



Insurance protection  
for employees abroad

# Insurance protection for employees abroad

The recent political upheaval in the Middle East and the unprecedented catastrophe in Japan highlight the issues companies face when their employees work abroad in harm's way. As situations deteriorated, companies struggled with decisions as to whether to withdraw all their foreign employees and faced the logistical challenges of evacuating employees and family members under sometimes difficult and dangerous conditions. In some cases, medical care needed to be procured for injured employees.

Organizations that require employees to travel or reside abroad need a comprehensive framework for managing the risks. Not only is this a moral responsibility, it is a legal obligation in many countries. According to legal experts, the employment relationship includes an obligation of Duty of Care of employers for the health, safety and security of their employees. The Duty of Care obligation extends to employees and their dependents who are abroad on company business.

Beyond the legal obligations of the Duty of Care, a comprehensive safety net can be an important factor for employees when deciding whether to take overseas assignments. Even for employees traveling and working in more tranquil regions of the world, security is a critical issue. U.S. employees need assurance that if they are injured, they will be eligible for at least the same level of benefits they would have received back home. Additionally, they want to know that they will have help dealing with an unfamiliar foreign health care system, that they have insurance coverage that is accepted by local hospitals, and that resources are available to help get them back home or to a better equipped medical facility.

The need for these services has existed as long as there have been foreign business travelers and expatriates. In the modern global economy, demand for them has never been greater. Thousands of U.S. citizens have taken assignments abroad. Rapidly growing emerging markets are especially attractive destinations. PricewaterhouseCoopers' 2011 Global CEO Survey found that with much of Europe and North America still dealing with the lingering effects of the downturn, many companies looking for sustainable growth are aiming their sights on markets away from home. It revealed that U.S. CEOs are expecting to grow their operations internationally, particularly in Asia and Latin America.<sup>1</sup> Brookfield Relocation Services, in their annual employee mobility survey, found that China, India, Singapore and the United Arab Emirates were the top emerging new locations for international assignments.<sup>2</sup>

A long-standing type of insurance for employees traveling or living abroad is Foreign Voluntary Workers' Compensation (FVWC) coverage, often added as an endorsement to a domestic statutory workers' compensation policy. The endorsement offers on a voluntary basis insurance protection equivalent to domestic workers' compensation insurance. FVWC, however, does not cover the full range of health and safety concerns of business travelers and expatriates. Some global insurers now offer a coordinated package of international insurance coverages

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<sup>1</sup> *Growth reimagined: Prospects in emerging markets drive CEO confidence*, PriceWaterhouseCoopers, 2011

<sup>2</sup> *International Employee Mobility in the New Decade*, Brookfield Global Relocation Services, 2011

and services to provide comprehensive protection. Companies can further assure the safety of their employees through their travel and relocation policies, and by providing employees traveling overseas with safety training.

## Foreign voluntary workers' compensation

The U.S. workers' compensation system is now 100 years old. While perhaps not perfect, it has generally been successful at addressing the needs of injured workers. It is such a pervasive element of employment that most workers simply assume they will be taken care of if they are hurt on the job. The U.S. workers' compensation system, however, is state-based, meaning that some employees of American companies are not automatically covered. Each state sets its own rules for eligibility and benefits, but all limit out-of-state claims. Employees working abroad risk not having this vital protection if they are injured. In addition, while U.S. statutory laws do extend the U.S. state benefits extraterritorially to U.S. employees who are temporarily overseas, many states are unclear on what is considered "temporary," leaving companies exposed.

The solution to the workers' compensation dilemma for foreign-based workers is FVWC. While not statutory coverage, FVWC coverage mirrors that of a state in which the employee was hired and, in some cases, expands coverage. Domestic workers' compensation insurance policies can usually be modified to provide coverage for overseas workers on temporary assignments by attaching a FVWC endorsement. For organizations with significant foreign exposure, however, separate FVWC coverage is usually the preferred solution.

In addition to paying medical and indemnity in accordance with the workers' compensation law in the designated U.S. state, FVWC also may provide valuable extra benefits not usually available under a domestic policy. These additional coverages are tailored to the unique needs of individuals living in a foreign land. They typically include:

- **Medical expenses for endemic disease.** Statutory workers' compensation coverage provides coverage for "occupational disease," but not for "endemic disease," i.e., disease that is endemic to a specific region but may not be directly related to the employee's occupation. If, for example, an employee contracted malaria while on assignment in Africa, the illness probably would be covered even though malaria is not an occupational disease since malaria is endemic to certain regions of Africa.
- **24-hour coverage.** Many FVWC policies provide broad accident insurance protection to employees on a 24-hour basis while overseas on a short-term basis. The coverage often also extends to personal trips taken in conjunction with business travel. This coverage feature can provide medical coverage for employees abroad because workers' compensation has no employee deductibles, co-payments or policy limits.
- **Repatriation expenses.** Repatriation expenses are the additional costs incurred when moving a patient from a foreign location back home or to a medical facility that is better suited to the patient's needs.

