MARSH

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ADVISER

GREECE CAPITAL CONTROLS: RISK AND INSURANCE CONSIDERATIONS

SITUATION

Greek voters rejected the terms being offered by international creditors on Sunday, 5 July, throwing the future of the country's position in the European Union (EU) into doubt.

In the week leading up to the referendum, the European Central Bank (ECB) suspended the provision of additional liquidity under its emergency loan programme (ELA), meaning that Greece missed a repayment of more than €1.5 billion, or US$1.7 billion, to the International Monetary Fund (IMF).

At present, all Greek banks remain closed and capital control measures are in place (and have been for more than a week).

Risk managers of multinational companies with subsidiaries in Greece are advised to review their current insurance arrangements and be ready to answer the inevitable questions from their boards and shareholders.

COVERAGE

Current policy coverage would continue in the absence of any clause stating that cover would cease in the event of Greece exiting the EU. At present, we do not anticipate any such clause applying.

Greece currently allows EU Freedom of Services (FOS) policies, meaning that non-compulsory lines of cover for Greek assets and operations can be arranged outside of the country without the need to issue local policies. Currently, some non-EU states (such as Norway) adopt EU FOS laws, and it may be that Greece continues to adopt FOS laws even if it exits the EU.

If Greece were to rescind FOS legislation, local policies with locally-paid premiums would be required under global covers arranged outside of Greece, assuming the country were to prohibit non-admitted policies.

PREMIUM FLOW

Premium flow would continue in the contractually-agreed policy currency until amended. Additional and return premiums mid-policy term would also be paid in the agreed policy currency, most likely euros. A Greek insured would need to buy euros to make additional premium payments.

In the event of Greece exiting the EU, local policies issued under global programmes arranged outside of Greece would be able to show values, premiums, etc. in any new Greek currency.

CLAIMS

For current local policies issued under a UK global insurance programme, claims will be paid in the contractually-agreed currency, which is most likely to be euros. In the absence of a local policy, any implementation of exchange control legislation may have an impact if a claim is to be paid by an insurer based outside of Greece; however, at present this remains uncertain.

If Greece were to exit the EU, and a claim is made post-exit under a global claims occurring-based liability policy for a pre-exit period, then the pre-exit policy terms and conditions will apply, with limits applying in the contractually-agreed policy currency – likely to be GBP for the master policy and euros for any local policy. Notwithstanding, any damages may be stated in any new Greek currency.

HOW MARSH CAN HELP

The above considerations outline only some of the steps that organisations should consider in dealing with ongoing developments in Greece. Marsh's experts can help you address any concerns you may have related to the situation.

For more information on the trade credit risks resulting from recent events in Greece, see our Risk in Context piece: *Greece's Financial Troubles Could Disrupt Credit Insurance Market.*

CONTACT

For more information, please contact your usual Marsh representative or contact:

DAVID HARVEY
Managing Director
Multinational Client Service
+44 121 623 1276
david.harvey@marsh.com

ROB POWELL
Managing Director
Global Claims Practice
+44 20 7357 3509
rob.powell@marsh.com

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