The Insurance Captives

A key solution for managing Corporate insurance risks.

Focus on their use for Employee Benefits risks

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EY Luxembourg

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Agenda

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6. Captives and Regulations
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Insurance Captives

Section - 1

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WHAT is Reinsurance?

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Reinsurance

What?

- Reinsurance is a risk management tool where an insurance company transfers a portions of its risk to another insurer → it's like an insurance for other insurance companies
- This process involves the reinsurer (the one which takes on the risk) providing financial protection to the ceding company (the one passing on the risk) in exchange for a compensation

Why?

- Mitigate Large Loss Exposure
- Enhance Financial Stability
- Optimize Capital Management

Quality & Standards

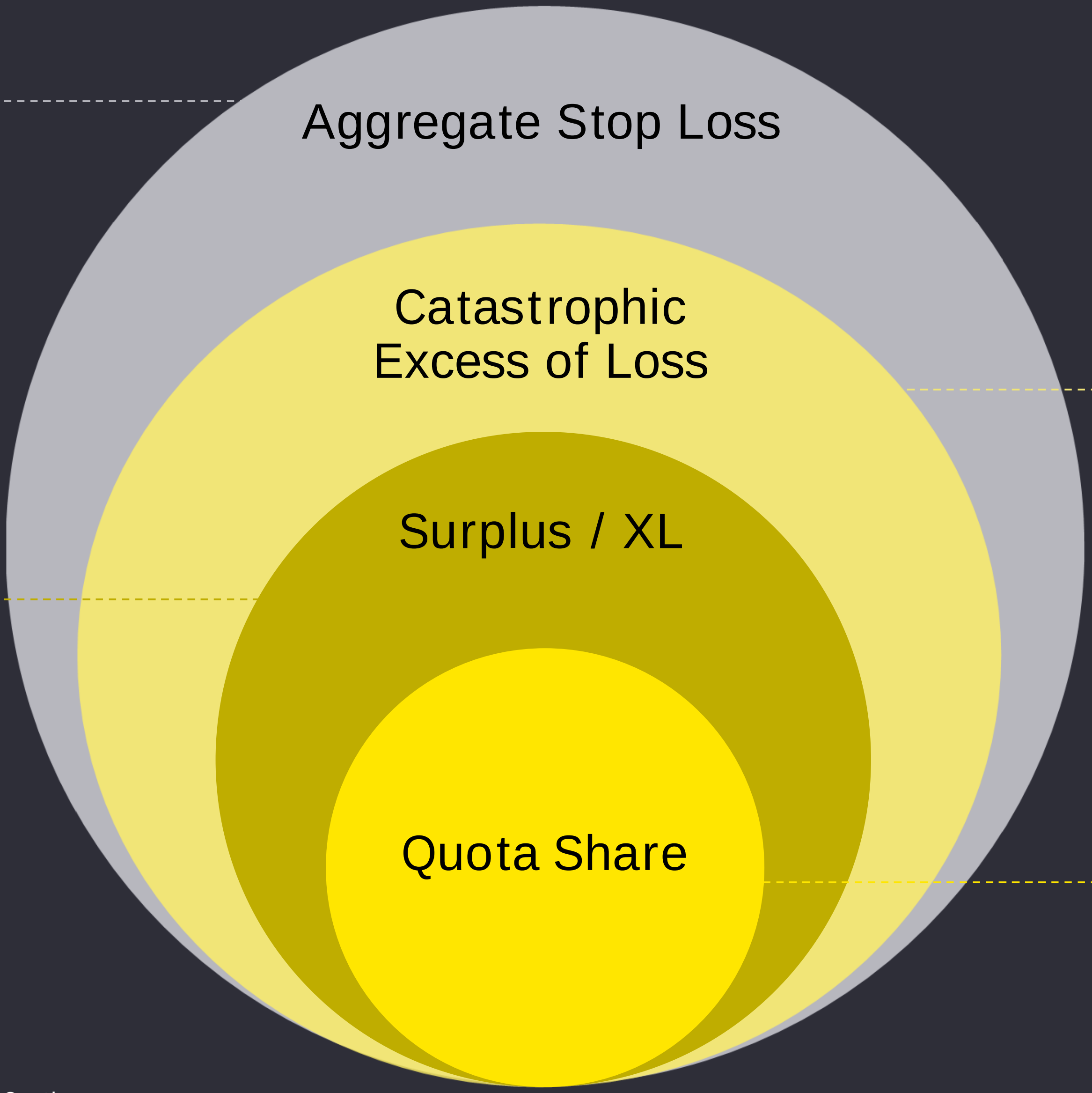
- Clear Contract Terms
- Transparent Agreements
- Adherence to Industry Standards

Reinsurance protection solutions

Let's explore four key reinsurance protection solutions that empower insurers to navigate the complexities of the risk landscape effectively:

Protection against aggregated losses (often due to the combination of *high frequency/low severity* claims)

Protection against *high severity* individual claims ('peak' claims)



Protection against catastrophic claims *(high severity/low frequency).* It is meant to provide protection against single events generating large losses *(e.g., earthquakes, man-made events, etc.)*

Here the ceding company shares a given percentage of the risk with the reinsurer. All liabilities and premiums are shared according to the same ratio

WHAT is an Insurance Captive?

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What is a Insurance Captive?

An Insurance captive is a (re)insurance company formed by a non-insurance parent to internally address and manage its own risks, deviating from traditional (re)insurance structures

Driven by fiscal optimization and friendly regulatory environment reasons

By channeling risks internally, captives can lead to cost savings, reduced premiums, and improved risk mitigation strategies

The parent company typically fully owns the captive, allowing for direct control over risk management decisions

They serve as a self-funding mechanism, enabling the parent company to retain and manage its risks

Captives coordinate customized coverage to address specific and unique risks faced by the parent company

Some figures on the Captive market…

~ 200 in Luxembourg[2]

6.000

Number of captives stablished in over 60 domiciles worldwide

$70Bn

Worldwide Gross Written premium

150

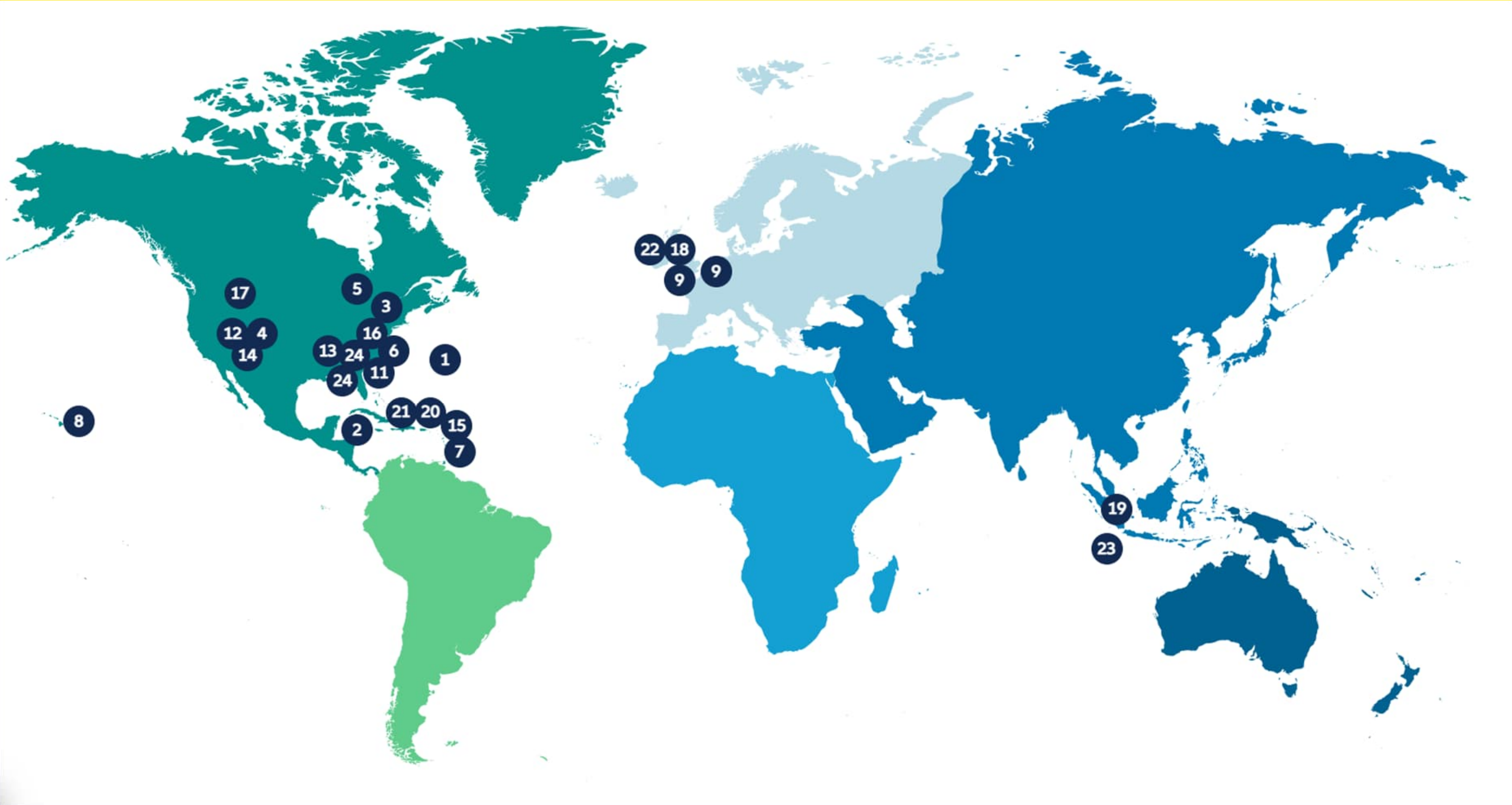
Captives writing EB risks, either under a single country, multi-local or globally coordinated approach

