

Drive to expand scope of employee benefits

INCREASINGLY, life insurance brokers are being called on by their clients to play a more strategic role in the employee benefits arena.

Today's insurance broker is part risk consultant, part business adviser and this necessitates assessing all aspects of clients' risks and offering the broadest possible range of solutions, says Herman Schoeman, MD of Guardrisk.

He says that cell captive insurance has been around since the early 1990s. It was initially evident in the short-term sector but, for the past decade, life cell captives have been making inroads into the employee benefits market in SA.

"Life brokers are increasingly embracing alternative risk transfer (ART) solutions, such as cell captives, as their clients are calling for innovative employee benefit programmes. Over the past three or four decades little has changed in the traditional employee benefit space. However, corporations have a newfound sense of creating increased value for employees and feel it's no longer only about remuneration.

"The drive to improve employee benefits is partly motivated by corporations' genuine desire to do the right thing by their employees and partly by SA's dire skills shortage."

Traditionally, Schoeman says companies tried to optimise their spend on risk benefits so that they could increase their eventual spending on better retirement funding.

"But now they realise that within the cell captive concept they can access underwriting profits and create reserves, which allows them much more freedom to provide significantly improved and customised benefits to their staff. For instance, reserves could be used to create wellness programmes.

"But it's not a case of having to choose between traditional or alternative risk transfer solutions: these days brokers commonly combine the two solutions to offer their clients the best both have to offer.

"Internationally, in America and Europe there has been a marked increase in the number of employers placing their employee benefit programmes into captives and cell captives. This trend has started in SA and is expected to increase.

"At the forefront of this development will be the insurance broker, spearheading the move to employee benefit programmes that serve as key competitive differentiators for their clients," says Schoeman.