

Going Global Brings **New Risks**

With international activities no longer limited to Fortune 500 companies, it's not surprising to find small and midsize businesses going outside U.S. borders in search of new markets, lower production costs, new suppliers and new ideas. These activities often create exposures that are not fully addressed by traditional insurance programs. The producer that recognizes these exposures is presented with excellent account-rounding opportunities.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Business travel risk

Increasingly, small and midsize businesses have some type of foreign exposure. Even the most incidental foreign exposure – business travel – presents potential coverage issues.

Small and midsize business owners often travel abroad, whether to attend conventions or meet with suppliers. And while the typical general liability policy provides coverage for short-term business travel outside the U.S., such coverage is normally limited to suits brought within the United States, its territories and possessions, Puerto Rico or Canada.

If the same traveler leases a vehicle, the only coverage available is likely to be the insurance from the local leasing company – if it's provided at all. And in many countries the scope of vehicle coverage and available limits are well below the standards that U.S.-based businesses find customary. Since the coverage territory for U.S. business auto policies is typically limited to the United States, its territories and possessions, Puerto Rico or Canada, travelers cannot rely on a domestic policy for any coverage.

There are additional concerns, including loss of property, threat of kidnap and potential gaps in coverage for workers' compensation. For example, does the domestic policy adequately address extraterritorial activities, personal sojourns, endemic disease and repatriation?

Foreign sales risk

Businesses that export products can encounter additional pitfalls. Although the typical general liability program will cover product-related injuries anywhere in the world, such coverage is significantly restricted. The product must be made or sold in the U.S., its territories and possessions, Puerto Rico or Canada, and suit must be brought within that same coverage area. Even when the policy is endorsed to apply to foreign suits, coverage often is provided only on an indemnification basis (that is, the insured is reimbursed versus the insurer paying on behalf of the insured) and the limitations relative to where the product is made or sold often remain.

Additional risks

If your client buys, sells or travels outside of the U.S., they could face business concerns, such as:

- Increases in expenses and costs
- Non-compliance with foreign laws including potential criminal penalties and adverse tax consequences
- Loss of ability to transact business in a specific country
- Damage to reputation
- Exposure to kidnap and ransom risks

They may also can find themselves in tenuous situations and in need of assistance. They could need help with medical conditions, repatriation, evacuation/ extraction, terrorist threats, language translation or other travel emergencies.





Providing the necessary coverage

Most of these issues can be readily addressed, either by a variety of endorsements attached to the domestic automobile, general liability, workers' compensation and property policies or by purchase of a separate foreign package policy.

The advantage of the endorsement approach is that customers are already familiar with the coverage provided by their domestic policies. By simply extending the coverage territory under those policies, they gain essentially identical coverage abroad.

A variety of specialized coverages, such as kidnap and ransom, political risk, business interruption, directors and officers and ocean marine may also be available as part of a separate foreign package or as stand-alone coverages.

Key advantages of Foreign Package Insurance

Separate foreign package insurance solutions often provide features and enhancements not necessarily included within domestic coverage. A key advantage of these separate policies is the availability of a separate set of limits. Some common examples include:

- Liability coverage, where permitted by law, on a “pay on behalf” rather than an indemnification basis
- Coverage that may be extended to people other than employees, such as volunteers, spouses, etc.
- Travel assistance services including translation, negotiations and evacuation
- Tenants' legal liability coverage, important in certain foreign countries where lessees can be held strictly liable for damage to leased premises
- Specialized property enhancements, such as coverage for deficiencies in collectible loss due to foreign currency devaluation

Another advantage of issuing a separate policy is its perceived value. Some insureds may be reassured by a specialized “international” policy designed to address the unique exposures associated with foreign operations.



Defense Base Act (DBA) insurance

Like the growth experienced in international business, the number of Department of Defense (DOD) and other U.S. Government contracts being awarded has increased, making it more important than ever for companies to be familiar with the Defense Base Act (DBA). The DBA is a United States federal law that provides workers' compensation coverage for civilian employees working overseas on U.S. military bases or under certain U.S. government contracts. It ensures that these employees receive medical treatment and compensation for injuries or disabilities sustained while performing their duties abroad.

Given this exposure, it is essential for brokers to help clients that contract with the government to fully understand the insurance requirements under the DBA.

A comprehensive program must cover any employee (often including local and third-country nationals) engaged in U.S. government-funded business overseas, including public works projects. The program should offer the following coverage and services to help control claims cost and promptly assist injured employees:

- **DBA Compliance:** The program must adhere to the U.S. Federal workers' compensation statute, which provides one of the most comprehensive benefit levels for government contractor employees working overseas.
- **Disability, Medical, Vocational, and Death Benefits:** The program should provide disability, medical, vocational rehabilitation, and death benefits per the DBA statute to covered employees or their eligible survivors in the case of an employee death.
- **Compensation for Total Disability:** Compensation of total disability at two-thirds of the employee's average weekly wage (AWW) should be provided.



What does this mean for brokers?

Simply put, DBA insurance is mandatory for all companies that contract with the DOD or that has employees working overseas on U.S. government contracts and have personnel stationed overseas. The insurance provides workers' compensation benefits to employees working overseas for the U.S. government or its contractors, regardless of their nationality.

While the DBA offers comprehensive benefits, it can be complex and may require significant effort from a company's human resources department to manage claims and care programs for these unique employees. Brokers have the opportunity to educate their clients on an array of specialized services available to help maintain their employees' physical and behavioral health during and after their time abroad.

We help you win

This article has only scratched the surface in addressing the challenges that companies doing business internationally may face. Our foreign package and DBA insurance team has extensive experience finding unique solutions for overseas business. With more than 50 combined years of experience in the insurance industry, they understand the nuances required to design a comprehensive program that meets your clients' needs.

As the nation's largest wholesale broker, Amwins' specialized expertise is yours to tap into — from unparalleled market access to value-added resources and intel. Contact your Amwins broker today.

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