

SELLING INSIGHT: GOING GLOBAL BRINGS NEW RISKS

Increasingly, Small and Midsize Businesses Have Some Type of Foreign Exposure, with Business Travel and Foreign Sales the Most Common

International activities are no longer limited to the Fortune 500. 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 not fully addressed by traditional insurance programs. The producer that recognizes these exposures is presented with excellent account-rounding opportunities.

Even the most incidental foreign exposure—business travel—presents some potential coverage issues. Small and midsize business owners often travel abroad to attend conventions or meet with suppliers. Although the typical general liability policy provides coverage for short-term business travel outside the United States, such coverage is normally limited to suits brought within the United States, its territories and possessions, Puerto Rico, or Canada.

If this same traveler leases a vehicle, the only coverage is likely to be the insurance, if provided, from the local leasing company. In many countries the scope of coverage and available limits are well below the standards that U.S.-based businesses find customary. The traveler cannot rely on his or her domestic policy for any coverage since the coverage territory for U.S. business auto policies typically is limited to the United States, its territories and possessions, Puerto Rico, or Canada.

A business traveler also faces other concerns, including loss of property, threat of kidnap, and potential gaps—depending upon the benefit state—in workers' compensation coverage. For example, does the domestic policy adequately address extraterritorial activities, personal sojourns, endemic disease, and repatriation?

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 United States, 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.

To learn more about how AmWINS can help your clients, reach out to your local AmWINS contact, or e-mail marketing@amwins.com.

If you do not have a contact at AmWINS to help with your foreign liability risks, [click here for a list of brokers on our website.](#)

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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 international 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 key advantage of a separate foreign policy is the availability of a separate set of limits. Additionally, foreign policies often provide features and enhancements not necessarily included within the domestic program. Common examples include:

- liability coverage written, where permitted by law, on a "pay on behalf" rather than an indemnification basis
- travel-assistance services (such as medical or legal referral, medical evacuation arrangements, and interpreting)
- tenants legal liability coverage, important in certain foreign countries where lessees can be held strictly liable for damage to leased premises
- specific coverage available for repatriation, medical evacuation, and endemic disease
- specialized property enhancements, such as coverage for deficiencies in collectible loss due to foreign currency devaluation

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

Another advantage of issuing a separate policy is the perceived value that the customer places upon it. Some customers are reassured knowing they have a specialized "international" policy designed to address the unique exposures associated with foreign operations. These customers also are generally more accepting of the additional premium charge required than they would be for coverage provided as an extension to their existing program.

This article has only scratched the surface in addressing the issues midsize businesses may face. It's wise to consult with your broker to determine the local requirements and the best approach to meet a client's needs.