

Global Property Placements

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Randall Schreitmueller
VP Global Services and Market Relationships
FM Global
Johnston, RI USA
r.j.schreitmueller@fmglobal.com



A World of Questions...

- Design?
- Quality?
- Performance?
- Safety?
- Support/Service?
- Parts?
- Longevity?
- Commitment?





Global Property Placements

A look at the issues...

- Globalization
- Changing global landscape
- Multinational risk management challenges
- Creating compliant programs
- The right global carrier
 - Are all global networks created equal?
 - Balancing “global” and “local”
 - Service consistency
 - Experience and expertise

Full disclosure...

- Property specialist
- Mutual organization
- The majority of loss is preventable
- Direct and brokered delivery
- Global in scope
 - US \$5B annual premium
 - 75% of clients multinational
 - Global 1000 caliber
 - 1/3 of employees outside of US
 - ~30% global market share
 - Admitted coverage in 110+ countries
 - 65,000 field inspections annually
 - In-house claims adjustment

Some takeaways

1. Our clients are increasingly global
2. The world is a rapidly changing place
3. Regulation is increasingly complex
4. Clients, brokers, consultants and carriers all want consistent, compliant global programs






The Changing Global Landscape

Who cares about global?



Who cares about global?

- Mutual organization
- \$5B Written Premium
- 75%+ clients are multinational
- ~30% Global Market Share
- 38 authorized countries
- 90+ Global Partners
- Global Loss Prevention

Clients	
FM Global	
Our partners	



Globalization

- Competition is increasingly global
- The World is Flat
- Small to mid-sized joining the party

More companies are global



- Beyond traditional boundaries
- Economically driven
- Extended supply chains = added risk

Expanding reach



- Eclipsing “traditional” economies
- Emergence of BRICs
- Pockets of rapid development

Shifting economic power bases



The Changing Global Landscape



Changing Economy

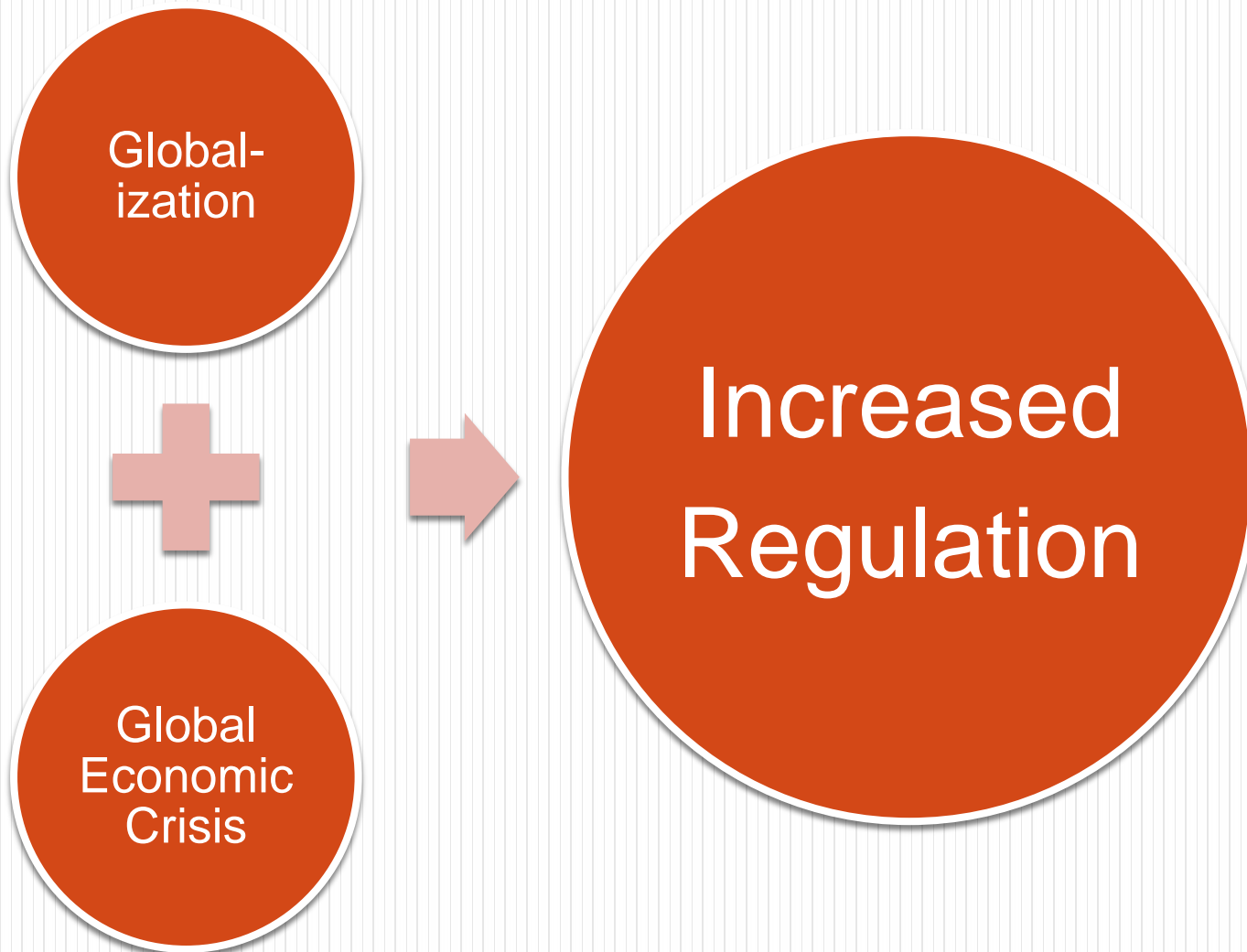


Changing Governance
Responsibilities



Changing Regulation

What in the world is going on?



