



# Multinational Underwriting Services

## GLOBEX UPDATE

*Events, developments, and opportunities in the international marketplace*  
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**Key words in this issue: *Egypt, China VAT, Ghana, Russia, and Cash before Cover in Africa.....***

### **Egypt - Insurance Premiums on the Rise by 30% with Currency Devaluation**

Egypt's recent decision to devalue its currency by 48% and to allow it to float may lead to insurance premiums rising by 25% to 30%. Insureds and insurance companies should revalue their properties in light of the expected increases and the currency devaluation move. The renewal of reinsurance contracts in 2017 depends on assessments by reinsurers of the future of the Egyptian market, including whether or not their hard currencies would continue to see a shortage as well as how the devaluation of the pound would affect the corporate plans of insurers next year. Insurance experts stress that the inability of insurance companies to provide US dollars is among the most important obstacles to the renewal of reinsurance for 2017. The shortage of the greenback has delayed the payment of reinsurance premiums by the majority of insurance companies to foreign reinsurers.

### **China - VAT Surcharge on all Premium Transactions**

A 0.72% VAT Surcharge has been in effect on all premium transactions for Chinese policies, as of December 1, 2016. The VAT Surcharge is a combination of three different VAT taxes that local insurers are responsible to pay. This is technically not a new requirement, but is now being strictly enforced. The local insurers need to collect this VAT Surcharge on behalf of the reinsurers, and pay it to the local authorities, hence this is considered a reinsurer payable tax.

### **Ghana - Stricter Insurance Regulations Making it a Challenging Market**

Ghana, a previously relatively "easy to deal with country", has recently become one of most regulated African countries. The NIC (National Insurance Commission) is imposing local tariffs on risks, based on the Sums Insureds, the premiums involved, or the Line of Business involved. In addition, there are restrictions on reinsurance, which make the new environment in Ghana more hostile to the execution of global programs from overseas. For more details on these nuances, please contact any member of our Globex Team.

### **Russia - National Reinsurance Company (NPC) as of January 1, 2017**

The Central bank of Russia has established a National reinsurer, the NPC, a 100% state owned company. The NPC will be imposing stricter regulations on insurers and reinsurance placements, starting January 1, 2017. All insurance companies are obliged to offer a 10% retention on all placements to the NPC, after their own local retention. The NPC in turn can choose to retain up to 10% of the balance of risk being offered to them. In addition, the NPC may request additional underwriting information before accepting/declining the risk, information that is not always readily available on fronting inquiries. The NPC may even have some decision power on the premium allocation, making the process more tedious and slow. Last but not least, foreign reinsurers include "sanctions" wording in their insurance contracts. Going forth, these may not be acceptable to the NPC on the reinsurance

### **RECENT SUCCESSSES**

- Placed a 15 country global D & O fronting program in South East Asia and Europe for a leading dairy products manufacturer and distributor.
- Secured fronting Marine policy Mexico for a global distributor of fuel delivery, cooling systems, and water pumps and filters.
- Placed General Liability and Auto Liability policy in Puerto Rico for a leading hospitality business chain.
- Secured a Cyber liability fronting policy in China for one of the largest makers and distributors of automobiles in the world.
- Instrumental in placing Professional Indemnity fronting policy in China for a global fast food chain.
- Bound a Marine fronting policy in Nigeria for the world's largest manufacturer and distributor of mining machinery.
- Secured Marine cover in Canada and fronting policy in Mexico for a major producer and distributor of electronic equipment.
- Placed fronting policies in India, China and a stand-alone policy in Brazil for a global firm specializing in highly engineered environmental products for the oil and aerospace industry.

slips for their 10% retention, as one of the driving forces behind setting up the NPC was precisely to address the sanctions issue on the insurance market.

### **Guinea and Ethiopia - Cash before Cover**

These two countries join the plethora of African countries that are being subjected by the regulator to offer cover only once premiums are paid. The cash before cover regulation, effective January 1, will be enforced in those countries as of 2017. With this recent development, over 50 % of African countries have now imposed cash before cover.

### **Saudi Arabia - Financial Regulator Changes Name to Saudi Arabian Monetary Authority**

The Saudi Arabian Monetary Agency has announced that its name has been changed to Saudi Arabian Monetary Authority. The change took effect on 4 December. SAMA, the bank's acronym, remains unchanged. All existing agreements, obligations and contracts under the previous name of SAMA will continue to remain in force. According to sources, SAMA came under cyber-attacks in November, unleashing a digital bomb in key parts of Saudi Arabia's computer networks over the last two weeks of November, and damaging systems at SAMA and at least seven other government entities. This may result in adding delays to the already tedious and cumbersome processing of insurance placements.

### **From the Globex Team: Wishing all our Clients and Network Partners a Very Happy New Year!**

It has been a splendid year at Globex! We thank all of clients and our network partners for their continued support throughout 2016. We look forward to further assisting with the placement of multinational policies. Here's to an even better 2017!

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