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Protecting your most valuable assets overseas

Foreign voluntary workers' compensation, kidnap & ransom, and accident coverage help mitigate losses



By Kathleen S. Ellis

A business has many valuable assets, but perhaps none as critical to success as its employees. Businesses depend on their senior management, leading sales executives and other top talent to guide the company, plan for the future and help manage growth.

As midsize and smaller companies expand their operations into countries outside the United States, their management relies heavily on these A-level employees to negotiate with foreign business leaders overseas or manage critical foreign operations.

Senior and mid-level executives at U.S. corporations have been traveling to Europe for years, but business trips to India, China and developing countries are becoming more common. Although most companies have workers' compensation and other insurance policies to protect their employees while they are working in the United States, those policies may not provide adequate protection when employees travel abroad.

Hazards when traveling abroad

The potential for accidents, injury or illness in a foreign country is very real. Because they face a broad array of unfamiliar exposures, employees are more likely to be injured at work when they are outside the United States than when they are on home turf. A 1997 study of the

health-insurance records of 10,800 employees of the World Bank found that employees who routinely traveled on business accounted for 80 percent more medical claims than employees who did not travel. Among the common problems found with frequent travelers: intestinal and diet complaints, vascular troubles, respiratory infections, back aches and higher levels of complaints about occupational stress and anxiety. With international and business travel expected to rise this year, according to the Travel Industry Association of America, the risk of illness or injury while traveling abroad remains high.

Business people can become sick or injured anywhere, but traveling overseas presents a number of unique risks due to language barriers, jet lag, inherent driving hazards and infectious diseases. Employees are at greater risk for an illness if they are traveling to a foreign country where they may become exposed to infectious diseases, such as malaria, that are not common in the United States.

These risks are further compounded by the difficulty employees may have in finding appropriate or specialized medical care in a foreign country. Although many countries have excellent medical facilities for nationals, finding translation services to assist with interpretation of symptoms, medications and conditions is difficult at best and strained when pressed with an emergency.

Global travel also brings the risks of injury from terrorist attacks and kidnappings. Travel to the Middle East and some countries in Africa and Latin America may be especially dangerous, but as last year's attacks in London and Madrid demonstrate, employees could be at risk even when traveling to seemingly safe countries. Beyond terrorist attacks, kidnapping is a very real threat and they are not confined to remote or difficult regions.

Because senior management, key executives and other high-level performers frequently travel on business outside the United States, they are the people most exposed to risk and the ones a company can least afford to lose to illness or injury.

The right insurance protection

To ensure that valued employees get the best possible care and protection when working outside the United States, businesses should purchase foreign voluntary workers' compensation and kidnap and ransom insurance along with other insurance, such as a controlled master policy for property and liability, to protect them from international exposures.

Foreign voluntary workers' comp insurance provides workers' comp and employers liability protection specifically for employees who are working overseas. Although some protection may be afforded by a domestic workers' comp policy, this protection may not be sufficient.

Domestic workers' comp policies often provide medical and wage benefits for short-term assignments outside the United States, but the extraterritorial pro-



visions of these contracts generally exclude endemic disease or accidents that occur outside of work hours. The distinction between work and non-work activities may be blurred when employees are working abroad, creating a gray area that could be confusing to the insurance buyer. An added incentive for purchasing a foreign voluntary workers' comp policy is that claims for foreign exposures will not have a negative effect on the domestic

experience modification for the U.S. workers' comp program, leading to higher U.S. premiums at renewal.

Foreign voluntary workers' comp insurance provides employees with wage continuation while recovering from illness or injury and pays the expenses incurred for repatriation. Repatriation expenses include those incurred for emergency medical treatment, transportation and mortuary services when an employee becomes ill, is injured or dies while traveling on business outside the United States and transportation expenses for an accompanying spouse and children. These expenses can be costly. The average cost of a medical helicopter evacuation, for instance, is about \$60,000. Domestic workers' comp protection does not pay for this kind of expense.

Travel accident policies may be an appropriate alternative to buying foreign voluntary workers' comp insurance in some circumstances. A travel accident policy provides an employee with lump sum compensation for an injury and access to good medical care. However, keep in mind that unlike foreign voluntary workers' comp policies, travel accident policies do not include wage continuation or repatriation expenses.

Kidnap and ransom insurance is also important for traveling executives. Under a kidnap and ransom policy, clients are reimbursed for property or money surrendered as a ransom payment. A kidnap and ransom policy also provides defense and

indemnity in the event of a lawsuit alleging negligence on the part of a customer in a hostage retrieval operation or in the prevention of a kidnapping. Moderate limits for kidnap and ransom insurance can be found under an exporters' package policy as well as a controlled master program. For higher limits, a monoline contract can be purchased.

Finding the right carrier

When choosing an insurer, look for a carrier with extensive international experience, a strong branch network and a reputation for reliable, quality loss control and claims services. It is also important that the insurance carrier is familiar with rules and regulations in countries around the world. Buyers should make sure the insurer can support its agents through connected and supported correspondent brokers who work together to service the company's needs on a local basis worldwide.

The challenges of operating a global business are many. By understanding the risks, companies can make educated decisions about the purchase of appropriate foreign insurance. With foreign voluntary workers' comp, kidnap and ransom and travel accident policies, businesses can mitigate any potential losses and help keep their most valued asset—their employees—safe and productive. ■

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