

Voluntary benefits can drive new captive formations – Kirk Watkins

Writing voluntary employee benefits should not only be considered by existing captive owners, according to Kirk Watkins, BeneCap practice leader at Trion Group, a Marsh & McLennan Agency, LLC Company.

Watkins has been working closely with Arthur Koritzinsky, of Marsh Captive Solutions, on the development of the BeneCap voluntary benefits solution for captive insurers since November 2015 and has been marketing the product for just over a year.

“From the risk management standpoint, we haven’t had a risk manager that has said they don’t like it or they don’t want to do it,” Watkins told *Captive Review*.

“They are either in the process of moving forward or they have other priorities they want to deal with before moving to the next stage. The value proposition is very well received.”

Voluntary benefits are the add-ons that employees can opt into as part of their employer’s plan. If the employer’s captive is taking part in the reinsurance structure then it can share in the profit, while also bringing down the premium level for the insureds.

“You can offer the same benefits coverage for lower premium, or offer more coverage for the same premium,” Watkins added.

“The HR and benefits department has a deal that not only attracts, but also retains existing employees. For the risk manager third party premium is being added to the captive and it can drive a profit.”

Watkins explained while the “path of least resistance” was found at the larger employers who already offered voluntary benefits and may already use a captive for other lines, he was also working with prospective captive owners.

“We have prospects who have been considering forming a captive for quite some time,” he said.

“The opportunity to have low risk and profitable business in a new captive provides them with an understanding of how it all works for one to two years. Then they can consider adding a layer of their property and casualty.

“If you look at how this business fundamentally works, it provides a very predictable base to build your captive from. There is no chance of catastrophic loss.”

Public and private firms have expressed interest in the solution and Watkins is also working with several public state universities.

Not all of the benefits written through the programme require Department of Labor approval – home product warranty, mobile device protection and pet insurance, for example.

“Part of the plan is being able to offer handset insurance or other benefits at a steep discount,” Watkins added. “The concept of being able to offer that to students and giving them a 30% discount on what they are already paying is very attractive. And for the captive it is very low risk.”