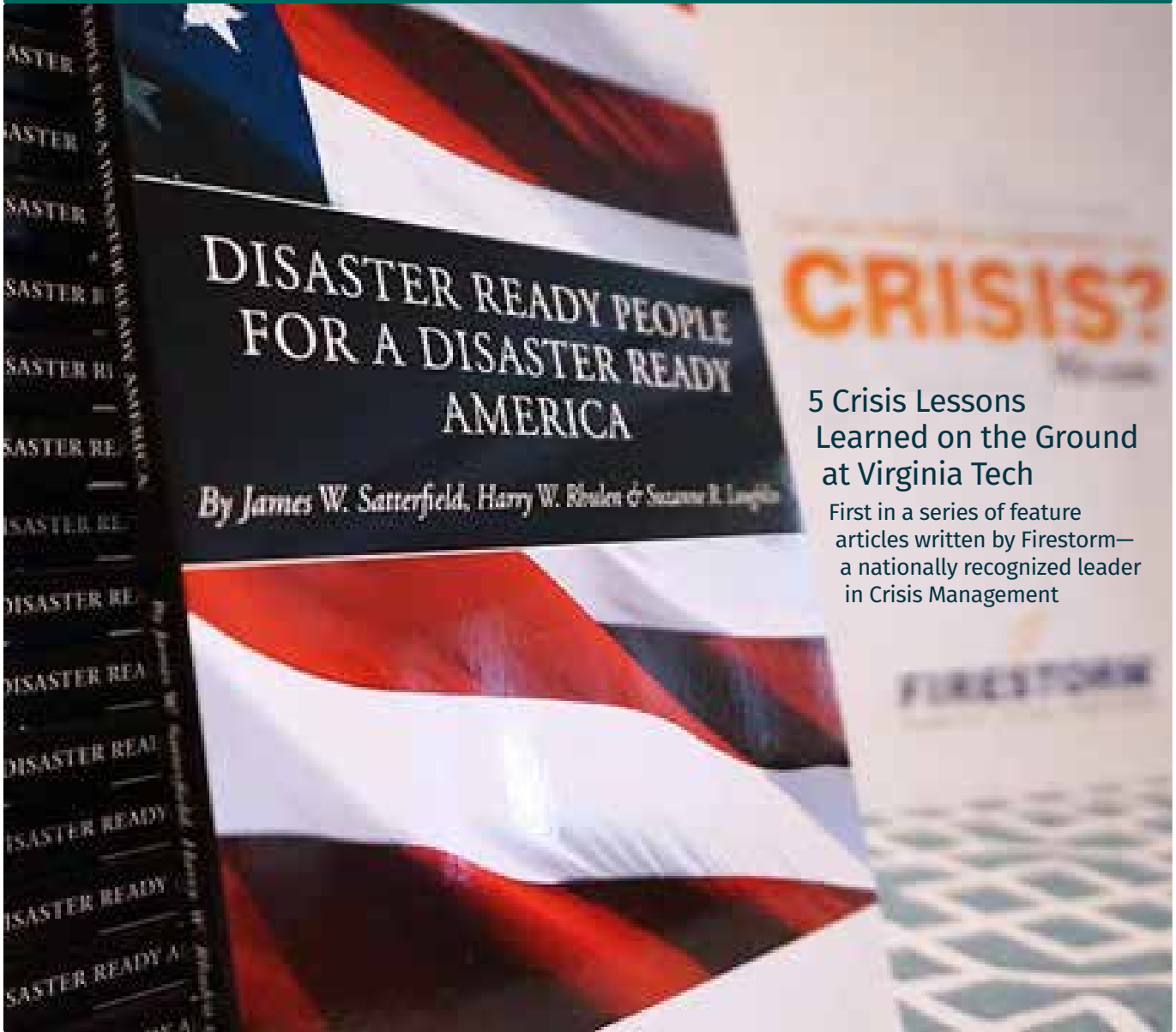


IRL

THE INSURANCE RESEARCH LETTER | July 2015 • ISSN #2165-2740 • Vol. 18 No. 7 • irletter.com

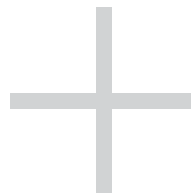


5 Crisis Lessons Learned on the Ground at Virginia Tech

First in a series of feature articles written by Firestorm—a nationally recognized leader in Crisis Management



Scan this for the best directory of [International Country and City Telephone Codes, Time Zones](#) on the web or check out IRLetter.com



PLUS

ABC REVIEW PAGE 12

AMERICAS PAGE 24

EUROPE & RUSSIA PAGE 28

Contents

Features | July 2015

12 ABC REVIEW



24 AMERICAS



28 EUROPE & RUSSIA



30 ASIA- OCEANIA



Have an international question?

Email us @ info@irletter.com

Follow us on Twitter @[isninsurance](https://twitter.com/isninsurance)

INSURANCE RESEARCH LETTER No. 7 · July 2015 · Year 49 · **EDITOR-IN-CHIEF** A. B. Hodges. **GRAPHIC DESIGN** [Turcotte O'Keeffe, Inc.](http://TurcotteO'Keeffe.Inc) **CONTRIBUTORS** Kit Chaskin, Mauricio Kitaigorodzki, Adam Klauber, J. Andrew Moss, Carolyn H. Rosenberg, Sandy Ross, Jim Satterfield, Joost Weterings, Rupert Weterings, George Worsley. **ADVERTISERS** [The Alliance](http://TheAlliance), [GMG Underwriters](http://GMGUnderwriters), [Gambonini Consulting LTD](http://GamboniniConsultingLTD), Vertafore

4 EDITOR'S LETTER

Several new features to become fixtures in The LetterSM

Baby Boomer Finds *New News Channel!*

Crowded Skies: Opportunities and Challenges in an Era of Drones

Flying Cars, just around the corner?

Stock buybacks and executive compensation

Mr. Greenberg 1: U.S. Government 1 – In what appeared to be a draw, an old claim aims to rekindle talk of compensation

ISN News Quiz

Something funny

8 SYNOPSIS

NewsBriefs: Companies & People

12 ABC (AGENT, BROKER, CONSULTANT) REVIEW

ABC News: Companies & People

16 ISN COUNTRY INSURANCE INFORMATION

17 GLOBAL BRIEFS

Market briefs by country – Portugal tax information updated

18 RECENTLY PUBLISHED

22 AFRICA

Angola: AIBA & Angola Insurance Broking

Democratic Republic of the Congo: History of the Democratic Republic of the Congo Insurance Sector

24 AMERICAS

The United States: 5 Crisis Lessons Learned on the Ground at Virginia Tech Enterprise Risk Management

28 EUROPE & RUSSIA

Regional Commentaries: UK: Does anyone in the European Commission understand the financial issues behind insurance?

United Kingdom: Technology will be a key success factor going forward for reinsurers and those who do not adapt will not survive

30 ASIA-OCEANIA

Australia: Changes to NSW WorkCover

34 THE BACK PAGE

ISN News Quiz solutions

Something funny punch line

Did you know?

Who started the tradition of Father's Day?

Why flamingos are pink?

Do you know?

What the Big Data and Analytics really mean?

Quotes

International Employee Benefits info center



ASK ISN

[Click](#) to comment or contribute an article for consideration to be published in **The LetterSM** (The Insurance Research Letter).

Remember: Client Subscribers to **The LetterSM** are entitled to receive further consultation on any material published.

A. B. HODGES
 Editor in Chief
info@irletter.com

EDITOR'S LETTER

Several new features to become fixtures in The LetterSM

Beginning this month, we initiate publishing a monthly column on crisis management written in partnership with [Firestorm](#) – a nationally recognized leader in Crisis Management, Continuity Planning, Critical Decision Support, Crisis Response, Crisis Communications, Crisis Public Relations and Consequence Management. We start this month with an article on the Virginia Tech shootings on April 16, 2007 that horrified the world: *5 Crisis Lessons Learned on the Ground at Virginia Tech*.

We are expanding our African coverage in partnership with ICE Insurance, [AIBA](#) and others with two articles: one from Angola (*AIBA & Angola Insurance Broking*) and another from the Democratic Republic of the Congo (*History of the Democratic Republic of the Congo Insurance Sector*). In each instance we start with an overview and each month we will endeavor to take a closer look at various aspects of the insurance landscape.

Baby Boomer Finds New News Channel!

Millennials and Gen-Xers probably know about [VICE News](#) but it was new to me. According to its website "VICE News is an international news organization created by and for a connected generation. We provide an unvarnished look at some of the most important events of our time, highlight under-reported stories from around the globe, and get to the heart of the matter with reporters who call it like they see it." Take a look at this video, [Selfie Soldiers: Russia Checks in to Ukraine](#), and you will better understand what it means to live in a 'connected' world – there's no hiding.

"As the conflict in Ukraine continues, so too does Russian President Vladimir Putin's denial of any Russian involvement. But a recent report from think tank the Atlantic Council used open source information and social media to find evidence of Russian troops across the border. Using the

Atlantic Council's methodology, VICE News correspondent Simon Ostrovsky follows the digital and literal footprints of one Russian soldier, tracking him from eastern Ukraine to Siberia, to prove that Russian soldiers are fighting in Ukraine." (Published June 16, 2015)

Crowded Skies: Opportunities and Challenges in an Era of Drones

In the April and May issues of *The LetterSM* we published two articles, *Drone Insurance in Italy and Drones: Safety Considerations and Potential Liability Concerns*, respectively. This month in the Recently Published section you will be pointed to one of the best and most comprehensive white papers written and compiled by 22 [Reed Smith](#) attorneys (**Reed Smith LLP** is an international global law firm, with more than 1,800 lawyers in 25 offices throughout the United States, Europe, the Middle East and Asia).

Flying Cars, just around the corner?

As a child I thought about flying cars. As an adult this thought reemerges when trapped in slow moving traffic. With all the talk about drones and self-driving cars, flying cars are next. Why not? The manufacturing and technology capabilities exist. It's not like you and I would be 'flying' the cars – technology would do that. We would simply climb in, take a seat and instruct the car where to go. The new office of Low Air Traffic Control (LATC) would take over and guide us safely to our destination.

Whether it will be automobile manufacturers, Google, Elon Musk (who recognizes no boundaries), General Electric (with its rekindled love of manufacturing) or a combination that will launch the next great marketable invention remains to be seen.

Trucks will continue to use the highways and byways of America, but cars will take to the sky. Since heavy trucks are a leading contributor to the degradation of highway surfaces as well as a source of vehicular accidents, a recalibration of the road use tax will be necessary to pay for road maintenance.

