

Nordben provides flexible insurance solutions for globally mobile employees, expatriates, third country nationals and similar. However, from time to time a multinational company approaches us either via an intermediary, or through our network membership of IGP or Insurope, to insure "local employees".

The reasons for the approach usually fall into one of the following categories:

1. The network does not have a partner in the given country and the multinational wishes to pool the risk.
2. The multinational wishes to provide "hard currency" benefits and/or cannot access appropriate insurance in the given country e.g. the benefit is not usually provided.
3. The multinational wishes to insure lives in a "difficult country" e.g. high terrorism risk etc.
4. The multinational has a small number of "local employees" per country and wishes to have a "one stop" solution by purchasing insurance from one insurer. Reasons for this might be that group contracts are not available in certain local countries; better terms are available by grouping the employees together; etc. etc.

In terms of risk taking Nordben has the appropriate reinsurance support and premium ratings to underwrite such business (although there may be restrictions on the type of disability benefits that can be provided). However, the main issue for Nordben is that it is not licensed to trade in any particular local country and in providing insurance to local employees the multinational may well be required to use a licensed insurer to insure local employees. Nordben does not wish to disrupt local insurance markets and would always suggest that local carriers are used unless there are mitigating reasons for the multinational to look at other alternative financing.

Where there are mitigating reasons we would require the arrangements to be constructed as an insurance of the multinational as opposed to there being a direct connection between the employee and Nordben. So if a multinational is contractually providing the benefits to the employee, in the event of death or disability the claim is against the employer not Nordben. However, the multinational will have purchased insurance from Nordben to indemnify it from the death and disability claim. This insurance has the same effect as Nordben reinsuring the multinational's commitment to its employees.

On the assumption that the above is acceptable (and we highlight some of the issues that the multinational needs to consider below) then Nordben must contract with the multinational in a jurisdiction that is acceptable to Nordben from a regulatory perspective. If there is no acceptable jurisdiction we might suggest to the multinational that the contract is executed by our Guernsey based trust subsidiary, Nordben Pension Trustees, who will hold the insurance in trust for the multinational.

It should be noted that in some instances it will not be possible for Nordben to provide insurance to the multinational. It should also be noted that Nordben will never insure statutory benefits.

So to summarise the issues that the multinational should consider:

1. Can it provide for the benefits by means of a contract as described above?
2. The tax and accounting implications of such an arrangement both for the employer and the employees.
3. The alternative financing options i.e. local provision.

For further information please contact:

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