



Getting Insured

To Go International

Domestic Policies May Not be Enough for Overseas Risks



► BY TOM GU

U.S. companies getting into international trade—or those that are thinking of increasing their international

presence—may be unknowingly jeopardizing their firm's overseas investments. Injuries or damage caused by selling the firm's product overseas; accidents or illness that could befall employees sent abroad; the damage or loss of company property in a foreign country—all are exposures that may not be adequately covered by a company's U.S. insurance policy.

A U.S. general liability policy, for instance, may provide worldwide coverage, but it may have a requirement that suits have to be filed in the United States. Yet if a products liability claim is filed, it will most likely be in a foreign jurisdiction.

As for workers' compensation, a domestic insurance carrier may well deny a claim if the injury or disease is not job-related or took place outside normal business hours. A claim may also be denied if the employee gets sick from an endemic disease, or the injury or death is the result of a terrorist act. The policy may also have a limit on how much it will pay to have the stricken employee repatriated.

And when it comes to auto liability and property insurance, most domestic policies are limited to the United States and its territories, Canada and Puerto Rico.

CONSIDER A PACKAGE POLICY

Companies that have just started in international business or do not yet have facilities overseas may want to consider an exporters package policy, which bundles multiple insurance coverages such as property, general liability, foreign voluntary workers compensation, and international auto liability. Additional coverages, for business income, crime, kidnap/ransom and political risk, may also be available.

And as a company's international business grows and overseas facilities are built or bought, it may want to upgrade its insurance protection to include additional insurance policies to make up a controlled master program. Such a program includes locally issued insurance policies in foreign countries and a master policy in the United States.

Usually, when a firm establishes overseas facilities such as sales offices, warehouses, service facilities or manufacturing plants, it is legally obliged to buy local insurance, called admitted insurance. But these local policies may not provide the level of insurance a firm needs. To fill any gaps, a company can purchase a difference-in-condition (DIC) and difference-in-limit (DIL) property and general liability policy in the U.S. This DIC/DIL policy will drop down over those locally issued policies to pick up any gaps in coverage and provide additional insurance limits. The DIC/DIL policy, together with local admitted insurance, becomes a company's controlled master program.

CHOOSING A CARRIER

Firms have to be careful about selecting the insurance carrier who will pro-

vide their multinational coverage. A firm's unique exposures may not be addressed by some insurance carriers or standard commercial insurance programs.

Companies should thoroughly investigate their insurance carriers to make sure they understand the nuances of the global market and have a broad range of specialized products and services.

Four key factors that companies should keep in mind when searching for a multinational insurance partner are:

- **Underwriting expertise:** Does the insurer know the market, including the legal jurisdictions, the economic climate and the language? Is there a U.S.-based insurance professional dedicated to overseeing all the elements—both for foreign and U.S.—of a firm's multinational insurance program?

- **Specialized products:** Does the carrier offer a broad portfolio of insurance products to address issues such as currency devaluation, coinsurance deficiency and political risk, as well as to meet the different stages of a company's overseas expansion?

- **A global network:** The insurance carrier's products should be supported by an experienced, global network of service providers to handle claims and loss control. Firms should ask about the extent of overseas offices (owned and affiliated); the types of local loss control services and expertise available; claim-handling procedures for outside U.S. losses; and types of medical assistance services available for employees when on business outside the U.S.

- **Financial strength:** A firm's insurance carrier should demonstrate the commitment of senior management to be a player in this market. It is also crucial that the insurance carrier have the financial strength to make good on its promise to pay if your firm has a covered loss. Companies should use independent rating agencies such as A.M. Best, Standard & Poor's and Moody's to assess a carrier's financial strength.

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