Captives: the vanguard of insurance

As innovation seeps into the captive industry, digital transformation within the market is set to be tremendous over the next five years

Emerging Talent

André Baldo, captive insurance account financial analyst at Arsenal Insurance Management

Employee Benefits

Vittorio Zaniboni and Frederik Van den Eede discuss how GEB changed its EB captive renewal status quo

Change for the better

Vittorio Zaniboni and Frederik Van den Eede discuss how Generali Employee Benefits changed its employee benefits captive renewal status quo for the better

Disrupting the status quo takes a high degree of confidence and trust from all parties impacted. And never more so than where data is concerned.

'Less is more' is not really a phrase that you hear often in our data-rich world. But when more data translates into increased complexity, ineffective interactions and, as a result, a more lengthy business decision making process for our clients, it's time to ask if there is a better way.

This is where we found ourselves when employee benefit (EB) captive renewals exercises were performed.

And that's why we challenged the way we were doing this activity last year designing - in partnership with some of our largest captive clients — a process and data framework that is altogether more efficient, effective, empowering and sustainable.

GEB's new Captive Renewal dashboard is a digital tool that can be embedded — in conjunction with others in our armoury such as the Client Data Centre — to enable our captive clients to govern more effectively the renewal of their EB schemes, while also making life easier for all the stakeholders involved.

More on this in a moment. First, back to the challenge we wanted to fix.

Data, data, everywhere…

In the recent past, the captive book renewal exercise mainly involved the collection of a very wide set of data from very different sources and a considerable set of qualitative data on every change that might have altered their risk profile since the last renewal.

Once this data and information was collected, the process moved on to a lengthy and complex preparation process, which in turn led to challenging meetings in which this wide breadth of information had to be digested, distilled and acted upon.

This was an intense exercise for everyone concerned, but especially for our captive clients who would then have to assimilate all the information during meetings with us that could last two to three days, in order to come to informed renewal decisions across typical portfolios of anything between 20 and 40 countries.

Of course, this is not a problem created by – or isolated to – Generali Employee Benefits (GEB) Network. It's simply a problem that has grown over the years, in line with the evolution of technology, data and risk management, the complexity of the local markets and products, and the level of expectations of captive managers to "own" their renewals. And a problem with which all captive networks, network partners and captive managers will no doubt be all too familiar.

However, just because something has become the norm, does not mean that we should simply accept it.

Turning complexity into solutions

Captives represent an important partner for EB innovations because they're the ultimate risk bearers, so they obviously have a vested interest in helping drive innovation; especially when you consider they are managing portfolios often in excess of €50 million.

We fruitfully worked in partnership with some of our largest captive clients to design and conceive the Captive Renewal Dashboard. A big part of this exercise involved building the confidence and mindset needed to accept that we will rely only on the information strictly needed for the specific purpose of the renewal exercise.

With this approach in mind, we went back to basics, defining an efficient workflow and enabling informed decisions, leveraging on the right data elements and the relevant data analytics.

By making use of various actuarial projections embedded into the tool, we are able to accurately forecast what the combined ratio will be at the time of the next renewal, thus directly translating into a suggested rate action. This is done for every single country and line of risk, paying particular attention to the medical trends we are

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observing when renewing the medical portfolio of a captive client. Pricing medical is very much about medical trend. And the renewal dashboard takes into account medical trend for every country across the world, ensuring it is taken into account when looking at each renewal.

During this exercise, it also became clear that one-size-fits-all doesn't work when it comes to captive renewals. The traditional approach was simply too rigid. An architecture was needed that could work in a multitude of situations and underlying approaches, and still provide value.

The result was to provide our clients with a dynamic palette of different methodologies — powered by algorithms — to represent the past experience and project future claim or loss ratio expectations from different angles.
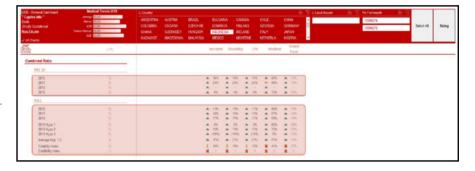
The tools for independence

And so, the Captive Renewal Dashboard was born. Now, via this one dashboard, clients can access all of the required data and metrics they need — based on data they already receive on a quarterly basis — in order to set their renewal rates for their entire EB portfolio, helping ensure the consistency of the renewal pricing with the trends observed on the past experience.

The next step this year is to introduce further innovation with underwriting year reporting, allowing for further granularity and therefore enrichment of the data available.

The dashboard also complements other digital tools provided by GEB.

For example, the Client Data Centre. Like the renewal dashboard, the Client Data Centre (launched in early 2020) gives clients a greater degree of autonomy, with the tools to drill down on deposits and reserves and quickly retrieve historical data over the last seven years to compare trends.

All of these tools are designed to strengthen the governance of captives and allow business decisions to be taken in the most informed, efficient and autonomous way possible.

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Head of client services
GEB

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Holistic process efficiency

Of course, it is not only the captive clients who benefit from the dashboard. Local network partners benefit too because it removes the need to provide layers over layers of overlapping data.

GEB's people benefit because the month-long marathon of data collation and distillation is removed. Therefore, we free up time to focus more on the analytics of data and in creating client value across the process. And renewal meetings now take no longer than half a day; another aspect to benefit the captive client too. ■

If you read nothing else, read this

- Renewing a full captive portfolio has become increasingly onerous and inefficient, with the power to negatively affect the overall value we deliver to our clients

- Why gather a conflicting multitude of data points when only a few are really needed to make accurate decisions?

- One-size-fits-all doesn't work. Every EB captive client is different and modern architecture needs to reflect that; the traditional Excel spreadsheet approach has had its day

- GEB's new digital tool, the Captive Renewal Dashboard, was designed in partnership with some of our largest clients with a view to helping change the status quo

- The renewal dashboard allows for more informed and efficient decision-making via less data and the availability of different predictive models

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Vittorio Zaniboni
Chief insurance officer
GEB