GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace

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We hope all of our colleagues and partners and your families around the globe are doing well in this incredibly unusual and challenging time.
Everyone at Globex is doing fine and working very hard to keep business as usual.
If there is anything that we can do to help, please do not hesitate to contact any member of the team.
Stay well and healthy!

Sri Lanka - Change in Exportability for Multinational Programs

The Insurance regulatory authorities in Sri Lanka, known as the National Insurance Trust Fund (NITF), have issued new regulations in the country which affect the exportability of the premiums and the risk ceded to foreign reinsurers on international accounts. Until recently, any foreign reinsurer wishing to place business in Sri Lanka, had to accept the mandatory local retentions which started at 10% and could go up to 50%, depending on the type of risk and line of cover.

A very recent development shared by the NITF with the local Sri Lankan insurers will affect all multinational policies with an effective date of January 1 2020. As per the new regulation, local insurers in Sri Lanka can cede up to 99.9% of any risk and premium to the foreign reinsurer. This is welcome news for those insurers with multinational programs, who aim to have the maximum percent of risk and premium exported out of Sri Lanka.

Jamaica - Tax Goes Down

It is common to experience increases in taxes, and this often is the case with taxes that apply to insurance premiums. The situation in Jamaica however, seems to be the opposite. Effective April 1, 2020, the Standard Rate of General Consumption Tax (GCT) payable in respect to taxable goods and services was lowered to 15%. Previously, the GCT in Jamaica was at a rate of 16.5%.

Zimbabwe - The Insurance Sector Pushes for a Single Currency for

Policies

Prior to 2019, most insurance policies in Zimbabwe were denominated in US dollars. In 2019 however, the financial authorities in Zimbabwe took measures to ensure that all insurance contracts were issued in local currency. Due to the substantial depreciation of the Zimbabwe dollar (ZWL) and currency fluctuations, many local insureds lost millions. In an effort to inspire confidence into the sector, the insurance industry in Zimbabwe, working with the Insurance and Pensions Commission (IPEC), is pushing for the re-introduction of policies using US-dollar currency. The goal would be to add value and stability to an ever changing currency market. If the move to use USD denominated policies takes place, this will simplify the reconciliation efforts of many accounting teams working on Zimbabwe international policies.

Saudi Arabia - Warranties in Insurance Contracts

A 'warranty' is a well understood term in the context of insurance law. An insured that provides a warranty effectively promises to the insurer that certain facts are true or untrue and/or undertakes that certain conditions shall be fulfilled. What happens when an insured breaches a warranty in an insurance policy? Does this mean that the insurance coverage will not be triggered and the insurer shall be entitled to reject the claim?

In the Kingdom of Saudi Arabia, the ramifications of a breach of warranty by an insured were not clear until very recently. A high profile case has led the Insurance Disputes Committee (IDC) to make amends to the responsibility of the insured where a breach of warranty is concerned.

The IDC expressly commented in its judgment that a warranty is an essential part of the policy and is equivalent to an undertaking by the insured which needs to be complied with throughout the duration of the policy in order for cover to be triggered. Failing to comply with a warranty is contrary to the parties' agreement and entitles the insurer to be discharged from its liabilities under the policy, by rejecting to indemnify the insured. The IDC’s decision is very much in line with the Shariah principle that a careless person shall bear the consequences of his/her negligence.

Why is this important in an insurance context? The recent development means that where an insured would ordinarily be entitled to indemnity under the policy, but has carelessly breached a warranty by omitting to do certain actions, coverage will not be triggered and the insurer shall be entitled to reject the claim. This is a very positive development for insurers in the region and brings welcomed clarity to what has previously been a matter of some uncertainty. For additional information on this recent development, please feel free to reach out to any member of our Globex Team.

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Arabia, South Africa and South Korea – for a leader in testing, inspection, certification and calibration services.

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