FLIGHTPLAN

Introduction

Chapter Nine

Flightplan was conceived by AngelNews and its partners in spring 2006 to provide a no-nonsense guide with the answers to all the key questions asked by both entrepreneurs and their investors. It takes a unique format, where each preferred partner provides written response that delivers their own expert knowledge on the issue in hand.

The first eight editions of Flightplan, which can be downloaded from www.angelnews.co.uk covered a wide variety of topics starting with "what is my business worth?" This month our Preferred Partners will be answering the question "How do I expand my global footprint?" Gabriel, as always, will give his punchy views on the subject whilst our Preferred Partners will be answering in the context of Broadening Business into Europe, What about my tax footprint, Protecting your IP Rights Internationally, Naked Ambition. Conquering the World and growing up and Getting the insurance protection you need.

Enjoy this Ninth chapter of Flightplan – we hope it helps you as you plan, launch, fly and land your business.

Modwena Rees-Mogg

Editor, AngelNews

Contents

Chapter Nine How do I expand my global footprint?

	Page
- according to Gabriel	3
- Broadening Business into Europe	6
- What about my tax footprint	9
- Protecting your IP Rights Internationally	13
- Naked Ambition. Conquering the World and growing up	16
- Getting the insurance protection you need	19

How do I expand my global footprint?

According to Gabriel

Well, well! You are doing well now aren't you? Dominated your domestic market yet? Almost….

OK, so if you want to expand globally you really do need the benefit of my advice. I have done it, been burnt, tried a second time, got burnt again, lost a pile of money and then and only then did I master how to do it. And the tricks are not always obvious.

Did you know that Coca-Cola subtly alters the flavour of Coke depending on the country it sells in? It's a good thing to remember when you start thinking of taking that natty bit of kit overseas.

Pay attention to subtlety in all areas not just your product (where it should go without saying) – think dress, greetings, follow-ups, Indian fix-it men and much more. 20 years ago, women in North Asia were a no no – however good they were – so you may have to think hard if you are entering a country where you will just make it more difficult by sending as your representative someone who will face bigotry for a reason lost to us in the UK.

There is the knotty question of smoothing your way to business abroad. Friends of mine in the City back in the nineties were forever moaning that they had won competitive tenders in various Far Eastern countries, but had not then been awarded the contract – which went to another big player. In some areas brown envelopes work! In others – Finland, is a good example, it's the polar opposite. Don't get this wrong and be careful – there is a reason why people use local agents to help them penetrate some countries. But don't let different business cultures put you off – I benefited massively from having a "made in Britain" product when I went to Japan in the 1980s. I only lost out when I tried to get into the US – when I got totally and utterly splatted (not even squashed) because I did not understand the dynamics of the very market I thought I identified with so well! Prêt a Manger got it right when they partnered with McDonalds before going into the US. In fact partnership with someone who knows the culture is probably best for you at this stage. I never tried to enter markets via trade delegations (which I saw as the Business Link of overseas business!)– and anyway I thought keeping out of sight of government was always a good idea until I lost out on that knighthood the other day. I know: thinking of your future benefits to the country in your role as a Life Peer, I reckon I will send you on one and then we will know won't we?

How do I expand my global footprint?

According to Gabriel

Have you got your brand as right as your product? Orange found the Netherlands a wee bit difficult to penetrate – not surprising really when you think about it. I bet you haven't yet done your research into what your brand name means when translated into Mandarin – so go away and talk to some people before you go any further. (The reason my first foray into France failed was that my oh so cool 1970s brand meant something very obscene in the housing estates around Paris).

You know what. I learnt from bitter experience that I needed to lean heavily on my advisers first and do much more market research than I could have believed possible before I went abroad. I found I needed accountants to advise me on tax – (why do UK governments want to do us over wherever they see a penny or two of profit?) – lawyers to set me up right when it came to agreements with agents, property leases, employees, commercial contracts (and on and on and on…..!), the guys who got me my trademark protection and funnily enough, especially my insurers – who saved my bacon on that fraud I uncovered in the Singapore office. Without them I would have been well and truly bust that time. I call it my Barings moment.

