IS BUSINESS TRAVEL ACCIDENT COVERAGE A RISK OR AN EMPLOYEE BENEFIT OR BOTH?

By Patty Boylan

Business Travel Accident coverage (“BTA”) has the potential for duplication of risk insurance and accident and health insurance because it is one of the few insurance products that could be managed either by the employer’s Risk Division or by the Human Resources/Employee Benefits team. Often times these two divisions, within the same company, do not co-sponsor nor do they fully understand the other’s insurance liabilities. Because of this, companies may unknowingly create gaps in coverage or they may duplicate existing levels of insurance.

What was once a fairly straightforward and simple accident plan has evolved into complex and confusing coverage for Risk Managers and Human Resource professionals. This is especially true as businesses expand domestically and globally, and the threat of worldwide travel safety increases. Determining whether or not Business Travel Accident coverage should be purchased involves legal and tax considerations, risk tolerance, internal administrative capabilities and an accurate assessment of the company’s travel exposure. Additional considerations, which are addressed herein, include internal responsibility or ownership of the program, duty of care, types of coverage and overlap or redundancy with other coverages.

A thorough examination of these considerations, applied to a company’s unique needs and situation, will help employers see the value of this often overlooked and misunderstood, yet extremely valuable, coverage.

Ownership

Where exactly does BTA coverage best fit into an employer’s insurance program? The answer is not clear-cut. A look at the percent of BTA plans managed by Risk Managers versus HR Managers (Figure 1) reveals that it varies by industry and group size. What is right for one organization may not be for another.
Whether handled by the Risk Manager in conjunction with Workers’ Compensation and other employer insurances or by Human Resources (HR) as part of the total Employee Benefits Program, the structuring of BTA for a diverse and global workforce is a complex task. Part of the complexity in placing BTA coverage comes from the reality that it can fall under the responsibility of both Risk Managers and HR professionals. When these two departments fail to work together to coordinate the benefits and coverage (which is often the case), confusion sometimes ensues. Further complicating matters is another common reality; within many brokerage firms, a Risk Management team member licensed to place life, accident and health coverage may place BTA coverage without fully understanding its impact on Health and Welfare Benefits. This leads to employers and covered employees not having an adequate understanding of how BTA coverage works or what it covers.

When a travel emergency arises which could result in a claim, it’s important for the business traveler to understand their first line of contact and support. Who does the traveler contact? HR? Risk Management? The travel assistance provider? Or, the corporate travel agency? By understanding the coverage and emergency contacts (what’s covered; what’s not; where do I go; who do I call; how do I get home?) employers can reduce stress and confusion for travelers and their families and avoid potential delays in claim payment. This is especially true when other coverage such as Workers Compensation or Foreign Voluntary Workers Compensation exists and there may be a potential for overlapping coverage.

**Duty of Care**

Most employers understand that they have a responsibility to provide reasonable care to their employees. Specifically concerning business travel, that responsibility may include ensuring that employees are advised of the potential threats they may face when traveling, whether domestically or abroad. In furtherance of this, employers could, for example, educate travelers with emergency information and contact numbers so that they can easily access local assistance should they need help.

Due to the aforementioned confusion that can be caused by HR and Risk Management having overlapping responsibility for BTA, employer’s sometimes fail to adequately advise employees of business travel related risks.
To further complicate matters, Employee Benefit brokerage firms lacking experience in the business travel arena may overlook the potential impact of business travel accident on an employer’s total risk. For instance, some brokers may view BTA as Personal Accident Insurance (i.e., Accidental Death and Dismemberment coverage) that is an extension of the group life insurance benefit. Conversely, Property and Casualty brokers without experience in this area may not fully understand the compliance implications of BTA, which is an ERISA qualified benefit subject to U.S. Department of Labor (DOL) rules and reporting requirements.

In consultation with its legal, financial, and benefit advisors, an employer may consider the following in assessing its duty of care obligations with respect to business travel: the nature of its risks, educating business travelers, communicating the dangers inherent with different travel destinations, and implementing a plan that responds to the safety and security needs of the individual traveler. Following such an assessment, an employer should consider memorializing its practices within HR/Corporate Travel Policies, Employer Best Practices, Employee Benefit Handbooks, and Security Manuals.

**Types of Coverage**

BTA plans can be structured locally or globally depending upon the need.

