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GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

Global

Natural catastrophes around the world resulted in $210 billion in damage in 2020, with the United States especially hard hit by hurricanes and wildfires. The damage increased from $166 billion in the previous year and comes as a warming planet heightens risks. Losses that were insured rose to $82 billion from the 2018 mark of $57 billion. They add to the burden of the coronavirus pandemic that has hit the insurance industry hard. The hurricane season was "hyperactive," with a record 30 storms, surpassing 2005's 28 storms. Heatwaves and droughts fuelled wildfires, with $16 billion in damage last year in the western USA. Floods in China made up the most costly individual loss at $17 billion, but only 2% of the damage was insured.

Australia

Although the cyber insurance market in Australia remains an accessible and affordable means of transferring risk for insureds, there have been signs of caution from insurers as a result of the increasing claims activity in 2020. In an effort to sustain profitability, insurers are increasing cyber premiums (15-20% average increases), capping limits, and requiring more detailed underwriting information. Nevertheless, the cyber insurance market size is expected to continue to grow as companies and boards increasingly focus on cyber risk management. This has led to higher limits being purchased and sizeable growth in the number of cyber insurance policies placed. The Australian cyber threat landscape continues to be challenging for organizations as the rise in remote working arrangements and the on-line shift of workforces has consequently expanded potential entry points for threat actors throughout 2020.

China

The CBIRC - China Banking and Insurance Regulatory Commission - has updated its solvency regulations for insurers with the revised rules to take effect from 1 March 2021. The "Regulations on the Solvency Management of Insurance Companies" aims at plugging regulatory gaps in the current solvency system by strengthening solvency supervision and consumer protection. The "Regulations" make clearer the three-pillar framework for solvency supervision, consisting of quantitative capital requirements, qualitative regulatory requirements, and market restraint mechanisms. In detail, the quantitative regulatory requirements of the first pillar are to prevent three types of risks, namely, insurance risk, market risk, and credit risk, by placing quantitative capital requirements on insurance companies. The qualitative regulatory requirements of the second pillar are to prevent operational risk, strategic risk, reputational risk, and liquidity risk. The third pillar, which comprises market restriction mechanisms, promotes public information disclosure and improves transparency, etc. An insurance company that meets the regulatory requirements for the above three indicators is a solvency-compliant company; if any indicator does not meet the regulatory requirements, the insurer is considered as non-compliant with solvency requirements. The comprehensive risk rating measures the insurance company's overall solvency risk. The rating for an insurer shall not be lower than Category 'B', out of four categories descending from 'A' (the best) to 'D'.

Recent Success Stories

- **Bound Property & General / Products Liability policies for a fitness company expanding operations into Australia**
- **Placed local Property coverage in Spain for a recently acquired subsidiary of a US multinational that provides tooling, castings, forgings, and machine shop services to original equipment manufacturers**
- **Bound Professional Liability coverage for a U.K. based project management services organization serving the petroleum, retail and quick-service restaurant industries.**
- **Placed Property & General Liability coverage for a North American client renting modular buildings as living quarters and offices to companies in the oil & gas industry.**

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