



Captive data: The key to unlocking its potential

Generali's Vittorio Zaniboni suggests employee benefits captives have evolved from risk financing tools to proper risk management vehicles

How has the use of data within employee benefits captive programmes evolved?

Generali Employee Benefits has been involved in reinsurance and captives since the very launch of employee benefits captive programmes in the 1990s. Over time we have shifted our approach from simply duplicating operations and procedures from the pooling world to adopting a tailored response to the specific needs of these arrangements.

First of all, captives tend to use data more intensely to gather a business insight, by closely monitoring how schemes are performing, their structure and evolution, the generosity of coverages in place, and the overall profitability of the schemes.

Secondly, captives have different types of users and information needs: not only insight on business performance for the captive manager, but also accounting information from the formal reinsurance flow.

You were recently part of a panel at the World Captive Forum focusing on the importance of benefits data. What were the main findings?

Captives use data to inform key management decisions. At the World Captive Forum we discussed how gaining new insight

has been affecting key areas, from the captive set-up, with the feasibility study and request for proposals, to the pricing and reserving decisions.

One of the areas where we have seen most innovation happening is the use of data to price new business and to steer renewals. We have been investing a particular effort into facilitating data-informed pricing and renewal decisions. This is quite challenging because the time frame is very short from the moment networks receive meaningful local data flows to when captives issue renewal instructions to their subsidiaries.

Reserving is also an area that attracts high attention from captive managers, particularly in relation to incurred but not yet reported, and outstanding claims reserves.

We work together with each of our clients to help them understand how to ensure they are reserving enough for future liabilities. As an example, we may think that the answer lies in the calculation methodology—how the locals calculate the reserves that pass over to the network and ultimately to the captive—but we also need to ensure that the methodology is applied correctly and get more visibility on what is behind reserving numbers.

This is another area where our network has been putting in a tremendous effort, striving to define the best answer to this need.

We believe reserving should not be treated in an isolated way but in an interconnected environment to derive what makes sense and why.

Furthermore, we should not only look at the environment internal to the captive but also open up to benchmarking insights.

From data to insight, what are the challenges and the expectations?

We have more and more data available and the technology to support the handling of a huge amount of information. So certainly, collecting data per se is not an issue any more. But, what remains a challenge is to navigate this sea of information, to validate efficiently and to derive better visibility and understanding.

I would like to point out the example of medical reporting, since healthcare costs represent an urgent area to address for employers and individuals. Just five years ago, networks were only providing pure accounting information on medical experience, which could not really provide actionable insight.

With the launch of our medical reports back in 2013, we changed this landscape. We integrated a more complete set of data that can explain the underlying cost drivers in the medical claim experience of a specific population and allow for identifying a tailored corrective course of action.

We also discuss with our clients the need for providing relevant benchmark to fully understand the medical performance by putting it into context: even a bad performance in absolute terms can be normal in a given country, or the opposite can be true.

What main trends are you seeing in data consumption?

We have observed three main trends over the last few years. The first one relates to the role played by employee benefits captives in a company's risk management strategy. We have seen employee benefits captives evolving from mainly risk financing tools to

proper risk management vehicles, with companies investing to better understand and improve the performance of their schemes and the wellbeing of their people.

A second, and related, trend refers to how the role of the benefits provider has been evolving. While at the beginning we acted as a fronting partner, focusing on the reinsurance infrastructure, we have enlarged and sharpened our scope.

Building on our privileged position—and access to employees' data—network providers are, more and more, acting as business partners that can coordinate and deliver value-added services to enable our clients to take well informed-decisions on their employees' risk, from renewal support to benchmarking and tailored wellness programmes.

Finally, another trend we have been observing relates to the need to develop industry standards. Captives tend to use more than one network and expect them to align terminology and metrics to help consolidate information and facilitate a coherent overview of their benefits schemes around the world. **CIT**



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