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globex BROKER SERVICES

GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

Netherlands

Dutch risk and insurance managers are closely watching a debate at the government level about outlawing insurance payments for cyber extortion to deter cybercriminals from targeting companies that they know have protection in place. As virtually all business activity is now somehow technology-based, it is feared that even basic covers such as buildings insurance could become invalid or unaffordable if the cause is linked to a cyber event. The Ministry of Justice and Security has for some time pushed for the banning of insurance payouts to cybercriminals. In April, it was proposed to the Dutch parliament that ransom payments should not be covered but instead, insurers should pay out the cost of damages that organizations incur by not paying the ransom. The argument is that paying the ransoms merely incentivizes cybercriminals. As a result, insurers would likely be urged to focus on loss prevention and incentivizing customers to improve cyber security, rather than focusing on ransom payments. One problem with ransomware is the public nature of the discussion and details reported about cyberattacks and insurance – which doesn’t happen for example in the traditional kidnap-and-ransom market.

Australia

A recent Federal court ruling has dealt a major setback to small businesses by finding that a range of insurance policies did not cover them for financial losses during COVID. The court found that the majority of nine business interruption policies put before it for scrutiny would not need to payout. Business interruption emerged as a controversial space during the pandemic, with the industry claiming they never intended these policies to cover pandemics. Estimates suggest there were roughly 250,000 such policies in Australia when the pandemic hit, with a total potential liability of $10 billion. The test case looked at the terms under which a business could claim for the downturn in trade during the pandemic, with its narrow interpretation essentially meaning a business cannot be compensated if it can only prove its losses were due to government lockdown or a general economic downturn caused by the closure of international borders. An appeal has already been lodged.

Bahrain

Insurance and financial services are expected to see an increase in costs as a direct effect of Bahrain's proposed doubling of the value added tax (VAT) rate from 5% to 10%. The increase is set to take effect from 1 January 2022. The rate increase may cause an impact across all industry sectors, with the end consumer ultimately bearing the brunt. VAT was introduced in Bahrain in 2019. Under the current VAT system, life insurance and the reinsurance of life contracts are exempted from VAT when provided locally. All other forms of insurance (including reinsurance of non-life contracts) are subject to VAT at the standard rate of 5%. Policies may change to be zero-rated or out of scope, depending on whether they are being exported or being sold to another GCC member state. This is determined on a “per policy” basis in line with the zero-rating provisions in the Executive Regulations. Fitch Ratings estimates that the VAT hike could raise GDP by an additional 1.5 - 2 percentage points.

Recent Success Stories

- **Placed local automobile coverage in Trinidad & Tobago for two vehicles purchased by a Canadian company engaged in an on-shore drilling contract.**
- **Bound a standalone Property coverage for a maquiladora foundry casting risk in Reynosa producing parts for mining, pumps, transportation, and other industries**
- **Placed local US General Liability policy as part of a controlled program directed out of Canada for an IT management and consulting company.**
- **Bound a local Property policy in Puerto Rico on behalf of a US-based client engaged in charitable advisory services to under-served communities.**

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