A collision of forces

Global economic crisis

- Financial services at epicenter
- Fragile local economies
- Focus on capital adequacy

The
“New”
Regulation

Regulators criticized as ineffective

- Failure to predict?
- Increasingly vigilant and intrusive
- Banks and insurers painted with same brush

The “New” Regulation

- More frequent, more capricious
- Protectionist leanings
 - Protect local market
 - Limit “foreign” intervention
 - Protect/grow tax revenue
- More omnipresent, more intrusive
- Corporate governance requirements
- Compartmentalized regulation at odds with needs of multinationals

“There is a view that people are not frightened of the FSA,” “I can assure you this is a view I am determined to correct. People should be very frightened of the FSA.”

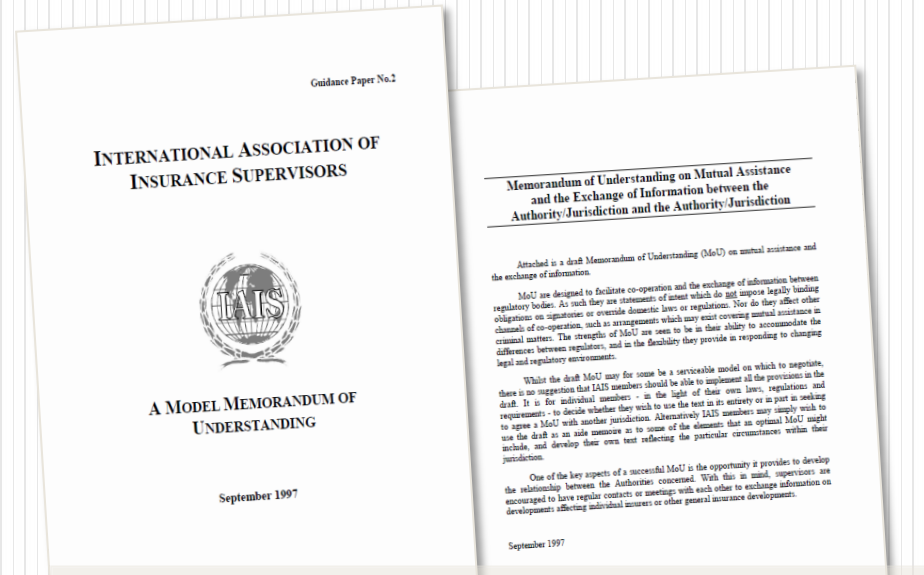
Hector Sants
Head of the UK FSA
March 2009




Regulatory Trends

Cross-Border Cooperation

- Recent MoU's between NY, Singapore, Germany, France, Taiwan, Bermuda, UK
- Global Regulators conference in Switzerland
- International Association of Insurance Supervisors: <http://www.iaisweb.org/>
- FSA/APRA/CIRC/MAS/HK IA/US state regulators



New York State Insurance Department		NEWS RELEASE Contact: Public Affairs (212) 480-5262 www.ins.state.ny.us
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Eric R. Dinallo Superintendent of Insurance 25 Beaver Street New York, N.Y. 10004

ISSUED 03/31/2009 FOR IMMEDIATE RELEASE

NEW YORK, MACAU INSURANCE REGULATORS SIGN COOPERATION ARRANGEMENT

New York State Insurance Superintendent Eric Dinallo and António José Félix Pontes of the Board of Directors of the Autoridade Monetária de Macau (AMCM), Macau's insurance regulator, today announced the two authorities have executed a [memorandum of understanding \(MoU\)](#) allowing for closer cooperation between the two regulatory bodies. Macau is one of two special administrative regions of the People's Republic of China, Hong Kong being the other.

The MoU establishes a formal basis for consultation, cooperation and coordination between the AMCM and the New York State Insurance Department (NYSID), and provides for the exchange of information relevant to each authority's supervisory, regulatory and examination responsibilities.

"As insurance becomes increasingly globalized, regulators must closely cooperate across national boundaries to ensure the safety of the industry and protect policyholders," Dinallo said. "Macau is a vital, vibrant financial services center in an area of the world that is increasingly central to the international economy. This agreement moves us one step closer to the global watch of global insurance around the nations of the G20 have urged regulators to set up."

Capital adequacy

- Financial services under microscope post 2008
 - Banking and insurance
 - Global regulators pressurized
- Risk-Based Capital
- Counterparty Risk
 - Collectability
 - Discounting of non-admitted reinsurance
- Affecting ability & willingness to “front”



The Top Ten Risks Around the World

- 1. Economic slowdown**
- 2. Regulatory/legislative changes**
- 3. Business interruption**
- 4. Increasing competition**
- 5. Commodity price risk**
- 6. Damage to reputation**
- 7. Cash flow/liquidity risk**
- 8. Distribution or supply chain failure**
- 9. Third-party liability**
- 10. Failure to attract or retain top talent**

Source: The Definitive Report on Risk – Aon's 2011 Global Risk Management Survey

Conclusions

- Regulatory risk is a growing concern
- Fragmented regulation at odds with needs of multinationals in search of consistency
- Corporate governance means compliance is a board level issue
- Robust solutions for delivering compliant programs do exist

The Multinational Risk Management Challenge

Open discussion: Multinational Challenges

- Discuss with your table mates
- Collective input from insureds, insurer and brokers
- What would you say are the biggest challenges faced by Multinational Risk Managers?
 - Macro and micro
- 15/20 minutes
- Nominate spokesperson
- Present overview
- Record findings



Challenges of the *Global* Risk Manager

- Exercise risk management control
- Balance “local” and “corporate” needs
- Arrange consistent coverage and services
- Practice good governance
- Make sure my program is compliant
- Get policies and invoices quickly
- Ensure timely cash flow
- Control costs
- Engage expert support
- Stay on top of change



Taking the plan Global

- Culture
- Language
- Regulations and governance
- Codes and standards
- Costs and budget
- Time zones
- Decentralized management
- Appetite for change
- Risk management philosophy



A lot on the plate of a Risk Manager



...and often eating alone.

