

Navigating Executive Risks Coverage in a Global Environment

Companies doing business in a global environment must be aware of and prepared for the variations in laws and regulations specific to the countries in which they operate. We have prepared this fact sheet to help you navigate the ever-changing landscape of international terms, laws and challenges by answering many of the most commonly asked questions.



Question: What are compulsory coverages?

Answer: Insurance required by law on an admitted basis. While normally referring to third-party risks such as Automobile Liability and Workers' Compensation / Employers Liability, there are also first-party examples of statutory Property insurance requirements in several countries.

Question: Is D&O, Employment Practices or Fiduciary Liability compulsory in any country?

Answer: No, but non-admitted insurance is prohibited in many countries, and an admitted policy must be purchased to comply with local laws and regulations.

Question: What is an admitted policy?

Answer: An admitted policy is a local policy (issued in the country where the exposure is located) which complies with local rules and regulations, enabling local premium collection and claims service.

Question: What is a non-admitted policy?

Answer: A non-admitted policy is issued in one country and covers exposures

- In other countries
- Where no local policy is issued
- For specific perils that are not covered under a local policy

Question: What are admitted regulations?

Answer: Admitted regulations state the terms and penalties governing non-admitted coverage.

Question: What is the Kvaerner Ruling?

Answer: Kvaerner is a multinational company that was fined by the Dutch tax authorities for not paying Insurance Premium Tax (IPT) in the Netherlands on a non-admitted program arranged out of the UK. This case clarified that, at least within the EU, local IPT is still due, even if non-admitted insurance is permitted.

Willis Webcast is a monthly series of interactive webcasts featuring Willis practice group leaders addressing current risk management topics. Webcast access information and agendas are available on www.willis.com. Additional information about the series is available by calling the Willis Client Hotline at 866 704 5115 and asking for details on the Willis Thought Leadership Initiative.

Question: How can I find out what the specific country regulations are regarding admitted versus non-admitted insurance issues?

Answer: Go to Willis Adviser and see Country Overview, Taxes.

Question: What is a Controlled Master Program (CMP)?

Answer: CMP is a term used to describe a program in which coverage terms and conditions are negotiated centrally with a single international market, and local underlying policies are issued to support the overall program.

Question: What is a “local underlyer”?

Answer: A local policy issued in support of a CMP.

Question: Will a CMP program work for D&O, Employment Practices, Fiduciary, etc.?

Answer: Technically, there is no reason why a CMP would not work for any of these coverages. The challenge may be arranging for the underwriter to coordinate the issuance of local policies.

Question: What is a Difference-in-Conditions (DIC) policy?

Answer: DIC describes an international policy whose wording provides broader coverage as a supplement over narrower conditions in the locally issued primary policy. It is intended to achieve worldwide consistency of policy terms and conditions.

Question: Will a DIC policy work for D&O, Employment Practices, Fiduciary etc.?

Answer: Yes, a DIC policy works for both admitted and non-admitted coverages.

Question: What is a Difference-in-Limits (DIL) policy?

Answer: A DIL policy provides excess limits over local underlyer policies’ limits, bringing them to the desired CMP level. Both DIC and DIL clauses are found in the CMP contract.

Question: What is Insurance Premium Tax (IPT)?

Answer: IPT is in addition to the premium. It is added to the locally admitted policy and billed separately. Not all countries have IPT.

Question: How do I determine if there is an IPT in a given country?

Answer: Go to Willis Adviser and see Country Overview, Taxes.

Question: Who is responsible for calculating any local IPT?

Answer: Insurers should be asked to make all necessary calculations and filings.

Question: Who is responsible for making the local IPT filings?

Answer: Ultimately, the client is responsible for all filings. However, the program should be placed based upon insurers undertaking this work on behalf of the insured.

Question: If the insured wishes to proceed with coverage on a non-admitted basis, are there any special clauses that should be included in a US-based CMP?

Answer: At a minimum, the US CMP should include a tax liabilities clause to compensate the insured for any tax assessment that may be made by the IRS or a foreign tax authority on claims payments.

Question: What if I have additional questions about international programs?

Answer: The Willis International Resource Team is available to answer any further questions. You may contact Claude Gallelo at +01 212 804 0522 or via email at claudio.gallelo@willis.com, or contact your local Willis Associate.

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