Global Citizens

Understanding the expatriate landscape and opportunity

May 2017
Table of Contents

Executive summary ........................................ 3
Demistifying expatriates .................................. 4
Politics and economics ................................. 5
A world of opportunities ............................... 6
The $12.5bn international healthcare market .......... 6
Tapping into the future .................................. 8
Contacts .................................................... 9
Executive summary

Global mobility is changing at a rapid pace: globalised markets, demand for international experience and a desire to seek a better life have resulted in a large and diverse expatriate population that is estimated to increase to more than 60m over the next five years. Despite widespread consensus that expatriates constitute a highly interested business opportunity there is surprisingly little understanding about the type of people who actually make up this impressive number. In demystifying the term expatriate in this paper, we show that the vast majority of global mobile people are in fact lower-paid blue collar workers rather than highly skilled employees who are being sent overseas by their companies.

Expatriate products and services have traditionally focused on addressing the needs of highly skilled expatriates and so the blue collar expatriate segment constitutes a large and mostly untapped opportunity. Yet, while this represents an opportunity that could be serviced with relevant offerings, it is unlikely to come without risk. Changes in national politics (illustrated by the recent global wave of populism) will inevitably impact the blue collar opportunity size and distribution. As such, we believe that understanding the specific needs and buying drivers for each expatriate segment will be critical for businesses to develop tailored offerings that will continue to meet client demand and, ultimately, see sustainable premium growth.

A specific area that has received significant attention from insurers in recent years is the market for international private medical insurance (IPMI). We estimate the size of the global IPMI market to be worth in the region of $12.5bn in Gross Written Premiums in 2016. Unsurprisingly, premium distribution varies significantly by expatriate segment. Whilst less than 1% of low skilled blue collar workers are covered by IPMI, 50% of skilled workers are covered. As a result, the highly skilled and/or corporate transferee segment accounts for over 60% of both premium and number of policies. Whilst there is a premium skew towards the highly skilled segment, we believe that all segments provide exciting opportunities if targeted in the most appropriate way.

Understanding the composition of the expatriate targets, and connecting country-specific as well as international trends, will be critical to developing a winning strategy. Aon Inpoint’s team led by Jilan Shah and Tobias Schneider is happy to engage with you to discuss these exciting opportunities in more detail.

Sincerely,

Michael R. Moran
Chief Executive Officer
Aon Inpoint

Whilst there is a premium skew towards the highly skilled segment, we believe that all segments provide exciting opportunities if targeted in the most appropriate way.
Demystifying expatriates

The world is changing fast; as companies become more internationalised, communication technologies develop and international experience becomes more in demand, so global mobility rises. According to a study conducted by our market research arm, Finaccord, there are around 50m expatriates globally. Expatriates are defined as individuals that live in a country other than their country of citizenship. This number is likely to increase to more than 60m over the next five years. To put this into perspective, this means that by 2020 around 0.8% of global inhabitants will be expatriates and the population size will be similar to that of the UK.

Whilst expatriates are mostly associated with highly skilled employees who are being sent overseas by their companies on a generous salary, market analysis tells a different story. Analysis shows that around 35m expatriates are low skilled blue collar workers seeking a better future for themselves and their loved ones back home. Whilst this large group of global workers are often classified as cheap labour migrants and, as a result, are often not on the radar, it does in fact fall perfectly under the definition of what characterises an expat. Our research also indicates that students and retired people, at 5m and 2m individuals respectively, constitute a larger group of expats than the highly paid global corporate employees. Given these numbers, it may be time to adjust the view of the expatriate population.

To make an understanding of the market even more difficult, there is also no consensus on when an expat stops being an expat and becomes a permanent resident. The answer depends heavily on two factors: firstly, how an expatriate is defined and secondly, the availability of data on this population. For example, governments wanting to understand how many of its citizens live abroad will have a very different understanding of expatriates than companies specialised in relocation services. From a pragmatic standpoint, a stay of at least 12 months and a maximum of five years seem reasonable as a definition. It ensures that short-term visitors such as tourists, individuals arriving for short-term medical stays and short-term exchange students are excluded. At the same time, expatriate residents that have stayed longer than five consecutive years in the country of destination can be considered to have naturalised regardless of their actual citizenship. In fact, in countries where long-term stays by foreign nationals require a visa, five years is commonly the time period after which a permanent residence visa or citizenship status can be obtained.

