

EMPLOYEE BENEFITS – SIMPLER AND MORE CONVENIENT

Marking the 50th anniversary of Generali Employee Benefits (GEB), Damian Ross charts the evolution of global employee benefits programmes: what has worked well, what makes them successful and what we should expect ahead

Several factors explain the trend to align employee benefits programmes to a company's global business strategy. On one side, employee benefits (protection from risk and medical coverage) play a key role in human resources management and, in an era of augmented accountability, they enhance a company's public profile and impact on the community. On the other, rising costs and regulatory complexity make it imperative for multinationals to have a closer look at benefits performance and budgets worldwide.

Adopting an international approach to their employee benefits strategies, companies can take full advantage of economies of scale to devise competitive and consistent programmes in each country, and to get better visibility on – and better coordination of – their worldwide experience.

Though employee benefits are subject to specific constraints – such as specific local regulations, data availability and privacy concerns – global fronting networks have devised solutions to enable companies to overcome these constraints and get access to a simplified and streamlined interface to manage their benefits programmes worldwide.

Since their launch in the market in the mid-'60s, international benefits solutions have become increasingly common today, not only for the largest global firms but also for organisations of various sizes and sectors.

This article provides an overview of what makes them advantageous and then dives deep

Damian Ross



Damian Ross' diverse career path led him to join Generali's UK branch in 2000. He worked as administrator of group risk contracts for two years, and then joined the international team. After having the role of head of sales for the GEB regional office, Damian recently took up the role of regional manager UK, Ireland and Nordics.

into main options available, tracing at the same time historical trends and expectations ahead.

A new outlook

Main advantages include the impact on cost optimisation and control. Managing employee benefits risks on a global scale can help reduce the volatility of the overall portfolio, save costs and return margins at the end of each year. Companies further perceive the management support ensured by the set-up of central visibility and coordination tools as a key asset, as well as the simplified administration ensured by the access to a streamlined interface to manage administrative requirements and reduce complexity across countries. Over time, networks have been developing additional services to create more value for their clients' global experience, including consultancy services and other insights at both central and local levels. Networks can in fact offer reporting and benchmarking tools, training and networking programmes.

When considering to roll-out a global employee benefits programme, companies have to select the best option among those available in the market, which include pooling and captive arrangements, but not only. It is important to note that international solutions tend to be designed around the needs of each client, to best fit each company's strategy and its international growth objectives.

A multinational pool is a financial vehicle combining the experience of several employee benefit policies for entities of a multinational corporation around the world into a consolidated account including credits (primarily premiums paid) against debits (claims paid plus insurer administration charges, commissions and taxes).

This set-up enables companies to achieve financial consolidation and reduced volatility, and to gain an international dividend at the end of the year via profit sharing (if the overall global experience is positive).

Pooling solutions have proven effective and of great value for a wide range of organisations over the last decades.

Although initially launched on the market for larger firms, today the advantages of international pooling are also accessible to small- and medium-sized organisations via dedicated multi-employer pools. In this case, the international portfolio combines the experiences of different companies in different countries into one single pool.

From small groups entering a multi-employer plan to standalone pools tailored to



the more sophisticated demands of the Fortune100 companies, pooling solutions have proven flexible and able to meet the evolving needs of growing companies, as we have had the privilege to observe in our 50 years in the market.

Further options have become available for larger and highly centralised companies that aim to further integrate their global benefits management. Acting as business partner of their clients, fronting employee benefits networks have evolved their capabilities, and built on their experience and global reach, to support clients looking for new ways to manage increasingly complex benefits in a cost sensitive market environment.

Moving sands

Captive arrangements have entered the employee benefits arena since the mid-’90s, when Generali Employee Benefits first launched and established them in the global benefits industry. While traditional areas covered by captive arrangements – such as property and casualty and workers’ compensation – are still the most common, new lines of business, from healthcare to life and accident, are among the risks being managed within captive programmes.

Captives are now part of the offer of major employee benefits networks. We count today over 80 captives writing employee benefits business and we continue to see accelerated growth in this area.

This trend is driven by converging factors, from demographic challenges to welfare systems’ reform trajectories, which see the employer play a growing role in providing

protection for their employees. The growth of the employee benefits market opens up new opportunities and challenges for companies’ strategies.

An initial key aspect to consider in building the business case for funding employee benefits via a captive is the opportunity to

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achieve risk diversification in the overall captive’s portfolio, thus reducing the volatility of the overall financial experience. Employee risks (typically of low severity, geographically spread and uncorrelated to casualty risks) contribute to achieving risk diversification. Owning the risk further allows for more control on underwriting, pricing decisions and claims management. Reliable and timely information and proper monitoring framework are in this case essential to sustain planning, promote understanding of local experiences and promptly respond to emerging challenges. Companies interested in this approach will need to evaluate challenges such as economic viability, coordination mechanisms to ensure the buy-in of local subsidiaries, and local

compliance requirements across countries.

Moving beyond pooling and captive arrangements, innovative and tailored financing solutions have become more recently available in the market. As an example, the Global Underwriting Programme launched by GEB in 2010, pioneered a new alternative approach, to serve the needs of companies that adopt a strong central control of worldwide employee benefits plans, and have outgrown the traditional pooling concept, but are not quite ready to implement a captive programme. Where pooling offers an opportunity to optimise the financial and information flow of international employee benefit plans on a retroactive basis, more proactive risk management strategies can provide upfront pricing optimisation and enhanced terms and conditions negotiated centrally. The success of this approach is based on key elements including ability and commitment to a long term partnership between the client and the insurer, strong central control on the client’s side and sound technical expertise and pricing flexibility from the insurer.

What we see

The employee benefits industry will continue to gain importance in companies’ risk and business strategies pushing the boundaries of traditional networks. Networks’ offerings are evolving towards more comprehensive solutions, from wellness to risk intelligence platforms and assistance, which provide employers with a competitive edge in proactively manage their risk exposures, in attracting and retaining a talented workforce, and in building loyalty around their brands.