- Among the 6.000 captive companies, about 30% are established in the traditional domiciles of Bermuda, Cayman Islands and Vermont
- Single-parent (37%) captives still represent the largest share in terms of captive structure, multi-owner captives (32%) and other risk retention groups (22%) have progressively grown

1. Source: https://captivereview.com/features/igp-captives-and-employee-benefits/
2. Source: https://www.captiveinsurancetimes.com/countryfocus/country.php?country_id=166&navigationaction=countryprofiles&page=&newssection=countryprofiles

Main Insurance Captive domiciles

This map highlights the locations of 25 of the top captive domiciles around the globe[1]

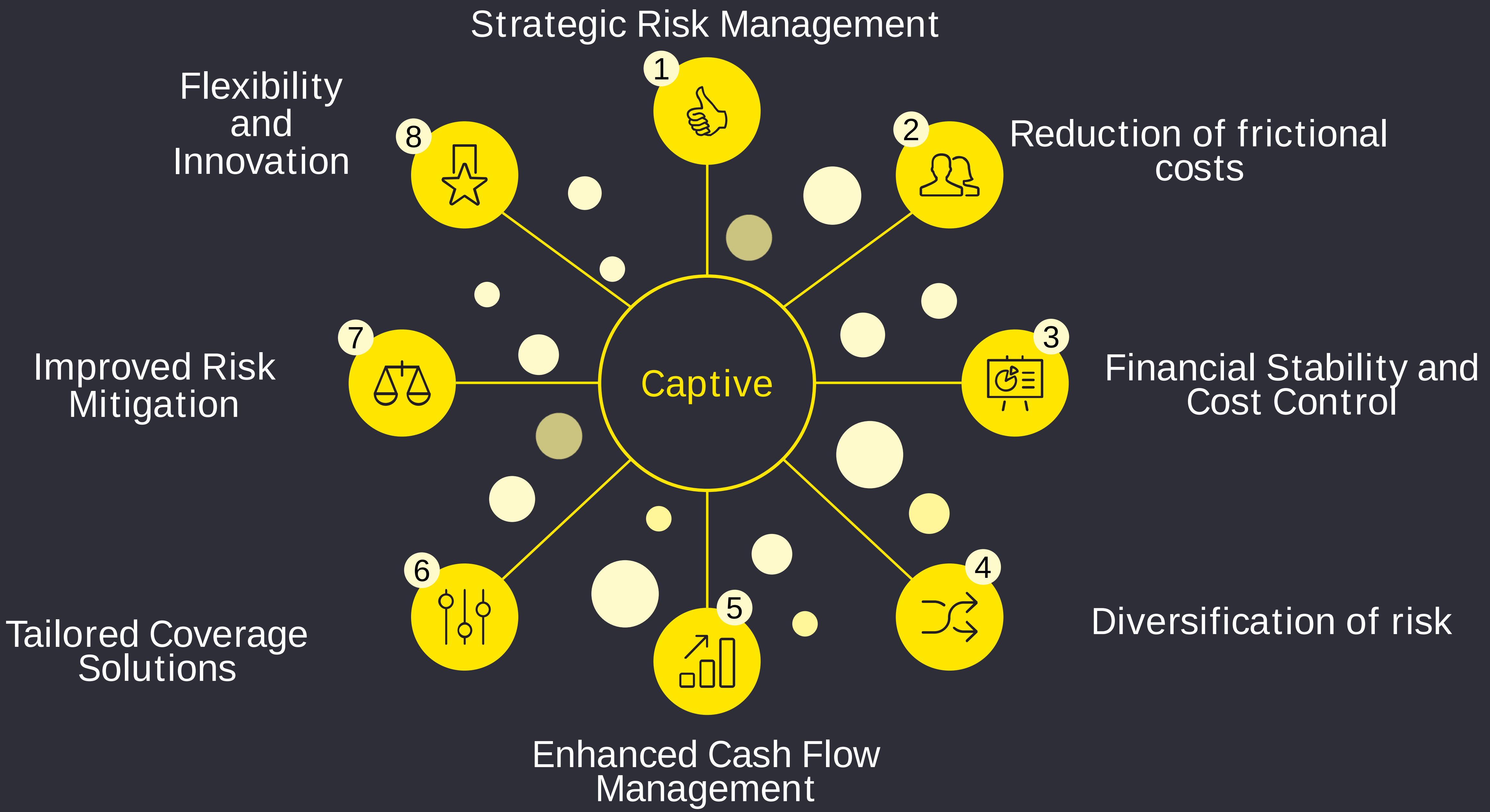


Domicile	Captive count
Bermuda	670
Cayman Islands	661
Vermont	620
Utah	384
Delaware	313
...	...
Luxembourg	192

1. Source: Allianz; Report: Captive numbers compiled by Business Insurance, Captive Insurance Special Report. March 2022 edition. Ranked by the number of captive licenses at year-end 2021. Numbers do not include microcaptives, series captives, or individual cells or cell members in protected cell companies.

WHY an Insurance Captive?

High level Objectives of an Insurance Captive



Captive Structures and Frameworks

	Owned Captives	Cell Captives
Definition	*Owned captives are independent insurance entities wholly owned by the parent company*	*Cell captives are structures where multiple businesses, often unrelated, share a single captive through segregated cells*
Characteristics	• Direct Ownership: The parent company owns the entire captive, maintaining complete control • Tailored Solutions: Offers high customization for insurance coverage based on the specific needs of the parent organization • Financial Independence: Operates as a standalone entity with its own capitalization and financial structure	• Shared Structure: Multiple businesses utilize the same captive platform but maintain separation through individual cells • Risk Segregation: Risks and financial obligations of each participant are distinct and do not impact others • Cost Sharing: Participants benefit from shared administrative costs, making it a more cost-effective solution for smaller entities
Key Considerations	Ideal for larger companies seeking full control and customization	Suited for smaller entities or businesses seeking cost-effective risk management with shared infrastructure

Captives and regulations

Regulations play a crucial role in ensuring the stability, solvency, and fair operation of captives. Let's explore key regulatory aspects that captives must contend with:

Solvency

- Solvency Regulation: Captives, like traditional insurers, are subject to solvency requirements to ensure they have adequate financial resources to cover potential liabilities
- Risk-Based Capital (RBC): Regulatory authorities impose risk-based capital frameworks, aligning capital requirements with the specific risks undertaken by captives

Proportionality Rules

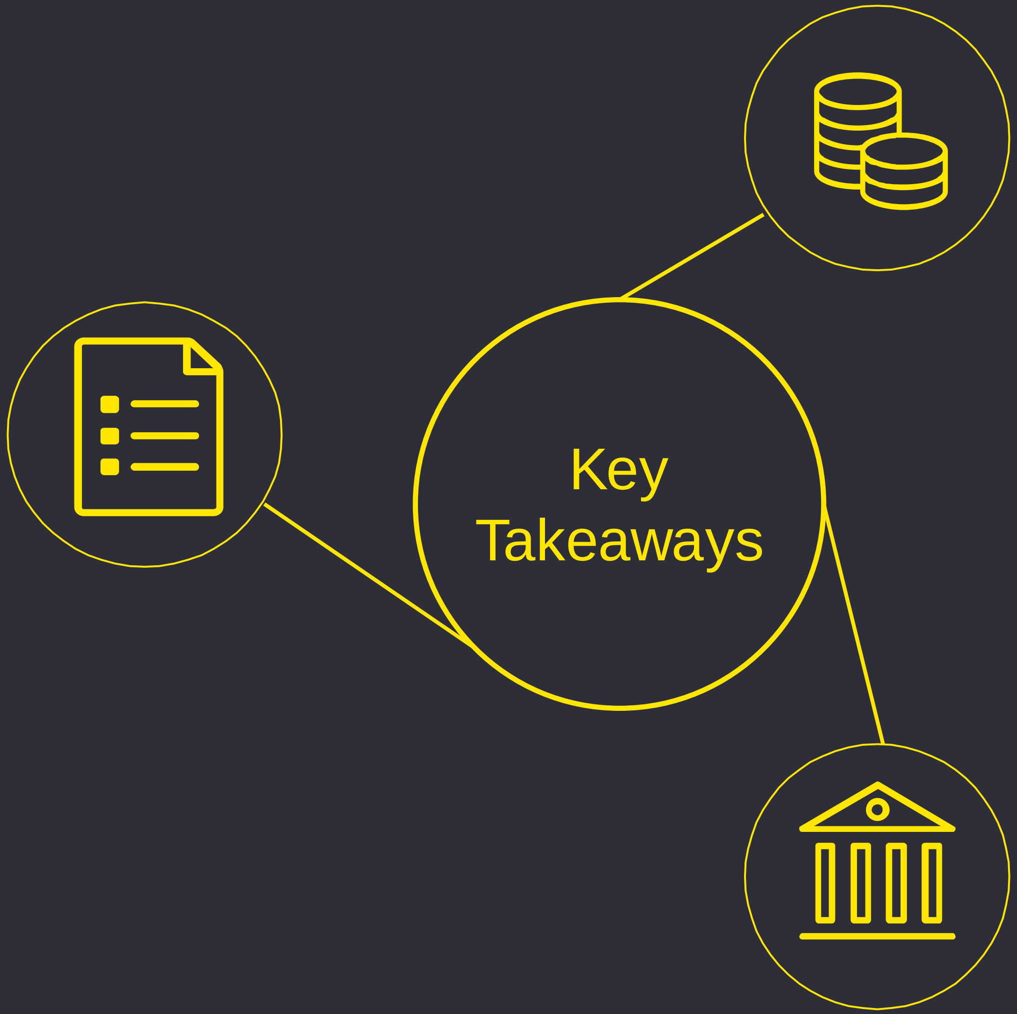
- Definition: Proportionality rules in captives aim to tailor regulatory requirements based on the size, complexity, and risks undertaken by the captive
- Regulatory Flexibility: Smaller captives may benefit from proportionality, facing less stringent regulations compared to larger counterparts
- Compliance Adaptability: Proportionality allows regulatory requirements to be proportionate to the scale and nature of the captive's operations

