

The World is Flat

Being an expert on
international risk
isn't optional.

BY RUSS BANHAM

Tuckahoe is the home of a major international insurance agency, whose clients have made the planet their commercial backyard.

Tucka-what?

The small city in upstate New York may not be the Big Apple, Chicago or Los Angeles, but it's where The Rollins Agency is serving an expanding array of commercial accounts selling their products and services overseas or, in a few cases, pitching their tents on foreign land. In this capacity, the agency is effectively competing against global brokers like Aon, Marsh and Willis, all of them eager to increase the volume of their mid-market commercial business.

Rollins is no different than thousands of other independent agencies and brokerages, including the smallest of firms. A decade ago, it may have been challenging to competitively service a midsize company's global insurance needs. Today, there is plenty of help to make the effort a seamless, productive and financially satisfying experience. Not only have

correspondent broker relationships matching U.S. intermediaries with their foreign counterparts sprung up like mushrooms after a rainstorm, several carriers have established specialty units and divisions to assist international insurance placement. No longer must agents swallow hard when a top client announces it wants to expand in Mexico or Western Europe.

That's good news for an obvious reason—it's virtually *de rigueur* these days for a company to sell its products and services overseas. "With the advent of the Internet, the world is becoming flatter and flatter," says Erica Martinson, director of risk management services at The Rollins Agency, Inc. "Many of our commercial accounts are selling all over the world now, traveling overseas and even opening offices overseas. They dip their toe in the water first and then begin to spread their wings."

International Sprawl

Approximately one-third of the U.S. Gross Domestic Product is in international goods and services. This percentage is likely to increase in the future, even with the weaker U.S. dollar. A survey of commercial insureds by Travelers indicates that 46% currently sell products outside the United States; 51% travel on a regular basis beyond U.S. borders to meet with customers and suppliers; 26% have set up or plan to set up an international office or branch and 56% view globalization as an opportunity.

—R.B.

Cultivating International Expertise

As businesses continue to increase their global operations, what are the experiences of independent agents and brokers serving these clients? *IA* talked to Phil Mason, president of Mason & Mason in Boston and Rick Jensen, managing director for international practices at Hilb Rogal & Hobbs in New York for their perspectives on competing on the international stage:

IA: Do clients with international operations present more of a challenge than domestic customers?

"I can't say if it's more of a challenge, but certainly the challenges are different—that's the main thing to remember. Once you start dealing with non-U.S. operations, you are dealing with different laws, different legal systems and different cultures. Insurance is regulated here in the U.S. and even more regulated in other countries. You have to respect those regulations whether or not you agree with them... One other big bucket is that the risk management practices are different... risk control, safety management. Along the line of safety, you have very different systems for workers' safety and workers' comp, so it changes when getting involved overseas." —*Jensen*

"Definitely, for all the reason you would naturally assume. There is the client who has actual operations internationally, meaning they have an officer outside the U.S. or employees outside the U.S.; those companies have an added layer of complexity in terms of their insurance program. Probably more important in terms of those clients who have operations overseas, there is a need for local insurance policies so there is another layer of people we are coordinating with." —*Mason*

IA: How did you get involved with servicing these clients?

"We don't think of ourselves as international in particular. We serve a customer segment which is mainly technology companies. We really think of ourselves as insurance broker specializing in meeting that customer base. It happens that that segment of business really got into the international business early. So we followed our clients there. Historically, they (technology companies) have been more apt to do business internationally, so us doing business internationally was a natural process." —*Mason*

IA: Can smaller agencies/brokerages compete with big names like Marsh and Willis?

"I think the answer is yes. They may not be able to compete on Fortune 500 risks, but if you have a relationship with the insurers who can get the job done and with overseas brokers that can get the job done for your international clients, then you can provide that kind of focused service, certainly on a moderate-sized client who has multi-national operations in some countries. I have seen it in my time at the large broker that we have been beaten and I have seen it where we have won, so it is eminently possible." —*Jensen*

IA: What advice do you have for agents/brokers considering entering the global market?

"From the practical side, find the resources you need, either insurance or brokerage networks who can assist you outside the U.S. The more general thing, and this may be somewhat harder, is you should care about how things are done in foreign countries. And don't assume our way is the best way. In some ways, the best that we've done might not be the best way to do it. For example, liability policies in Europe are much broader than in the U.S. Where would you rather write business liability insurance: here or there? The answer is there." —*Jensen*

"I think most agents and brokers doing business with commercial enterprises are in that market already, even if they don't know it. Many of their businesses are doing business internationally, buying products internationally or traveling internationally. My advice would be to come at it with the thought that doing business internationally is just a natural extension of the work you are doing with customers already. I would also encourage anyone who is not in the business to enter it because there are relatively few barriers." —*Mason*

—Michelle Payne

With many corporate clients expanding their operations overseas, independent agents no longer need to sit back and watch the account go elsewhere. Instead, by working with global networks and carriers with international expertise, agents can service these clients' specialized insurance needs.

Going, Going, Global

A generation ago, about the only companies that sold overseas or had foreign operations were the Fortune 1000. "The middle market, however you define it, didn't have much in the way of international exposures 20 to 30 years ago," says John Rodwell, vice president of international business development at AssurexGlobal, a Columbus, Ohio-based global network of insurance intermediaries in 83 countries.

Those days are over, of course. And the Internet is only part of the reason. U.S. companies have found it much cheaper to build manufacturing facilities in China and India, countries with inexpensive labor forces. Outsourcing is another factor helping to globalize corporate America right down to Mom & Pop shops.

"It used to be only the largest companies doing international business; now it is pretty much everybody," says Kathleen Ellis, senior vice president and worldwide multinational risk group manager at Chubb & Son in Warren, N.J. "People are traveling overseas to determine opportunities or attend conferences, or they're outsourcing a piece of their operations or they're engaging in a joint venture. These are situations where there is no brick and mortar and still they create a host of potential loss exposures."