### Defining an expatriate

<table>
<thead>
<tr>
<th>Immigrant classifications</th>
<th>Duration of stay</th>
<th>≤ 1 year</th>
<th>&gt;1 year and ≤ 5 years</th>
<th>≥ 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourists</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Students</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependents</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illegal immigrants</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Refugees and asylum seekers</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

### Global expatriate population

- Corporate transferees: 4.4m (9%)
- Individual workers: 6.5m (13%)
- Retired: 513k (1%)
- Students: 4.4m (9%)
- Dependents: 1.9m (4%)

**Source:** Finaccord
Politics and economics

The size and composition of the expatriate population is both dependent on the economic outlook of the outbound country – where expatriates are from – and the inbound country – where expatriates move to. Whilst the appetite for low skilled workers from Asia is very high in GCC countries, the opposite is true for the US. Equally, students from China may be very eager to get into one of the top universities in the UK but their desire to study in Saudi Arabia may be fairly limited. It is therefore not surprising that the profile of expatriate population varies significantly between countries.

It is interesting that our research suggests that Saudi Arabia hosts more expatriates than the US, Australia or the UK. Whilst this may seem counterintuitive at first, the picture becomes clearer when looking at the types of expatriates residing in each country. More than 98% of the expatriates in Saudi Arabia are categorised as blue collar workers wanting to seek a better life, mostly coming from Asian countries, and with relatively low per capita income levels. In contrast, the expatriate population in the US or the UK looks quite different. Both countries have a large appetite for skilled expatriates. Combined, they account for more than one third of global corporate transferees and they also have a large segment of expatriate students thanks to their renowned higher education systems.

Macro-economic developments also have a significant impact. Whether this impact is positive or negative, however, depends on the groups of expatriates we are looking at. It comes as no surprise that the number of corporate transferees has declined by nearly 3% in the wake of the financial crisis with companies cutting back on costs. In contrast, the number of expatriate students can increase during a recession since young people are forced to defer their entrance into the job market and seek refuge in additional education to buy themselves time while supplementing their profile amid times of short job supply.

Distribution of expatriates by region and by type of expatriate

<table>
<thead>
<tr>
<th>Region</th>
<th>Income Level</th>
<th>Individual Workers</th>
<th>Dependents</th>
<th>Students</th>
<th>Retired</th>
<th>Corporate Transferees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>Low</td>
<td>21%</td>
<td>13%</td>
<td>&lt;1%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>2%</td>
</tr>
<tr>
<td>Europe</td>
<td>Low</td>
<td>8%</td>
<td>10%</td>
<td>&lt;1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>1%</td>
<td>&lt;1%</td>
<td>2%</td>
</tr>
<tr>
<td>North America</td>
<td>Low</td>
<td>7%</td>
<td>7%</td>
<td>19%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>Low</td>
<td>6%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>North America</td>
<td>Low</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>North America</td>
<td>Low</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>&lt;1%</td>
<td>1%</td>
<td>3%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>RoW</td>
<td>Low</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>8%</td>
<td>17%</td>
<td>22%</td>
<td>7%</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&lt;1%</td>
<td>1%</td>
<td>6%</td>
<td>&lt;1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Finaccord, World Bank

The role of politics

National politics have a profound impact on expatriate markets. Changes in legislation for immigration and accessibility to health systems cause the largest threat for investments into the market but might, on the flip side, also provide the biggest opportunity. Prominent examples are the UK’s decision to leave the European Union and proposed changes to US immigration policy by the new legislation. Therefore, current and expected future politics are a major factor for businesses to take into account when planning to target specific groups of expats.

Low or semi-skilled workers constitute the segment that is most vulnerable to changes in legislation. Many countries in the GCC, to look at the region which accounts for a large majority of this segment, have taken a stricter approach to low skilled expatriate workers entering the workforce in the last few years. This is usually part of governments’ overall plans to smooth out discontent amongst its nationals. For example, in Oman expatriate workers can no longer sign another contract if they have not completed at least two years in their previous employment. If they choose or are forced to give up their job, they must now wait for a period of two years to return to Oman.

At the same time, changes to migration and health insurance policies can also create exciting new business opportunities in the expatriate segment. For example, in June 2016 it has been made mandatory for employers in Dubai to put health insurance in place for their expatriate employees. There are ramifications for employers as well, as medical insurance for their dependents that are not covered by their sponsor’s employer will now be their responsibility. It is no surprise that this change in legislation has created a fair amount of excitement among local health insurance providers since a previously underpenetrated market has opened up.
A world of opportunities

Products and services targeting the expat market have traditionally focused on addressing the needs of the highly skilled segment. This, however, represents only a small proportion of the expatriate population. While there is some commonality between the products and services consumed by each target segment, understanding the specific needs and buying drivers for each expatriate segment allows businesses to develop tailored offerings.

