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U.S. Market for Electric Vehicles is Picking Up

German American Energy Efficiency Exchange in Berlin

simpleshow’s Rod Diaz, Creative Director Americas, and Paul Meyer, Head of Americas
What German Companies Need to Know When Entering the U.S. Market

By Christian Hortkorn

Participating and thriving in today’s global economy has led enterprising German companies to open doors in countries around the world. The United States is no exception. It is widely known that German automakers are prevalent in the American south. But there are many companies in other arenas coming to the United States as well. Although the market is ripe, companies must be aware that complex laws and regulations in the U.S. add a layer of risk which doesn’t exist in Germany and can have devastating business consequences if not addressed.

On the surface it seems simple: an existing German entity – perhaps one that’s been in existence for 75 years – makes the determination to come to the United States. Office space is found, a warehouse is located, leases are signed etc. The logistics are relatively simple. However, there are challenges which oftentimes are unknown and as a result are never addressed. In other words, sometimes companies don’t know enough to even know what questions to ask – questions with answers that could be vital to the life of the business.

To begin with, the U.S. is, in essence, 50 countries with each state having its own insurance laws and regulations. That adds a layer of complexity that doesn’t exist in Germany. All of those complexities create an exposure to risk, which when left unmanaged can have devastating consequences. These are land mines which are often stepped on by unsuspecting foreign businesses.

Those risks are plentiful and range from workers compensation issues to fire damage to cyber security lawsuits to name a few. So, what can companies do to mitigate those risks? How can companies ensure they are compliant with state-by-state tax codes? How can companies protect themselves from lawsuits which wouldn’t even exist at home? Most middle market companies are aware enough to know insurance is needed and do, in fact obtain it. The problem lies in the fine print of the policy. Typically, foreign businesses don’t grasp the need for coverage and how coverage in this country works. As a result businesses are frequently under-insured. Many risk-management providers in the United States aren’t adept at guiding companies crossing borders and tend to provide generic insurance when customized policies are needed to ensure a company remains solvent in the case of an accident, lawsuit, etc. Compa-
companies need strategic advice regarding the type of insurance, the amount of insurance and the value of that insurance because they will (or, individuals for that matter) never know if a policy is sound until something happens to activate the insurance.

Here are a couple of examples of what can happen when risks aren’t managed:

A German company comes to the United States and has been doing business here for a decade. In that time, thousands of electronic records have been obtained – records which include customer names, phone numbers and social security numbers. The records are breached. Lawsuits are filed. Thousands. Unfortunately, when the company reviews its insurance policy there is no mention of cyber security. In Germany, where laws are different, there are different statutory issues and contractual liability is not routinely insured. Here it is the company’s responsibility and without insurance the out-of-pocket expense of the suit has the potential to put the company out of business. This is preventable. However, it would take a risk management company with expertise and experience in knowing what coverage is typically overseen and/or underestimated to review the existing policy with a fine toothed comb and make all necessary changes and additions.

In this country, human resources lawsuits are prevalent and, as a result, insurance can and should be obtained to protect a company from loss in the event of an employee suing the company for employment practices. However, such lawsuits are very rare in Europe so European companies don’t even know to seek coverage because in their homeland this isn’t a significant risk. A seasoned and experienced risk manager with expertise in companies crossing borders knows this and is able to both explain U.S. law to his/her client and offer suggestions on prudent insurance coverage to mitigate risk in the event of a sexual harassment or other HR event.

The risks for U.S. companies doing business in this country are vast, but at least typically known. The risks for border crossing companies doing business in this country are equally vast but are typically unknown. It is recommended that any organization moving into the United States consult with a seasoned risk management company that specializes in foreign entities coming to America. Only a company with experience will know what questions to ask, what potential pitfalls exist and how to overcome them. Companies should be guided as to exactly what’s in their policy and the risk vs. reward for cost of policy vs. the possible cost of not having coverage.

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About Christian Hörtkorn

Christian’s career in the insurance industry began in 1986 after having served 2 years as a professional soldier in the Federal Armed Forces. Christian studied in Nuremberg focusing primarily on business management for banks and insurance companies. Christian also holds a Master’s degree in Business Management.

In 1993 he joined the management of Dr. Friedrich E. Hörtkorn GmbH, the company founded by his father in 1966. Since joining Hörtkorn GmbH Christian has focused on the group’s growth, which has included the acquisition of several smaller brokerage companies and through the foundation of a joint-venture in the USA in 2008.

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