

Global Benefits Themes

Key questions for multinational employers

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All multinational companies face complex challenges to ensure that employees are protected, have access to care, and understand how to access and optimally use their employee benefits

Qu 1:

Do you know what you have and where you provide employee benefits?



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Benefit types - Prevalence

A multinational company will typically have a **global benefits portfolio** offering which includes the core benefit types shown.

Sample countries have been selected to show how common it is to supplement the minimum required.

Prevalence in supplementing the state/mandatory base requirements are highlighted as **high**, **medium**, **low**, **N/A** in the table below.

Region	Country	Life	Accident	Disability ¹	Healthcare	Pension
Africa	Nigeria	50%	50%	50%	95%	20%
Americas	Brazil	95%	95%	95%	100%	60%
Asia	China	90%	90%	70%	95%	20%
Europe	Denmark	75%	60%	60%	70%	90%
Middle East	UAE	65%	40%	25%	95% ²	20% ³
North America	Canada	95%	95%	85%	95%	80%
Pacific	Australia	10% ⁴	N/A ⁴	80%	30%	20% ⁴

Notes

¹ Covers long term disability provision which – when provided - is most likely to be insured with a third party insurer.

² UAE has mandated requirements for employers to provide healthcare. Most companies (95%) then choose to supplement these minimum mandated levels.

³ UAE supplementary pensions are low prevalence although there are requirements for end of service benefits and some employers supplement these. Some companies supplement in the form of a long term savings plan which is the 20% highlighted here.

⁴ All employers in Australia must offer a superannuation fund (100% prevalence) which provides retirement and life cover. Few employers – around 1 in 5 - make additional contributions and around 1 in 10 supplement the required life cover. For accident cover, there is little prevalence in supplementing the mandated workers' compensation insurance which does cover work related accidents.

As a rule of thumb, the average cost of benefits per person for a multinational company is typically around \$1,000 per year

Qu 2:

Which financing mechanisms do you currently use for employee benefits and have you considered other options?



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Benefit Types - Financing

Local Benefit Plans

UNINSURED

A benefit promise which is carried on the company balance sheet and is not insured/reserved for

SELF INSURED

A benefit promise which is measured, planned for and consciously retained as a company liability, but is not insured (e.g. trusts)

LOCALLY INSURED

A benefit promise which is either fully or partially transferred to the insurance market as an insurance product/contract

Companies predominantly insure core benefits to transfer risk but also to secure administration services

Above Market Insurance Structures

MULTINATIONAL POOLING

Multiple benefit promises which are fully or partially transferred to the insurance market in country, but then retrospectively participate in multinational pooling arrangement(s) to access aggregate profit sharing

GLOBAL UNDERWRITING

A portfolio agreement with a global insurance network to transition a book of multi-country insured benefits over a defined period of time in order to access discounted, held premium rates

CAPTIVE REINSURANCE

An employer has established its own insurance company (captive) to insure its own risks and agrees to reinsure benefit insurances from domestic insurers, through global insurance network(s)

There are well over 1,500 pooling arrangements, 30 Global Underwriting programmes, and over 140 Captives reinsuring or writing multinational employee benefits

Qu 3:

Which internal and external stakeholders are involved in the ongoing management and delivery of employee benefits?



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Benefit Stakeholders

Internal Stakeholders: Objectives need to be understood and aligned where possible / managed when in conflict to establish clear roles & responsibilities and achieve an efficient operating model



External Stakeholders: External parties are needed to advise on, secure and deliver the desired benefit experience to employees



Multinational companies use global consultants / brokers (e.g. Lockton) to understand and align stakeholder engagement, to streamline the management and delivery of benefits, while taking advantage of economies of scale and execute on change initiatives.

Qu 4:

How many ex-patriate / globally-mobile employees operate and how are their employee benefits provided?



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Globally Mobile Benefits

Multinational companies have employees (and families) who are required to work in territories outside of their country of initial employment. These employees are often key personnel and can need to travel to areas where employee benefits are less comprehensive than their home location.

