



Building multinational programme awareness: a work in progress

Companies growing their overseas businesses are walking a tightrope between expansion and exposure, often without an adequate awareness of the options available to protect their business across different market practices in different territories. This was a key finding of [research](#) recently commissioned by AIG, and carried out by DVL Smith, across a £3m - £75m turnover group based in the UK and engaged in overseas business.

“The research showed that these companies go on a journey, beginning with an improvised patchwork of local advice and insurance solutions,” says Stephen Morton, Vice President at AIG’s multinational centre of excellence. “They ultimately reach a ‘tipping point’ where pressing questions arise over whether their models are fit for purpose in terms of covering all the potential gaps in their exposure. Decision makers have to choose whether juggling the management of various local policies might be more efficiently replaced by a central and coordinated approach in the form of a multinational insurance programme.”

Some 38,000 businesses in the UK already hold assets overseas – and the momentum to grow is hardly letting up. *The International Trade Survey 2014*, sponsored by AIG, indicated that over one fifth of the UK’s small and medium sized businesses intend to expand overseas in the next two years. “These players will begin to grapple with a range of issues and worries linked to local regulations and conditions, including often complex questions of whether risks are best covered by a UK insurer or via a local insurance policy,” Morton underlines.

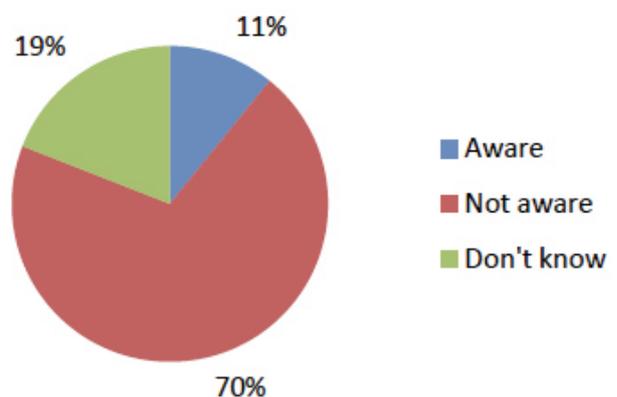
Particularly rapid foreign expansions, or exposures that accumulate more gradually, should inevitably lead to the consideration of a single multinational programme to protect the entity against insurable risk. “Multinational insurance programmes are the glue that brings all of the local risk under a single framework. In a cost driven environment, they can bring the benefit of bulk buying. However, more importantly, they ensure consistency in terms of what risks are transferred and retained and allow for a consistent philosophy to be implemented across an international organisation,” explains Morton. Other advantages include ensuring that the coverage fits the various local markets as well as meeting the central expectation in terms of the cover provided. Multinational insurance programmes can be set up for all of the insurance classes, such as property & liability, or trade credit insurance.



Awareness gap

Yet a prompt may often be needed, due in some cases to the relatively low prioritisation of insurance, but in others because of poor awareness. A staggering 70% of the 3,000 or so participants in the *International Trade Survey 2014* were unaware of the concept of a multinational insurance programme that covers an organisation wherever it operates in the world (Figure 1).

Figure 1. How aware are you of the concept of a single multinational insurance programme that covers your organisation wherever it operates in the world?



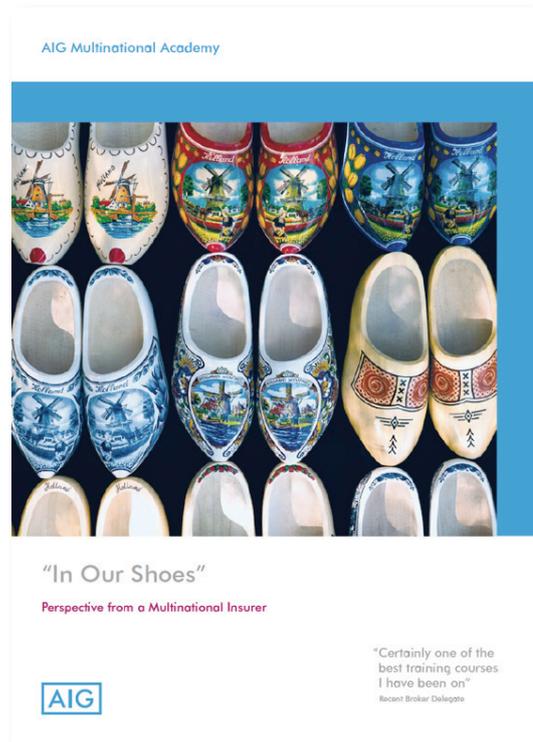
International Trade Survey 2014

Although 63% of these respondents had no office outside the UK, and may not have a requirement for multinational insurance, it was noticeable that the larger turnover respondents were also relatively uninformed. Just over 20% were aware in the £25 million or greater turnover bracket. Moreover, of those that were aware, only 12% used a multinational insurance programme, while 13% handled local policies by country.

To address this issue, the existing information channels provide an obvious starting point for encouraging medium sized businesses to examine more centralised insurance solutions. “As the research showed, many clients were not really aware of the possibility for a multinational insurance programme and so were not even able to contemplate the benefits that this approach brings. Knowledge and expertise in this area should be a part of every broker’s armoury and can also be a very effective tool to acquire new business,” Morton argues.

AIG has pro-actively investigated this route, by taking its “In Our Shoes” workshop around the country, to regional offices in Manchester, Birmingham, Croydon and Glasgow. “The workshop covered many of the issues around international programmes from the insurer’s perspective and we spent quite a lot of time talking to brokers about how, between us, to best service the clients. What became clear was a desire for more knowledge about building a multinational insurance programme and the benefits it brings. We also explained that an insured does not need to be a major multinational corporation to have such a programme. A natural tendency is often to place coverage locally when a client is working in just a couple of countries; however, this may not always be the most appropriate solution.”

As the understanding of multinational insurance programmes deepens, clients’ decision-making processes will sharpen. “The final decision could be not to purchase a multinational programme, or to cover just those jurisdictions where operations carry the greatest weight. But the overall outcome will be an informed decision, including a keener understanding of local regulation, policy nuances and an understanding of where coverage is most stretched, and where gaps exist,” concludes Morton.



The International Trade Survey 2014 was sponsored by AIG, supported by The Institute of Export and undertaken by Trade & Export Finance Limited. Just under 3,000 UK-based companies, with turnover from less than a million to more than £100m, were canvassed, to investigate the current issues that have an impact on the ability of exporters and importers to trade in global markets.



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