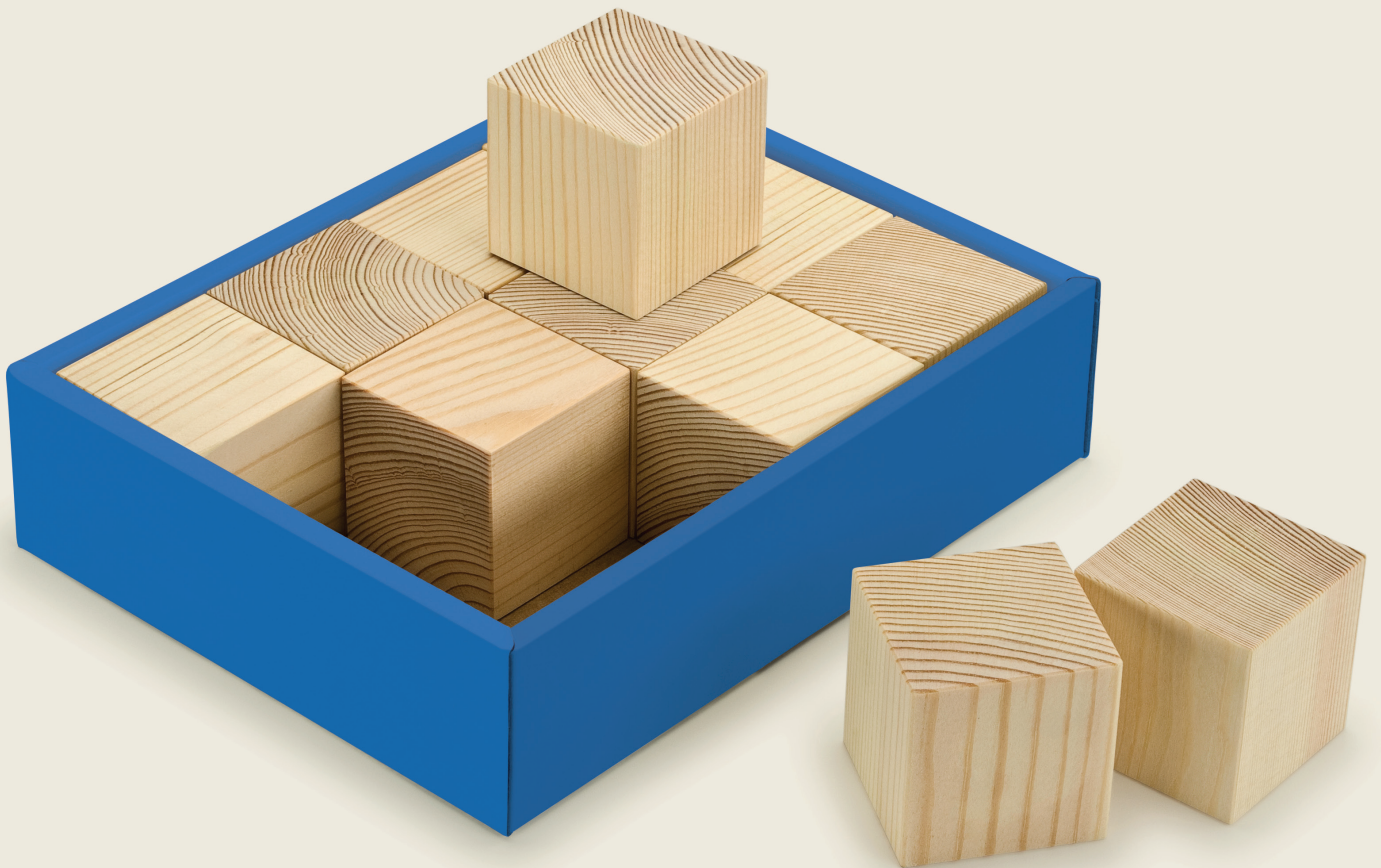


# Bringing your employee benefits together







The human resources and financing functions of multinational companies are tasked with the challenge of providing the right employee benefits – at the right cost. Human Resources needs to ensure the benefits meet expectations and help motivate and retain employees, while finance is usually concerned with the cost of providing these benefits.

