



Market Trends Impacting Multinational
Travel Risk
Management Programs

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Executive Summary



After a decline resulting from the economic downturn in 2008, international travel is on the rise. With travel by company employees, students and nonprofit volunteers growing, destinations for overseas assignments and study abroad programs are changing as emerging economies become vital engines of global economic growth. Corporations, institutions of higher education, and nonprofit organizations increasingly recognize the value of addressing the health and safety issues of international travelers. As a result risk management departments are responding by structuring comprehensive programs combining insurance and travel services to provide international travelers with access to high quality medical care, health and safety information, as well as evacuation services.

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Introduction

The global connectivity of commerce has required more businesses to expand beyond their home countries. Not only large multinational organizations, but also small and midsize businesses have expanded their operations by establishing offices around the world to compete in fast-growing international markets. While the recession temporarily slowed the rate of business travel and international assignees, overall the past decade has seen international assignee levels increase by approximately 25 percent with a prediction of an additional 50 percent growth by 2020.¹ This foreign travel trend is not limited to the corporate sector, as both the higher education and nonprofit sectors have experienced similar foreign travel growth.^{2,3}

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Multinational organizations are increasingly targeting emerging markets for growth. According to a study by the Global Business Travel Association (“GBTA”), business travel spending in Brazil, Russia, India and China is projected to grow up to three times faster than in the developed economies like the United States, France, Germany and the United Kingdom.⁴ Prior to the recession, emerging economies were already growing at a faster pace than their more developed counterparts. In fact, in 2010 emerging economies accounted for 38 percent of the world’s GDP, more than twice the 1990 percentage.⁵ Developed economies were more severely impacted by the recession - which further exacerbated the economic growth rate gap. For many of the developed economies, real GDP is still below what it was at the end of 2007, while the GDP of the emerging economies is up approximately 20 percent over the same period.⁶

Emerging markets are also increasingly attractive destinations for students studying abroad. Nonprofit volunteers have historically traveled to economically disadvantaged regions and global trouble spots. Whether a corporation, an institution of higher education, or a nonprofit entity, organizations have a vested interest in the health, safety, and security of those traveling for business purposes, engaging in study-abroad programs, or working on volunteer or humanitarian projects. Regardless of size and resources, organizations are encouraged to implement multinational travel programs that incorporate a comprehensive risk management approach and perspective.

Recession, recovery and International Travel

Both international and domestic business travel were hampered by the economic downturn. The recession forced companies to cut spending and conserve capital. It also cut into study abroad programs. Travel by nonprofit volunteers, however, actually increased during the recession as people sought to maximize the benefits of their vacation dollars. With the economy now recovering, all sectors are showing significant growth in international travel.

Corporate

According to the Association of Corporate Travel Executives, in 2009 more than 70 percent of corporations cut their travel budgets by as much as 20 percent.⁷ The 2011 Brookfield Relocation Trends Survey Report explains that for multinational corporations with already existing international operations, tough economic conditions create a challenge to dem-

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onstrate the value of international assignments relative to bottom line growth.⁸ Without a clear correlation, these programs are vulnerable to budget cuts in recessionary periods.⁹ According to the same study, however, 58 percent of the total revenues generated by these multinational corporations originated from outside the borders of the country in which their headquarters are domiciled. While the recession had a temporary effect on business travel spending and volume, the globalization of commerce continued.

As economic conditions slowly improve, multinational organizations will continue to loosen their belts and increase their travel expenditures. According to the GBTA study previously mentioned, after falling 7.8 percent in 2009, world business travel expenditures increased 8.4 percent in 2010 and are projected to grow another 6.9 percent in 2011.¹⁰ Similarly, the Brookfield study found that 61 percent of the respondents expected the number of employees traveling internationally to continue to increase in 2011.¹² Forecasts for growth in business travel, however, are contingent on economic variables such as the European sovereign debt crisis and slower than expected growth in emerging economies. Both could have a negative impact on the global economy leading to less corporate travel volume and spending.

Success in the global economy looks much different that it did years ago. A paradigm shift has occurred where with increased frequency, organizations are transitioning from long term assignments lasting years, to shorter trips and assignment usually lasting under six months. Long term assignments were traditionally viewed as a way to develop employees to become ingrained in the culture and cultivate relationships. The shorter assignments of today appear to be less driven by the desire to cultivate individuals and more by strategic issues such as mergers and acquisitions, new international partnerships, developing emerging markets, organizational aspects of globalization and the need to close capability and skills gaps.

