

## GLOBEX UPDATE

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

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### Cyber Accumulation Risks: Cyber Insurance & the Hyper-connected Digital World



Cyber risks are taking Insurers into uncharted territory with exposures and threats that have distinct characteristics and bring unprecedented challenges with them. As cyber insurance offerings and premium volumes expand sizably, accumulation risks need to be addressed in the context of a hyper-connected digital world. These present potentially boundless impacts, hard to define and measure exposure bases, scarce and insufficient prediction of historical claims data, and

constantly evolving threats that can spread widely and rapidly with a plausible series of consecutive large events. Moreover, the nature of cyber accumulation poses numerous challenges, among these is the underestimation of cyber exposures by both insurers and reinsurers, resulting in unplanned shocks from any major event. Insurers must therefore ensure that there is available capital to absorb shocks from accumulation risks and provide adequate compensation to insureds after events involving cyber-attacks.

### Drones: Investigating Car Wrecks

For decades, police investigators have used chalk marks, tape measures and roller-wheels to record measurements at the site of crash scenes. Recently, many have utilized a laser scanning tool to map the scene as well. Often, these procedures are lengthy and may require lanes to be shut down or roads closed entirely. Presently, police agencies are turning to drones, unmanned aerial vehicles, to assess crash sites. Remote pilots send up the drones, which take high-resolution



photos that are fed into a computer and run through software programs that create 3D models for investigators. The result: reports which are a hundred times more detailed than what can be done with standard techniques. Privacy and civil rights advocates

typically oppose the use of drones by law enforcement, however they are generally not as concerned when they are used to investigate crash scenes.

## Nepal: Helicopter Rescue Fraud



Investigations earlier this year revealed a lucrative insurance racket scheme pressuring hikers in the Himalayas into unnecessary rescues. Multiple tourists were crammed into a single chopper and then each insurance company was billed for the flight separately. The trekking operators, lodge owners, helicopter companies, and even hospitals would pocket the extra cash. International

insurance companies had set a September 1 deadline for Nepal to clamp down on fraudulent helicopter rescues of tourists or they threatened to stop providing cover. The fraud became so acute that Nepal's government, which relies heavily on tourism, launched a probe in June in a bid to keep insurers from pulling out altogether. The helicopter scam had become such a money-maker that some budget tour operators were luring customers by selling treks at below cost price - knowing they could make enough profit on kickbacks when the tourists were evacuated. In some cases, trekkers themselves were in on the scam, opting for a quick ride home billed to their insurance, while others were being scared into rescues for minor illnesses. Nepalese insurers are now demanding that all helicopter rescues be pre-approved and capped at USD 4,000 (S\$5,400) per flight. Insurers also want an inquiry into business permits after it emerged that some trekking outfits, charter companies and helicopter owners were operating with forged documents. A mass pullout by the insurers would seriously jeopardize Nepal's vital tourism industry, which the government heavily relies on to revive the economy.

## Directors & Officers in New Zealand

Directors in New Zealand are working harder and longer as they grapple with an increasingly complex business environment and more company risk. This is coupled with a greater focus on sustainability and governance. Directors are being faced with more legislative and regulatory requirements, including health and safety issues. They have to keep on top of complex risks such as cyber security and climate change. There is more disclosure, reporting and



transparency expected on environmental and social impacts. For directors to lead sustainable organizations, they need to keep up with rapid technological advances, disruptive business models and engaged stakeholders. Time spent by directors on board matters has increased almost by 25% in the last year. Seventy-nine percent of boards meet 6 to 15 times a year and most professional non-executive directors have an average of four directorships. Directors are spending more time on strategy, performance, compliance and risk-oversight. Public scrutiny on performance and behavior can be intense, and fiduciary responsibility is weighty. Bearing all this in mind, rates for D & O cover in New Zealand will also be on the rise, given the heavy emphasis on governance and compliance.

## Turkish Government Proposes Law to Protect the Turkish Lira

The Turkish Government has recently



proposed a new regulation to parliament in an attempt to protect the value of the Turkish Lira (TRY) due to recent events and currency fluctuations. If the regulation is passed, Insurers will be required to issue Reinsured policies in local currency only. It could also require existing policies to be converted into TRY as well.

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## Recent Successes

- Placed a Directors & Officers stand-alone policy in New Caledonia for an engineering consultancy firm.
- Secured a Marine Transit Fronting policy in Mexico for an electrical entertainment equipment business.
- Instrumental in placing a Marine Transit reinsured policy in Indonesia for the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, turbines, and diesel-electric locomotives.



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