

Captives: providing certainty in an uncertain world

COMMERCIAL RISK EUROPE'S CAPTIVE SURVEY 2019



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Trends in employee benefit captives

With a senior background in the property and casualty sector and now CEO of Generali Employee Benefits Network and Generali Global Health, Paolo Ribotta offers unique insights into how traditional P&C competencies are being applied to HR risk



Paolo Ribotta

◆ EB TRENDS

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It's safe to say that HR and risk managers are not natural bedfellows, due to the traditional perception that one cares about people and the other about assets and money. Yet, as anyone who's ever tried to start a conversation with a stranger will know, you need to find common ground to build connectivity.

It's part of our role as a network to help clients find this common ground.

With a captive arrangement, this is in theory quite straightforward. The risk belongs to the captive – to all those involved, namely HR, finance, procurement, legal and compliance. In other words, everyone has a vested interest: common ground.

In practice, getting all these stakeholders together represents a major achievement and relies on an experienced provider. It's a complex task, but the advantages to all parties – and ultimately to business – can be profound.

It's this shared ownership of the risk that ensures connectivity, helping to break down the debilitating silos that exist across so many global organisations. And it's through connectivity that organisations are in a position to gain a competitive edge in terms of attracting and retaining talent, while keeping the finances under control.

RISK MITIGATION

Companies worldwide are being tasked to make much better use of what they've

got with regards to employee benefits – maximising usage while minimising costs. Against this backdrop, one of the key trends we're seeing is that clients are trying to increase their contribution of employee benefits into the captive.

The success of this strategy is wholly dependent upon partnership working. Why? Because traditional competencies born out of the P&C world – competencies that started with financing and then moved into loss prevention and risk mitigation – are increasingly being applied to the human nature of risk, to help ensure a workforce that is fit for purpose and productive.

Spend on employee benefits often far outweighs that on property and casualty (P&C). Plus, employee benefit risk is generally more stable than P&C risk, so increasing the contribution of the former helps to both diversify the risk and reduce volatility.

Of course, any organisation planning to include employee benefit risks into their captive should – as a first move – find out whether their fronting network providers also offer protection for their balance sheet. We see those companies operating in a European environment in particular requesting such protections, which we provide on an excess of loss or aggregated stop-loss basis.

PREVENTATIVE FOCUS

Meanwhile, we're also seeing the most sophisticated captives looking to manage employee risk more holistically. And they want to know that their network provider can help in this regard.

This necessitates a focus on prevention, via a much more integrated approach across life and non-life aspects.

Captive managers are driving this shift. They want support to identify – and even predict – problem areas, then to look

at what support they might already have in their benefits armoury to put in place appropriate interventions.

This is based on the thinking that life, accident and disability, health insurance and employers liability (or workers compensation) are all related. For example, captives could utilise some of the added-value wellbeing benefits that form part of group income protection to help tackle and prevent work-related stress (WRS), in turn helping to also prevent WRS-related employers liability/workers compensation claims.

This is about stopping short-term health niggles becoming long-term illnesses and absences. And, in turn, long-term issues becoming claims against the company and even death.

It's this shift that has also driven the development of medical dashboard reporting. Our dashboard reporting enables captive managers 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, in terms of pricing decisions and preventative initiatives.

BESPOKE BENEFITS

Finally, we're also seeing an increasing demand – particularly among clients in the high-tech sector – for benefits that don't necessarily adhere to standard market practice. For example, health cover that allows for transgender surgery benefits or mental-related illnesses that in some markets still are treated restrictively in terms of cover being available.

Because the risk is born by the captive, we have the flexibility to do this.

Of course, this relies on working with a reputable network provider. Even if local legislation permits the required benefit design, if it's something that perhaps isn't socially acceptable, it simply won't happen if the network doesn't enjoy strong partnerships – built on trust, mutual respect and, ultimately, common ground – with local insurers and consultants.

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