

# Captives and Employee Benefits



**Dale Fleet**

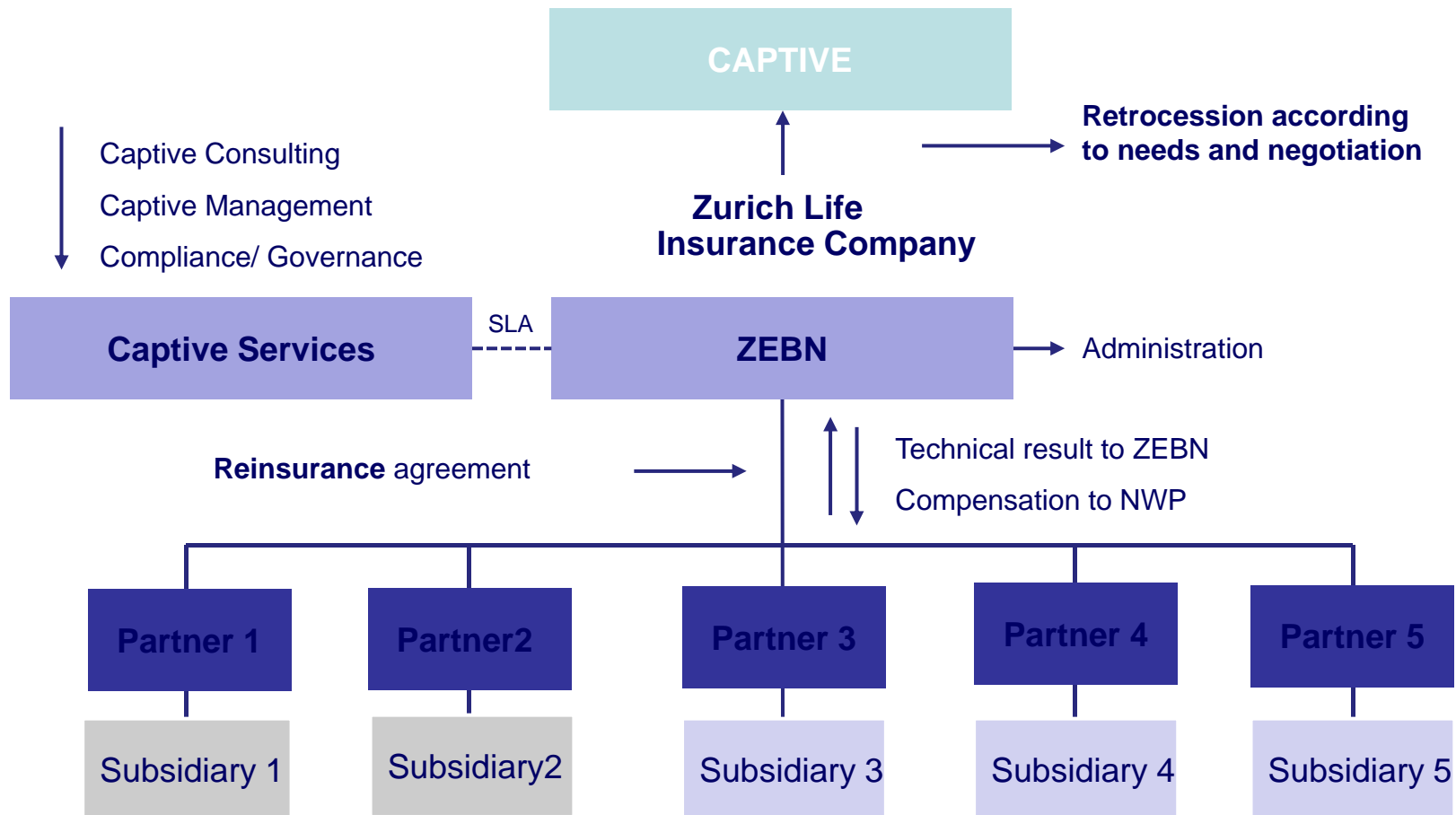
*Zurich Employee Benefits Network*



- What is a captive and how does it work?
- What are the drivers for use of a captive?
- Products that can be ceded
- Market update
- Why should local companies be interested?
- Customer selection criteria
- Pensions considerations



