

War Risk Insurance for Non-Governmental Organizations

by Jon Gerlach and Jim Irwin

In today's security climate, Non-Governmental Organizations must prepare for the real possibility that random or targeted acts of violence will be carried out against relief workers in war torn areas of the world. **War Risk Insurance is an important arrow in the NGO's quiver of security management tools.** This article provides a brief overview of war risk insurance and offers guidelines to help the NGO make an informed decision when evaluating this type of coverage.

What is War Risk Insurance?

Quite simply, *war risk insurance provides benefits for injury resulting from an act of war.* Relief workers located near a combat zone have an increased risk of being injured. Land mines and unexploded ordnance pose a continuing threat even after the fighting is over. War risk insurance is designed to provide benefits for the insured victim, usually in the form of medical expenses, accidental death and dismemberment benefits, and emergency evacuation.

Typically, the NGO will have secured one or both of these policies for its workers: **Foreign Voluntary Workers Compensation ("FVWC") and Travel Accident Insurance.** However, even with insurance policies issued through the same insurance company, dangerous gaps can occur in coverage. It is important for the NGO to understand what its current policies cover so that any gaps can be identified and filled.

Foreign Voluntary Worker's Comp

This policy extends worker's compensation benefits to employees who, because of their out-of-country status, don't have a state Worker's Compensation plan. **FVWC sometimes covers medical expenses for injuries resulting from war.**

Keep in mind that FVWC covers **work related injuries only**: no coverage exists for any war risk injury that occurs "off-the-job," such as when a person travels on his own time, or suffers an injury outside the scope of his employment. FVWC also provides protection for the employer against worker's compensation related lawsuits by employees.

Travel Accident Insurance

A standard Travel Accident policy provides medical benefits on a 24/7 basis during a business trip, **not just for on-the-job accidents.** This can fill some of the daily "off duty" gaps found in FVWC policies. A few Travel Accident policies will cover workers when they take a short vacation during a business trip. On the other hand, if the worker leaves their country of assignment to take a personal vacation, that excursion may not be covered.

Travel Accident policies usually cover injuries only. Sickness or disease is typically excluded, even though the illness may be an inherent risk of the work, as with endemic conditions including malaria. However, sickness coverage can often be added to the policy.

Accidental death and dismemberment benefits are standard in Travel Accident policies, along with 24/7 emergency telephone assistance services including medical evacuation to a suitable hospital. Insurance companies will not guarantee the availability of air evacuation from active war zones – it can be nearly impossible to arrange private flights until a considerable period of time after the conflict.

All standard Travel Accident policies exclude war-related injuries. Many of these policies also exclude injury and sickness caused by nuclear, radiological, chemical or biological contamination.

To obtain war risk coverage, the NGO must purchase a waiver of the war exclusion in the Travel Accident policy. In order to better understand how war risk insurance works, one must first understand the war exclusion.

The War Exclusion

All insurance policies exclude certain losses from coverage. There's an old saying about insurance policies: *"the first page giveth, but the rest taketh away."* In other words, the front of the policy provides the benefits, while the exclusions and limitations are buried elsewhere. That's why it's so important to understand your policy thoroughly so you know exactly what losses are covered.

As of the date of this article, *war is a universal exclusion in Travel Accident policies.* Why? Many variables affect the chance that an injury will occur in a given geographic region. When war occurs there, the chance of injury is much higher. Since war injuries are often quite severe, medical costs can skyrocket. Statistical likelihood combined with high medical costs equals "high risk" from the point of view of an insurance company.

To be profitable, an insurance company must collect more in premium than it pays out in losses and expenses. An insurer is more likely to be profitable when it uses good underwriting practices and spreads the risk adequately among its insured people. However, rather than raising everyone's premium to cover war risks, the insurer simply adds an optional war-related benefit ... they spread the "high risk" among only those insured people who really need it and are willing to pay for it. A typical war exclusion is shown in **Figure 1**.

"This policy does not cover any loss, fatal or non-fatal, caused by or resulting from: declared or undeclared war or any act thereof."

Figure 1. A typical war exclusion.

Waiving the War Exclusion

War risk coverage is simply a waiver of the war exclusion. In other words, war related injuries that normally would be excluded from coverage are instead payable under the policy. How is this done? The policy includes an "endorsement" that waives the war exclusion if the injury occurs in one of the countries that is listed in the endorsement, an additional premium has been paid, and advance notice of travel to that country has been given to the insurance company. The insurance company is responsible for notifying the NGO of any changes to the list of countries. Typically this notification is sent to the NGO's broker. A sample waiver of the war exclusion is shown in **Figure 2**.

"Any Exclusion under this Policy for 'declared or undeclared war or any act thereof' is hereby waived."

Figure 2. Sample waiver of the war exclusion.

