



Navigating International Insurance Waters

In today's global economy and with the US participating in two large military operations over the past decade, almost every government contractor has some measure of a current or future international insurance and risk management exposure.

International insurance of 10 years ago used to be a small, basic policy that covered minimal things and it worked for most companies since the U.S. legal system had not spilled across borders. But as we fast forward into 2012 and business borders continue to fall, the U.S. legal system is becoming more of the norm and not the exception. We are seeing higher dollar lawsuits of every kind being brought back to the U.S. or pursued in foreign courts. Even the most conscientious company needs to be on the ready.

Rebuilding and Protecting

The Department of Homeland Defense has joined scores of private contractors in assisting the Defense Department in America's foreign policy efforts overseas. A lot of the work is not simple as it includes contracts like providing security, driving high risk vehicles, designing computer networks, building infrastructure and a multitude of other support services. Not only has this vastly increased the number of non-military citizens working abroad, but it has made a difficult job even more complex for companies to protect their people and their assets.

Today's Basic Program

Given the complexity of today's new normal for foreign exposures, a solid insurance program now consists of at least 7 parts: foreign general liability, foreign auto liability, foreign voluntary compensation, foreign property, Defense Base Act, accidental death and dismemberment, and medical/evacuation/repatriation. If you are working in a more dangerous area, kidnap and ransom also becomes an obvious choice. Why does a company need all of this coverage? The basic answer is that in a course an overseas assignment, an employee and his/her company will be operating under a variety of doctrines that will help determine where a claim might fall. If the policies are not working together and an injury occurs, the gap in cover could lead to an expensive lesson in self-insurance. The easiest example to cite is medical and evacuation coverage - if an employee becomes sick or is injured and needs to be flown to more sophisticated medical facilities, the cost of this transportation can now hover in the \$50,000 range versus \$10,000 ten short years ago.

The good news is that a complete and comprehensive program rarely costs more than a poorly constructed one. Insure it right.



Let's Talk Defense Base Act

The Defense Base Act is an extension of the Longshore and Harbor Workers' Compensation Act providing disability and medical benefits to employees of U.S. government contractors who perform work overseas on U.S. Military Bases; on any lands used by the U.S. for military purposes; public work contracts with any U.S. government agency; work on contracts under the Foreign Assistance Act (usually USAID or the like); and work for American employers providing services for the benefit of the Armed Services (e.g. the USO). The act merits its own section for three very important reasons: 1) it is required by law and any company found to be in violation of the DBA is subject to severe criminal and civil penalties 2) the act continues to be expanded as U.S. foreign work increases 3) there have been more than 55,000 DBA claims in this decade alone.

The Curse of Mobile Devices

Until this decade, we never gave much thought to traveling E&O, property, and cyber risks. However, with the advent of laptops, phones, and PDA's capable of carrying reams of sensitive information, we have embarked on a whole new frontier of exposures and risk management. What would happen to your company if an employee left their Blackberry at the airport or had their laptop stolen in customs? Do you have a way to secure the data? How much would it cost to rebuild your custom program and software?



We readily admit that the probability of a loss is low, but with hackers attacking devices around the world trolling for attractive government targets; it is certainly not out of the realm of possibility. Make sure you have processes and procedures in place to protect your data. If a device is lost, ensure everyone knows the basic steps to limit the loss.

Now What Do I Do?

You need to sit down with your risk management department and your broker and make sure you fully understand how your program would react to common loss scenarios. From there, a good broker will help you implement a loss mitigation program to ensure your business is protected in these unprecedented times.

For more information or for an initial consultation contact PIA at defense@palumboinsassoc.com or call 410.836.8591

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