Swiss Life

benefits

momentum
corporate

Unlock the benefits of multinational risk pooling

Multinational risk pooling is a sophisticated technique for providing group insurance benefits to the employees of international companies.

This proven method allows multinationals to add value to their employee benefit plans worldwide. By building a virtual portfolio, multinationals can unlock the benefits of risk spreading, insightful information, flexible underwriting and potential cost savings from their global insurance plans.

The Swiss Life Network

Swiss Life is a leading international insurer in the field of employee benefits. The Swiss Life Network started multinational risk pooling in 1962 when it was established. The international network was created by co-operating with leading insurance companies offering employee benefits in over 70 countries and territories.

The Network has been working exclusively with Momentum in South Africa since 1977.

How pooling works

An international agreement to pool local group insurance contracts is signed by the multinational head office and the Swiss Life Network head office.

The local insurance contracts of the multinational's subsidiaries are unaffected by pooling. Premiums, local experience rating and commissions remain unchanged. However these contracts may now be eligible for beneficial underwriting conditions.

Local and international relationships with intermediaries (financial advisers and consultants) are also unaffected.

Pooling aggregates the risk experience of a multinational's participating subsidiaries. This means the risk experience of the different subsidiairies is viewed as one pool rather than separate pools. Aggregation takes place annually at a global level. Profits in one area may subsidise losses in another. If net premiums exceed claims for the company-specific pool, the parent company receives a dividend. Losses are either carried forward or written off, depending on the pooling arrangement.

Swiss Life submits an international profit and loss account (pool report) which includes all experience-rated local contracts to the company headquarters each calendar year. Depending on the claims experience worldwide, this profit and loss account may result in an additional international pool dividend. This dividend can be shared with participating subsidiaries, making a positive contribution to the international result through their favourable in-country claims experience.

IMPORTANT: The international profit and loss account does not influence the conditions of the local contract, such as premiums and benefits provided.

The benefits of pooling

International risk pooling offers many benefits, on a local and an international level. The most important benefits include:

- Flexible underwriting - full waiver of medicals and significantly higher free cover limits
- Potential repatriation of international dividends
- Reduced benefit costs
- Leveraging the global purchasing power of the multinational population
- Opportunity to acquire new clients and protect existing clients
- Brand image is boosted

Client-specific pooling

The Swiss Life Network has an innovative modular system which lets multinationals design their own global programme. This is achieved by selecting the combination of pooling options that best suit the company's specific needs and risk profile.

The options are:

- Choice of loss carry forward amortisation period
- Annual partial write-off of losses carried forward
- Limitation of losses carried forward
- Catastrophic risk cap
- Waiver or liberalisation of medical evidence requirements, or pure local underwriting conditions
- Choice of accounting period

Clients are able to change the parameters of the pool as their circumstances change.

Whichever options are chosen, clients can always expect excellent local service and information at the international level.

To set up a client-specific pool, the following simple requirements must be met:

- Two contracts with a total of over 100 beneficiaries
- CHF 250 000 poolable periodic premium

Multi-client pooling for smaller contracts

Companies which don't meet the criteria for a client-specific pool can unlock the benefits of pooling through multi-client pooling. Once there are enough new contracts and beneficiaries, a company-specific pool can be created for the client.

The benefits include:

- A potential international dividend for multinational headquarters
- Future profits are protected through a stop-loss accounting system
- The parent company receives information on local contract inclusion
- All risks are included in the pool to optimise results
- An annual summary of results showing details of all contracts involved

To enter the multi-client pool, the following simple requirements must be met:

- One new contract with one Swiss Life Network Partner, covering at least 10 beneficiaries
- Active support from multinational headquarters to grow the pool

Subsidiary pool

The subsidiary pool allows multinational subsidiaries to join the multi-client pool. A local subsidiary can enter the multi-client pool without an international agreement in place between the company's headquarters and Swiss Life.

Previously, if a multinational subsidiary wanted to be part of a pool, we would need to check if an international agreement was in place with the company headquarters, and whether a pool existed. Now, a local subsidiary can join a pool without the above requirements. To enter the subsidiary pool, the following conditions must be met for subsidiary pool to remain in place:

- the local subsidiary puts Swiss Life in contact with its headquarters within one year.
- additional local contract/s must be added to the multi-client pool within three years.

When the requirements for a company-specific pool have been met and the headquarters decide to set it up, the local contracts will be merged into a company-specific pool and signed by the multinational headquarters.

The local subsidiary may receive an international dividend, paid back by the pool which can be used for anything. For example, it can lead to a cost saving if the dividend is used to pay for part of their Group Insurance benefits with Momentum Corporate. Over 75% of clients in the multi-client pool usually receive an international dividend after offsetting any losses.

The average dividend return since the pool started in 2004 is around 11% of premiums for profitable pools.

Interested in exploring the benefits of international pooling?

Let's talk.

Please contact us by emailing groupinsurance@momentum.co.za.

momentum.co.za | Momentum Corporate | twitter.com/momentum_za | facebook.com/momentumZA

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