

Optimization and Transparency of global HR additional costs



Management Consultancy

over 30 years of experience >> unique methodology

[MIBAV]
Service GmbH

- MIBAV Service GmbH is the LEADING management consultancy, that offers and implements *HOLISTICALLY the ENTIRE spectrum of ACTIVE optimization of Human Capital Costs.*
- Through a set of proven optimization practices, MIBAV is able to reduce these costs for multinational corporations. We also improve company risk management and governance.
- Our unique methodology is based on over 30 years of international experience and a comprehensive data analysis tool that takes into account the potential savings for the affected cost components.
- Our network currently includes around 1,000 colleagues worldwide in the fields of actuarial, HR service, absence management, asset mgt. + more
- We conduct a thorough and transparent analysis of existing EB systems, discover inefficiencies and excessive costs, suggest solutions and implement them after consultation with you.



HR additional costs

an optimization has sustainable advantages for decades

10-20% of actual yearly HR
additional costs
may be saved sustainably
by our concepts, consultancy and
optimizations

Consolidated Profit



That's hundreds of thousands to
millions of Euros each year,
for decades.

„Split EB-Plan“

MIBAV does not change the scope or content of existing EB plans



Local decisions

- language
- service
- benefits
- group of beneficiaries

departments

- ✓ HR local
- ✓ Benefits & Compensation
- ✓ HR global

Central (HQ) decisions

- funding
- calculation
- technique

departments

- ✓ Intern. Benefit Manager
- ✓ Finance
- ✓ Controlling

The country chiefs continue to decide autonomously on benefits and content.

Existing EB plans are not changed, service is maintained.

The costs are calculated globally, negotiated and implemented locally.

All participants (locally & globally) benefit from the scale effects.

„Life“ vs. „Non-Life“ – often irritating

This should change, so that your EB data does not become a 'nursing case'

If you want more success than the others, **then continue** where others give up!



Non-Life



Life

Control of contracts

Results

Number of Captives (ca.) worldwide

Neutral, comprehensive software

❖ often globally by HQ für all subsidiaries

✓ Transparency

✓ Reporting

✓ Compliance

✓ Cost Control of Benefits

✓ Cost Control of Providers

✓ ca. 7.000

✓ available (several providers)

❖ often locally by subsidiaries

✗ Lack of Transparency

✗ Lack of Reporting

✗ Lack of Compliance

✗ Lack of Cost Control / Benefits

✗ Lack of Cost Control / Providers

✗ ca. 80

✗ so far unknown



EBsafe

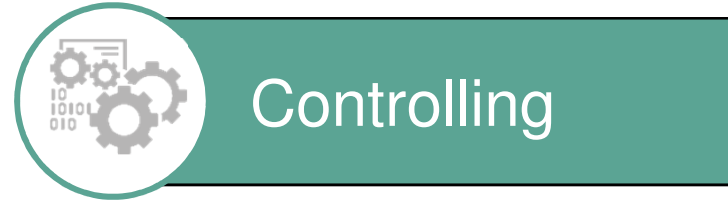
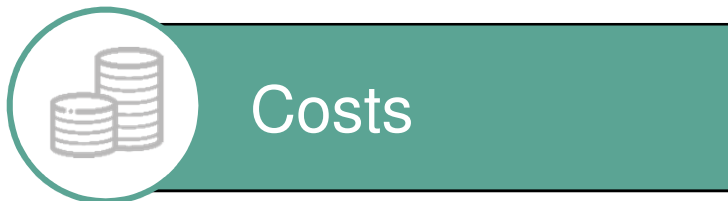
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Times change. **EBsafe** helps you to manage your Life (Employee Benefits) data in a smarter way. The best companies are constantly renewing themselves. Change your EB world by taking control. **EBsafe** gives the data structure, checks the plausibility, analyzes it and stores it historically, locally and globally. Ask today for our presentation or click:

[https://mibav-service.de/content/eb-safe.](https://mibav-service.de/content/eb-safe)

EB-Audit by MIBAV

Objectives: Transparency, Reporting, Cost Control, Added Values



- alternative funding methods
- savings of direct / indirect costs
- alternative forms of service

- bundling of local and global premiums
- experience rating vs. standard calculation
- negotiations with re-insurers

- optimized EB plans
- optimization of local services
- transparency, reporting, control

- benefits directive regulates responsibilities
- simpler processes
- local / global control via EBsafe

- no over- / under-insurance
- legal framework secured locally / globally
- proof of optimal cost structures

