GLOBEX UPDATE

Events, developments, and opportunities in the international marketplace
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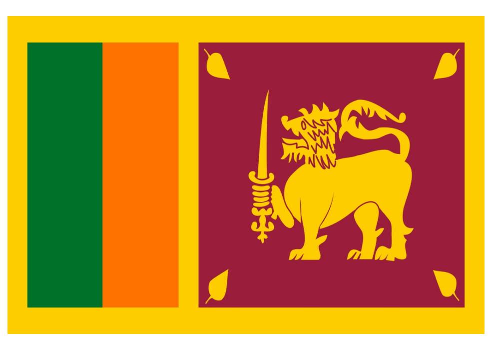
UAE - Increased Requirement for Know Your Client Documentation

The Middle East market is known for its strict anti-money laundering regulations on financial transactions. The United Arab Emirates is no different; in fact, over the past few years, the insurance regulator, now the Central Bank of the UAE (CBUAE), has been passing laws to increase screenings of the overall financial system, and the insurance industry is not exempt.

The latest requirement from the CBUAE is for insurance companies to ensure that they thoroughly collect and review Know Your Client (KYC) documents from foreign reinsurers and local insureds or clients. This is because, while the regulation previously required insurance companies to collect KYC documents, it was not consistently enforced across the market. Please note that even though our local network partners offer some flexibility in general, they are not shielded against the regulator's requirement for KYC documents.

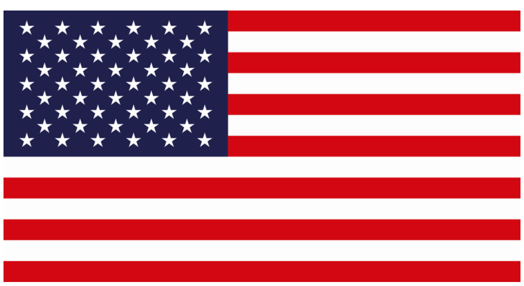
One of the reasons for the increased scrutiny of money laundering is the growing influx of foreign investments in the country. Hence, the regulator is keen on having complete visibility of the entities, including overseas headquarters, to prevent money laundering. Globex works closely with our network partners in the region and continues to monitor any developments. For any additional information about the regulation on anti-money laundering, please reach out to any Globex team member.

Sri Lanka - Local Fees on Reinsurance Premiums



During a recent communication with our network partners in Sri Lanka, Globex was reminded that all locally admitted policies for non-life businesses should have a local tax of 2.914% applied to the base premium of the policy. This includes the Administration Fee and Social Security Contribution Levy. The local tax applies to all lines of business and is payable by the local policyholder. The tax went into effect in late 2022.

USA - An Insight into the US Markets



The US insurance market is experiencing an interesting time in 2023. While policyholders looking for terms on their property coverage are seeing higher rates, the Casualty market, on the other hand, is facing better conditions.

A hard reinsurance market is driving capacity constraints within the property market; this is particularly the case for CAT-exposed accounts. In addition, inflation, valuation adjustments, and rising loss costs are contributing to the higher property rates. These rates have increased in the double digits; fewer markets have a risk appetite for CAT exposures, and some local insurers are repricing risks exposed to secondary perils. Apart from "traditional" CAT perils, losses from severe convective storms, large hail losses, and tornadoes are resulting in 14% to 36% increases in 2023. The lack of property capacity is driving some buyers to seek alternative options, such as quotes from Excess & Surplus markets (E & S).

On the flipside, Auto, Commercial General Liability, and lead Umbrella businesses are seeing less steep rate hikes. Pricing increases are beginning to ease for many casualty lines of business, including Cyber and D&O. Some Cyber carriers have introduced tighter policy language to limit their exposure to potential systemic risks, including Cyberwarfare, although many of these exclusions have yet to be properly tested. In the D & O arena, an influx of capacity over the past 12 months has brought relief to the space, with public companies enjoying rate discounts and increases in the single-digit rate.

Sustainability in Multinational Programs

Insurers are becoming increasingly selective in their underwriting when it comes to sustainability.

Recently, more insurers are pulling back coverage over Environmental, Social, and Corporate Governance (ESG) risks. This is particularly true of emerging climate-related risks as insurers seek to limit downside exposure in their underwriting and investment portfolios.

A 2022 sustainability report pointed out that several global players have refrained from underwriting risks that required insurance coverage for oil and gas extraction projects. Clients were asked to take mitigation measures to reduce methane emissions. Other players decline to offer cover for any fossil-fuel companies due to potential financial and reputational risks. As the pool of available insurers for companies in riskier industries shrinks over time, more companies will have to develop and adopt credible transition plans.

Asia is a region where these transitions are taking place in a number of jurisdictions that consider local economic contexts. As ESG regulations become more stringent and mandatory, the development of transition taxonomies globally will offer more guidance to insurers and corporations. There is an overall need for a widely agreed-upon standard for a credible transition plan for all sectors. Sustainability is an important focus for many companies that want to grow internationally. For help with any multinational programs, please reach out to any member of our Globex team.

- Placed Marine Cargo reinsured policies in Malaysia, Singapore, Mexico, and India for a global information and communication technology company that develops, designs, markets, and exports IT products. The company's product portfolio comprises personal computers, projectors, tablet PCs, smartphones, wearables, smart devices, LCD monitors, servers, and ICT devices.
- Secured Management Liability reinsured policies in Cambodia, Japan, Malaysia, Taiwan, and a Freedom of Services policy in Europe for one of the largest pizza companies in the world.
- Instrumental in the placement of a Marine cargo fronting policy in the UAE for a global, diversified pharmaceutical company whose mission is to improve people's lives with our pharmaceutical products. We develop, manufacture, and market a range of products primarily in gastroenterology, neurology, dermatology, and international pharmaceuticals.
- Assisted in placing a reinsured Commercial General Liability policy in Italy for a quickly growing USA-domiciled company that specializes in the production and wholesale distribution of trampolines and other outdoor equipment.
- Placed reinsured Marine Cargo policies in South Africa, Australia, China, and the United Kingdom, and a Freedom of Services reinsured policy in Europe, for one of the largest manufacturers that sells perfumes and cosmetics. The Company offers hair color, beauty tools, fragrances, skincare, deodorants, and beauty care products. Revlon markets its products to customers worldwide.

- Secured a Canadian-fronting Marine policy for an American retail holding company headquartered in Texas.

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