



Multinational Underwriting Services

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

Volumes 2 & 3

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February/March 2017

Key words in this issue: Africa, United Kingdom, Kazakhstan.....

Spotlight on Africa

The number of reinsurers domiciled in Africa, estimated to be between 35 and 40 at present, has experienced a rise, as lawmakers seek to supplement the capacity available to their insurance markets. The goal is to decrease the premium outflows to the international reinsurance markets, thus domesticating more profits in their respective countries. This comes against a backdrop of intensifying competitive conditions, enhanced by the participation of foreign investors in the region as they seek to expand their footprints. In addition, regional players seek to expand across borders, making cession to overseas reinsurers, even more challenging. These national reinsurers are typically government or quasi state-owned entities that are entitled to the first refusal of compulsory treaty business arising from the country of domicile. At the same time, regulators are raising minimum capital requirements to more onerous levels. The intention is to improve the financial stability of their respective insurance sectors, but an indirect effect of this is to restrict the participation of regional reinsurers. Pools are also increasingly being utilized as an alternative means to retain business. Despite the use of pooling arrangements to support underwriting in the region, in reality, the capacity that these pools offer remains small relative to the scale of many of the large risks underwritten. Local re/insurers remain heavily reliant on reinsurance to support their underwriting strategies. In particular, for high value corporate risks, international participants continue to undertake a dominant role in supporting the capacity needs of the various segments across the region. For any assistance with placing local paper in Africa, please contact any member of the Globex Team.

Recent Changes within Africa

Sierra Leone joins the Cash before Cover countries, and premiums have to be paid locally in local currency. Marine cover can no longer be reinsured, it will be retained locally.

Algeria – The Algerian government attempts to make up for the country's shortfall in oil and gas revenues through a number of tax increases. VAT tax increases from 17% to 19%.

United Kingdom – Yet Another Increase in the IPT

Effective on June 1, 2017, the standard rate for IPT in the UK will increase from 10% to 12%. The higher IPT rate will remain unchanged at 20%. The new 12% rate will be applicable to all new insurance policies as well as renewal business. Business processed in relation to cover that commenced prior to June 1, 2017 may be processed at the 10% rate as long as it is signed prior to the June 1, 2017 date.

RECENT SUCCESSSES

- Placed Package fronting policy in Mexico and Property and Employers Liability cover in Ireland for a world leader in the innovative design and manufacturer of engineered products employing high-performance flexible materials to aerospace.
- Secured fronting Commercial General Liability policy in Mexico for a global provider of consumer household products.
- Placed Employers Liability fronting policy in Thailand for an aftermarket provider of aircraft, engines, parts for engines and airframes, as well as MRO services.
- Secured fronting Commercial General Liability policy in Indonesia for a global manufacturer of wellheads, gate valves, check valves, and surface safety valves for the worldwide oil and gas industry.
- Instrumental in placing Marine policies in Argentina, and fronting policies in China, India and UAE for a leading international supplier of building products.
- Placed fronting Commercial General Liability and Employers Liability policy in Costa Rica for a global provider of similarity-oriented solutions for Advanced Analytics.

Kazakhstan – Anti-Money Laundering Documentation for Foreign Reinsurers

As part of the anti-money laundering processes that are being rigorously conducted worldwide, please note that going forward, any foreign reinsurer with reinsured placements in Kazakhstan, will have to complete "Know your Reinsurer" documentation which is being requested by the authorities. These measures are taken in accordance with the Law of the Republic of Kazakhstan concerning the Counteraction of the Legitimization of Proceeds of Crime and the Financing of Terrorism. Although this law was enacted on 28/08/2009 No191-IV, it is now being strictly enforced. As part of the documentation, foreign reinsurers will have to include their Tax Residence Certificate.

UK - Pool Re to Extend Property Cover to Cyber Terror Attacks

Pool Re, the UK's government-backed terrorism reinsurance fund, is interested in extending cover to include physical damage from Cyber Terrorism. Pool Re has held discussions with the government and industry, and hopes to add cyber to its coverage in the next few months. Property damage resulting from cyber terrorism is a growing worry for insurers and their insureds, as more industrial processes become automated and wirelessly connected. The manufacturing and energy companies, for example, have been operating wireless, internet-connected machinery for years and some cyber-attacks have been recorded. Any increase in the premium costs to businesses for adding this cover would be accompanied by discounts for implementing government-approved cyber security policies. Pool Re's cover would be limited to terror-related cyber-attacks, once the UK government assessed it to be an act of terrorism.

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