It's about millions of euros a year

with high cost increase per year and usually not ending

Employee Benefits global

many EB plans paid by employer

about 15% pension plans
about 85% risk life plans

term mostly 1 year
premium increase easy
terminability easy

EB mandatory (> 20 countries)

Employee Benefits Germany

fewer and fewer EB plans financed
by employer

ca. 85% Pension-Verträge
ca. 15% Risiko-Life-Pläne

term usually long term
premium increase difficult
terminability difficult

not mandatory (exception „BG“)



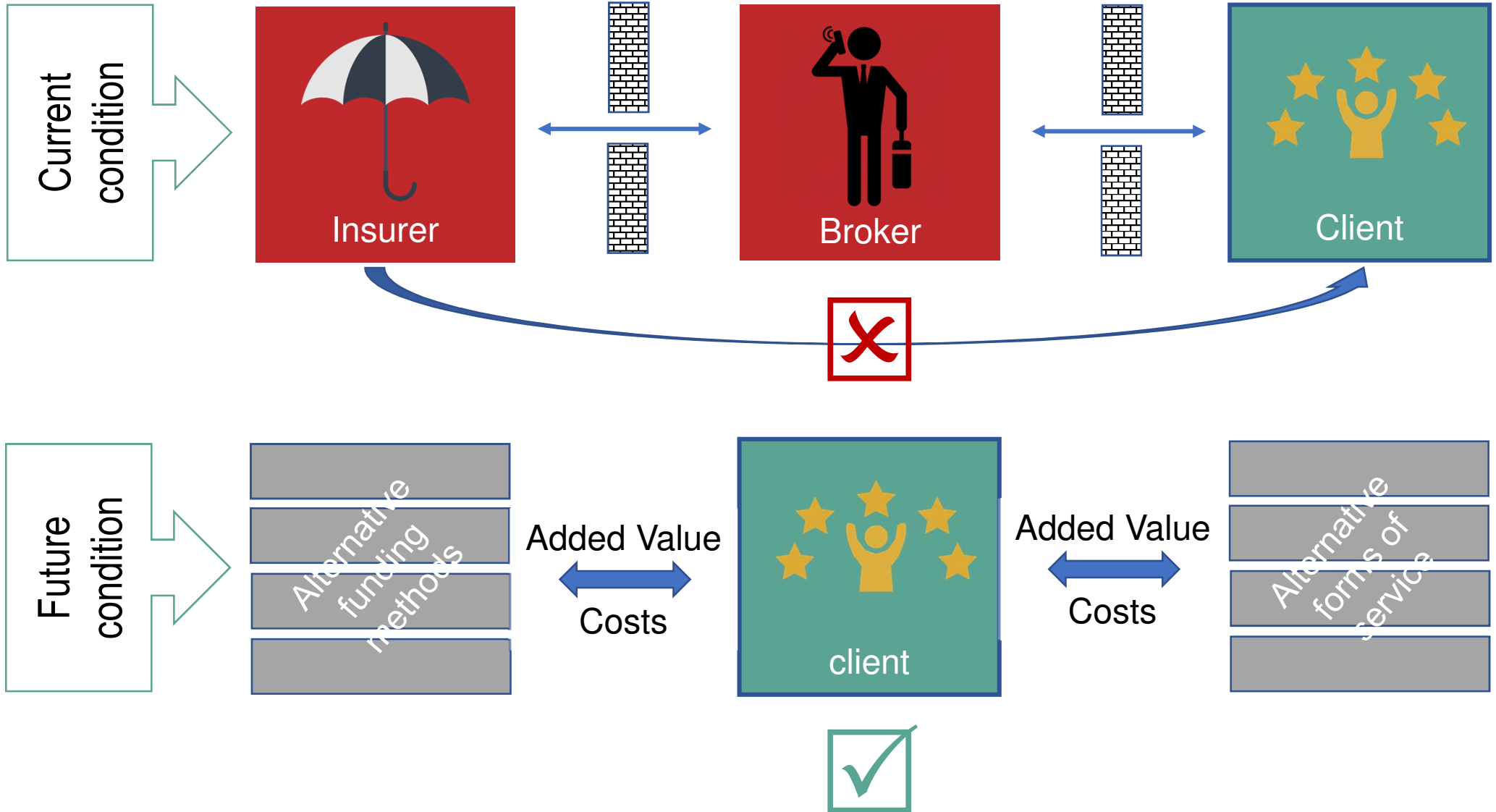
Employee Benefits
much risk life as well as pension