Collateral

- Collateral Requirements: Ceding companies may impose collateral requirements to limit their counterparty risk and ensure the adequate protection of their financial interests
- Types of Collateral: Collateral can take various forms, including letters of credit, trusts, or cash deposits, providing a financial cushion in case of unexpected claims
- Impact on Capital Structure: Understanding collateral landscape is essential as it can influence the capital structure and financial flexibility of captives

Captives and regulations – Key Takeaways

Regulations play a crucial role in ensuring the stability, solvency, and fair operation of captives. Let's explore key regulatory aspects that captives must contend with:



Captives must strike a balance between regulatory compliance and operational flexibility

Proportionality rules allow regulators to tailor requirements, acknowledging the peculiarities of captive structures and sizes

Collateral requirements contribute to financial prudence, ensuring captives can meet their obligations towards their ceding companies

Deep Dive

Employee Benefits Captives

Section - 2

WHAT is Employee Benefits (EB)?

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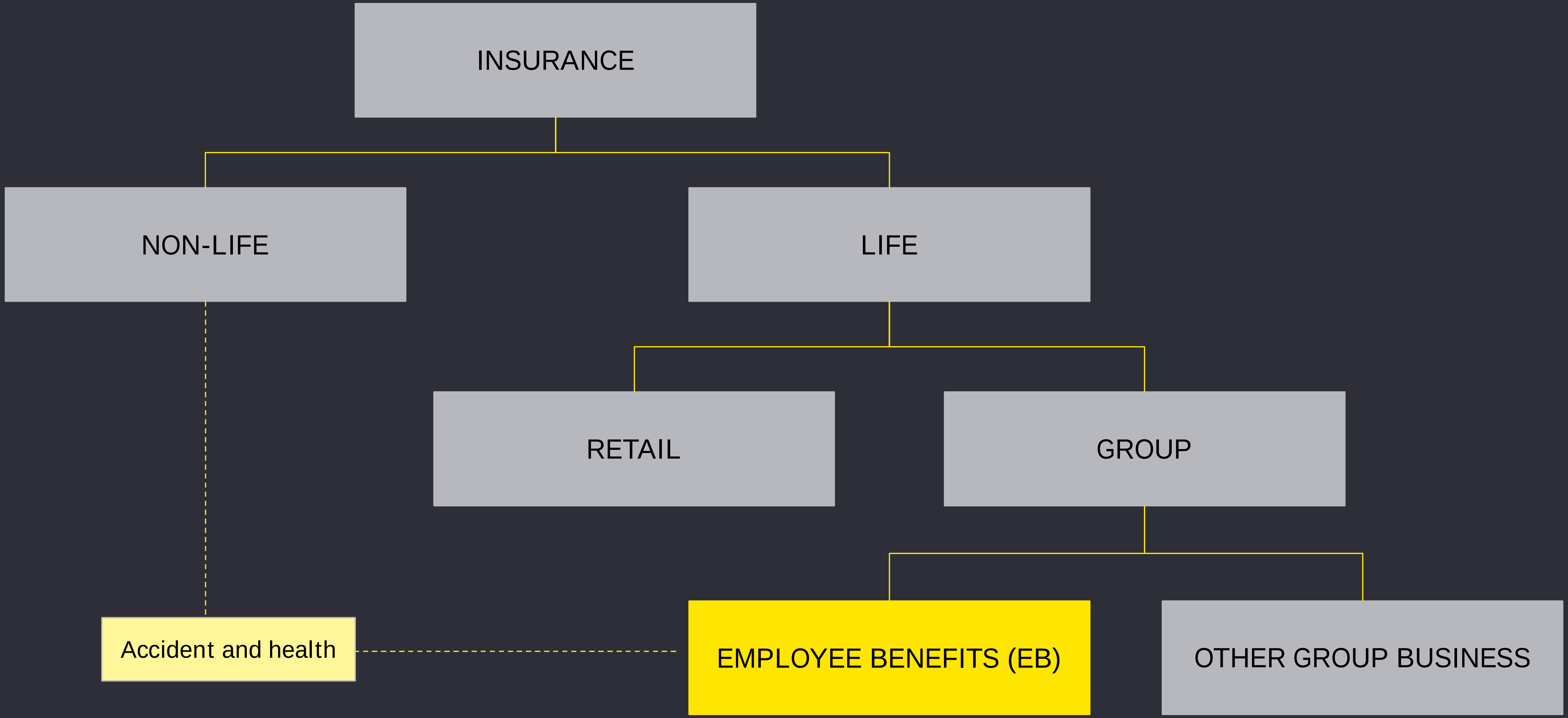
What is… Employee Benefits (EB)

Insurance business tree view



INTRO - Employee Benefits (EB)

Within employment contracts, employers provide insurance promises tied to specific employees lifecycle events

Non-Monetary Benefits

- Disease, Accident, Illness, Death

These benefits, typically linked to events like disease, accidents, illness, and death, are integral components of the remuneration package

Need for insurance EB solutions

- Honoring Employment Promises

Employers very often engage with Life Insurers to externalize these promises through dedicated group insurance contracts

Self-insuring EBs

- The internal option

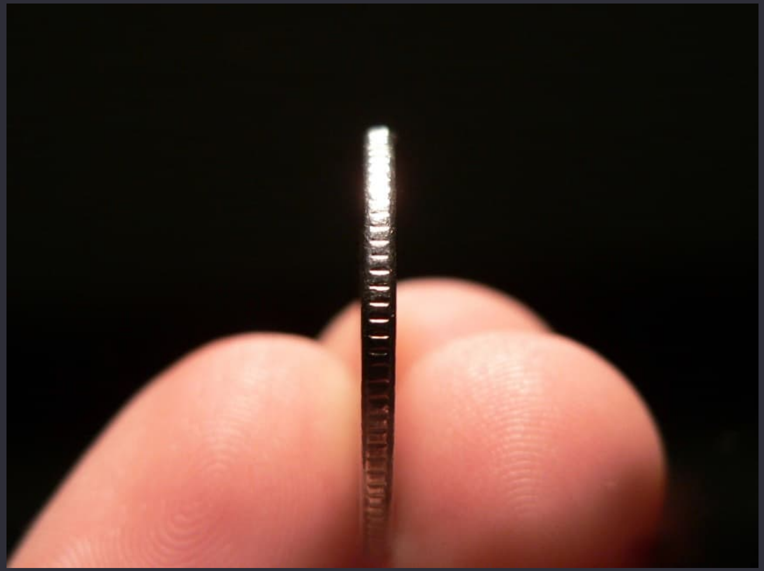
In some cases, EB “promises” are totally or partially self-insured. This create the need of having “book reserves” in the Balance Sheet of employers

The two sides of the EB coin

The EB realm can be divided into two areas

Risk benefits

- Insurance benefits aimed at protecting the employee against the financial impact (also due to loss of income) deriving from events linked with the human lifecycle (death, disability, health..)



