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Multinational pooling in context

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Agenda

- Solutions for risk benefits
- Structures and styles of management
- Questions

Financial solutions

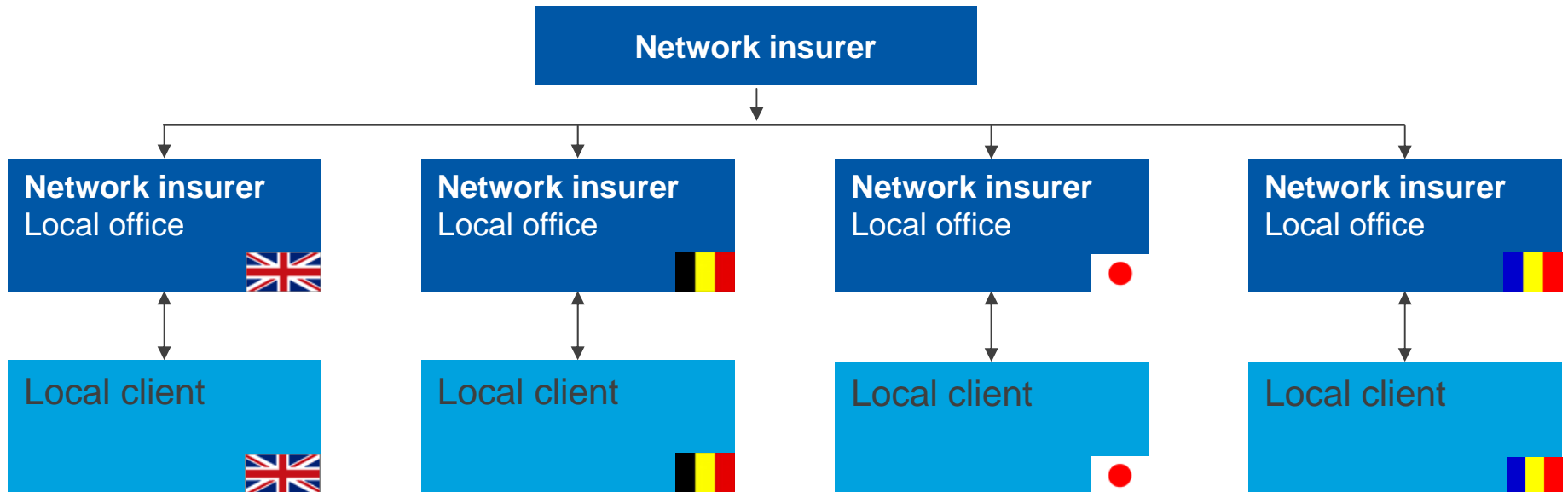
Solutions - what is currently available?

- Local insurance
- Multinational pooling of risks
- Captive involvement
- Pan-European Risk

Multinational pooling

Basic structure

“The linking together of group insurance contracts, effected in two or more countries by subsidiaries of a multinational corporation, for the purpose of combining claims experience under these contracts” (IEBA*)



* IEBA – International Employee Benefits Association

Multinational Pooling

Thumbnail sketch

- Local insured contracts established with partners of a network
- Global risk aggregation
- Annual account summarising experience
- Multinational dividend payable on good experience
- Loss treatment systems to protect against poor experience
- Focus is on risk contracts
- Possible extension to captive insurance

