Foreign Travel: Risk and Response

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If you reject the food, ignore the customs, fear the religion, and avoid the people, you might better stay at home.

—James Michener (1907–1997), Author
Abstract: While duty of care responsibilities for institutions of higher education may still be somewhat unclear, there are ways for institutions to both consolidate their coverage for foreign travel risks and ensure that faculty, staff, and students are covered. This article highlights the growing number of employees and students traveling overseas, as well as “hot spots” that may pose unique risks to travelers. The authors then discuss traditional foreign travel risk management practices and the problems that risk managers can face if they are using a piecemeal approach to cover these risks. Finally, the article focuses on how to develop a comprehensive, integrated coverage plan for foreign travel and what to look for in a carrier.

Introduction
The globalization of industry and commerce provides US multinational corporations with an increasing proportion of their revenue generated outside domestic borders, while assisting the production of goods and services at a lower cost. As more companies plant flags on foreign shores, the number of employees traveling to these locations on temporary work assignments or more long-term employment has multiplied. However, living and working in many far-flung locales is rife with risk. International travelers confront a range of threats, from political unrest and emergency medical care to transportation mishaps, environmental hazards, and kidnap and extortion schemes, to cite just a few. Language and cultural barriers exacerbate these personal and financial exposures.

Multinational corporations are not the only organizations dispatching more people abroad. Many non-profit organizations, such as sponsors of cultural and educational programs and disaster response groups, are spreading their global reach. It is also far more common today for major colleges and universities to sponsor study abroad programs for students. The volume of students traveling to both traditional study sites located in Western Europe and more non-traditional regions of the world has swelled in recent years. While experienced executives may be more cognizant of the inherent risks of foreign travel, a young, less seasoned individual may make imprudent decisions, thus potentially inviting trouble.

The myriad perils of foreign travel, work, and living are difficult to manage, much less insure. Traditional business travel insurance policies fall short of providing truly global coverage, in part because many countries require buyers to purchase insurance from local carriers. The customary insurance coverage for injured or sick travelers and others living abroad often fail to supply money when needed most—at a foreign hospital’s patient admittance desk. Services beyond insurance, such as threat assessments (intelligence reports of emerging political instability, health crises, and natural disasters), pre-trip medical referrals and medical evacuation, advisories on transportation hazards, lost document assistance, and emergency transaction services, among other needed services, are difficult to acquire and often expensive on an unbundled basis.

Small World Gets Smaller
More US multinational corporations are generating a greater proportion of their revenue outside the headquartered country. According to a survey by GMAC Global
Relocations, 41 percent of the total revenue of US multinational corporations in 2006 was generated outside domestic borders. To serve global markets, customers, and manufacturing and technology needs, multinational companies are sending more employees abroad. Such trips can last from a few days to several months to several years for long-term assignments—the latter considered a key to career advancement. As consultancy PricewaterhouseCoopers stated in its report, International Assignment Perspectives, “Overseas assignments have become increasingly sought after by ambitious and high-performing employees.”

Expectations are for these trends to increase in the future. Last year, GMAC produced its 16th consecutive annual global relocation trends survey, noting that in 2008, 68 percent of corporate respondents planned increases in their expatriate populations, despite alarms over terrorism and international monetary disruptions. An average 52 percent of current expatriates cited in the survey had children accompanying them while on assignment, yet 58 percent noted that their employers had reduced their expenses for international assignments in response to economic conditions. More employees abroad with less money for their shelter and other routine daily expenses is worrisome, given that the survey cites Russia, China, and India as the “most active emerging destinations” for expatriates, countries it also calls the “most challenging destinations” because of security concerns, cultural barriers, legal complexities, and travel safety.

Similar trends are in play with regard to study abroad programs at universities and colleges. According to the Institute of International Education’s 2009 Open Doors report, a record number of US students are choosing to study in foreign lands for part of their academic experience, in preparation for “living and working in a more global society,” the Institute stated. In the 2007-2008 academic year, the number of students studying in foreign countries increased 8.5 percent to 262,416 students—four times the number tabulated in the 1987-1988 academic year and more than 150 percent the volume recorded a decade ago. The report cited substantial increases in the number of US students studying in such emerging economies as China (ranked number 5 on the list of destinations), Mexico (number 7), Costa Rica (number 10), South Africa (number 14), Czech Republic (number 15), Israel (number 22), and Russia (number 25). The percentage of students studying in India alone jumped 19.8 percent in the 2007-2008 academic year from the prior year. Altogether, 15 of the top 25 country destinations were outside Western Europe, and 19 were countries where English was not the primary language.

While many emerging economies are politically stable, have invested in the development of modern infrastructures, and have enhanced the quality of their medical care facilities, many perceive the risks of living and working in such countries as higher than in the Westernized world. American expatriates who have lived and worked in various emerging economies recount tales of crumbling infrastructure, regulatory uncertainty from region to region, security and safety issues, unreliable transportation, and fear over the risk of infectious diseases like SARS, avian flu, and H1N1.