- **Local Policies** can be established in each country having its own admitted policy with a local insurer.

- **Global Policies** can be written in the U.S. to cover the worldwide population (under this arrangement, there are no locally admitted policies).

- **Controlled Master Programs** are used to combine a U.S. based global policy with locally admitted policies placed in foreign jurisdictions.

**Redundancy**

Some employers view BTA as a duplication of the Workers Compensation (WC) or Foreign Voluntary Workers Compensation (FVWC) coverage, because both plans may offer death benefits and emergency medical transport or repatriation when an employee is actively working and traveling on business for the employer. Though there may be some similarities between the contracts, WC/FVWC is restrictive and applies only to employee work-related injuries during the conduct of business, whereas BTA covers a broad definition of business travelers and is provided 24-hours. In most contracts, BTA also covers the traveler during personal sojourns from 3-14 days immediately before and after the business travel depending upon the contract.

**Differences Between BTA and WC/FVWC**

While there may be instances where there is an overlap in coverage depending on state benefits and policy interpretation, these are the main differences between these types of coverage:
<table>
<thead>
<tr>
<th>FVWC</th>
<th>BTA</th>
</tr>
</thead>
</table>
| WC/FVWC only applies to the employee. | BTA coverage is based on the Classification of the traveler and can include a multitude of persons and positions employed by, connected to, and traveling for the employer. This may include:  
  - Non-employee Board of Directors,  
  - Consultants,  
  - 1099 Contractors,  
  - Pilots,  
  - Spouses or Domestic Partners, Children,  
  - Volunteers, and  
  - Guests. |
| Employee classifications can range from Named Executives, Management-Only, Full-Time Employees, and even more specific core business teams such as medical life-flight personnel. The Class can be as open or limiting as the employer chooses. | Unlike other employee benefits subject to ERISA, BTA is not subject to annual discrimination testing. |
| WC/FVWC may not cover the traveler for off-duty work hours. | BTA covers travelers on and off of work duty while on business travel. |
| WC/FVWC covers only work-related accidents and it does not cover illness or sickness (FVWC does cover endemic disease). | BTA includes illnesses that are contracted during the business trip. |
| WC/FVWC pays lost wages. | BTA pays AD&D. |
| WC/FVWC medical benefits are (or mirror) statutory or customs and reasonable fees are determined by the state WC boards. | When medical illness and injury coverage is purchased, or out-of-country medical is added to the Personal Accident benefit, the amount of medical reimbursements are typically $100k, $250k or $500k; there is no limitation based on state or country where the injury or illness occurs. |
| WC/FVWC will have limited travel assistance benefits including limits on medical evacuation and repatriation, typically up to $5,000 in most contracts. | BTA policies typically include unlimited travel assistance and emergency medical evacuation and repatriation benefits. |
Key Takeaways

BTA is an elemental benefit for any employer requiring employees to travel outside their normal place of business or primary residence, but rarely is it well promoted or well communicated to employees as an employer-paid benefit.

After considering its benefits, what matters most is that it is offered to employees, not who manages it (e.g., Risk Manager or Human Resource Manager).

Both Risk Managers and Human Resource professionals should work together to carefully analyze their company’s existing co-sponsored programs, their tolerance for risk, and then properly communicate these under-appreciated benefits to their employees.

*A general overview of Business Travel Accident coverage follows this paper. See page 6.*

References

Insurers providing commentary and input include ACE, AIG, AXIS, CHUBB, CIGNA and The Hartford.

Notes:

1. The term "employer" is used throughout this paper though most insurance policies will refer to the Policy Holder.

2. The term "employee" is used interchangeably in this paper to define the business traveler who may not necessarily be an employee of the Policy Holder. Most insurance contracts will define the traveler as the “Eligible Covered Person” under the contract.

3. This paper is written for the employer or business entity headquartered in the United States.

The content contained herein is not intended as legal, tax or other professional advice. If such advice is needed, consult with a qualified adviser.

About the Author

Patty Boylan is a Vice President at Integro Insurance Brokers and is the Director of Global Compliance, International Benefits, and Special Risk Divisions within Integro’s Benefits Practice.

