



CAPTURING CONSISTENCY AND CONTROL

FIVE STRATEGIES TO IMPROVE MULTINATIONAL BUSINESS TRAVEL ACCIDENT RISK MANAGEMENT

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As the global economy grew over the past few years, providing expansion opportunities for U.S. and European companies, many organizations either ventured into global markets for the first time or expanded their geographical footprint. Overseas assignments by executives picked up in number and duration, as did more traditional business travel.¹

This expanding multinational presence brings increased risk to corporations. Injuries and illnesses of employees traveling abroad is a constant concern of multinational corporations, one addressed for decades through the purchase of business travel accident insurance. In this regard, corporate risk managers have typically relied on the advice of their insurance agents and brokers — excellent resources, generally able to provide thoughtful guidance. However, as several brokers and agents attest in this market report, business travel accident insurance is a dauntingly complex subject.

For example, risk managers must contend with widely divergent and potentially punitive compliance requirements on a location-by-location basis. Coverage terms, conditions and financial limits for both admitted and non-admitted insurance often differ. Policies are susceptible to language interpretation issues that can cause claim payment problems and, since local insurers may not be rated for financial soundness, there may be a question as to an insurer's ability to pay claims and provide the requisite services. Having varying policy effective and renewal dates, and the need to access multiple claim facilities, creates a convoluted claims administration process.

These various concerns create serious dilemmas for corporate risk managers and Human Resources (HR) professionals entrusted with overseeing business travel risks from an employee health and wellness standpoint. In a nutshell, there is a pronounced need for these executives to have greater control over these global exposures and more consistency in their treatment.

This market report introduces a solution, a **Controlled Master Program** on par with similar programs addressing global property and casualty exposures. This solution focuses on five key strategies to consider when evaluating present-day global Accident & Health (A&H) insurance plans.

An expanding multinational presence brings increased risk to corporations...creating a pronounced need for greater control over these global exposures and more consistency in their treatment.



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STRATEGY #1

GETTING A GRIP ON THE GLOBAL INFRASTRUCTURE

Every multinational corporation has a specific geographical footprint. Each market often presents a unique culture, custom, language, body of law and insurance regulatory regime. Despite these differences, companies want a minimum standard of benefits for their employees around the world.

For many multinational clients of insurance broker Wells Fargo Insurance Services USA, Inc., such uniform treatment is important. “Our clients want to be sure that their executives worldwide are handled the same from a coverage standpoint,” says Stephanie Serra-Nagrath, Wells Fargo Insurance Vice President and Account Executive, Commercial Lines. “They don’t want to open themselves up to a possible employment practices liability claim, where one group of executives in one country alleges they have less coverage than executives in another country — even though by definition these executives are all at the same professional level.”

This is a difficult challenge when local insurance policies on a country-by-country basis provide different levels of coverage.

“With respect to A&H insurance, various countries have different definitions and requirements that are ingrained in their respective cultures,” says Hal White, Marketing Account Executive at insurance broker McGriff, Siebels & Williams, Inc. “In some countries, a personal accident policy can be used to fulfill a client’s workers’ compensation needs, whereas in other countries, personal accident insurance is a benefit that is customarily provided to employees in those local countries.”

As corporations become more geographically diverse, these problems compound. “A risk manager with an office in the UK and a couple more in France and Germany isn’t likely to have a problem, but as a corporation extends its business into emerging markets, it’s more difficult to know whether or not the local insurance companies are financially sound,” says Mr. White. “It may be up to the whims of the local insurance company to pay a covered claim or not. Having your accident insurance with a U.S. rated insurer that is well known and well respected worldwide eliminates a lot of concern over how the coverage will respond.”

Felton Little, Vice President at insurance broker Aon Risk Services South, recalls the unfortunate experience of a multinational client with employees in 50 countries, including several emerging markets. “They came to us and said they had people overseas they thought were covered under workers compensation, only to learn otherwise when they had to file a claim,” Ms. Little says. “They ended up paying for things out-of-pocket, when it should have been absorbed by insurance.”

Another client endured a similar experience. The corporation had employees in about 30 countries, with Singapore as the home base. An employee traveling outside of Singapore was injured in an accident over a weekend, and a coverage question arose. “If they had been in Singapore, it would not have been an issue,” Ms. Little says. Because it happened elsewhere, it wasn’t covered by the coverage placed in Singapore.

The problem was the difference in the coverage terms and conditions between one local insurance policy and another. “Our clients want to be sure they have 24/7 coverage that protects their employees no matter what country they’re in, and provides similar coverage to all employees,” Ms. Little maintains.