History has shown that many international assignments fail without the proper due diligence, planning and guidance surrounding benefit programmes. These failures can slow business growth and expansion and be costly from an investment perspective.

International Benefit Types

International Private Medical

International Group Life (incl. AD&D)

International Disability

International Critical Illness

International Employee Assistance Programme

Business Travel Accident

Business Travel Medical

There are specialist insurances for all overseas workers ranging from a short work trip or a long term assignment.

Qu 5:

How are benefits governed to ensure global consistency, but local relevance?



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Global Strategy – Guiding Principles

Governance models are more effective when multinational stakeholders have a basis for how benefits should be conceived, managed and accessed.

High performing Global Benefits/Reward teams design a set of guiding principles as part of their rolling strategy.

These guiding principles provide a focus on key areas of focus, and – if well structured – enable a way to measure if local benefits are in line with the strategy and, if not, the rationale/how material achieving alignment would be

Area	Example Principles
Core Benefits	All employees have access to core benefits according to definition.
Flexibility & Choice	The ability for employees to expand / supplement core benefits to be offered, based on demand.
Return on Investment	Share funding costs (e.g. contributions / premiums) for core and flexible benefits with employees where market-prevalent and in-line with competitor trends.
Insurance	Leverage economies of scale through use of global vendors globally or consolidation of local providers.
Communication	Benefits information is accessible (e.g. online), transparent, engaging and targeted for employees at all levels.
Support	Ensure participants have adequate support to navigate choice and understand costs.
Fraud	Ensure internal and third-party compliance with local/regional data and privacy requirements.
Vendor management	Potential vendors/advisers capabilities assessed via a balanced scorecard, balancing employee demands and financial constraints.
Inventory	All benefits need to be recorded with information based on minimum standard of information according to benefit.
Analytics	Claims, utilisation, absenteeism and enrolment analytics sourced and used for benefits design, communication and risk management.

Qu 6:

What process is followed to set up or harmonise benefits when a new country population is launched / acquired?

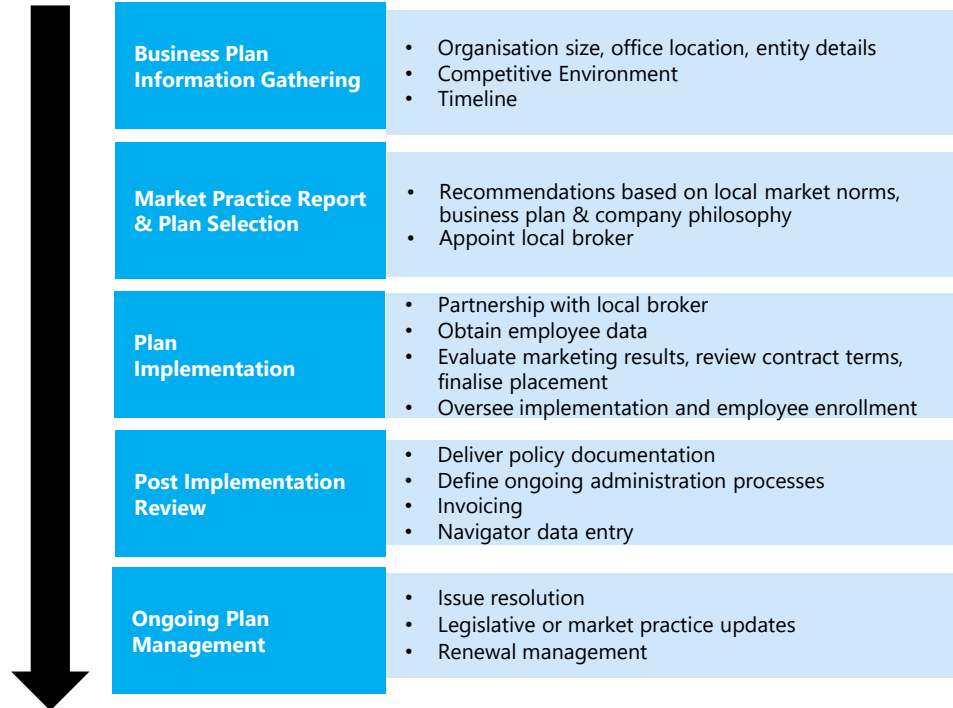


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New Market Entry / Harmonisation

