



# GLOBEX UPDATE

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

## United Kingdom.

Insurance premium tax (IPT) in the UK will increase from 6% to 9.5% from 1<sup>st</sup> November, 2015. The move, announced in the UK in the Chancellor of the Exchequer's speech on July 8<sup>th</sup> will bring £1.46bn into the Treasury's coffers in 2016/2017, rising to £1.51bn the following year and £1.53bn the year after that. Justification for the increase was sought on the basis that the cost of premiums had fallen for many families, and that Britain's insurance premium tax was well below that of other countries. Germany, for example, levies 19%. The British Insurance Brokers Association, however, slammed the move as a "stealth tax" on insurance policies that would hit millions of ordinary households. Businesses will be hit alongside consumers, as the hike will apply equally to corporate insurance premiums. While unlikely to be a popular measure, it is the first significant increase in the standard rate of IPT since it was introduced in 1996. For the insurance industry, it remains to be seen whether the 9.5% rate will be the tipping point at which customers decide cover is simply too expensive. It could be enough for a customer to reduce their cover, or opt for no cover at all. Separately, a clampdown on UK claims management companies was announced with a pledge to scrutinize their regulation as well as consider a proposal to cap the fees they can charge.

## Lebanon.

The National Bureau for Compulsory Insurance (NBCI) is finalizing preparations for the implementation of compulsory motor property damage insurance, required in line with the new traffic law that was implemented recently. The Bureau is still waiting for the final pricing study which is currently being prepared by an actuarial company. The new traffic law, passed in 2012 but which only took effect last April, requires drivers to renew their driving licenses every 10 years, compared to 50 years previously. It also introduces a demerit point system for traffic violations as well as a new vehicle registration system and penalties for pedestrians who jaywalk. The three-year gap in the implementation of the new traffic law is because the government has to introduce regulations governing compulsory motor third-party liability for property damage. Authorities moved carefully on the issue so as to avoid repeating the problems faced with the implementation of mandatory motor third-party liability insurance for bodily injury in 2003.

## India.

The government is considering allowing 100% foreign ownership in insurance intermediaries, including brokers, despite opposition from the Insurance Brokers Association of India (IBAI). Although caps on foreign investment in insurance intermediaries were not originally envisaged, the insurance regulator has applied the same limit applicable to insurance companies to companies across the sector. This ceiling for foreign investment in insurers was increased from 26% to 49% following an amendment to the insurance law in March. The rethink regarding intermediaries comes at a time when the government has allowed reinsurance firms to set up 100%-owned units in the form of domestic branches. Several international brokers are keen to follow their clients in India but are not interested in holding minority stakes. While IBAI has argued that a 100% stake by foreign entities in insurance intermediaries will shift control, foreign players argue that a higher foreign investment limit is required for them to be willing to bring in expertise and connectivity.

### RECENT SUCCESSES

- Quoted Contractors Plant & Equipment and General Liability coverages for a Canadian controlled Chilean subsidiary of a global drilling company.
- Placed local Property and General Liability policies for a wallcoverings company in China as part of a Controlled Program directed out of the US.
- Facilitated placement of local Property, Liability & Workers Compensation policies for an investment management company opening an office in Dubai.
- Provided a quotation for a second home in the Bahamas.



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