Example:

Employees	5.000
Countries	6
Total EB costs currently	12.000.000 €
EB costs over 10 years	137.500.000 €
Savings potential - 1 Jahr	1.400.000 €
Savings potential - 10 years	16.500.000 €

Modern Methodology

promotes the sovereignty of our clients



Client's Context

the need for action is great

Due to the lack of a global EB strategy, over 90% of all multinational corporations have the following picture:

Multinationals **transfer responsibility** & control to

- ✘ Local HR department
- ✘ In-house Makler (deren Schwerpunkt meist „non-life“ ist)
- ✘ EB-Networks for Pooling
- ✘ Brokers' Networks (the bigger the clients company the more often)
- ✘ EB-Consultants' Networks

Multinationals have achieved **non-satisfactory** results in

- ✘ Creating data ownership
- ✘ Controls and Reductions of Costs
- ✘ Control and Cost Reduction

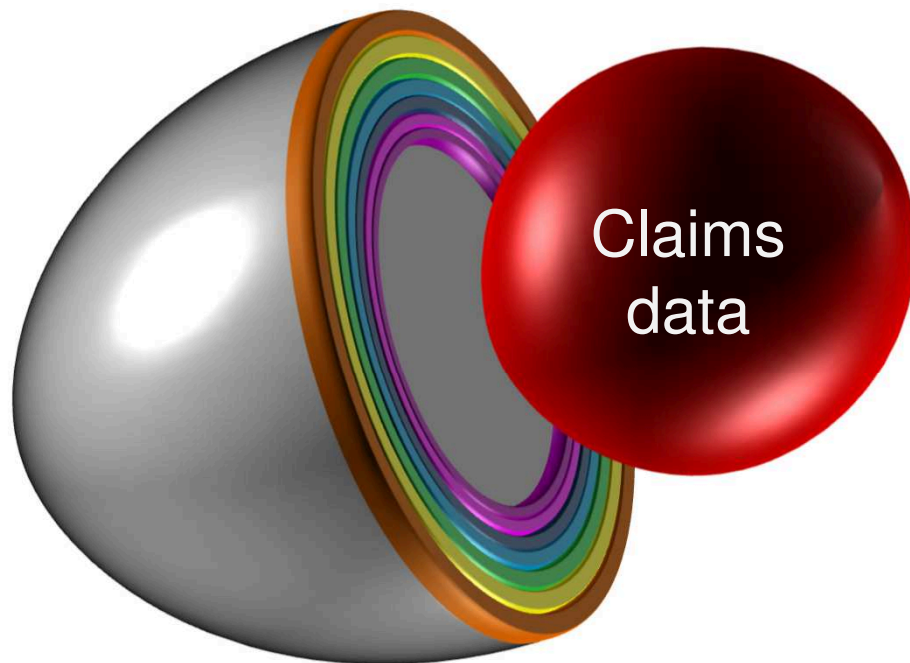


Did you know ...

amazing and important for your future strategy

Corporate customers pay the claims themselves. They are not insured – in the classical sense of the word – despite ongoing insurance contracts, because in case of high damage, the premium can be increased by the insurer

Global Brokers are not neutral market observers, but **they are the market**. Due to lack of control on the part of the customer, the broker can set the prices and thus has decisive influence.