To meet the needs of both areas, Multinational Pooling is an option that many multinationals take advantage of to group local benefit insurance contracts in multiple locations into one, global experience-rated pool. Losses in one location are balanced out by good claims experience in another meaning that the risk is spread more efficiently across several locations. At the local level, benefits are provided and the insurance contracts are unaffected; yet on a multi-location scale, a multinational has one experience-rated, and dividend-eligible product.

# High-quality insurers in over 130 locations – and counting

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The Zurich Employee Benefits Network is a global network of market-leading insurance companies offering products and services in over 130 locations. We work with Zurich-owned companies and top-quality local insurers in countries where Zurich does not have a local presence. Regardless of ownership all partners share a common purpose to offer competitively priced, high quality products and services to the clients of the network.

We continually expand the service and geographic coverage by strengthening partnerships and adding new partners in the countries that affiliates of our customers are moving to. We join forces with partners who are active across a whole region not just country by country. We work with regional providers in Asia-Pacific, Africa, Central America and the Caribbean to provide consistent solutions with improved governance for our customers.

## Reinsurance

The Zurich Employee Benefits Network works on a reinsurance basis, this means we take risk onto our own balance sheet from our Network Partners, allowing us to offer flexibility to tailor solutions to the needs of our customers.

## How Multinational Pooling works

1. Benefit plans are negotiated locally on a country by country basis and insured by local insurers who are part of the Zurich Employee Benefits Network.
2. Premiums are collected, claims are paid and other services provided – all at a local level.
3. After the contracts have been placed with the local insurer, the multinational company may then decide to pool the local contract. Life, disability, health, accident and risk parts of insured retirement plans can all be reinsured with the Zurich Employee Benefits Network.
4. Contracts are then brought together in a pool, allowing the Zurich Employee Benefits Network to combine them together for experience rating purposes, leading to advantages for the international customer.

## The benefits of Multinational Pooling

- **Cost management** – Multinational pooling helps keep overall plan costs under control on a worldwide basis.
- **International dividend** – A positive claims experience results in the payment of an international dividend to the parent company.
- A central pooling vehicle can help bring consistency to plan designs and align them at group level.
- **Flexible underwriting** – The Zurich Employee Benefits Network, by reinsuring its network partners, is able to relax underwriting requirements such as medical evidence to provide higher levels of cover quicker. This feature, known as free cover, often increases the limits available in local markets and is a particular advantage for executives who might otherwise need to provide medical evidence.
- The Zurich Employee Benefits Network has a centralized reporting capability with transparent, detailed benefit plan information per country, broken down to individual contract level.





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## Consolidated management

One of the key benefits of pooling is consolidated management information. At the end of each reporting period, we provide a profit and loss report that details an overview of all employee benefits contracts held within the pool, at both a global and local level. Benefit spending is split by country so costs are clearly shown and can be compared country by country.

This is an invaluable tool for managing employee benefits worldwide and provides:

- Financial results for the reporting period.
- A comparison of year-on-year results.
- An overview of contracts per country.
- Detailed contract information, including the number of insured persons, risk premium and benefits paid.

### The following group insurance benefits can be included in a pooling agreement:

- Group life and survivors benefits.
- Disability.
- Accidental death and dismemberment.
- Health.

In the following table is an example of how the pooling concept works based on a multinational company with subsidiaries in three countries.


## The pooling result


This table shows the impact of combining benefit plans to take advantage of experience rating. The combined surplus from countries A and C is paid to the parent company after the losses from country B and the international expenses associated with a client's pool have been deducted. Without pooling, the positive results from companies A and C would have been lost by the client.