One result of this shift in business practice has been an increased focus on travel risk management in recent years. Organizations are realizing that the myriad of perils of foreign travel, work and living risks experienced by today's employees on shorter trips and temporary assignments are difficult to manage, much less insure. Short term assignments do not allow an individual to become as integrated into the culture resulting in a different set of needs and risks.¹³

Traditionally, employee travel protection consisted of a patchwork of business travel accident and in some cases accidental death & dismemberment insurance policies and was usually the domain of the human resource and benefits departments. Today many organizations are requiring a more comprehensive approach that takes a holistic view of employee travel risks. In combination with comprehensive insurance protections, this approach relies on resources

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such as global intelligence, risk mitigation, response and recovery, and is now often the domain of an organization's safety and risk management departments.

Scholastic

The globalization of business may result in future generations having a different mindset for achieving corporate success. This new generation will likely be born into a world of intertwined economies and global career opportunities. Mobile careers will likely be prized and will often be a necessity for advancement.

In fact, this may already be becoming a reality. As was reported in a survey by PriceWaterhouseCooper of millennial or Generation Y workers, the vast majority of young people expect that they will be required to use multiple languages at some point in their careers, work across geographic borders more than their parents did and are looking forward to the opportunity to work abroad.¹⁴

This has created a new reality for higher education institutions. International programs are increasingly necessary to remain competitive. According to the Institute of International Education, U.S. student participation in study abroad programs has more than doubled over the past decade.¹⁵ Some universities have even gone as far as mandating students to spend at least one semester overseas.¹⁶ Non-traditional destinations such as China, the Middle East and Africa have experienced significant increases in popularity and fourteen of the top twenty-five study abroad destinations are outside of Europe. In nineteen out of the twenty-five locations, English is not the native language.¹⁷

The last decade demonstrated substantial growth in study abroad enrollments, but the recession did have a temporary impact in the 2008/2009 academic year. It has since rebounded, however. While enrollment numbers have proved to be resilient, students are choosing shorter, less expensive and more flexible programs that allow them to use their financial aid.¹⁸

Private institutions account for the largest growth in study-abroad programs, suggesting that economics plays a large role in who can and cannot take advantage of these opportunities.¹⁹ In the future, in order to remain competitive, higher education institutions will likely need to address the increased demand by providing access to these programs to more students regardless of background, income and field of study.²⁰

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Not-for-Profit

In 2000, and then again in 2010, 189 nations committed to the Millennium Development Goals, a declaration to free people from extreme poverty and multiple deprivations.²¹ This, in addition to a new wave of volunteerism driven in part by a desire to travel – referred to as voluntourism – are driving forces behind a recent surge in international travel for nonprofit organizations.²² *Voluntourism* refers to people who have traded their traditional vacations for a more meaningful experience. These individuals are seeking cultural experiences by becoming involved with local communities around the world.²³

The economic recession actually had the reverse affect on international travel for the nonprofit sector as compared to other sectors, especially with regards to volunteer travelers. A survey conducted by GeckoGo showed continued growth in the voluntourism market in 2009 during the heart of the recession, with 62 percent of nonprofit volunteer operators sending more volunteers abroad than the previous year.²⁴ This is in contrast to the global travel market that experienced significant reductions in travel volume and spending that same year.²⁵

According to the same study, expectations are that volunteering abroad will continue to grow as economic conditions influence travelers seeking the best value for their vacation dollars. In addition, the increase in study abroad participation should also impact the nonprofit sector as students who have traveled and volunteered abroad grow older and look for similar opportunities and experiences.

Volunteer travel opportunities range from comparatively safe destinations to disaster sites and politically unstable regions. The type of individual willing to go into potentially dangerous situations to provide humanitarian services may not be fully aware of the risks to his or her own personal health and safety. Fortunately, in recent years there has been an increase in awareness by the nonprofit community to provide proper resources and protection. Many have come to realize that their overseas programs and exposures had significant gaps in insurance and risk management protection. As a result, nonprofit organizations increasingly are taking a more holistic approach to protecting their human assets abroad.

A Comprehensive Risk Management Approach

Multinational organizations that require employees to live or travel abroad should consider a comprehensive approach for managing, mitigating and responding to risks. Such organizations have a vested interest in providing for the health, safety and wellbeing of its employees in foreign lands. Additionally, employees increasingly request superior protection as a condi-

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tion of taking a foreign assignment. While a comprehensive package of insurance coverages and travel services is important for employees traveling to all destinations, it is especially important for companies that require employees to travel to higher-risk locations.

Far too often multinational organizations rely on a patchwork of largely uncoordinated insurance policies and assistance programs for protection against injury, illness, social unrest, natural disasters, kidnapping and wrongful detention and other risks. This approach may lead to inconsistencies of coverage, services and response, creating gaps in protection for those residing or traveling abroad.

