

# Global, Local, Digital:

## *Multinational Insurance in a Transformed World*



# Welcome

Hello,

We are delighted to present this report on trends, challenges and best practices in managing multinational portfolios. This comprehensive assessment reflects our commitment to streamlining and simplifying the management of multinational insurance programs.

In an era where global interconnectedness has become the norm, managing multinational insurance portfolios is more complex and vital than ever before. This report delves into key trends shaping the industry, including the profound impact of digital transformation; the challenges of complying to multiple regulatory regimes; the need to establish a stable, robust and highly trained workforce; and embracing market trends such as the growing prominence of ESG factors and cybersecurity threats.

Our report outlines how insurers can address these risks through embracing innovative tech, streamlining processes and developing robust risk assessment frameworks. We also explore the importance of partnerships and collaboration in accessing new markets and enhancing our product offerings.

In publishing this report, our goal is to equip those managing global portfolios with both the market knowledge and strategies needed to navigate the complexities of the multinational insurance market effectively. We hope this report serves as a helpful resource, guiding your efforts to provide exceptional service to clients and stakeholders worldwide.

*We believe this report provides valuable insights. We hope you enjoy the read.*



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## Executive Summary

Having adequate insurance in place is essential for companies to protect their operations. As businesses grow and spread across jurisdictions managing portfolio administration becomes more complex, and it is far simpler for multinational businesses to entrust their coverage needs to a single insurer.

### These insurers therefore need to:

1. have the ability to provide adequate and comparable coverage in multiple jurisdictions – through collaborations and partnerships where necessary;
2. build processes and operational procedures that ensure transparency and account for managing diverse workforces and varying data quality;
3. establish a robust regulatory compliance framework that ensures continuous compliance and therefore helps maintain market stability and transparency;
4. invest in the right technology that allows insurers to adopt master wordings, systems and processes that can be managed simply, and from a central position; and
5. be flexible enough in their approach to embrace and adapt to emerging risks and market trends – such as climate change and natural catastrophes or cyber security threats.

This report further examines best practices such as comprehensive macro-economic analysis, thorough risk assessment, and selecting the right partner networks.

***In short, multinational insurers must adopt a universal strategy that incorporates local challenges and has the ability to address emerging risks.***

Training and development programs are vital to keep employees updated on regulations and market trends. And implementing technology platforms must ensure operational efficiency, maximum visibility and improved customer experience across diverse regions.

# Key Trends in Multinational Insurance

The insurance industry is undergoing radical shifts, driven by factors including fluctuating interest rates, the emergence of new markets, and changing consumer demographics.

Multinational insurance has become essential for companies looking to protect their assets and operations worldwide. However, balancing an international risk profile is challenging, and it is often simpler for the client to entrust one insurer to do this for them.

Whilst data analytics and emerging technologies offer valuable insights into the risk profile of the client's business in each territory, the challenge for the insurer comes in deploying a master policy across jurisdictions in a manner appropriate for each local market, but which is stringent enough to withstand all applicable regulatory and compliance requirements, and that is consistent enough to simply administer.

As this insurance market grows, and as multinational programs become more commonplace, opportunities to make portfolio administration simpler are becoming apparent. For example, the insurance industry's digital transformation has opened up new avenues for multinational insurers to enhance and streamline their processes, improve on service delivery and administer global program management simply, and from one location. Insurers urgently need to address how best to implement technology across their global portfolios if they are to thrive in the market.

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## Digital transformation

Digital tools and advanced technologies help multinational insurers expand their reach and provide better services to customers across geographies. Data analytics and automation help insurers apply consistent underwriting rules, process claims faster, offer personalized solutions, and accurately identify potential risks.

### AI, Gen AI, ML

Artificial Intelligence (AI), Generative AI (Gen AI), and Machine Learning (ML) work together to process vast amounts of data. AI algorithms identify patterns, predict risks, and make underwriting more efficient. Generative AI works like humans to mimic our capabilities and generate new ideas. These technologies help with more accurate risk assessment, fraud and anomaly detection, and the development of tailored insurance products. Their speed and accuracy can help to greatly increase efficiency and customer satisfaction.

### Data and analytics

Insurers can analyze data to gain insights into customer behavior, preferences, and risk profiles. It can help generate the following types of analytics for optimizing insurance offerings and delivering a bespoke service to the client in each jurisdiction:

- Prescriptive analytics to recommend specific actions and strategies for insurers to improve their processes, products, and services.
- Advanced analytics techniques to segment customers more effectively, design products to meet their needs, and set more accurate pricing.
- Predictive analytics to forecast future trends, helping insurers to better prepare for emerging risks and opportunities.

