

Time for independent agents to go global

Businesses are reaching for the golden global ring — are independent agents, too?



By Kathleen Ellis

More and more organizations are manufacturing, sourcing or selling outside the United States. For these companies, international expansion is a business imperative in the quest to stay competitive.

But as more companies go global, independent and regional producers may feel that placing insurance for international risks is outside their comfort zone. This perception can put them in danger of being pushed aside by the larger global brokers.

Fortunately, there are a number of ways that independent agents can add significant value and provide global reach to clients of all sizes.

Getting started

Among the first steps are to understand the local requirements and needs of global clients and to become students of the changing global trends and issues impacting businesses. By educating themselves, independent agents can be in a better position to educate their global clients about the international risks they face and the insurance they need to protect their operations and assets in the countries where they do business.

To do so effectively, agents first need to have a clear understanding of their clients' global operations. This is no small task when those operations are located thousands of miles away in a foreign country, where the people do not speak English, and local insurance requirements are unfamiliar.

Agents do not, however, have to hop on the next international flight or open up a new local office to gain an understanding of the local market and compete with larger brokers for international business. They have two types of valuable resources: an international carrier and a local broker.

Questions to ask when choosing a carrier include how long the company has been in business internationally and where it has offices. It is also important to determine who

will actually provide loss control or claims services — will it be an employee of the carrier or a third party?

Choosing local brokers can be even more complex. The idea of finding a trustworthy counterpart may seem daunting at first, but a number of organizations can provide agents with assistance in making these connections.

One way agents can expand their reach is through membership in a broker network, such



as AssurexGlobal or Worldwide Broker Network. These organizations have informative Web sites that can provide more detail about membership and criteria. Such organizations, however, may limit membership to just one or two brokers in any one geographic area, so some brokers may need to find another way to develop a global network.

Agents can also work with their insurance carriers to make connections overseas. Some of the large international insurance carriers will be familiar with local agents through their various local branch underwriters and may be able to provide the U.S. agent with a referral for a foreign counterpart. Chubb, for instance, maintains a database of professional agents in more than 70 countries around the world, accustomed to working with global accounts.

Correspondent brokers

Through its Correspondent Broker Service, Chubb screens potential correspondent brokers to ensure that they meet certain standards. First and foremost, the brokers are considered to be premier firms with knowledge of the nuances of international insurance. They also have English-speaking staff and the ability to provide a variety of local products.

Controlling agents in the United States that

need a referral can contact the service through their local branch underwriter. The service can identify a potential match, and then send out letters of introduction to both the controlling agent in the United States as well as the correspondent broker in the foreign country.

Regardless of how the connection is made, certain details need to be discussed in advance to avoid misunderstandings later that might affect client service. For instance, the two agencies need to work out what services the correspondent broker will provide and how compensation will be allocated.

Local brokers provide value by helping U.S. agents navigate the complexities of the local business environment and insurance practices. These local brokers will understand the insurance needs of the local market, such as for pure financial loss or environmental damages, as well as local terrorism or catastrophe pools, and they can help the controlling agent work through these issues effectively.

After the terms of the arrangement have been ironed out, the controlling broker in the United States has gained a foothold in the global market with a qualified counterpart who can provide his accounts with important global services — without the need for a major investment in staff or new office space.

A controlling broker from Illinois, for instance, was able to use the Correspondent Broker Service to locate a correspondent broker in Japan, who helped arrange a holistic program that not only met local standards but also included policies outside the global program, such as auto insurance. The Japanese broker was also able to coordinate loss control services and issue certificates of insurance.

In Japan, the role of the correspondent broker is particularly critical because it is illegal in most cases for a Japanese insurer to collect premium payments from a client outside of Japan. The local broker can collect the premium and remit it to the carrier in a timely fashion, which is important because the policy cannot incept in Japan before the payment is received.

In another example, a controlling broker based in Boston had a client with operations in Mexico, but the broker did not have a local office in that country. In Mexico, however, it is especially important for a controlling broker to have a local broker on the ground because the

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government requires a vast amount of detailed paperwork before a policy can be issued. Mexico does not allow policies to be backdated, so a client could face a lapse in coverage if the U.S. broker attempted to handle the paperwork and then ran into delays. By using Correspondent Broker Service, the controlling broker was able to find a correspondent broker, arrange the insurance and make sure the policies were issued on time.

A matter of trust

Despite the benefits, some smaller agencies may be reluctant to work with a correspondent broker, seeing that broker as a competitor that would try to lure away their business. While that risk can never be ruled out entirely, a rep-

utable, screened broker has plenty of incentive to participate according to expectations and maintain a good reputation. The correspondent broker likely has global clients of its own and will need assistance in arranging foreign insurance from time to time.

Arrangements such as these can go a long way toward leveling the playing field, giving smaller agencies a chance to retain clients entering the global marketplace who might otherwise be compelled to seek out a larger broker.

Large brokers may indeed be capable of providing an array of global services under one roof, but it can come at a price. For instance, large brokers may not have the flexibility to alter local fee structures for com-

missions charged when their foreign offices provide services.

The smaller independent agency can claim some compelling advantages as well. For instance, independent agencies typically have lower overhead, greater flexibility and a history of strong relationships with clients,

So when their commercial accounts move into the global marketplace, independent agents can be well positioned to do the same. Rather than face an ever shrinking list of accounts, why not grow along with the crowd? **■**

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