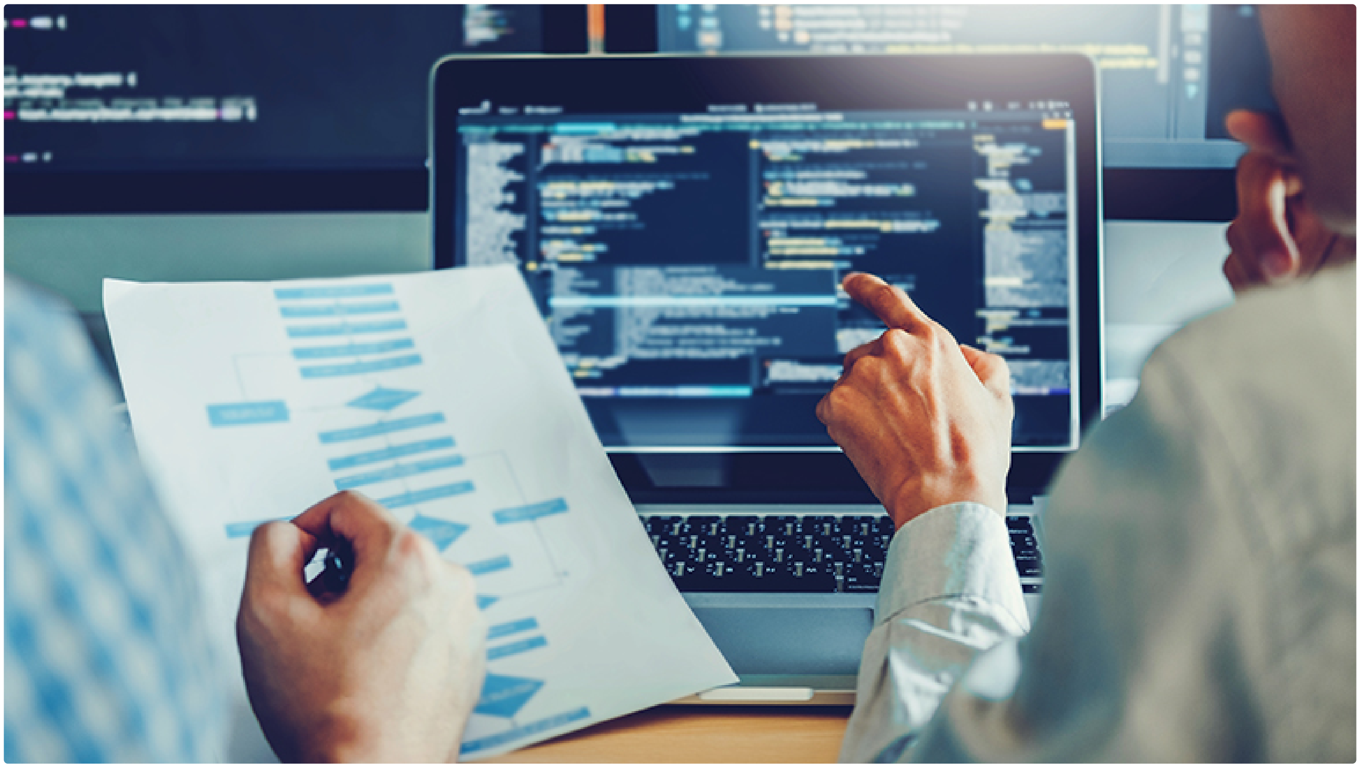
Blog

Complex multinational programs require sound data strategy



In a challenging insurance market, underwriters are increasingly scrutinizing an organization's risk profile before deciding whether they are willing to extend or renew coverage. For multinational companies with complex programs that span across multiple countries, having robust data is critical both to secure coverage and to identify potential gaps or overlaps in their insurance program.

While most large organizations have good visibility into their master program and major lines of coverage across the countries in which they operate, they often do not have a clear picture of the risk profile of each of their local operating entities, typically due to inadequate reporting. This can lead to challenges when designing their global program and may also result in gaps or overlaps in coverage.

4 actions to improve your multinational program

As companies continue to invest beyond their shores, the need for robust multinational programs is increasing, and there is more focus on the need for accurate data. The following four actions can help you improve your data and allow you to provide more information to underwriters during the renewal or placement process.

1. Keep records of all losses

Many large organizations do a relatively good job keeping tabs of major losses that lead to insurance claims. Sometimes, however, smaller losses, especially ones that fall below the deductible and are absorbed by the local entities, are not reported. Local entities may not keep complete records of these losses, unless they are legally required to do so, for example when it comes to workers' compensation or third party liability losses. Local entities should be encouraged to report all losses, including minor ones, to your parent organization, allowing for a more accurate risk profile picture. This information can help identify potential loss prevention exercises that can improve your local entity's risk profile. It can also help identify loss trends across the group, allowing your organization to roll out bespoke loss-prevention exercises across entities facing similar risks.

2. Create a uniform way of collecting data

Even when collecting the needed information, a local entity often may have a particular way of doing so that may differ from other subsidiaries within the same parent organization. But such non-uniform data collection can make it difficult to analyze data across the group. While companies with a global footprint will need to consider the local idiosyncrasies of their subsidiaries and the entities reporting to them, they should decide on, and implement, a uniform way to collect and report data. This process allows for better visibility into the entire multinational program and can help you identify potential challenges in specific locations.

3. Engage in two-way communication

One challenge that is often faced by multinational companies is that subsidiaries do not necessarily understand what coverage is being purchased under the group master program. This can lead to overlaps when subsidiaries decide to purchase locally coverage that is already available at the group level. Additionally, miscommunication can lead to potentially costly gaps in coverage. It is critical for the parent company to keep the lines of communication open and make sure that local risk and finance managers are aware of all coverages that apply to their business. Similarly, you should understand local requirements to reduce potential overlaps with global programs when local policies are required for regulatory purposes.

4. Identify relevant external information

Developing a robust global program that takes into consideration local requirements and nuances is complicated, especially while the data-gathering process is still being streamlined and there is not yet full visibility into local entities' risk profile. Multinational companies may benefit from benchmarking data pertaining to their peers, allowing them to build a more solid strategy ahead of renewal. For example, through benchmarking you can better understand the types of local policies purchased by similarly-sized companies in certain countries as well as the total limit of coverage (within ranges) purchased by peer group companies, for example in their master policies. This information can also help you decide on local limits for specific lines of coverage.

Having a robust data gathering process in place can help multinational companies identify risk trends across the group, address gaps and overlaps, and optimize their risk management solutions. This information can also be used during renewal meetings to show underwriters why you are a good risk.

Finally, the richness of data available through the right processes underscores the importance of starting renewal discussions early to allow you enough time to properly share information and answer any follow up questions from your underwriters.