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GLOBAL PROGRAMMES SPECIAL REPORT: IMPLEMENTATION AND OPERATION

BUILDING ON THE BEST OF THE 2021 CONFERENCE DISCUSSIONS

Introduction

Global programmes are about ensuring uniformity of coverage, avoiding gaps and getting the best terms and conditions. The range of risks covered in multinational insurance programmes is expanding all the time, as new and emerging threats appear. But at the same time, traditional covers face considerable challenges, particularly in the current hard market.

Capacity issues, rising rates and tighter terms and conditions mean that buyers need to be more creative with retentions, consider greater use of captives and other alternative risk transfer solutions. On top of this, Covid-19 has added greater complexity for insurance buyers, including those placing global programmes.

Commercial Risk recently held its three-day virtual 'Global Programmes 2021: Implementation and Operation' conference to help provide risk and insurance managers with the latest expert opinion on how to best structure, design and manage their programmes in today's challenging marketplace.

Supported by risk management associations Airmic, Belrim, Ferma, GVNW, Narim, Parima and Rims, the event attracted 1,498 registrations and just over 800 individual attendees.

This report builds on the best of discussions at the conference, sponsored by Allianz, AIG, AXA XL, Axco, Globex Underwriting Services, Marsh, TMF Group, Willis Towers Watson and Zurich.

Given current market conditions, we begin by looking at how multinational insurance buyers need to think outside of the box to get the most from their programmes, as they call for insurers to up their game and help restore trust. There is a focus on the potential for rising protectionism and tax issues post-pandemic, as well recent regulatory rule changes across the world.

The report then looks at how claims can be improved, the value for buyers in providing insurers with as much data as they can and how technology is set to unlock the potential of global programmes.

We hope you enjoy the read.

Look out for details of the June 2022 Global Programmes soon.

Ben Norris
Global Programmes Report editor

GLOBAL PROGRAMMES SPECIAL REPORT: IMPLEMENTATION AND OPERATION

BUILDING ON THE BEST OF THE 2021 CONFERENCE DISCUSSIONS

Contents

This report begins with the views of leading insurance buyers on the state of the global insurance market and how risk managers can react to tough conditions. They also discuss the need for the risk management and transfer industries to come back around the table and start working again on sustainable solutions

Multinational buyers need to get creative in face of difficult market conditions

◇ BUYERS

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With little sign of things getting much better for multinational insurance buyers across the globe in the hard market, many are having to throw out the rulebook and look for innovative ways to manage and transfer their risks, according to risk leaders from the world's top risk management associations.

Jennifer Santiago, treasurer and director of finance at US risk management association Rims, said there is "continued stress" for buyers in her region. Rims members are fighting hard to find the right risk transfer solutions as they face shrinking capacity, lower limits and rising prices, she said.

The risk manager said Covid-19 added another layer of complexity to an already distressed marketplace. Property, cyber and financial lines are all challenging, but no risks are particularly easy to place, added Santiago, who is also director of risk management and safety at Wakefern Food Corporation.

Risk managers in the US are facing shrinking capacity, lower limits and rising prices

As insurers try to "right-side" their portfolios, buyers face a "confluence of challenges", she said.

"Many organisations are struggling with the pandemic and insurers are not far behind in that same situation. They are looking for talent like we all are. Their financials are stretched. They're not making the return that was

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expected. So that is what is causing the very tight pullback on the reigns, but it needs to loosen for sure," she said.

This means that buyers, many of which have not been through a hard market before, have had to "throw out the handbook" and look for new ways to transfer their risk, added the Rims board member.

Ferma president Dirk Wegener explained that things are pretty much the same in Europe. Buyers are dealing with the three-pronged problem of price rises, lower limits and a capacity crunch, he said.

Wegener, who is global head of corporate insurance for Deutsche Bank, said problems caused by Covid-19 and changes in the reinsurance market are all trickling down to risk managers, who just want their quote on time. But this is not proving easy with renewal timelines stretched and some insurers only communicating their desire to participate on a risk, at what price and with how much capacity, late in the day, he added.

Franck Baron, chairman of the pan-Asian risk management association Parima, said there is no sign of change in the Asia-Pacific market, with ongoing price rises and capacity issues for buyers, despite some improving results for insurers. "We are fastening our seatbelt and bracing for additional impact," he said.

"It's a Catch-22… as we become more aware about risk, we are seeing less and less appetite from insurers," warned Baron.


Jennifer Santiago

"The handbook has to be thrown out. I think a lot of this all stems from the reinsurance market, which is pushing down on the insurance market, which then trickles down to all of us"

LACK OF INNOVATION

The leading risk managers added that innovation and product development have predictably become a casualty of the hard market and urged all parties to come back around the table and start working to address this issue.

Baron said he is disappointed by the lack of innovation and urged risk managers, brokers and insurers to work in partnership on this issue. "As Parima chair and individual risk manager, I want to sit down with carriers and see what can be done to improve things," he said.

Meanwhile, Santiago said she has seen patches of creativity in the market and feels it is incumbent on risk managers, individually and through associations, to come forward and make it crystal clear what they want and need.

The Rims, Ferma and Parima networks all provide a great opportunity for risk managers to build ideas, she added, and urged insurers to do the same through their associations.

ALTERNATIVES

So, given the tough market conditions right now, buyers are looking for alternative risk management and transfer solutions.

Captives are one of the obvious options and there is growing interest in these vehicles around the world. But setting up a captive at short notice and in current market conditions is far from easy, the experts agreed.

Captive penetration is low in Asia-Pacific, but the hardening market and Covid-19 have accelerated interest in these solutions, said Baron.

However, many insurance buyers in Asia-Pacific currently lack the sophistication to hold discussions on captives, he said. And even for experienced insurance buyers, the loss of appetite from reinsurers is complicating their use, he added.

But Baron stressed that captives remain a vitally important

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tool, amid concerns that companies are taking too much unmanaged risk on their balance sheets.

"Captives are very important because they are a way to formalise your risk taking. Today, my concern is that because of the expanding risk universe and restrictions in insurance market capacity, too many organisations, especially in Asia-Pacific, face silent risks being hidden on their balance sheets without proper awareness or monitoring.

At least the captive is a way to formalise this risk taking and risk bearing, and this needs to be developed," he said.

