

Chubb Multinational Matters

ISSUE 2

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MANAGING ENVIRONMENTAL RISK BEYOND U.S. BORDERS:

Why Local Coverage Matters More Than Ever

Environmental risk has long been part of the multinational risk conversation. Today, however, these discussions are taking on new urgency as companies confront the realities of local cleanup mandates and expanding environmental regulation in many parts of the world. Central to this shift is a critical question: Where, when, and why is locally admitted environmental insurance the most effective way to manage environmental risks?

Risk Looks Different in Different Places

In the U.S., environmental claims are frequently framed around remediating environmental contamination, third-party bodily injury, and property damage. Outside the U.S., the emphasis is often on remediating environmental contamination, with costly cleanups mandated by local regulators, enforced quickly, and governed by jurisdiction-specific standards.

In practice, this means companies can face substantial first-party cleanup costs, even when no third-party injury has occurred. Fires, transportation accidents, smoke migration, chemical releases, or contamination at legacy sites can all trigger costly remediation obligations. These costs are not typically covered under traditional general liability policies.

Liability exposure is also increasing in many countries, driven by many of the same forces seen in the U.S., including litigation funding and social inflation, which contribute to higher claims frequency and severity.¹ Collective redress mechanisms,

including jurisdictional equivalents of class actions, have been gaining traction outside the U.S., notably in Europe, further increasing exposure.² At the same time, focus on corporate social impact and responsibility means reputational damage can escalate quickly when environmental incidents occur, if they are not managed promptly and effectively.

Why Local Policies?

Many multinational companies rely on a policy issued to a U.S.-domiciled parent company to address global environmental exposure. While U.S.-issued policies play an important role, there are several reasons to consider adding locally admitted environmental policies – issued by an insurer licensed in the country where the insured has exposure requiring coverage – to a multinational program.

Local claims payments. When locally admitted policies are in place, covered claims can be investigated, adjusted, and paid locally and in local currency, reducing delays and administrative complexity –

Who's at Risk

Multinational environmental exposure may not be confined to large, well-established global companies. Mid-sized organizations – often with revenues under \$1 billion – are increasingly at risk, whether they own overseas facilities or simply operate across borders through supply chains, distribution hubs, transportation of goods, or contractual arrangements.

Multinational environmental exposure is also not limited to sectors traditionally associated with environmental risk, such as chemical or oil and gas enterprises. Companies that may not view themselves as exposed can still face significant liability. Consider a fire that releases toxic fumes into a nearby community, or a truck carrying milk that overturns and floods an estuary, killing fish and triggering regulatory action. These types of incidents can quickly evolve into complex environmental claims.

which is particularly important when time-sensitive remediation is involved. Additionally, some jurisdictions require claims to be handled locally. Without a local admitted policy, if one is required, claims are typically handled by the local foreign subsidiary of the U.S. parent company or by the U.S. parent company. The Master Policy would then reimburse the insured U.S. parent company for claims covered by the Master Policy's applicable foreign entity loss coverage. The U.S. parent company is responsible to then reimburse, as appropriate



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or required, the foreign subsidiary. This reimbursement structure can create potential tax, regulatory, or compliance challenges.

Faster, on-the-ground claims response.

Having locally admitted policies allow claims to be handled in-country, by professionals familiar with local laws, regulations, practices, and resources.

Footnote Resources

1. <https://www.swissre.com/institute/research/sigma-research/sigma-2024-04-social-inflation.html>
2. <https://cms.law/en/media/international/files/cms-european-class-action-report-2025?v=2>

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Local claims handling can provide critical guidance and support to insureds in the early stages of an incident, when proper handling can materially affect both the cost and the outcome.

Compliance. To be effective, a multinational environmental program should address a company's environmental risk and insurance regulations everywhere the company operates. Optimally, it would include locally admitted policies to ensure coverage is compliant with local laws and regulations. In addition, some countries require insurance to be locally admitted or to contain certain terms and conditions – and requirements may vary even within a single country. Some countries permit “non-admitted” coverage, but in practice impose additional requirements which made “non-admitted” but permitted coverage difficult or prohibitively expensive.

“Good local standard” coverage.

Local admitted policies may also provide coverages not available on the U.S.-issued master policy, including important coverages aligned with the jurisdiction's laws and regulations.

The Takeaway

Environmental risk is no longer something many multinational companies can manage solely through centralized programs. Cleanup is mandated locally. Liability is enforced locally. Claims are often best handled locally.

For companies operating across borders, locally admitted environmental insurance is a practical risk-management tool that supports faster incident response, compliance and regulatory alignment, and more effective claims outcomes.

[Chubb's Worldview](#) online platform makes it simple for clients to track and manage international insurance programs in real time.

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