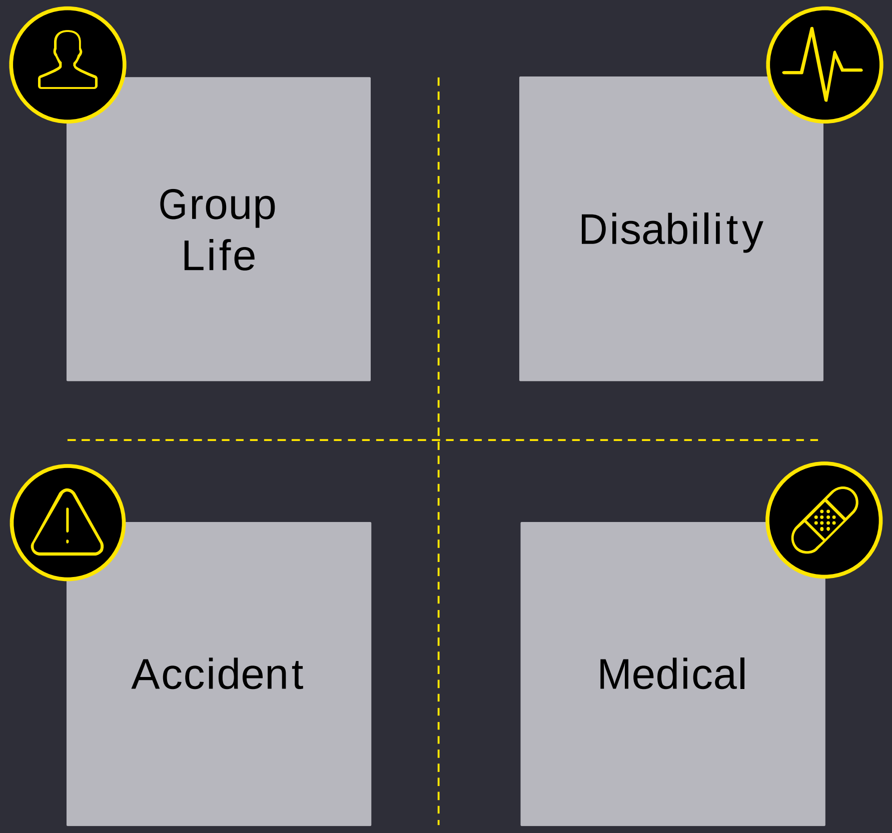
Retirement benefits

- Insurance benefits aimed at supporting the employees after retirement, guaranteeing an adequate replacement income

EB – Risk Benefits

The main lines of business in the context of Employee Benefits are four:

- Group Life ensures financial security through a lump sum payment to designated beneficiaries upon the insured person's death
- Group Accident (external, sudden and violent) ensures a lump sum or annuity payable in the event of an accident resulting in death, disability or injury



- Group Disability guarantees a benefit in the event of an insured person becoming disabled
- Medical insurance can include health, dental, vision, and prescription drug coverage, helping the insured person to prevent and treat illnesses

EB – Retirement Benefits

Defined-Benefit Plans provide ensure lifelong predictable income offloading the risk on employers, while Defined-Contribution Plans empower employees with funding control, investment choices, and flexibility

Defined Benefit	Defined Contribution
▶ Guaranteed income for life upon retirement ▶ Retirement benefit based on salary and years of service ▶ Limited employee control until retirement (employer manages investments) ▶ Employer bears the risk if investment returns don't cover benefits ▶ Involves complex actuarial projections and high administration costs ▶ Offers annuity or lump-sum payment options for retirees ▶ It is being discontinued, usually replaced by defined-contribution plans ▶ Very high level of unpredictability and cost impact for sponsors	▶ Employee-funded, common examples like 401(k) plans ▶ Employer may match contributions, but no obligation for account performance ▶ Employees manage contributions and choose from various investments ▶ Contributions grow tax-deferred until withdrawal in retirement ▶ Annual contribution limits set for employees, with catch-up options ▶ Includes variations (e.g., 403(b)) for non-profit and educational sectors ▶ Lower administration costs and lower employer risk ▶ Provides flexibility and choice for employees in investment options

The EB Global Plans

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EB pooling

EB Pooling is a financial solution aimed at sharing the local EB contracts underwriting margins, with the multinational parent owning the local companies who are the policyholders of the local policies

Objective

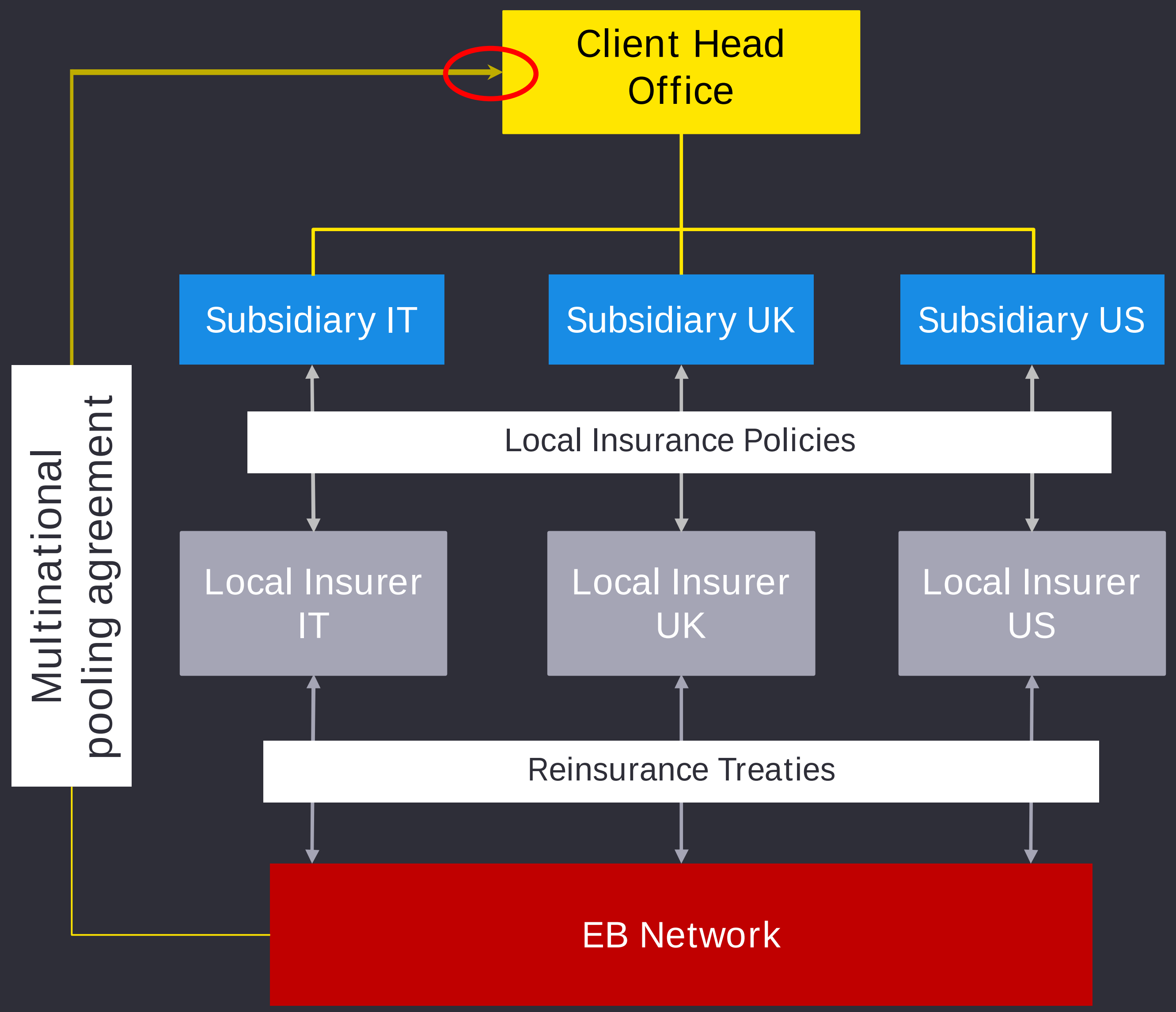
The primary goal of EB Pooling is to share the underwriting margins with the ultimate client, and is based on the stability of mortality and morbidity experience in identified populations

Main Benefits

- Large numbers: EB Pooling is enabled by the convergence of mortality/morbidity/medical utilization ratios towards a stability level, in large populations
- Risk Diversification: By pooling UW results, EB Pooling achieves risk diversification, spreading the impact of large claims across a broader base, reducing the financial volatility
- Control: leveraging on the financial vested interest owned by the pooling clients, the entities participating in EB Pooling can (partially) increase the level of control over local insurance schemes
- Reporting: through advanced reporting, pooling clients gain insights into their EB schemes performance, fostering an increased level of awareness and enabling effective risk mitigation and decision-making processes

EB pooling programs

Map



Description

Local benefits contracts issued in each Country

The Local Insurers cede the risk to EB Network

The EB Network provides to the Client HO a global profit sharing

From pooling to captive

Understanding the transition from *Pool* to *EB Captives*, where clients switched interest from margin-centric approaches to heightened governance

Formation of EB Captive

EB captives emerged as corporates wanted to enlarge the use of their existing P&C captives, and did not consider anymore EB pooling the best solution for their needs

EB Networks

The EB networks, with a history spanning approximately 60 years, has been offering profit-sharing programs and coordination services that laid the foundation for the development of EB captives

Evolution since the 2000s

In the early 2000s, customers no longer solely prioritized receiving a dividend or profit sharing, but sought higher level of proximity, therefore greater governance and influence over contracts

