

# Heinz catches up with growing trend of captive benefits

By Jerry Geisel

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WASHINGTON—One of the nation's best-known consumer food products manufacturers is asking the Labor Department for permission to fund employee benefit risks through its Vermont captive, while the U.S. affiliates of a huge U.K.-based pharmaceutical company have received regulatory clearance to do the same.

Last month, Pittsburgh-based A.J. Heinz Co. filed an application with the Labor Department to use its Vermont captive, Heinz-Noble Inc., to reinsure group term life insurance policies written by Minnesota Life Insurance Co. The transaction would cover about 9,300 individuals, mostly hourly employees and retirees.

Heinz, which in 2004 generated more than \$8.9 billion in revenues, has about 41,000 employees worldwide, including more than 10,000 in the United States. The company now uses its captive to fund a variety of property/casualty risks for Heinz and related companies. In its most recent fiscal year, Heinz-Noble generated just over \$13 million in net premiums.

In its application, Heinz said the transaction would enable its term life insurance plans to provide benefits "in a cost-effective manner."

Meanwhile, last week, the Labor Department gave final approval to the U.S. affiliates of AstraZeneca P.L.C. to fund benefit risks through the pharmaceutical manufacturer's 11-year-old Vermont captive, A-Z Mont Insurance Co.

AZ-Mont will reinsure long-term disability policies written by Metropolitan Life Insurance Co. and life insurance and accidental death and dismemberment policies written by Prudential Insurance Co. of America. MetLife will retain 10% of the LTD risk, while Prudential will fully reinsure the life and AD&D risk with A-Z Mont.

A-Z Mont now is used by AstraZeneca to fund property/casualty risks in the United States and Canada. Last year, A-Z Mont, which is owned by AstraZeneca U.K. Ltd., the main operating unit of AstraZeneca P.L.C., generated about \$15.5 million in premiums. Funding life insurance, AD&D and LTD risks for more than 12,000 participants will funnel about \$3.8 million in additional premiums to the captive.

AstraZeneca executives earlier said advantages of the captive benefits funding arrangement include improved cash flow, greater flexibility in plan design and, over the long term, cost-savings.

A third employer, AGL Resources Inc.-an Atlanta-based natural gas distributor-is awaiting Labor Department action on its proposal to fund benefit risks through the Hawaii branch of its British Virgin Islands-domiciled captive.

And in the months ahead, more employers likely will expand their captives' books of business to cover employee benefit risks, experts say.

"Employee benefits captives have clearly entered the mainstream of risk management strategy," said George O'Donnell, senior vp-benefit of funding strategies at Aon Consulting in Somerset, N.J., which filed Heinz's application with the Labor Department.

Aside from AstraZeneca's request, the Labor Department in 2005 approved benefit captive funding applications filed by Alcoa Inc. in Pittsburgh and Sun Microsystems Inc. of Santa Clara, Calif. Between 2000 and 2004, five other employers received Labor Department approval to fund benefit risks through their captives.

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