



# A Special Trends Report

Perspectives on Expatriate Benefits

From a Survey of Brokers

(Q3, 2020)

National Employee Benefits Advisory Forum (NEBAF)

## Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in June and July 2020 to understand its members' experiences regarding various employee benefits-related topics.

Specifically, this summary includes perspectives from participants regarding **expatriate benefits** (i.e. employee benefits, including medical, dental, life or disability insurance for expatriates [or expats] who temporarily or permanently reside in a different country from where they are a citizen).

The information in this report is primarily based on an online survey taken by 180 benefits brokers and consultants. To participate, brokers in this exchange were required to recommend/sell expatriate benefits to at least one or more clients.

We conducted a previous exchange on the topic of expatriate benefits in December 2019. Where possible, results from that exchange are included for reference.

## Executive Summary

This Briefing covers participants' views on and experiences with expatriate benefits (i.e. employee benefits, including medical, dental, life or disability insurance for expatriates [or expats] who temporarily or permanently reside in a different country from where they are a citizen).

- In addition to medical benefits (which was required for survey participation), most participating brokers indicate that they sell/recommend several other expat benefits as well, most commonly prescription drug coverage, dental, life, and emergency medical evacuation.
- Most brokers say that expat benefits premiums accounted for a small percentage (<10%) of their total group insurance premiums last year.
- In this exchange, we asked a number of questions about brokers' offices/firms and expatriate benefits:
  - First, we asked about brokers' office's total premiums from expat benefits in the past year. Not surprisingly, brokers provided a wide range of responses. On the top end, roughly one-fifth report their office's annual expat premiums accounted for \$5 million or more.
  - When it comes to broker's firm's approximate growth rate in terms of revenue in 2019 from expat benefits, most report growth of less than 10%.
  - Most brokers also report growth of less than 10% for their firm's approximate growth rate in terms of total number of expat group benefits clients in 2019.
- Brokers tell us they tend to concentrate their expat business among few carriers; more than four-fifths say 75% of their firm's expat business is placed with one to three carriers.
- Participants have most commonly recommended Cigna Global for expat benefits in the past 2 years, followed by Aetna International and United Healthcare Global.
- Brokers are mixed as to the importance of expat benefits, with about two-fifths indicating these are very important or important to the success of their business.
- Roughly half think expat benefits will be more or much more important over the next five years; while the other half expect the importance to stay about the same.
- With regard to the impact of COVID19 on expat benefits:
  - Brokers have mixed views; nearly two in five think demand has decreased due to COVID19.
  - Brokers also have mixed expectations for demand for expat benefits one year from now; about two in five think it will increase compared to pre-COVID levels.
  - Brokers have a more positive outlook for three years from now; more than half expect demand for expat benefits to be higher than pre-COVID levels.

## Expatriate Benefits

We built on past exchanges and continued to explore the topic of expatriate benefits with brokers. In this exchange, we asked them more specifically about their experience with expatriate benefits (i.e. employee benefits, including medical, dental, life or disability insurance for expatriates [or expats] who temporarily or permanently reside in a different country from where they are a citizen).

### Types of Expatriate Benefits Sold/Recommended

We asked participating brokers which types of expatriate benefits they sell and/or recommend.

**We required brokers to be selling/recommending medical expat benefits in order to participate. In addition to medical coverage, most brokers sell/recommend several other expat benefits as well.** More than three in four say that they sell/recommend prescription drug coverage and/or dental. Nearly three in four sell/recommend life insurance and/or emergency medical evacuation.