Many industrialized countries have some form of vehicle tax (registration, excise, etc.).

In the U.S. there is a Federal Highway Use tax for vehicles with gross weights of 55,000 pounds or more. Different States impose a tax based on either weight (New York), value of the vehicle (California & New Hampshire), personal property tax (Virginia), and registration fees (Illinois).

With fewer and eventually no cars on the highways of the past, trucks could be reengineered and automated to self-drive along dedicated road channels without concern for other drivers or vehicles. The impact on motor insurance will be huge – it may drive a stake into the heart of auto insurance as we know it. Commercial truck insurance will become an inland marine risk.

Stock buybacks and executive compensation

A June 7, 2015 New York Times article informed “We’re in a stock buyback binge. Companies are tripping over themselves to repurchase their own shares this year, and most investors see this as a bonanza.”

Share buyback programs can be either good or bad and timing has a lot to do with it. On occasion companies believe their shares are undervalued (or that’s the line fed to financial analysts) and the board of directors authorizes a share buyback program. What happens more than we think is they buy high, not low, and squander shareholder money.

There’s another thing to think about here and that is while share repurchase programs reduce the number of shares outstanding and has the effect increasing earnings per share and their stakes, one has to dig deeper and look at the number of shares being issued to executives as part of their compensation.

If a company initiates a buyback program of X million shares and grants stock and options awards of Y to its executives and other employees, the average repurchase price versus the issued share price needs to be examined to see

if there is a net gain or loss in shareholder value.

You cannot rule out dumb repurchase prices but you can increase the odds of making repurchase programs successful by recalibrating how executives are compensated. Why not pay executives more real money and reward performance with a bonus? Granting restricted stock units and stock options are a form of gifting. The practice fosters short-term thinking. If a company’s compensation committee sees value in offering stock as part of the compensation package, then have the executives purchase their own shares and then match that amount with treasury shares. This way all parties have skin in the game.

Mr. Greenberg 1: U.S. Government 1 – Headed to overtime

In what appeared to be a draw, an old claim rekindles talk of compensation. Maurice R. “Hank” Greenberg’s Starr International is reviving previously dismissed claims of a ‘backdoor’ bailout in an effort reverse the ruling that AIG shareholders weren’t entitled to a financial award. While the split decision was a moral victory for Mr. Greenberg, the no financial damages judgment isn’t sitting well with the former AIG CEO and his financial backers in the lawsuit. Starr wants the appellate court to review the 2013 decision by Judge Wheeler which dismissed the allegation that the AIG bailout amounted to a ‘backdoor’ rescue of Goldman Sachs and other AIG counterparties that received billions of dollars from the U.S. government as part of the rescue. What is of interest is that Judge Wheeler dismissed the ‘backdoor’ allegations stating that under Delaware law he was required (really?) to defer to AIG’s board of directors, which for reasons unknown went along with the plan. It should be remembered that AIG was fundamentally a very strong operator – recall, A.I.G. repaid the bailout, which ultimately totaled \$185 billion, and the government even earned a return of about \$20 billion.



▷ **ISN NEWS QUIZ**

- 1.. Which two of these countries are NOT considered a state sponsor of terrorism according to the U.S. State Department?
 - a. Cuba
 - b. Iran
 - c. Sudan
 - d. Syria
 - e. Iraq

2. How many independent countries are there in Africa?
 - a. 54
 - b. 60
 - c. 65
 - d. 49

3. Which of the following is not a stage of crisis management?
 - a. Preaction
 - b. Onset
 - c. Impact Assessment
 - d. Freak out
 - e. Response/Recovery
 - f. Post-Recovery Consequence Management

4. How many captive insurance companies are there globally?
 - a. 1,590
 - b. 1,895
 - c. 3,500
 - d. 5,000

[Solution in The Back Page section](#)

SOMETHING FUNNY

A wealthy Arab Sheik was admitted to hospital for heart surgery, but prior to the surgery, the doctors needed to store his type of blood in case the need arose. As the gentleman had a rare type of blood, it couldn't be found locally, so, the call went out. Finally a Scotsman was located who had a similar blood type. The Scot willingly donated his blood for the Arab.

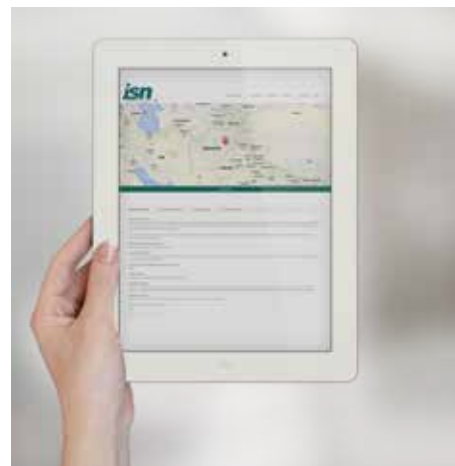
After the surgery, the Arab sent the Scotsman in appreciation for giving his blood, a new BMW, five carats of diamonds, and \$50,000 dollars.

A couple of days later, once again, the Arab had to go through a corrective surgery. The hospital telephoned the Scotsman who was more than happy to donate more of his blood again.

After the second surgery, the Arab sent the Scotsman a thank-you card and a box of Black Magic chocolates. The Scotsman was shocked that the Arab did not reciprocate his kind gesture as he had before. He phoned the Arab and asked him: "I thought you would be generous again, that you would give me another BMW, diamonds and money... but you only gave me a thank-you card and a box of chocolates."

To see the punch line, go to [The Back Page section](#)

ISN



ISN Resource Page *NEW* update

The International Country and City Telephone Codes, Time Zones [click to view](#)

The ISN Country Insurance Guide for Portugal has been updated with new tax information. Client Subscribers must [sign in](#) to view.

ISN, The website

Bookmark ISN @ <https://irletter.com/>

In addition to The LetterSM and the ISN Country Insurance Guides, the website includes the following resources:

[Country & City Telephone Codes, Time Zones](#)

[Geographic Sectors](#) (overview providing detailed non-insurance country-specific information about geography, people & society, government, economy, energy, communications, transportation, military and transnational issues.)

[International Insurance Glossary](#)

[International Insurance Supervisors, Regulators, Associations & Central Banks](#)

[World Travel Advisories](#)

Like us on [Facebook](#) and follow us on [Twitter](#)

"Remember good things are to come" ~ proverb

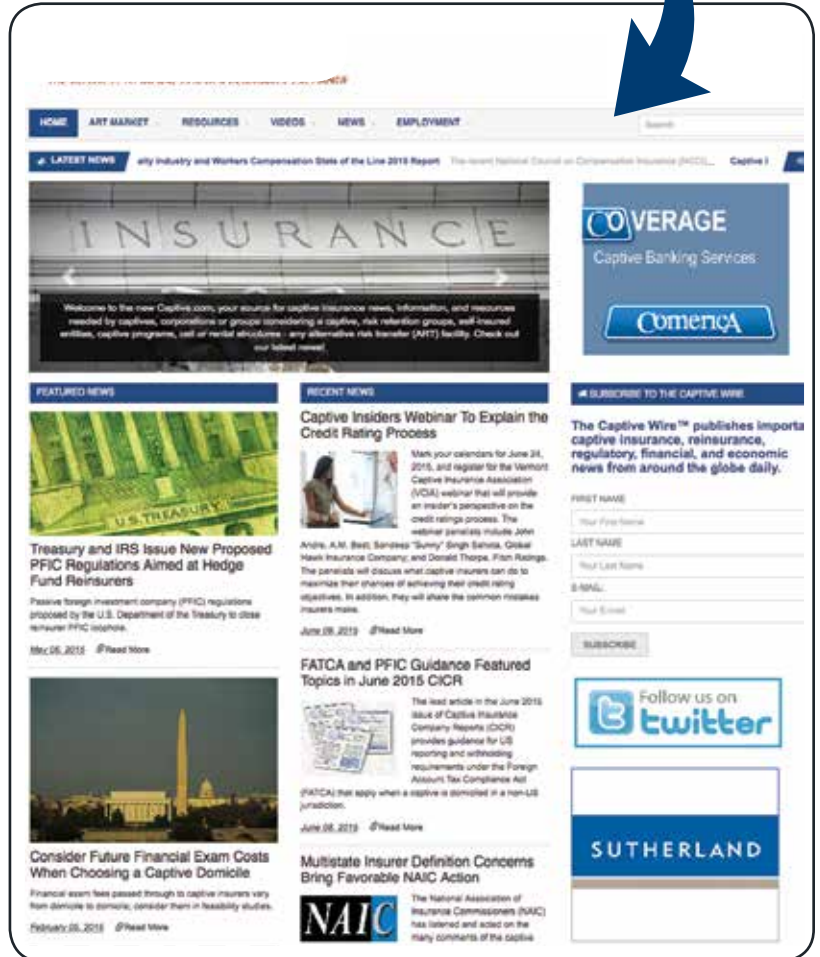
The Best Just Got Better!

International Risk Management Institute, Inc. (IRMI®) has acquired **Captive.com**, and you have to see the improved modern look.

Captive.com is...

- The first and most authoritative online resource for unbiased information on the alternative market
- Free access to anyone with no sign-in required
- Educational videos by captive thought leaders
- Designed for tablets and smartphones

With more than 50 years of combined expertise in the captive arena, the current editors of Captive.com, John Salisbury and John Foehl, will continue to lead the editorial effort with support from IRMI.



What They Are Saying

“IRMI knows the industry, has no biases toward any particular domicile or service provider, is a trusted source of information for risk professionals, and has robust technology capabilities. All of this makes IRMI a perfect match for Captive.com.”

John Salisbury
Managing Partner
Captive.com, LLC

“We are very excited about the future of Captive.com, and plan to invest heavily in it to take it to a new level. This has already begun with an updated and modernized website, but this is only the beginning with new features and new information coming soon.”

Jack P. Gibson
President and CEO
IRMI

About IRMI

IRMI was the first publisher of reference content covering the field of risk finance in 1983 with the publication of *Risk Financing*, a comprehensive reference resource on all aspects of traditional and alternative market approaches. IRMI also publishes the first newsletter to cover the field of captives, *Captive Insurance Company Reports*, as well as two comprehensive books on the subject of captive insurance.