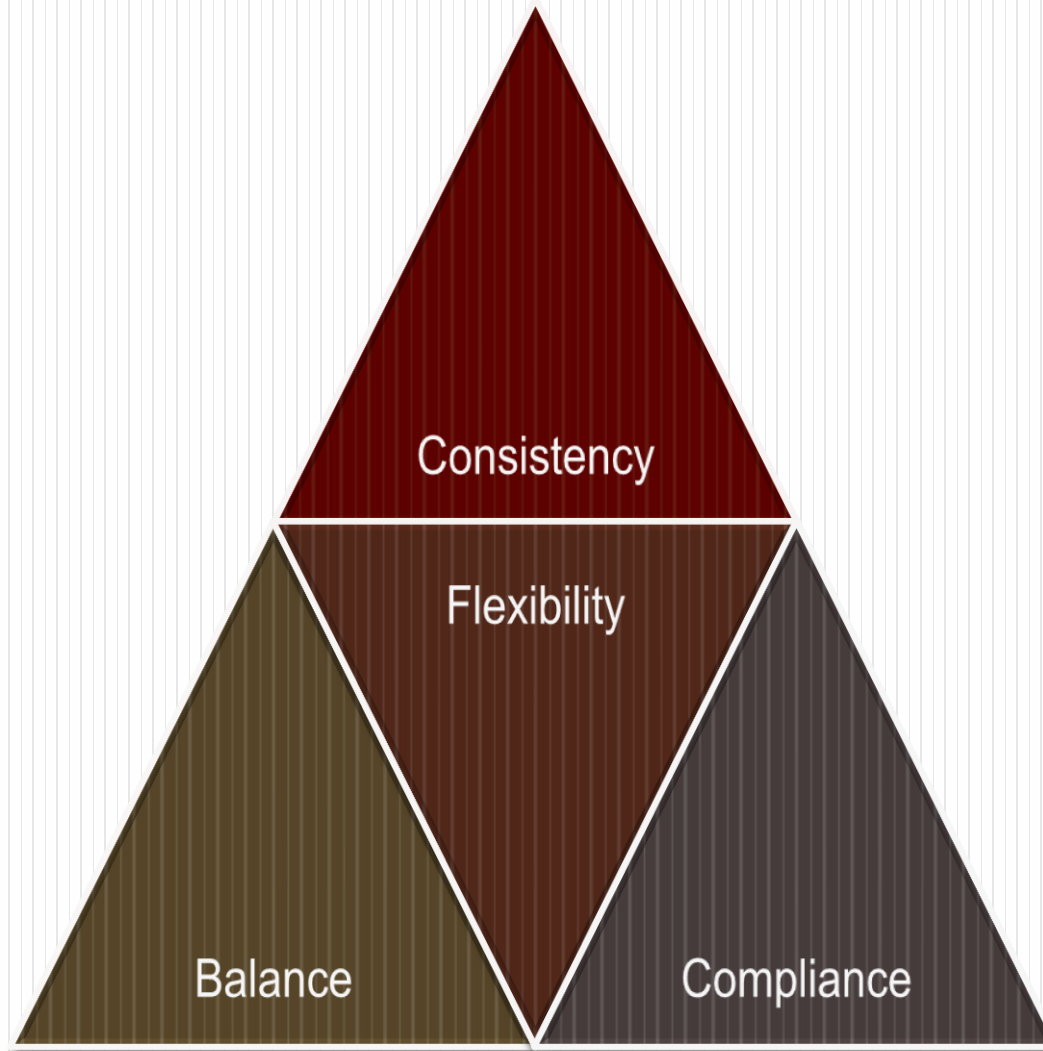
Starting with a plan



Heartburn or Compliance?



What do global risk managers want?



What global risk managers want

Consistency

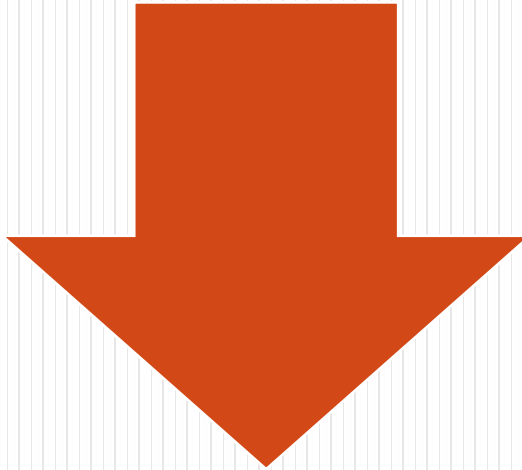


Consistency

- Coverage
- Contract certainty
- Products and services
- Engineering
- Claims
- Cash flow
- Network performance

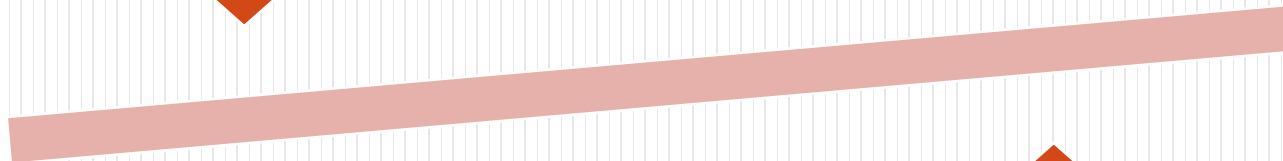
What global risk managers want

Balance



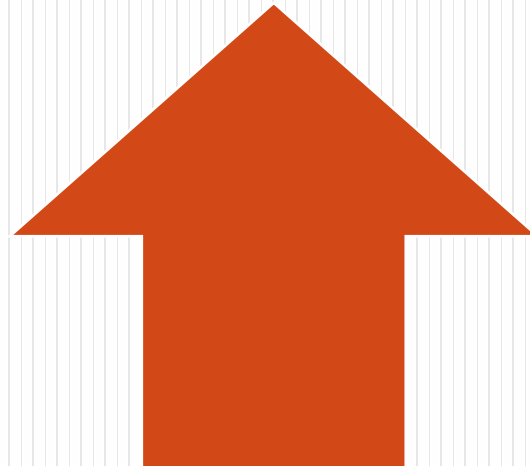
Global Approach

- Consistent Coverage
- Consistent Claims
- Consistent Engineering
- Consistent deliverables
- Consistent service process
- Cash Flow



