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Call for regulators to agree over international programmes

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There is a clear disconnect between the economic needs of international companies and the current regulatory environment, according to Petra Riga, Head of International Sales & Distribution, Zurich Global Corporate.


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Speaking at the European Captive Forum in Luxembourg, Ms Riga called for insurance regulators, corporate insurance buyers, brokers, and insurance companies, to come together and find out how regulations, and the delivery of international programmes, can be reconciled.

She highlighted the increasing complexity of global insurance regulation. There are 240 different jurisdictions (and within these there are sometimes different states and provinces) and each one has different regulations, regulators and insurance laws within their borders.

She explained that premium and tax requirements differ, as well as attitudes to non-admitted insurance. Some allow it, some do not, and many have hybrid regulatory systems allowing certain risks to be covered on a non-admitted basis. An added complexity is that depending on the territory, the rules on non-admitted may relate to ground up coverage or DIC/DIL coverage on top of a local policy.

And adding yet more complexity, even where non-admitted is allowed, there may still be restrictions affecting a policy, she explained, such as restrictions on loss adjusting activities or claims payments.

Ms Riga pointed out that regulators are collaborating much more than in the past, signing Memorandums of Understanding. This allows a foreign regulator to ask the regulator in the country where the insurer is domiciled to conduct an audit on their behalf. And there are many more tax audits taking place worldwide, focused on premium allocation and non-admitted tax payments.

She said that the focus for regulation tends to be policy holder protection and retail topics. "And the question is: Is the same level of regulation required for multinational companies that have a professional risk management department? The answer is unclear. But this is the disconnect we are faced with," she said.

Ms Riga said she had attended a conference in the US of 30+ insurance regulators where one possible solution that was discussed was the allowance of non-admitted DIC/DIL coverage. There would always be local policies in place in all the countries where the customer operated, but if they had the need for risk coverage that might not be available in the local market, it should be possible for a carrier to provide DIC/DIL coverage, she explained.

Guenter Droese, Chairman of ECIROA, and head of consulting firm Droese & Partner, has discussed the topic with the IAIS. He said that two and half years ago ECIROA began to explain to the IAIS why captive owners and others wanted to have the rules changed. He stressed that they were only arguing to open the borders for excess lines, such as DIC/DIL coverages, where there is a local policy in existence.

Mr Droese said that by allowing this, countries would be able to develop the local market's knowledge and experience of new covers and global covers. This education process, over time, would help to build up the local market and ultimately result in the formation of regional insurers that could then have the chance to compete with the existing large insurance groups, he said.

He pointed out that non-admitted rules had prevented victims of the Bhopal Union Carbide disaster from receiving proper compensation, and that in the case of a major incident, if there are hurdles to rebuilding a factory, for example, a company may decide to pull out of a country altogether.

"If you want to protect development into emerging countries, then it is reasonable to allow insurance companies worldwide to provide as much capacity and policy cover as possible on the excess side," Mr Droese said.

He added: "We are trying to co-operate with big insurance companies, and in our talks with them, they all say 'wonderful, we will follow you', but the only one, for the time being, that is appearing in IAIS meetings is Zurich Insurance."

ECIROA has observer status at the IAIS, and Mr Droese said that there are at least two insurance supervisors which were willing to help ECIROA to request a workshop at the IAIS to develop this issue and get a decision made which can be handed over to the meeting of the commissioners. "We know it will take some time but if nobody is starting in a co-ordinated way, then we will never succeed. But I am optimistic. I am always optimistic."