July 2014

International P&C

By Steve Geller, Vice President, Risk Management

International coverage for P&C related risks is largely about ensuring regulatory compliance, assuming the appropriate coverage is included in a master or global insurance program. Just like within the U.S., most countries have their own laws and regulations with respect to operating/establishing a business and the procurement and placement of insurance. While some countries will allow U.S. placed insurance to respond to a claim on a first dollar basis with no implications, there are many countries that will not. To complicate matters, certain coverages in some countries are legally required, with specific levels of coverage that need to be maintained. The penalties for not having the appropriate coverage and limits in place at the time of a loss can range from fines or penalties to jail time. Either way, the risk is typically not worth the reward of saving a few thousand dollars on premium.

In order to begin to understand regulatory compliance issues in each country, we need to start with the basic understanding of the terms used in placing insurance for a multinational organization:

Global Insurance Program. This type of program is typically placed for a U.S. domiciled company with multinational exposure and includes a worldwide coverage territory. Coverage provided outside of the U.S. will apply on a non-admitted basis (see below for definition) and is usually written on an excess and difference-in-conditions basis to any required local insurance. This type of program leaves a gap in coverage where non-admitted policies are not allowed or local coverage is compulsory for a particular exposure.

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Controlled Master Insurance Program. This is an insurance program designed for a multinational organization and provides coverage terms and conditions that apply to all international operations. Where it is required/recommended, local underlying policies are issued to support the centralized program. Unlike global insurance programs, master insurance programs do not typically include the U.S. in their coverage territory; a separate domestic program (or separate domestic limits) is usually arranged for the U.S. exposure.

- **Admitted Insurance**. Insurance written by an insurer licensed to do business in the state or country in which the insured exposure is located.
- **Non-admitted Insurance.** Insurance written by an insurance company not licensed to do business in a certain state or country.
- **Compulsory.** The definition of compulsory in this sense is "required by law." Some countries require certain types of insurance to be purchased in order to operate a business in that country. Usually, these coverages must be purchased from an admitted insurer in the host country or from the foreign government.
- **Difference-in-Conditions.** An insurance policy that is designed to fill the gaps between the coverage provided by a multinational organization's Controlled Master Insurance Program and coverage provided by policies purchased locally from an admitted insurer. This provides uniformity of coverage across all locations and is referred to as a foreign DIC policy.

Navigating the foreign regulatory environment can be a complicated and challenging process without the right partner. Woodruff-Sawyer is a leading member of Assurex Global, a brokerage network with offices worldwide. We are committed to providing our customers with peace of mind when it comes to multinational risk and regulatory compliance.