



Multinational Underwriting Services

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

Volume 10 Visit us at: www.globexintl.com October 2017

Key words in this issue: Tax Rules & Global Programs, MENA Capacity, UK Pool Re.....

Tax Rules and Implications for Global Programs

The Criminal Finances Act 2017, came into effect in the United Kingdom last month. This introduces a new corporate offence of failing to prevent the facilitation of tax evasion by an 'associated person', either in the UK or abroad. This has particular implications for the insurance industry and for large corporations in the purchase of global risk transfer programs, including the use of captives. Indeed, the facilitation of a program, which does not have the correct allocation of premium and taxes, would be considered an offence under the act. This not only applies to the UK but also to UK-domiciled multinationals with a foreign subsidiary that fail to fulfil their legal tax obligations. This has important implications for all parties involved, risk managers, brokers and insurers, when it comes to the allocation of premiums in a global program. Regulators are scrutinizing these international insurance programs, and ensuring that companies are not getting away with the evasion of paying adequate IPT for their local subsidiaries. It will not come as a surprise if other countries decide to follow suit as the UK.

MENA Region Insurers Urged to Use Local Capacity

Insurance federations in the MENA region are encouraging local insurers and Arab corporations, especially oil and gas companies, to tap the financial capabilities of Arab reinsurance companies. The Arab energy sector obtains reinsurance from foreign companies, even though rates offered by Arab reinsurers are less expensive. Insurance premiums in the Arab world are estimated at US\$30 billion, of which \$300 million are reinsured. As much as 90% of this is reinsured abroad. Steps to advocate local reinsurance capacity have been taking place for several years. Foreign reinsurers, used to providing 100% reinsurance support of global programs in the MENA region, may start seeing higher local retentions.

UK – Pool Re to Cover Non Damage Business Interruption

Pool Re, the UK's government-backed terrorism reinsurance fund, is "anxious" for the insurance market to respond to the changing terrorist threat posed by Islamist extremists and offer non-damage business interruption (NDBI) to insurance buyers. Talks are underway to extend Pool Re's cover, which has traditionally only covered physical damage or loss to commercial property in the event of terrorism. The goal would be to offer NDBI, reinsured through Pool Re, inexpensive, widely purchased and with specific discounted rates for SMEs. SMEs are particularly vulnerable to the impact of the latest terror attacks. Pool Re said SMEs have been particularly at risk for three to nine months following recent attacks in Europe, and recorded losses of between 5% and 30% of annual revenue.

RECENT SUCCESSSES

- Secured General Liability and Products Liability policy in Norway for a leading manufacturer of lawn and garden products and fronting policies in China, Mexico and Netherlands.
- Placed fronting policy for Directors' & Officers in UAE for a global manufacturer and distributor of auto parts.
- Secured fronting Employers Liability policy in Lebanon for a major national broadcasting radio company.
- Placed Commercial General Liability and Products Liability fronting policies for a leading firm specializing in technology services, in Mexico, China, UK, Thailand and Romania.

Globex International Group | Multinational Underwriting Services Tel: +1-203-256-1475

Email: globex@globexintl.com | Address: 100 Beard Sawmill Road, Shelton, CT 06484, USA