Insurer Network Collaboration

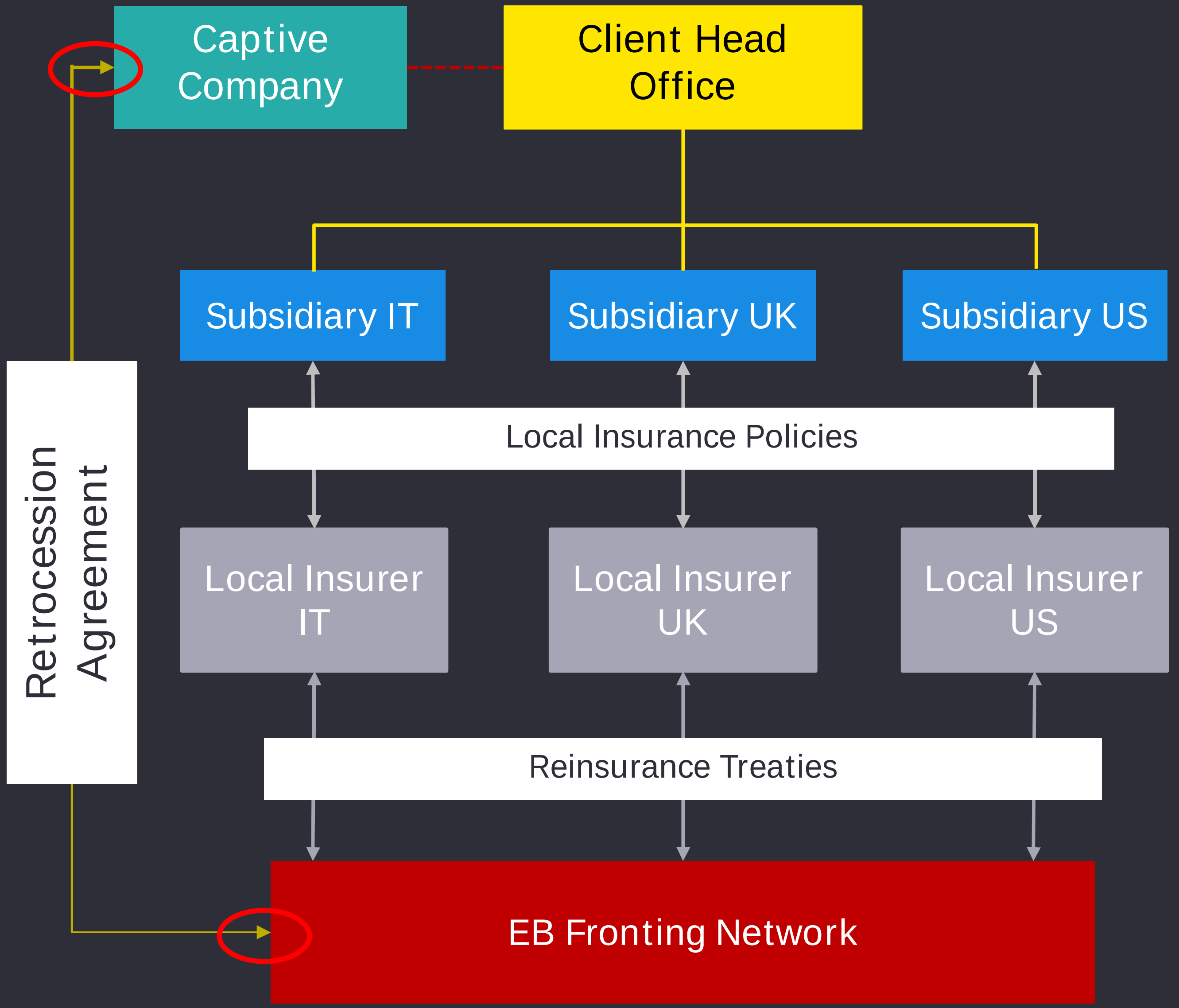
To achieve this, companies leveraged existing EB networks and requested agreements or programs at a higher level of sophistication that included retroceding the EB benefits towards their captive

What is an EB Captive?

FEATURES	DESCRIPTION
Definition	Employee Benefits (EB) Captives are specialized (re)insurance vehicles created by corporates to manage and finance employee benefit programs, providing a strategic alternative to traditional insurance arrangements
Key Features	Customization and Control: EB captives empower companies with a high level of flexibility, efficiency and control over employee benefit programs, allowing tailored designs to suit organizational needs
Benefits Overview	Cost Efficiency: By reinsuring the EB contracts and therefore retaining the associated margins, reducing also the administrative expenses, EB captives offer a pathway to enhanced cost efficiency
Insurance Programs Integration	Comprehensive Coverage: Within the captive framework, diverse insurance programs, including Group Life, Group Disability, and Group Accident and Group Medical, can be seamlessly integrated to address various aspects of employees well-being
Strategic Advantage	Holistic Approach: EB captives go beyond traditional cost containment, contributing also to an holistic employee benefits strategy that aligns with organizational objectives, enhances risk control, and fosters a positive workplace culture

Captive programs overview

Map



Description

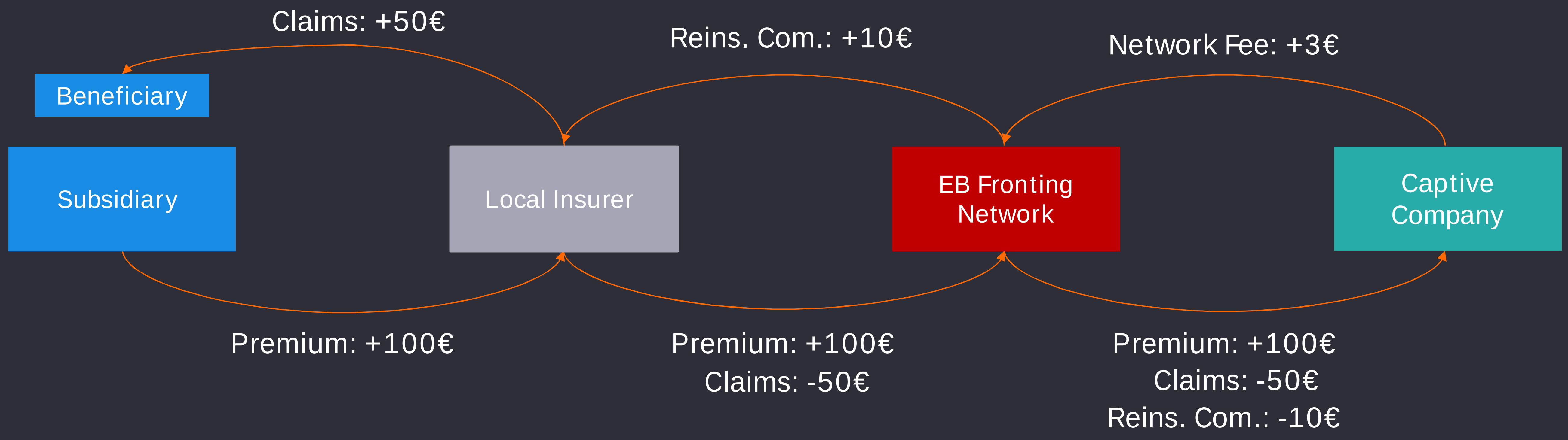
Local benefits contracts issued in each Country

The Local Insurers cede the risk to EB Network

The EB Network retrocedes the risks to the Captive Company

The economic model

The following is an example of how the flow of premiums, claims and fees works in a EB Captive Program:



- Subsidiary: -100€
- Local Insurer: +100€ - 50€ - (100€ - 50€) + 10€ = 10€
- EB Network: +100€ - 50€ -10€ - (+100€ - 50€ - 10€) + 3€ = 3€
- Captive Company: +100€ -50€ -10€ -3€ = 37€

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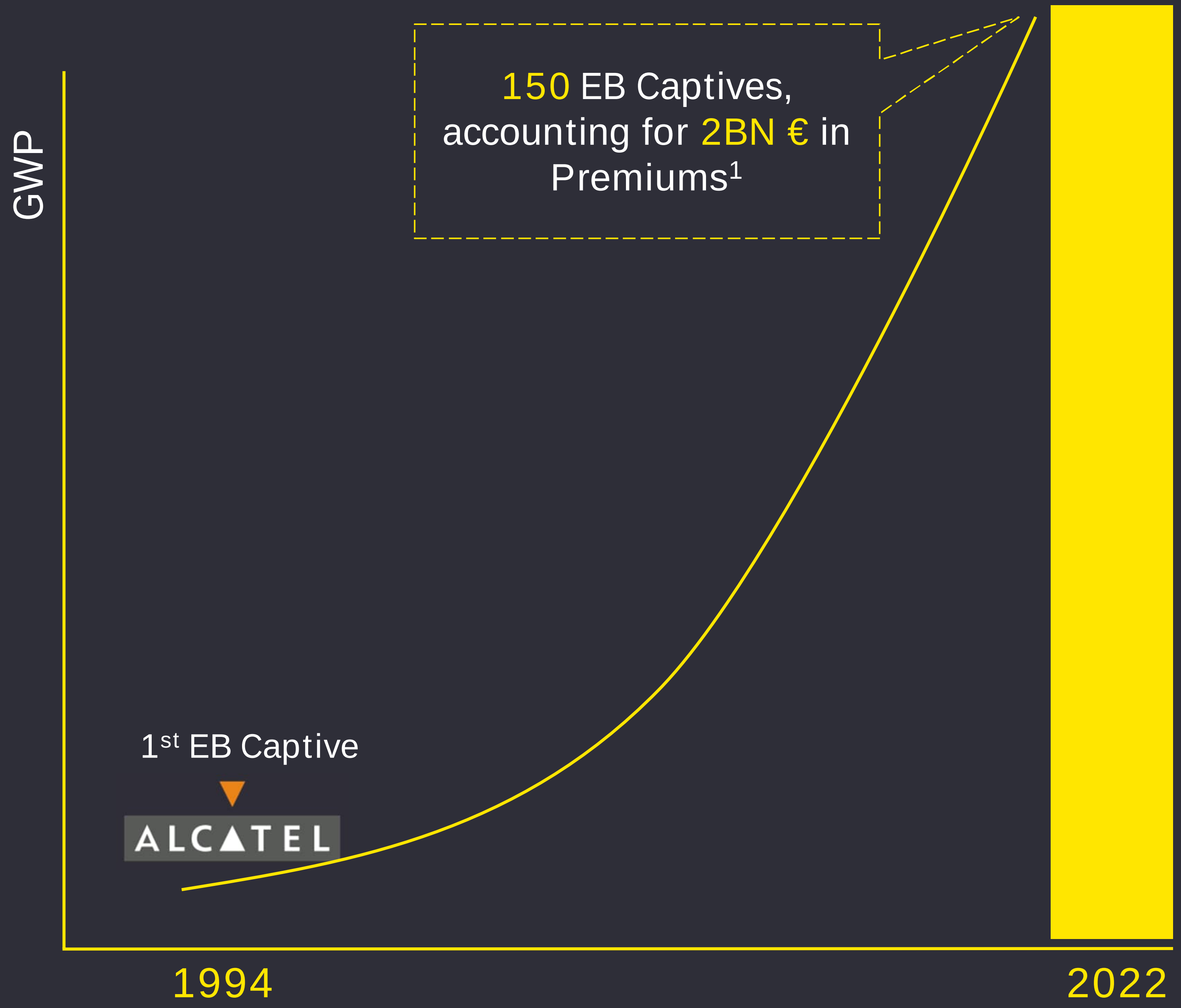
The EB captive market and EB captive network landscape



