GLOBEX UNDERWRITING SERVICES

GLOBEX UPDATE

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South Korea - Insurers Prepare to Face New Accounting and Solvency Rules In 2022

Over the next few years, local insurers in South Korea will be required to abide by the implementation of the International Financial Reporting Standards 17 (IFRS 17) accounting standard, and the K-Insurance Capital Standard (K-ICS) solvency regime frameworks, the latter being a South Korean capital rule added by South Korea's Financial Services Commission. This no doubt will take a heavy operational toll on the insurance market.

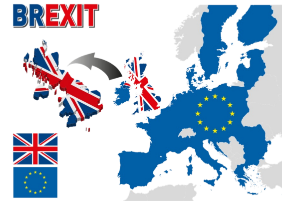
In addition, insurers face a pressing need to revamp business strategies, as companies will need to restructure product mixes and investment portfolios, at the same time raising capital under the new accounting and solvency regimes.

The implementation of IFRS 17 will fundamentally change the accounting view on the valuation of insurance contracts and profit recognition.

The intent is not only to align current solvency requirements with the new accounting standard, but also to adopt a more advanced yardstick to regulate the financial soundness of South Korea's insurance industry. The effect of such regulations may most likely result in steps to increase local capacity, and less cession overseas. These steps provide insurance companies with the impetus and opportunity to restructure their business mix, improve their long-term profitability and streamline internal processes. While the change in accounting standards is unlikely to directly impact insurers' credit ratings over the short term, the impact on an insurance company's strategy and operational behavior could affect a company's credit profile over the medium to long-term. The long-term effect of such moves: insurance customers will benefit from the enhanced financial soundness of the overall insurance industry brought about by adherence to the new standards.

Brexit Liability Risk - Are Companies Prepared for

This?



A UK leading expert on Insurance Governance is advising many companies that they will possibly face the threat of being sued for failing to prepare for a no-deal Brexit. They have also been warned that many related insurance claims could be rejected. With October impending, companies face “major” liability risks over failing to adequately prepare for Brexit. Many investors, suppliers and other stakeholders will sue a company if it is adversely affected by a “bad Brexit” and it is proven that the firm was not sufficiently prepared for such an outcome. Insurance companies are particularly wary of any Directors’ & Officers’ claims, and may possibly reject many of these, on the basis that Brexit like scenarios may not be covered under the policy. In such cases, insureds should be reviewing their risk profile in relation to Brexit and ensuring their insurance provides adequate cover.

Companies should have a clear and comprehensive business contingency plan when Brexit comes to fruition; such information will be needed to defend themselves against lawsuits brought about by disgruntled investors and also to ensure their insurance cover remains valid. As per the Insurance Act of 2015, companies buying insurance in the UK are required to adequately investigate their risks and disclose these to their insurers.

Japan – Increased Tax on Brokerage

Local policies in Japan are not subject to any premium taxes that are payable by the Insured. Brokerage however, is subject to a tax, and therefore poses an increased cost for any Reinsurer placing reinsured business in Japan. The Japanese government will increase the brokerage tax from 8% to 10% effective October 2019. Local insurers have already started to apply the brokerage tax to policies with an inception date close to October 1st.

Mozambique - Regulations Effective August 1 2019

In an effort to follow global compliance rules regarding Anti Money Laundering, Mozambique joins a number of countries/jurisdictions which are imposing previous decrees, and now making these mandatory: as part of the local policy file documentation, a fully completed KYC (Know Your Client) form is required. This documentation is to be completed by the local insured, and presented to the local insurer in a hard copy format. The rule applies to all new and existing business; all local insurers are subject to audits by the Insurance Regulator to ensure the mandate is being followed.

- Coordinated the successful placement of Reinsured International and Inland Transit policies in Korea, Mexico, Thailand, China, Singapore, and Taiwan for a diversified manufacturing company.
- Diligently worked to place Reinsured International and Domestic Transit placement in China, Italy, Slovakia and United Kingdom for machinery and

consumer hardware.

- Successfully secured Directors and Officers Liability including Cyber cover in the UAE for a Strategic Communication practice.
- Involved in the placement of General and Product Liability cover in Chile and China for a manufacturer of scaffolding products used for a wide variety of commercial work at sites including bridge, dam refurbishments and high rise commercial buildings.