



Multinational Underwriting Services

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

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Key words in this issue: *China, Saudi Arabia, VAT Tax, Cyber Security ...*

China: VAT Applicable to Insurance Effective 1 May

Value Added Tax (VAT) has replaced business tax for insurance services effective from May 1, 2016, with the VAT rate set at 6% of premium income. Exemptions from VAT include life insurance policies with a term of more than one year, medical insurance, and insurance related to goods being exported. China has been rolling out a VAT system in phases across all industries that previously had a business tax, in an overhaul of its tax regime. The final four sectors to adopt VAT are Construction, Property, Finance, and Life services which include the insurance and healthcare sectors. A business tax directly taxes businesses, whereas VAT is borne by the end consumer, reducing the burden on companies which are facing rising costs and a slowing economy. The government hopes the reforms will cut the tax burden of businesses by more than CNY500 billion (US\$77 billion) this year.

Saudi Arabia: Insurers Lobbying for Mandatory Insurance Lines

Insurers in Saudi Arabia are discussing with the authorities making insurance mandatory for risks other than Health and Motor Third-Party Liability. There is a huge imbalance in the market at present as health and motor lines together account for approximately 80% of total premiums in the market. The industry is discussing and coordinating with the relevant authorities to expand the range of mandatory products sold in the Kingdom to include Property insurance and cover for dangerous facilities.

VAT tax increases; India, Ecuador

In a move to increase government revenues, regulators are imposing increases in VAT and other taxes applied to premiums. Effective June 1, 2016, both Ecuador and India are subject to tax increases: VAT in Ecuador has increased from 12% to 14%. India sees yet another increase in its Service Tax from 14.5% to 15%. Not too long ago there was a tax increase from 12.36% to 14.5%.

Singapore, Philippines, central banks move to tighten cyber security

Singapore's central bank has asked banks to maintain a high level of security for their critical IT systems following recent cyber-attacks using the SWIFT financial messaging system. In the Philippines, the central bank was crafting more regulations to help banks and other financial institutions fend off cyber heists and minimize damage after any systems breach. These actions come after Vietnam's Tien Phong Bank said earlier this week it had interrupted an attempted cyber heist that involved the use of fraudulent SWIFT messages, the same technique at the heart of February's massive theft from the Bangladesh central bank. The two attacks through SWIFT, which is used by about 11,000 banks and institutions around the world, has sent tremors through the global financial industry. The Monetary Authority of Singapore "expects financial institutions to implement strong controls in their IT systems as set out in the MAS Technology Risk Management Guidelines". Singapore's MAS would continue to monitor the security landscape and threats faced by the financial industry and provide guidance where necessary.

RECENT SUCSESSES

- Secured a Marine local admitted policy in Colombia for a global distributor of video games.
- Placed fronting Professional Indemnity Freedom of Services policy in Europe and local admitted policy in Brazil for a leading provider of financial services.
- Instrumental in securing a Public Liability policy in Malaysia for a leading designer and world-wide manufacturer of motion sensing devices.
- Placed fronting D & O policy in Bahrain for a leading provider of engineering services specializing in renewable energy.
- Assisted in placing local admitting fronting Property policy in UAE for an industrial garnet mining and quarrying leader.

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