# GLOBEX UPDATE

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

**Volume 9, 2019 Visit us at: www.globexintl.com**

## The Case for Private Flood Insurance in the United States of America

In recent years there has been an increase in requests for private flood insurance in the USA due to high profile flood events, all of which have brought more awareness to both agents and consumers. Historically, flood insurance in the USA is provided by the government via the National Flood Insurance Program (NFIP). NFIP was founded in 1968, with the purpose of providing affordable flood insurance to the public. NFIP's competitive rates, make it extremely difficult for private insurers to offer alternative solutions. So why is the offer of private flood insurance so unpalatable to insurance companies in the USA, particularly given the catastrophic events in the past few years? Despite the fact that most households do not have Flood insurance, there is a limited appetite from insurers to offer reinsurance capacity. A lack of compiled historical data makes it tough to develop logarithms to create rating models. Providers of private flood insurance must receive approval in many states by filing policy forms and underwriting guidelines. This additional bureaucracy makes flood insurance less appetizing to insurers. In several states, insurers are obliged to renew cover, or are not allowed to increase rates if any losses have been made. Undeniably, Flood insurance is an intimidating product for many insurance agents. It requires specialized knowledge of the risk as well as the ability to educate potential buyers. Agents need to better understand the nuances of the coverage in order to sell the product and justify the potential commission. Often homeowners do not understand why they need to buy flood insurance if they are not technically in any flood zone.

Despite all the challenges, the future does hold hope for flood insurance, by means of a combination of more automated processes and better pricing, which will result in a less expensive and confusing product.

# Australia: Professional Indemnity Insurance Market Turns More Challenging

Professional Indemnity is a class of business in Australia that is turning out to be more challenging to place than in previous years. The increase in claims activity, several large settlements and the decrease in Australian business written by Lloyds, together make the perfect cocktail resulting in tough renewals for brokers and insureds. Rates are on the rise, and offers are limited. The bottom line is that Australian insurers are under pressure to show a profit on the bottom line.

Some classes of business such as lawyers and construction workers have been heavily impacted with a raise in premiums in the range of 25-30%. Other classes which include fire engineers, building inspectors, façade manufacturers are experiencing even larger increased rates.
As a result, insurers left in the industry face less competition, and can charge the premium they want with little options for brokers and insureds.

# Bangladesh: Non-Life Insurance Subject to Lower Cessions Overseas

The Insurance Regulator in Bangladesh has been imposing requirements on local insurers for many months now. These regulations are being enforced more stringently, and the result is that a minimum of 50% of all Non Life reinsured risk must be ceded to the State Insurer, the General Insurance Corporation. The remainder of the reinsured risk may also be retained by the GIC, or any local insurer. Any balance left over will then be ceded to foreign insurers. Bangladesh joins the number of countries where  governments are pushing to increase capital investment reserves within their borders, thus improving infrastructure.

# Canadian Underwriters: What Causes Them Restless Nights?

Cyber threats have been at the top of almost every Canadian underwriters' emerging and ongoing risk list. Where Cyber Liability is concerned, more and more companies are purchasing Business Interruption coverage as a consequence of a cyber event. Cyber risk is

becoming more predominant and hackers are becoming more sophisticated. No business which relies on the IoT, can get away from this. Canadian risk managers and Management within small and medium companies are continuously reminded to have Business Continuity Plans (BCP) and measures in place in the event of any cyber threat. As part of the BCP, employees undergo rigorous cyber training as measures to act in the event of any attack.

In recent years, together with Cyber threats, a series of risk are grabbing the attention of the Canadian insurance market. Among contenders of the 2020 list of risks to watch out for, were the threat of terrorism, natural catastrophes such as large forest fires, and hurricanes causing destruction such as Dorian, which recently ravaged the Bahamas. Climate Change is most definitely a huge concern. Other less common risks include human trafficking which has been brought to the attention of Risk Managers, some of who may not even be aware that this is happening in their companies along the supply chain.



- Bound General Commercial Liability and Products Liability fronting policies in the United Arab Emirates (UAE), United Kingdom and Mexico as well as a Workers Compensation and Employers Liability fronting policy in the UAE for a leading provider of packaged solutions for the control, monitoring, and distribution of electrical power and other critical processes.
- Instrumental in placing a fronting Errors & Omissions and Cyber Liability policy in the UAE for one of the largest financial and management consulting firms in the world.
- Secured a reinsured Workers Compensation policy in Angola for a global firm which provides environmental, industrial, waste management and site remediation services.
- Placed a fronted Employers Liability policy in the UAE for a provider of solutions for global customers through the engineering design, manufacture, sales, rental and service of coiled tubing pressure control equipment.