

BUSINESS INSURANCE[®]

WORLD

CAPTIVE FORUM

Synergies Between EB and P/C
Programs

#WorldCaptiveForum

JANUARY 30 – FEBRUARY 1, 2019

Classified - Confidential



Our Panel



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Head of Strategic Risk Solutions And Captives
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Miguel Miranda
Head of Pricing and Underwriting
Zurich Global Employee Benefits Solutions



Agenda



A Captive Owner's Perspective on
Employee Benefits



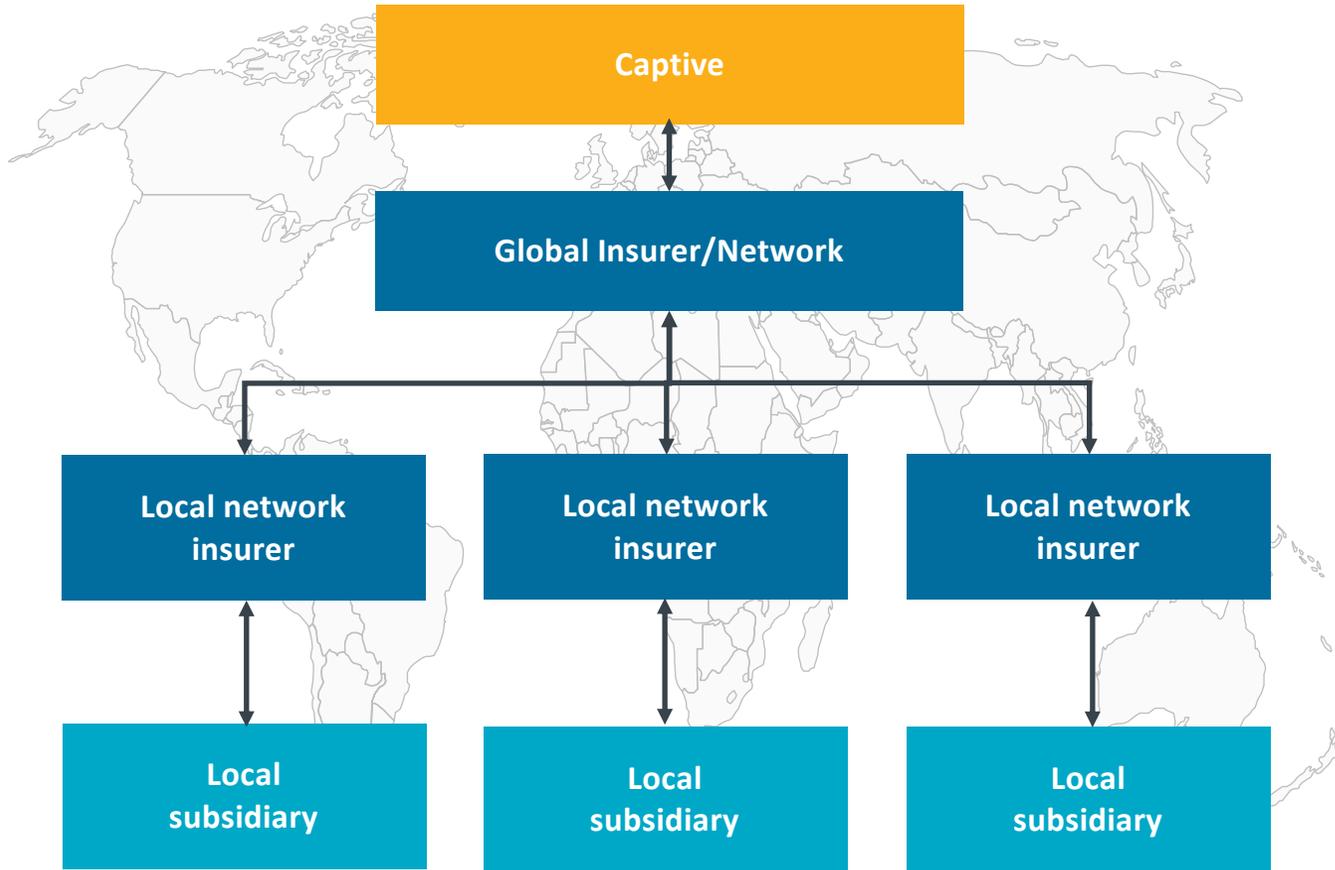
Leveraging Captive Programs from a
Consultant's Perspective