One thing I still massively resent is exchange rate risk – I don't like the political structure in the EU, but I must admit that only having to deal with the Euro in much of Europe did save me a load of hassle and money because I lost all those costs on regularly currency transactions. And thinking of the pennies I wished I had learnt earlier about recovering VAT on everything I spent in the EU – it was the lorry drivers' petrol receipts where I would have noticed it the most if I had realised early enough. By the way, thinking of exchange rate risk – how are the US sales going? – I can't remember, but did you adjust the budget for the effect of dollar movements?

OK so go abroad you must. Just make sure that if you are going to whip all my cash and take yourself off to California, when you come back Sir Walter Raleigh style, remember to shower me with a share of the diamonds, gold, tobacco, potatoes and tomatoes you discovered there. And talk to me occasionally will you? Carrier pigeons went out of fashion a long time ago and maybe just maybe if I decide I don't trust you I might just take a holiday detour to San Francisco at Christmas.

How do I expand my global footprint?

According to Gabriel

You asked me about employing local people and how to ensure your smiley happy culture will work over there. Well you need to build an inspirational culture and take all those things that keep the team happy over here over there – if the staff like bringing their kids to work at weekends here – it will probably work over there as long as there is a crèche too.

Avoid getting all unionised. This can be tricky, but you will regret it if the staff can be put in a position of power over you. At the end of the day, YOU ARE THE BOSS of the team I am backing and I like it that way. All this ethical stuff is getting in the way of business these days – so no children working the machinery or locked fire escapes in the factory please! And check for yourself on issues like this – I don't like bad press and although I may have a bit of influence over Fleet Street these days when it comes to my own interests, tough luck I won't use it to help you.

Talking about all this modern stuff – stop travelling so much and use that internet conferencing system you made us buy. What? You think I am worried about your carbon footprint? No, I am just plain worried about the bottom line! And on that note, remember – going abroad is about making money not growing your own ego.

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How do I expand my global footprint?

Broadening Business Into Europe

Calum Murray, Kemp Little LLP

So, your business is establishing itself nicely in the UK and you're now considering expanding your operations throughout the European Economic Area (referred to in this article as "Europe" for simplicity). Question is, how should you operate in these new markets? In this article, Calum Murray of Kemp Little LLP explores expansion routes of franchising or local incorporation and hiring employees as well as agency or (selective, exclusive or fully open) distribution models.

"Genuine Agency" v Distribution

If you follow this likelihood, the agency versus distribution distinction is crucial. Using a "genuine agent" means the majority of European competition laws won't apply to the arrangements underpinning their relationship. Unsurprisingly, achieving this legal side step is not as simple as labelling the arrangements an 'agency'. Broadly, for the purposes of European (and related national) competition laws ("Competition Laws"), a "genuine agent" must:

- be a self-employed intermediary acting for remuneration;
- have real continuing authority to negotiate and conclude the sale
- or the purchase of goods on a principal's behalf ;
- bear, at most, minimal financial or commercial risk in relation to
- its appointed activities;
- not be exposed to contractual risks with customers; and
- not be required to purchase stock from the principal for resale.

The Commercial Agents Directive (Directive 86/653) (the "Directive").

Genuine agency arrangements may avoid most European competition law rules, but they are very likely to be regulated in Europe through the Directive which deals with:

- rights and obligations of principals and agents which are
- mandatory;
- agent remuneration;
- agency agreement termination;
- compensation of the agent on termination; and
- post-termination non-competition clauses.

How do I expand my global footprint?

Broadening Business Into Europe

In introducing the Directive to national law, EU member states could take account of local laws. This approach created a patchwork of implementation of the Directive throughout Europe and a far from uniform set of local agency regimes. In turn this can create pitfalls for businesses seeking to expand into new European markets through agency, for example:

- the Directive applies in addition to national laws - such as UK
- common law obligations or Italian collective bargaining
- agreements;
- the Directive expressly does not apply to agency agreements for
- services supply – yet in France such arrangements fall within the
- French implementing legislation;
- the Directive as implemented in Germany excludes part-time
- agents – but German legislation but does not define when an
- agent is part-time, it being a question of fact in each case; and
- the Directive may be excluded in France if the parties can
- establish a contractual relationship whose main purpose is
- something other than agency and provide for an agency
- relationship as a subsidiary activity.

