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# ACE EUROPEAN RISK BRIEFING 2012

Business travel risk

# RESPONDENT PROFILES

The research was carried out between 13 April and 3 May 2012. The sample comprised 606 European risk managers, CROs, CFOs, COOs and those responsible for buying insurance.

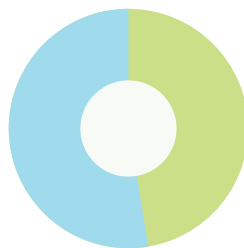
Interviews were conducted by telephone by Opinion Matters on behalf of ACE Europe. Respondents were chosen at random from a pre-selected database and were screened for eligibility. Respondents were not compensated for their participation and ACE was not identified as the research sponsor. Percentages have been rounded for ease of reading, and totals may therefore add up to more or less than 100%.

## Respondents by job title



Chief risk officer	27%
Chief financial officer	25%
Chief operating officer	24%
European risk manager	23%

## Respondents by size

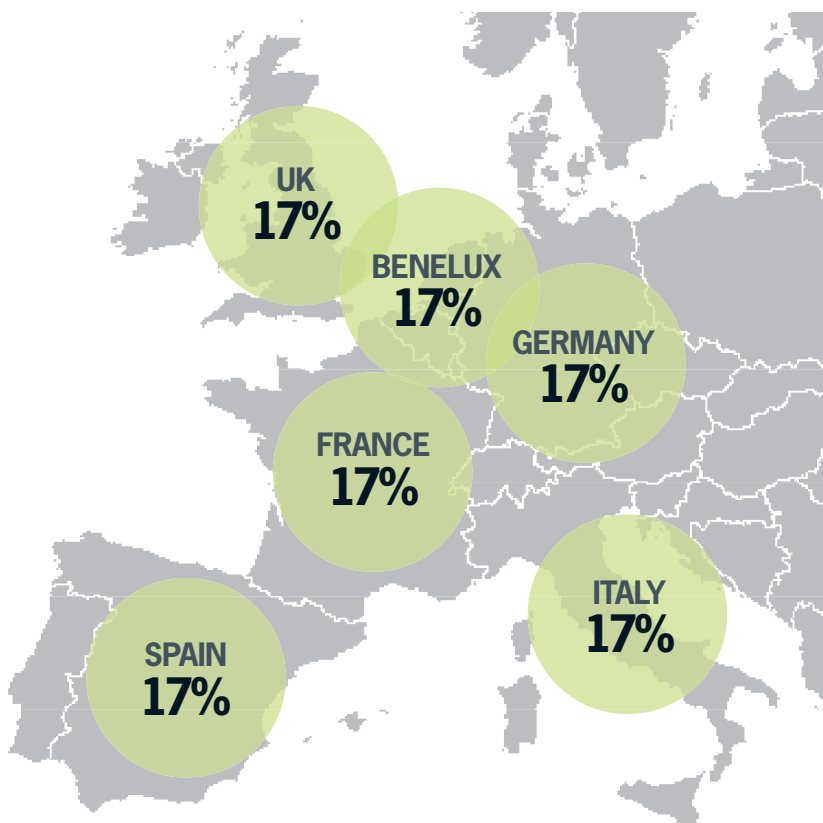


£500–700m turnover	51%
Over £700m turnover	49%

## Respondents by company sector

Architecture, engineering and building	5%
Retail, catering and leisure	5%
Manufacturing and utilities	6%
Sales, media and marketing	6%
Legal	7%
Education	7%
Professional services	7%
Travel	8%
Arts and culture	9%
Healthcare	9%
IT & telecoms	9%
HR	10%
Finance	12%

## Respondents by country



# MORE TRAVEL, MORE RISK

Business travel is an integral part of the day job today for many workers across Europe. As smaller companies increasingly expand into overseas markets too, a wider range of businesses are finding that their people must spend time overseas. With Europe's companies seeking revenue growth outside their misfiring home economies, the destinations for business travellers are also becoming increasingly exotic.

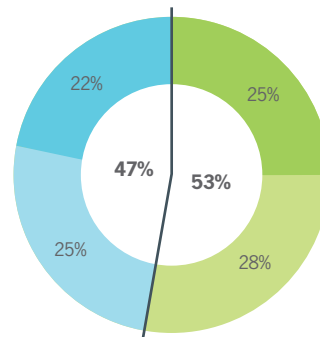
Today's managers are perhaps just as likely to find themselves in Bangalore or Beijing as in Frankfurt or Paris. However, obtaining the right specialist medical treatment following an accident or illness, for example, may not be equally straightforward everywhere.

In our research with over 600 European companies, 21% of respondents consider business travel to be among the most relevant or important risks for their business. Moreover, with a growing cohort of employees on the move, over half of companies believe that the level of business travel risk their company faces will grow over the next five years, with a quarter thinking it will increase significantly. This places business travel among the top three fastest-growing risk concerns covered by our study.