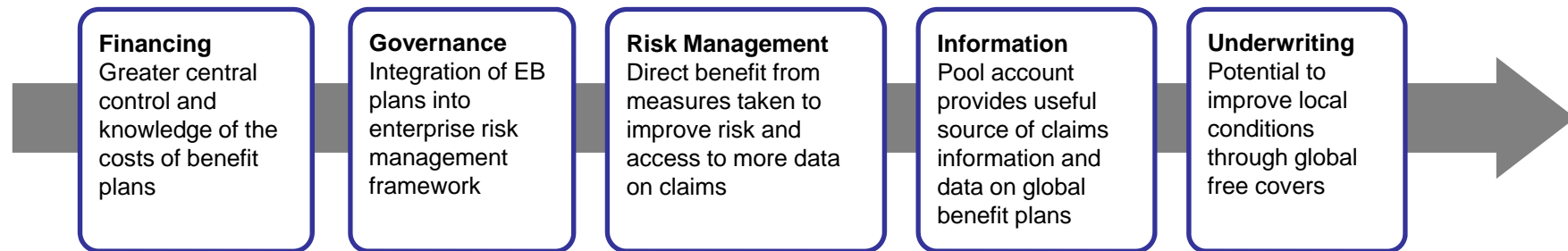
# Captive structure



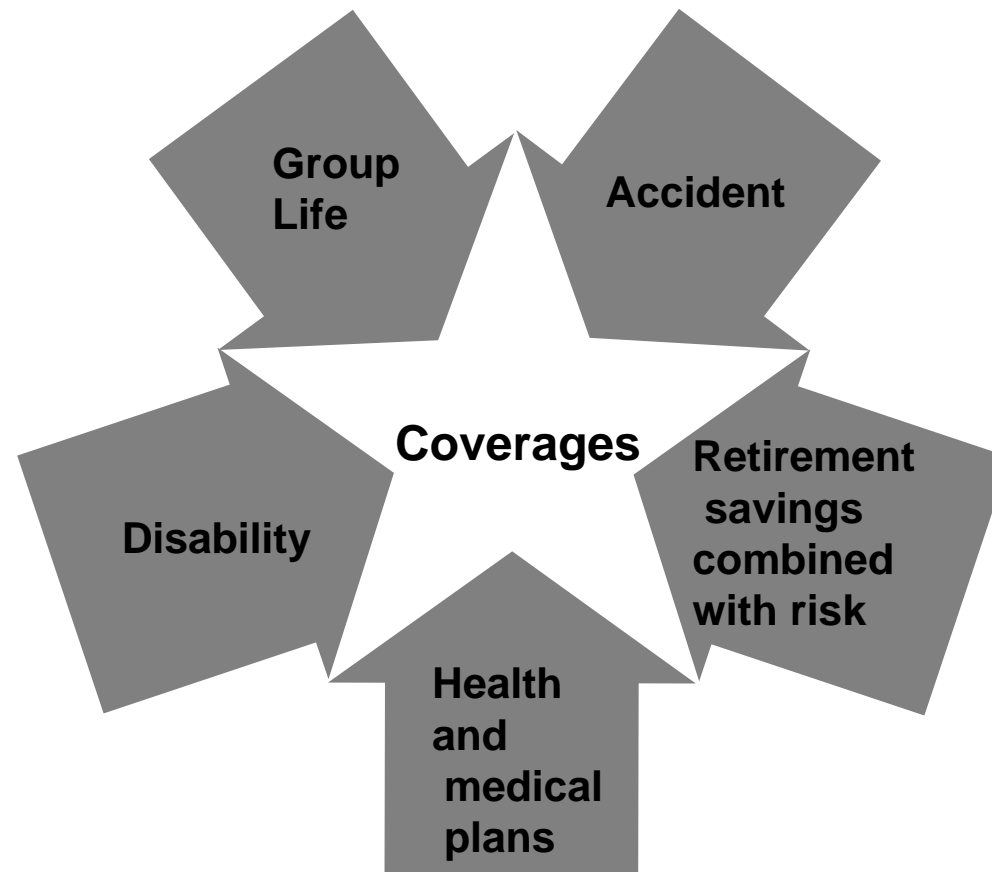
All local units have a direct claim to the local frontier



Different companies have different objectives, though the following are common....



- Reduce the overall cost of risk locally and centrally
- Standardisation of procurement process, contract terms / conditions and vendor reduction
- Opportunity to take a financial interest in the employee benefit risks of the company
- An additional «free» resource to help sort out global benefits issues around the world
- Peace of mind – financial security of a network and brand protection should ensure high standards of network partner appointment in less financially developed countries .
- Creative solutions for non standard enquiries





- 4 network players in the market
- Niche but rapidly expanding; providers pushing each-other to develop quality
- Around 100 captives taking EB business into their books
- Commonly using 1 or 2 fronting networks
- Typically used by larger MNCs
- Activity being partially stimulated by Solvency II
- Some significant pension deals already completed using captives
- Decision making is far more strategic than 20 years ago – longer lead in times and much more central engagement than pooling



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## Why should the locals be interested?



- Certainty of cost / capacity during uncertain market cycles
- Opportunity to insure risks which were previously self-insured and use fronting insurer capabilities
- Possible lower costs
- No loss of control on benefit design / employee communication / provider selection processes
- Ex gratia claims possibilities
- Flexible underwriting structures



# Customer selection criteria

Existing relationships, significantly on the non-life side of the business

Financials such as retention levels; risk charges; reserves; financial strength etc

Network capabilities such as captive experience; product knowledge; reinsurance etc



Specific country / coverage requirements; regional solutions; expatriates etc

Reporting, servicing, risk transfer and underwriting capabilities

Network presence; people, service model; visibility; confidence to deliver





1

Biometric risks

2

Buy-ins and buy-outs

3

Trustee held schemes

4

Financing efficiencies

5

Role of Consultants / Advisors / Fiduciaries