The old

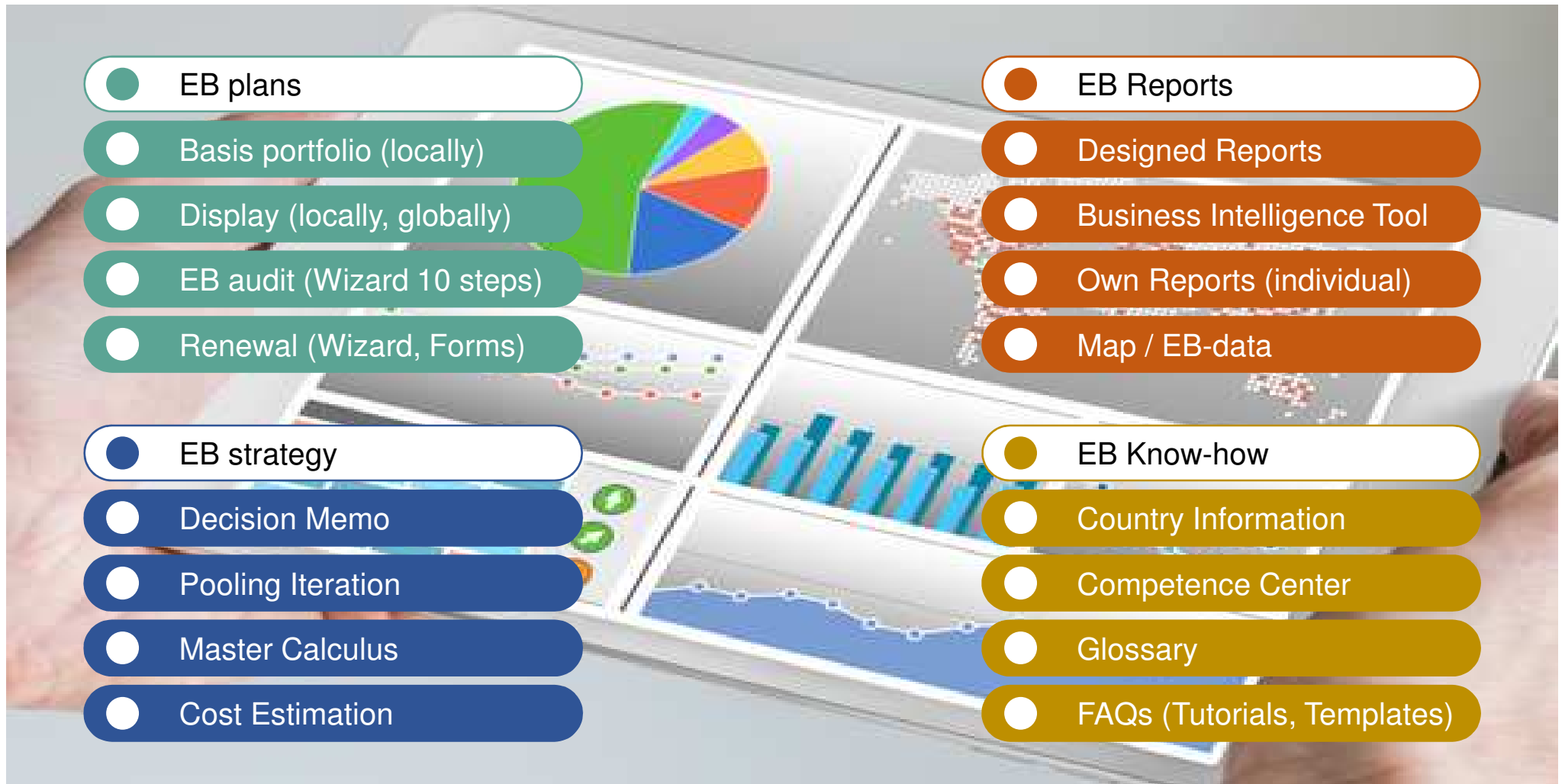
Myth

of LIFE, NON-LIFE
and the universal

Brokers

who are competent worldwide

A golden, ornate genie lamp (Aladdin's lamp) with a blue flame emerging from its spout. The lamp is set against a dark, starry background with a blue nebula-like glow behind it.



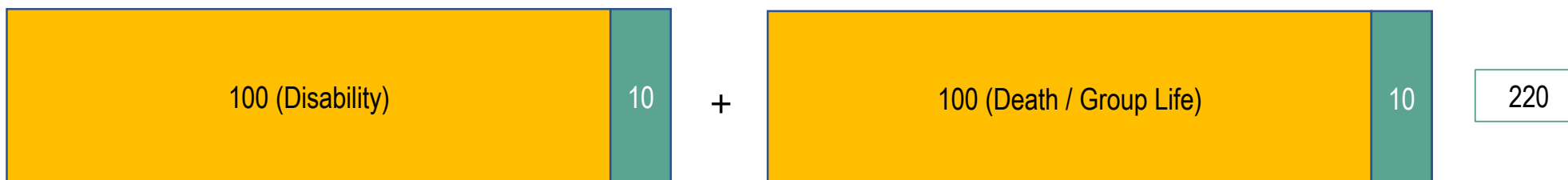
Bundling of Risks

more than **20% in savings** with identical quality



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Standard solution before MIBAV EB Audit - 2 covers = 2 EB plans



What can e.g. happen in the event of a serious accident?

a) Beneficiary stays healthy | b) Beneficiary dies → Group Life | c) Beneficiary is disabled → Disability

it cannot happen that the beneficiary is at the same time dead + disabled → 2 separate contracts are therefore unnecessary and too expensive