	Total	Country A	Country B	Country C
Premiums	1 200 000	400 000	200 000	600 000
Benefits paid	-480 000	-100 000	-180 000	-200 000
Local admin charges	-160 000	-50 000	-30 000	-80 000
Commissions	-40 000	0	-10 000	-30 000
Local dividends	-80 000	-30 000	0	-50 000
Local balance	440 000	220 000	-20 000	240 000
Risk charge	-62 000	-20 000	-12 000	-30 000
International cost	-18 000	-5 000	-3 000	-10 000
Int. dividend	360 000	195 000	-35 000	200 000

### The pooling result

 The surplus from Country A and Country C minus the loss from Country B is 440 000.

 Zurich Employee Benefits Network international expenses and the reinsurance fee for client's pool are taken from this combined result.

 The aggregate of the surplus is paid to the parent company as an international dividend.

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## Finding a pooling system that works for you

Pools do not always generate a surplus for the parent company, and if the total claims experience of a customer's pool generates a loss, where claims and expenses exceed premium and investment income, there needs to be a system in place to manage this loss. We offer a number of protections to help recover the losses, with the risk charges that are deducted from the pool set according to the level of risk to Zurich Employee Benefits Network.

- **FlexPool**

The FlexPool solution is suitable for multinational companies looking to move into a customer specific pool and works with the insuring of one employee benefit plan in one country with a Zurich Employee Benefits Network partner. Local contracts are consolidated with other Zurich Employee Benefits Network customers' contracts for the purpose of experience rating. This enables multinational companies, which currently do not fulfill the Zurich Employee Benefits Network pooling requirements for a stand-alone pool to immediately participate in combined experience rating. The company is exposed to a better spread of risk and potentially improved results.

FlexPool works on a stop loss basis only, meaning any losses are waived completely on a yearly basis. The inclusion of contracts into the FlexPool will be agreed on a case-by-case basis.

## Stand-alone pools

- **Stop loss**

This option limits losses of a the pool immediately by writing off any losses that arise in any given year so the next year begins with a zero balance. It is suitable for pools in their earlier stages while they build up a spread of risk.

- **Extended stop loss**

Losses are carried forward to the following year and are then offset by any surplus made in future years. The loss can be carried forward for two to five years as requested by the client. Any accumulated losses which cannot be compensated within the agreed period are written off by the Zurich Employee Benefits Network at the end of the agreed period.

- **Loss carried forward**

Losses are carried forward to the following year and are then offset by any surplus made in future years. The loss can be carried forward for one to five years as requested by the client.

Any losses which cannot be compensated within the agreed period are written off by the Zurich Employee Benefits Network at the end of the agreed year following the accounting period in which the claims occurred.

Losses can also be carried forward indefinitely in an 'Unlimited Loss Carry Forward' pool.

## The benefits of working with the Zurich Employee Benefits Network

- Access to the Zurich Employee Benefits Network global network of market-leading local insurance companies in over 100 locations.
- A choice of flexible pooling systems that can be tailored to a company's individual requirements.
- A generous global free cover limit for stand-alone pools.
- Transparent, detailed management information.
- Confidence of working with a financially secure partner.

## Building tailor-made programs for you

If you are a multinational company and are considering starting or modifying your international employee benefits program, the Zurich Employee Benefits Network has the global vision and local insight to help you create a program that will truly be a benefit to your employees and your company as a whole. We look forward to having the opportunity to personally discuss our programs or to send you further information.



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Please contact: Your Zurich Employee  
Benefits Network sales team  
Email: [ZGEBS@zurich.com](mailto:ZGEBS@zurich.com)



The Zurich Employee Benefits Network is a network managed by Zurich Global Employee Benefits Solutions, a business unit of Zurich Insurance Company Ltd. Registered office: Mythenquai 2, 8002 Zurich, Switzerland.

ZGEB@zurich.com  
www.zurich.com

