T-Venture's Startup Funding:
"We Don't Give Dumb Money"

Welcome to the C-Suite:
Interview with Berend Bracht,
President & CEO, Bosch Rexroth

JKJ&H International:
It's A Risky World
It’s a risky world out there, but Johnson, Kendall & Johnson and its joint venture, JKJ&H International in Newtown, Pennsylvania, have invested in expertise to manage risk German companies face in the U.S. market. However, this is not a dry article about insurance. The story of JKJ&H is one based on a strong transatlantic friendship and a commitment to creating seamless international insurance solutions.

**Overcoming The Hurdles**

JKJ&H’s primary focus is providing risk management, employee benefits and compliance advice to companies working in both Germany and the United States. Whether an entity is considering entry into the United States or Germany, or managing an ongoing company, the issues can be daunting.

The differences in the German and American insurance markets stem from the origins of the two countries’ legal systems. The German insurance market is governed by statute. For example, employee benefits and worker’s compensation recovery limits are set by statute on a federal level. Insuring those risks costs less, and insurance is a transactional business. German managers tend to think of insurance in a more finite way because litigation risks can be less costly. In the United States, insurance is regulated on a state-by-state level, based on the development of the common law. Worker’s compensation and employee benefits are privatized, and the insurance premiums can be much higher when compared to what German companies may be used to paying in Germany. Julie Bartl, Vice President of JKJ Employee Benefits, notes, “For example, most German companies are not prepared for the complexities of American employee benefits.” The United States is a more litigious marketplace, which adds further complexity and cost to purchasing appropriate insurance coverage.

Although the United States is unique, relative to litigation and risk, U.S. entities are able to solve the mitigation of risk in a cost-effective way. The European perception is to avoid the United States’ litigation risks, but there are many feasible solutions available. Bruce R. White, Principal of JKJ, adds “The difference in insurance coverage is a hurdle that German companies have to get over, but not a wall. German companies should feel encouraged to enter the U.S. market.”

**Communicating Risk Between Two Worlds**

Given the differences in German and American insurance markets, one of the most difficult obstacles in managing risk is communicating the market differences. Typically, respective insurance companies and brokers located in each country do not effectively communicate with each other. Sometimes, if different...
brokers are representing an international client in each country, they can perceive each other as competition. Bruce F. White, Account Executive at JKJ&H, says, “In contrast, JKJ&H analyzes global insurance programs as a whole to mitigate coverage gaps resulting from poor communication and a lack of cultural understanding.”

John Wright, Principal of JKJ&H, notes, “The most common situation we encounter in any international transaction is that the local management group says, ‘We’re sure that’s being handled by our international department. When you ask the ‘international department’, they say, ‘We’re sure that’s being handled at the subsidiary level’, but no one actually asks the question. In almost every face to face meeting we’ve discovered a gap in coverage that was assumed to be handled differently.’

One example of this coverage gap problem occurred five years ago. JKJ&H was hired by a German company to audit their insurance policies. The German company had a “FLEXA form property policy” – a typical type of coverage in Germany, covering fire, lightning, explosion and aircraft. As JKJ&H reviewed the policy they noticed that the German FLEXA form also covered its U.S. subsidiary’s $30million facility. However, to be properly covered for risks such as natural disasters, that U.S. facility would need to conform to the “best local standards” for the state where the facility is located. In its audit, JKJ&H found significant
“Most of our international work is making sure that coverage gaps are closed.”

– John Wright, Principal of JKJ&H International

coverage gaps, and advised the company to close those gaps by amending its policy. This amendment did not cost the German parent company additional premium. When Hurricane Sandy hit last fall, and damaged the U.S. facility, this amendment saved the German company millions of dollars in damages. Had the company not amended its policy, the loss would only have been covered up to $100,000 of the damages. Mr. Wright notes, “This type of coverage gap happens all the time. Most of our international work is making sure that coverage gaps are closed.”

From Friendship to Joint Venture

The catastrophic results of coverage gaps motivated JKJ to create JKJ&H International. Mr. Wright explains, “JKJ & H came out of the friendship I have with Dipl.-Kfm. Christian Hörtkorn, of the German insurance broker Dr. Friedrich E. Hörtkorn GmbH. Hörtkorn is among the top 5 privately held German brokers. We were complaining to each other about the significant gaps in how clients were being served across borders.” Mr. Hörtkorn suggested that the two companies exchange employees so that each could learn about the business practices and local issues of the other. Daniel Reck, Vice-President of JKJ&H, was sent to Newtown, Pennsylvania to work with JKJ. One of JKJ’s employees went to Germany, and both companies benefitted. In 2008, JKJ and Hörtkorn, each decided to invest 50% in a joint venture, JKJ&H International.

Both firms recognized a need to develop a strong background in providing solutions for managing risks in a coordinated fashion. Both firms are also key members of UNiBA-Partners, one of the largest independent international broker networks. UNiBA-Partners has 56 members and represents more than 130 countries worldwide. Mr. Wright is the current President of the UNiBA-Partners. Through UNiBA, JKJ&H has the ability to address risk management issues for companies that have operations around the world.

A Global Network

Most brokerages operate within a close proximity of their office and they network with other local businesses. JKJ does not see geography as a limitation, but extends their resources globally. JKJ has shifted to a different model of insurance brokering. Over the years, JKJ invested in adding expertise in every state. As a result, JKJ now serves clients in 43 states. In fact, Mr. Wright adds that, “We’ve written as much new business in Texas as we have in Pennsylvania, and the international component is a part of that global outreach.”

Both JKJ and JKJ&H also invest in the personal touch. Mr. Wright notes, “When we fly to Germany to meet with a client, that company knows they are dealing directly with both American and German experts from the JKJ&H team. We’ve worked very hard to understand the way Germans do business and to communicate with German business people. Mr. Reck is a critical member of our team because he was educated in Bamberg and Heilbronn and worked for many years in Germany.” Mr. Reck, and his American counterpart Bruce F. White, understand how to handle client accounts around the world, and focus on international insurance programs and compliance.

Investing in Employees

JKJ is a fun place to work, just ask the employees! Mr. Wright explains, “We work very hard on behalf of our clients, but our success derives from helping our employees to succeed. It’s hard to be great at your job when you’re worrying about who is higher on the organizations chart than you are.” Mr. White adds, “We hire talented people who are passionate about helping our clients reach their business goals.”

Recently, JKJ became the official insurance broker to the Philadelphia Eagles. JKJ was hired by the Eagles because they wanted specific expertise on managing their risk for the stadium and events. As an Eagles’ partner, JKJ is organizing an event where all the Philadelphia-based international chambers of commerce
can get together and network at an Eagles’ game. JKJ wants to see Philadelphia become a leader in the international business community because it has a large number of foreign-owned subsidiaries.

JKJ and JKJ&H think globally and therefore are able to provide seamless coverage to their local and international clients. It may be a risky world, but that risk is manageable with the right partners.

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JKJ wins Philadelphia Business Journal’s “Best Places to Work” for the third year in a row