



## GLOBEX UPDATE PROPERTY & CASUALTY

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

### New Zealand



In New Zealand, there are about 450,000 homes that currently sit within a kilometer of the coast that is likely to be hit by a combination of sea-level rise and frequent storms due to climate change. As a result, thousands of seaside homes are about to face soaring insurance premiums which has led to many people pulling cover from their homes. According to a recent study, a 10 cm rise of sea level could push up the probability of flood five-fold which is expected by 2040. This would make floods a one-in-20-year event.

International experience from New Zealand's insurance market predicts that companies will start pulling out of insuring properties when disasters like floods become one-in-50-year events. However, homeowners are still choosing to buy, develop, and renovate coastal property. Concern has therefore been expressed over how people ignore low-probability events and the government has been urged to educate people about homeowner's risk in such areas. The Insurance Council of New Zealand strongly advocates for local governments to think long-term and not consent to developments in high-risk areas. Furthermore, a government representative said that they are currently working on a National Adaptation Plan, which will set out to ensure communities are more resilient to climate change.

### Spain

The Spanish Government has decided to increase the tax rate on insurance premiums from its current level of 6% to 8% for 2021. This will come into force after its approval in the "Boletín Oficial del Estado" – the State Official Newsletter. The specific day on which the law will be approved is unknown, but most likely it will coincide with December 31<sup>st</sup>, 2020. While the regulations governing the tax on insurance premiums establish that the tax is accrued at the time of payment of the premium, historical guidelines from the last tax increase in 1998 (from 4% to 6%) would imply that the current rate of 6% would be applicable to insurance policies that are bound and have effective dates prior to the date on which the law comes into force. The tax rate of 8% would then be applicable to those insurance policies whose effective date occurs on / after the law comes into force. Installment premiums will attract the tax rate applicable at the time the installment is due.



### Southern Africa



The African Risk Capacity Group (ARC) is working on a new insurance mechanism for African countries in the South-West Indian Ocean (SWIO) region. The region is one of the most active areas globally in terms of tropical cyclone formation. Each year, 13 cyclones, on an average, with speeds above 63km/h occur in the SWIO region. The parametric insurance product will provide countries with predictable and rapid financing for early response to cope with emergency situations caused by cyclones. Cyclones such as Idai and Kenneth in Mozambique caused huge damages and has led to an increased interest in parametric tropical cyclone insurance coverage. ARC has developed a model that is capable of accurately calculating the frequency and severity of tropical cyclones that occur in the SWIO region that includes countries such as Mozambique, Madagascar, Comoros, Mauritius, Seychelles, and Tanzania.

### Recent Success Stories

- **Placed General Liability coverage with a limit of \$10m for a North American client performing railroad signal and Positive Train Control installation and maintenance for the railroad industry.**

- Arranged partner broker servicing in Singapore and the USA for the global property and marine program of an aircraft manufacturer.
- Bound Directors & Officers Liability insurance with worldwide jurisdiction for a biotech R&D company incorporated in France.
- Placed a Homeowners policy for a high-end condominium unit within a strata complex on the island of Little Cayman.

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