

# **McKinley International Risk Management™**

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Unrivaled expertise to remove international risk when organizations have employees working or traveling internationally

White Paper  
The Reasons to Properly Document Policy,  
Expatriates, Protecting Employees Abroad  
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Notes

The Problem; Employers send employees around the world to work, and on long business trips, yet little policy is properly documented leaving the employer exposed.

**T**he majority of employers that hire expatriates or have frequent international business travel do not have the necessary documentation in place to properly protect themselves. Policy and procedure, or the lack of it, is generally inconsistent with the best practices of international risk management. This international exposure comes in many forms, from employees working 5 years in China to cross-boarder day trips to Mexico to inspect factories. **We have found that employers spend millions of dollars on employee benefits and property and casualty insurance programs, but fail to fully protect themselves in an area which is 98% less costly, the proper documentation of international policy and procedure.**

**Problem # 1:** An expatriate policy and procedures manual, or expat handbook if one even exists, is not comprehensive or may be outdated.

**Problem # 2:** The lack of good documented policy leads to a number of problems including: employer / employee disputes, failed assignments, unfunded expense, employee dissatisfaction, ex-gratia payments, and even employee lawsuits.

What are just some of the areas where properly documented policy can avoid a tremendous amount of problems down the road for global employers?

1. The international medical insurance plan, or if the U.S. medical plan's use is continued for employees abroad, the proper documentation becomes even more critical with the need to address the following areas:
  - a. What types of claims may not be reimbursed if they are incurred abroad and the limitations of current insurance working and performing internationally. For example, an HMO or PPO may limit care overseas to "emergency care only." Non-U.S. FDA approved drugs

prescribed overseas will be denied reimbursement. War and terrorism exclusion may apply for certain claims in certain countries. There are 100 more examples.

- b.* The responsibilities of the employee (for example, to make sure prescribed drugs are U.S. FDA approved or they will not be reimbursed under a U.S. medical program.)
  - c.* Expectations regarding employee out-of-pocket costs and fronting of doctor and hospital bills internationally.
  - d.* A review of what many not be covered even under an international medical plan. For example, many expatriates spend \$5,000 on malarone, an anti-malarial medication only to find this is often not covered by the insurance program. (A dispute with the employer then erupts because expatriates will push the bill back on the employer who of course, has no way to reimburse or make a special exception to circumvent the health plan.
- .
- 2. Proper documentation of how on-the-job injury and illness claims are to be filed internationally vs. domestically. (U.S. workers compensation vs. foreign voluntary workers compensation insurance).
  - 3. Policy and procedure around using the international evacuation and repatriation program (i.e., ISOS). For example, it's important to document the "nearest appropriate facility" clause in these policies because many expatriates wish to return to their home country and this may not be possible in most instances.
  - 4. Employee's personal responsibilities when it comes to certain property and casualty insurance programs, often where the employer does not pay for the cost of this insurance.
    - a. Vacant Homeowners Insurance: The need for an expatriate or a business traveler to secure special coverage on their home if it is expected to be unoccupied for over 90 days while they work abroad.
    - b. International Personal Property Insurance: The responsibility of the expatriate to secure the proper insurance for all personal effects taken into the host country, once it has arrived in the host country. The

most important point here is emphasizing that the employer has no insurance policy in place that would provide this coverage and cannot reimburse the employee in the event of a personal loss. 95% of expats think the employer will provide this reimbursement.

- c. International personal liability insurance: The need for an expatriate to secure sound personal liability insurance during an international assignment, and documenting that the employer has no mechanism to step in and pay for, or legally represent the employee or a family member in the event of personal lawsuit or damage award either in the host or home country.
5. Security; where the proper policy and documentation is of the utmost importance.
    - a. A security plan and who to contact in an emergency, or “where to meet” instructions, and “what to do” instructions if certain things happen with this section of the expat manual beginning with, “The safety and security of you and your family during your international assignment is of the utmost importance to abc company.”
    - b. Information on a kidnap and ransom insurance program, if one exists, cannot be documented to the employees in almost all cases.
  6. Documentation of important items related to the international move of household goods that could later lead to problems.
    - a. Items the company will not pay to move (piano, art, antiques, etc.)
    - b. Limits on the amount of items the company will pay to move. Some companies will move and ship up to \$75,000 and pay for the insurance on those items, but no more.
    - c. Shipping a car or purchasing a car abroad including the services of a driver.
  7. Policy concerning ending an international assignment pre-maturely should be properly documented including all of the following:
    - a. Will personal effects, and the return of those items to the home country be offered by the employer. *Will this only be offered if the employee completes a certain amount of time in the assignment. What other benefits are contingent on time spent in the assignment.*

- b. Effect on medical insurance and other employee benefits related to the date of termination with the company. For example, if the expatriate is under an international benefits package during the assignment, and the assignment ends early, when will benefits cease.

## The most important documentation is often the policy most lacking.

The most important policy to document surrounds exceptions to the rules and ex-gratia payments. No matter what the policy, there will always be an individual very high up in the organization or critically important to an overseas project that will attempt to throw the rules, and the documented policy to the wind.

Of course, if you would like to reserve the right to make an exception on a case by case basis don't make this a separate section in your policy. However, we highly recommend against this practice. In most cases, it would be better to lose an employee than to break these rules. Once the "cat is out of the bag" and the employees understand exceptions can be granted the entire policy document can pretty much be thrown out the window.

Clearly documenting that there will be no exceptions is very important.

## The proper documentation to protect you and your own department in the organization

In addition to employee documentation, all the issues should also be well documented to superiors or the President of the company and potential problems should be addressed before they happen, especially if your department does not have the resources to accomplish or implement everything you would like to at this time. For example, if you are the only global competitor in an industry that does not have an international medical plan in place for employees, the problems this could cause should be documented internally. Here are just a few things that should be documented upward and inside an organization regarding overseas risk management.

1. The current risks and international exposures. Who is traveling where and for how long? Create a top 10 priority list as to what programs need to be considered to fix potential gaps in coverage due to international exposures.
2. That many U.S. benefit and insurance program are not able to accommodate employees that leave the country depending on 1) where people are traveling 2)

for how long they travel 3) the current provider and existing insurance policy for medical, dental, life, LTD, STD, workers comp. etc.

3. That immediate steps need to be taken to remove or reduce these risks and liabilities.

“The proper documentation to both the President’s office and the employees themselves is quick, easy, and the most cost effective form of risk management, yet few employers fully take advantage of this method of risk management. . .”

### **“Voluntary International Benefit Suite”**

Offering employees a voluntary suite of insurance programs that can provide protection while they work, travel, or reside abroad costs nothing and can be done almost immediately. Plan costs can be paid entirely by the individuals, paid by the employer, or reimbursed as a business expense.

1. Individual short term travel medical plan
2. Individual “expatriate” medical plans for anyone abroad over six months.
3. Vacant homeowners insurance
4. International property insurance
5. International liability insurance
6. Individual security plans such as Kidnap and Ransom insurance

## Conclusion

The proper documentation of policy related to employees leaving the country is essential to the risk management efforts of an organization. The combined hard and soft savings of the proper expatriate policy and procedures manual can be in the millions.

Many organizations are more likely to spend hundreds of thousands of dollars on international benefits and service programs than to document policy properly (at pennies on the dollar). The reason for this is most organizations do not foresee many of these problems until they occur and become a problem. International risk management efforts need to be combined with the establishment of international policy surrounding expatriates and business travelers.