The ACE Solution

A Controlled Master Program absorbing global travel accident risks on a consistent worldwide basis, bound by a financially strong global insurance company that mirrors the insured’s geographical footprint.





STRATEGY #2

COMPREHENSIVE COMPLIANCE

It's a small world, but also a very different one from a legal and regulatory standpoint. Despite ongoing actions to harmonize insurance rules globally, dissimilarities remain. For example, some countries permit non-admitted insurers to provide coverage within their boundaries, while other countries will allow only locally admitted insurers to provide this coverage.

These distinctions come with a price. In Argentina the placement of non-admitted insurance can result in fines to the insured, the insurer and the broker. In one case, the insured was fined eight times the premium paid, and the insurer was fined 15 times this rate.² In China, the placement of non-admitted coverage may impact an insurer's local operations and pose an execution risk to the payment of claims.³ In Japan, the insured company's decision-makers may risk imprisonment in addition to fines.⁴

Countries may specifically target the insured's liability. In Italy, if a local employee is killed or suffers a serious injury or illness due to work-related causes, the employer may bear the economic burden of paying a "loss of future earnings" to the employee's spouse. It may also have to pay so-called "moral damages" to each and every member of the employee's family, including children, brothers and sisters and parents.⁵

Pamela Enright, Director of Global Benefits at insurance broker Lockton Companies, says such country-specific risks are a major concern of multinational risk managers and HR staff.

"Multinational employers may have a multitude of local policies and no centralized governance strategy to manage them," she explains. "They're diligently trying to keep track of everything around the world, working with numerous local brokers and insurers. But, there's no easy way for them to take a top-line look at all these policies to compare them. Understanding all the existing regulatory issues and tracking new compliance requirements is extremely difficult.

Mr. White concurs. "It's just this massive puzzle," he says. "As a corporation extends its wings, the puzzle gets more complex. You try to stay on top of regulations, but they're changing constantly. Even within some countries, the regulations differ from one locale to the next. In China, for instance, the rules in the new Free Trade Zone (in Shanghai) are different than those in place in the other provinces."

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STRATEGY #3

A CENTRALIZED, SINGLE SOURCE OF INFORMATION

A multinational corporation with dozens of operations worldwide can easily have hundreds of insurance policies covering diverse exposures. Each policy becomes effective and expires on a particular date. Managing the renewals is a complex task for risk managers. Any failure to stay on top of this responsibility, and the corporation could risk a claim for which it is uninsured. “It’s a major headache for them — all these policies expiring and renewing through the year,” says Ms. Serra-Nagrath from Wells Fargo Insurance.

She cites the past experience of a client with a broad global presence, dealing with so many local insurers that it had a hodgepodge of renewal dates. “Some regulators required the insured to provide the insurer with a 90 day written notice that they planned to renew with that insurer, while others required 120 days,” Ms. Serra-Nagrath notes. “Some had no requirement whatsoever.”

When the client came to her to solve the problem, it took Serra-Nagrath 18 months to get all the local insurance policies to renew on the same date. “The nightmare was getting all this data — there’s no centralized source for this information,” she says.

Other brokers empathize with this plight. “I’ve seen situations where a multinational corporation has 20 different business travel accident plan designs with 20 different insurance vendors,” says Kerry King, Partner at insurance broker Mercer Health & Benefits. “When an employee is sick or injured, he or she has no idea whom to call or how to proceed. There’s a need for consistency that only a single insurance partner can provide.”

Ms. Enright agrees that risk managers and HR directors who manage business travel benefit plans would benefit by a more systematic way of accessing, evaluating and disseminating insurance-related data. “Having a portal where all this information is housed in one place would be invaluable, given the administrative benefits and the ease with which to quickly look up something and have the answer you need.”

The ACE Solution

A Controlled Master Program from an insurer with a technology platform that monitors the status of an insured’s entire global program in real time, with immediate access to country-specific research, local policies and certificates, regulatory information, policy renewal dates and claims activities worldwide.



STRATEGY #4

UNDERWRITING EXCELLENCE

An insurer’s expertise to underwrite business travel risks offers vital assurance to multinational risk managers that the corporation’s international travel exposures are covered sufficiently and consistently, in accordance with each country’s respective regulations. At the same time, the cost of this worldwide coverage should be reasonable.

The intricate underwriting implications of business travel programs are among the more difficult due diligence tasks for risk managers. Ms. Serra-Nagrath cites post-injury care protocols in China as an example. “In China, it is common for a local business travel policy to cover acupuncture and other holistic treatments,” she says. “Consequently, an admitted insurer would need to know these cultural distinctions in underwriting the policy.”

