

Growing Role For Captives

COMMERCIAL RISK EUROPE'S CAPTIVE SURVEY 2018



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Trends in employee benefit captive programmes

◇ GENERALI EMPLOYEE BENEFITS NETWORK

Born out of market demand about two decades ago, employee benefit captives have continued to evolve in line with need. The latest iteration is seeing fronting networks, on which captives are heavily reliant, shift from reactive reporters and orchestrators of reinsurance transfer to proactive partners – helping captive clients to not only manage current risk, but also anticipate what’s about to happen next.

In addition to ensuring the right policies are in the right place, at the right time, the focus of employee benefit captives is on helping clients meet their overall business objectives: mitigating costs while maximising recruitment, retention, engagement and productivity. To achieve this, fronting networks have moved from being largely reinsurance transfer vehicles and data aggregators, to developers of much more advanced risk management services.

PROACTIVE RISK MANAGEMENT

Thanks to strengthened management of local data flow and real-time global monitoring, fronting networks have expanded ‘traditional’ global annual reporting to now monitor local trends via quarterly drill-down reports.

This allows for a granular view on all the individual policies within a captive programme. In other words, captive clients are afforded the means to achieve an in-depth understanding of individual policy underwriting, for benchmarking or global consistency purposes. They can now make informed decision on, for example, whether to follow local market practices or investigate the modification of specific terms and conditions according to local need (such as HIV coverage, war exclusions and so on).

MEDICAL REPORTING CAPABILITIES

Today, healthcare captives are far more engaged in the health (and health delivery) of their covered populations. In line with the proactive approach already mentioned, this is a shift from payer to partner. For healthcare captives, the focus of the partnership is increasingly about addressing changes in the burden of illness for a population, which means trying to have a positive impact on the current

and future health of all individuals insured.

Why is this relevant to employers? Because the rise in non-communicable diseases – more commonly known as lifestyle diseases, such as cancer, cardiovascular disease, respiratory illness and diabetes – impacts workplace populations in much the same way that it impacts society. It’s one of the key drivers of ‘Medical Trend’, the term used to describe the forecast change in healthcare plans per capita. Additional drivers include new medical technology, new drugs and ageing populations.

Estimates of this forecast change vary dramatically from country to country, but most surveys conducted by brokers/consultants such as Aon, Mercer-Marsh and Willis Towers Watson have placed global Medical Trend at just under 10%^[1] – more than three times general inflation. In other words, healthcare costs are growing disproportionately to the other costs of multinational companies.

This requires a concerted focus. While most health insurers around the globe can supply clients with summary claims data, too many report only the top ten diagnoses or general benefit utilisation. The risk is that simplistic reporting can be incomplete, one-dimensional and even distorted. Health insurers that can provide data assessment and insights deliver a better perspective: informing effective roadmaps for interventions and programmes to mitigate cost drivers.

FROM PAYER TO PARTNER

Beyond data assessment, however, in order for employers to make a real impact on employee health, it is essential to overlay claims data with observations and insights on local population health trends, programme design, provider network structure, and any impact on plan costs from the public health sector and the regulatory environment. An understanding of all of these factors is essential to help convert data

into meaningful solutions for employers and those insured.

Through this approach of leveraging information to develop insight and meaningful recommendations, the best health insurers act as partners to healthcare captives – providing illuminating reports, informed and market-specific insight into cost drivers and their causes, comparative benchmark information, and targeted recommendations on how to address the findings.

WHAT DOES THE FUTURE HOLD?

Among the main trends ahead is the effort to develop not only reinsurance and reporting services but a wider range of solutions to better manage the impact of benefits plans on employees and the overall community. Again, market demand challenges fronting networks to build upon their unique access to a wealth of reliable data to define more creatively their role as insurance and service partner.

In addition to investing heavily in health data management and accompanying wellness programmes, as mentioned above, fronting networks are seeing growth in other areas too. Among the services most requested from the companies that Generali Employee Benefits works with are:

- ◆ Renewal support services, to gain better visibility and help streamline renewals management
- ◆ Consultative services, from stakeholders’ dialogue, bridging the HR and risk management perspective, to benchmarking and market insight
- ◆ Opportunities for the captive to give employees access to voluntary benefits plans.

This is about applying a risk management philosophy to the employee benefits arena, ensuring that major players support and invest in creating value for their clients’ overall business strategies. It’s an exciting time for those ready to collaborate, embrace different perspectives and broaden their vision.



[1] • *Medical Trends Around the World 2018*, Mercer <https://www.mercer.com/our-thinking/health/mercer-marsh-benefits-medical-trends-survey-2018-digital.html> /
• *2018 Global Medical Trend Rates*, AON <http://www.aon.com/russia/files/2018-global-medical-trends-report.pdf>
• *2018 Global Medical Trends Survey Report*, Willis Towers Watson <https://www.willistowerswatson.com/-/media/WTW/PDF/Insights/2017/12/2018-global-medical-trends-pulse-survey-report-utu.pdf>