



NMB News

NORFOLK MOBILITY BENEFITS

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ANY TIME OF DAY, ANYWHERE IN THE WORLD!

Self Insurance and the Expatriate Benefits Plan

For years, North American corporate employers have relied on their own financial resources to fund the cost of group medical plans. Insurance companies have often been selected to actually administer the plans and pay claims, but the underlying funding method has been “self insurance”. Against this backdrop of self-insured domestic medical/dental plans, few global expatriate plans are currently self-insured.

Most expatriate plans are fully insured

Companies with thousands of domestic personnel, and the financial capacity to absorb the cost of all or most domestic medical claims, find themselves with fully insured plans for their expatriates.

As you might expect, full insurance is generally more costly than self-insurance over long periods of time, say five years or more. The biggest contributors to this extra cost are brokerage commissions and insurance company profits. Take those out of the equation and your cost drops by as much as 40%. In fact, the cost of employee claims and related administration accounts for only about 60% of the average premium dollar.

While some corporate plan sponsors will be interested in retaining 100% of the risk associated with their plan, a more typical scenario might involve a degree of risk sharing, potentially in the form of a large deductible per certificate (family unit). This protects corporate budgets from large, unexpected claims. Assuming the plan sponsor elects to self-insure claims of up to \$50,000 per certificate, the total cost of the plan would drop by 15%-20%.

These are substantial savings.

Why aren't there more self insured plans?

So if traditional fully insured plans are more costly in the long term, why are they still so common?

Basically, the insurance industry has not responded to the demand, except for exceedingly large plan sponsors. Depending on the insurer they use, employers with less than 1000 expats in a single plan are typically offered only fully insured plans. There are also very few insurers in this business so competition is not yet very intense.

Another hurdle in establishing self-insured plans is the substantial documentation and administration required, including the requirements of a host of laws including COBRA, ERISA, and HPPA. Compliance with the legislation is an onerous and expensive task that insurers are willing to incur on behalf of their many clients, but only if they purchase fully insured plans.

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What is “self insurance”?

For the uninitiated, “self insurance” is a financial arrangement where the corporate sponsor of an insurance plan accepts all or most of the risk of medical/dental claims incurred by protected parties. Insurance is often used to limit this self-insured risk, usually in the form of catastrophe or aggregate stop loss protection.



Be prepared for greater airport scrutiny

August 10, 2006, will long be remembered in the annals of anti-terrorism for the major counter-terrorism operation in Great Britain that included the arrest of 20 individuals suspected of preparing to use explosives on flights destined for North America. Within hours of the arrests, officials in the United Kingdom and The United States had raised their security levels as a precaution for flights between their respective countries. Transport Canada also reacted swiftly and implemented additional security measures within Canada.



Passengers traveling to the United Kingdom are subject to more extensive security screening processes, including a physical inspection of baggage at the departure gate.

The new security levels include a ban on liquids, gels and aerosols in carry on baggage. These items must now be packed in checked baggage. Exceptions are being made for baby formula and small doses of required medications, but travelers must be prepared to present these for inspection at the checkpoint. The security also includes removal of shoes for x-ray screening in the U.S. – an effective way to identify any anomalies including explosives.

Passengers traveling to the United Kingdom are subject to more extensive security screening processes, including a physical inspection of baggage at the departure gate.

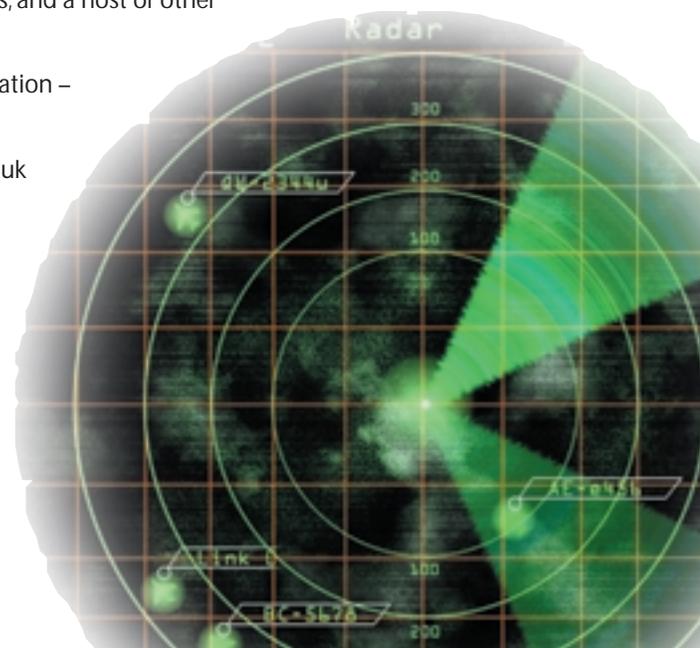
As a result of these and any other security measures put in place over the next while, international travelers should:

- Pack lightly, without clutter, to facilitate easy screening
- Ensure that all liquids, gels and aerosols are packed in your checked baggage
- Allow extra time for check in, particularly for international travel
- Do not bring liquids or lighters to the security checkpoint
- Review the current list of procedures and prohibited items prior to traveling in order to expedite passing through the screening checkpoint
- Have medications readily available to present at the checkpoint
- Remember that sharp objects continue to be prohibited as carry-ons
- Cooperate with airport security staff and airline personnel who are working to protect you
- Be attentive and vigilant to any suspicious activity and report it to authorities.

