What You Need to Know

# The Rise of Global Insurance Policies

By Joanna Roberto

**Having a coherent global insurance program not only helps limit liability, but it also provides the stability that businesses want from a financial standpoint.**

In the not too distant past, purchasing insurance was inherently a domestic endeavor. It was common and almost reactive for businesses with exposures in the United States to purchase U.S. policies, whereas businesses with exposures in France, for instance, would purchase policies issued in France through a French broker. However, as the world increasingly becomes globalized, the challenges faced by insurers and their insureds are substantial and wrought with multiple levels of analysis. Things that were previously routine (or at least easily understood), including premium payments, claims handling, and regulatory oversight, are now highly varied and complex when exposures are spread globally. This article analyzes why organized international insurance programs are an essential part of doing business in this globalized age. In addition, the various different insurance schemes will be explored as well as the unique challenges faced by insurers when claims arise.

## Why Are Global Insurance Programs Important and What Are the Basics?

One of the many challenges faced by businesses worldwide is knowing how to manage risks across borders. Previously, only the largest of companies needed to concern themselves with global risks, but due to increased globalization, virtually all enterprises now find themselves with exposure in various jurisdictions. As a result, it is quite mandatory for industries with worldwide exposures to institute global insurance plans. Jonathan Post, "XL Insurance: The Global Insurance Puzzle," *Finance Director Europe*, http://www.the-financedirector.com.

The importance behind developing a uniform insurance plan is to ensure consistent limits and coverages around the globe so as to remove any element of surprise once a claim occurs. Having a coherent global insurance program is not only beneficial for limiting liability, but it also provides the stability that businesses want from a financial standpoint. Suresh Krishnan *et al.*, *Structuring Multinational Insurance Programs: Addressing the Taxation and Transfer Pricing Challenge*, ACE GROUP (Feb. 2011),

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http://www.acegroup.com. However, the road to achieving a global insurance program with consistent coverage across jurisdictions is proving to be increasingly difficult. *Id.* Individuals charged with obtaining coverage for international corporations must pay close attention to numerous aspects to ensure a successful program as the concepts, exposure, and benefits become ever more sophisticated. Perhaps the most basic question that must be answered is whether a chosen insurance program will actually be able to insure risks across all jurisdictions. This seemingly basic issue, surprisingly, can cause a host of issues. A logical starting point in addressing the viability of a global insurance program is to understand the differences between and consequences associated with admitted and non-admitted policies.

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Generally speaking, a locally admitted policy is one that is issued by an insurer that is licensed in the relevant jurisdiction. Airmic, *Compliance of Multi-National Insurance Programs*, Guide, Airmic Technical Library (Mar. 16, 2015), http://www.airmic.com/technical. On the other hand, a non-admitted policy is one that is issued by an insurer that is not licensed in the country. *Id.* The common terminology used is master and local policies. In some jurisdictions, the differences between non-admitted and admitted policies are insignificant; however, in most jurisdictions, the difference is crucial. The ways that different jurisdictions treat non-admitted policies also varies greatly. Willis, "Non-Admitted Coverage and Premium Taxes: No Standard Solution," *International Alert*, Issue 53, June 2011, http://www.willis.com/. For instance, non-admitted policies may be entirely prohibited; permitted but subject to certain conditions or regulatory approval or both; or permitted but subject to significant taxes. *Id.* If, for example, a foreign country requires admitted insurance, then the U.S. master policy will not be deemed admitted. The solution in that scenario is having a local policy because in the event of a claim, the master policy is not permitted to respond to the local policy's laws and cannot make a payment from its territory into the foreign or local policy's territory.