Some Asia-Pacific firms have silent risks on their balance sheets

Dirk Wegener said there is growing interest in captives in Europe

Santiago said captive penetration is higher in the US than elsewhere, and the solutions have become even more popular since the start of the hard market and Covid-19. There are a lot more feasibility studies and people investigating captives, she said.

Santiago stressed that companies must philosophically understand what they want to use a captive for, but agreed with Baron that rising reinsurance rates are making their traditional use more difficult.

"People often use a captive to fund losses, perhaps in the frequency layer, and then reinsure where they feel they need to. But those reinsurance rates have skyrocketed, so it has just become even more difficult to run that structure than it was before. Again, the handbook has to be thrown out. I think a lot of this all stems from the reinsurance market, which is pushing down on the insurance market, which then trickles down to all of us," she said.

Wegener, meanwhile, said there is growing interest in captives in Europe, but explained they are not easy to administer. Solvency II, Europe's insurance capital adequacy regime that also affects captives, remains a challenge and barrier to entry, he added.

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Insurers urged to up game as trust erodes in hard market

◇ RENEWALS

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Although the commercial insurance market needed a correction, little recognition of risk management efforts or differentiation between long-term buying partners and opportunistic peers has eroded trust in insurers, according to risk managers.

Alexander Mahnke, CEO of insurance at Siemens and chairman of German risk manager association GVNW, acknowledged that insurers haven't made money from corporate insurance for quite some time and that pricing needed to rebalance in traditional lines.

"We want our insurers to earn money with the business they do with us. Doing this in an unsustainable way, not making profit over a long period of time, is not something that is good for the market, or insurers, and because we believe in long-term relationships, it is not good for us either, because it creates erratic behaviour," he said.

Mahnke noted that underwriting was erratic in the last two renewal rounds in Germany. He said this has eroded trust, and explained that 80% of GVNW members rated the reputation of corporate insurers in Germany as "very bad" in a poll this February.

The trust between risk managers and insurers has been tested to breaking point during the hard market

"Just a couple of years back, the same insurers that now mourn their losses in cyber and withdraw capacity were telling us that cyber standalone is something we really have to look at"

He pointed to cyber as a problem line. "Just a couple of years back, the same insurers that now mourn their losses in cyber and withdraw capacity, were the first in line telling us and our CFOs that cyber standalone is something we really have to look at. And some went as far as to say that if you don't buy cyber you are halfway to a D&O claim," he said.

Mahnke stressed that insurance buyers want "reliability, foreseeability and transparency" from their carriers. "Quite frankly, if you take that away, risk managers will ask what is the value of a finance product that should smooth the impact of risk over a period of time, if all of sudden prices go up and capacity goes away," he added.

The other risk manager on a panel debate at our recent

global programmes conference, Franck Baron, group deputy director of risk management and insurance at International SOS, and chairman of the pan-Asian risk management association Parima, said a big problem is the lack of differentiation between buyers that have made long-term commitments to insurers and those that have not, as well as reward for risk management at renewals.

"A good portion of corporate risk managers are looking for long-term relationships with carriers but we should not ignore that some were very opportunistic in buying insurance for years. For them, if you benefit from a competitive market, then when it is an increasing one, you suffer from it. But for the long-term partnership buyers, we have been suffering from this cycle extremely badly. We are losing the value of risk management, with no room for differentiation. I am talking about companies that have invested in risk management and in long-term relationships with carriers. This has been badly damaged by what has happened over the last 24 months," he said.


Franck Baron

"For the long-term partnership buyers, we have been suffering from this cycle extremely badly. We are losing the value of risk management, with no room for differentiation"

INSURERS LISTENING

The two insurers on the panel acknowledged the impact of the hard market on risk managers.

Matthew Latham, head of global programmes and captives at AXA XL, said that feedback from the last couple of renewals "has been received loud and clear by insurers".

"We are making every effort to address those issues by engaging earlier to ensure there are less surprises and that clients understand the decision-making. And we are making sure that our people on the ground are empowered to make decisions," he said.

Latham pointed out that there have been higher claims from the pandemic, nat cats and social inflation, and not just in the US. Underwriters are therefore trying to be more selective about the risks they take on, he said.

He also highlighted that while property, for example, has been hardening for three to four years, there were 14 years of rate reductions prior to that, and in that time there has been an acceleration of losses.

On the issue of long-term relationships, Tony McHarg, head of multinational, international at AIG, said it is important to focus on partnership rather than procurement.

"We need to distinguish between sensible underwriting decisions of a carrier, and the overall supply and demand of the market. They are related but it's not any one carrier's decision alone that stresses a line of business across the global P&C market. The argument isn't whether the correction needed to happen, but should insurers be valuing differentiated risk and differentiated risk management? Absolutely," he said. "We continue to focus strongly on our client and broker engagement to help improve communication and deepen understanding, for sustainable and mutually beneficial relationships."

CAPTIVE INTEREST

The panel also noted that there has been a growing interest in captives and other alternative risk transfer mechanisms as a result of the hard market. But all participants agreed that companies should not wait for a hard market before looking at such solutions.

"We are seeing increased interest in captives, increased deployment of captives from existing owners, and the extension of the use of captives across new lines of business. I don't think it is a hard-market strategy, but the current market is driving some tactical development of captives to offset either restrictions in capacity, or higher retentions, or to mitigate costs," said McHarg.

"Captives give the risk manager a better level of control and help to cushion these impacts of the market," added Latham. "History tells us the market will go up and down, and having a tool like a captive is really important," he said.

Systemic event-driven protectionism set to make life more tricky for multinational insurance buyers

◇ PROTECTIONISM

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Protectionism is set to rise yet further on the back of the pandemic and other systemic events, making insurance regulations even more complicated for multinational buyers, said speakers at *Commercial Risk*'s latest global programmes event.

In response, they advised risk managers to use as many sources at their disposal as possible to keep on top of changing local regulations around the world and, crucially, conduct regular reviews of the regulatory landscape with the help of experts.

Multinational insurance buyers have long struggled to keep on top of and manage the myriad of local insurance regulations around the world governing programme placement and compliance.

Praveen Sharma, global practice leader, insurance regulation and tax at Marsh, said the laws change regularly, with a clear trend for protectionist and "insular" rules around the world. He said the regulations are therefore "not fit for purpose" for multinationals, creating "angst, anxiety and confusion" among insureds.