Local Execution

- Local client & broker relationships
- Local expertise
- Support for global risk management plan
- Eyes and ears



What global risk managers want

Flexibility



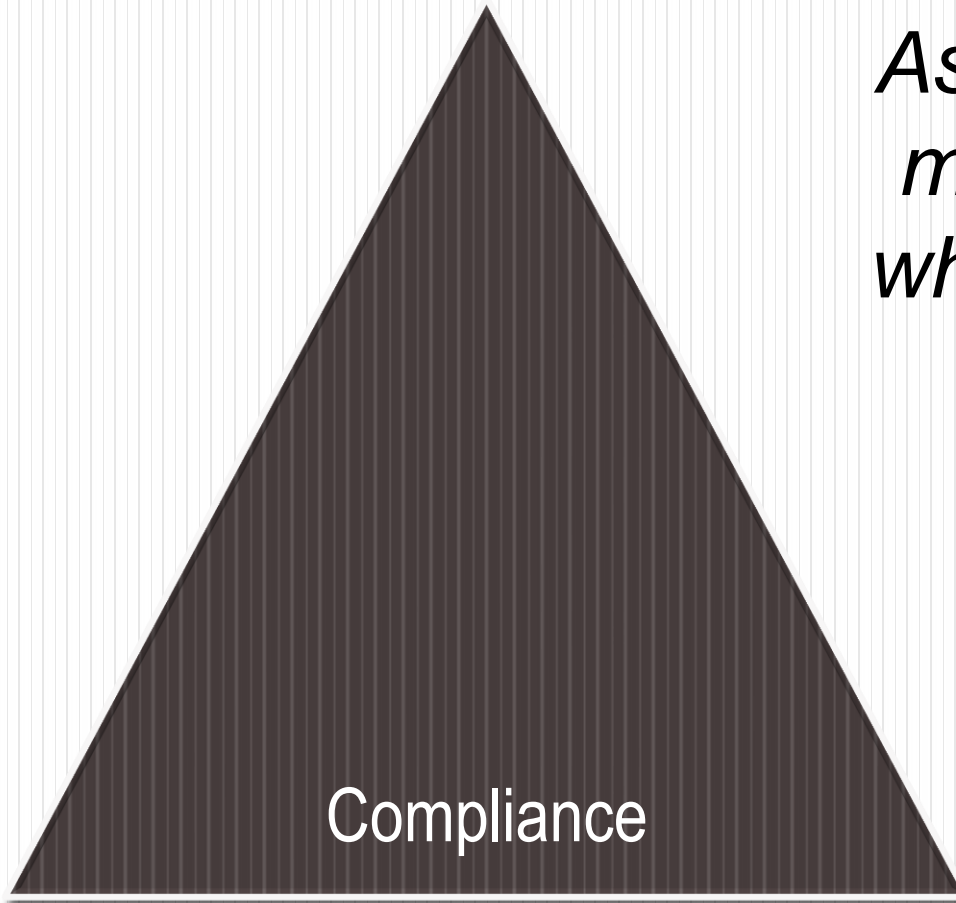
Flexibility

- Consistency but...
 - Not a “cookie cutter” approach
 - Flexibility to accommodate local differences
 - Localization

What global risk managers want

Compliance

*As a multinational risk manager (or broker),
what does compliance
mean to you?*



Selecting the right carrier

All global insurance carriers underwrite?

All global insurance carriers pay claims?

All global insurance carriers engineer risks?

All global carriers have a network?

All global insurance carriers are created equal?



Carrier selection check-list

Insurance Products and Services

- Coverage, including broad local wordings
- Capacity
- Identify and reduce exposure
- Pay Losses

Compliance and Contract Certainty

- Values, risk, premium and tax
- Regulatory and governance
- Policy issuance
- Invoice and cash flow

Risk Assessment and Risk Improvement

- Research based
- Global standards
- Knowledge of local codes
- Common measure

Summary

- The challenges faced by a risk manager vastly differ from yesteryear and multiply when global
- Developing the plan is critical...provided it is realistic and executed on all fronts
- Multinational programs demand multinational carriers with expansive networks
- Globalization continues to expand horizons and introduce new opportunities
- Consistent delivery of global products and services is paramount – to clients, brokers and insurers

Creating Compliant Programs

Open discussion: Compliance

- Discuss with your table mates
- Collective input from you
- What does the word compliance mean to you
- 15/20 minutes
- Nominate spokesperson
- Present overview
- Record findings



What does compliance mean to me?

- Keep me out of jail!
- Local everything!
 - Premium
 - Taxes
 - Claims adjustment
 - Claims settlement
- Accurate, timely documentation
- Reliable cash flow



Starting Point

What are clients looking for in a global program?

- ❑ Broad, consistent coverage
- ❑ Local premium payment
- ❑ Local tax payment
- ❑ Local loss payments
- ❑ Ease of administration
- ❑ Excellent cash flow
- ❑ Contract certainty
- ❑ To be “compliant”



