



# GLOBEX UPDATE

*Events, developments, and opportunities in the international marketplace*

## Latin America.

Corporations headquartered in Colombia and Mexico have led the way in utilizing captives to cover a wide range of exposures, but companies in Chile and Peru have now joined the bandwagon. Captive growth is being driven partly by large infrastructure projects being developed in Peru and a pro-business mindset in Chile. But captives face challenges in Latin America from “double fronting”, where many countries' regulations require both a local insurer and reinsurer to act as fronting carriers and take on some portion of the risk. In addition, certain Latin America countries have laws or tax regulations that challenge the use of captives. Ecuador enacted reforms that made it cost prohibitive to reinsure to most captive domiciles other than the U.S. and UK. Legislation passed in Brazil eliminated the IRB's state monopoly over the reinsurance sector. The IRB did not have the capacity to reinsure all risk, so some companies created captives to retain risk and cede it to the international market, but minimum capital and minimum ratings made it difficult. Increased captive activity is also expected in Argentina, which has favorable insurance laws and a new government. Elsewhere, other Latin American countries have not moved to pass captive legislation due to the lack of expertise to develop the regulations but in general captive experts see potential for expanded use of captives in Latin America.

## Cuba.

Opportunities for insurers may exist in Cuba as the U.S. restores diplomatic ties, but there are challenges, the most immediate being the U.S. embargo on doing business in Cuba which has been in effect for more than 50 years. Steps have been taken to ease economic sanctions and, while its current economic and political situation may not be an ideal business environment, Cuba needs the type of financial protection from natural disasters and other risks that insurers can provide. Cuba is vulnerable to catastrophic losses from hurricanes, storm surge and earthquakes and while the state generally takes responsibility, it is limited in its ability to mitigate against such disasters or rebuild after a significant event. Today's market in Cuba comprises two insurance companies, both organized under the banner of the Caudal Group, which is owned and operated by the state. The challenge for U.S. insurers will be dissuading Cubans from the idea that the government owns and insures almost everything - Cuba's citizens have had little need to buy auto or property insurance. The government controls vehicle ownership with workers restricted to one vehicle. The real estate market has its own restrictions too, which hampers the formation of a vibrant homeowners insurance market.

## Sudan:

Insurers in Sudan are up in arms over the Chief Justice's decision to raise blood money by more than 800%, a move they fear could lead to a collapse of the insurance market. The Chief Justice issued a criminal justice circular last month amending the value of the full blood money to at least SDG330,000 (US\$54,100), applicable to insurance in the event of death caused by an accident. The blood money amount used to be SDG30,000-40,000, applicable since 2009. The new blood money payout is set to take effect from next year. Consultations are ongoing between the Insurance Supervisory Authority and insurers meanwhile Sudan's largest insurer, Shiekan Insurance & Reinsurance, has proposed a gradual increase in the blood money instead.

## RECENT SUCCESSES

- Placed a construction program, including Property and Liability, for a reverse bungee ride in Bali, Indonesia.
- Determined compliant markets and put in place coverage as well as servicing broker for a clinical trial in the Czech Republic.
- Placed standalone General & Products Liability coverage in Australia for limit of AUD\$20m for a distributor of rehabilitation and assisted medical products to the physiotherapy and occupational therapy market.
- Bound reverse flow Business Owners and Umbrella policies for publisher and distributor of books in Auburn, Washington.



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