The issue of taxation is manifold with respect to global insurance programs. This is understandable because every country desires to get a piece of the proverbial pie in terms of tax revenue. *Id.* For example, non-admitted policies may be subject to insurance premium taxes. Although a policy may be issued in a corporation's home country, premium taxes may be owed in every country in which its subsidiaries are covered. *Id.* This concept is well established in the European Union (EU) after the *Kvaerner plc v. Staatssecretaris van Financiën* (E.C.J. 2001) decision, which held that Kvaerner, based in London, needed to pay premium taxes on its global professional liability insurance program that covered a subsidiary in the Netherlands. The European Union's Court of Justice determined that EU states may charge premium taxes on insurance premiums for a subsidiary established in its jurisdictions, regardless of who paid the premium or where the payment was made. Notably, several other countries have followed the EU's lead. Dave Lenckus, "Unpaid Premium Taxes in Europe Put Policyholders at Risk," *Business Insurance* (Feb. 22, 2009), http://www.businessinsurance.com; Jennifer Fahey and Lee Lindsay, *Why a Global D&O Program Is the Right Choice, Right Now*, AON (Nov. 2008), http://aon.com. Failure to pay premium taxes where they are due could result in significant fines. Willis, *Non-Admitted Coverage, supra.* Further, tax consequences can occur upon payment of a claim. *Id.* Generally, when a claim is paid by a non-admitted policy, the claim is commonly paid where the policy was issued, not where the loss occurred. Advisen, *Managing a Globally Compliant Insurance Program*, White Paper (Nov. 10, 2014), http://www.advisenltd.com. As a result, claim payments to the parent entity may be taxable. *Id.* Additionally, the remittance of the claim from the parent to the local subsidiary could also be viewed as a taxable transaction. *Id.* The tax consequences can be harsh. Taking Canada as an example, placement of non-admitted insurance will result in a 10 percent federal excise tax on premiums attributable to the allocated risk in Canada. Willis, "Update on Canadian Federal Excise Tax," *International Alert*, Issue 59 (Nov. 2012), http://www.willis.com. In addition to the excise tax, there may also be provincial and territorial taxes, interest, and penalties. As can be seen by the difference in treatment of non-admitted and admitted policies across jurisdictions, companies need to ensure that they are aware of the corresponding regulations in countries where they have subsidiaries.

## Types of Global Insurance Programs: Advantages and Disadvantages

Global insurance programs can range from simply relying on individual and separately issued local policies to having an integrated controlled master program that provides differences in conditions and differences in limits to coverage to counteract gaps in the individual local policies. Each setup has a host of pros and cons that should be carefully evaluated to ensure the best fit for a particular company.

### A Global Policy Program

The most straightforward and seemingly uncomplicated approach is to purchase one global policy to provide coverage on a non-admitted basis. The benefits of this approach are that it decreases costs, offers consistent coverage terms worldwide, and has no variation in currency issues. However, as mentioned above, providing coverage on a non-admitted basis may raise a multitude of obstacles. David Halperin, *How to Build a Multinational Program*, White Paper, Chartis (May 2012), http://www.aig.com. The most problematic issue is that some jurisdictions prohibit non-admitted policies. In that instance, there may be no coverage and, at worst, heavy fines might be levied. Also, even if coverage

is allowed on a non-admitted basis, there still might be extra taxes and regulatory hurdles that must be cleared. As a result, if a company has exposures in several jurisdictions that do not allow coverage under non-admitted policies, this option is suboptimal. However, this approach may very well be a cost-effective and worthwhile venture if the subsidiaries are located in jurisdictions that allowed coverage under non-admitted policies.

#### Local Policies for Each Jurisdiction

On the opposite end of one global policy, a corporation could decide to purchase separate local policies in every jurisdiction in which the corporation has a subsidiary. This option arguably ensures that local rules and regulations are adhered to in each territory. In addition, the claims process will be run more seamlessly because local handlers and legal teams are more familiar with local laws and procedures. However, at the same time, there are several downsides. Most notably, due to the variation across jurisdictions, there will undoubtedly be inconsistent coverage afforded across jurisdictions. As a result, gaps in coverage will likely exist. Advisen, *supra*. Also, purchasing several policies can be inefficient and more costly because each local entity will have to go through a burdensome underwriting process, which, among other things, entails repetitive application processes, disclosing financials, and having the underwriter rate the risk. *Id.* An individually issued local policy also means that the policy is a stand-alone policy and loses the benefit of sharing limits with the master policy. Although this sounds like a disadvantage, it may be entirely necessary for a company to choose this option.

