



Multinational Underwriting Services

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

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Key words in this issue: *India IRDAI, Russian State Reinsurer, Kenya.....*

India – IRDAI Circular January 2017

Throughout 2016 a series of reinsurance market regulations were issued, permitting Lloyd's and foreign reinsurers to operate through branches in India. These regulations outline the priority procedure for the offering of Indian reinsurance business to local and cross border reinsurers. In a circular dated January 17th 2017, the insurance regulator, IRDAI, sets out the order of preference in which Indian insurers are to cede business to reinsurers, which is taking immediate effect. Going forward, local insurers are required to cede all reinsurance business to various layers of reinsurers, in a particular order of preference, and any balance of risk/premium can be then ceded overseas to foreign reinsurers. IRDAI also gave final clearance for the establishment of the country's first privately held local reinsurer, ITI Re. Currently, state-owned GIC Re is the only local reinsurer in India. ITI Re does not have the same ranking as GIC Re. To enjoy the same status, the new reinsurer is required to have a minimum credit rating and maintain strong financials for a period of three years. ITI Re and the five branches of global reinsurers, which fall under Category 1 in India, are preparing to begin operations soon. They aim to be ready to tap business from 1 April reinsurance renewals. The order of preference is opposed by several in the industry. Earlier in January, over 100 brokers and representatives of general insurers in India attended a meeting convened by the Insurance Brokers Association of India to discuss the rankings. The unanimous opinion was that the regulation stipulating order of preference is unfair to all stakeholders. The dissenters argued that the regulation is restrictive in nature, anti-competition, and would give undue advantage to overseas reinsurers setting up branches in India.

Russia – Russia National Reinsurance Company (NRC) More Regulations

At the end of 2016, Globex shared some important changes and regulations that would affect reinsurance placements in Russia going forward. We previously advised that the State reinsurer, NRC, will take as much as 10% of each reinsured risk, before the risk and premium can be ceded to overseas reinsurers. Effective 2017, local insurers are also being required to use the bi-lingual, newly formatted Facultative Reinsurance slips, which clearly denote the risk ceded to each party. Previously, Facultative Reinsurance Slips would use universal terms in English, and these RI Slips were acceptable in the Russian market. The driving force: The Russian State Reinsurer seeks to centralize and standardize processes. Globex is in the process of requesting more clarification on the new regulations; please contact Globex for any additional information.

Kenya – No Longer an Easy Country to Place Business

Kenya has been viewed as one of the less challenging nations in Africa to place reinsurance business. This is no longer the case. Specific lines of business are subject to tariff rates, retentions within Kenya are higher, and 100% reinsurance will become less frequent. Despite the numerous challenges, Africa continues to attract business and Globex will continue to assist our clients with local admitted policy placements in Africa.

RECENT SUCCESSSES

- Placed Marine cargo fronting policy in Panama for a major distributor and manufacturer of vessels.
- Secured fronting Inland Transit policy in China for a leading producer of quartz plates, lasers and laser equipment and machinery.
- Placed Stock Throughput fronting policy in Germany for a major manufacturer of geo synthetic lining products and services.
- Secured fronting Marine policies in India, China, UAE and stand - alone policy in Argentina for a global supplier of building products.
- Instrumental in placing fronting Stock policy in South Korea for a leading chemicals distributor.

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