Protectionism is predicted to increase for multinationals as governments react to a growing number of systemic risks and events

"Protectionism has been trending for several years in parallel to globalisation. It is something risk managers have long had to contend with"

To make matters worse, protectionism is predicted to increase for multinationals following the pandemic, and as governments react to a growing number of systemic risks and events.

"Protectionism has actually been trending for several years in parallel to globalisation. It is something risk managers have long had to contend with. I think the more recent rise in systemic events, which in my opinion would include climate change and ransomware attacks, has just

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further exacerbated the global rise in litigiousness and the scrutiny we are already seeing in some of the protective, contractive regulations already underway," said Rajika Bhasin, associate general counsel, multinational at AIG.

"So yes, this will make life more difficult for multinational risk managers, but it will also make life more difficult for the businesses they represent and corresponding insurers. I think it just underscores the need for timely management and meaningful collaboration pre- and post-bind," she added.

Joseph Finbow, IPT assurance director at TMF Group, said one problem is that regulations are struggling to keep up with the rapid change in risk transfer solutions on offer.

"We are looking at interesting and new insurance solutions all the time and I would say one of the challenges of these is that coverages and programme structure are developing faster than local laws and legislation. So, a big issue is that the coverage is changing and the regulations are struggling to keep up," he said.

Sharma said risk managers at multinationals clearly need to understand a lot of variables when it comes to regulations, and advised them to get as much information as they can well in advance of renewals by leaning on their risk advisers and insurers.

"Buyers also need to buy smartly," and make sure the insurance they take out is of "real value" and not simply what is best for insurers or brokers, he added.

KEEPING UP TO DATE

Finbow also advised insurance buyers to use as many sources as they can in order to keep up to date with local regulations. It is also important to double check and verify what you know, he added.

Shiwei Jin, global programmes and captives regional director APAC at AXA XL, was in full agreement. She said multinational insurance buyers can look at public sources, such as the media, as well as tailored databases from specialist companies such as TMF and Axco, broker bulletins and insurance carriers' databases, to access relevant information about their risks.

Shiwei Jin said it is vitally important to conduct regular reviews of the regulatory landscape

But she stressed, above all, that it is vitally important to conduct regular reviews of the regulatory landscape affecting multinational insurance placement, in collaboration with experts.

"The regulations, particularly when it comes to Asia, Latin America and Africa, are very much solely driven by the local market. They are still in the developing stage and the countries are trying to make sure they have a robust insurance industry… With that in mind, we need to understand the intention of the local regulations and understand the impact for our programme," said Jin.

"Collaboration among the service providers and risk managers is critical. Dialogue, collaboration and a very clear plan year on year are vital. Not just for renewals but also regular checking to see what we need to improve in the programmes. What is the regulatory change of direction? How can we ensure going forward that we get the best value from global programmes? Those are critical for the dialogue. So, intention and action is what we can control," she added.

Joseph Finbow said regulations are struggling to keep up with the rapid change in risk transfer solutions on offer

Multinational insurance tax headache could worsen post-pandemic

Governments see IPT as easy target

◇ TAXATION

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Insurance tax could well be a target for governments around the world as they look to raise funds to pay for the Covid-19 crisis, making life more challenging and, ultimately, expensive for multinationals, experts warn.

Insurance premium taxes (IPT) have been rising in many parts of the world for several years and things could get worse for insurance buyers. Experts point out that raising IPT and other measures to increases insurance receipts to help pay for rising government debt following the pandemic, are likely to be less controversial than raising some other taxes.

As Steve Norman, senior IPT compliance manager at TMF Group, pointed out, IPT is a "bit of a soft target" and increases aren't going to upset the electorate in the way a small hike in income tax might.

Praveen Sharma, global leader, insurance regulatory and tax practice at Marsh, also fears that premium tax rates, or other insurance-related taxes, are likely to increase following the pandemic because they are a "soft target for governments". "Protest marches

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Praveen Sharma

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aren't organised as a result of increases in premiums taxes," he wryly noted.

"In my personal view, the future is likely to get more challenging for multinational companies. The evidence is clear for all to see. While various governments are generally reducing corporate tax rates to invite investments in their countries, the opposite is true for premium tax rates," continued Sharma.

TMF's Norman noted there was a "significant" shift in Spanish IPT from 6% to 8% at the start of this year, which may or may not have been related to Covid-19.

He also explained that there are several countries in Europe, such as Germany and the Netherlands, where IPT can't really increase much further because it is already on a par with VAT. But even so, other actions could raise insurance tax receipts, said Norman.

"We could potentially see other measures, such as the recent introductions of additional reporting in Portugal, to enable tax authorities to have a greater picture of taxpayer behaviour and see if there is any more they could do to collect taxes and address tax gaps," he said.

And the tax expert warned that if authorities find any taxes have not been paid, or indeed have been paid late, insurers and insureds can increasingly face severe consequences.

"As soon a tax liability has been created in a jurisdiction, the clock is then ticking. Once you pass the deadline for filing returns, the costs just exponentially increase. Even if you go back and correct the position, there still tends to be an accumulated interest charge as well as any penalty that might be incurred," he explained.

MINEFIELD

His colleague Karen Jenner, IPT client engagement director at TMF Group, said multinationals face a "growing tax minefield" in the hard market as policyholders and brokers look towards more innovative risk transfer solutions to replace traditional global programme structures, in their search for lower premiums, wider coverage and increased capacity.

"For example, we are seeing an increase in European coverage being provided from both insurers and captive insurance companies based outside of Europe. So, non-admitted coverage of European risk and related tax issues are increasing," she said.

Jenner advised companies to come up with a just, reasonable and consistent premium allocation to help manage tax risk.

Karen Jenner said multinationals face a 'growing tax minefield' in the hard market

"When tax authorities are looking at taxes due and premium allocations, they are not in a position to understand your business or how your risk is allocated as you do, and they aren't really able to question the way in which your risk is allocated. However, they could – and do – question where they see inconsistent premium allocation methodology. So, if it looks like you are regularly changing how you've allocated your premium, which ultimately impacts the tax due, it can pique their interest and you could face tax authority questions or audits. So the allocation has to be both just and reasonable, and consistent. It's also imperative to document and articulate why you have allocated your risk in that way," she said.

NASTY SURPRISES

Sharma said the biggest unbudgeted surprise for multinationals arises when a significant loss occurs and global insurers pay the claims under the master and excess policies to the parent company, and not the foreign entity that was actually affected.

