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Bidders vie for ING's Brazilian group stake

By Samantha Pearson and Joe Leahy in São Paulo

ING is selling its stake in Brazil's insurance group SulAmerica in a deal that is likely to be worth at least \$1bn, people close to the transaction told the Financial Times, sparking a fierce bidding war in the fast-growing Brazilian market.

French insurer Axa and Japan's Tokio Marine have so far emerged as the top bidders for ING's 36 per cent stake in SulAmerica, Brazil's biggest standalone insurance group, said one of the people.

ING declined to discuss details of the deal but said the sale of its Brazilian assets was in line with its plan to divest the group's insurance operations by 2013.

The Dutch group has been selling off its insurance assets to meet the European Commission conditions for the state aid it received during the financial crisis, and in July sold the other part of its Latin American business to Colombia's GrupoSura for €2.6bn (\$3.73bn).

Axa and SulAmerica declined to comment and Japan's Tokio Marine could not be reached for comment.

ING's stake in SulAmerica, which is worth about R\$1.5bn (\$833m) but has already fetched bids at a premium, would also give the buyer a 45 per cent stake in Sulaspas, the controlling group, mostly made up of the powerful Larragoiti family.

It is not known what shareholder rights the family might have under any agreements, but analysts speculate it probably has right of first refusal over any sale of the ING stake.

"It's [the sale] been ready for quite some time. The issue there has been the relationship with the family," said one person familiar with the situation.

Brazil's insurance companies have become a target for investors looking to take advantage of growing demand for better healthcare and car insurance from the country's new middle classes.

"The Brazilian market is still under-penetrated but it has been growing a lot over the past few years," said Guilherme Assis, an analyst at Raymond James in São Paulo.

"Although there is a public healthcare system in Brazil, everyone wants to migrate to the private system," he said, adding that only a quarter of the population had private health insurance.

Since 2003, when former president Luiz Inácio Lula da Silva came to power, nearly 49m Brazilians have risen to the middle and upper-middle classes, according to a study by Brazil's Getúlio Vargas Foundation.

Insurance companies have also benefited from Brazil's tight labour market, which has left employers scrambling to offer benefits such as healthcare plans in an effort to lure new staff and keep hold of current employees.

"More and more, health insurance is becoming a perk for new employees," said Mr Assis, adding that small and midsized companies now account for the greatest growth in demand.

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