6000[1]

Number of captives stablished worldwide (of which 150 EB)

+15%[1]

EB Captive global premiums CAGR over the last 5 years

Players

Largest EB Networks

GENERALI Employee Benefits Network

IGP

MAXIS GLOBAL BENEFITS NETWORK

1. Source: https://maxis-gbn.com/news-events

WHY including EB in a captive program?

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Why including EB in a captive program?

EB becomes part of corporate risk management framework, and this integration will also bring benefits in terms of control over the costs

Including EB in a captive program can help tailor and CUSTOMIZE specific coverages to meet customer's needs

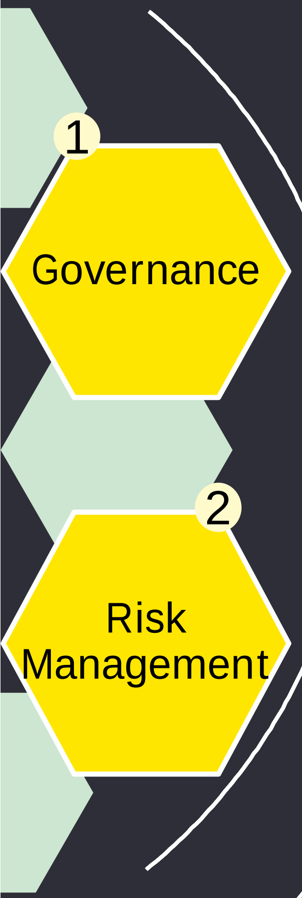
Better RISK MANAGEMENT of people risks/employee benefits with data analysis and tools

Full TRANSPARENCY on people risks, EB spending and on insurer margins

FINANCIAL improvements of cash flows and control over pricing, costs and reserves

Through streamlined CLAIMS MANAGEMENT, data analytics, and support for health initiatives, plays a pivotal role in reducing employee benefits costs

Deep dive on each component [1/3]



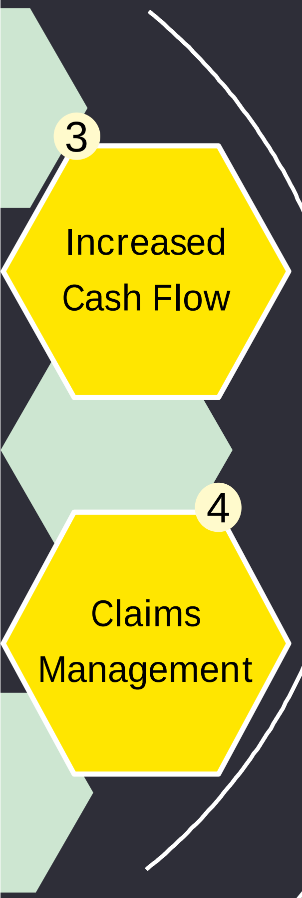
1 Enhancement of governance

- By including Employee Benefits in the Captive, the Company can have greater control over costs and reduce the impact of market fluctuations
- Greater control over costs can lead to more stable and predictable expenses for the Company, which can improve overall financial performance
- This can be achieved through a combination of risk management techniques

2 Improved Risk Management

- The captive can help identify and manage risks associated with Employee Benefits, such as health and wellness programs, which can lead to cost savings and improved employee satisfaction
- Effective risk management can help reduce the likelihood of unexpected claims, which can disrupt business operations and strain financial resources
- EB captives provide a integrated systems for enhanced predictability and stability in managing risks. By strategically addressing potential challenges, organizations can navigate uncertainties more effectively, leading to a stable and predictable financial landscape.

Deep dive on each component [2/3]



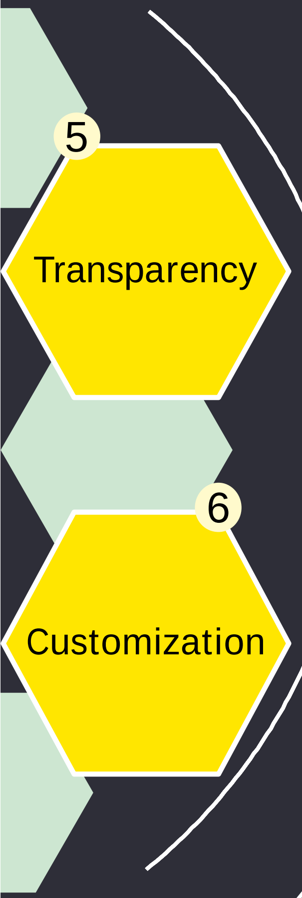
3 Increased cash flow

- In a traditional insurance arrangement, companies pay premiums to external insurers, often upfront or in regular installments. With an EB Captive, the company retains control over premium payments, allowing for more flexible payment schedules and potentially lowering the immediate cash outflow
- Captives often invest the funds they hold to cover potential claims. Any investment income generated contributes to the overall financial health of the captive. This income, when realized, can be used to support the company's cash flow needs
- Increased cash flow can improve the financial position of the company, making it more resilient to economic or business disruptions

4 Improved claims management

- The captive manager can provide more effective claims management services, which can help reduce costs associated with employee benefits
- By streamlining the claims process and leveraging data analytics, the captive manager can identify opportunities for cost savings and more efficient claims handling
- In addition the company can support claims data to lead health initiatives to improve employee wellbeing

Deep dive on each component [3/3]



5 Increased transparency

- The captive can provide greater transparency into the cost and performance of employee benefit programs, which can help the company make informed decisions about its benefits offerings
- This can include providing detailed analytics on claims experience, utilization rates, and other key metrics
- Increased transparency can lead to better decision-making, improved cost control, and greater employee satisfaction

6 Customization of coverage

- The captive manager can tailor the employee benefits package to meet the specific needs of the company's workforce
- This can include offering more flexible benefit options, such as adjusting coverage levels to better align with employee needs or voluntary benefits or wellness programs
- Customizing coverage can improve employee satisfaction and retention, while also potentially reducing costs by eliminating unnecessary or underutilized benefits

WHEN an EB Captive is advantageous?

Which questions should a corporate ask itself in evaluating an EB captive program?

#	Topic	Question to be asked
1	Central Control on Local EB Schemes	▸ What level of central control the Corporate can exert on local subsidiaries?
2	Pricing Strategy	▸ What pricing strategy will be employed for local schemes? Break-even or profit margins to be transferred to the captive?
3	Direct Steering on Pricing	▸ To what extent will direct steering be applied to pricing? Will it be managed internally, through a consultant, or via the Network?
4	Specific Objectives for EB Inclusion	▸ What specific objectives do you aim to achieve by including EB business in the captive? (e.g., Diversification, Top-line Growth, Profit Injection, Wellness Initiatives)
5	Regulatory Considerations	▸ Do you possess the necessary licenses to transact? Have you ensured the choice of the right domicile?
6	Stakeholder Engagement	▸ Have you obtained internal stakeholder buy-in, especially from HR, to ensure smooth implementation?
7	Best practice access	▸ Have you engaged with peers who have experience with captive programs to gather insights and best practices?
8	Critical mass analysis	▸ Considering the size of your EB portfolio, does it justify the efforts and resources required for implementing a captive program?