How Captives are becoming more
efficient and more relevant to the Parent
Organization



Employee Benefits Captives: How does it work?



Captives typically operate as reinsurers for employee benefits, so a global insurance network is still required



One or two global insurers or networks are typically selected as preferred providers to front insured employee benefit programs



Local insurance contracts are still issued, however they are ultimately reinsured to the captive. Captive is not typically visible to employees



Most captives seek 100% quota share (where legally possible) and limit exposures through retrocession



Typically takes 2-3+ years to move all local policies into the program



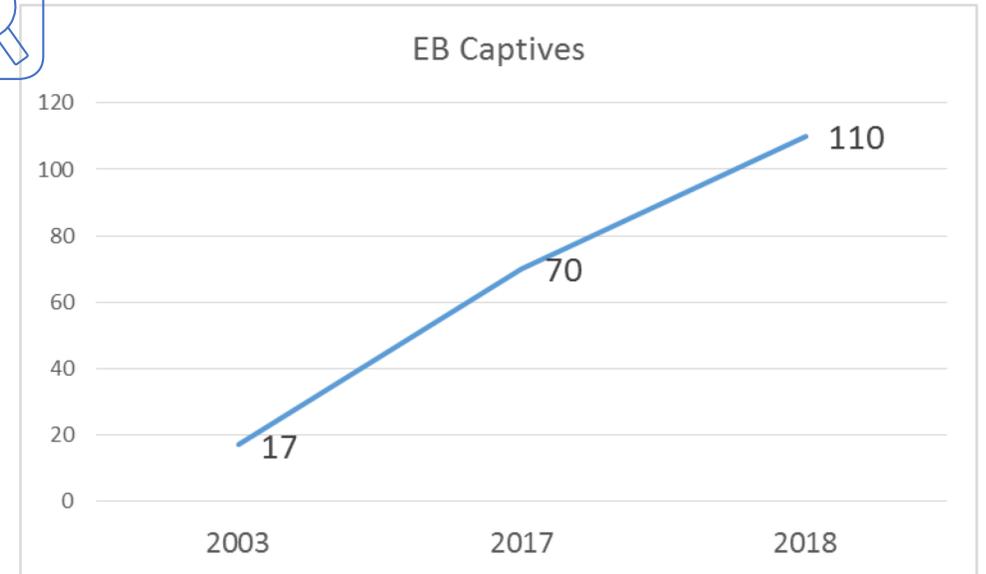
Captive and Employee Benefits Risks

current trends

Need for companies to create efficiencies as they face the triple threat of:

- Medical insurance cost inflation (nearly 10% globally for three years running)
- An ageing workforce
- A shift in responsibility for providing benefits from government to corporation

- Movements from pools to captives





AMEXCO Insurance Company Overview



AMEXCO Insurance Company (“AMEXCO”) incorporated in 1993, domiciled in Vermont, is a single owner parent captive a wholly owned subsidiary of American Express Company (the “Parent”).