The highly skilled expatriate population is serviced by a wide range of products and services:

- **Real estate**: Finding accommodation in a comparative neighbourhood and social standing compared to their home country
- **Financial and Professional services**: Access to the banking system with bespoke financial advice, pension, tax advice and accounting support
- **Insurance**: Full-fledged international life and medical insurance packages with medical evacuation and multi-lingual capabilities
- **Health and Safety**: Advisory and support services tailored to physical, mental and social wellbeing, especially when travelling to hardship locations

Whilst the individual blue collar workers also need access to all of the above services, there are key variations in the offerings, such as:

- **Real estate**: Finding comfortable but low cost accommodation
- **Financial services**: Access to basic banking products and an emphasis on cash remittances
- **Insurance**: Life and medical insurance coverage tailored to consider dependents in the home country
- **Health and Safety**: Advisory and support services tailored to physical wellbeing

Meanwhile, solutions for students will depend on the type of student i.e. undergraduate vs post graduate and family circumstances i.e. travelling alone or with a family. The services required by the retired expatriate match those for the highly skilled segment but with a specific focus on financial planning, pensions, and legal services.

The $12.5bn international healthcare market

One specific area which has received significant attention over the past couple of years is the market for international private medical insurance (IPMI). As a result, a number of international and local health insurance providers have started to compete in this market, although the top five – Allianz, Aetna, AXA, Bupa, Cigna – continue to account for the lion share of premium globally.

From the perspective of an insured who lives only temporarily in a country, IPMI needs to provide a similar and visa compliant healthcare quality to that enjoyed in his/her home country - regardless of the location of the insured person and the standard of the local health service. The availability of medical practitioners and services in multiple languages, easy navigation of any system, compliance with local immigration laws and convenient access to medical facilities are therefore high on the required list of insureds and need to be taken into account by insurance providers.

Market participants have responded to the complexity of consumer needs by providing a wide range of solutions allowing the customisation of coverage based on individual needs and preferences. These range from the level of benefits to types of coverage: core covers like inpatient cover, optional covers such as medical evacuation, and additional add-ons such as travel benefits. As a result, IPMI plans – particularly those targeting highly skilled workers – usually provide higher levels of benefits than those available from local offerings, are often not restricted to the country of residence and typically have sum insured amounts that can be ten times higher than those of local schemes.
The $12.5bn international healthcare market cont.

Our market sizing analysis estimates the size of the global IPMI market to be worth in the region of $12.5bn GWP in 2016 providing coverage to 15% of the global expatriate population. Unsurprisingly, take-up rates, and therefore premium distribution, vary significantly by expat segment. Whilst less than 1% of low skilled blue collar workers are covered by IPMI, 50% of skilled workers are estimated to be covered. 90+% take-up rates (by far the highest) are reserved for highly skilled corporate transferees, who tend to be covered as part of their company benefits plan. Translated into premium volumes it means that policies for the highly skilled and/or corporate transferee segment accounts over 60% of premium and number of policies. The prevalence of the segment is also reflected in the fact that around two thirds of the $12.5bn market is made up of group policies provided by employers rather than those bought individually.

The level of IPMI coverage also varies by expatriate segment. Basic coverage, i.e. core inpatient cover only, accounts for circa 20% of global IPMI policies and is most prevalent among students. In contrast, highly skilled workers tend to have more comprehensive coverage including outpatient and, to a lower degree, maternity coverage.

Case Study - Market segmentation in Oman

Our analysis provides a deep dive into thirty countries which accounts for 80% of the global expatriate population and 90% of the GWP. Oman, for example, is home to a million expatriate residents of which 90% are blue collar individual workers and only 1% buy IPMI policies. There are 12k policies covering 21k expatriates in Oman and these policies generate $41m GWP. 80% of the policies cover both inpatient and outpatient treatments and 20% of policies include maternity cover.

Source: Aon Inpoint analysis
Tapping into the future

The expatriate market is set to keep growing and will continue providing insurers with excellent business opportunities. Whilst the bulk of premium sits within the highly skilled segments, we believe that all segments provide exciting opportunities if targeted in the most appropriate way. Part of any strategy, however, will be to fully understand the composition of the expatriate market and to connect country-specific as well as international trends.

In the corporate segments, targeting multinational companies in a tailored way is likely to be the most promising opportunity. Whilst these companies operate on a worldwide basis, 15 countries are home to the headquarters of over 70% of the multinational companies globally. For insurers that want to tap into this market this means to gain a full understanding of each company’s buying behaviour. Our research indicates that insurance buying is increasingly centralised within company’s headquarter countries which makes it necessary to target at source.

