



Global Compliance

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Disclaimer



The material in this program is designed to provide subject-related information of a general nature. There is no intention to render judgments or opinions about specific situations, brokers and/or clients. If legal, accounting, and/or tax advice or other expert assistance is required, the services of a competent professional should be sought.

Basic Principles of an International Program

The Master Policy sets the frame and scope of the program



However... some MUSTs to consider:

1. Local policies must be provided where mandatory
2. The company issuing a policy must have a corresponding license
3. Adequate premium must be apportioned
4. Insurance tax must be paid where due: locally and/or under the Master Policy

Restrictive Insurance vs. Locally Admitted Requirements

Restrictive Insurance

- Apply to all shipments being imported or exported from their country
- Impacts all companies doing business with this country--not just countries that have a local entity in country
- Purpose, generally, to keep currency in country; support the local insurance industry
- Can avoid potential difficulties by having imports arranged so buyer is responsible for providing the insurance as determined by the Terms of Sale (INCOTERMS)
- Example – Nigeria has restrictive insurance for imports

Restrictive vs. Locally Admitted Requirements

Locally Admitted Requirements

- Apply to the insured's entity domiciled in that country
- Requirements apply where the local entity has title to the covered property
- Like restrictive insurance, also designed to help support and promote local insurance industry
- Premium taxes can also generate additional revenues for the local economy
- Exposures could involve ocean transit, inland transit (shipments within one country) or location exposures (warehouse/processing)
- Failure to comply with local regulations can result in problems with claims payment and possible penalties imposed on the local entity

Location of Risk

Is there an Overseas Risk?

- Location of Risk must be determined to establish where local policies are required.
 - Location of risk for a cargo shipment considered to be the legal entity responsible to insure the merchandise
 - For instance, does the local entity import on a CIF basis, or are they responsible to insure their own imports and exports?
 - Location of risk for merchandise in long term storage will be the location of the merchandise
- Financial reports, while helpful, will only show country to which sales are attributed, not necessarily the party that is responsible to insure the merchandise

Local Policy Considerations

For Local Entities with Insurable Exposure



- Is a policy by a locally licensed company required, or is non-admitted allowed?
 - Is DIC/DIL allowed?
- Activities which may be considered the conduct of insurance
 - Premium payment
 - Can premium be paid from overseas or must it be paid by the parent?
 - Risk Engineering Activities Pre- and Post-Contract
 - Can Risk Engineering Activities be coordinated from abroad?
 - Loss Adjusting Activities
 - Can losses be adjusted locally, or claims paid?

Local Policy Considerations

(continued)

- Premium Allocations
 - Premium allocations must be seen locally to be fair and reasonable and not as a way to avoid local premium taxes or fees
 - Some countries have tariff rates or mandate that allocated premiums levels are within their own market's rate range and must be signed-off locally prior to binding

- Tax Requirements
 - Each country has its own tax rates
 - Different rates apply to Cargo/Inland/Warehouse exposures
 - Premium therefore should be allocated locally by exposure type
 - Taxes may be due on non-admitted premiums charged under a master policy

- Licensing
 - Insurer must be licensed locally as an insurer for corresponding line of business
 - If part of a global program, the insurer may also need to be licensed as a reinsurer to bring the premium back to the master policy.

Other Considerations

- Mandatory Local Broker involvement
- Filed policy wording
 - Some countries have to file marine wording, or sign off on the policy wording prior to issuance
- Premium Collections
 - Cash before cover
 - Strict time limitations for payment
- Additional country-specific documentation (e.g. money laundering, application, legal documents)

Helpful Information to Underwriters

- Cargo
 - Countries where there are local entities with the responsibility to insure cargo
 - Import/export values for each local entity
 - Trading routes
 - Local name and address of the local company, and broker contact
- Inland Transit
 - Countries where there are local entities with the responsibility to insure inland transits
 - Incoming/outgoing values
- Warehouse/Processing
 - What countries does the insured have entities that have responsibility to insure covered property stored/processed at their own location or a third party location
 - The street address of each location where coverage is needed
 - The estimated average and maximum values at risk during the coming year for each location and the peak season, if relevant
 - COPE Information for named locations desirable

Resources for Marine Requirements

- Globex <http://www.globexintl.com/underwriting/>
- AXCO <http://www.axcoinfo.com/products/regulation-tax-compliance.aspx#CompliancePoint>
- Lloyd's CRYSTAL www.lloyds.com/the-market/tools-and-resources/tools-e-services/crystal/
- ISN Insurance Services Network <https://irletter.com/>
- Zurich Multinational Insurance Application (MIA) – available for brokers and RIMS Professional Members
<https://www.rims.org/resources/InternationalCenter/Pages/ZurichMIA.aspx/>
- www.AIMU.org