

MULTILATINAS AND EMPLOYEE BENEFITS DURING A PANDEMIC

Mauricio Suarez of MAXIS GBN outlines the pandemic's effect on employee benefits



We're all well aware of the impact the Covid-19 pandemic has had on how we work and live. It has delivered a unique and very sharp shock to the global economy and billions of people have been directly impacted by the disruption to their lives – both at work and at home – across the globe. Like almost every region, its impacts have been felt strongly in Latin America.

In 2020 – before the pandemic – the region's economy was expected to grow at a rate of 1.8%. It's now expected to decline by an estimated 8.1%.¹ 2020 was a difficult and challenging year for the biggest multinationals in the region – the MultiLatinas – and it's clear the issues resulting from it are not set to disappear any time soon.

The biggest employers in Latin America face the challenge of trying to grow their businesses and cut costs, while keeping their employees healthy and happy. And all in the middle of a pandemic – by no means an easy task.

The evolving role of employee benefits

The employee benefits (EB) industry was going through a period of significant

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change and evolution even before the pandemic. Now, a year since the virus first became apparent, trends that were already taking place have been accelerated, demands from employees have changed and new opportunities for employers – such as introducing digitised wellness benefits – have appeared.

Employee care

Wellness has long been one of the most

significant issues for EB professionals all over the world as they look to care for their employees, ensuring they are healthy and productive. The drive towards physical, mental and financial wellness has increased rapidly in recent years but the cost of providing these was expensive and getting ever more so – rising consistently above the rate of general inflation.

The Covid-19 pandemic has made these benefits more necessary than ever. The situation is forcing EB professionals to look closely at their programmes – particularly health benefits – to see if they're fit for purpose and affordable in this new reality.

Lockdowns and overrun health services meant many employers have had to turn to digital solutions to care for their employees' physical and mental health from home.² Telemedicine, employee assistance programmes (EAPs) and chronic disease management platforms all became important – and sometimes the only – ways to care for employee health while traditional healthcare systems focused on Covid-19 patients.

According to our head of business development, Ricardo Almeida, multinational employers in Latin America are faced with

the significant challenge of protecting the physical and mental wellbeing of their employees, something made even more difficult by the pandemic and the region's economic slowdown. MultiLatinas could look to captives to manage their employee benefits costs and offer the support their employees need, as captives give additional risk and cost control, and programme design flexibility.

The shift in focus towards health benefits isn't the only way employees' views of their EB has changed since the start of the Covid-19 crisis. In 2020, we commissioned research among top executives and employees around the world to gauge views and opinions towards EB in the Covid-19 era and beyond. 46% of employees surveyed told us that the pandemic has made them reappraise the value of an employee benefits package when deciding to stay with or join a new employer.³

Employees are valuing their benefits and thinking about the make-up of their benefits packages more than ever and multinationals need to be agile and responsive to keep up with the changing needs of employees.

The growing role of captives in EB

But if employees are demanding more, how can multinationals – in particular MultiLatinas – offer more without dramatically increasing costs?

This becomes even more challenging when you look at the rising cost of medical. Increasing claims and rampant medical inflation – rising faster than the rate of general inflation – makes it more difficult than ever for multinationals to control costs. The Latam region saw an 11.4% rise in medical costs in 2018 and Willis Towers Watson predicts that the average increase will be 13.6% in Latin America in 2021.⁵

Using a captive to write EB business could be the ideal solution and play a significant role in helping MultiLatinas tackle these growing costs, by centralising underwriting processes and allowing much greater control for HR and Risk teams.

Captives are widely considered the most effective way to run a global EB programme and have a positive impact on risk management, underwriting profit and cost control – all of which are especially appealing to multinationals globally during such challenging times.

Yet, the adoption of captives for EB in Latam might not be that easy. Complex and

restrictive regulatory barriers and the fact that the benefits process is often decentralised mean these programmes can't be set up overnight, but they still present a good opportunity for MultiLatinas.

As the market becomes more aware of the benefits of captives and centralised benefits programmes, and traditional broker houses drive collaboration between their P&C and EB divisions, a captive programme could become a natural solution for MultiLatinas. And as the adoption of captives becomes more common in the region, MultiLatinas may soon be able to reap the extensive rewards of captive structures to manage their EB programmes.

Depending on the chosen EB network,

“Covid-19 has increased the focus on health and wellness and the challenge for employers is to offer best-in-class benefits without causing costs to escalate out of control⁴”

Mattieu Rouot, CEO, MAXIS GBN

captive owners may also gain access to additional benefits beyond cost control. For instance, a captive programme may provide access to detailed claims data which can be critical in correctly judging exposure and allow for a more sophisticated risk management strategy – ultimately leading to better decision-making and programme design. Additional health and wellness services can also help employers understand complex medical claims and put in place proactive solutions to tackle the biggest cost-drivers.

We also see that, at the height of the pandemic, some of the more centralised multinational employers were able to adapt more quickly to remove epidemic and pandemic exclusions from their local policies to ensure their employees could still access the benefits in their time of need.


A captive is widely considered to be the best method to control costs and the most effective and efficient way for multination-

als to manage employee benefits liabilities in addition to simplifying the administration of cross-border programmes.

Conclusion

Wellness – in all its forms – is no longer a ‘nice to have’ but needs to be an integral part of any global EB strategy. This is reflected in the views of employees. It's worth bearing in mind that employees have different individual needs – the best employers will tailor plans to individuals and avoid a one-size-fits all approach.

Employees all over the world have had to contend with physical and mental health challenges as the pandemic has stretched health systems and forced people to isolate. It's not surprising that a global health crisis of this magnitude will make employees think about how their employer can support them.

Employers have the challenge of managing their costs and MultiLatinas could look to the potential of global programmes – in particular captives – to do so. It's worth remembering that employers who made their employees feel protected during this global pandemic, and then adapted their benefits to keep them feeling cared for into the future, will ultimately reap the biggest reward of all... a healthy, engaged and loyal workforce. 

¹ CSIS Center for Strategic & International Studies, The Effect of COVID-19 on Latin America's Economy. 18 November 2020. <https://www.csis.org/analysis/effects-covid-19-latin-america-economy>

² Lloyds, www.lloyds.com/help-and-glossary/glossary-and-acronyms?Letter=S (source April 2019)

³ MAXIS GBN commissioned research among c. 1,000 senior executives and employees based in 10 countries - the UK, France, Germany, Australia, the United Arab Emirates, Germany, United States, South Africa, Mexico and Brazil. The research was carried out via an online methodology among 1,239 full-time office workers between 30 June and 15 July 2020

⁴ Captive International. Interview with Mattieu Rouot, MAXIS GBN. Employee benefits are top of the corporate agenda, and captives may help. 7 January 2021. <https://www.captiveinternational.com/article/employee-benefits-are-top-of-the-corporate-agenda-and-captives-may-help>

⁵ 2021 Global Medical Trends Survey Report, Willis Towers Watson, 13 November 2020. <https://www.willistowerswatson.com/en-US/Insights/2020/11/2021-global-medical-trends-survey-report>