Usual Advantages

As it has been explained before, having an EB captive can lead to multiple benefits, for example:

- Tax benefits
- Access to EB local data
- Cost savings
- Cash flow
- Coverage customization otherwise unavailable
- Lower administration expenses
- Possible further savings
- Assets and liabilities management
- Higher control on cost of Claims
- Risk diversification

Usual Constraints

...but it might be subject to some constraints, such as:

Constraint	Description
Volatility of UW results	Risk of financial exposure in the event of unexpected or catastrophic losses, necessitating careful risk assessment and mitigation measures
Management of external stakeholders	Complexity arising from involvement with external entities, such as consultants or reinsurers, requiring effective coordination and management
Personnel time and commitment	Demand for significant personnel time and commitment to manage the complexities of an Employee Benefits (EB) captive effectively
Interactions (and possible conflicts) with Global HR	Potential conflicts and coordination challenges with Global HR functions, necessitating clear communication and alignment of objectives
Department of Labor (DOL) Approval in the US	Requirement for Department of Labor (DOL) approval in the U.S., introducing regulatory hurdles that need careful navigation for successful implementation

Collateral Requirements

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Collateral Requirements

Question	Answer
What is a collateral? and Why do we need it?	• Collateral serves as a form of security or guarantee to ensure that the captive can meet its financial obligations towards the Fronting Network • This is crucial for ensuring to the Fronting Network the fulfillment of its commitments to policyholders • Collateral requirements may be imposed by reinsurers or regulatory authorities, and they provide a level of assurance to all stakeholders involved in the captive arrangement
How do you calculate a collateral?	• Outstanding balances • CAT risk • Funds transferred reserves
How do you mitigate the collateral requirements?	• Rating • Protections

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Types of Collateral Requirements

There are multiple types of collateral requirements. Here the most common ones…

Letters of credits are financial instruments issued by a bank on behalf of the captive. They serve as a guarantee of payment to the reinsurer and are often used as a form of collateral

The parent company of the captive may issue a guarantee, pledging its own financial resources to cover any shortfalls or obligations of the captive

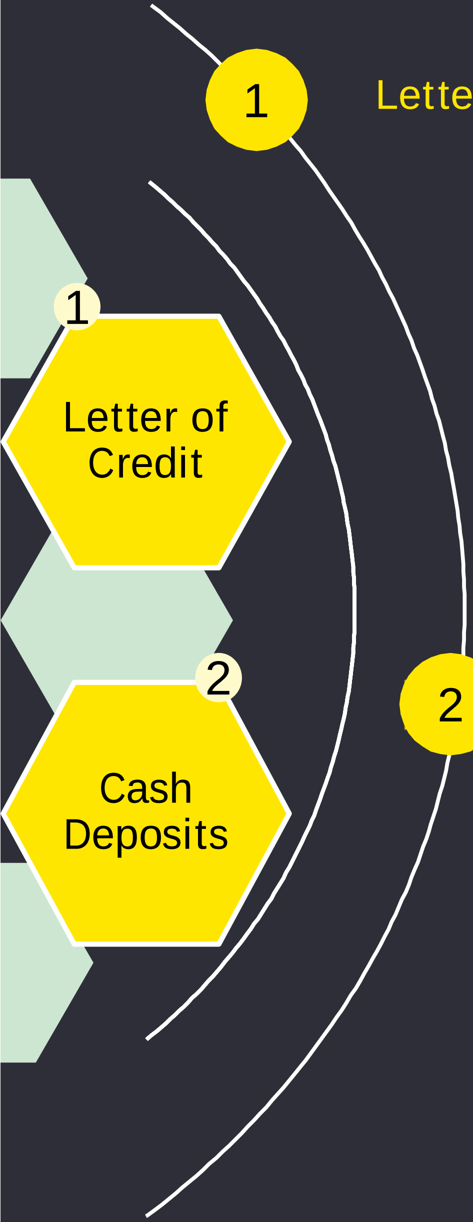
The captive or the insured party may deposit cash with the reinsurer or another party as collateral

Captives may use various types of bonds, such as surety bonds, as collateral to fulfill financial obligations

In reinsurance arrangements, a trust account may be established where funds are set aside to cover potential claims

Tangible assets, such as real estate or securities, may be pledged as collateral to secure obligations in captive insurance arrangements

Deep dive on each component [1/3]



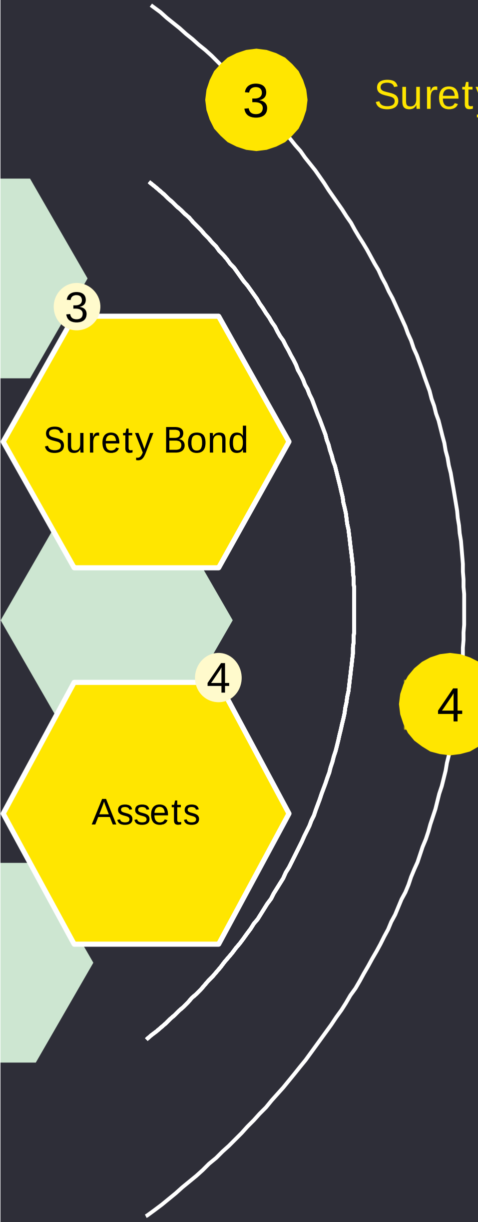
1 Letter of Credit (LOC)

- Financial Instrument: LoC is a financial instrument issued by a bank, providing a guarantee that the issuing bank will pay a specified amount to the beneficiary (e.g., reinsurer) if the conditions outlined in the LoC are met.
- Security in Captives: Commonly used in captive insurance, a LoC serves as collateral, assuring the reinsurer that funds are available to cover potential losses, enhancing the captive's credibility.
- Flexibility: LoCs offer flexibility as they can be drawn upon when needed, providing a cost-effective alternative to tying up immediate cash reserves.

2 Cash Deposits

- Immediate Liquidity: Captives may deposit cash with reinsurers, providing immediate liquidity to cover potential claims without relying on external sources.
- Security Mechanism: Cash deposits serve as a direct and tangible form of collateral, offering reassurance to reinsurers regarding the captive's ability to fulfill its obligations.
- Control and Stability: Cash deposits give captives greater control over their financial commitments and contribute to financial stability by having liquid assets readily available.

Deep dive on each component [2/3]



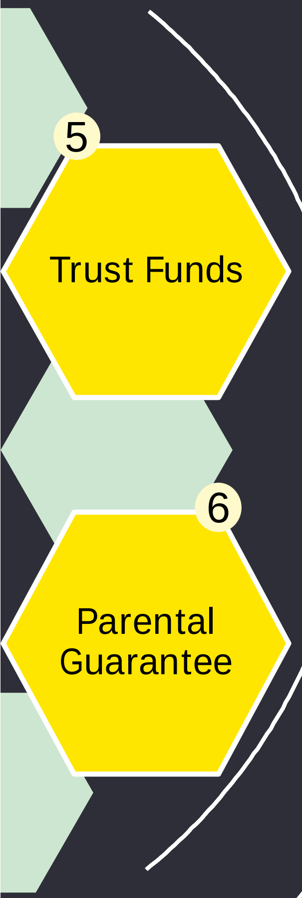
3 Surety Bonds

- Financial Guarantee: Surety bonds are a form of financial guarantee provided by a surety company. In the context of captives, they assure the reinsurer or other parties that the captive will meet its obligations.
- Third-Party Assurance: These bonds involve a three-party arrangement: the surety company issues the bond, the captive is the principal, and the reinsurer is the obligee. If the captive fails to fulfill its commitments, the surety company steps in to cover the losses.
- Risk Mitigation: Surety bonds provide an alternative to traditional collateral, allowing captives to demonstrate financial responsibility without tying up cash reserves.

4 Assets

- Tangible Pledges: Assets, such as real estate, securities, or other valuable holdings, can be pledged as collateral to secure the captive's obligations.
- Diversified Collateral: Using assets as collateral provides a diversified approach, allowing captives to leverage their existing resources to meet financial commitments.
- Balance Sheet Impact: Pledging assets demonstrates financial strength and stability, potentially positively impacting the captive's balance sheet and overall credibility.

Deep dive on each component [3/3]



5 Trust Funds

- Custodial Arrangement: Trust funds in captive insurance involve a custodial arrangement where funds are set aside in a trust account to cover potential claims or obligations.
- Trigger-Based Release: Trust funds often operate on trigger-based mechanisms, releasing funds to the reinsurer or other beneficiaries when specific conditions, such as the occurrence of covered losses, are met.
- Third-Party Oversight: Establishing a trust involves a third-party trustee, adding a layer of oversight to ensure proper management and disbursement of funds according to the agreed-upon terms.

6 Parental Guarantee

- Parent Company Assurance: A parental guarantee is a commitment by the parent company of the captive to support and fulfill the financial obligations of the captive in case of any shortfalls or default.
- Financial Backing: This form of collateral provides additional financial backing and support, reinforcing the captive's ability to meet its obligations and enhancing its overall financial strength.
- Risk Mitigation: A parental guarantee serves as a risk mitigation tool, particularly when the captive may face challenges in meeting its commitments, offering an extra layer of assurance to reinsurers and other stakeholders.

