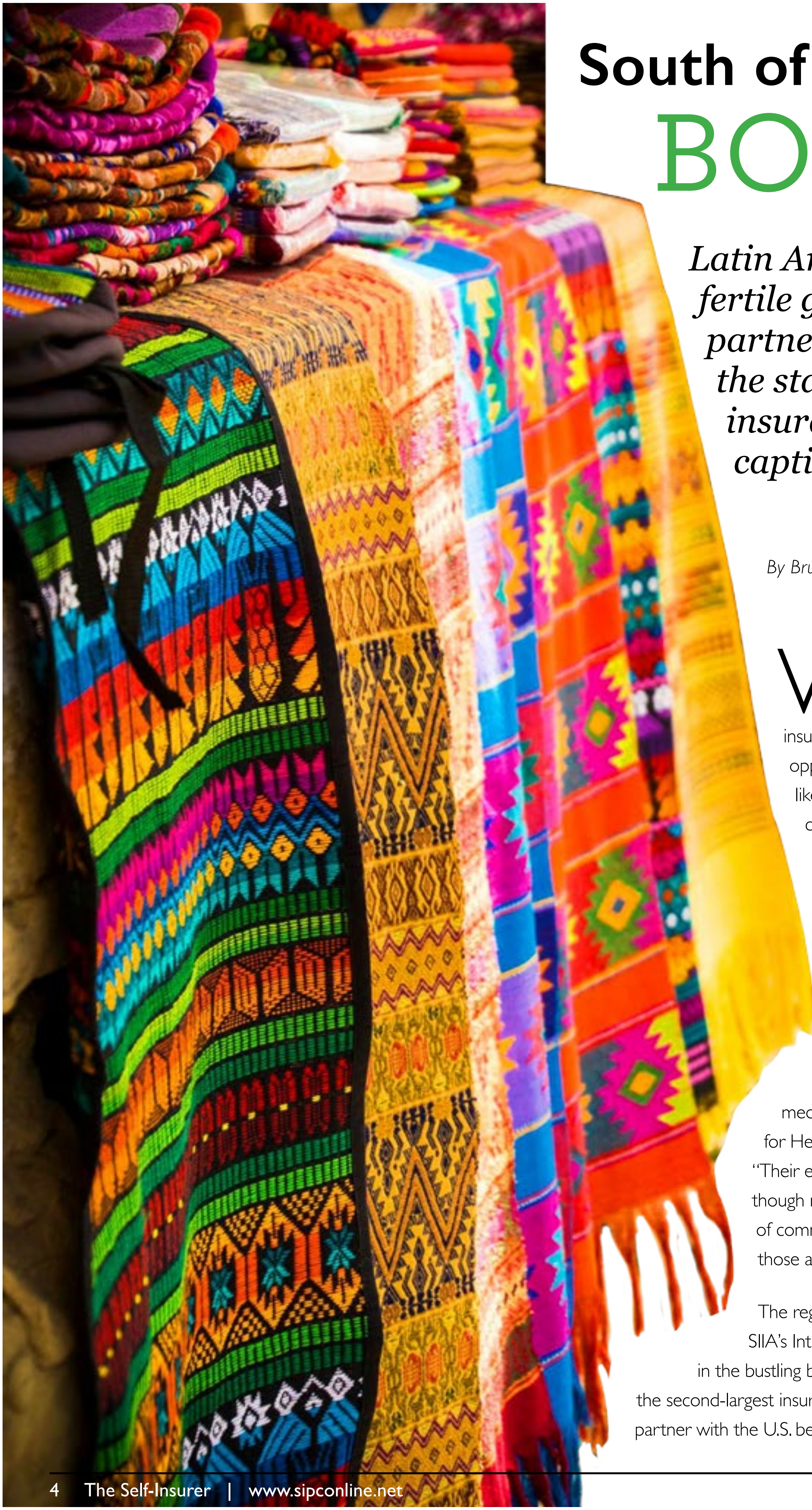

South of the BORDER

Latin America remains fertile ground for partnerships to elevate the standing of self-insurance and group captive solutions

By Bruce Shutan

When assessing the self-insurance landscape and business opportunities abroad, there's no place like a home away from home for greater comfort. And the operative word is America.

