

# THE EMPLOYEE BENEFIT BREAKDOWN

Vittorio Zaniboni of Generali talks about what has changed and what is about to happen with employee benefits and captives

It's only in the second half of the '90s that employee benefits entered the captive market, traditionally reserved to property and casualty risks.

Since the launch of our first captive programme in 1994, we have been able to consistently grow our client base to become today the leader in this field. We can see that demand for funding employee benefits via a captive keeps increasing, with more and more companies investigating our capabilities to support them in an eventual transition.

Companies evaluating these solutions should start from a strategic and high-level assessment aimed at identifying each company specific background and objectives. Our role as a fronting network is to support you; our aim is to help you understand what is the best approach considering where you come from and where you want to get to.

As we celebrate Generali Employee Benefits (GEB) 50th anniversary this year, I would like to share with you our view on the relations between employee benefits providers and captive market. Taking stock of our unique expertise in this segment, we can look back at what worked well and why, and we can point out trends and directions ahead.

This exercise allows me to highlight how the role of major players (namely fronting networks, risk managers and human resources managers, and, of course, employees) has evolved, often pushing them to go beyond their initial remit and develop new areas of expertise and involvement.



## Vittorio Zaniboni

**Vittorio Zaniboni** has been working for Generali for almost 20 years. He started his career as a junior actuary in the head office of Generali in Trieste in 1996. He then joined GEB headquarters in Brussels in 1998 where he pursued a successful career as actuary, head of reinsurance, chief actuary, and chief technical officer as of 2015.

We have identified three main stages in the employee benefits captive evolution:

1. The dawn era – when the relationships between providers and captives was based on the mere reinsurance transfer
2. The data era – when fronting networks were pushed to invest in advanced data analytics capabilities to enable corporate decision making
3. The maturity stage – where fronting networks become partners in identifying and combining value added services

### The dawn of employee benefits captives

The application of captive arrangements to employee benefits emerged as a market demand. Major companies started to inquire about this opportunity, and demanded we'd provide them with the infrastructure and the tools needed for such a step forward.

GEB was among the first market players to accept this challenge, and I can see

now as our expertise in international life insurance greatly helped in this initial stage to understand how to adapt different risk management philosophies and needs to employee benefits, with their specific requirements and dynamics.

How did the collaboration between fronting networks and captive companies look like at that time?

Back then, access to local insurance capabilities was key, and our efforts were concentrated on insuring this access, setting up the network backbone and making it work.

Captives found it beneficial to work with a fronting network who already had strong relationships in place with local insurance companies, avoiding heavy set-up costs and continuous efforts to promptly address and solve emerging issues.

As a fronting network, we can leverage this set-up across different needs and different clients, while for a single captive it would be extremely demanding and resource-intensive to build and sustain the same kind of relations for just their own needs.

Our role consisted of a combination of two main elements: ensuring access to locally admitted solutions and enabling reinsurance flows, so that the risk is transferred back to them at 100% or up to maximum allowed by local regulations.

Acting as reinsurance aggregators, we had to manage treaties and consolidate reinsurance flows into a global flow for each client.



While this phase was instrumental in building the capacity for these solutions, we soon understood it was not enough. Fronting networks entered a new conversation with our counterparts, the captive managers.

**Data-driven answers to captive needs**

GEB and other networks started to focus on the data reporting they were able to provide, also thanks to advances in digital technologies. We switched our attention from interconnecting treaties to how to use our data flows to effectively cater to a captives needs.

The application of risk management principles and techniques led benefits networks to improve our reporting and business intelligence capabilities.

Leveraging our network and centralising the risk was not enough. We were asked to take a more proactive stance by aggregating data in ways that help mitigating exposure to risk (for instance providing insight on their premium or claim patterns).

Captive clients were not just interested in a historical overview, they wanted to see what was about to happen next. They wanted to anticipate benefits spending and risk management activities, and not necessarily to reduce costs. They sought to optimise their investment and ensure to get the most impact from their benefits plans improving the way local schemes were underwritten.

Fronting networks had to move fast to catch up with evolving expectations. The

need emerged to expand the “traditional” global annual report to the monitoring of local trends (i.e. quarterly drill-down reports) and to a granular view on individual policies in a captive programme.

As ultimate owner of the risk, captives demanded we help them understand in-depth individual policies terms and conditions, for benchmarking or global consistency purposes. A captive may decide to follow local market practices or ask if

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possible to modify specific T&Cs (HIV coverage, war exclusion, etc.).

Clearly a more detailed infrastructure was needed to support captives’ engagement at policy underwriting level. Fronting networks were at the time investing to switch from a paper world to smarter collaboration supported by online platforms, accessible anytime anywhere.

The launch of GEB reinsurance por-

tal responded exactly to the need to strengthen management of local data flow and real-time global monitoring.

In the long term, the visibility and data detail now readily available are pushing fronting networks to move beyond simply aggregating data, towards developing more advanced risk management services. As an example, the launch of new medical reporting tools, that we pioneered about five years ago, provided companies with unique insight into their medical experience, enabling them to really understand medical consumption. Reports can highlight specific patterns and issues in each country and inform benefits decisions, to tackle the underlying cost drivers that have been identified.

**Taking employee benefits captives to the next level**

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 the demand from our clients challenges us to build upon our unique access to a wealth of reliable data, in order to define more creatively our role as insurance and service partner.

Fronting networks are now investing in health data management and accompanying wellness and prevention programmes. But this is far from being the only area of growth for us. Among the services more requested from the companies we work with are:

- Renewal support services, to get 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 favour employees access to voluntary benefits plans

Applying a risk management philosophy to the employee benefits arena is driving major players to invest in creating value for corporate strategies in order to attract and retain a healthy, productive and engaged workforce.

It is an exciting time for this sector and for the actors who are ready to collaborate, embrace different perspectives and broaden their vision. 