



Meeting the Challenge of Creating a Level Executive Benefits Playing Field—Worldwide

By Christopher R. Kristian

Most U.S. corporations are justifiably proud of their sophisticated systems for delivering benefits to their executives, whether they are located in the U.S. or in various countries around the globe. While accommodations may be required in specific situations, the overall process generally operates efficiently and meets the expectations and needs of the executives involved.

However, the executive benefits picture is changing for more and more corporations as they take steps to grow their executive ranks to include more foreign nationals. No matter how hard they try to provide international life insurance

and disability income protection for their third-country national key associates, they run into walls that form virtually insurmountable barriers.

"There's no question about it," said Daniel Walsh, President of First Choice Armor & Equipment Inc. "As companies take advantage of indigenous executive talent, the question of benefits parity can be a major issue. Everyone expects to receive the same benefits."

Like many other companies today, a well-known consulting firm with offices in 27 cities around the globe recently dealt with this problem, after having a growing number of international associates express dissatisfaction with the current

benefit arrangement. They felt slighted, as their counterparts in the U.S. seemed to have better disability and life insurance benefits.

Although serious efforts had been made to solve the inequity issue, the firm was ready to conclude that there was no satisfactory solution. Despite their best efforts, the corporation could not obtain a comparable program for these employees. The best they could do was to set up programs in several countries, which provided an unequal hodgepodge of benefits, and certainly no increased goodwill with their key associates.

As firms continue their global expansion, the disparity issue becomes more apparent. As is the situation with so many other U.S. companies, valuable associates are often left on their own to find their benefits as best they can, creating both an inconsistency from country to country and a never-ending stream of employee complaints.

Clearly, the solution to this situation is to provide an insurance benefits program that includes two key components: 1) the benefits must be comparable to those provided to U.S.-based employees, and 2) they must be payable in local currency denominations. Needless to say, such programs create enormous goodwill among international associates and serve as an extremely valuable recruiting and retention tool overseas.

Since reaching global benefits parity continues to frustrate the employment policies of a growing number of companies, here are questions and answers on how to breach the impasse.

We have key international associates in several countries that we would like to offer the same benefits

as their U.S. counterparts. How can we accomplish this objective?

With life or disability insurance, organizations typically start by attempting to replicate the benefits of their U.S. associates as closely as possible. This means providing the benefit amount in U.S. dollars or other currency (i.e., Euro), and converting it to the local currency at the time the benefit is paid.

How is a "measurement currency" selected?

Most U.S.-based firms gravitate to the U.S. dollar as the "standard." It seems

as if most international associates prefer either the Euro or the Pound. By using these two foreign currencies, the insurance program has a greater international flair. As international currencies fluctuate, so will the benefit amount that is paid to the beneficiaries. Therefore, it is extremely important to explain how these benefits are designed.

What about "Local Socialized Benefit Programs?"

Many foreign countries provide socialized life and disability insurance benefits. It appears that some U.S. firms assume that these local programs provide sufficient coverage to meet the needs of

their highly compensated international key associates. An analysis indicates otherwise, however. In reality, most of these insurance programs leave these associates far short of their U.S. counterparts. Although most life and disability programs do not integrate perfectly with those of the local country, the benefits of the programs generally far outweigh the minor inconvenience of perhaps the recipient's individual tax liability in the case of an untimely disability or death.

What is the key to designing a truly international insurance program? ▶

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Each program presents unique challenges. It is important to ensure that the program design is practical, and addresses each firm's corporate culture and philosophy regarding international associates. Virtually every program has a few nuances designed to meet the objectives of that particular plan. A program designed for key management personnel that integrates well with the domestic program is frequently the most successful and well received.

We are currently expanding overseas with ex-patriots and find that our domestic program will provide limited coverage. How can we address this issue?

This is the other side of the same coin. The usual pattern is for U.S. firms to expand initially with ex-patriots. Companies are quite surprised when U.S.-based group coverage does not extend coverage to these individuals or they discover they have truncated benefits *after* arriving at their new location. This creates significant challenges for U.S. firms. However, there are strategies similar to those implemented for foreign nationals that are applicable in the case of employees arriving from the U.S.

There are a number of programs available that make it possible for ex-pats to receive similar benefits to those provided to their U.S. counterparts. In many cases, these programs are set up to cover ex-pats while overseas. Coverage usually ends when they complete their assignment and are integrated back into the U.S. program.

There are a number of ways that a U.S. company can meet the challenges of providing benefits to their executives overseas. For example, one consulting firm was able to offer life insurance benefits based on €2,000,000, which is convertible in local currency at the time of claim. This particular program covers executives in eight different countries and has been extremely well received by the overseas

associates, creating a tremendous amount of goodwill for the employer. For the first time, the firm was able to offer equal executive benefits to key associates located anywhere in the world.

Benefits inequity has long been a source of dissatisfaction among U.S. employees working overseas, as well as their indigenous associates. Neither is willing to believe the problem cannot be

satisfactorily resolved. Fortunately, what seemed beyond an acceptable solution is now both possible and practical. ☛

Author's profile appears on page 5.



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Printed by

Journal Graphics, Portland, Oregon