Up until recently, Ellis says producers were "intimidated" when a client brought up the possibility of international sales or operations. "Agents had the choice of whether or not to service the business since they had other profitable accounts that were purely domestic," she says. "Nowadays, this cannot be the response. It's not a choice anymore. You can't turn your back on international insurance or you won't have much of a client base left."

As these companies venture abroad, they confront esoteric rules and regulations governing insurance, in some cases rendering corporate directors and officers financially vulnerable. "Standard master policies written in the U.S. in the past handled D&O exposures all over the world, but that has changed," Ellis says. "Directors and officers now find themselves exposed to financial liability and even incarceration if they don't have the proper insurance placed locally. This no longer is about having

insurance, but the ability to support a customer in France, China or wherever they may be."

Local Logistics

While networks provide an invaluable service (see sidebar), independent agents and brokers also can serve their clients' expanding international insurance needs through other means. Global insurers like Chubb, AIG, XL and Ace, each with operations in numerous foreign countries, are poised to offer help, as are markets like Travelers, which has joined with other carriers around the globe in the International Network of Insurance Companies. The organization, says Jon Farber, president of global underwriting at Travelers, "is like the U.N. of insurance."

Rodwell agrees that these insurers "provide excellent advice and resources." But, he has one caveat about reliance on international carriers: "Make sure they have relationships with foreign insurance brokers to ensure local service. If the client is just a simple exporting operation with no physical operations outside the U.S., then a broker in another country may not be needed. But, if the global business is more robust than that, the U.S. producer will want to develop a relationship with the foreign insurance broker."

Chubb offers a way for U.S. agents to "marry up" with their counterparts overseas, Ellis says. "We've created a free correspondent broker service, which is like an agent dating service," she adds. "We hook-up U.S. agents we know well and can vouch for with agents around the world who understand international insurance and have at least one person who can speak English." To keep marital relations solid, Chubb has "certain criteria and requirements to make sure everyone plays nicely in the sandbox," she says.

Martinson from The Rollins Agency concurs that close intermediary relationships are critical when providing insurance to customers overseas. "When you find a good local agent overseas, they're like gold," she says. "You hang onto them. I've had dealings with foreign agents who don't send me any information or change things in the policy without letting me know, and then you can't keep the coverages coordinated."

AIG has the longest tenure and reach of all U.S. international insurers, dating its founding to Shanghai in 1919. For decades, both AIG and Chubb were the primary vehicles for large U.S. corporations to

Global Networking

The Rollins Agency belongs to AssurexGlobal, which is a small group of U.S. agencies specializing in writing technology insurance that partners up with a dozen similar intermediaries in foreign markets. A network like this takes the mystery out of the equation by leveraging the indigenous expertise of local intermediaries to the behest of its partner agents elsewhere.

"Because we're all doing a lot of technology insurance and also quite a bit of international business, we give them our referrals and vice versa," says Erica Martinson of The Rollins Agency. "We've got some real networking going on."

AssurexGlobal is a closed organization at present—it isn't seeking new members. Other similar networks of agents and brokers still have open doors, among them RiskProNet, Worldwide Broker Network, Globex and HLA Global. Each promises an international network of intermediaries with knowledge of local regulations, risk management and/or insurance markets.

In most cases, participating agent members own the networks. Such is the case at AssurexGlobal. Its 127 partners (67 are in the United States) own the network. "I can tell you anecdotally that our U.S. partner firms are doing more and more business with our partners in the rest of the world," says AssurexGlobal's John Rodwell.

—R.B.

insure their foreign exposures. In recent years, both carriers have made it easier for midsize and smaller companies to access their varied products for the same purposes. "We have the ability to reach out and touch our (insurance) network around the world to arrange for policies to be issued for an insured of any size," says Paul Irwin, vice president of underwriting at AIG WorldSource in New York.

Chubb essentially sees itself the same way. "What we sell is a concept," Ellis says. "We will issue policies in the local language and make sure it satisfies what is usual and customary in limits and coverages in that country. We want it in the local language because the parent company may be in Chicago, but the plant manager is usually local and needs to understand the plant's risks and how they're insured."

Once the master policy is executed, both Chubb and AIG write a so-called DIC (difference in conditions) policy on top of the master policy to fill in any coverage voids or bring financial limits of protection up to U.S. standards.

Appearances Count

Although not an international insurer along the lines of AIG or Chubb, Travelers' membership in the International Network of Insurance Companies (INI) makes it look like one. "We have operations in the United Kingdom, Ireland and Canada, and outside them we have INI," Farber says. "If an agent brings us a customer that needs an admitted policy in a given country, there's a good chance that an insurer in

one of the 90 countries within the INI network can handle it."

Travelers has been a member of the network since its inception 27 years ago. "If an agent needs local coverage in, say, Germany, we have four partner carriers there to choose from," Farber says. "They put the local policies in place and then reinsure it all back to us at Travelers. We then write ... the master program out of the U.S."

In most cases where a foreign intermediary places business locally for a U.S. account, it will absorb the paid commission on that policy. While some networks like AssurexGlobal have guidelines in place that provide for shared commissions, as do large brokers like Marsh and Aon, the ability to best serve the client is what's important, says Irwin from AIG.

Martinson agrees. "We had a client in the medical device field that had been with another agency before," she recalls. "The agent wrote a little office policy that covered the firm's research and development and added liability overseas. What it failed to realize was that the firm had begun clinical trials overseas and was manufacturing extremely expensive equipment in Germany and Austria, for which there was no insurance. It just hadn't occurred to the previous agent to ask what the client was doing and they just kept renewing the same old policy." □

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