Learn more at IRMI.com/Go/Captives

 **Get Access**

 **Get Answers**

 **Get Ahead with IRMI** 

PHOTO
SYDNEY, AUSTRALIA
DECEMBER 21, 2014
Sydney Opera House is a multi-venue
performing arts centre also containing
bars and outdoor restaurants



AG will acquire Berkshire Hathaway's local personal and SME business lines, while **Warren Buffett's company will also acquire the renewal rights to IAG's large-corporate property and liability insurance business in Australia**

VOL 26 NO 7
JULY 2015

SYNOPSIS

COMPANIES • NEWSBRIEFS

Berkshire Hathaway has acquired a 3.7 percent stake in Insurance Australia Group (IAG) for A\$500 million (\$387 million) as part of a partnership between the two companies

Berkshire Hathaway will take a 20 percent quota share of IAG's consolidated insurance business over the next ten years, meaning that it will receive 20 percent of IAG's consolidated gross written premiums and pay 20 percent of claims. The Australian insurer expects the quota share arrangement to result in a reduced capital requirement of approximately \$700 million over the next five years, with around \$400 million of that benefit expected to be realized in 2016. IAG will acquire Berkshire Hathaway's local personal and SME business lines, while Warren Buffett's company will also acquire the renewal rights to IAG's large-corporate property and liability insurance business in Australia.

DUAL, the underwriting arm of the Hyperion Insurance Group, has launched M&A operations in Frankfurt and London

Niki Demirbilek will join Dual in September as global head of M&A insurance, based in Frankfurt. She has held senior roles in Germany at AIG and then Zurich, where she headed its

M&A business. Ms Demirbilek will be joined by **Janin Kauffmann**, a lawyer specializing in M&A who also joins from Zurich, and **Jaco van der Merwe** who joins having held a senior underwriting role at AIG. Ms Kauffmann will be based in Frankfurt and Mr. Merwe in London (Intelligent Insurer)

DUAL enters Central and Eastern Europe with acquisition

DUAL Group, the underwriting arm of Hyperion Insurance Group, is pleased to announce its launch into Central and Eastern Europe (CEE) as DUAL Polska, following the acquisition of the majority stake of Torun headquartered insurance specialist, Data Connect Direct (DCD). This acquisition will give DUAL direct access to the CEE market, complementing its existing European operations, whilst providing DCD with the ability to further diversify its product range and grow its business with the benefit of DUAL's expertise, infrastructure and international distribution network.

Ironshore establishes Chinese practice group to ID Chinese investment opportunities in U.S.

Ironshore announced the formation of the Chinese Investment Practice Group, building





upon its relationship with Fosun International, to identify Chinese investment opportunities in U.S.-based companies and assets. Ironshore's new initiative is being established to address market outlook projections that foresee Chinese investment in U.S. entities may reach \$200 billion per year by 2020. Toby Smith has been named to lead the Chinese Investment Practice Group, responsible for overseeing the initiative that will be represented by Ironshore executives from various business line units within its specialty global platform. Mr. Smith and the appointed leadership professionals will identify Chinese investment opportunities in which Ironshore has the ability and aptitude to support the underlying risk. Mr. Smith also is charged with developing relationships with other Chinese investment companies, while continuing in his current capacity of managing the site pollution unit of Ironshore Environmental.

HCC to Be Acquired by Tokio Marine for \$78 Per Share

Tokio Marine has entered into a definitive agreement to acquire HCC for \$78 per share in cash, representing a 36 percent premium to HCC's average stock price over the last 30 days and a price-to-book multiple of 1.9 times. At 1.9 times book value, some believe this represents a full price, and the chances of a higher competing offer are minimal. There is also a no-shop clause in the merger agreement, which prevents HCC from actively seeking additional solicitations. Tokio Marine paid full multiples for Philadelphia Consolidated and Delphi Financial, and no competing offers materialized. While Tokio Marine appears

to have made the acquisition primarily for diversification purposes, a premium of 36 percent and a multiple close to 2 times might spark the interest of other insurers in the space, making them open to similar offers. (Adam Klauber, William Blair & Co analyst)

PEOPLE

IAG appoints Elizabeth Bryan as deputy chairman

Insurance Australia Group has appointed **Elizabeth Bryan** as deputy chairman. Bryan, who joined the IAG board last year, has recently taken up the role of chairman at Virgin Australia Group and has been Chairman of Caltex Australia for the past six years. IAG's chairman, **Brian Schwartz**, said Bryan's appointment will provide additional support to the board and chairman as IAG embeds strategic initiatives including the integration of the former Wesfarmers insurance business and the new strategic relationship with Berkshire Hathaway. The Berkshire agreement, announced on June 16, has seen **Warren Buffett's** insurance vehicle reinsure one-fifth of the Australian insurer's business and take a stake in the group.

ISN

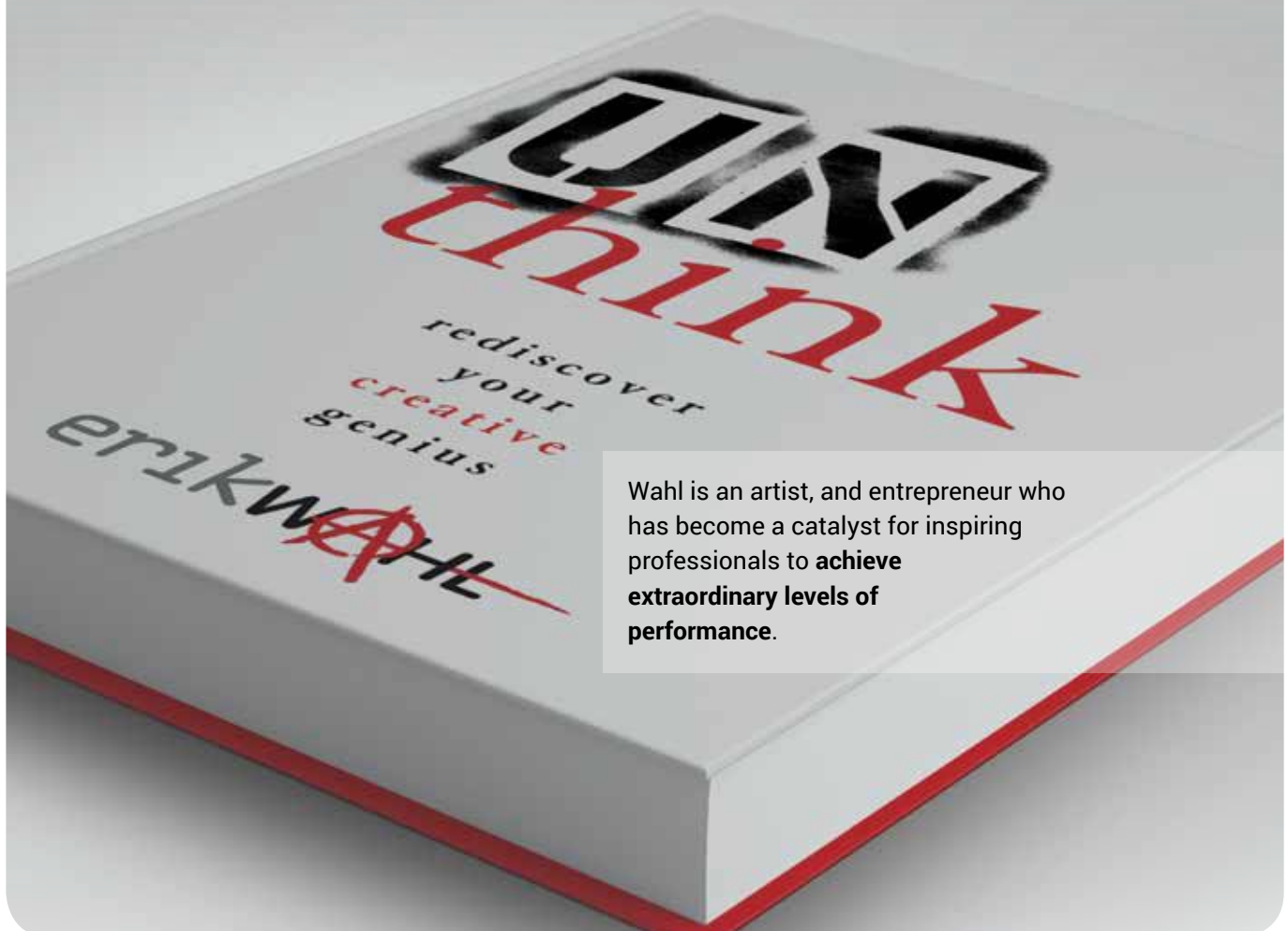
Introduce your colleagues to
The LetterSM

New subscribers
who subscribe before August 31, 2015

will receive RIMS keynote speaker

Erik Wahl's top selling book UNthink as a *FREE* gift*

*valid while supplies last



Wahl is an artist, and entrepreneur who has become a catalyst for inspiring professionals to **achieve extraordinary levels of performance.**

ABC REVIEW

PHOTO
LONDON, UK
Willis Building
© Stanhope by Hufton + Crow



ABC NEWS**Arthur J. Gallagher is set to acquire substantially all the assets of William Gallagher Associates Insurance Brokers**

Headquartered in Boston, Massachusetts, WGA has annualized revenues of approximately \$50 million. Founded in 1983, WGA provides commercial retail property and casualty (P&C) and employee benefits insurance brokerage and consulting services to middle-market and large, fast-growth clients with complex insurance needs. In the retail P&C space, it specializes in coverage for the high tech, life science, financial institution, healthcare, real estate and renewable energy industries. Philip Edmundson, Patrick Veale and their associates will operate from their current locations under the direction of Douglas Brown, head of Gallagher's Northeastern retail property/casualty brokerage operations, and David Ziegler, head of Gallagher's Eastern employee benefit consulting and brokerage operations

Willis and Towers Watson to merge

On June 30 [Willis Group Holdings](#) and [Towers Watson](#) announced the signing of a definitive merger agreement under which the companies will combine in an all-stock merger of equals transaction. Based on the closing prices of Willis and Towers Watson common stock on June 29, 2015, the implied equity value of the transaction is approximately \$18 billion. The Board of Directors of each company has unanimously approved the transaction. The combined company will be named Willis Towers Watson and following regulatory approvals and procedures, the deal is scheduled to close on December 31, 2015. Upon completion of the merger, terms of which are detailed

below, Willis shareholders will own approximately 50.1 percent and Towers Watson shareholders will own approximately 49.9 percent of the combined company on a fully diluted basis. View the full release here: <http://www.businesswire.com/news/home/20150630005494/en/>

Willis to double its business in Taiwan with Acquisition

Willis Group Holdings announced its agreement to acquire [Elite Risk Services Limited](#) of Taiwan. The move almost doubles the size of Willis's existing business in Taiwan and strengthens its client offering to larger accounts, particularly in the marine and technology, media & telecoms (TMT) sectors. Huichih Ko, Chairman of Willis Asia, said: "Elite is a well-established and innovative business that is respected by its many clients and the wider market. This deal will strengthen our presence in Taiwan and help position us there as the global risk adviser of choice. Willis Taiwan and Elite plan to merge as soon as practicable after completion, when Elite's 24 staff will join Willis and the Elite brand will be dissolved. Willis Taiwan currently employs 35 staff from its headquarters in Taipei.

