



## Defense Base Act: Doing business outside the box

By Brian Kern

As the need for and presence of and U.S. government foreign-based support personnel increases, so does the need for workers' compensation coverage for contractors involved in U.S. funded projects. As such, the opportunity to service workers' compensation coverage for U.S. citizens and foreign nationals who work under U.S. funded contracts overseas in places like Iraq and Afghanistan has attracted insurers to the Defense Base Act.

### Zurich gets into the Act

Zurich recently implemented a Defense Base Act workers' compensation program, offering coverage for employees of federal contractors who are working outside the country on military bases, overseas public works projects or similar contracts funded by the U.S. government.

Andrew MacKinnon, vice president of Zurich Global Casualty, said the company's first task in establishing the program involved setting up a claims team. It hired five Dallas-based adjusters, dedicated to dealing with highly specialized claims.

MacKinnon said the program's key element is supplying services associated with coverage. Providing coverage for security contractors in Iraq, the insurer is involved with special circumstances in paying claims to injured parties and for death claims, according to MacKinnon.

Dealing with wartime issues and associated complications is a major factor in doing business in far-flung hotspots. Zurich uses "special investigation firms" to assist in finding and servicing the appropriate beneficiaries.

While Zurich establishes a foothold in the market, MacKinnon said the insurer does not plan to expand into single source contracts — common to smaller relief organizations — in the near term.

"Our major objective is to support existing Zurich customers with their DBA needs," MacKinnon said. "We are not getting into the single source right now; we are going to walk before we run, by first supporting our current global corporate customer base."

### Other expansion plans

As Zurich plans to branch out over the next 12 to 36 months, other insurers are continuing to expand into the global market.

ESIS Inc., a risk management services subsidiary of the ACE Group of Companies, launched a local claim center in Bahrain on April 23 that will support ACE's book of DBA business in the Middle East. The Bahrain claim center will complement ACE's claim teams located in New Orleans, La., and Tampa, Fla.

William House, of ACE Foreign Casualty, urges U.S.-based contractors of any size who are awarded a contract that is authorized, approved or financed

by any U.S. government agency to "act quickly to secure DBA workers' compensation coverage."

The Bahrain office will position ESIS for "future opportunities in this key region," according to Steven Lulewicz, of ESIS Global Claims Operations. Introducing claims capabilities with the addition of an "in-country claims staff" represents a strategic expansion of ESIS claim management services, he said.

### A broadened scope

Originally passed by Congress in 1941, the Defense Base Act mandated workers' compensation coverage for civilians employed at American military bases overseas. Since its inception, the scope has been broadened to protect most private-sector employees working for the U.S. government on federally funded projects in overseas locations — regardless of nationality — including host country nationals and third country nationals.

The U. S. Department of Labor, Office of Workers' Compensation Programs, Division of Longshore and Harbor Workers' Compensation, administers the DBA through 11 district offices located throughout the U.S.

Under the Defense Base Act, insurers cover disability and medical benefits for employees injured in the course of employment and death benefits to eligible survivors of employees killed in the course of employment. Compensation for total disability is

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two-thirds of the employee's average weekly earnings, up to a specified maximum. Compensation is also payable for partial loss of earnings.

Death benefits are paid at the rate of one-half of the employee's average weekly earnings to a surviving spouse or one child, or two-thirds of average weekly earnings for two or more eligible survivors up to a specified maximum.

MacKinnon said the Department of Labor plans to sponsor an upcoming meeting in Baghdad, Iraq, to submit requests for proposals on future DBA contracts. ■

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