Furthermore, having its origins in French and German legislation, the Directive grants agents greater levels of protection than would otherwise have been found in the UK. Perhaps the key protection in the Directive (and so those national laws implementing it), is that commercial agents selling goods in Europe are legally entitled to a lump sum payment on termination of their agency agreements (when the agent is not at fault or has not sought the termination). This payment can be sought by way of indemnity (capped at one year's commission) or (uncapped) compensation. A recent landmark ruling of the House of Lords clarified in calculating the amount of such compensation, the UK courts will consider:

- what is it an agent is to be compensated for - the loss of future (net) commission income expected on proper performance of the agency contract; and
- how that compensation is to be valued – on the basis of what a hypothetical purchaser would pay for that agency on the open market.

How do I expand my global footprint?

Broadening Business Into Europe

However this new found certainty on compensation calculation in the UK provides little comfort for your business looking to operate in Europe. Germany adopts an indemnity method, while in France, contrastingly, the compensation method (and a related French local practice of valuing agencies at twice the average annual gross commission) is preferred. Understanding the regime of national law in each territory you intend to operate in will have a direct impact on your decision whether or not to use an agent, employee or distributor.

Distribution

These questions surrounding arrangements with local agents may be sufficient to make a distribution model more attractive. If so, when establishing your distribution arrangements you will need to be aware of the impact of Competition Laws that prohibit agreements:

- which affect trade between EU Member States; and
- that have an anti-competitive object or effect.

In seeking to avoid the unwanted intrusion of Competition Laws you should be especially wary of entering arrangements which try to share markets, limit production, or set the resale prices or other trading conditions. However, Competition Laws will not apply absent a sufficient effect on competition.

Further, your distribution agreements may be automatically exempted from Competition Laws on a block exemption basis where:

- they contain no black listed terms (e.g. resale price maintenance or territory or customer allocation); and
- your market share is less than 30% (in a non-exclusive supply agreement).

If your market share exceeds 30% the distribution agreement is not automatically void under Competition Laws, equally it will not be exempt from their regime. If you are a dominant supplier in your product market you must also be careful not to discontinue supplying a distributor without objective justification or to discriminate by treating similar situations differently.

In considering the probable impact of Competition Laws on your distribution arrangements it is helpful to consider:

How do I expand my global footprint?

Broadening Business Into Europe

- do you or the distributor hold in excess of 15% of the relevant market – if not, it is unlikely that the arrangements have sufficient effect on competition in the market for Competition Laws to apply;
- are there black listed terms in your arrangements - if so, Competition Laws may well apply to render your arrangements wholly void;
- if market share exceeds 30% but your agreements have no black listed terms – any restrictions on your distributor are not automatically anti competitive, but need to be assessed case to case; and
- is your supposed distributor actually acting as your agent – if say, he holds no stock or has no commercial risk in customer arrangements it is not likely that you have appointed a distributor and rather than Competition Laws, the Directive may apply.

Paramount in considerations of how to expand your business into Europe is employing the mechanism which best suits your requirements. Making that evaluation rests on understanding, and becoming comfortable with, the potential impacts of the model you are adopting. Agency and distribution laws vary greatly throughout Europe and both European and national laws must be considered. This may appear a lot of effort as you're growing your business, but it should be a lot less effort than negotiating indemnities or compensation with agents you never realised you had or finding your distribution agreements are void when you need to rely on them.

To find out more about Broadening Business Into Europe, please contact Calum Murray at Kemp Little LLP email: calum.murray@kemplittle.com

How do I expand my global footprint?

What About My Tax Footprint

Brian Williams, Vantis Tax Ltd

Tax is one of those things that you usually have to start thinking about early – and international tax issues definitely fall within this category.

When a UK company expands internationally it may simply be reacting to demand from overseas customers or to an approach by an overseas supplier. In this type of situation – reactive rather than proactive – there is unlikely to be a great amount of forward planning. So long as the international business is relatively small no opportunities are likely to be lost and no pitfalls are likely to be stumbled into, but, if the level of business increases substantially it will be important to plan accordingly. If the international expansion is planned – more proactive than reactive – it may well be that a structure can be put in place to take advantage of opportunities and avoid pitfalls.

It should be stated right from the start that, for a UK domiciled individual, there are not many opportunities to significantly reduce the tax burden on profits made from international trade. However, for individuals who are not domiciled in the UK there are many more opportunities. Domicile is a complex concept and means more than mere residence – one's domicile of origin is established at birth and it is not easy to replace it with a domicile of choice.