"Latin American countries are our closest neighbors, and what we see there is fairly stable political environments if you discount places like Venezuela," reports Bob Repke, chairman of SIIA's International Committee whose medical-travel company is named Passport for Health with an office in Bogota, Columbia. "Their economies are running parallel to ours, though not as large, and you could find lots of common ground with business people in those areas," he adds.

The region includes Mexico, which will host SIIA's International Committee meeting in April in the bustling business center of Monterrey. Mexico is the second-largest insurance market and second-leading trade partner with the U.S. behind Canada.

Repke sees quite a bit of crossover between corporations from the U.S. and those in various countries with positive growth in their business environments such as Argentina, Brazil, Chile, Panama, Columbia, Costa Rica and Mexico. Scores of U.S. multinational companies, including Microsoft, IBM, Coca-Cola and Big Three automobile manufacturers do business in the region.

One obvious reason is convenience. It's a short trip to any of these nations relative to other parts of the world, he observes. So in terms of medical tourism, for example, Californians can find high quality medical care in Tijuana or Monterrey, Mexico rather than traipse over to the Ohio-based Cleveland Clinic. "It's not like getting on a plane and going to Thailand," he says.

Latin American aspires to modernize many of its insurance offerings to be more responsive to the needs of a growing middle class, explains Michael Feighan, SVP and U.S. head of accident and health with Aspen Insurance and a member of SIIA's International Committee.

With mounting group captive activity and reinsurance opportunity across Latin America, he believes the region will develop more insurance products to meet the demand of increasingly sophisticated buyers involving employers and larger groups.

Columbia, Brazil and Mexico are examples of countries whose political environment Feighan describes as having "stabilized dramatically" in the past 10 or 15 years, despite setbacks, without concern over hyperinflation or governments seizing assets.

He's bullish about Brazil, even with recent financial problems, as well as Columbia, Chile and Peru in Latin America, while Panama and Costa Rica are driving forces in Central America. Another point he makes is that many U.S. residents know Spanish, which is spoken across Latin America. "We think their growing economies afford more and more opportunity going forward," Feighan says.

Gross domestic product is expected to grow 2.4% across Latin America in 2018, according to FocusEconomics, which publishes economic forecasts from the world's leading economists, while the International Monetary Fund expects 2% growth and 2.5% "over the medium term."

Any bright forecasts come on the heels of dark times. A World Bank report notes that an economic slowdown lasting six years plagued the region, along with Caribbean nations.

Stronger household consumption and an improvement in investment were credited by FocusEconomics for driving Brazil's economy last year, while a resilient labor market and higher export revenues drove growth in Chile. The same report noted that higher commodities prices helped Colombia, though natural disasters and high inflation eroded Mexico's economy and a lack of investment and mismanagement crippled Venezuela.

Macroplaza in Monterrey, Mexico

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Potential drawbacks

While working on self-insured solutions in Latin America invites plenty of opportunities for self-funded employers and service providers alike, particularly in the reinsurance area, there also are some drawbacks to consider.

The biggest potential downside is "picking wrong regions or markets to go into," cautions Feighan, who cites Venezuela as the region's weakest link. He believes Latin America is no different than Europe or Africa, which also have their share of volatile nations to avoid.

Another big challenge is that while medical tourism involving U.S. employees seeking care in Latin America features impressive results in terms of costs and outcomes, ongoing care isn't so cut and dried.

"Not every surgery is 100% successful, and you don't necessarily know that right away," observes Les Boughner, chairman of Advantage Insurance Management (USA) LLC and an active SIIA member. A hip or knee surgery in Costa Rica makes sense, he says, but what happens if it requires ongoing care? *"You can't just pack up and fly down again necessarily," he adds. "You want that care to be local and responsive, and that's why partnerships are very important."*

Some climates may be inhospitable to certain solutions. In Argentina and Brazil, for example, Boughner says "it's patently illegal to use captive insurance companies for self-insurance purposes." Across the rest of the region, he adds that "the challenge is how do you execute a fully compliance self-insured program that varies by country." And in some cases, he explains that bureaucratic hurdles erode the cost benefits associated with group captives.