Optimization by EB-audit – 2 coverages = 1 EB plan



The beneficiary receives benefits in one or the other claim, the company saves > 20% of the costs = **Win-Win**

Premium incl. Service Charges

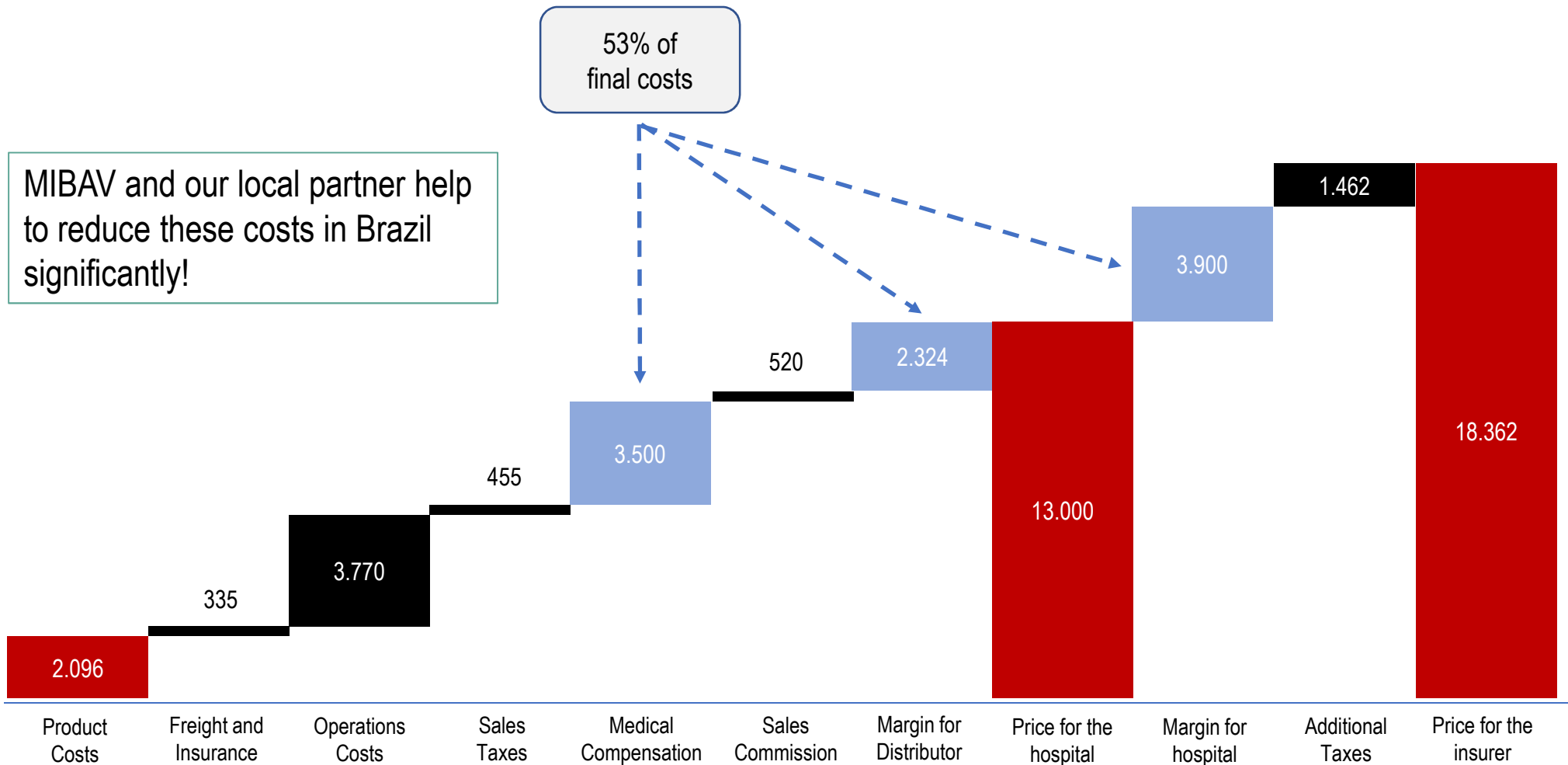
Broker Fee for Service

Costs Medical Remedies and Aids

more than **30% in savings** with identical quality



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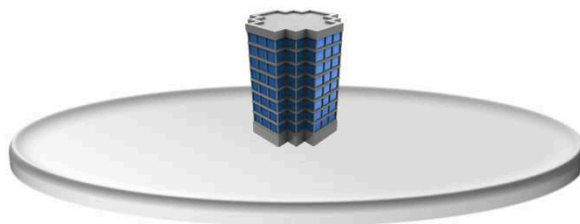


Release 04-2018

Prerequisite for Success

The group of companies remembers their true size again

Why do companies rarely use their true size and negotiate good prices on a global scale?