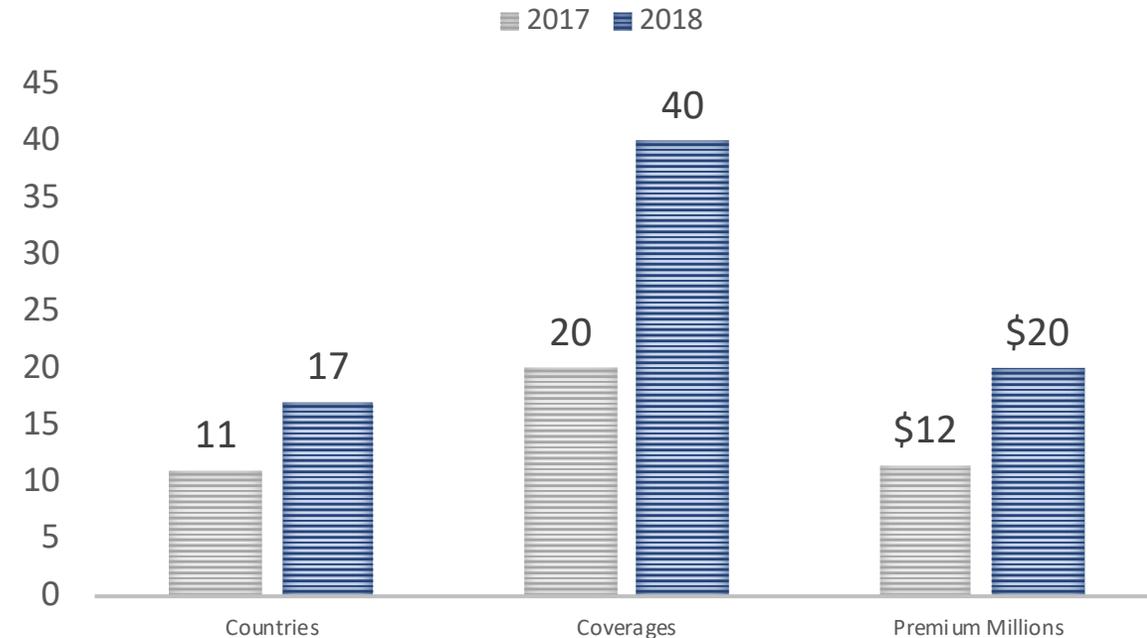


AMEXCO was formed by Treasury Risk Finance and Insurance Services (RFIS) to serve as a risk finance/hedging tool for American Express risk. The purposes of the Company are to engage in the business of insuring and reinsuring various types of risks as a captive insurance company.



