



# GLOBEX UPDATE

## Property & Casualty

*Events, developments, and opportunities in the international marketplace*

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### Global Reinsurance

Mid-year reinsurance renewals continued with the same downward pricing trends seen at the 1 January and 1 April renewals, despite first-quarter deterioration in many reinsurers' results. Excess capacity chasing modest demand has allowed buyers to achieve both reinsurance cost savings, and enhanced coverage. For the global reinsurance industry, the June and July renewal seasons are the last realistic chance for underwriters to meet their 2017 premium targets. But underlying loss and expense ratios for many reinsurers are showing a worrying trend, with combined ratios for many classes now looking unattractive. Looking at Q3 and Q4 activity, weakening in the global reinsurance industry's performance is not thought to have yet reached unacceptable levels. Across the board, reinsurers don't yet feel compelled to take a stronger stance over conceding further modest rate reductions and walking away from clients. Much will depend on loss activity in the traditionally more active third and fourth quarters and on instability in investment returns.

### UK.

The reduction in the Ogden discount rate, which took effect in March 2017, represents a significant change in the UK insurance industry. The discount rate is used to calculate the compensation an injured person receives to reflect the return they will earn when that money is invested. The objective is to make sure a severely injured person has the necessary financial security to provide for their care and loss of earnings. The reduction of the rate from 2.5% to minus 0.75%, means that those suffering from serious injuries will receive significantly higher compensation awards than before. This affects claim costs for all lines of business with claims for bodily injury, with reserves already being increased significantly. In addition to the impact on premium levels, there are serious consequences in terms of adequacy of insurance limits. As an example, under the old system, a 25-year-old who sustained a moderate brain injury and was awarded £100,000 a year for life would have had a total payout calculated at £3.1m. But, under the new discount rate, the same person would have a payout of £8m. In the light of this it is now more important than ever that careful consideration is given to adequacy of policy limits.

### Turkey

Heavy rainfall and flash floods that hit Istanbul on 18 July are estimated to cost insurance companies TRY200 million (US\$57 million). Early-morning thunderstorms struck Turkey's biggest city, swamping transport networks and flooding many buildings and offices. Floods are one of the most frequent natural disasters in Turkey. An average of 24 floods sweep across the country a year, causing nearly \$2.5 billion in insurance losses. The biggest insured loss to date was a flood in 2008 in Istanbul with insured damages of more than \$1 billion.

### RECENT SUCCESSES

- Appointed Globex Partner Brokers in ten overseas territories to service the liability program for a US based multinational media and entertainment company.
- Bound property policies in Canada and Switzerland as part of an international program for a US based global engineering company.
- Bound Business Owners Package and Umbrella policies for a UK based investment firm with an office in New York City.
- Added Globex Partner brokers to an existing large multinational account to service local underlying policies in six countries.



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