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GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

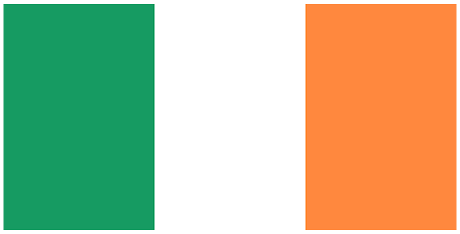
Global

Climate change has again topped the list of emerging risks in a global survey, and for the first time was the number one concern for experts in all regions of the world as well as the US general public. The survey is based on responses from 4,500 risk experts and a representative sample of 20,000 people. This year, cyber security risk was knocked down a notch to third place by the number two risk: geopolitical instability. Pandemic and infectious diseases was knocked to fifth spot after energy risks, from third place last year. 95% of experts surveyed expect geopolitical tensions to persist and spread throughout the world. As an indirect consequence, energy-related risks shot to fourth place, up from 17th place last year. Economic risks are increasing and fueling social tensions. For the first time, experts rank three economic risks in their top 10: financial instability, macroeconomic deterioration and monetary and fiscal stress. The full top ten risk rankings were: 1. Climate change 2. Geopolitical instability 3. Cyber security risks 4. Energy risks 5. Pandemics and infectious diseases 6. Social tensions and movements 7. Natural resources and biodiversity risks 8. Financial stability risks 9. Macro-economic risks 10. Monetary and fiscal policy risks.

United Kingdom

The outlook on the UK property and casualty (P&C) insurance sector has been downgraded by one ratings agency from stable to negative, reflecting the adverse impact of high inflation on underwriting profitability. The rating agency anticipates that P&C price increases and rising investment yields will be insufficient to restore earnings over the next 12-18 months. At the same time, it maintained its stable outlook on the UK life sector, which it says continues to show "robust capital and healthy earnings," which it considers relatively resilient to slowing economic growth. High inflation is pushing up P&C claims costs, exacerbating a steady increase in motor claims as vehicle usage normalizes following a pandemic-induced decline. Meanwhile, retail P&C insurers are expected to struggle in pushing through offsetting price increases, held back by stiff competition and recent regulatory pricing reforms, while, in the commercial market, prices continue to rise, but at a slower pace. Analysts also warned that inflation over a prolonged period of time could be a key threat as it increases reserving and pricing risk, particularly in long tail commercial P&C lines. This would increase long-tail casualty claims, such as those related to severe motor bodily injury or professional liability, which can be costly and take a long time to settle because of lengthy court proceedings.

Ireland



The High Court has upheld an ombudsman's ruling it was unreasonable for an insurance provider to refuse to pay out business disruption cover to a children's play center for closures due to Covid-19. Following the pandemic outbreak in early 2020, the play center was advised that various Government departments, including the Department of Health, recommended the closure of play centers. It closed on March 15. Its insurance policy

included cover for business interruption caused by an inability to use the office due to “restrictions imposed by a public authority” following the “occurrence of a notifiable human disease”. The play center’s claim was denied, concluding cover had not been triggered because restrictions or closure would have had to be imposed specifically on the policyholder’s premises
and it had closed without an instruction from the HSE to do so. In the meantime, London’s Supreme Court rejected a UK insurer’s interpretation of a policy wording that was similar to this interpretation. The insurer then rescinded its earlier declinature and confirmed it would provide cover. Subsequently, the ombudsman issued a final decision upholding the complaint, finding that the refusal of the play center’s claim was unreasonable, directing the insurer to make an advance payment of policy benefits of €25,000, plus a compensatory payment of €5,000. In appealing the decision to the High Court, the insurers argument that the ombudsman was seriously and significantly in error, considering the insurer had reviewed its policies immediately after the UK ruling, was not upheld.

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