ABC PEOPLE

Erik Klanderman has been appointed Chief Executive Officer at [Aon Insurance Brokers \(M\) Sdn. Bhd., Malaysia](#). Mr. Klanderma held previous senior positions in the Aon system at [Aon Singapore Pte, Ltd](#) and [Aon Risk Services Netherlands](#).

Arthur J. Gallagher appoints 2 to leadership team of its UK-based international brokerage division

Michael Rea has been appointed chief operating officer (COO) and **Carol Richmond** has joined as chief risk officer (CRO). Both will

**Erik Klanderma**



Grahame 'Chily' Chilton

join the organization's international brokerage executive committee, led by international chief executive officer (CEO) **Grahame 'Chily' Chilton**. Rea joins from Towergate Group, where he served most recently as group chief operating officer and Richmond joins from Aon UK, where she served as CRO and led the transformation of Aon's risk, compliance and financial crime functions. In addition to these employments, **Ian Story** has been approved as chief financial officer for the international division, another executive committee role and one that he has been fulfilling on an interim basis since February 2015.

Cooper Gay Swett & Crawford has appointed Steve Hearn as group CEO

Steve Hearn has been appointed CEO of [CGSC](#). He succeeds **Toby Esser** who stepped down from the role in mid-June. **Martin Sullivan**, the brokerage's nonexecutive chairman, will assume Mr. Esser's duties until November 2, 2015 when Mr. Hearn takes the reigns. Mr. Hearn joins from Willis, where he most recently served as deputy CEO of Willis Group. He joined the broker in 2008 and has held a number of senior roles including chairman and CEO of Willis Global. Mr. Hearn is also chairman of the [London & International Insurance Brokers' Association](#) and chairman of the

[London Market Group.](#)

JLT's U.S. unit ([JLT Specialty Insurance Services](#)) is looking like an Aon Alumni Club with another hire from Aon with the appointment **Ed Krayer** as senior vice president focusing on the private equity industry. Mr. Krayer, who will be based in Boston and joins from EBS Capstone where he served as a partner after a six year stint at Aon Risk Solutions as vice president.

JLT Specialty Insurance Services has appointed **Tyson Stevenson** as senior vice president of its real estate industry specialty practice. He joins from Aon Risk Solutions, where he served as a SVP. Prior to working at Aon, Stevenson held other positions including a vice president role at Marsh and account executive at Liberty Mutual.

JLT Re has appointed **Russell Walters** as a partner to develop its international business in London. Walters most recently worked at Miller Insurance. He started his career as a marine London reinsurance broker at Alexander Howden that later was bought by Aon. He has also worked abroad running the branch for Aon Benfield in Bahrain & Dubai for three years and is accredited in the DIFC.

JLT Specialty Insurance Services (U.S.) has announced the

appointment of **Hans H. van Heukelum** as chief commercial officer.

Ron Lockton has been named Vice Chairman of [Lockton](#), Inc., the world's largest privately held, independent insurance broker. He will take on broader global leadership responsibilities as part of the company's long-term succession plan. Ron Lockton, 48, is the son of **Jack Lockton**, the late founder of the company, and nephew of **David Lockton**, Lockton, Inc. Chairman.

Willis Group Holdings Vice Chairman and Vice Chairman of its U.S. subsidiary, Willis North America, **William C. Bartholomay**, and former owner of the Atlanta Braves speaks with Major League Baseball about his 50 years in baseball. View video [here](#).

Willis has appointed Simon Weaver as chief executive officer (CEO) of its Singapore office and to the newly created role of regional CEO for South East Asia. Weaver joins from Miller, where he has spent two years as head of Asia, and was responsible for business development strategy and operational management. He will lead the Singapore office, and Willis's offices and operations in South East Asia will also report to him. This includes businesses in Malaysia, Brunei, Myanmar, Indonesia and Thailand, but will also include any future geographical expansion in the region. He will report to Adam Garrard, Willis Asia CEO

ISN



L-r: David Lockton, Ron Lockton



William C. Bartholomay

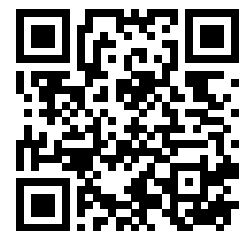
UNITED NATIONS
NEW YORK CITY -
The United Nations
Building, home of
the security council

ISN COUNTRY INSURANCE INFORMATION

ISN Country Insurance Guides (ISSN #2165-0306)

ISN Country Insurance Guides are concise reports used by agents, brokers, underwriters and risk management professionals to ensure that their international programs and placements are legally compliant. These digital reports are available to Country Insurance Guide subscribers @ ISN Country Insurance Guides.

Understanding local insurance requirements including compulsory coverages, legislation, supervision, non-admitted insurance, principal coverages, product information, and more assures legal compliance and avoidance of fines, penalties and the very real possibility of considerable legal costs.



The **ISN Country Insurance Guide** for **Portugal** has been updated with new tax information. Client Subscribers must [sign in](#) to view.

GLOBAL BRIEFS

Australia – Our correspondent in Australia, Sandy Ross, reports that June 30 is the Australian financial year-end and the main insurance renewal date – the market, in a word, is soft with lots of capacity available. Berkshire Hathaway Specialty Insurance commenced operations in Australia in April 2015 and currently offers property, casualty, financial lines & marine cargo insurance in Australia. They have also recently formed a strategic relationship with IAG one of our leading underwriters <http://www.iag.com.au/iag-forms-strategic-relationship-berkshire-hathaway>. IAG are working on developing a serious presence throughout Asia/ Pacific however please see <http://www.asx.com.au/prices/market-news-detail.htm?an=DJD-N000020150624eb6o0004a>

Bolivia – Insured Capitals Four times Higher than GDP

“Bolivian insurers insure assets totaling about 150 billion dollars, four times the country’s GDP (of 36.2 billion dollars)”, said Jose Luis Camacho when he took over as new chairman of the Bolivian Insurer’s Association (ABA). “This is a significant figure for the Bolivian economy as it represents the property and capitals of individuals as well as public and private corporations protected against damages and losses.” These transactions are reinsured internationally. According to the Pensions and Insurance Oversight and Control Authority (APS) 14 insurers operate in Bolivia, seven in life and seven in non-life business. “Insurance has followed

over the last years the country’s growth, backing public investment that represents over 10 percent of GDP. Two thirds of this investment is protected by ABA members”, added Camacho.

Korea – The General Insurance Association of Korea’s (GIAK) Annual Report (112 pages) of the state of the market with facts and figures is available for download [here](#). If you would prefer, [email us](#) and we will send you the PDF.

New Zealand – Catastrophes in May cost insurers NZ\$20 million

The extreme weather events that caused extensive flooding in Wellington and saw a tornado rip through parts of Mt Maunganui cost insurers almost \$20 million, the [Insurance Council of New Zealand](#) reported on provisional estimates. Most damage was the result of the storm that lashed Wellington and the lower North Island between 13 and 15 May. “This saw extensive flooding around the Wellington region disrupting travel in and out of the capital. Provisional figures show that cost was almost \$17 million, including damage to commercial properties and business interruption cover costs of over \$9 million. House, contents and motor damage made up the balance of the damage. With events like this always possible, it just underlines the importance insurance plays when disaster strikes” Insurance Council Chief Executive Tim Grafton said. The tornado that hit Mt Maunganui on 14 May wreaked havoc on houses and commercial properties. Over \$2 million worth of insured damage occurred with most of that (\$1.2 million) from commercial damage and almost \$800,000 worth of domestic dam-

age. (Source: [ICNZ](#))

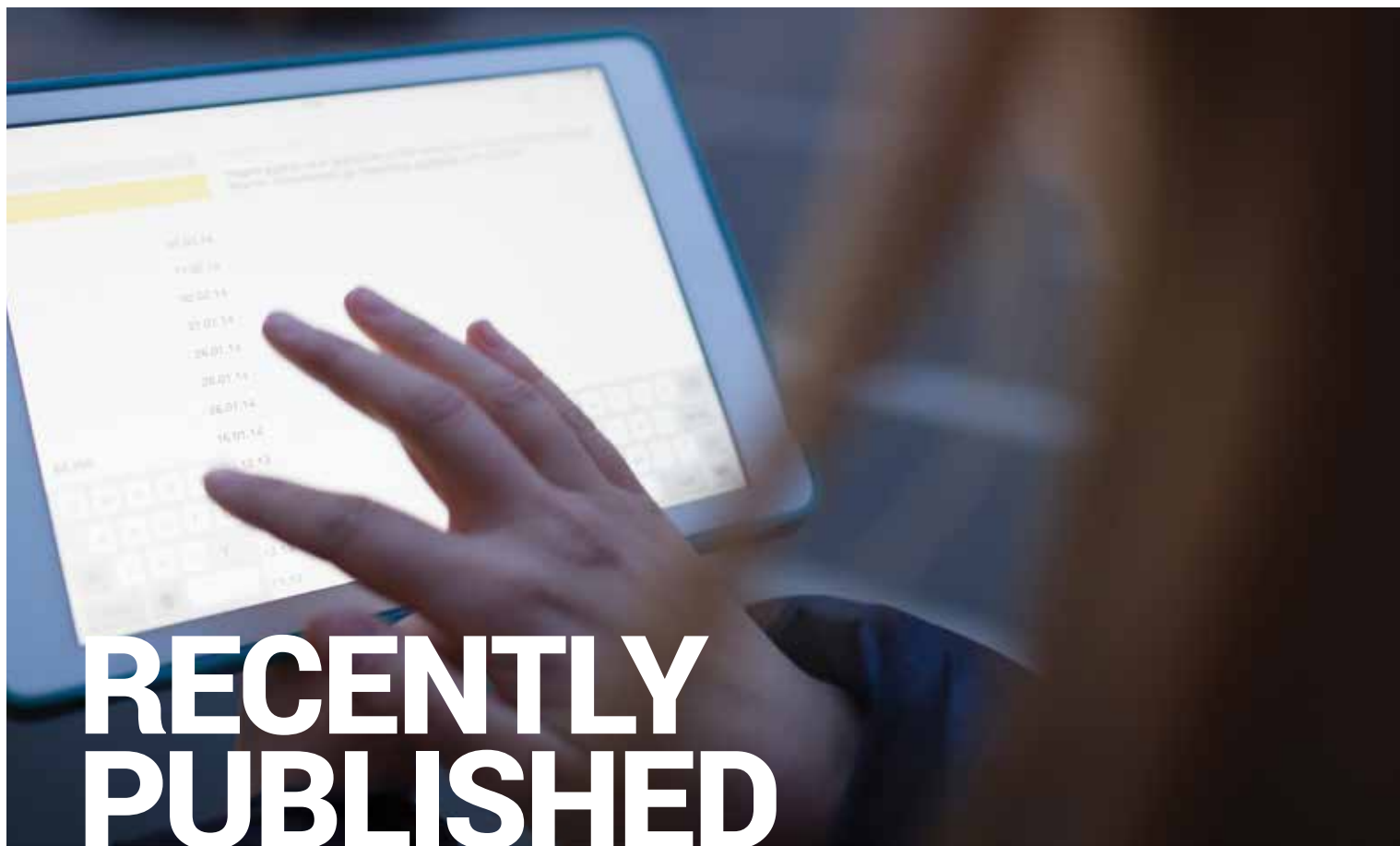
Mexico – Truckers lose 16M dollars on insecure roads

