



BR of the SEA

A brief informative note



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The bill approved and signed into law with vetoes by the President of the Republic, aims to stimulate the transport by the Brazilian sea coast (COASTWIDE SHIPPING), increasing the national fleet and reducing the costs and time of transport between domestic ports of products for export. A good example of this is the flow of the soy crop and other inputs that end up strangling the roads, as well as the entrances and exits of the National Ports.



The incentive will be given by the possibility of foreign shipping companies to perform domestic transportation (coastwise shipping), provided that legal requirements are met.

The new rule will allow companies to operate without their own fleet, by “chartering” vessels from the EBN-i (Empresa Brasileira de Investimento na Navegação).

Foreign vessels will be allowed to sail along the Brazilian coast with the suspension of the flag of origin. The Flag of Origin binds legal, commercial, fiscal, environmental and labor obligations. Hence the innovation and the prospect of fostering business with the flexibilization of the rules.

In this way, foreign and Brazilian com-

panies will be able to invest in the EBN-I's, transferring chartering rights for a fixed term to shipping companies.

Even with the generation of this new company (EBN-i), foreign companies may have financial control of these operations. With this, substantial growth in business in general is expected, driven by the development of the transport sector.

Main Vetos:

- Tax Incentive – Reporto – a Tax Regime for the Incentive to the Modernization and Expansion of the Port Structure (no extension of tax benefit to unburden investments in ports and railroads.)
- 2/3 of the crew composed of Brazilians in each technical level of officer and in each branch of activity (deck and machinery)

Positive Points of the bill signed into Law:

- Stimulate the maritime transport (Sea Highway)
- Decrease road flow (high cost, time, risk minimization)
- Increase in logistical efficiency
- Improve connectivity between ports, facilitating exports (and imports)
- Generation of new companies (possibly new INSUREDS)

Specifically for the insurance:

- the issue of insurance policies will increase
- generation of new products
- greater safety in case of Redress (healthier companies)

Point of Alert:

Art. 19. Law No. 9432, of January 8, 1997, shall enter into force with the following amendments

...

§ 2 Brazilian shipping companies are assured to contract, in the international market, hull, machinery and civil liability insurance and reinsurance coverage for their own or chartered vessels.

We believe that the Brazilian insurance market must be prepared for business expansion, mainly because one of the legal requirements for entrepreneurship anchored in the new law will be the Civil Liability insurance.

Civil Liability that was not changed and will remain with the current strictness, reinforcing the importance of the insurance.

The possibility of an insurance being taken out abroad was contemplated by the law. We dare to think, however, that the robustness of the Brazilian market is enough to face international competition. Considering the Brazilian standards in general and the unorthodox reality of the Country, operating with domestic insurance will still be the best option.

The opportunities will be huge, considering the enormous Brazilian deficit in transport and a redesign in the current unbalancing of the modal matrixes is expected. The insurers, the

brokers and the protagonists of the insurance business in Brazil can aspire to great things and insureds at both ends: cargo and transport.

We will soon present studies of the main articles of the law.

Thanks for your attention.

São Paulo, January 14, 2022.

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