#### Controlled Master Program

Perhaps the most surefire way to ensure consistency and legal coverage across boundaries is through a controlled master program. Leszek Bialy, *Pitfalls of Not Having a Local Policy When Doing Business Globally*, Zurich (Mar. 20, 2015), http://www.zurichcanada.com. In this setup, a single insurer provides a master policy to the parent that acts on a "Difference in Conditions" (DIC) or "Differences in Limits" (DIL) basis over local policies. Such DIC/DIL coverage essentially "wraps around" the locally admitted policies and provides broader coverage and higher limits. Advisen, *supra*. Generally, there is no standard DIC coverage form, and the wording used is, for the most part, basic.

Ideally, the local policies would mirror the master policy if possible, but changes would be made if that is not achievable. A controlled master program is a comprehensive program that eliminates gaps in coverage as much as possible. Bialy, *supra*. Having local policies ensures that local rules are adhered to and it brings the benefits of having local experience in terms of claim handling professionals and attorneys. However, due to the stringent requirements of certain jurisdictions, it may be necessary to "uninsure" the relevant subsidiaries in states that do not allow any form of non-admitted coverage. Post, *supra*.

No singular approach is perfect because a variety of variables are involved in determining how each corporation should tackle the issue of cross-border insurance. Accordingly, a careful analysis of each business is needed to determine which approach would be most beneficial.

### Industry Paradigm

Lee Lindsay, Esq., is the global product leader of Aon Financial Services Group in the United States. As part of her responsibilities, Ms. Lindsay provides strategic counsel and develops solutions for Aon's U.S.-based, multinational clients. She understands the complex nature of counseling a multinational entity considering whether it should opt for a master executive liability insurance program that provides tie-in limits policies in various foreign jurisdictions around the globe. Ms. Lindsay explains,

> in the D&O context, because some countries require admitted insurance, and the local law does not permit indemnification by the entity (and many more that provide for limited indemnification while others are silent on indemnity), one must be wary of the distinct impact of each. For instance, in Ireland, admitted insurance is required and corporate indemnification is permitted, but only after an adjudication of innocence or non-liability. In such a situation, a potential insured person should be well-guided that it may never be in a position to seek indemnity from the entity for defense fees or settlement costs in the D&O context. In other words, it would be contrary to the foreign country's intent to permit corporate indemnity to a director or officer for a settlement, or for that matter's defense fees, prior to any adjudication in favor of the executive. It is these types of nuances that render this type of insurance product very desirable but also very complicated.

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### DIC Dilemmas

Integrating DIC/DIL provisions into global insurance programs raises a host of issues in terms of the claims process. Specifically, as is explained below, disagreements may arise about how coverage is apportioned. In particular, the concept of DIC coverage carries with it varied applications when addressing different scenarios and risk options. Defining "difference-in-conditions (DIC) insurance," one source provides four scenarios:

> 1. A policy designed to broaden coverage by providing additional limits of coverage for specific perils when standard markets won't provide adequate limits of coverage, providing coverage for perils that are excluded on standard coverage forms, or supplementing international policies that are written by admitted insurers in the applicable foreign countries. 2. An all risks property insurance policy that is purchased in addition to a commercial property policy to obtain coverage for perils not insured against in the commercial property policy (usually flood and earthquake). 3. An endorsement to a contractor's blanket builders

risk insurance policy that fills the gaps between a policy provided by the project owner and the contractor's policy so that the contractor has insurance comparable to what it would have had if coverage had been arranged under the contractor's builders risk program.… 4. An insurance policy that is designed to fill the gaps between the coverage provided by a multinational organization's master insurance policies(property or liability) and coverage provided by policies purchased locally in accordance with each country's insurance requirements so that the organization has uniformity of coverage regardless of location.…

*Glossary of Insurance & Risk Management Terms*, IRMI Online, https://www.irmi.com.

