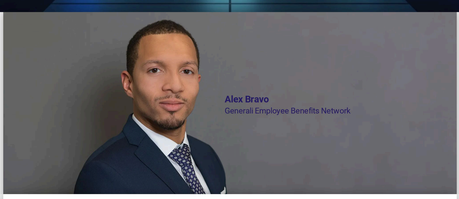
Generali Employee Benefits Network

What captives want

Data is crucial. It allows us to make informed decisions and even to look into the future. Alex Bravo of Generali Employee Benefits Network met Matthias Helmbold of DHL, and Brian Quinn of Granite Management, to discuss issues such as employee benefit captive challenges, and the long-term impacts of COVID-19.



Alex Bravo
Generali Employee Benefits Network

Alex Bravo: What are some of the specific cost-related challenges that international companies face when providing employee benefits across different regions and countries?

Matthias Helmbold: DHL has around 600,000 employees around the world, with 1,100 legal entities. The captive is covering around 110 countries. It's the joint performance between us and the members of Generali Employee Benefits (GEB) Network that makes our business units happy or, indeed, unhappy. So, partnership is key.

Cost is an important driver of our activity. It's a reason for the existence of the captive programme, especially in the early days. We were set up in 1996; the first-ever employee benefits captive insurance programme. In the early days, cost was the number one reason for the inception of the captive. That reason hasn't disappeared—medical trends are at a very high level with a lot of catch-up happening post the COVID-19 pandemic.

This is a challenge for our businesses, it's a challenge for corporations to fund these programmes and it means that anything we can do mitigate these costs is becoming more and more important.

For us, it's not just the financing mechanism of having a captive—of internalising the risk and reducing premium volatility in the local markets, making it easier for the business units to finance the programmes locally—it's also about health and wellbeing.

Our goal is to help reducing the impact of the medical trends we are seeing around the world.

What does this look like in practice? We review health and wellbeing work that is being done by all business units on an annual basis: then we underwrite the programme. That means that we provide discounts on our medical premiums around the world, in recognition of the improvement of the health of our people.

This is how we support our business units. It's how we keep our costs at bay. The programme has now been in place for eight years and the numbers speak for themselves.

Brian Quinn: When I began working with employee benefits, over 20 years ago, cost was all we thought about. We used the captive bringing our P&C risk philosophy and it was very effective.

Today, however, the world has moved on. Now it is all about the actual benefits and the terms and conditions. It is all about looking at the data; that has become the focus.

Cost is still a big issue, but captives bring the transparency that our clients want and need to fully assess their benefit needs. They know they are not going to be able to reduce medical costs significantly, but you are going to control these costs, get transparency and understand them. That understanding that really important—not getting that shock coming through all the time.

That is where captives are really helping. Managing the cost involves having that foresight and the ability to manage and focus on the health and wellbeing offerings.

You cannot do any of this without the data; that is the key element. As DHL found, there is not one fix for everyone. All countries have different requirements in terms of health and wellbeing to drive down those costs.

And that is where the fronting networks can really help, getting the data and working in partnership with captives to help improve such programmes.

"To go about this locally is the most effective and best way."

Matthias Helmbold
DHL

Bravo: How do you use the data to customise your offering in the various countries around the world?

Helmbold: We need data to make informed decisions, whether that is sums insured, or age profiles, or medical claims data. We need to understand the risk and we need to underwrite it in a good way. It is very important, because we are all in a competitive environment, and the pricing needs to be right. We want to write on a break-even basis—key to our programme—and the data supports us in getting there.

It is also about accounting. We have ever-increasing requirements from regulators in several domiciles around the world. We need to be professional. We need to provide the right numbers and keep our house in order.

And it is about reserving. We need to know what liabilities we are facing and how to manage them.

These are all fundamental requirements. So, it is not a case of more, more, more. It is a case of doing the work we do, together and in a professional way. The more we can automate, the less painful this becomes for everyone.

"Right now, the main concern is medical inflation."

Brian Quinn
Granite Management

Bravo: How does the data you collect in the various countries allow you to make a tailor-made solution that helps attract talent and gives employees what they need?

Helmbold: This is especially crucial for health and wellbeing, where the data on medical claims, for example, informs the programmes at local level. It is not one-size-fits-all.

Every market has distinct cultures and challenges, and different access to healthcare. Data is the foundation of risk management and ultimately supports the health of employees. This is how we actively use it in my team: to consult our local business units, to provide guidance to our HR teams who run the programmes on the ground.

Combined with their understanding of their markets, it enables them to design suitable programmes. To go about this locally is the most effective and best way. I do not think global, general approaches are the answer here.

Quinn: In our experience, clients want to be able to go out and say: "we provide global benefits on a globally consistent basis". Most clients have large US medical benefits which are very extensive and give much wider cover than is available elsewhere around the globe. Outside the US, they want to know that they have things such as covering same-sex partners everywhere, for example.

When we are dealing with multinational companies, they want everyone to be treated the same. The data helps us ensure that standard, and to price appropriately.

Bravo: Have you noticed any trends in the data that indicate you need to change your strategy?

Helmbold: On the health insurance side, we have made huge progress in having good data. We have relatively short feedback loops, so if we do something, we can see the impact quickly. On the disability side, it is untapped territory—there is a lot of work still to do.

Long-term disability claims have been increasing in many markets because of the COVID-19 pandemic. We need to get to a stage similar to where we are on the health insurance side, where we can understand and address the claims drivers. That is an important piece going forward.

Quinn: Data is showing mental health claims coming in and in my opinion the worst is yet to come. In developed countries such as Canada it's there already, but there's more to come in other countries. There is also more to come on increased mortality rates.

Right now, the main concern is medical inflation. It is the first time in 15 years that it has gone over 10 percent. That is shocking. It is the cost we are all looking at.

Bravo: What do you think the future impact of long COVID on disability insurance will be?

Quinn: It is the great unknown. Long COVID affects everyone in a different way. Again, it is going to take us another five years to know more. This is why the data is so important. We need to work together and track the data collectively to improve our understanding.

Helmbold: I agree. Whether the impact of long COVID is material or whether it disappears in the overall noise is unknown yet. Two drivers that are currently more prominent are cancer and musculoskeletal conditions.

We need to be conscious that a lot of people were working from home, sitting on their kitchen stools instead of an office chair. To some extent that has continued, and I think it will pose challenges going forward. The ergonomics we have in our normal office environment are not there at home, and hardly anyone is looking at this. Maybe companies subsidised a little here and there, but there are big challenges and risk.

Bravo: How important do you think employee engagement is to developing an effective health and wellness strategy?

Helmbold: For me, sitting on the captive insurance side as a risk manager, engagement is a welcome consequence, not the original purpose of our work. We look at health and wellbeing initiatives through the lens of health impact. We strongly believe that healthier employees are happier employees.

I would like to encourage local insurers to first focus on the big-ticket items—for example, coverage gaps you want to close, and diversity and inclusion—before looking at introducing lifestyle benefits that do not have much of a positive health impact.

Second, it is important to manage cost by having an intelligent plan in place that drives behaviours. It does not always need to be the most expensive hospital in the location for every treatment. These are important issues that we must consider.

We are doing what we can as a captive to create strong incentives to support the health of our workforce. We trust that these incentives contribute to a health-focused organisational culture that is championed by senior management who lead by example, and endorse the work of our HR teams. That is something we lobby for.

Quinn: I agree. It is about looking at the plan design and what we can do to cater the plans to employees' needs on a global basis and implement the client's diversity and inclusion goals and needs. Employees are masters of their own destinies and will make the choices, so all employers can do is provide them with the tools and information required to manage their wellness.

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