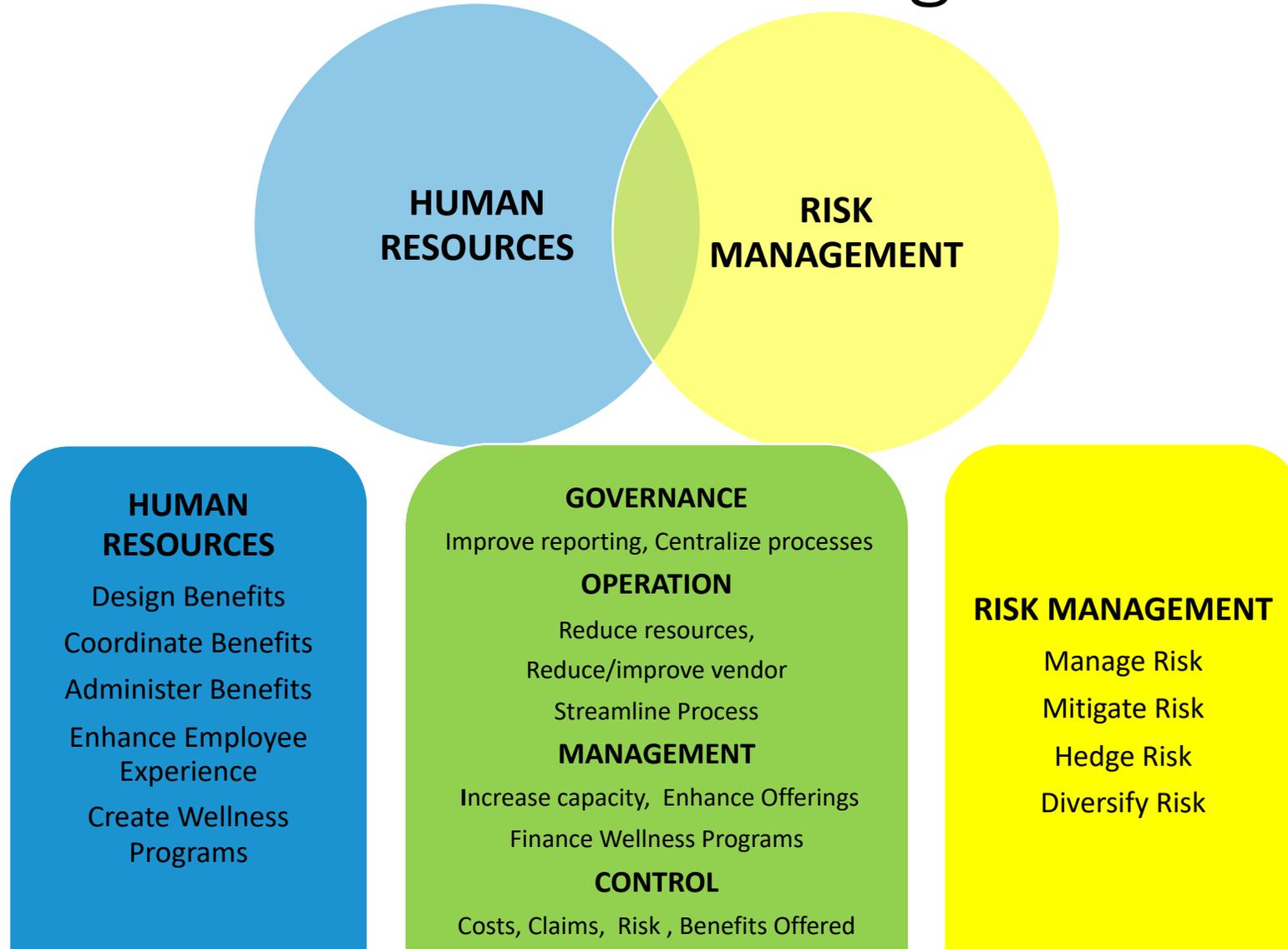
HR and RFIS Commenced discussions May 2015
Implemented International Employee Benefits program January 2017 with two Network Partners

INTERNATIONAL EMPLOYEE BENEFITS





AMEXCO: how we work together?





Why use a captive for employee benefits?



Control over pricing and opportunity to eliminate insurer profit margins



Full overview and transparency on local schemes, including claims experiences



Improved coverage and more flexible underwriting



Increase return on capital



Access to data to support claims management, health & well being initiatives



Reduction in broker placement costs



Most EB implementations leverage an existing captive



Avoid the set-up and ongoing management costs associated with creating a new captive



Leverage existing management structures and processes



Quicker and easier to get started. Creating a new captive generally takes more time to approve internally and externally

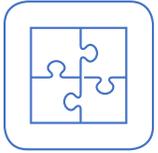


Utilizing surplus capital instead of capitalising a new captive. Possible diversification benefit depending on captive domicile



Possible reasons for a new captive:

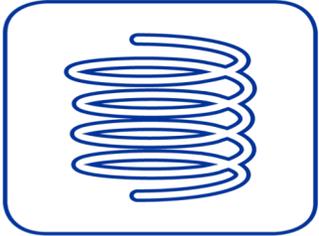
- Regulatory restrictions or inefficiencies for reinsuring EB in existing captive
- US domicile required for ERISA benefits
- Separation of EB for governance purposes (e.g. for pension risk)



