



# GLOBEX UPDATE

## Property & Casualty

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

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### United Kingdom

The Ogden discount rate was recently set at minus 0.25% to come into force on 5 August 2019. The new rate will save insurers money as it had previously been set at minus 0.75% in 2017. However, the sector had hoped for a much greater discount or higher rate. The change had been a "slight surprise" for the market, which had been predicting a rate of somewhere between zero and 1%. Insurers will have to strengthen reserves as a result of this but the new discount rate is likely to add only a point or two to the sector's combined ratio in 2019. The Ogden rate is used to assess how much insurers should pay in compensation to people who have suffered life-changing injuries to cover predicted future losses. A discount rate is needed because compensation is paid in a lump sum which is expected to be invested, so the payment is adjusted to account for the interest they would expect to earn on the lump sum. The higher the Ogden rate - in relation to a higher predicted investment return - the less insurers have to pay out.

### Nigeria

Premium income in the Nigerian insurance sector rose by 10% to NGN400bn (\$1.1bn) in the 2018 financial year, amid several economic and socio-political problems facing the country in the same period. Power outages continue to be a major challenge to businesses; failure to abolish or amend CITA (Companies Income Tax Act) 2007 remains a huge burden for insurance companies; growing herdsmen/farmers' clashes across the country; insurgency and armed banditry in the North; rising cases of kidnapping; armed robbery and other violent crimes as well as internecine communal clashes in some states, all combined to negatively affect the bottom line of many insurance companies. As of 31 December 2018, the total assets of the Nigerian financial sector, consisting of banking, pensions, and insurance, stood at \$110bn, of which the share of the insurance sector was less than 3%.

### Portugal

Fidelidade, a Portuguese insurance company, has established a partnership with China Reinsurance as part of their international expansion strategy. The partnership between Fidelidade and China Reinsure, the largest insurance provider in China, has been created to strengthen institutional and trade relationships as part of the "Belt and Road" infrastructure and investment initiative. It is hoped that the partnership will contribute to the implementation of reinsurance solutions associated with Chinese investments and projects in Portugal, Spain, France, Angola, Mozambique, Cape Verde, and Peru. The collaboration should make it possible to identify investment opportunities for products and services that are suitable to the needs in these target markets, as well as provide for the sharing of best commercial and technical practices.

### RECENT SUCCESSES

- Bound a \$50m Installation Floater policy for a US based confectionery manufacturer expanding into Latin America.
- Placed a Package policy in Sweden on behalf of a US private finance solutions and services company opening a new office location.
- Bound Defense Base Act coverage on a contract for an IT Consulting & Project Management firm involving travel to Djibouti, Pakistan, Iraq and Afghanistan.
- Placed a local UK GL and EL program with Products Liability for a pigments manufacturer and supplier.

**GLOBEX BROKER SERVICES**

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