Compliance: A matter of perspective

Client view

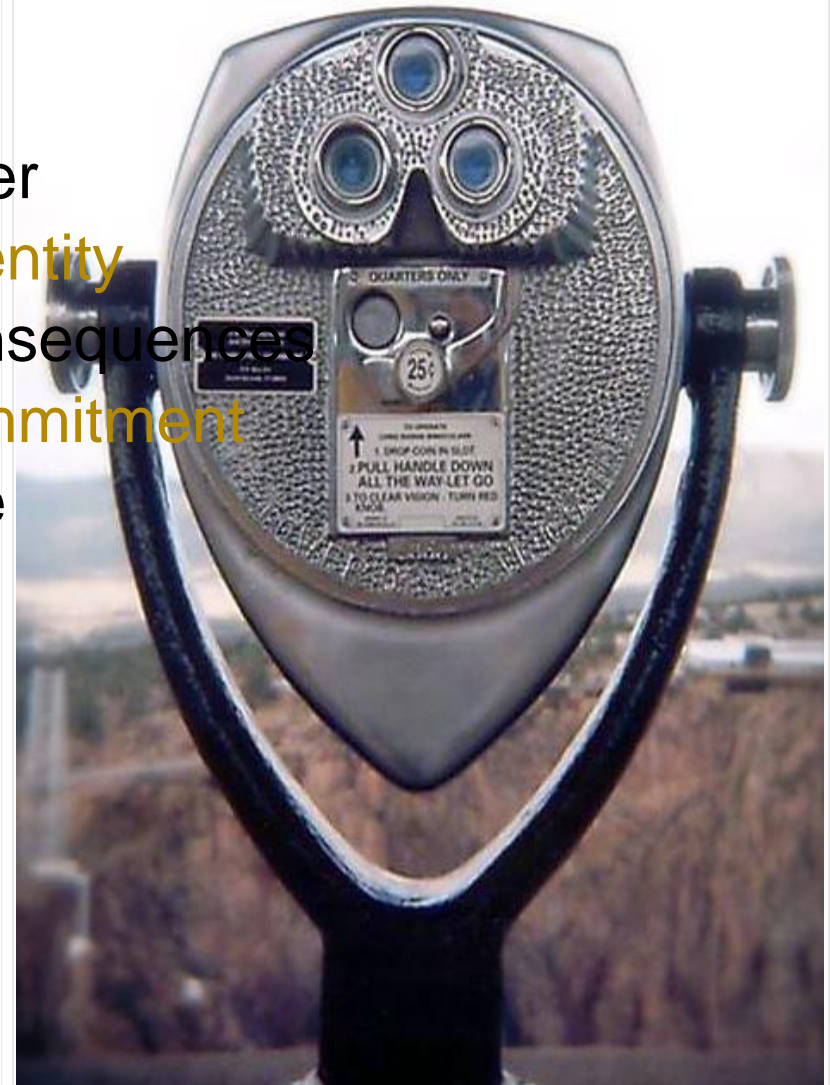
Insurer view

Regulator view



What clients want

- Protect stakeholders
- Broad consistent coverage
- Predictable, secure risk transfer
- Indemnify the right corporate entity
- Avoid unintended financial consequences
- Meet corporate obligation/ commitment
- Tax and regulatory compliance
- Cost control
- Transactional efficiency
- Cash flow
- Contract certainty



What insurers want

- Competitive product and service offering
- Tax and regulatory compliance
- Meet obligations
- No “surprises”
- Avoid unintended financial consequences
- Maintain integrity of global network
- Transactional efficiency



What regulators want

- Protect constituency
- Encourage competition and fair play
- Allow local markets to flourish
- Qualify “approved” insurers/reinsurers
- Set ground rules
- Generate/grow revenue
- Control/monitor activity
- Local loss settlement
- Administer tariff forms and or rates
- Pools and schemes
- Enforce anti-money laundering



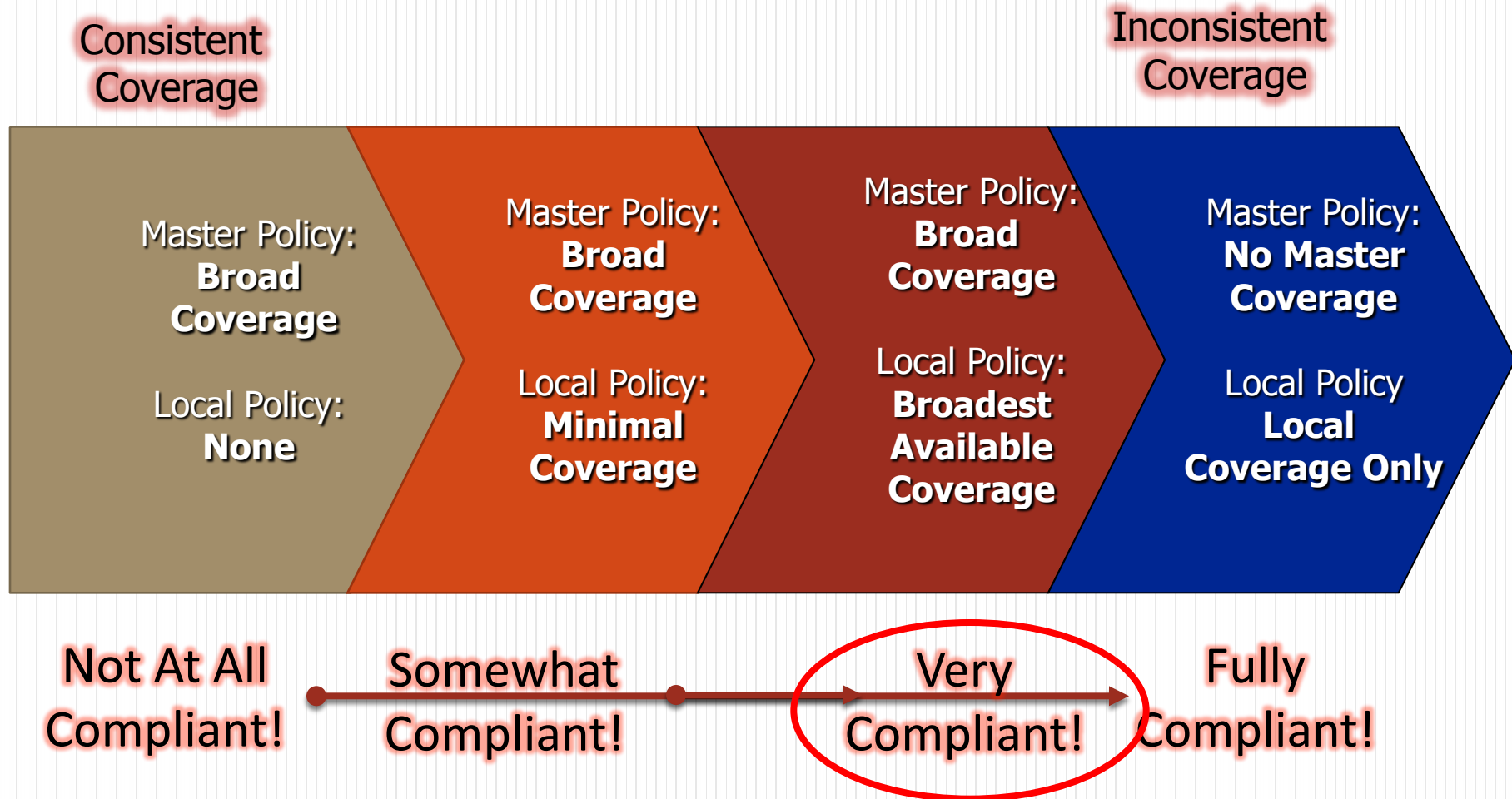
We are not in business
to be compliant...

but to stay in business,
we must be compliant.

