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globex BROKER SERVICES

GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

Recent Success Stories

- **Placed an International Package policy for a company sending employees from 5 different countries to attend a convention in Spain.**
- **Bound international Liability coverage for a national defense security advisory firm doing projects in the Middle East.**
- **Placed a local General Liability and Workers Compensation in Dubai for a newly established sales office for an app-based productivity tool.**
- **Bound UK Employers Liability and General Liability policies for a US multinational company that provides marketing solutions to large multinational companies**

South Africa

The Financial Action Task Force (FATF) has placed South Africa on a list of countries under increased monitoring, externally known as the grey list. South Africa's listing by the FATF has significant implications for its economic growth and global competitiveness, including the insurance industry. At the end of November 2022 several new categories of accountable institutions were added to a list of entities that have to register with the Financial Intelligence Centre (FIC). Obligations are imposed on these new accountable institutions in terms of the Financial Intelligence Centre Act (FICA) and the FIC will closely monitor compliance to try and get South Africa off the grey list as soon as possible. The newly added accountable institutions include financial services providers under the Financial Advisory and Intermediary Services Act and life insurance business (excluding reinsurance). The implications are both reputational and economic. The country might be downgraded by credit rating agencies, which would affect its ability to borrow on the international capital markets. Grey listing also typically leads to a significant decrease in capital inflows. Eight areas were identified that need to be focused on, including: showing a sustained increase in outbound Mutual Legal Assistance requests that help facilitate Money Laundering / Terrorism Financing investigations and confiscations of different types of assets in line with its risk profile; demonstrating a sustained increase in law enforcement agencies' requests for financial intelligence from the FIC for its investigations; and showing a sustained increase in investigations and prosecutions of serious and complex money laundering and the full range of Terrorism Financing activities in line with its risk profile.

Syria

The earthquakes that hit Turkiye and Syria caused an estimated $5.1bn in direct physical damages in Syria, according to a World Bank Global Rapid Assessment report. The current value of the damaged and destroyed capital stock is estimated at about 10% of GDP. The damages impacted four governorates, where around 10m of Syria's population reside. Reflecting a significant degree of uncertainty around this preliminary assessment, estimates of the total direct damages using replacement costs range between $2.7bn and $7.9bn. The report, does not cover broader economic impacts and losses for the Syrian economy, such as production or business interruption, loss of income, cost for temporary housing and demolition costs; these require a more in-depth assessment. It finds that Aleppo (population of 4.2m) was the most severely hit governorate with 45% of the estimated damages ($2.3bn) followed by Idlib (37% or $1.9bn) and Lattakia (11% or $549m). The subsequent earthquake and continued aftershocks are likely to add to these damage estimates over time. Residential buildings accounted for nearly half of the total damages (48.5% of the median value or $2.5bn), while damages in non-residential buildings (e.g., health facilities, schools, government buildings, and private sector buildings) account for one-third of the total impact (33.5% or $9.7bn). Infrastructure damages account for 18% of total damages ($0.9bn). This includes transport, critical power and water infrastructure, and Information & Communications Technology. The damage estimates to the residential and non-residential sectors include direct damages to all buildings and structures, including cultural heritage sites in Aleppo, Margat and Kobani. Cultural heritage sites are, however, severely underestimated as values associated with the loss of cultural heritage are complex and challenging to quantify.

Australia

Rates in the Directors & Officers Liability market continue on a downwards trajectory, following a trend reversal in mid-2022. Driven primarily by an increase in insurer appetite and capacity out of London, this forced Australian markets to follow suit. After five years of hardening market rates, insurers are now offering renewal terms at "expiring" or reduced rates to defend their market share from new entrants. Despite rate softening, the D&O market has seen several emerging claim trends emerge, one of the most noticeable of which is the increasing focus on cyber risk. As companies become more reliant on technology, they also become more vulnerable to cyber attacks. While directors are not expected to know the technical ins-and-outs of their systems, they must know how to govern privacy and cyber-security risks. Also, as economic conditions worsen, companies and their directors face the potential of insolvency. Depending on the circumstances which give rise to a company's insolvency, a director may be held personally liable for the debts incurred. As a result, insurers have taken a cautious approach to industries with greater exposure to raw materials and inflationary pressures (such as construction and manufacturing), with many applying insolvency exclusions until they have satisfactorily reviewed the company financials. EPL, however, continues to produce the highest frequency of losses among Management Liability products, contributing to approximately 40% of all claims with unlawful discrimination, unfair dismissal, bullying and harassment being a consistent source of claims for several years.

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