

# The insurance challenge for multinationals

**Mr Tony McHarg**, Chartis Asia Pacific Regional Manager for Multinational Accounts, provides some insight into the challenges and choices facing multinational enterprises based in the Asia Pacific region when arranging effective risk financing for operations in multiple countries.

Whether you have operations in two countries or 102 countries, businesses with multinational assets or exposures face additional challenges in structuring, implementing and managing effective risk solutions.

Continuing globalisation of trade, together with market environments that differ from country to country, means more businesses are facing the challenge of structuring complex multinational programmes.

Corporate governance and the increasing accountability for directors reinforce the need for businesses to fully understand the environments in each jurisdiction where they operate. They must structure an efficient and cost effective risk financing programme for their global operations.

## Why set up a centrally controlled multinational insurance solution?

A centrally controlled multinational insurance programme covers the customer's global risks by providing consistency and transparency of coverage while at the same time matching individual local business and market requirements.

The advantages of managing the purchase of insurances globally include ease of administration, prevention of coverage duplication and gaps, consolidation of loss information, and coordination of loss control and risk management procedures. A multinational programme can also assist in coordinating deductibles and limits to best meet the multinational's overall risk financing objectives.

Over time, the risks and costs can be minimised through coordination of the global risk financing structure, placement, administration and transparency of cost/coverage globally. Additional cost benefits may come from leveraging the buying power and relationship of the multinational with partner insurer(s) in support of local claims and client service.



Mr Tony McHarg

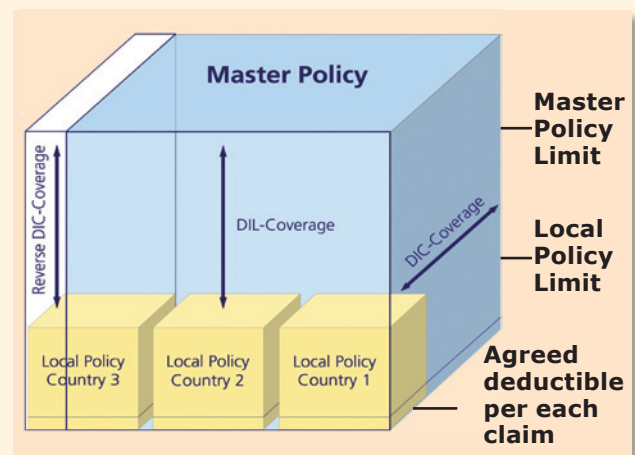
Organisations work closely with their broker and insurance partner to carefully evaluate and structure a multinational solution that best meets the current and future needs of the insured organisation. A programme can be tailored to include multiple options as required by the customer, namely admitted policies, nonadmitted policies and freedom of services (FOS) policies for Europe. Programmes that combine these types of policies to satisfy the specific needs of multinational customers are often referred to as controlled master programmes.

## Controlled Master Programmes

A Controlled Master Programme (CMP) is generally structured by line of business, with a global policy (known as the master policy) providing the scope and level of coverage required to meet coverage and risk financing requirements.

In most cases, the master policy is structured to provide the broadest coverage with the highest limits and can cover international risks, subject to programme design and service requirements. Where it is determined that local admitted policies are desired, underlying local policies are issued.

Importantly, the master policy also includes Difference in Conditions/Difference in Limits (DIC/DIL) clauses that operate to close any gaps in conditions or limits that may exist between the local and master policies.



## Constructing a CMP

Moving from concept through design to placement and effective service and administration of a CMP requires a planned approach and involves corporate and local representatives from the insured party, the appointed broker and the insurer's underwriting and servicing teams.

Striking the right balance and structure for CMPs is dependant upon all parties working together to review and evaluate the desired programme characteristics at both a corporate and local level.

**Chartis' multinational offerings and global markets**

Chartis is a world leading property-casualty and general insurance organisation serving more than 40 million clients in over 160 countries and jurisdictions. With a 90-year history, Chartis has one of the industries' most extensive ranges of products and services; including more than 500 loss control engineers and consultants, deep claims expertise and excellent financial strength.

The Chartis claims team is deployed across 345 offices globally and consists of almost 9,000 claims professionals who take pride in delivering excellent customer service. They apply local knowledge to manage thousands of claims each year, leveraging the experience and scale of an unrivalled global network.

