover includes damage by pressure vessel explosion.

Damage to the vessel itself is covered under Machinery Breakdown policy. Although Bolivia has not suffered an earthquake in 35 years; the exposure can be covered by Endorsement to the Fire policy. Sprinkler leakage insurance is available.

The following chart indicates the availability of fire and allied perils in the local market:

Perils	Direct Damage
Fire	Yes
Lightning	Yes
Windstorm (Tempest Typhoon	Yes
Explosion on Premises	Yes
Explosion off Premises	Yes
Explosion of Gas for Domestic Use	Yes
Explosion Damage to Boilers/Pressure Vessels	Yes
Explosion Damage to Surrounding Property from Boilers/Pressure Vessels	Yes
Strikes	Yes
Riots	Yes
Civil Commotion	Yes
Terrorism	Yes
Vandalism	Yes
Falling Aircrafts and objects there from	Yes
Sonic Boom	Yes
Vehicle Impact	Yes
Burning Fields, Forests, Jungles, etc.	Yes
Smoke	Yes
Earthquake	Yes
Flood	Yes
Sprinkler Leakage	Yes
Other water damage (Ruptured, piping, etc.)	Yes
Hail	Yes

The basis for loss recovery is either replacement cost or actual cash value.

Standard coinsurance is 100% although this may be modified if the reinsures agrees.

Stock is written on monthly or quarterly declaration forms. The deposit premium varies between 50% and 70% of the actual premium.

Good-in-process and finished goods can be insured for selling price. Insuring for selling price would cover the loss of profit that would result if there were only a direct damage loss.

## Business Interruption

This market is non-tariff. Business interruption is written on the Gross Earnings form or the British Loss of Profits form. Indemnification for fixed expenses is written on the Daily Loss form. Coverage can be written for the same perils available on the Fire policy or boiler and machinery.

Policy Period : annual.

Taxes : 26.00%.

Cancellation Requirements:

Insurer: 15 days

Insured: anytime

## Boiler & Machinery

It is a norm to insure boiler or other pressure vessel explosion by endorsement to the Fire policy. Separate machinery breakdown (including electrical failure) insurance is also available, on standard Munchener Re, Swiss Re forms or others.

Policy Period - annual.

Taxes - 26.00%.

Cancellation Requirements

Insurer: 15 days

Insured: anytime

## Contractors All Risk

All Risk coverage is available. The owner, contractor and builder may be included as a named insured for cross third party liability.

Government contracts require bonds, this are insurance bond of bank bonds, these could be insurance or bank notes.

### **Construction / Erection Risks (CAR)**

Market forms are basically Munich Re and Swiss Re, suited to the type of RISK. Cancellation Clause should be taken into consideration, because local forms consider a period of cancellation notice of only 15 days.

### **Marine**

U.S. and London forms are available. Under the law, all exports from and imports into Bolivia must be insured locally

### **Other Coverages**

Ocean Cargo, U.S. and British forms available. War and SRCC, also available

### **HULL P/I**

Lloyds of London forms used.

100% facultative placements.

Taxes 26.00%.

Form: Lloyd's of London Underwriters.



# INSURANCE BONDS AND WARRANTIES

## Section IV

- BID Bonds.
- Performance Bonds.
- Maintenance Bonds.
- Temporary Imports.
- Highways Bonds, in case of wide load trucks.
- Export Credit Insurance
- Accounts Receivable Insurance

# INSURANCE LAW No. 1883 JUNE 25, 1998

## ARTICLE 1 - APPLICATION

### SCOPE

The application environment of the Insurance Law includes the activities of assuming third-party risks and providing coverage, contracting general insurance, prepaying services similar to insurance, as well as intermediation and auxiliary services for such activities, by corporations expressly established and authorized for such purposes by the Supervision Authority of the Financial System Bolivia.

It also rules the operation and control of entities performing the above mentioned activities, protection of policy holders and insurance beneficiaries as well as the Supervision Authority attributions.

The insurance-referred rules are deemed to be also applicable to any form of the insuring and reinsuring activity.

## ARTICLE 2 - PROHIBITION

No natural or juristic person may carry out the activities, indicated in the foregoing article, without an express establishment and operation authorization granted by the Supervision Authority with the formalities and requirements established by this Law, its regulations and without affecting the provisions of article 55.

## ARTICLE 3 - OBLIGATORY CHARACTER FOR INSURANCE AND WITHHOLDING CONTRACTING IN BOLIVIA

Natural or juristic persons, domiciled in Bolivia, contracting insurance are under obligation of taking insurance in the country with insuring entities established and authorized for operating in the territory of Bolivia.

Likewise, the insuring entities must withhold maximum fifteen percent (15%) of the responsibility for individual risk and minimum thirty percent (30%) on the total subscribed premiums.

## ARTICLE 4 – OBJECTIVES

The objective of this Law and its regulations are to rule the activities of insurance, reinsurance, intermediation, auxiliary and prepayment entities so these have sufficient credibility, reliability and transparency, guaranteeing a competitive market. Likewise, it determines the rights and duties of the insuring entities and established the juridical equity and safety for the protection of the insured, drawers and beneficiaries of the insurance.

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