Mexico’s most insecure roads are in Veracruz, Mexico, Guerrero and Michoacan states, reported Rafael Ortiz Pacheco, national leader of the Mexican Association of Haulers Organizations (AMOTAC). “Up to 50 vehicles robberies are reported monthly across the country, representing this year a loss of up to 250 M pesos (USD 16.3M) for our industry”. Mr. Ortiz Pacheco added that one of the many difficulties faced by the industry is with insurers, mainly in violent events where vehicles are hijacked by demonstrators, burned with the cargo they carry or robbed. ‘Insurers defend themselves arguing that truck operators are to be blamed’, he said. Grocery and steel products are among the most stolen items this year. Finally he warned that operators were forbidden to drive at night as a security measure. However, haulers prefer to travel in the early morning, and this contributes to increase robberies and hijackings.

United States – Three NFL teams being probed for unauthorized drone use

Will the U.S. be the last country to gain the economic benefits of drone technology? Three NFL teams (Dallas Cowboys, New York Giants, New England Patriots) were told to stop using drones. The teams had been using drones to film practices. Earlier this year the Washington National Major League Baseball team was called out by the FAA for using a drone during spring training. A spokesman for the Nationals said “No, we didn’t get it cleared, but we don’t

[continued on page 32](#)



STATE DEPARTMENT 2014 TERRORISM REPORT

On June 19, 2015, Tina Kaidanow briefed reporters and answered questions on the release of the State Department's annual terrorism report. Click [here](#) to watch video briefing. The complete 388-page PDF can be accessed [here](#).

State Department 2014 Terrorist Assets Report

You can view the U.S. State Departments' calendar year 2014 22-page annual report to Congress on assets in the U.S. relating to terrorist countries and International Terrorism Program Designees, which is quite interesting. Click [here](#).

Crowded Skies: Opportunities and Challenges in an Era of Drones

This best-in-class white paper explores the legal ramifications and risks of drones in a variety of disciplines, including:

- Advertising and Promotion
- Aviation – Regulatory
- Copyright
- Employment and Labor

- Export Controls
- Film and Television
- Insurance and Insurability
- Music
- Privacy
- Product Claims and Litigation

Due to its size (86 pages) you must click [here](#) to download the document: ***Crowded Skies: Opportunities and Challenges in an Era of Drones***

Chapter 8, Insurance & Insurability, beginning on page 29 is of particular interest to brokers, agents and risk managers as it examines three issues: the unique risks posed by UAS; the impact of potential uninsurability; and the future insurance landscape in the United States and internationally. This chapter was written by Kit Chaskin, Carolyn H. Rosenberg and J. Andrew Moss.



Kit Chaskin, Partner – Chicago
mailto:kchaskin@reedsmith.com

Over the past 20 years, Kit has achieved recognized results by recovering millions of dollars in covered insurance claims for her clients. She counsels clients around the globe on risk transfer, risk management and policy terms. Additionally, Kit serves as the Global Director of the Women's Initiative Network at Reed Smith, and was the 2012 Fixed Share Partner representative to the Reed Smith Executive Committee.



Carolyn H. Rosenberg, Partner
– Chicago mailto:crosenberg@reedsmith.com

Carolyn joined Reed Smith when the firm combined with Sachnoff & Weaver. She has served on Reed Smith's Executive Committee and as chair of the Talent and Audit Committees. Carolyn frequently advises corporations, directors and officers, risk managers, insurance brokers, lawyers and other professionals on insurance coverage, corporate indemnification, enterprise risk management and litigation matters nationwide and internationally. She also assists clients in evaluating insurance coverage and other protections when negotiating transactions and obtaining or renewing coverage, as well as represents them in resolving coverage disputes. In addition, Carolyn is a member of the firm's Social and Digital Media and Cloud Computing Task Forces, where she contributes her insurance expertise.



J. Andrew Moss, Partner – Chicago
mailto:amos@reedsmith.com

Andy is a member of Reed Smith's Insurance Recovery Group in the Litigation Department. Andy joined Reed Smith when the firm combined with Sachnoff & Weaver, Ltd. in March 2007. Andy concentrates his practice on the representation of companies and management as policyholders in insurance disputes involving directors' and officers' liability (D&O), professional and errors and omissions liability (E&O), data and network security and privacy liability (cyber liability), fiduciary liability, employment practices liability (EPL) and fidelity bond and commercial crime insurance. In addition, Andy counsels companies and management in the negotiation, evaluation, placement and renewal of D&O, E&O, fiduciary liability, employment practices liability, fidelity bond and commercial crime insurance.

Other Author(s): [Douglas J. Wood](#), [Ross P. Kelley](#), [Keri S. Bruce](#), [Matthew Y. Kane](#), [Sulina D. Gabale](#), [Patrick E. Bradley](#), [Courtney R. Bateman](#), [Stephen Edwards](#), [Cindy Schmitt Minniti](#), [Mark S. Goldstein](#), [Peter Teare](#), [Gregor Pryor](#), [Nick Breen](#), [Michael S. Sherman](#), [Michael J. Hartman](#), [Kit Chaskin](#), [J. Andrew Moss](#), [Carolyn H. Rosenberg](#), [Paul Bond](#), [Louise Berg](#), [Sara Kennedy Kornbluh](#)



▶ Insurance Brokers Free Cash Flow Analysis: Steady Performance in a Challenging Environment

William Blair & Co analyst Adam Klauber reports:

- Despite a deteriorating rate environment, we expect the peer group will grow free cash flow at 13% per year from 2014 to 2016, which is down only slightly from the 16% growth rate seen from 2011 to 2013. Aon and Marsh are showing a high level of growth given the strength of their consulting segments. Gallagher has made a number of large acquisitions recently, although cash flow growth has been weaker than expected, as has been its conversion of cash flow to earnings. Brown & Brown is seeing its core business deteriorate while acquisition activity declines, which leaves few avenues for growth. Willis remains the wild card given its large-scale restructuring efforts, and we expect a much higher level of cash flow growth in 2016, although execution risk is high. In this note, we examine the cash flow dynamics of the five public insurance brokers, which includes a discounted cash flow analysis for each company.
- **Aon.** Our updated projections for Aon show free cash flow growth of 13% per year from 2014 to 2016 compared with 17% in our prior report. The company converts a high percentage of cash flow into earnings, leading to the highest EPS growth rate in the peer group at 13%. The strength of the company's consulting segment is allowing for above-average growth in a tough environment. We believe Aon's consistent results and low volatility should command a premium valuation relative to the peer group. Our DCF analysis suggests upside of 16%, although this may be conservative if the company can hit its margin targets, which are more than 200 basis points above our projections.
- **A.J. Gallagher.** Despite a high level of deal activity over the last year, Gallagher's cash flow growth has come in weaker than expected. We have lowered our cash flow growth estimate to 27% per year on average over the next few years from 44%. This has not translated into high EPS growth (we are projecting 5% for 2015 and 2016, on average) because of significant increases in share count and deal expenses. As a result, the company has disappointed from an earnings perspective recently, and analyst revisions have been all over the board. The company will still need significant deal activity, which will require heavy dilution, to maintain growth. Our DCF analysis suggests upside of 5%, although this may be optimistic if earnings volatility remains high and the stock experiences downward earnings revisions.
- **Brown & Brown.** With revenue growth decelerating, the Wright transaction annualizing, and margin expansion questionable, we have lowered our free cash flow growth projection from 6% to 2% per year in the near term. Escalating deal multiples have shifted focus away from acqui-

sitions, leading the company to share buybacks to drive EPS growth as a result. This should drive EPS growth of 5%, which is above FCF growth but well below average EPS growth of 13% over the last three years. Declining earnings momentum should provide headwinds to the stock price. Our DCF analysis suggests upside of 4%.

- **Marsh.** The company continues to generate a high level of cash flow, and our updated projections suggest free cash flow growth of 26% per year over the next few years versus 20% in our prior report. This should translate into EPS growth of 10% per year, the second-highest of the peer group behind Aon, with upside potential if the company gets more aggressive on the share buyback front. After repurchasing \$800 million shares in 2014, we expect an increase to \$1 billion in 2015 and 2016, which is still barely enough to offset share creep. Our DCF analysis suggests upside of 9%, although this may be conservative if the company can continue expanding consulting margins above our expectations and increases its share buyback program.
- **Willis.** The company has seen free cash flow drop from 2013 levels as it focuses on restructuring and reinvesting in the business. These large-scale restructuring efforts are starting to bear fruit, and Willis currently stands at an inflection point. We expect earnings growth and margin expansion in the coming quarters, but the level and speed of the improvements remain to be seen. We are looking to 2016 before higher levels of growth present themselves, although significant execution risk remains. Our DCF analysis suggests upside of 17%, although there is much more uncertainty looking out to 2016 relative to the peer group, leading us to have much less conviction on the stock.

[Link to Full Report](#)

ISN



Adam Klauber



ReferenceConnect.[®] The search engine for insurance.

ReferenceConnect is the only insurance search engine that gives you a single, easy-to-use website to find the information you need to write business faster and more accurately. ReferenceConnect has over 40 of the top publications, all in one single place. Stop searching through multiple websites and manuals and save your team hours every day.