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This definition illustrates the different ways in which DIC coverage can be offered as part of an insurance product and program. In a multinational insurance program, calculating control over risk management and risk transfer are central themes. A consistent approach toward coverage terms, conditions, and limits is merely one piece of the overall puzzle when implementing control and minimizing exposure. *See* William Sanders, "Global Programmes," *StrategicRISK Executive Report* (July 2011).

When issued in the form of an endorsement, the purpose of a DIC is to connect locally admitted policies issued to a foreign subsidiary effortlessly to the parent company's home policy terms and conditions. *See* Chubb, *Professional and Management Liability DIC/DIL Endorsements*, Form 14-01-1128 (Ed. 2/14), http://www.chubb.com. These insurance opportunities anticipate potential exposures from claims against the foreign subsidiaries. The overall objective of such coverage is to provide consistency in the management of professional and liability risks because this, after all, is the client's business expectation. Ancillary to this objective is that this kind of a program allows, on the one hand, greater cost control, and on the other hand, a broader scope of coverage and inclusion of non-standard coverages. *See* William Sanders, *supra*.

It is important to focus on what happens once the loss occurs. When a loss occurs, the insured's first resort is necessarily the local policy. The DIC insurance product becomes germane once it is determined that the loss is not covered under the terms of the local policy because the insured then turns to the DIC policy for cover. The insured's concern is at least initially satisfied by knowing that the DIC policy is there to ensure that the company has coverage in its foreign locations and that the coverage is at least as broad as the coverage provided by a typical master policy.

Another function of a DIC policy is to cover gaps in primary policies. In such a scenario, a loss would be covered by the DIC policy only as excess insurance over the local policy. The challenge to this position is that if a policy has been intended to serve only as excess to another, or to cover only areas of coverage that another insurer has not provided, then presumably the careful draftsmen of the policies would indicate that intent. *See IBM World Trade Corp. v. Granite State Ins. Co.*, 455 N.Y.S.2d 914, 917–18 (Sup. Ct. 1982).

In a fairly recent decision that carries broad significance, a federal court in the Eastern District of Wisconsin applied a two-step analysis when deciding whether a DIC policy was triggered in advance of any local policy application. *Manpower, Inc. v. Insurance Company of the State of Pennsylvania*, 807 F.Supp.2d 806, 809 (E.D. Wis. 2011). To do so, the policyholder must (1) compare the local policy to the DIC policy to show that the DIC policy is broader than the local policy, or (2) establish the extent of coverage available under the local policy through litigation in the local country.

In that case, Manpower's subsidiary—Right Management—suffered a loss of business income when access to its building was denied by a local government order. Right Management is engaged in employment consulting services. Manpower operated through 215 offices in 35 different countries. Right Management was a tenant in a building located in Paris, France, where it occupied four floors. The closure was due to the collapse of an attached building. A mandate from the Paris Police Prefecture directed the closure of the building "until further ordered," due to the stability of the infrastructures. There was no physical damage to any portion of Right Management's leased space, but because the space was rendered inaccessible, Right Management lost use of its space and the furnishings. As a result, Right Management was unable to conduct business, and a claim was submitted in excess of 8 million euros.

The Insurance Company of the State of Pennsylvania (ISOP) issued the master policy to Manpower, while AIG Europe issued the local policy in France to Right Management. The ISOP policy insured Right Management as a tenant of the building. Relevant to this article is that the terms of the master policy were broadened in certain situations to address the potential gap in coverage.

Locally, AIG Europe made the decision that coverage under its policy was limited to "lack of access" coverage, which included a $250,000 sublimit. Manpower then sought to recover the remainder of the claim from ISOP. There was then a stark difference in opinion regarding coverage under ISOP's policy. ISOP took the position that coverage under the DIC policy was limited to the "civil authorities" coverage, which had a sublimit of $500,000. As such, ISOP tendered payment to Manpower in the amount of $250,000, which represented the difference between coverage under the DIC policy and the AIG Europe policy. However, that was not the end of the claim. Manpower believed that it was entitled to the full policy limits under the DIC policy, which had limits of $15 million. The court initially ruled that Manpower was entitled to recover damages under the ISOP master policy and was not restricted to the $500,000 sublimit; thus, Manpower was afforded coverage up to the full policy limits. However, that again was not the end of the litigation.