In the past, business travellers might have been left to make their own risk assessments and their own arrangements – sometimes even purchasing their own

## How do you expect your company's level of risk will change over the next five years?

■ Increase significantly ■ Increase slightly ■ Decrease slightly ■ Decrease significantly



insurance cover. Today, however, companies are much more aware of both their duty of care to employees and, with travel a growing part of many role descriptions, the difference they can make to employees' busy lives by taking a more proactive approach.

There are financial issues to consider too, not least the potential costs of medical treatment. Also increasingly important are the compliance issues that come with more business travel. These include sometimes unforeseen tax and regulatory liabilities which could have a significant reputational impact – quite apart from any financial impact they might cause.

“OVER HALF OF COMPANIES BELIEVE THAT THE LEVEL OF BUSINESS TRAVEL RISK WILL GROW OVER THE NEXT FIVE YEARS”

# “ RESPONDENTS WORRY ABOUT CANCELLED TRIPS, WHEN OTHER RISKS COULD HAVE A MUCH GREATER IMPACT ”

## Two different types of risk, equally in the spotlight

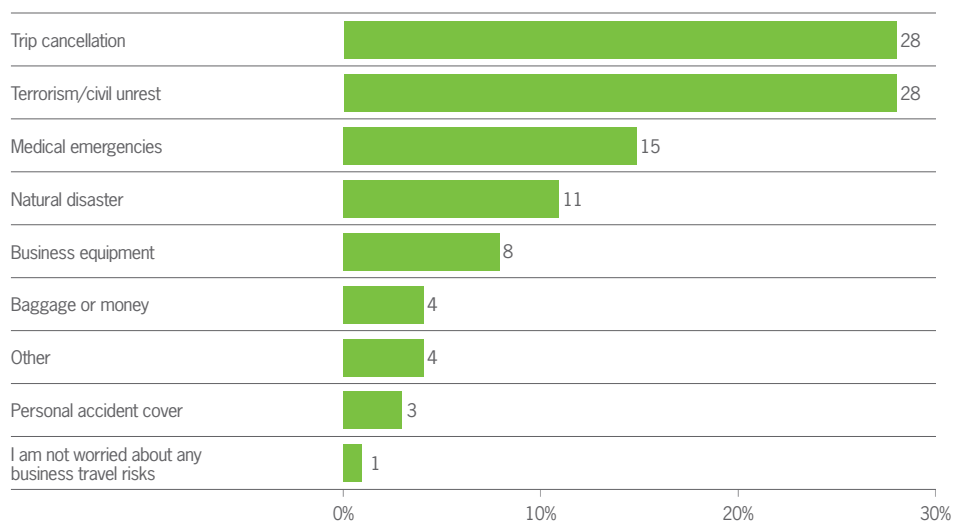
The business travel risks that companies are most exposed to can be categorised into two main groups. First, there are those which are high frequency but low impact (such as lost baggage) and, second, there are those that are low frequency but high impact (such as medical emergencies and external reasons for evacuation such as natural disasters and governments declaring a state of emergency).

It is interesting that both types of risk feature at the top of the worry list and it is perhaps understandable given an apparent trend towards employees making a higher volume of shorter trips. The top two individual concerns among respondents overall are cancelled trips (which fits into the high frequency, low impact category) and terrorism and civil unrest (which is lower frequency but clearly high impact).

The results are consistent across the region, with these ranking as the top two issues in every one of the six markets surveyed. However, actual levels of concern do vary by country. Companies in the UK (30%) and Benelux (37%) are most worried about the risk of trip cancellation, while only 19% of French companies list it as a concern. In the case of terrorism and political violence, French (34%), Benelux (32%) and Spanish (30%) companies are the most concerned.

Medical emergency, rated at as a concern by 15% of companies across the region, ranks third on the list with a consistent score across countries. In fact, ACE's experience suggests that this usually results in the most expensive insurance claims.

## What business travel risks are you most worried about today?



The cumulative cost of cancelled trips can be considerable, particularly during a downturn when many companies are watching their expenses even more carefully than usual and travel budgets are under strain. Certainly, companies want to be confident that they understand the risks, because the actual costs can run far beyond the cost of the ticket, to include the expense (and interruption to the business) of another colleague completing the trip.

Nevertheless, it seems surprising that respondents worry more about cancelled

trips, when other risks, such as medical emergencies and natural disasters, could have a much greater impact on the company and its personnel if handled incorrectly. Risks like these are probably the most likely to lead to bad publicity and reputational damage if the company has not properly exercised its duty of care to employees. The results therefore suggest that businesses may want to consider the impact of these higher profile risks more fully when developing their approach to business travel.