Take a look: vertafore.com/stopsearching





AFRICA

ANGOLA

PHOTO
ANGOLA
Ruacana Falls, near
the border of Angola
and Namibia

ANGOLA

AIBA & Angola Insurance Broking

Angola is still a very young market with plenty more room for further development – reports still consider that over 50% of the market is yet to be pounced on or as so often the case is with developing countries, the rest of the market has to be educated into realising the benefits and mechanisms that insurance can lend to businesses. Insurance for the mass market has for the last couple of years been viewed generally as a bit of a cumbersome tax levy. Yet another piece of never ending bureaucratic paper work that is needed to flourish in the face of any enterprising state employees, who are rather prone to do spot checks whenever they can get the opportunity. Given that Angola only truly emerged from a 30+ year civil war in 2004, the development has been quite impressive with around 36 registered Insurance brokers and 15 insurance companies.

In this pioneering spirit [AIBA](#) was formed in 2011 as a niche insurance broker to carry out a core function; to provide local risk management consulting services to mainly multinational companies in the Oil & Gas, construction sector & nationwide local operations. Since then we have grown to become the biggest insurance broker in Angola in terms of client portfolio and staff size, even overtaking AON operation which has been here since 2004.

AIBA's clients like Angola are mainly fossil fuel derived. Crude oil production makes up more than 45 percent of Angola's GDP and about 80 percent of government revenue, with some speculating that in some way 97 percent of the economy is linked to crude oil. A wobble from OPEC and it's time to batten down the hatches in Luanda and the rest of Angola get yanked along in its wake. With the oil prices now averaging out at 25 percent lower than what the Angolan government initially budgeted, a horrible realisation of how undiversified the economy is becoming painfully apparent with widespread cost cutting. Construction is an area of business that is being particularly buffeted with some of the major players having to lay up over 70 percent of their operations until funding starts to flow again. Subsistence farming and other informal sectors provide the main stay for 85 percent of the economy.

Post conflict country Angola was ravaged by 3 decades of civil war. Angola was one of the spots where the Cold War went hot. The Popular Movement for the Liberation of Angola (MPLA) supported by Russia & Cuba vs. National Union for the Total Liberation of Angola (UNITA) mainly supported by South Africa with some US diplomatic puppet strings being exercised by Henry Kissinger, signed the formal ceasefire eventually on 4 April 2002. Arms were laid down in August of that year and UNITA officially disbanded its militia. Since then there has been a strongly policed peace, allowing the country to start repairing the mind boggling damage and destruction that 30 years of intense and

bitter civil war inflicted on the country. Something that the Angolans have managed to do with no shortage of joviality – for a country of 20million people this country is strongly believed also to have the highest consumption per capita of beer on the continent.

Though there are 15 insurance companies licensed in Angola. The two state-owned companies are licensed as composite insurers i.e. ENSA & AAA. However AAA apart from writing some of the most heady premiums ever to thump the desks of any underwriter has ceased trading in all lines other than oil and gas, where it sits comfortably on a monopolistic law that requires that any foreign operation who seeks to operate must do so with support from Sonangol (the state oil company) who necessitate that their insurance is written through AAA. The rest of the local insurers are privately owned and operate with life & non-life licenses.

AIBA is always fighting to claw more clients away from the sticky claws of the insurers who are speculated to have about 60% of the market directly. However Brokers are becoming increasingly important as the market develops and more complex insurance covers are negotiated and placed.

AIBA's niche and reputation was originally based on looking after the non Portuguese speaking corporations which is made up of mainly American, British, French, South African, Israeli & Spanish companies yet as AIBA has developed so has its ability to break into the established Portuguese brokers territory. Portugal being the historical colonial power and Brazil by far the strongest cultural cousin of Angola has let a certain old boys club amongst the established Portuguese brokerage and their clients.

One area that AIBA is putting a lot of work into is developing its China business book with a growing number of correspondent agreements on the table. An area that hasn't delivered quite the commission it could when considering the scale of the Chinese investment. An explanation that can be derived from China's ability to side step the legal requirements for foreign companies to have at least 30 percent of their insurance locally retained. An area that has been targeted for more enforcement as the local insurers develop and prove to have the ability China has developed very strong relationship with the Angolan government. Angola is China's largest African trading partner and largest supplier of oil. China has been very wise in that the trade is almost entirely on China's desire to secure energy supplies and an outlet for their increasingly extrovert business that include everything from civil construction - breweries to large farming developments and all the rest of the trimmings to kit these ventures out. Luanda coastline tinkles to the tune of Chinese made melodies that Angola ice cream sellers use on their push carts to help them advertise their probably Portuguese ice creams. Such is the volume of Chinese people coming to Angola that South African airways is compelled to have Mandarin spoken on its Angola shuttle

[continued on page 32](#)

AMERICAS

THE UNITED STATES

PHOTO
© Firestorm taken on the
Virginia Tech Campus, 2007



The Firestorm team arrived at Virginia Tech hours after receiving a request for support and provided assistance and advice onsite in the initial phase of recovery. University President Charles Steger cited Firestorm “dedication, compassion and perseverance” in dealing with the crisis. So what were the lessons learned?

THE UNITED STATES

5 Crisis Lessons Learned on the Ground at Virginia Tech

The Firestorm team arrived at Virginia Tech hours after receiving a request for support and provided assistance and advice onsite in the initial phase of recovery. University President Charles Steger cited Firestorm “dedication, compassion and perseverance” in dealing with the crisis. So what were the lessons learned?

#1 “The worst disaster you will see is the one that happens to you.”

There are five stages of a crisis: Preaction, Onset, Impact Assessment, Response/Recovery, and Post-Recovery Consequence Management.

With these stages in mind, as we watch a crisis unfold, our first reactions are driven by the fear that this could have been our child's school or our workplace. Almost no organization, even one with detailed, business continuity and crisis management plans, has the people, resources and training to deal with a major crisis. Imagine 1500 reporters descending on your business questioning every decision made.

What is learned in the first 24 hours following an incident is generally wrong, meaning decisions must be made based in a world of faulty or incomplete information. This is why crisis management decision structure planning and practice are particularly crucial.

We need to be vigilant in our ‘readiness’ for any act of violence, no matter what the motive. With over two million acts of violence annually, it is time to accept the fact that violence is a very real threat in our day-to-day lives. It must be addressed—from the earliest ages in our elementary schools, where children experience bullying, to our places of work. As we saw recently in Charleston, SC, even our Churches are not sanctuary from the reality of violence.

#2 What Do All Incidents of School and Workplace Violence Have In Common?

About the only common denominator among incidents of workplace violence is **the belief it can't happen here**. This disaster denial allows planning to be delayed. Planning and training are key because once something happens; everyone involved goes into reaction mode. The key to preventing or mitigating violence is in identifying and intervening on behaviors of concern before they escalate into violence.

It's the difference between information and intelligence; you don't have all the facts, but you're forced to make timely decisions, and that's where you need a plan. As facts become known, the situation evolves, and how you monitor, understand, communicate and act make a big difference in outcomes.

Initially, Virginia Tech administrators and safety personnel were told that a domestic situation was on their hands. But as

more information was gathered and the shootings continued on another part of campus, they realized that the initial reports were wrong and that the situation was escalating.

#3 Can you really predict a crisis?

Yes. How many times after an event has a post crisis report included ‘**warning signs**’ that went unheeded? What if management had learned the ‘**Indicators**’ of crisis and developed processes and training to address these issues before they reach a crisis? Our research has shown identifiable patterns - ‘**Indicators**’ - shaped by severity and frequency.

‘**Indicators**’ are clue cues that give you more information about emerging events. They can be *behavioral, transactional or process changes* that are transmitted by verbal and non-verbal means.

It's about people, policies and procedures. No single device is a panacea. Vulnerabilities must be identified and plans created to minimize exposures.

Almost every disaster, incident of school/workplace violence and act of terrorism were preceded by warning signals. The Charleston recent church shooting reinforces the value of predictive intelligence.

Today, initial threats or risk behaviors are shared or observed through social media. The goal is to create time for intervention. In many cases, these risks can be mitigated or eliminated. Threats and risks of product recall, brand/reputation, and workplace violence can be identified before they become crises, if you ‘*listen*’ and ‘*look*.’ Initial threats or risk behaviors are frequently shared or observed first on social media.

People know things – and when they know, they talk. Today, people talk on social media. What happens tomorrow is on social media today. Most social media messages are targeted and provide specific information about people, organizations, products, or events. Because they are, they can and do convey useful intelligence that can be used to identify threats before they escalate to crises. This social conversation is a complex one involving the semantics of speech; it is syntax, context, and idiom.

#4 How do you measure success in a crisis?

Like any management decision there are consequences. While every crisis is a human crisis, metrics are critical and become the benchmark when reviewing impacts and long term consequences. A key metric at Virginia Tech was the incoming freshman class the following fall. The loss of a class could impact the university for years resulting in lost funding for faculty positions and research. By focusing the messaging on the high school seniors and their parents, and engaging alumni in in-home visits, conversion went up not down. This is how to **transform crisis into value**.

#5 What do you communicate in a crisis?

First, identify the ‘*Why*’ you must communicate. Commu-





© Firestorm taken on the Virginia Tech Campus, 2007

Communicate directly with the stakeholders not the through the media. If you are explaining, you are losing. Your focus must be on the future, not on the crisis failure or cause. The key message themes from Virginia Tech were:

- We will not be defined by the event
- We will invent the future
- We will embrace the families

So who is responsible? You and your Leadership.

Preparing for risks is the responsibility of management. You can prevent, mitigate, or transfer risk. Unfortunately, most management teams do not know how to **identify impending risks before they occur**. If not eliminated, these risks result in a disproportionately adverse event impacting people, brand and/or reputation. The Firestorm Predict.Plan.Perform.® methodology provides critical decision support and empowers clients to address exposures before, during, and after a crisis.

Today, everything is foreseeable. Tomorrow, anyone can be found accountable. – Crisis and consequence management are critical for responsible corporate governance. **Are you ready? How do you know? Are you sure?**



~ By Jim Satterfield,
President & COO Firestorm



Insurance specialists for foreign package,
K&R, accident, DBA and political risk
www.gmgunderwriters.com | 215.867.3764



ONLINE COURSES

Insurance & Risk Management
Education that works with your schedule.

www.TheNationalAlliance.com or **800-633-2165**

ENTERPRISE RISK MANAGEMENT

It is crucial to any effective Enterprise Risk Management (ERM) plan that the right manager has a comprehensive understanding of every significant exposure of the company, so these exposures are properly managed. Insurance products covering companies' obvious or perceived "popular risks" do not completely solve companies' potential risk issues. A proper ERM plan should ensure that a company is not taking on unnecessary, additional risk.

Some companies choose to effectively manage risk; while others tend to expose themselves based upon a misconception of that risk, thus jeopardizing the company. One potentially costly exposure in particular is intellectual property (IP) infringement. If a company is sued for IP infringement, or is compelled to enforce their rights, such actions endanger its profitability and sustainability if it does not have the funds to successfully litigate.

