Volume 309 April 2023

GLOBEX UPDATE
PROPERTY & CASUALTY

Events, developments, and opportunities in the international marketplace.

Recent Success Stories

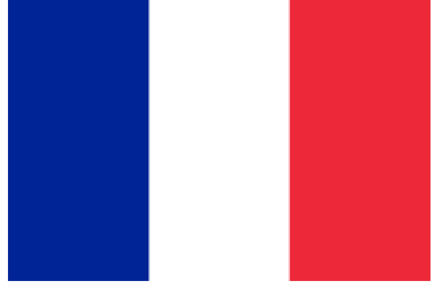
- **Placed Hull, Machinery and Liability coverage for a luxury motor yacht operating in the waters of the Bahamas and Caribbean Sea.**
- **Bound a General Liability policy with a $5m limit for a leading cleanroom engineering, design and build construction company with a contract in Canada.**
- **Placed a Special Event Liability policy for a company hosting a national conference in Cancun, Mexico with an expected attendance of up to 1,000 people.**
- **Bound General & Products Liability coverage for a company installing their greenhouse gases to decarbonized products technology into a facility in Western Australia.**

Global

2022 saw the first global hardening of the Terrorism & Political Violence market in over 15 years. After a few years of geopolitical and socioeconomic instability increasing loss ratios from major events in Chile, Hong Kong, and South Africa, as well as losses in Peru, Haiti and Saudi Arabia, the crisis in Ukraine has been the final turning point for the market. Insurers are paying and reserving for the continuation of the largest losses in the market's history, eroding multiple years' worth of premiums. Risk-wise, terrorists continue to demonstrate technological sophistication, employing drones to hit targets thousands of miles away, and high global inflation continues to exacerbate general discontent around social activism and the unequal distribution of wealth. Plus, some of the largest losses and reserves in Ukraine have arisen from renewable energy assets, forcing insurers to review previous modelling for wider Political Violence perils beyond the traditionally lower Terrorism-based loss estimates and models. In conjunction with these conditions, the global Terrorism & Political Violence market has become focused on policy language to try to reverse "coverage creep" with such measures as increased deductibles in volatile territories and higher risk occupancies, as well as imposing direct, indirect or blanket territorial exclusions for Russia, Belarus and Ukraine. Increasing rates across the board are being seen as insurers review rating adequacy and return on capital exposure. All are conducting full 'fresh-look' reviews against model and risk price, rather than historic premiums.

France

Operating profits of French insurers are estimated to have increased by around 3% in 2022, despite broadly flat premium income, although the life and non-life segments showed diverging trends in their results. Strong growth was observed in life operating earnings



that reflects higher technical margins. In contrast, the P&C combined ratio deteriorated for most French insurers, primarily driven by claims inflation exceeding price increases and higher natural events, although this was partly offset by favorable prior-year reserve developments. Effective reinsurance protection shielded insurers from larger weather-related losses, and reserving levels were often increased to account for higher inflation. Technical profitability also improved in health, and even more so in protection, both driven by improved loss experience, the positive effect of price increases, and favorable changes in actuarial assumptions, while higher investment income was generally supportive of non-life operating earnings. It is expected that that French insurers' ability to raise rates to achieve above-inflation premium increases in retail will be challenged by the competitive nature of the market and societal pressure. In addition, higher retentions as a result of limited reinsurance capacity and higher pricing could make P&C earnings more volatile.

India

India's property catastrophe pricing increased by double digits at this April's renewal, a significant uplift for the market by historical standards. April is the main renewal for India, as it sees a vast amount of the country's P&C insurers purchase reinsurance protection, across all lines of business. Risk adjusted rate increases this year for catastrophe excess of loss almost tripled the increases at the April 2022 renewal. The proportional market in India remained challenging as reinsurers moved to reduce event limits and increase loss participation clauses. In general, conditions varied, with some insurers experiencing little change in terms. India is an attractive market for reinsurers, following a period of market liberalization and strong economic growth. With low penetration levels, the insurance market has consistently robust underlying growth and the government is actively looking to expand access to insurance. Further, India has significant catastrophe exposure, including earthquakes, cyclones and floods. By contrast, India's agriculture market remained stable. Asia Pacific accounts for 40% of global agriculture reinsurance premium, with India itself accounting for the majority share. It is one of the world's largest agriculture insurance markets behind the US and China. Strong growth prospects and good performance ensured continued reinsurer support. India's agriculture insurance market is expected to grow rapidly in the coming years, with the government aiming to raise penetration levels to 50%. Premium growth will also reflect higher sums insured due to inflation.

Contact us | Visit Our Website