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SIX DIMENSIONS OF A SUCCESSFUL GLOBAL RISK MANAGEMENT PROGRAM

NICK BATTEN
VICE PRESIDENT, MANAGER, CORPORATE GLOBAL SERVICES, FM GLOBAL

People buy insurance for two reasons: either it is a requirement, or because they believe that, one day, they may have a loss and require compensation. Essentially, when clients receive a contract from the insurer in exchange for a premium, they receive a promise to pay that claim.

With supply chain networks growing vastly and the international presence of corporations reaching deeper into the four corners of the globe, the chances of a loss multiplies. And whether a loss occurs in a facility in Omaha, Nebraska, USA, or at a secondary site in Bangkok, Thailand, clients expect the same response—that the promise remains the same.

Providing seamless global coverage is not an easy undertaking. So what are the dimensions of a successful global risk management program?

1. Global network with a worldwide reach
One of the biggest decisions carriers face early in the course of building a global network is whether to 'plant a flag' in the form of an owned subsidiary in a territory or to depend on select partners to represent them in certain countries. Forming, capitalizing, staffing and maintaining local subsidiaries can be an expensive proposition and, in truth, no single carrier has the wherewithal to do so in every country. In many territories, local regulation may even preclude 'foreign' insurers from forming a fully-owned subsidiary even if they wanted to. So most global carriers' networks comprise a blend of owned licenses and partner facilities.

2. Breadth and depth of a network
If you asked 50 risk managers what qualities define a great global insurance network in their minds, somewhere along the line they'll point to network breadth and depth. They'll mention local presence and know-how. They'll want a consistent level of products and hands-on services delivered, as well as the ability to offer broad, compliant, on-the-ground coverages. They will need to settle claims locally and will want their carrier to offer consistent performance in terms of policy documentation and contract certainty. Odds are good that cost-effectiveness will feature prominently on the list, too.

3. State-of-the-art global master form combined with broad 'standard' local underlyers
The ideal solution in structuring a global program is to have the local coverage and master coverage as closely matched, and as broad, as possible. This maximizes coverage in the local territory and therefore maximizes the local loss payment. When the underlyer policy is practically a mirror image of the master policy, the program structure ensures that maximum—not simply adequate—local coverage is in place. Should a loss occur, it can be paid with certainty at the local level.

4. Balanced global and local service
Most risk managers value consistency when it comes to certain important aspects of their program, including capacity, coverage, claims and the level and quality of key services they choose. Yet keeping local constituencies and decision-makers engaged (and happy) can be an equally important element of a successful global program.

Because every client's needs are different, from a carrier's perspective, there is a need for a flexible service model that can be fine-tuned to ensure that centralized services and decision making authority are provided to the corporate client and that the agreed amount of localized, on-the-ground services are delivered to local subsidiaries and locations.

But meeting this corporate need for consistency, while allowing for a judicious degree of localized contact, service and decision-making, can be a delicate balancing act.

5. Consistent loss prevention engineering service, protocols and deliverables
As more companies expand their footprints overseas, they often find that the challenges they face in understanding hazards and managing risks grow proportionately.

Why? As companies establish themselves in places where they can produce more cost effectively, they often discover that the prevailing standards of protection and construction differ significantly from what they may be used to at home. Local codes may be lax or non-existent, often in regions that may be more prone to natural hazards. Also, local attitudes toward loss prevention can vary widely. So, unless companies go in with their eyes open and take prudent steps to manage those risks, what they seek to gain in productivity may be offset by the increased cost of risk.

6. Claims control and settlement via in-house claims adjustment network
One way of ensuring prompt claims service anywhere in the world, is by having insurers recruit, train and retain well-qualified claims professionals with on-the-spot authority, and who are located around the globe. Additionally, the role of an adjuster should begin long before a loss ever occurs, that is, by helping clients, both local and corporate, feel educated and prepared for a loss and developing shared expectations.

Success in the global arena
Developing, communicating and executing a risk management plan can be a formidable hurdle for any enterprise. Even in the simplest organization, there are organizational boundaries to cross, decision-making structures to penetrate, and relationships with key decision-makers to cultivate. Of course, risk managers always have to think well beyond their own organizations. A successful risk management plan depends on a concerted effort from numerous parties, including underwriters, engineers, brokers, contractors and countless others who are integral to its success. Taking that same simple plan "global" means that extended communication lines, cultural differences, language barriers and time zones must be added to the list of challenges.

While daunting, these hurdles are not insurmountable. The key is to get all of the parts moving in the right direction at the right time. Experienced risk managers know that the answer lies in an agreed plan that has been communicated to all parties—such that individual assignments are fully understood in the context of the overall plan and all actions support that plan.

Nick Batten is vice president, manager, corporate global services at FM Global.