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Captive insurers' data, greater control help rein in benefits costs

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SOUTHAMPTON, Bermuda — Spotting trends and centralizing monitoring and management of global health care costs are advantages that captive insurers can bring to multinational companies that use a captive to fund employee benefits, industry experts say.

Managing risk on a global basis is challenging. Corporate benefit programs cover employees in different countries with varying tax environments, labor laws and social security systems. Benefit designs vary by country, said Marc Reinhardt, Parsippany, New Jersey-based head of sales and distribution at director of the Americas at Generali Employee Benefits Network, a unit of Italy-based Assicurazioni Generali S.p.A."Multinational companies that are looking for ways to manage the costs of employee health benefits are shifting their focus from financial savings through driving down rates or higher benefit limits to data analytics and service management and aggregation," Mr. Reinhardt said Tuesday during the 2016 Bermuda Captive Conference in Southampton, Bermuda."Data is an important component of managing health care benefits," said Eric Butler, New York-based vice president of global health care at MetLife Inc. "An aging population, changes in technology, drugs or surgeon tools — these medical trends are the big changes in health care costs." Serving 480,000 employees in 220 countries, the employee benefits captive at Deutsche Post DHL, a mail and package delivery company,is one of the largest in the world, said Bill Fitzpatrick, its London-based vice president of global insurance and risk management. "Instead of having DHL individual business units buying local contracts, we consolidate those and bring them into a central network. We are seeing significant cost savings of 18% to 20% in premiums over local market product offerings," he said of the captive that provides health insurance for each of its businesses and other coverage including marine cargo, aviation and workers compensation."The average health care costs are increasing 8% to 10% per year," Mr. Fitzpatrick said. "How long can these benefits plans be sustainable? By 2020, our spending will have doubled if we do nothing. To bend that trend line, we would have to cost shift to the employees or eliminate benefits, which is why we turned to the captive program" established in

1996 with benefits added in 2011. Multinational employee benefits were the fastest growing risk placed in captive insurers last year, insurance brokerage Marsh L.L.C. said in a May report.