Network characteristics

Partnerships



Some control



Central control

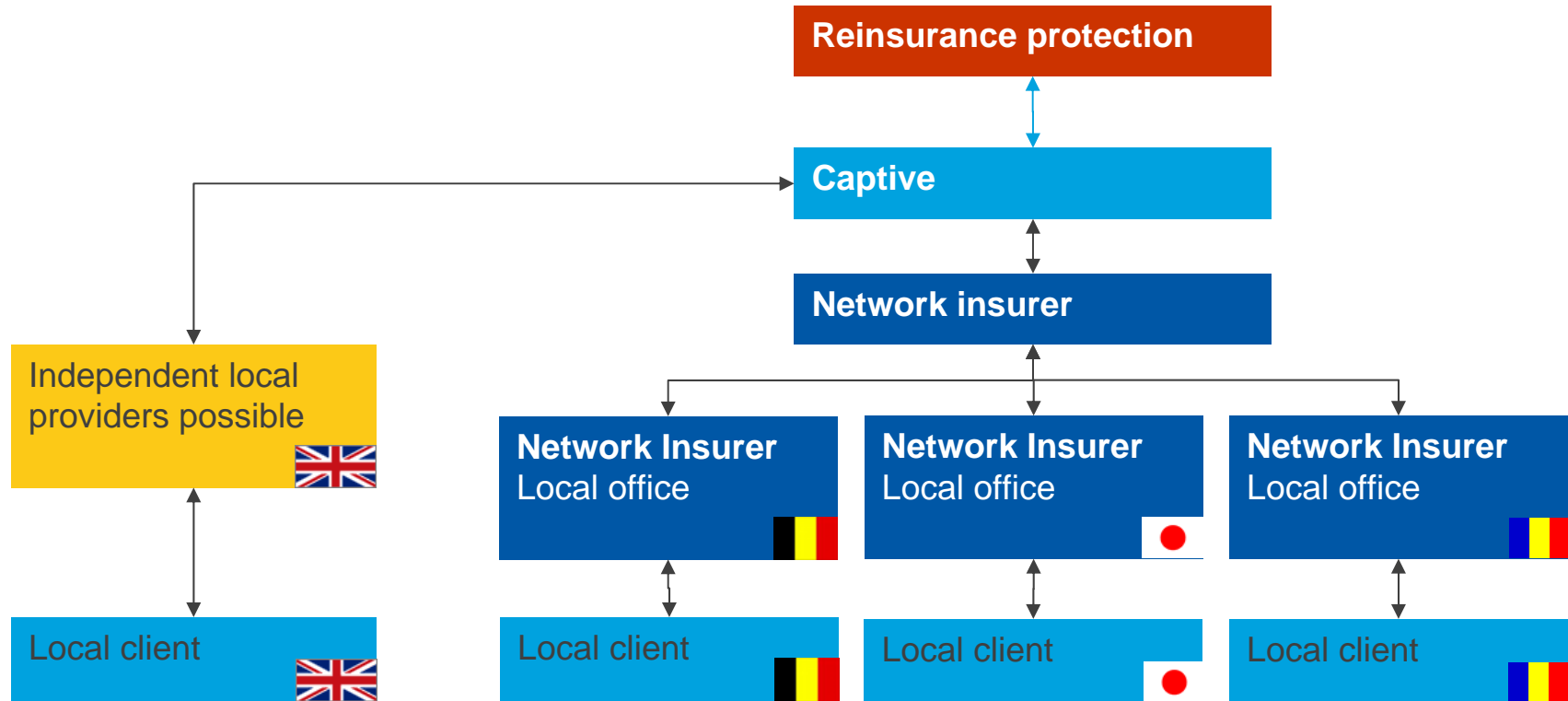


Captive solutions for employee benefits

- Direct-writing captive
 - Option of EU-based captive through Freedom of Services
- Reinsurance captive
 - Local contracts in single countries
 - Multinational pooling solution
- Limited number of captive solutions in place
- Pooling approach dominated by Generali and AIG
- ERISA requirements for US approach
 - Benefit improvements must be made
 - Third party sign-off required
 - Need to clarify aspects of “related business”