Health and Wellness (H&W)

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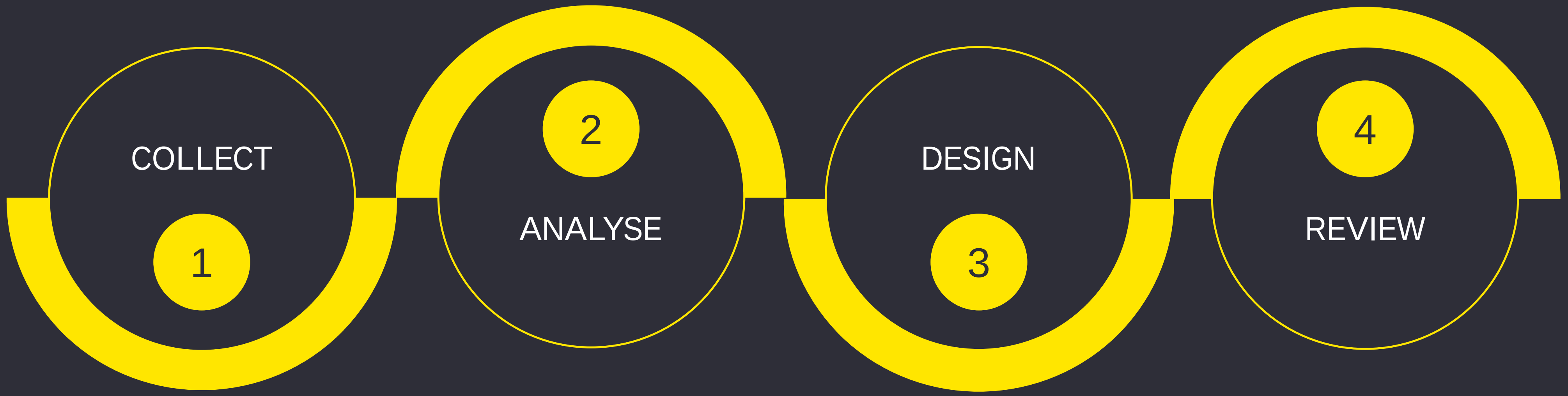
Health and wellness: going beyond traditional cost containment

In an era where talent retention and performance are critical, companies that go beyond traditional cost containment by investing in health and wellness are better positioned to attract, retain, and empower top talent

WHY	HOW
• Strategic Talent Attraction: Prioritizing health and wellness initiatives goes beyond the standard benefits package, positioning companies as employers of choice. At the same time, this not only reduces turnover but fosters a sense of loyalty among employees, contributing to a more stable and dedicated workforce	• Corporate Demand: Multinational corporations are actively seeking support from networks to develop comprehensive wellness solutions for their employees, particularly focusing on populations whose risks are encompassed within the captive
• Cost containment: The cost of insuring health benefits has been growing very fast in the last 10-20 years, due to more expensive treatments and increased awareness. Wellness initiatives are crucial to mitigate this increase in costs.	• Strategic Imperative: The primary goal is to implement strategies aimed at reducing the overall loss ratio, with a specific emphasis on optimizing medical utilization
• Empowerment for Optimal Performance: A healthy and supported workforce is more likely to perform at its best. By investing in the well-being of employees, companies empower their teams to excel, fostering a positive work environment that directly contributes to improved overall performance and productivity	• Employee Wellbeing: These initiatives underscore a commitment to employee wellbeing, aligning organizational goals with proactive measures to address health-related risks within the captive framework (e.g. ESG)

Health and wellness: strategic roll-out

A holistic approach to helping employers manage cost, improve quality and customize the best solution that fits the specific employer's need. The design process is the following



- Gather Diverse Data
- Employee Input
- Claims Analysis

- Utilization Review
- Cost Drivers
- Risk Assessment

- Optimize Medical Programs
- Tailored Benefits
- Wellness Integration

- Monitor impact of initiatives
- Review achieved results
- Improve plans design

Health and wellness: bringing EB captives to a new level – Deep dive

COLLECT 1

- Gather Diverse Data: Collect employee health and wellness data, considering utilization patterns, demographics, and risk factors.
- Employee Input: Incorporate employee feedback through surveys to understand health needs and preferences.
- Claims Analysis: Examine historical claims data to identify trends and areas for improvement.

ANALYSE 2

- Utilization Review: Analyze healthcare service usage to identify optimization opportunities
- Cost Drivers: Identify key cost drivers by analyzing the financial aspects of the benefits program.
- Risk Assessment: Conduct a thorough risk assessment to understand health risks in the employee population.

DESIGN 3

- Optimize Medical Programs: Design medical programs for plan efficiency and cost reduction based on analysis.
- Tailored Benefits: Customize benefits to address specific needs identified in the analysis.
- Wellness Integration: Integrate targeted wellness programs to enhance employee health and reduce claims spending.

REVIEW 4

- Monitor impact of initiatives: Define and recommend specific wellbeing programs to address identified health needs.
- Review achieved results: Establish a framework to improve overall employee health, positively impacting claims spending.
- Improve plans design: Implement strategies for long-term cost management and quality improvement, aiming to "bend the trend" over time.

How H&W Programs Help Employees

Stay Healthy

- **Wellness Initiatives:** Implement fitness challenges, nutrition programs, and mental health workshops for a holistic approach to employee well-being
- **Preventive Care:** Encourage regular health check-ups, vaccinations, and screenings to identify health issues early and promote preventive care
- **Health Education:** Provide resources on stress management, sleep hygiene, and healthy habits to empower employees with knowledge for sustained well-being.

Return to Health

- **Rehabilitation Support**: Offer programs aiding recovery, including physical therapy, counseling, and return-to-work initiatives
- **Case Management**: Use programs for effective case management, facilitating a smooth return to work after illness or injury
- **Mental Health Support**: Implement mental health programs to address psychological aspects of recovery, promoting resilience (EAP Programs)

Manage Chronic Illness

- **Personalized Care Plans**: H&W Programs tailor interventions to individual needs, offering personalized care plans for employees managing chronic illnesses
- **Focused prevention plans**: These programs go beyond reactive measures, emphasizing proactive strategies for chronic disease prevention
- **Awareness**: Provide resources on stress management, sleep hygiene, and healthy habits to empower employees with knowledge for sustained well-being.

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The impact of poor mental health in the workplace is significant, causing an estimated loss in global productivity valued at more than US$1 Trillion per year[1]

1. Source: Mental health in the workplace, World Health Organisation (WHO), May 2019 https://www.who.int/mental_health/in_the_workplace/en/

EY

Captive role in enhancing the employees wellness & well-being

Unveiling the compelling business case for captives in addressing the profound impact of poor mental health on a global scale

	Key Insights	Strategic Considerations	Conclusion
Economic Impact	• Global Productivity Loss: Poor mental health in the workplace is a staggering contributor to an estimated annual loss exceeding US$1 Trillion in global productivity[1]	• Integrated Mental Health Programs: Incorporating mental health initiatives within captive benefit structures to support employees and mitigate productivity losses	*Beyond Cost Mitigation* Captives emerge as not only cost-containment mechanisms but also as integral players in cultivating a mentally healthy workplace, aligning with global trends and societal expectations and becoming ESG enablers
Workplace Dynamics	• Business Performance: Recognizing the direct correlation between employee mental health and overall business performance, innovation, and employees engagement	• Data-Driven Solution: Utilizing data analytics to identify mental health trends, enabling targeted interventions and tailored support	
Employee Well-being	• Captive Opportunities: Evaluating captives as strategic tools to proactively address mental health challenges and enhance employee well-being	• Employee Engagement: Fostering a culture of open communication and stigma reduction, encouraging employees to seek help for mental health concerns	

1. *Source: Mental health in the workplace, World Health Organisation (WHO), May 2019 https://www.who.int/mental_health/in_the_workplace/en/*

COVID-19 impact on EB

Building a better working world

COVID-19 an enlightening case study

The COVID-19 pandemic has reshaped the landscape of employee benefits, presenting both challenges and opportunities for captive insurance programs

	Challenges	Opportunities
1 *Remote Work Dynamics*	• Addressing the impact of widespread remote work on employee benefits, including healthcare access and mental health support	• Redefining benefits to accommodate a more flexible and remote workforce
2 *Health and Wellness Emphasis*	• Increased focus on employee well-being due to the pandemic's health concerns	• Integrating enhanced health and wellness programs within captives to support employee resilience and adaptability
3 *Telemedicine Adoption*	• Navigating the accelerated adoption of telemedicine and its implications for healthcare coverage	• Incorporating telemedicine into captive benefits for cost-effective and accessible healthcare solutions
4 *Representing a tool for adapting local T&Cs*	• Pandemic exclusions in many EB local contracts, represented a key concern for many employers WWide	• Using the captive as final risk taker to enable exclusions management and ex-gratia claims proved to be key

Conclusion

Key take-aways

- ✓ Captives are a tool for large multinational companies to manage their internal risks
- ✓ They enable an advanced and flexible way to bridge between the corporates risk management needs, and the global insurance markets
- ✓ As captives are a B2B player, and do not provide coverage to the retail market, regulators tend to be more lenient and flexible
- ✓ Even if captives "fly below the radar", they represent a significant share of the worldwide (re)insurance market
- ✓ The economic model of captives tend to be significantly different from the one of typical reinsurers
- ✓ Reinsuring EB via captives has become a key pillar of the captives development and strategic positioning within corporates
- ✓ The use of EB captives is shifting from pure financial optimization vehicles, to risk strategy enablers, and ESG tools

Q&A Time

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