CAPTIVE REVIEW
OCTOBER 2021

IS WRITING D&O WORTH THE STRUGGLE?

We examine directors' and officers' liability coverage and find out what the problems and advantages may be

GUIDE TO ALTERNATIVE RISK TRANSFER

HEINEKEN AND GEB'S PIONEERING JOURNEY

Generali Employee Benefits (GEB) provide a case study of their partnership with Heineken, from pooling to co-inventing GUP, to captives

At a time when placing the 'S' in environmental, social and governance (ESG) has risen to the top of leadership agendas worldwide in a bid to place engagement with people, customers and communities, we take a look at Heineken's journey, in partnership with GEB Network, from pooling – to co-inventor of the Global Underwriting Programme (GUP) concept – to this year's launch of an employee benefit captive: representing the only organisation in the EMEA region to take this full journey, we believe.

We examine the advantages this has brought to the organisation and zoom in on how it's helping Heineken live and breathe its purpose and values.

It's largely a given that captive arrangements afford considerable savings and efficiencies. But for Heineken, this represents a side benefit. Taking the decision to transition from a GUP to a captive was more about the qualitative benefits it would afford: the control and flexibility, especially in terms of ensuring that the organisation's employee benefits programme aligns with its sustainability goals.

Aspects such as embracing the diversity and inclusion agenda and, as part of that, a fair wage, equal pay, are all high on the agenda of the executive board. The organisation wanted to clearly reflect these goals in its employee benefit programme and felt that the captive arrangement would provide the perfect enabler.

Not only that, but it would allow the group to better serve its operating companies around the world.

Generali Employee Benefits (GEB)

GEB is an integrated network, operating through Assicurazioni Generali Luxembourg branch, that offers services for employees of multinational companies consisting of protection, life and health coverage and pension plans for both local and expat employees. Located in 100+ countries with more than 400 coordinated multinational programmes, GEB is one of the market leaders for multinational companies with a premium volume of €1.5bn.

Rogier Bouwman, global pensions and benefits manager, commented during a recent GEB Network conference: "We wanted to make it easier for our operating companies, especially at renewals when a lot of time and effort from HR, procurement, legal and general management is required.

"On the subject of simplification, insurance contracts are now more complex than ever before. So, one of our first goals with the captive is to simplify, align contracts with Heineken values and improve our employee benefit offering to our people, while strengthening our diversity and inclusion agenda. All this is key.

"For example, where life insurance is concerned, if you're not married – and in many countries it's still not possible to marry someone of the same gender – your partner would be automatically excluded. This is completely misaligned with our values. Likewise, where there are exclusions around HIV or suicide, we don't want anyone excluded as the circumstances associated are difficult enough. In all such instances, we will assess whether it's in the interests of the organisation and our people. And, if not, we want to get rid of it."

The shift from pooling to GUP

Captives represent the ultimate cost control destination, offering an unparalleled level of control. But it's a big step and not one that should be taken lightly, requiring considerable commitment in terms of time and costs, in the set-up stages at least. The journey taken by Heineken is therefore a wise one, helping make that transition much easier.

An existing multinational pooling client, Heineken's risk manager first discussed with GEB over a decade ago the company's requirement to consolidate benefits – mainly with one single provider – to leverage the group purchasing power.

When the pooling arrangement was established in 2006, the group was primarily focused on achieving savings. Over time though, it became clear that although costs represented the key driver, there were HR requirements, too.

This shift in thinking was aligned with a growing requirement in the wider market.

GEB detected an evolving need for a new product to be developed in the marketplace; something that combined a single provider strategy with premium optimisations across the full programme. GEB was well placed to embrace this challenge as it had obvious parallels with the experience of the network – an experience already spanning 40 years at that time.

Through GEB's discussions with Heineken, it was clear the group wanted to improve communication with its local operating companies, receive more data and insights on the benefits programme as a whole, and get to the stage where they could develop the health and wellness aspects in a more informed manner, aligned with sustainability goals.

At that time, Heineken wasn't ready to take the leap from pooling straight to a captive arrangement. At the same time, though, they were happy with the network and wanted to secure the relationship in a more structured environment.

And so the Global Underwriting Programme (GUP) – a totally unique concept – was born in 2010 thanks to collaboration between GEB, Heineken and the global broker at the time. This concept not only provided a tailored solution to Heineken's needs but also provided a model from which other organisations, which are similarly not ready for the captive route, are able to derive upfront cost savings, improved communication and controls.

GUP: a stepping-stone to the employee benefit captive?

Put simply, a GUP effectively provides a 'halfway house' between pooling and captives. The success of the arrangement is predicated on a number of key elements, including commitment to a long-term partnership (minimum of three years), combined with technical expertise and pricing flexibility from the insurer.

How did it meet Heineken's specific requirements? Firstly, cost controls. A GUP allows for a proactive funding strategy. In contrast, pooling operates on a retroactive basis. This proactive approach encompasses not only upfront pricing optimisation across the entire programme, but also enhanced T&Cs negotiated centrally.

For Heineken, this meant that the upfront discounts could be applied to all the local operating companies, allowing them to benefit directly from the cost efficiencies and clout – when it comes to negotiations – afforded by the parent company.

In short, it gave all the stakeholders a shared interest in participating in the global programme.

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Clearly, this also helped meet Heineken's requirements for improved communication. The very nature of a GUP not only ensured local buy-in, but also gave the group function a new opportunity for communication with its global subsidiaries, too.

A GUP is also HR-focused. Thanks to the structured, long-term relationship associated, it can help inform benefits design. For example, via the GUP it was possible to find out which local employees were covered for what. This helped ensure parity of benefit levels across the global organisation, while also informing on what should be waived in certain regions, according to local benefit entitlements.

Finally, a GUP allows for higher underwriting limits in comparison to those available from an insurer. The maximum amount assured is agreed at global level so employees don't have to go through any underwriting.

The future starts here

The GUP effectively mirrored the routine environment for a captive, permitting an easier transition when Heineken took the decision to make that leap: a journey that started four years ago and culminated in this year's launch of Haystack. In line with Heineken's strong heritage, the captive bears the English translation of the name of the first brewery acquired by the founding fathers of the group: 'Hooiberg'.

The group already had a P&C captive in place for many years, the experience of which would have also made the transition a little easier. As did close partnership working with all the different departments and directors involved to ensure all parties understood how the captive works, how the governance around it works, what the risks are and how they can be managed.

Heineken's journey may be described more as an evolution than a strategic plan. And in a constantly changing world where, as the last 18 months have shown, the unimaginable – never mind the unexpected – can happen, an evolutionary approach is paramount. Captive arrangements allow for this in spades, as evidenced right now in Heineken's case, affording the organisation the control and flexibility it requires to ensure benefits are fully aligned with ESG principles. While the future may be uncertain, the ability to adapt and change shouldn't be.


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