

The power of EB captives

Generali assembled a roundtable of captive insurance experts to discuss the advantages that employee benefit captives can provide.

IN ATTENDANCE:

- **Matthias Helmbold**, *vice president global risk benefits, health & wellbeing*, DHL
- **Brian Quinn**, *chief executive*, Granite Management
- **Drew Hilger**, *senior treaty officer*, Dorinco Reinsurance Company
- **Marc Reinhardt**, *director, The Americas*, Generali Employee Benefits

THE COVID-19 PANDEMIC HAS SHONE A SPOTLIGHT ON employee benefit (EB) captives. We're now seeing acceleration in the use of EB captives as powerful risk management tools. In that sense, what advantages do EB captives bring?

MATTHIAS HELMBOLD: Speaking as a captive owner, they allow you to gain power and control over your programmes—whether that's the underwriting side with regard to influencing pricing or, on the plan design side, allowing for flexible setups and bringing benefits to employees that may not be common market practice.

It is also a game-changer in relationships with providers as you are becoming a maker rather than being a buyer. This is a true partnership.

DREW HILGER: For me—also a captive owner—it's about stability. A lot of focus around captive solutions is on the pricing and the savings that can be achieved by the captive. There are certainly savings over time but that's highly dependent on what line of business you're in, what countries and a lot of other factors.

The bigger value is in the stability of the pricing, because you can smooth out some of the increases. You don't have the big volatility you sometimes get in the market.

BRIAN QUINN: Pre-Granite, I was the chief underwriting officer for a large US multinational's P&C captive. Back in 2000 we brought employee benefits into that captive. At that time, we were looking purely at pricing—at saving money.

This was all about bringing P&C risk management philosophy into the EB arena, and we did that very successfully. But in the

last few years, there's been a lot more interest—to Matthias' point—in control over plans—being able to influence those plans and provide a standard benefit promise across the globe to your employees.

The pandemic cemented this. It showed us how we could use captives to help our clients, with regard to the removal of pandemic exclusions, and in terms of getting vaccines covered. Such things became a real advantage for clients.

MARC REINHARDT: What's particularly interesting for us as a network is that we're getting a line of sight into the different risk management strategies and philosophies of organisations. No two captives are ever the same. Even though it's the same concept, it's applied differently, so we get to learn a lot.

We can describe the captive concept in terms of car racing terminology as Formula 1: in other words, it's always a bit ahead of the game, it's innovative. You're trying things—experimenting—whether it's with plan design, pricing, applying different risk management tools. It's a learning curve for us too, as a Network.

What are organisations doing when it comes to modifications, plan design, the financial aspects?

QUINN: A lot of our clients are looking at trying to influence local plan design—terms and conditions and removing/amending exclusions—and trying to achieve a base platform across the world.

Everyone has a different global benefit promise and different diversity and inclusion (D&I) goals. We're working with our clients on their D&I goals, helping ensure alignment in plan offerings across the globe.

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For example, US coverage is extensive in terms of suicide and fertility treatments. However, offering the same thing to people on a global basis can bring legal and regulatory compliance issues in some countries, eg, transgender cover cannot be given in many local plans due to lack of experience/expertise or lack of means to deliver the service to enrollees. We're looking at the captive differently from how we've done it before, in terms of an umbrella product sitting over and above.

For these clients cost takes more of a back seat over their global D&I goals. Does the cost matter as much when you're meeting your D&I goals? This is a mindset change.

REINHARDT: We fully support these types of activities. There are certain limitations on our side though, as a network.

In addition to the local legal and regulatory issues, there are operational and filing limitations. We simply might not have the product available, and filing for a new line of risk takes time.

On the operational side, when a new benefit is introduced and new claims come in, we need to know what to do with those claims—to adjudicate them and pay them locally. Then we need to figure out how the associated data is monitored and conveyed to the captive.

HILGER: The flexibility aspect is huge. One of the big focuses for us at Dow is inclusion and one of the best ways that the HR group can support that is ensuring everyone around the world has the same access to benefits.

There are certain things that are available in certain geographies such as domestic partner benefits, but we can leverage the captive to provide this so that's a great opportunity. It's similar to what we do on the P&C side.

HELMBOLD: The biggest topic for us, at DHL, is our health and wellness programme and the initiatives that run alongside the reinsurance.

We reward initiatives taking place in our business units—with our key pillars being education and awareness, prevention and screening, behaviour change and chronic disease management—by taking account of these programmes in our underwriting decisions

This is about utilising the power we have as a reinsurer, by working hand in hand with the HR function to incentivise behaviours that reduce our claims cost, increase the health of our employees and ultimately drive employee engagement.

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This created competition among our business units to achieve gold status on their health and wellbeing programmes. If they're not on gold, they're looking at what they can do better.

It helps move the needle with our network partners. They are actively looking to help us shape programmes that support our four pillars and engagement, so it's excellent in terms of helping to move the industry forward too.

What needs to be addressed as the next steps for EB captives?

HELMBOLD: There's one word for me and that's "professionalism" in reinsurance, for example with respect to underwriting year reporting. This is something we must achieve in the near future. All parties will benefit; networks and captive owners and auditors are requesting it.

QUINN: The Holy Grail is to get underwriting year accounting to happen. It's the first problem we always face with a new client. We have workarounds and that's the Granite value—helping clients create those underwriting year reports but that involves assumptions.

Generali Employee Benefits is leading in that respect and is getting closer to underwriting year reporting, but it's been a long journey.

REINHARDT: We've made progress for sure: from a network perspective, especially as someone who manages a client service team, I'm looking at a greater need for specialisation in the skills that our team members bring to the business, as part of this evolving model.

You have to know more today than you did 10 or 15 years ago. That includes accounting, auditing and being able to comment on regulatory changes, being conversant in financial aspects of the business, and data analytics. Local country issues and whether a line of risk, or benefit, is even feasible also count.

HILGER: The role of the underwriter is huge. It's the focal point in terms of who brought the business on, and part of the role of the underwriter is to work with all stakeholders to help explain the coverage and how everything works. Also, it's to deal with all the issues when they come up. And they will—inevitably. ●

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