Perhaps the best way to consider offshore tax planning is to describe what businessmen would like to be able to do and to explain how, over many years, the tax system has been developed to thwart them.

At its simplest, Mr X of X Limited in the UK may have met a chap at the golf club who has claimed that all he did was set up a company outside the UK through which he channelled international business activities. Of course the company would be set up in a tax haven that levied little or no tax on the profits kept outside the UK.

There would be several reasons why the chap at the golf club is almost certainly wrong – or perhaps is right, but only because the tax man has not yet found out about the non-resident company ('NRC')!

How do I expand my global footprint?

What About My Tax Footprint

To have any chance of successfully keeping profits outside the UK tax net, the NRC would have to be a genuine non-UK resident company. This means that it would have to be formed in a jurisdiction outside the UK and would have to be centrally managed and controlled outside the UK. The first of these conditions is fairly easy to satisfy, but the second may not be so; NRC would have to be managed and controlled by parties other than Mr X, both in theory and in practice.

Even if NRC is successfully established as a non-UK resident company, HM Revenue & Customs ('HMRC') can review the terms of business between X Limited and NRC, to ensure that the profit made by NRC is no more than it ought to be having regard to all the circumstances. There are very specific provisions in the transfer pricing legislation, but these will not apply to a 'small' company – generally a company with fewer than 50 staff, a turnover of less than €10 million and a balance sheet value of less than €10 million. However, there is less specific (but still fairly well-established) legislation and case law that would prevent a disproportionate level of profits being attributed to NRC for UK tax purposes.

Even if NRC is properly constituted as a non-UK resident company and does business with X Limited on terms which cannot be successfully challenged by HMRC, it is still possible for profits earned to be subject to UK tax as they arise. This would be the case where a UK resident individual, say, Mr X, transfers assets abroad, say, by setting up NRC, and there is a prospect (however remote) that either he or his spouse will or may benefit in any way shape or form from the value that builds up offshore. This legislation is extremely widely drawn and would result in Mr X suffering an income tax charge in the UK calculated by reference to the profits of NRC.

Whilst this would seem to rule out any possible benefit from establishing NRC, that may not be the case. If Mr X is already sufficiently successful to not need any of the value created through NRC, he may choose to create a structure, perhaps involving a non-resident trust ('NRT'), for the benefit of others besides himself and his spouse – for example, children and other lineal descendants.

How do I expand my global footprint?

What About My Tax Footprint

In such circumstances any profits earned by NRC would be subject only to tax in the country of residence (no doubt a no-tax/low-tax jurisdiction) and there would be a UK tax liability only when some of the accumulated profits are brought into the UK by one of the persons entitled to those profits, e.g. by one of the children or other lineal descendants. Of course, it may be that one of those persons entitled to share in the profits is not resident in the UK at the time value is transferred to him, in which case there would be no liability to UK tax at all.

The situation regarding capital gains is much the same as is outlined above, except that in order for Mr X to avoid any capital gains tax ('CGT') liability on gains made by the offshore structure, he would have to exclude from benefit not only himself and his spouse, but also his children and grandchildren! This clearly requires a very long-term approach to tax planning and is probably unattractive to most UK resident and domiciled individuals.

From the above it can be seen that individuals domiciled in the UK have only limited opportunities to use offshore structures to shelter profits or gains from tax, and must take something of a dynastic approach in order to be attracted to this type of planning. However, for individuals who are not domiciled in the UK there are considerable attractions.

If Mr X were not domiciled in the UK then the profits or gains made by NRC would **not** be caught by the legislation that attributes them to Mr X. So, a non-UK domiciled Mr X could build up profits and gains outside the UK and would suffer a tax liability in the UK only if, and to the extent, that he brought those profits or gains into the UK at a time when he was resident in the UK. Furthermore, if Mr X was also treated as not domiciled in the UK for inheritance tax ('IHT') purposes (and there are special rules that deem a non-UK domiciled person to be treated as UK domiciled after a certain length of time), then that wealth that accumulates outside the UK would also be outside the scope of IHT. If the non-UK domiciled individual was in danger of becoming deemed domiciled in the UK in the near future, then he could arrange that the wealth be accumulated in an offshore trust in circumstances where it was forever outside the scope of IHT.

