



Global Programs: one product does not fit all

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Regulatory and Tax Compliance is a major topic for Global Program clients, however, it is not the only criteria your company should consider when evaluating its insurance needs.

Compliance as standard

As companies continue to expand beyond home markets, the ability to efficiently manage and service Global Programs is proving more important than ever.

Companies want to be confident that their overseas assets and liabilities are properly covered, especially given the uncertain world in which they currently operate. But, the complex web of local tax and regulatory requirements makes international insurance arrangements a significant challenge.

Despite the complexities, regulatory and tax compliance should be taken as a given, freeing clients to focus on finding the optimal Global Program structure. A recent survey of European risk managers sponsored by XL Insurance found that most corporate buyers believe compliance should simply be a fundamental part of a Global Program.

Almost unanimously, those surveyed in the Risk Frontiers Survey agreed that Global Programs provide consistency, certainty and clarity of coverage. But when it comes to compliance, most said that it should not be a competitive differentiator between insurers.

Instead, the competitive differentiator between insurers should come from an ability to service clients around the globe and provide innovative solutions that meet their needs.

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Complex challenge

In the right hands, Global Programs are an effective way of arranging international insurance cover and meeting local servicing needs.

Multinational companies have been using Global Programs to service their international insurance needs for decades, but we increasingly see mid-sized companies choosing to buy a Global Program as they expand into foreign markets.

Whatever your company's size and international reach, a Global Program should be able to be tailored to your individual requirements. This can include the fast movement of funds to a captive; policies issued locally with or without the services of a broker (where legally allowed); coverage for multiple lines of business; local claims handling and settlement, or monthly reports on premium payment, document issuance and claims reporting.

Global toolbox

Armed with a variety of tools, global insurers can set up the optimal coverage for a client that is compliant with the various country specific requirements and laws. These provide the underwriter with up-to-date information regarding local requirements - such as compulsory local retentions in Saudi Arabia, cessions to national catastrophe pools in France, and changes in taxation, like the recent increase of Insurance Premium Tax in The Netherlands.

Global Program insurers can also provide regular reporting on documentation, claims and premium flow. Transparent insurers will be prepared to share information captured locally in their global IT systems. Such systems operate on a real time basis, holding all the data relevant to a Global Program centrally, generating real time reports and enabling premiums and claims to be processed much faster.

Speedy resolution

To use an example from above, local law permitting, local policy premium can be paid centrally by the parent company to the master insurer. The insurer can quickly and efficiently transfer the premium and applicable premium taxes to the local insurance company and allocate premium in the system. Local insurance premium taxes are then processed where required.

This central process efficiently transfers premium to the Captive and avoids delays that would normally result from local invoicing.

Client decides

An optimal Global Program will see the underwriter lead the discussions with the client regarding the required coverage, levels of service, and how to obtain the

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best structure to comply with local laws and regulation. Ultimately, it is the client who should decide upon the actual coverage for its local subsidiaries as there may be several options available.

For example, local subsidiaries can either be covered through a local policy or on a Permissible Unlicensed basis where allowed. Where the client does not require the local subsidiary to be covered, or where this would not be economically viable, the Financial Interest of the parent company in the uninsured subsidiary can be covered on the master policy through a Basis of Cover clause.

Supporting clients in emerging markets

For many clients, global servicing and support remains a key benefit of a global program. XL Insurance continues to build on its local servicing capabilities, in particular in emerging markets. For example, approximately one third of the Global Programs we lead have risks in China, the world's second largest economy. We recently established a dedicated team in our new Shanghai office to better serve the local market and clients with exposure in this thriving economy.

Flexible approach

The nature of Global Programs for international clients will always require customized solutions with central decision making and local legal compliant execution. However, Global Programs are more than just a product, they are a flexible insurance and servicing solution that can be structured to fit a client's own business model and priorities.

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