When opening / inheriting new country benefits, or needing to integrate local businesses, multinationals should execute on this process



Customer success story

A quickly expanding multinational technology company appointed Lockton July 2021. Since then we have:

- Facilitated the establishment of benefits in multiple territories based on recent growth.
- Advised on compliance and typical local market practice in nine new countries where expansion was expected.
- Assisted in the placement of relevant, competitive, and compliant benefit programmes.
- Supported continued growth in line with global strategy.

Qu 7:

How do you track benefits provision, spend, documentation and the legislative environments around the world?



Key contact

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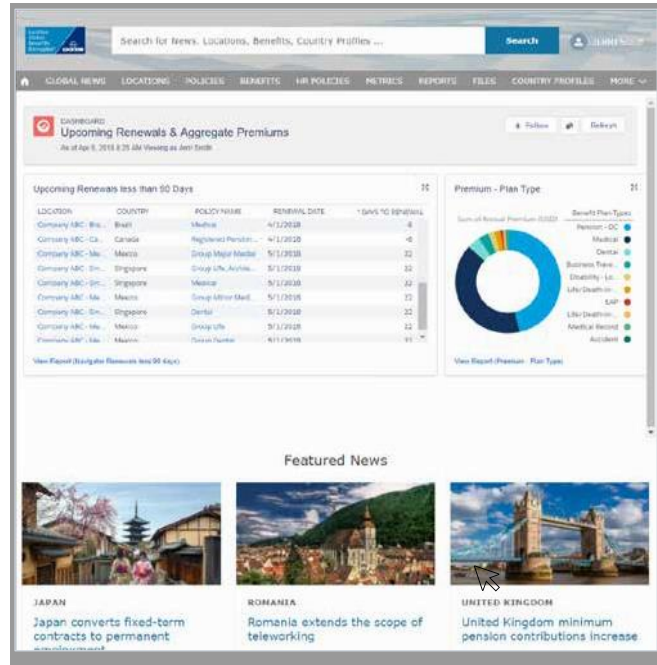
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Technology

Global Benefits Navigator®

- Lockton is pleased to offer our Global Benefits Navigator® portal as part of the service, our online platform that allows multinational organisations to store, analyse, and report their worldwide employee benefits programme information.
- Navigator has been designed for large corporate teams with global HR, finance, risk and legal responsibilities.
- Navigator features include:
 - Dashboard views of upcoming renewals and global financials.
 - Templates for storing benefit plan and HR policy details.
 - File storage and sharing functionality.
 - Report generation and data export.
 - Lockton GlobalView country benefit profiles.
 - Global Benefits compliance news and guidance



<https://vimeo.com/575415419/499768334>

Dashboard views of upcoming renewals and global financials

Templates for storing benefit plan and HR policy details

File storage and sharing functionality

Report generation and data export

Lockton GlobalView country benefit profiles

Global Benefits compliance news and guidance

Lockton is the world's largest privately owned insurance broker.

What makes Lockton stand apart is also what makes us better: independence.

Lockton's private ownership empowers its 9,000 Associates doing business in over 125 countries to focus solely on clients' risk and insurance needs. With expertise that reaches around the globe, Lockton delivers the deep understanding needed to accomplish remarkable results.

About Lockton

9,000⁺

Associates

97%

Client retention rate

\$49bn

Over \$49 billion
premiums placed

137

Clients in over
137 countries

65,000⁺

Clients

100⁺

Offices worldwide

27%

Year-on-year
increase

\$2.69bn

Billion revenue

90%

Reinvestment due to
our private ownership