In summary then, our Mr X of X Limited who finds himself doing business overseas should at least consider whether there are opportunities to keep some income and/or gains outside the scope of UK tax.

How do I expand my global footprint?

What About My Tax Footprint

If he concludes that his circumstances simply do not allow for that sort of tax planning, he should nevertheless consider which non-UK jurisdiction is most appropriate to carry on his activity from. There may be little choice in the matter in that the base of operations has to be near either the customers or the suppliers but, if there is any choice, he should consider which jurisdiction has the lowest tax rates, the best tax incentives for inbound investment, and/or the best network of double tax treaties (these are agreements that override domestic law and ensure that profits are taxed in one jurisdiction or the other).

All of the above relates only to income tax or CGT. VAT is another issue altogether and requires careful planning to ensure that the lowest rates are applied.

Vantis Tax Ltd is a subsidiary of Vantis plc. As a tax planning consultancy, Vantis Tax provides tailored taxation advice to individuals, businesses, companies, investors and trustees on a worldwide basis.

To find out more about "My Tax /Footprint, please contact Brian Williams at Vantis Tax Ltd, email: brian.williams@vantisplc.com

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How do I expand my global footprint?

Protecting your IP Rights Inter-nationally

Richard Jackson, Carpmaels & Ransford

If you intend to take your product into overseas markets, then possession of IP rights in those markets is generally essential in order to limit competition. There is a major risk that your product will simply be copied by local competitors in the absence of IP rights.

Copyright (used mainly to protect literary and artistic works and computer programs) automatically extends to most countries if the copyright work was created in the UK.

However, trade mark registrations, patents and design registrations are territorial in nature. So your UK registrations can only be used to protect you against competitors in the UK.

You can register your trade marks, designs and patents in just about any country of the world to get local protection. The costs can be high, and there are time constraints that can force you to incur those costs before you know whether they will be recouped in a particular market. The following discussion gives an outline, but you should get professional advice in this complex area from a firm of patent and trade mark agents.

Where to Seek Protection

Protection should be focused on your prospective markets. The registered rights will protect those markets against importation of infringing goods, so there is generally no need to seek protection in all countries (e.g. India) where infringing goods might be manufactured in order to protect your key markets.

The biggest market is Europe, and fortunately there are systems to obtain Europe-wide protection with a single trade mark, design or patent application.

The other key market is the USA.

A careful cost-benefit analysis should be carried out before seeking protection in smaller markets, such as Japan or Australia.

How do I expand my global footprint?

Protecting your IP Rights Inter-nationally

When to Seek Protection

Overseas trade marks can be applied for at any time. However, there can be risks in undue delay if a competitor starts using your mark or a similar mark before you apply.

Overseas registered designs should be applied for within six months of your earliest UK registered design application, otherwise it may be impossible to obtain the overseas registration.

Overseas patent applications should be applied for within one year of your earliest UK patent application, otherwise it may be impossible to obtain the overseas patent.

Cost of Overseas Protection

As a rough guide, the costs of obtaining protection in the key markets assuming that you have already filed for protection in the UK are as follows:

	Patent	Registered Design	Registered Trade Mark
Europe	£10,000 - £25,000	£2,000	£2,200
USA	£10,000	£6,000	£2,000

The cost for patent protection in Europe will depend on the number of European countries where you will seek protection. More than half of the European market can be covered by getting a patent covering just UK, Germany, France and Italy. That would cost £10k-£15k. However, the cost of getting a European patent will be spread over several years. The initial filing cost in Europe is only about £3000.

Once the registered rights are granted, it will be necessary to pay renewal fees to keep the rights in force. The renewal fees for patents are £100-£400 per country, payable annually. The renewal fees for registered designs and trade marks are considerably less.

There will also be very heavy expense if you ever need to enforce your rights in court, or if your rights are challenged by another party.

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How do I expand my global footprint?

Protecting your IP Rights Inter-nationally

Strategic Analysis
The decision to file for registered rights overseas will depend in part on your overall strategy for international expansion. Do you intend to sell directly into overseas markets, or will you be seeking a local licensee or franchisee?