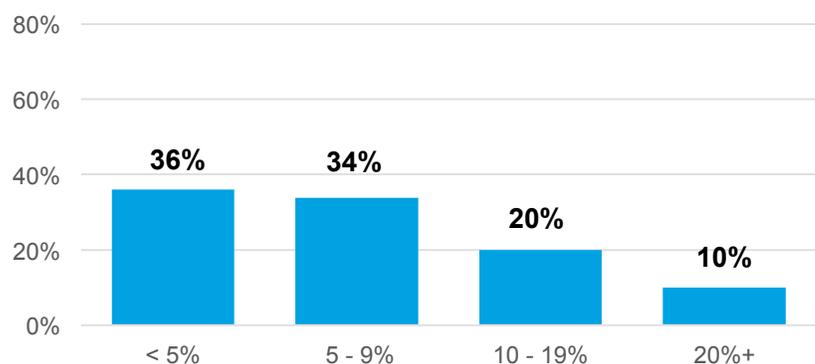
This finding isn't surprising, as brokers have indicated in past research that they tend to look at the entire picture and not just fill one specific need.

### Percentage of Premiums from Expat Benefits in Past 12 Months

We then asked participants what percentage of their total premiums from group insurance benefits in the past 12 months came from expatriate benefits.

**For most participating brokers, expat premiums in the last 12 months have accounted for a small percentage of their total group premiums. On average, expat benefits have accounted for 9% of broker's premiums in the past year.** Seven in ten report that less than 10% of premiums came from expat benefits. See chart below.

% of Brokers' Premiums from Expat Benefits in Past Year



### A Look Back: Percentage of NEBAF Brokers' Clients Offering Expat Benefits

An online exchange conducted in December 2019 also explored the topic of expatriate benefits. In that exchange, we asked brokers who recommend or sell expatriate benefits what percentage of their clients currently offer benefits to their expatriates (expats) or globally-mobile employees who temporarily or permanently reside in a different country from where they are a citizen.

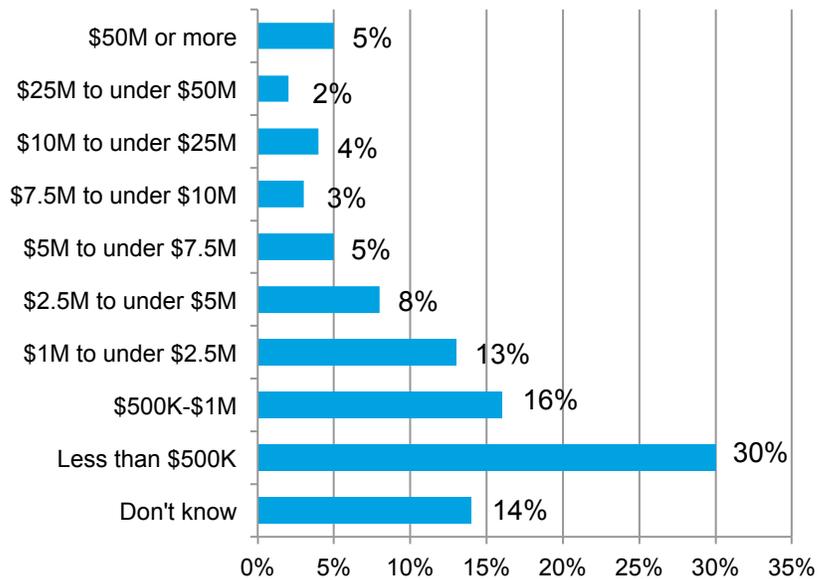
In the *Benefits Briefing* summarizing that study, we reported that among brokers who recommend/sell expat benefits, an average of 16% of their clients currently offer expat benefits.

## Premiums of Broker's Office from Expat Benefits in Past 12 Months

We also asked participants about the total premiums produced from expat benefits by their entire office in the past 12 months.

**We see a wide range of premiums for expat benefits in the past year;** see chart below. While about one in five say their office's expat premiums accounted for \$5 million or more, about a third report total office expat premiums of less than \$500K.

### Total Premiums for Expat Benefits from Broker's Office in Past 12 Months



We compared brokers' percentages of premiums from expat benefits to their offices' total premium dollars from expat benefits, and not surprisingly, we found a correlation. Those who have a higher percentage of their premiums from expat benefits tend to say their total office premiums are higher.

## Firm's Approximate Growth Rate in Revenue from Expat Benefits in 2019

We then asked participants about their firm's approximate growth rate in terms of revenue in 2019 from expat benefits.

