

# Zurich's Loss Sensitive Alternative Delivers a New and Highly Flexible Solution for Global Risk Management

With the global economy growing apace, multinational companies face ever-increasing pressure to meet tougher compliance challenges surrounding their international insurance coverages that includes a loss sensitive component.

Classic loss sensitive programs, which proved their mettle on the domestic front, may not always meet the challenges posed by the patchwork complexity of compliance and regulatory roadblocks that pop up across country and regional borders.

"Meeting these compliance needs can help companies reduce unexpected local or country issues relative to their operations," explained Brian Winters, Head of Casualty Practice & SRS at Zurich Global Corporate in North America.

Zurich, in a search for better ways to meet those specific multinational needs, began to survey the competitive landscape and came away with a number of options. After taking a deep dive, it realized that the "global corporate" market – companies with revenues in excess of \$750 million – were hungry for a product that would help them meet those growing global compliance hurdles.

According to Winters, one of the better ways to get there is by using a sponsored captive insurance company which houses protected cells, a variation of a traditional captive that allows an insured to have an individual "cell." Ultimately, the sponsored captive can be comprised of many cells that can be utilized by any number of companies. Typically, a sponsor company (Zurich) sets up and owns the core company, but allows for insureds to use their own "cells" for risk retention business in a compliant, cost-effective and flexible way.

In Zurich's case, the company will offer its new sponsored captive facility, to provide clients with the flexibility and

its market research and talked to customers and brokers in North America, the company found strong demand for Zurich to be able to offer a product along these lines.

Bauman said the main genesis of the product is to offer a loss-sensitive solution. While many Zurich customers already own captives, for various reasons, they may not choose to use their own captives to help meet international compliance challenges. Plus, for customers who don't already have captives, the cell facility also delivers that "loss sensitive" solution.

"The essence of our loss sensitive product offering is to provide customers with a broader product portfolio that can help them navigate those international compliance waters," Bauman said. "Many of our customers, particularly in the larger market, appreciate a broad range of loss sensitive products, and Zurich aims to provide these solutions."

Bauman added that the cell facility offering may start off initially in international casualty, but could also be highly effective in other areas within Zurich. In terms of domicile, Zurich chose Vermont, which has long been the top U.S. domicile.

Apart from global loss sensitivity features, Bauman said Zurich's captive cell also delivers cost effectiveness because it operates under a shared-expense value proposition and it is highly efficient around collateral.

"Our program will administratively be very efficient," Bauman said. "It's not at all burdensome in terms of customers being able to step in and utilize the product."

The Zurich product is secured through a trust, to help meet repayment obligations associated with loss sensitive programs. And while the typical group captive model does offer benefits, Bauman said these protected cells stand on their own for the exclusive risk profile of the individual insured.

With Zurich's cell facility offering, all funds are segregated, giving the customers protection from the other insureds that may be using the facility. A captive cell provides many of the benefits of a stand-alone captive insurance company and the customers can benefit from Zurich's expertise.

"We have done the groundwork and due diligence required to form the captive facility ahead of time, and efficiently manage the costs. We've already made the tough decisions required for such programs," Bauman said.

Matching Zurich's expertise is its technology prowess. For example, the company offers an award-winning proprietary tool for multinational insurance customers that tracks insurance compliance regulations worldwide. It is updated and upgraded constantly to provide our customers with the latest tax and insurance regulation updates on what's going on around the world.

"It's easy to imagine multinational corporations trying to do business in so many countries worrying about



MULTINATIONAL COMPANIES turn to insurers to help them meet global compliance standards.

changes in the way countries pursue taxes and insurance regulation," Winters said, adding that at the highest levels in an organization, there is no tolerance for compliance risk in terms of the global insurance program.

"The expectation is that the global risk manager is going to work this out, so our customers can really benefit from our technology on that front," he said.

Finally, there is the pure geography. The Zurich loss sensitive option further strengthens our customer's ability to do business with Zurich's assistance in over 200 countries and territories, an extremely broad scope covering practically anywhere customers have business operations.

"We've been in the insurance business for over 100 years," Winters said. "With this product we emphasize our commitment to the insurance industry."

For more information about Zurich solutions and risk insights, visit [zurichna.com](http://zurichna.com).

**"MEETING THESE COMPLIANCE NEEDS CAN HELP COMPANIES REDUCE UNEXPECTED LOCAL OR COUNTRY ISSUES RELATIVE TO THEIR OPERATIONS."**



— Brian Winters, Head of Casualty Practice & SRS, Zurich Global Corporate in North America

efficiency of a captive cell model.

"We worked through all the different factors involved in starting up a sponsored cell captive," Winters said. "Since the beginning of this year we picked up a lot of steam on the product, which offers our customers a product that lets them take advantage of their own experience."

According to Steve Bauman, Head of Captive Services at Zurich Global Corporate in North America, as Zurich pressed



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