

CHUBB®

Global Risk Spotlight

Building a Better Multinational Casualty Program





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Laura Vest, Executive Vice President, leads Chubb's Foreign Casualty business. In this role, Ms. Vest is responsible for the business that offers a full range of multinational casualty insurance programs on a global basis and for overall business strategy, client retention, growth, service execution, talent management, and profit and loss results.

Today, the success of U.S. and Canadian-based multinationals is predicated largely on leveraging opportunities outside their home country to accelerate growth. From a risk management perspective, these opportunities create unique challenges, complexity, and exposures. Laura Vest, Executive Vice President and Head of Multinational Casualty at Chubb, discusses key issues to consider in building and maintaining an optimal multinational casualty program for your business.



What factors drive the design of multinational casualty programs?

Generally speaking, structuring a multinational casualty program requires meeting our customers where they are—literally and figuratively—both in terms of risk appetite and geography. It requires underwriting with expertise and with a clear appreciation and understanding of the insured's exposures as well as their buying style—whether they are customers who purchase our International Multiline Packages, Controlled Master Programs, or International Risk Management Program.

Key considerations begin with; what is the exposure and risk? Does the organization prefer to transfer the risk to insurance or is it important to retain significant risk? How important is the consistency of coverage and control of risk? How many and which countries are involved, and what are their respective rules about insurance? Contractual requirements and limits must be assessed. Then there are issues of cash flow—does the insured desire premiums and claims to be paid locally or in the home country? What resources can we bring to their disposal locally and globally to drive down the cost of risk? All of these considerations (and others) go into tailoring a multinational casualty program. Being flexible in addressing these variables is critical to finding solutions to meet a client's needs.



How can a risk manager be sure their operations are adequately protected everywhere they have exposure?

Consistency and certainty are critical to many insureds but can be challenging to manage, depending on the scope of the exposure. In some countries and territories, insureds may be required to purchase locally admitted policies, or they may prefer a locally issued policy for claims, accounting, tax, or other reasons. Either way, the limits, terms, and conditions of these policies will inevitably vary. A globally controlled program issued in the insured's home country helps to pull it all together—essentially setting a global standard of casualty coverage for the company's operation worldwide that “overlies” the local policies. One critical cog in helping ensure consistency of coverage and limits is a Difference in Conditions/Difference in Limits feature attached to the master policy. When a claim occurs in a country where the local policy limits are exhausted or the terms are different than what the insured intends for their global coverage, the master policy responds in accordance with overall terms established.

Local regulations can impact the underpinning of the entire program, its coverage terms and its ability to respond to claims.



What is one thing clients underestimate when building a multinational casualty program?

When building a multinational casualty program, clients tend to underestimate the potential significance of regulatory exposure. Generally, the trend around the world is toward greater protectionism; in-country insurance regulations continue to become more stringent. These regulations govern everything from who can underwrite a policy to how claims can be handled and paid. The regulations vary from country to country, even province to province, and they are ever-changing. Penalties for lack of compliance can range from finding your policy unenforceable to significant adverse tax consequences. A company can face large fines and even be required to shut down operations in a country. There is also substantial reputational risk and, for brokers, potential E&O exposure if programs are found noncompliant.

Regulations can impact the underpinning of the entire program and its ability to respond, from what type of coverage is possible in a country to who can adjust and pay claims. Take an entertainment industry insured producing a documentary outside the United States. They have vehicles being used in the production that they did not insure via a local policy, perhaps believing their U.S. master policy's contingent auto liability had it covered. An employee drives the vehicle to pick up lunch and is involved in a serious accident. However, the insured soon learns that the country in which the accident occurred has statutory requirements for local motor vehicles and requires coverage for all vehicles must be purchased from a locally admitted carrier and that the policy limit is unlimited. Given the fact that the U.S. master policy is not admitted locally and excess of statutorily required cover, it could not be utilized locally; resulting in a significant unanticipated coverage gap—and one that could have easily been prevented.



What about claims considerations?

Customers must be able to balance their needs and preferences for handling claims (e.g., centralized versus local management) with what is required locally in a particular jurisdiction. Who can be involved in the adjustment and where exactly claims can be paid must be carefully considered. For example, some countries will allow non-admitted carriers to make claims payments directly into their country, while many others require the payment be made a locally admitted carrier. Similar discrepancies exist in relation to who is permitted to adjust a claim locally. Additionally, there are tax concerns for payments received locally from outside the country where the loss took place. Some countries may consider certain claim payments as a capitalization of the local entity and consider the claim payment as ordinary income.

One of the most important considerations is fundamental: People, having the right people on the ground servicing your multinational program.



What else should companies consider when choosing an insurer for their multinational casualty program?

Of course, you want an insurer that has stable, reliable capacity, a true global network that not only matches your current operations but your future organizational aspirations as well, along with a proven track record in the multinational space. But perhaps the most important consideration is a fundamental one: People. There is tremendous value in having people on the ground servicing your multinational program—underwriters who know the local rules and regulations because they live them every day. Claims adjusters who speak the local language and who know the local guidelines. It seems simple but having experienced people on the ground where you need them is increasingly an important differentiator to help ensure viable solutions in the multinational space.



What do you say to companies that feel these programs are too complex—they want to simplify?

First, partner with an insurer that has extensive experience and resources, globally. Second, technology can assist greatly with multinational risk management—easing and elevating all aspects of managing a multinational insurance program.

Our Worldview® online risk management platform demystifies the process of multinational program management—putting at our customers' disposal instant updates and comprehensive reports on virtually all areas of their multinational program. It makes it easy to keep up to date on program status and to track open tasks and next steps. Local policies are often issued in the local language, and customers can request translations of those policies to gain a better understanding of terms and conditions quickly.

Clients want to understand the rules and regulations where they do business and how their global insurance program overlays with their geographic footprint. There is also a deep repository of information on global market and compliance issues—through our Multinational Research Tool—so customers and brokers can immediately research things like whether cash before cover is required in a certain place, Know Your Customer requirements by jurisdiction, or what limits are mandated locally.

While no two customers' goals are the same, the objective is to instill consistent, compliant casualty coverage that aligns with each customer's needs, preferences, exposures, and regulatory requirements—and to ensure that the program can then be serviced effectively and efficiently, in line with the customer's service preferences, as its operations and objectives grow and change.

Chubb has the flexible casualty solutions clients need:

International Multiline Packages

- General Liability
- Auto
- Employers Responsibility
- Accident Death and Dismemberment
- Kidnap and Extortion
- Property

Controlled Master Programs

- Locally admitted policies and risk transfer options

International Risk Management Programs

- Captives and fronting arrangements
- Deductible recoveries
- Retrospective rating plans
- Flexible collateral options
- Tailored multinational claims services

80%

Companies seeking consistency and control in global casualty coverage find it at Chubb: 80 percent of our foreign casualty policies are issued through wholly-owned Chubb offices.

Leading the Way, Locally and Globally

Chubb offers a full range of multinational casualty insurance programs and collateral structures, including loss sensitive and risk financing solutions, on a global basis. For clients that value flexibility and partnership, Chubb is agile, innovative, and committed, with dedicated multinational casualty underwriters adapting our clients' program to whatever lies ahead and continually helping to drive down the cost of risk. We have a team of 350 multinational-dedicated specialists focused on servicing multinational programs and ensuring that your program operates precisely as it should.

Elevating multinational risk management.

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