



## GLOBAL UPDATE

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

**Volume 4, 2021**

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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!*

### **Taiwan - Mandatory Occupational Accident Insurance for All Employees**



Taiwan's legislature has passed the Occupational Accident Insurance and Protection Act.

The new law will cover all employees, including foreign workers. In the event of any occupational injury or disease, all employees are eligible for a two-month salary payout.

Insurance payouts cover medical treatment, injury/disease, disability, death and disappearance.

All employers are expected to sign up each employee, irrespective of the size of the company. Previously, only firms with more than five employees were required to provide such insurance coverage. Companies with less workers were under no obligation to provide the coverage; this is no longer the case.

Occupational injury or disease benefits are set at 100% of a person's insured salary in the first two months, and 70% until the application ends. Permanent disability benefits will be determined based on the severity of a person's disability. These are as follows:

- Complete disability - will receive 70% of the employee's salary
- Severe disability - will receive 50% of the employee's salary
- Partial disability - will receive 20% of the employee's salary

The date of commencement for the insurance coverage is yet to be established. Globex will continue to monitor the status of this new law and provide updates to our partners.

## **Botswana - VAT Increase and Stricter Regulations on Reinsurance**

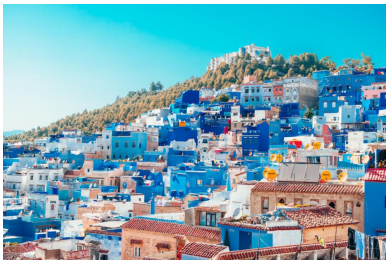
Effective April 1 2021, VAT on policy premiums will increase from 12% to 14% in Botswana. In addition, the Insurance Regulator is enforcing stricter measures which line up with the Insurance Industry Act of 2015 in respect of reinsurance placements.



This Act states that any local insured requiring coverage within the country, must request the insurance from locally admitted carriers. Exceptions will only be made by the regulatory authorities in instances whereby a particular class of business does not exist in Botswana, or whereby the line of coverage required is not available from the local insurance and reinsurance market. In such instances, a foreign, non-admitted carrier may provide the maximum reinsurance support. A third scenario would involve the local insured sending a written appeal to the authorities, ahead of the placement of the business, thereby receiving a special concession to obtain coverage from an overseas carrier.

In all three cases it is important to exhaust the local reinsurance capacity before the risk can be ceded overseas.

## **Morocco - Market Practice Options**



Placing a reinsured local policy in Morocco can be challenging. Local admitted coverage is necessary, and a foreign reinsurer must employ the services of a local insurer for the process. Among the requirements, the foreign reinsurer must be rated and have strong financials.

In most cases, the state Reinsurer, known as the SCR (Société Centrale de Reassurance), acts as the intermediary party. The risk and premium will be ceded from the local insurer to the SCR. The SCR will then in turn retrocede the risk and premium to the A rated foreign reinsurer. Both the local insurer and the SCR may retain a share for themselves. This is standard market practice.

In the meantime, Globex was reminded by our Network Partners on the ground that the involvement of the SCR is not a mandatory one, and there is an alternative route to place reinsured policies in Morocco.

There is no local law that prohibits a local insurer to cede the risk and premium directly to a foreign reinsurer; what the regulation requires is that certain criteria be met. The law states that the foreign reinsurer must have a rating of at least A- by Standard & Poor's.

In addition, the foreign reinsurer must be able to provide a cash deposit to the local insurers for each policy as a loss reserve. The cash deposit ensures that in the event of a claim, the local insurer is fully protected from the counterparty risk, and in a position to indemnify the local party.

This alternative process of placing reinsured business is not commonly used, and the SCR involvement predominates. For more information on this topic, please reach out to any member of the Globex Team.

## Hong Kong - Increase in Tax Levy

Effective April 1, 2021, the premium tax levy on all insurance policies will be increased to 0.1% of the base premium. This tax is payable by the insured and is subject to a cap depending on the line of business. Local policies will have a maximum of:



- HKD 5,000 for general insurance policies (corresponding annual premiums at or above HKD 5 million)
- HKD 100 for long term life insurance policies (corresponding to single or annualized premiums at or above HKD 100,000)

The levy is applicable on all non-life lines of business, with the exception of Marine and Aviation Hull, Marine and Aviation Liability, and Goods in Transit.

Some background on the premiums levy in Hong Kong: under the Hong Kong Insurance Ordinance, with effect from January 1, 2018, insurance policies were subject to a levy, payable by the local insured to the insurer carrier, and this in turn would be disbursed to the insurance regulator.

The levy was introduced in four phases, increasing over a four year period, and capping at the current rate of 0.1%. The purpose of the gradual increments was to reduce the impact on policy holders and in order to allow time for adaptation. The levy rate started at 0.04% of insurance premiums and reached the current 0.1% in April of this year.

For any additional information, please refer to the following website:

[https://www.ia.org.hk/en/aboutus/role/financial\\_arrangements.html#1](https://www.ia.org.hk/en/aboutus/role/financial_arrangements.html#1)

- Placed a multinational reinsured Package Policies program in 14 countries in Europe for a world leader in materials engineering solutions for semiconductor chips and solar products.
- Instrumental in placing a Directors' and Officers' policy in South Africa for a rooftop solar supplier for small scale commercial and industrial needs.
- Secured a Directors' and Officers' policy in Belarus for a United Kingdom based staffing company.
- Placed a reinsured Inland Transit policy in Canada for a chain of pet superstores.
- Established reinsured International and Inland Transit policies in Canada, Chile, China, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua for a multinational retail corporation with a chain of hypermarkets, discount department stores and grocery stores.

