Volume 277 July 2020

globex BROKER SERVICES

GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

GLOBAL

Though the COVID-19 pandemic is expected to lead to the deepest recession since the 1930s, global insurance premium volume will rebound to pre-crisis levels by the end of 2021, according to a Swiss Re forecast. Moreover, the pandemic has sparked an uptick in general “risk awareness,” which could support growth for the insurance industry over the long term. It is predicted that global nonlife premium volume will shrink 0.1% in 2020 after growing 3.5% in 2019. However, with the industry well capitalized ahead of the pandemic, it should be able to absorb the COVID-19 losses, returning to around 3% positive growth in premiums by the end of 2021. Emerging markets, in particular China, will lead the comeback. While personal property insurance premiums will likely continue to grow in 2020, personal auto premiums could shrink by close to 5% in the large mature markets. On the commercial lines side, workers compensation could see strong premium declines as unemployment has risen at an unprecedented speed, particularly in the U.S. The hardest-hit lines will likely be those closely linked to transport, travel, trade and entertainment. Beyond these, the main lines impacted will likely be: property, with lawsuits for business interruption already seen in the U.S.; liability, where D&O and medical malpractice could see a jump in claims; and Workers Compensation, which could see a rapid rise in claims from health care and other essential workers.

AUSTRALIA

A growing concern in Australia is the affordability of property insurance in particular as it relates to the impact of taxes. Premiums attract a Goods & Services tax (GST) and furthermore, all state and territory governments – with the exception of the Australian Capital Territory – add a stamp duty of between 9-11%, which means households and businesses pay between 19.9% and 22% in tax on their insurances. The worst experiences are happening in New South Wales, an Australian State. This year, insurers have to collect more than a billion dollars from their customers to fund the Emergency Services Levy. The cumulative impact of the Emergency Services Levy, GST and then state stamp duties means that households are paying about 50% in taxes on their home and contents insurance, and small businesses are typically paying about 70%.

INDIA

The government has called off the long-deliberated merger of the three public sector non-life insurers - National Insurance, Oriental Insurance and United India Insurance - and has announced an additional capital infusion of INR99.5bn ($1.3bn) into the companies. Of the INR99.5bn capital injection, INR34.75bn will be released immediately, while the balance INR64.75bn will be released in one or more tranches. To enable the capital infusion, approval was given for an increase in the authorized share capital of National Insurance to INR75bn and that of United India and OICL to INR50bn each. With the approval of the respective boards of the non-life companies, the merger proposal had first been announced in a Budget speech in February 2018 and confirmed by a government representative as recently as July 2019. The process of the merger has been ceased and, instead, the focus will be on profitable growth.

Recent Success Stories

- **Placed General Liability coverage in the Bahamas for a private island undergoing renovation as a destination wedding resort.**
- **Bound US General and Products Liability and Workers Compensation coverage for the second stage of a project for the insulation of liquefied natural gas tanks undertaken by an Australian contractor.**
- **Coordinated the issuance of local primary and excess Directors & Officers Liability policies in 3 overseas territories as part of a program for a US based global payment processing company.**
- **Placed a local General & Products Liability policy in Latin America as part of a controlled program for a US based dietary supplements company.**

Contact us

Visit our website