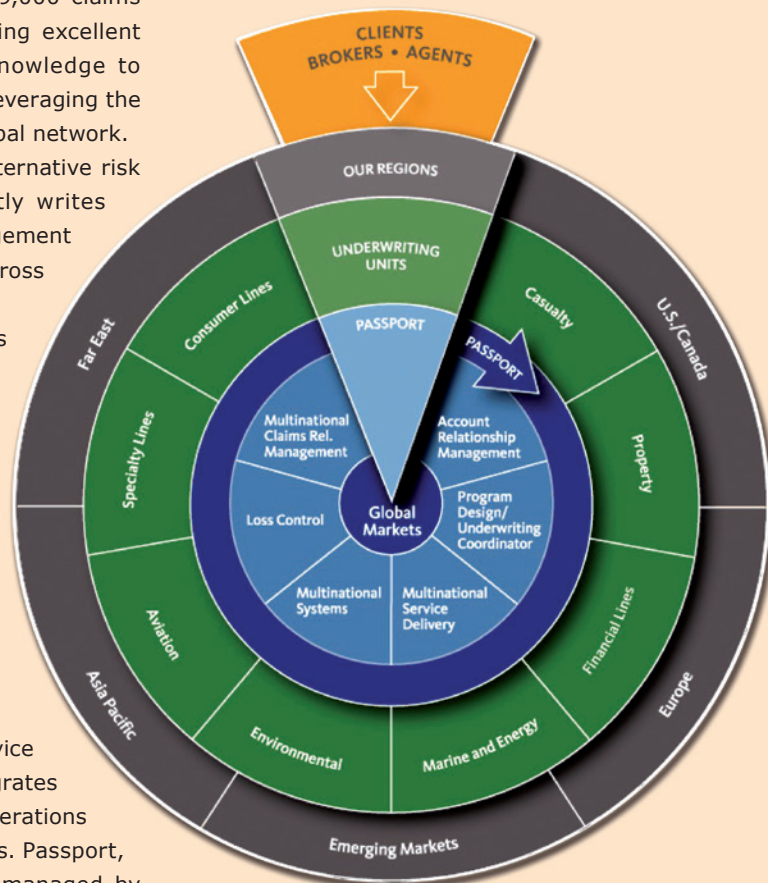
Chartis provides tailor-made global alternative risk management programmes and currently writes close to US\$4 billion in captive risk management programmes and almost US\$19 billion gross premium for multinationals in total.

Chartis companies have held licenses in nearly 30% of their markets for over 50 years and in 70% of their markets for more than 25 years. Over the past 10 years, Chartis has entered 11 new markets including Lebanon, Georgia and Vietnam.

Chartis enables clients to manage risk with confidence, with a longstanding dedication to global insurance markets, a focus on product innovation and an enhanced global technology platform.

Chartis has established one unified service organisation, Global Markets, which integrates the servicing of Chartis underwriting operations worldwide for our multinational customers. Passport, Chartis' multinational platform, will be managed by Global Markets. The Passport platform connects the various parts of our organisation that must perform

in a coordinated fashion to successfully service a multinational account. Specific elements of the platform include relationship management, coordination with underwriting units, service and systems, data management, loss control and claims relationship management. Passport will also coordinate with Chartis' underwriting units worldwide to deliver locally tailored insurance policies and risk management programs virtually anywhere you need them.



Passport is your path to Chartis' deep product and service offerings for multinational businesses.

It is important to follow best practice standards for design, placement and agreement of service for all elements of a CMP.

A detailed country-by-country review is an essential first step to ensuring an effective programme that meets agreed service expectations. There are many factors that need to be considered in such a review, with the findings for each country feeding in to the CMP placement and service design, which can then be priced, refined and ultimately implemented.

**Selecting your insurer partner for multinational solutions**

There are only a limited number of global insurance organisations capable of and experienced in structuring and servicing CMPs.

While each programme has unique requirements, the following fundamental elements are critical to optimise your global risk management strategy.

Ensure that your insurer offers adequate coverage in each region within which you operate, or hope to operate in the future.

Check that they have long-standing business operations, deep in-country expertise and extensive local networks with strong local loss control professionals to help you successfully navigate the local environment.

It is also prudent to consider the strength and breadth of both the products and services available. Service capabilities such as policy issuance, cash movement, end-to-end support, loss prevention programmes and the technology to provide global access to your portfolio are all essential service considerations. 