FVWC coverage also can apply to foreign nationals traveling or working in the U.S. temporarily.

For the benefit of employers, FVWC policies also include employers' liability coverage. Employers' liability insurance responds to lawsuits brought by injured employees, typically alleging that the injury was the result of negligence on the part of the employer. Employers' liability insurance covers defense costs as well as indemnity payments.

## A comprehensive solution

The typical FVWC policy provides broad coverage for employees traveling or stationed abroad, but it is not designed to meet all the challenges faced by employees in foreign lands. As a result, some global insurance carriers provide FVWC as part of a package of insurance coverages and services to make living and traveling abroad as safe and comfortable as possible. The additional coverages and services can include travel accident insurance, travel assistance programs and reimbursement for security evacuation expenses.

### Travel assistance programs

Perhaps the most pressing concern of business travelers is falling ill or being injured far from home. Foreign travelers may be uneasy about unfamiliar medical systems, potentially substandard care and language barriers. For employees on long-term assignments who relocate their families, these concerns are magnified by the risks faced by loved ones.

A comprehensive worldwide travel assistance program provides assistance with medical emergencies, including emergency medical referrals, medical evacuation if local facilities are not able to provide care comparable to western medical standards, and medical repatriation once the traveler is well enough to return home. For employees who die away from home, assistance is available for the return of remains.

Non-medical services provided by a travel assistance program can include legal services for travelers needing the emergency assistance of a lawyer, travel services such as emergency advance of funds and translation and interpretation help, and information services such as passport and visa information as well as inoculation and immunization information. Travel advisories, alerting employees to unexpected and emerging travel risks, are an important information service provided by a full-service travel assistance program.

### Travel accident insurance and other insurance coverages

A travel assistance program can assure that a sick or injured employee is put in contact with the best available medical care, but typically the employee's domestic health insurance will not be accepted by a foreign provider. Consequently, specialized insurance is necessary to guarantee that coverage is available anywhere in the world an employee may need medical assistance.

Often, as a matter of law, insurance policies must be written by a local insurance company. Assuring seamless coverage that is compliant with local regulations typically requires a global insurer that has both subsidiaries licensed in countries throughout the world and strong business relationships with top-tier local companies

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that can issue compliant policies. Ideally, insurance coverage should be fully integrated with the travel assistance program.

In addition to medical insurance, accidental death or dismemberment policies should provide coverage on a worldwide basis, and should include travel-related protection such as hijacking/skyjacking coverage. Expatriates also need to be certain that they have life insurance coverage that is compliant with local laws and regulations.

### **Company policies and training programs**

In addition to products and services purchased through their insurance carrier, companies can go a long way toward guaranteeing the safety and security of their employees abroad through travel and relocation programs as well as through safety training.

Corporate travel policies typically cover matters such as who is permitted to travel, airline and lodging requirements and standards, how to book reservations and approval processes. Travel policies also should incorporate risk-related restrictions and requirements such as training required for travel to high-risk destinations, processes for communicating changing threats to domestic and international travelers, and transportation policies and preferred vendors, including a list of the safest airlines.

Employee education in travel safety should incorporate training in hotel security and safety procedures, vehicle safety and choice of rental cars, protecting personal property, mitigating health hazards and avoiding street crime. Employees traveling to particularly dangerous areas may need training in avoiding kidnap and advice on how to survive abduction. Large corporations increasingly have chief security officers responsible for developing and implementing safety and security programs. Smaller companies may need to hire a security consultant for these purposes.

### **Bon voyage**

International mobility is an important trait of valued employees in a growing number of companies. Once a factor principally in the largest firms, today even many mid-size organizations are planting their flags on foreign soil to take advantage of growing markets and low-cost production sources. As more employees travel and live abroad, the need for a comprehensive medical, security and travel assistance program grows increasingly evident.

Every company that regularly sends employees on business trips abroad needs to assess its insurance program to assure that these employees are adequately protected if they become sick or injured. Companies with employees living abroad need to be yet more diligent about the insurance protection and support services they provide. Designing a comprehensive program may involve both the human resources department and the corporate insurance buyer working with the company's insurance broker and, if applicable, the company's international relocation service.

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