Subsidiary



Country Level



HQ Level

The local broker / adviser acquires the individual subsidiary, rarely a whole country, almost never the entire group. Dividing into small portfolios helps to uphold the premium and own commission.

The Group benefits from a holistic EB audit – lower costs, more control

Efficiency vs. Effectiveness

Please do not confuse this!

Efficiency

do things right

solve problems

safeguard resources

follow duties

lower costs



Effectiveness

do right things

produce alternatives

optimize resources

obtain results

increase profit

MIBAV EB-Audit

Center of Excellence

Definition and Benefits

Shared service centers, including the Center of Excellence (COE), provide independent support processes for several subsidiaries of multinational companies.

Similar processes from different areas of a company are summed up and placed by a central office or department. The departments which take advantage of the services are in a kind of keep-relationship to the CoE.

In contrast to outsourcing, in which external service providers are charged with a service, the CoE construction is a kind of internal outsourcing.

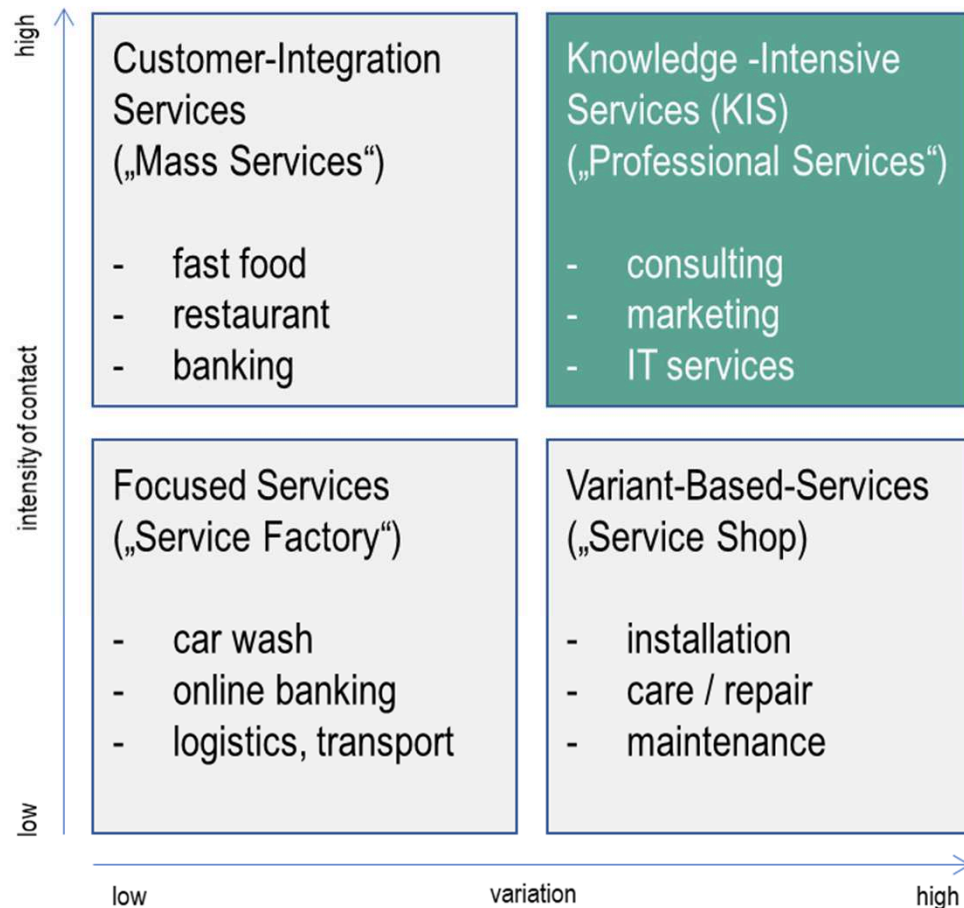
MIBAV stands in the background: The CoE is located in the HQ and is responsible there.

Important principles are:

- Price / cost transparency
- Short waiting times (priority setting, post-control)
- Entrepreneurial activities (Management)
- Customer Orientation (higher service quality)
- Benchmarking (Continuous Improvement)
- monitoring / process orientation and standardization

Knowledge Intensive Services (KIS)

Framework and Definitions



An increasing modularization and globalization of business models has increased the importance of KIS. The quality of the services provided by KIS providers has become a determining factor for the business success of enterprises. Global sourcing of KIS is rising, especially for service firms (Kotabe & Murray, 2004).