Beyond the moral obligations that both for-profit and non-profit employers naturally feel with respect to the health, safety, and security of their employees and their dependents when they are abroad, legal duties also may be imposed on employers in the event of a mishap in a foreign land. Similarly, parents of students traveling abroad perceive that they have entrusted the sponsoring universities and colleges with the safety and security of their children. Courts in the United States and other countries are likely to take seriously, and consider carefully, claims that the sponsoring organization breached its duty of care, creating year, the number of students studying in foreign countries increased 8.5 percent to 262,416 students—four times the number tabulated in the 1987-1988 academic year and more than 150 percent the volume recorded a decade ago. The report cited substantial increases in the number of US students studying in such emerging economies as China (ranked number 5 on the list of destinations), Mexico (number 7), Costa Rica (number 10), South Africa (number 14), Czech Republic (number 15), Israel (number 22), and Russia (number 25). The percentage of students studying in India alone jumped 19.8 percent in the 2007-2008 academic year from the prior year. Altogether, 15 of the top 25 country destinations were outside Western Europe, and 19 were countries where English was not the primary language.

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the potential of significant liability exposure for colleges and other sponsoring organizations.

**Managing and Mitigating Risks of International Travel**

Organizations should develop a strategic framework for identifying, managing, and mitigating the risks inherent in international travel and living abroad. Such practices should address the proper care and treatment of employees and students in the event of accident or illness, as well as assistance for them in the event of transportation breakdowns, wrongful detentions, emergency cash needs, kidnap for ransom schemes, or more prosaic issues like a lost passport. Unfortunately, it is often the case for a large organization with a global footprint to have disparate worldwide travel and expatriate risk management policies, in addition to a hodgepodge of assistance providers and insurance programs with little if any coordination or integration.

Finding adequate care for a medical emergency may be problematic in many emerging economies and even more developed nations. Language and cultural barriers make communication difficult, inviting the prospect of wrongful diagnosis and treatment. Often, an employee requiring emergency medical care abroad learns that the foreign treatment facility will not accept his or her national health care provider, private medical program, or HMO. Insurance policies that do cover overseas medical treatment typically offer only reimbursement and not the upfront fees many foreign hospitals require before undertaking treatment. In such cases, it is common for the facility to deny hospital admission. While a measure of reciprocity exists between nations to provide emergency medical care to each other’s traveling citizens, not all countries abide by them.

Medical care facilities in many foreign lands also may fall short of the skilled treatment expected in North America and Western Europe. In such cases, medical evacuation to a superior institution is a dire necessity, yet this presents logistical challenges and the need for aircraft supporting an intensive care unit and staffed with doctors, nurses, and other trained personnel.

**Hot Spots and Security Risks in Foreign Travel**

Security threats are a constant hazard in many foreign countries, especially those perceived as politically or economically unstable. The risk of insurrection, violent protests, blockades, criminal acts, terrorism, and even war is higher in such insecure environments. A case in point is the coordinated grenade and machine gun attacks targeting foreign tourists in Mumbai, India, in November 2008. More than 125 people were killed in the 10 separate attacks, considered one of the most brazen acts of terrorism in the country’s recent history. Intelligence and other information alerting authorities of an imminent attack were available but were not widely disseminated.

In foreign countries where organized crime is a problem, the risk of kidnap and extortion schemes creates ominous personal health and financial exposures. While many large corporations employ trained security professionals or retain outside consultants to evaluate and mitigate these risks, mid-size and smaller organizations often lack such resources. Obviously, it should be professionals who negotiate the release of a kidnap victim with his or her captors.

Students studying abroad incur many of the same threats, although the risks are perceived as higher because of their lack of experience and sometimes impulsive behavior. Taking a semester to study in regions like China, Chile, India, and other regions where censorship and political, legal, and economic unsteadiness are common gives pause for deep consideration. Natural disasters affecting regions with inadequate or antiquated infrastructure and emergency medical care facilities add to the risk. Following the recent devastating earthquakes in Haiti and Chile, organizations providing assistance to travelers in emergency situations evacuated numerous American students. While many universities and colleges offer a modicum of risk management assistance to students in study abroad programs, these services may be fragmented.
with one department having its own policies and another department a different set of options. This pronounced lack of coordination adds cost and deters the benefits of a more integrated approach.

Non-profit organizations, especially those predicated on assisting victims following a man-made or natural disaster, face greater risks as the threats are in play. Missionary groups and volunteer organizations, in their understandable zeal to assist others in dire need, may not be cognizant of unexpected risks, including criminal acts like looting in the wake of the disaster. As one organization that supplies security assistance to travelers stated, “Away from unfamiliar surroundings, [people] may encounter precarious environments that present increased and unfamiliar threats to their health, safety, and security.”