When the decision was challenged by ISOP, the court reassessed its original position in light of the fact that it was not clear that any party established a difference in conditions between the local and mas-

ter or DIC policy. Manpower argued that because Right Management had engaged in litigation against AIG Europe in France, the U.S. court must await a final determination on the application of the local policy. In changing its position, not only did the court give no consideration to the pending French suit, it held that Manpower could not recover against ISOP until it established that the DIC policy was broader than the local policy.

The court did not wait for a ruling in the French action on the local policy. It went further to say that the effect of a denial of coverage by the local insurer may not have much or any effect on the application of the DIC policy. This is because a denial of coverage is not automatically determinate of coverage under the primary policy. Consequently, the court concluded that although the ISOP master policy provided coverage for the losses, coverage was not triggered because the same losses were also covered under the subsidiary's local French policy. The court's judgment for ISOP on the property loss claim was affirmed by the U.S. Court of Appeals for the Seventh Circuit. *Manpower, Inc. v. Insurance Company of the State of Pennsylvania,* 732 F.3d 796 (7th Cir. 2013).

The Seventh Circuit also engaged in an interesting discussion regarding whether the master policy, written in English, and the local policy, written in French and issued by a French insurer, should be read as though they were a single document, or alternatively, whether it was more reasonable to expect the terms in each policy to have varying meanings given the natural linguistic differences. General consideration was also given the French Civil Code. After settling on translations, the Seventh Circuit held that because the local policy covered the loss of access to Right Management's furnishings, other business personal property and improvements and betterments, Manpower could not access coverage for these items under the master policy unless it first exhausted coverage under the local policy. *Id.* at 812. Generally stated, in a master-local program, it would not be uncommon to see more litigation centered on the interpretation of the subject policies since one policy, in most instances, is issued in a foreign territory and is subject to different translations.

In reflecting upon a foreign court's point of view and perspective, an English court in *Flexsys America LP v. XL Insurance Co. Ltd.,* (2009) EWHC 1115 (Comm), issued a sharp decision declaring that a drop-down provision in the master policy did not provide further coverage for an existing claim that exhausted the limits of the local policy. Rather, the provision applied to prevent gaps in coverage arising between the local and master policies after payment on a prior claim was made. In *Flexsys*, a master policy, governed by English law, was issued by XL Insurance Co., Ltd (XL) to Flexsys Holdings BV, a Belgium entity. Various other local policies were issued in their respective jurisdictions. Flexsys America was insured by XL Select under a policy issued in the state of Ohio. A suit was commenced against Flexsys America in the state of California, based on the manufacture and sale of its chemical, which was used to manufacture tires. The allegations triggered Coverage B, Personal and Advertising Injury, under the local policy. Although the suit was eventually dismissed by the court, Flexsys America incurred $2 million in defense fees. Eventually, XL Select settled with Flexsys for $1 million, which was the limit for the claim under the local policy. Unsatisfied with its recovery, Flexsys pursued the master policy.

The master policy had indemnity limits of $25 million, and Flexsys claimed that it was entitled to the remaining $24 million. Flexsys argued that the master policy operated as excess in the event the local policy was exhausted by a single claim. To the contrary, XL maintained that the master policy's drop-down provision provided coverage subject to the terms of the local policy for a *subsequent* claim under the local policy for the *same* policy period. The court agreed with XL and found that the drop-down provision was not triggered. Key to both arguments is that the claim was recoverable under the local policy but not under the master policy because it did not provide coverage for advertising injuries. In making this statement, the court interpreted the provisions to mean that the master policy was not intended to provide additional excess coverage for the same claim that exhausted the local policy limits.