**Nearly one in four say that their firm's revenue from expat benefits grew by 10% or more in 2019.** Others report growth of less than 10%.

## Firm's Approximate Growth Rate in Number of Expat Clients in 2019

We also asked participants about their firm's approximate growth rate in terms of total number of expat group benefits clients in 2019.

### Did You Know? Factors Important to Brokers Selecting Carriers for Expat Benefits

As part of the 2019 exchange on expatriate benefits, we asked brokers who recommend/sell expat benefits about the importance of various factors when evaluating expat insurance providers.

Brokers rate the following factors as most important (listed in order of importance):

- Network strength
- Customer service and claims processing
- Demonstrated expat industry experience
- Expat product offering
- Compliance guidance on insurance regulations in relevant geographies around the globe

### Firm's Approximate Growth Rate in Number of Expat Clients in 2019 (cont.)

In looking at growth rate in number of expat clients, we see similar and consistent results to expat revenue growth. **About one in four say that their firm's number of expat clients grew by 10% or more in 2019**, while others reported lower growth rates.

### Firm's Use of Expatriate Benefits Carriers

We asked participants about what percentage of their firm's expatriate group benefits business is with their top carrier.

We see a range of percentages. **About one in three say their expatriate business tends to be consolidated with one carrier**; they report that 50% or more of their firm's expatriate business is with the firm's top carrier.

**Another third report being less invested with their top carrier**; they say that less than 25% of their firm's expatriate business is their firm's top carrier.

Those with business more concentrated are most likely to be very satisfied with their top carrier, as well as its products and service, while those with more diversified expat business are most likely to seek alternative providers more frequently.

We asked participants further about their firm's use of expatriate benefits carriers.

**Brokers report that most of their firm's expatriate business is consolidated with a small number of carriers.** More than four in five say that 75% of their firm's expatriate business is concentrated with three or fewer carriers.

Clearly, this is a narrow market. Carriers will want to make sure they continue to deliver high quality services, despite evolving global health issues, so they can be among broker's short list of expatriate carriers.

### Expatriate Benefits Carriers Most Commonly Recommended

We then asked participants which carriers they have recommended in the past two years.

**The five most commonly recommended carriers for expatriate benefits (in order of mentions) include:**

- ❖ Cigna Global (82%)
- ❖ Aetna International (59%)
- ❖ United Healthcare Global (57%)
- ❖ GeoBlue (49%)
- ❖ MetLife Worldwide Benefits (48%)



## Importance of Expatriate Group Insurance to Success of Business

We asked brokers how important expat group insurance employee benefits are to the success of their business.

**About two in five say expat benefits are important or very important to the success of their business.** About a third report they are moderately important.

### Talking About: Reasons why Brokers think Expat Benefits will be More Important in the Next 5 Years

We asked brokers who think expat benefits will be more important in the next 5 years why they think that. Most think the clients will continue to globalize/the global economy will grow:

*"Organizations are looking for more ways to expand their reach and footprint. Expatriates are a great way to expand globally without additional overhead expenses of new offices and locations."*

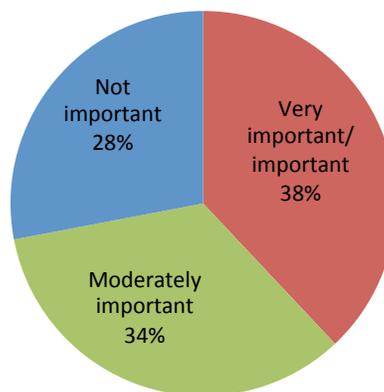
*"Because as business becomes more global, the need to provide equal benefits to those out of country will become more important and so if I don't step up to that challenge, I stand to lose business."*

*"The demographic of our clients seems to be including more need for expat benefits for offshore work."*

*"Business is constantly going global and we need to have solutions to cover folks who are abroad."*

*"Regardless of the current COVID pandemic, over the next 5 years, and specifically looking out past the next 1-2 years, our clients will be looking to expand operations and customer markets internationally. Given that intent and projected scenario the need for expat benefits will become a bigger concern and consideration for our clients."*

Importance of Expatriate Benefits to Success of Business



### Expected Change in Importance of Expatriate Group Benefits in Next Five Years

We then asked brokers how they anticipate the importance of expat group employee benefits changing over the next five years, if at all.