This potentially creates adverse corporate income tax liability, corporate finance challenges and other frictional costs for the multinational group, he explained.

Multinational companies must therefore take a multi-pronged approach in renewals to minimise this problem, the expert continued.

"Firstly ask yourself: 'Why do I need to buy insurance and what is its value to the group?' If you do buy insurance, then buy smartly and ensure the programme is fit for purpose and fits the business model of your group. Allocate premiums using a credible robust and defensible methodology that has a direct correlation to the business model and risks of your group. Establish all applicable premium related taxes that are payable either to the insurers, broker or directly to the relevant authorities. And finally, and most importantly, seek formal written clarity on claim payments under the master and excess polices," advised Sharma.

Companies turning to captives and ART to plug gaps in emerging risk cover

◇ TRANSFER OPTIONS

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Corporates are increasingly turning to captives to help solve problems in finding insurance cover for emerging and difficult risks.

Pandemic, climate change, cyber and supply chain risks are a challenge for insurers, and risk managers are questioning the reliability and relevance of their response.

Steve Tunstall, general secretary, director and co-founder of Pan-Asia risk management association Parima, said: "When I was first a senior risk manager 20-plus years ago, maybe a quarter to a third of my risks were insurable with third parties, but now I am down to about 10% and I suspect most risk managers are as well."

> **"If the insurance industry** wishes to remain relevant to corporate risk managers, then it really has to work out what it is going to do in cyber"

For example, there are currently serious concerns over cyber insurance price increases and capacity withdrawals, only a few years after insurers were bullish about the cover.

Tunstall said the current situation with cyber is just the tip of the iceberg. "Cyber risk is changing exponentially for almost every business on the planet. If the insurance industry wishes to remain relevant to corporate risk managers, then it really has to work out what it is going to do in this space," he said.

CAPACITY CRUNCH

Brian MacNamara, head of global fronting, alternative risk transfer at Allianz Global Corporate & Speciality, said captives are seeing growing interest and use, particularly for financial lines and cyber risk, because of the capacity crunch.

He said insureds will have to take greater retentions for property, E&O and cyber cover, and believes many large companies have the potential to take on more risk.

"Insurance isn't the panacea for everything that is happening at the moment. Some risks are generally uninsurable by their nature," said MacNamara. "Will the capital markets step in? They tend to

focus on nat cats – will they look at risks such as cyber? Possibly. Whether they will want to get into long-tail risks or cyber and so on, I think will be an interesting question."

Tunstall is definitely seeing an increase in alternative ways to protect the total cost of risk at big organisations.

"And this approach will continue, as the third-party markets continue to be unreliable, and risk managers still have to solve their risk problems," he said. "A lot of companies, especially in Asia, are starting to explore captives, as their partners who promised them the earth for ten years are now pretty unreliable," he added.

Tunstall noted that a number of companies are specifically setting up small protected cell companies, for relatively low cost. "And they are basically doing it as a holiday," he explained. "So if insurers don't want to sell D&O cover to a company for a couple of years, then they will go and do it themselves in a cell captive until the insurer gets back to the pricing it is used to," he explained.

Stephen Morton, head of multinational, EMEA at AIG, said: "We are seeing a large increase in captive usage, putting the emerging risks in with some of the more stable risks, enabling the captive to build up the data that will enable insurers to fully assess the risk that is being presented. We are also seeing an uptake in protected cells. Our hope for any captive is that it is part of a long-term risk management strategy and not a knee-jerk reaction to a hard market."

INCREASING DEMAND

Nigel Leppitt, global head of client services and multinational business at AGCS, said: "Covid-19 has caused some companies to review the best use of their balance sheet versus pursuit of traditional risk transfer. Consequently, we have seen increasing demand for both standalone captive and bundled captive solutions from the market."

Adding: "More companies are establishing captives and cell captives, and those companies with existing captives are assuming increased retentions on the traditional lines of business. In addition, because of the current market, captives are being used to assume additional lines of business such as cyber and E&O."

Francois Malan believes the state has a role to play in helping with difficult risks

Francois Malan, chief risk and compliance officer at Eiffage, pointed out that captives are only really a solution for larger companies, and are simply not viable for very small firms.

He added that large insureds don't want to transfer all their risk, but need insurers to cover more severe losses that they cannot afford on their balance sheet.

"We want to revise our risk transfer strategy, keeping some risk that we transferred before in the soft market. Insurance is not the miracle solution for us, it is just a tool," he said.

Malan also pointed out that the state has a role to play in helping with these difficult risks.

Lockdown in London: Covid-19 has caused some companies to review the best use of their balance sheet versus pursuit of traditional risk transfer

Recent rule changes highlight complexity of regulatory environment

◇ REGULATION

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Experts from Axco run through some of the recent rules changes governing insurance regulation around the world. Some of the moves have, or will, make life easier for buyers and insurers, while others make the local environment more onerous.

But the changes make clear the importance of keeping on top of the ever changing regulatory landscape, said Axco's senior client development management, Terri Van Antwerpen, and senior global information analyst, Sharon Botelho.

BRAZIL

The experts said Brazil has a "well-deserved" reputation as one of the most tightly regulated insurance markets around the world, but has been relaxing rules through recent liberalisation under President Jair Bolsonaro.

> **"The entire process for** using manuscript or bespoke wordings for large risks has become much simpler in Brazil"

A rule change in April has made it easier to file bespoke policy wordings for large risks in the country. To qualify as a large risk, the policy should either have a minimum total sum insured, the insured's total assets must exceed a certain minimum value, or the insured must have a certain minimum turnover.

Botelho explained that until earlier this year, a file and use process was in place for most policies and wordings in Brazil. But large risks no longer have to comply with this requirement.

"This means insurers don't have to submit contractual conditions and technical notes to the regulator, however they must still be available for inspection if required. Therefore, the entire process for using manuscript or bespoke wordings for large risks has become much simpler. The insurer and the insured are now free to negotiate contractual terms. There is only one restriction and that's compulsory insurances," said Botelho.

"This is really good news for multinational insurance buyers," added Van Antwerpen.

These changes are very much in line with President Bolsonaro's liberalisation agenda, but if a left-wing government comes to power after Brazil's next election in October, the direction of travel could change, said the experts.