The question is how?

Global program architecture

A range of options



Building Compliant Programs:

The *WorldReach* Solution

- Full PD/TE values declared and reviewed annually
- Broad form master contract
- Locally admitted cover in each country where material value is declared
- On-the-ground coverage and form replicates “master” as closely as possible
- Use of “Standard Underlyer” to achieve Contract Certainty
- Local limit equals TIV
- Premiums invoiced and paid locally
- Adherence to local tariffs where applicable
- Taxes remitted locally
- Participation in local pooling arrangements
- Savvy local knowledge
- Local claims adjustment
- Transactional efficiency
- Cash flow



*Mais, oui. But
does it comply?*

Compliance Checklist

What are clients looking for in a global program?

- ✓ ☒ Broad, consistent coverage
- ✓ ☒ Local premium payment
- ✓ ☒ Local tax payment
- ✓ ☒ Local loss payments
- ✓ ☒ Ease of administration
- ✓ ☒ Excellent cash flow
- ✓ ☒ Contract certainty
- ✓ ☒ To be “compliant”



What does compliance mean to me?

- Keep me out of jail!
- Local everything!
 - Coverage
 - Premium
 - Taxes
 - Claims adjustment
 - Claims settlement
- Accurate, timely documentation
- Reliable cash flow
- Accurate, up-to-date information



Other approaches?

- “Financial interest” coverage
 - Largely untested
 - No local loss settlement
 - No local tax payment
 - Open questions
 - Defining financial loss
 - Valuation (e.g. book, R or R?)
 - Period of indemnity
 - Premium calculation?



Will regulators appreciate the distinction between Financial Interest Coverage and Non-Admitted coverage?

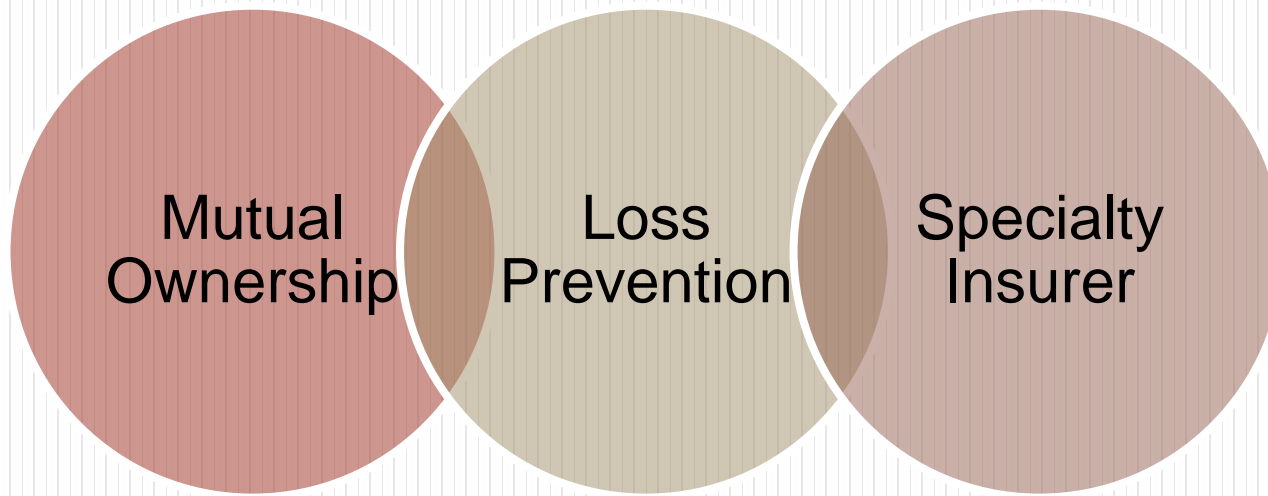
The bottom line

- Compliance is of growing importance to clients, insurers, and brokers
- Regulatory scrutiny will continue to increase
- Working with the right partners is key!
 - Program architecture
 - Broad on-the- ground coverage
 - Local everything
 - Global network
 - Global expertise

FM Global, together with its WorldReach Partners,
produces highly compliant worldwide programs

What's in a Network?

FM Global differences



*These differences lead to a different approach
when it comes to building a global network...*