In addition, there are unorthodox practices relative to the U.S. Not all third-party administrators (TPAs) in Latin America, for instance, work only on self-funded accounts. Repke says many of them also act as the administrative back room for fully-insured carriers. And in Columbia, he says benefit brokers actually administer claims for the health plans that they sell.

Palacio de Gobierno, Monterrey, Mexico

Each country across the region has its own government and set of regulations that don't always make sense to U.S. businesses, which Repke describes as more of a yellow than a red flag.

Since the health insurance business has become so commoditized, he believes Latin America is fertile ground for TPAs as well as brokers in the group accident and health market to expand their footprint in the global economy.

Still, these issues may pale in comparison to elsewhere around the world. While China and India represent enormous markets relative to Latin America because of their population, Feighan points to complications. For example, non-Chinese companies have cornered only 1% to 2% market share between cultural reasons and skepticism about foreigners. He says it's difficult to forge long-term relationships in India for similar reasons.

Quinta Real, Monterrey, Mexico

Across Japan, Korea, Singapore and Hong Kong where it's easier to do business, he notices a similarity to Latin America in that populations have been underserved in the insurance space. But distance represents a big challenge.

Seeds of innovation

Latin America's interest in self-insured solutions piqued has clearly raised the bar on innovation. One recent noteworthy development is "the advent of more value-added services by specialist vendors that help improve the self-insurance experience and be more proactive in managing the risk," according to Greg Arms, a member of SIIA's International Committee and seasoned insurance executive who has worked for Chubb, Marsh and AIG.

They include employee assistance programs, financial wellness and medical second opinions, which he says are particularly valuable in assessing serious illnesses and musculoskeletal disorders. While medical second opinions have been around for more than two decades, Arms says it's not widely used and sometimes embedded inside managed care protocols. But he has seen traction as a stand-alone service in the past five years. He notes that WorldCare's offering in this arena covers about 700,000 or 800,000 lives across Latin America, indicating growing demand for that service.

Another trend is medical tourism or fee-based medical concierge services that transport high net worth individuals from Latin America. Destinations include New Orleans, Miami or other U.S. cities as well as world-renown facilities such as the Mayo Clinic, according to Arms. He cites Pan-American Life Insurance Group's presence in 23 countries, including Mexico and Panama.

By the same token, U.S. employees at self-funded companies become medical tourists in first-class medical facilities in Latin America, particularly Costa Rica, according to Boughner. He believes the low costs and high quality associated with medical tourism will help save U.S. health care. In many cases, he notes that physicians in these countries were educated in the U.S. where they also worked and honed their craft.

A huge difference between the U.S. and Latin America, of course, is socialized medical systems that Repke says is "very similar" to the U.K, France or Israel. But there's also a privatized option for employees at U.S. multinationals with Latin American subsidiaries or local businesses who'd rather not queue up for government-provided care and can afford to pay more.

"They're interested in learning from us just as we are interested in learning from them," Repke explains, noting how it drives SIIA's international strategy. *"We have this open attitude about sharing business concepts."*

One such area is group captive insurance. South of the border, Repke says knowledge is growing about the financing, licensing and tax advantages of this increasingly popular, albeit complex, alternative risk transfer arrangement.

He's helping connect hospitals in Latin America "with not only self-funded clients in the U.S., but even independently owned PPOs, where they could actually add hospitals to their PPO lineup and make it part of their offering."

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The distribution of insurance as a whole is inefficient and fragmented across Latin America where there's great interest in controlling losses in the face of high rates, Boughner reports. That's why it's such a hotbed of activity for self-insured and group captive solutions.

When choosing overseas venues for annual conferences, SIIA's International Committee has a twofold mission, he explains. One is educating the local community about the advantages of self-insurance, while the other is that it allows U.S. suppliers to the self-insurance community to examine business opportunities, while also educating companies in that particular area.

