Six pitfalls to avoid when establishing a Multinational Insurance Program

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Check out how **Hayden Seach** – GC&C Head of Asia explores this topic

One of the benefits of being an active social media user is receiving articles from peers on your feed.
While scrolling through my LinkedIn feed this morning, a post for a multinational insurance solution caught my attention. The solution was marketed as being "seamless," "efficient," and having "global consistency." If only it was that easy.
While these terms are some of the favorites bandied about by marketing teams in the insurance industry, the reality is that such a solution is very hard to provide.
Some of the "promises" being made in this particular post struck me as being unfulfillable. Which got me thinking, why as an industry do we feel the need to hide behind marketing language that touts "ease," when providing a multinational insurance solution is often very complex. I've spent 15 years in this industry as a solution provider to multinationals and I have always felt that proactively discussing the difficulties involved in setting up these programs leads to a better relationship with the risk manager and a better overall product as well.
So, here are six pitfalls that I believe risk managers should watch out for when establishing a multinational program:

Underestimating the coordination required

Coordinating a multinational program can be like herding cats. If you consider that a traditional program relationship on a local level would have a minimum of three partners, namely the risk manager, the broker and the underwriter, a multinational program covering 20 countries could involve more than 60 different parties scattered across the world. While everyone is working towards a common objective, each party also needs to address their own specific local requirements. As a result, program coordination complexity should never be underestimated and needs careful attention.

Failing to effectively communicate

As George Bernard Shaw said: "The single biggest problem with communication is the illusion that it has taken place." Typically, a multinational program will cover multiple cultures, communication styles, and, obviously, languages. This complexity creates multiple opportunities for a breakdown in communication, which leads to gaps in solutions and ultimately increased risk for the parties involved. Believing that a system will address all communication requirements is simply naïve.

Ignoring evolving compliance requirements

As those of us working in program structuring know only too well, regulations are constantly evolving. Many market players love to throw in the word "seamless" when describing their multinational solutions. The Webster dictionary defines seamless as "having no awkward transitions, interruptions, or indications of disparity."

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Using this description for a multinational program materially downplays the complexity involved in delivering it. The compliance landscape is not static and understanding this evolving environment is key. Having the ability to be agile is essential to multinational programs amidst a sea of continuous regulation changes.

Opting for a 'one-size-fits-all' structure

One of the pitfalls companies fall into is trying to "one size" customers. A multinational may elect to have a single global master policy issued in its home country to cover its worldwide exposures. Alternatively, it may utilize separate, unrelated, local insurance policies in each country. A competent solution provider realizes that both options have advantages and disadvantages. The good news is that risk managers do not have to decide between one or the other. Instead, they have the option to combine both in a controlled master program. An underwriter may push a global solution, as it suits their needs, but that might not always be aligned to the customer's specific requirements.

Forgetting about political complexity

In a world of ever evolving tariffs, sanctions, and restrictions on cross-border investment, multinational programs should not just pay attention to the regulatory landscape, but also to political complexity. It is crucial that the program is e agile and able to adapt to risks that come about from political changes. Having a partner who understands this landscape, with a dedicated daily focus on the political environment, is paramount to ensuring fronting partners, customer supply chains, stakeholders, shareholders, and local business activities are aligned to ever changing global requirements.

Insufficient syndication of the functional level between underwriters, brokers and clients

Disputes can arise in global programs due to differences between local management and the head office regarding ambitions, processes, and solutions. Understanding and aligning local and global needs is a key component of an effective program. Having the correct partners who are aware of local needs and can meet them within a multinational program is essential. Syndicating the ambition to the businesses at a functional local level creates ease of execution. There is no magic system that can independently deliver a "seamless," "efficient" and "globally consistent" program to risk managers, brokers, and underwriters. As underwriters we have various tools at our disposal such as policy management systems, access to international market databases, and a strong global network that follows a well-defined, cross-functional geographic compliance procedure. Having the right tools certainly plays a vital role in enabling a successful program, but mishaps still happen, therefore and having the right people in place is critical. .

A great friend, Antonio Vianello, Head of Multinational Programs & Network Management at Generali GC&C, once told me: "Our competitors promote their proposition as 70% system and 30% people. At Generali we have realized that to deliver a great customer experience you need to focus 70% on people and 30% on system support." Experienced people make the difference. Their detailed knowledge of what it takes to deliver a world-class multinational program and their expertise in resolving complex problems enables risk managers to sleep well at night.