



# GLOBEX UPDATE

## Property & Casualty

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

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### USA

Foreign firms operating in America are facing mounting insurance costs – particularly relating to directors' and officers' insurance (D&O). This increase is being driven by more and more lawsuits being filed against non-US firms. In 2018 there were 217 securities class action suits filed against foreign and domestic companies listed in the US - the highest in 20 years. More revealing, the number of class action lawsuits filed against foreign companies rose 39% to 47. In addition, of the 20% of companies listed on the Nasdaq and NYSE that are headquartered outside of the US, 4.5% of them were sued in 2018. The dollar amount of settlements for both foreign and domestic companies in 2018 jumped 71% to \$2.4 billion from \$1.4 billion in 2017. Investor disputes over the handling of cases such as sexual harassment or a cyber security breach have also become increasingly common reasons for lawsuits – many of which are settled out of court. The difference in premiums paid by domestic and foreign companies is due to insurers methodically underpricing the risk associated with overseas-based firms. However, it is thought that D&O premiums for foreign companies have increased anywhere between 6% and 30%.

### Democratic Republic of the Congo

After more than 50 years of a state monopoly for insurance in the Democratic Republic of the Congo, the DRC Insurance sector has finally liberalized. Headline changes that have happened in the market include a requirement that all insurance be conducted through a local insurer. The regulator will be able to provide dispensation, but it is understood that this is unlikely. It is also being required that 75% of reinsurance be ceded abroad as a maximum, which probably means that local capacity would have to be exhausted prior to pursuing a pure fronting option. The intent is to encourage local retention and discourage fronting while at the same time encourage high fronting fees in the market. Compulsory insurances listed within the new Insurance Act include Fire Insurance, Third Party Automobile Insurance, Aviation Civil Liability, Marine Civil Liability, Construction All Risks, Professional Liability, Decennial Liability Insurance/Inherent Defect and Importation Insurance. There are presently only two licensed insurance brokers currently able to operate in the DRC; others are awaiting their licenses.

### Bahrain

VAT was introduced in Bahrain on 1 January 2019 although it is being introduced in stages. The first phase involves businesses with sales exceeding BHD5m (\$13.3m) that would have to register for VAT by 20 December 2019. Across the MENA region, insurers are struggling with aspects of VAT, not least because regulators often do not have a strong understanding of it. VAT is seen as adding an extra layer of complication. The VAT rate in Bahrain is 5%, similar to that in the UAE and Saudi Arabia and is part of a 2018 GCC agreement. To date, the remaining GCC members – namely, Kuwait, Oman and Qatar – have yet to implement VAT.

### RECENT SUCCESSES

- Placed in-country Property insurance for a global company engaged in the growth, testing, analysis and refining of high-grade medical cannabis.
- Placed homeowners insurance for a holiday home in Europe on behalf of a US based personal lines client.
- Coordinated the overseas Broker of Record Letter on a combined Property & Liability Package policy for a manufacturer of insert mold automotive components.
- Bound Defense Base Act coverage for a US company providing field engineers to a Government contract in the United Arab Emirates.

**GLOBEX BROKER SERVICES**

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Phone: (908) 879-1150 | E-mail: [globex@globexintl.com](mailto:globex@globexintl.com) | Fax: (908) 879-1160