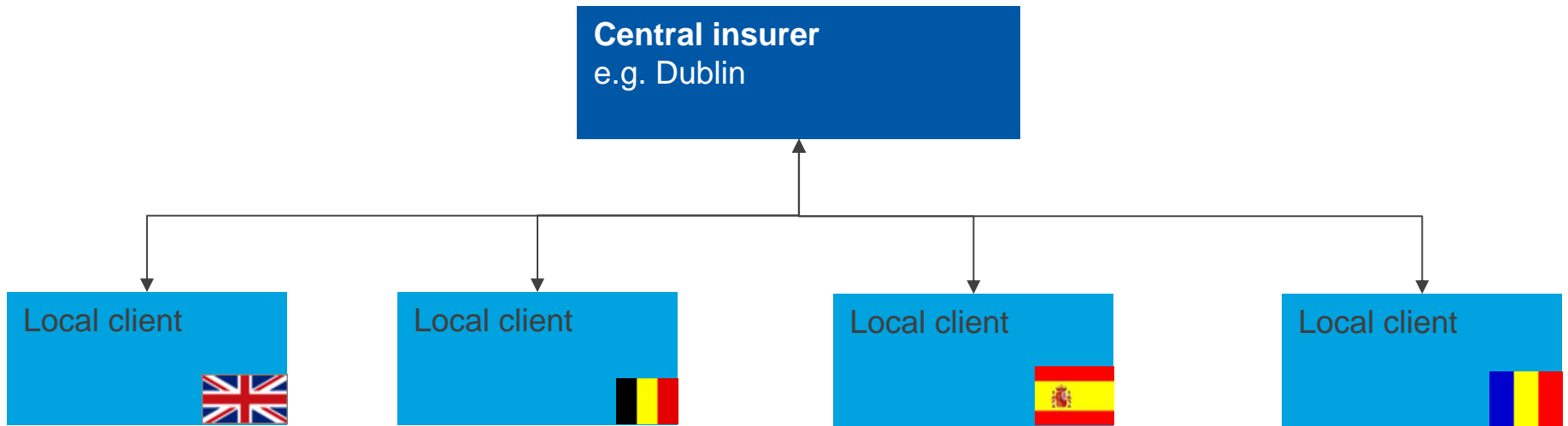
Captives for employee benefits

Reinsurance structure



Pan-European risk

Basic structure



Pan-European risk Thumbnail sketch

- Single contract covering all EU-contracted employees
- Regional administration and billing
- Availability of multiple currencies
- Continued coverage for cross border transfers
- Benefit differences perfectly possible
- Eligible for pooling and local profit sharing
- Life, Accidental Death & Dismemberment and Disability only

Structures and styles

Constrained resources

Structure

Small multinational or overseas operations of large domestic

Small numbers scattered widely

Central HR only

Style

Desire to outsource as much as possible

Administrative (cost) advantages outweigh risk savings

Solutions

Fully insured approach

Increased role of insurer, administrator and advisor

Pan-European risk solutions may offer significant advantages

Local and central

Structure

Larger multinationals

Some large overseas operations

Central HR aiming to co-ordinate local colleagues

Style

Looking for increased support to achieve aims

Degree of centralisation varies

Looking for economies of scale

Solutions

Insured approach likely to continue

Some large operations may achieve good economies locally

Multinational pooling almost certainly in place but not necessarily effective

Outsourced approach to co-ordination may introduce efficiencies

Captive

Structure

Large multinational (premium >\$5M p.a.)

Large overseas operations

Stability – no significant “churn” in businesses

Style

Highly centralised approach
(local decision-making role almost nil)

Looking to drive savings throughout insurance model

Solutions

Single insurance network as fronting insurer for reinsurance to captive solution

Risk management highly visible (use of Captive Management structure)

No need for re-marketing locally

Questions

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Challenges of managing local benefits and integrating corporate philosophy across Europe

Employee Benefits Live Conference

30 September 2008

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Novell.

version 1.0

Agenda

Developing a Corporate Philosophy for International Benefits

.Challenges of implementing a corporate benefits philosophy

.Documenting the corporate benefits philosophy

- Alignment with key HR objectives
- Plan design
- Financing
- Administration and Communication
- Decision making / governance

.Validation / review

.The Challenges of Managing Local Benefits (and the Solutions)

Understanding the facts

Validating the benefits package

Taking action

Long-term monitoring

Developing a Corporate Philosophy for International Benefits



Challenges of implementing a Corporate Benefits Philosophy

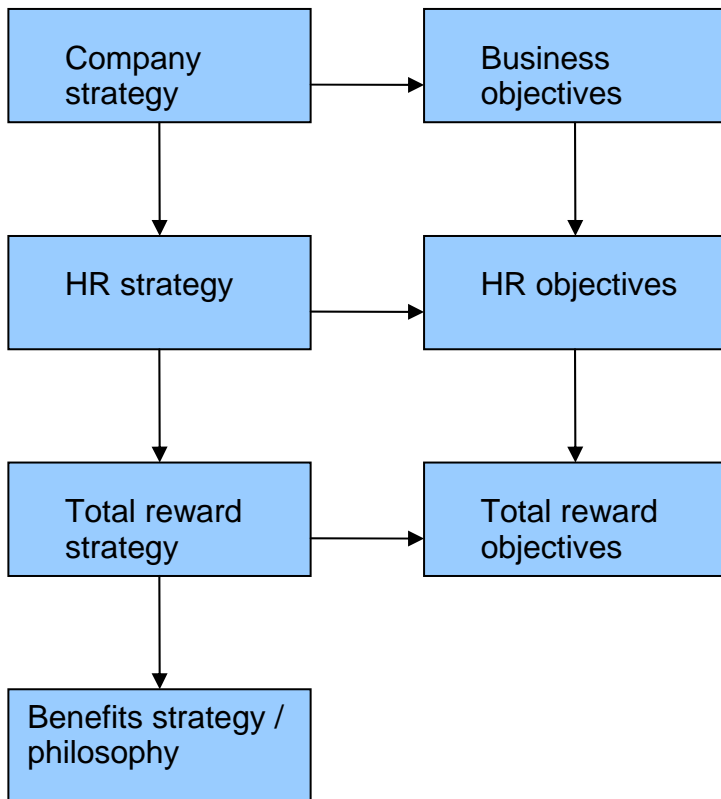
- Market practice
- Legal and regulatory
- Culture
- Buy-in