As part of constructing an ERM plan, it is important to understand what the company's IP portfolio looks like and address any concerns or potential exposures. IP is often

a company's most valuable asset, yet it is often seriously neglected during risk management reviews. Companies who knowingly or unknowingly self-insure their IP portfolios are potentially risking the future viability of the company. Patent lawsuits in particular average \$2.8 million in litigation expenses alone, when the amount in controversy is \$1 million - \$25 million.

Virtually every company has IP risk. Any company that is making, using, selling or offering for sale goods or services in commerce has IP risk. Likewise, many companies have established rights in patents, trademarks, copyrights or hold trade secrets, making IP risk management a critical part of constructing an effective ERM plan. By following ERM's five step process, IP risk can be identified, and a plan can be put into place that makes the most sense for the exposure.

Identify the risk:

Companies must proactively identify any potential IP risk. It does no good to ignore or discount the costs and consequences surrounding IP litigation.

continued on page 33

EUROPE & RUSSIA

REGIONAL COMMENTARY: (UK)



PHOTO
LONDON, UK
Covent Garden market,
one of the main tourist
attractions in London

REGIONAL COMMENTARY (UNITED KINGDOM)**“Does anyone in the European Commission understand the financial issues behind insurance?”**

Recently, ten of the 28 members of the European Commission included Guernsey on a European tax blacklist. The list features 30 non-EU jurisdictions it has branded “non co-operative” and includes six British overseas territories and one UK Crown Dependency – Guernsey.

Whilst one must appreciate the goals and objectives of the EC’s Taxation & Customs Department in rooting out criminal behaviour and tax-dodging, it is a step too far in naming a territory which has met every international standard on tax-transparency and cooperation. In fact, it is a mockery of EU and EC efficiency because Guernsey actually has been told that it meets the European Commission’s own standards! Before adding Guernsey to the blacklist on the recommendation of ten members, the Taxation & Customs Department should have checked with the other 18 members as to why Guernsey was not on their list.

The role of the Guernseys of this world is vital to the health of insurance organisations and customers all over the globe. Guernsey is not alone as a justifiably proud player in financial circles and the investigation into such a territory has been amateurish and an insult to the professionals on the island as well as many of the other territories which ended up on the list, such as Bermuda, Cayman Islands and Hong Kong. One thing is a nice long lunch and an inflated expense account, another thing is blind attack on a proven and popular financial centre which had already been told it was “clean”.

Examples of such a lack of understanding of the real issues are an embarrassment to the insurance profession: someone needs to give the EC Tax & Customs Department an hour or so of “Financial Issues Behind Insurance 101”



~ Mr. George Worsley,
ACII, Chartered Insurance Practitioner,
Director, Worldwide Risk Solutions;
george.worsley@worldwiderisksolutions.com

UNITED KINGDOM**Technology will be a key success factor going forward for reinsurers and those who do not adapt will not survive**

This is the opinion of Vincent Dowling, co-founder and managing partner of [Dowling & Partners](#), speaking at the Marsh & McLennan Young Professionals’ Global Forum 2015 in London. Mr. Dowling expects the industry to undergo significant change, with consolidation among both traditional risk takers and brokers and new players entering the space which will be ripe for disruptive innovation.

“As we look forward we envisage a world where the industry cannot do what it’s doing now, which is to provide a poor product to its customer... when you are taking a dollar and only giving back 60 cents on the commercial side. Something has to change and you folks can make that change. That cannot work long term. We as an industry need to provide a better value to customers,” said Dowling.

He explained that being close to the customer is critical and intermediaries are currently in that position. Dowling said: “Who is furthest away? It’s the reinsurers. And more money is staying with the intermediaries in the form of increased compensation and out of the hands of the re/insurers.”

“We are a standoff at the OK Corral right now. We have intermediaries who know they can skip around traditional sources and go direct to the capital markets. We have primary insurers and reinsurers that know they can skip the intermediaries to access the capital markets.”

ISN

AUSTRALIA— OCEANIA






PHOTO
SYDNEY, AUSTRALIA
Bondi beach is one
of the most famous
beaches in the world

AUSTRALIA

Changes to NSW WorkCover

Significant premium reforms have been announced by NSW WorkCover for medium & large employers that is those with an annual basic tariff premium greater than \$30,000. The changes will affect all new policies and renewals from 30 June 2015. If employers want to maximise their ability to receive premium reductions, some of the changes will lead to an increased role for risk advisers. So it's therefore comforting to know JMD Ross Insurance Brokers has the right partners in our Austbrokers Group ready to help.

Risk Strategies has developed an overview explaining the changes that intend to:

- enable safety spending and reward employers who maintain safe working environments
- encourage and reward early return to work, and
- reduce claims.

[Click here](http://www.riskstrategies.com.au/wp-content/uploads/2015/05/nsw-workcover-changes-2015.pdf) for an outline of the changes or paste the link below into your browser: <http://www.riskstrategies.com.au/wp-content/uploads/2015/05/nsw-workcover-changes-2015.pdf>

For more information on NSW WorkCover, please contact:

~ Debbie Eastwood

T: +61 (0)2 9478 0813 E: deastwood@jmdross.com.au

~ Sandy Ross

T: +61 (0)2 9478 0802 E: sross@jmdross.com.au

ISN

▶ continued from page 17

get our pop flies cleared either and those go higher than this thing did. No, we didn't get it cleared, but we don't get our pop flies cleared either and those go higher than this thing did." It's time for the FAA to step up to the plate and set some reasonable rules. Of course a drone can fall out of the sky and injure somebody but then so can a foul ball hit into the stands.

Venezuela – Insurers profits fall in first quarter

According to a report published by 'Finanzas Digital', based on financial information processed through the Financial Data Automated System (SAIF), total assets of Venezuelan insurers at April 2015 reached 190.4 billion Bolivares (USD 30.27 billion) against 15.64 B dollars in April 2014. Net premiums totaled Bol 70.63 Billion (USD 11.23B) 91.8 percent more than in 2014 while Q1 profits reached Bol 1.65 B (USD 261.9M), a fall of 36.81 percent. Investments totaled Bol 148.81 B (USD 23.82B), 104 percent more than in the same quarter of 2014.

ISN

continued from page 23

flights to and from South Africa.

Given AIBA successes in Angola we are now looking to replicate our operation into other African territories, in the ambition of looking after our international clients in territories that are not well serviced.

~ By Joost Weterings,
CEO Allied Insurance Brokers Angola



DEMOCRATIC REPUBLIC OF THE CONGO

History of the Democratic Republic of the Congo Insurance Sector

In 1966, under the regime of Joseph Desiree Mabut, Law No 66/622 established the State Insurer Société Nationale d'Assurances S.A.R.L ("SONAS"), nationalized all private insurance companies and granted SONAS a monopoly of the insurance sector.

Fifty years on and SONAS currently still enjoys a monopoly over the insurance sector, however that is set to change. In 2014, Parliament approved a new insurance act that opens the insurance market to competition. The new act was subsequently sent to the senate and approved by the

National Assembly on the 14th January 2015. On the 17th March 2015 the President promulgated law number 15/500 which in the new Code des Assurances. From the date when the president signs there is a period of 365 days (in accordance with Article 512 of the new insurance act) to establish the insurance regulatory body and for the new insurers to complete their application processes. As a result, on the 18th March 2016, private licensed insurance companies in the DRC. In accordance with the Code des Assurances, the following are listed as the compulsory insurance covers within the Democratic Republic of the Congo:

- Third Party Motor Insurance
- Aviation Civil Liability
- Marine Civil Liability
- Construction All Risk
- Professional Liability
- Decennial Liability Insurance/Inherent Defect Insurance
- Fire Insurance
- Imported goods Cover

History of International, Commercial and Engineering (ICE) Insurance

The company previously traded under the name Global Alliance. However in 2011 Barclays Bank bought control of Global Alliance Mozambique and part of that transaction gave them the use of the name. Since 2011 the company traded under the name One Alliance however, we have taken a decision to rebrand entirely and for the name to reflect what we do International Commercial and Engineering (ICE) Insurance.

ICE was founded in 1996 and initially focused on reinsurance broking services across the African Continent through its re-insurance broking subsidiaries in London and South Africa.

In 2001 the company branched out and purchased a composite insurance company in the Republic of Mozambique, Companhia Geral de Seguros de Moçambique S.A, which later changed its name to Global Alliance Seguros Mozambique. Under the management of ICE the company grew its premium turnover from USD 2 million in 2001 to USD 70 million in 2012 and became the largest insurer in the Republic of Mozambique. In addition, the company was awarded a credit rating of AA (Very High Claims Paying Ability, Strong Protection Factors, and Modest Risk) (www.ga.co.mz).

In 2005 ICE entered the Angolan insurance market and was granted the first private insurance license to be awarded in the Republic of Angola since 1975, under the name of GA Angola Seguros S.A. Through organic growth, GA Angola Seguros S.A. is the largest private insurer in the Republic of Angola. In 2013 it achieved premium turnover of USD 230 million. The company was awarded an "A" rating by Global

Credit Ratings (High Claims Paying Ability). ICE was instrumental in establishing the insurers trade association, ASAN (*Associação de Seguradoras de Angola*) in Angola.

In 2005 ICE was awarded a property and casualty license in Ghana. This was the first new insurance license to have been issued in twenty years. The company was instrumental in establishing the bancassurance industry in Ghana.

In addition to the activities outlined above, ICE has held insurance interests in, the Republic of Namibia, the Democratic Republic of São Tomé and Príncipe, the British Virgin Islands, the Republic of South Africa and the United Kingdom.

In 2011 the shareholders were approached by Barclays Bank to buy Global Alliance Mozambique. The approach gave the group an opportunity to look at its business model which was highly successful but at the same time made it very difficult to expand its operations outside of Mozambique and Angola. A decision was taken to sell Global Alliance Mozambique to Barclays and GA Angola Seguros to Saham and look to re-enter the countries with the new business model once the restraint had expired.

ICE Seguros has been awarded a Property and Casualty license in Mozambique and begun trading on 16th April 2015. The company will focus purely on large commercial classes and will not be doing employee benefits, individual motor, motor or workman's compensation.

ICE Assurance RDC S.A:

ICE took a decision in 2012 to invest in the Democratic Republic of the Congo. Shortly thereafter the Company created a physical presence in the country through the placement of a team from ICE on the ground in Kinshasa. The local team was tasked with the objective to research, form an office, and begin recruiting prior to the incorporation and licensing of a non-life insurance company.

