CAPTIVE REVIEW

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EMPLOYEE BENEFITS IN 2020

Lara Ribeiro and Andrea Valacchi of Generali Employee Benefits consider what changes are taking place in the employee benefits space and what variance there is around the globe

Lara Ribeiro

Lara Ribeiro is captive manager for WEMEA. From the start of her career in 2006, she started building experience in developing client relationships. She moved to Belgium in 2010 and joined Generali Employee Benefits in 2014 as account executive with an intense focus on captive business. Since 2017, Ribeiro has served as the captive manager for the GEB-WEMEA office, and, with her team, she manages the day-to-day operations of 10 captives.

Andrea Valacchi

Andrea Valacchi started working for Generali Trieste in 1988, and moved first to Generali France and then, in 1991, to Brussels, where he was promoted to assistant manager of Generali European Services. In 2003, he joined Generali Employee Benefits global headquarters as area manager, and then regional manager, supervising Western Europe and the GEB Network expansion in the Middle East and Africa. Since 2010, Valacchi has served as director of the EMEA region.

Captive Review (CR): **What is the state of employee benefits in 2020?**

Lara Ribeiro (LR): Increasingly, health and well-being benefits are attracting employees around the world towards particular companies and corporations. As a result, companies are looking to offer a comprehensive employee benefits package and focus on what is important to new generations of employees. On one hand, this is a cost, of course. On the other hand, it is very important for companies to understand this cost in order to mitigate whatever is driving scheme utilisation. Having an insight into the structure of benefits also leads to higher employee engagement levels. It's a cycle: if employees are aware and use the health and well-being benefits, the claims consumption is likely to decrease.

At Generali Employee Benefits (GEB), we have a department dedicated to providing data and analysis around how companies' plans are being consumed at the local level. We have a focus on data reporting and analysis, which provides an in-depth understanding of the global use of employee benefits. This helps firms keep contact with their local companies and decide upon the actions to be taken locally.

Andrea Valacchi (AV): This is the result of an evolution and did not happen overnight. Our strategy is to become a global health and benefits provider with all the requested comprehensive offers that need to be in place in order to enable our clients to deploy their own vision and strategy in this specific space.

CR: **What global trends are you currently seeing?**

AV: We have been seeing the rise of 'flex benefits' and 'voluntary benefits' because now employees want tailor-made benefits according to their specific requirements at a given moment in time. We see this in some Asian markets because they want to extend coverage to family, and we're receiving more requests of this nature. When it comes to funding the employee benefits expenditure around the world, we observe a rising interest for reinsurance to captive programmes. We see that clients really want to have more control over the risk and cost, and they want to have more access to data, too.

There is also an increasing interest for benchmarking of information on the local markets to get an understanding about how employee benefits are comparing from region to region. The global corporations are very mindful about whether they are providing the same benefits or the same advantages to their employees as their competitors. We have been leveraging the skills of our local partners to understand which industry is using which kind of employee benefits so that we can then provide information to the global corporations about what is being offered on a local basis.

CR: **What do you find more modern companies are looking for?**

AV: These companies are looking more holistically at employee benefits and they mean something different compared with more traditional companies. New generations of employees give paramount importance to forms of benefits like flexible working time, pet-friendly environments, free books, massages and yoga, continuing education and more. Obviously, more traditional forms of benefits continue to have a fundamental role in the employee benefits space, especially in those countries where social security benefits are progressively being reduced.

LR: Our role as a reinsurance company providing support to captive programmes is to be up to date with all of these trends, to be in contact with our partners, to gather as much market intelligence as possible and translate all of this complex information to the risk managers.

CR: How does the US landscape compare to other global regions?
AV: The US is a sophisticated market, especially when it comes to healthcare. The inflationary aspects of that market are particularly material because of the increased cost of the medical trend. As such, there was a need for a more sophisticated market to control the increasing costs.

In the US, there is the general belief that healthcare utilisation is fairly predictable. As a result, many US firms with lots of employees prefer to run risk on their own balance sheet and eventually try to protect it with stop-loss cover. This is a typical framework that we normally observe being in place in the US when it comes to healthcare schemes.

When it comes to life and disability benefits, we observe a shift from employer to the employees. Why is that? Because what the employers offer is a basic cover, the minimum that they need to offer in order to be benchmarked with their peers. Then they have the practice to implement voluntary covers, which are funded by the employees. This is where, depending on the appetite of the employees to buy benefits, a benefit can begin to grow. Also, what we see as a difference is US companies continue to support and believe captive funding is an efficient vehicle to manage cost in the employee benefits area.

In Europe, there are different trends because companies pertaining to the so-called 'traditional industries', appear to be focused into other programme structures to achieve cost savings from the start. And that is one of the reasons why within the employee benefit area in Europe, we have not recently seen new reinsurance to captive cases. Having said this, we are

fairly convinced that reinsurance to captive funding will acquire an importance also across Europe in the years to come.

CR: Why is the take up for employee benefits programmes in Asia slower?
AV: Asia-based companies are still practically decentralised in terms of operations, while in order to have an efficient global programme, you must have some level of coordination in place. If you deal with a China-based multinational company, for instance, they have full governance of scheme utilisation in mainland China but have limited visibility of what is going on outside their borders. This is an evolution that will require some time to materialise in full, but we are confident that Asia is going to be able to generate opportunities in the international benefit market.

On the other hand, some Asian countries are already sophisticated. Countries like Singapore, Malaysia, the Philippines and Thailand are seeing the local benefit market improving by the day in terms of quality of administration and more. It's yet to be seen whether these markets are going to generate so-called 'outgoing opportunities'.

LR: The European market is somewhat on hold with captives. On the other hand, in Asia, we have very good local partners. Captives based in Europe and in the US have huge local schemes in Asia being reinsured to them. These are two different aspects on the Asian markets: while they've still no particularly established captive space to bear, they provide very good service to the captive space in the US and Europe.

CR: What are you focusing on in 2020?
AV: GEB has a presence in many countries, but the core of the business activity is in Europe. With that said, we also have a strategic presence in Asia-Pacific and several countries throughout Central and South America. We are developing our activity across these regions and anticipate there being a lot of opportunities as far as our specific activity is concerned.

GEB is a distinct animal, because as a matter of fact, we have a strong brand presence in the US. Actually, our colleagues in the US are succeeding in establishing relationships and partnerships with international companies based in North America that any other provider in the world would dream of building a cooperation with. We are engaging with these companies with a lifetime partnership spirit that enables us to provide value over time to the requirements of our international and multinational customer base. This model is working well, and this is the reason why we believe we have been particularly successful. At present, we are designing the organisation to position ourselves in an adequate way for the challenges of the future.

LR: GEB is investing a lot in technology. We are updating our systems and also upgrading the way we want to generate and provide data to our clients. We see, for instance, that the requirements for reporting have been toughened along with, for example, the GDPR and IFRS 17 regulations. I guess that our role is to really support our customers and help them to get familiar and aligned with all of the changes that we are observing in several markets. We want to provide compliant data and show we are becoming a much stronger company in this sense.