Documenting the corporate benefits philosophy

- The benefits philosophy statement should cover the following:
 - Alignment with key HR objectives
 - Plan design
 - Financing
 - Administration and communication
 - Decision making / governance

Documenting the corporate benefits philosophy:

Alignment with key HR objectives



- Addressing key business issues
 - eg. contribute to cost control by ensuring that benefit costs are flexible
- Define the relevant key HR objectives
 - eg. attracting and retaining talent
- Addressing key HR issues
 - eg. use size to offer benefits that smaller competitors cannot offer

Documenting the corporate benefits philosophy:

Plan design

- Eligibility (eg all permanent)
- Consistency (eg same benefits all levels / divisions)
- Choice (eg flexible benefits)
- Definition of pay for benefit calcs (eg base salary)
- Mode of benefit payment (eg lump sum)

Documenting the corporate benefits philosophy:

Financing

- Competitive position
- Cost sharing with employee
- Use of insurance
- Multi-national pooling
- Tax effectiveness
- Funding v book-reserving
- Recording and reporting benefit costs

Documenting the corporate benefits philosophy:

Administration and communication

- Outsourcing
- Provider selection
- HRIS and payroll
- Communication strategy
- Communication delivery, branding and timing

Documenting the corporate benefits philosophy:

Decision making / governance

- Define internal roles and responsibilities
- Role of consultants / brokers
- Corporate approval committee
- Compliance with local legislation
- Define thresholds (refer cost increases above €x)
- Reporting to stakeholders

Validation / review

- Seek feedback
- Test the philosophy against current benefit practices
- Make changes required
- Finalise, get sign-off and roll-out
- Benchmark and review annually

The Challenges of Managing Local Benefits (and the Solutions)



The challenges of managing local benefits:

Understanding the facts

- **Challenges:**

- Information held locally
- Language, local terms
- Scheme details
- Separating statutory benefit provision from company provided benefits
- Availability of data

- **Solutions:**

- Conduct a benefits audit
- Use a common template
- Pre-fill and ask local country to validate
- Create an international benefits database

The challenges of managing local benefits:

Validating the benefits package

- **Challenges:**

- Ensuring compliance with legal / statutory requirements
- Assessing against market practice
- Understanding what employee's value
- Alignment with benefits strategy

- **Solutions:**

- Engage global Consultancy to produce a benefits audit report
 - > Need people on the ground in each country to review and give input to report
 - > Report should tell you for each country which benefits are above, at or below market
 - > Compliance issues should be flagged
 - > Recommended actions
- Employee survey
 - > On-line, anonymous
 - > How much value do they assign to the benefits package?
 - > Which benefits do they value?
 - > How could the benefits package be improved?
 - > Which benefits could be reduced to fund the improvements?

The challenges of managing local benefits:

Taking action

- **Challenges:**

- Cost of making changes
- Time / resources to make the changes
- Getting local buy-in to changes
- Compliance with corporate benefits philosophy

- **Solutions:**

- Review recommended actions against the benefits philosophy
- Address any non-compliance issues
- Pick 'low hanging fruit' (simple changes with no cost)
- Document the process for change
- Involve local management to secure buy-in
- Create a long-term plan for more complex or costly changes

The challenges of managing local benefits:

Long-term monitoring

- **Challenges:**

- Improving access to benefits information
- Keeping corporate benefits philosophy up-to-date
- Keeping the philosophy alive

- **Solutions:**

- Maintain benefits info on intranet for employees*
- Personal statements / accounts regarding benefits participation*
- Financial posting and reporting of benefit costs
- Streamline benefit administration (automate participation through payroll or other systems)
- Maintain an international benefits database
- Review corporate benefits philosophy annually
- 'Live' the philosophy in your day-to-day activity

- * Session E3: Developing online tools for benefits packages to engage an international workforce

Questions?