War Risk Countries

War risk policies typically include a list of areas where the war exclusion is waived. Sometimes called "Designated War Risk Territories" this list may include *two types of locations: "High Risk" countries and everywhere else in the world.*

Insurance companies maintain a list of "High Risk" countries which are updated according to changing conditions. For example, one insurance company began its "High Risk" list with only 7 countries following the events of September 11, 2001. Later on, as hostilities between Iraq and the United States became more likely, the company added another 15 countries to the "High Risk" list. Today, for the war risk exclusion to be waived in these 22 countries, *travel to High Risk countries requires advance notice to the insurance company and payment of an additional premium (Figure 3).*

1. Afghanistan
2. Algeria
3. Chechnya
4. Egypt
5. Jordan
6. Iran
7. Iraq
8. Israel
9. Kuwait
10. Lebanon
11. Libya
12. North Korea
13. Oman
14. Pakistan
15. Qatar
16. Saudi Arabia
17. Somalia
18. Sudan
19. Syria
20. Turkey
21. United Arab Emirates
22. Yemen

Figure 3. Typical list of “High Risk” countries where additional premium and prior notice of travel may be required.

The second type of country where the waiver applies includes all countries not on the “High Risk” list. In other words, “everywhere else”. For instance, a Travel Accident policy might waive the war exclusion worldwide, requiring additional premium and advanced notice of travel only to the countries on the “High Risk” list. What does this mean for the worker who suffers a war related injury in a country that is not on the insurance company’s “High Risk” list? It depends upon the policy wording. ***Travel to non-listed countries often does not require any additional premium or prior notification*** in order for the war exclusion to be waived. Depending upon how the policy is written, however, it could mean just the opposite: the war exclusion is still in place for

EVERY country that is not in the High Risk category, even the United States, Canada, and elsewhere. To be sure, it pays to ***carefully read your policy and discuss with your broker any concerns you might have.***

Non-War Risk Coverage

When thinking about the implications of an NGO who fails to carry war risk coverage, it’s easy to forget that most Travel Accident policies still cover non-war related injuries even in countries where the war risk is very high. ***In fact, this might be the most frequently misunderstood aspect of war risk insurance.*** The common scenario is this: a person is insured under a typical Travel Accident policy but he did NOT purchase the war risk coverage. While traveling in a High Risk country, he is injured in an ordinary automobile accident. Is there coverage? Yes! This person would be entitled to all the benefits under the Travel Accident policy EXCEPT war risk coverage. Remember, failure to purchase the war risk coverage simply means the war risk exclusion is still enforceable, but it has ***no affect on policy benefits payable for ordinary (non-war related) injuries.***

What About Terrorism Coverage?

Many Travel Accident policies do not exclude terrorist acts, just acts of war. When is a violent act considered to be terrorism, or war? ***The determination is usually made on a case-by-case basis.*** Armed conflict between two sovereign nations is clearly “war”, but an attack against civilians by a terrorist group operating independently of the government probably wouldn’t be considered an “act of war.” When war risk coverage is purchased, the distinction between war and terrorism usually becomes immaterial, unless the policy contains an exclusion for terrorist acts.

War Risk Premium

Premium for war risk coverage varies considerably depending upon the insurance company and whether it is a U.S. carrier, or the often more expensive offshore providers such as Lloyd’s of

London. Generalizations are difficult to make, but monthly premium can vary between insurance companies by thousands of dollars per person.

Premium depends largely upon the risk that the underwriter has assigned not only to the political climate of the country, but also according to the type of activity that the NGO is undertaking. For example, war risk coverage for pilots can be much higher than workers on the ground. Use of unusual or special aircraft, or flights requiring a special permit from civil aviation authorities, must be reported to the insurance company in advance and additional premium is charged.

The bottom line: *war risk premium is not static* – it can vary upwards (or downwards) depending upon the risk exposure faced by the relief workers.

Payment of Premium

War risk premium is usually payable on a per-person basis for each month the relief worker is located in a “High Risk” country. In some cases, quarterly deposit payments can be made against annual premium. The deposit is an estimate of the cost of war risk coverage in these countries based upon the NGO’s travel profile. The insurance company audits the NGO’s actual travel to determine the correct premium and refunds any excess payments.

One carrier requires a report during the last week of the month which includes an estimate of travel to “High Risk” countries for the coming month. Subsequent months require only an abbreviated report showing any changes in travel from what was estimated the previous month. These reports become the basis for adjusting the war risk premium.

Conclusion: NGO Liability

NGOs should not send workers into the field without adequate insurance for the risks associated with their duties. *NGOs are potentially liable for the failure to obtain such insurance.* Without adequate coverage, victims are left to rely on other mechanisms such as private health

insurance, personal savings or the courts. The diligent NGO should confirm that staff members and volunteer workers are sufficiently covered under policies issued to the NGO. Few individuals will have their own personal Travel Accident insurance, nor should they be forced to bear expenses that rightfully should be borne by the NGO or the industry in general.

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Safe Passage International is a leading broker of war risk insurance designed specifically for **Non-Governmental Organizations**, news media and other companies whose staff, employees and volunteers carry out their work in difficult areas of the world. **War Risk Coverage** is available for accidents that other policies typically exclude. **Safe Passage International** represents insurance companies in the United States and abroad.

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