Digital revolution in the insurance industry will have a profound impact on businesses managing multinational portfolios. Gen AI, ML, and data analytics will help achieve a level of precision and efficiency previously thought to be unattainable.

- Large corporations with international footprints require insurance solutions that address the specific risks and operational needs of each local market. AI and predictive analytics will help accurately assess risks associated with operating in different geographic regions while simultaneously meeting the specific insurance needs of the client.
- Automation and data analytics significantly speed up the claims processing cycle, providing faster resolutions even when dealing with claims across different countries.
- AI-driven tools can help manage regulatory compliance across multiple jurisdictions by monitoring changes in real time and flagging cases of non-compliance.

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## Shifting regulatory compliance needs

Compliance with the requirements of regulatory bodies is a non-negotiable for conducting international business. It is essential, therefore, that multinational insurers can tackle complex and varying compliance burdens. The regulatory requirements vary from one region to another. Jurisdictions around the world constantly update their rules and standards to protect consumers, ensure market stability, and prevent financial crimes. These greatly influence claims settlement across countries.

Multinational insurers must manage a complex web of local and international regulations to ensure they are always up-to-date and compliant in each jurisdiction. This includes compliance with the stringent requirements

of data protection laws such as GDPR in the Eurozone. Further, they must understand the tax implications and accounting practices of different companies.

*Multinational insurers must be able to adapt to required changes and must be able to demonstrate compliance*

For example, the introduction of IFRS (International Financial Reporting Standard) 17 requires insurers to increase transparency and comparability.

Multinational insurers must be able to adapt to required changes and must be able to demonstrate compliance with IFRS 17 in order to continue to provide their clients a competitive advantage.



## Environmental, Social & Governance (ESG) factors

85% of insurers report that ESG impacts investments, underwriting, risk, and internal audit processes. They are facing increasing pressure from customers, investors, and regulators to incorporate ESG factors into their operations. They must consider environmental risks, social responsibility, and good corporate governance.

Multinational insurers face unique challenges as they need to provide services across countries with different ESG frameworks. They must align their underwriting and investment standards with local ESG principles while still adhering to global standards of responsible business practices.







## Emerging risks

Insurers are working on means of proactively identifying and predicting emerging risks in order to give early warnings. Insurers must provide expertise, financial resources, and risk transfer solutions for companies to mitigate emerging risks. The common risks insurers dealing with large multinational companies grapple with include:

- **Climate change:** Climate change significantly threatens global stability, impacting natural ecosystems, weather patterns, economies, and communities worldwide. According to a recent PWC report, on average 26% of a multinational insurer's ESG efforts are directed to minimize the impact of climate change. Insurers are adjusting their underwriting rules and investment standards to align with ESG principles.

As the frequency of natural catastrophes (NatCats) increases, insurers must prepare to handle claims related to extreme weather events like hurricanes, floods, heat waves, droughts, and wildfires. They must reassess risk models and pricing in order to account for the growing incidence and severity of these events.

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- **Cybersecurity concerns:** With digital transformation becoming a norm across industries, cybersecurity has emerged as a critical risk for multinational companies. The interconnected nature of the insurance industry and the increasing reliance on technology make insurers vulnerable to cyber threats. System and/or data breaches can lead to substantial financial losses, reduced customer trust, and regulatory penalties. Insurers must invest in robust cybersecurity measures to protect sensitive data, prevent cyber attacks, and maintain the trust of their customers and stakeholders.
- **Energy and resource scarcity:** Increasing energy demand worldwide poses a risk to the stability of both geopolitics and the global economy. Insurers must consider how any scarcity of natural resources can

lead to increased costs and business interruptions for insured entities, especially in industries highly dependent on natural resources. By integrating ESG factors into their risk assessment and investment decisions, insurers can mitigate risks related to resource scarcity.



## Partnerships and collaboration

Multinational insurers must collaborate with trusted third parties to access new markets, share resources, and tap into emerging technologies. They must partner with insurtechs and service companies to develop innovative solutions for their customers.

Collaboration facilitates the expansion of product offerings, improves customer experience, and increases operational efficiency. By working together, insurers can leverage differing strengths and expertise to better serve their customers and adapt to the market's evolving needs.

