



Multinational Underwriting Services

GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

Volume 11

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November, 2015

Key words in this issue: *Terrorism, India, Mexico and Solvency II ...*

The Price of Terrorism

Parisian businesses struggling after the November 13th attacks are likely to be able to make successful insurance claims, helped by a state-backed fund set up in the wake of the September 11, 2001 terrorist attacks in New York. The horrific events in Paris could spur demand for insurance against terrorism, as French hotels, department stores, sports venues, and concert venues face cancellations and fewer customers. However, the GAREAT co-reinsurance pool, set up in 2002, which is provided with unlimited state-guaranteed cover through the CCR (Caisse Centrale de Réassurance) fund, will help insurers pay claims from businesses.

This pool structure, pioneered by Britain's Pool Re in 1993, and common in developed markets, acts as a reinsurer, sharing the insurers' burden in protecting business against terrorism. This makes terrorism insurance more affordable for businesses. Insurers will be liable for the first 400 million euros [\$416.5 million] of all claims combined. GAREAT will pay out on claims between 400 million and 2.4 billion [\$2.5 billion], with the French government taking up the rest via the CCR fund. GAREAT members are French or foreign insurance companies which issue property damage policies covering risks in France, including terrorism.

Although businesses do not have to buy business interruption insurance, which covers against operating losses, most small and medium-sized companies buy property damage and business interruption as a package. Large venues such as concert halls and stadiums which canceled events – such as the U2 concert at the Bercy arena scheduled for Nov. 14 – as a result of the Paris attacks will be able to file claims on cancellation insurance. Large hotel groups will likely also have taken out cancellation insurance, which usually kicks in if hotel rooms are standing empty several weeks after the event triggering the claim.

As a consequence of the tragic events, both businesses and individuals are showing more interest in terrorism insurance and wanting to learn more about what the policies cover. Prices are also likely to rise, at least in the short term, for both terrorism and cancellation insurance.

India – Increase in Service Tax

Effective November 15, 2015 the Service tax on premiums in India will increase by 0.5% to 14.5%. In addition to the tax increase, the Indian Regulator, IRDAI, has recently implemented additional restrictions on reinsurance placements. Please stay tuned for further developments.

Mexico and Solvency II

In preparation for Solvency II in 2016, all Mexican insurers are expected to include an additional fee of 0.06% on all insurance premiums effective as of April 4, 2015. The Mexican regulator, CNSF, is enforcing this requirement, and policies which do not carry the extra fee will have to be adjusted retroactively in order to be compliant. For any additional information, please contact any member of the Globex Team.

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Globex International Group | Multinational Underwriting Services

Tel: +1-203-256-1475 | Email: globex@globexintl.com | Address: 100 Beard Sawmill Road, Shelton, CT 06484, USA