As a point of comparison, in *Amax, Inc. v. Arkwright Boston Manufacturers Mutual Ins. Co.,* 77 Civ. 2981-CLB, 1978 U.S. Dist. Lexis 7150 (S.D.N.Y. Dec. 19, 1978), the court considered the application of a DIC provision in arguably competing policies, but in a different context from that of a master-local arrangement. The insured, Amax, owned and maintained international mining operations. At issue was a loss sustained at its facility located in Climax, Colorado. The claim involved a flood that happened when an automatic valve in a pump burst, causing a production stall for two days. Amax sustained property damage and related losses. Amax had two separate policies, one of which was issued by Arkwright, and another, which was issued by Lloyd's Underwriters (Underwriters). The Underwriters insurance was a DIC policy.

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From the outset, Arkwright conceded coverage, noting that the "liquid damage peril" was among the list of perils insured against within its policy. Not stopping at that concession alone, Arkwright argued that the DIC policy issued by Underwriters was likewise triggered and should respond to the loss. Underwriters posited that because its policy was a DIC, as the term implied, the intent was to exclude from its coverage those perils insured against elsewhere. In other words, Underwriters argued that both parties to the DIC insurance contract understood that there would be no coverage under the Underwriters' policy if the peril was covered under the Arkwright policy.

Several meetings ensued among the parties to provide provisional payment at least to Amax until the ultimate legal responsibility under the policies was determined. Following unsuccessful attempts to resolve coverage, eventually suit ensued, which place the pending declaratory judgment action in the U.S. District Court for the Southern District of New York. The court considered the exclusions stated in the

Underwriters policy to determine whether coverage was barred. Although the catch-all exclusion provision in the Underwriters policy made broad reference to "all as defined in the 1943 Standard New York State Fire Insurance Policy or in the Factory Insurance Association Syndicate policy and the approved and standard endorsements thereto….." the court noted that because the peril of "liquid damage" was not specifically excluded, the inescapable conclusion is that the DIC policy intended to apply to the facts and claim at issue. The court stated: "the purpose of a Difference in Conditions policy is to protect against a difference in conditions, in effect to protect against holes or slits in the blanket of insurance protection which a large company, of necessity, must place among many insures, each using different fine print, or 'conditions.'" *Id.* at * 13–14.

The court concluded that the loss was covered by both policies, albeit, unintentionally. After finding coverage, the court then considered the method of apportionment. Both the Underwriters and the Arkwright policies contained similar "other insurance" provisions, which deemed their respective policies to be excess. Applying New York law, the court treated the two excess insurance clauses as mutually repugnant and concluded that each insurer was liable for a portion of the loss on a pro rata basis.

Whether the *Amax* court reached an equitable result and achieved consistency remains undetermined in light of the fact that the court treated the DIC policy as primary coverage along with the Arkwright policy. As Underwriters argued, the DIC policy was meant to exclude from coverage those perils for which the Arkwright policy provided because, otherwise, to have a duplication of coverage was nonsensical. In its terse response, the court agreed that while duplicative coverage is "both wasteful and unintended," a knowledgeable draftsman could have chosen to exclude specific policies from the DIC policy, including that of Arkwright, likely suggesting an improvement to the administration of its insurance. With that said, by its mere terminology, a DIC policy serves two functions: filling in the gaps by providing excess coverage, or covering specific losses that are inarguably uninsured under the local policy.

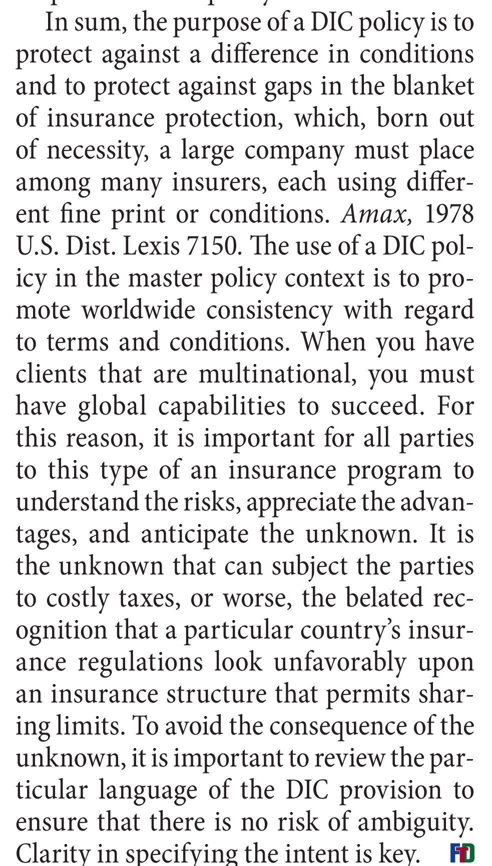
As mentioned earlier, DIC can take on different variations and forms of coverage. In *Archer Daniels Midland Co. v. Aon Risk Services, Inc.*, 356 F.3d 850 (8th Cir. 2004), the court considered a property-insurance program underwritten as the "DIC program." This case illustrates the application of DIC coverage through a domestically issued program, which had layers covering all risks of property loss that were not specifically excluded.