**About half of participating brokers think expat benefits will be more or much more important over the next five years;** while the other half expect the importance of expatriate benefits to stay the same.

In light of the COVID19 pandemic, it's not surprising that half think the importance expat benefits will increase in the next five years. The pandemic is shifting the ways companies think about and handle employee mobility.

See left-hand sidebar on this page and the next page for reasons for brokers' expectations for expat benefits over the next five years.

### Impact of COVID19 on Demand for Expatriate Benefits

We asked participants how they think the COVID19 pandemic has impacted overall demand for expatriate benefits, as compared to pre-COVID19 levels.

## Talking About: Reasons why Brokers think Expat Benefits will Stay the Same in Importance in the Next 5 Years

We asked brokers who think expat benefits will stay the same in importance in the next 5 years why they think that. Brokers talk about two reasons primarily; one, that the number of expats/clients' need for expats will stay the same, and two, clients won't be expanding internationally due to COVID19:

*"My clients are not expecting a significant change in their expat population."*

*"I don't expect the business needs to be greatly changed by COVID-19, in fact I think if anything benefits will continue to be considered very important."*

*"Due to the pandemic, I believe many companies will slow down expansion of opportunities for expats."*

*"I don't see a huge shift in business overseas, but companies that are currently offering will continue to offer."*

*"Expat coverage is very important to our clients with employees working outside the United States. I do not feel our importance will change over the next five years, because we will continue to focus on ensuring our clients have all of the necessary coverage to meet their employee benefits needs."*

## Impact of COVID19 on Demand for Expatriate Benefits (cont.)

**Brokers' experience as to the impact of COVID19 on demand for expat benefits is mixed. Many, about two in five, say COVID19 has decreased the demand for expat benefits.** About a third think there's been no impact, while almost three in ten see the demand for expatriate benefits increasing as a result of the pandemic.

This is consistent with current thinking and trends. The decrease is most likely a result of employees staying or coming home due to the pandemic; yet in all this, companies are most likely also realizing how important such benefits are.

### Expected Demand for Expatriate Benefits One Year from Now

We also asked participants what they think the overall demand for expat benefits will be one year from now.

**Again, we find results are mixed. Nearly two-fifths think the demand for expat benefits will be higher than pre-COVID levels one year from now.** About a fifth say it will be the same, while roughly one in three anticipate that the demand will be lower one year from now.

### Expected Demand for Expatriate Benefits Three Years from Now

We then asked participants what they think the overall demand for expat benefits will be three years from now.

**We find more consensus among brokers. More than half anticipate that the demand for expat benefits will be higher than pre-COVID levels three years from now.** Roughly one-quarter think it will stay the same, while about one in five say either the demand will be lower or they don't know.

Many brokers are anticipating increased demand over the next year and even more over the next three years. It will be important to stay current on the constantly changing regulations as well as on carrier products and services and any changes to those products and services, as the market evolves.

### Ways Expatriate Benefits Market Will be Different Five Years from Now

We asked brokers, unaided, to make one prediction around how the expatriate group benefits market will be different five years from now.



## Ways Expatriate Benefits Market Will be Different Five Years from Now (cont.)

Brokers provided a mix of ideas. The most common ones include (in order of number of mentions):

- It will grow, there will be more expatriate employees
- Benefits management will more digital, mobile, automated
- Increased globalization
- It depends on factors such as COVID19 and politics
- Benefits will be more comprehensive, robust

There is a lot of uncertainty in the future, and while many brokers mention that, brokers also foresee positive changes over the next five years.



National Employee Benefits Advisory Forum  
Sponsored by Center for Strategy Research, Inc.  
101 Federal Street, Suite 1900  
Boston, MA 02110  
(617) 451-9500  
[nebaf@csr-bos.com](mailto:nebaf@csr-bos.com)

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