INDIA

India is also considering the concept of different, more liberal, rules for large risks and has

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published draft guidelines. As in Brazil, the guidelines state that companies won't have to get prior regulatory approval for wordings for large risks.

The experts stressed that the term 'large risk' hasn't been fully defined yet but will be limited to property and liability risks. The guidelines also state that risks must be insured at the same rates and conditions as those of the reinsurer or reinsurers. Regulators will have the right to suspend or withdraw product, or may ask for it to be refiled via the existing file and use procedure, under the new rules.

"For risk falling within the large-risk category, the freedom to use a wording without regulatory approval will now be permissible and this is certainly welcomed. However, there is a danger that the file wording won't be accepted by the regulator and it is not clear how this will be best handled, presumably by endorsement," said Van Antwerpen.

"I think what makes this new flexibility really interesting is that the risk shall be insured at the same rates, terms and conditions as those of the reinsurers. This is good news for claims because what is covered by insurance will be exactly the same as reinsurance, so should make it easier," she added.

CIMA

The pair also flagged an increase to the obligatory non-life insurance treaty cession to CICA Re when placing risks in CIMA countries. This rose from 10% to 20% in January. From the same date, CICA Re was also given a 10% share of facultative reinsurance business, excluding oil and gas, and aviation. At the same time, the mandatory cession for each and every risk to CICA Re was reduced from 5% to 2.5%.

"The increase in treaty cessions this year was certainly unexpected. Last year, it was reduced from 15% to 10%. So further changes for 2022 are possible. It is also worth noting that only 12 out of 14 CIMA countries have mandatory concessionary agreement with CICA Re. The only two that don't are Comoros and Equatorial Guinea," said Botelho.

Guidelines in India state that companies won't have to get prior regulatory approval for wordings for large risks

The CIMA region is made up of 14 African countries with a single insurance market, set of rules and regulatory authority. The obligatory non-life insurance treaty cession to CICA Re has been in place in the region for several years.

GHANA

The experts explained that Ghana passed a new law earlier this year that tightens rules about unlicensed cover without prior approval. Although the law is not yet in place, it will increase the penalties for non-compliance, including custodial sentences for buyers.

Local policies are more than likely required in Ghana unless the foreign insurer has a licence in the country

The pair said that fines will be ten to 20 times higher under the new rules. This will see punishment increase from 250 penalty units, or about $500, to between 2,500 and 5,000 penalty points, or up to $10,000. Insurance buyers can also be imprisoned for between one and five years if they fail to comply.

Van Antwerpen said the new rules means local policies are "more than likely" required in Ghana unless the foreign insurer has a licence in the country. "So, companies need to ensure the location of risk pairs with insurance regulations and then compare that against insurer, broker and reinsurer licences. Fronting is prohibited and DIC/DIL is considered non-admitted insurance, so is not a suitable solution for Ghana," she said.

Communication and expectation management key to improving claims

Lawyers and pace of risk causing problems

◇ CLAIMS

Ben Norris
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Big and complex claims are getting more difficult for risk managers to settle as the hard market and Covid-19 bite, with more scrutiny from insurers and use of lawyers slowing the process, say buyer representatives.

Panellists from across the market at our recent global programme event agreed that better communication and, crucially, expectation management are key to improving the experience for all concerned.

Adri van der Waart, president of Dutch risk management association Narim and director of global insurance at Arcadis, said multinational claims are getting harder.

Insurers are reducing their claims payments and the process isn't as smooth as it once was, he continued. "Claims take far more time – there is far more stress and work involved to get a claim through insurers and get payments. It is certainly a different environment than two years ago," said the experienced insurance buyer.

Communication and collaboration are key to the claims process

> "There is far more stress and work involved to get a claim through insurers and get payments"

He believes problems are being caused by both the hard market and working patterns during the pandemic, but said working from home shouldn't be an excuse for worse claims processes. "It is harder to find solutions and agree a deal with insurers; often things are simply getting delayed," he said.

Helen Haggie, head of finpro claims in the UK at Marsh, agreed that in her experience, larger and more complex claims have become more challenging to resolve during the last few years. She said a big problem is the growing use of lawyers by insurers and more scrutiny when a loss hits.

"There is a lot less wriggle room for commercial settlement. That dependence on legal resource and other external resource, to

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consult on the claims process, often results in external lawyers leading the claims process. I think that has been one of the reasons why claims have become much more challenging to settle in recent years," she said.

"Insurers generally have an easier life if they can find a way to pay claims, but I think the challenge we have is the scrutiny being applied and legal resources being deployed. Once legal resources have been deployed and there is a viable argument that cover could be declined, it is very difficult for insurers to depart from that and for brokers to move things forward," she added.

Haggie believes that part of the reason claims are becoming more difficult is risks are evolving more quickly than insurance products. This means coverage is being tested in uncharted scenarios that is wasn't necessarily designed for. Haggie pointed to silent cyber as an example of policies being asked to respond to scenarios that were not envisaged at the product development stage.

"There is an element I think of risk moving potentially faster than wordings. This is proving very challenging for insurers and all of us in the insurance market because we are using products that are not keeping up with that pace. Hence the need to really scrutinise how the policy might respond when a claim comes in, because the loss scenario wasn't anticipated at the drafting stage," she said.

Adding: "The insurance industry has an obligation to try and keep up and apply the products that do exist to those new scenarios in a common sense and commercial way, rather than, and what I think happens sometimes currently, go straight to legal advisers to consider the best way to minimise the claim."

Van der Waart agreed and said all this leads to "more and more questions" that cause "enormous delays".

Adri van der Waart said one issue making multinational claims harder is the fact that many local reinsurers don't want to work with the master policy

COVID EFFECT

Lars Vissing, regional head of claims at Allianz Global Corporate & Specialty (AGCS), said Covid-19 lockdowns have made claims more difficult for insurers but stressed that technical excellence and communication are key to operating in this environment. While he hasn't seen increased use of lawyers, Vissing conceded there has been more focus on the technical side of claims in recent times.

However, if clients are feeling the pressure, it is vital that insurers explain why they are asking questions about claims, with communication key, he continued. And like the other panellists, he believes expectation management is important so risk managers can manage their internal stakeholders.

"It is important that insurers always keep in the back of our minds that when we have a large claim, someone is knocking on the risk manager's door saying: 'Where is the money?' We need to realise that. I am not saying we should just pay up, but we at least need to realises what timelines risk managers have to supply answers to the board, CEO or CFO. Managing expectations on the timelines is key," said Vissing.