If you intend to sell directly, then the value of the registered right is equal to the extra profit that you will make from the total sales as compared to entering the market with no protection. This should be calculated over the term of the registered right, which is 20 years for patents, 25 years (in Europe) for designs, and indefinite for trade marks. For a great many products, this additional profit is likely to be equal to the entire profit, i.e. it will not be profitable to compete directly with local companies or importers unless you have the registered rights.

If you intend to licence the product to a local licensee or franchisee, then the value of the registered rights is equal to the total royalties. For a patent, typical royalty rates are in the range of 2% to 4% of the net ex-works sale price. It may be possible to arrange for the licensee to pay your patenting costs as part of the agreement.

In any case, the size of the expected market should be comfortably big enough to justify the costs and uncertainties of legal protection.

To find out more about "Protecting your IP Rights Internationally", please contact Carpmaels & Ransford, Richard Jackson - email: rej@carpmaels.com, Anthony James - email: lacj@carpmaels.com or Anne Wong – email: anw@carpmaels.com

How do I expand my global footprint?

Naked ambition. Conquering the world and growing

Chris Eldridge-Hinmers, Oracle

“the large companies are slow, complex and conservative – the total opposite to us – but we need them and they need us.” An entrepreneur.

There has been a seismic shift towards opening up by the large corporations as more and more collaborate with smaller innovative businesses. A large global intermediary may be the best option in. If you are serious about growing rapidly its worth considering partnering for global expansion. However before engaging you have to think and act like a successful global player.

Ambition. Most talk - few walk the talk. The entrepreneur always talks about the new idea being the next big thing, changing the landscape forever and becoming a global phenomenon. Rarely is it seen in practice. When was the last time a small company demanded actions from the corporate. When the large company comes back and says there are delays - far too often the entrepreneur accepts it and walks away, waiting for the eventual next step. That is not the action of a driven ambitious global entrepreneur, and it doesn’t create impact within a business – so move it up the chain. Escalate and demand activity. In reality there’s nothing to loose. A continuously delaying opportunity vs a high profile generating interest at a senior level.

Accessing the customers. Gaining customers is expensive. At best it’s recognised that it is typically 4 times the cost of maintaining a customer. On those grounds alone it’s often better to collaborate with a partner who has a relationship already. With inside knowledge they can help build a stronger proposition and increase the price point as they know the true value of your offering and how it is best implemented. What’s to lose - building your own effective sales force and global support organisation to overcome location, skills, culture and language. Once you have that infrastructure in place you still have to find the customer, build the relationship from scratch and then work through multiple contacts with many customers before the opportunity arises.

How do I expand my global footprint?

Naked ambition. Conquering the world and growing up

money counts. Let's face it to get people to sell they need to be motivated. So if you want them to sell for you, there has to be something in it for them. So if you are tight on margin, but you need some other services that they supply then buy there service if it's fit for purpose and competitively priced. The whole benefit to the partner can help in your negotiations.

Global support services. If you are partnering with a global player, you're accessing service, support for all markets in many languages with local and global presence. That global presence and brand presence gives the small business the security, confidence and backing that will make a difference when selling on an international stage.

So if you're going global, think and act big. If you factor in the customer and partner needs you could easily create a route to market that is quicker and leaner than starting from scratch.

To find out more "Naked ambition. Conquering the world and growing up", please contact Chris Eldrige.Hinmers at Oracle on email: Chris.eldridge-hinmers@oracle.com

How do I expand my global footprint?

Getting the insurance protection you need

Hazel Robinson, Layton Blackham Insurance Brokers Ltd

It is becoming more and more common for a British company to open an office or a factory overseas, especially in territories such as Eastern Europe or China driven by factors such as lower costs of labour, materials and operating taxes.

Even five years ago it was more common for small or medium sized companies to work with overseas partner businesses but recently the shift has been for outright ownership of foreign based companies.

A downside of operating in other countries is getting to grips with the legislative requirements in these territories. In line with maximization of profits, how should organisations operating abroad structure their insurance to meet their global needs?

The global insurance issue

Insurance companies and brokers are responding to this need by designing customized global insurance programs that reflect a multinational client's management structure, operational and risk retention levels. There are three basic ways to structure a global insurance program: reliance on locally placed insurance, reliance on non-admitted insurance, and use of a global master policy.

Key areas for you and your broker to consider are:

Locally placed insurance

If you only have a small number of overseas locations, the most common approach is to buy local insurance policies in each territory.

