



# Globex Underwriting Services

## GLOBEX UPDATE

*Events, developments, and opportunities in the international marketplace*  
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**Key words in this issue:** *Brazil Strikes, Saudi Arabia VAT, Turkey Mandatory Liability cover....*

### **Brazil - Strikes and Theft Disrupt Supply Chain & Drive Up Insurance Rates**

Brazil is facing one of the worst strikes in its history, caused by the pressure of truckers Unions against the rising cost of fuel, which has doubled in cost. Because of Brazil's heavy reliance on road transportation, this strike has had a major impact on the entire country's logistics infrastructure and several key highways have been blocked for days, resulting in a virtual halt to deliveries of fuel, food, medicine and other vital supplies. While the government has announced its acceptance of some of the truckers' demands, it has not been enough to end the strike. Products are spoiling and companies are concerned about business interruptions and security of their cargo on the road and at their facilities. In addition, a crime wave in Brazil is reshaping the country's nascent e-commerce industry. Last year 22,000 cargo robberies were reported in two states alone, Sao Paulo and Rio de Janeiro, the country's two largest cities. Authorities blame criminal gangs preying on shipments. Losses are estimated at hundreds of millions of dollars annually. All manners of business are targets, but authorities say bandits favor consumer goods that are easy to fence. Security costs are squeezing profit margins and forcing retailers and logistics firms to adjust their strategies to succeed in Latin America's largest economy.

### **Saudi Arabia Joins the UAE Regarding Retroactive VAT**

A 5% VAT has been implemented by the Saudi Arabian government since January 1 this year. Insurance companies are asking policyholders to pay value added tax (VAT) as of January 1<sup>st</sup>. Insurers in the UAE which have also imposed the 5% VAT since the 1<sup>st</sup> of January face the same problem regarding VAT on insurance policies sold last year that continue to have effect this year. The VAT recovery issue has arisen because several insurers heavily involved in retail lines had failed to stipulate in the insurance policies issued last year that they would make a retroactive VAT claim. Some lack direct access to their customers, as policies were sold through brokers. The inconsistent VAT treatment by different brokers are forcing insurance companies to have different systems to deal with different brokers. Not all parties involved are VAT registered, thus creating further operational hurdles.

### **Turkey Government – Mandatory Liability Insurance for Marine Pollution**

The Undersecretariat of the Treasury has announced coverage amounts for compulsory financial liability insurance for marine pollution by coastal facilities. The required coverage amounts are published in the Official Gazette and have hence entered into force. Entities required to comply with the regulations include refineries, ports, filling stations, power plants, terminals and shipyards. According to the rules, coverage for property damage will vary between TRY 1 million (US \$247,000) and TRY 8 million depending on annual production, processing or load handling capacity of the plant or other relevant measures. The insurance premiums for the coverage will be determined independently by insurers, depending on various factors such as activity at the insured facility, annual operating volume, production or load handling capacity, security measures, risk assessment and emergency response plans.

### **RECENT SUCCESSES**

- Secured Directors' & Officers reinsured policy in China for a global manufacturer and distributor of a vast range of nutritional products.
- Placed fronting Commercial General and Products Liability policy in Belize for an NGO specializing in the conservation of wildlife and nature.
- Placed Directors' & Officers reinsured policy in China for a global winemaking and distribution business.