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## Growth of captives

Amidst rising complexities in the insurance industry, traditional coverage options may not be adequate. As a result, many multinational businesses are turning to captive insurance solutions, which provide customized coverage for unique risks. Captives also offer tax benefits and allow companies to retain more control over their insurance programs.

There are over 7,000 captives globally, and the number is growing. Multinational insurers are adapting by offering more flexible and customized solutions to compete with the growing captive market. Many are partnering with captives to provide risk transfer and other services.

# The Challenges of Running Multinational Insurance Programs

Operating in multiple countries presents a unique set of challenges. Some of the common roadblocks include:



## Resource

Multinational insurers must manage a diverse workforce spread across various countries. Cultural differences, language barriers, and varying employment laws can complicate human resources management, training, and development. Hiring and retaining skilled professionals with expertise in international regulations, languages, and cultural nuances is a constant struggle. Another key people challenge is providing continuous training to employees and keeping them updated on regulatory changes and industry trends.



## Operations

Multinational insurers encounter operational hurdles such as:

- Reliance on outdated manual processes and sprawling email communications for transaction reconciliation, which can significantly delay operations.
- Varying data quality. Reliable data for analytics is essential for quality underwriting decisions and in order to deliver actionable insights.
- Limited transparency can lead to misunderstandings and inefficiency among teams and departments.
- Coverage uncertainty can negatively impact customer satisfaction and trust.
- Products must adapt to local markets while maintaining global standards.
- Managing multiple currency transactions and cross-border insurance claims.

*Ensuring efficiency and profitability across diverse markets demands strategic planning and deliberate execution.*



## Processes

Varying regulations across different jurisdictions require procedural adjustments. It affects everything from policy issuance to claim settlement. Standardized procedures must allow for localization to reduce errors and inefficiencies.

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## Technology

Adopting enterprise ready technologies such as Distributed Ledger Technology (Blockchain), Gen AI, etc. to enhance customer service and achieve operational efficiency presents its own challenges. Interoperability of systems across different regions, along with compliance with data protection laws, are critical issues. Multinational insurers must continuously invest in updating their systems and training their staff to keep up with rapid technological changes. All systems must be safeguarded against cyber threats to help ensure regulatory compliance.



# Mitigation Strategies: Adopting Industry Best Practices

Insurers must adopt innovative strategies to overcome the challenges of catering to large enterprises operating in different countries. Some of the best practices include:



## Adequate coverage

Multinational insurers must offer comprehensive coverage to meet each country's unique risk profiles and regulatory requirements. But issuing unique policies by jurisdiction is both unrealistic and difficult to manage. Therefore, most multinational insurers deliver a "master" policy which is then tailored by jurisdiction. Doing so effectively requires extensive research, risk assessment, and proper documentation. Bain and Company suggests **collaborating with trusted local insurance providers and brokers** to gain insights into regional risks and offer bespoke coverage solutions.



## Comprehensive macro-economic analysis

Insurers must continuously monitor the global economic landscape for potential risks to their investments and operations in a particular region. This includes understanding local market dynamics, regulatory developments, and geopolitical issues that can impact the risk profile. **Advanced data analytics and risk assessment tools help insurers identify potential risks and opportunities in different markets faster**, enabling informed strategic decision-making.



## Thorough risk assessment

The number of global risk factors is growing due to an increase in supply chain disruptions, climate change, and cyber breaches. Multinational insurers must also account for other emerging risks related to AI, greenwashing, biodiversity, and deglobalization. **Thorough risk assessments help insurers stay ahead** by proactively addressing challenges like technological advancements, environmental changes, and geopolitical shifts.

Their underwriting practices, pricing strategies, and coverage offerings must align with the risk profiles of different markets and client segments.

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## Selecting the right partner network

Partnering with experienced local insurers and third-party service providers (TSPs) can help multinational insurers build an extensive network to support their operations. The focus here must be on **selecting and working with the right partners**. Particular attention should be paid to:

- **Network and partnership agreements:** Best practice is to have a comprehensive partnership agreement in place. It should clearly define the responsibilities of each partner. It should outline:
  - Clear policies and procedures to assist in streamlining operations.
  - A governance structure that defines responsibilities, performance indicators, and dispute resolution mechanisms.
  - Data protection protocols, including data sharing agreements, that ensure strict compliance with international regulations.
- **Distribution across territories:** Through strategic partnerships, insurers can access the distribution channels of local insurers. Their expertise and experience help strengthen customer trust. They can also assist with market analysis, product development, localization, and regulatory compliance.