# “ GLOBALISATION IS LEADING TO THE EMERGENCE OF BUSINESS TRAVEL ‘CLAIMS HOTSPOTS’ IN EMERGING MARKETS ”

## Latin America and Asia viewed as highest risk

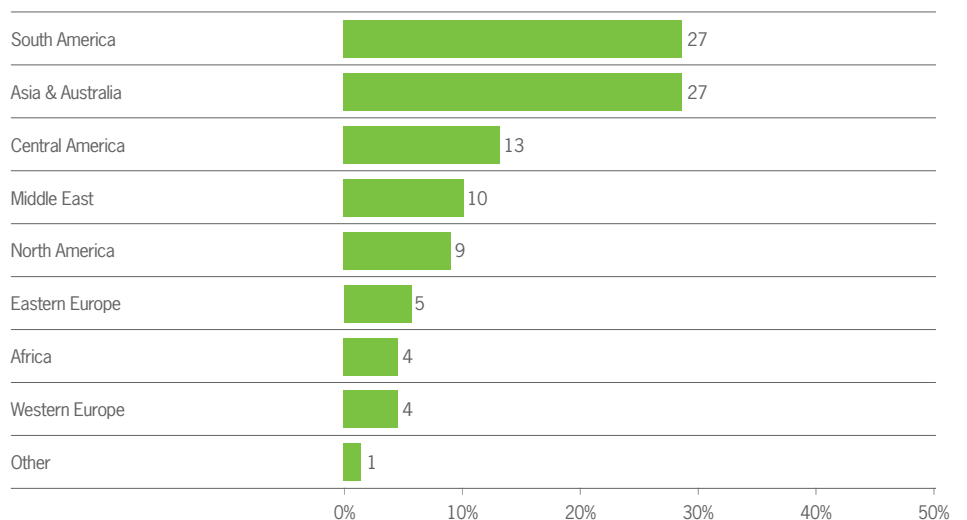
The results also suggest that globalisation is leading to the emergence of business travel ‘claims hotspots’ in emerging markets. The two regions most likely to generate an insurance claim, according to the European companies surveyed, are ‘Asia and Australia’ and ‘South America’, both identified by 27% of respondents. By comparison, Western Europe is rated a claims hotspot by fewer than 5% of companies.

The results are, again, fairly consistent across the European markets we surveyed. However, there are a few notable differences. German companies ranked Asia well ahead of Latin America as the most likely source of a business travel claim (35%), perhaps highlighting the economy’s strong trade links with Asian markets. Meanwhile, 17% of UK companies say that North America presents the greatest likelihood of an insurance claim. This is almost double the regional average and probably an indication of the UK’s strong business ties with the US.

Certainly, as companies spend more time and effort on building their business relationships in emerging markets, the level and range of travel risks to which they are exposed is likely to increase. What’s more, European companies are often less familiar with these regions, and have less experience of doing business there.

We don’t doubt the logic that, in these less familiar regions, the risk of loss may be higher. Any business travel incident that occurs further from home and in an unfamiliar legal or healthcare environment can be not only more costly but also more stressful for those involved. Moreover,

## Based on your own company’s experience, visiting which areas present the greatest likelihood of an insurance claim?



travellers might be more likely to make more elementary mistakes there, such as losing their baggage or falling victim to a scam.

Nevertheless, these destinations are not necessarily inherently more dangerous. Few countries within these regions are on government lists warning travellers against visiting.

It is also important not to overlook the risks of business travel closer to home. With a greater volume of trips actually taking place in European and other Western markets, the potential for something to go wrong is also higher. Even if those incidents are more likely to be of the lower-impact variety, they can still add up to a significant level of personal and business disruption and cost for the company.

## Pre-travel advice is used by many, but perhaps not consistently enough

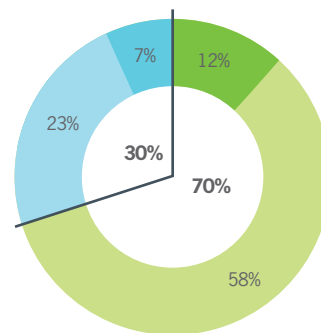
Our research shows that many European companies take travel advice from the experts. Today there are a wide range of pre-travel information services available to European companies from both government and the private sector. In particular, a number of commercial providers can provide a comprehensive and tailored service according to a company's own needs.

Almost six in ten European businesses say that they use pre-travel safety advice often. It is interesting, however, that only one in ten uses it for every trip and nearly three in ten say they use it rarely or never. However, almost one quarter use it rarely, indicating that although many companies do have access to an information service, they may not always deploy it consistently.

The perceived value of information will vary depending on the location of the trip and the circumstances of the individual traveller. However, even for overseas trips that involve staying closer to home, general advice can be invaluable for business travellers – for example in respect of the likely impact of strikes, demonstrations or even simply mass transport disruption that can impact travel plans.