Building a global network

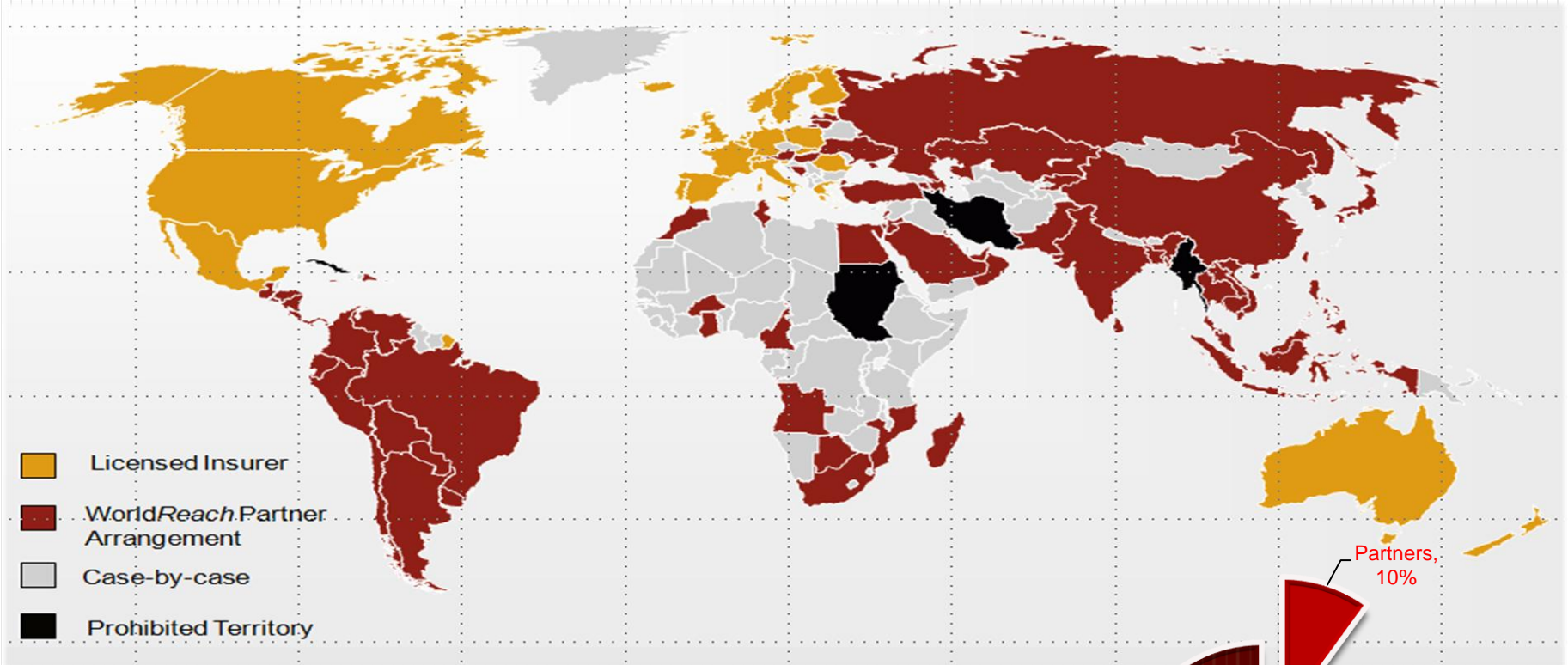


*Follow the
Money?*

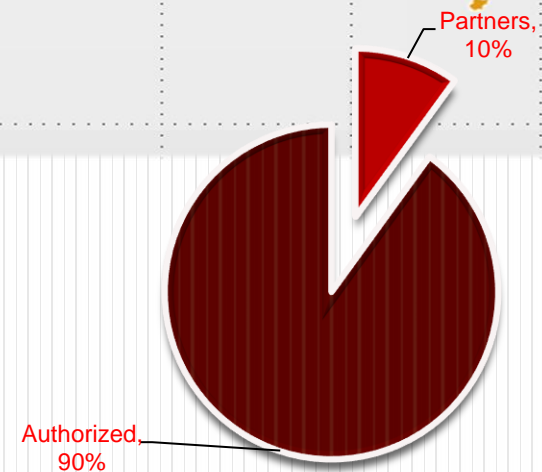
*Follow the
Clients?*

An easy choice for a mutual...

The World*Reach* Network Today



- Admitted coverage in 110+ countries
- Authorised insurer in 38 countries
 - 90% of values and premium
- 85+ World*Reach* Partners in 75+ countries
 - 10% of values and premium



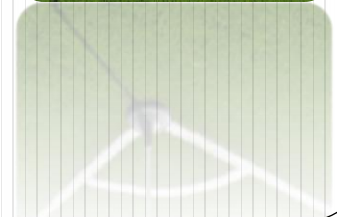
The power of partnership

WorldReach Partners supplement and support FM Global's worldwide capabilities and provides FM Global and its clients with a dynamic, flexible, and cost effective approach to delivering local products and services.



Is an owned network inherently superior?

- Control Trumps Ownership
- No carrier has 100% ownership
- Ownership comes at a cost
- Ownership doesn't always translate to performance
 - Multiline carriers enter for markets different reasons
 - Commercial property not always their strength
 - Ownership does not equate to control
 - “Cost center” mentality
 - “Connected” business may take a back seat
 - Often no established “standard” for local underlyers
 - Parent may not guarantee subsidiary's financials
 - Owned subsidiary may not be a locally recognized company



Network Attributes

Global presence

- Depth and Breadth
- Broad licensed network
- Qualified, respected partners
- Client Choice

Cost efficiency

- “Follow the Clients” vs. Plant a Flag
- 90% flows through licenses
- “Connected” service focus

Control

- Policy Form
- In-house Claims adjustment
- Consistent capacity, standards, and protocols

Performance

- Contract certainty
- Cash flow
- Claim settlement

Service

- Established service standards
- Consistent engineering and claims
- Centrally directed, localized delivery



Licensed Insurer



WorldReach Partner Arrangement



Case-by-case



Prohibited Territory

Choosing a global carrier

Global Facts

- How many countries are there in the world?
 - 195 (196 in July 2011, South Sudan)
- What is the surface area of the globe?
 - 500,000,000 km sq
- What is the circumference of the earth?
 - 40,000 km
- What is the world's population?
 - 6.92 billion (3.03 billion in 1960)
- Top 3 countries by population
 1. China 1.34bn representing 20% of the world's population
 2. India 1.21bn representing 17% of the world's population
 3. USA 311m representing 4% of the world's population

