



Managing the complexity of global programs

WITH THE ADVENT OF THE INTERNET and other affordable communication technology, the world quickly became a more connected global market. It is a development that has offered tremendous opportunity for businesses to enter emerging markets and provide their products and services around the globe. Businesses in the United States have enthusiastically seized the opportunity to expand their reach and, as reported in the *Washington Times*, “spend more money establishing and expanding overseas operations than those of any other nation.”

With the expansion of business operations, risk management strategies originally developed for operations in a specific marketplace, need to be flexible and adaptable to respond to the challenges of the global marketplace. Businesses see the advantages of working with a global insurance carrier whose “global footprint” matches their own — doing business in similar locations.

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As a company grows, risk managers may initially entrust the purchase of insurance coverage to local employees, or secure coverage through their broker's local network. As global growth continues, however, it becomes more and more difficult to manage this decentralized approach and risk managers often partner with global brokers and insurers to implement a global program to manage their worldwide exposures. Consider a risk manager's dilemma in purchasing casualty coverage for a company with operations in 25 different countries. Risk managers may find themselves in a situation where it is nearly impossible to keep track of what coverages they have in any given country, and more importantly, the potential gaps in coverage. A global carrier with a network of offices and fronting partners can provide a risk manager with the benefits of local underwriting, regulatory and claims handling expertise, as well as the tools for centralized management.

GLOBAL PROGRAM ADVANTAGES

Since local management has controlled the local buying decision and relationship, the major obstacle the risk manager often faces is securing the buy-in of its local management to a centralized approach, on the basis that it is in fact more efficient and effective. For risk managers, the goal is to work with a qualified carrier that can provide:

- Seamless, consistent worldwide limits and coverage, while maintaining specific standard local coverage requirements;

IMPLEMENTING A SUCCESSFUL PROGRAM AND ACHIEVING THE RISK MANAGEMENT GOALS REQUIRES COORDINATION AND COMMUNICATION BETWEEN ALL PARTIES

- Compliance with local tax and regulatory authorities;
- Flexibility and administrative efficiency;
- Centralized premium and claims reporting.

This centralized risk management approach has many additional advantages. For one, with a single global carrier providing admitted coverage, a risk manager retains centralized control over the program with access to local underwriting, regulatory, claims and loss control expertise. Working with one carrier and a global program, many companies also feel more secure with their spread of risk and uniformity of limits and coverage, reducing the possibility of duplication and coverage gaps. Likewise, working with one global insurer, they enjoy greater flexibility of program design, coverage and premium allocations. Centralized loss reporting also allows risk managers to access loss data about any location and adapt their risk management strategies accordingly.

In order to execute a global program, the selected global insurance carrier: issues a master policy that serves as an "umbrella" over the local placements providing excess and difference-in-conditions coverage; coordinates the issuance of local underlying policies by

their insurance network of owned companies and fronting partners where the insured has local operations; and coordinates invoicing, premium payment, loss control and local claims servicing with the local broker representative and local insured.

FUNDAMENTALS OF SUCCESS

Risk management plays an integral role in assuring that expansion opportunities can be profitable opportunities. Implementing a successful program and achieving the risk management goals requires coordination and communication between all parties. Communication between a risk manager, the broker and the insurance carrier is likely to lead to a good understanding of the specifics of the business's local insurance coverage and requirements. Local policies have to comply with local regulations. Therefore, for the risk manager, reliance on a competent global insurance network provides a resource of insurance professionals who are also knowledgeable about local coverage requirements.

Just as technology created the opportunities for global expansion, technology plays a significant role in servicing the insurance needs of global businesses. Sophisticated information technology to address policy issuance, tax payments, premium flows, currency conversions, claims filing and administration is a key component of the successful implementation of a global program. Ultimately, such a system enables the efficient monitoring of an

Global programs, continued

insurer's risk distribution, premium allocation and claims activity. It enables the parties to continuously evaluate the program's effectiveness and tailor its design as needed. For example, clients can evaluate: claims activity to determine the adequacy of local premium allocations; the need for specific loss control programs; and the effectiveness of local management, among other issues.

Demand for global programs is stronger than ever. Companies operating in a global business environment require a global approach to managing their risks. As developing and servicing global programs requires a significant commitment of resources, an insurer's ability to deliver service excellence is a critical differentiator. Success with global programs is achieved with effective communication, flexibility and adaptability. The end result is worthwhile, with a global insurer establishing itself as more than just insurance provider, but rather a strategic partner in today's global marketplace. **XL**

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Global Programs Defined

A CONTROLLED MASTER PROGRAM

A Controlled Master Program extends coverage for the worldwide exposures of a multinational company. A master policy that governs the program is issued to the parent company in the multinational's country of domicile. Local underlying policies are issued to the subsidiaries of the parent company in the countries where the insured has operations.

A GLOBAL PROGRAM FOR US MULTATIONALS

A Global Program for US Multinationals comprises a master policy and local underlying policies that include the United States exposures and the foreign exposures of a US multinational. The limits of the local underlying policies (including the United States) reduce the limits of insurance under the master policy.

AN INTERNATIONAL PROGRAM FOR US MULTATIONALS

An International Program for US Multinationals is made up of a master policy and local underlying policies that include the foreign exposures of a US multinational. The US exposures may be written by the same carrier but not as part of the global program. The limits of insurance of the US policies do not reduce the limits of insurance of the master policy.