In that case, ADM's insurance program consisted of five layers of coverage in the amount of $5 million to $10 million per layer and then a final layer of excess coverage totaling $50 million. Each insurer in the DIC program provided coverage under the same terms found in the DIC policy specifically drafted for the policyholder, ADM.

At the time of the litigation, ADM was a multibillion dollar company headquartered in Decatur, Illinois, that procured, processed, and marketed a wide range of agricultural products. Due to the Mississippi River flooding in 1993, ADM claimed that it suffered various losses. ADM submitted Final Proofs of Loss to the insurers totaling $166,323,854. Eventually, ADM and its primary insurers settled a flood claim for $23.5 million. The final layer insurer, Hartford, was dismissed from the action because it did not afford coverage for the risk claimed. This alleged error resulted in a claim by ADM against its broker, Aon, for the coverage that it sought but never received. Aon argued that ADM could not recover under the $50 million layer of excess coverage since ADM did not exhaust the underlying layers of coverage because it never collected the actual underlying limits. In rejecting this argument, the lower court held that ADM did, in fact, exhaust the lower layers by agreeing to settle with the underlying insurers for a partial sum. This ruling was affirmed by the U.S. Court of Appeals for the Eighth Circuit. In doing so, the rationale announced was that even though the policyholder settled for less than the underlying limits, the fact that ADM absorbed the balance did not preclude pursuit of coverage under the excess layer. The truism stated in *Archer* is that exhaustion does not necessarily mean that every dollar needs to be expended in the underlying coverage to implicate the excess layer. Aside from the holding as it pertains to excess coverage, *Archer* also represents another example of how a DIC program can be used as a different form of coverage.

## Conclusion

One insurance product to survey for future traction is "reverse DIC." A "reverse DIC" endorsement is not as standard as DIC/DIL coverage, but it can be a useful instrument, especially for those companies that rely on the application of local policies. A reverse DIC endorsement provides that where a local policy grants coverage that is broader than the master policy, the broader coverage is imported into the master policy so that the master policy is actually extended to give the broader coverage up to the indemnity limits of the master policy. Howard Nutton, *Global Insurance—Reverse DIC Explained* (Aug. 17, 2014), https://www.linkedin.com/pulse/20140817093952-58957922-global-insurance-reverse-dic-explained. This type of product commands that the master policy follow the wording under the local policy, and in doing so, it will provide "difference in limits" coverage based on the scope of the local policy.



In sum, the purpose of a DIC policy is to protect against a difference in conditions and to protect against gaps in the blanket of insurance protection, which, born out of necessity, a large company must place among many insurers, each using different fine print or conditions. *Amax,* 1978 U.S. Dist. Lexis 7150. The use of a DIC policy in the master policy context is to promote worldwide consistency with regard to terms and conditions. When you have clients that are multinational, you must have global capabilities to succeed. For this reason, it is important for all parties to this type of an insurance program to understand the risks, appreciate the advantages, and anticipate the unknown. It is the unknown that can subject the parties to costly taxes, or worse, the belated recognition that a particular country's insurance regulations look unfavorably upon an insurance structure that permits sharing limits. To avoid the consequence of the unknown, it is important to review the particular language of the DIC provision to ensure that there is no risk of ambiguity. Clarity in specifying the intent is key. FTD