



Global Business, Global Risks: What You Should Know About International Insurance Coverages

The number of small- to medium-sized companies and organizations conducting business outside the U.S. is growing. In the U.S., international trade now accounts for one-third of the Gross Domestic Product (GDP). It's no surprise that the number of legal suits brought in the U.S. from outside entities is growing apace, as are the settlements resulting from such suits. Regardless of where the complaint occurs or where the product was manufactured, a company that is managed in the U.S. can be sued in the U.S.

The high award payments for cases like these are just one of the factors that can affect the bottom line. Many companies mistakenly assume that their comprehensive domestic coverage can handle worldwide exposures. If lawsuits are brought within U.S. borders, they may be correct. But what happens when legal action is initiated from outside the U.S., or losses that are covered on U.S. soil are excluded by the insurance policies of another country? The compulsory insurance requirements of other countries may not be as encompassing as those required in the U.S. The need for comprehensive insurance coverage to reduce the risks associated with conducting business outside U.S. borders is clear. Yet many companies and not-for-profit organizations leave themselves open to significant risk. Who assumes the risk in the event of bodily injury, illness or death of employees travelling or living outside the U.S.? Do domestic coverages extend to providing emergency medical evacuation, or returning an employee's body to U.S. soil?

Scenarios Worth Pondering

Common mishaps that are handled with ease in the U.S. can snowball on foreign soil. Linguistic and cultural differences can derail efforts to find appropriate medical care or report theft, while exacerbating commonplace situations like vendor misunderstandings, traffic violations, and fender benders:

"A U.S.-based on-line brokerage firm hires an American manager to open a new branch office in Japan".

Situation: The manager loans his leased vehicle to another employee, who causes an accident with a vehicle carrying a Japanese family, resulting in serious injury and a lawsuit against the brokerage firm. The driver who caused the accident was not insured under the rental car company's policy.



"After a 12-hour flight to South Africa, an engineer with an U.S.-based firm draws a bath at a rented corporate apartment and lies down to rest while the tub fills."

Situation: He falls asleep and the tub overflows, causing major damage to the apartment and floors below. The apartment owner sues the U.S. firm for more than \$100,000 in damages. Though his firm's domestic general liability policy only covers losses due to fire, the engineer is relieved to discover that the damage is covered by his international insurance policy.

"A U.S. citizen on a business trip to China suffers life-threatening injuries".

Situation: To receive proper medical treatment, she is medically evacuated to Hong Kong. The total cost of the evacuation and returning the employee to the U.S. is \$80,000. Her

firm's international insurance policy provides a medical, personal & travel assistance service and covers the costs.

Most business conducted outside the country by U.S.-based companies goes smoothly. But when it doesn't, it's too late to lessen exposures when gaps in coverage exist. **Recent events in Iraq have thrown a spotlight on the risks contractors and professional service providers can face in politically unstable countries, and the need for specialized insurance products for such exposures.** When U.S. employers contract with the federal government to complete projects on foreign soil, they must provide specific workers comp insurance under the Defense Base Act (DBA). DBA insurance is designed to protect employees who work as civilians outside the U.S. on both military- and non-military projects.

As global commerce continues to grow, so does the risk of kidnap and extortion for corporate executives, key employees, wealthy citizens and their families. More than 1,000 executives are kidnapped every year. Savvy companies insure against this risk. Yet the risk of exposure is very real. For example:

“An executive vice president with an U.S.-based engineering firm visits Brazil to supervise a construction project. He is kidnapped two days later.”

Situation: His kidnapers demand \$1 million ransom for his safe return. Kidnapping and extortion attempts like this are more common in some parts of the world than others, but anyone employed by a U.S.-based company can be a target. Companies with employees who travel overseas insure against this risk by purchasing kidnap and extortion coverage. The American engineer kidnapped in Brazil was released, unharmed, when his kidnapper's ransom demand was met. Companies like his know that protecting their key executives and other employees protects their financial strength.

Navigating the thicket of international insurance needs and requirements can be confusing. This Checklist can help U.S. companies evaluate their risk of oversea exposures. If the answer is “yes” to any of these questions, a thorough review of existing insurance coverages is in order.

International Insurance Needs Checklist

Does your company or organization:

- Have employees who travel outside the U.S.?
- Have employees temporarily or permanently stationed in other countries?
- Participate in international exhibitions or trade fairs?
- Export products outside the U.S.?
- Have foreign licensees selling products?
- Perform service or repair work abroad?
- Work on any military bases overseas?
- Sponsor trips, tours or study groups abroad?
- Have international operations or sales offices?
- Advertise or sell products on the Internet?

Ask Your Carrier Questions

The following questions can help you determine which carrier provides the best fit for your international business insurance needs.

- **“Does the insurance company practice due diligence?”** Look for a carrier that can extend coverages overseas by bringing it up to U.S. standards in every jurisdiction in which your company conducts business.

- **“Does the insurance company provide local expertise?”** Reduce risk by working with professionals who can demonstrate familiarity with local languages, pertinent regulations and customs.
- **“Does the insurance company have a group of business professionals who focus exclusively on the insurance needs of international business?”** Select a carrier with specialized products that address the needs of U.S. companies whose employees travel or work outside the country.

The need for international insurance is too often ignored until a potentially costly claim has been filed. When the workplace is the world, the need for comprehensive, specialized insurance products designed to reduce the risks associated with conducting international business is paramount.

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