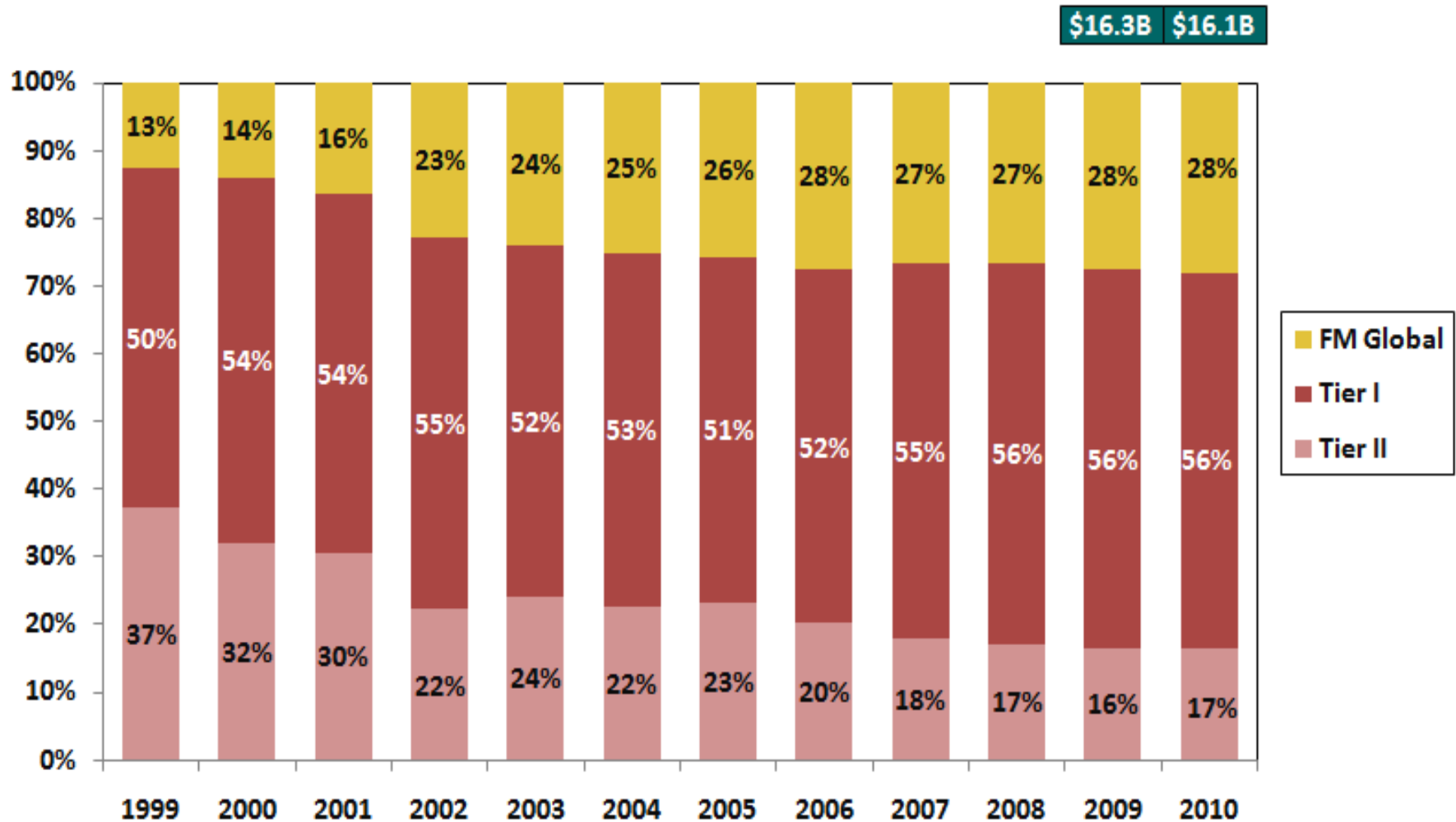
Business Facts

- The acronym IKEA is made up of:
 - The initials of the owner and founder, Ingvar Kamprad, plus those of Elmtaryd, the family farm where he was born, and the nearby village Agunnaryd
- Wal-Mart employs:
 - 2,100,000 “associates” in over 3,800 stores
- The most and least profitable businesses?
 - Accounting (average pre-tax margin +25%)
 - Community care facilities (average pre-tax margin -8%)
- Michael Dell is the youngest ever CEO of a Fortune 1000 company at the age of?
 - 27
- Number of aircraft owned by Fortune 500 companies?
 - Approx 1,600
- What did Tim Berners-Lee invent?
 - The world wide web (www)

How many “Global” insurance carriers?



Global Large Commercial Property Market



Selecting a global provider

TRUE or FALSE?

- All global insurance carriers underwrite?
- All global insurance carriers pay claims?
- All global insurance carriers engineer risks?
- All global carriers have a network?



All global carriers must be created equal?

Qualitative differences count!

- Consistent coverages and service
- Building broad, compliant global programs
- Network breadth and depth
- Develop and execute a global risk management plan
- Consistent, reliable on-the-ground claims adjustment
- On-the-ground interactions with clients and brokers at “corporate” and “local” level
- Global experience, expertise, and bench strength

Performance Measures

Contract certainty
Cash Flow
Broad, admitted underlyers
Consistent deliverables
Claims adjustment
Local invoicing
Local tax
Flexible service approach
Cost/value



Consistent global engineering

- Proven advice
- Consistency
 - Site-to-site
 - Country-to-country
- Depth and breadth
- Localized deliverables
- Local touch

- Fire hazards & protection
- Structural hazards
- Risk reliability & failure prevention
- Specialty expertise
- Acknowledged experts

Research



- 17 categories
- 260+ Data Sheets
- Standards bodies worldwide
- International Codes and Standards

Standards



- 1500 engineers
- 65,000 site inspections
- 130+ countries
- Consistent protocol, deliverables & benchmarking
- Localized training resources

Engineering Site Visits



- Materials
- Hydraulics
- Electricals
- 1000's of products
- North America, Asia, Europe

Approved Equipment



Consistent global claims

- In-house versus independent
- Approach i.e. mutual versus stock
- Claims “control”
- Performance and track record
- Paying losses locally
- Independent performance recognition
- Large loss experience
- Catastrophe response

In conclusion

- Formidable challenges
 - Changing global landscape
 - Changing regulatory requirements
 - Accessing providers with the right expertise
- Small handful of truly global carriers
 - Qualitative differences are important!
- Clients value
 - Cost effectiveness
 - Consistency
 - Balanced global/local service
 - Compliance
 - Flexibility