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SECURING KEY PERSON PROTECTION IN INTERNATIONAL HOT SPOTS

It's often hard to insure traveling clients bound for countries home to political unrest, hostile regimes or other dangers — but it's not impossible. One experienced producer shares his tips for insuring anyone headed for a risky destination.

By Edward A. Tafaro

When Hosni Mubarak stepped down as Egypt's president, he left his country in dangerous disarray. As Egyptian citizens celebrated what they hoped would be an historic political change for their country, violence still dominated the world's headlines in the wake of attacks in Cairo on a number of journalists.

It was then that my company, Exceptional Risk Advisor, received an urgent call to insure two on-air TV personalities, their producer and a camera crew that were being deployed immediately to an uncertain Cairo.

Make the same request to any life or

disability insurance company in the US and you're sure to hear nothing but crickets on the other end.

Protecting your client's key employees is challenging enough, but when you add international exposure to places that are on the State Department's "bad list," an entirely different skill set is required for designing a program that will protect your client.

The State Department's website recently listed more than 30 "trouble spots" in the world, meaning it recommends that Americans avoid or consider the risk of travel to that country because the U.S. Government's ability to assist American citizens is "constrained." But in today's world, this is not always possible.

Traditional life often won't work

First off, there's no substitute for great advanced planning. If you work with a company contemplating overseas travel and can establish well in advance that there exists a need for key person insurance, the coverage is easier to obtain and more cost effective. The reality is that the heightened awareness around a dangerous trip often results in an insurance need being developed or uncovered. When this need arises, the underwriting process migrates from the traditional life and disability insurance market to the playing field of high limit or specialized risk underwriters.

Here's a notable example. A large and prestigious private equity firm recently made a significant investment in a defense contractor. Shortly after the investment closed, the company named a new CEO. With hundreds of millions of dollars at stake, the private equity firm sought to hedge their investment by acquiring \$50 million of key person life and disability insurance.

CEO's Itinerary

Day 1 - Depart commercial air for Dubai

Day 3 - Arrive in Baghdad -
Transportation to Camp Butler

Day 4 - Depart Baghdad and arrive in Dubai

Day 5 - Depart Dubai; arrive in Kabul,
Afghanistan - Transport to
Camp Gibson

Day 6 - Fly to Kandahar, Afghanistan

Day 7 - Depart Kandahar, Afghanistan -
Fly to Abu Dhabi

Day 12 - Depart Abu Dhabi for
United States

As of the day of the request, the insurance advisor had eight business days to secure the insurance before the CEO departed for the Middle East, with stops in such international hot spots as Iraq and Afghanistan. Because of the abbreviated time frame, traditional life and disability insurance was not an option. The advisor needed to turn to a specialty underwriter that deals with exceptionally large and complex human capital risks.

Armed with the CEO's itinerary and details of the executive's compensation and equity incentive agreement, the advisor had enough information to present the submission to the underwriters. Within 72 hours, a policy was issued that covered the private equity firm's loss of the CEO directly due to an accidental death or disability, as well as a result of acts of war or terrorism.

The premium for \$50 million in insurance was \$62,500, covering a two-week

period. Sickness coverage was included for certain elements of the insurance policy.

Having, sharing details is the key

Few domestic life and disability insurance carriers possess the ability to underwrite large risks when there's high-risk exposure to the world's hot zones. To get the job done, producers must work with large international insurers that are willing to deploy meaningful capacity.

The easiest way for advisor's to access these markets is through an experienced US based correspondent who is skilled at designing and underwriting coverage in these volatile locations. Local Correspondents or Managing General Underwriters also serve to guide producers through the regulatory complexities that go along with underwriting risks through surplus lines carriers — something most life and health producers have little experience with.

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The best producers are masters at uncovering details from their clients, documenting them and communicating them effectively to underwriters. A well-written cover memo will often be the basis for offering coverage and can be the primary source for pricing consideration.

A complete itinerary coupled with security detail information are the underwriter’s key points of interest, so make sure the information is gathered and communicated as early as possible.

Frequently, specific plans will be classified when working with international defense contractors; yet, one way or the other, the basic information must be made available. When underwriting coverage in highly hostile areas, rates can vary based on multiple factors, such as security arrangements, travel vendors, length of stay. In highly hostile areas, rates even vary down to specific latitude and longitude coordinates, often within a single city or locale.

No detail is too small for spelling out

the need for the insurance and financial justification, including the purpose of the trip and the client’s specific duties and objectives. This is the information that sets apart a submission and makes it more likely for an underwriter to go out on the limb with preferential pricing and terms.

Keep in mind, when underwriting risks in highly volatile areas — with the propensity for rapid deterioration—it may not be possible to negotiate coverage or a rate guarantee for the entire duration of the client’s journey.

It’s essential to keep in mind that the best underwriting offers go to advisors who deliver the best information.



Edward A. (Ted) Tafaro, president & CEO of Mahwah, N.J.-based Exceptional Risk Advisors, is an expert on high-limit specialty life, accident and disability products for clients with extraordinary

insurance needs, including celebrities, athletes, entertainers, highly compensated executives and professionals. Contact him at (201) 512-0110 or ted.tafaro@exceptionalriskadvisors.com.