

From Local to Global: Insurance Considerations When Doing Business in New Markets



Is it time to expand your business overseas? There are many reasons why you may be looking internationally for business opportunities. New markets can help you diversify your assets, access new talent and gain a competitive edge.

Today, commerce transcends borders; you may already be conducting international business with your online customers. So it's important to stay abreast of your risks as you branch out as a multinational business.

But exploring the international market isn't as easy as simply setting up an overseas storefront. You'll need to tackle international compliance and regulatory issues, localize product packaging to reflect different languages, and navigate a new competitive landscape and cultural differences.

Your international risk exposure

Risk exposure is a growing concern as laws and litigious habits grow and change across the globe. Without proper coverage, companies doing business internationally can suffer financial losses, as well as damage to their reputation. Political climates, laws and customs are all factors that can contribute to risk exposure.

Risks and products

The risks your business faces here in the United States also exist overseas, so international insurance will mirror your domestic policy. For example:

- **General liability** insurance for international businesses will protect your company from lawsuits stemming from accidents, injuries or negligence in a foreign country.
- **International product liability** insurance will protect your company from lawsuits if your products cause property damage or bodily injury.
- **International professional liability** insurance will protect your company from malpractice claims.
- **Foreign voluntary workers' compensation** is a type of workers' comp that provides more coverage to employees who suffer injuries or become sick while traveling overseas.

Global executive support services can also be included in international insurance packages. They offer noninsurance benefits, including assistance with emergency lawyer referrals, lost documentation and medical evacuations. Global executive support services may come in handy if, for example, one of your employees is involved in an accident that requires a medical evacuation. In some cases, they may be asked to hand over a credit card before medical services can be rendered. With global executive support services, your business can transfer this risk to your insurance company to take the financial burden off the employee.

Structure your insurance program to meet your needs

International insurance requirements differ by country, as do coverage, legal liabilities and risks.

There are three primary ways that business owners structure their international insurance coverage:

- **Local insurance policy** — The first option is to buy an insurance policy in the country or countries in which you do business. This approach makes the most sense for businesses with a small number of locations abroad. By buying local insurance policies, you can be confident that you've complied with local regulations.

- **Foreign difference in conditions (DIC)/difference in limits (DIL) policy** — The second option is to buy a foreign DIC/DIL policy. A DIC/DIL policy is for companies that have just begun to grow internationally. Some locally issued policies may not provide the same level of coverage as your primary U.S. coverage, exposing your business to more risk. With a DIC/DIL policy, the coverage can address any uncovered risks and supplement any limits from local insurance policies.
- **Controlled master program (CMP)** — The third approach combines your U.S. policy with your foreign policy or policies. It's similar to the foreign DIC/DIL policy, but it provides more seamless coordination between your foreign policies and your U.S. policy. It not only helps you in terms of cost savings (because the same insurance company is arranging the insurance through local foreign offices), but it also provides one contact to pay premiums, process claims and provide customer service. A CMP is best suited to larger organizations that have a substantial footprint abroad.

Of course, your unique business situation will dictate which policy is best for you. Remember that you shouldn't choose your international insurance coverage solely based on the price. Instead, take stock of your business's unique needs and consider different loss scenarios. Your insurance professional can help you evaluate your circumstances and the risks you need to consider as a multinational business.

Sahouri Insurance
advocacy@sahouri.com

**Sahouri Insurance Agency &
Financial Services Inc**
8200 Greensboro Dr
STE 1550
McLean, VA 22102
www.sahouri.com

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