Traditional Business Travel Risk Management

Many corporations, non-profit organizations, and universities manage the risks of traveling, living, and working abroad in piecemeal fashion. With regard to insurance, they may buy a business travel accident insurance policy covering the insured’s loss of life and certain other injuries resulting from an accident while traveling on business. Sometimes, for added security, an institution or company might also purchase life insurance and/or accidental death and dismemberment insurance, a policy that pays additional benefits to the beneficiary if the cause of death is due to an accident. Often, the financial limits of these policies aren’t enough dollar-wise to absorb the financial extent of risk.

Another problem is the need to have separate insurance policies in different countries covering employees and students traveling or living abroad. Many nations require the purchase of locally admitted insurance policies—insurance bought from licensed local insurers. Managing the related compliance considerations can be burdensome, given the constantly shifting regulatory landscape, and the various requirements for administering multiple policies can be quite burdensome. For employees on temporary work assignments that are extended, the original policies covering them must be updated or renewed at a longer term, adding to the complications. Since foreign subsidiary managers generally are not insurance professionals, the possibility increases of not having adequate protection or too much insurance. With regard to risks like kidnap and extortion, it may be necessary to acquire separate insurance policies on a country-by-country basis.

When it comes to employee and student safety and security, the same fragmented approach prevails. Some organizations may produce and offer information on country risks or assist travelers requiring urgent medical treatment. Others may provide a hotline in case of emergency or assistance with foreign language translations or lost documents. Very few offer transportation services for evacuation or repatriation for political or medical reasons due to perceptions of high cost.

In most cases, a cohesive approach to managing the risks of foreign travel is lacking. A more comprehensive approach to protecting an organization’s most important asset—its people—is needed. Such an integrated package of benefits and services is now available.

How to Protect Employees and Students Abroad: An Integrated Approach

One way to manage the myriad of overseas risks is to develop an integrated package that covers the needs of those living, working, or studying overseas. A comprehensive approach can involve bundling together a singular group of insurance products into a single, master accident and sickness insurance portfolio. In addition to developing a comprehensive insurance package for employees or students traveling abroad, organizations and institutions can also explore the wide range of foreign travel assistance services to help supplement insurance coverage in the event of an emergency where on the ground, specialized assistance is needed.

There are only a few global carriers with the capability to offer multinational corporations, non-profit organizations, and universities customized insurance solutions to manage and transfer the risks of foreign travel. The
The foundation of these programs is found in a master policy that eliminates the need to rely solely on locally-admitted insurance policies on a country by country basis. Underlying the master contract are local policies, which conform to the respective regulatory requirements governing coverage, rates, taxes, and other considerations. The Controlled Master Program (CMP), as it is called, provides simplicity, stability, and uniformity of insurance protection globally, ensuring that employees, students, and others are appropriately covered when living, working, or traveling overseas.

Additionally, the centralized nature of the CMP eliminates the excessive costs typically resulting from a patchwork quilt of separate insurance policies and separate administrative schemes.

Creating the Right Plan for Your Organization

It is critical that a risk manager understand their institution's needs, including the demographics of travelers, where they are traveling, how much travel is planned, the location of their international operations, what level of benefits are needed, and their funding capabilities. For example, more and more students travel to less traditional areas of the world that are likely to present a greater need for benefits such as kidnap and extortion, political security, natural disaster evacuation, and other types of higher risk or emergency response benefits. Other coverage to consider is trip-related inconvenience benefits, such as trip interruption, cancellation or delay, program fee refunds, and lost baggage or other personal effects.

From an organizational perspective, risk managers may wish to consider data security and communication needs and the need to keep current on global health, climate, and security information from a planning and business-contingency standpoint. Understanding exposures and maintaining accurate travel data is key to developing a comprehensive travel program that best satisfies the needs of risk managers and the needs of travelers.

Choosing a Carrier

Working with a global insurance carrier with a broad portfolio of products designed for multinational organizations is key. Optimally, the carrier you choose will have a sizeable international license base with worldwide operations and physical presence. Because the nature of foreign risk is so complicated and the myriad of coverages available to help manage that risk is extensive, it is important for a carrier to access providers of global travel intelligence and assistance services to supply emergency medical and security services. Other personal and enterprise travel risk management services compliment the organization's ability to help provide safety and security through insured programs for individual travelers. By securing insurance through one single point of service, organizations can be confident that they have done their best to enhance the level of care and security available for employees, volunteers, and students.

About the Authors

Frank D’Ancona is vice president of National Sales and Marketing for ACE USA Accident and Health. He has more than 20 years of experience in the insurance industry with particular emphasis in the accident and health arena. Mr. D’Ancona joined ACE USA in 2002 as assistant vice president and business development manager for ACE Accident and Health’s Mid-Atlantic region. Prior to his tenure with ACE, he held various marketing and sales positions with Special Risk Insurance Services, Inc.; Combined Insurance, now part of ACE Group; and several other insurance carriers. He received a bachelor’s degree in business administration from Villanova University with a minor in marketing.

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Endnotes


3 Evans, “GMAC Global Relocation Survey.”


I dislike feeling at home when I am abroad.

—George Bernard Shaw (1856–1950), Irish playwright