→ **Insurance departments (In-house brokers) are to be assimilated to service firms**

A recent study produced by Karlsruhe Service Research Institute (KSRI) at *Karlsruher Institut für Technologie* (KIT) shows that sourcing KIS (Consultancy, IT) has become a real challenge for German companies. It is a task **procurement department cannot master**.

→ **Over 300 procurement experts, representing companies of different sectors and size in the German economy participated in the Study.**

Source: Hoffmann (2006),
Fähnrich et al. (1999)

Knowledge Intensive Services (KIS)

Procurement Strategy

The procurement of Knowledge Intensive Services (KIS) is more challenging than the procurement of commodity services or goods due to inherent challenges, such as objectively defining the desired outcome or evaluating service quality during procurement. In our research we have found much anecdotal evidence – both in literature and from interviews – about **dissatisfaction** with the current state of affairs, voiced by procurement function as well as the line of business.

The lines of business prefer
risk profit sharing models vs.
fixed-price models

- There is widespread dissatisfaction with the current state of the KIS procurement, with each process step getting a “thumbs-down” from between a third to half of the participants.
- Practitioners estimate potential savings through better processes or consistent standards at about 30%.
- There is marked disagreement between procurement and line of business functions about the main attributes of different contract types: while procurement tends to favor fixed-price models, the line of business is more open towards new contract types like risk-profit sharing.
- While quality is generally considered a very important selection criterion for KIS providers, in more than half of all polled organizations it is not even measured after project completion – with the different functions having very different perceptions on the quality of measurement.
- Unrealistic planning of KIS projects – potentially a result both of project complexity and negotiation pressure – is a major source of friction in KIS delivery.

Source: Karlsruhe Service Research Institute (KSRI)
Karlsruhe Institute of Technology
Nationales Laboratorium der Helmholtz Gemeinschaft

KIS + EB plans

Procurement Strategy in global EB plans

Strategy: Treat KIS procurement as being different from general procurement and build up KIS domain knowledge.

Methods: Use formalized feedback to build more effective communication between procurement and line of business.

Organization: Measure procurement also with indicators tailored to KIS, like project success rated by line of business.

Process: Re-assess the structure/flexibility trade-off in KIS procurement and implement a mandatory quality feedback step.

Tools: Provide procurement with tools required to gain transparency on the KIS project portfolio and systematically learn from it.

Culture: Align different cultures and expectations of procurement and line of business by providing a context for exchange that is not restricted by a tool.

- Invest in continued education, like in seminars and workshops (PMI / IEBA / MIBAV) to build up the necessary expertise → High ROI!
- In KIS topics "EB", a cooperation among the divisions HR, Finance, Legal and Insurance is a must. Clearly defined EB-related *deliverables* must be the basis for choosing a provider.
- The success consists e.g. of **verified**, reduced costs, avoided costs and no longer incurred costs.
- An independently acquired transparency about the results of KIS services is important because more inflexible structures could lead to higher than expected costs.
- The necessary tool for complete transparency is an EB software that compares local benchmarks with your data and analyzes all forms of financing.
- CIP / Kaizen etc. are based on trust and communication not on formalism. Mutual understanding with all stakeholders is the basis for good results.

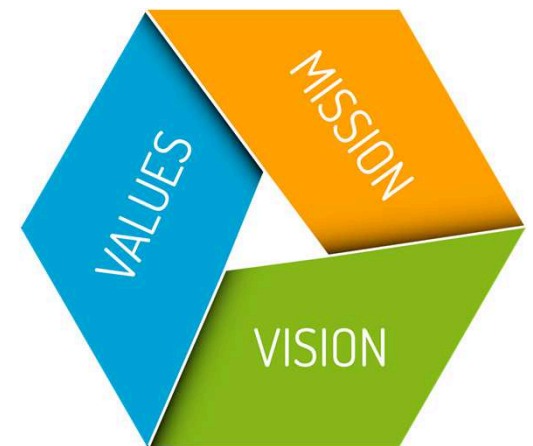
Source: Karlsruhe Service Research Institute (KSRI)
Karlsruhe Institute of Technology
Nationales Laboratorium der Helmholtz Gemeinschaft

EB-Audit – who we do that?

each step is represented in EBsafe (globally / locally)