The advantage of buying cover locally include the assurance that local insurance regulations have been complied with and there is a local broker in place to assist with additional insurance requirements, claims and advice. Most countries prohibit purchasing insurance from insurers not licensed in that country (i.e., non-admitted insurance). The disadvantages of locally placed cover include lack of central control by the parent company making it difficult to monitor premium spend in the operating territories.

How do I expand my global footprint?

Getting the insurance protection you need

One of the key disadvantages is that there is no uniformity in the group's cover as a whole meaning that if not monitored carefully there could be an inadequate level of
catastrophe protection.

Non-admitted policy

There are other ways of covering businesses overseas. A popular option is the non-admitted policy. This works by centrally covering group operations in all territories. The policy is normally written in Sterling and is designed to "drop down" to provide insurance in the event the country does not require locally purchased (admitted) insurance. The advantages of this type of programme include consistency of terms, conditions and cover. Another advantage is that many companies achieve an overall cost reduction by not purchasing local insurance for all countries that they operate in. There are disadvantages to this method however. The fact that the policy is written in the UK often makes it non-responsive to local needs. There may also be the risk of a fine or penalty if non-admitted policy is used as primary cover in a country that prohibits non-admitted insurance.

Global Master Policy

The preferred approach for companies with considerable presence outside the country of domicile is to purchase a global master policy. This is similar to the non-admitted policy option with one important advantage: the locally admitted insurance is also written by the Master Policy insurer to produce a more seamless global insurance program which ensures maximum coordination between local policies and the UK issued Master policy.

There are many advantages to this type of arrangement. Group purchasing power is utilized to obtain the most competitive premiums, local management continue to have involvement in risk control initiatives and the parent company would be responsible for allocating the premium across the territories. This option has administrative benefits as well. The same insurer is arranging the insurance through their local offices and claims can be dealt with domestically. In many cases the premium for the "underlying" policies can be paid centrally.

How do I expand my global footprint?

Getting the insurance protection you need

Establishing communication protocols

It is essential that companies operating globally ensure that their own staff to communicate effectively with their foreign offices. Communication is the key to establishing and monitoring a successful global program. Culture differences should not be underestimated and time zones vary, so communication between offices can difficult at times.

It is very important that protocols are established by the parent company and communicated clearly to the foreign offices. All offices should have a single point of contact in head office and that claims and changes in exposures are reported in a timely, consistent manner. A good global insurance broker should assist multinational clients in drawing up guidelines for insurance/risk management communications.

The importance of an experienced global broker

It is important to work with an insurance broker who is experienced with global insurance placings.

The following areas should be discussed to ensure that your programme runs smoothly:

- How premiums are structured and allocated across the territories in which you operate.
- How the insurance programme will be serviced.
- How do the processes in place respond in response to a loss?
- How will the programme work with the insurer in each territory?
- How will service be monitored?
- How will local tax issues be managed?
- What management information should be gathered?

Layton Blackham has access to 300 brokers and agents in 150 countries. Our partner brokers work to an agreed set of service standards that is constantly monitored and reviewed.

How do I expand my global footprint?

Getting the insurance protection you need

Conclusion

We have covered the three main ways to structure insurance globally. For companies with relatively minor international operations, we generally recommend a non-admitted policy approach where legally possible. For larger operations preferring a central approach we generally recommend a Master Policy written by one international insurer.

Layton Blackham will be able to assist you on all aspects of your global insurance.

Hazel Robinson LLB (Hons) is the Corporate Project Manager at Layton Blackham Insurance Brokers Ltd, which is authorised and regulated by the Financial Services Authority. Call Hazel to discuss global insurance or arrange a programme review on 0207 415 3810 or email hazel.robinson@layton-blackham.co.uk

Layton Blackham carries out a thorough assessment of each client's needs, ensuring a clear understanding of their business, the steps that have to be taken to protect and manage the risks involved. Let us work with you to communicate your risk management activities to insurers, helping ensure that you have the right covers in place and securing value-for-money premiums for you.

To find out more about Expanding my business internationally – What should my footprint be? please contact Hazel Robinson, Corporate Project Manager at Layton Blackham Insurance Brokers Ltd on email: hazel.robinson@layton-blackham.co.uk

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