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!

Ghana - Additional Compulsory Lines Of Coverage

Ghana's government has approved a new insurance bill that will be part of the regulatory framework, once the bill is approved and signed by the President of the country. At that time, the following lines of business will be added to the existing compulsory local admitted policies:

- Marine Insurance – Import policies will be compulsory
- Group Life Insurance
- Workmen's Compensation or Employer's Liability - this will be mandatory for certain classes of business, details to be advised
- Professional Indemnity
- Public Liability, also known as Commercial Third-Party Liability for non-commercial buildings

Hong Kong - A Reminder of the Insurance Levy Increase

Under the Hong Kong Insurance Ordinance, effective January 1, 2018, all insurance premiums were subject to a tax levy. Tax levies for insurance premiums are payable by policyholders to the Insurance Authority through their insurance companies.

In order to mitigate the impact on the insured parties, an incremental approach was adopted. As stipulated in the law, in 2018 the levy rate started at 0.04% of insurance premiums and would gradually increase every year until it reaches 0.1%. This percentage will also be subject to a levy cap.

At present the insurance tax levy has increased to 0.085% of the base premium, and by April 1, 2021, the levy will reach 0.1%. The cap by March 31, 2021 will remain at HKD 4,250, and by April 1, 2021, the cap will be set at HKD 5,000. *[Correction from USD to HKD]*

India - Global Property Programs Affected by Tariffs

Property policies in India which are part of a global program will require increased attention as a result of changing tariffs in the Indian insurance market; while some tariffs were reduced, most have increased as a result of property tariffs issued by the General Insurance Council.

In 2007, the Insurance Regulatory and Development Authority of India (IRDAI) de-tariffed the market for premium rates. This changed in March 2019, as the Council issued property tariffs on ten classes of occupancies (warehouses, steel manufacturing plants, hydro plants, etc.) in response to catastrophe losses. This meant charging a separate premium rate for certain Perils, these being STFI (Storm, Tempest, Flood, and Inundation) as well as Earthquake, and offering nil discount in those rates. In 2020, the categories of tariffed occupancies rose to 300 different classes.

Several factors have resulted in the increase in basic risk rates, including extremely high discounting of premiums, risk rates not being commensurate to the exposure, and the level of catastrophe losses.

As a rule, all local insurance carriers are required to cede 5% of each risk to GIC Re as a mandatory obligatory cession, and preference in reinsurance cessions is to be given to Indian branches of foreign reinsurers, before ceding to cross-border reinsurers.

Where the application of tariffs is concerned, carriers will operate very differently when calculating Property and Business Interruption rates. Depending on the carrier, they may apply tariffs to 100% of the risk; they may apply tariffs on local retentions and cessions to GIC Re; they may offer discounted rates to the cession that is ceded back to the global carrier; they can increase exportability to 93% with regulatory approvals; they can provide amendments of sub-limits and policy conditions to obtain lower rates/premiums; and these are just some of the ways that tariff rating may differ.

In some cases, increases in rates of up to 250% have been experienced. It is therefore extremely important to have the right local partner in India. Globex works with a number of insurance markets in India; for any additional information on this topic, please reach out to any Globex team member.

Zambia - Regulations Effective January 1, 2021

New guidelines on reinsurance have been issued by the regulatory authorities in Zambia. These were finalized on August 31, 2020, and will come into effect on January 1, 2021.

One notable change to the Guidelines to the Insurance Industry on the Reinsurance Arrangements is denoted as Item No.11 PROHIBITED PRACTICES. This will require each and every local carrier to approve any fronted risk, and the approval will be conducted by the Insurance Regulator. The goal is to maintain an equal ratio of capital reserves between fronted and retained business. For multinational programs, this means that 100% risk cession will no longer be possible, unless prior approval from the authorities is granted.

success stories

- Secured a Directors' and Officers' reinsured policy in Belarus for an office staffing company.
- Bound an Inland and International Transit program in Brazil for an American-based worldwide manufacturer, marketer and distributor of consumer and commercial products with a portfolio of brands.
- Instrumental in placing a multinational Directors' and Officers' policy program in Malaysia, Mexico and United Arab Emirates for an E-Learning products company, which helps clients to develop digital education projects.
- Placed a multinational Inland Transit program in Australia, Canada, Japan, and United Kingdom for a technology company known for its mailing equipment and services, and e-commerce, and software technologies.
- Secured an Import, Export and Inland Transit package in Brazil for a manufacturer and marketer of traditional photographic supplies, hardware and software for digital imaging and information management.

Globex Underwriting Services | a division of Globex International Group | Tel: 1-203-256-1475
Globex@globexintl.com | 440 Hill Top Road, Bridgeport, CT 06605, USA