The Company will be a property and casualty insurance company that will be incorporated and licensed according to Article 295 of the insurance code, the Company's initial share capital will be Ten Billion Congolese francs. The company's head office will be in Kinshasa with branch offices in Lubumbashi and Goma. ICE will continue to focus on conducting business with Multi-national corporations with operations in the Democratic Republic of the Congo and large national entities.

All ICE staff are bi-lingual (English/French), with the local capabilities to handle underwriting, administration, re-insurance placements, claims and all client servicing requirements supported by the various teams in London, Johannesburg and Cape Town. The local capabilities and servicing standards will be maintained through continued training through the group's In-House School, 'Veritas Training'.

The company provides full transparency with its finan-

cial and shareholding. The company will be given an independent credit rating by Global Credit ratings.

~ By Rupert Weterings, New Markets Manager [ICE Insurance](#)



ISN

[continued from page 27](#)

Determine the projected impact of the risk:

Bottom line- determine if the company can, in fact, afford to self-insure an IP lawsuit if it is sued for infringement or forced to pursue an infringer.

Proper risk evaluation:

Intellectual Property risk can be a significant threat to a company's survival. The lack of properly evaluating and mitigating IP risk through specific IP insurance products could lead to the company losing its IP rights, incurring burdensome royalty payments under licensing agreements, being forced to settle or going out of business.

Steps to mitigating IP risk:

Get an IP plan together by determining which IP insurance policies are right for the company. If the company has patents, trademarks or copyrights, they should consider an IP Enforcement insurance policy. All companies have the potential to be sued for IP infringement. A company is vulnerable if it is simply making, using or selling a product and/or service, especially if it holds sought-after technology on products and/or processes. These risks can be managed through the IP Defense insurance policy. As part of IP risk mitigation, companies must plan for the unexpected event of the loss of an insured IP lawsuit. If that lawsuit is lost, companies must already know if there are additional funds available to make it whole again through a Multi-Peril Insurance policy.

Take the time to monitor the plan:

Take the time to ensure the plan is constantly meeting the needs of the company. Be cognizant of the fact that as the company evolves, so too will the plan potentially need to be altered to fit the company's current situation. It is crucial to any effective ERM plan to have a comprehensive understanding of every exposure to the company, as well as the certainty that these exposures are properly managed through appropriate risk management products. Properly evaluating risk by including IP in the company's ERM plan ensures the resources will be available to fund the high cost and consequences of IP litigation. **ISN**

THE BACK PAGE

Solution to the ISN News Quiz on page 6.

1. a* and e; 2.a; 3.g; 4.d**

* Cuba: The required 45-day Congressional pre-notification period expired, and the Secretary of State made the final decision to rescind Cuba's designation as a State Sponsor of Terrorism, effective on May 29, 2015.

** http://www.naic.org/cipr_topics/topic_captives.htm

Something funny punch line (from page 6):

To this the Arab replied: "Aye laddie, but I now have Scottish blood in ma veins".

Quotes of the Month

"Greenberg proved he was correct, that the government didn't have the authority to do what it did."

~ Carl Tobias, a law professor at the University of Richmond.

"The court bizarrely expressed repeated sympathy for AIG while failing to properly weigh the economic wreckage suffered by the American people."

~ Dennis M. Kelleher, chief executive of Better Markets, which advocates financial reform.

Did you know?

Who started the tradition of Father's Day?

Sonora Louise Smart Dodd, of Spokane, Washington, started

the tradition of Father's Day in the honor of her dad, William Smart, a widowed Civil War veteran. In 1909, Dodd heard a church sermon about Mother's Day, which had recently become a recognized holiday, and she wondered why there was no Father's Day. Ms Dodd began a rigorous campaign to celebrate Father's Day in the United States. The First local Father's Day was celebrated on June 19, 1910, in Spokane, Washington. Sonora Smart Dodd became known as the Mother of Father's Day.

Why Flamingos are pink?

Flamingos are pink because they eat shrimp. Brine shrimp, to be exact. Rich swarms of tiny brine shrimp inhabit salty lakes in both of the world's hemispheres, and it is to these lakes that flocks of flamingos travel in search of their meals. They scoop up shrimp in their strangely curved beaks, which they hold upside down in order to strain our mud and water. Then they swallow the shrimp. It is a nutritious natural chemical, or organic compound, called beta carotene in the brine shrimp that turns the flamingos' feathers pink. Beta carotene is the same chemical that makes carrots orange—and it's very important because it is a building block that the bodies of humans, birds and animals use to manufacture Vitamin A. (Source: [All About Wildlife](#))

The Explainer: Big Data and Analytics

What the two terms really mean — and how to effectively use each. Harvard Business School video (2:44) [here](#)

INTERNATIONAL EMPLOYEE BENEFITS INFO CENTER

NEW

Swiss Life with its partner insurers created an impressive Employee Benefits Reference Manual 2015 – 2016. This is an excellent resource for EB information and is available at no cost. Go to <https://itunes.apple.com/us/app/swiss-life-ebrm/id530618875?mt=8> to download the new **Employee Benefit Reference Manual - Country Profiles** for your iPad.

ISN



Gambonini Consulting Ltd.

*Educating Retail Brokers
in International Insurance*

International Business... Threat and Opportunity

**Failure to address your
International Business
capabilities can lead to...**

- Missed opportunities
- Loss of Business
- Increased exposure to E&O

Gambonini Consulting:

- Educates sales and service people
- Coaches and mentors staff
- Provides global network facilities

Why

Gambonini Consulting:

- 25 years
U.S. Retail experience
- 15 years
International business experience

***We understand
your business***

Contact Toni for a free consultation

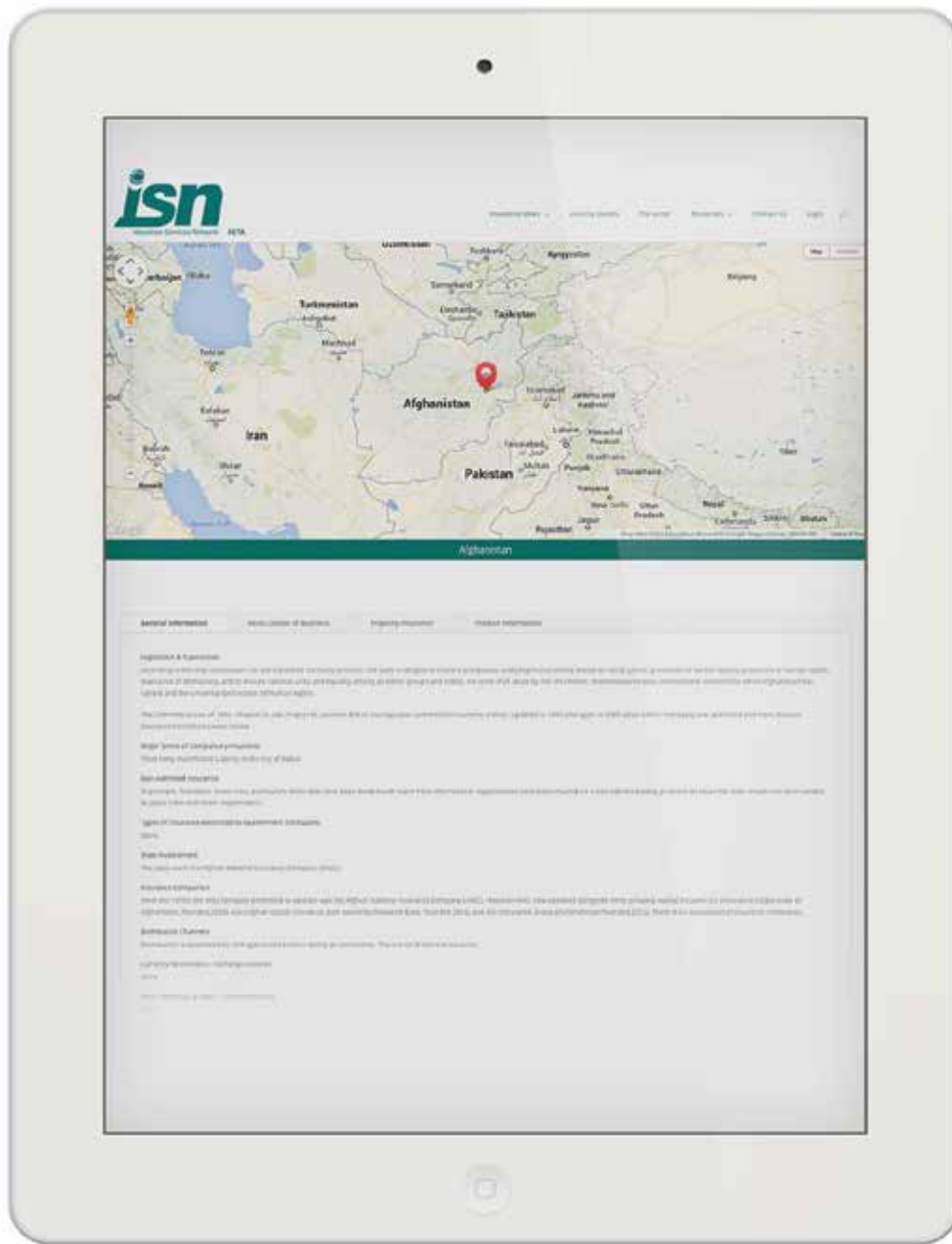
Antoinette "Toni" Gambonini CEO | Gambonini Consulting LTD.

UK Cell: +44 783 329 2278 | US: +1 619 810 7458 | toni@gamboniniconsulting.com | www.gamboniniconsulting.com

***You cannot control where your prospects and clients will do business today, tomorrow or the day after...
you can only decide to be prepared to take care of them..."***

—Paul Hering, PCPCU, Managing Director, Chief Executive Officer, Barney & Barney

Bookmark ISN @ IRLetter.com



”
ISN’s website is a gem. In addition to its clean, fresh look, it is easy to navigate with information readily accessible. The Country Guides literally put the world of insurance at your fingertips.”

*Matt Smerkanich,
President, GMG
Underwriters, LLC*

Your Choice: Subscribe to IRL or ISN Country Insurance Guides or both

Register to receive our free newsletter with tips and advice

@ <https://irletter.com/register/>

SUGGESTIONS, CONTRIBUTIONS AND COMMENTS: info@irletter.com

A monthly publication of International Research Services, a Division of Insurance Services Network Corporation | PO Box 455, Lake Forest, Illinois 60045-0455 USA
Telephone: +1.312.287.6021 | eMail: info@irletter.com



pia Presse
Internationale
des Assurances
Member
Dedicated to Sharing Insurance News