"You not only provide the education, but you learn about what the opportunities are in that country," Boughner says.

Bruce Shutan is a Los Angeles freelance writer who has closely covered the employee benefits industry for 30 years.

Don't Miss SIIA Conference in Monterrey, Mexico

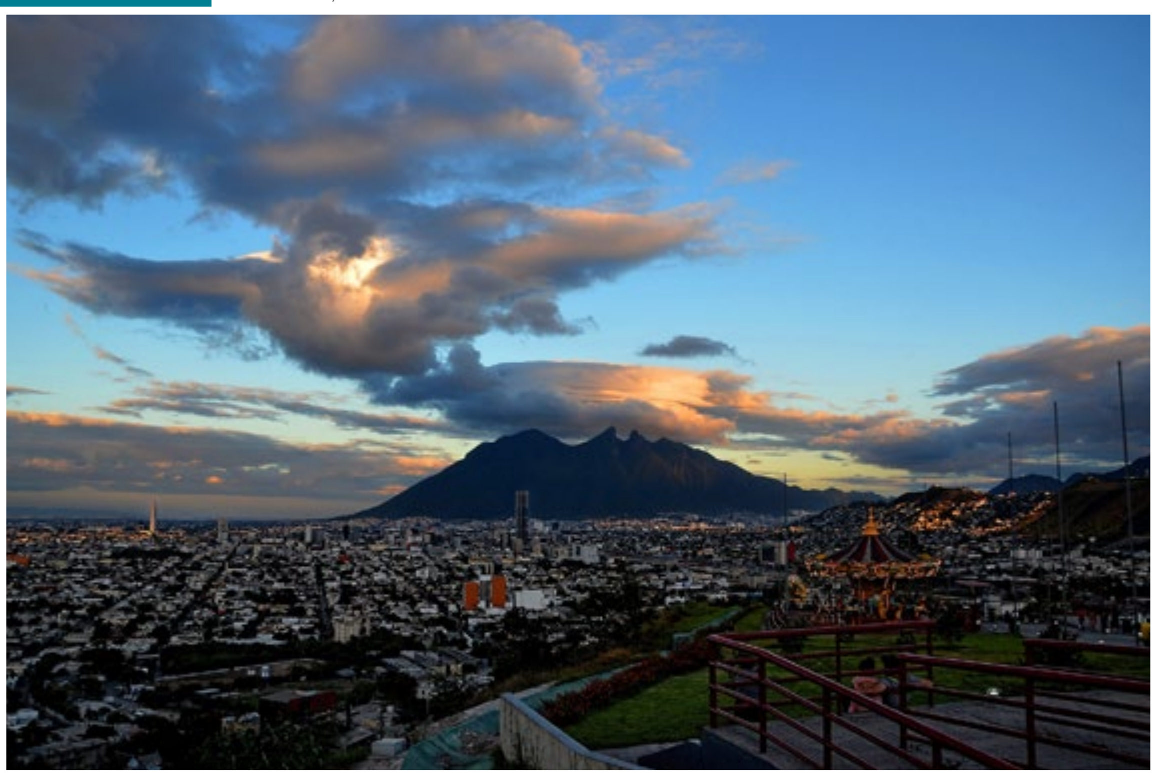
Registration is now open for the Self-Insurance Institute of America, Inc. (SIIA) Latin America-focused International Conference, scheduled for April 17-19, 2018 in Monterrey, Mexico. The event is designed to help attendees identify and understand self-insurance business opportunities in Latin America

To further highlight the opportunities of this last point, attendees will have the opportunity to tour selected medical facilities in Monterrey to see and hear first-hand how they are currently positioned to partner with forward-looking self-insurance industry players in the United States.

It's very easy to get to Monterrey, with direct flights from more than a dozen major U.S. airports and the conference will be held at the beautiful Quinta Real Hotel – check it out on-line at www.quintareal.com

There are limited sponsorship opportunities who want to promote their corporate brands with event. For immediate assistance, contact Justin Miller at jmiller@siia.org Detailed event information can be accessed on-line at www.siia.org, or by calling 800/851-7789.

Monterrey, Mexico



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