Haggie fully supports this idea. "In terms of day-to-day claims management, one of the main challenges our policyholders have is managing the expectations of their internal stakeholders. We have to be able to support policyholders in managing expectations effectively and, if insurers are using external resources, the blame can't be on the external resource when deadlines are missed. Insurers need to manage that external resource within the timelines agreed with their policyholders. If we get that right, policyholders can take a bit of delay but we have to be able to set those expectations," she said.

"Neither side likes surprises when we are trying to resolve these complex issues, so it's all about communication and being collaborative through the process," she added.

MINIMISING RISK

Vissing said claims workshops remain an important area to help all parties come to a common understanding and "minimise the risk of surprises" during the process.

Van der Waart said one issue making multinational claims harder is the fact that many local reinsurers don't want to work with the master policy. He said a lack of physical meetings during the pandemic hasn't helped this situation, reiterating that insurance is a "people business".

He said places such as the Middle East, India, Argentina and Brazil are notoriously difficult when it comes to multinational programme claims. The other panellists agreed and said building relationships where possible before a loss hits can help alleviate some of the issues.

Finalists announced

EXCELLENCE IN RISK MANAGEMENT

Risk Manager of the Year

Charlotte Candy, *Associated Director, AECOM*
Maxim Kondratenko, *Chief Risk Officer, VTB*
Alex Sidorenko, *Chief Risk Officer, EuroChem*

Rising Star of the Year

Béla Cluse, *Insurance Manager, Knauf*
Dennis McNeill, *Solutions Lead, Fusion Risk Management*
Radvile Ragozyte, *Specialist of Law & Risk Management Division, Lithuanian Transport Safety Administration*

Innovative Insurance Programme

Gokce Citak, *Insurance General Manager, Socar*
Dmitry Saveliev, *Head of Insurance, EuroChem*
Marina Tsokur, *Regional Insurance Manager, Cargill*

Systemic Risk Initiative of the Year

Gordon Darling, *Director ERM, WBCSD*
Gintaré Rastené, *Head of Law and Risk Management, Lithuanian Transport Safety Administration*
Dmitry Zhabin, *Head of ERM, VTB*

Collaboration of the Year

Ezinwanyi Kezieme, *Aecom*
Pavel Zhesterov & Yulia Pindyurina, *Deputy General Director for Risk Management and Anti-Corruption Fighting, Director of Internal Audit and Risk Management Department, Salair*

Risk Resilience Initiative of the Year

Ahmet Kirgic, *Business Continuity Master Lead, Turkcell*
Cristina Martinez, *Group Chief Risk Officer, Sacyr*
Giuseppe Sinatra, *Head of Infrastructure, Sustainability & General Service, Universita Luigi Bocconi*

Outstanding Contribution to Risk Management

Roberto Bosco, *Corporate Risk Manager, Mediaset*
Alex Sidorenko, *Chief Risk Officer, EuroChem*
Reiner Siebert, *Managing Director, GVNW/Lufthansa*

INDUSTRY EXCELLENCE

Insurer Innovation of the Year

Parsyl and Lloyd's – *The GHRF and Syndicate 1796*
Swiss Re Corporate Solutions – *Virtual Captive*
Zurich Insurance Group – *Zurich Resilience Solutions*

Broker Innovation of the Year

Howden Insurance Brokers, *Replexus, Mitiga, Danish Red Cross – Danish Red Cross volcano cat bond for disaster relief*
MDS Group – *Digital Transformation Program*
Marsh – *Claims Solutions, Marsh Advisory*

Systemic Risk Solution of the Year

FM Global – *Building a Climate Resilience Strategy*
Pool Re – *Pool Re*
Zurich Insurance Group – *Zurich COVID-19 Hospitalization Supplemental product*

Global Programme Innovation of the Year

AIG – *Implementation of a Global Integrated Risk Management Programme*
Swiss Re Corporate Solutions – *International Programs PULSE & Network*
Zurich Insurance Group – *Zurich Global Program Support (GPS) Tool*

Technology Innovation of the Year

Keoghs – Kuarterback – *artificial intelligence automated claims solution*
Origami Risk – *Origami Risk's Risk Management Information System*
Wenalyze – *Wenalyze*

Claims Innovation of the Year

Charles Taylor – *Charles Taylor Assistance*
Davies – *Virtual Adjusting Technology*
LMA and Advent Insurance Management – *Gemini Expert Management & Settlement System*
Zurich Insurance Group – *Claims Build Back Better Initiative*

TRAINING AND EDUCATION EXCELLENCE

Training and Education Programme of the Year

BELRIM Academy
Risk Hub, Senscia
Willis Towers Watson Training Academy Team

EUROPEAN RISK MANAGEMENT AWARDS 2021

The European Risk Management Awards have recognised individual and team achievements in the field of risk management and its associated service providers since the first ceremony took place in 2016.

The aim of the Awards is to promote the vital work of the risk management community to a larger audience, celebrating the success of the individual while acknowledging that individual merit depends ultimately on a collective contribution.

Judging has taken place and we are delighted to announce the finalists for this year's Awards programme! Good luck to them all.

Join us at the Awards ceremony on 14 December – more information announced soon!

Look online for more information.
www.europeanriskmanagementawards.com

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Buyers face daunting task but better data means better programmes

Risk managers urged to plan early and lean on transfer partners

◇ DATA

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Risk managers can be forgiven for moaning about the vast data requests from insurers and brokers to help them scope and then place multinational insurance programmes. Obtaining information at group level can be hard enough, but things get a great deal more complicated when moving down to subsidiaries.

However, brokers and insurers stress that they don't ask for all this information to annoy their clients. Why would they? Rather, they make clear that the more information insureds can provide, the better programme they will eventually get. But a balance must be struck, said the experts. They advised risk managers at multinationals to sit down and work out a data collection strategy right at the beginning of renewals, while leaning on their risk transfer partners for help throughout the process.

Karen Gorman, global services and solutions leader GB, corporate risks and broking at Willis Towers Watson (WTW), said the more information from insureds the better. It is simply in the buyer's interest to supply as much information as they can to secure the best coverage at the best price and ensure compliance, added Gorman. But she stressed there is a fine line between getting the data needed and onerous information requests.

