CAPTIVE REVIEW

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EB CAPTIVES: TRAILBLAZERS FOR PROGRESSIVE BENEFITS

Marc Reinhardt of Generali Employee Benefits (GEB) Americas explains the utilisation of EB captives for progressive benefits

Captive Review (CR): What are progressive benefits?

Marc Reinhardt (MR): The term 'progressive benefits' can not only mean different things to different people, it also has to be viewed in the context of different countries around the world.

When we speak of progressive benefits, what springs to mind, first and foremost, are things like domestic partner coverage or same-sex partner coverage. But these are now fairly common in most markets, unless there are local limitations. In many instances, it goes further than these forms of coverage. It can include a provision to look at, for example, the complete waiver of certain pre-existing conditions. You could consider that to be quite progressive.

Benefits that are not usually covered as standard in a market – such as mental health support, for example – could also be considered progressive. In many markets across the world, mental health benefits are not included as standard under a medical programme. Many captive clients nowadays view this as a 'must have', and understandably so. The pandemic has certainly brought the importance of such coverage to the fore.

We then have a whole host of other benefits that would be considered progressive. For instance, the inclusion of gender dysphoria/dysmorphia – both surgery and treatment. Again, this isn't possible in all markets but it's something we're seeing increasingly requested to have included in medical plans around the world.

Marc Reinhardt

Marc Reinhardt has worked for Generali since 1991 with postings in Germany, Italy and the US. While in Germany, Reinhardt specialised in tax and Labor Law as well as actuarial aspects of employee benefit plans for international companies. Moving to Italy, he worked on the technical aspects of multinational pooling in the central reinsurance department of Generali's Home Office. He was then assigned to the US as director of GEB for the Americas region.

Another element is help with alcohol or drug abuse coverage. We've had instances where captive clients have requested such coverage as part of a benefit plan in case it became an issue for employees at any time.

CR: Have you noticed any Covid-19-specific progressive benefit trends?

MR: I'm not sure if Covid-19 should be considered under the heading of progressive benefits. That said, we've certainly seen a lot of engagement on the part of captive clients to fill in gaps in coverage; to do the right thing for employees; to make sure they have peace of mind.

Early in the pandemic, captive clients came to us saying: 'Help us identify any gaps in our policies. We want to ensure that if our employees or their families are impacted by Covid-19, whether their government's cover treatment or not, they have access to assistance.'

We provided support throughout the pandemic by identifying gaps, removing exclusions and adding in benefits that resulted in immediate advantages for all. Service provision later evolved towards ensuring there was access to hospitals, doctors and testing. In situations where there was no longer sufficient hospital capacity, some clients enquired about the feasibility of covering home care for non-acute cases where treatment could be assured for people at home as far as possible.

As an interim solution, if hospital beds weren't available, hotels in some countries were turned into hospital wards. We then had to ensure that treatment was covered in these converted hotels. I would consider all of these things to be quite progressive, in terms of trying to get ahead of a crisis.

CR: Did you get involved in some of the other issues faced early on, in terms of lack of testing capacity?

MR: Yes, we did. To get into some more of the granularity of these plans, if you have an in-patient medical plan only, in some

countries a test administered in the hospital (Covid-19 or otherwise) would only be covered if the employee were to be hospitalised. If you take a test and it comes back negative, the employee would be charged for the test. Captives requested that this be waived. They wanted to ensure that if an employee needed a test, whether in-patient or out-patient, they wouldn't have to worry, the test would be covered.

CR: Are captive clients well-placed to take a progressive approach?

MR: Absolutely. Because captives have the ability to assume risk, there is that flexibility in most instances. In fact, captive clients have been at the forefront of promoting a more progressive tendency; expanding benefit offerings, and revising, modifying, adjusting plan designs where feasible. Because of the flexibility and control that a captive arrangement affords, they are ideally suited.

CR: What makes a network partner ideally suited to help?

MR: First and foremost, it's about having experience. It might sound simplistic, but it takes time and experience, it truly does. We've been doing this for over 50 years. We know how to manage a network. We know how to support clients in many situations across the world. It's also about having network partners that have been with you for a long time, that are aware of what captive clients need, understand their approach to risk management – that too, only comes through experience.

It's essential that our network is based on the reinsurance concept, as the risk is transferred to the captive. If the risks were to remain with the local network partner, they would in many instances probably be much more reluctant to do this. Much as they agree that offering certain benefit components or waiving limitations is desirable, that they're a laudable initiative on part of the employer, looking at it from a local risk-bearing perspective, they would probably decline without having that reinsurance support.

Because there is reinsurance through GEB and the risk ultimately retroceded through a captive, that flexibility is there. That's not something that is new. It's an infrastructure we've had in place for over 50 years, but it requires experience to make it work in such a large number of countries.

CR: Do you ever have to say no to a captive client request?

MR: Not often but at times, there is no other option. Usually the reason comes down to cultural or legal norms, but clients know this. In other instances, it may not be because a local insurer doesn't want to accommodate a request, but simply because they don't have the filing for the product. And, in such cases, it may be difficult to get approval from a regulator. In some markets, regulatory submissions can take a very long time.

CR: What challenges do you face when trying to introduce such benefits?

MR: It's all about the strength of a relationship, support and cooperation from local network partners because, at the end of the day, the delivery has to take place on the ground, in the country. These captive-driven initiatives are commendable, of course – we then need to determine how to support that wholeheartedly and try to make it work so service expectations are met, which is not always an easy task.

> "From a commercial perspective, you have to be somewhat cautious in potentially setting a market precedent. When you're the first one to do something, sometimes there comes the expectation for you to accommodate this solution beyond a captive context"

Ultimately, it's only operational on a local basis, so success relies on the local network partner's ability to deliver. There are some constraints and limitations to this that we encounter at times and either have to deal with, accept, or find a workaround for.

Some questions we all need to consider at the start include: is the insurer even able to offer this? Are there any filing requirements? Are there any regulatory or legal constraints? Then we need to be able to price these benefits. It's one thing to be able to offer a benefit but there's a cost involved; they have to be serviced. So, how do you price something that you likely have very little actuarial data on? Is the requested benefit best priced via an insurance premium or offered on a fee for service basis?

There are also operational considerations such as can we price this? And if so, how do we then actually adjudicate a claim? Will our claims managers know how to process this? How do they properly work with the hospital or doctor to determine whether treatment is appropriate and that a claim is legitimate in order to get it paid? And then how do we codify and report this via the reinsurance track?

Finally, from a commercial perspective, you have to be somewhat cautious in potentially setting a market precedent. When you're the first one to do something, sometimes there comes the expectation for you to accommodate this solution beyond a captive context. It may also be that other insurers in the market are asked to offer the same solution, and then you get this snowball effect of changing a benefit type or plan design, and you're rendered something of a maverick in the marketplace. While this isn't necessarily a bad thing, it's nevertheless something to keep in mind.

There can also be pushback from local network partners, and that's fine. As stated earlier, some of these concerns are legitimate and should be considered carefully to mitigate the potential for problems to arise further down the road. It's our role as a global network to push the boundaries a bit and find ways to make things work in cooperation with captive management.

Ultimately, it's great and commendable to want to do all these things, to want to be progressive. Because, after all, aside from the duty of care advantages, there are big recruitment and retention gains associated with this, too – but it has to be realistic and operational. Captives, once again, are the 'trailblazers'.

With that said, we're constantly surprised – especially over the last 18 months of the pandemic – at the level of flexibility and cooperation we've received from our local network partners and the amazing solutions we've been able to facilitate.


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