Opportunities also exist outside the world of corporates and highly skilled individuals; although the strategy here is likely to be very different given that other segments are closer to mass markets (than to a specialised niche one). A more consumer centric strategy is therefore likely to be required. An example of how to tap into this low skilled workers’ market is the initiative of a UAE insurer which is offering a policy that provides health insurance for workers’ families remaining in their country of origin. Given that more than 20% of the roughly 5m expatriates in the UAE are low skilled workers who came without their families (that stayed behind), it seems like a large and promising opportunity.

We are also seeing that employers are increasingly interested in providing benefits that are more tailored to the individual’s position and subsequent pay. For example, an Indian global assignee may be paid a similarly low salary in the host country but required to pay for insurance plans that are significantly higher than in the home country. This often causes difficulties in getting these employees to take positions. We are seeing a shift of designing plans for these classes of employees: ones that are less comprehensive than we would typically see in the host country and more like the home country coverage.

In order to tap into the universe of opportunities that lies outside the corporate and highly skilled workers’ sweet spot, insurers are required to understand the market and to provide highly tailored solutions that meet the needs of each target expatriate population. However, given the vast growth potential, it appears as a challenge worth taking on.
Contacts

Michael R. Moran  
Chief Executive Officer  
Aon Inpoint  
The Aon Center,  
200 East Randolph,  
Chicago, IL 60601, USA  
+1.312.381.3962  
michael.r.moran@aon.com

Sherif Zakhary  
Global Head of Sales  
Aon Inpoint  
44 Whippany Road,  
Suite 220, Morristown,  
NJ 07960, USA  
+1.347.334.2216  
sherif.zakhary@aon.com

Marguerite Soeteman-Reijnen  
Chief Marketing Officer  
Aon Inpoint  
Admiraliteitskade 62,  
Rotterdam, Netherlands  
+31.10.448.7756  
marguerite.soeteman.reijnen@aon.nl

Paul Galvin  
Global Leader, Carrier Solutions  
Aon Inpoint  
The Aon Centre,  
The Leadenhall Building,  
122 Leadenhall Street,  
EC3V 4AN, London, UK  
+44.207.086.0055  
paul.galvin@aon.co.uk

Robert Woods  
Group Managing Director  
EMEA  
Aon Inpoint  
The Aon Centre,  
The Leadenhall Building,  
122 Leadenhall Street,  
EC3V 4AN, London, UK  
+44.207.086.3344  
robert.woods@aon.co.uk

Ralph Butterworth  
Group Managing Director  
Insights  
Aon Inpoint  
The Aon Center,  
200 East Randolph,  
Chicago, IL 60601, USA  
ralph.butterworth@aon.com

Giselle Walther  
Group Managing Director  
Pacific  
Aon Inpoint  
80 Collins Street,  
Melbourne, VIC 3000,  
Australia  
+61.3.9211.3143  
giselle.walther@aon.com

Tobias Schneider  
Manager, Strategy Consulting  
Aon Inpoint  
201 Kent Street, Sydney,  
NSW 2000, Australia  
+61.292.538.334  
tobias.schneider@aon.com

Jilan Shah  
Consultant  
Aon Inpoint  
The Aon Centre,  
The Leadenhall Building,  
122 Leadenhall Street,  
EC3V 4AN, London, UK  
+44.207.086.3352  
jilan.shah@aon.com

About Aon Inpoint

Aon Inpoint is dedicated to delivering value through data, analytics, engagement and consultancy services to insurers and/or reinsurers, across the full spectrum of insurance, reinsurance, and capital markets. Aon Inpoint’s focus is to always act in the best interests of Aon’s insured and cedent clients by enabling reinsurers and insurers to compete effectively so that Aon can provide valuable solutions and greater choice to our mutual clients.

Consistent with confidentiality and data compliance protocols, Aon Inpoint provides reinsurers and insurers with access to Aon’s industry leading data analytics platforms, including Aon GRIP® and Re/View which, combined with Aon Inpoint’s strategy consulting capabilities, enables reinsurers and insurers to identify and execute business improvement and growth opportunities in new markets and product lines.

In summary, Aon Inpoint deploys its capabilities to provide unique, actionable industry insights enabling more informed, fact based strategic decision making.
About Aon
Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 69,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions. For further information on our capabilities and to learn how we empower results for clients, please visit:
http://aon.mediaroom.com/

© Aon plc 2017. All rights reserved.
The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.