A data collection strategy should be agreed at the beginning of renewals

"All underwriters would like more data. Brokers would like more data so we can use our analytics, scope out the programme and market the risk better to get the best deal. The more detailed data you have the better your risk is presented and better deal and coverage you will get under your global programmes," Gorman made clear.

"Because of the local bureaucracy we are seeing, there is going to be a push for more granular information in countries around the world. So, I think it's going to continue to be a necessary evil," she added.

> **"The more detailed data** you have the better your risk is presented and better deal and coverage you will get"

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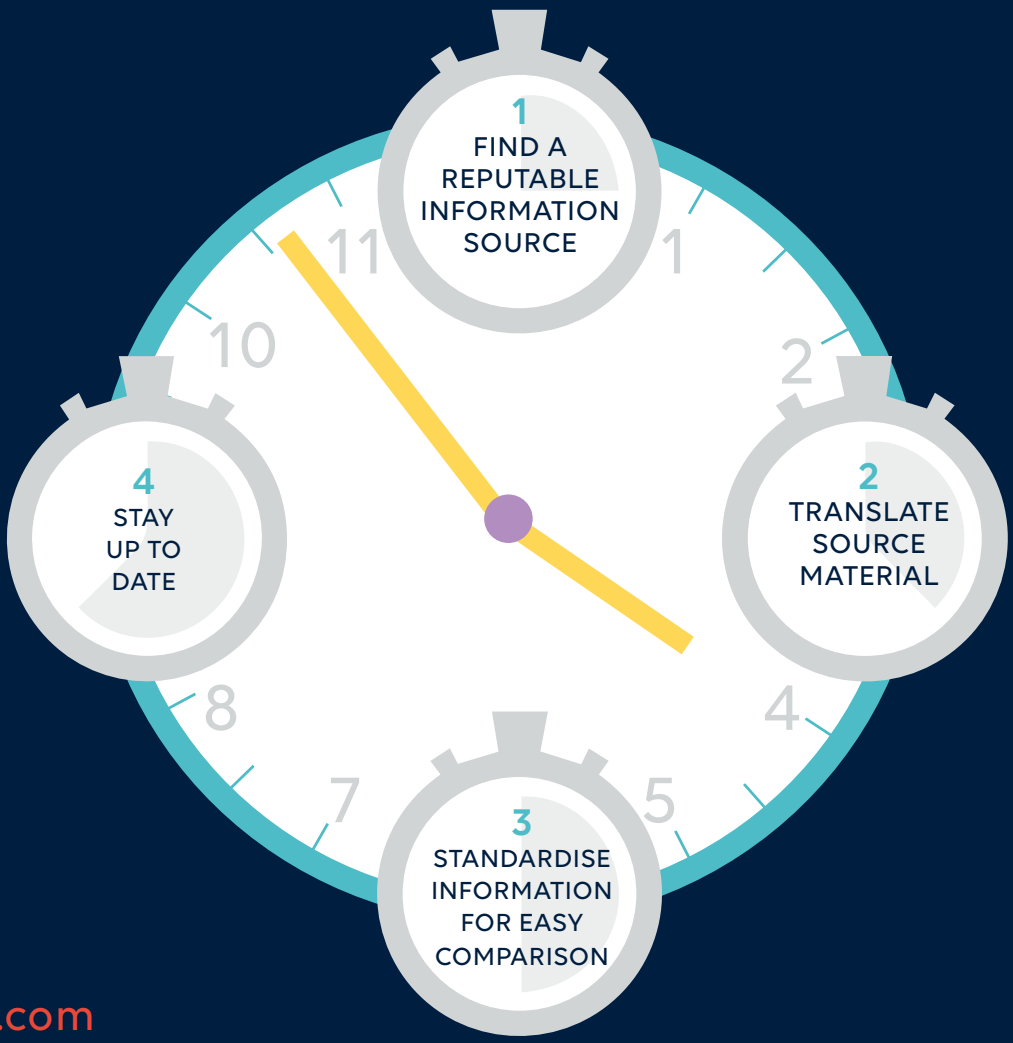

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"Therefore we are stuck between a rock and a hard place really, because we would all like to simplify things for the benefit of our customers, but at the same time they are not going to get the best deal unless they supply us with enough information," the broker continued.

Ning Xu, managing director of Globex Underwriting Services, made clear that the data is needed for multiple purposes depending on the stage of placement.

"At the initial stage it is more for risk mapping, so we need to need to know the locations of your local entities and estimated exposures or values to guide you through what cover you need at local level. The data is needed in underwriting to set up the proper terms and conditions for the local polices, premium allocation and tax. Then it is needed in the binding and post-binding stage to get the policy issued. Each country has a different set of requirements. Some have the KYC document and requirements are quite onerous," she said.

DIFFICULT TASK

But despite stressing the importance and value of collecting as much data as possible, the experts acknowledged that is often a difficult task for risk managers, who need help from service partners and, ultimately, technology.

"Sometimes, I feel like risk managers don't even know where to start on data collection for a multinational programme, and you can't blame them. So, brokers and insurers are helping some risk managers get organised and giving them a list of information they need to collect. We love information from risk managers but we love it even more when the information is organised," said Xu.

WTW's Gorman said brokers and insurers recognise the difficulties of getting the data. "We work with global companies that work in very different ways. Some are very centralised and can supply that information without needing to go to their local operations. That is utopia. But most organisations aren't set up that way. They might be able to get revenue centrally but when you get more granular, they need to reach out to local businesses. All of us know we have a network and the need to chase for information and then validate it. So, the risk managers have a pretty big job in finding that information," she said.

Karen Gorman said brokers and insurers recognise the difficulties of getting the data

The answer is doing things more efficiently, using technology where possible and leaning on insurers and brokers for help, said Gorman. And buyers need to be aware that this process takes time, so start things early, she stressed.

"It is about the use of technology. This can make collection more efficient but also the collation of the data a lot more efficient. It helps to share data in the same format and avoid duplication of work," she said.

"The brokers and insurers should then work with the risk manager to help them understand who they need to collect the data from and ensure they allow enough time for that. You need enough time for companies to collect the data, then enough time for the broker to analyse that data and then the time to underwrite. So it's about preloading your renewal," she added.

Xu said setting the right expectations and data requirements at the beginning of the process is vital to minimise the chance of friction and duplication of work down the line.

