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GLOBEX UPDATE

Property & Casualty

Events, developments, and opportunities in the international marketplace

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Global

Natural catastrophes and man-made disasters in the first half of 2019 were responsible for $44 billion of economic losses globally – well below the 10-year average of $109 billion, and lower than the $51 billion of losses reported in the same period a year earlier. Of the total economic losses, only about 42% (or $19 billion) were covered by insurance, as several large-scale disaster events, such as cyclone Idai in southern Africa and cyclone Fani in India, occurred in areas with low insurance penetration. Cyclone Idai, which caused strong winds and severe flooding across Mozambique, Malawi, Zimbabwe, and Madagascar, was the deadliest natural catastrophe in the first half of the year, claiming more than 1,000 victims. Economic losses from Idai are estimated to be at least at $2 billion, of which only about 7% were insured. Overall, natural catastrophes accounted for $40 billion of the economic losses, compared with $45 billion in the year before, with the remaining $4 billion of losses caused by man-made disasters. More than 5,000 people lost their lives or went missing in disaster events during this period.

RECENT SUCCESSES

- Placed an All Risks Property policy including Flood & Windstorm for a gaming equipment company with property located in casinos in the US Virgin Islands.

- Bound a Homeowners policy for a €2 million luxury villa in Malaga, Spain.

- Placed coverage for buildings and contents per lease requirements for premises being leased by a US University in Belgium.

- Bound a local Personal Accident policy, as well as program directed General & Employer's Liability policies, on behalf of a US multinational with a newly established subsidiary in Japan.

Nigeria

Nigerian underwriters' plan to retain more of oil and gas risks locally with the creation of the Energy and Allied Insurance Pool of Nigeria (EAIPN) is yet to be fully realized six years after the pool was established. The formation of the 14-member insurance pool was to enable local insurers to cover over 75% of the big-ticket risks usually ceded offshore, curb capital flight and grow the local market in energy and allied risks underwriting. Data from the industry regulator shows that local insurers currently cede about 65% of their oil and gas risks locally. This translates to around $92 billion retained locally out of total premiums from the oil and gas sector of over $140 billion. Under the law, no insurance risk in the Nigerian oil and gas industry shall be placed overseas without the written approval of NAICOM, which shall ensure that Nigerian local capacity has been fully exhausted before the risk can be placed offshore.

India

India is putting forward various reforms to allow more foreign investment, including opening-up the insurance sector, as it tries to reinvigorate its economy. India's FDI inflows in 2018-19 grew by 6% to $64.37 billion. The government says it will examine suggestions of further opening-up of FDI in aviation, media, and insurance sectors in consultation with stakeholders. Foreign participation in the Indian insurance industry, which is worth billions of dollars, has been tightly guarded by the government out of fear of backlash from the strong workers unions. Currently, foreign entities can only own a maximum of 49% in insurance companies. One suggested measure is to permit 100% foreign ownership for insurance intermediaries, a move which has evoked mixed reactions, with some suggesting it will likely benefit just the top two to three global insurance brokers already present in the country and will increase foreign dominance in the insurance intermediary space.

GLOBEX BROKER SERVICES

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