MULTINATIONAL POOLING

JLT EMPLOYEE BENEFITS GLOBAL BENEFITS TEAM

Reducing costs for companies

Many companies have employees in more than one country, with their employee benefit programmes arranged locally. For these companies, there will often be considerable expenditure and effort involved in setting up these arrangements, however, there may be opportunities to reduce costs and administrative time through Multinational Pooling.

FOR FURTHER INFORMATION ON THIS OR OTHER GLOBAL BENEFITS TOPICS, PLEASE CONTACT OUR GLOBAL TEAM OR YOUR LOCAL JLT OFFICE.

WHAT IS MULTINATIONAL POOLING?

Employee benefit plans around the world are financed in various ways, with even the largest of multinational companies often using insurance products to lay off risk. Multinational Pooling is essentially a second stage accounting facility for insured benefit plans, potentially allowing companies operating in more than one country to benefit from favourable insurance claims experience when compared to arranging programmes individually by country.

With a conventional insurance contract, any profit generated (broadly premiums less expenses and claims) is retained by the local insurer. With a Multinational Pool, the parent company will benefit from any profit through the payment of “dividends” and can then decide how to share the benefits with its associated companies.

Multinational Pooling arrangements can cover most types of employee benefit insurances including life assurance, medical insurance, income protection and, in some instances, pension arrangements. More sophisticated features can also be incorporated such as Stop-Loss, Loss-Carry Forward and use can be made of an employer’s captive insurance company.

ADVANTAGES OF MULTINATIONAL POOLING

The main benefits of Multinational Pooling arrangements fall into the following three areas.

Financial

- Dividends from the positive claims experience of policies in place around the world.
- Premium savings from negotiated discounts with insurance providers.
- Management costs can be deducted from any surplus generated by the global experience of the pool.
- No additional insurance premiums relating to the establishment of pooling arrangements.

Service

- Participation in a pool will elevate clients to "Global Status", which can result in increased service levels for all employers.
- Availability of insurance that may not exist on a standalone basis.
- Favourable underwriting terms (e.g. improved "free cover") can significantly reduce administration and management time.
- Proactive claims management of the pooling network to reduce losses and increase the potential for dividends.

Information

- Annual profit and loss accounts providing valuable management information on all pooled contracts.
- Annual updates on world-wide legislation and regulation.
- Information on typical employee benefit programmes to enable benchmarking and comparison with competitors.

DIVIDEND UTILISATION

Multinationals have the freedom to choose how to use the dividends generated. They can either be shared with local operations or kept to fund centralised management costs.

ABOUT JLT GROUP

JLT is one of the world's leading providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services. JLT owns offices in 39 territories with some 10,095 employees, supported by the JLT International Network, enabling us to offer risk management and employee benefit solutions in 135 countries.

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REQUIREMENTS FOR SETTING UP A MULTINATIONAL POOL

Most providers will establish a Multinational Pool for companies that insure at least 200 lives across two or more countries. The types of contract offered, the minimum lives and minimum annual premiums vary between providers. The most common contracts available are life assurance, short and long-term disability cover, accidental death, medical benefits and retirement pensions.

When Pooling is not offered or not possible a provider may offer "program reporting". This means that although a contract may not be included in the calculation of potential dividends, the insurer will report to the parent company on that contract. This facility may also be useful where an employer decides not to pool a particular country's contract, perhaps due to poor claims experience.

Providers do not normally Pool individual insurances, voluntary plans, separable accident benefits or plans where local dividends are incompatible with Multinational Pooling. The Pooling agreement will normally be documented by a letter of agreement between the provider and the parent company covering the basis of the agreement and pooling year.

NEXT STEPS

For more information on Multinational Pooling or to discuss whether the facility could reduce the cost of your employee benefit provision, please contact one of the Global Benefits Team. Alternatively, you can speak with your local JLT Employee Benefits contact.