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GLOBEX UPDATE

Property & Casualty

Events, developments, and opportunities in the international marketplace

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RECENT SUCCESSES

- Placed a local General Liability policy in Dubai for a strategic communications consultancy operating throughout the MENA region.

- Bound local Directors & Officers Liability policy for an Indian subsidiary of a US based supply chain management solutions company.

- Placed a Commercial Property policy for Canadian subsidiary of a US data protection solutions company.

- Placed Property Damage coverage for electronic metering devices to be installed in public transportation vehicles in Mexico

Global

Global non-life premiums grew 3.7% in 2016, down from 4.2% in 2015 but above the ten-year average of 2%. In emerging markets premium growth was 9.6%, underpinned by a 20% growth in China. The advanced markets slowed to 2.3% due to lower economic growth and softer rates, but above the ten-year average of 1%. In the US, non-life premiums grew by 2.6%, despite continued soft pricing. However, profitability declined sharply, with a first underwriting loss in four years due to slowing reserve releases and above-average catastrophe losses, a lower investment result and a decline in realised capital gains. Western Europe also saw a slowdown while in Latin America and the Caribbean there was a 3.7% contraction mirroring weak economic conditions, particularly in Brazil. In Africa, flat premiums in South Africa, solid growth in north Africa and a steep decline in Nigeria resulted in region-wide stagnation. China, the 16th largest market globally in 2000, was the world's third largest market in 2016, behind Japan and the US.

UK.

As previously reported, the Ogden rate, which is used to calculate lump-sum payments in bodily injury claims, was recently cut to negative 0.75% from 2.5%. Now a new proposal, if approved, could result in a rate of between 0% and 1% which would be welcomed by the insurance industry as a fairer outcome for insurers and policyholders. The earlier change was affecting profitability, with insurers announcing charges in their quarterly results to increase loss reserves. Reforms outlined in the draft legislation include a provision to build-in a 3 year review process, which should avoid the impact of large rises going forward. The reforms will partly reverse the earnings hit caused by the previous change - estimated to cost the insurance industry an additional £3.5 billion and add 6.5% to premiums. A revision to 0% could reduce these costs by a third, meaning reserve releases of £1.2 billion, while a change to 1% could reduce this by two thirds, meaning up to £2.5 billion could be saved by insurers and reinsurers compared to their current booked position.

Brazil.

The latest survey on cargo transportation risks in several countries shows that Brazil jumped from 10th to 6th place for threat of cargo robberies. Most cargo robberies occur in São Paulo state - 48% - while Rio registers 34% of the occurrences. The increases reflect increased professionalism of organized crime gangs. In response transport companies report spending up to 13% of their revenues with security measures. In an effort to reduce risk, companies have adopted a series of safety measures to ensure both the delivery of cargo and the integrity of drivers – including armed escorts. Food products, electronics, fuel and prescription drugs are the items most sought after by the criminal groups.

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