



GLOBEX UPDATE PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

Commercial rates in Australia



Commercial rates in the Pacific region, where Australia is the largest market, recorded their strongest increase of 23% in the first quarter of 2020, continuing an upward trend that began in 2015. Property insurance pricing increased 23% in the quarter, the 10th consecutive quarter of year-over-year double-digit increases. Similar increases were reported for CAT and non-CAT risks in both Australia and New Zealand. For many clients, pricing increases exceeded 30%. The main drivers of the increases were bushfires, severe hailstorms, and flooding in December and January. Casualty pricing rose 8% despite increased competition, with some risks experiencing increases ranging from 10% to 20%. Financial and professional liability pricing rose more than 30% in the quarter, marking 11 straight quarters of double-digit increases, with Side C-exposed listed companies seeing the largest increases, often greater than 100%. Globally, commercial insurance prices rose by 14% in the first quarter of 2020.

IDI in Saudi Arabia

The Ministry of Municipal and Rural Affairs has issued a decision making it compulsory for contractors to insure buildings and structures against any hidden flaws (structural or otherwise) that appear. The Ministry has the authority to specify the scope for implementation of the decision, in terms of the types of buildings to be insured, geographical scope, and insurance period. Implementation is to be carried out gradually in four stages. The first stage requires inherent defect insurance (IDI) for high-rise buildings (towers), warehouses, hospitals, hotels, buildings for gatherings (mosques and sports facilities), education buildings, malls, telecommunication towers, industrial buildings and installations, buildings below 23m of height, and high risk buildings. The second stage will cover entertainment and public amenities (wedding halls, movie theatres, drama theatres), healthcare centers, furnished hotel suites, and residential buildings. In the third stage, the measures will be applied to commercial buildings and developments like airports, banks, TV stations, and post offices. By July 2023, all types of buildings are to be covered by mandatory IDI. Beginning with Riyadh, after a period of six months, it will be implemented for the remaining cities of the kingdom, after coordination with the Saudi Arabian Monetary Authority.



Recapitalization in Nigeria



Nigerian insurers have voiced concern that the coronavirus pandemic could derail the industry's recapitalization exercise by drying-up sources of funding hit by economic recession, with some insurers suspending their plans as attention is focused on coping with the impact of COVID-19. It is likely that the recapitalization deadline will be extended a second time beyond 31 December 2020. The recapitalization exercise, which kicked off last year, was originally scheduled to end June 2020. But, given the economic challenges brought on by COVID-19, it will be difficult to get foreign direct investment into the Nigerian insurance industry. Some companies that wanted to invest in Nigeria before now need a financial bailout themselves. While looking to the local market for funding is the other option, the reality is that most local investors also may not have the financial muscle to invest, if the virus continues to spread.

Recent Success Stories

- *Coordinated the issuance of local Property & General Liability policies in Australia as part of a program for a US based consumer products company*

- *Placed standalone local Workers Compensation policy for a US based multinational company establishing a presence in Belgium*
- *Bound a General / Products Liability policy incorporating Garage Keepers Liability for a bulk truck manufacturing company with servicing facilities in Chile*

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