About Integro

Integro is an insurance brokerage and risk management firm. Clients credit Integro’s superior technical abilities and creative, collaborative work style for securing superior program results and pricing. The firm’s acknowledged capabilities in brokerage, risk analytics and claims are rewriting industry standards for service and quality. Launched in 2005, Integro and its family of specialty insurance and reinsurance companies, some having served clients for more than 150 years, operate from offices in the United States, Canada, Bermuda and the United Kingdom. Its U.S. headquarter office is located at 1 State Street Plaza, 9th Floor, New York, NY 10004. 877.688.8701. www.integrogroup.com © Integro Ltd. 2016
AN OVERVIEW OF BUSINESS TRAVEL ACCIDENT COVERAGE

By Patty Boylan

Most employers understand that they have a responsibility to provide reasonable care to their employees and that they should establish travel safety guidelines; however, few employers fully understand the importance and intricacies of Business Travel Accident (“BTA”) coverage. As worldwide travel security issues increase it is even more important for employers to review their current BTA policies to ensure coverage is sufficient for the employer’s specific needs, and if not already in place then to consider adding this important benefit to your company’s overall coverage portfolio.

BTA BASICS

BTA provides a wide array of benefits, such as:

- Accidental Death & Dismemberment (AD&D)
- Emergency medical-related expenses incurred during travel
- Out-of-country medical benefits
- Cash advancements
- Repatriation
- Emergency evacuation
- Security services
- Assistance Coverage which includes inconvenience expenses such as trip cancellation, travel delay costs, lost, stolen, or damaged baggage
- Embassy and consular referrals
- Foreign language services
- Lost or stolen visas or passports
- Inoculation requirements
- Even legal liability expenses arising from bodily injury may be covered by the BTA contract.

Claims: Depending upon the coverage, claims are either paid to the employee or his/her beneficiary, or to the employer to reimburse it for payments made to their covered travelers, and, when involving travel assistance providers, payment is rendered directly to the service provider.

Primary Hazards which are written at the discretion of the employer, may include one or all of the following:

- 24-hour Business Travel,
- 24-hour Business and Pleasure Travel, and
- Full Occupational Hazards.
Specialty Hazards that can be added to the policy for additional premium include:

- War Risk Coverage,
- Owned Aircraft Coverage,
- Pilot and Crew Member Coverage,
- Felonious Assault Benefits,
- Extraordinary Commutation, and
- On-premises Violent Crimes or Bomb Scares.

Who can the Employer cover under a BTA policy?

BTA coverage is based on the Classification of the traveler and can include a multitude of persons and positions employed by, connected to, and traveling for the employer. This may include:

- Non-employee Board of Directors,
- Consultants,
- 1099 Contractors,
- Pilots,
- Spouses or Domestic Partners,
- Children,
- Volunteers, and
- Guests.

Employee classifications can range from Named Executives, Management only, Full-Time Employees working specified hours per week (10, 20, 35, 40, etc.), and even more specific core business teams such as medical life-flight personnel. The Class can be as open or limiting as the employer chooses.

Unlike other employee benefits subject to ERISA, BTA is not subject to annual discrimination testing. It is important to note that some States may define travelers differently and may limit insurers from offering certain benefits (e.g., limits on multi-year contracts, exclusion of security evacuations, excluded Classes). Additionally, insurers may exclude or limit certain Classes based on job title.

What types of travel assignments are covered by BTA?

You don’t have to get on an airplane to be a business traveler. Business travel by definition may include any person who leaves his/her residence or regular place of employment for the purpose of going on a specified business trip for the employer/policy holder (e.g., the administrative assistant who is asked to pick up additional office supplies “just down the road at Staples”).
How much coverage is typically needed?

Amounts of AD&D coverage can be set at a flat dollar amount per Class, or based on multiples of salary (again, by Class). Insurers will typically place limits up to five times the annualized salary which can include commissions and bonuses. The limits per Class are referred to as the “Principal Sum.” It is common for carriers to set an Aggregate Limit of five times the highest Principal Sum though additional (higher) limits may be purchased by the Policy Holder.

Employers should take note of the Aggregate limits to ensure multiple business travelers do not exceed the maximum number covered by the contract, should several persons be traveling together to the same business function or destination.

What’s the best way to cover a global population?

Depending upon the need, there are a few ways to structure the business travel benefit:

- **Local Policies** can be established in each country having its own admitted policy with a local insurer, or
- a **Global Policy** can be written in the U.S. to cover the worldwide population (under this arrangement, there are no locally admitted policies), or
- a **Controlled Master Program** can combine a U.S. based global policy with locally admitted policies placed in foreign jurisdictions.