6 steps to optimize your existing EB-system

- 1. Group objectives Definition**
e.g. employer of choice”, “minimum Benefits”, funding via Captive
- 2. Design**
financing mix, service-chain, directives
- 3. Analysis**
EB-plans data collection, validation, analysis - by quality + costs
- 4. Research**
finding more economic solutions for the same quality
- 5. Transparency**
Alternatives presented for decision by HQ
- 6. Implementation**
our optimizations are implemented with local providers



Enthusiastic Voices

presented in original language

Kostenneutralität → Für Stiebel Eltron entwickelte sich das EB-Projekt auch mit Blick auf die Kosteneffizienz zu einer echten Erfolgsgeschichte: Denn der Projektaufwand der MIBAV-Experten finanzierte sich durch die umgesetzten Einsparungen des inzwischen zentral geführten EB-Managements weitgehend selbst ...

Quelle: STIEBEL ELTRON

Best Practice → Nach eingehender Prüfung und intensiver Beratung mit dem zentralen Einkauf sowie unserem Inhouse-Versicherungsdienstleister sind wir zu dem Schluss gekommen, dass wir am Markt unter der Bewahrung der Qualität, des notwendigen Know-hows und der geforderten Flexibilität der Vertragsgestaltung keinen anderen Anbieter (außer MIBAV) finden könnten ...

Quelle: LUFTHANSA

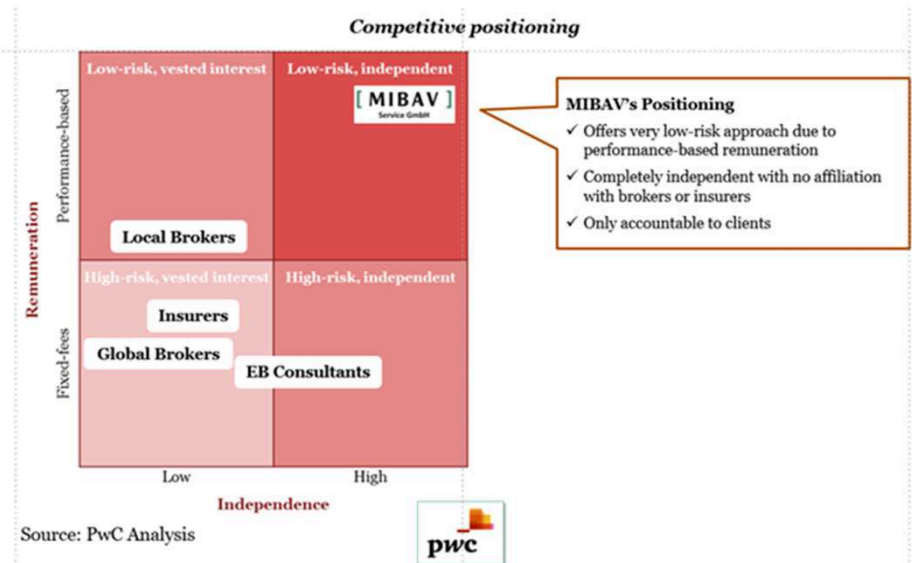
Risikominimierung → dadurch konnte unser Unternehmen Risiken im Ausland abwenden, aber auch den im Inland versicherten Mitarbeitern Vorteile im Bereich der Besteuerung zugesagter Leistungen verschaffen

Quelle: TRILUX

Erfahrung, Wissen und Werkzeuge → we know MIBAV for more than a year now and we experienced how they support their clients in reorganizing and optimizing the employee benefits on a global scale. By all means, this is where we have our expertise and we noticed how MIBAV brought in knowledge and tools to conduct clients in the entire process.

Quelle: AIG Global Benefit Network

PwC MIBAV Value Proposition Analysis Providers' Market vs. MIBAV's Business Model



Reasons to trust us

References, Excellence Partners, Network

MIBAV maintains its own worldwide network of specialists in the areas of actuarial services, HR services, absence management, asset management, etc.



Our network currently comprises about 1,000 colleagues.

Excerpt from the list of our references

 **BASF**
We create chemistry


BILFINGER

 **Rolls-Royce**


HÖRMANN


Eberspächer

 **TRI LUX**
NEUES LICHT.

Excerpt from our list of excellence partners

 **IEBA**
International Employee
Benefits Association


Bankhaus Lampe


pwc

 **Abelica Global**
Consultants and Actuaries

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**If you want something new,
you have to stop doing something old.**

Peter F. Drucker (US economist)