"People don't like rounds and rounds of information requests that come again and again. So, we should jointly try to provide as exhaustive a list as possible of what we need from brokers and risk managers upfront. But at the same time, we must set up the expectation that, depending on the risk itself and based on the information you provide, further questions may surface. We need to explain to the risk managers that at the end of the day, the policy is there to protect your company. So, the information you are providing will make a difference and influence key decisions," she said.

DATA FLOW

Mirjeta Bajraktari, head of international business/head of operations and underwriting services for commercial insurance at Zurich Insurance, said the flow of information is crucial for multinational programmes and requires high level collaboration

between all parties. If the information flow is broken, or if there is mismatch between local and global level, huge reworks are created and issuance will take longer, she added.

Bajraktari added that the majority of companies collect this data manually, which means "huge" repetition of effort for all involved. Technology will increasingly help reduce this burden and ease the process, but solutions will take time, she continued. Teamwork and collaboration remain the name of the game, she added.

"Insurers are investing in technology and tools to help connect the data dots but it will take time and could require even more detailed data to be delivered by customers. While technology will gain traction as an enabler in the international programme space, it will remain a people business. So, good teamwork and collaboration are, and always will be, key," she said.

KEY INFORMATION

So, what information do risk managers need to supply to secure the best multinational programme they can? And when do they need to start?

"You need to identify the information about five or six months before you are heading into the renewal"

Xu said different risks, or lines, require different information but some data is needed pretty much across the board. She listed important information requirements as:

- Local insured registration information
- Multiple local insured entities
- Local insured operation/ business activity
- Local insured contact information
- Local applications/proposal forms
- Local exposures and breakdown
- Local history for local countries
- Special requests
- Premium collection location.

Gorman stressed that information is needed at group and subsidiary level, advising risk managers to break the information into must-haves and nice-to-haves. At the end of day, starting things early and planning are crucial, she said.

Mirjeta Bajraktari said the majority of companies collect data manually, which means 'huge' repetition of effort

"There are nuances in each country. In some countries where things are very bureaucratic, the amount of information you need now is vast. You need to identify those requirements really early in the process, so risks managers aren't going out to their people more than once for information," said the broker.

"You need to identify the information about five or six months before you are heading into the renewal. It will differ by class and industry but use your broker and insurer to work out what you must have, what's nice to have, and then put a plan in place as to how you are going to collect that information. We can document all the local requirements upfront using databases and the like. So, work out the information needs early on and how you will collect that data," she advised.

Bajraktari said Zurich conducts workshops with customers and brokers to discuss data needs. "We go through the process end to end and make sure everyone understands their part in the process and the parts others will fulfil. This tries to flag any potential issues and how they can be resolved," she explained.

And the insurer also reviews how things have gone post-bind. "We review the past renewal to work out what went well and where there were issues in certain countries. We then discuss whether this was the result of data collection, or communication wasn't up to standard," said Bajraktari.

Xu explained that Globex can help out on renewed business by ensuring all data and information from the prior year is sent to all parties for verification and updating.

"We send last year's terms and conditions with final policy, endorsements and certificates to our underwriters so they share that with risk managers and brokers, just to make sure the per-expiring in their mind is exactly the same as per-expiring in everyone else's mind. So, this help risk managers and brokers verify the data for their existing polices," she said.

Technology set to unlock global programmes

◇ TECHNOLOGY

Liz Booth & Ben Norris
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Insurers says technology and digitalisation are key to improving global programmes and are becoming the biggest factor when choosing a carrier.

Technology is here to stay and multinational programmes simply cannot run without it, according to Tony McHarg, head of multinational, international at AIG

"We are well past the point where we can execute global programmes without also investing in market-leading technology from a service delivery and claims perspective, and a general compliance standpoint," he said.

McHarg added that the numbers are overwhelming. "We administer thousands of multinational programmes and issue tens of thousands of local policies each year. We've developed systems that help us deliver enhanced programme management, enabling clients to monitor their programmes' real-time performance in different geographies, as well as improved integration, servicing and transparency across our global network. Any carriers that don't have a technology platform sitting behind their multinational programmes will be limited going forward," he said.

He believes this has become the defining factor when choosing a global programme provider. "That's one of the reasons why there are relatively few players who can truly handle very large and/or complex programmes. It requires building the architecture of the programme, then managing the programme in terms of policy issuance and premium payments etc, and lastly, handling and tracking claims electronically."

McHarg said technology is hugely important to deliver greater transparency and control, as well as better insights from claims data.

"You can get better information from the losses, which you leverage into being more strategic and then feed all of that back into the first part of the cycle – the architecture of the programme. So it's also about managing in a far more proactive way, using technology as a partnership and programme enabler," he said.

ENHANCING SERVICE

Marcel Weiss, global head of international programmes, commercial insurance at Zurich Insurance, also believes digitalisation is key to the future of international programme business.

He said it will help to remove complexity and allow insurers to focus more on customers' needs, enhance services and develop product offerings.

"Investing in and implementing, for example, robotic process automation, automated or application programming interface solutions is only the very early start of digitalisation and the way we use and share data together with our customers," said Weiss.

"Looking into the future, digitalisation will further reduce existing complexity even more than today by developing, for example, smart systems, digital product configurators or digital wording libraries. The purpose is not only storing data in user-guided systems in a digital way, but achieving full transparency by linking digitalised key data, implementing seamless electronic end-to-end data transfer between all involved parties of a global programme and allowing real-time data processing globally," he added.

Tony McHarg believes technology has become the defining factor when choosing a global programme provider

HUMAN ELEMENT

Kelly Heath, head of business transformation, international programmes, commercial insurance at Zurich Insurance, agreed that digitalisation is key but can't come at the expense of the human element.

"With so many parties involved, it is crucial that people are properly communicating with each other, whether it be on the customer, broker or insurer side, and on both the global and local side," she said.

And Heath believes insurers need to start to think differently about how they support global programme servicing across multiple countries, involving many people and systems, which leads to multiple inputs and outputs, interactions and handovers.

"Removing system breaks, reducing handoffs and streamlining all the various inputs and outputs that occur – which often lead to errors and delays – and connecting parties to common platforms, will in the end increase an insurer's ability to deliver quality of service across the network quickly, seamlessly and with very little effort. This includes connecting internally, as well as externally, with customer and broker platforms as well as with partners," she said.