A comprehensive multinational travel risk management program requires a process that is both proactive and reactive, and addresses and coordinates intelligence, risk mitigation, response and recovery. To achieve this, many organizations are relying on firms that offer packaged programs that are both comprehensive and well-coordinated among the various service providers. Essential tools available to an organization through such programs include medical assistance programs, traveler tracking systems, communication systems to keep travelers informed, data management tools and evacuation services.

A concern of many while traveling abroad is the risk of becoming sick or injured while away from the comforts and familiarity of home. To ease these concerns organizations can contract for an assistance program that is coordinated with business travel accident insurance. These programs provide employees with help in the event of a medical emergency, including emergency medical referrals, medical evacuation and medical repatriation.

Up-to-date intelligence is key to providing comprehensive protection. Having the ability to monitor activity around the world across a number of risk domains including health, security and weather is essential for identifying and proactively managing high risk situations. Global intelligence services assist companies by providing around the clock global monitoring – keeping tabs on information from various sources, in different languages and having on-the-ground resources for local information.

With the proper intelligence, organizations can make strategic decisions on where to send employees and how to mitigate the risk. The information that should be assessed to support their decision should include cultural issues, location-based threats, geopolitical fluctuations, operational risk and facility security.

Even with the best information, it is not always possible to keep employees out of harm's way. In some cases, employees knowingly go into dangerous areas, while in others they may find themselves exposed to a rapidly developing situation such as a riot or a natural catastrophe.

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A comprehensive risk management program should include emergency extraction assistance in the event of disasters or civil unrest that pose a risk to employees' safety, as well as for personal medical emergencies.

A Risk Manager's Perspective

An organization that has repeatedly proved the value of a comprehensive travel risk management program is the University of California. The university includes more than 220,000 students and more than 170,000 faculty and staff spread out over ten campuses in the state of California.²⁶ As one of the nation's leading research institutions, including five medical centers, the university extends its reach far outside the campus laboratories and medical centers into various regions of the world.²⁷ The university also offers an education abroad program in thirty-five countries further extending its global footprint.²⁸

In the not too distant past, the university had a travel risk program that consisted only of an accidental death and dismemberment (AD&D) policy, according to Cheryl Lloyd, Director of Property and Liability Programs – Office of the President, at the University of California Education System. The policy provided limited coverage in the event of an injury or illness for faculty and students abroad.

In 2007, two university campuses approached the University's Risk Services Office about a research trip they were planning to Afghanistan. They were concerned about the degree of travel protection offered by the university and were looking for security and extraction to be provided for the researchers. That prompted the chief risk officer to begin exploring the programs available to respond to their needs.

With the assistance of the university's insurance broker, the Risk Services Office connected with a leading insurance carrier in foreign travel risk who offered a comprehensive solution. The program provided the university with bundled protection that incorporated insurance and partnerships with leading global security and intelligence organizations. The program included accident medical and medical evacuation protection, real time intelligence alerts and security extraction if needed.

According to Lloyd, the security extraction service has been needed on numerous occasions. For example, this year the service has been utilized to transport students from several dangerous situations in diverse regions, including a wave of demonstrations and protests that occurred in the Arab world, Caribbean hurricanes, and flood-ravaged regions of Thailand.

Another benefit identified by Lloyd is a custom database used to register the locations of university staff and students traveling abroad. One advantage of registering travelers is that the university database connects directly to a global intelligence services database which allows real time alerts to be sent directly to individuals who may be in harms way.

According to Lloyd, one of the obstacles in implementing the new program was getting students and faculty to register their travel. For her, the turning point was the hotel bombing in Mumbai in 2008. She knew university students and faculty were in the area, but she was not able to identify who could potentially be impacted. She created a series of marketing brochures around global events, which were successful in making the point that if the university knows where a traveler is, it can provide valuable information.

An example provided by Lloyd of the value of the notification service was when a university executive was travelling in Hawaii during the Chilean earthquake in 2010. As a result of the earthquake, tsunami alerts had been issued to all Pacific Rim coastlines. Lloyd recalled rushing to directly contact the university executive and warn him of the situation. He responded saying that he had already received an alert from the university's global intelligence service and was making his way to higher ground as he had been directed.

Conclusion

The recession had temporarily impacted international business travel volume and spending for most industries. However, it has since rebounded as businesses, institutions of higher education and nonprofit organizations continue to expand beyond the borders of their home countries. With business growth and educational opportunities expanding into emerging economies, the need has never been greater for organizations to provide for the health, safety, and security of those traveling abroad.

Organizations are increasingly seeking comprehensive insurance and risk management solutions to meet their international travel needs. To meet this demand, comprehensive programs are now available that incorporate a combination of insurance, intelligence, risk mitigation, response and recovery. To achieve this more expansive and holistic approach organizations should seek the advice of their insurance advisor and request that they be connected with a leading insurance carrier in foreign travel risk.

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