## If provided, does your company use pre-travel safety advice?

■ For every overseas trip ■ Often ■ Rarely ■ Never



It is ACE's view that providing employees with pre-travel advice is simply good risk management. Our findings also suggest that it has become best practice across the European region. However, there may be room for improvement in the way that it is used and communicated to employees. Simple steps, such as providing staff with credit-card size helpline cards, introducing an SMS text service, or formally incorporating its use into a company's official travel and HR procedures may prove helpful.

“ALTHOUGH MANY COMPANIES HAVE ACCESS TO AN INFORMATION SERVICE, THEY MAY NOT DEPLOY IT CONSISTENTLY”

# “ THERE IS INCREASED INTEREST IN COMPREHENSIVE MULTINATIONAL PROGRAMMES REFLECTING EACH COMPANY’S SPECIFIC EXPOSURES ”

## Compliance concerns a complex minefield

Almost seven in ten respondents are concerned about the tax and regulatory risks associated with business travel. In an indication that companies of all sizes are increasingly likely to have multinational operations in today’s globalised world, the level of concern is notably similar for mid-sized companies (71%) and larger companies (65%).

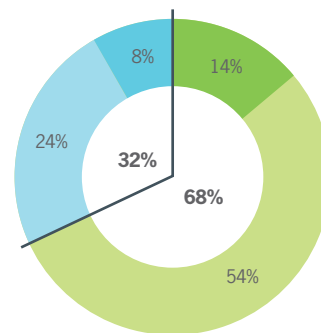
In today’s increasingly proactive compliance environment, this concern is warranted in our view. Just because the premium a company pays for business travel insurance may be relatively small, does not mean that the penalty imposed by authorities for non-compliance will be limited too. Moreover, the impact on travelling employees of misunderstanding the company’s claims payment obligations can be stressful, taking place when they need assistance most.

A single accident and health policy purchased by an EU national from an EU-licensed insurer will cover its subsidiaries throughout the European Union and give a measure of certainty that a legitimate claim can be paid anywhere within the region. There is less certainty, however, regarding the growing number of countries that restrict or prohibit the sale of non-admitted insurance. This group includes a number of key emerging market economies in which European employees are increasingly likely to travel.

ACE is now seeing increased interest from multinational clients in working with a global insurer to develop more comprehensive global programmes for business travel reflecting their specific exposures and give reassurance that the policy will

## I am concerned about the tax and regulatory implications of business travel risk

Strongly agree   Somewhat agree   Somewhat disagree   Strongly disagree



perform when their employees most need it. In practice, whether or not a claim for medical expenses can be paid to a European employee who falls ill in an emerging market where the insurer is unlicensed, for example, will depend on local laws.

When designing and implementing a multinational business travel and personal accident insurance programme, the most prudent approach is often to issue a ‘master’ policy to the parent company in its jurisdiction, coupled with local policies where needed, that are issued to the parent’s subsidiaries, affiliates and joint ventures. The exact approach needed will differ depending on the individual company and its geographical exposures.

European businesses should also pay careful attention to tax implications of multinational programmes, especially given that some

governments are currently keen to maximise tax revenues and claim down on perceived avoidance. Companies should therefore obtain advice from their own legal, tax and financial specialists to help them understand the issues they could face and structure a comprehensive global insurance programme that meets their specific needs.

Finally, there are some notable regional differences in our research findings on the question of compliance. 85% of UK companies are concerned about the tax and regulatory risks, closely followed by Spanish companies (82%). However, the proportion drops in the Benelux region (67%), Germany (64%), Italy (60%) and France (50%). The reasons for this divergence are unclear, but the numbers suggest a gap in the level of understanding of compliance issues between countries; companies in the latter markets may simply be less aware of the risks.

# “ LOW LEVELS OF SATISFACTION SUGGEST THAT MANY CLIENTS ARE STRUGGLING TO RECEIVE THE GLOBAL, INTEGRATED SOLUTIONS THAT THEY NEED ”

## UK travellers most satisfied with claims service, French least satisfied

In respect of levels of satisfaction with their insurer’s claims service, there are some wide differences of opinion between countries.

Regionally, around two thirds of respondents are satisfied with the claims service they receive from their business travel insurer. Mid-sized companies (69%) appear to be a little more satisfied than their larger peers (65%).

But there are marked regional variations. In the UK, almost 90% say that they are happy with the claims process; this proportion tumbles to 58% in Germany, 57% in Italy and 52% in France.

Taken at country level, the results could mean that there are major opportunities for insurers with a strong service focus to shake up market standards in France, Italy and Germany in particular.

Taken as whole, the results clearly suggest there is room for improvement generally. Relatively low levels of satisfaction with the claims process suggest that many clients are struggling to receive the global, integrated solutions that they need from their insurance partners.

## I am satisfied with the level of claims service I receive from my business travel insurer