For regular updates on security measures and alerts, and a host of other useful information, visit these web sites:

- United States Transportation Security Administration – www.tsa.gov
- British Government Directory – www.direct.gov.uk
- Transport Canada – www.tc.gc.ca

If you have any questions about your expatriate insurance coverage in the context of this recent event, contact your Norfolk representative.



Doing business in China

China is the third largest country in the world, after Canada and Russia. It has an area of about 9.6 million square kilometers which comprises about 6.5 per cent of the world's total land area. Its population of more than one billion accounts for 23 per cent of the world's population.

China is also the world's oldest continuous civilization. For centuries, China was the world's most advanced civilization, and the cultural center of East Asia, with an impact lasting to the present day.

China is also home to many of the great technical inventions in world history, including 'The Four Great Inventions' of ancient China – paper, the compass, gunpowder, and printing.

The World Travel Organization predicts that by year 2020, China will become the number one travel destination in the world.

China can provide a rich and rewarding experience. But as with all international travel and work, it is important to be prepared. Learning more about the unique cultures and values of China, obeying the laws, respecting the customs, and understanding the physical environment in which you will be living and working will help to make your experience as pleasant and incident-free as possible.

Doing business in China

If you are planning to do business in China, be sure to investigate carefully the companies you plan to work with there to ensure they are reputable or to learn if they have a prior history of 'disputes'. North American business travelers have been detained and had their passports confiscated as a result of business disputes with their Chinese counterparts.

Seek legal advice from professionals in China, as well as in your home country, before proceeding with business agreements or arrangements. Ensure that all documents are translated, so that conditions, terms, and limitations are understood.

Doing business in China has protocols that will be new to North Americans. Understanding them will be extremely helpful in establishing rapport with Chinese business people. These protocols include the importance of *Guangxi* (relationship) when doing business in China.

Protecting your health

Most North American domestic medical insurance will not cover the health risks for expatriates in China, including evacuations, and some insurance is not valid outside the home country. Even when domestic insurance provides some coverage, it is typically necessary to pay first and then file for reimbursement. For more information on the kind of supplementary insurance you require in China, contact your Norfolk Mobility representative.

For more information about China, visit these sites:

- US Government Travel site – www.travel.state.gov
- Canadian Government travel site – www.voyage.gc.ca
- Articles on business protocols in China – www.china-window.com
- World Bank's site on doing business in foreign countries – www.doingbusiness.org
- World Health Organization – www.who.int
- An online dynamic encyclopedia – www.wikipedia.org



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Is there a solution?

An innovative initiative provides all plan sponsors with the opportunity to consider self-insurance. The initiative has been guided by the noted benefits attorney Cindy Stamer, is backed by the financial clout of Lloyds of London, and supported by global plan administrator Norfolk Mobility Benefits.

This new concept in North American expatriate medical/dental insurance funding provides the corporate plan sponsor with a number of features, including:

- fully compliant customized plan documentation
- flexible domestic-style plan design
- option of fully self-insured plans or stop loss levels of between \$15,000 to \$100,000 per certificate (family unit)
- experienced claims handling and processing
- multilingual help desks in North America and Europe
- multi-currency claims payment facilities supported by the Rothschild Bank of Paris
- comprehensive data analysis and financial reporting to plan sponsors
- seamless integration with domestic plans

To learn more about this new offering, contact Norfolk.

Norfolk working to retain promising employees

In Alberta, employers are struggling to attract and retain employees within a highly competitive labour market.

Experienced employees have quickly learned that they are a scarce resource. Many are switching jobs tempted by higher salaries, signing bonuses, and company perks. Often employees are focussed on immediate monetary gain and are less concerned with the position that they were hired to fill. For some, this immediate gain may later be offset by job dissatisfaction. In addition, some employers are so desperate to find staff, they have compromised their standards and are hiring employees who would otherwise not be desirable candidates for the particular positions. This creates a suboptimal situation for both the employer and the employee.

Norfolk recognizes the importance of preserving their employment standards and retaining dedicated staff. I am fortunate that Norfolk has been supportive in my relocation to another city by allowing me to take my job with me. This is a great example of an innovative solution to help reduce employee turnover, and therefore, retain the standard of excellence that we work so hard to achieve at Norfolk Mobility.

By Lauren Isherwood, B.Comm, CRM,
Sales Coordinator, Norfolk Mobility Benefits



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(403) 232-8545 or email: norfolk@norfolkmobility.com

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