

## GLOBEX UPDATE

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

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### Malaysia - The Central Bank Delays Removal of Property Tariff Rates

The Central Bank of Malaysia, known as Bank Negara Malaysia (BNM), has extended the timeline for the removal of fire insurance tariffs to early 2020. This entity is responsible for regulating the country's financial institutions, credit system and monetary policy.

After three decades of regulated rates, in June of 2016, the BNM held a formal announcement stating that it would deregulate the pricing of motor and fire products. This would be implemented through the gradual disapplication of requirements under the Motor Tariff and Revised Fire Tariff (Fire Tariff).

The move to deregulate Fire insurance rates was seen to be a result of the improvements in financial and risk management practices in the Malaysian industry, coupled with the reinforcement of stronger, prudential regulation and supervision. The authorities felt that the standard insurance and takaful industry had a stable footing to compete in a more liberalized environment. The flexibility provided to the industry would in turn lead to greater product innovation, ultimately benefiting the final consumers.

This development, which was welcomed by insurers who place multinational Property policies in Malaysia, has been delayed. According to the Malaysian authorities, the insurance market needs more time. The earliest any change may take place is in 2020. A valid reason for the slowdown is the fact that the removal of tariffs would lead to reduced profits and a weakening in the sector's strength. Any price regulation in the future will result in lower margins for that sector. Understandably, this would be counterproductive to any government, whose goal is to improve their country's infrastructure.





Despite the decrease in the number of worldwide piracy attacks, the Gulf of Guinea remains a hotspot for risks. The region remains a high-risk area for piracy and armed robbery. The Gulf of Guinea accounts for 86% of crew taken hostage worldwide, and nearly 82% of crew kidnappings globally.

The International Maritime Bureau's Piracy Reporting Committee (IMB PRC) report shows that all types of vessels are vulnerable to attack, being subjected to hijacking, burglary and kidnapping. The IMB reminds all shipmasters and owners to continue to report all actual, attempted and suspected incidents. This can ensure that an accurate picture of these attacks emerge and action is taken against these criminals before the incidents further escalate.

On the other side of the African continent, the region of Somalia had no reported piracy-related incidents in the first nine months of 2019. "Tread with caution" is the word from the IMB, as despite the absence of any incident reporting, Somali pirates continue to possess the capacity to carry out attacks in the Somali basin and wider Indian Ocean.

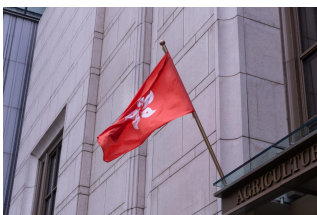
Another region of the globe where piracy is common, is Indonesia. In the past five years, there has been a decline in such incidents. The number of reported incidents decreased by 75% since 2014. One of the major factors contributing to this positive outcome is the close coordination between the Indonesian Marine Police and the IMB PRC.

## CIMA – Mandatory Cession to Regional Reinsurer

Effective January 1, 2020, all countries which form part of the Conférence Interafricaine des Marchés d' Assurances, (CIMA), will have to follow a new regulation in regards to any reinsured business. A mandatory 5% of all risks and premiums will be ceded to the Regional Reinsurer, CICA-RE. This would run across all lines of commercial Non- Life business.



## Hong Kong - Companies' Lack of Coverage Against Riots & Strikes



Hong Kong's businesses will likely foot the bill for vandalism inflicted over the past four months during the territory's most violent protests. Insurance coverage against riots is an uncommon request in Hong Kong. Businesses big and small have suffered smashed windows, graffiti and even fire.

While businesses flood insurers with claims for such damage, few of the losses will likely be fully compensated; Hong Kong insurance usually protects against natural catastrophes, not riots. Coverage for civil unrest, particularly for small and midsized firms, is even more uncommon.

Hong Kong is a lucrative market for many global insurers, with gross written premiums valued at 18.16% of Gross Domestic Product. Hong Kong insurers expect a surge in

demand for coverage that includes riot damage, though profit is likely to suffer as a result of various factors: payouts for event cancellations, a drop-in demand for travel insurance and, a general economic downturn.

Hong Kong insurers have been prudent in covering property in the last year as the last two super typhoons killed all profits that had been generated over the last 20 years. Fortunately, there was no major typhoon in 2019, but nobody expected the riots, nor the consequential damage.

In addition, there will be a sharp rise in litigation around what is covered and what is not. There will be pressure on earnings of insurance companies due to a surge in claim settlements and a drop in premium income. Liabilities for insurers could run into millions of dollars.

- Placed Liability fronting policies in Spain and the United Kingdom for an innovative US based firm which transforms parking lots and garages into city hubs, where local businesses, residents, transportation, and technology converge to support thriving communities.
- Secured reinsured Property policies in China and the United Kingdom for a US headquartered company specializing in the provision of ingredients and flavor solutions for global food, feed and wellness industries.
- Instrumental in placing reinsured Contractor Pollution Liability (CPL) policies in China, Malaysia and Japan and an Italian CPL policy for a multinational property, construction and infrastructure company which creates award-winning urban precincts, new communities, retail precincts, and work places for starting our communities.
- Successfully bound Errors & Omissions' fronting policies in Bahrain, Qatar, UAE and Peru for a top-tier global designing and consultancy firm.

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Globex Underwriting Services | a division of Globex International Group | Tel: 1-203-256-1475  
Globex@globexintl.com | 100 Beard Sawmill Rd. Shelton, CT 06484, USA