



Global Health & Benefits Update

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CHINA: EXECUTIVE STOCK OPTIONS BECOMING MORE COMMON

In December 2006, one of China's largest state-controlled manufacturing companies announced that it would begin issuing stock options to many of its senior-level executives. More than 60 million shares will be distributed among the board of directors and senior management. About 20 million more shares will be reserved as incentive packages for newly hired, qualified employees. While favor for stock options in the United States has been declining in recent years, it is a relatively new phenomenon with rising popularity in China. In the past, state-controlled firms that were listed domestically were restricted from issuing stock options to their employees. When the government loosened these restrictions in early December 2006, many large companies set up plans hastily. Executives say they hope this will help create a connection between senior management and the company, boosting productivity. Many privately listed companies in Shanghai and Shenzhen already have equity incentive plans. State-controlled firms are now quickly following suit. This new stock option trend in China is important for HR managers of Foreign Investment Enterprises (FIE) operating in the country. Traditionally, bonuses and wages at Chinese companies were paid through direct compensation rather than stock options. Western HR managers in China have generally followed this trend. Chinese law often restricts Chinese citizens from exercising stock options on foreign stock. At this point, regulations on issuing stock options for FIEs still lack clarity. This issue is expected to be addressed, however, in the coming year, and clearer guidelines are likely in the future. Foreign companies in China should anticipate increased demand for stock options from their senior-level Chinese employees.

SAUDI ARABIA: INSURANCE MARKET TO REACH USD 8 BILLION

Mandatory healthcare insurance regulations will help push Saudi Arabia's insurance market to SAR 30 billion (USD 8 billion) this year, according to health authorities. The Kingdom's new insurance system covers more than 1.1 million people, 166,000 or 10% of whom are Saudi nationals. Government figures show that only 4.7% of the Kingdom's populations has health insurance coverage.

INDIA: GOVT MULLS HEALTH INSURANCE RULES

Individuals may get to enjoy portability of health insurance policies from one insurer to another, under regulations being drafted by the IRDA (Insurance Regulatory and Development Authority) for this sector. If allowed, portability will make it possible for customers to have the continuity of cover while moving between companies or between jobs. It will allow someone who has changed jobs, for instance, to have guaranteed coverage without any waiting period and also waive any pre-existing condition exclusions that were covered in the previous cover.

The IRDA is also considering allowing portability between group and individual health covers, and the creation of a health estate by a parent, who has a good insurance history that the children can inherit. The draft regulations will also deal with key issues like the need to clearly define different classes of healthcare business into three groups: insurance for medical expenses, disability income insurance and insurance for long term care. For instance, since health is currently in the purview of miscellaneous insurance under general insurance, it too has one-year contracts. There is currently no room for products with longer-term contracts, say, 15-20 years that will cater to longer term care needs of patients. Sources said the draft rules would also touch upon accountability issues between the insurance company and health service provider. Industry sources said IRDA is likely to come out with the exposure draft of these regulations shortly. The need for a separate health insurance regulations is mounting, especially with the tremendous interest in the setting up of standalone health insurance companies and overall push for health insurance. Currently, there are only regulations for life and general insurance, whereas even definitions for health and types of health care products are missing. Without these in place, sources say, it is difficult for companies to come out with products since there is a lack of clarity on whether they will be allowed, their scope and provisioning.



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