Note: Some carriers do not have admitted contracts in certain countries. Most common non-admitted countries are Brazil, China, India, Mexico, and Russia.

Are there tax consequences to consider under Global Policies?

While you should always check with your tax adviser, generally under a Global Policy there is typically an endorsement added to address potential claim payments for employees domiciled outside the United States which is referred to as a “Modified Payment of Claims” endorsement. This endorsement basically states that in the event of a claim, depending on where the employee/beneficiary resides, the carrier may have to make the benefit payment to the Policyholder. In turn, this benefit can potentially be considered income and therefore taxed. This is something to consider and would not be an issue if the carrier has admitted contracts in that country. Some policyholders may not think the exposure is great enough to warrant an admitted policy, so they may choose to make up the tax implication differences themselves.

**SIMPLE TO COMPLEX NEEDS**

**Basic Coverage:**

- Employers with minimal domestic travel needs and little to no international travel exposure will only require a simple, U.S. domiciled policy, which insures the traveler primarily for Accidental
Death & Dismemberment (AD&D) coverage and includes some basic level of Travel Assistance Services.

- Carriers offer minimum premium contracts (usually $1,500 - $2,500) based on the overall risk, with renewal underwriting based on each employer’s exposure and historical loss experience. This is not a pooled product.

**Mid-Level Coverage:**
- U.S. employers that have some Expat short term international travel exposure will want to consider both AD&D and Out of Country Medical, along with Travel Assistance, Repatriation, and Security Services and Evacuation.
- Especially important for larger groups and those that self-fund their group health plan is the addition of Emergency Medical coverage or a Medical Illness and Injury benefit which can be insured or based on reimbursement limits of $100,000 or $250,000 but can be approved by the insurer for higher amounts.

**Complex Coverage:**
- Very large multinational employers with sophisticated global benefits, cross-border travel, and employment of foreign nationals and/or third-country nationals (TCNs) will likely want to establish a centralized plan under control of the parent company. Consistency and standardization of worldwide coverage is important, as is the need to fill any gaps permitted by local law. Employers will want to take into account the collection of premium from their global locations as well as coordinating renewal dates for the BTA and other Workers Compensation, employer insurances, and globally offered employee benefits.
- Multinational employers will typically opt for a Global policy or a more robust Controlled Master Program.
- Employers with global travel requirements, especially to those identified as war risk/high risk areas (i.e., the Middle East and parts of Africa designated as “Ebola hot-zones”) will want to enhance the BTA’s **Security Services** and be able to track employees worldwide. Both the employer and the business traveler will benefit from having real-time notification of threat information and noteworthy risk-related events. Most important for any business travel into war risk/high risk locations is the education and understanding of security matters and being prepared for the process of evacuation. Some employers have conditioned employment upon the completion of travel security processes which requires training and on-line connectivity to the employer’s Corporate Travel provider.
- Many insurers and security providers offer employee training workshops, videos, and in some instances, mock security drills to test the individual’s competency and ability to stay safe under intense stress.
EMPLOYEE COMMUNICATION IS KEY

When a travel emergency arises which could result in a claim, it’s important for the business traveler to understand their first line of contact and support.

Who does the traveler contact? HR or the Risk Manager? Do they call the Travel Assistance Provider or the Corporate Travel Agency? By understanding the coverage and emergency contacts (what’s covered/what’s not, where do I go, who do I call, how do I get home?) employers can prevent stress and confusion for the traveler and their families as well as any potential delay in claim payment.

Internal communication is key. Employers would be wise to promote this employer-paid benefit and to provide clear instructions to travelers as to how to best utilize this benefit.

HOW DO WE OBTAIN A QUOTE OR ASSISTANCE WITH A POLICY PLACEMENT?

Most states require the Broker to hold a Life/Accident/Health license in order to write BTA and, because BTA is subject to ERISA it is often placed through an Employee Benefit Consultant.

Integro can help. For more information please contact:

Patty Boylan, Vice President
Director, Global Compliance,
International Benefits, and Special Risk Divisions

Phone: 925.852.0447
patty.boylan@integrogroupl.com

The content contained herein is not intended as legal, tax or other professional advice. If such advice is needed, consult with a qualified adviser.