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UNDERWRITING SERVICES

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

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Algeria - Environmental Pollution Tax

Effective January 1, 2020, the Tax Authority in Algeria, (DGI) has set the amount of a new pollution tax for this year at DZD1,500 (approximately $12.55), for passenger cars and at DZD3,000 for all other vehicles and rolling stock.

The new tax is to be paid on an annual basis, irrespective of the type and duration of the insurance contract, and regardless of whether the policyholders are individuals or companies.

Algeria joins the number of nations which have taken measures such as this pollution tax, with the purpose of promoting a green environment and making the public aware that high levels of pollution can lead to poor health.

Local Algerian insurers are pushing back on the tax as the tax is seen as onerous, given that 70% of motor policies have premiums that do not exceed DZ 5000. In addition, they complain that the collection methods simply add administrative burden To date these complaints have gone unheeded.

Silent Cyber - A Growing Awareness Among Underwriters

Cyber exclusions in liability policies are becoming very common. With all things connected and the IoT (Internet of Things), silent cyber liability is proving to be a complex task that is creating coverage uncertainty for policyholders.

Insurers are now beginning to develop and apply cyber exclusions to non-physical cyber liability. Technically speaking, the goal of liability insurers is to provide affirmative cover for bodily injury and third-party property damage, while excluding non-physical cyber liability, such as third-party liability losses from a privacy or security event.

Cyber liability losses can be harder to quantify than physical damage caused by cyberattacks, where insurers can draw on historical data on physical damage claims. The ultimate goal is to separate physical cyber exposures which shall be covered under property damage and general liability policies, from non-physical exposures which will be covered by the cyber insurance market.

However, at present, a lack of cyber expertise among traditional casualty underwriters, and the absence of standard exclusions and definitions for silent cyber in the liability market, are resulting in overly broad exclusions and varying approaches by different insurers.

Global insurers are starting to eliminate silent cyber from the bulk of their commercial P & C book. Many cyber exclusions follow manuscript clauses, as the market was lacking in providing wording.

Policy buyers are facing changing terms at renewal. The addition of silent cyber exclusions is often times confusing to comprehend, as clients may not understand what this change means for their exposures and how they should respond.

Silent cyber is currently present in almost every commercial insurance policy, mainly because contract language was developed long before cyber became an issue. Silent cyber for liability risk and insurance is a complex problem and will take time to work through.

To conclude, while the liability market has been slow to address silent cyber, large losses could spur action in the future. The GDPR and trend towards class action data breach litigation, as well as contract-related cyber liability litigation, are giving rise to increased third-party liability, which could stimulate insurers to address exposures. It is no longer a matter of if, but a matter of when.

Fiji - Solvency Requirements in the Insurance Market

The insurance industry in Fiji is concerned that the solvency requirements set out in a draft insurance law currently under review would weaken the position of insurance companies if implemented. Insurers are also concerned that the Reserve Bank might allow insurers overseas to open front offices without having any actual presence in Fiji.

Shareholders will have to inject more capital into their insurance company. If they fail to do so or are unable to meet the solvency requirements, then the company will have to close down. The Reserve Bank has reassured insurers that discussions would continue with them before the Act is finalized.

The Reserve Bank is reviewing the insurance law which currently dates to 1998. The review aims to modernize the Insurance Act which is more than 20 years old.

Sierra Leone - No More Foreign Currency Allowed

The Central Bank of Sierra Leone has passed a directive in regards to forex transactions. This regulation prohibits local insurers from transacting/making payments in any foreign currency. In addition, insurers are forbidden from even issuing quotes in any other currency but SLL (Sierra Leone Leones).

For any clarification on this matter please do not hesitate to contact any member of the Globex Team.

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- Placed Commercial General Liability & Products Liability reinsured policies in the South East Asian region, the United Kingdom and the USA,for a leading manufacturer and distributor of photovoltaic panels.
- Secured fronting Directors' & Officers' policy in Rwanda for an African company which provides drinking water and sanitation services at a national and international level.
- Involved in the placement of a fronting Pollution liability policy in Taiwan for a global provider of electronic connectivity solutions.
- Placed a Canadian Fiduciary Liability policy for a French based global firm involved in consulting, technology services and digital transformation.
- Instrumental in the placement of Ocean Marine Cargo fronting policies in Russia and the UAE, and reinsured policy in China for a leading solutions provider of high-pressure breathing air compressors in the public safety sector.

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