Multi-Year Multi-Line solutions

Value proposition

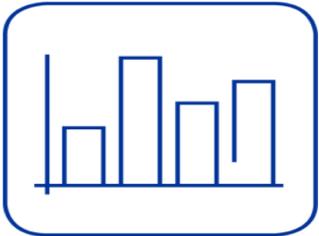
Value Drivers



Flexibility



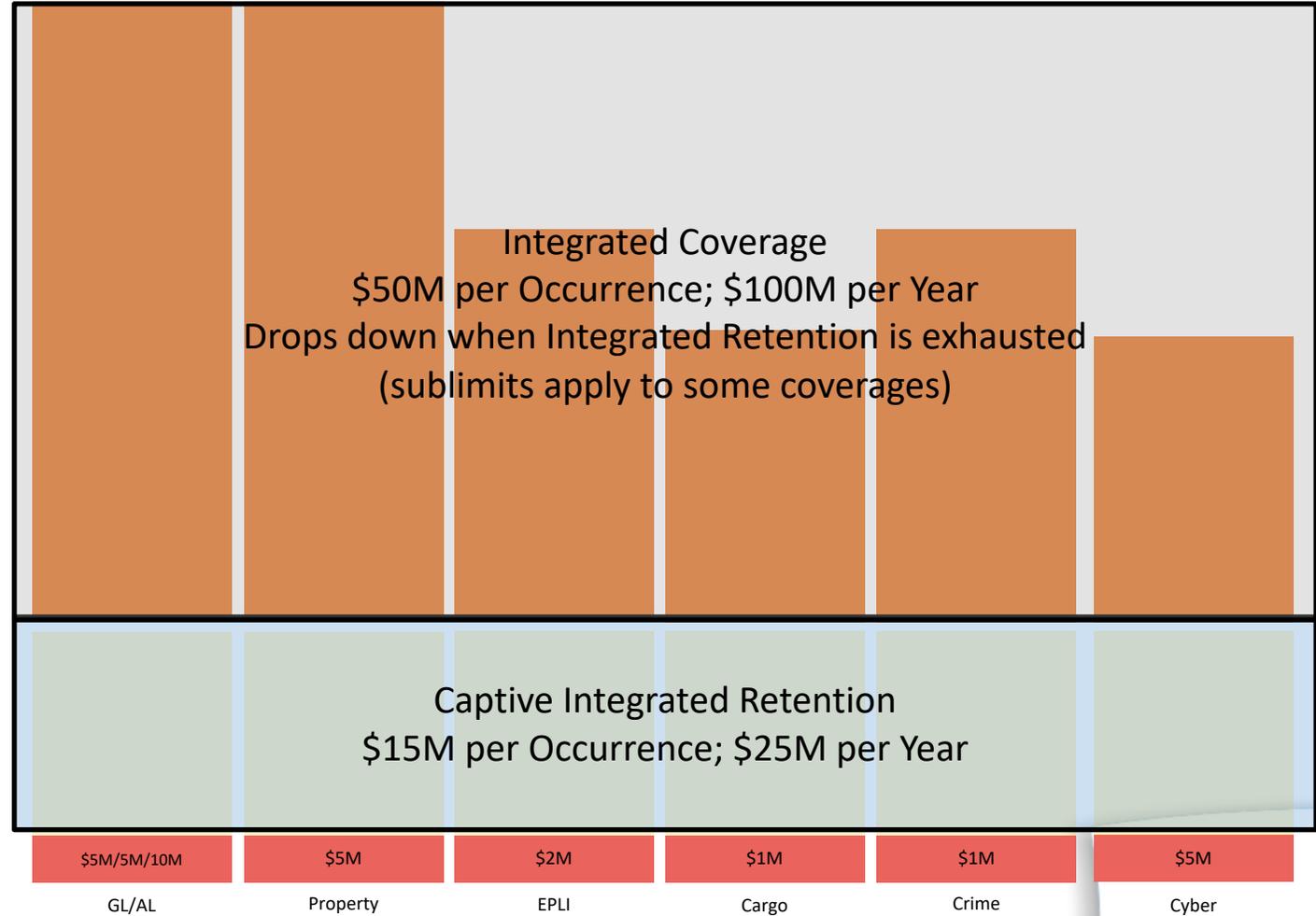
Innovation



Reduced volatility



Increased stability

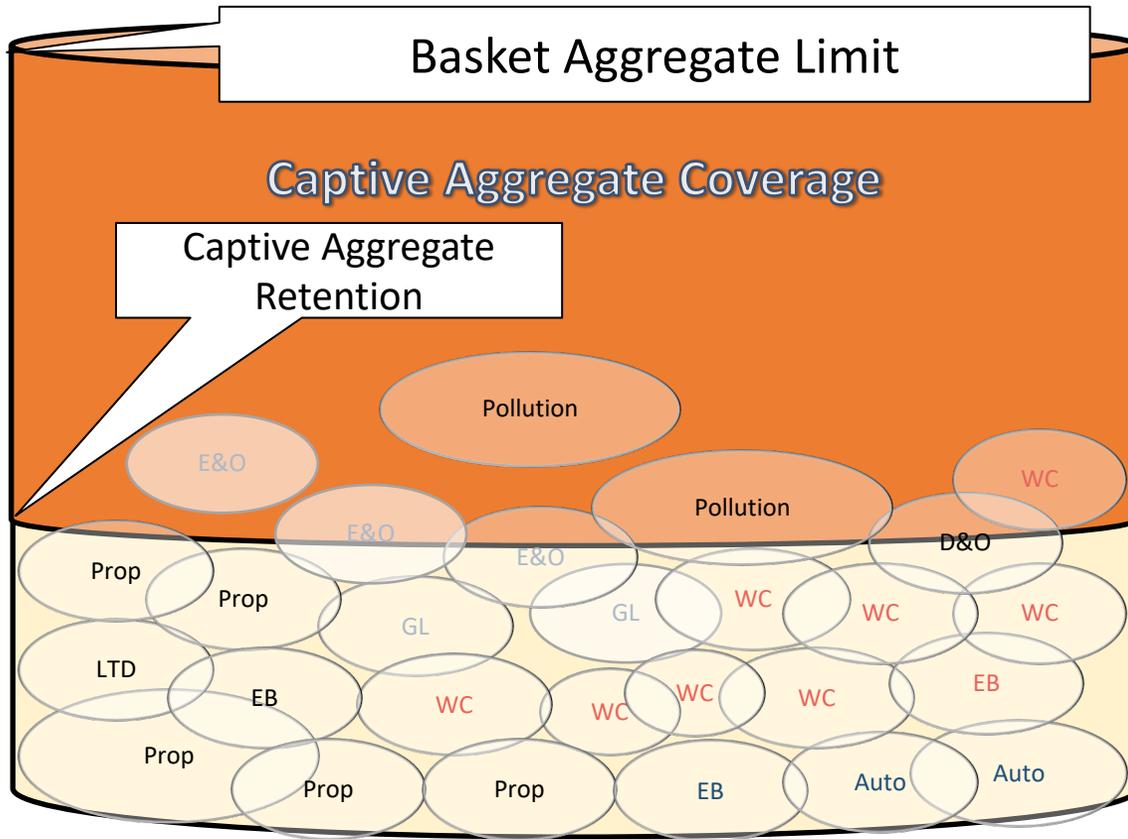


-  SRS Integrated Program
-  Integrated Retention
-  Local Deductible/SIR/Primary Casualty Program



Captive Aggregate Stop Loss

Covers Retained Total Losses over the Basket Aggregate Retention up to the Basket Aggregate Limit



- Coverage provides protection excess of aggregate attachment for SIR/Deductible combined for multiple LOBs
- If the combined losses within the retentions exceeds the basket aggregate attachment, then Zurich pays the difference
- Other names – Aggregate Stop Loss, Multi-line Stop Loss, Cross Class Aggregate, Second Event Coverage
- Drop down provision is similar to having an aggregate stop loss
- Can be used to **optimize** insurance retentions:
 - With a basket aggregate in place customers can safely increase per line deductibles without creating too much risk
 - Premium savings and a lower total cost of risk





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