Ms. King notes the varied underwriting information required in some markets. “For years this was pretty simple — the insured provided basic travel data like the number of employees traveling,” she says. “Nowadays, the underwriting requirements are onerous. Some countries require a detailed census — the employee’s name, age, social security number, annual salary and so on — details you may not want to share for privacy considerations.”

When there are coverage gaps in these local insurance policies, companies are left with little to no financial recourse. A Controlled Master Program will integrate locally admitted insurance policies into the master program to help avoid these coverage gaps. “The key is to have one insurance partner — not multiple vendors — that ensures consistent coverage terms and conditions and consistent procedures worldwide,” says Ms. King. “Nobody wants to learn there was an unfortunate gap in their insurance.”

The ACE Solution

A Controlled Master Program from a specialized insurer that has a depth of underwriting expertise derived from an on-the-ground presence across the world.



STRATEGY #5

HELP WHEN AND WHERE IT'S NEEDED

All employees confront injury and illness risks when traveling abroad on business. For their employers, bare bones business travel accident insurance addresses only part of the solution, as they may have legal obligations to care for the injured or ill employee.

In areas that may lack adequate medical facilities compared to Western standards, the employer may need to evacuate the injured or ill employee to a more advanced facility outside the region. At a minimum, the corporation's insurer should provide coverage for emergency evacuation expenses, out-of-country medical expenses and security-related needs, as well as hospital cash, inpatient daily benefits and costs incurred for emergency transportation back to the home country.

Other risks include the employee's potential exposure to natural disasters, political and military threats and kidnap and ransom extortion schemes. Specialized insurers offer travel risk management services to help protect against these exposures through agreements with third party travel assistance, medical assistance and security and crisis management organizations. "To me, these services are just as important as the underlying insurance, which is why it makes best sense to have a global travel insurance program from a single insurer with the assistance products one requires these days," Ms. King says.

The goal for employers, she adds, "is to hand a single card to all employees to carry with them in the event of a medical emergency or security situation. On it is one phone number to call when an emergency occurs — wherever they may be."

The ACE Solution

A Controlled Master Program with an insurer that has established capability to integrate a world-wide single provider service delivery process into its multinational claims system — whether that assistance provider is contracting with the client directly or is embedded in the insurer's offering. The process should be seamless.

THE ACE SOLUTION:

A Controlled Master Program for business travel accident risks offers the control and consistency multinational risk managers need to assist a timely and comprehensive response to these complex exposures, complies with local insurance laws and regulations and is underwritten to control the overall cost of the multinational program through a more coordinated insurance purchase. Combining this type of master program with ACE WorldviewSM, an innovative technology solution that provides access to an entire global program in real time, along with comprehensive travel assistance services available 24 hours a day, 365 days a year, provides risk managers with the control they need to offer more consistency in the treatment of their global exposures.

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About the Sponsor:

ACE is a provider of multinational business travel accident insurance via a Controlled Master Program that integrates local admitted business travel accident policies in compliance with local laws, with global medical coverage and war risk coverage, thus ensuring consistent insurance treatment on a global basis. Clients receive travel assistance, emergency evacuation and security services from an array of specialized third party assistance providers, all accessible through a single multilingual travel assistance call center.

ACE also offers ACE WorldviewSM, an innovative web-based desktop portal that was developed specifically for multinational risk managers. ACE WorldviewSM gives risk managers access to ACE's systems and expertise in one easy-to-use application, enabling them to monitor the status of an entire global risk management program from one easy-to-navigate home screen. It is unique to the industry, and exclusive to ACE.

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Endnotes:

- 1 A Global Talent Mobility Study: Regional Differences in Policy and Practice. Towers Watson. (2012). <http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2012/07/A-Global-Talent-Mobility-Study-Regional-Differences-in-Policy-and-Practice?=/china/>.
- 2 Argentinean Authorities Impose Total Fine of 23 Times Premium for Unauthorized Life Insurance Transaction with Foreign Insurer. Insurereinsure.com. (2009). <http://www.insurereinsure.com/blog.aspx?entry=1703>.
- 3 People's Republic of China. Insurance Law of the People's Republic of China, Chapter VII: Legal Liabilities.
- 4 Japan. Insurance Business Law, Article 186.
- 5 Scarso, Alessandro P. "Punitive Damages in Italy." *Tort and Insurance Law Punitive Damages: Common Law and Civil Law Perspectives*. Volume 25 (2009): Pages 103-113.

ACE USA Accident & Health is a division of ACE USA, the U.S.-based operating division of ACE Group. ACE Group is one of the world's largest multiline property and casualty insurers. With operations in 54 countries, ACE provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. ACE Limited, the parent company of ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at www.acegroup.com.

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