## Compliance with local and regional regulations

Insurers face varying regulatory environments when handling customers with operations across multiple countries. They must emphasize fairness and flexibility while offering consistent and reliable consumer protection. **Operations processes and underwriting rules must be structured in a way that supports adherence to regulatory requirements.** Further, they must be able to document adherence and demonstrate having compliance procedures in place.

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## Customized global program

Multinational insurers must have a centralized and standardized program management process to manage global operations efficiently. This should include risk assessment, underwriting, pricing, claims handling, and regulatory compliance. **Customized programs allow insurers to tailor coverage to their specific customer requirements while eliminating overlaps.**



## Building the right expertise

Multinational insurers need to employ professionals with cross-cultural and international experience to deliver quality services across all client locations. They must understand cross-border coverage, regulations, local market dynamics, and business practices in different regions. **A diverse workforce can also help mitigate cultural differences and improve collaboration** across teams.



## Develop an effective universal strategy

Multinational insurers must have a formal innovation strategy to meet emerging customer needs. The universal strategy must comprehensively cover various local challenges and consider emerging risks related to climate change, cybersecurity, and technological advancements. Their **centralized risk management framework** can identify, assess, and mitigate risks across different markets.



## Cybersecurity

Insurers are challenged by the need to improve cybersecurity practices to protect against cyber threats. Cloud storage has raised concerns about data security while supporting remote work. Multinational insurers must invest in a robust cybersecurity framework to protect customer data and confidential business information. **Best practice includes regular audits, employee training, encryption protocols, and intrusion detection systems to avoid cyber attacks.**



## Training and development

Investing in training and development programs helps to motivate and solidify teams, as well as keeping employees up-to-date on evolving regulations, market trends, and technological advancements. It helps build a skilled workforce that can effectively navigate different markets and provide innovative solutions to customers. Training on regulatory compliance ensures employees are well-versed in local and regional regulations. **Insurers must focus their training programs on innovation to enable employees to adapt to changing market trends, new technologies, and customer needs.**

*Customized programs allow insurers to tailor coverage to their specific customer requirements while eliminating overlaps.*



## Effective technology platform

Implementing a robust technology platform helps insurers improve operational efficiency, ensure contract certainty, and enhance customer experience.

Digital tools help insurers automate processes, reduce manual errors, and provide faster services to customers. It includes using technologies like big data analytics, AI, ML, and IoT to gather data for analysis and make informed decisions quickly.

## The Xceedance Edge

Xceedance is a multinational insurance service provider that empowers global insurance organizations with strategic operations support, innovative technology, and data-driven insights. As an insurtech, Xceedance offers a unique edge to its competitors through its in-house digital solutions.

Our data-driven and consultative approach brings together all clients on a digital platform. The AI-powered platform is designed to streamline insurance operations and enhance the efficiency of cross-border coverages.

## About ChainThat

Established in 2015, ChainThat is an Xceedance subsidiary based out of London. It specializes in developing SaaS platforms tailored to the needs of global Insurers, Brokers, Underwriting Agencies, and Lloyd's coverholders.

At the core of ChainThat's innovative streak is the design team, which has over 80 years of collective experience in the insurance sector. The team comprises seasoned architects and technologists with profound expertise in

The chosen platform must connect all entities to provide a single source of truth. It should be able to generate real-time insights to ensure data security. To cater to customer needs across different countries, **the platform must be able to handle diverse data formats, languages, and regulatory requirements.** It should stay current with data protection laws, financial regulations, and environmental standards. Further, platforms with the ability to standardize data formats and processes across different countries can help streamline operations, improve data quality, and enhance decision-making.

We have a seasoned team of specialists with comprehensive knowledge of the insurance lifecycle. They guide clients through every step in administering international insurance programs.

Xceedance serves over 100 countries, making it a trusted partner for multinational insurance organizations. Our blend of technology and expertise helps us stay competitive and achieve operational and country-specific compliance adherence.

crafting innovative solutions in the insurance value chain. ChainThat's Multinational Program Management platform has potential to eliminate up to 30% of multi-party operational inefficiencies.

The ChainThat platform saves time and capital costs while supporting process automation and mitigating risk exposure. ChainThat's forward-thinking approach puts customers at the forefront of insurtech innovation.



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