



GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

UK.

Britain's finance minister George Osborne has said he will raise the tax on motor and home insurance premiums by 0.5 percentage points to 10% to provide funding for flood defenses. The tax hike follows a 3.5 percentage point rise in insurance premium tax only last year. Insurance shares responded positively as the rise was smaller than the 3% that many had anticipated. The tax hike will allow an increase in flood defense spending of more than £700 million (\$985.88 million) by 2020-21. Severe flooding in Britain in December and early January is expected to lead to £1.3 billion (US\$1.83 billion) in insurance pay-outs, according to the Association of British Insurers.

Iran.

The move to lift economic sanctions against Iran has sparked a flurry of interest in its domestic market after it was announced that Iran had fulfilled its obligations under the Joint Comprehensive Plan of Action (JCPOA), signed with China, France, Russia, UK, US, Germany and the EU last July. This triggered the lifting of nuclear-related economic sanctions by the EU, including restrictions on Iranian trade, shipping and insurance. The US also dropped "secondary sanctions" banning third-country actors (i.e. non-Americans) from certain trade and investment, including finance, banking and underwriting services. With this, some major reinsurers are anticipated to re-engage with the Iranian market as insufficient domestic reinsurance capacity arises. Entry strategies for primary insurers will take longer, complicated by foreign ownership rules, but foreign reinsurers are likely to be attracted by the speed they can access the market, not having to establish themselves locally in order to write business. The large European reinsurers are expected to have an advantage over their US counterparts, as US sanctions are likely to remain in place for longer. US secondary sanctions have been dropped, but primary sanctions (i.e. those applicable to US persons and US companies) are largely unaffected. Opportunities exist for global reinsurers, mainly in the field of catastrophe risks, as well as excess-of-loss treaties.

Africa:

Africa's two biggest economic rivals - South Africa and Nigeria - are turning to each other as they fall on tough times. South Africa's economy is threatened with recession as demand from China, its main trading partner, weakens and commodity prices plunge, while Nigeria has been hit by a collapse in oil revenue. The two countries are now seeking closer trade and investment ties. Nigeria may be Africa's largest economy but South Africa still dominates because of better infrastructure, a sophisticated financial services industry and a more diversified economy. Both economies are under pressure, with growth slowing to 1.3% in South Africa and reaching a 16-year low of 3.3% in Nigeria. South Africa is the biggest buyer of Nigerian oil in Africa, however, Nigeria doesn't even feature in the top 20 of South Africa's export markets. So, there is scope for the two countries to expand trade ties. One of the barriers to this is Nigeria's currency. The naira has been pegged at 197 to 199 per dollar for a year and the controls are deterring investors. The two countries both need a competitive kind of relationship built on cooperation.

RECENT SUCCESSES

- Placed a Global - All Lines insurance program for a leading manufacturer of bus restraint systems for disabled persons.
- Placed a local Package policy in Puerto Rico for a US client establishing a representative office.
- Placed Property, Liability, and Automobile insurances with an 'A' rated carrier for saw mill and lumber processing operations in Guyana.
- Placed General & Non-Owned Auto Liability coverage for a large client providing consulting services to Puerto Rico schools on the development of special education programs.



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